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Financialisation of Capitalism: Expansion of Indebtness from Global Level to Household Level in Turkey*

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Abstract
One of the most notable features of today's capitalist economies is that they impoverish a great majority of societies while growing. In other words, this is a kind of capital accumulation model dependent on increasing income and wealth inequality on one hand and keeping wages low on the other hand. Such a model can be sustainable only with borrowing. It is an undeniable fact that lending-borrowing relation is one of the most significant leverages of capital accumulation. It seems that lending-borrowing relation deepening and expanding not only from global to national level but also from national level to households has become the center of the social life. This study will focus both on the financial capital accumulation process that started to rise in the early 21st century in Turkey and on indebtedness of households.
Keywords: *Financialization, Economic Crises, Household Consumption and Debt*

Kapitalizmin Finansallaşması: Türkiye'de Borçlanmanın Küresel Düzeyden Hanehalkı Düzeyine Genişlemesi

Özet
Günümüz kapitalist ekonomilerinin en belirgin özelliklerinden biri büyürken toplumun büyük bir kesimini yoksullaştırmasıdır. Bir yandan artan gelir ve servet eşitsizliği diğer taraftan ücretleri düşük tutmaya bağımlı bir sermaye birikim modeli. Böyle bir modelin sürdürülmesi ancak borçlanma ile mümkündür. Borçlanma ilişkisinin sermaye birikiminin en önemli kaldıraçlarından biri olduğu kaçınılmaz bir gerçekliktir. Öyle ki, küresel düzeyden ulusal düzeye ve ulusal düzeyden hane halklarına doğru genişleyen ve derinleşen bir borç ilişkisi toplumsal yaşamın

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merkezi haline gelmiştir. Bu çalışmada Türkiye'de özellikle 2000'li yılların başında yükselişe geçen finansal sermaye birikim süreci ile hanehalkının içinde bulunduğu borçlanma ilişkisi üzerinde durulacaktır.
Anahtar Kelimeler: *Finansallaşma, Ekonomik Kriz, Hane halkı Tüketim ve Borçlanma*

1. INTRODUCTION

When we look at increasing income inequalities resulting from economic austerity programs in effect, the results of global economic crisis which initially hit the USA but especially European countries in 2008 are still prevalent. We stepped into an era when financial aids that amounted to trillion dollars as a result of the struggle against financial crisis in 2009 started to become socialized. This is also the case regarding macroeconomic indicators. For instance, public net debt stock-to-GDP ratio in the USA increased from about 58 percent in 2009 to 80 percent in 2011, and balance of payments deficit increased from 417,999 billion Dollars to 473,439 billion Dollars in 2011[1]. In Europe, public net debt stock-to-GDP ratio increased to 82 percent. Household debts in the USA and European countries went beyond a hundred percent.

Financialization is a concept undoubtedly needed to understand the global crisis. Derivative markets' becoming widespread and an enormous accumulation of imaginary capital are said to be the underlying reasons for the outbreak of the crisis[2]. Actually, the reproduction process of capital accumulation is based on the financialization of economies and debt relation.

The process of financialization which started in the 1970s when the capital started to become global and financialized has continued with the developments in banking services and expansion of indebtedness from global level to household level since the 1980s[3]. When global and household data regarding the 1970s and 1980s are analyzed, indebtedness can be claimed to be the main factor in the development of financialization process. In fact, indebtedness has constantly increased both on national and

1 IMF, World Economic Outlook Database 2012, https://www.imf.org/external/pubs/ft/weo/2012/01/weodata/weorept.aspx?sy=2010&ey=2017&scsm=1&ssd=1&sort=country&ds=.&br=1&pr1.x=73&pr1.y=7&c=111&s=BCA%2CBCA_NGDPD&grp=0&a=, (Access Date: February 6, 2014).

2 Costas Lapavitsas, 'Theorizing Financialization' Work Employment and Society, 25(4), 2011, pp. 611-626. http://wes.sagepub.com/content/25/4/611.refs.html (Access Date: October 4, 2013)

3 John B. Foster and Fred Magdoff, The Great Financial Crisis, (New York: Monthly Review Press, 2009), pp. 30-34.

on global level since the 1980s. Marx criticizes Hegel in the introductory chapter of his book named "18th Brumaire of Louis Bonaparte":

"Hegel remarks somewhere that all great World-historic facts and personages appear, so to speak twice. He forgot to add: the first time as a tragedy, the second time as farce"[4].

Usury, national borrowing and credit system used as primitive accumulation tools in the creation of European bourgeoisie in the 15th and 16th centuries have become more various and developed since there are no barriers both against internationalization of capital and against financial movements[5]. ***Tragedy became farce.*** Banks have taken important responsibilities to meet various needs of people such as needs for housing, education, health, nutrition, and savings for retirement. Banks have been in quest of reproducing financial capital by capturing not only the current income of people but also their future income by increasing credit cards and various consumer loans such as house loans, marriage loans, and vehicle loans, etc. When we look at the resulting picture, we see an economy growing with intensive consumption on one hand and increasing indebtedness and income inequality on the other hand. In Macit Rahnema's terms, here is a world where there is more and more poverty[6].

Financilization process started in Turkey when regulations regarding removal of barriers against liberalization of trade and free movement of capital were introduced in accordance with the decisions of January 24, 1980 taken following the Military Coup on September 12, 1980. As a result of the deregulation of financial markets to draw the attention of international financial capital to Turkey and exchange rate and interest rate policies implemented in accordance with this deregulation, economic crises broke out in 1989, 1994, and 2001[7]. With "stability programs" including tight financial policies, which became a tradition to introduce such programs following economic crises in Turkey, the cost of crises became socialized. By generating public revenues via increasing taxes in order to pay off and sustain increasing public debts and by decreasing public expenditures mainