ECONOMIC ENGAGEMENT OF RELIGIOUS ETHICS IN A GLOBAL ECONOMY: THE RISE OF ISLAMIC CAPITAL IN CENTRAL ANATOLIA AS A NEW ECONOMIC POWER, 1980-PRESENT

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A Dissertation submitted to
the Faculty of Graduate Studies and Research
in partial fulfillment of the requirements
of the degree of Doctor of Philosophy

Institute of Islamic Studies
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Montreal
January 2011

ABSTRACT

Title: **Economic Engagement of Religious Ethics in a Global Economy: The Rise of Pious Muslim Entrepreneurs in Central Anatolia as a New Economic Power, 1980- Present**

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This study attempts to clarify the role of religious values in the rise of new pious Muslim entrepreneurs in Turkey, based on field study carried out in Kayseri from 1980 to the present. It particularly attempts to account for the influence of religion on the work ethic of these entrepreneurs, popularly known as "Anatolian Tigers." To achieve the goals of this research, in-depth interviews were held with thirty Turkish business people from both religious and secular backgrounds. The qualitative data was interpreted by using a discourse analysis technique. In this research, special attention is given to the evolving power balance between the secular elite and the new pious economic class, which replaces to some extent the earlier polarization between the republican elites and the people. The new pious economic elite is following a path of modernity by directly addressing needs that have been ignored by the secular republican project and its elites. The case of Turkey indicates that Westernization is not the only possible path to modernity. This new development, if indeed it continues, may prove to be one of the most important transformations determining the future of Turkey. The study also seeks to analyze the compatibility of the work ethic of pious entrepreneurs with capitalism in the case of Kayseri. This work will illustrate the impact of local heritage and religious values on modern economic activity.

RÉSUMÉ

Titre:	L'engagement économique de l'éthique religieuse dans une économie globale: l'essor d'entrepreneurs musulmans pieux dans l'Anatolie centrale comme nouveau pouvoir économique, 1980- Présent.
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Degré:	Doctorat

Cette étude vise à clarifier le rôle des valeurs religieux dans l'essor de nouveaux entrepreneurs pieux en Turquie, fondé sur une enquête sur le terrain menée à Kayseri (1980- Présent). Elle essaie en particulier à expliquer l'influence de la religion sur la morale de travail chez ces entrepreneurs, connus sous le nom de «tigres anatoliens». Pour atteindre les buts de ce travail, des entrevues approfondis étaient tenus avec une trentaine de dirigeants d'entreprises turques de formations variées. Les données qualitatives ont été interprétées en utilisant la technique de l'analyse de discours. Dans cette recherche, une attention particulière est prêtée à l'équilibre de pouvoir évoluant entre l'élite laïque et la nouvelle classe moyenne religieuse, ce qui remplace dans une certaine mesure la polarisation antérieure entre les élites républicaines et peuple. La nouvelle classe moyenne pieuse s'engage à bâtir son propre chemin à la modernité en affrontant les besoins non reconnus par le projet républicain séculaire et ses élites. Le cas de la Turquie révèle que l'occidentalisation ne constitue pas le seul chemin vers la modernité. Ce nouveau développement, s'il continue, sera parmi les plus importantes transformations à déterminer le futur du pays. L'étude cherche aussi à analyser la compatibilité entre le moral de travail chez les entrepreneurs pieux et le capitalisme dans le cas de Kayseri. Ce

travail va illustrer l’impact de l’héritage local et les valeurs religieuses sur l’activité économique.

ACNOWLEDGEMENT

Upon the completion of this thesis, I wish to express my gratitude to a number of people whose material and moral support have greatly contributed to the realization of this project. First and the foremost, I would like to acknowledge the readiness of my thesis supervisor, Professor A. Üner Turgay, who has constantly encouraged me in my research and allowed me the independence that I desired to accomplish this work. He has given me such valuable advice, comments and criticism throughout the course of my research. I have relied on his advice and guidance, both personal and academic.

I wish also to thank Professors Wael Hallaq and Bilal Kuşpınar, for introducing me to the many branches of Islamic studies and for making it a pleasure to attend their lectures. I owe special thanks to Salwa Ferahian of the Institute of Islamic Studies Library for her invaluable help. I would like to thank Murat Yerlikhan, who provided me with many documents, newspapers, and articles about Kayseri. He was also the contact person who kindly arranged interviews with many entrepreneurs and workers in Kayseri. Without his help, it would not have been possible to conduct my interviews. I also thank Steve Millier and Charles Fletcher for helping me with the editing of this dissertation. I would also like to extend my special thanks to Hasher Majoka for his valuable comments as a friend and editor. Finally, I need to express my eternal gratitude to my husband Şefik Özoral. This thesis could not have been completed without his endless support.

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INTRODUCTION

Over the past few decades, Turkey has experienced a process of neo-liberal restructuring in socio-economic and political realms.[1] This process was initiated by Prime Minister Turgut Özal, a pro-Western politician and a practicing Muslim. His revolutionary economic reforms during the 1980s transformed the Turkish economic system from quasi-socialism to full-fledged capitalism. These structural developments caused a change in the classical balance between socio-economic and political powers by weakening state forces which had favored the long established secular economic elite. Of all these developments, the most widely noted and transformative was the economic developments

[1] Until the 1980s, Turkey's economy was associated with a type of capital accumulation, which was mainly oriented to the domestic market, named import-substitution industrialization. The instruments of economic policy, such as protectionism, state involvement, regulated markets, etc., were the main pillars of this orientation. Beginning in the 1980s, a new orientation of export-led growth began to be imposed on the economy. Since then there has been widespread restructuring of economic policy and neo-liberalism has become the new order of the day. This new order has brought increasing foreign trade, interest rate liberalization, deregulation, privatization, decreases in state expenditures on social services and a liberal foreign exchange regime, instead of the state interventionism of the previous period. See, H.Gülalp, *Kapitalizm, Sınıflar ve Devlet* (İstanbul: Belge Yayınları, 1993), 93; Balkan, N. & Savran, S., "Introduction" in Balkan, N. & Savran, S. (eds.) *The Ravages of Neoliberalism: Economy, Society and Gender in Turkey*, (New York: Nova Science Publishers Inc., 2002), 13-20. Neo-liberalism can be explained as a set of economic policies that have become widespread over the last three decades. Activist authors Elizabeth Martinez and Arnoldo García argue that "although the word is rarely heard in the United States, you can clearly see the effects of neo-liberalism here as the rich grow richer and the poor grow poorer. Around the world, neo-liberalism has been imposed by powerful financial institutions like the International Monetary Fund (IMF), the World Bank and the Inter-American Development Bank and the capitalist crisis over the last 25 years, with its shrinking profit rates, inspired the corporate elite to revive economic liberalism. That's what makes it 'neo' or new." See Elizabeth Martinez and Arnoldo García, "What is "Neo-Liberalism"? in *Global Economy* 101, internet edition February 26th, 2000. Neoliberalism is defended by economist David Harney as "in the first instance a theory of political economy practices that proposes that human well-being can best be advanced by liberating individual entrepreneurs' freedoms and skills within an institutional framework characterized by strong private property rights, free markets and free trade. The role of the state is to create and preserve an institutional framework appropriate for such practices without venture. State intervention in markets should be keep to a bare minimum because, according to the theory, the state cannot possibly possess enough information to second-guess market signals and because powerful interest groups will inevitably distort and bias state intervention for their own benefit." David Harvey, *A Brief History of Neoliberalsim* (Oxford: Oxford University Press, 2005), 2. See Francis Fukuyama, *America at the Crossroads: Democracy, Power and the Neoconservative Legacy* (New Haven, Connecticut: Yale University Press, 2006), 12-66.

within religious groups.[2] By the end of the 1990s, this new class of entrepreneurs who sought guidance from Islamic principles while believing in democracy and a free market had become the dominant actors in political, social and economic domains. Consequently, the rise of the new religiously oriented entrepreneurs, called the "Anatolian Tigers," in the cities of Central Anatolia, has led to a re-evaluation and renewed interest in the compatibility of Islam and capitalism in Turkey.[3] It can be argued that the "Anatolian Tigers" have become a driving force in the emergence of an alternative modernization process in Turkey. This dissertation explores the rise of pious Muslim entrepreneurs in Turkey over the last three decades by contextualizing this phenomenon in the social history of Turkey in the Twentieth Century, and by identifying and evaluating the social, economic and cultural factors responsible for its emergence. This study also seeks to analyze how a growing economy and a new business class will be more important than extremist ideologies in determining how Muslim societies interact with the rest of the world. As such, this dissertation is a combination of historical analysis and insightful evaluation of the rise of religiously conservative entrepreneurs in Turkey.

For this purpose I have chosen to focus on the central Anatolian city of Kayseri as a microcosm of Turkish society. My preference has been to work particularly on the development of the "Anatolian Tigers" in Kayseri because this city was one of the most important trade centers on the "Silk Road." More crucially, a living *Sufi* tradition of community consultations in existence since the Ottoman period has contributed to the emergence of "Anatolian Tigers" and as such represents a very particular local socio-

[2] For the purpose of this study, when I use the term, religious/pious and I refer to *Sunni* Muslims who form the majority of the population of Turkey. Again when I use the term "religious" I mean Sunni Islam.
[3] In order to avoid repetition, the terms; "Anatolian Tigers," and "religiously conservative/pious entrepreneurs," as well as "new religiously oriented entrepreneurs," are used interchangeably in this study.

economic tradition that has evolved over the centuries.[4] The tradition of economic ethics within guilds was embodied by the Sufi brotherhoods and this ethos has managed to survive into the modern era. Kayseri has one of the most impressive economic performances amongst the Anatolian Tigers. The economic life of the city is well known for its specific tradition and skillful entrepreneurs, since very early times. This is another reason for the choice of this particular city as the subject of a socio-economic analysis. Aside from these characteristics, Kayseri also is the leader among the Anatolian Tigers in terms of exports; specifically in textiles, furniture, metal and many other industrial products. The Islamist-rooted ruling party, the AKP, the Justice and Development Party (*Adalet ve Kalkınma Partisi*) has received the highest percentage of votes from Kayseri in the two last decades. The local economic ethic and tradition is effective in small and medium entrepreneurships while rigid rules and more formal relations work for the larger economic institutions. In this regard, Kayseri is amenable to research on local development generated by these types of entrepreneurs, who have achieved success through collective efficiency and flexibility of networking.

My inquiry into the development of the "Anatolian Tigers" since the 1980s examines the ideology of Muslim-capitalists and their way of life in a socio-economic context. This dissertation seeks to examine the social, cultural and especially religious factors that have contributed to the rise of a new entrepreneurial profile in Anatolia, in

[4] Kayseri was the centre of the *Ahilik* organization. Like the "corporations" of craftsmen and guilds of artisans that formed communities in Europe in ancient times and in the Middle Ages, the "*Ahi* (Brotherhood) Organization" in the Ottoman Empire served to group together craftsmen for mutual support. The *Ahilik* organization was established in the early Thirteenth Century as a necessary result of the historical events in Anatolia. The Ottoman guilds and artisans reflected the type of religiosity and the "economic ethic" that was developed by Sufism. The Ottoman version, in particular, was the *Ahi* tradition. Until the second half of the 19th Century, this organization was responsible for the economic, social, moral, and political harmony in Turkish society. Zafer Özcan, "Akla ve Paraya İhtiyacı Olmayan Şehir" *Aksiyon* vol.14, no. 571 (November, 2005): 64-67.

general, and in the city of Kayseri, in particular. The study examines the extent to which religious values, along with other economic, political and social factors, have influenced the thinking of religiously inclined entrepreneurs as they engage in economic activities in a capitalist market. More specifically, this dissertation analyzes the compatibility of modern capitalism and Islam in the context of Kayseri, a traditionally religious Anatolian city, through a quantitative analysis, and by placing it in its historical context.

Significance

Because Turkey, among all other Muslim countries, enjoys the distinction of having successfully established a secular state, the emergence of these "pious entrepreneurs" has come under close scrutiny from İstanbul's secular-rooted elites as well as from foreign observers. Researchers, journalists, and academics have traveled to the region and tried to analyze the new model of economic development taking place in smaller Anatolian cities compared to large cities, such as İstanbul, İzmir and Ankara.[5] Many of these observers describe Kayseri as an excellent case study in its role as the hometown of new pious entrepreneurs. They analyze the rise of this new class of pious Anatolian entrepreneurs by focusing on Weber's thesis, but without sufficiently emphasizing the specific traditional economic 'ethics' peculiar to the region.[6] In addition, Islam represents another cultural

[5] Davut Dursun, *Yeni Şafak,* January 24, 2006, http://yenisafak.com.tr/Arsiv/2006/Ocak/24/ddursun.html Cüneyt Ülsever, "Is Islam compatible with capitalism?," *Hürriyet* January 24, 2006, http://www.esiweb.org/pdf/esi_turkey_reactions_id_23a.pdf

[6] Taha Akyol, "Islamic Calvinists!" *Milliyet,* (January 27, 2006), 4, Asiya Lodhi, "Turkish toil brings new form of faith, "*BBC Radio 3,* (March 13, 2006). Max Weber's, *The Protestant Ethic and the Spirit of Capitalism*, is a well known study about the relationship between the ethics of ascetic Protestantism and the genesis of the spirit of modern capitalism. Weber claims that the Calvinists played the most critical role in the emergence of a capitalistic spirit. Weber seeks to understand the source of the spirit of modern capitalism. According to him, the Protestant concept of the worldly "calling" gives worldly activity a religious character. In his book Weber emphasizes that Protestantism was one contributing factor. He adds that capitalism itself was influenced by the development of religious ideas. Max Weber, *The Protestant Ethic and the Spirit of Capitalism* (New York: Charles Scribner's Sons, 1958).

context with its distinct and separate homogenizing and rationalizing effects. Therefore, in order to explain the present economic transformation in Anatolia, it is important to look at the continued influence of the historic trend towards Sufi brotherhood asceticism among earlier Muslim merchants in Anatolia and the impact of *Ahi* organizations, including contemplative dervish religiosity, on the guilds and tradesmen from an historical perspective.

The rise of a new conservative entrepreneur profile among the religious groups in Turkey, specifically in Kayseri, can be conceived as an integration of Islamic values in a capitalist market economy. Although they have a well developed heritage of skill in trade and commerce, Kayseri's traditional merchants, for the most part, operate small businesses and family owned firms. Since the 1980s, new neo-liberal policies have affected religious groups and even the sheikhs of some Sufi orders have founded companies and established holdings. Islamic discourse has also been transformed to reflect the general atmosphere of the country in its present socio-economic and political conditions.

This new socio-economic force has risen in combination with conservative cultural and religious codes. Thus, it is possible to claim that Turkey is experiencing a deep and radical change not only in the economic, but also in the cultural realm. These new pious entrepreneurs are not as fully engaged with the state as the long established economic elites, but instead focus their economic activities in the religiously and culturally conservative cities and towns of central Anatolia. Over the last three decades there has emerged a shift from the dominance of political-bureaucratic forces to informal economic and social networks in Turkey. The Turkish situation offers a comprehensive picture of what Islamic capital can encompass, including Islamic partnerships, holding

companies, banks and business associations, and also how it can be effectively integrated within the democratic framework by adopting a "Muslim ethics" compatible with capitalism.[7] In the case of Kayseri, the success of pious Muslims in economic life has provided them with the benefits of a modern global market without endangering the existing secular system and the Westernized elite.

In this work, I rely on Zygmunt Bauman's concept of "liquid modernity" to indicate the process of transformation of Islamic discourse in the economic realm. *Liquid modernity* is Bauman's term for the present condition of the world as contrasted with the "solid" modernity that preceded it. According to Bauman, the passage from "solid" to "liquid" modernity has created a new and unprecedented setting for individual life pursuits, confronting individuals with a series of challenges never before encountered. Although his work on post-modernity can be treated as being indirectly relevant to the critique of economic development, it is possible, in this case, to use it to address the circumstances of social change in terms of the interplay between the solid and liquid aspects of modernization. Liquid modernity was proposed as a more apt term for making sense of changes as well as continuities in modernity. This study tries to determine whether the concept of "liquid modernity" provides a more sufficient explanation for the development agenda of modernizing societies.[8] As Marx famously said, people make

[7] In Turkey, Islamic capital can be determined as a new and interesting phenomenon which has appeared in recent decades: what some call Anatolian Tigers. The economic formation originated in those business circles that disapprove of interest and interest-based financial institutions. Islamic capital is represented by religiously oriented entrepreneurs who have been very active in the Turkish economy over the last three decades. Ömer Demir; Mustafa Acar; Metin Toprak "Anatolian Tigers or Islamic Capital: Prospects and Challenges," *Middle Eastern Studies* vol.40, no. 6 (July 2006):166 - 188.

[8] The concept of liquid modernity proposed by Zygmunt Bauman suggests a rapidly changing order that undermines all notions of durability. He says "social forms and institutions no longer have enough time to solidify and cannot serve as frames of reference for human actions and long-term life plans, so individuals have to find other ways to organize their lives. In the field of development, such a concept challenges the meaning of modernization as an effort to establish long lasting structures." Zygmunt Bauman. *Liquid Modernity* (Cambridge: Polity, 2000), 63-66.

history but not under conditions of their own choice. When this is applied to Muslims today, who are subject to the irresistible influence of modernity, the big question comes down to the compatibility of modern capitalism and Islam: Can Muslims be masters of their own destinies under the dominance of the modern global economy?

Literature review

In recent years many scholarly works have appeared which focus on the rise of Islamic capital in the global economy and specifically in Turkey. The most important comprehensive works dealing with the subject are Timur Kuran's *Islam and Mammon - the Economic Predicaments of Islamism*[9] and Charles Tripp's *Islam and the Moral Economy*.[10] There are also the works by Warde, Gülalp and Nabil.[11] Garreth's *Political Islam in Turkey* and Atasoy's *Turkey, Islamists and Democracy* provide a comprehensive picture of Islam's influence on modern Turkish social and economic life.[12] Although these books yield significant information on Islamists and the economy in Turkey, they do not focus on the origins and political impact of the emergence of Islamic business. These works are mainly concerned with the impact of domestic politics and economics upon the development of Islamization in Turkey, while ignoring Islamists' alternative vision of modernization and globalization.

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[9] Timur Kuran, *Islam and Mammon – the Economic Predicaments of Islamism* (Princeton: Princeton University Press, 2004).
[10] Charles Tripp, *Islam and the Moral Economy – The Challenge of Capitalism* (Cambridge: Cambridge University Press, 2006).
[11] Ibrahim Warde, *Islamic Finance in the Global Economy* (Edinburgh: Edinburgh University Press, 2000); Saleh Nabil, *Unlawful Gain and Legitimate Profit in Islamic Law* (Cambridge: Cambridge University Press. 1986); Haldun Gülalp, "Globalization and Political Islam: The Social Bases of Turkey's Welfare State," *International Journal of Middle East Studies*, vol. 33, no. 3, (August 2001): 33-43.
[12] Mehmet Genç, *Osmanlı Devleti ve Ekonomisi,* (İstanbul: Ötüken, 2000); Garreth Jenkins. *Political Islam in Turkey* (Palgrave Macmillan, 2008); Yıldız Atasoy, *Turkey, Islamists and Democracy* (London: Tauris, 2005).

There are few scholarly works that focus particularly on the rise of Islamic capital in Turkey. Of these, the leading study was written by Professor of Economics Ayşe Buğra, which examines the socio-economic and political dynamics behind the rise of Islamic enterprises by placing the latter within the context of certain global changes in production and trade patterns. She highlights two concepts that are central to her thesis. First, the economic policy discourse in Turkey is closely related to the logic of "flexible production," which appears to have replaced the prior regime of "Fordist mass-production" and has generated novel dynamics of regional industrialization. Second, these developments imply not only changes which are strictly economic in character, but are also a transformation in management structures, relations of production, and state-business relations.[13]

Hakan Yavuz, professor of political science, provides another dimension to this field by analyzing the process of development of Islamic activism and Islamic enterprises in Turkey. He seeks to tell the story of religiously and culturally conservative groups focusing in particular on how economic and political changes following the ascent to power of Turgut Özal's pro-market economic regime in 1983 opened up new opportunity spaces, such as social and economic networks and vehicles for activism and the dissemination of meaning, identity, and cultural codes. Yavuz argues that transition to a multi-party system, urbanization, industrialization, and the implementation of liberal reforms after the 1980s empowered Islamic groups to manifest a religious activism. Yavuz further questions how this Islamic identity affected political and economic

[13] Ayşe Buğra, "The Claws of the "Tigers," *Private View, Double Issue* vol. 1/2, no. 4/5, (Autumn: 1997): 1-8.

development. He argues that the modern Islamic identity has been shaped by economic liberalization, an expansion of education and urbanization.[14]

Sociologist Nilüfer Göle is an eminent scholar who analyses and explains the contemporary debate between Islamism and secularism in Turkish society. Göle claims that Turkey is a rare example in the Middle East where democracy has been successful. She also adds that since the 1980s, under the liberal policies of President Turgut Özal, a market economy and the privatization of mass media has appeared in Turkey. As a result, according to Göle, civil society has expanded and non-governmental organizations have proliferated. Göle goes on to say that the debate between the long established secularist and religiously conservative elites is taking place in an environment which benefits from a multi-party political system and freedom of speech, which together provide the best defense against authoritarian rule and totalitarian practices. In short, Göle claims that although there is a conflict between Islamism as a political movement and the long established secular elites, secularization has shaped the identities and practices of the new Islamist actors and that it is in the widening of the public sphere of debate between Islamists and secularists that the basic principles of democracy are defined.[15] She further points out that the public visibility of Islam supports new ways of imagining a collective self and a common space that is distinct from the Western liberal self and progressive politics. Finally, Göle indicates that exploring these Islamic practices in the socio-

[14] Hakan Yavuz, *Islamic Political Identity in Turkey* (Oxford: Oxford University Press, 2003), 81-103.
[15] Nilüfer Göle, "Authoritarian Secularism and Islamist Politics: The Case of Turkey," in Augustus Richard Norton, (ed.), *Civil Society in the Middle East* vol.2, (1996): 17-43; *The Forbidden Modern: Civilization and Veiling* (Ann Arbor: University of Michigan Press, 1996), 57-83.

economic sphere will provide us with understanding of the new social imaginations and the transformations of societies in a non-Western context.[16]

Another well known Turkish scholar, Prof. Binnaz Toprak argues that the Islamic movement is an attempt to find a space for themselves in the status hierarchy of Turkish society, especially in political, intellectual and economic realms.[17] Toprak says that over the last three decades the emergence of the Islamic movement in Turkey has come from the lower-middle class in urban areas. She adds that since religiously conservative groups have the opportunities to share economic wealth and political influence, they have no interest in the discourse of Islamic fundamentalism.[18] Toprak also argues that this cultural division in Turkey is a result of class conflict and that the success of the religious entrepreneurs has been a reaction and response to the long established practice of the secular elite to restrict publicity by limiting advertisements, preventing shopping, posing difficulties in public tenders, boycotting businesses and providing intermediary services.[19]

These academic works are among the most important studies on the development of Turkish Islamic economic activities. However, the crises and conflicts of transformation from a rural-based economic tradition to a capitalist economic system have not been fully analyzed, even though this transformation process is depicted as normal and even laudable in these works. There has, thus far, been little published material that assesses the compatibility of capitalism with the values and moral codes of the Turkish people.

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[16] Göle, "Islam in Public: New Visibilities and New Imaginaries," *Public Culture* no.14, vol.1 (2002): 173-190.
[17] Binnaz Toprak, "Islam and the Secular State in Turkey" *Turkey, Political, Social and Economic Challenges in the 1990s*, Çiğdem Balım (ed.), (New York; Leiden: Brill, 1995), 95-96.
[18] Ibid.
[19] Toprak, *Being Different in Turkey* (İstanbul: Boğaziçi University, Open Society Foundation, 2009), 146.

Methodology and the Theoretical Framework for the Study

About the Interviewing Technique

> *If all the problems of question wording could be traced to a single source, their common origin would probably prove to be in taking too much for granted*.[20]

The main focus of this thesis is an analysis of the positions of the subjects (the entrepreneurs of Kayseri), which is conducted by exploring different aspects of their culture. The aim of the study is to analyze the pious entrepreneur's conception of religion, because a believer's religious values are, in part, determined by his/her social, economic and cultural frameworks. More specifically, I investigate the influence of Islamic religiosity on the perception of economic ethics and moral judgment among pious businessmen in Kayseri, through interviews with select businessmen. To this end, the thesis seeks to explore how Islamic ethics along with other economic, political and social entities, motivate the pious entrepreneurs in their attempts to establish businesses and share in the benefits of the capitalist market economy.

The range of the study is broadened to include an exploration of Kayseri's path-dependent institutions, networking of social relations and clustering of firms. The organization of local institutions and industries is examined in this context by using field interviews with local industrialists and officials. Furthermore, the documentation and data obtained from the Kayseri Chamber of Industry sheds light on some of the peculiar characteristics of this city. As this chapter focuses on an analysis of the businessmen of Kayseri by exploring different aspects of their culture, it would be helpful to look at a definition of culture.

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[20] Andrea Fontana and James H. Frey, "Interviewing" *Handbook of Qualitative Research* ed. by Norman K. Denzin and Yvonna S. Lincoln, (California, London, New Delhi: 1994), 361.

Culture has been defined in various ways; Professor G. Hofstede treats culture as "collective programming of mind which distinguishes the members of one human group from another."[21] In this sense, culture includes systems of values and values are among the building blocks of culture.[22] As anthropologist Marvin Harris says: "The culture concept comes down to behavior patterns associated with particular groups of peoples, that is, to "customs" or to a people's "way of life."[23] As he argues, culture can be defined as a constitutive base for common practices and signs.[24] In order to understand the anatomy of the new Anatolian economic elites, this chapter will analyze culture in terms of various representations like preferences, attitudes, goals, values and opinions of religiously conservative entrepreneurs.

In this study the qualitative analysis method is used to deal with the concept of culture and of local values. Qualitative research is a method of investigation appropriated by many different academic disciplines, particularly in the social sciences.[25] This research method provides an in-depth understanding of human behavior and the motivations that govern such behavior. For this reason qualitative analysis can be used to research a person's life, including past experiences, behaviors, emotions, and feelings as well as organizational functioning, social movements, cultural phenomena, and interaction between different groups.[26] Eminent scholars Anselm Strauss and Juliet Corbin stress the

[21] Hofstede says culture determines the identity of a human group in the same way as personality determines the identity of an individual. Cultural traits can sometimes be measured by personality tests. Geert Hofstede, *Culture's Consequences*, v.5 (Cross Cultural Research and Methodology Series) (California: SAGE Publications, 1980), 21.
[22] Ibid.
[23] Marvin Harris, *The Rise of Cultural Theory* (New York: Crowell, 1968), 16.
[24] Ibid.
[25] Pertti Alasuutari, *Researching Culture Qualitative Method and Cultural Studies*, (California: SAGE Publications, 1995), 2.
[26] Anselm Strauss, and Juliet Corbin, *Basics of Qualitative Research*: *Techniques and procedures for developing grounded theory* (Los Angeles, Calif.: Sage Publications, Inc., 2008), 11-12.

potential for the theory of development through interpretive procedures. Strauss and Corbin claim that the task of qualitative research is, "to understand what lies behind any phenomenon about which little is yet known" or "to gain novel and fresh slants on things about which quite a bit is already known."[27] They also claim that "qualitative methods can give the intricate details of phenomena that are difficult to convey with quantitative methods" indicating the usefulness of qualitative data in interpreting quantitative findings.[28] However, as Norman Denzin indicates, qualitative research, as a set of interpretive processes, privileges no single methodology over another, because qualitative research is difficult to define clearly.[29] Because of the challenges of this research, there is also academic and disciplinary resistance to qualitative research. Research that uses this method is defined as unscientific, or entirely personal and full of bias, and is therefore called criticism, not theory.[30] Qualitative research is criticized particularly by the positivists who defend "value-free objective science."[31] So, the politics of qualitative research creates a tension that informs each of the above traditions. This tension itself is constantly being re-examined, as qualitative research confronts a changing historical world, new intellectual positions and its own institutional academic conditions.[32] Nelson, Treichler and Grosberg defined qualitative research as a distinct set of methods or practices that are entirely its own.[33]It is an inter-disciplinary and trans-disciplinary and

[27] Ibid, 19. See also Susan Stainback, William Stainback, *Understanding & Conducting Qualitative Research* (Reston, VA: Council for Exceptional Children; Dubuque, Iowa: Kendall/Hunt Pub., 1988), 9-15.
[28] Strauss and Corbin, 19.
[29] See Norman Denzin and Yvonna Lincoln, eds. *The SAGE handbook of qualitative research*. Third ed. (Thousand Oaks: Sage Publications, 2005), 7.
[30] Ibid.
[31] Norman Denzin and Yvonna Lincoln, eds., *Communication as Culture: Essays on Media and Society* (Boston: Unwin Hyman, 1989), 104.
[32] Ibid.
[33] Nelson, C., Treichler, P., & Grosberg, L. eds. *Cultural Studies* (New York: Routledge, 1992), 2.

sometimes counter disciplinary field.[34] In this regard, sociologist Pertti Alasuutari claims that the qualitative method is a bridge between the humanities and the social sciences.[35]

Interpretive methodology on the basis of interviews and direct observation appears to be the most appropriate method for this study and a qualitative research method is used. Data is collected from interviews and observations, but written reports are also used in the interpretation process of the data.[36] As a research method, semi-structured qualitative interviews were used in this study. A semi-structured interview is a method of research used in the social sciences. Characteristics of semi-structured interviews can be identified as: the interviewer and respondents engage in a formal interview.[37] The interviewer develops and uses an 'interview guide.' This is a list of questions and topics that need to be covered during the conversation, usually in a particular order. The interviewer follows the guide, but is also able to follow topical trajectories in the conversation that may stray from the guide when he or she feels this is appropriate.[38] This technique is used to collect qualitative data by setting up a situation (the interview) that allows a respondent the time and scope to express their opinions on a particular subject.[39] During the interviews it is important that a relaxed, empathetic relationship develops

[34] Ibid.
[35] Alasuutari, 2.
[36] Sociologist Anselm Strauss says: "Data might consist of interviews and observations, but also might include documents, videotapes or films. There are also procedures that researchers can use to interpret and organize the data. These usually consist of conceptualizing and reducing data, elaborating categories in terms of their properties and relating through a series of prepositional statements. Another procedure is the analytical part of the process which includes no statistical sampling, writing of memos, and diagramming. Written and verbal reports make up the third component." Anselm Strauss and Juliet Corbin, 12. For more detailed information on research strategies, methods of collecting and analyzing empirical materials, and the interpretation process see, Denzin and Lincoln, "Introduction," 11-15.
[37] K. Louise Barribal, "Collecting data using a semi-structured interview: a discussion paper" *Journal of Advanced Nursing*, no.19 (1999): 328-335.
[38] Ibid.
[39] Denise G. Jarratt, "A comparison of two alternative interviewing techniques used within an integrated research design: a case study in out shopping using semi structured and non-directed interviewing techniques" *Marketing Intelligence & Planning*14, no.6 (Australia: MCB University Press, 1996): 6–15.

between the interviewer and the participant, and that probing does not cause bias in responses.[40] Semi-structured interview techniques generate responses in the form of rich verbal descriptions and allow the researcher to probe particular issues in depth.[41] In this research, qualitative data was derived from using semi-structured interviews with the businessmen, investors, owners of firms and workers. The semi–structured interview method provided first hand evidence concerning the economic, religious and cultural values of the entrepreneurs in Kayseri.

Research Questions

Semi-structured interviewing techniques offer two possible techniques for questioning participants. First, one can ask well-defined questions in a precise way to everybody that is interviewed. The second possibility is to follow a procedure which does not rely on any guidance, as a suitable method for cases where the researcher has little idea about the culture she is researching. As I was familiar with the socio-cultural environment of the study subject, I preferred the semi-structured interviews over the structured ones in that the former would provide me with some flexibility. Thus, in order to understand the 'economic ethic' of the 'Anatolian Tigers', I developed twenty five questions which can be found in Appendix A.[42] Different questions were asked to employers whom I interviewed, for instance: How possible is it to find a proper worker and a businessman with a strong spirituality? How many hours do you work in a day? Are you satisfied with

[40] Ibid.
[41] Ibid.
[42] As Richard M. Frankel, research scientist, points out, qualitative research design begins with a question. I designed a module with real individuals in mind, and with the intent of living in that social setting over time. Questions were prepared to understand the meaning of participant's own terms. There is agreement that good qualitative studies answer clearly stated, important research questions. Richard. M. Frankel, & Kelly J. Devers, "Qualitative Research: a Consumer's Guide" *Education for Health*, no.13 (2000): 113–123.

your salary? Do you have job security? Are you a member of a union?[43] I designed the questions with the intent of remaining with the subjects in that social setting over time. The intent is to understand the meaning of a participant's own terms. The research questions are not the same questions that are presented during the process of interviewing participants within the study. The research questions are open-ended, to allow the researcher to generate hypotheses from analyzing the collected data. These open-ended questions allowed informants "to tell their story." In this research I determined the following general procedure and considerations for preparing research questions. I asked one or two central questions followed by no more than 3 to 4 sub questions. I began the research questions with the words 'what' or 'how' to convey an open and emerging design, and focused on a single phenomenon or concept.

In this manner, more specific and narrow questions with entrepreneurs in Kayseri evolved and provided a clear direction for this study. For example: 1) questions concerning local religious and cultural values; 2) questions regarding local economic activity; 3) questions that relate to the background of local entrepreneurs; 4) questions related to beliefs and expectations of local people, but particularly entrepreneurs; and 5) questions pertaining to current local developments. The answers to these questions went towards understanding the general attitude of the entrepreneurs and also workers with respect to economic life, and thus helped to evaluate whether their religiosity affects their decisions and activity in economic life. Responses also provided a basis for interpreting the interaction between religious and cultural values at the local level and their impact on socio-economic development.

[43] I interviewed with five workers.

Interviews with the Muslim entrepreneurs of Kayseri are used for opinion gathering and survey research and were interpreted to analyze their 'economic ethics' and 'the character of the new socio-economic transformation' under related subcategories. The interviews relied on an interview guide that included a fixed set of questions; however, I (as interviewer) was allowed more flexibility to deviate from these questions and to investigate further based on interactions during the interview.

Data Collection, Analyses, Writing Process

This research was accomplished via a field study and by evaluating the data gathered from that process. The data that I collected was analyzed particularly in terms of "cultural-moral" factors. The questions guiding the study underline how Islam is 'located' in Kayseri. The approach to the interpretation of the readings and the data has therefore been shaped in an "interactive way" by this very process. Hence, the writing process was not a mechanical wording of the empirical findings but an interactive flow. In order to achieve accurate analyses, this study concentrates on understanding the relationship between economic development and cultural/religious change. Through the cyclic processes of analyzing the data, I focused on the role of Islam in the growing capitalism in Central Anatolia, and conducted comprehensive, semi-structured in-depth and open-ended interviews with participants. These interviews would help me glean and develop a more nuanced understanding of the economic changes in Anatolia since the mid-1980s, which signify varying degrees and modes of articulation of the globalization process. In order to conduct research interviews with entrepreneurs, employers and employees in holding companies in Kayseri, I visited their places of business, factories and company offices. The interviews were conducted in Turkish and no compensation was paid.

Contacting the Participants

In order to conduct the interviews for this study, I went to Kayseri at the beginning of the fieldwork. Before I arrived, I researched the names of the entrepreneurs in various industrial and economic sectors in Kayseri and prepared a list of candidates to interview. I interviewed entrepreneurs, employers and employees of the top holding companies. The companies were selected according to their contribution to Turkey's gross national product, company export levels, as well as the number of employees. Actually, there are many ways to gauge the importance of a company. For instance, the Turkish journal "*Ekonomist*" and TV station NTV Turkey have published two survey-reports regarding the top 100 firms in Turkey. My selection of holding companies was based on these publications. Therefore, I did not arbitrarily select different businesses and holding companies; instead, I focused on the most successful ones.

I was planning to contact them before arriving in Kayseri by making appointments, but it proved difficult to arrange formal contacts with the participants. Many participants had very busy schedules and were reluctant to meet with researchers because of some previous unpleasant experiences. Many businessmen said that some journalists and television producers had come to Kayseri for stories in recent years. Subsequently, in their publications or TV productions, Kayseri and its people were represented as radical Islamists. For example, PBS reporters took their photographs and shot videos during Friday prayers in mosques, but many of the businessmen did not appreciate an emphasis on their religiosity.[44] In this regard, I was fortunate to know a

[44] The situation can be watched in canal PBS -Anatolian Tigers-Kayseri www.pbs.org

person who assisted me in arranging appointments with entrepreneurs and even with workers in Kayseri. Such assistance proved invaluable, not only to schedule meetings, but also because the trust in the community that surrounded this individual proved essential in carrying out the interviews reliably. Many entrepreneurs added that if not for my contact person, they would not have granted my request to interview them. I was also concerned about the potential difficulties of being a young female researcher in the rural industrial area of Kayseri. If not for this intermediary, it would have been very difficult to find transportation and visit each entrepreneur in the industrial zone on my own. However, my being a female researcher from the outside turned out to be more of an asset than I thought possible at the beginning of this study. Participants felt more at ease expressing themselves to an outsider. Also I had the feeling that it was easier and less problematic for them to talk with a young woman about such a controversial topic as the economic situation. For instance, it did not bother them to answer questions as to how much they earned, how they carried out their business and what they did in their free time. When I arrived, some entrepreneurs introduced me to various important figures and to other entrepreneurs who I had not previously been aware of. Thus, I had the chance to expand my interviews to include people beyond my initial contact list.

During the interviews almost all of the entrepreneurs were really kind and interested in the subject. Once I started the interviews, I generally faced no difficulties because the participants displayed a willingness to talk openly. Most of the interviews lasted on average about two hours or longer, allowing for a more flexible interviewing style. Several times my participants offered to continue our interview during lunch at their firms. I believe that I was able to create a warm and trusting atmosphere at the beginning of the interviews. As interviews were conducted at the interviewee's work places, I also

had a chance to make some supplemental observations, for example how they decorated their work places or the manner in which they treated their employees.

I was aware that this type of research could never be fully independent from my identity as a researcher. It would remain connected with the manner and content of the questions I asked the participants. Thus, it is important to highlight that the entire research project was not just a data gathering process. It was not easy at times to obtain clear information from the participants. Obviously a semi-structured interview method is highly dependent on the subjective positions of the people who responded to my questions and on my point of view as a researcher. There is always the potential for participants to offer ideological or political opinions and they may try to manipulate a researcher's questions or give 'demagogic' responses. In order to provide proper information for in-depth interviews, it was necessary to convince the businessmen that this researcher was not a stranger in their world.[45] In fact, participants really wanted to present their city and their economic success; however, they were concerned with being misunderstood.

Ethical Considerations

For ethical reasons, at any point in the interviews if a participant hesitated to respond to a question, I never insisted upon an answer.[46] A smooth transition between questions

[45] In order to express some empathy with my participants, before each interview I gave them some information about myself. I informed them that I studied Islamic law, and history; I also have knowledge of Arabic, thus, they were convinced that I was familiar with their religion and culture. Throughout interviews, I also tried to extend my time as much as possible. Interviews went approximately 2 or 3 hours.

[46] For instance, the majority of them did not want to respond to questions about whether they had any affiliation with an Islamic *tariqa* or political party.

prevented a lack of disconnect while moving from one topic to another.[47] Participants were informed that in this study their names and those of their holding companies would not be published. They were also informed that they were in no way obliged to participate in the research. Thus they took part in the interviews on a voluntary basis. Participants were not required to answer all the questions and they could withdraw at any point during the interview. Privacy and confidentiality of the interview was guaranteed and I explained that I would take notes by handwriting and transfer those notes to my computer; the records of the interviews would be saved in such a way that would not store any subject's identity. The data was to be saved on a removable disk or memory stick so that information did not remain on my computer and no outside parties would have access to the interview materials. They would be coded and stored in such as way as to make it impossible to connect them directly with any other person. Interviews were not digitally recorded by using an audio-tape or videotape. All participants were anonymous. Some subjects of my interview were not comfortable with a written consent and therefore preferred not to sign it. Entrepreneurs and employers were more comfortable with face to face verbal consent. Sometimes the comportment or attitude of a researcher is more important than any written consent. Once the owners decided that they could trust me, they were prepared to openly express all their feelings and ideas. The employees also preferred verbal consent; some of them viewed a written consent form as overly formal and they hesitated to sign. They did not want to be the cause of any misunderstanding. For these reasons, I generally obtained verbal consent from my participants, but accommodated anybody who was willing to provide written consent. The oral script and

[47] In order to provide a smooth transition, I prepared the questions in a logical sequence before the interview.

written consent that was suggested to participants is seen in Appendix B and Appendix C at the end of this study. The data was categorized under fifteen subtitles. The categorization of data enabled me to compare, contrast, and analyze the subject under each subtitle.

Challenges in Conducting Research in Kayseri

All the participants considered themselves pious Muslims. However, they were dressed in modern business suits (women also wore modern Western-style clothes, and one wore a light *hijab*) offering a contrast to the stereotypical representation of pious Muslims by secularists. Their attitude was very confident; businessmen did not hesitate to shake my hand and make eye contact, which some pious men ordinarily avoid doing when talking to women.

The conservative characteristic of the city is noticeable on the streets of Kayseri. Once I saw an interesting display in the window of a well known clothing store in the centre of the city. When the employees of the company changed the clothes on the window mannequins, they took care to cover the figures in plastic wraps. When I asked them what for, they answered that they were trying to maintain public morality, as naked mannequins could be considered public indecency. They also said that it helped avoid negative reactions from some residents and that such sensitivity to moral issues was good for business.

The general attitude of the residents of Kayseri is another indicator of the piety of the community. Whenever I entered a coffee shop or a restaurant, waitresses immediately gave me the option of sitting in the family saloon, which is separated from the main area. They thought that I would be more comfortable in this separate place as an

unaccompanied woman. In fact, I found that women enjoy an unrestricted social life; they walk alone on the streets and go to shopping centers, parks or public places together. Still, it was a bit unusual to see a woman eat or drink alone behind doors. One other observation from my visit to the city is that residents, regardless of their social status, expressed great pride in their city and in the economic success of its entrepreneurs.

Outline of the Study

The first chapter, the theoretical part of the study, focuses on the historical background of economic growth in Muslim countries. The historical and ideological background for the emergence of modern Islamic economic institutions occupies four distinct areas of analysis: i) The critiques of modern capitalism of Muslim and non-Muslims is discussed by emphasizing the development of modern Islamic economics as a challenge to Western capitalism; ii) This chapter also looks at how the modern economic system has emerged as a distinct discipline since the Eighteenth Century; iii) This chapter focuses on the fundamental economic features of Islam, *zakat* and *sadaqa*, and; iv) Particularly, the most important economic institution in Muslim societies, *waqfs*, are examined.

In the cultural analysis section of the study, the focus is on the ethical evolution to an economic "Jihad." In this context, the first chapter also looks at the fundamental principles of Islamic economic morality. The motivation of rising Islamic economics is explained as the desire to share power and to benefit from global markets.

The second chapter looks at the specific religiously rooted 'economic ethics' in Anatolia and its connection to the cultural context, with all its rationalizing effects. An intellectual and socio-economic background of the Islamic tradition of spiritual brotherhood in Anatolia helps us understand the economic ethics of Islam. For this

purpose, I examine Sufism, the development of the *Ahi* tradition and the economic ethic of the Turkish *Ahi* organizations in Central Anatolia.

This chapter also deals with the social and political conditions and historical background that produced the appropriate conditions for the development of Islamic business networks in Central Anatolia. Since the 1980s, a series of neo liberal economic reforms have provided the basis for the socio-economic and intellectual transformation of Turkish society. Since the 1980s interest-free Islamic banks have provided essential financial support for the establishment of small and medium enterprises founded by religious investors–enterprises that had previously been neglected by the government. The establishment of Islamic banks was a turning point in the economic life of Turkey, because not only have they provided financial resources for Islamic enterprises but they have also ended, once and for all, the perception that Muslims are unable or unwilling to enter the global business market. By analyzing the number of branches of Islamic banks and the loans distributed, this work demonstrates the close relationship between Islamic banks and Islamic entrepreneurship in Central Anatolia.

In the third chapter, the transformation of Islamic identity in Turkey is discussed by focusing on the changing power balance between long established secular elites and the new religiously conservative economic elites.[48] The general tendencies of this newly

[48] As with Vali Nasr, some scholars identify this rising business-minded Muslim group as "middle class", however, the term "middle class" describes a demographic which is not poor or rich but has professional jobs, and therefore enough economic power to maintain a comfortable standard of living with a surplus. In other words the "middle class" falls between the working class and upper class in the socio-economic strata. In reality, Anatolian business groups have enormous economic power today and influence or even direct social-political developments in the country. In sociology, as in general usage, the elite is a hypothetical group of relatively small size that is dominant within a larger society, having a privileged status and perceived as being envied by others of a lower line of order. So, since their status is more powerful and influential than the "middle class" it would be meaningful to call them "religiously conservative entrepreneurs." The new economic elite are industrialists and their social status and economic power in society is more significant than that of traditional *tüccar* (merchant) groups' in Kayseri. Kayseri's traditional, religious and wealthy merchants are very well known with their sharp minds and success in

emerged class are determined and the main differences are emphasized. This chapter also investigates the significant impact of the religiously-rooted ruling party and its policies on the rise of the Anatolian business class. Although the ruling party agenda makes no reference to Islam or Muslims and none of the policies have had any Islamic discourse, it has been labelled as an "Islamist" party within and outside Turkey. The AKP's economic performance, which has also been a very important factor in its success, is analyzed in this chapter. The party's attitude to the International Monitory Fund (IMF), working class and business class is considered an important criterion that identifies the AKP's impact on socio-economic transformation in Anatolia. Finally, the causal mechanism relating to the way in which liberalism has transformed the socio-economic identities of religiously oriented groups is presented by analyzing their changing consumption habits and life styles. In other words, this chapter focuses on the rise of new pious economic elite in Turkish society, which is viewed as a recent concept. Sources for this chapter are drawn from study of Turkish scholars, newspapers, journals and magazines.

Chapter four offers a case study of Kayseri, a conservative Anatolian city that has witnessed the rise of economic power of Muslim entrepreneurs. The specific historical background and tradition of Kayseri is examined in this chapter. Kayseri has a well-known reputation for success in business, so it is worth investigating different traditions of the city such as Kayseri's "settings" which have had an influence over its economic

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trade. These local and small size merchants do not interest in international trade or new technologies in business, simply they depend on internal markets. The new pious economic elite in Kayseri are much different than local *tüccar* groups in the terms of production and trade. These businessmen are highly interest in new technology in production, they know foreign languages and mostly involved to international trade. These new economic elite have become the most successful names in export in Turkish economy. So, economic power of new pious entreprenours is much significant than traditional *tüccar* groups and they are also much open for global values in their economic life. In order to avoid repetition in this study, the terms; "religiously conservative entrepreneurs," "the pious economic elite" and "new pious Anatolian elite," are used interchangeably.

culture. This chapter also underlines the economic transformation that Kayseri has experienced over the last three decades, presenting the total productivity changes in the private sector manufacturing industry by using data for the period 1990-2008. As Kayseri represents a conservative city which has embraced capitalism, this chapter looks at the characteristics that attest to the city's religious nature, such as the names of companies and non-secular symbols in economic and religious institutions and networks. In this chapter, detailed information about the city's socio-economic improvement is examined as an indicator of the new pious economic elite's presence within and contribution to the wider community. The related statistical data concerning the city is obtained from sources which were provided by the Trade Chambers of Kayseri, and the city's annual book. The data provided from these sources are used throughout the economic analysis in the study.

In chapter five, particular care is taken to avoid one of the fundamental problems in social sciences, that is cultural reductionism. In fact, theories, texts and claims are often used as fundamental tools to study cultural fields, but in this context resides the danger of reducing all phenomena to cultural factors by neglecting the importance of structural and socio-economic mechanisms. In order to avoid this pitfall, the chapter attempts to deal with the overall picture instead of only specific subjective factors. Chapter five relies on primary sources such as regional newspapers, journals, and works of contemporary authors, and even more importantly interviews with investors, businessmen and other key players in Kayseri. The rapid growth of local businesses and their unexpected economic success is analyzed with respect to the religious views and cultural traditions of persons who are actively involved in economic life, including founders and directors of firms, managers, members of boards of directors and ordinary workers. Interviews sought to answer these main questions: What is the pious economic elite's new position in Turkish

socio-economic life? What are the characteristics of pious Anatolian entrepreneurs? How do religion and local values affect their economic activities? In this study, interview data from entrepreneurs in Kayseri was analyzed. I drew upon four theoretical concepts to analyze these interview accounts, namely: (1) their attitudes towards earning money, (2) their religious identities, (3) traditional local heritage in Kayseri, (4) their current socio-economic activities.

The data gathered through field interviews are analyzed in terms of the relevant issues of religious belief and economic activity. Interview results are gathered under their main categories. Overall, the participants' answers are evaluated to achieve a meaningful analysis of their profiles, but in some cases they are also quoted directly in order to give a more immediate sense of participants' understanding of the situation. This chapter focuses on the status of pious Muslim entrepreneurs as representatives of the newly emerging religiously conservative economic elite in Turkey. In this regard, pious entrepreneurs in Kayseri have been identified as the new economic elite, religiously conservative but open to modernization in economic life.

The conclusion posits that a new generation in Central Anatolia has made its own peace with modernity. Most particularly, in chapter five the impact of the rising economic power of religiously conservative groups is taken not as evidence of growing Islamization, but as a means of discussing alternative models of modernization. The integration of Islam into the modern global market in the Kayseri case shows that modernization can no longer be interpreted only as Westernization. This forces us to think in new ways about a more flexible and challenging modern world.

Chapter One

THEORETICAL FRAMEWORK: ISLAMIC ECONOMIC ETHICS IN THE MODERN GLOBAL ECONOMY

> *Capitalism is absolutely irreligious, without internal union, without much public spirit, often, though not always, a mere congener of possessors and pursuers.*[1]

It is no secret that imposing Western style modernization in Muslim societies has resulted in deep disappointment as these societies could not fully engage in the modern global economy and its political institutions. Since the tragic failure of the Western style of modernization in their societies, many Muslim scholars and thinkers have begun to search for an alternative modernization path which is shaped by their own culture and identity. Earlier experiences in Muslim societies have shown that without serious economic progress and economic growth, they would not reach full democracy and social freedoms. It has long been understood that the real integration of Muslim societies in a globalized world is achieved through strong economic progress. Thus, economic growth has become a chief aim in many Muslim societies and the idea of Islamic economics has begun to be intensively discussed by Muslim scholars since the 1970s. Muslim societies have understood that the powerful impact of modern capitalism is unstoppable and inescapable, so they have tried to blend their values with this economic system and share its benefits. Thus, Islamic economics has become both a reality over the last three decades and a very substantial response to a world economy shaped by modern rational capitalism. Islamic economic institutions, which claim to restructure economic thought and practice on the

[1] John Maynard Keynes, *Essays in Persuasion* (New York: Norton, 1963), 306-7.

basis of Islamic teachings, has been criticized extensively for its unoriginality, but the reasons for its emergence are barely addressed. This chapter lays out the historical and the ideological background for the emergence of modern Islamic economic institutions and the idea of Islamic economics. To this end it is divided in four distinct areas of inquiry.

First, we investigate the critiques of Modern capitalism, many of which have been appropriated by modern Muslim thinkers. They claim that capitalism, which emerged legally and morally in only Western Europe, has become enmeshed in other ways of viewing the world. This has produced different normative systems and legacies, created social conflict and discontinuity, overwhelmed pre-existing ideas of the moral economy, but also encouraged the adaptations of global capitalist development.[2] Europe's growing economic dominance over the Islamic world in the nineteenth century transformed the domination of social life and dictated the culture of exchange under capitalism. It explains the proposition that Islamic economics is driven by cultural and moral rather than economic concerns. Thus, Muslims see the capitalist modernity as a threat to their identity. This chapter illustrates that many Muslim intellectuals have tried to warn people about the price they are paying for trusting an engagement with a system that takes no account of their identity and the nature of the moral code that they must follow as Muslims.[3]

Second, we look into the need of a society for a common morality and how the modern economic system has been stripped of this oversight. The detachments from moral values characteristic of modern capitalist economics is directly relevant to Muslim responses. Indeed, Muslims react to those aspects of Westernization that threaten to create

[2] Kathryn Dean, *Capitalism and Citizenship: the Impossible Partnership* (London, 2003), 26-29.
[3] Charles Tripp, *Islam and Moral Economy* (Cambridge University Press: Cambridge, 2006), 7.

a new economic and social order, but fail to justify that new order morally. This chapter also illustrates the evolution of morality in the modern economic system by analyzing the function of morality in global capitalism.

Third, this chapter then looks at the two salient features of the principles that constitute an Islamic economic morality; *zakat* and *sadaqa*. According to Muslim intellectuals an economic system could be judged on the basis of two further categories associated with economic discourse: the imagination of 'society' and the imagination of "individual." In both of these areas they tried to imagine distinctively Islamic equivalents – the *umma* and the Homo islamicus – abstracting these from their function in secular economic discourse. From this point of view, the individual who behaves according to the ethical commands of Islam is the major factor in the foundation of the Islamic economy. On this basis, the charity payment *zakat* and the prohibition of *riba* (usury or interest) could be accepted as the main instruments of Islamic moral economy.

Finally, we look at the most important economic institution of the early and medieval times, *waqf*, to see how its operation permeated every aspect of the society and how it was finally dismantled to usher these societies into modernity. Waqfs had a significant role in the socio-economic character of Islamic society. They were voluntary or charitable non-profit organizations working for the benefit of either particular groups or the public in general and are very popular in Islamic society. This chapter focuses on the role and significance of waqf endowments in the context of the Ottoman society.

I. Morality and the Economic Realm

Over the last few decades the world has witnessed an unprecedented acceleration in the pace of globalization and the consequent infiltration of 'Western' capitalism and its associated value systems into every aspect of life. This includes, but is not limited to, economic, cultural and political systems, as well as education, technology, language, and the media. Economic rationality and globalization are the motors powering this phenomenal expansion. The powerful impact of modernity, which is becoming ever more dominant, has created its own antithesis in reactionary movements that have responded to Western capitalism with political and economic resistance worldwide, but especially so in Muslim countries. Modern capitalism, as a process, has become enmeshed in other systems and cultures and has appeared as the dominant paradigm of our age. In response, not only the traditional left, but also an increasing number of Muslim writers have criticized the imbalance of power inherent in forms of capitalist domination. As a result, in many Muslim countries, the compatibility of Islam with modern capitalism has become a hotly debated topic over the past few decades. This subject has mainly been studied under the rubric of Islamic moral economy and stems from the broader question of how a Muslim should act in the modern world.[4] Thus, the relationship between Islam with and its' emphasis on morality as governing economic transactions, and capitalism has spawned a wide spectrum of cases with has developed varying degrees of ideological and practical compatibility.

[4] The theory of Islamic economics was developed by a number of Muslim intellectuals. See: Muhammad Baqir al-Sadr's *Iqtisaduna; Our Economics* (Tehran, Iran: World Organization of Islamic Services, 1982-1984); Muhammad Nejatullah Siddiq's *Muslim Economic Thinking* (Jeddah: International Center for Research in Islamic Economics, 1981), Sayyed Mahmood Taleqani's *Islam and Ownership*, tr. A. Jabbari and F. Rajaee (Lexington, Kentucky: Mazda Publishers, 1983); and Abul A. Mawdudi's *Let Us Be Muslims*, translation of *Shahadat Haq* (Leicester: Islamic Foundation, 1986). These can be counted among the most significant works in the development of Islamic economic having established the heuristic of the field.

Contemporary studies in social sciences strongly suggest that economic development cannot be theorized in isolation from the larger socio-cultural context. Furthermore, the difficulty in isolating the pure economic action from the social and cultural impulses makes this a near impossibility.[5] Therefore, we need a comprehensive perspective in any inquiry investigating the rise of the Islamic economic ethic in the modern capitalist context.

As, the philosopher Alasdair MacIntyre points out, it is impossible to conceive of and analyze social life independent of morality.[6] MacIntyre's emphasis on the concept of morality is strongest when it comes to forms of living in society arguing the recognition of a specific social life as being distinct from others necessitates recognition of its unique moral code.[7] In every age some form of morality conducive to social harmony has been preached; but explaining the reasons underlying this morality has always been fraught with difficulties. Morality seems to set out a code for ideal relations between human beings.[8] In fact, many of those who discuss ethics think that the core debate revolves around the meaning of the word 'morality'.[9] However, given that there is no universally valid, objective definition of morality, it is treated here as a set of customs and habits that shape how we think about the way we should live and relate to each other. As philosopher Arthur Schopenhauer proposes the fundamental 'anti-moral' instinct of man is generally accepted as 'egoism' and, carried to its extreme, can develop to enormous proportions.[10] It is an instinctive source of satisfaction to certain human natures to witness the suffering

[5] Ferdinant Braudel, *Civilization and Capitalism* (London: Fontana, 1985), 227.
[6] Alasdair MacIntyre, *A Short History of Ethics: A History of Moral Philosophy from the Homeric Age to the Twentieth Century* (London: Routledge, 1991), 3.See also his famous book *After Virtue : a Study in Moral Theory* (Notre Dame, Ind. : University of Notre Dame Press, 2007), 4-8.
[7] Ibid.
[8] Jacques Thiroux, *Ethics: Theory and Practice* (New Jersey: Prentice-Hall, 1995), 3.
[9] Ibid.
[10] Arthur Schopenhauer, *The Basis of Morality* (New York: Dover Publications, 2005), 19.

of others because a reduction of the latter's capacity for action is regarded by an ego of this kind as an increase of its own power and as an enhancement of its own glorification.[11] The key questions here are: What would it mean for a society to exist without a moral code or ethical practices? And how would people without a morality think and behave?

Numerous philosophers have discussed the role and importance of moral values in society. In their discussion of moral philosophy and ethics, the nineteenth century philosophers Adam Smith, Jeremy Bentham, and John Stuart Mill support the position of utilitarianism. Mill's utilitarianism is based on the "greatest happiness principle," which states that moral decisions should be based on promoting the success of the society as a whole, maximizing happiness and pleasure and minimizing pain and suffering for the greatest number of people.[12] These philosophers claim that the desire for happiness and avoidance of pain is true for all people and that this trait should be the universal basis for a theory of moral philosophy.[13] They elaborate by showing happiness itself can be measured more specifically according to quality rather than simply by quantity, allowing for different levels of happiness dependent on the case and the individual.[14] However, many theorists have found this principle ultimately unsatisfactory because it implies that moral decisions based on utilitarianism are acceptable, as opposed to a common natural desire for justice above all else. Philosopher John Rawls criticizes the theory of utilitarianism which posits that justice is defined by that which provides the greatest good

[11] Ibid.
[12]David Lyons ed. *Mill's Utilitarianism: Critical Essays* (Boston, Oxford: Rowman & Littlefield Publishers, 1997), 10.
[13] Ibid.
[14] Ibid.

for the greatest number of people.[15] He states that ‘‘justice is the first virtue of social institutions,’’ meaning that a good society is one structured according to principles of justice.[16] Justice is the concept of moral rightness based on ethics, rationality, law, natural law, religion, fairness, or equity, along with the punishment of the breach of said ethics.[17]

Morality is considered as profoundly important by providing justice in a society because the general assumption is that human behavior in isolation from societal concepts of morality has no standard checks or limits to constrain it. However, without limits on the behavior of individuals, societies cannot survive for long; indeed, in the long term, all societies do tend to destroy themselves in fighting over resources, prestige and power. The ‘brake’ on this unchecked human behavior takes the form of social constructs known as morality.[18] Moral values and culture play an important role in restraining selfishness and bringing order to society. Deepak Lal, a British development economist, makes the general but important point that, in comparison to other animals, man is unique because of his intelligence and ability to change his circumstances by learning.[19] He does not have to mutate into a new species to adapt to a changed environment.[20] He learns new ways of surviving in unfamiliar environments and then passes them on through social customs.[21] According to Lal, these social customs form the culture of the dominant group, which is then transmitted to new members of the group who do not then have to re-invent these

[15] For more information see John Rawls, *A Theory of Justice* (Cambridge, Mass.: Belknap Press of Harvard University Press, 1971), 11.
[16] Ibid.
[17] *James Konow,* "Which Is the Fairest One of All? A Positive Analysis of Justice Theories" *Journal of Economic Literature* vol.41, No. 4 (December 2003)*:* 1188-1239.
[18]Ayn Rand, *Atlas Shrugged* (New York: Random House, 1957), 1170–1171.
[19] Deepak Lal, “Private Morality and Capitalism: from the Past” in John Dunning ed.: *Making globalization Good: the Moral Challenge of Global Capitalism: An Overview* (Oxford; New York: Oxford University Press, 2003), 41-43.
[20] Ibid.
[21] Ibid.

'new' ways for themselves.[22] As a result, the majority of people in a given society tend to be happy with the order and mechanisms of the system. However, the result of a change or failure in the 'brakes' results in an increase of revolutionary pressure on the mechanism. In short, it appears that changes in social and economic life are very closely linked to changes in the cultural and moral codes of a given society.

I.1. Separation of Morality and Economy

> *Two hundred or even fifty years ago, it would have seemed quite impossible, in America, that an individual could be granted boundless freedom with no purpose, simply for the satisfaction of his whims. Subsequently, however, all such limitations were eroded everywhere in the West; a total emancipation occurred from the moral heritage of Christian centuries with their great reserves of mercy and sacrifice.*[23]

The purpose of this section is to evaluate the importance of morality for economic theory. This work will claim that, without any moral content, an economic theory can and does create much misery for societies.Indeed the evolving nature of moral codes closely corresponds with the social and historical transformation of societies.[24] Thus historical analysis and investigation of the moral codes of societies go hand in hand.[25] It can even be argued that morality is one of the major factors that determine relations within economic systems, and that modern capitalism consequently needs a specific moral code to bring about the highest form of actualization of the concept of private property. Anti-capitalist groups, scholars and thinkers argue that capitalism is the only example of a system which dominates by limitless economic effectiveness. It is generally accepted by

[22] Ibid.
[23] Alexander Solzhenitsyn, *A World Split Apart* at Harvard Class Day Afternoon Exercises (Thursday, June 8, 1978), 49.
[24] MacIntyre, 3.
[25] Ibid.

liberal economists that all the economic behaviors of man are rational and aim at the achievement of maximum economic satisfaction. However, as explained in the previous section, various checks, such as moral, religious, political and cultural considerations, prevent the domination of limitless economic impacts on society. The fundamental conditions for establishing a system with maximum economic effectiveness may be set out as follows:

1. Producers have to aim for maximum profit. Money and the search for profit become the measures of all things, completing the circle of disembodied economic transactions in which ethical constraints are no longer considered part of the process.[26]

2. Intellectual activity in a society should primarily be geared only towards scientific and technical research that maximizes profit and lowers production costs. Studies which aim only at understanding the universe are of secondary importance at best. According to W. Montgomery Watt, the classical view of knowledge was primarily what may be called 'knowledge for living,' whereas since the time of Enlightenment in the West, knowledge has mainly been seen as an instrument for attaining and keeping power.[27]

3. Everybody has to work, and people who are unable to work, such as the elderly or others who can't produce, must conform to a dependent status. Workers thus must devote more and more of their time to work and be economically flexible in their choice of work.[28]

4. The production of a society should be consumed by that society. Individual and collective needs have to be supplied. This also requires that people's 'needs' must also constantly increase to consume the extra production.[29]

5. These conditions must be limitless. Cultural and moral constraints should be minimal and there should be little or no political interference, because economic effectiveness depends on a free market. This means that the market has to grow continually and that the entire world must become a single market.[30]

In the West, over the past few centuries, society has managed to abolish most of the brakes on economic development by separating societal morality from the realm of

[26] Rohit Jain, and V. K. Ohri, *Principles of Economics* (Delhi: Neekunj Prints, 2009), 100.
[27] Montgomery Watt. *Islamic Fundamentalism and Modernity* (London; New York: Routledge, 1988), 13.
[28] Jean Beacher, John A. Hall, and Michael Mann, ed. *Europe and the Rise of Capitalism* (Oxford; New York, USA : B. Blackwell, 1988), 90-91.
[29] Karl Marx, *The German Ideology* (Moscow: Progress Publishers, 1976), 1219-1224.
[30] I translated that paragraph from Ali Gevgilili, *Türkiye'de Kapitalizmin Gelişmesi ve Sosyal Sınıflar* (İstanbul; Bağlam, 1989), 3; Jean Baechler, *Kapitalizmin Kökenleri* (İstanbul: İmge, 1994), 93.

the economy as well as from that of law, and this transformation from religiously inspired morality to rationalism has been made possible by secularization. This is Richard Swedberg's take on the process:

> The concept of 'economic sphere' essentially denotes that economic activities, as history evolves, tend to become separate from other human activities and also to a certain extent governed by their own rules of laws ('limited autonomy' or 'Eigengesetzlichkeit,' in Weber's terminology)…The economic sphere clashes for example, with the religious sphere in capitalist society because it is very difficult to regulate rational economic actions through religious rules.[31]

As Werner Sombart and Karl Polanyi claim, before the rise of the market economy, the logic and principles of economic life were in accordance with the needs of a subsistence economy and were under the control of non-economic factors such as religious and political forces.[32] Since socio-cultural factors and moral codes are decisive in affecting the characteristic features of an economic system, transformation into a new culture necessitates a change in the moral codes of the society. In fact, the emergence of economic theory as an independent science was a significant phase in the transformation of moral codes from that of a medieval Christian society into a modern secular one.

Economics has emerged as an independent science, distinct from non-economic institutions such as religion and politics since around the mid-1800s.[33] As economic historian James Alvey argues, part of the explanation for these changes lies in the claim that specialization would produce major gains in social thought. But at the same time, the view emerged that economics was not just a matter of specializing, it also involved

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[31] R. Swedberg, *Marx Weber and the Idea of Economic Sociology* (Princeton, New Jersey: Princeton University Press, 1998), 133.
[32] Karl Polanyi, *The Great Transformation* (Boston: Beacon Press, 1957), 57.
[33] James E. Alvey, "A Short History of Economics as a Moral Science," *Journal of Markets and Morality*, vol.2, no. 1, (1999): 53-73. See, P. Mirowski, *More Heat Than Light* (Cambridge: Cambridge University Press, 1989), 198, S.A. Drakopoulos, "Origins and development of the trend towards value-free economics", *Journal of the History of Economic Thought*, vol. 19, no. 2 (1997): 286.

adopting the new methods of the natural sciences.[34] The use of mathematics was seen as central to this endeavor.[35] The current view of the detachment of economics from moral sciences and morality in particular is thus alien too much of the history of the discipline.[36] Kenneth Boulding, in asserting that economics "only became a science by escaping from the casuistry and moralizing of medieval thought" summarizes the conventional view. [37]

The idea seems widespread that institutionalized capitalist countries today are experiencing a deep legitimizing - essentially a moral crisis.[38] Sociologist Daniel Bell maintains that the loss of a common moral ground is the most important problem of modern capitalism in the twentieth century.[39] With the rejection of religion, the 'ultimate purpose of life' became a concept that was "logically useless" and progressively removed from social thought.[40] As Omar Chapra, a Muslim thinker, summarized, if there is no purpose in life, there are no solid ethics to live by and everything is permitted.[41] This change in emphasis entailed a turning point in the behavior of individuals and society, as the market broke away from normative influences embedded in non-economic structures.[42] This ethically deprived economics engendered the notion of a materialist civilization of infinite growth fueled by the money culture, the dominant capital centered

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[34] Alvey, 53.
[35] K. W. Rothschild, *Ethics and Economic Theory* (Aldershot: Edward Elgar, 1993), 16.
[36] Ibid.
[37] E. Kenneth Boulding, *Economics as a Science* (New York: McGraw Hill, 1970), 117.
[38] See for example Daniel Bell, *The Cultural Contradictions of Capitalism* (New York: Basic Books, 1996); B. Berger, ed., *The Culture of Modern Entrepreneurship* (San Francisco, California: ICS Press, 1990), 248.
[39] In the literature on the Islamic movement, the term "revitalization" and /or "revival" has also been widely used. Yet Wuthnow define a movement as a "revitalization movement" only if there is an attempt to restore or reconstruct patterns of moral order that have been radically disrupted or threatened. Robert Wuthnow, *Meaning and Moral Order Explorations in Cultural* Analysis (Berkeley: University of California Press, 1987), 233.
[40] Bertrand Russell, "A Free Man's Worship" in *Mysticism and Logic* (New York: Longman Green and co., 1918), 46.
[41] M. Umer Chapra, *Islam and the Economic Challenge* (United Kingdom, VA: The Islamic Foundation and The International Institute of Islamic Thought, 1992), 22.
[42] Edward Powel Thompson, "The Moral Economy of the English Crowd," *Past and Present, The Unknown Mayhew; Selections from the Morning Chronicle,* 1849-1850 (London: Merlin Press, 1971), 50:76 -136.

approach to development.[43] This makes for an interesting relationship. The more "developed" the economy (according to prevailing economists' definitions), the greater the loss of spiritual and ethical consciousness.[44] Thus, the market has gradually become disembodied, autonomous, self-regulating and entirely self-serving in nature, purpose and outcome.[45] One can say that, in the modern era, the market has taken on a life of its own which is represented by the commoditization of the entire range of social life.

In this context, Michel Foucault argues that the notion of an independent science of economics playing a role as a disciplinary power to control society is evidenced by the constant pressure to subject all decisions to a quest for the maximization of profit; and by promotion of the ideal of being as efficient as possible in the service of capital.[46] As a result, it is hard to say that 'immoral' decisions being taken by an individual within this structure are ever 'wrong.'[47] This is because the structure of capitalist society essentially dictates that decisions be made in a world where the sole and absolute goal is the maximization of profit. Motives and actions under this system are only immoral if they inhibit this over-riding principle.[48] In other words, the process of embedding is reversed, with modern society becoming embedded in the market and "refashioning its ethos and relations after its own image."[49] Economic theory becomes the single way of analysis of not only the human condition but also all aspects of social life, and maximizing profit and

[43] Chapra, 22-25.
[44] Ibid.
[45] Ibid.
[46] Foucault in his in *Discipline and Punish* differentiates the forms of control over society into two categories: sovereign and disciplinary. Sovereign power is exerted in the Post-War World by governments and international organizations. It seeks to make the world safe for the free flow of capital by removing any major obstacles. Disciplinary power is explained in the text above. See Michel Foucault, *Discipline and Punish: The Birth of the Prison* (New York: Vintage, 1977), 75-81.
[47] Ibid.
[48] Ibid.
[49] W. J Booth, 'On the Idea of the Moral Economy', *The American Political Science Review*, 88 (1994): 656.

efficiency in market economy has become the main aim of human beings in a capitalist society.[50] Thus, the capitalist economy has been associated with a view of human rationality which is founded on individual egoism, ends-means calculations and a largely utilitarian calculus of benefits.[51] Capitalism is represented by commodities, stripped of any moral ties, capable of being owned as private property and valued insofar as they contribute to a productive process measured by the margin of profit.[52]

In fact, Adam Smith, whose 1776 work *The Wealth of Nations,* is the foundational document of modern capitalism did not distinguish between economic and cultural factors in his analysis and claimed that capitalism has its own morality and that an "invisible hand" of self-interest guides the free market toward greater prosperity for all. [53] But self-interest, in Smith's view, is not the same as selfishness. Modern capitalism's father believed that it is in everyone's economic self-interest to behave morally – which entails being trustworthy.[54] However, economist Karl Polanyi claims that Smith's idea of a self-balancing market has remained just a utopia.[55] He says:

> Our thesis is that the idea of a self-adjusting market implied a stark utopia. Such an institution could not exist for any length of time without annihilating the human and natural substance of society; it would have physically destroyed man and transformed his surroundings into a wilderness. Inevitably society took measures to protect itself, but whatever measures it took impaired the self-regulation of the market, disorganized industrial life, and thus endangered society in yet another way.[56]

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[50] Ibid.
[51] Ibid.
[52] Charles Tripp, *Islam and the Moral Economy* (Cambridge: Cambridge University Press, 2006), 3.
[53] Adam Smith explains "invisible hand" as follow: "Every individual is continually exerting himself to find out the most advantageous employment for whatever capital he can command. It is his own advantage, indeed, and not that of the society which he has in view. But the study of his own advantage naturally, or rather necessarily, leads him to prefer that employment which is most advantageous to society... He intends only his own gain, and he is in this, as in many other cases, led by an invisible hand to promote an end which was not part of his intention" Smith does indeed speak of how the individual, by pursuing his or her own interests, may also further those of society in general. See, Adam Smith, *Wealth of Nations,* Book 4 (New York: Cosimo, 2007, copyright @ 1901), 349.
[54] Ibid.
[55] Karl, Polanyi. *The Great Transformation,* (Boston: Beacon Press, 1957), 3.
[56] Ibid, 3-4.

Polanyi says it is thus simply wrong to treat nature and human beings as objects whose price can be determined entirely by the market in modern societies.[57] Polanyi also asserts that "*laissez-faire* economy was the product of deliberate state action, subsequent reactions on *laissez faire* started in a spontaneous way. *Laissez faire* was planned, planning was not."[58] He points out that without the control of government policies on trade and exchange systems, the market would be a threat to individual well-being, as free market capitalism is not a real choice, but only a utopian vision.[59]

Historian Karl Marx indicates another problem of the free market economy; class differentiation in modern society. He claims that the emergence of the working class or proletariat was the result of the organization of industry in which the worker was separated from his own work by the capitalistic organization because he had no economic interest in the results of his work.[60] According to Marx, this class separation was a crucial moment in economic history; from that point on, the process of isolation and alienation of man accelerated. For Marx, the legally 'free' laborer has only a business relationship with his employer, monetary value having replaced all the traditional social human bonds.[61] In reality, a free man has become a slave; he cannot exist as 'free' without working or without money, because he has lost the moral support and protection of his society.[62] Marx, simply argues that the complete separation of morality and economy may not be the principle of all capitalist thought; nonetheless, the modern capitalist conditions which operate in the pattern of partnership and free competition for maximum profit (war for

[57] Ibid, 3-6.
[58] Ibid, 141.
[59] Ibid, 3-4.
[60] Peter Koslowski, ed., *Methodology of the Social Sciences, Ethics, and Economics in the Newer Historical School: from Max Weber and Rickert to Sombart and Rothacker* (Berlin; New York: Springer, 1997), 57.
[61] Ibid.
[62] Karl Marx, *Capital*, vol. 1 (England: Penguin Classics, 1990), 169; 266; 298.

profit, so to speak), force business people to ration their time, often at the expense of coming to grips with the moral questions.[63] Thus morality has become increasingly divorced from economic activity.

In addition, the overproduction of capital as a result of 'over-saving' that excess capital which could no longer be productively invested within national borders, led to the emergence of imperialism.[64] Imperialism had the effect of supplanting the traditional subsistence-based economic systems world-wide and of turning the colonies into producers of raw materials and consumers of the overproduction of the mother countries, thereby creating a very substantial power imbalance.[65] Simultaneously, Western rationality was accepted as a universal standard, inherently superior to any competing world-views.[66] Rather than non-economic institutions such as family, religion and community forming the bonds of society, the market became the integrative mechanism pervading all aspects of non-economic structures.[67] It is thus possible to say that modern capitalism has become entangled in other systems and cultures and has forced all cultures to accept its rationality.[68] Those who were subjected to these forces were driven to respond in creative ways to the challenges posed by the new system.[69]

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[63] Ibid, 266.
[64] Hannah Arendt, *The Origins of Totalitarianism* (New York: Harcourt Brace Jovanovich 1973),132-133.
[65] John Atkinson Hobson, *Imperialism a Study* (New York: Gordon Press, 1975), 46-49. Çağlar Keyder, *State and Class in Turkey: A Study in Capitalist Development* (London; New York: Verso, 1987), 62.
[66] Roy Dilley, ed., *Contesting Markets: Analyses of Ideology, Discourse and Practice* (Edinburgh: Edinburgh University Press, 1992), 18-23; Georg Simmel, The *Philosophy of Money* (New York: Routledge, 1990), 429-31.
[67] Dilley, 10-12, 25-6.
[68] Kathryn Dean, *Capitalism and Citizenship: The Impossible Partnership* (London; New York: Routledge, 2003), 131-7.
[69] Tripp, 13.

II. Intellectual and Socio-economic Background of the Contradictions between Islam and Modern Capitalism

The economic structures that existed in the pre-modern Islamic world were subject to market forces but were governed by a moral system that every religion was expected to offer its adherents. The economic arrangement of Muslim societies was likewise shaped according to their economic and historical needs, allowing for regional variations. As Maxime Rodinson, a French Marxist historian, argues, the Qur'an, aside from its primary and central authority for believing Muslims, is not a book of political economy, nor does it present judgments that blame or approve capitalism. In Islam, according to him, there is no separation between 'this-worldly' and 'otherworldly' activities; rather, the two are interwoven. [70] Furthermore, contrary to the general perception, Islamic societies developed fairly advanced economic institutions; indeed, from the beginning, Islam seems to have encouraged commerce and trade. Before he became a prophet, Muhammad was a merchant in Mecca, an important caravan center, and there are many sayings attributed to him which praise and encourage commerce. His successors too, sought to promote commercial activities. In fact, Rodinson claims that in Islamic tradition, the search for profit, trade, and production for the market was looked on as favorably as other religious duties, as can be seen in the verses of the Qur'an.[71] Early Islamic society was aware of many advanced business techniques, favoring "checks" and other kinds of business contracts for trade.[72] Muslim societies produced their own native economic institutions and a distinct social system, so that the structures of power and the linkage between the patterns of income distribution and power were different from those in the

[70] Maxime Rodinson, *Islam and Capitalism* (New York: Pantheon Books, 1973), 17-19.
[71] Ibid, 17-19.
[72] Janet Abu-Lughod, *Before the European Hegemony* (Oxford University Press: New York Oxford: 1989), 216.

West.[73] Nevertheless, the economic backwardness of certain Muslim societies has been attributed by some critics as much to the failure of Muslim societies to develop a social structure similar to the one in the West as to the untimely intervention by Western capitalists under the imperialist venture.

II.1. The Roots of the Antagonism between Islamic Ethics and Modern Rational Capitalism

The conflict between Islam and modern capitalism has a long history, but a discussion that fails to take into account the different social, political and historical contexts of the West and the non-Western countries would not be sufficient to explain the antagonism between Islamic values and modern capitalism. It is an accepted theory that every economic system appears first within the framework of another, before features of that single economic system are visible.[74] According to this theory, we may say that capitalism grew up within the framework of feudalism in Europe. The social structure of the Middle Ages in Western Europe was organized around feudalism, which in practice meant that a given territory was not governed by the king exclusively but also by individual lords, or barons, who administered their own estates, dispensed their own justice, minted their own money, levied taxes and tolls, and demanded military service from vassals.[75] Often, the lords could field greater armies than the king. In theory the king was the chief feudal lord, but in reality the individual lords were supreme in their own territory. Many kings were little more than figurehead rulers, because sharing property

[73] Paul Baran, "On the Political Economy of Backwardness," in R. Rhodes ed. *Imperialism and Underdevelopment* (New York: Monthly Review Press, 1952), 278-95.
[74] Werner Sombart, *Economic Life in the Modern Age*, Nico Stehr & Reiner Grundmann ed., (New Brunswick and London: Transaction Publishers, 2001), 3.
[75] "Feudalism," Catholic Encyclopedia (online). www.newadvent.org/cathen/06058c.htm (March 25, 2006)

with lords resulted in the sharing of sovereignty. On the whole, feudalism entails governance by amateurs paid in land rather than professionals paid in money.[76]

In Western Europe, the state first emerged as an institution of central taxation. The pressure of taxation almost exclusively levied on land forced smaller proprietors to place themselves under the protection of their richer neighbors who paid taxes for them. In exchange, the latter demanded conditions of service. Society was thus gradually split into two opposing forces: an aristocratic bureaucracy and a servile laboring population; the middle classes were essentially invisible. Weber points to the importance of a bilateral contract and the strict legal autonomy of the individual vassal to the development of feudalism and the growth of the idea of constitutionalism.

> Feudalism is a "separation" of power and a quantitative division of authority. The idea of the social contract as the basis of the distribution of political power, an idea which led to constitutionalism, is anticipated in primitive fashion.[77]

The transition from feudalism to capitalism resulted in the eventual displacement of feudal landowners by the capitalist middle class. Capitalists not only freed the serfs from the iron grasp of rural landlords but also drove these liberated serfs onto the labor market for the sake of economic survival.[78]

Social relations and the class structure in Muslim societies were fundamentally different from European feudalism. The position of the peasant was never bound by the same strict legal and personal obligations to a lord as was that of his counterpart in the West. The crucial characteristic of the peasant in Muslim society was that he derived his status not from inheritance or local influence but from having been placed there by a

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[76] Ibid.
[77] Max Weber, *Economy and Society* vol.11, (California: University of California Press, 1978), 1082.
[78] Sulayman S. Nyang, "The Islamic State and Economic Development", in *Studies in Islamic Economics*, ed. Mohamed Taher (New Delhi: Anmol Publications, 1997), 102-103.

central authority.[79] As a result of this, an institutionalized intermediary class, the main subject of the genesis of capitalism, didn't exist between the state and the peasant. In contrast to the division of power in the West, absolute central power in the East exercised a control mechanism over social and economic life.

A well known Turkish sociologist Şerif Mardin's analysis of power in the Ottoman system is a good illustration of the different character of the economic ethic in Muslim societies:

> Power was a "commodity" that was more precious than wealth and "trade" in power was a distinguishing characteristic of the Ottoman system. This preponderance of power was paralleled by an economic ethic and a symbolism that was also different from that of Western capitalism. The economic ethic that fitted with the traditional Ottoman economic system was that of "equity."…….Yet we should not neglect the following point: placed in a framework where there was no legitimating for "bourgeois exploitation," equity had an explosive potential.[80]

This unique character prevented the genesis of an intermediary class, which was the main actor in the development of Western capitalism between the state and the peasant. It is a good example of how Islam has been able to coexist with quite different socio-economic structures and provide legitimacy to different economic models.

III. The Main Features of the Islamic Economic Ethics

III.1. Obligatory Charity in Islam: *Zakat*

In Islam, as in many other religions, there are several specific moral and disciplinary regulative codes that function to provide a social order. Since the ethical commands of Islam form the basis of its socio-economic structure, Muslim societies have to be examined from this perspective. Faith is the fundamental basis for deeds, and deeds are

[79] Çağlar Keyder, *State and Class in Turkey* (London, New York: Verso, 1987), 12.
[80] Şerif Mardin, *Religion, Society and Modernity in Turkey* (Syracuse: Syracuse University Press, 2006), 67.

counted as expressions of faith in an ideal Muslim society which, according to Fazlur Rahman, is "a social order" based on belief, surrender, and piety.[81] Sayyid Qutb identifies legislation and exhortation as the groundwork of the economic view of Islam.[82] Here, the charity payment (*zakat)* and the prohibition on *riba* (interest) are counted as the main instruments of such legislation and exhortation that would form the core of an Islamic economic theory.

One of the distinguishing characteristics of Islamic moral values in economic life is mandatory charity; Islam encourages not only private accumulation of capital but also its redistribution.[83] *Zakat* is a tax on capital as well as income and it also taps idle wealth.[84] *Zakat,* which in essence, is a tax on superfluous wealth, is obligatory on all eligible Muslim who possess the taxable minimum (*nisab*) and its importance has been stressed in Qur'an and the Hadith.[85] *Zakat* is the process where a certain amount of property or money is collected from those who have enough to maintain themselves and their dependants. It is then given to needy people. Indeed, donors, recipients, and the proportion of required donations are clearly outlined in both the Qur'an and prophetic Sunna.[86] Charity has existed throughout the history of the world as a universal human behavior; in Islam however, it amounts to a manifestation of belief.[87] Commanded in the

[81] Fazlur Rahman, "Some Key Ethical Concepts of the Qur'an, "*Journal of Religious Ethics* 11, no. 2 (1983): 170-85.
[82] Sayyid Qutb, *Social Justice in Islam* (New York: Octagon Book, 1970), 102.
[83] This is clearly implied in the verses on life in the Qur'an such as: "Give them of the property of Allah, which He has given you." Sura 24:33 or "Allah has favored some of you more than others in the matter of a competence. Yet those who have been thus favored will not give back such provision to the slaves whom they possess; in that respect they are equal. Will they thus deny the goodness of Allah?" Sura 16:73.
[84] In the Qur'anic passages (e.g. 9:11, 9:18, 73:20 and 98:5) *zakat* is mentioned side by side. Mohamed Ariff, "Economics and Ethics in Islam" in *Reading in the Concept and Methodology of Islamic Economics* ed. by Aidit Ghazali and Syed Omar (Selangur Darul Ehsan: Pelanduk Publication, 1989), 103.
[85] Ibid.
[86] Ömer Faruk Şentürk, *Charity in Islam* (New Jersey: Light, 2007), 4.
[87] In Judaism, charity refers to sums levied for the common welfare and more specifically for the poor. Amy Singer, *Charity in Islamic Societies* (Cambridge: Cambridge University Press, 2008), 4. Charity

Qur'an, giving alms (*zakat*) is one of the five fundamental obligations of all Muslims. A mandatory charity is the one of the pillars of the Islamic moral economy and it has an important role to play in the fields of social welfare and fair distribution of wealth. *Zakat* does not refer to charitable gifts given out of kindness or generosity, but rather to the compulsory systematic donation of 2.5% of one's total wealth each year to benefit the poor.[88] *Zakat* represents a key component of the moral economy since it epitomizes a number of essential ideas: the notion that the individual holds property as a trust from God; therefore, that property must be used for a higher end, thus forming the base of a truly Islamic society.[89] Since Muslims have a responsibility not only towards their families but also towards other members of the community, *zakat* serves to purify the wealth on which it is calculated. By giving up a part for the community, one's personal wealth is legitimized. In the following verses from the Qur'an the purifying character of *zakat* is highlighted:

> Prosperous indeed are those who purify themselves.[90]
> Take alms of their wealth to purify and to sanctify them thereby…[91]

One of Islam's most forceful medieval theologians, Ibn Qayyim (1292-1350CE / 691 AH- 751 AH), explains the aim of *zakat* as being the promotion of socio-economic justice and the development of compassion and care for others.[92] *Zakat* constitutes a system to provide for the needy and poor members in society by collecting and redistributing wealth. This is outlined in the following verses in the Qur'an:

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emphasizes mutual love and the love of God, together with warnings against attachment to money and material things. In addition, Christianity also highlights individual charity and asceticism which, among other things, ultimately influenced the creation of monasteries. See Frederick B. Bird, "Comparative Study of the Works of Charity in Christianity and Judaism," *Journal of Religious Ethics* 10 (1982): 62.

[88] Singer, 41.

[89] Tripp, 124.

[90] Kahf 18:19.

[91] Tawba 9:13.

[92] S. M. Ghazanf and A. Amin Islahi, "Some Aspects of Ibn Qayyim's Economics," in *Medieval Islamic Economic Thought*, ed. by S. M. Ghazafar (London and New York: Routledge Curzon, 2003), 134.

> And keep not thy hand chained to thy neck, not outspread it widespread altogether, or thou wilt sit reproached and denuded. (17:29)

> True piety is this: to believe in God, and the Last Day, the angels, the Book, and the Prophets, to give of one's substance, however cherished, to kinsmen, and orphans, the needy, the traveler, beggars, and to ransom the slave, to perform the prayer, to pay the alms ('zakat'). (2:177)

According to the Islamic economic theory, by making *Zakat* obligatory Allah has put every person to the test. That person alone who willingly gives what is due to God from that wealth which exceeds his requirements, and helps the poor and needy, is worthy of being counted among the faithful. In addition, the Qur'an's general principles, the *hadith* and legal commentaries all offer specific guidance about *zakat* distribution. *Zakat* became the basis for other taxes collected by the government, and the jurists provided believers with a means to pay these taxes as *zakat*, thereby fulfilling their obligations.[93]

As one of the fundamental financial principles of Islam, *zakat* is a religious obligation; penalties await those who fail to pay it. According to the following verse:

> Those who treasure up gold and silver, and do not expend them in the way of God – give them the good tidings of a painful chastisement, the day they shall be heated in the fire of Gehenna and therewith their foreheads and their sides and their backs shall be branded: 'This is the thing you have treasured up for yourselves; therefore taste you now what you were treasuring! (9:34-35)

The penalties for not paying *zakat* are harsh because not to perform one of the five fundamental obligations is counted a grave sin. Therefore, it would seem that giving and receiving *zakat* is a dynamic mechanism which was arranged by building a set of obligations between the individual and God, and between human beings and the community. Paying *zakat* not only proves belief and obedience, it also serves to benefit the community by providing a universal aspect of self interest. Qutb explains this as follows:

[93] Singer, 49.

> This disposal of property by the Messenger and the emphasis on that disposal in the Qur'an provides a clear and self-evident proof of the correctness of the Islamic principle that it is undesirable to have wealth concentrated in the hands of a few members of the community. It means also there must be some form of equity. [94]

As one of the Quran's chief themes is social justice, *zakat* has been one of the main institutions in the socio-economic life of Muslim societies.[95] The collection and distribution of *zakat* was managed by the government in the era of the Prophet and his successors (the four rightly guided caliphs),[96] and it continued to be a function of Muslim governments until the fall of the Ottoman Empire.[97] Furthermore, much like a tax, the minimum threshold of *zakat* on savings or investments is 85 grams of gold, and the rate of *zakat* is 2.5%; as for livestock, both the minimum threshold and the rate depend on the type and the number of animals.[98]

If a state does not control *zakat* – such as a state that does not implement *Shariah* (Islamic law) and maintains a secular stance, or one where Muslims are a minority – some people voluntarily undertake the role of gathering and distributing *zakat* for the benefit of the community. However, it is possible to see a lack of professional management and oversight on the part of the non-governmental collectors.[99] Today in some Muslim

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[94] Qutb, 108.
[95] The Central Zakat Committee, *The Institution of Zakat* (Chicago: The Central Zakat Committee, The Council of Islamic Organizations of Greater Chicago (CIOGC), 2005), 1. http://www.zakatchicago.com/Downloads/ZakatBook.pdf
[96] M. Nejatullah Siddiqi, *Role of the State In The Economy: An Islamic Perspective (Islamic Economics)* (Leicester: The Islamic Foundation, 1996), 21-22.
[97] Monzer Kahf, *Zakah*, 3, at http://monzer.kahf.com/paper/english/zakah.pdf (14 June 2005). According to Kahf, Yemen is the only Muslim country that has retained this task without interruption since the Prophet era. See ibid.
[98] Other groups of beneficiaries are the poor (*al-fuqara*); the indigent (*al-masakin*); those whose hearts have been reconciled to the truth, such as new converts to Islam (*al-mu`allaf*); those in bondage (*ar-riqab*); debtors (*al-gharimin*); those in the cause of God (*fi sabilillah*); and wayfarers (*ibn as-sabil*). See al-Qur'an, chapter IX (at-Tawbah): 60; Ariff, "Introduction," 2.
[99] Mohamed Ariff, "Introduction," in Mohamed Ariff (ed.), *Islam and the Economic Development of Southeast Asia: The Islamic Voluntary Sector in Southeast Asia* (Singapore: Institute of Southeast Asian Studies, 1991), 2.

countries, such as Indonesia, and Saudi Arabia, the collection and distribution of *zakat* is imposed by the state; however effectiveness is a matter of debate.

III.2.Prohibition of Interest in Islam: the Question of *Riba*

The other major feature of the Islamic economic ethics is the prohibition of *riba*, which enjoys a central place in the conception of the Islamic economy and can possibly be argued to lie at the very heart of Islamic views of a moral economy- just as it looms large in the ideas of many Muslim intellectuals concerning the fundamental injustice of capitalism.[100] The literal meaning of interest or *riba* as it is used in the Arabic language is to "make excess" or "to increase."[101] In the Islamic terminology, interest means effortless profit or that profit on capital which comes without work or effort.[102] Since the modern global economic system is founded on the basis of interest, the prohibition of *riba* in Islam is a key distinguishing feature of the Islamic economy. The prohibition of *riba* is, in essence, a rejection of any form of transaction that places the risk entirely on one party leaving the other with an assured gain.[103] Umar Chapra argues that the central goal of Islam is the establishment of justice. He claims that justice is a comprehensive term in Islam and covers all aspects of human interaction, irrespective of whether it relates to the family, the society, the economy, or the polity, and irrespective of whether the object is a human being, animal, insect, or the environment. In economic life justice should apply in an equitable manner so that the universally cherished humanitarian goals of general need-

[100] Taqiuddin al-Nabahani, *The Economic System in Islam* (New Delhi: Milli Publications, 2002), 172-6.
[101] Ziaul Haque, *Riba The Moral Economy of Usury, Interest and Profit* (Kuala Lumpur: S. Abdul Majeed &Co.1993), 9.
[102] Ibid.
[103] Monzer Kahf, "Islamic Economics system – A Review" *Reading in the Concept and Methodology of Islamic Economics* ed. Aidit Ghazali and Syed Omar, (Selangur Darul Ehsan: Pelanduk Publication, 1989), 79.

fulfillment, optimum growth, and full employment, equitable distribution of income and wealth, and economic stability can be realized.[104] Chapra argues that these are universal goals and the outcome of the moral values provided by most religions. However, without a strategy it would not be possible to realize these goals; in fact, the strategy requires, among other things, the introduction of a moral dimension into economics in place of the materialist orientation of capitalism. The prohibition of interest is a part of this moral dimension. [105] According to this view, demanding interest from someone who is constrained to borrow to meet his essential consumption requirement is economic exploitation. Charging of interest on loans taken for productive purposes is also prohibited because it is regarded as an inequitable form of transaction since it places the risk entirely on the borrowing party.[106] *Riba* is considered oppression because, it is claimed, it transfers wealth from the poor to the rich and contributes to an imbalance in the distribution of wealth in the society.[107] Muslim thinkers argue that this is against social interest and contrary to the will of God, and that it encourages love for money and the desire to accumulate wealth for its own sake, besides making men selfish and miserly.[108]

The economic conditions of a society changes over the course of history, so do the forms of earning, income distribution and the use of capital. It has thus been argued that the *Riba* of pre-Islamic times or usury of the pre-capitalistic period does not represent the

[104] Umar Chapra, "Why has Islam prohibited Interest?" in *Interest in Islamic Economics Understanding Riba*, ed. *by* Abdulkader Thomas (London; New York: Routledge, 2006), 96.
[105] Ibid, 97.
[106] Z. Ahmed, "Prohibition of Interest in Islam," *Journal of Islamic Banking and Finance,* no.1, (Karachi, Pakistan, 1984): 20.
[107] The reason for prohibiting usury is that it represents a method of growth which does not depend on effort of labor; it contributes to the existence of non workers who rely on this means of increasing their wealth. See Kotb, 122.
[108] Muhammad Nejatullah Siddiqi, *Muslim Economic Thinking* (Jeddah: International Center for Research in Islamic Economics, 1981), 63.

character of usury of capital or modern financial capital. For this reason, one can find a wide variety of opinions in discussions among the Muslims on the difference in the meaning of *riba* in pre-Islamic times and in today's modern economy. Professor Fazlur Rahman claims that bank interest today does not represent any category of *riba,* rather, *riba* is an exorbitant increment whereby the capital sum is doubled several fold, against a fixed extension of the term of payment of the debt."[109] Basically Rahman defines *riba* as a usurious rate of interest and would tolerate it only on the basis of necessity, at least until an alternative Islamic financial system has been constructed. In fact, arguments regarding the prohibition of *riba* derive from the difficulty in clarifying the meaning of *riba*. A specific definition does not exist in the Qur'an and it is clear that the complex rules concerning *riba* developed gradually from the *hadith.*[110] Emad H. Khalil, as a lawyer in Islamic banking, says that while the *Quranic* prohibition of *riba* and the traditions that accompany it are generally unquestioned by all four Islamic schools of law, there is disagreement regarding their interpretation and application.[111] All four schools consider the items mentioned in the traditions only as examples of the kinds of things that are prohibited and, therefore, agree that the prohibition extends by analogy *(qiyas)* to other items as well.[112] However, as Khalil points out, there exists a difference of opinion regarding which other items the prohibition against *riba* extends to. Specifically, the schools of law disagree on the underlying reason for the prohibition of the items

[109] Fazlur Rahman, "Riba and Interest," *Islamic Studies*, vol III, no.1 (March 1964): 5-7.
[110] Emad H. Khalil, "An Overview of the Shari'a Prohibition of Riba" in *Interest in Islamic Economics Understanding Riba*, Abdulkader Thomas, ed., (London; New York: Routledge, 2006), 56.
[111] Ibid.
[112] Ibid.

mentioned in the traditions and therefore disagree as to which items the prohibition affects.[113]

With the expansion of Islamic economics and economic institutions in the latter half of the twentieth century, arguments concerning *riba* continued to develop. By the 1970s, Muslims once began again to think in terms of Islamic models of finance, for in the global modern economy *riba* was omnipresent. The dilemma they faced was that the modern banking system is organized on the basis of interest, which falls into one of the categories of *riba*. Modern banking, therefore, is seen by many proponents of Islamic economics as the chief obstacle to compatibility between their ethical system and modern capitalism. Islamic banking, which has come to the fore over the last few decades, seeks to offer an alternative framework to allow for an increase of capital uncontaminated by *riba*. According to Khalil;

> While a basic tenet of Islamic banking - the outlawing of riba, a term that encompasses not only the concept of usury, but also that of interest - has seldom been recognized as applicable beyond the Islamic world, many of its guiding principles have. The majority of these principles are based on simple morality and common sense, which form the bases of many religions, including Islam.[114]

Disenchantment with the value-neutral capitalist financial system has led many to look elsewhere for ethical values in their financial dealings. Thus, the advocates of Islamic banking conceive of it as an instrument for the development of an Islamic economic order.

What then, does Islamic banking offer investors in place of *riba?* The Islamic financial system employs the concept of participation in the enterprise, by utilizing the funds at risk on a profit and loss sharing basis. Muslim scholars such as Chapra, Khalil, and Thomas claim this implies that investments with Islamic financial institutions are not

[113] Ibid, 57.
[114] Ibid.

speculative, since the speculative risk can be curbed by careful investment policies, diversification of risk and prudent management.[115] Chapra and other Muslim scholars hope that the adoption of a profit and loss sharing system will help raise savings by curbing the availability of credit to both the public and private sectors for unproductive purposes, which serve as a major drain on savings.[116] This leads to the related question of whether the positive effect of Islamic values on savings would be offset by the absence of interest.[117] Chapra claims that the generally recognized fact is that people normally save for future contingencies and not necessarily for the purpose of earning interest. It would, nevertheless, be helpful if they were able to invest their savings and earn an attractive return. Islam does not, however, deny a return on savings. While it has prohibited interest, it has allowed profit.[118]

Insofar as these institutions provide some Muslims with financial security and with a sense that their investments are in accord with their Islamic ethical obligations, they perform an important service. Obviously, they operate very differently from what may have been conceived of by early Muslim scholars, but they have nevertheless contributed to the transformation of Muslim identities and to new ways of thinking about being a Muslim in the modern world.

III.3.Voluntary Charity in Islam

Over and above these principles, it is clear that Muslims are expected to both earn and employ their accumulated capital for the service of mankind. Thus, while private

[115] See, *Interest in Islamic Economics Understanding Riba* ed. Abdulkader Thomas (New York: Routledge, 2006)
[116] Umer Chapra, "Why has Islam Prohibited Interest?" *Interest in Islamic Economics Understanding Riba* ed. Abdulkader Thomas (New York: Routledge, 2006), 96-98.
[117] Ibid, 98.
[118] Khalil, 101.

accumulation of wealth is acknowledged, encouraged and legitimized, its circulation within the society is assigned great importance. This circulation is supposed to be carried out through charity, which is strongly recommended in the Quran and *hadith*[119] and is a signal characteristic of Islamic societies.[120] Besides this, public benefit or *maslaha* was greatly emphasized in the Islamic tradition and has become an important criterion for judging the trustworthiness of social institutions, including the character of particular forms of property.[121] The enormous importance of charity in Islamic societies highlights Muslim communities' distinct attitude toward the proper uses of wealth and the role of government in these societies. The essential social services in Muslim society, such as health, education, etc., have traditionally been provided by private charitable institutions.[122] Care for the poor in society is certainly included in the broad definition of charity. Charitable practices act as an important force of social cohesion by making individuals, communities, institutions, and states all operate as benefactors, thus binding communities together in the process.[123]

III.3.a. *Sadaqa*

Sadaqa is a form of voluntary charity which urges Muslims to donate any amount, at any time to the poor.[124] *Sadaqa*, which can also be translated to mean benevolence, is voluntary giving of alms of all types and forms. In addition to the obligatory charity of

[119] In Islamic terminology, the term *hadith* refers to reports of statements or actions of Prophet Muhammad or of his tacit approval of something said or done in his presence.
[120] Qur'an 2:43, 2:177, 9:18, 9:31.
[121] See Madjid Khadduri, "Maslaha," in EI^2, VI: 738-40.
[122] William L. Cleveland, *Islam against the West: Shakib Arslan and the Campaign for Islamic Nationalism* (Austin: University of Texas Press, 1985), 115-18.
[123] Michael Bonner, Mine Ener, Amy Singer, ed., *Poverty and Charity Middle Eastern Context* (New York: State University of New York Press, 2003), 2.
[124] Mamoun Abuarqub and Isabel Phillips, *A Brief History of Humanitarianism in the Muslim World* (Birmingham: Islamic Relief Worldwide, 2009), 3.

zakat, Muslims are encouraged to share voluntarily their time, wealth, knowledge and acts of kindness with others. Legitimate recipients of *sadaqa* include the kinds of people who are eligible to receive *zakat*, as well as of close family members.[125] While this includes almsgiving and donations to the needy, *sadaqa* also encompasses any act of kindness done to earn Allah's (God's) pleasure. In this sense, even those without material wealth are able to give charity and earn its reward:

> Give to the near of kin his due, and also to the needy and the wayfarers. Do not squander your wealth wastefully; for those who squander wastefully are Satan's brothers, and Satan is ever ungrateful to his Lord. (17:26-27)

The basic difference between *zakat* and *sadaqa* is that the former is obligatory while the latter is supererogatory or voluntary. The money for the purpose of *zakat* can be taken by force by the authorities whereas in the case of *sadaqa*, it cannot. Another difference is that, for *zakat*, an Islamic authority may levy fixed taxes of different sorts changeable according to the economic state of the nation, while for *sadaqa* there can be no fixed amount.[126] In short, in a bid to establish an economic system based upon the Quran's teachings, *sadaqa* may be a measure that prevails in the transitional stage while *zakat* will be the main hallmark of the maturity of such a system, for example, when everyone will receive what they need for their physical and moral development.

Above all, these characteristics of Islam indicate the moral view of economic life in Islamic society that ownership of property in the widest sense is a right that accrues only to the society.[127] As explained previously, Islam establishes some limitations on the disposal of a person's property. The leading intellectual of the Egyptian Muslim

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[125] Amy Singer, "Soup and *Sadaqa*: Charity in Islamic Societies," *Historical Research*, Aug 2006, vol. 79 Issue 205, 306-324.
[126] Şentürk, 154.
[127] Ramadan Tariq, *Islam, the West and the Challenges of Modernity* (United Kingdom: the Islamic Foundation, 2001), 147.

Brotherhood, Sayyid Qutb, claims that in Islam the individual must realize that he is no more than the steward of this property, which is fundamentally the possession of society; this means that he must accept the restrictions that the system lays upon his liberty, and the bounds that limit his right to dispose of his belongings. It is the consideration for the welfare of society that lies behind all this, as well as the consideration for the welfare of the individual himself.[128]

III.3.b.Charitable Institutions in Muslim Societies*: Waqf* Endowments

> *The waqf's contribution to the shaping of the urban space can hardly be overestimated… A major part of the public environment in (Islamic) towns actually came into being as a result of endowments.*[129]

Waqf is a religious endowment and is central to the Islamic principle of charity. The meaning of endowment (*waqf*) is to "freeze" the right of ownership over a property and to use its income for charity and public welfare, such as schools, public works, soup kitchens, and orphanages. Legally, *waqf* is defined as "endowing the property rights of a property to the public service perpetually and to prevent others from obtaining the said property rights."[130] *Waqfs* activities are not limited to the promotion of Islam. *Waqf* traditionally supported many economic sectors and had a wide range of social functions. A study on the Turkish *waqfs* shows that only 29 percent of *waqfs* served a strictly religious function, and that an additional 25 percent supported schools that taught religion

[128] Qutb, 105-106.
[129] Hoexter, Miriam, Eusenstadt, Schmuel. N. and Leutzion, Nehemia (2002) *The Public Sphere in Muslim Societies* (New York: State Univ of New York Press, 2002), 128.
[130] Ahmet Akgündüz, *İslam Hukukunda ve Osmanlı Tatbikatında Vakıf Müessesesi* (İstanbul: OSAV, 1996), 77.

along with other subjects.[131] The rest financed essentially secular ends and purposes in the society.

Without understanding the outstanding importance of *waqf* endowments in Islamic societies, it is difficult to analyze their economic nature. Although *waqfs* have a history considerably older than Islam,[132] they quickly became a characteristic Islamic institution as Muslims were urged strongly to endow their assets in the service of the community.[133] More precisely, although the concept of these endowments did not originate in the Islamic world, they were highly encouraged by Islamic law and governments, and thus became common institutions in the early and medieval periods.[134] By the end of the eighteenth century, it is estimated that there were roughly 20,000 Ottoman *waqfs* in operation.[135] Local political, social and economic realities shaped the *waqfs* nature, which developed within the context of Muslim legal and cultural demands. Many mosques, schools and tombs were structured and supported by *waqfs*, making such endowments the most public form of charity in Muslim societies.

A *waqf* is founded once the owner makes a declaration that the income of the property is to be reserved permanently for a specific purpose.[136] Since Islamic law does not allow using *waqfs* for other purposes or disposal, a property dedicated as a *waqf* remains forever a *waqf*. Their essential element consists in a person committing a pious

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[131] Based on Yediyıldız, *Institution du Vaqf au XVIIIè Siècle en Turquie -étude socio-Historique* (Ankara, 1985), p. 82 as cited in Kuran, 2001, 11.
[132] Ancient Mesopotamia, Greece and Rome, as well as the pre-Islamic Arabs, certainly knew of such endowments. Murat Çizakça, *A History of Philanthropic Foundations: The Islamic World from the Seventh Century to the Present* (İstanbul: Boğaziçi University Press, 2000), 5.
[133] Daniel Crecelius, "Introduction", *JESHO*, vol. 38, 1995, no.3
[134] Ibid, 5.
[135] Timur Kuran, "The Provision of Public Goods under Islamic Law: Origins, Impact and Limitations of the Waqf System," *Law and Society Review*, 35: no.4 (December 2001): 841-97.
[136] Sait Siraj, and Lim Hilary, "Waqf (Endowment) and Islamic Philanthropy." In *Un-Habitat Islam, Land & Property Research Series*, 2005: 1-20.
http://www.unhabitat.org/downloads/docs/3546_80031_ILP%207.doc

deed by declaring part of his or her property to be henceforth inalienable and designating persons or public utilities as the beneficiaries of its yield.[137] In short, property is withdrawn from individual or government ownership and its rent used for public necessities as chosen by a donor. A significant portion of the land in the Islamic world, reaching 40 -50% by some estimates, was at one time endowed in this way and thus lay outside private ownership.[138] Health, education and other social services were the principal beneficiaries of these endowments.[139] It can be argued that by thus catering to the needs of the society, *waqfs* played an important role in maintaining social stability and provided the basis for a civil society. Whole villages, large tracts of agricultural land, and numerous commercial establishments were endowed to provide income for various religious and social institutions.[140] The state's role was limited as most social, economic, cultural, educational, religious and health services were provided by private initiatives through the *waqf* system. Though the beneficiaries of these endowments could be family members, the charitable ethos of the institution is demonstrated in the high proportion of *waqfs* devoted to general welfare. The endowment provided many of the services that the modern welfare state today offers, and this had the tacit support of the State. The main responsibility of the Islamic state to its people was solely to provide justice, security and freedom for individual-self development and there was no budget system for the provision of all other social services. This gap was filled by *waqf* foundations that provided for facilities ranging from municipal services to education, health, culture and

[137] Encyclopedia of Islam, vol. XI, (Leiden; Brill, 2002), 59.
[138] Ibid, 6.
[139] Ibid.
[140] Murat Çizakça, "Awaqaf in history and its Implications for Modern Islamic Economies," *Islamic Economic Studies*, vol.6, no.1, (November, 1998), 2.

religion.[141] Institutions of social welfare and relief of poverty, such as hospitals, soup kitchens, and various charity funds, were also largely financed by *waqfs*.[142] Furthermore, many public works such as the paving of roads, the building of bridges, and the organization of city water supplies were also carried out under the auspices of *waqfs*.[143] In addition, the *waqf* system was an important channel which enabled Muslim women to acquire and exercise property rights. With the establishment and administration of *waqf*, women had found a way to become involved in the management of their own wealth in the Ottoman Empire and to influence societal courses.[144] Al-Sayyid Marsot, a Middle Eastern historian, suggests that 'such a pattern was not limited to elite women, for we find that women of all strata owned property; bought, sold and exchanged property; and endowed it at will'.[145] The *waqfs* were regulated by Islamic law and came under the authority of the Islamic courts, thus the estrangement of property in *waqf* gave additional legal authority and protection to women's property ownership and control.[146]

It is well known truth that Muslim women have had fixed rights of inheritance, although in smaller shares than their male counterparts. For instance, historian Ronald C. Jennings claims that women were property holders of considerable importance in twentieth century. He argues that, in Kayseri, the records show women actively seeking the intervention of the courts to defend their rights, often to establish that they were the

[141] Nazif Öztürk, Sosyal Siyaset Açısından Osmanlı Vakıfları, www.sosyalsiyaset.com
[142] Oded Peri, "Waqf and Ottoman Welfare Policy," *Journal of Economic and Social History of the Orient* vol. 35, no.1.
[143] Ibid.
[144] Sait and Lim, 11.
[145] Marsot, al-Sayyid, AL, 'Entrepreneurial women', in Yamani, M ed., *Feminism in Islam, Legal and Literary Perspectives* (Reading: Ithaca, 1996), 37.
[146] The *shari'a* guarantees women certain rights concerning property: the right to control her dowry (*mahr*); to inherit property; to own and manage her own property or that of others-for example, as *nazira* of a *waqf;* and to endow property as *waqf*. Urban women of the artisanal, middle, and upper classes appear in the court records throughout the Middle East as heirs, *naziras*, *waqfs*, and active buyers and sellers of real estate. Mary Ann Fayn, "Women and *Waqf*: Toward a Reconsideration of Women's Place in the *Mamluk* Household" *International Journal of Middle East Studies*, vol. 29, no. 1 (February, 1997): 33-51.

rightful owners of property rather than neighbours, a member of the family or their husbands.[147] Judith Tucker, a well known historian, in her study of peasant and urban lower class women in nineteenth century Egypt, suggests that 'many founders of *waqfs*, both male and female, appear to have used the institution, in part, to provide specifically for female heirs whose claims on the inheritance would normally be weaker than those of men.'[148] However, as a consequence of studying deeds of endowment, historian Ruth Roded argues, women have also been active founders of *waqfs* and there have been 'provocative findings on the ownership and management of property by women.'[149] It is possible to see many examples in the court archives of the Ottoman period, which emphasize the historical importance of *waqf* property in Muslim women's lives.[150] Historian Marry Ann Fay gives a more detailed explanation on these *waqfs* as follows:

> The ministry's index lists 496 waqfs founded in the 18th century. The number of male donors of waqfs was 393, and the number of female donors was 126, which means that women made up 25 percent of the total number of donors whose waqfiyyat can be found in the ministry's daftarkhana. That women founded 25 percent of these waqfs is consistent with results obtained by other researchers for both the Arab provinces and Anatolia during the Ottoman period. For example, Haim Gerber's analysis of waqf records from 15th- and 16th-century Edirne shows that women made 20 percent of the new waqfs. Baer's analysis of the İstanbul tahrir of 1546 shows that women made 36.8 percent of the new waqfs. Baer also cites evidence from 18th-century Aleppo showing that women made 36.3 percent of the waqfs. In Jerusalem between 1805 and 1820, the figure is 24 percent, and from Jaffa during the entire Ottoman period, the figure is 23.4 percent.[151]

Some economic historians have also criticized the *waqf* institutions in Muslim societies. For instance, according to Weber, capital locked in *waqf* institutions prevented

[147] Ronald. C, Jennings, 'Women in early 17th Century Ottoman Judicial Records—the Sharia Court of Anatolian Kayseri' *Journal of the Economic and Social History of the Orient* vol.53, no. 18 (1975): 98.
[148] Judith, Tucker, *Women in Nineteenth Century Egypt* (Cambridge: Cambridge University Press, 1985), 95.
[149] Ruth Roded, ed., *Women in Islam and the Middle East* (London and New York: Tauris, 1999), 142.
[150] Fayn, "Women and *Waqf*: Toward a Reconsideration of Women's Place in the *Mamluk* Household," 37.
[151] Ibid, 38.

accumulation of the large private savings necessary to establish complex economic institutions, such as large factories, banks and holdings.[152] He argues that in Muslim societies, a ruler could only seize *waqf* property by disregarding the *Shar'ia*. Because of this 'freezing' of capital, accumulated wealth was a source of rent, rather than capital, and consequently, a national bourgeois class could not develop.[153] Weber also claims that *waqfs* impeded the development of capital accumulation in the Muslim world, since urban merchants, because of the absence of security in property holding, never transformed their accumulations into industry and capitalist production. Rather, they invested these into non-economic areas, especially *waqfs*, and as in the ancient economy, these accumulations served only as a source of rent and not as a source of acquisitive capital.[154]

Ottoman historian Amy Singer, however, points out that *waqfs* also served urban and rural development, imperial legitimization, the desire for personal prominence, avoidance of restrictions on the division of inheritance, the protection of wealth from imperial confiscation, the promotion of the community, and the preservation of social hierarchies.[155] She notes that these foundations not only provided religious, economic, residential and commercial space but they were also useful for new settlements in the conquered lands.[156] *Waqfs* played a significant role in the realms of property, finance, and labor, such that their economic, social and cultural influence permeated every area of the society. They also served to preserve social hierarchies and cultural norms by preserving the places of worship and education and even by preserving family wealth. As Edward Palmer Thompson, a historian asserts, such culturally shaped moral norms are the engine

[152] B. Turner, *Weber and Islam: A Critical Study* (London; Boston: Routledge, 1974), 124.
[153] Ibid.
[154] Weber, 197.
[155] Singer, 104.
[156] Ibid.

of economic behavior.[157] Therefore, as an important aspect of voluntary giving, *waqfs* were the centers of a vast range of activity, rendering them a mainstay of the "moral economy" in Islamic society.

III.3.c. Centralization of *Waqfs* and the Beginning of Economic Intervention by the West in Muslim Countries

1. The effects of State Centralization on *waqfs* in the Ottoman Empire

Waqfs were used as an essential economic institution for the welfare support of ordinary people until the nineteenth century a time marked by a profound structural change in the Ottoman Empire. This change can be described as a policy of centralization which resulted in the expansion of the state bureaucracy. Historically speaking, this state centralization sounded the death knell of *waqfs* in the Ottoman lands. In the Ottoman state, the centralization of the institution of *waqf*, which had started in the *tanzimat* era, was solidified by the creation of a Ministry of *Waqfs* by the central government in 1830.[158] Another crucial step was the abolition of the financial autonomy of the *waqfs* by making the collection of their revenues the responsibility of the Ministry of Finance.[159] It was decreed that all the rent due to the *waqfs* from the peasantry cultivating *waqf* lands were no longer to be collected not by the *waqf* trustees, but by the treasury officials.[160] By the year 1847 this rule was expanded so as to apply to all the *waqfs* in the empire without

[157] Edward Palmer Thompson, "The Moral Economy of the English Crowd in the Eighteenth Century," *Past and Present* no.50 (1971): 76-136.
[158] William Cleveland, *A History of the Modern Middle East.* (Boulder, Colo: Westview Press, 2004), 84.
[159] "Latest Developments in the Western Nonprofit Sector and Implications for the Islamic Waqf System." *Proceedings of the Fourth International Conference on Islamic Economics and Banking.* August 13-15, Loughborough, England, 2000b.
http://www.mcizakca.com/pub%20LATEST%20DEVELOPMENTS%20IN%20THE%20WESTERN%20NONPROFIT%20SECTOR%20AND.pdf
[160] Ibid.

exception.[161] This decree allowed the state to extensively interfere in *waqf* affairs. The central authority began to usurp increasing proportions of this *waqf* revenue and the payment of the collected revenue to the *waqf* was delayed as well as curtailed. The outstanding debt of the state to the *waqf* administration constantly increased.[162] Whenever the state needed urgent revenue, which occurred very often, the percentage paid to the *waqfs* were reduced even further.[163] Thus deprived of their revenues, Ottoman *waqfs* succumbed to neglect and became impoverished.[164] The revenues and assets of all the education-related *waqfs* were transferred to the Ministry of Education. Indeed, former tenants were made co-owners of the *waqf* property and were induced by the state to purchase the rest of the *waqf*'s assets, so that the assets might be sold off to the highest bidder.[165] Thus, the *waqf* system was first brought under state control and then marginalized.[166] As historian Murat Çizakça argues, the centralization of *waqfs* was an attempt to reorganize an agglomeration of micro-economies of individual charities in order to control revenues and establish a state welfare system. *Waqf* reforms were also introduced in other Muslim lands such as Egypt under the rule of Muhammed Ali (1805-48), in British occupied India and in French-occupied North Africa. In fact, *waqf* reforms took place in all the colonized Muslim states as part of legal modernization of one kind or another. Mostly, *shari*'a law was exchanged for some form of Western law.[167]

The centralization of *waqf* management changed the role of the state in the distribution of social assistance. The decline in the importance of *waqfs* negatively

[161] Ibid.
[162] Ibid.
[163] Ibid.
[164] Ibid.
[165] Çizakça, *A History of Philanthropic Foundations: The Islamic World From the Seventh Century to the Present*. (İstanbul: Boğaziçi University Press, 2000), 89-90.
[166] Ibid, 232.
[167] Singer, 192.

impacted the social and cultural systems of Islamic society: Muslim communities could no longer help the poor, pay salaries to teachers, feed needy people, or maintain buildings. *Waqfs* and other charity endowments were replaced by Western economic institutions and agents to provide a new socio-economic balance. During the nineteenth century, new schools, banks, hospitals and courthouses were built, while the role of the state as an institutional and corporate agent of social welfare and poverty relief gradually increased. The *waqf* institution was a flexible category under the Islamic law; however, by centralization and reorganization on the basis of Western law, it lost much of its ability to serve the function for which it was intended. At the end of this process of transformation, the state had eliminated these intermediary organizations which it had started to consider as rivals. In the philosophy of Western type modern state there was no place for intermediary institutions of this kind.

2. Post-Colonial Attitudes Towards *Waqf*

Waqfs remained central to the economic life of Muslim societies for over a millennium, but the situation began to change with the spread of industrialization in Europe and the consequent search for new markets and sources of raw materials. This brought the European powers and their economic interests into contact and conflict with those of the Muslim lands, and *waqfs* became a casualty in the power imbalance inherent in these contacts. For example, by the middle of the eighteenth century, the Ottoman Empire had begun to lose territory through war for the first time in its history and because of this political and economic weakness, consequently in the nineteenth century it was forced to negotiate significant loans from the European countries. This pressure, strongly felt during the treaties of Paris (March 30, 1856), London (April 19, 1839) and Berlin (June

13-July13, 1878), was expressed bluntly by 1860 in response to the Ottoman government's request for a loan after the Crimean War. Indeed, this was the very first time that the Ottoman State had resorted to foreign credit. After the Crimean war in 1856, domestic debt had increased to 20,000,000 British pounds and annual installment of foreign debt repayment was around 800,000 British pounds.[168] The 1854 and 1855 loans of £3,000,000 and £5,000,000 organized by Dent, Palmers & Co. and Rothschilds of London, respectively, had thus constituted the starting point of a long series of loans contracted on the European financial markets.[169] Between 1854 and 1874, new foreign loans were contracted almost every year, reaching a nominal total of about £200 million.[170] Ottoman historian Ethem Eldem comments: "Money was coming in at a much lower cost than when lent by local bankers; the temptation was strong to base the future of the Empire on the attractive prospect of a series of loans. Moreover, to a government that had decided to tie its destiny to a gradual process of integration with the West, it could easily be claimed that financial operations of this sort were bound to act as the cement of a future collaboration."[171] In this period, Turkey was regarded as a poor risk, the loans were granted on very disadvantageous terms; the money received was for the most part used to cover regular budgetary expenditure, or else spent on projects unconnected with economic development.[172] Foreign financers were willing to provide help in founding a bank and with the help of British finance group the Ottoman Bank was founded on 1856. The empire decided to remove previously issued government notes and

[168] Arıkan Tarık Saygılı, "Impacts of wrong financial decisions on collapse of an empire: The Ottoman case," *African Journal of Business Management* vol.3, no. 4, (April, 2009): 151-159.
[169] Ethem Eldem, "Ottoman Financial Integration with Europe: Foreign Loans, the Ottoman Bank and the Ottoman Public Debt," *European Review*, vol. 13, no. 3, (2005): 431–445.
[170] *The Encyclopedia of Islam*, (Leiden: Brill 1971), vol.2, 677.
[171] Eldem, 444.
[172] Ibid, 677.

bonds from circulation by consolidating them to a single bond with 5% annual interest rate.[173] Obviously, these advantageous conditions had been dictated by the political context of the time, with an avowed desire of Britain and France to finance their ally. Among the conditions imposed by the British government was that foreign citizens should be granted the right to possess state-owned lands under the same conditions as Ottoman subjects and that the *waqf* system be abolished.[174]

This demand was renewed as part of the combined Anglo-French position in 1867. The pressure of the "financial protectorate" reached new heights when in 1881 the Ottoman government declared bankruptcy, which led to the establishment of the Public Debt Administration, *Duyûn-u Umumiye*.[175] Its main aim was to ensure the service of the Ottoman public debt, and the Ottoman government ceded certain revenues to the Council "absolutely and irrevocably… until the complete liquidation of the debt."[176] These consisted of the revenues from the salt and tobacco monopolies, stamp-duties, and taxes on spirits, silk and fisheries which were known as the *rusum-i sitte*, the six taxes.[177] To the Ottoman state, slowly being crushed under financial pressure from the Western powers, the huge revenue potential represented by the *waqfs* must have seemed irresistible.[178] At the beginning of the nineteenth century, large amounts of property throughout the Muslim world belonged to *waqf* endowments, including an estimated 75 percent of all arable land in present day Turkey, one-fifth in Egypt, one-seventh in Iran,

[173] Saygılı, 15.
[174] Nazif Öztürk, *Elmalılı M. Hamdi Yazır Gözüyle Vakıflar* (Ankara: TDV, 1995), 52; Çağlar Keyder, *State and Class in Turkey* (New York: Verso, 1987), 21.
[175] Şevket Pamuk, *Osmanlı Ekonomisi ve Dünya Kapitalizmi (1820-1913)* (Ankara: Yurt Yayıncılık, 1984), 28-29.
[176] *Encyclopedia of Islam*, 677.
[177] Ibid.
[178] The revenue potential was, indeed, huge: it represented ¼ to ½ of the state budget during the 18th century. See Çizakça, 81.

one-half in Algeria, one-third in Tunisia, and one-third in Greece, while approximately 200,000 *waqfs* were in operation in the Ottoman lands.[179] Obviously, the potential for taxation was huge for a government that needed resources to pay for reforms in the military and bureaucracy. Both the British and French colonial powers were, furthermore, hostile to the *waqfs* which tied down real property and prevented it from circulating in the free market.[180]

With state centralization and new land and tax reforms at the end of the nineteenth century, the *waqfs* had lost their central role in the socio-economic life of Muslim communities.[181] The process of dismantling of *waqfs* followed different paths in different parts of the Islamic world. Together with other native institutions, *waqfs* were totally subjugated to the will of the central state under pressure from the Western powers.[182]

Major restructuring of Muslim economic and political institutions proceeded under European influence and global change. The recentralization and Westernization of government bureaucracy and an expanded central state apparatus were the main characteristics of the modernization process. With the gradual weakening of the Ottoman state, and with help of the 'capitulations,'[183] European capital entered the local markets.

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[179] Singer, 186.

[180] David S. Powers, "The Islamic Family Endowment," *Vanderbilt Journal of Transnational Law* 32, no.4 (1989): 535-571.

[181] Under pressure from the European powers to establish the primacy of legal structures within which contracts could be enforced, the Porte was pressured to declare the rights of foreign nationals to own property buy new land and tax law reforms in 1858. See Stanford J. Shaw, Ezel Kural Shaw, *History of the Ottoman Empire and Modern Turkey* (Cambridge: Cambridge University Press, 1976-1977), 98.

[182] Keyder, 21, says that in order to centralize of the *waqfs* the Ministry of Awqaf or Nezaret, was founded by Abdulhamid II (1876-1909) and played a crucial role in the centralization of the *waqf* system. See also Çizakça, 82.

[183] The Ottoman Capitulations were grants made by successive Sultans to non-Muslim nations conferring rights and privileges in favor of their subject's resident or trading in the Ottoman dominions. According to Capitulations, and treaties confirmatory of them, made between the Porte and other states, foreign residents in Turkey were subject to the laws of their respective countries, i.e., the various non-Muslim peoples were allowed their semi-autonomy in matters affecting their personal status. In the Ottoman history, the first capitulation was given to the French by the *firman* of Sultan *Suleyman* the Lawgiver, in 1535. All of the

When the level of trade with the West began to increase, Europeans attempted to secure the institutional conditions for the domination of their products. It was the era of colonization and the great powers were determined to impose their own systems on the vast regions that they had colonized.[184] Small and medium-sized local economic institutions, craftsmen and guilds could not compete with these mass-produced European products, and they were decimated.[185] Donald Quataert notes that economic activities in Muslim lands became more oriented towards furnishing the West with raw material exports and buying the products of its expanding industry.[186] Thus, Muslim lands came under the economic domination of the West and the delicate socio-economic structure in the Muslim societies was weakened, while the attendant culture of capitalism was quick to supplant local economic institutions with its own structural components.

IV. A Discussion on the Islamic Responses to Modern Capitalism

The broader historical background, presented above that has conditioned Muslim perceptions of their place in the world, helps us understand the nature of the Muslim

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commercial privileges included, either explicitly or implicitly, the following provisions with respect to the status of foreign subject, especially merchants, in dar al Islam: I. General security of person and property such as testamentary rights, freedom of worship, burial and dress. Repairs to ships, emergency relations, aid against attack by corsairs, and permission of address complaints to the head of the Muslim community. II. Exterioriality, including consular jurisdiction and the Consul's salary. III. Abolition of collective responsibility. With the Seurre Treaty, to Greece and Armenia some capitulations were also given. Moreover, it was accepted that, all the foreign ships were equal to the Turkish ones. The Capitulations were abolished with the Lausanne Treaty. The Encyclopedia of Islam, Vol. 3, Leiden: Brill 1971, 1178-1179.

[184] Çizakça, 76.

[185] It is commonly asserted that as modern banking and commercial systems came to be established through the remainder of the century, with the effect of direct European investment after the 1880s, which created scores of new large-scale companies (in municipal infrastructure, transportation, agro-processing and the like), the traditional guilds, small and medium size economic institutions – largely unable or unwilling to resist or adapt – were displaced and destroyed. John Chalcraft "The End of Guilds in Egypt: Restructuring Textiles in the Long Nineteenth Century" in *Crafts and Craftsmen of the Middle East. Fashioning the Individual in the Muslim Mediterranean* ed. by Suraiya Faroqhi and Randi Deguilhem, (London, New York: I. B. Tauris, 2005), 338-339.

[186] Donald Quataert, Halil İnalcık, *An Economic and Social History of the Ottoman Empire 1300-1914* (Cambridge: Cambridge University Press, 1994), 762.

responses to modern capitalism. As has been discussed previously, colonization during the nineteenth century resulted in weakness of Muslim societies on a global scale both in the political and economic spheres. Also, the cultural impact of the West was direct and often overwhelming. These powerful forces shook the very foundations of the Islamic moral economy. Increasing contacts with Western economies resulted in unpredictable and apparently uncontrollable economic and social change, which in turn led to a variety of reactions. In the economic realm, focus was on liberalization of international trade to the benefit of Western economies. This laid the foundation of a world-order in which the West enjoyed cultural and economic hegemony. Contrary to the declaration of liberalism which had promised equality, cooperation, self-determination and fair global governance, only a few states could join the project as fully profiting partners. The global promise to solve all the world's problems through cooperation and partnership was balanced by concealed demands for unconditional trust and obedience towards the Western powers. This hegemonic position of the US and Europe towards non-Western societies manifested itself through as increased defense spending and modernization of armed forces; and by a promotion of the cause of political and economic freedom abroad. This situation has led to the emergence of Islamic economics and the rise of Islamic entrepreneurs. The central claim of Islamic economics is that Islam provides an all-encompassing model for social, economic, and political life. Islamic economics had for some time remained only as a theoretical discussion for Muslim thinkers, but the rise of oil prices in the 1970s provided the necessary funds for Muslim countries.[187] Thus, the idea of Islamic economics has turned into a reality with the establishment of the Islamic Development Bank/IDB in

[187] Merwin K. Lewis and Zafar Iqbal, *An Islamic Perspective on Governance* (United Kingdom: Edward Elgar, 2009), 218.

Jeddah in 1974.[188] Soon after, Islamic commercial and investment banks began to appear in many countries.[189]

It was through an attempt to add Islamic moral and ethical values, without ignoring economic benefits, that many Muslims found new possibilities of having these new 'Islamic' economic institutions engage with the world while also manifesting their Islamic identity. Many Muslim intellectuals, concerned about the loss of social solidarity, tried to prevent Muslims from being assimilated into the damaging effects of materialism.[190] How a Muslim should act in a world shaped by the capitalist system and how can one best capture the energy, dynamism and wealth of the new economic forms without compromising one's moral principles and social identity, has become the crucial question for modern Muslim thinkers. The major disagreement has been over whether capitalism could be harnessed to the benefit of the Islamic society without radically transforming and ethically compromising the latter. For a number of Muslim writers, this concern was one way of engaging with the new world order through a continuous adherence to their moral-values and without losing possible economic benefits. Jamal al-Din Afghani (1838-1897), who gave some thought to the dangers of capitalism and industrialization, argued that the Islamic moral core was best expressed in the notions of cooperation and social solidarity. He insisted that the materialistic dimension of the capitalist system tended to dissolve the social bonds which gave Islamic society meaning as well as order. So, according to al-Afghani, Muslims had to re-establish a moral order in

[188] Ibid.
[189] Beginning in 1974, several Islamic banks have been established which include: Dubai Islamic Bank in 1975, Faisal Islamic Bank of Sudan in 1977, Faisal Islamic Egyptian Bank and Islamic Bank of Jordan in 1978, Islamic Bank of Bahrain in 1979, the International Islamic Bank of Investment and Development, Luxembourg in 1980 and BIMB in 1983. Today, there are more than a hundred financial institutions which claim to be operating partially or fully on an interest-free basis in 34 countries. See http://www.islamic-world.net/islamic-state/malay_islambank.htm
[190] Tripp, 35.

order to ensure cooperation within the Muslim *umma*.[191] Muhammad Iqbal, the poet-philosopher of Pakistan, also saw a moral decline at the heart of capitalism. He was increasingly concerned over the effects of European capitalism on the Islamic moral order.[192] In response to the penetration of Muslim lands by capitalist culture, Islam played a major role in view of the cohesion it lent to the social order. Muslim writers focused on the need to restore a moral economy governed by the norms of Islamic morality and ethics.

Maxime Rodinson has argued that modern Muslim apologists organize the precepts of Islam in a way that shows Islam to be a religion of justice in social matters. For him, it is always possible to justify any such claims, since every society seems to have its own overall conception of social justice, whereas this total conception can be reflective of the opinion of only a particular social strata, groups or individuals[193]. Therefore, he argues, the Qur'an does not represent the social ideal for all Muslims; rather, it was the social ideal of the Prophet and specific groups in both Mecca and Medina. Nevertheless, despite the presence of the ideal of social justice, Islam has never questioned the right to own property, whether in consumer goods or in the forms of productive means.[194] Shelomo Dov Goitein, a German-Jewish ethnographer and historian, argues that, although during the earlier centuries of Islam many Muslim merchants were in the first and second echelon of the state, they never became an organized body or an independent class and as a result where unable to gain political power.[195] Goitein states that despite the existence of a Muslim bourgeoisie which was starved of both power and

[191] Nikki Keddie, *Islamic Response to Imperialism*: *Political and Religious Writings of Sayyid Jamāl ad-Dīn al-Afghānī* (Berkeley: University of California Press, 1983), 65-70.
[192] Muhammad Iqbal, *The Reconstruction of Religious Thought in Islam* (Lahore, 1968), 156.
[193] Rodinson, 1973, 19.
[194] Ibid, 21.
[195] Shelomo Dov Goitein, *Studies In Islamic History and Institutions* (Leiden: E. J. Brill, 1968), 218.

honor during the Middle Ages, their struggles were not against the political class and did not aim to take over the state.[196] He emphasizes that when Muslim societies met with the issues of class divisions and unequal opportunities, the question of property became the central point of contention. Goiten also says Muslim intellectuals acknowledged that absolute economic equality was neither possible nor desirable. However, they did not believe that this should be the basis for class formation and social division. That is how Islam in theory, strikes a balance between individualism and collectivism.[197]

According to the fundamental rules of this Islamic moral economy, the ethical regulation of human transactions was seen as part of God's purpose. Thus, the Muslim critics of capitalism contended that the restoration of an Islamic order would provide the material basis for a spiritual revival that would create social solidarity. The number of Islamic financial institutions, Muslim entrepreneurs and large companies and factories which were founded by pious Muslims has radically increased in last three decades. Islamic financial institutions claim to be based, in their objectives and operations, on Qur'anic principles.[198] Nevertheless, Muslims continue to have discussions regarding the conflict between Islam and capitalism.[199] Muslim thinkers, such as Ibrahim Warde have responded by saying that Islam's incompatibility with a modern economy is a stereotype, which does not stand up to rigorous historical or social analysis.[200] He says:

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[196] Ibid, 254.
[197] Ibid.
[198] Ibrahim Warde, *Islamic Finance in the Global Economy* (Edinburgh: Edinburgh University Press, 2000), 5.
[199] Such as Fukuyam's claim on the timeless conflict between Islam and liberalism, or Huntington's statement that 'the Qur'an and the *Shar'ia* constitute basic law for Islamic societies there are many arguments on the incompatibles of Islam and modern economy. See Francis Fukuyama, *The end of History and the Last Man*, (New York: Avon Books, 1993), 46. Samuel P. Huntington, *The Clash of Civilizations and the Remaking of World Order* (New York: Simon and Schuster, 1996), 70-72.
[200] Warde, 13.

> Any religion that has survived for 14 centuries, and that has some 1.2 billion followers spread in every part of the globe, must have some measure of flexibility and diversity. Any such religion should be resistant to broad-brush generalizations an implicit assumption is that only the most backward form of the religion represents true Islam.[201]

Mohammad Baqer al-Sadr, an eminent Islamic scholar, also says that the texts of the Qur'an and the Sunna "do not manifest – generally – their legal or conceptual content in a clear precise manner." [202] However, there is an agreement in the determination of Islamic rules in economics, more effort – more *ijtihad* – is needed.[203] Islamic economics is based on the idea of justice.[204] Warde explains that the three basic principles of the Islamic system are 'multifold property', 'limited economic freedom', and social justice'.[205] Thus the question of ownership of property became one of the most serious discussions in Islamic *fiqh*. Its reinvention for the modern era in a distinctively Islamic sense (surrounded by the regulations devised by Islamic jurisprudence to ensure the proper handling of property -- its nature, its obligations, its limits, the question of *riba*, *zakat*, etc.) -- would supply the material for its ethical re-establishment.[206] Most modern Muslim intellectuals seem to agree with an idea popularized by earlier Islamist ideologues, such as Egypt's Sayyid Qutb and Pakistan's Sayyid Abdul-Ala Mawdudi that Islam was a "total way of life" and that provides positive prescriptions for politics, economics, and culture. Moreover, many Muslim writers, aware of the power and success of capitalism, argued that all economic transactions in a Muslim society ought to be tied to an Islamic moral system while retaining their capacity for productive and material

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[201] Ibid.
[202] Chibli Mallat, *The Renewal of Islamic Law: Muhammad Baqer as-Sadr: Najaf and the Shi'i International* (Cambridge: Cambridge University Press, 1993), 125.
[203] Warde, 40.
[204] Ibid.
[205] Ibid.
[206] Warde, 42-45.

efficiency. They argued that any economic operation under the *fiqh* rules on trade, finance, taxation, property, and *riba*, would ensure both material and moral prosperity.

Modern capitalism has created its own make-believe world in which all participants, as economic agents, are assumed to behave in much the same way to maximize profit and accumulate material goods. All other systems of analysis have been dismissed as being based on non-rational economic behaviors.[207] It is in part aimed at predicting and prescribing how an individual would and should conduct his/her economic relationships. However, it is also an analytical model that claims to explain human nature and thus is ideologically charged and expressive of a particular system of values.[208] Muslim writers argue that it is necessary to imagine an alternative economic order - which is determined by particular Islamic principles - to perform a socially integrative function: that of incorporating Islamic values and ethics into the practices of everyday life, including economic transactions. It is to be expected that Muslim scholars would differ on the degree of autonomy allowed to reasoned interpretation through *ijtihad*, as well as about the selection of jurists to be cited as authoritative sources for understanding the fundamental rules of an Islamic economy.[209] Writings of such Muslim intellectuals as Muhammad Baqir al-Sadr, Sayyid Qutb, and Mawdudi have helped define the heuristics of the field though these are generally devoid of interest in, or appreciation of, the economic concepts or tools developed in Western societies.[210] These intellectuals argue that Islamic economics comes about as the natural conclusion of Islamic ideology and therefore is justified entirely independently of other systems of economics. Paradoxically,

[207] Robert Heilbroner, *The Nature and Logic of Capitalism* (New York: Norton, 1986), 53-69.
[208] Alan Macfarlene, *The Culture of Capitalism* (Oxford, United Kingdom; New York: Blackwell Publishers, 1987), 223-4.
[209] Tripp, 111.
[210] Timur Kuran, "On the Notion of Economic Justice in Contemporary Islamic World", *International Journal of Middle East Studies* Cambridge: University Press, 89 (1989): 171-191.

however, they also wish to engage successfully with the modern capitalism though strongly insisting on ethical distinctiveness and moral codes of 'Islamic economics.'

V. The Increasing Role of Muslims in Modern Global Economy

Until the 1970s, Islamic economics had remained largely a theoretical discussion, but the sudden rise in oil prices and resulting prosperity provided an opportunity for these ideas to be turned into reality. The aim was for Islamic economics to develop an effective and workable system of economic life that would not simply be morally preferable, but would also improve the material lives of Muslims. Muslim scholars agreed that economic development is only desirable when economic transactions are in harmony with the values and culture of the *ummah* -- the Islamic community. However, they are also aware that Islamic institutions need to use the same economic tools to compete in the global capitalist market. Al-Sadr and others argue that it would in fact be demonstrably more efficient to apply the Islamic precepts of social justice to the capitalistic economic system.[211] By the 1990s, this had developed into the justification of an Islamic economy in terms that were unmistakably neo-liberal in their underlying rationale, as can be seen in the argument that free competition and prohibition of monopoly are central to any truly Islamic economy.[212]

However, the question that arises is how an Islamic economy can restore the moral values of the Islamic world by using effective economic principles that at once preserve these moral values and yet successfully compete in the system of modern secular capitalism. According to Muslim intellectuals, an economic system could be judged on

[211] Al-Sadr, Baqir, *Iqtisaduna: Our Economics* (Tehran, Iran: World Organization of Islamic Services, 1982-1984), 293.
[212] Tripp, 115.

the basis of two further categories associated with economic discourse: the concept of 'society' and the concept of the individual. In both of these areas they have tried to imagine distinctively Islamic equivalents – the *umma* and the Homo islamicus – abstracting these concepts from their function in secular economic discourse.

VI. Conclusion

Over the last three decades Muslim societies have witnessed serious socio-economic changes with the rise of new Islamic economic institutions, new classes and business elites. As Political Science Professor Vali Nasr indicates throughout the Muslim countries, a whole new economy is emerging, with liberal economic policies being blended with local values producing a trend as powerful and important as the threat of fundamentalism.[213] In the West, the words "Islamic" and "economics" combined together are reminiscent of terrorism, but "Islamic economics" has not been the capital sources of violence or extremism.[214] Actually, it is about banking and other financial services such as mutual funds, insurance, equities, bonds, credit cards, which are regulated by *shariah* rules.[215] The reasons for the emergence of Islamic economics and its general rules have been explained in this chapter. The blending of the values of Islam and capitalism has been driving a very significant development in Muslim societies which is becoming more influential and has produced new business-mind religiously conservative groups drawn from local and lower social classes. These pious entrepreneurs have embraced the rule of capitalist economy with enthusiasm and have become the actors of real economic progress in local Muslim societies. One of the most striking examples of the rise of the

[213] Vali Nasr, *Forces of Fortune* (New York: Free Press, 2009), 12.
[214] Nasr, 15.
[215] Ibid.

new pious economic elite has been the booming city of Kayseri in central Turkey where these elite are known as “Anatolian Tigers.” In order to analyze the importance of these new economic elite as a driving force of an alternative modernization progress in a Muslim society, the next chapter looks at the historical background and local economic tradition which has been the base for its growth in Turkey.

Chapter Two

CHANGING DYNAMICS OF ISLAMIC DISCOURSE IN A SECULAR CONTEXT: IN THE CASE OF TURKEY

> *To understand the dynamics of the social process we must understand the dynamics of the psychological process operating within the individual, just as to understand the individual we must see him in the context of the culture which moulds him.*[1]

I. Transformation of Socio-Economic Life

As we saw in the previous chapter, modern capitalism, as an economic system, has its origins in the Western world. However, since the advent of globalization, this form of economic rationality has been applied to all other regions of the world as well. In the process, it has transformed and remolded not only the economic but also the cultural and religious context in the target societies in order to encourage the free accumulation and movement of capital. This chapter seeks to explore this phenomenon in the context of Turkey, with a particular focus on smaller Anatolian cities where over the past three decades the rise of a new entrepreneurial class with strong religious leanings can be most readily observed. To this end, we will first look at the historical socio-economic milieu in Anatolia and its associated social structures that shaped the world-view of the members of the society as well as the social institutions that have traditionally been used to mobilize people and establish networks of socio-economic/religious activities. This chapter seeks to answer the following question: What has been the impact of economic transformation on the local, national, and Islamic identities. Second and most importantly, we shall try and understand how conservative Muslims engage capitalism in Turkey and explore the validity of

[1] Eric Fromm, *Escape From Freedom* (New York: Farrar & Rinehart, 1941), 9.

the commonly held notion that the Turkish experience shows that Islam and the market economy are compatible.[2]

What makes Turkey a unique model for this study is the fact that it is an officially secular Muslim majority country ruled by a democratically elected government formed by a party with a strong Islamist ideological background. The Turkish Republic has undergone a significant transformation over the last three decades. The rise of the economic power of religiously inclined individuals and corporations has changed the balance of political-economic power from the staunchly secular old elites to a new class that seeks guidance from Islamic principles in their personal lives even if they do not wish to see the secular nature of the republic altered. Since the 1980s, when sweeping economic reforms unleashed the private sector, these religiously inclined, socially conservative businessmen have gained a dominant economic position in the society. Along with the rising profits and economic power of 'Islamic capital,' they have also gained increasing political power especially in the towns and cities in rural Anatolia. This new class has been dubbed "Green Capitalists" or "Islamic capitalists" in Turkey. The relationship between Islam and the market economy and the associated socio-economic clout of the religious capitalists has also drawn much greater academic attention recently as the country undergoes a period of rapid economic and social change.

II. Culture, Religious Values and Economy

The economist Karl Polanyi asserts that the inherited knowledge and traditional values of a society have a strong effect on its modern economic mentality because these traditions tend to have accumulated over the centuries. Developed in response to the variable needs and conditions

[2] European Stability Initiative published a case study on "Islamic Calvinist; Change and Conservatism in Central Anatolia" on 19 September 2005. This study claims that a socially conservative and religious society in central Anatolia has successfully integrated into market economy. www.esiweb.org

over time, traditions are passed down from one generation to the next and thus form the core of that society's world view.[3] According to this theory, in order to understand current economic development, it is necessary to examine an economic tradition in its historical context. It can thus be argued that the historical heritage of the Turkish people, particularly in the Ottoman period, can help us understand the country's current socio-economic situation and provide an important tool for its analysis. Since the success of the Islamic entrepreneurs in rural Anatolian cities has been independent of the state and its financial support, it seems prudent to investigate how the cultural background and native socio-economic ethics prepared the foundations for economic success in the region. Although this dissertation will focus on only one Anatolian city - Kayseri, it is a representative example of the economic mindset with its historical roots in Anatolia. This background will also provide the main basis for an analysis of socio-economic developments in Kayseri itself.

III. Historical Context

III.1. From the Ottoman Empire to Modern Turkey: The Roots of Economic Ethics

III.1.a. Main Characteristics of Ottoman-Turkish Economic Life

A general picture of the Ottoman economic mindset will help us understand the historical roots of the economic ethic in Anatolia. Ottoman economic historians agree that the main source of production fuelling Ottoman social formation was agriculture. In other words like all societies and states prior to the industrial revolution, the Ottoman Empire, was an agrarian society where agricultural surplus was the source of all wealth. Another area that drove the economy was military related activities, which increased agricultural lands through territorial gains. Thus the

[3] Polanyi posits that before the rise of modern capitalist economy, the logic and general principles of economic life were in accordance with a subsidence economy and were under the control of non-economic factors such as religious and political ones. Karl Polanyi. *The Great Transformation,* (Boston: Beacon Press, 1957), 57.

two major economic and social activities for Muslim subjects of the Ottoman Empire were farming and military service. The classical Ottoman land management system (called *tımar*) did not allow for excess capital accumulation.[4] Under this system all land belonged to the state, which would grant the use of land to a class of state employees known as *sipahis* who were often chosen for their wartime service. *Sipahis* lived in the countryside, collected taxes from peasant tenant farmers and spent the revenues to support themselves and to train a predetermined number of soldiers, thus creating a large provincial army.[5] This system served to maintain the state apparatus and general welfare of the population. While economic activity was a function of the state, it also functioned to maintain the state. Thus, agricultural surplus did not lead to capital accumulation for larger landowners and consequently, to the emergence of a powerful aristocratic class. In Ottoman society, although the general motivation behind the daily business activities was economic, the over-all conception of life was based on a non-economic world view. Ottoman historian Mehmet Genç points out that from the fourteenth to nineteenth century state

[4] The longevity of the Ottoman Empire was mostly dependant on its economic and military systems. *Tımar* was one of these systems and it addressed both the economic and military needs of the Empire. It was not possible for the central government to manage all the lands it owned. Not only would this have required a lot of organization, but it would also be an inefficient way of working the land. Therefore the government gave (or loaned) land to certain people. These people were called *reaya* and were expected to work the land and pay a certain amount of their income as rent and tax. Starting with Osman Gazi (1281-1362) and Fatih Sultan Mehmed (1432-1481), the sultans began to exchange the right to collect the tax given by the reaya, in return for certain services, preferably military. The people who were given this privilege were called *timariots* (tımar holders). These tax collectors did not own the land, and the reaya were not their slaves or serfs. Instead of land, itself, they owned the rights to collect the taxes, and in exchange for this income, they had to support the army with a number of cavalrymen, called the *sipahis*. The number of troops they needed to supply depended on the amount of income the tımars provided. As a result of this system, the Government was able to efficiently manage the economy, and call upon an army of *tımarlı sipahi*'s when needed. See Halil İnalcık with Donald Quataert (eds.), *An Economic and Social History of the Ottoman Empire*, 1300-1914 (Cambridge; New York: Cambridge University Press, 1994), 28-29. And also see Ömer Demir, Mustafa Acar, Metin Toprak, "Anatolian Tigers or Islamic Capital: Prospects and Challenges" *Middle Eastern Studies* 40, no.6, (July 2006): 166-188. Also see Şevket Pamuk, "Institutional Change and the Longevity of the Ottoman Empire, 1500-1800" *Journal of Interdisciplinary History* 35, no. 2 (2004): 225-247.

[5] Ibid.

policies regarding economic life in the Ottoman Empire were shaped by three guiding principles; *provisionism* (*iaşe*); *fiscalism* and *traditionalism.*[6]

Genç explain *provisionism* as a system concerned with ensuring product availability at affordable prices. In order to provide a viable environment for its provisionist policies, the Ottoman Empire exercised rigid controls on production and trade during this period.[7] *Fiscalism* was a policy aimed at increasing government revenues. To this end, the state taxed a wide range of economic activities, while at the same time attempting to curtail its own spending. Genç argues that *fiscalism* became the central pillar of the Ottoman economic system where the state would view every economic action as a source of taxable income.[8] Finally, the third pillar of the Ottoman economic worldview, *traditionalism*, was a conservative worldview that remained oriented towards sustaining the social and economic relations that existed among different groups in society, such as merchants and peasants, as well as their relations with the bureaucracy and the Ottoman elites. According to Genç, these three principles guided economic life until the late nineteenth century to such an extent that the Ottoman worldview was not only closed to the idea of industrial capitalism, but was virtually dead-set against it.[9] In short, while the main aim of the economic policies of European nation-states was to use the power of the state to promote trade and economic growth and to build up national industries and manufacturing capacity, the Ottoman Empire continued to follow its provisionist, fiscalist, and traditional economic policies of land expansion throughout the early modern period. In Western Europe, by contrast, new economic elite had emerged that gradually improved its trading ability and expanded industries

[6] Mehmet Genç, *Osmanlı İmparatorluğunda Devlet ve Ekonomi* (İstanbul: Ötüken, 2000), 43. See, also Mehmet Bulut, Reconsideration of the economic concepts of the Ottomans and Western Europeans during the mercantilist ages, Paper for Middle East History and Theory Conference (Chicago, 9-10 May 2002).
[7] Mehmet Genç, "Ottoman Industry in the Eighteenth Century: General Framework, Characteristics, and Main Trends", in Manufacturing in the Ottoman Empire and Turkey, 1500-1950 ed. D. Quataert (Albany, 1994), 59-86.
[8] Ibid.
[9] Ibid.

and markets under a capitalist system.[10] However, the priority for Ottoman economic policy was and continued to be maintaining the social stability in the society as opposed to a greater capital accumulation. İnalcık also emphasizes that in the Ottoman society, state control and patrimonial relationships remained an essential mechanism for redistribution of wealth.[11]

> State interventions in the Ottoman Empire, namely regulations for customs and guild manufacture, fixing maximum prices, market inspection on the quality and measures of goods, monopolies, on the manufacture and sale of certain necessities, were different in essence and in intention from the regulation of a mercantilist state. In the Ottoman case, the main concern was always for the fiscal interest of the state and the protection of consumers in the internal market.[12]

This explains how the Ottoman economy, under the strict control of a strong centralist state, was bound to follow the trajectory of a typical medieval economy. İnalcık also highlights that the well-being of the community was the main concern of the Islamic state in the Ottoman period.[13]He uses a quotation from the Ottoman writer Kınalızade (d.1561) to point out that in professional activities, a craftsman should endeavor to make the best possible product without being content merely to earn his livelihood. Consumer satisfaction and their prayers would be the sources of salvation in this world and the next. However, producing luxury goods was considered a waste of effort and time.[14] Kınalızade explains the Ottoman economic mindset as follows:

> Some authorities confine the modes of acquisition of wealth to three sectors: commerce, craftsmanship and agriculture. However some legists also add military-political power (*emaret*) [to these], thus making it four sectors. There is a disagreement as to which activity for earning money is the best. According to Imam Shaf'i, commerce is the best because it was the Prophet Mohammed's noble profession. But Mawardi put agriculture above the others. Some later authorities argued that so many illegal practices invaded the commercial transactions that distrust on the origin of the wealth has arisen; thus agriculture

[10] It is possible to assume that the Ottoman imperial policy instead of improving industry or encouraging the invention of new technologies, mostly focused on the continuity of strong central authority and land expansion. The economic policies of the Ottomans were subsistence of the people, provisioning the major population centers, collection of taxes, and maintaining freedom of trade. Mehmet Bulut, "Reconsideration of Economic Views of a Classical Empire and a Nation-State during the Mercantilist Ages," *American Journal of Economics and Sociology,* 68, no. 3 (June 2009): 791-828.
[11] İnalcık, *An Economic and Social History of the Ottoman Empire*, 48.
[12] Ibid, 51.
[13] Ibid, 45.
[14] Ibid, 46.

> should have precedence over commerce. In the acquisition of wealth, one should refrain first from oppression and injustice; secondly from shameful activities, and thirdly from disgraceful or dirty occupations.[15]

Occupations were considered to be of three sorts: noble, neutral or inferior. The professions of ulema, bureaucrats and soldiers were based on spiritual qualities such as reason, rhetoric and valor respectively and thus made up the noble professions. Usury and the entertainment oriented occupations were considered inferior professions. However, for the good order of the world, all these professions were considered necessary and it was deemed imperative that each group remain within its own sphere of activities. The middle professions included agriculture, which is necessary for subsistence, or the jeweler's work, which is not so vital.[16] Thus it appears that economic ethic of the Ottoman society was derived from religious concepts of the Islamic tradition and the economic activity was pre-industrial, largely based on an agrarian model with trade playing an important part.

III.2 The Effect of the *Ahi-Fütüvvet* Institution on the Economic Ethics in the Ottoman Society

> *Whoever, praying patiently with devotion to God,*
> *Comes to us is our member.*
> *Whoever, working in wisdom and in morality*
> *Surpasses us, is our member.*
>
> *Ahi* Refik Soykut

The vitality of commercial life in the Ottoman society caused occupational groups to form professional organizations. The institution of the *Ahilik* in particular, had a special place in society. The members of these institutions strongly affected the formation of the Ottoman society and *Ahi-Fütüvvet* tradition was perhaps the most significant characteristic which shaped the "economic ethics" of the Ottoman guilds and artisans. This part of the study seeks to explore the

[15] Ibid, 44.
[16] Ibid, 45.

origin and the nature of the *Ahi* fraternities that played such a significant role in shaping Ottoman history in its social, cultural and economical spheres.

Ahi organization was associations of young men organized as guilds in Anatolia starting in the thirteenth and fourteenth centuries. These fraternities adopted a moral code based on the rules of modesty, abnegation and self control.[17] *Ahi*s were recruited mainly from among the craftsmen and *Ahism* evolved as a type of religious and socio-economic ethic based on the rules and practices of *sufi* fraternities.[18] More particularly, *Ahisim* was the specific form assumed by the *fütüvvet* organization in late-and post *Saljuk* Anatolia.[19] *Fütüvvet* was a group of young men, bound together by an ethical and religious code of duties and elaborate ceremonies. They were under the obligations to practice certain virtues and also to render military service to the cause of Islam.[20] Bernard Lewis claims that the *fütüvvet* phenomenon constitutes in a certain sense, a Muslim parallel to the European conception of chivalry.[21] The *Ahis* first appeared in Anatolia in the years immediately following the Mongol conquest. The period was one of general anarchy and the *Ahis* were a widespread, de-centralized, religious *darwish*-like society.[22] With the rules of "solidarity and hospitality," the *Ahi* movement spread rapidly to all cities and the Anatolian

[17] Abdülbaki Gölpınarlı, *İslam ve Türk İllerinde Fütüvvet Teşkilatı ve Kaynakları* (Akgün Matbaası: İstanbul, 1952), 6-7. He explained that, *Fütüvvet*, defined as youth and chivalry, is really a composite of such virtues as generosity, munificence, modesty, chastity, trustworthiness, loyalty, mercifulness, knowledge, humility, and piety. It is a station on the path to God as well as a dimension of sainthood, and also signifies that one make altruism and helping others, one's second nature. It is an important, indispensable dimension of good conduct and a significant aspect of humanity. The fütüvvet has been defined as the aggregate of all those virtues which distinguish the chivalrous young man, especially nobility of manner and generosity. C. van Arendonk, Encyclopedie de l'Islam, II, 130-31; IV, 1011; Hermann Thorning, Beitrige zur Kenntnis des islamischen Vereinwesens auf Grund von Bast Madad et-Taufiq ("Tirkische Bibliothek," no. 16 [Berlin, 1913]), pp. 184-93. Of primary importance today are the works of Franz Taeschner, inter alia, "Fütüvvet-Studien, die Fütüvvetbiinde in der Tiirkei und ihre Literatur," Islamica, V (1932), 285-333, and "Die islamischen Fütüvvet-biinde," Zeitschrift der Deutschen Morgenldndischen Gesellschaft, LXXXVII (1934), 6-49.
[18] Encyclopedia of Islam, v. I. (Luzac & Co: London, 1960), 321
[19] Ibid, 321-22.
[20] Lewis, 27.
[21] Ibid.
[22] Lewis, 28,

countryside as a social, political, religious and military movement.[23] The socio-economic, political and even administrative activities of the *Ahis* came to a head in sixteenth century Anatolia. However, after the sixteenth century, with the adoption of a strong centralization policy by the Ottoman Sultanate, the *Ahis* were gradualy deprived of their political significance in Anatolia. Over time, most of them were transformed into guilds.[24] Thus Ottoman guilds were ultimately derived from the *Ahi-Fütüvvet* tradition in terms of their internal hierarchical organization and their religious ideals. İnalcık explains this religious, ethical impact of the *Ahi* tradition on Ottoman guilds as follows:

> These rules, deriving from the *fütüvvet* morality of the middle ages, had been codified in a traditional form observed by all guilds; they instilled into apprentices and workmen the principles of mutual assistance, absolute obedience to the master, and contentment with one's lot.[25]

Guilds have been defined as government-licensed, local, professional associations of craftsmen or merchants.[26] A guild was an association of men belonging to the same class, engaged in kindred pursuits, or having common interests or aims.[27] Guilds in the Ottoman society were comprehensive in their control of Ottoman urban labor. In addition, these guilds have been described as rigidly restrictive and monopolistic; they were religiously homogeneous; and they were without political autonomy of any sort.[28] All the workers of these guilds were males. It is also assumed that the guilds featured the same apprentice-journeyman-master

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[23] Ibid.
[24] Mehmet Fuat Köprülü, *Islam in Anatolia after the Turkish Invasion*, ed. and translated by Gary Leiser (Salt Lake City: University of Utah Press, 1993), 26.
[25] Halil İnalcık, *The Ottoman Empire; The Classical Age, 1300-1600* (London: Weidenfeld & Nicolson, 1973), 116.
[26] Lewis, 27.
[27] In the medieval world, guilds had a multi-functional structure and nature. The economic historians put forward issues such as the "development of labor market, product-marketing." On the other hand, the social and political historians tend to underline the guilds' roles in terms of their place in political administration, social control and social differences in these guilds. Fatih Durgun, "A comparison of Medieval European Guilds and *Ahism* in Anatolia in terms of their emergence and general functions," *Tarih Okulu* no. IV (Summer 2009), 1-16. Marten Prak, Catharina Lis, Jan Lucassen, Hugo Soly, *Craft-Guilds in the Early Modern Low Countries* (London: Ashgate, 2006), 32.
[28] Donald Quataert, "Labor History and the Ottoman Empire, c. 1700-1922," *International Labor and Working-Class History*, no. 60 (Fall, 2001): 93-109.

hierarchy as in Western Europe.[29] The spirit of the earlier period seems to have survived in these guilds, and until the twentieth century, the guilds retained an inner, spiritual life and a moral code in all the central lands of Islam.[30]

III.2.a. The Rise of *Ahi* Institutions

The *Ahi* organizations were one of the institutions that played a central role in achieving Anatolia's cultural unity after the Turkish conquest and they were active from Anatolia to the Balkans and from the Middle East to the Caucasus.[31] There are various claims as to the origins of *Ahism*. It is said that the institution was established by the Turkish scholar, merchant and craftsman *Ahi Evran*. He founded leather manufacturing in Kayseri, a city in the centre of Anatolia, in 1205 CE and it is said to have gathered 32 kinds of craftsmen and tradesmen in a large industrial complex and initiated the *Ahi* organization.[32] Thus the roots of the guild system were established around the thirteenth century, with *Ahi* principles such as maintaining high quality, preserving standards, preventing fraud and maintaining price consistency.[33]

Although *Ahi* and *fütüvvet* were different organizations, the *fütüvvet* ideology remained the main source of the *Ahis'* world-view. The *fütüvvet* groups, founded by young unmarried men (*feta*, *yiğit*) in big cities, recall the youth organizations of the Roman Empire.[34] The specific morality of the *fütüvvet* union encouraged the ideal of the perfect man (*insan-i kamil*), that is,

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[29] Ibid, 97.
[30] Bernard Lewis, "The Islamic Guilds," *The Economic History Review* 8, no. 1 (November 1937): 20-37.
[31] *Ahi Evran Veli*, one of *Khorasan* Dervishes as *Hacı Bektaş-i Veli*, ensured that *Ahis* of Anatolia became an organized power. Also the wife of Ahi Evran had been known as Fatma Bacı Kadın Ana and established Organization of Baciyan-i Rum which was the first women organization in the world. Fatih Köksal, *Ahi Evran ve Ahilik* (Kırşehir Valiliği: Kırşehir, 2008), 57. See, Y. Ülgener, *Darlık Buhranları ve İslam İktisat Siyaseti* (Ankara: Mayas Yayınları, 1984), 15.
[32] Billur Ülger,Gürdal İlger, "Ahism as a Non-Governmental Association Model in the History of the Turkish Nation and an Assessment of Today's Business Ethics" Journal of Human Values vol..11, no. 1, (2005): 49-61.
[33] Ibid.
[34] D. Breebaart, *The Development and Structure of the Turkish Fütüvvet* (Ph.D. diss., Princeton University, 1961), 12.

someone who is generous, devoted, self disciplined, balanced and obedient toward his elders.[35] Abu Amr ad-Dimashqi, a *sufi* sheikh in Syria and companion of Dhu an-Nun al-Misri (died 320/932 CE), considered *fütüvvet* ideals to consist of striving to improve one's self while treating others with tolerance and goodwill,[36] and respecting the rights of those who hold a superior, equal or lower social position. [37] Judging by the earliest *fütüvvet* works, these ideals developed in the *sufi* circles around the ninth and the tenth centuries. Around the twelfth century, this tradition was well established in Anatolia under the name of *Ahilik*, which became one of the most significant influences on the socio-economic life of the Ottoman society during the thirteenth and fourteenth centuries.[38] Although *Ahi* organizations were abolished around the fourteenth century, the impact of *Ahi* tradition on economic ethics in Anatolia has continued until the nineteenth century.[39]

The principles of *fütüvvet* and *Ahi* institutions were collected in works known as *fütüvvetnames.*[40] These documents record in detail the principles of the professional guilds, their mysteries and the examinations to be passed in order to enter the profession.[41] The first book on *fütüvvet* ethics was written by Sulemi, a *Malamati sufi* scholar, and the *fütüvvet* moral code for him was an extension of spiritual disipline and he declared that each member of the organisation was linked with every other, as well as with his master who was not only teacher of the craft or

[35] İbrahim Öztürk, "Ahilik," *Ahilik Yolu Dergisi*, no. 84, (February, 1993): 4-12.
[36] Ibid, 20.
[37] Ibid.
[38] İnalcık, 157-158.
[39] Galip Demir, "Ahilik," *Ahilik Yolu Dergisi*, no.86, (April, 1994): 22-31.
[40] The recourses were written on *fütüvvet* ethics were called as '*fütüvvetnames.*" They were written in Arabic, Turkish or Persian. Between these sources there are many differences. The earlier *fütüvvetnames* were under the impact of *tasavvuf*, but the *Sunni* view has become more influential in on these sources. See Köksal, 76.
[41] Ibid, 79.

trade but also a spiritual authority.[42] The *Ahi* work-ethic and discipline, as well as the hierarchic order of shaykh, khalifa and apprentice, were outlined in the *fütüvvetname*.[43]

III.2.b. The Economic Ethics of *Ahism*

The main aim of the *Ahi* institutions seems to have been the formation and spread of mutual help and solidarity. For instance, older masters as well as disabled and sick members who had once been members of an association who did not own a workshop and needed economic support could turn to the association for economic help.[44] *Ahis* held to certain general values such as generosity, helping the needy and protecting the victims of atrocities and oppression.[45] Thus, guilds in the Ottoman society not only functioned as professional economic unions but also played an important role in the religious, social and cultural lives of the community.

As a number of historians point out, the fundamental principle in *Ahism* was the absolute equality of all members of the organization. All members were brothers to one another. This did not, however, preclude a hierarchy of respect from the younger towards the older members.[46] There were many rules and regulations which determined almost every aspect of participation ranging from who might be accepted for membership to supervision and discipline of the new recruits. A candidate for membership had to be proposed by one of the existing members.[47] Those engaged in what might have considered 'shameful' work liable to defame the organization could not join.[48] For example those who had killed a person or even animals (butchers), thieves,

[42] Ibid.
[43] S. V. R. Nasr, *Islamic Economics System*, (London, New Jersey: Zed Books, 1984), 31.
[44] İlhan Tarus. *Ahiler* (the Ahis), (Ankara: Ulus Basım Evi, 1947), 101.
[45] Naime Karatay, *Osmanlılarda Ahi Teşkilatı* (İstanbul: İstanbul Üniversitesi Edebiyat Fakültesi Yayını, 1942), 13.
[46] Ibid, 14.
[47] Köksal, 79.
[48] Ibid.

or those whose adultery had been proven could not participate in the *Ahi* societies.[49] The *Ahi* associations were also based on patriarchal values. Women were thus not allowed to become members. Their role was seen as being confined to household duties, child rearing, and looking after the husband's needs.[50]

The *Ahi* tradition also emphasised honesty in the workplace, fair dealing with clients and tolerance of others. In addition to such features, seven important principles of *Ahism*, found in almost all *fütüvvetnames*, were: i) Keeping your hand open, (generous); ii) Keeping your heart open, (spiritual); iii) Keeping your dining-table open to guests, (hospitality); iv) Keeping your door open, (for travelers); v) Keeping your eyes under control, (not coveting women or other's possession); vi) Controlling your waist, (physical fitness); vii) Guarding your tongue (not indulging in vituperation or gossip).[51]

Surprisingly, the principles of *Ahism* have many similarities with current modern economic law in Turkey. Some current rules of the Turkish economic system such as severance pay, employer's responsibilities, permission to look for a new job, the certificate of employment, minimum wage, overtime pay, the prohibition against child workers, although most of these may exist in some other countries, remind us of the principles of *Ahi* organization.[52]

Fütüvvetnames describe in detail these qualities expected of a perfect *Ahi*, and also describe the rituals that the *Ahis* regarded as central to their asociation.[53] In the alliances of *Ahism*, there were ritualised promotions to the level of a master that strengthened a member's devotion to religion and faith, and maintained his commitment to work ethics and customer relations as well as maintaing the quality and standards of goods. Other masters and apprentices

[49] Ibid.
[50] Ibid.
[51] Köksal, 80.
[52] Adil Gülvahaboğlu, *Ahi Evran Veli ve Ahilik* (Ankara: Memleket Yayınları, 1991), 174.
[53] Sureyya Faroqui, *Crafts and Craftsmen of the Middle East* (Tauris: London, New York, 2005), 4.

from various crafts as well as significant figures in the region, were invited to the rituals.[54] After the feast, the older master would stand up and declare that the master candidate had worked for a long time with him, had learned the subtleties of the craft and also displayed the moral character to be a qualified worker in the best way.[55]

Ahism thus played an important role in the social stability of society by presenting codes for ideal behaviours for the people. These ideals were not always adhered to, but were aspired to by the majority of the population thereby endowing the society with an ethical and moral code which permeated across the social classes. *Ahism* has thus been called a 'school of morals' by an historian of the Ottoman Empire.[56] The *Ahi* institution created its own ethical values in four main areas. These were the moral, economic, social and political domains. The values in all these areas had basic functions. Among them moral values in professional and trade activities were very important.

Ibn Battuta, the great Islamic traveler of the thirteenth century, has much to say about the *Ahis* of Anatolia in his time. Everywhere he visited he was impressed by the hospitality of *Ahis*: "Nowhere in the world will you find men so eager to welcome strangers, so prompt to serve food and satisfy the wants of others."[57] He describes *Ahis* as noble-minded, unselfish, compassionate and affectionate people. In many cities in Anatolia Ibn Battuta was invited to the "*zawiyah*" where the *Ahis* gathered at the end of the day. All craftsmen who were members of this *zawiyah*, donated a part of their income to it; this money went towards buying food and other needs.[58] Various foods were offered at the communal meal there, and then *Ahis* would make music or talk

[54] Ibid.
[55] Ibid.
[56] Ülgener, 49-61.
[57] Deodaat Anne, Breebaart, The *Development and Structure of the Turkish futūwah Guilds*. (Ph.D. diss., Princeton University, 1961), 11.
[58] "*Zawiyah*" means: corner of a house, room or building, but also cell or recluse or convent of dervishes. The Ahis called their locality, where they assembled, held their communal meals, played music. "*Zawiyah*" was built by the head of Ahis, it furnished by rugs or carpets, and by oil lamps or candles. Köksal, 116.

or devote themselves to the *sama,*[59] which could go on until late in the night. This demonstrates that *Ahis* were not *ascetics* but were rather interested in both worldly and unworldly things. In order to be productive, a person who had worked hard all day needed spiritual and material nourishment and indulgencing some of life's pleasures.[60] In fact, under the powerful impact of *tasawwuf*, Turks founded a balance between commercial and spiritual profesional instution; they worshipped in their dervish lodges and observed a religiously inspired work discipline.[61] Despite arguments to the contrary, *Ahism* was not exactly a *tariqa* [*sufi* order] and the difference between *Ahi* organisations and *tariqas* was even deeper.[62] *Ahis* did not aspire to the gnosis of and absoption into the Absolute Reality, which is the ultimate goal of the mystics. The *Ahis* took over the practical rules of moral and ethical perfection but did not identify themselves with the extreme other-worldliness of the *tariqas*.[63] The historian Enver Behnan Şapolyo explains the differences between *Ahis* and members of *sufi tariqas*: "While the latter would focus, for instance, on questions of attire, *Ahis* would be hammering iron or knitting fabric on their workbeanch, and selling goods and products."[64] According to Şapolyo in contrast to the interior, submissive, other-wordly structure of the latter, *Ahis* concentrated on daily, active life. He points out that they were aware that in order to live, they needed to produce and sell their products in a market.[65] It is possible to claim that for its members, the *Ahi* organisation was less of a religious sytem than a mixture of rational, ethical and artisan values.

[59] The ritual whirling dance with music of the *Mevlevis.*
[60] Köksal, 80.
[61] Şapolyo, 210.
[62] However, the historian Fuad Köprülü points out that the *Ahi* institution was related to various *tariqas*, such as the Mevlevi, Bektashi and Rifai orders. Mehmet Fuad Köprülü ed. and translated by Gary Leiser. *Islam in Anatolia after the Turkish Invasion* (Salt Lake City: University of Utah Press, 1993), 75.
[63] Breebaart, 140.
[64] Enver Behnan Şapolyo, *Mezhepler ve Tarikatlar Tarihi* (Türkiye Yayınevi, İstanbul 1964), 210.
[65] Ibid.

Moreover, between the thirtheenth and fifteenth centuries, *Ahis* played an important role in political life in that they were also influential in the establihment of the Ottoman Sultanate.[66] *Ahi* institutions provided political and administrative order in a period when there was no state authority, but as centralization became stronger, *Ahis* themselves became limited to their economic activities.[67] The organizations also provided solutions to the problems of their professions and ensured their good relations with the state.

By the end of the fourteenth century, groups of *Ahis* had developed into organized professional unions, becoming known as *lonca* (trade or craft guild), and their economic activities had assumed priority. However, even by this time the *Ahis* institution was not a professionally organized associaion; rather, it was a loose association of craftsmen and artisans.[68] It thus appears that the *Ahi* institution was a well-balanced and productive socio-economic system which activated the resources of the society in a rational and humanistic way. The common idea and the aim of the *Ahi* system was to preserve the solidarity and stability of society. Also peaceful relations between the rich and the poor, producers and consumers, labor and capital, and the nation and the state were all fundumental aspects of the *Ahi* social system. According to the *Ahi* belief system, it was considered normal for a person to be either rich or poor. However, an *Ahi* would bitterly oppose the oppression of the weak by the powerful and also rejects unjust or illegal gains. The *Ahi* value system despised the man, as the saying goes, "who sleeps with a full stomach while his neighbor starves cannot countable from us."[69] By helping establish social harmony, *Ahi* tradition encouraged the man who placed the benefit of society before his own and who was modest and satisfied with what he had. Involvement in

[66] Ibid.
[67] Köksal, 60-61.
[68] Düzbakar, 414- 425.
[69] Ibid.

politics was not encouraged but when it was necessery an *Ahi* had to take on these reponsibilities. People were not discriminated against on the grounds of their occupation, social class or wealth. Each individual's well-being was the concern of the whole society. With these characteristics, *Ahi* institutions acted almost like the modern Non-Governmental Organizations model in the Ottoman-Turkish socio economic life. *Ahi* institutation were in fact proof that several facets of governmental authority could in fact be performed by private individuals and associations. These institutions were not an utopist fable but confirmation that the maximization of individual responsibility and the de-centralization of power was a viable way of maintaining and propagating the stability and well-being of a society.

III.2.c. The Role of *Ahi* Institutions in Socio-Economic Progress

As explained above, the economic ethics in the Ottoman society was based on *Ahi –fütüvvet* principles, coinciding with the main features of pre-capitalist social and economic formation. Economist Ahmet Tabakoğlu claims that the most significant differences between Turkish Muslim and Western civilisations were the result of the *Ahi* tradition.[70] Tabakoğlu posits that if the bourgeois were at the center of the developing capitalist system, the *Ahis* were the key to maintaining stability in the Ottoman system.[71] According to Tabakoğlu, the principal differences between the Ottoman and the Western systems were a result of *Ahism.* As he mentions, while the bourgeois was the main class in the capitalist system, the Ottoman society and economy was affected mainly by the mentality of the *Ahi* organizations. If the main aim of the 'homo-economicus', was to maximize his personal interests, the bourgeois class was the embodiment of

[70] Ahmet Tabakoğlu, "Sosyal ve Kültürel Yönleriyle Ahilik," *Türk Kültürü ve Ahilik XXI. Ahilik Bayramı Sempozyumu Tebliğleri*, 13-15 September, 1985 Kırşehir (İstanbul, 1986), 49.
[71] Ibid.

this idea in the Western capitalist system.[72] But, for the *Ahi,* realizing his economic activities and personal interests in the society was never exclusive or independent of the larger public interest.[73]

Sabri Ülgener, an expert on the theories of Max Weber, echoes Tabakoğlu's idea, claiming that in terms of cultural and religious factors the predominance of *sufism* in all sections of society, especially among the petty bourgeoisie, was responsible for the subsequent developments that rid early Islam of its pristine essence, namely, the rational, ethical, monotheistic and inner-worldly peculiarities.[74] He maintains that economic transformation resulted from the adjustment of these mystical doctrines by the common people and the Muslim guilds to fit their own socio-cultural interests. According to Ülgener, in Ottoman society, worldly but ascetic, and esoteric *sufism* was deeply rooted among *Ahi-fütüvvet* brotherhoods and traditional Muslim guilds, and even among the merchants. Therefore, when we take into consideration these characteristics and religious ideas as well as the "economic ethic" of the Turkish *fütüvvet* guilds in Ottoman society, it is easier to explain the historical problem differently, that is, to account for why a Western type of rational capitalism did not develop in the Muslim world. Ülgener explains the attempt to transition to capitalism in terms of how the morals and religious views of Ottoman artisans affected their economic behavior. He claims that craftsmen responded with an ideology which made a virtue out of necessity under the influence of *sufism* by emphasizing the values of modesty and also of a certain degree of social equality within a culture of poverty.[75] In the West, merchants were transformed into far more rationally organized, vigorous bourgeois classes and entrepreneurs, whereas in Muslim societies, and

[72] Ibid.
[73] Ibid.
[74] Ibid.
[75] Ülgener, 1981, 81.

especially in the Ottoman one, historical development went in the opposite direction. Earlier vigorous Muslim merchants and members of "civic" groups did not transform into a bourgeoisie but were instead deprived of rational religious ethic.[76] In this way they became far more similar to the Western type of pre-capitalist, feudal merchants and artisans. To sum up, traditionalism and obedience were the dominant and salient elements of this medieval mentality.[77] Thus, economic stagnation in the Ottoman Empire could have derived from the fact that Ottoman craftsmen and traders thoroughly rejected the idea not only of foreign, but also of home-grown capitalism. It is possible to say that while the main concern of the capitalist system was economic development, maintaining a balance was the primary concern in the Ottoman system.

IV. Changing Economic Ethics: Towards Modernization in the Turkish Economy

IV.1 Emergence of the "Missing" Bourgeoisie Class

Although new studies document the extensive involvement of Muslim merchants in extraterritorial trade during the fifteenth through seventeenth centuries, it is commonly accepted that Muslim Turks were not very active in the business community in the nineteenth and the early years of the twentieth centuries.[78] Also, large landowners were almost all Muslims, selling their produce freely after the monopolies were lifted in 1838.[79] It is argued that, in the nineteenth century, non-Muslims were dominant in foreign trade and in transportation, communication, and

[76] Ibid.
[77] Ibid.
[78] Ayşe Buğra, *State and Business in Modern Turkey* (State University: New York, 1994), 36.
[79] The year of 1838, in which the Anglo-Ottoman convention was signed, has been regarded as a watershed in Ottoman economic history. The convention itself has been termed a free trade treaty which opened the Ottoman market by abolishing the internal trade obstacles of the empire. For more information see Stanford J. Shaw, Ezel Kural Shaw, *History of the Ottoman Empire and Modern Turkey* (Cambridge: Cambridge University Press, 1977), 50. See Charles Issawi, *An Economic History of the Middle East and North Africa* (New York: Columbia University Press, 1982), 17-21.

agricultural technology.[80] In the other words, as historian Erik Zürcher indicates, the Ottoman Empire had known an expanding bourgeoisie in its final years, but this bourgeoisie was almost exclusively non-Muslim.[81] As Zürcher asserts, the situation changed in 1914 when hundreds of thousands of Muslims lost their homes in the Balkan Wars and Greeks in the Ottoman lands were expelled in 1914, thus over 130,000 Greeks were forced to move to Greece between 1913 and 1914.[82] The "National Economy" (*Milli İktisat*) programme which was aiming to create a native Turkish entrepreneurial class began in 1914.[83]After the Lausanne Treaty, signed in 1923, a population exchange between the Greek Orthodox citizens of the Turkish Republic and the Muslim citizens of Greece occurred, thus the population of Greeks in Turkey declined from 2 million to 120,000. Also the population of Armenians declined from 1.3 million to 650,000 in the new Turkish Republic.[84] The decline of the population of non-Muslim subjects of the empire resulted in a loss in commercial, technical and managerial skills and a fall in productivity. Such circumstances gave rise to proposals for achieving the capital accumulation needed for economic development via state-centered policies to create an indigenous Turkish bourgeoisie. [85]

[80] Donald Quataert, *The Ottoman Empire, 1700-1922* (Cambridge: Cambridge University Press, 2005), 129. See Sultan Yıldız," Citizenship and the Collapse of the Ottoman Empire" *Separatism Democracy and disintegration*, ed. Metta Spencer, (Oxford: Rowman &Littlefield Publishers, 1998), 124.
[81] Erik J. Zürcher, "The Ottoman Legacy of the Turkish Republic: An Attempt at a New Priodization," *Die Welt des Islams*, New Series 32, no. 2 (1992): 237-253.
[82] Zürcher, "Jön Türkler, Müslüman Osmanlılar ve Türk Milliyetçileri: Kimlik Politikaları, 1908-1938," *Osmanlı Geçmişi ve Bugünün Türkiyesi* ed. Kemal Karpat (İstanbul: Bilgi Üniversitesi Yayınları, 2004), 284.
[83] Ibid, 270.
[84] Ibid, see also Reşat Kasaba, "Turkey from the Rise of Atatürk" in *New Cambridge History of Islam* Francis Robinson ed. *The Islamic Age of Western Dominance* v. 5 (Cambridge: Cambridge University, forthcoming), 306. Reha Parla, *Belgelerle Türkiye Cumhuriyetinin Uluslararası Temelleri* (Lefkosa: Special Press, 1985), 72. See also Zürcher, "Young Turks, Ottoman Muslims and Turkish Nationalists: Identity Politics 1908-1938," in Kemal H. Karpat ed., *Ottoman Past and Today's Turkey*, (Leiden: Brill, 2000), 150-179.
[85] By the 1930s, the practice of statism emerged as a pragmatic approach to growing and modernizing the economy. While there was ideological debate on statism, Atatürk explained the concept as it applied to Turkey. In fact, statism in Turkey is a system deriving from the needs of the new Turkish Republic. Statism means to prioritize private entrepreneurship, but also have the state become responsible for the economy of the country. The state tries to open all ways for private entrepreneurs and invests for new entrepreneurs which private sector could not undertake. Shortly, the system supported the development of national economic capability for capital accumulation and perform with strict government planning of the budget and control over the private sector and foreign trade and investment.

Consequently, in the earlier years of the Turkish Republic the economic policy was established within the republican political system, which supported the development of national economic capability for capitalist accumulation. The economic policy faced strict government planning of the budget and control over the private sector and foreign trade and assets. By the beginning of the twentieth century, until the multi-party period, *statism* was the government's principle ideological and economic policy and it also provided economic direction with respect to industrialization policies.[86]

With the bulk of state investment, public enterprise and market-oriented agricultural estates located in Western Anatolia, such selective developmental focus exacerbated regional variations in the economy and strengthened peripheral resistance to Ankara's statist and tutelary policies. In the early years of the new republic, activities pertaining to public office and business enterprise could still be jointly undertaken. The policy of the new Turkish Republic was to create an indigenous Turkish bourgeois class by the support of central government.[87] This new bourgeois class also would be a model of Western style modernization in Turkish society. As historian Eric Zürcher points out the new face of Turkey appealed to a very wide spectrum of Western opinion.[88] Zürcher says:

> The fact that the Turkish republican government so emphatically rejected its own traditional Islamic civilization and openly and whole-heartedly chose to imitate the West, even in purely superficial things like the replacement of the traditional headgear, the Fez, with the Western hat, implicitly constituted a gratifying recognition of the superiority of Western culture.[89]

See, Y. Tezel, *Cumhuriyet Döneminin İktisadi Tarihi* (Economic History of the Republican Period), (İstanbul: Tarih Vakfı Yurt Yayınları, 2002), 146-147.

[86] Ibid.

[87] Ali Bulaç, *Zaman*, 17 May, 2010. "Doğmakta Olan bir Burjuvazinin Öyküsü: Genç Türklerin Sosyal ve Ekonomik Politikası 1908-1918" in Feroz Ahmad, *İttihatçılıktan Kemalizme* (İstanbul: Kaynak, 1985), 34-80.

[88] Erik J. Zürcher, "The Ottoman Legacy of the Turkish Republic: An Attempt at a New Periodization," *Die Welt des Islams*, New Series 32, no. 2 (1992): 237-253.

[89] Ibid.

However, there is one way the modernization policy did not originate with the new Republic, but had been a continual policy which shaped the parameters of Ottoman social structures.[90] In the process of creating a new bourgeoisie, political connections were definitely an important factor in the accumulation of private capital, and many bureaucrats and politicians became involved in the business sector. This emphasis on the bureaucract's professional ability to manage a 'modern' economy further diminished the political influence of the rural elites and, ultimately institutionalized an oligarchy between the government and a small cadre of urban industrial magnates.[91] It would not be wrong to say that the Turkish bureaucracy's co-option of corporate capitalism also underpinned the "industrial-capitalist nationalism." This state-dependent business class was active in areas of industrial production and commerce, generally in the Marmara and Aegean regions of Turkey.[92] The members of the existing business community were well educated, many of whom knew foreign languages, and they preferred to send their children to the West to receive an education and become adapted to a Western culture and lifestyle.[93] In the former imperial capital of İstanbul, moving hand-in-hand with the state elites – especially the military and civilian bureaucracies – the media and the secular social elite also had important roles and responsibilities. Since secularization was supposed to be associated with enlightenment and the freedom of thought, state-dependent business owners were supporters of the Republic's strict policy of secularization. Consequently, this business class formed close ties to the tradition of Turkish statism, with all its attendant tradition of centralization and top-down decision making.

[90] Fatma Müge Göçek, *Rise of The Bourgeoisie, Demise Of Empire: Ottoman Westernization And Social Change* (Oxford: Oxford University Press, 1996), 3.
[91] Tim Jacoby, "Agriculture, the State and Class Formation in Turkey's First Republic 1923-60," *Journal of Peasant Studies* 33, no.1 (January 2006): 34-60.
[92] Buğra, 101.
[93] Ibid, 72-73.

However, the relations between businessmen and politicians developed new dimensions with the transition to a multi-party system. Political parties coming to power used the state's apparatus to redistribute wealth in favour of their supporters for the purpose of gaining greater political support. In order to win the votes of the poorer members of society, government funding and economic tools appeared to be the best means of gaining political advantage.[94] Multi-party democracy enabled certain aspects of Islamic discourse to re-enter the political arena within the framework of the secular state, as candidates began to campaign to represent religiously oriented constituents.[95] The Democrat Party (DP) appeared as an opposition party to the Republican People's Party (RPP). In fact, the Democrats' programme did not differ from that of the ruling party, but they claimed that their main goal was to advance democracy; limit government intervention as much as possible and increase the rights and freedoms of the individual.[96] The Democrats constantly emphasized the arbitrary character of the mono-party state and promised to amend it.[97] As historian Feroz Ahmad asserts:

> The DP emphasized populism and popular sovereignty and demanded that political initiative emanate from below, from the people, and not from above, from the party. The Democrats soon became the spokesmen for private enterprise and individual initiative and that won them the support of the businessmen as well as the liberal intelligentsia.[98]

Those in the RPP who had supported land reform, believed that the RPP ought to seek the support of peasants, workers, tenant farmers, artisans, and small merchants and isolate the Democrats as the representatives of landlords and big business. To the Democrats, who kept on attacking 'the tyranny of the state', the party began to represent the 'national will' *(milli irade)*.[99] Unfortunately, under the rule of the DP between 1950 and 1960, democratic reforms could not

[94] Ömer Demir, Mustafa Acar and Metin Toprak, "Anatolian Tigers or Islamic Capital: Prospects and Challenges" *Middle Eastern Studies* vol.40, no. 6 (July 2006):166 - 188.
[95] Andrew Davison, *Secularism and Revivalism in Turkey* (New Haven: Yale University, 1998), 11.
[96] Feroz Ahmad, *Making of Modern Turkey* (Routledge: London and New York, 1993), 104-105.
[97] Ibid.
[98] Ibid, 105.
[99] Ibid, 110.

be carried out successfully. They failed to limit the anti-democratic mentality of the mono-party period which brooked no opposition from any quarter, including from within the party itself.[100] The DP tried to hide the economic crisis by aggressive politics. Instead of solving problems, the Democrats tried to do away with the opposition that brought them to light. In order to silence its critics who were becoming stronger and more effective, the DP began to place rigid pressure on the press. Some newspapers were closed and several journalists prosecuted.[101] This move towards totalitarianism was one of the basic factors that led to the downfall of the DP. According to Halil Berktay a modern Turkish scholar, "The multiparty regime was a kind of politics which led to the dictatorship of dominant powers. Although there were many parties in this regime, all of them depended on the landlords and powerful bourgeoisies."[102] The results of the experiment in the multiparty system between 1950 and 1960 were the return of an authoritarian regime and economic and cultural degeneration. As a result of this unstable politic and economic situation, some military officers began to think that the DP threatened the principles of the secular progressive Kemalist republic.[103] In order to restore national unity and carry out major social and economic reforms, a military coup d'état occurred on 27 May 1960. Under the leadership of General Cemal Gürsel the armed forces secured control of İstanbul and Ankara and arrested President Celal Bayar, Prime Minister Adnan Menderes, and his cabinet, removed them from power and dissolved the parliament.[104]

Generally, in developing countries like Turkey, real democracy does not come easily. The DP's political adventures did not fit any specific development agenda. Political parties turned to demagogy in order to win the votes of people. The DP movement was the first real multiparty

[100] Ibid.
[101] Ibid.
[102] Halil Berktay, "DP Tarihine Bakışlar," *Tarih ve Toplum*, no: 54 (Haziran 1988), 12.
[103] Şevket Süreyya Aydemir, *Menderes'in Dramı* (İstanbul: Remzi Kitabevi, 1976), 427.
[104] Ibid.

experience in Turkish political life and the fact that it would make mistakes was to be expected. During its governance the DP linked nationalism to traditional values, particularly Islam. Thus the DP opened a way for development of more radical nationalist and Islamist tendencies. Following the DP, the Justice Party (AP) and the Nationalist Movement Party (MHP) accepted Islam as a fundamental part of the national identity. After the military coup of 1960, the generals made religious education a part of the new constitution, while the governing party officials articulated a populist "Turkish Islamic synthesis" to combat leftist influences. Thus a socio-economic balance did finally begin to favour conservative groups in the up till now neglected Anatolian cities. However, until Necmettin Erbakan established the National Order Party (NOP) in January 1970, Islamists had to be content with shaping conservative factions within the center-right parties or by remaining underground.[105] The NOP largely represented smaller Anatolian cities dominated by religiously conservative Sunnis, where the small traders and artisans (*esnaf*) had been excluded from the state modernization policies in the economic and social realms.[106] From 1973 to 1977, the political environment was greatly polarized and this resulted in macroeconomic policy shortcomings. For this reason macro economic instability increased.[107] From mid-1977, the political environment became highly unstable due to more frequent changes made by successive weak coalition governments. These coalition governments were "associated with instability and lacked credibility and commitment to undertake serious fiscal adjustment.[108] By the mid-1970s, as Turkey faced rising import bills because of the increasing cost of energy

[105] Nilüfer Narlı, "The Rise of the Islamist Movement in Turkey," MERIA 3, no. 3 (September 1999):75-88. Until Necmettin Erbakan established the National Order Party (NOP), the predecessor of the three succeeding Islamist parties, in January 1970, Islamists had either formed conservative factions in a center-right party or had remained underground. In the later years the NOP, the same Islamist party has endured, albeit under different names: NOP (1970-1971), National Salvation Party (NSP) (1972-1981), Welfare (1983-1998), Virtue (1997-2001).
[106] Ibid.
[107] Öniş, "Domestic Politics versus Global Dynamics: Towards a Political Economy of the 2000 and 2001 Financial Crises in Turkey," *Turkish Studies* v.4, no 2. (2002): 1-30.
[108] Ibid.

and other imported materials, the government was forced to take out a number of short-term loans.[109] Turkish external debt rose from $1854m in 1970 to $4323m in 1977.[110] As a consequence, the government's enormous debt, inflation and the macroeconomic instability index dramatically increased and eventually, the import substitution strategy reached its limits and Turkey experienced a severe economic crisis in 1978-79.[111] In 1978 government revenues equalled 20.5 percent of GDP, while government expenditure was equal to 23 percent of GDP.[112] Turkey faced increased social demands because of the instability of Turkish politics and economy. Since the emergence of multiparty democracy in 1950, the military has openly intervened in politics on at least three occasions -- 1960, 1971, and 1980.[113] During the 1970s and particularly after 1975, Turkey experienced great transformations in its democratic, social and economic system. The rise of extremists at both ends of the political spectrum, right and left, resulted in extensive terrorism.[114] Turkey has witnessed an escalating level of conflict between the major political parties, *Adalet Partisi* (Justice Party, JP), *Cumhuriyet Halk Partisi* (Republican People's Party, RRP), *Milli Selamet Partisi* (National Salvation Party, NSP), and *Milliyetci Hareket Partisi* (National Action Party, NAP). As a result there were ongoing conflicts between parties and the development of ineffective government policies, which in turn led to a state of social instability.[115] There were anarchist political conditions in Turkey and the military coups of 1971and 1980 helped strengthen the link between Islam and Turkish

[109] Hootan Shambayati, "The Rentier State, Interest Groups, and the Paradox of Autonomy: State and Business in Turkey and Iran," *Comparative Politics* v.26, no. 3 (April, 1994): 307-331.
[110] Shambayati, 313.
[111] Ibid.
[112] Çağlar Keyder, *State and Class in Turkey* (London: Verso, 1987), 105; Feroz Ahmad, *The Turkish Experiment in Democracy, 1950-1975* (Boulder: Westview Press, 1977), 128-130.
[113] Shambayati, 312.
[114] Mehmet Özay, "Turkey in Crisis: Some Contradictions in the Kemalist Development Strategy," *International Journal of Middle East Studies* 15, no. 1 (Feb., 1983): 47-66.
[115] İhsan Bal and Sedat Laçiner, "The Rise of Ideologic-Revolutionary Terrorism: the Turkish Experience, 1960-1980," *Turkish Weekly*, September 6, 2007.

nationalism.[116]Also the political and macroeconomic instability ended with the January 1980 economic package that include abolishing import and export controls: cutting subsidies, freeing interest rates; allowing prices to rise and cutting government expenditure.[117] This new economic programme known as the "January 24 Decisions" brought some radical changes in economic modelling and preferences. Turkey transformed its economic policy from "import substituting industrialization" to "export-led growth strategy", by the introduction of liberalization in financial markets and more emphasis on foreign trade. After nine mounts of the declaration of this package a military regime that governed from 1980 to 1983 came to power.[118] The military coup of 1980 ended in 1983 following new elections. Thus, Turgut Özal, the leader of *Anavatan Partisi* (Motherland Party), gained a comfortable majority in the 1983 election and became Prime Minister.[119]

IV.2. A New Era: Islamic Finance Enters the Turkish Economic Sector

Starting in about 1980, the Islamic influence on Turkish politics increased as various parties (and military) institutions began striving for policies that would allow the secularist and traditional aspects of the Republic's culture to co-exist. As in many other developing countries since the 1980s, there has been a neo-liberal restructuring process in Turkey leading to a transfer of the role of the state in the economic sphere to the market-oriented forces.[120] When the Islamic Economic and Trade Cooperation Committee (İslam Ekonomik ve Ticari İşbirliği Daimi Komitesi) chose Kenan Evren, the president of Turkey, as its president in 1984, Islamic finance

[116] Bora Kanra, *Islam, Democracy and Dialogue in Turkey* (Ashgate: Burlington, 2009), 85.
[117] Eric Zürcher, *Turkey: A Modern History* (New York: I.B. Tauris, 2004), 268.
[118] Ibid.
[119] Bal and Laçiner, "The Rise of Ideologic-Revolutionary Terrorism."
[120] The government introduced a new measure; Law Number. 32 provided the full liberalization of all financial markets. The foreign exchange regime had already been liberalized in 1984. In 1989, the Turkish Lira was given full convertibility. See Meliha Benli Altunışık, Özlem Tür, *Turkey: Challenges of Continuity and Change* (Routledge: Curzon, New York, 2005), 82.

had finally entered the mainstream.[121] At the same time Prime Minister Turgut Özal, a pro-Western politician with strong religious beliefs, guaranteed passage of specific legislation to allow the entry of Islamic financial institutions into the Turkish market.[122] Earlier, in 1983, Prime Minister Turgut Özal had pledged similar legislation allowing Islamic banks into Turkey's financial system in an effort to expand and improve economic relations between Turkey and other Islamic countries, particularly those in the Middle East. It appears that the member states in both the Organization of Islamic Conference (OIC) and the Islamic Development Bank (IDB) had been urging Turkey for years to let Islamic banks operate alongside interest–based institutions. This led to a decree allowing the foundation of Special Finance Houses (SFHs) *Özel Finans Kurumları*, which was signed and published in the Official Gazette on 16 December 1983.[123] The functioning of these special finance houses was regulated by this decree until quite recently, when the institutions finally came under the full jurisdiction of the Turkish Banking Law. As a result of the decree, Al-Baraka Türk and Faisal Finance House were established in 1984 while Kuveyt-Türk Finance House soon emerged as the third institution operating in this sector. These three SFHs were founded with a large amount of foreign capital. The first SFH with 100% domestic capital, Anadolu Finance House, was not established until 1991. In 2000, the Faisal Finance House was purchased by a large Turkish company, Ülker, and has since been renamed as 'Family Finance House.' Today, there are 4 special finance houses - as these

[121] Ibid.
[122] Turgut Özal firmly believed that an individual should have a choice of where to bank. On 16 December 1983 a Ministers Committee gave permission to open the Private Finance Houses. The decision contains 17 articles and deals with 'the methods and procedures of the founding of the Special Finance Houses, their activities and liquidation, under the protection of the Exchange Value of the Turkish Currency Law number 1567 and Decree number 70 regarding banks.
[123] They are called Special Finance Houses instead of Islamic Banks because it is constitutionally illegal to found banks designed as "Islamic."

'Islamic' banks are called - operating on interest-free principles, which are widely known to the general public as profit-loss sharing institutions.[124]

Table 2.1 shows how the number of branches of interest-free, joint-stock banks rapidly increased from 1 in 1985 to 7 today. Currently 10,829 employees work for these banks. The number of total branches has increased to 558; however, as can be seen in Table 2.2, as a percentage of the whole banking sector, they are small but conspicuous. Their activities represent around 4% of the total banking industry. Nevertheless, interest-free special finance corporations attract the savings of religiously inclined people who prefer not to work with conventional banks, hence bringing new funds to the banking system as a whole.[125]

[124] Since the beginning of 2006, Special Finance Houses (SFH) performed under the name of Joined-establish Banks.
[125] The present position of the SFHs and presenting future projections indicates that there is high growth potential for the SFHs in Turkey.

Table 2. 1: Numbers of Branches (1985-2008)

Years/ Terms	Albaraka	Anadolu	Bank Asya	Family	İhlas(1)	Kuveyt	T. Finans(2)	Total	Yearly Increase %
1985	1							**1**	0%
1986	1							**1**	0%
1987	2			3				**5**	400%
1988	5			6				**11**	120%
1989	7			7		2		**16**	45%
1990	8			10		3		**21**	31%
1991	10	1		10		4		**25**	19%
1992	10	6		10		6		**32**	28%
1993	13	9		11		9		**42**	31%
1994	14	9		11		9		**43**	2%
1995	15	9		12	11	9		**56**	30%
1996	17	9	1	12	25	11		**75**	34%
1997	22	16	13	12	35	16		**114**	52%
1998	22	16	17	12	35	16		**118**	4%
1999	22	16	16	12	35	16		**117**	-1%
2000	22	27	25	12		23		**109**	-7%
2001	22	27	25	12		29		**115**	6%
2002	24	27	28	33		36		**148**	29%
2003	27	35	43	43		40		**188**	27%
2004	37	48	62	54		55		**256**	36%
2005/1Q	37	50	62	54		55		**258**	1%
2005/2Q	39	52	64	54		64		**273**	6%
2005/3Q	39	53	68	54		69		**283**	4%
2005/4Q	43	53	71	54		69		**290**	2%
2006/1Q	43		72			73	106	**294**	1%
2006/2Q	47		81			74	109	**311**	6%
2006/3Q	51		86			75	116	**328**	5%
2006/4Q	63		91			79	122	**355**	8%
2007/1Q	63		102			79	124	**368**	4%
2007/2Q	66		107			81	124	**378**	3%
2007/3Q	69		117			86	129	**401**	6%
2007/4Q	80		118			87	137	**422**	5%
2008/1Q	81		124			95	146	**446**	6%
2008/2Q	90		124			100	157	**471**	6%
2008/3Q	94		142			113	167	**516**	10%
2008/4Q	100		143			113	174	**530**	3%
2009/ 1Q	100		149			113	178	**540**	2%
2009/ 2Q	100		149			113	178	**540**	0%
2009/ 3Q	100		152			120	178	**550**	2%
2009/ 4Q	101		158			121	178	**558**	3%

Source: Türkiye Katılım Bankaları Birliği internet web page, www.tkbb.org.tr

The banks that perform on the basis of an interest-free system are called joint-stock companies. Over the three decades that they have been competing with conventional, development and investment banks and their position in Turkish banking system is illustrated in the table as follows:

Table 2.2 Sectoral Sharing of Banks in Turkish Economy (2008)

Banks	Numbers of Institutions	According to Active Capacity		The Amount of Deposits		Loans	
		Million TL	% Sharing	Million TL	% Sharing	Million TL	% Sharing
Joint-stock companies-the Banks	4	25.769	3.5	19.21	4.1	19.734	5.0
Conventional Banks	32	683.823	93.4	444.103	95.9	361.239	92.0
Development and Investment Banks	13	22.943	3.1	0	0	11.954	3.0
Total	**49**	**732.535**	**100**	**463.313**	**100**	**392.927**	**100**

Source: Türk Finans Sisteminde Katılım Bankaları – presented in 8. Usual General Meeting at the General Meeting of Türk Katılım Bankaları on December 2008 in İstanbul. www.tkbb.org.tr

That these banks have proven their viability over this period can be gauged from the fact that the possibility in a new system, "Islamic economics," is now discussed as an alternative to modern global economy. Professor Clement Henry argues that Islamic banks may offer a way for political Islamists to acquire new financial stakes and to discard old radical behavior or anti-system stances in order to secure predictable interest.[126] The general motivation for the foundation of such institutions is to attract funds from people who do not want to deal with interest-based financial institutions for religious reasons. Today, it can be clearly observed that these institutions are attracting funds not only from their target market but also from other segments of the society and that their overall performance as compared to other financial institutions is respectable.

By the 1980s, Özal's new strategy that called for export oriented policies was aiming to give Turkey a chance to break out of the post-war pattern of alternating periods of rapid growth

[126] Mustafa Acar, "Islam and the free-market economy: Towards a Synthesis of Islam and the Market Economy? The Justice and Development Party's Reforms in Turkey," *Economic Affairs* 29, no. 2 (2009):16-21.

and deflation. This new strategy led Turkey to experience export-led growth over the long term. The main policies in this reform package were devaluation of the Turkish lira and institution of flexible exchange rates, maintenance of positive real interest rates and tight control of the money supply and credit, elimination of most subsidies, reform of the tax system, and the encouragement and facilitation of foreign investment.[127]

IV.3. The Rise of Islamic Corporations in Turkey: "Anatolian Tigers"

The new-found dynamism that was unleashed by these reforms not only transformed the economic landscape of the country, but was also a harbinger of major social changes. The traditional secular socio-economic elites began to be supplanted by a newly emerging class of successful entrepreneurs from the conservative regions and classes in Turkey whose world-view was profoundly influenced by Islamic ideals of social and economic justice. Growing economic disparity between industrializing Western regions and the rest of Anatolia had fostered an increasing resentment. On the other hand, many religiously inspired social sects became involved in business activity and began to play a more significant role in the economic realm while asserting their religious identities. For instance, the *Nakshibendi sufi* order, which is perhaps the most widespread and influential order in Turkey, entered the market economy by establishing holding companies such as Server Holdings, which includes thirty-eight companies in various sectors.[128] Other examples of *sufi* groups that became involved in economic pursuits are the *Qadiriyah* order with its İhlas group and Haydar Baş's Qadiriyah branch which operates in the trade and manufacturing sector and also has a TV channel, newspapers, and a publishing

[127] In July 1982, when Özal left office, many of his reforms were placed on hold. Starting in November 1983, however, when he again became prime minister, he was able to extend the liberalization program.www.country-data.com/cgi-bin/query/r-13959.html

[128] Faik Bulut, *Tarikat Sermayesi 2*: *Yeşil Sermaye Nereye?* 4th edition (İstanbul: Su Yayınları, 1999), 75-76.

house.[129] Fethullah Gülen's community is another important sect that gained economic power with investments in a broad spectrum of activities ranging from banking and insurance to chemicals and textiles.[130] In contrast to earlier *sufi* orders, these new groups do not focus on, or restrict themselves to, the dissemination of a common *sufi* ethics or an educational tradition. On the contrary, they are willing to engage with almost any sector of the society, from economics to politics. By founding banks, companies and holdings, they have developed a new temporal, this-worldly discourse that pursues success in all realms of life, particularly in the business world. Thus, Islam has been gaining in importance as an integrating mechanism in the modernization process in Turkey. In fact, religious groups have noticed that, without significant economic power, they will not be able to gain political or social influence, so the desire for social and political gain has led to the establishment of an Islamic business community. It also coincided with the desires of the followers of the religious groups, most of whom belonged to the lower socio-economic class of society and were looking for upward social mobility. The networks that link religious people have become significant in recent years for establishing new businesses, finding jobs, holding regional political power, and so on.[131] Consequently, it would be possible to assume that the rising Islamic activism has actually been an expression of the sentiments of less advantaged members of the society who want their share of Turkey's economic resources. This demand on the part of religious groups began to bear fruit after the 1980s liberalization movement in the politico-economic realm. Successful development projects in industrial production and economics were initiated in many parts of Anatolia. These developments resulted in the increasing success of new religious entrepreneurs who have come to be known as

[129] Bulut , 159.
[130] Başkan, "Islamic Finance in Turkey," *The Politics of Islamic Finance*, (Edinburg: Edinburg University Press, 2004), 219.
[131] Başkan, 218-219.

"Anatolian Tigers" or collectively as "Islamic capital." Many Anatolian companies and holdings increased their industrial and agricultural production for the internal Turkish market and then began to export the surplus, especially in the areas of textiles and the food sectors.

The increasing role of Islam in Turkish political and economic life can also be explained by reference to the state's attitude towards it. Although the secular state ideology has maintained strict controls on religious issues and institutions, it has not been able to provide an alternative to Islam as a unifying force. Islam has remained the most important and common component of identity for Turkish people.[132] After the collapse of the communist regime in Russia in 1989, government policy supported the idea of a "Turkish-Islamic synthesis'' made up of a combination of nationalism and Islam, and this move resulted in heated debates between the secularists and the Islamist groups. "Traditionalism, religious accommodation and a sense of moral community" appeared to be an ideal mix, one that could provide political stability after the 1980 coup.[133] Binnaz Toprak underlines the social changes resulting from Turkey's post-1980 shift from import substitution to export-oriented growth. After 1960, the massive influx from the countryside filled squatter neighborhoods on the peripheries of cities.[134] At the same time, the government, in an effort to follow free-market policies, withdrew subsidies and floated the Turkish *lira*, creating, in the process considerable economic inequality.[135] These urban poor, who initially had no voice in politics, eventually gave their support to the Islamist movement. Prior to 1980, the parties on the left used to win the votes of the urban poor, but the military coup and the

[132] Şerif Mardin, *Din ve İdeoloji*, fifth edition (İstanbul: İletişim Yayınları, 1992), 195-196.
[133] Başkan, 220.
[134] Kemal Karpat, *Gecekondu, Rural Immigration and Urbanization* (Cambridge: Cambridge University Press, 1976), 48-56.
[135]Binnaz Toprak, "Islam and the Secular State in Turkey" *Turkey –Political, Social, and Economic Challenges in the 1990s* ed. by Çiğdem Balım (Brill; Leiden, 1995), 93-96.

collapse of the Soviet Union both served to debilitate the left. Since then, the leftist parties have largely faded from the political scene.[136]

The new ideology of the Turkish state highlights the Islamic element as an important component of identity and a unifying force in the society. It would not be wrong to claim that in Turkey, Islamic actors from *sufi* groups to the pro-Islamist Justice and Development Party have been able to negotiate the terms of secular liberal democracy in order to gain economic and political power. The Islamic movement has not only resolved problems of identity but also has become, in addition, a channel to political power, social prominence and economic wealth for those who had been marginalized by the republican politics. All these circumstances formed the background to the emergence of Islamic corporations and the rise of a new generation of conservative religious businessmen.

IV. 4. Anatomy of the "Anatolian Tigers" in Turkey

IV.4.a. Cultural and Social Dimensions

The emergence of the new religiously conservative economic elite after 1980 can be viewed as a group shifting from the periphery of the society to the center while maintaining its identity and world-view through a rationalization and individualization process. In fact, since the 1990s, Islamic business has become one of the major actors in the Turkish political economy. Many small Anatolian cities have witnessed remarkable economic growth and have turned into centers of Islamic investments and businesses. An examination of the distinct social character of these Anatolian cities can therefore help us better understand the factors behind economic success in these urban areas.

[136] The left was far from producing alternative policies and a new vision of its role in a market economy. This weakness of the left was so extensive that in the last elections, the Republican People's Party (RPP) *Cumhuriyet Halk Partisi* could not even muster enough votes to cross the 10 percent threshold.

As a result of the success of small and medium sized Anatolian businesses, the "network structure of Anatolian capitalism" has gained much scholarly attention. The distinct feature of this in Anatolian businesses model is the sharing of common beliefs and ideals, specifically because Islam is the basic component of the moral life in town and cities across Anatolia. This contributes to the establishment of a shared understanding concerning business ethics, corporate responsibility, and commonality of interests.[137] Economist Ayşe Buğra points to the minority spirit and solidarity shown by pious Muslim businessmen, and notes the possibility that Islamic business might enjoy advantages that others do not by virtue of their periphery status in society. She explains this idea as follows:

> Apart from culturally shared values both sustained within and helping to sustain multiplex social solidarity networks, reactive solidarities that are enhanced by relative satisfaction arising from non acculturation of prevailing labour and living standards might balance whatever initial disadvantages minority ethnic identity could entail and render non-assimilation more lucrative than assimilation. In a country, as both Islamist and secularist politicians often repeat in accusing each other either of being anti-religious or of using religion in a socially disruptive fashion in the pursuit of political interests, 'where Muslims constitute 99 percent of the population,' it might appear surprising to draw an analogy between minority attitudes and the use of Islam by MÜSİAD. Yet it is extremely clear that certain elements of a minority psychology, manifested in the expression of a feeling of being excluded from economic life controlled by a big-business community supported by the secularist state, have a significant place in the organizing rhetoric of this association.[138]

It is questionable whether there is discrimination against religious investments in rural regions by secularist groups but the truth is that the internal tensions between tradition and the contemporary needs of the country have increased due to an identity crisis. The rise of liberalism and the rapid change of socio-economic life have highlighted the inequalities in the distribution

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[137] Ayşe Buğra, *State and Business in Modern Turkey* (New York: State University 1994), 225-255.

[138] Ibid. MÜSİAD *Müstakil Sanayici ve İşadamları Derneği* (Independent Industrial and Businessman's Association) was founded on May 5, 1990 in İstanbul by a number of young pro-Islamic businessmen. The first letter of its acronym, "M" is commonly perceived as standing for "Muslim" rather than for *müstakil* (independent). The founders of MÜSİAD aimed to create an "Islamic economic system" as an alternative to the existing "capitalist system" in Turkey. This goal, though, remained only a slogan. Members are active in most sectors of the economy, particularly in manufacturing, textiles, chemical and metallurgical products, automotive parts, building materials, iron and steel, and food products. There are also several powerful Islamist joint-stock banks. "The Rise of the Islamist Movement in Turkey," *Middle East Review of International Affairs* 3, no.3, (September 1999): 38-48. For more information see web: www.musiad.com, See Buğra, 225- 255.

of wealth and have further enhanced pre-existing social cleavages. When the state does not help to the welfare of individuals, traditional communal ties such as kinship and community bonds become more important. [139] Hence, the replacement of the welfare state by a free capitalist market rules has also contributed to the growing power of Islamic activism in Turkish politics. The Welfare Party increased its appeal and power during 1990s by using effective propaganda focusing on these socio-economic problems and by placing morality at the centre of the Islamic movement itself.[140] In modern societies, the traditional institutions of social security have been weakened during the liberalization process, and this has resulted in the emergence of informal social networks. This rising uncertainty is one of the reasons for the growing number of religious groups that have aligned themselves with other secular groups and ideologies.[141]

IV.4.b. Production Patterns at the Local Level

The other important factor behind the success of Islamic corporations is the form of production in Anatolian cities, which has strengthened personal and informal interaction between members of society. This facilitates what are known as transnational practices (TNPs). TNPs affect all national economies, in areas such as employment conditions, profit repatriation, currencies, and levels of local production.[142] This change has resulted in the increasing popularity of flexible working forms, which allows TNCs (Transnational corporations) to invest and manufacture in local markets worldwide. [143] This globalization of production entails a division and decentralization of complex production chains. The new production method, i.e., flexible-

[139] F, Bowring, "Communitarianism and Morality: In search of the subject," *New Left Review* 222 (March-April, 1997): 82-95.
[140] Haldun Gülalp, "Globalization and Political Islam: the Social Bases of Turkey's Welfare Party," *International Journal of Middle East Studies,* no.33 (2001): 433-448.
[141] G.Lensky, *the Religious Factor: a Sociologist's Inquiry* (New York: Anchor books, 1963), 332.
[142] L. Sklair, *Sociology of the Global System*, (Prentice Hall/Harvester Wheat sheaf, Great Britain, 1995), 60.
[143] W. Robinson, *A Theory of Global Capitalism: Production, Class and State in a Transnational World*, (Maryland: The Johns Hopkins University Press, 2004), 14.

accumulation models that involve two distinct dimensions (capital/labor), also changes as a result of transnational production. Flexible production modes entail flexible working forms such as informalization. [144] According to Robinson, identifying outsourcing, displacement, informalization and recolonization are the main characteristics of what he calls 'the globalization of market.'[145] When the mass production method is replaced by a flexible production method, kinship, ethnicity and religion become the closest common ties between individuals.[146] The main characteristic of mass production is standardized goods. As a result, hierarchical management is strong and largely excludes the use of 'tacit knowledge,' i.e. creative skills of workers acquired in the production process. [147] Instead of belonging to and identifying with the activity of production, workers gain certain social rights both as producers and as consumers. In order to provide economic fairness such as social security benefits, income stability and employment security, welfare state practices are effective in this system. There is no room for impersonal relations in either the structure of the work process or state-society relations in mass production.[148] Buğra claims that this mass production system could not successfully fulfill the needs of small and medium production with to shortened product cycles of more specialized and individualized commodities. She adds that flexibility with a limited size has become a new production method for small and medium sized companies. Flexible production thus suggests that labor productivity can be increased by the mobilization of tacit knowledge. According to Buğra, instead of hierarchical, top-down management practices less rigid and more personal relations in both management and production positions are being increasingly favored in flexible

[144] Ibid.
[145] Ibid.
[146] Starting with the 1970's, developments in productive technology and consumer demand have challenged the Fordist mass production techniques and led to the advent of what is often called flexible production. For more detail, see Gary Gereffy, "Global Production Systems and Third World Development" in Global Change, regional Response," *The New International Context of Development ed. B. Stallings*, CUP, 1995, 116.
[147] Buğra, The Claws of Tigers, *Private view*, (Autumn, 1997): 1-8.
[148] Gereffy, 116.

production.[149] Since family and common religious bonds alleviate potential differences, formal social security programs have become less effective, while solidarity and social collaboration have turned out to be the major characteristics of small business practices under this new system of production.

Since flexible production methods are very popular in SMEs, it comes as no surprise that Islamic corporations in small Anatolian cities have benefited from the characteristics of flexible production and management techniques. This helps explain the close relationships, loyalty and solidarity of SMEs in Anatolian cities. This post-Fordist production system at the global level has worked well particularly in favor of small-scale manufacturers who have flexible and labor intensive production systems that could easily be integrated with global chains of production through subcontracting. [150]

In stark contrast to İstanbul-based businesses, which are involved in mass factor-based production, Anatolian businesses demonstrate their Muslim identity with traditional *esnaf* (artisans) and medium entrepreneurs. In Anatolian cities, despite a few giant holdings, business practices are generally centered on small and medium-scale economies. The capital and resources for investment in the regions are provided through family relationships or community networks, largely without support from the state. This renders local businesses more independent of the state ideology and policies. Collective capacity and regional networking have shaped local identity in Anatolian cities. Hence, they have developed their own community spirit, methods and strategies that are not only economic but are entrenched in the historical social discourse of the region. In fact, personal and informal interaction between people bound by organic ties of kinship, ethnicity or religion has shaped the development of these Anatolian cities. As Buğra

[149] Buğra, "The Claws of Tigers."
[150] Ibid.

explains, it is possible to assume that if the characteristic informality of small business practices progressively becomes the rule, the legal provisions for social security enforced by the state might also be expected to become less important over time.[151] These cultural and economic factors appear to be especially important in the evolution of SMEs where the unregulated character of business activity becomes dominant. [152]

IV.5. The Rising Power of "Islamic Capital"

Before going any further, however, it is necessary to clarify the term "Islamic capital," referring to the economic model of the Anatolian Tigers. The main characteristic of Anatolian SMEs is that their owners are religiously inclined, (in some cases even a religious group or brotherhood sect, *tariqats*). Some of the largest Anatolian companies are owned by many shareholders, and in some cases, Turkish citizens working in the European Union appear to have been a significant source of capital accumulation. Various Islamic *tariqats* have been especially active among workers in Europe. As a statement of religious identity those workers send their savings to Turkey to set up companies in Anatolia. For instance, Kombassan, Büyük Anadolu Holding, Yimpaş, Endüstri, Sayha, İttifak and Jet-Pa, were all founded primarily with the saving sent by Turkish expatriate workers.[153]

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[151] Ibid.

[152] Buğra, "Labor, Capital, and Religion: Harmony and Conflict among the Constituency of Political Islam in Turkey," *Middle Eastern Studies* 382, no. 08 (March, 2002): 187-204.

[153] The most famous of these companies is Kombassan Holding, founded in Konya by Haşim Bayram, a religious conservative who began his career as a schoolteacher. (Background provided by Kombassan Holding website) Groups such as Kombassan grew rapidly as they issued shares in exchange for remittance income from migrant labor in Germany and elsewhere in Europe and reinvested it in a variety of local businesses. Kombassan, for example, began in 1989 as Konya Printing and Packaging but grew to include more than fifty firms in such key areas as automotives, electronics, construction, textiles, petroleum, shopping centers, and food, even purchasing Konya's soccer team. At its height, Kombassan boasted nearly 30,000 shareholders, and owned companies in Turkey, Germany, and the United States. These translated into political influence. Bayram and other Kombassan board members financed Erbakan's Anatolia tour in the run-up to the 1996 elections and provided consistent support to the Refah party from which Erdoğan, Gül, and the AKP emerged. See *Turkish Daily News*, Aug. 14, 2001.

However, some of these companies could not develop effective management and went bankrupt.[154]

Nevertheless, the occasional disappointment in Islamic businesses has not prevented their spread. By the 1990s, Islamic businesses were flourishing, although what had changed was their traditional independence, as now they had forged a closer connection with the ruling political party. Beginning in 1994, the Islamist *Refah Partisi* (RP) came in power and as it began to penetrate the local government, the Islamic groups discovered that they now had some political clout. This, however, created economic and cultural tensions between religious businessmen and the traditional İstanbul and İzmir based secular capitalists.[155]

Consequently, it seems that Islamic businesses (often indistinguishable from modern *sufi* communities) that have integrated modernity without rejecting Islamic values, demonstrate a great degree of compatibility between capitalism and Islam. Thus, new socio-economic developments are patterned on the Muslim businessmen model whose general profile can be defined as morally conservative but economically liberal and also socially and culturally active/innovative. Besides, it seems that religious businessmen have forged relations with the government, especially as they avoid calling for radical social and political changes.

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[154] On June 17, 1997, a Turkish court froze Kombassan's assets and ordered it to repay shareholders $101 million. Associated Press, June 17, 1997. But Kombassan balked, invoking a legal loophole, i.e. that share certificates did not bear individual names. *Turkish Probe*, Feb. 28, 2000. In October 2000, Turkey's Capital Markets Board froze Kombassan's real estate assets. *Turkish Daily News*, Oct. 21, 2000. There are now many lawsuits and liens against the head of the company, Bayram, and his other companies.

[155] Hakan Yavuz, *The emergence of New Turkey: Democracy and the AK Party*, (Salt Lake City: University of Utah Press, 2006), 5-6. Recep Tayyip Erdoğan's Justice and Development Party swept to victory in Turkey's parliamentary elections on November 3, 2002. More than two years later, the Islamic-oriented party finds itself more popular than ever. But while the AKP came to power on the strength of its image as fresh and honest amid a sea of corrupt establishment parties, the AKP's own finances have become murky and worrisome.

V. Conclusion

The influence of new global production methods and native cultural background with its informal religiously inspired social networks in small Anatolian cities helps explain the recent economic development there. It is possible to identify some particular attitudes and values that helped develop a local moral economy. Indeed, the roots of the Islamic economic ethics at the individual and organizational levels had a significant impact on present developments in Anatolian businesses. Post-Fordist production patterns at the local level forged and built upon already existing close networks between people, providing material and emotional support. As a consequence of the state's failure to provide basic services, certain civil society organizations and networks have come to the fore. In addition, a historical connection with local *Ahi* tradition was influential in the growth of the Islamic business model. There is widespread recognition of the continuity of the *Ahi* traditions as a role model for the Islamic business network. The role of the *Ahi* institution in economic life and its positive impact on the society are used as role models when reminding people to apply this tradition in modern economic life. The economic and social ethics of *Ahi* tradition have been held up as an effective solution for the moral disintegration of modern societies.[156] This situation is explained by historian Şerif Mardin in the context of a set of "root paradigms" deriving from religious sources. Mardin claims that the return to these root paradigms is typical during the periods of moral crisis, when traditional values and habits have become inefficient and have thus lost their power over the society.[157] This turning back to early Turkish-Islamic tradition appears to be an attempt to bring back the 'real' identity of the society or the original meaning of what it is to be a part of the Muslim *umma*. It can be explained by

[156] According to Weber, *Ahi* institution has functioned to order the society, thus Islam turned into a religion of warriors with their half warier-half religious (*derviş*) quality. Ülgener, 1981, 90-91, A.Güner Sayar, *Sabri F. Ülgener: Bir İktisatçının Entellektüel Portresi*, (İstanbul: Eren, 1998), 305.
[157] Mardin 1992, 12-13.

specific common values or the impact of minority spirit, but the truth is that the cities of Anatolia demonstrate an interestingly successful form of the embedded nature of economics engaging in the global market process. These collective local forms in the cities of Anatolia make them competitive, not only at the national but also at the international and global levels.

Chapter Three

THE MAKING OF MODERN ISLAMIC IDENTITY IN TURKEY AND ITS MAIN ACTORS

> *Islamic debate in the 1990s turned to issues such as Islamic holidays, Islamic entertainment and fashion shows, all of which reflect the formation of an Islamic middle class and pluralization of Islamic actors' life experiences.*[1]
>
> *Under the increasingly pluralistic conditions of modernity it is no longer possible to apply a single ethical standard to a legitimately functioning political order.*[2]

I. The Correlation between Economic Progress and Political Empowerment

I.1. The Identity Transformation of the Religious Circle in Turkey

In recent years, much of the discussion about the Turkey has focused on the role of Islam in politics and economics. This chapter focuses on the dynamics of contemporary Turkey by demonstrating that there is a surprising economic improvement in small and medium towns in Turkey fueled by the emergence of pious entrepreneurs who wish to enjoy the amenities of modern life. These pious economic elite are considered as a major force in Turkish socio-economic transformation.

Recent identity transformation in the social and economic fields has become a major source of hope as well as a cause for worry in Turkey. Indeed all the above-mentioned developments in Turkey since the 1980s have been analyzed under two distinct approaches. According to the first school of thought, these developments represent the rise of radical Islam or an Islamic fundamentalist challenge to the secular

[1] Kenan Çayır, "Turkey's Contemporary Muslim Democrats" *Secular and Islamic Politics in Turkey* ed. Ümit Cizre (New York: Routledge, 2008), 69.
[2] J. Habermas, From Kant's 'Ideas' of Pure Reason to the 'Idealizing' Presuppositions of Communicative Action: Reflections on the Detranscendentalized 'Use of Reason', in *Pluralism and the Pragmatic Turn*, ed. W. Reg and J.Bohman, (Cambridge; MIT Press, 2001), 11-40.

basis of the modern republic of Turkey. This view tends to emphasize the recent emergence of Islam as the result of the bankruptcy of the Kemalist modernization project, which de-emphasized the role of Islam in the Turkish society. In contrast, the second analysis starts from a broader critique of Euro-centrism in the modernization of society in Turkey and insists that the winds of change since the 1980s that have challenged the rigid Kemalist state politics and resulted in the democratization and modernization of Turkish society have followed a natural evolutionary process. It contends that this change stems from a response and resistance to the hegemonic and egalitarian forces of Western modernity.[3]According to this second analysis, Westernization in Turkey did not start with the republican period and can, in fact, be traced back to the three rounds of *Tanzimat* reforms more than a century earlier during the Ottoman era and was supported by nearly all of the Ottoman and Turkish Republican elites - liberal, nationalist, secularist, and Islamists alike.[4] The historical Ottoman experiences of strategic reform, peripheral incorporation into the industrial capitalism and nation-state formation has deeply stamped the Turkish experience of modernity. Both views have interesting and valid points to explain the modernization progress in Turkey. Nevertheless, this chapter points out that modernity itself has uncontrollable power and modernization of pious Muslim groups in Turkey now tends to be self-referring, instead of it being defined as opposed to traditionalism.

[3] Nilüfer Göle, *The Forbidden Modern* (Michigan: The University of Michigan Press, 1997), 1.
[4] Halil İnalcık, and Donald Quataert, Editors. *An Economic and Social History of the Ottoman Empire 1300-1914*, v 2. (Cambridge: Cambridge University Press, 1997), 879. Selim Deringil, "The Invention of Tradition as Public Image in the Late Ottoman Empire, 1808 to 1908" *Comparative Studies in Society and History*, 35 (1993): 3-29.

Before the 1980s, political discourse in Turkey was filled with radical and antagonistic rhetoric reflecting a polarized political atmosphere. There was a rigid separation between right wing and leftist groups based on ideological differences. The right wing was supporting nationalism with an affinity for fascism, and the left wing had a tendency toward communism. Political extremism, anarchy and terrorism began to threaten the existence of the Turkish state in the late 1970s. However, starting from the late 1980s there emerged a great deal of heterogeneity and diversity in the political discourse. As the sociologist Nilüfer Göle writes: 'An ideological shift emerged regarding the perception of the West and the self definition of the political elites."[5] As a consequence, many new issues have been brought to the political agenda and new debates have been launched. Previously rejected values have begun to be absorbed by different segments of the society. For example, the variance between Western concepts such as liberalism and modernity and their interpretation by Islamists has resulted in a search for such values in Islam and in the struggle to prove the compatibility of Islam and democracy.[6] With the result of that Islamic values and ethics and modernity are no longer viewed as ideologically incompatible.[7] This new paradigm that accepts liberalism and modernity as being compatible with Islam has been observed in different Islamist groups, in varying degrees. The AKP party (*Adalet ve Kalkınma Partisi* or Justice and Development Party) is the most prominent example of a political party changing its position toward these values. This chapter will focus on three chief actors which played crucial roles in the above mentioned socio-economic transformation in Turkey, namely:

[5] Nilüfer Göle, 'Engineers: 'Technocratic Democracy'' in *Turkey and the West: Changing Political and Cultural Identities*, ed. Metin Heper, (New York: I. B. Tauris & Co. Ltd., 1993), 217.
[6] Mustafa Erdoğan, 'Siyasal Sistem ve Demokrasi', *Yeni Türkiye*, no. 17 (1997), 54.
[7] Ali Bulaç, *Din ve Modernizm*, (İstanbul: Endilüs Yayınları, 1991), 256.

the AKP, the economic organization MÜSİAD (Independent Industrialists' and Businessmen's Association), and the new pious economic elite.[8] My purpose here is not to assess the sincerity of various actors on this issue, but to elaborate on the degree of change in their discourse.

II. Emergence of Different Features of Islamism in Turkey and Its Main Actors

II.1. The AKP

Islamist movements are generally portrayed as anti-modern and anti-democratic political movements. However, the case of Islamism, in Turkey at least, seems to be an exception to this stereotype. Evaluation of political Islam is unavoidably shaped by the cultural environment, economic facts and the political climate. The interaction between the Islamists and their opponents is another crucial factor which has shaped the course of political Islam. Therefore, it would not suffice to explain the present developments of political Islam in Turkey by portraying it as a monolith. Islamist movements are not homogenous social factors; rather, they must be evaluated in their proper socio-economic and historical context.[9]

Over the last three decades, Islamist movements appear to have been a response to 'secularist' Westernizing regimes in various Muslim countries.[10] The Turkish case points to how, without radical Islamism or violence, Islamists can come to power through

[8] In this study, Islamism is taken as a set of ideologies holding that Islam is not only a religion but also a political system; that modern Muslims must return to their roots of their religion, and unite politically.
[9] The rise of religious demands in the political arena as well as the above changes led some scholars to focus their attention on these developments. They collected all this under the name of 'political Islam' and tried to analyze the reasons that gave rise to it. I think the tendency to use the term 'political Islam' in a broadest sense to describe all kinds of Islamist movements may result in reductionism and over generalization. It may be misleading to label the Islamist movements aiming at moral development as 'political Islam'. Thus, I try to be careful in using 'political Islam' throughout the study.
[10] Menderes Çınar and Burhaneddin Duran, "Evolution of Contemporary Political Islam" *Secular and Islamic Politics in Turkey* ed. Ümit Cizre (London, New York: Routledge, 2008), 19-20.

elections. Islamism in Turkey has followed a democratic and peaceful path, what sociologist Nilüfer Göle calls "a counter-cultural model of modernity," representing a 'counter-elite' to the Kemalist elite.[11] In Turkey, a form of post-Islamist discourse has emerged under the government of the AKP, which has been the ruling party since 2002. Instead of showing hostility towards Western values, this reshaped Islamism benefits from the interaction between the West and Islam. Thus, conflict has been replaced with congruence between Muslim and western values, such as liberal democracy, civil society and the global economic market.

The political-economic impact of the AKP began to be felt with the 2002 elections, and was fully realized in 2007 when it won 47% of the vote in the general elections.[12] This allowed the party to take 340 out of 550 seats in the Grand National Assembly and thereby form a single-party government.[13] The AKP managed to exceed expectations and collect an extra 13% of votes, compared with the 2002 election results.[14] The election victory of the AKP cannot, however, be interpreted as the victory of political Islam; in fact, it was voter anger that brought the AKP into power as the only untested major party. Following the announcement of the election results, on 22 July, Prime Minister Tayyip Erdoğan said: "We will press ahead with reforms and the economic development that we have been following so far." He added: "We will continue to work with determination to achieve our EU goal." [15]

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[11] Göle, "Secularism and Islamism in Turkey: the Making of Elites and Counter Elites", *Middle East Journal*, 53 (1997): 46-58.
[12] Diba Nigar Göksel "Turkey's Turmoil: A Blessing in Disguise?" April 18, 2008, http://newsweek.washingtonpost.com/postglobal/needtoknow/2008/04/turkeys_turmoil_a_blessing_in.html
[13] Ibid.
[14] Ibid.
[15] "After victory, Turkish leader vows to seek unity."Accessed July 23, 2007. http://www.msnbc.msn.com/id/19893188/

Since Islamists have begun to play a significant role as political actors, there has been much suspicion of the AKP's ideology. Fear of losing the long secular tradition is the most common concern particularly among the secularists. Most Kemalist journalists and politicians claim that while the AKP has attracted many moderate urban voters, its apparatus remains unchanged in the rural regions, where Islamism is deeply rooted. The secularist elite has begun to question whether the AKP can reconcile its interests in promoting an Islamic agenda while, at the same time, claiming to work hard for political liberalization and democratization.[16] The secularists tend to strongly doubt the sincerity of the AKP's democratic convictions, referring to the party's membership and the religiously conservative character of the party's members and leader.[17] However, since 2001 the AKP has been aggressively advertising itself as a moderately conservative party that would not challenge secularism as enshrined in the republic's constitution. The AKP has promised to continue on its moderate path, avoiding political Islam and promoting democracy and secularism. Erdoğan declared after the AKP's election victory, "Secularism is the protector of all beliefs and religions. We are the guarantors of this secularism, and our management will clearly prove that."[18]As Soner Çağaptay says the AKP definitely shows signs of being a classic conservative party, especially as shown by

[16] On November 9, 2004, Deniz Baykal, leader of the parliamentary opposition Republican People's Party, accused the AKP of trying to create a religious-based economy see *Turkish Daily News*, Nov. 10, 2004. www.hurriyetdailynews.com/n.php?n=good-morning...5. In August7, 2001, Rahmi Koç, chairman of Koç Holding, Turkey's largest and oldest conglomerate," World's Richest People - Rahmi Koç and Family," *Forbes.com*, 2003. Commented on CNN Türk that Erdoğan has a US$1 billion fortune and asked for the source of his wealth. Michael Rubin, "Green Money, Islamist Politics in Turkey," *The Middle East Quarterly*, Aug. 7, 2001. http://www.meforum.org/684/green-money-islamist-politics-in-turkey

[17] Soner Çağaptay, "The November 2002 Elections and Turkey's New Political Area" *Middle Ease Review of International affairs* 6, no. 4 internet edition, December 2002. http://meria.idc.ac.il/journal/2002/issue4/jv6n4a6.html

[18] Michael Rubin, "Green Money"

its development and democratization program published in December 2001.[19] The party's emphasis is that, "Our party considers religion as one of the most important institutions of humanity, and secularism as a pre-requisite of democracy, and an assurance of the freedom of religion and conscience."[20] The AKP insisted on emphasizing its commitment to secularism but the program gave no details of how the party would change the interpretation of secularism once it came to power.[21] Thus, there is considerable doubt whether the AKP's concept of secularism is compatible with the one that has been applied under the Kemalist ideology.[22]

The AKP can certainly be considered as a 'party with Islamist roots'. It is not a secret that most of the leading figures of the party have their origins in networks that directly embraced political Islam as an ideology (Prime Minister Recep Tayyip Erdoğan for instance still belongs to the famous *Nakshibendi* tarika). Nevertheless, it is important to be aware that the crucial support for the party has come not from radical Islamists but from the Islamic-oriented economic elite that has emerged over the past two decades. Soner Çağaptay indicates that the Islamist movement and the pious economic elite share similar interests, but the latter has become an important player in its own right.[23] It must now be regarded as one of the major pillars of the AKP's continued electoral success.[24] The AKP has been careful not to repeat the mistake made by the previous Islamist party,

[19] Section 2.I, in English version of the program www.akparty.org.tr The AKP official webpage provides the whole text, www.akparti.org.tr
[20] Ibid.
[21] Gareth Jenkins, "Symbols and Shadow Play: Military-AKP Relations", *Emergence of a New Turkey*, ed. Hakan Yavuz, (Salt Lake City: University of Utah Press, 2006), 189.
[22] Ibid, 201.
[23] Soner Çağaptay, "Turkey's Transformation under the AKP," *Al-Majalla*, internet edition, November 26, 2009, http://www.crethiplethi.com/turkeys-transformation-under-the-akp/global-islam/2010/
[24] Ibid.

the Welfare Party (RP), which was the first Islamist party to come to power in Turkey.[25] The RP's alleged anti-Western, anti-Semitic, anti-democratic, and anti-secular characteristics were the reasons for its being banned in 1998 from a coalition government.[26] The party never completely disappeared, as Çağaptay claims the important members of the party learned from this experience and Erdoğan re-created the party with a pro-American, pro-EU, capitalist and reformist image.[27] The AKP emphasized a synthesis of communitarianism and liberalism while at the same time jettisoning almost all Islamist references in their major campaign speeches.[28] The party also insisted that its success would also encourage optimists in the global debate about the compatibility of Islam and democracy. If the AKP's communitarian-liberal synthesis worked and Turkey's secular principles could be freed from their historical authoritarian model, then, they claimed, Turkish politics would follow a democratic line by bridging the gulf between Islam and the West.[29] The AKP promised to establish an intermediate way between the extremes of freedom and regulation by aiming at a "moderate and democratic Muslim society." Professors Ziya Öniş and Fuat Keyman explain this phenomenon as:

> In the current context, it goes by the name of "the third way." Perhaps best known today as a concept associated with Tony Blair's New Labor government in Britain, third-way thinking represents an alternative approach to modernization that sees the political order, economic order, and the question of social justice (including minimal standards of social welfare and respect for cultural differences) as cooperating parts of a dynamic whole governed according to the principle of liberty under law. For Turkey as for other countries, the third way

[25] Ibid.
[26] Ibid.
[27] Ibid.
[28] Soli Özel, "Turkey at the Polls: After the Tsunami" *Islam and Democracy in the Middle East*, ed. Larry Diamond, Marc F. Plattner and Daniel Brumberg (Baltimore and London: The John Hopkins University Press, 2002), 165.
[29] Sadık Ünay, *Neoliberal Globalization and Institutional Reform: The Political Economy of Development Planning in Turkey* (New York: Nova Science Publishers, 2007), 167.

> offers a method of handling the challenges with which our globalized age is confronting national societies. [30]

The AKP has long been aware that the rising economic elite no longer want to be treated like an immature party in need of supervision. The AKP has given an impression to external and internal watchers that it willingly embraces democracy, participation in civil society, and the market economy in order to be a part of the modern world and wants Turkey become a member of the European Union. Recognition by the EU was an important achievement for the AKP, for having convinced the EU that it strongly supported secular principles, it received a "conditional" status as a candidate, which remains until today.[31] The other challenge for the AKP was the IMF and the demands that come attached to its loans and credits. Nevertheless, the AKP government respected the IMF framework.

As the sole party in power, the AKP focused on urgent economic and foreign policy issues. [32] It faced important challenges such as civil-military relations, the development of a pluralistic society, and the promotion of intra-party democracy. [33] During the 2001 economic crisis, the AKP tried to reassure the concerns of moderates that it would not chip away at the country's secular, democratic and pro-Western values.[34] Despite its Islamic roots, the AKP has promoted the liberalization of the Turkish political and economic system and many observers are of the opinion that some of the major historical problems of Turkey are approaching resolution under the rule of the AKP

[30] Ziya Öniş and E. Fuat Keyman, "Turkey at the Polls: A New Path Emerges" *Islam and Democracy in the Middle East* (Baltimore and London: the John Hopkins University Press, 2002), 179-181.
[31] Ibid, 185.
[32] Ibid.
[33] Ibid, 189.
[34] Çağaptay, "Turkey's Transformation under the AKP," *Al-Majalla*, internet edition, November 26, 2009.

government.[35] Thus, the July, 2007's election in Turkey has resulted in a convincing victory for the AKP. It was an outstanding success since a ruling party has seldom been re-elected in Turkish political history.

II.1.a. Economic Empowerment

With neo-liberal economic policies, including freer capital flow, privatization, and integration into the EU customs union, a new business class, independent of state patronization has emerged in Turkey over the last two decades. For many who voted for the AKP, the election was a referendum on the party's economic performance.[36] Five-years before the party's coming to power, Turkey's currency had devalued from around 200,000 lira to just over 1.7 million lira against the US dollar.[37] Cash machines regularly dispensed 20,000,000 Turkish lira notes. By contrast, in the first two years of the AKP government, the Turkish currency actually strengthened to 1.5 million lira to the dollar.[38] In addition to this success in keeping the currency stable, the AKP announced plans to knock six zeros off the currency on January 1, 2005.[39] Under AKP administration, moreover, runaway inflation has been controlled, annual growth has risen to 7%, unemployment has leveled off and the national currency has been strengthened.[40] There is one area however, where the AKP has risked unpopularity and this is in its strict adherence to IMF program and its demands. Indeed, the party's commitment to the IMF

[35] Sultan Tepe, "A Pro Islamist Party? Promises and Limits" *Emergence of a New Turkey*, ed. Hakan Yavuz, 108.
[36] Sabrina Tavernise, "Ruling Party in Turkey Wins Broad Victory," *The New York Times*, July, 23 2007, http://www.nytimes.com/2007/07/23/world/europe/23turkey.html?ei=5070&en=97b201c3
[37] Historical exchange rates provided by www.oanda.com.
[38] Ibid.
[39] Michael Rubin, "Green Money."
[40] Laura King, "Turkey's Ruling Party Wins Big in Parliamentary Elections," *Los Angeles Times*, accessed July 25, 2007, http://www.latimes.com/news/nationworld/world/middleeast/la-fg-turkelect23jul23,1,1635

has been criticized harshly by opposition parties and even the nationalist and Islamist wings of the party itself.[41] Although strict IMF policy adherence allowed Turkey to weather critical economic crises between 2001 and 2002, recently the criticism of IMF policies has increased, especially from small and medium businesses. They are not happy with the AKP's commitment to IMF economic principles, because these adversely affect the pattern of income distribution.[42] As a result of budgetary discipline and financial regulation a clear asymmetry between small and big business has appeared.[43]

Besides, the government has been able to continue with major institutional reforms such as the banking sector de-regulation.[44] In fact, some major credit agencies such as Fitch, S&P and Moody's would argue that by the middle of 2004 and under AKP guidance, the Turkish banking and financial system had reached a point of satisfactory regulation leaving the Turkish economy more flexible and yet resistant to possible domestic and external shocks.[45] These economic successes helped convince the EU that Turkey had made remarkable progress to qualify for further negotiations for membership. Thus the AKP has earned huge credit for the recent boom with its pro-entrepreneur attitude and commitment to economic liberalization policies. It was this economic success and good governance that allowed the AKP to achieve victory in the most recent election.[46] And in addition to the votes of the new pious economic elite, the AKP also received a significant share of the working class vote. Prime Minister Erdoğan identified himself as a "child of the people" who rose from the bottom and who adheres to the

[41] Ibid.
[42] Ziya Öniş, "The Political Economy of Turkey Justice and Development Party," *The Emergence of a New Turkey,* ed. Hakan Yavuz, (The University of Utah Press, 2006), 209-224.
[43] Ibid.
[44] Ibid.
[45] For further details' see various reports published by the Bank Regulation and Supervision Authority, the BRSA, available at http://www.bddk.org.tr/turkce/yayinlarveraporlar/yayinlarveraporlar.htm#1
[46] "Root Causes and Consequences of the AKP's Victory," Walter Posch Analysis, July 2007,

political and cultural values held by many in the working classes.[47] By consolidating this sense of belonging, Erdoğan follows an opposite path from the traditional republican elite.[48] It can now be said that the new pious economic elite has largely come to occupy the center of the political arena in Turkey.

As Hakan Yavuz, a professor of political science, points out, in the case of Turkey, the transformation of Islamic discourse is entrepreneurial and capitalist-oriented.[49] In fact, the increasing success of the Islamic business sector goes hand in hand with the AKP's political rise. The support of the small-and-medium sized business units, particularly in rapidly developing Anatolian cities like Kayseri, Konya, Denizli, and so on, united under the umbrella organization MÜSİAD, was a major element in the rise of the Welfare Party in the mid-1990s.[50] As economist Ziya Öniş indicates, Islam became institutionalized with the establishment of Islamic organizations, who set up TV channels, radio stations, newspapers, and established many civil society organizations.[51] Apart from communities, the Welfare Party was also effective in setting up many organizations that promoted its values in different areas. As an alternative to TÜSİAD (Turkish Industrialists' and Businessmen's Association), some other organizations that highlight the role of Islam in socio-economic life were established and Muslim groups, religious people and entrepreneurs came together in these organizations. The most influential of these are MÜSİAD, TOBB (the Turkish Union of Commerce, Industry, Maritime Trade, and Trade Exchange), MESDER (Independent Traders' and Artisans' Association), and

[47] Ahmet İnsel, *The AKP and Normalizing Democracy in Turkey*, February 3, 2003, http://saq.dukejournals.org/cgi/reprint/102/2-3/293.pdf
[48] Ibid.
[49] Hakan Yavuz, ed. *The Emergence of a New Turkey*, 4.
[50] Ziya Öniş, "The Political Economy of Turkey's Justice and Development Party", November 4, 2004, SSRN:http://ssrn.com/abstract=659463
[51] Ibid.

IHD (Human Rights' Association).Thus, the role of the new pious economic elite has also been very evident in the election of 2007 and despite the negative effects of the economic crisis, the 2009 local elections showed that the AKP has continued to retain its power and appeal.

II. 1.b. Politic Balance under the AKP

Although most of the AKP's leaders have Islamist roots, the party has behaved as a moderate, conservative democratic party fully committed to democracy, a free market economy and Turkey's EU membership. As a result, the image of the AKP in Europe has changed positively. Research shows that 68.4% of the European people believe that the party is attempting to build a real democracy but that this attempt is not enough.[52] Only 23.2% of informants believe that there has been no attempt at democratic reforms in the AKP program.[53] The same research indicates that 44.1% of Europeans believe that the AKP is "a religious party", while 28.8% say that it is a "conservative wing."[54]

The AKP has surprised the observers by having close relations with the European Union and the US while those in the Middle East and the Muslim world have also not been neglected. Close relations with the Muslim world have resulted in attracting Arab capital investments to the Turkish economy.[55] The AKP's policies with regards to Palestine and Iraq have also won it great credit in the Muslim world. Therefore, even as the AKP has been growing closer to the West, it has also been building strong relations with the Muslim nations as well.

[52] Müge Özbağlı, www.abhaber.com, December 26, 2009.
[53] Ibid.
[54] Ibid.
[55] *Daily News*, Friday, June 20, 2003.

However, since 2007, the AKP's attitude to the EU has changed. When problems such as trade links with Cyprus, freedom of expression and the rights of the Kurdish minority were not solved, hopes for EU accession waned.[56] In a recent speech, Erdoğan said: "We have completed the Copenhagen and Maastricht Criteria. Let us know if it is not going to work, then we will continue on our path and rename them as the Ankara and İstanbul Criteria."[57]

There are various speculations as to the AKP's 'true' agenda. For instance Professor Metin Heper claims the Islam-democracy relationship might work in harmony in reaching a consolidated democracy only if the Islamists discard their struggles against the main pillars of the secular regime and on the other side if the secularist elites stop trying to impose on the Islamists their idealized life-styles and values.[58]

The AKP is perhaps one of the most interesting political movements operating in the Muslim world today. Its official program and ideology are not dissimilar to many political party platforms in the West. The AKP adheres to "democratization" and civil society, rule of law, fundamental rights of freedom, and liberal economic policy. One can say that under the AKP, Islamism has entered into a new phase and the party is at cross-

[56] Amira Howeidy, "Lessons from Turkey" *Al-Ahram Weekly*, Issue no. 855 Internet edition, August 26-July 1, 2007.

[57] The European Union (EU) met at Copenhagen, Denmark in December 2002 to deliberate upon the issue of enlargement. The EU decision to give Turkey a conditional date for accession review was less than what the Turkish government had anticipated. Unlike other candidate countries, agreement talks for Turkey were not to begin immediately. Turkey was to complete a series of economic and political reforms, even before the conditional date of December 2004. Turkey did not get a positive sign on for a start of formal membership talks until December 2004 when the EU agreed to start such talks on October 3, 2005 if the Commission provided a favourable recommendation. Between 1999 and 2005 intensive political reforms were applied in Turkish politics to satisfy EU's Copenhagen political criteria. See Ersin Kalaycıoğlu, Paper prepared for presentation at the Conference on "Turkey, the EU and the 2004 milestone: Is this time for real?" during March 14 -15, 2003 at the Buttery, Besse Building, St. Antony's College, University of Oxford, 62 Woodstock Rd, Oxford. See, Bülent Erandaç, "Siyasette 'Ankara', ticarette 'İstanbul' kriterleri" *Takvim*, October 6, 2006.

[58] Metin Heper, "Islam and Democracy in Turkey: Toward a Reconciliation?," *The Middle East Journal* 51, no. 1 (Winter 1997), 45.

roads. The AKP has a chance to create a novel political line by forming a synthesis between democracy, a liberal economy and Islam.

II.1.c. Criticism of the AKP Government

On the other hand, there remain some areas in which the AKP has performed poorly during its eight-year rule, thus prompting criticism not only from the secular circles but also from some conservative Muslims who have become disappointed with their government. For instance, Ali Bulaç, a well-known Islamist thinker who also agrees that the distinctive character of Islam is opposed to Western ideologies, argues that the AKP failed to implement a social justice policy. Using the principle of a liberal capitalist economic model, the AKP government caused an uneven distribution of wealth. The party has strictly implemented the controversial International Monitory Fund (IMF) policies. Consequently, the working class and the salaried middle class have continued to suffer under the IMF regime.[59] Due to intensifying criticism in March 2010, the government announced that it would not sign a stand-by agreement with the IMF; however, it would continue to follow the same policies.[60] Bulaç says current economic policies have served to enrich the middle and the upper classes while the poor have become poorer.[61] Bulaç points out that in 2002 there were three "dollar" billionaires in Turkey whereas by 2010 this number had increased to 21.[62] He adds that 19 million people live in poverty and one million people are faced with severe hunger.

[59] Ali Bulaç, "Kategoriler," *Zaman* , June 25, 2008, http://www.timealem.com/yazar_3065__Kategoriler.html
[60] Seyfeddin Kara, "Closer look at AKP after its Eight-Year Rule in Turkey" *New Magazine of the Islamic Movement Crescent Online,* no. 247, June 2010, crescent-online.net/...2010/2835-closer-look-at-akp-after-its-eight-year-rule-in-turkey.html
[61] Bulaç, "Kategoriler."
[62] Ibid.

Unemployment has increased to double digits and more than half of all employees in Turkey work for a minimum salary of about 300 dollars a month.[63] The main criticism on economic policy of the AKP has majored on the unfairness in distribution of income and wealth.

Some conservatives also complain about how the AKP failed to resolve the head scarf issue. They emphasize how the AKP became a ruling party with the support of religious people but that this support has not been justified. Reform packages from the EU have been accepted without question. For conservative people who supported the RP (*Refah Partisi*, Welfare Party), the AKP has not produced any effective solutions for the problems of the Muslim groups. For them, there is no real difference between any other right wing party and the AKP.[64] Bulaç claims that by disregarding its historical links with real conservatives, the AKP ignores its own religious identity and mission and simply focuses on integrating itself into the system.[65]

Some critics fear that the pious economic elite will prove just as intolerant as the generals before them. Nevertheless that is an overstated fear; the expanding pluralism of Turkish society will likely defy any new attempt at authoritarianism. Journalist Mustafa Akyol says:

> The AKP is hardly a party of Jeffersonian democrats like other Turkish parties, it is hierarchical, intolerant of criticism, and eager to manipulate the media--but it has proven pragmatic enough to learn from its mistakes.[66]

Akyol indicates that even though the AKP could contain some aspects of the widespread

[63] Ibid.
[64] Kara, "Closer look."
[65] Bulaç, "Kategoriler."
[66] Mustafa Akyol, "The Coup that wasn't Turkey finally outgrows Atatürk", internet edition, Newsweek, March 12, 2010, www.turkishgladio.com/read.php?id=138

corruption in politics, it has not been able to erase it from the system.[67] For instance, some party members have been exposed to corruption.[68] Critics also claim that the AKP has created its own wealthy class by awarding lucrative business contracts to its favorites. It is not a secret that many party members have suddenly became wealthy, jumping through social classes.[69] The luxurious lifestyle of these members has been exposed in the media, sharpening the tone of critical voices against the AKP. Despite the AKP's popularity and strong support from conservative circle, the party's long term success depends on the AKP's attitude for the issues important to its many disenchanted Muslim supporters.

II.2. MÜSİAD: Change and Continuity in the Political-Economic Context

In 1990, the Islamic businesses came together under the umbrella of a new association, MÜSİAD *Müstakil Sanayici ve İşadamları Derneği* (Independent Industrial and Businessman Association), a conservative Muslim businessmen's association. MÜSİAD brought together a large group of enterprises that manifested a great diversity in size and geographic location. The more urban, Westernized business elite were represented by TÜSİAD *Türk Sanayici ve İşadamları Derneği* (The Turkish Businessmen's and Industrialists' Association), founded in 1971, whose membership included the chief executives of Turkey's 300 biggest corporations.[70] The Islamic corporations and most of the SMEs in Anatolian cities under the umbrella of MÜSİAD were now seen as a

[67] Ibid.
[68] Ibid.
[69] Ibid.
[70] For more information, see Buğra, "Class, Culture, and State: An Analysis of Interest Representation by two` Turkish Business Associations", *International Journal of Middle East Studies*, 30, no.4. (1998), 524. See also *MÜSİAD Bulletin*, no.4 (İstanbul: MÜSİAD, 1996):15.

challenge to the established business elite.[71] The first letter of its acronym, "M" is in fact commonly assumed to stand for "Muslim" rather than for *müstakil* (independent). The founders of MÜSİAD have sympathy for an "Islamic economic system" in theory, although in practical terms they are aware that it is hard to escape participating in the capitalist market economy without submitting to all its established rules and requirements.[72]

As can be seen from Table 2.3, there is no limit to the sectors in which Islamic entrepreneurs are active; small and medium sized companies are involved in every area of the economy, especially in manufacturing, textiles, chemical and metallurgical products, automotive parts, building materials, iron and steel, and food products. MÜSİAD quickly organized in İstanbul and the Anatolian provinces, registering more than 25000 members by the year 2009.[73]

[71] "Ahilikten Kobilere Gelişen Anadolu Girişimciliği" (Developing Anatolian Entreprenourship from Ahism to Small and Medium Size Enterprises) *Çerçeve* 13, no.35 (İstanbul: MÜSİAD, March, 2005):32-53.
[72] Erhan Eken, "Fıqh Consultation" (Fıqh Danışmanlığı) *MÜSİAD Bulletin* 3, no.5 (1995):3.
[73] Şebnem Gümüşcü, Economic Liberalization, Devout Bourgeoisie and change in Political Islam: Comparing Turkey and Egypt, EUI Working Papers, RSCAS 2008/19 printed in Italy in June 2008, European University Institute Badia Fiesolana. See, Ömer Bolat, "Kobiler Ekonominin Bel Kemiğidir" (KOBIs are the backbones of the Economy) interviewed by Yalçın Çetinkaya *Türkiye Söyleşileri* 3, (2007):41-55.

Table 2.3: Sectors where MÜSİAD's members are most active

Distribution of Sectors	Number of Companies (data for 2009)
Publishing and advertising	2,108
Information Technology	713
Furniture	3,237
Energy and Environment	1,341
Food and Agriculture	3,470
Services	1,388
Construction and Building Tools	5,438
Chemicals, Metals and Mining	2,042
Logistics	278
Machinery	1,650
Automotive	722
Health	544
Textile and Leather	3,905

Source: www.musiad.org.tr

These SMEs have become a significant power in the Turkish economy. In 2009 alone, member companies signed contracts with foreign companies worth over two billion dollars. In recent years, SMEs have also established a presence in foreign countries through investments, especially in Europe, Africa, and the Middle East.[74] Owners of Islamic companies aim to build a contemporary Islamic framework for economic life both at the individual and the organizational levels. At the organizational level this framework acts as an umbrella organization to help its members in the social, personal and economic spheres. This is evident from MÜSİAD's declarations in general and from its emphasis on shaping the Muslim businessman into '*homo islamicus*,' in particular as defined by Erol Yarar, the previous president of MÜSİAD. For him, the "Homo Islamicus is a person who has internalized Islamic values and is the basis for creating our contemporary Islamic

[74] For more information on MÜSİAD activities, see www.musiad.org.tr

paradigm and for realizing a society that functions according to this paradigm."[75] This definition points to the aim of MÜSİAD, which is, building a new development model without sacrificing social identity. According to this model, capital maximization is strongly encouraged; however, it cannot be dissociated from ethical constraints. It reminds us that Max Weber ascribed the rise of capitalism to Protestant ethics, through the moral rigor of believers and their personal work achievements. Today, Islamic businessmen are forced to work hard and consolidate a dearly gained social status. [76]

The establishment of MÜSİAD, an organization representing the new wealthy class of the 1990s, was largely ignored by the İstanbul-based business class since it represented not only a new economic power but also because it was suspected of having an Islamist agenda. The small and medium size entrepreneurs in Anatolia, who had been looked down upon by the İstanbul-based secular business elites, now gained confidence with their newly acquired economic and political power. They have also demanded recognition of their religious and conservative ways of life. Furthermore, in time, the question of "what are 'these people' doing at our economic level" was replaced with questions such as: What are they like? Where do they come from? What do they eat or wear? Where do they go? Thus, although the existence and power of the new conservative business class was accepted, but still, the İstanbul-based secular bourgeoisie were uncomfortable with this transformation in the dynamics of wealth and power.

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[75] See Ergun Özbudun & Fuat Keyman, "Cultural Globalization in Turkey" *Many Globalizations: Cultural Diversity in the Contamprary World* ed. by Peter L. Berger, Samuel P. Huntington (Oxford, New York: Oxford University Press, 2002), 308.Mustafa Özel, "Adam Zengin Olur mu?" *İş Hayatında İslam İnsanı: Homo Islamicus ed*. Hüner Şencan (İstanbul: MÜSİAD, 1994): 3-14.

[76] According to Weber, Islam was an obstacle to capitalist development because it could foster only aggressive militancy (jihad) or contemplative austerity. However, the new experience of Islamic corporations is that on the contrary, the kind of characteristic traits that Max Weber attributed to the Calvinists - very hard working, very sober, not given to ostentatious displays of wealth - are the characteristic traits you find in businessmen in Kayseri.

Many of the Anatolian businessmen that I interviewed agreed that the İstanbul-based elites misunderstand the identity and ideology of the Anatolian business class, and their strong reaction and resistance to the religiously conservative economic elite has created hostility between the two groups. In fact, religious Muslim businessmen believe that the rising new pious economic elite represent the real Turkish bourgeoisie, because the elitist İstanbul-based bourgeoisie's culture is not rooted in the Turkish culture and history. Many of the members of MÜSİAD emphasized that, in contrast to the state-centered old bourgeoisie, the new pious economic elite had grown up in a 'natural way'. Islamic groups and the conservative wing of society concur that TÜSİAD[77] - representing the traditional business elite - while founded by Turkish businessmen, has as its reference Western culture and its values.[78] They also argue that in terms of cultural and financial capital, MÜSİAD is definitely not an organ of global/central powers.[79]

At the same time, government policy expectations of these two associations are different; TÜSİAD mainly focuses on politics of the EU and the economic reforms of the IMF. The members of TÜSİAD want to ensure that EU accession stays on track and stability prevails in the economic and political realms, since many Turkish firms today rely on the European market. For example Koç Group's Beko, is now the best-selling appliance producer in Europe, while the stream of recent banking and industrial mergers

[77] The Turkish Industrialists' and Businessmen's Association TÜSİAD is the top business association of Turkey. Founded in 1971, is an independent, non-governmental organization dedicated to promoting public welfare through private enterprise. Big business in Turkey primarily located in İstanbul and the Marmara region and represented under the umbrella of TÜSİAD has typically enjoyed a tense relationship with political parties or governments with Islamist roots or orientation. The position of TÜSİAD in protecting the secular principles of the Republic has been rather close to the position of the established state elites. For systematic comparisons of these two key business associations see Ayşe Buğra, "Class, Culture and State: An Analysis of Two Turkish Business Associations," *International Journal of Middle East Studies* 30, (1998): 521-539, Ziya Öniş and Umut Türem, "Business, Globalization and Democracy: A Comparative Analysis of Turkish Business Associations," *Turkish Studies* 2, no. 2 (Autumn 2001): 94-121.
[78] Yusuf Kaplan, "TÜSİAD, MÜSİAD ve Medeniyet Ufku" *Yeni Şafak*, December 28, 2006, http://www.yenisafak.com.tr//yazarlar/?t=28.11.2006&y=YusufKaplan
[79] Ibid.

and acquisitions have only served to reinforce the belief held by the mature capitalists of Turkey that there is a need for greater integration with Europe.[80] As Can Paker, a TÜSİAD member, observed in a recent interview: "Ensuring that the hundreds of billions of dollars of trade with the EU continues to flow is the driving motivation of TÜSİAD. Anything that deters this process will be resisted."[81] TÜSİAD has also supported the agreement with the IMF and has insisted that this agreement is good for the Turkish economy, whereas MÜSİAD has warned the government that such a policy would be dangerous for Turkish markets.

MÜSİAD's Chairman Ömer Cihat Vardan has reiterated concerns over a possible stand-by deal with the International Monetary Fund (IMF). Vardan said that Turkey had managed, to an extent, to keep problems at bay amidst global financial turmoil without accepting financial support from abroad and that the country had the potential to continue on this path. The MÜSİAD chairman repeated:

> It has clearly been seen how irrational and deceptive gloomy scenarios presented by international credit rating agencies were when they said the Turkish economy would fall into a disastrous situation if it fails to sign a deal with the IMF. We must keep in mind that Turkey has been governed without an IMF anchor since May 2008 and managed to stay afloat without IMF help.[82]

Vardan's remarks came in the wake of recent statements from the government that a deal would soon be signed with the Fund "as the global lender has agreed to Ankara's conditions." Vardan argued, underlining that different international rating agencies and organizations, including the IMF, also agreed that:

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[80] David Neylan, "TÜSİAD and democracy: The maturity of Turkish Capital", internet edition. *The Bridge Magazine*, issue 15, 2009, www.bridge-mag.com/pdf/vol7/bridge07
[81] Ibid.
[82] "Turkey: Stand-by no Longer Option for Turkey, MÜSİAD Says."
Accessed September 06, 2009, www. seeurope.net,

> Turkey was one of 13 countries whose international credit ratings were revised upwards during the 2009 crisis. In addition to such an encouraging fact, Turkey was also the only economy to see a double-digit increase in its rating the same year. We do not say that our economy has been completely exempt from the crisis' impacts; however, we believe the country could still survive without IMF support.[83]

A possible IMF deal could bring fresh cash to the markets; however, this would have some side effects, as MÜSİAD's had noted. "A swift money inflow could lead to a decline in foreign exchange rates, which would strike a major blow to the competitive power of exporting companies."[84] According to the association head, the government should not rush into a stand-by deal before they calculate the potential drawbacks that it could create. With regard to expectations in 2010, Vardan said that they anticipated a "more than 4 percent" growth in the Turkish economy, and that this mainly depends on maintaining political stability and peace in the country.[85]

In contrast to this view, TÜSİAD claims that money given by the IMF would provide greater investment for the private sector. Nevertheless, between 2000 and 2008, when Turkey received money from the IMF, the percentage of total investment to national income was 21%, whereas between 1984 and 1991 Turkey did not use money from IMF and the percentage of total investment to national income increased to 24% without IMF's financial support.[86]

Thus, the difference between these two groups becomes clear: TÜSİAD previously earned money and acquired wealth from Ankara's decisions, such as loans, credits, high tax walls, and debts to the IMF, whereas MÜSİAD stood largely

[83] Ergin Hava, "MÜSİAD remains opposed to possible IMF deal" *Todays Zaman* January 5, 2010, www.todayszaman.com/.../news-197508-musiad-remains-opposed-to-possible-imf-deal.html
[84] Ibid.
[85] Ergin Hava, "MÜSİAD remains opposed to possible IMF deal"
[86] Ibid.

independent from the Ankara government and does not want IMF debt. Real tension in economic decision-making comes from the competition between these two groups.

The Turkish government finally decided to continue its economic reform program without IMF lending. The president of MÜSİAD, Vardan, said that his group was very happy about this decision because Turkey had a strong economy and showed the capability to continue without IMF assistance. He also added that, "in the last 22 months the Turkish economy has been performing without IMF and important economic organizations have increased Turkey's credit rating but an agreement with the IMF could be lead to Turkey's losing prestige."[87]

However, MÜSİAD is still far from enjoying the economic clout of TÜSİAD. The membership is higher in MÜSİAD but the capital power is still in the hands of TÜSİAD. TÜSİAD has 600 members who represent 2500 companies.[88] However, they also represent 65% of the country's entire industrial production, 50% of the total employment, (except for energy) and 80% of the export trade. TÜSİAD's members also provide 85% of the corporate institutional tax.[89] TÜSİAD claims that its members aim to improve the competitiveness of the Turkish economy in global markets and increase social prosperity. They work for increasing employment, security, modernization capacity and education. They also aspire to international integration, and regional and domestic economic development.[90]

[87] October 03, 2010 , *ANKA*, www.Haberx.com
[88]Mehmet Altan, *"TÜSİAD-MÜSİAD buluşması" Sabah*, May 14, 2010.,http://www.stargazete.com/gazete/yazar/mehmet-altan/tusiad-musiad-bulusmasi-261995.htm
[89] Ibid.
[90] Ibid.

MÜSİAD represents 25000 companies employing 750,000 personnel and their contribution to exports is around 10 billion.[91] The members of MÜSİAD seek to encourage investment capacity and power in Anatolia and want to be the industrial power of Turkey. Whereas TÜSİAD has enormous economic power, MÜSİAD has major social support, and one can claim that economic and social power is represented by different sides. Nevertheless, the İstanbul-based elite cannot represent Turkish economic interests exclusively. On May 13, 2010, when MÜSİAD sent a delegation to TÜSİAD,[92] Ali Bulaç explained the move as: "MÜSİAD has first begun to imitate TÜSİAD in terms of form and then in norms."[93] One can see this as a positive development, especially if they give up their mutual hostility and establish common economic policies. According to Bulaç, while TÜSİAD has represented wealth, injustice, and power, MÜSİAD has represented anger and the aggrieved outsiders.[94] However, in the last two decades, the role of MÜSİAD has changed in dramatic ways. First, both organizations now share the same kind of approach to economics. He says that both organizations aim at growing in a free market economy under minimum state interference. Bulaç also claims that both organizations want to satisfy "the unlimited needs of human being." Indeed, the Islamic economic aim of maintaining "the middle path, moderation and balance," is reflected the ideology of MÜSİAD.[95] Along with other religious investors in Islamic corporations and

[91] Ibid.See also MÜSİAD web page fro detailed information www.musiad.org.tr/
[92] *Zaman*, May, 17, 2010. Two organizations have an agreement on these issues in the meeting: The economic policy which will follow during and after economic crisis. Building cooperation between TÜSİAD and MÜSİAD. In order to help development of Turkish economy, supporting of improvement of small and medium entrepreneurs, working on joint project.
[93]Bulaç "TÜSİAD ile MÜSİAD'ın izdivacı." *Zaman*, May 19, 2010.
http://www.habervaktim.com/yazar/24118/tusiad_ile_musiadin_izdivaci_1.html
[94] Ibid.
[95] This aim of MÜSİAD clearly underscores balance as the ultimate goal. Actually, the Turkish word for economics is "iktisat," which is borrowed from the Arabic word "iqtisad," meaning "median, the middle way or equilibrium." It is not without reason that Imam al-Ghazali's famous book in which he expounds the

the rich members of the brotherhoods and *sufi* holdings, MÜSİAD today represents a new bourgeoisie. Some Turkish alarmists however see this new religiously conservative economic elite as inimical to Atatürk's vision of a secular and Westernized Turkish Republic, because Anatolian businesses have challenged Republican cultural hegemony to gain further social and political power and they present are alternate religious world-view. It is even commonly believed by secularists that Islamic entrepreneurs emerged as a facet of the Islamization of Turkish society.[96] It is of course true that MÜSİAD began to play a larger role in the economy for its members when the Islamist Welfare Party (WP) became more powerful on the political scene. After the electoral victories of the Welfare Party in 1995, MÜSİAD has become more visible and influential.[97] Thus, Islam has started to play an effective role in everyday life, while the conflict between the Islamist and secularist camps has become commonplace. It seems that the traditional business class of the Kemalist state now faces challenges from a religiously inspired business class, equipped which economic power, social influence, financial clout, media support and political representation. Therefore, the impact of religion on socio-economic conditions and the reasons that made Anatolian business so successful have become hot topics of debate in recent years.

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tenets of the Ahl al-Sunnah creed is titled "al-Iqtisad fil-i'tiqad" (the Median in Belief). Here, Ghazali uses the term "iqtisad" to mean "the middle path, moderation and balance." Ali Bulaç, "TÜSİAD ile MÜSİAD'ın izdivacı."

[96] On November 9, 2004, Deniz Baykal, leader of the parliamentary opposition Republican People's Party, accused the AKP of trying to create a religious-based economy. Turkish Daily News, (Nov. 10, 2004). As an executive with one of İstanbul's largest firms said, " If the AKP is able to translate money into power and power into money, then the main loser will be Turkish secularism." As an executive with one of İstanbul's largest firms said, "The AKP is like a cancer. You feel fine, but then one day you start coughing blood. By the time you realize there's a problem, it's too far-gone." Michael Rubin, *Middle East Quarterly* (Winter 2005): 13-23; http://www.meforum.org/684/green-money-islamist-politics-in-Turkey.

[97] Buğra, *Class, Culture and State*, 525.

II.3. The New Pious Economic Elites under the Challenge of Capitalism: Changing Dynamics among Pious Muslim Groups in Turkey: New Patterns of Consumption and Life Styles

As it was explained earlier the major driving force of the current social-economical transformation in Turkey has been the rise of new economic elite known as the "Anatolian Tigers," which brought the AKP into power in Ankara. These new religiously conservative elite are challenging the existing order in two different but naturally linked ways: economically and culturally. Newly successful Muslim agents of this transformation further the AKP's goals by changing the economic and cultural outlook of society. These pious economic elite provide the financial power needed to build the confidence of traditional and religious groups. They have begun to shape a new Muslim identity with economic power, self-confidence, advanced education, a consumer lifestyle and a new social awareness while at the same time preserving and remaining proud of their Islamic ideals. The changing social status of these new economic actors has upset the balance of power that was in favor of the existing secular elite and powers who had traditionally excluded the conservative religious masses of Anatolia from the structures of power. The Islamist writer Necip Fazıl Kısakürek described the traditional insecurities and the plight of religiously conservative people in his poem 'Sakarya Türküsü' in which he writes: "You are poor on your own land, outcasts in your own land."[98] To be a pious Muslim in Turkey was to be a second class citizen; Islam had become a religion of the poor and uneducated. The wealthy and the elite had little need for religion and less patience for it. However, unexpectedly, over the last three decades the religious conservatives have gained a significant share of the economic and political power. Thus

[98] Necip Fazıl Kısakürek, *Çile* (İstanbul: Büyük Doğu, 1989), 398.

this ‘aggrieved’ Muslim identity has to some extent, been replaced with a ‘haughtiness’. The new pious economic elite, with its newly acquired economic and political clout, is redefining the course of Turkish modernity and this chapter aims to explore the specific logic of these dynamics. Muslim economic elite engage the global economy and modernization, demonstrating that it can integrate local values without creating any conflict between modernity and tradition.

The rising impact of Muslim groups in the global economy and their transformation has been called the “power of commerce” by Iranian Professor Vali Nasr.[99] He writes that it is not just any commerce that will change the Muslim majority world, but “business with a small ‘b’”[100] which is a new economic elite drawn partially from the old elite but largely “from the provincial and lower social classes.”[101] According to Nasr, these emerging capitalists are Islamic conservatives who take their personal piety seriously and engage the global economy. Invoking Adam Smith and David Hume, Nasr explains that commerce, even if it does not reliably breed secularism, encourages moderation and gives “voice to the aspirations of the rising commercial classes.”[102] He added that in contrast to wicked effects of an insensitive, authoritarian imposition of so–called Western style modernity, the economic transformation now underway comes from below.[103] Nasr observes that the textile and furniture–manufacturing center of Kayseri in Turkey has prospered since the Turkish economic liberalization of the 1980s.[104] Nasr claims that the “growing economic elite” will push for business–friendly economic

[99] Vali Nasr, *Forces of Fortune: The Rise of the New Muslim Middle Class and What It Will Mean for Our World* (New York: Free Press, 2009), 1.
[100] Ibid, 11.
[101] Ibid, 22.
[102] Ibid, 168-254.
[103] Ibid, 88.
[104] Ibid, 247.

reform, good government, and the rule of law.[105] However, despite all these positive developments, the increasing economic-political power of the new religiously conservative elite also has some paradoxes and contradictions. Some criticisms have begun to appear from both secular and conservative Muslim groups, scholars and thinkers about the new dynamics in the pious middle class which has been getting wealthier. These contradictions that could cause problems or herald new developments for the social and economical life in Turkey will be explained the next section of this chapter.

Sociologist Patrick Haenni argues that the new conservative economic elite want to imitate the foreign culture and to enjoy a life style closer to that of the Western world.[106]He says, new culture blended the "religious" and the "non-religious" with tolerance, accepting open cafes during *Ramazan,* overt homosexuality, and even brothels.[107] He adds that traditional religiousness has rejected the new "market Islam," claiming to be more authentic and loyal to the roots of real Islam.[108] Haenni points outs that it has no conflict with the mass culture and "marketing Islam." On the contrary, it is open to religious pop music, TV shows hosted by *mollas,* Islamic versions of Barbie dolls, and Turka Kola which all express an affirmation of Islam rooted in mass culture.[109] Haenni claims that religion does not offer a complete solution but it does represent a concern for ethics in a globally accepted Western culture.[110]

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[105] Ibid, 261.
[106] Patrick Haenni,"The Economic Politics of Muslim Consumption" *Muslim Societies in the Age of Mass Consumption*, Johanna Pink (Cambridge: Cambridge Scholars Publishing, 2009), 327-343.
[107] Ibid.
[108] Haenni argues that market Islam seeks less to create commensurability between Islam and democracy and is instead designed to merge Muslim religious practice and capitalist ethics. Market Islam is thus less concerned with state power and the articulation of politics and religion, and more focused on eliciting the ethical dispositions conducive to economic liberalism.
[109] Haenni, 327-343.
[110] Haenni and Sami Amghar "The Myth of Muslim Conquest," Alexaandre Cockburn and Jeffrey St. Clair ed. *Counter Punch*, January 13, 2010, http://www.counterpunch.org/haenni01132010.html

Haenni's claim explains the transformation of Islamic discourse in Turkey as being based on capitalist norms. The rising pious new economic elite have shown a tendency towards Western-type capitalist tastes in their changing consumption patterns over the past few decades. Interestingly, in order to create an alternative model and culture, the Western capitalist lifestyle is imitated by the Islamic capitalists. Muslim entrepreneurs like to have status and domination. However, it is still too early to call the new pious economic elite a bourgeoisie, for possessing economic capital is not enough. The classification of bourgeois would also include advanced education, knowledge of different languages, relations with social organizations, tolerance, and interest in arts, history and culture, among others. Those in the new Anatolia based economic elite have economic capital but, lack capability in other areas. Nevertheless, a new phenomenon has appeared; a western culture of consumerism has taken over Muslim societies. Under the conditions of a globalized world economy, all societies, even religious ones, have become part of global consumerism. Although practices of consumption have a homogenizing effect on all societies, Muslim consumers can adapt the commodities of consumption to their own culture. However, one can argue that during this adaptation procedure, Muslim culture and life-style has been reshaped and reinvented.

A pious Muslim, the owner of a fashion house *Portakal Çiçeği* (Orange Blossom), Rabia Yalçın, explains the daily consumptions of Muslims in her circle as follows:

> I was in a holiday club. A woman came and said to me 'you do not come to the bar or pool. Did you pay to sit in your room? I responded: 'Do not worry Madame. I have a lot of money.' The key in this world is money and many people are not familiar with the idea that Muslim groups can have a luxurious life. For example, I have a jeep and I understand that many people on the street think that I am not worthy of it. Once, in Kadıköy a man kicked my car in anger."[111]

[111] Murat Sabuncu, "İslami Kesim ya da 'Türkiyenin Pigmeleri'," *Milliyet Business*, February 09, 2005, www.milliyet.com.tr/2003/10/05/business/abus.html.

The Islamic economic elite never use alcohol and have little sympathy for smoking. They do like *nargile,* however. Many of them have a silver-decorated *nargile* in their homes for entertaining visitors. During Ramadan it is popular to offer *iftar* meals in luxury hotels such as *Çırağan, Cevahir* and Swissotel.[112] Having guests at their private yacht is another popular trend in rich Islamic circles. Women and men remain separate (*haremlik selamlık*) at such events. Women like to swim in their own swimming pools with Islamic swim wear (*haşema*).[113] For holidays abroad, the Burj El Arab Hotel in Dubai is the most popular destination. The new pious economic elite prefer to go out of the country to be more independent. New York, Paris, and London are especially popular for shopping.

It seems that the new, less censorious pious economic elite have adopted the current trends in commodities and integrated them into the Islamic culture. At the same time, Islamic culture has also been reshaped and reinvented to comply with the demands of the system of mass consumption. For instance these emerging new pious economic elite are much given to luxury in their homes and expensive cars, which become symbols of prestige and power. The architect Şafak Çak says that in recent years his client profile has begun to change.

> The new religiously conservative wealthy whose wives cover their heads and their children go to the best schools or even American colleges in Dubai, follow the latest trends and world fashion. They want to decorate their houses with three meter palms trees have extra rooms for prayer. Especially the young generation of Islamic bourgeoisie lives in luxurious residences. They especially visit Arab countries and like to see high technology and fancy Middle Eastern style in decoration which resembles small palaces. They like to use very expensive cars

[112] Ibid.
[113] Ibid.

and furniture, because houses and cars are the most important things to show their power and status.[114]

The changing patterns of consumerism on the part of the new pious groups have drawn criticism from both the secular elite and the more radical Islamist groups. While the secular elite insult them as being tasteless, and vulgar, some radical Muslim observers comment how the problem has been caused by ignoring Islam's ethical and moral framework.[115] Academic Nuray Mert argues that these new wealthy groups are criticized for following capitalism without question. "If a religion loses consciousness of and sensitivity about materialism it turns to dry conservatism. What remains from religion is an insistence on molded behaviors deemed "traditional."[116]

Actually, even the members of these new groups have been surprised to gain economic and politic power faster than expected. For years, conservative groups and Islamist intellectuals had been struggling politically and thus, had no chance to produce an alternative model for daily social life of Muslims in modern times. So, pious people who have power and money could not find Islamic alternatives as elegant as those offered by secular society and have begun to imitate the very attractive and powerful images of Western capitalist lifestyle. The standardization of consumption patterns and lifestyles in economic life can be taken as a result of the cultural globalization process. It can also be interpreted as religiosity freed from the Islamist politics, and distinguished by cultural globalization of the Muslim identity. However, changing lifestyles of the wealthy Muslim groups indicate that keeping Islamic identity on a platform for the revitalization of

[114] Ece Vahapoğlu, "İslami Burjuvanın Ev Hali," *Aktüel,* 195, April 12, 2009, www.yeniaktuel.com.tr/top112-2,174@2100.html
[115] Mehmet Şevket Eygi, *Milli Gazete*, October 18, 2008,www.haber7.com/.../20081018/M-Sevket-Eygi-bu-kez-kime-kizdi.php, see also Serdar Turgut, "Burjuvazinin Sınıf Savaşı" *Akşam,* June 6, 2010, www.aksam.com.tr/2010/06/06/yazar/4946/aksam/yazi.html
[116] Nuray Mert, "İslam ve Demokrasi" *Radikal*, December 27, 2007, www.radikal.com.tr/Default.aspx?aType=RadikalYazarYazisi

tradition and local identities under the impact of the universalization of Western values has not been as easy as might have been expected.

III. Contradictions and Oppositions in the New Turkey

Over the last three decades, Muslims have been introduced to the charm of the material world in Turkey. As a consequence of the nature of capitalism, its unfairness of distribution in wealth, enormous gap between the wealthy and the poor, has also appeared in Muslim groups. In this period, conscience and fairness are very often replaced with market requirements and pragmatism. Thus, religious groups have questioned the essential unfairness of the capitalist way of life. Therefore, the people of Anatolia who were shaped by right-wing ideologies are faced with some of the principles of leftist ideology. Actually the AKP does not represent a specific class; the party's votes have come from various social classes, including Islamic entrepreneurs, shop owners, workers, peasants, and the middle class.[117] Meanwhile, Erdoğan's working-class background and plain-talking populist style has helped him retain the support of the many millions who saw in him someone who spoke their language and understood their problems.[118] However, since 2002, like other IMF-led governments, the AKP has aimed to control wages, ban unions and limit strikes.[119] It has been seen that the government's understanding, based on service and harmony, has nothing to do with social justice. Left-leaning intellectuals have been particularly keen to highlight what they see as inconsistencies between the AKP's reputed welfare orientation and its neoliberal

[117] Engin Yıldırım, *Emergence of a New Turkey*, 237.
[118] Cihan Tuğal, "NATO's Islamists", *New Left Review*, no.44, March-April, 2007, jimgibbon.com/2007/06/09/natos-islamists-cihan-tugal-and-the-ssrc/ -
[119] The AKP government has twice banned a major strike on the grounds that it threatened national security.

tendencies. It is possible to assume that, a large number of the party's supporters are unsatisfied with the AKP's policies and could also join this opposition.

Economic marginalization has led to the rise of opposition voices from workers who work under the "Anatolain Tigers." Actually, in contrast to the secular economic elite, who have no connection with lower classes, the conservative middle class has some areas where they interact with the lower strata of the society. For example, they pray in the same line at the mosque, and listen together to the sermons of respected religious leaders and imams. However, this does not mean that religiously conservative entrepreneurs are fairer than the secular economic elite in the business world. Pious, wealthy businessmen, who pay a high amount of *zakat* out of a religious sense of duty, can still employ workers at or below minimum wage and without insurance. Despite the enormous amount of charity presented to Islamic *tarikas,* these businessmen do not necessarily care more for their workers in the business environment.[120] On the other hand, there is prejudice against concepts such as 'social democracy', 'workers rights', or 'unions' – these are perceived by religious people as being anti-Islamic and irreligious concepts. Some Muslim observers, such as academics and Muslim activist Mehmet Bekaroğlu, say that a new political language which dismisses these prejudices is necessary for the Islamic groups.[121] In regard to workers' rights, a fair and clear position has not been provided by Muslim businessmen. This attitude has resulted in a major disappointment for the pious Muslim workers who cannot find an alternative in the rightist parties and have to move towards leftist organizations with which they do not share much culturally or ideologically. For instance, Emine Arslan, a worker in DESA

[120] Ibid.
[121] Ibid.

Leather who was fired, found no support except among leftist organizations and feminist groups. There are many pious women workers who feel lonely in the workers' struggle as they are not protected by a union or legal organization.[122]

In recent years some of these big companies have witnessed workers' protests and opposition movements. This is surprising and highlights the necessity for organizations and for groups that support workers rights under the Islamist banner. The traditional bureaucratic union system is far from ideal for solving workers' problems. The workers' movement and knowledge about their own position and rights is very weak, in fact, there have not been serious workers' movements and unions in Anatolia. Workers are still waiting for support from the outside. In fact, the immense industrialization in central Anatolian cities has been offering a large opportunity for alternative ideologies and movements such as workers solidarity. Unfair conditions for workers and increasing conspicuous consumption by wealthy Islamic groups has begun to cause friction within the Islamist movements and its intellectuals. Around the AKP, new pious economic elite have grown, while criticism of the system and an effective opposition does not yet exist in the Islamic groups.

[122] Gülsüm Kavuncu, "Müslümanlar ve 1 Mayıs" Özgür Açılım, 1 Mayıs 2010 //www.ozguracilim.net/ In the economic crisis workers paid the highest price, thousands of them were fired and a fewer number of workers did the continued the work of those fired. The biggest company in Kayseri, Boydak Holding, was complaining about the heavy impact of the last economic crisis in 2009. Boydak Holding fired 1000 workers, gave no raise to the rest and since then has raised the profit of the company very dramatically and stayed in the list of the biggest 500 companies in Turkey. İstikbal Group is the one of the biggest in Kayseri and again hundreds of workers lost their jobs and signed 0% raise but the İstikbal Group closed this term with a high profit. In the Kumtel Company the numbers of workers has decreased from 1300 to 700, and the owner of the factory said: "You need to work one day for us. Just be patient." Then the factory has survived during the economic crisis. One can assume that the crisis effected workers very badly not the owners of the company. Yakup Aslandoğan, Kayseri *Evrensel*, August 01, 2009. http://www.evrensel.net

IV. Conclusion

Some self-critical voices in Islamic circles, for example Ali Bulaç, claim that there are serious conflicts between Islam and modern capitalism as a western rooted ideology.[123] I also noticed in my field work how political Islam in the context of employer-employee relations and on subjects such as unions, the right to strike, collective agreements, and job safety, tends to favor the employers. Workers and the lower strata of society have not had an opportunity to find redress in the Islamic movement, while the economic gap continues to widen. It seems that the attitude of the new pious business class towards workers is not really different from the traditional businessmen. These thinkers also complain that the rise of new religiously conservative elite demonstrates how Islam does not constitute an alternative to capitalism but acts as "rehabilitative tool that can protect from the detrimental effects of capitalism." However, self critics on the Islamist side do claim that Islam offers an alternative value and meaning system to the one generated by Western capitalism. Islamic groups are also able to see the nation not as a monolith but as featuring various ideas, voices and ideologies.

After all these explanations, one can assume that internal dynamics of the rise of the new pious economic elites created their own contradictions. Anatolian Tigers also produced an alternative base for opposite voices, reactionary movements and alternative ideologies. Therefore, central Anatolia can be a critical region for not only pious entrepreneurs but also possible alternative reactions in the future as expected and natural steps in Turkey's journey on the road to further democratization continues. In practice, the relationship between Islam and the government has followed different paths in Turkish

[123] Ali Bulaç, *Çağdaş Kavramlar ve Düzenler* (İstanbul: Beyan, 1987), 348.

history. According to the changing socio-economic conditions, this has resulted in the rethinking and re-adaptation of attitudes towards Islam.

However it should not be forgotten that each region in Anatolia has its own character and dynamics. Therefore, the economic development of each Anatolian city has followed a slightly varied path. Some of these cities were at the forefront of the rise of Islamic entrepreneurs and received both internal and external attention, such as Kayseri, Çorum, Gaziantep, Kahramanmaraş, Denizli and Konya. As these Anatolian cities have received little state investments or subsidies over the years they are cited among the cities that "made it themselves." In time order, Gaziantep, Malatya, Konya and Kayseri are the most recently cited prominent Tigers on the basis of the number of companies, capacity of export and annual profit among companies in whole Turkey. According to the Istanbul Chamber of Commerce, 155 of Turkey's 500 biggest companies, and more than half of its top 1,000, are in Anatolia.[124] These Anatolian companies have been played very significant role in regional development, that's why government incentives, tax breaks and development funds will become available to regional entrepreneurs in the near future. When Anatolian companies become much stronger, Turkish economy's dependency on Istanbul will be moved forward and this will also eventually slow down the immigration from Anatolia to Istanbul. The growing power of these "Anatolian Tigers" has also resulted with a political shift in Turkey, which continues to produce tension with the long established secular economic elite.

[124] Pelin Turgut, Financial Times, November 20, 2006, http://www.ft.com/cms/s/1/db1d9cee-7650-11db-8284-0000779e2340.html#ixzz1IHH77lW1

In this chapter the general economic tradition and ethics of Anatolia has been explained against a historical background. In the following chapter I will focus on a particular city, Kayseri, which is successfully mobilizing conservatism and economic success by combining its own unique institutional legacies and balance of social forces. Recent social and economic changes in the central Anatolian province of Kayseri can show us how decisions about a region's social and economic future are made, which actors or institutions are empowered to make these decisions, and whose interests are central to these developments.

Chapter Four

KAYSERI: BETWEEN TRADITION AND MODERNITY

I. Contextualizing Kayseri:

I.1. Combining Strict Piety with Raging Entrepreneurship

The present chapter seeks to bring this narrative to the modern times by studying the effects of the liberalization on the Turkish economy since the 1980s by focusing on the Anatolian city of Kayseri. As explained earlier, many Anatolian cities have, over the last two decades, witnessed a great degree of social, economic and cultural transformation, which is commonly termed modernization. Kayseri was chosen as a representative of Anatolian cities, because due to the number and success of businesses that were founded by pious investors and industrialists, it is perhaps the leading city in the Anatolian region.[1] Since the 1980s, Kayseri has been transformed from an ordinary underdeveloped Anatolian town, dependent on the state for agricultural subsidies and industrial investments, into a city which has an ambitious private sector, and which is home to several of Turkey's most profitable companies. What makes this city interesting is that many of Kayseri's top entrepreneurs are members of an association of religious-minded businessmen and the story of their economic success is very different from that of the existing secular economic elite in Turkey. This chapter analyzes how the inhabitants of Kayseri perceive this transformation and modernization. Religiously conservative but

[1] For the purpose of this study, when I use the term, religious/pious and I mean *Sunni* Muslims who are majority of the population of Kayseri and other Anatolian cities. Again when I use the term of religion I mean Sunni Islam.

economically liberal, the city provides an interesting case in which to investigate how Islam meets modernity at the local economic level. Kayseri demonstrates that the increase of economic power shapes the boundaries of culture and limits the rise of militant interpretations of religious belief. This chapter seeks to examine religious ethics together with other social, economic and political factors, which contribute to the recent economic progress in Kayseri.

Its inhabitants (*Kayserili*) are renowned for their entrepreneurial spirit and good business sense and, as such, are the subject of more than a few legends in Turkey.[2] Kayseri has built one of the largest Turkish industrial zones and in 2004 it informed the Guinness Book of World Records of the establishment of 139 new businesses in a single day.[3] The city has produced some of the best-known Turkish companies which have become significant producers not only for the local market but also for Europe, the Middle East, Africa and the Central Asia, particularly in the textile, metal and furniture sectors.[4] Companies that have started here include Orta Anadolu, which makes 1 percent of the world's denim; Boydak Holding, a large company that includes a bank, a transport arm and the largest Turkish cable factory; and İstikbal, a furniture company can be found in stores across Turkey.[5] Many of the richest people and the owners of the biggest

[2] Under the impact of economic liberalization programs initiated in 1980, the Turkish economy witnessed the rise of other cities in central Turkey, such as Kayseri, Konya, Gaziantep, and Denizli. With the active economic performance by these Anatolian industrial centers, Turkey has experienced remarkable growth in the last three decades. Turkey's exports expanded from $2.9 billion in 1980 to $35 billion in 2002, fueling an increase in GDP per capita from $2,242 in 1980 to $9,073 in 2010. David Kenner, "The Happy story of the Anatolian Tigers," *Foreign Policy*, accesed in March 19, 2010. http://blog.foreignpolicy.com/posts/2010/03/18/the_happy_story_of_the_anatolian_tigers

[3] Vali Nasr, "Turkey's Supreme Irony: Kayseri's Business Globalists," *The Globalist*, June 08, 2010.

[4] Ibid.

[5] Dan Blefsky, "Turks Knock on Europe's Door with Evidence That Islam and Capitalism Can Coexist," *New York Times*, August 27, 2006. http://query.nytimes.com/gst/fullpage.html?res=9C0DEED8103EF934A1575BC0A9609C8B63&sec=&spon=&pagewanted=all

companies in Turkey have their origins in Kayseri, such as Sakıp Sabancı (Sabancı Holding), Halit Narin (Narin Mensucat Company), İzzet İlhan (Anadolu Group), Kadir Has (Has Holding), Necati Kurmel (Saray Carpets), and Mustafa Boydak (Boydak Company). Kayseri is also the home town of many politicians, including the current President of Turkey, Abdullah Gül. Traditional food, a rich history and winter sports are notable attractions in the city. Also the presence of a number of hospitals allows Kayseri to serve as the health center in the region. The inhabitants of Kayseri are wealthier than those in other parts of the province and the focus on earning money is viewed with pride. The city itself is a blend of wealth, modernity and provincial conservatism and is often cited as first among Turkish cities that fit the definition of "Anatolian Tigers." For example, in Kayseri Friday prayers are well attended by workers, who take their place on prayer mats in nearby mosques and later return to the demands of the factory floor.[6] Most companies here set aside rooms for prayer in the work place, and most of the older businessmen have visited Mecca on the pilgrimage (Hajj) that all Muslims are enjoined to make at least once in a lifetime. Unlike elsewhere in Turkey, few of the city's restaurants serve alcohol, which is prohibited by Islam. The people of Kayseri are known for their sharp minds, and there is even a joke which runs: "he/she does not know reading and writing but it is not important since he/she is from Kayseri." Because of all these characteristics the city has become one of the most significant trade centers in Turkey and the international market. Kayseri also known as the largest producer of *pastırma*, which is spicy dry meat and an alternative to *jambon* (ham). Besides, Kayseri has become a well-known city outside of the country being chosen as a sister city for Strasburg. The

[6] Ibid.

International Public Transport Association in Madrid gave the award for the best railway management to the Kayseri municipality.[7] Today Kayseri with its three main industrial zones, international reputation, 11 small industrial zones, old grand bazaar, and modern shopping malls, 1100 entrepreneurs, 15,000 merchants, 40,000 tradesmen and modern transportation system, make it a modern world city. After İstanbul and Bursa, Kayseri has the third oldest bazaar.[8] International days and celebrations are introduced to city inhabitants by city municipal.[9] Kayseri municipal and its' inhabitants really try to be a model city; they are also interested in creating a cleaner and greener environment. Every year they plant many flowers and trees in their city; Kayserians planted some 3000 tress in parks and green fields in the spring of 2009.[10]

In recent years, numerous local and foreign scholars as well as journalists have pointed to the city's unique blend of religious adherence, entrepreneurial spirit, hard work and regional-global success as proof that Islam and capitalism can coexist.[11] For instance, in 2005 the European Stability Initiative prepared a report on Kayseri titled, "Change and Conservatism in Central Anatolia."

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[7]Mehmet Uğurlu, "Kayseri Nereye Koşuyor?" *Kayseri Gündem*, October 1, 2010, http://www.kayserigundem.com/haber/8875-kayseri-nereye-kosuyor.aspx

[8] Kadir Dayıoğlu, "Kayserinin Ticaret ve Sanayi Hayatı", *Kayseri Ticaret Odası*, December 2008, 115-120.

[9] For example, the world milk day has celebrated in May 21 in schools and free milk delivered to kids. *Kayseri Star*, (May 22, 2009), 2.

[10] "3000 Young Threes Met With Earth" *Kayseri Haber*, May 16, 2009, 14.

[11]The rise of pious entrepreneurs in Anatolian cities has become a hot debate in Turkish media. Hundreds article were written on the development of Anatolian cities and free media has supported the changing features of Anatolia. There has been a prejudice for religious oriented groups in secular media and usually their problems and negative impacts on society are highlighted. However the economic successes of religious entrepreneurs have taken as an example of the possibility of economic modernization in religious groups. Except a few case, the secular media also has began to attempt to understand the characteristic of religious groups and also encouraged the economic growing in Anatolian cities. In recent days religious figures have become much visible in media, however fears or negative prejudges for religious groups in has not completely over.

The report claims that Kayseri has become one of the most industrialized Anatolian cities and that its remarkable economic progress is an indication of the socio-economic evolution of a religiously conservative and traditional region. The report highlights Kayseri's success as proof that economic modernity and capitalist values can coexist with Islam. To put this into context, European sociologists compared Kayseri's success to the 'Protestant Ethic' of Christian business communities of the past, and the region's mix of Muslim values, hard work and powerful capitalism has even prompted sociologists to coin a new term to describe these entrepreneurs; 'Islamic Calvinists'.[12] The report informs us:

> All visitors who come to Kayseri notice that although it has a quite pious population, the city is a place where transformation and modernization come together perfectly. There is a mosque at the center of the university, and another one is in the industrial field where the workers go. There is a *mesjid* in all companies where employees can worship. Islamic charity is widespread and very effective. The institutions for education and culture in the city were largely built by private charities. Many public buildings, such as schools, were also built by private

[12] Max Weber claims that religious values, particularly, the Protestant ethic, is the crucial factor behind the development of modern rational capitalism. Weber tried to illustrate the development of Western capitalism within its particular historical conditions by making a comparison between the Western and non-Western societies in terms of their religious and societal processes. For him the Calvinistic doctrine of Predestination has been responsible for both rationalization and the secularization of life. He says that Luther's conception of calling comprises the "positive valuation of routine activity in the world." Luther's conception of calling is unique in the sense that it introduced "the valuation of the fulfillment of duty in worldly affairs as the highest form, which the moral activity could assume." For the first time, a religious significance was ascribed to all worldly activities. For Weber "calling" has a meaning of "a task set by God." This conception of calling –"in the sense of a life task, a definite field in which to work"- was not seen in other civilized languages; rather it has this meaning only among the Protestant peoples. Consequently, for Weber, the Puritan ascetic's active involvement in daily life, as well as his conception of work as a calling, resulted from Calvinist teaching which was "shared by labor in a calling, which serves the mundane life of the community." Every God-fearing Calvinist has a religious duty to believe that he is chosen for salvation and that intense activity in this world was the most certain way of removing doubts and of instilling self-confidence. According to Weber, only in Calvinism can work have a moral character and become subject of a religious valuation as well. For Weber in Calvinism it is believed that God "demanded of his believers not single good works, but a life of good works combined into a unified system." As a result, for Weber, through conceiving work as the one firm basis of a person's certainty of salvation, Calvinism on the one hand brought solution to the problem theodicy and on the other hand, directed individuals to both work and accumulation of wealth, which in turn contributed transformation of "civic" strata members into capitalist entrepreneurs. Max Weber, *Protestant Ethic and the Spirit of Capitalism* (Los Angeles, California: Roxbury Pub, 2002), 113-116.

> donors, and several hundred students receive grants and scholarships, especially for medical universities.[13]

This report mainly analyzes how Islamic values impact economic development and the modernization process. As a consequence, it describes Turkey, which is attempting to enter the European Union, as a region shaped by the norms with which the West is familiar.[14] The message behind the report appears to be that Turkey and the European Union can coexist and that there is nothing in the religious Turkish culture that is inimical to modern economic practices.

However, many Muslim businessmen feel uncomfortable with the use of the term "Calvinists" to describe them. The claim that 'Calvinists represent a Protestant ethic in their economic life' has created much discomfort and criticism in Muslim business circles. When I went to Kayseri to conduct research, I was advised not to use the term "Calvinist" or "Protestant ethic" in my interviews. Not only religious but also some secular intellectuals believe that to meaningfully explain this remarkable socio-economic development in terms of the Western parameters is insufficient and Kayseri's success must be studied in its own context.[15]

Most local businessmen would rather highlight the influence of the *Ahi* tradition in the economic success of Kayseri. They see this as affecting everything from quality standardization in production to social solidarity. Muslim businessmen even prefer to be called "modern *Ahis*" instead of "Islamic Calvinists." They believe that the specific forms that are used to analyze Western society are inadequate in understanding Muslim society

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[13] "Islamic Calvinists. Change and Conservatism in Central Anatolia" *European Stability Initiative Report (ESI)*, 19 September 2005. Full text of the report can be seen in the webpage of ESI http://www.esiweb.org/index.php?lang=en&id=156&document_ID=69

[14] Ibid.

[15] For instance E. Fuat Keyman "Küreselleşme, İslam ve Türkiye" *Zaman*, accessed February 16, 2006 http://www.esiweb.org/pdf/esi_turkey_reactions_id_52.pdf

which possesses its own institutions and internal dynamics. There are many examples which illustrate that how ethics in economic life important for entreprenours in Kayseri. In order to encourage keeping good values in the market place, the Kayseri Chamber of Industry published academic research on marketing ethics of small and medium entrepreneurs.[16] This attempt is important and points out the sensibility of economic organizations in the city about ethical values in economic life. The aim of this study is to investigate the idea of entrepreneurs about unethical attitudes in the market. This research shows that oral agreement is more authoritative than written one for the 71% of the entrepreneurs.[17] A fair price policy for competitors, explaining reasons for the increased price of a product, providing real information about the products, avoiding deceiving consumers with untrue advertisements, producing products which have good quality, and explaining the price of the product very clearly, are examples of ethical behavior and attitudes in the market that customers should expect and producers should strive to achieve.[18] Many entrepreneurs in Kayseri claim all these ethical values are a heritage from the *Ahi* tradition.

Thus, in order to understand the unique character of the region, it would be more meaningful to look at its long and rich historical traditions and background. Also it is necessary to look at the increasingly important role played by Islamic identity over the last two decades, and its effect on the socio-political and economic transformation of Turkey. Pious Muslim entrepreneurs' religious values provide significant motivation behind the establishment of new businesses, which, in the long term, will provide not

[16] İnci Varınlı, *Pazarlama Ahlakı ve Kayseri'deki İşletme Yöneticilerinin Pazarlama Ahlakına İlişkin Değerlendirmeleri* no.12 (Kayseri: Kayseri Ticaret Odası, 2000), 90-116.
[17] Ibid, 92.
[18] Ibid, 110-115.

only economic power and a greater share of the capital market, but also transform the lifestyle of the people. For entrepreneurs in Kasyseri, ethics cannot be separated from the economy. The founder of Boydak Company, the biggest firm in Kayseri, asserts "in both economic and family life the most important concepts are love, respect, tolerance, patience and fairness. Along with these it is necessary to work hard without exaggerating ambitions."[19] Another businessman in Kayseri, Ahmet Turan Kadıoğlu, underlines the importance of values in economic life by saying "lose your money but do not lose your reputation."[20]

In most capitalist societies, it is often the ruling elite who exercise most of the economic and political power and this status quo is sustained in various ways by the state apparatus. The wealthiest tend to maintain exclusive networks based on elite educational institutions, clubs, and governmental and non-governmental organizations. This chapter explores a micro example of a religious Muslim society in Kayseri to show how Islamic and traditional values combined with a capitalist economy result in a different set of class relationships. Kayseri's businessmen have a strong community spirit and are highly interested in the improvement of their city as demonstrated by their donations. The Mayor of Kayseri, Mehmet Özhaseki, points out that the Ottoman foundation system (*waqf*), which is based on voluntary and religious groups, is still operating in Kayseri with 80% of mosques, 80% of hospitals and 50% of schools founded through donations from the people of the city.[21] There are also 56 *waqfs* in the city; 20 for needy people, 20 for

[19] "Gençlerimize Çalışmayı Aşılamalıyız" *Bakış, Kayseri Genç Sanayici ve İşadamları Derneği* no. 9. (July, 2008), 14-15.
[20] "Paranı Kaybet İtibarını Kaybetme" *Kayseri Ticaret Borsası* no.2. (November 2008): 37- 40.
[21] Gül Berna Özcan, "Local Economic Development, Decentralisation and Consensus Building in Turkey" *Progress in Planning* 54, (2000): 247.

education, 6 for founding mosques, 6 for public environment and 4 for health services.[22] Considering that a large percentage of social services in Kayseri are provided by the private sector, this chapter also shows the importance of the notion of 'common good' for the Muslim entrepreneurs.

The special characteristics of Kayseri have a long historical background. Historian Süleyman Kocabaş noted that he saw a report in the archives about Turkey and Kayseri which was written by the British historian, Arnold Toynbee. Kocabaş, thinks that after visiting many of the cities in Turkey, Toynbee wrote his report in 1949, and gave one a copy to the ruling party, the RPP.[23] In this report Toynbee emphasized three crucial problems in Turkey: The need to modernize Turkey without losing the interaction with its own history; The adaptation of Turkish society to the relatively rapid transformation and changes made by the central government in Ankara; and, the transformation from a one party system to a multiple party system, while trying to avoid any social-political crisis. Toynbee asked how western and Muslim lifestyles could connect.[24] He also added that if the modernization progress destroys traditional life or the traditional Muslim lifestyle blocks the rise of modernization, the result would be a national disaster. For him Turkey needs a lifestyle which mixes the old and the new, the traditional and the modern.[25] He says that there are *medreses*, mosques, and historical houses, which are visible signs that the inhabitants of the city are holding firmly to their traditions and are proud of their

[22] Şule Bilge Özkeçeci, "Modernleşme Olgusunun Toplumsal Olarak İşelleştirilmesi (Kayseri Örneği)" M.A. thesis Süleyman Demirel Üniversitesi Sosyal Bilimler Enstitüsü Sosyoloji Anabilimdalı, 120.The information is taken from Kayseri İl Gelişme Raporu. (Kayseri Province, Kayseri City Impruvement Repot)
[23] Süleyman Kocabaş mentioned that he founded this report in Başbakanlık Cumhuriyet Arşivi, Cumhuriyet Halk Partisi Kataloğu, Tarih: 23. 1. 1949, Kodu: 030 01 101, Yer no: 629 1, See Süleyman Kocabaş, "Türkiye'nin Aberdeen'i" *Kayseri Ticaret Odası Dergisi*, (Chambers' publication), May 2010, 38.
[24] Ibid.
[25] Ibid.

history.[26] Kayseri is known as an enterprising city. In his report Toynbee claimed that the city of Kayseri was similar to Aberdeen, Scotland, where traditionalism successfully intersects with economic activism.[27]This report shows that the religiously conservative and economically liberal feature of Kayseri has emerged as a specific historical characteristic.

I. 2. Characteristics of the City

I.2.a. Historical Background of Kayseri

Kayseri, located in Central Anatolia, and according to 2008 census, has a population of 1,206,000 and is well-connected with the rest of Turkey by roads and railway networks.[28] Often seen as the chief city of the "Anatolian Tigers," it has historically maintained a very active economic life because of its position as a trading centre. Throughout history, Kayseri has been known as a market or as a trade center, lying, as it does, at the centre of trade routes from all directions. The city has maintained its place as an important centre of culture, civilization and commerce dating as far back as the Roman times and continuing as one of the most active economic and cultural centers of Anatolia during the Seljuk period. After the collapse of the Seljuk dynasty, Kayseri came under the rule of the Mongols, but then in the fifteenth century, following the elimination of the Karaman and Dulkadir principalities, it became an important Ottoman city in its own right.[29]

[26] Ibid.
[27] Ibid.
[28] www.tuik.gov.tr
[29] Suraiya Farooqhi, *Men of modest Substance House Owners and House Property in Seventeenth-Century Ankara and Kayseri* (Cambridge University Press: Cambridge, 1987), 41.

Due to its location at the center of important trade routes,[30] Kayseri enjoyed the most important open peasant market in Anatolia during the Seljuk period; indeed, the "*Yabanlu Pazarı*" (foreign bazaar) was located in this region.[31] In his *Masnawi*, Mawlana Jalaluddin Rumi, the famous 12th century mystic poet, indicates that this market was situated among number of towns and that goods were brought there from various regions: "It seems just like a peasant market in towns - they all came there to sell and buy goods which came from all directions."[32] The local merchants were famed for their business acumen.[33] In fact the Ottoman Sultans fully realized the importance of trade in this region (as elsewhere) and built numerous caravanserais on the trade routes where all travelers, enjoyed warm hospitality.[34] According to the historian Hıfzı Nuri, people of Kayseri have a reputation as sharp, clever, and very smart.[35] The majority of the Kayserians were involved with trade and commerce. He mentions that a number of them traveled to İstanbul, İzmir, Selanik and other European cities for trade.[36] Some of them provided their children with a high level of education. Nuri adds that despite the religious character of the city, merchants in Kayseri preferred to beguile, rather than deceive and they looked to advance their interests while being staunchly frugal.[37]

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[30] For instance, Kayseri was located too far inland for the demands of the İstanbul grain market to make them felt to any notable degree. The city was also a stop for sheep-breeders coming from eastern Anatolia towards Bursa and İstanbul. See Farooqhi, 43.

[31] Professor Orhan Turan was the one who mentioned *Yabanlu Pazarı* for the first time in his book; *Selçuklular Zamanında Türkiye*, (İstanbul: 1971), 749.

[32] *Jalaluddin Rumi*, edited and translated by R.A. Nicholson, Masnavi i Ma'navi: (London: G.M.N.S., 1933), v. 4, 520, lines 4283.

[33] Ibid, 495.

[34] Faruk Sümer, *Yabanlu Pazarı, Selçuklular Devrinde Milletlerarası Büyük Bir Fuar*, (Türk Dünyası Araştırma Vakfı: İstanbul: 1985), 32.

[35] Transferred by Osman Eravşar, *Seyahatnamelerde Kayseri* (Kayseri Ticaret Odası Yayını: Kayseri 2000), 203.

[36] Ibid.

[37] Ibid.

The city had become one of the most important centers for the tanning industry in twelfth century.[38] Cotton, the textile and livestock industries and especially carpentry were highly developed in Kayseri.[39] During the sixteenth and seventeenth centuries, Kayseri continued to be an active commercial and industrial center in the Ottoman Empire. There were significant trade centers in the city, such as the Bezzaz Inn (Cotton Inn) with two bazaars, the Closed Inn and Vezir Inn.[40] Aside from these, there were many bazaars, such as Gazezler, Meytaplar, Uzunçarşı, Kürtüncüler, Eskiciler (dealers), Bakkallar (small dealers), Habbazlar (bakers), Halaçlar and also Kuyumcular (jewelers), Penbeciler (cotton sellers), Takkeciler (cap sellers), Demirciler (forgers), Nalbantlar (blacksmiths), Arpacılar (barley sellers) and Otpazarı (Herb market).[41] In the early years of the nineteenth century Kayseri contained 114 streets, 10,223 houses, 3,722 shops and stores, 120 bakeries, 30 commercial centers, 11 public baths, 150 mosques, 58 primary schools, 3 boys high schools and 1 girl high school, 2 libraries holding 1,292 books, 39 *medreses*, 31 dervish lodges, 8 churches, 123 drinking fountains, a government house, a hospital, a military branch, an arsenal, a number of vineyards, agrarian plantations, and gardens,.[42] Craftsmen who were not able to rent or set up a shop in these bazaars were selling their products in open air markets in several parts in the city.[43] One of the most important products of Kayseri was saltpeter which was used in the production of gunpowder and annually Kayseri, Konya and Niğde produced a thousand kantars, which

[38] Havva Selçuk, *Seriye Sicillerine Göre Kayseri Sancağı ve Girit Seferine Katkısı* (Erciyes Üniversitesi: Kayseri, 2008), 114.
[39] Ibid.
[40] Kadir Dayıoğlu, "Kayseri Sanayi Tarihi 1*" KAYSO Dergisi*, 49 (April/June 2002): 19-21.
[41] Selçuk, 116.
[42] Uygur Kocabaşoğlu, - Murat Uluğtekin, *Salnamelerde Kayseri* (Kayseri Ticaret Odası Yayınları: Kayseri 1998), 133.
[43] Selçuk, 116.

is equivalent to 56,452 kg.[44] In the eighteenth and nineteenth centuries, the production of saltpeter, was relocated to the Gunpowder Factory Ministry (Baruthane Vekaleti) in İstanbul.[45] During the same period, in Kayseri, wool and cotton cloth, cotton yarn, velvet, silk, glass products, ceramic, sugar, copper, oil, steel, and candles were being imported to Kayseri from Germany, France, Holland and the United Kingdom.[46]

Next to Bursa, Kayseri had the second highest population of any Ottoman city in the sixteenth century. Between the years 1500 and 1584, the population of the city (including the military component) was around 35,000 and Ottoman *sijill* (records) show that the population included both Muslims and non-Muslims.[47] The latter, identified as *kefere* or *zimmi*, were Greeks, Armenians and Jews. By 1584, 78% of the total population was Muslim.[48] The majority of the non-Muslims were Armenians and the sources show that in the sixteenth century there were three different Armenian groups in Kayseri. They were registered as "Cemaat-i Ermeniyan-i Kayseriyan", "Cemaat-i Sarkiyan" and "Cemaat-i Sisliyan."[49] Evliya Çelebi mentions the presence of a Jewish synagogue in Kayseri in the seventeenth century, but there is no other information about Jews in the region. Seventeenth century registrations show that among non-Muslims who had to pay taxes, there were no Jewish names.[50] However Kayseri's Jewish population did not appear on the tax payers list in the Ottoman Empire in the seventeenth century. As historian Ronald Jennings emphasizes Muslims and non-Muslims were not isolated from

[44] Ibid.
[45] Ibid.
[46] Dayıoğlu, 19.
[47] Faroqhi, 43.
[48] Ibid, 44-45.
[49] Ronald Jennings, "Zimmis (Non-Muslims) in Early 17th Century Ottoman Judicial Records: The Sharia Court of Anatolian Kayseri" *Journal of Economic and Social History of the Orient*, 21, no. 3 (October, 1978): 225-293.
[50] Ibid, 280-281.

each other. In terms of selling and buying there is no discrimination between religious groups.[51] In 1583, 50 streets out of 72 were Muslim, 13 of them Christian and 9 of them were mixed.[52] Not only their houses but also Muslim mosques and churches were also very close to each other.[53] Apart from the military and bureaucracy, all occupations were open to the non-Muslim population who worked in production and trade and were renowned in particular crafts such as jewelry making, shoemaking, and wood-working.[54] Muslim Turks owned most of the vineyards, gardens, and houses, which were often rented to non-Muslims. However, during and after World War I the Greek population left for Greece while the Armenians were scattered across Anatolia.[55] The Muslim population began to take over their businesses and continued to work in different trades which were traditionally associated with the Armenian and Greek community.[56]

Especially at the end of the nineteenth century a number of travelers visited Kayseri and gave important information on the physical structure, population, ethnic and cultural characteristic and economic life of the city. They specifically visited the missionary schools which were founded by American missionaries in Talas and Zincirlidere towns.[57] These schools educated children from the local ethnic minorities and destitute Muslim children. As the traveler Oberhummer explains below:

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[51] Ibid.
[52] Ibid.
[53] Ibid.
[54] M. Akif Erdoğru, XVI- XVII. Yüzyıllarda Kayseri Zimmiler, I. *Kayseri ve Yöresi Tarih Sempozyumu* Ali Aktan, Abdulkadir Yuvalı, Ramazan Tosun, Erciyes Üniversitesi Kayseri Yöresi Tarih Araştırmaları Merkezi Yayınları, no:1, 11-12 April,1996.
[55] Sümer, 15-16.
[56] Ibid.
[57] Hıfzı Nuri**,** *Kayseri Sancağı 1922* (Kayseri Ticaret Odası Yayını: Kayseri, 1995), 35-36.

> The building … has a large lounge, commodious classrooms, a comfortable dormitory which has 60 beds, and teachers' rooms for male and female teachers. The first lecture was made together with students. The oldest missionary Mr. Faul read a part from the Holy book and gave a long prayer in Turkish. … Then a Greek male teacher began the lecture on the history of the Greek literature in Turkish… In another classroom an American was explaining the human body anatomy by using a paper model to twelve girls. The founder of the school, Wingate, was teaching English to older students in the other classroom.[58]

Another traveler, Cholet, asserts that he was surprised when he saw boys and girls were together in a small village school.[59] He also says that the education was low and limited with reading and writing, religious knowledge and basic mathematic instruction.[60] According to Horvath who visited central Anatolia around 1913, the population of the region had an ethnic and religious mix. He said agriculture was very primitive and the population was uneducated, however, despite difficult conditions no one left the town.[61] He mentioned that the wealthiest population was the Greeks and Armenians, but the Muslims were very poor.[62]

The lack of agricultural production in the region was another factor in local industrial development. Traditionally, some of the youth had to move to other regions to seek work in agriculture but most of them preferred to stay in Kayseri and work as apprentices in small companies. Perhaps for this reason, Kayseri became one of the first cities in Turkey where state-based industrialization got underway. As early as 1926, in the first years of the Republic, Turkey's first aircraft factory was built there as well a large sugar plant. Then in 1935, Sümerbank Textile Factory was founded in the city. Kayseri was in fact responsible for the first aircraft produced in Turkey in the 1940s. It could be

[58] Ibid. 240-247.
[59] I translated from Osman Eravşar, *Seyahatnamelerde Kayseri*, Kayseri (Ticaret Odası Yayını: Kayseri, 2000), 207-213.
[60] Ibid.
[61] Ibid.
[62] Ibid.

said that all these industrial sites turned Kayseri into a manufacturing city.[63] Private investment first appeared in the city in the 1950s. During the 1950s and 1960s, many industrial plants were established by the private sector. The Birlik Textile Factory, the Central Anatolia Textile Factory, and the semi-public Sugar Factory (1955) were among the leading establishments of this type. Public investments after 1960 decreased considerably except for the Taksan Machine Tools Industry and Trade Company and Çinkur Mine Company, but these also had private shares. Families such as Sabancı, Hacı, Has, Dedeman and Özilhan, which had started out as small-scale merchants in the city of Kayseri, became prominent figures in the Turkish economy.

Before 1980, industrial companies were founded in different parts of the city. In 1973 the first organized Industrial zone was formed.[64] Most of the investments were made in textile, metal tools, furniture and forest production, chemistry, iron, and industrial machines.[65] Beginning in the 1990s, with the introduction of economic liberalization policies, a new generation of merchants and industrialists from Kayseri joined their predecessors and the city soon achieved remarkable industrial growth, especially towards the end of the decade. With the Welfare Party's election success in 1994, Kayseri played an increasingly important role as political Islamist and different groups maintained close relationships with some Islamic networks.[66] The tight networks in Muslim groups, the success of the Welfare Party and practices of MÜSİAD helped to develop the new pious economic elites. Just as the Islamist party aided its followers, the pious mayors of the city

[63] *The Challenge of Change: Dealing with the Legacy of the Modern Movement*, ed. by D. Van Den Heuvel, M. Mesman, Bert Lemmens (IOS Press Under imprint of Delft University: Amsterdam, 2008), 425.
[64] Dayıoğlu, "Kayseri'nin Ticaret ve Sanayi Hayatı," 117.
[65] Kayseri İli 2001 Yılı Sanayi ve Ticaret Durum Raporu, (Kayseri: Kayseri Valiliği Sanayi ve Ticaret İl Müdürlüğü, April 2002), 31-33.
[66] Özcan, "Local Economic Development, Decentralisation and Consensus Building in Turkey," 258.

and its districts in Kayseri province provided new advantages for their political supporters. As explained in the previous chapter, the newly liberalized environment particularly favored small and medium enterprises. These were mostly family firms with limited capital that began production in low technology and labor intensive industries, particularly in textiles and clothing, wood products and furniture.[67] By 1990, Kayseri began to produce 60% of Turkish milk processing machines.[68] It was the metal and furniture firms that were the driving force behind the early industrialization in Kayseri; however, the city is broadly industrialized today, and produces refined sugar, cement, textiles, home appliances, aircraft spare parts, machinery and processed food. Of the traditional activities, gold jewelry and carpets are the main products. With its workforce of more than 150,000, the province of Kayseri produces 70 percent of all furniture sold in Turkey and one percent of the denim worn around the world.[69] Moreover, the industrial zone outside the city is home to more than 500 production facilities.[70] Even though the city is in the middle of Anatolia and therefore quite distant from any port, Kayseri's exports were approximately $3 billion in 2009.[71] As can be seen in the following tables, the population of Kayseri was 778,000 in 1980.[72] It reached 1,206,000 in 2009 but the share of the general population in Turkey has decreased from 1.74 to 1.65, so the relative size of the population in Kayseri has declined.[73] Some 77 percent of the population lives

[67] Şevket Pamuk, "Globalization, Industrialization and Changing Politics in Turkey," *New Perspectives on Turkey*, no. 38, (Spring 2008), 267-272.
[68] Özcan, "Local Economic Development, Decentralisation and Consensus Building in Turkey," 230.
[69] ESI Report, see; esiweb.org
[70] Ibid.
[71] *Roland Berger*, Internet edition, (August 9, 2007). "Kazakistan Cumhurbaşkanı Yardımcısından Ziyaret" *Kayseri Ticaret Odası Dergisi* (Chambers' publication), May 2010, 32.
[72] Ibid, 32.
[73] Ibid.

in the urban areas while 23 percent live in rural areas. The numbers indicate a high level of urbanization.

Table 1: The Population in Kayseri and Turkey

Years	Kayseri (000)	Turkey (000)	Share of Kayseri
1980	778	44.737	1.74
1985	864	50.664	1.71
1990	944	56.473	1.68
2000	1.060	67.804	1.57
2007	1.165	70.586	1.65
2008	1.184	71.517	1.66
2009	1.206	72.561	1.66

Source: *Kayseri Ticaret Odası Dergisi* (Chambers' publication), May 2010, 32.

Table 2: The rate of increase of the population in Turkey and Kayseri

Terms	Kayseri %	Turkey (000)
1980-2007	1,51	1,70
2007-2008	1,66	1,32
2008-2009	1,81	1,46

Source: *Kayseri Ticaret Odası Dergisi*, May 2010, 32.

Table 3: The Expectations for GNP and National Income per Person in Kayseri

Years	GNP ($ billions)	Population (000)	$ National Income per Person (000)
2009	7,94	1.206	6.584
2010	8,35	1.228	6.800
2011	8,76	1.249	7.014
2012	9,19	1.271	7.231
2013	9,66	1.293	7.471
2014	10,14	1.315	7.711
2015	10,65	1.336	7.972

Source: *Kayseri Ticaret Odası Dergisi*, (Chambers' publication) May 2010, 34

According to expectations, Kayseri National income per person will be higher than average of Turkey's around 2015. This information shows that Kayseri has the potential to be an attractive region for future construction, luxury goods, trade and new industrial investments.

I. 2.b. Economic Improvement in Kayseri

As can be seen from the table below, many companies from Kayseri have attained unexpected success over the last two decades.[74]

Table 4:

Numbers of Firms in Kayseri on the list of the first of 500 in Turkey														
Year	**96**	**97**	**98**	**99**	**2000**	**01**	**02**	**03**	**04**	**05**	**06**	**07**	**08**	**09**
Number of firms from Kayseri	15	16	16	17	14	16	16	15	16	16	17	16	14	19

Source: This information was compiled various newspapers.[75]

The largest numbers of firms on the list belong to the textile and furniture sectors. Despite the increasing success of small and medium enterprises in Kayseri, it should be noted that firms from the city are still dwarfed by larger companies based in İstanbul which continue to dominate the Turkish economy.

[74] The biggest firms in Kayseri which are on the list are: Kayseri Şeker Fabrikası, Merkez Çelik, Orta Anadolu, Boytaş-Hes, Hacılar Elektrik, İstikbal, Birlik Mensucat, Yataş, Erbosan, Saray Halı, Karsu, Boyteks, Keskinkılıç, Kumtel, Çetinkaya.

[75] http://www.ihlassondakika.com/ August 4, 2010, Dogan Haber Ajansı, http://www.dha.com.tr, (August 4, 2010). *Sabah,* June 28, 2008. haberden.com/haber/…Iste-Turkiyenin-ilk-500-sirketi.php, (July 23, 2008).

Table 5:

Kayseri's Firms in the Top 500 Large Companies in Turkey			
Rank in the top 500 (2006)	**Rank in the top 500 (2005)**	**Name of Firms**	**Year 2006 Profits (US $)**
70	91	Hes Hacılar Elektrik San. Ve Tic. A.Ş.	501.095.377
98	87	Merkez Çelik San. Ve Tic. A.Ş.	38.177.634
113	99	Kayseri Şeker Fab. A.Ş.	345.100.291
115	101	Boytaş Mobilya San. A.Ş.	340.180.906
163	132	Orta Anadolu Tic.ve San. T.A.Ş.	238.180.906
231	207	İstikbal Mobilya San ve Tic. A.Ş.	178.857.826
324	337	Hes Çelik ve Halat San. Tic. A.Ş.	131.215. 236
332	325	Birlik Mensucat Tic. Ve San. İşletmesi A.Ş.	128.390.179
356	368	Erbosan Erciyas Boru San. Ve Tic A.Ş.	118.414.827
366	349	Saray Halı A.Ş.	115.802.618
368	329	Yataş Yatak ve Yorgan San. Tic. A.Ş.	115.487.365
372	408	Boyteks Tekstil San. Ve Tic. A.Ş.	113.209.379
389	373	Çetinkaya Mensucat Sanayi ve Tic A.Ş.	108.502.630
403	468	Kumtel Tük. Malları Plastik Sa. ve Tic. A. Ş.	104.631.319
410	445	Keskinkılıç Gıda San. Ve Tic. A.Ş.	102.026.453
438	454	Karsu Tekstil Sanayii ve Tic. A.Ş.	94.605.488
496	486	Form Sünger ve Yatak San. Tic. A.Ş.	83.749.967

Source: İrfan Birol, Murat Yerlikhan, *Kayseri Salnamesi 200/2007 Almanak* (Kayseri; Mazaka Yayıncılık, 2007), 548.

A number of firms in Kayseri are active in producing for international markets. A remarkable increase in exports from Kayseri is one of the most important factors driving industrialization. The top firms which export their products to various countries can be seen below:

Table 6:

Firms from Kayseri on the List of the Top 1000 Export Firms in Turkey			
Rank in the top 500 (2006)	**Rank in the top 500 (2005)**	**The Name of the Firms**	**2006 Expert (US $)**
117	-	Orta Anadolu A. Ş.	75.135.207
134	132	Boydak Dış Tic. A. Ş.	64.581.336
202	153	Hes Hacılar Elektrik A. Ş.	47.363.712
252	241	Birlik Mensucat A. Ş.	37.845.274
275	284	Ceha Büro Mob. Ltd. Şti.	35.579.250
359	342	Has Çelik ve Halat Sa. A. Ş.	28.451.293
368	390	Boyteks Tekstil A. S.	27.916.541
483	301	Erbosan Erciyas Boru A. Ş.	22.439.492
555	-	Karsu Tekstil	19.863.534
567	-	Gürkan Büro Mob. Ltd. Şti.	19.335.976
664	-	Karartaş Tekstil A. Ş.	16.348.500
810	594	Hes Tekstil Ltd. Şti.	13.349.632
819	247	Kumtel Day. Türk. M. A. Ş.	13.180.462
643	907	Saray Halı A. Ş.	12.839.811
983	-	Selenteks Tekstil A. Ş.	10.955.275

Source: İrfan Birol, Murat Yerlikhan, *Kayseri Salnamesi 200/2007 Almanak* (Kayseri; Mazaka Yayıncılık, 2007), 548.

The largest numbers of companies in the city are active in home products, furniture and construction sectors. Investment in the entertainment, environmental and computer sectors is still relatively low As we can see in the following tables, in the last decade Kayseri has become one of the most industrialized centers of Turkey.

Table 7: Export of Kayseri

Years	Numbers of Firms	Export ($ 1000)
2001	338	319,191
2002	387	351,379
2003	458	456,080
2004	533	639,563
2005	579	702,455
2006	612	751,660
2007	679	977,406

Source: *Kayseri Ticaret Odası Dergisi,* (Chambers' publication) December, 2008, 67.

Table 8: Import of Kayseri

Years	Numbers of Firms	Import ($ 1000)
2001	260	254,967
2002	305	408,096
2003	365	494,154
2004	406	818,624
2005	404	913,422
2006	448	1,095,115
2007	477	1,291,243

Source: *Kayseri Ticaret Odası Dergisi,* (Chambers' publication) December, 2008, 67.

Most of the businessmen in Kayseri indicate that state policies encourage exports; however, financial support by businessmen in Kayseri to participate in international fairs and exhibitions is the most important reason for the growing export capacity of the city.

I.2.c. The Characteristics of SMEs in Kayseri

The SMEs in Kayseri are around 1200 and 70 percent of them produce consumption goods, 25 percent industrial goods and 5 percent produce both.[76]

Establishment Years of the firms

10%	14%	43%	33%
Before 1980	Between 1980-1989	1990-1999	After 2000

Education Level of Owners of SMEs

52%	26%	21%
Primary	High school	University

The Size of Firms according to Numbers of Employees

39%	34%	21%	6%
31-41	18-30	41-50	51 and plus

Legal status of SMEs

40%	42%	15%	3%
personal companies	Limited companies	joint-stock companies	Other

The size of SMEs according to employee's number

49%	27%	14%	10%

[76] Kayseri Almanak, 166-170. It is also the source for all tables.

between 1-9	between 10-24	between 25-50	between 51-150

Education level of employees

58%	21%	6%	9%	4%	2%
Elementary	High school	Industrial high school	College	Apprenticeship school	No education

Education level of SMEs

54%	26%	15%	5%
University	High school	Elementary school	Graduate school

Countries to which Kayseri's SMEs export

37%	19%	15%	14%	14%	12%	10%	8%	8%
Germany	Iraq	Belgium	Israel	Nederland	Romania	Greece	United Kingdom	Iran

Export's method of SMEs in Kayseri

47%	22%	4%	27%
Directly	Indirectly	With a commission agent	Mixed

Problems in export

47%	22%	6%	5%	4%	4%
The lack of sources	The lack of information about overseas markets	The lack of knowledge of foreign languages	They cannot find an intermediary agent	The product is not high enough in quality	The cost of production is high

Information technologies and SMEs in Kayseri

53%	34%	28%	4%	3%
Internet user	Have a web page	In web network	e-buyer	e-seller

Capital amount of SMEs (in Turkish Liras)

29%	13%	22%	36%
301 billion	between 151-300	between 51-150	less than 50 billion

Using of loan of the SMEs

76%
do not use loans

Using of Laboratory of the SMEs

87%
do not have a testing laboratory

These tables and information prove that the economic institutions mostly include small and medium entrepreneurs, which are family based companies. In Kayseri, family entrepreneurship is highly prevalent and in such companies generally the owner himself is the manager and uses traditional management skills. These institutions mostly work with flexible production methods, which generally employ skilled people to carry out whatever tasks are needed to fill a particular order made by customers. A high degree of communication and cooperation among customers and employers throughout the organization is important for these small and medium entrepreneurs. Low salaries for employees and using backward technology are another feature of these institutions. Most of the SME's employers are Kayseri born and their training is based on apprenticeship in a family institution. Many businessmen indicate that apprenticeships, paternal influence

and education determined their paths to reach success in economic life. Most of Kayseri's entrepreneurs begin to learn the trade by entering into the market at an early age, where they experience business rules and management styles. It is possible to say that generally the technology that is applied in firms was learned in family business and uses low levels of technology. However, in recent years entrepreneurs have a leaned strongly toward importing high technology depending on the labor costs as well as partnerships and family wealth. Entreprenours in Kayseri surprise people with their interest in innovation; as a local newspaper wrote, a firm established an electric power plant on the small river in his village and put the water to use in that way.[77] Many new products such as the first pressure cooker, sewing machine, spring mattress and milking machine were first produced in Kayseri.[78] It shows the practical and economic mind of entrepreneurs in Kayseri. For many economists it is not really clear how small and medium sized businesses are able to provide such remarkable industrial development over the long term without increasing economic value added. It shows there are other factors such as culture and social life which influence the economic improvements in Kayseri.

I.3. Analyzing the Religious Identities of Kayseri

Competing and in fact succeeding in the global capitalist economy is a new phenomenon for the pious Muslims of Kayseri. If modern, developed infrastructures with tall buildings are enough to render a city modern, then Kayseri can be counted as a modern city with its huge industrial zones and modern appearance. However, the cultural and social life in Kayseri is completely different from other large cities in Turkey, such as İstanbul, İzmir

[77] "Değerini Bilmiyoruz" *Kayseri Maç*, May 22, 2009, 2.
[78] Mustafa Sönmez, " Bozkırdaki Çınar Kayseri Hep Yaratıcı" *Economic Forum* vol. 4 no.7 (July 1997): 27.

or Ankara. For instance there is an unspoken prohibition against drinking alcohol in the city. The roof of the Hilton hotel in Kayseri is the only place you can order a glass of beer which is extremely expensive. It is also not possible for couples to find a restaurant for a romantic dinner, but only kebab houses. There are no movie theaters or play houses. Even the numbers of bookstores are quite limited. The few bookstores located in the downtown area sell only religious books, magazines or school books. Qur'an expositions and exam books are sold together.

In fact, the city, known for its conservative and religious identity, is home to over 500 mosques. The majority of women in the city cover their hair in a traditional way or more religious style. Some young women who cover their hair use heavy make up and wear tight fitting clothes. Distance between women and men can be seen easily on the streets of Kayseri. Even married couples do not walk hand in hand and are very careful about their body language. Despite the religious character of the city, there are only few women who wear the black chador to cover themselves. It is highly possible to see many of them on the streets of İstanbul. Also there are no men who wear a cloak or turban, which have become the symbolic uniform of some religious communities in İstanbul. It shows that the traditionalism and religiosity in Kayseri is not displayed in an aggressive manner. The city has a clement sprit, no fighting or noisy discussion, no traffic, and no honking of horns in the streets. Craftsmen and tradesmen are usually honest, people generally have respect for each other and a peaceful atmosphere is perceptible in the city.

A small example helps to demonstrate how commercialism meets with religion in Kayseri. In Develi, a town in Kayseri, two books about regional folk songs were made by Köseler Village Association. The income that they received from their books was used to

start a new Qur'an course in the village.[79] The religious characteristics of the city are not a coincidence; religious education is demanding and supported by the people of Kayseri. In the town of Hacılar, alone, a total of 41 Qur'an courses were opened in 2010.[80] It is quite possible to see religious issues and advice for entrepreneurs in local magazines which are published for specifically merchants and entrepreneurs in Kayseri. For instance, an article on *helal* (permissible) food in Kayseri Business Stock Market magazine explains how new technologies are used in the production of *helal* food.[81] An article about tombs of religious figures was published in a periodical of Kayseri Chamber of Industry.[82] There are many short stories or ideas of important religious saints which encourage working for community, fight with selfishness, and modesties and having knowledge with money. [83] Since very often religious and ethical advice is given in these articles, it would be right to claim that Islam is a reference point for businessmen in Kayseri.

As Professor Binnaz Toprak points out, the religious communities, especially the Fethullah Gülen group are very influential, even in commercial relationships in Kayseri.[84] She asserts that membership in these religious groups opens a number of doors and provides advantages in economic life.[85] Some small traders have grown dramatically in a

[79] "Kitap Geliri ile Köylerine Kuran Kursu yaptırdılar" *Kayseri Cihan Newspaper,* 27 September, 2010, http://www.stargundem.com/guncel/1080793-kitap-geliriyle-koylerine-kuran-kursu-yaptirdilar.html
[80] http://www.hacilarmuftulugu.gov.tr/
[81] "Helal Gıda" Kayseri Ticaret Borsası (May 2008): 36-39.
[82] "Seyyid Burhaneddin" Kayseri Ticaret Odası (March 2009): 116-119.
[83] Ibid, 117-119.
[84] Binnaz Toprak, İrfan Bozan, Tan Morgül, and Nedim Şener, *Türkiye'de Farklı Olmak: Din ve Muhafazakarlık Ekseni Üzerinden Ötekileştirilenler* (İstanbul: Metis, 2009), 163-170. http://www.idealdusunce.com/turkiyede_farkli_olmak%5B1%5D.pdf
[85] Ibid.

very short time because of the powerful network between the Gülen group and the AKP.[86] Binnaz asserts that the Gülen group's members work together and she points out that instead of MÜSİAD, members of the Gülen groups prefer to belong to TUSKON, the Turkish Confederation of Businessmen and Industrialists (Türk İşadamları ve Sanayicileri Konfederasyonu), which has 15,000 businessmen and 50,000 firms.[87] They are very active and influential in Anatolia and also in Kayseri. The Gülen group also helps students by supporting their education, financially, providing them places to live, tutoring and a safe environment. Women are also organized and join the Gülen group, with special local meetings, and they also help needy families. It fills the felt need of socialization and for feelings of identity for some women.

All this social and economic networking has helped to transformation Kayseri and creates new religious elite. At the same time this transformation has arisen from religiously traditionalism, and so, it would not be wrong to conclude that conservative social pressure has also risen in Kayseri.

Other evidence for the pious aspect of the city can be seen in the ubiquity of religious symbols and the regular prayer breaks given in various firms and companies. Like other cities, Kayseri's streets, houses and commercial firms also represent the city's cultural identity as well as its religious beliefs and ethics. Even the meaning of the firms' names or decoration of their business can give an idea of the city's cultural and religious charecteristic.

[86] Ibid.
[87] TUSKON was founded by businessmen who are close to Fethullah Gülen in 2006. "ISO 500 de TUSKON mu Büyük MÜSİAD mı?" *Milliyet*, 26 July, 2010, http://www.patronlardunyasi.com/haber/ISO-500-de-TUSKON-mu-buyuk- MÜSİAD -mi/88423

The pious entrepreneurs of Kayseri make a point of ostentatiously displaying religious symbols and quotations in their places of business. Some of the most common are:

1. *Tawhid* declaration of monotheism (calligraphy)
2. The signature of the Ottoman sultans (*tughra*)
3. Quran (3:103):

   > And hold fast, all together by the Rope which God (stretches out for you), and be not divided among yourselves; And remember with gratitude God's favor on you; For ye were enemies and He joined your hearts in love, so that by His Grace, ye became brethren and ye were on the brink of a Pit of Fire, And He saved you from it. Thus doth God make His Signs clear to you: That you may be guided.[88]

4. A small Qur'an hanging on the wall of the firm.
5. An inscribed prayer against the evil eye.
6. An inscribed prayer for increased productivity and greater profit.
7. The name of Allah (calligraphy)
8. Quotations from the Islamic mystical poets.
9. A list of company values like those found on signboards hanging in the stores of Kayseri, tradesmen stating the basic principles of the institution and expressing the virtues people should possess. Some of these lines, usually written by famous calligraphers and placed in golden frames are as follows:
   - "We commit no fraud, nor waste; our goods are permissible to all."
   - "I am devoted to love; I don't need profit,"
   - "I have neither property nor riches, but I have faith."

Many of these prayer sheets, calligraphy pieces and verses from the Qur'an are prominently displayed. It is possible to assume that the owners of these firms are appealing to people's religious sensibilities by announcing their own piety and religious conviction. Some businessmen said that they believe that these prayer sheets and other religious symbols add some holiness to their company environment and protect them from accidents and bad luck. Moreover, religious influences can also be detected in the names of the businesses which remind people of religious or traditional messages. Some of these names include: *Ahi* Construction, *Ahi* Mechanic, *Berat* (a verse in Qur'an) Furniture, *Cennet* (Paradise) Metal Tools, *Fatih* (Ottoman Sultan) Pharmacy, *Fatih*

[88] A. Yusuf Ali, *The Holy Qur'an, Text, Translation and Commentary* vol. 1, (United States: McGregor & Werner , 1946), 149.

Foods, *Hicret* (Islamic migration) Shop, *İhlas* (a verse in Qur'an) Furniture, Kevser (a stream in paradise) Pharmacy, Kubra Clothing, Kutsal (holy) Pharmacy, Medine (a holy city) Meat Market, *İmamoğlu* Meat, Medine Carpet, Merve Leather, *Mihrap* (a niche in the wall of a mosque that indicates the qibla) Furniture, *Mina* (a place in Makkah) Textile, *Mirac* (a historical event in Islam) Pharmacy, *Nur* (light) Textile, *Nur* Kebab, *Nur* Textile, *Rabia* (a famous pious Muslim women) Furniture, *Safa* (a hill in Makkah) Furniture, *Safa* Petrol, *Tekbir* (tawhid) Textile, *Uhud* (a mountain in Madina) Trade, and *Yasin* (a chapter in Qur'an) Color. Other interesting names are taken from the Ottoman dynasty, such as *Osmanlı, Fatih, Osmanoğlu*, *Bereket, Rızık, Nasip, Tuğra, Şehzade* and *İkram*.[89] Other names, such as *Beyza, Büşra* or Kubra, which came from Arabic, have Islamic connotations. Finally, the importance of the local tradition of *Ahi* institutions is recalled in a number of company names. These religiously oriented names are also given to apartment buildings and streets and roads. Interestingly the companies or buildings which were founded around the 1960s or 1970s have mostly flower names. However, in and after 2000 three-quarters of the names of companies, apartment buildings, and streets are religiously oriented or are given Arabic names. It is another proof that shows the role of Islam and religiosity in the city and its inhabitants has increased recent decade.

As sociologist Nilüfer Göle explains, the visibility of religious symbols and performances informs the public of the radical transformation that is taking place, from the head scarves that come with *Muslimness* and its cultural attributes, to collective and public disclosures of Islam. By wearing a veil or a beard, by claiming the right to prayer

[89]These names were collected during my field work in Kayseri; I also found some of them in local newspapers and magazines such as *Bakış*, *Kayseri Genç Sanayici ve İşadamları Derneği* no. 9. (July, 2008), Kayseri Ticaret Borsası, May 2008.

sites and devotions during working hours, by hanging religious symbols in their working places and so on, religious people become overtly identifiable as Muslims and thus publicly assertive.[90]

I.4. Kayseri "Settings" As a Traditional Cultural Element

Kayseri has a well-described reputation for success in business, so it is worth investigating different traditions of the city that have had an influence over its economic culture. One of the unique traditions that have continued over the centuries in Kayseri is the 'evening meeting' or 'Kayseri setting,' a phenomenon that has been labeled as "communities of learning" by some social sciences.[91] After working together during the day, the people of Kayseri have a tradition of meeting in groups in the evening to discuss various issues. Businessmen, city councilors, bureaucrats, employees in high positions, workers, retirees, youth, in short, people from every walk of life join and meet each week in someone's home. All hierarchical differences in the working environment become invisible in these meetings.

Before each meeting, a subject for discussion is chosen, and people interested in this issue prepare a presentation for the other members. Usually a solution to the problem or a recommendation is also suggested. Many businessmen that I interviewed emphasized the importance of these meetings in the city's cultural life and said that in their meetings, business connections are established, marriages are arranged, bursaries for students are collected, and capital is raised for business by borrowing from the community. Actually, the responsibility for the money borrowed in these meetings is greater than any legal

[90]Nilüfer Göle, "Islam, European Public Space, and Civility," *Eurozine*, (May 3, 2007), www.eurozine.com
[91] Emre Aköz, "Kayseri Milliyetçiliği" *Sabah*, (July 17, 2008).

guarantee. Everyone knows each other; therefore, if a person does not pay back his debt, he loses his credit worthiness as well as face in the society. These meetings influence the work ethic, family relations, work contracts and even resolve conflicts between people. For example, numerous companies founded during the 1970s first emerged as an idea in one of these meetings.[92] In recent years, not only the local problems, but also international issues, such as investment opportunities in Africa or the politics of President Obama are discussed. This research shows that entrepreneurs place much more importance on informal social networks, such as Kayseri settings, than formal ones. Social networks are strong and dominant in the business practices of small firms; in other words, social networks replace official formal institutions in the absence of formal information networks and an efficient bureaucracy.

Another characteristic of Kayseri is that the merchants of the city are focused not only on their own interests, but also take an interest in the well-being of their city. Many businessmen like to play an important role in the local affairs and work for the improvement of the city. The traditional Kayseri settings play an important role in the strengthening of not only horizontal networks but also the vertical ones. Ties of trust, solidarity and teamwork develop along these horizontal and vertical lines,[93] indirectly leading to the development of new social networks and, potentially, the diffusion of new ideas. According to social movement theory, it is through social networks that individuals come to participate in the activities of social organizations. Social networks are essential

[92] "Zafer Özcan, Akla ve Paraya İhtiyaci Olmayan Şehir; Kayseri" *Aksiyon*, no. 571, (11. 2005): 64-67.
[93] Vertical lines refer to different levels in a hierarchy (as levels of social class or income group); while horizontal refers to the same level in a hierarchy in society.

to the negotiation and renegotiation of identity.[94] Businessmen in Kayseri use these networks to create what Alberto Melluci calls "network meaning": communities that accept, internalize, and promote a particular set of values.[95] This kind of communication can help members overcome a feeling of powerlessness and the belief that they are individually unable to change societal conditions. Sociologist Doug McAdams explains the importance of the social networks in participating in a social movement to the effect that without communication along social ties, there is a greater chance that individuals will feel that a problem is their own and not a systematic problem that affects numerous individuals and one that can be collectively addressed.[96] Hence the networks that link the people of Kayseri are highly conducive to the development of social capital -- trust, solidarity, identity -- that underlies an organization as well as socio economic movements.

I.5. Political Identity of Kayseri

As former Mayor, the writer Şükrü Karatepe points out that despite the success in economic activity and industrial development, Kayseri has not had an active or assertive role in political area. The most influential groups in political decisions have consisted of small and medium entrepreneurs. Generally Kayserians look at daily life from the point of view small and medium entrepreneurs.[97] The fundamental characteristic of this view is providing the highest profit from his effort and trading.[98] A typical Kayserian thinks

[94] Jannie A. Clark, *Islam, Charity and Activism* (Indiana: Indiana University Press, 2004), 21.
[95] Alberto Melluci, *Nomads of the Present: Social Movements and Individual Needs in Contemporary Society*, ed, John Keane and Poul Mier (Philadelphia: Temple University Press, 1989),
[96] McAdam, Doug, and Ronella Paulsen. " Specifying the Relationship between Social Ties and Activism," *American Journal of Sociology* 99, no.3 (November 1993):640-667.
[97] Karatepe, 204.
[98] Karatepe, 204.

practically, behaves politically and believes what he or she sees.[99] Since politics is unpredictable and carries many risks, inhabitans in Kayseri with their general characteristic of avoiding risky ventures cannot make pretentious politics. An average Kayserian prefers to gain success in business instead of politics. There is a small anecdote about a wealthy and well-known merchant in Kayseri who gave advice to his kids when he was dying. "My children, my last request is: Do not forget that the government is a musical instrument and you are dancers; try to keep in step with the music."[100] With this philosophy, businessmen in Kayseri have generally tried to work in a harmony with the political party in power. However, they do not demand favors from central governments, but prefer to solve their problems internally. A study which had published by Kayseri Chamber of Industry, the most of the entrepreneurs assert they have to trust the government. However, if some decisions of the central government created disadvantages and caused to lose of private sector, their trust would be damaged.[101] In 2002, 830 entrepreneurs of 1087 said the government decision caused lose of their firms.[102] In the same years, 500 entrepreneurs of 1087 asserted that they do not trust government, while only 48 of them said they always trust.[103] Many of them see government as a block for investments and economic life and do not like the slowness and bureaucratic heaviness of central management.[104]

In Turkish politics, Anatolian cities generally accept the prolongation of the central government, which means a decentralization of politics can not developed.

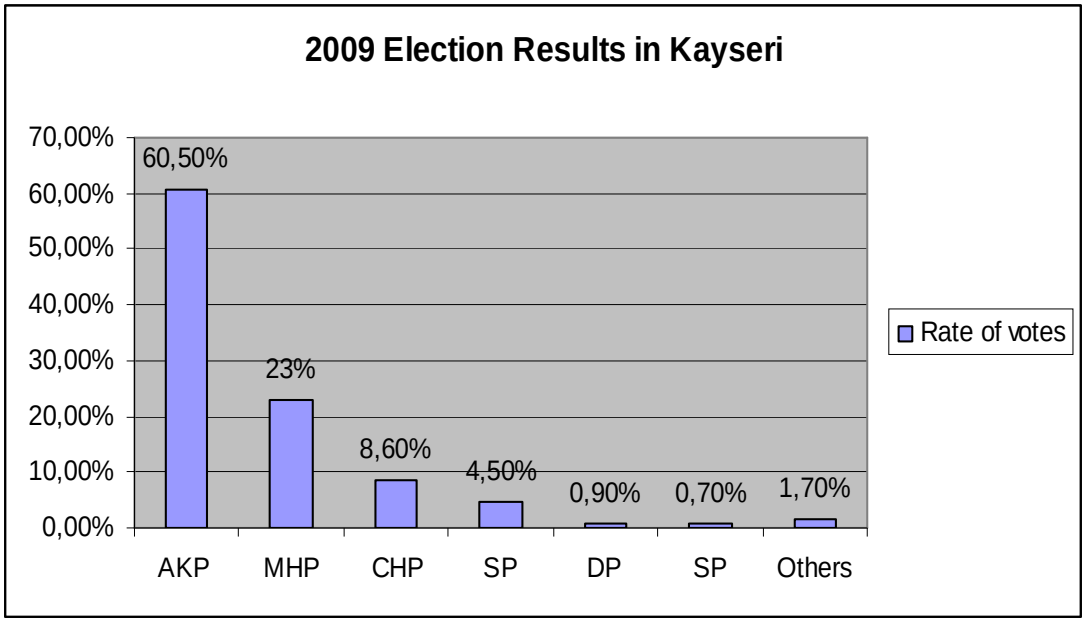
[99] Karatepe, Ibid.
[100] Karatepe, 205.
[101] Mahmut Özdevecioğlu, *Özel Sektörün Kamu Sektörüne Bakışı ve Değerlendirmesi Araştırması* no.40 (Kayseri: Kayseri Ticaret Odası, 2002), 21.
[102] Ibid, 22.
[103] Ibid, 26.
[104] Ibid.

Mayors of the city such as Rıfat Çalık, Emin Molu, Mehmet Çalık, Niyazi Bahcecioğlu, Mehmet Özhaseki built up a successful business governing Kayseri. The current Mayor of the city, Özhaseki, says "I could not have sympathy for politics. I see the municipality as a place to serve for our city. I do not like work for a party but for the improvement of Kayseri. A person, who makes people happy, makes God happy."[105] He asserts that the pressure of Islamic politics causes a duality to exist for mayor and the governor, which does not help to solve the city problems.[106] He believes that the governorate should be abolished and a new regional province administration should be introduced.[107]

As table below shows, most people in Kayseri prefer to identify themselves as "nationalist, conservative and pious," while those who define themselves as leftist were less than 10 percent of the people.

[105]Kayserili Başkan Meydan Okudu, *Kayseri Bugün*, accessed in Jenuary 10, 2008. http://www.bugun.com.tr/haber.aspx?id=10990
[106] Özcan, "Local Economic Development, Decentralisation and Consensus Building in Turkey," 247.
[107] Ibid.

Table 9: Political parties in 2009 election



The AKP votes which totaled 70 percent in 2004 decreased to 60 percent in the 2009 election.[108] The economic crisis and aggressive, but angry political campaigns of the Prime Minister, created a serious problem for the AKP in Kayseri and resulted in a loss of votes.[109] Many entrepreneurs complain about the political struggle, which effect the realization of big projects. According to them, political parties focused on elections and the power of the central government and this limit their ability to see the real benefits for the peripheral towns and cities. Thus, it would not be wrong to claim that despite their religiously conservative and nationalist attitude, in economic life, Kayseri's entrepreneurs have a certain type of anti-state and anti-authority sentiment.

[108] Taha Akyol, "Seçim Sonuçları Ne Diyor?" Milliyet, March 30, 2008, http://www.milliyet.com.tr/Yazar.aspx?aType=YazarDetay&ArticleID=1077156&AuthorID=62&Date=30.03.2009&b=Secim%20sonuclari%20ne%20diyor&a=Taha%20Akyol
[109] Ibid.

Chapter Five

SUMMARY OF FINDINGS

The best way to analyze the changing socio-economic realities in Turkey is by visiting and personally experiencing life in Anatolian cities. In particular, the city of Kayseri is a good example of daily life in an economically advised but culturally conservative society.

The results of this study conducted in Kayseri show that religious entrepreneurs can integrate into the global liberal economy. This remarkable economic success and power has reduced the influence of fundamentalist ideas and brought a moderation in religiously conservative society. It can be observed that Kayseri embraces all the benefits of a market economy but protects community spirit by highlighting and promoting religious values.

I. Socio-Cultural Analysis of Religiously Conservative Entrepreneurs

I.1. Education Levels of the Owners of Companies

The educational level of the founders of these firms is generally not very high. A majority of entrepreneurs have only completed their primary education. Those with a university degree studied such disciplines as theology, engineering or education. The businessmen who have university degrees generally had stated that they had attended university outside of Kayseri. Going to a university was also a sign of leaving one's usual surroundings and forming new networks and is therefore an important concern for these businessmen. Three of my participants had pursued a graduate degree abroad. While their educational

level determined their way of life, cultural interests, and spending patterns, the wealthiest people in Kayseri as a class, are very different from the İstanbul elite.

Unlike established secular businessmen, the Anatolian entrepreneurs tend to devote the bulk of their energy to the struggle for better living and working conditions. While the first group lives a Western life style - going to concerts, arts exhibitions, dances and balls, theaters, and so on - Anatolian businessmen prefer to live a traditional modest life - spending time mostly with their family at home. The İstanbul elite tend not to have any link with their own traditional culture and religion, but pious Anatolian businessmen appear much more grounded in their own religious and cultural traditions. In other words, it is not possible to identify socio-cultural elitism as a hallmark of the wealthy class in Kayseri.

I.2. Role of Religious Ethics in Business Life

Although many of the entrepreneurs claimed that they follow Islamic ethics in socio-economic life, they nevertheless admitted that in order to gain success in economic life they never hesitate to carefully apply the practical requirements of the market economy. Many of them say that their religious beliefs motivate them in economic life; however, their real success in business and trade is the result of a rich heritage of regional business practices. It comes with experience and the teachings of the *Ahi* tradition. Almost all Muslim entrepreneurs say that since honest work is considered ‘worship’ in Islam, they perform their religious duty by earning their livelihood and working according to Islamic ethics. They point out that Islam and its values encourage individuals to go into commerce, to work hard, to earn and even to become rich, as long as this wealth is

acquired legitimately. By being successful in economic activities and making money, they believe they can better serve their families and society. None of the participants saw a distinction between this world and the next, believing that whatever they did in this life would have a direct influence on the next life. One of my respondents said:

> It is true that Islam prohibits fatalism which was subsequently attributed to Islam by the followers of unorthodox creeds and religious groups. On the contrary, Islam and its philosophy encourage individuals into commerce, and trade as long as they obey religious principles.

I.3. Attitudes towards Wealth and Charity

The interviews also sought to delve into how pious Muslim entrepreneurs see the relationship between wealth and religious beliefs. What are the differences that distinguish their use of wealth from that of the secular businessmen?

Most of the participants emphasized that wealth is important for a Muslim in order to protect himself and his family honor, because a Muslim must not beg for money from others; rather, he must strive to earn money and be generous to needy individuals. Wealthy Muslims are expected to help others and make important contributions in social areas, such as charity, public health and education which require a great deal of resources. They explained that since the beginning, Islam has encouraged earning money and pursuing trade. Most businessmen reminded me that the Prophet Muhammed himself a trader once said that “ninety percent of wealth is in trade,” so there is nothing wrong with being wealthy, as long as money and its accumulation does not become an end in themselves. What makes religious businessmen different from non-religious ones is how they spend their money. Many of my pious participants explained that part of their profits went to charities such as hospitals, university buildings, and other causes. Some

businessmen, who came to be interviewed, began by turning off lights that were not necessary, underlining the importance of economizing and saving energy, a typical attitude among Kayseri's businessmen. These businessmen are very generous in donating money to everything from small health centers to big hospitals, schools, university departments, police centers and housing for government administrators. As any of participants pointed out, it is very hard to find a single person who is hungry or homeless in Kayseri. There are 16 soup kitchens in Kayseri which feed around 6-10 thousand people daily. There is also a shelter for homeless people.

As one of my respondents mentioned, it is easy to see charity funding at work in Kayseri, such as the guesthouse for relatives of patients in hospitals in the Hisarcık town. The aim of this funding is to provide for necessities, such as a place to stay, food and drink and other needs for poor patients and their relatives. Needy people get free food three times a day and they can bathe and wash their cloths without charge.

Another interesting charity initiative is the Green Apple Food, Clothes and Furniture Acceptance and Distribution Center, which was founded in 2004. This center serves needy people by providing free food, clothes and furniture. Poor people can get essential goods from this place without charge.

Kayseri's rich commercial culture thrives on investment, savings and charity. For instance, since 2000, €230 million of private money has flowed into charities and foundations for the improvement of the city.[1] From health centers, to university buildings, numerous public institutions have been founded by private charities. My participants

[1] Özcan, "Akla ve Paraya İhtiyacı Olmayan Şehir; Kayseri," 64-67.

seemed very proud of making good money and sharing the benefits with the larger society.

The rise of non-governmental charitable institutions in Kayseri points to the continuation of the pre-modern Islamic social institutions on the one hand, and on the other, the inability of the modern state to deliver such services. Since the beginning of the nineteenth century, the state had gradually expanded its purview to include social welfare services that had previously been guaranteed largely by *waqfs* as explained in a previous chapter. Since the transformation of the Ottoman Empire into a secular state, when neither traditional authorities nor the state proved capable of adequately providing social welfare services, these newly emerged local wealthy benefactors established the region's first nongovernmental organizations to cater to the socio-economic needs of the poor. In this regard, Muslim entrepreneurs are attempting to establish alternative institutions perhaps partly in order to demonstrate the viability and superiority of Islam in the face of a struggling secular state.

I.4. Changing Lifestyles of Pious Businessmen

Many of my participants accept that increasing wealth has resulted in some changes in their social and cultural habits. They have begun to spend much more money on luxury goods. One of the participants said that he does not spend lavishly but there is nothing wrong in spending money to have comfortable, nice houses or cars. Many of them say that a Muslim has to earn money and to spend his money on commodities of quality since a Muslim deserves the best quality. However, they insist that Kayseri businessmen are not in the habit of going out for expensive dinners, frequenting clubs or attending theaters or

plays. Socially, they lead a very modest life. They mostly join in a web of new socio-economic relations that are usually directed towards solving problems or improving the socio–cultural conditions of their city.

Two of the directors of holdings companies said that despite the dramatic change in social environment and the newly acquired wealth, they still associate with their original social background and old circle of friends. The main difference is that their economic advantages make it possible to access a wider social and cultural lifestyle; in short, they are open to being modern. For instance, they dress in high quality, labeled clothes; they send their children to Europe or North America for higher education; they furnish their homes with expensive furniture; and their wives have joined fitness centers and drive luxury cars which are symbols of their economic status. This constitutes a dynamic and evolving picture of Kayseri.

I.5. Importance of Religious Identity in Work Environment

All of the participants confirmed that religious identity cannot be the only basis for their choice of hiring workers or establishing organizational structures. All of them underlined that they do not base their choices on the religious identities of their customers or their workers, but rather, on the commercial rules and requirements of the economic life. When employing workers or other personnel in their firms, they primarily look for competence. However, many participants did add that they would be happy and comfortable to work with personnel who shared a common belief system with them. Thus, it is possible to assume that they do not interfere with their personnel's religious life, but they do seem to prefer to work with like minded people.

As for their commercial partners and customers, five of the participants stated that they preferred working with businessmen who share a common worldview. The rest of the respondents insisted that they were only interested in the best results and profits for their business. In a professional world, as businessmen or merchants, their main concern was trustworthiness on the part of others, irrespective of their religious leanings. Two of the informants emphasized that it is possible to run into serious problems in commercial relations by assuming a business partner's good intentions and trust. So although there is a sense of brotherhood of belief, it is not a sufficient pre-condition in itself for commercial relationships in Kayseri.

In their commercial dealings, religious businessmen do not hesitate to operate according to market needs. For example, one of the participants said he produced certain products that he could never himself use because of his religious beliefs. However, he did not see anything wrong in producing and selling this product to his customers. He explained:

> To shape people's choices or ideas is not my job, I care to do business and be successful in the market. There is a huge demand for this product, so my job is to produce it, sell it and get the best profits possible. It is not a problem that in my private life I do not use this product; it is my choice and not related to business.

Another informant said that:

> If businessmen use belief as an instrument in commercial relations they can meet with difficulties and end up charging each other with not being sincere believers. To avoid misunderstanding and mistakes, it is better not to assign belief a role in commercial transactions. Some Muslim businessmen's ethical weaknesses or mistakes can damage the reputation of all other Muslim entrepreneurs.

Based on these views, it appears that for most Kayseri businesses people and economic relations need to be kept separate from people's religiosity; their economic and subjective interests should be their central concern. Commercial relations must not be

shaped around religious identity and trust; rather, they must be based on the rules and requirements of the economic life.

I.6. Motivation and Success in Commercial Life in Kayseri

All the participants insisted that Kayseri has a special historical tradition and heritage in commercial matters. They also said that it is not specifically related to Islam; indeed, its success in trade comes from its multicultural historical background. Many participants referred to how, in the earlier years of the twentieth century, the population of Kayseri boasted a number of Greeks and Armenians who were very active in economic life. The Greeks were usually focused on trade whereas the Armenians were focused on the production and the service sectors, such as shoe making, clothing manufacture, and the carpet sector. Obviously there was at least good economic cooperation between the Muslims and non-Muslims. After the treaty of Lausanne, in 1923, the Greeks had to move to Greece and Armenians to other cities or countries. The people of Kayseri believe that trade is a skill that can be learned from practice starting at an early age, and that learning about commercial relations and activities is more useful perhaps than classroom education. Many of the participants had worked in the same sector since they were children. However, my sources added that the new generation laid greater emphasis on education and sent their children to good schools abroad or in Turkey's larger cities, with the idea that they would return to work for family firms and improve and expand them. Six participants mentioned that many important and well known businessmen in Turkey had been born in Kayseri and that they were proud of them and also took them as role

models. In short, engaging in trade is quite popular in Kayseri, and a number of the participants said, “Business is in their blood.”

I.7. Cultural Life in Kayseri

The people of Kayseri are proud of being wealthy; however, many of them agreed that new investments, a more effective cultural life, and better schools could make the city a more atractive place to live. In the eyes of Kayseri’s people, even a rich cultural life is a ‘business’. Five of the participants mentioned that the cultural activities which are generally rare, and found in Ankara (the capital city of Turkey), were incompatible with their family values, being too leftist or too elitist. For them art has to play a role in improving moral values and supporting ethical behavior in society. One of the participants remarked:

> We do not have a negative prejudice against plays, movies, art exhibitions or night activities so long as they represent our own culture and value system.

It seems that instead of going out for cultural activities people prefer to meet in their homes. Many of my respondents thought that these meetings were the only source of social and cultural life. They realized that the people of Kayseri were far behind in cultural activities and were just focused on earning money. People of the city like to go to the countryside, spend their summers on their country property. That is a traditional social activity in Kayseri and only the poorest people do not partake in it. Many businessmen and owners of companies can afford to live in big cities such as İstanbul, Ankara or Izmir, but they prefer to stay in their hometown. As traditional family links are very strong in Kayseri, family activities tend to be the focus of social life. This results in much richness of hospitality and elegant interior designs of houses; however, life outside of the home in

Kayseri is not so impressive. In particular, the younger generation complains about a colorless social life in Kayseri and they dream of moving to larger cities. As it is, modern shopping malls are becoming their favorite place to spend their time.

I.8. Differences between the 'Anatolian Tigers' and Other Entrepreneurs

Some of the participants insisted that the difference between the 'Anatolian Tigers' and other companies lies in the social and economic background of entrepreneurs in Kayseri. Most of them come from the middle and lower economic classes, and they are religious and traditionalist. They usually enter economic life at an early age following the Kayseri tradition and continue to work in the family firms. One of the participants said:

> There is a common belief that the first generation founds a business, the second one improves it and the third generation destroys it. However, in Kayseri this is not the case; each generation tries to improve the family firm, works very hard, and investigates new methods to manage the business. And although Kayseri's businessmen accept that in their personal life they should follow the rules of religion and live a modest life, in economic life they behave very rationally. They are aware that business requires professionalism and that the compulsions of the modern economic market are inescapable.

Another participant said that:

> In economic life the legal requirements and procedures, the necessities of the market are the priority for (the businessman). When he has to make an economic decision, his reference is not the prescriptions of Islam but the realities of the market.

Another explained his way of work in business as:

> When I sell or buy products I never care whether the other firm is run by Muslim entrepreneurs. As long as they can work with me honestly and fulfill their promises, the religious views of other companies are not important.

Two of the participants also mentioned that to be known as an 'Anatolian Tiger' can sometimes lead to being stereotyped. Some Islamic businessmen, setting aside religious concerns, apply logical decisions according to the needs of the economic

system, whereas others are concerned about articulating their trade ethics within the rationality of the economy.

Yet, other participants contended that their attitude in business was different from other businessmen's, especially from those in İstanbul who are considered secular. They claim that Muslim entrepreneurs' background, beliefs, mentality, economic ethics, decision-making processes, criteria, and relations with other firms are different from those of secular or non-religious entrepreneurs. First of all, they claim, the holdings of Muslim entrepreneurs are not hierarchically organized structures, the relationships between workers being less formal than in large factories. Many of them do not use credit from traditional banks or even the government but rather raise money through the interest-free Special Financial Organizations. They identify their business not only as economic institutions but also as providing leadership for social and cultural values in the region. As long as they are serving their city and people, they feel comfortable with the idea of making money. There is also a social pressure on them; it is not really possible to choose not to become involved in the development of their society. This is not an individual decision, but rather a kind of social and traditional responsibility. In short, they believe that they ought not concentrate merely on their own profit and individual benefit, but rather serve their people and city with their resources largely independently of state's economic and social support. They insist that their financial structures and organizations are based on a modern economy but their references are from religious ethics in economic activities. However, a participant who is not as religious as the others said:

> Although we identify ourselves as conforming to a religious model, in reality our economic activities and organizations are much the same as others. It is true that some firms like to be known as religious firms just to benefit from it or to find more clients by winning the sympathy of conservative individuals.

I.9. How does the Prohibition of Interest In Islam Impact Economic Activities in Kayseri?

Without exception, all of the participants accepted that interest (usury) is prohibited in Islam. In this regard, the statistics are remarkable. In Kayseri, the majority of the participants in the survey said that they were avoiding using bank credit since interest payments are forbidden in Islam. When they had financial needs, they generally borrowed money from family and private finance foundations. However, they were aware that interest is an inescapable part of the modern economy. All of them explained that the requirements and conditions of modern economy are very different from earlier days. For example, the rate of inflation is very high and if they work with a price below the rate of inflation, they cannot remain in business. The participants generally supported this attitude. They said that experience in business life had taught them that interest is a necessary evil in the modern economy. Thus, they had learned to separate business life from religious sensitivity. Many of the participants agreed that working with interest is a sin, but they took this risk to remain competitive. They maintained that the issue of interest has to be re-evaluated by religious scholars in order to modify the prohibition against interest in the present economic climate. In this sense, some of them say that they prefer to work with Islamic private finance institutions for their financial needs, but the majority of the participants complained about some of the economic disadvantages of these economic institutions and, therefore, justified working with conventional banks. One of the participants said:

> There is no possibility of providing a guarantee for investors in the Islamic finance system; under Islamic law, investors have to take the risk of losing their share, so that if an Islamic private finance institution collapses, the investors and all clients also lose their savings and nobody wants to take such a risk. Some such unfortunate situations have occurred before, and that's why they are not a serious alternative to conventional banks.

In short, all of the participants agreed that despite their sensitivity to religious prohibitions against the use of interest, they cannot completely avoid it in their commercial transactions and economic activities. Moreover, they insisted that they do not use interest simply to make more money but invest money and effort in economic life. The economic spirit of Kayseri is shaped according to this attitude. "Earning money or gaining capital is acceptable only if gained by working hard; this is the only right way in Islam." Many businessmen explain that although they cannot escape dealing with interest, they never use it to make money from money; rather, they use it to ensure and increase production in their holdings and companies, thereby serving other Muslim people by employing them and improving their economic conditions.

In their struggle to create their own Islamic pattern of living, the respondents identify the issue of interest as the key economic question. One entrepreneur pointed out that the modern era is really different from the *Asr-i Saadet* (Golden Age) of Islam. He expressed his idea as:

> The Prophet enabled Muslims to develop new strategies, to create a space for action in his time, but after the gate of *ijtihat* closed,[2] it was no longer possible to adapt in the same way to changing conditions. In short, this is a systemic issue, and

[2] Ijtihad is a technical term of Islamic law that describes the process of making a legal decision by independent interpretation of the legal sources, the Qur'an and the Sunnah. Western scholars such as Joseph Schacht accepted the notion that the "gates of ijtihad" were "closed" in the 10th century in Sunni fiqh, meaning that ijtihad is not practiced in Sunni Islam anymore. See, Joseph Schacht, *An Introduction to Islamic Law* (Oxford: Oxford University Press, 1964), 25-27. However Professor Wael Hallaq proves that ijtihad has remained an essential part of the Sunni Muslim tradition in his famous article "Was the Gate of Ijtihad Closed?" *International Journal of Middle East Studies,* 16, 1 (1984), 3-41.

> since Islam is an *umma*, it is difficult to adjust the present system individually. Instead of remaining passive and weak in the face of change, pious Muslim entrepreneurs prefer to serve the community and the Muslim world by competing in the modern global economy with its own tools. They share the belief that although they cannot escape from using interest, they are still able to behave as *Homo Islamicus*.

I.10. The Role and the Place of Muslim Women in Economic Life

From the standpoint of morality or religion, the role of women in the economic life is a difficult matter to analyze because of the many different facets of the issue. The low rate of participation by women entrepreneurs and also the small numbers of women employees is one of the weaknesses of the economic development in Kayseri. I interviewed four women entrepreneurs and they all insisted that there is no discrimination against women in Kayseri. One very successful woman, not originally from Kayseri, insisted that she loves the city and prefers to stay there. Having temporarily come to Kayseri from a larger city, she decided to remain and establish a business because of the great opportunities. She added that she became the center of attention as a woman entrepreneur, and this was more effective publicity than paid advertisement for her business. She said that if she had begun her business in İstanbul, she could not been as successful as she has been. She related her feelings about doing business in Kayseri as:

> I respect other conservative businessmen's personalities and wear modest clothes when I go to meetings with them. It is not really difficult to work with pious entrepreneurs. The advantages of being a woman entrepreneur out weighed the disadvantages in Kayseri. It is true that the social life is very limited in Kayseri, but that other attractive centers of central Anatolia or the capital city, Ankara, which is close to Kayseri, offer more options.

In short, according to her, it is not possible to say that there is discrimination against women; only that some priorities for women are not priorities for the men of Kayseri.

Nevertheless, she is very happy and satisfied with having established her company in Kayseri.

Another woman participant said that the role of women in economic life is changing. For example, she said, a decade earlier, there were no women investors or entrepreneurs in Kayseri, but since then, a number of women entrepreneurs have entered the business world. Today, the membership of the Kayseri Women Entrepreneurs Organization numbers eighteen. This organization provides support and coordination to women entrepreneurs and encourages them to be active in economic life. The organization includes women from different backgrounds, of all ages and religious education, directors, founders of companies, owners of firms or investors in different sectors such as textiles, metal, furniture, banking, and construction. One woman respondent said:

> We do not care about discussions on secularism or religiosity; we are just concerned about paying our employee's salaries. Shortly after opening, I asked for the price of a machine and my male colleagues expressed surprise to hear that a woman was entering the metal and machine production business which was regarded as a man's work, but then they realized that I was serious about it; after this they encouraged and supported me very much.

In the last 25-30 years, just like many other urban centers in the world, Kayseri has changed considerably. It is possible to chart this transformation from the story of women entrepreneurs. When one respondent entered the textile sector in 1991 there were hardly any women in business. Many businessmen said to her boss "You already have an assistant; what is she doing here?" Yet despite this prejudice, she never felt uncomfortable herself working in the industrial field with men. A bank director insisted that the changing views of people about women can be seen below:

> If you ask someone who is 80 years old, he/she will state women have to stay at home and raise the kids, while someone in his 50s would say "it is better if she works but as a teacher or an employee for the government." However, if you ask my generation, many will agree that women can work in all fields in industry, and they be successful. Basically, the ideas of 20-30 years ago cannot represent today's Kayseri.

Yet, not all the women were so optimistic about conditions in the city. Some expressed the belief that the overall conservative and religious identity of the city tended to limit women's freedom. There is a strong social pressure, they said, that blocks women's participation in economic life. Many women, after completing their higher education, stay at home and raise children. The reason sometimes being that is they do not want to work in a job for which they are overqualified. Yet, while some women are willing to stay home, many are not. As earlier mentioned many women who work in Kayseri insist that there is no discrimination, but a social pressure and dominant belief is influential on women's decisions whether or not to join active economic life. For instance, the idea that, "working outside is not ethical and also a sin for a women," is highlighted by the local media, in women's meetings, or in social activities in the city.[3] One of the participants, a worker who covers her hair, mentioned that women's meetings have become very popular in the last two decades in the city. She explained that in these meetings a woman who has a degree from a religious faculty gives a speech which is generally about the role of women in society as a mother and wife. She said that different sects and groups arrange these meetings and some sects such as *Nakshibendies* force to women to cover their hair.

As many women participants indicated, to act or to think differently, one has to deal with this pressure. Women who do not cover their hair, drink alcohol, vote for

[3] With 23 daily, 5 weekly and 1 monthly local newspapers, Kayseri has plenty local publishing. I could hardly see women writers' or journalists' articles in these local newspapers. The general tendency of the news and articles are strongly patriarchal.

secular political parties, or are secular in outlook cannot hope to win awards and bids for city contracts, or sell their products. Businesspeople that have close links to the AKP or specific religious sects and *tariqas* have preference and gain support from important city groups.[4]Also women are still relegated to a secondary position in the work place. As women participants indicated when the economic crisis struck, women were the first to lose their jobs.

There were also women who advised me to investigate the place of women in the economic life and the society. An active member of the women's commission argued that things are not easy for women and that discrimination and social pressures are increasing in light of Islamic requirements by conservatives. She insists that secular women especially are under pressure from the religious and patriarchal attitudes of the residents of the city. She said:

> The average citizen is not deeply marked by religion, yet in Kayseri religion is used to keep women passive and far from the centre of economic life. When they do not have economic freedom, women are not able to take responsibility for their decisions and are forced to live subject to the psychological and physical violence of men.

One of the participants, a man who is very powerful in the municipal government, insists that the number of women entrepreneurs is low but it is increasing slowly with changing views on the role and abilities of women in economic life. However, it is also true that many residents of Kayseri still hold on to the idea that for a wife to be employed carries the suggestion that the husband is unable to provide for his family. If employers need to choose between hiring a man or a woman, they will usually hire the man – partly because the woman usually will not work for a long time in the firm, but leave as soon as

[4] See also the work of Binnaz Toprak, İrfan Bozan, Tan Morgül, Nedim Şener, *Türkiye`de Farklı Olmak; Din ve Muhafazakârlık Ekseninde Ötekileştirilenler* (İstanbul: Metis Yayınları, 2009), 163-171.

she gets married or pregnant. There is also the common notion that men are the main breadwinners of the family, so that by employing a man they are helping the entire family. “Men are busy with checks and bills, while woman are busy with cake and pasty” is a well known statement in Kayseri.

Much of the discussion on Islam focuses on the place of women where indeed, women’s public visibility is an important issue for Muslim women. In Turkey the most controversial issue involving women in Islam is that of veiling. There is a prohibition against the public visibility of veiled women, especially in educational and other governmental institutions. A number of participants indicated that in constructing an Islamic way of life in the modern world, the status and rights of women also have to be considered according to the present needs. One businessman explained:

> Veiling should not be regarded in a negative light in working life; rather, an ideal Islamic community has to serve women in economic and public life, since they are an important part of the modern society. It must be recognized in Kayseri that women play a critical and active role in the formation of an Islamic ethical framework as well as in reducing conflict in the modern world. Increasing women’s educational levels is crucial to enhancing the effectiveness of Muslim women. The role that women play in economic life is strongly related to the traditional nature of the relationship between the sexes. Women who integrate themselves into economic life are newly urbanized with modest family backgrounds and they are relatively well educated, some having received advanced education with a university degree.

One participant said:

> It is true that men aren't supposed to share seats with women on the bus (men give up their seats to women, and are supposed to stand up rather than sit next to women). However, there are a number of women who do not wear headscarves and are friendly with men and do not hesitate to communicate. Women at the university do not generally wear the headscarf, although some do.

Many participants insisted that I should mention that their wives are very active in the society. They work for organizations helping needy people or help with other charity causes.

Some of the participants mentioned that their wives are not willing to work outside the home and that is their choice. They even complained about the increasing conservatism of their wives and said that this constitutes the biggest reason for the *sohbets* (informal meetings where people gather and listen to a religiously learned person, pray communally and eat snacks) in their homes. Often they read chapters from the Qur'an and translate the *suras* into Turkish. Religious activities are very popular among the women of Kayseri. During the month of Ramadan (the fasting month for Muslims), trips to major mosques are organized and talks about religious duties are given. The organizations behind these events are composed of the AKP members. One of the participants said:

> These meetings and organizations made my wife more pious. She did not wear the head scarf two years ago; however under the impact of these meetings, she is covering her hair now. I do not want to interfere with her choice. Instead of working outside in the economic life, she prefers to work helping the needy and poor people.

In general, my participants did not seem to worry about this situation; they were even happy about the decision of their wives. It does not point to a problem, but is rather a useful social activity for women.

The difference between women entrepreneurs and women workers appears to be the former's desire to be active in the economic realm. Many of the woman workers I interviewed said if they had possessed enough financial resources, they would have preferred not to work outside the homes. The desire to be productive, counted as the chief reasons for only 20% of women and men who wanted an active role in economic life.[5]

[5] http://www.kayserito.org.tr/web2/pxp/projelerimiz/ab-destekli-projeler/mizrak-duruslu-kadinlar.php

Moreover, women workers mostly labored in the agricultural sector, not in the industrial sector.

In order to provide effective solutions for women in their work lives, the Kayseri Trade Center has established a program for educating women as dispute mediators. These mediators are supposed to help resolve without recourse to the legal process which is painfully long and ends up perpetuating rifts rather than resolving them. It is generally called Alternative Dispute Resolution and moderated the work in courts in developed countries. Mediators on the other hand, try to find a win-win solution for both sides (between debtor and creditor). The aim of the Kayseri Trade Center is to improve this alternative method which is based on the consent of both parties. These conciliators are usually women, and they open the door for others to resolve their disputes, by serving the following principles:

- Supporting the existence of women in the working force.
- Helping determine the roles played by women in the economy
- Providing an alternative solution in the work lives of women.

Any women over 28 years old, with a 4 years university degree, and 4 years of work experience, can apply to have training as a mediator.[6] So far, 78 women have completed this program.[7] Women participates point out that women who are active in the economy, are usually not aware of their legal rights. For instance, according to a study, 37.4% of women who work in the textile sector do not know their legal rights.[8]

In Kayseri, 48.2% of women believe that they have access to equal working conditions with men, while 34% of them do not.[9] In addition, 38.5% of women workers

[6] Ibid.
[7] Ibid.
[8] © 2007, Öz İplik-İş Sendikası, www.oziplikis.org.tr/
[9] Ibid.

think there is negative discrimination against working women, while 55.7% think that the discrimination is positive, that is, in their favor.[10] In the textile sector, 73% of the women employed are laborers, while 17% work in administrative or management positions.[11] The majority of these 250 women are under 30 years old and single.[12] Many of them leave their jobs after marriage, although they say that if there were day-care facilities available in the industrial zone of Kayseri, they could continue to work after having children.

As a result, it should be emphasized that the role of women in economic activities can be shaped according to the new needs presented by changing conditions. Yet even though traditional attitudes have changed, the rate of involvement of women in the economy is still relatively low.

I.11. The Attitude of Pious Entrepreneurs Towards to socio-economic transformation in Turkey

Most of the participants mentioned that economic success brought confidence to religious people. Participants indicated that they have begun to enjoy being active and influential actors in the economic, even the political life, in Turkey. Up until the last two decades, religiously conservative people had accepted that they carried a lower status in society, since most were poor and uneducated. They have remained as "others" in the eyes of the secular groups and never could participate in or have access to the privileges of central management. Comments of a Kayserian businessman who I interviewed explained the real transformation of religiously conservative people's role in the society, he asserts:

[10] Ibid.
[11] Ibid.
[12] Ibid.

> Until recent years religious people of this society have remained non-existant and voiceless groups to the central government and the secular elite. Ironically they are accepted as invisible parts of the society, for instance they are never presented in any legal ceremonies, they are never seen on TV shows, movies, even simple soap operas, or in advertisements as a regular part of the Turkish society. They only represent villagers as uneducated, rude small town people who have no idea how to behave in a modern society. They are the subject of derision and comedy. Religion is mentioned in the same sentence with poverty and ignorance. Although more than half of the Turkish women cover their heads, in all advertisements or movies, a regular Turkish family is represented as people who have western style clothing and habits in this visual world. People who wear a religious cap, or scarf are cast as door-men, cleaning ladies, or maids but not presented as doctors, bankers or businessmen/business women in these images. I remember that after her retirement as a teacher, my mom was covering her head and when she would go shopping or to the bank, if there was another women who wore no covering, the latter was given priority and more respect. Wherever we go they call my mom, "*sen*" (you), but they were calling uncovered women, "*siz*" (more respectful way to say 'you') and their demands were addressed before those of my mom. When I watched movies or saw advertisements in my teen years, I was questioning our place in this society. I was feeling that we were second class people; I admire some of my friend's mom's who do not cover their hair and wear mini-skirts. Although my mom was not an ignorant woman, I was hesitating to invite her to my school meetings because I did not want my teacher to see my mom with her head covered.

After a long paused, obviously at least still looking back, he continued:

> When I grew up, my feelings turned to anger, because I realized that modernization and that to be considered a civilized person was determined only according people's appearance in my society. In reality poverty and ignorance was not the fault of villagers or small town people, since all government benefits and priorities were given to secular bureaucrats and businessmen who were close to the central management. In the last two decades, with the rise of religious entrepreneurs, these groups began to fear losing their privileges. It was okay to see a religious person as a cashier or a maid, but the secular elite could hardly accept that now these religious people were doctors, politicians, engineers and possessed the same economic power. The socio-economic development in last decades has proved that religion did not prevent small town and village people to from obtaining an education and vision. When they have sufficient economic and social support for their schools, they can receive education; build modern organizations, visit and trade, even with other countries. It is true that instead of Mozart, we prefer to listen Turkish folk music, we do not drink wine but tea, we like family meetings instead of going out, my daughter feels more comfortable in covering her head with a scarf but she is studying engineering, and so we have found our way of modernization. Consequently we are not brutish small town people who only interested in producing carpets and no longer speak with a ridiculous accent, but we are world citizens who have confidence to live our religion by having high economic standards.

As can be seen, the new religiously conservative economic elite are happy about the socio-economic transformation in Turkey. Many of them believe that only economic power can provide a real modernization and transformation in a society. They say without economic well-being, prohibitions and rules that come from the top never work to raise a society to a high level. The "Anatolian Tigers" experience shows that a growing economy and a new religious business class will be more important than decisive ideologies in determining how the religiously conservative groups interact with the world. Participants commented that religious entrepreneurs' distinctive blending of Islam and capitalism is the key to bringing about modernization, but not fundamentalism.

I.12. Employer-Employee Relationships in Small and Medium Enterprises

Although the nature of work relations is closely connected to the company size and the number of workers employed, professionalism and formal rationalism are dominant in the management of economic organizations in Kayseri. Most of the participants believe that it is important to develop full solidarity with the workers to positively effect productivity. They contend that it is possible to develop really harmonious relations with the workers in their enterprises. As one businessman noted:

> Most of our workers are villagers. They know the conditions of the market and the culture of the region. Compared to their villages, our salaries and benefits seem satisfactory. It is not usual to see enmity towards capital or oppositional views here.

Except for a few, most of the businessmen I interviewed described their relationship with their workers as paternalistic, which was considered by businessmen as something very positive. They are proud of being called 'father' by their workers. Many participants said that they eat with their workers and they work with them, so it has

increased ties of warmth and loyalty. In small and medium sized firms, it is usual to reward good workers with gifts such as a car, a house or more modest presents. They said that it is very crucial to have an empathy with the workers about their lives, problems and needs. It is important to create a kind of 'family spirit' in their work places. They do not hire a worker just because he may be a relative or a friend. Good, qualified and hard workers are preferred in business. The main principle is expressed as 'give a job to someone who is able to do it in the best way'. However, it does not mean that the family ties are no longer important and primarily significant for these businessmen. In order to protect this positive environment in work places, businessmen need to make sacrifices in critical periods. Many of our participants insist that in the time of crisis, they did not fire their workers but instead paid them less or froze their wages.

I.13. About the Position of Workers

Although they paid a great deal of attention to the welfare of their workers, and to forming close relationships with them, many businessmen did not approve of unions. Some of them were unhappy when I asked this question. Many participants said that workers have unions and social rights, and added that for the industrial firms in Kayseri, the existence of unregistered labor is not an issue.

I interviewed five workers from different firms and they did not share the company owners' optimistic views. I have to confess that interviews with workers were often more difficult to obtain than those with the owners of businesses. Most of the owners of the firms seemed not really willing to let their workers talk with me; and they did not leave me alone with their workers. Also workers hesitated to express their ideas

when their employers were around. Of course, this did not mean that they did not want to express their ideas; on the contrary they insisted on explaining the other side of the story, with some even hoping that my research would help improve their conditions or solve their problems.

Some of them even found out where I was staying, and took the opportunity of talking with me when nobody was around. In a long conservation about the working conditions in Kayseri and the question of whether there is any difference if the owner of the company is religious or not, one worker said:

> I do not see any difference. We do not have any power, we just go to work and slave away; we need to bring bread home. They do not talk to us, we do not see them. It is impossible to rest; we do not have a chance to look after our interests under the pressure of getting fired. Some big companies founded smaller firms and they tried to transfer workers who had been working for them for many years to these small companies. However, first they had to resign from the old company and leave all their rights behind, such as higher salaries, compensation, status, etc., then they had to start from zero as a new employees in these subcontractor companies, otherwise they would be fired. Thus, big companies will not pay them the higher salary they deserve with their experience. Unfortunately there is a lack of trust for organized labor and movements; big businessmen paid a very high salary to the heads of labor unions and so they worked together. I participated in many strikes and protests but never obtained any positive result.

He seemed depressed, silent and looked down when speaking. When he talked about the AKP he seemed angry and disappointed. He said:

> The party was telling us they are going to put an end to injustice towards labor, and that Islam stands for social solidarity, so there will be no poor people under the 'Just Order'. They would solve the problems of workers without need for a workers' movement or formal labor organizations. Unfortunately many workers argued that the Islamist party did not actually deliver its promises about social justice. Yet, once wealth and power came, all promises were forgotten. Islamic enterprises started with good intentions but turned into firms that oppressed their own workers.

The workers whom I could interview admitted that compromises are expected of them, especially during the economic crisis, even though owners of companies were not really affected by the crises. They mentioned that the owners fired thousands of workers

and that the same amount of production had to be achieved by a smaller number of workers. Some workers had not been paid their salaries in the last three months, nor could they get compensation or their benefits when thus left their jobs and found work in other places. Founders of companies wanted the workers to sacrifice their income for the company. Workers in Kayseri have been quite busy in the last six years trying to obtain their rights and to have effective unions. Workers described "Anatolian Tigers" as tigers who hunt and destroy whatever they find, and their prey is their workers. Workers' experiences were very different from what the entrepreneurs said. Workers' explanations indicate that in terms of economic life, there is no a real difference between secular or religiously conservative businessmen.

Some companies which were very successful economically have been the target of the workers' movement and protests. This is surprising, since Kayseri's workers are known as 'easy going, and obedient'. In some companies brochures have been given to workers containing the common slogans such as, "A good Muslim should be content with little", or "you cannot betray the person who gives you bread." However, after the economic crisis, workers have begun to question their situation. Recently the desire to struggle against poor conditions has increased among workers; however, because unions are generally on the employer's side, a serious workers' movement does not yet exist. I listened to a worker at a furniture factory who suggested that there is a possibility of a real worker's struggle:

> I changed my mind, I have hope now. I tried to convince my worker friends in the last four years, however, when the economic situation got worse and problems arose, even workers who were very close to management became the leaders of the workers movement.

I asked him what the result has been, and he responded:

> I have learned that workers can gather together under bad conditions. First we are planning to get rid of the ineffective head of the unions, and then we will come together just as our bosses have. All friends will work to organize other workers; there is no other way for us. We already have held a meeting and decided to publish a newspaper for workers, arrange a protest demonstration and establish a solidarity center. These will help solve our biggest problem, lack of strong networking.

They had already held a protest demonstration in Kayseri and the first workers' newspaper has been published.[13]

In sum, weak unionization in Kayseri means that in such market conditions with informal and low skilled workers lacking union memberships, wages remain below the optimal level. The use of cheap and unregistered labor is a cost advantage for businessmen in addition to providing flexibility due to the ease with which they can fire employees in times of economic downturn.

I.14. Economic Rationality and Research Improvement in Companies

Without exception, all businessmen said that they maintain a rational management and accounting system in their companies. Most of them even insist that they have been following the latest technological developments, and many of them mentioned that they have visited Western countries to learn about new technologies and industrial developments. All participants accepted that it is impossible to survive and operate successfully based only on the religious identities of their manager, and personnel, but the real success comes through the application of rationality, both in their management and in their accounting systems. One businessman put his ideas as follows:

[13] *İşçinin Gündemi Kayseri* (The Agenda of Workers), 2009-11-08.

> Today's industrial organizations can only continue to exist in the market on their rationality. There are many disappointing examples which prove that most of the companies have been striving to use the modern management principles in their funding and universal management principles. Recently international competitions, insufficient capacity of firms, financial problems, and personal mistakes have resulted in the failure of many companies. For this reason, we have to follow modern management's methods in a liberal market. Islamic rules or traditional values are not enough for successful management in the modern global markets.

One of my participants said:

> At the time of the many companies' establishment, many businessmen lacked sufficient experience and knowledge to operate their companies in Kayseri, but in turn, some of them have achieved success by relying on the experience and technical knowledge of their employees at each level.

Most of the businessmen have found that knowledge, ability and rationality are the main requirements for running their companies and attaining success in the market.

II. Valuation of Interviews: Profile of New Religiously Conservative Economic Elite

Most of the participants indicated that the new economic elite are a blend of specific regional traditions and liberal policies in the economic realm. Kayseri was the home not only of the Turks but also of the Jews, Greeks, and Armenians who were professional merchants and active in various industries. The city has been an important market centre for centuries. Also in the thirteenth century, one of the most significant economic and social organizations in the Ottoman history, *Ahism*, was established in Kayseri and spread to other Anatolian cities. Because of such active economic life, trade has become a traditional characteristic of Kayseri. People learned the rules of trade from various cultures, and passed them from one generation to the next. In the early years of the Republic, state-led industrialization opened the way for Kayseri's residents to engage in trade. Many people trained at these factories and learned the crucial details of industrial production. Then, since the 1980s, religiously conservative groups have had the chance to

integrate themselves into the Turkish and world markets while carrying their identity into the formation of new economic elite.

Religiously inclined businessmen called ‘Muslim entrepreneurs’ in Kayseri have represented the general characteristic of new religiously conservative economic elite that shares the economic and political power with the secularist elite in contemporary Turkey. Mostly they were born in Kayseri and established or transformed a family business. The young generation is well educated, as well as polyglot, and has knowledge of other cultures. They learned the rule of trade from their families and have combined this capacity with modern techniques and methods in economy. While a majority of the participants emphasized that they are good believers, they also noted that religion is not the fundamental guide in the business life and that they would prefer to act according to today’s requirements of economic markets. They contend that without having economic power it is impossible to express and live their religion. Hence, they obey the rules of business. As the interviews reveal, the religious businessmen do not believe in a classless society within Islam, as economic disparities are pervasive and the existence of economic equality is an unattainable dream. Yet, wealthy Muslims are responsible for helping the needy in their community. They work very hard to improve their city and community and support charity organizations. Instead of expecting all services from the government, they try to establish services in health, education, and provision of food for the poor and needy.

Anatolian businessmen tend to rely on their networks and family connections as opposed to borrowing from financial institutions. The underlying reason is to protect themselves from destructive impacts of economic crises, although their view that interest

is not allowed in Islam also plays a role. In social and economic life, traditional moral ethics and family values are still dominant. Pious entrepreneurs have a modest life style in Kayseri. However, recently, there seems to be a trend towards ostentatious consumption. Some activities that are strongly present among İstanbul based bourgeoisie such as enjoying the nightlife, taking an interest in arts and membership in high society, and sports, such as tennis and golf are not to be found among the Kayseri elites. As a result, these religiously conservative economic elite have not socially diverged from other low economic groups of the society. That is to say that the wealthy class of Kayseri cannot be conceived of as a bourgeoisie since they lack the socio-cultural elitism.

Regarding employers-employees relationships, despite the effort to connect with their workers, many businessmen avoided discussing workers rights, such as unions, job safety, and working hours. While workers embraced the paternalism in the work place in the form of empathy shown by the businessmen, it has often resulted in disadvantage with regards to worker's rights. Another controversial issue is discrimination based on religiosity. While many businessmen noted that they are inclined to hire people with common values and beliefs, they emphasized qualifications such as productivity rather than religiosity are the basis of their evaluation.

The structural and cultural analysis of conservative economic elite in Kayseri provides a better understanding of the empirical facets of a surprising force; 'Islamic capital' in contemporary Turkey. The interviews indicate that the "new economic elites" are challenging the established secular elites. In fact, this class has participated in more traditional social networks such as voluntary associations, self help groups and social welfare organizations. All these characteristics indicate the central location of these pious

entrepreneurs, their identification with modern values and their relationship to the essential structure of society.

CONCLUSION

This dissertation argues that the challenge of capitalism in different religious and cultural contexts has resulted not only in cultural pluralism but also in economic homogeneity within a global system which can expect to undergo further changes in the near future. In particular this research indicates that the rising pious Anatolian entrepreneurs are economically compatible with capitalism, but culturally maintain their traditional conservative values. However, it is important to bear in mind that this research investigates the subject within the confines of 30 interviews and there are myriad positions on these issues.[1] The economic development among the new economic elite has occurred within a framework of moral and ethical codes in the city of Kayseri. In this context, by combining conservative values with capitalism, Kayseri has become a remarkable example of the possibility to assume alternative models of modernity in Turkey.

A religiously conservative Anatolian city, Kayseri, was chosen as an existing example to demonstrate how "the global economy" has diffused to a local level, and reshaped economic life despite the city's unique and conservative culture. In other words, Kayseri is an example of the possibility of economic modernization limited by a single

[1] This interesting compatibility between Islam and capitalism has led to a controversial debate in academia. The well known scholar, Max Weber, argued that Islam could not emulate a capitalist system because it could foster only aggressive militancy (*jihad*) or reflective asceticism. Also, many Muslim scholars such as Umar Chapra, and for example a major work on Islamic economics by prominent Shia cleric Muhammad Baqir al-Sadr, as well as Sayyid Qutb, the prominent ideologue of the Egyptian Muslim Brotherhood, claim that Islam is not compatible with capitalism. Since they perceive Islam as an all-encompassing socio-political system, they regard capitalism as a rival and an enemy. However, French historian Maxime Rodinson put it that the Prophet also has many sayings cherishing trade, profit-making, and beauties of life. "Muhammad," as Maxime Rodinson put it simply, "was not a socialist." Whether reasonable interest is allowed or not, Islam's theological and historical attitude towards business is undoubtedly positive. "The alleged fundamental opposition of Islam to capitalism," Rodinson wrote, "is a myth." Also, Turkish sociologist Sabri F. Ülgener wrote extensively about how he, despite his genius in analyzing the origins of capitalism in the West, misjudged Islam and overlooked its inherent compatibility with a capitalist economy.

form in different local cultures. The rising pious Muslim entrepreneurs in Kayseri propose a sociological imagination that is panoramic, moving from the local to the global, trying to make sense of how our existential condition is enmeshed with broader changes in economy, culture and politics. What this research illustrated was that the introduction of pious Muslim entrepreneurs into "the global economy" is part of a "new passively developed world order" which is not the result of authoritarian rule, but has developed through a progressive evolution of our individual freedom to choose alternative economic possibilities. Unlike earlier times, now "economic modernization" is not imposed by a central government as a state ideology, but is diffused passively and constantly according to changing needs of "the global economy."

In this study, the ideology of Muslim-capitalists and their way of life is examined in a socio-economic context. Interviews help to identify a new entrepreneurial profile in the city of Kayseri that can be summarized as follows:

1) Religiously conservative entrepreneurs in Kayseri identified themselves as "modern *Ahis*" by claiming the economic success of the "Anatolian Tigers" can be attributed to the local 'economic ethic' that emerged from the *Ahi* tradition. The new entrepreneurs in Anatolia insist that they have avoided imitating the dominant Western culture and instead produced an economic synthesis based on the transformation of local culture. In other words, the "economic ethics" of the new pious entrepreneurs in Turkey is a blend of old local tradition and the demands of a modern economy. Historian Eric Hobsbawm called this process "inventing tradition," emphasizing that the difference between old and invented practice is the latter's "unspecific and vague character."[2] Such

[2] In his introduction, Marxist historian Eric Hobsbawm defined 'invented traditions' as follows: "'Invented tradition' is taken to mean a set of practices, normally governed by overtly or tacitly accepted rules and of a

an assimilation of traditional attitudes and values into the process of economic modernization may illustrate the possibilities of different patterns of modernity.

2) This research also emphasizes the tension between the long established secular elite and the rising new pious economic elite. While the long established secular elites have turned their face to the West, as the participants of the interviews said, Anatolian Tigers have a very close relationship with Muslim Arab and African countries. In terms of political stances, such as IMF policies or the Kurdish issue, these two important groups of economic elites have made different choices and possess diverse ideas, such that they communicate different messages to the central government. As many entrepreneurs in Kayseri claim, the long established secular elite has not emerged by following the original way of Western bourgeoisie, and thus have not played the historical role of that class. A long established secular bourgeoisie in Turkey dependent upon the state is ultimately not a major force for political change. However, currently the new pious Anatolian entrepreneurs are transforming large parts of Turkey not by remaining dependent on the state, but instead by relying on the markets. As their interests are tied to the global economy they adhere to cultural and political values that would serve their economic integration into the global world. It is in this way that the pious economic elite can bring liberalization and moderation to the conservative sectors of Turkey.

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ritual or symbolic nature, which seek to inculcate certain values and norms of behaviour by repetition, which automatically implies continuity with the past. In fact, where possible, they normally attempt to establish continuity with a suitable historic past. However, insofar as there is such reference to a historic past, the peculiarity of 'invented' traditions is that the continuity with it is largely fictitious. In short, they are responses to novel situations which take the form of reference to old situations, or which establish their own past by quasi-obligatory repetition." Many of the traditions which we think of as very ancient have not in fact been sanctioned by long usage over the centuries, but were invented comparatively recently. Eric Hobsbawm, and Terence Ranger, ed. *The Invention of Tradition* (Cambridge: Cambridge University Press, 1983), 1-14.

The struggle between the secular elite and the new pious economic elite can be conceived as the outgrowth of a struggle over 'sharing power.' However, since the economic and political power of the new religiously conservative economic elite cannot be ignored, the secularist elite have begun to realize that its monolithic domination and hegemony over the social, political and economic realms in Turkey cannot persist. While the secular elite understand that this conflict could be detrimental to the economic interests of both sides, Kayserian entrepreneurs seem willing to maintain a good relationship and cooperate with the long established elite.

3) In terms of the workers' position, the attitudes of religious entrepreneurs do not seem really different from those of a typical business class. Entrepreneurs in Kayseri agree that since absolute economic equality is implausible, there will be class differences in their society which see some groups living under difficult conditions while others have wealth. It is hard to claim that workers have better conditions in religiously conservative economic institutions: less formal relationships provide harmony in work environments but without legal protection for the rights of workers, it is not possible to achieve common goals, such as better working conditions. In Kayseri, workers' accounts were different from what entrepreneurs reported. Workers said that the economic crisis affected them first and they needed a union to establish rules governing hiring, firing and promotion of workers, benefits, job safety and collective bargaining on wages. In terms of economic activities, such as earning, producing and consuming, this new pious economic elite is not much different from the bourgeois class of the West in that they accumulate and sustain capital according to the conservative values enshrined in their work ethic. As a result of these developments workers are still a group which is forced to be modest and obedient, a status quo that is beneficial only for the economic elites. Religious networks

or the patriarchal structure of firms does not provide legal protection of workers' rights and results in subjective conditions for workers in factories and businesses in Kayseri. Therefore, this situation could provide a relevant basis for the advancement of a class struggle and/or creation of opposition movements now or in the future in the region.

4) This research shows that the new pious economic elite are far from demonstrating any radical tendencies and strive for a peaceful world. Business people in Kayseri are not interested in radicalism, because they are aware that in order to sell their products in Europe or the United States the image of their country and the image of their companies is important. As the number of pious entrepreneurs in Kayseri increases, the indication is that their rising economic success cannot be construed to depend only on the integration of religious values into economic life; other factors include the enlightenment of religious businessmen. Islam is simply a way of life for them. In towns and cities across Anatolia, we do not see the kind of hard-edged fundamentalism, and even less so an echo of extremism, that has inspired radicalism in Pakistan and parts of the Arab world. Islam here may be conservative, but it has a pro-European, pro-democratic and above all pro-capitalist character. The modern approach of religious entrepreneurs in Kayseri can even be seen in the rise of religious Puritanism, for as is obvious from my interviews and in Turkish media, they have integrated religious ethics with business. They justify their emphasis on work, success in economic life and the acquisition of wealth by attaching both a religious meaning to it and proposing that it provides access to a legitimate worldly modern life.

These social changes prove what Bauman argued; the old logic of stable identities is no longer effective. In contrast to the relative stability of the old 'solid' containers of class and groups, as Bauman argues, capital flow has produced a new, more flexible and

fluid social condition, which is called 'liquid modernity', extending the 'liquid' metaphor to characterize the 'melting' of previously 'solid' bonds of collective identity.[3] In Kayseri's case, it is no longer useful to classify these new pious economic elite in the dichotomies of "modern-traditional" or "urban-rural." As can be seen from the interviews, Kayseri has witnessed an intense interaction between the modern and new requirements and traditional values, creating a synthesis in economic life. Kayseri entrepreneurs have strong connections with the whole world in terms of trade. One also observed that the entrepreneurs are not strangers in the present global socio-economic culture, such that the city has been in the process of transformation from an isolated conservative rural city to an urban city. Thus the city has become active in economic affairs and acts as an open market not only for Turkey, but for the whole world. The religiously conservative culture of Kayseri has not limited the capital flow and homogeneity of the global modern economy.

This research illustrated that the modernization of Turkey has not failed; it has, rather, rebounded with greater vigor as witnessed by the emergence of new terms such as spontaneous modernization, and pluralization of modernity. As these terms suggest, modernity can no longer be perceived as a one dimensional concept. As Bauman claims, in the past two centuries societies have moved from a solid to a fluid phase of modernity, in which nothing keeps its shape, while social forms are constantly changing at great speed.[4] According to Bauman, like liquids, modern societies cannot maintain their

[3] Bauman, 6.

[4] The well known sociologist Zygmunt Bauman describes contemporary modernity by introducing a new term, ie. "*liquid modernity.*" Bauman uses the term "liquid" to explain the dynamics of modern societies. According to Bouman current societies are not able to maintain the same form for a long time but change their shapes rapidly and constantly, like liquid. By referring to the characteristics of fluids Bauman describes our current flexible society. He says: "It has influence in many fields of social and cultural life at the same time some of it's origins in changes that have occurred in last half of the 20th Century. For power

existing forms indefinitely but are susceptible to change. He claims that liquidity leads to the instability of all social, economic and private ties.[5] Bauman indicates that for power to be free to flow, the world must be free of fences, barriers, fortified borders and checkpoints.[6] Thus gradual economic recovery in recent years has put Muslim countries back on the road to the citadels of solid modernity.[7]

As Sociologist Bauman argues, modernity is a "liquid" concept and takes different shapes which change constantly and unpredictably. Modernity cannot be identified only as a form and it cannot be enforced as a state ideology. Accordingly, liquid modernity is the modernity of uncertainty (regarding ethics and religious systems), flexible forms of work and organization, and de-territorialized politics and economy. Bauman argues that the possibility of other ways of living or alternative economic systems is adopted by a collusion of rational economic forces that exists beyond our control. Yet, they continuously and progressively dissolve our different characteristics and our social lives by acting only in the interests of international oligarchs. Bauman says these forces operate under the rules of a modern economic system with no controls. On the other hand, he also points out that when it is to the advantage of these international oligarchs, even the rules of economics can be changed.[8] Bauman further believes that under the immense force of the global economy, our societies have been reshaped and reordered constantly, and they

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to be free to flow, the world must be free of fences, barriers. War today in the era of liquid modernity: not the conquest of a new territory, but crushing the walls which stopped the flow of new, fluid global powers; beating out of the enemy's head the desire to set up his own rules and walled-off, inaccessible space to the operations of other, non-military, arms of power. It looks increasingly like a 'promotion of global free trade by other means'." See, Zygmunt Bauman, *Liquid Modernity* (Cambridge: Polity Press, 2000), 8-14.

[5] Ibid.

[6] Bauman, *Globalization: The Human Consequences* (Cambridge: Polity Press, 1998), 68.

[7] Ibid.

[8] Ibid, 68-69.

have begun to take on new, more menacing and autonomous forms. These forces have begun to work independently, resulting in a new world order.

What is happening in Kayseri at present is a redistribution and reallocation of modernity. As Bauman claims, nowadays patterns and configurations have changed their nature and are accordingly reclassified as the liquidizing powers that have moved from 'system' to 'society,' from politics to 'life-policies' or from the 'macro' to the micro level of social cohabitation.[9] Bauman explains the predominant feature of new modernity as follows: "This is unimaginable for the previous generation; but, like all fluids, they do not keep their shape for long. Shaping them is easier than keeping them in shape. Changing that condition in a radical way calls for a rethinking of old concepts."[10] It is possible to argue that Muslim societies, as in the Kayseri case, have also participated in this process by producing a new synthesis between old and new. Thus, a reshaping of Islamic dynamics that encourages the free accumulation and movement of capital has slowly emerged as part of a privatized version of modernity. In this regard, the advent of religiously conservative economic elite in Kayseri indicates a suffusion of modernity and secularization into religious values.

However, the new pious economic elite retain its community-based identity, which still has links to the solid indisputable social foundations. They have an ethic of craftsmanship but at the same time they do not sacrifice their core values to success in the capitalist market. However, only the future will tell us whether community bonds, religious values and an ethics of craftsmanship are strong enough to allow people to keep

[9] Bauman, 68-69.
[10] Ibid.

their identities when they actively integrate within the modern capitalist market, or whether ethical codes will be diluted by modernity's 'melting powers.'[11]

A major problem started to emerge after pious Muslims began to acquire significant economic and political power. Hence the crucial questions suggest themselves for future research agendas: Does a religious ethic have the power to protect Muslims from the destructive impact of capitalism? Will the desire for more consumption and more power win out? In other words, is it possible for Muslims to control their own circumstances, and destiny by adapting Western institutions, terms and parameters in a modern economy?

Since the force of economic modernization is unpredictable, it is too early and too difficult to determine the implications of inter-generational changes and the effect of wealth and power on the religious values of new pious elites in the next generation.

[11] Bauman indicates the aspects of modernity as follows: "Modernity operates apart from all historical forms of human cohabitation: the compulsive and obsessive, continuous, unstoppable, forever incomplete modernization; the overwhelming and incredible, unquenchable thirst for creative destruction (or of destructive creativity, as the case might be: of 'clearing the site' in the name of a new and improved' design; of 'dismantling', 'cutting out', ''downsizing', all for the sake of a greater capacity for doing more of the same in the future-enchanting productivity)" See, Bauman, 28.

APPENDIX A

Interview Questions

1. What is your level of education, age, family background, the number of children, their and their wives' education?

2. What do you think regarding the role of religious ethics in business life?

3. Could you explain the size of the enterprise, sectors, income, and the number of male and female workers?

4. How could be a proper employee and a businessman with a strong spirituality?

5. What should a Muslim's attitude be towards wealth and charity? Do you regard wealth as crucial for individuals to live a religious life in this world?

6. Has there been a serious change in your religious life and your world-view after you became an owner of the holding? If so, what are these changes?

7. Have you had any changes in your life style and social environment after you became a successful company owner?

8. What are the responsibilities of to be wealthy in terms of your religious belief?

9. Is religious identity of your employees an important criterion for working environment? Do you prefer to hire your employees among religious ones?

10. What is your motivation for performing in economic life? Do your religious values motivate you to participate in economic life?

11. What sort of social and cultural activities do you participate? What can you say about social and cultural life in Kayseri?

12. Do you have membership in civil associations? What do you prefer to do with your time out of work? Do you have membership in special clubs?

13. Do you conceive any structural and ideological differences between "Anatolian Tigers" and the other entrepreneurs? What are these differences?

14. What is your attitude towards using interest? Do your religious values contradict with your activities? Which one has priority in your activities in economic life; your religious values or your economic interest?

15. What do you think regarding the role and place of women in economic life? Do you support women's participation in active economic life or not?

16. What are the reasons for the backwardness of Kayseri's social and cultural life?

17. Could you tell me your ideas about modernization in Turkey? Do you support the modern interpretation of Islam? If you say yes, why?

18. Could you explain your attitude to employer-employee relationship in your firm? What kind of legal rights your employees have? Do you have a policy towards trade unionism?

19. Do you have a different policy towards female employees in the workplace?

20. Could you consider your firm as a rational organization? Do you use modern Western technology in your companies? Do you have research department in your company to develop new projects and to offer new production methods?

21. Do you believe that it would be possible for Muslim countries to have an independent Islamic economy?

22. What do you think about the economic policies of AKP government?

23. What would be your suggestions for current government to improve economic situation? What are your expectations from this government?

24. Do you believe that Kayseri has a special heritage for trade? If it has so, what kind of principles do you have in this heritage?

25. Do you think that there is a considerable economic improvement in Kayseri? If there is so what is the souse of economic success of the Kayseri?

APPENDIX B

My written consent form is following:
Title of Research: Başak Özoral
Researcher: Ph. D. Candidate, Islamic Studies
Supervisor: Professor Üner Turgay; Tel: 514 398 50 11
Contact Information: Tel: 514 6778990; email: bozoral@yahoo.ca
Mailing address: Institute of Islamic Studies, McGill University,
Morrice Hall,
3485, McTavish Street
Montreal, Quebec H3A 1Y1
CANADA

Purpose of the research: The primary objective of this research project and field study is to shed light on the economic successes recently experienced by the companies in Central Anatolia, Turkey, commonly known as the "Anatolian Tigers." My field work will be a case studies which in the Anatolia region: Kayseri representing the Islamic version of conservatism.
What is involved in participating: I will ask you a few questions relating to your experience of the development of Islamic economics as a new economic power in Central Anatolia.
There are no potential benefits or potential risks to the subject. The participant will be taking part in the interview on a voluntary basis. There is no requirement for the interviewee to answer all questions; you can refuse to answer any question at any point during the interview.
Upon request, I will be sending the transcribed texts to the participants, and if you have suggestions/demands regarding making some revisions/changes in the text, I will make them accordingly.

And no other person will have access to the interview materials. They will be coded and stored in such as way as to make it impossible to identify them directly with any other person.
Results of the interview may be used in conference presentations on social-economic analysis of Turkey.
Your signature below serves to signify that you agree to participate in this study.
I agree to participate in this study

Signature: _____ Researcher's signature: _____

Name: _____ Date: _____

APPENDIX C

I suggested the following oral script:

My Name is Başak Özoral and I am a doctoral student at the Institute of Islamic Studies at McGill University under my advisor Professor Üner Turgay. The primary objective of this research project and field study is to shed light on the economic successes recently experienced by Central Anatolia, companies in Turkey, commonly known as the "Anatolian Tigers." My fieldwork will be a case study of Kayseri representing the Islamic version of conservatism.
If you agree to an interview on this subject, I will ask you a few questions relating to your experience of the development of Islamic economics as a new economic power in Central Anatolia.
What is involved in participating: I will ask you a few questions relating to your experience of the development of Islamic economics as a new economic power in Central Anatolia.
There are no potential benefits or potential risks to the participant. The interviewee will be taking part in the interview on a voluntary basis. There is no requirement for the subject to answer all questions; you can refuse to answer any question at any point of during the interview.
Personal, identifiable information will not be collected from participants. Your name will never be revealed in written or oral presentations and no record will be kept of your name. However, results of the interview may be used in conference presentations social-economic analysis of Turkey.
Upon request, I will be sending the transcribed texts to the participants, and if you have suggestions/demands regarding making some revisions/changes in the text, I will make them accordingly.

And no other person will have access to the interview materials. They will be coded and stored in such as way as to make it impossible to identify them directly with any person. You may contact Professor Üner Turgay at Tel: 514 398 5011 email; uner.turgay@mcgill.ca if you have any questions or concerns.

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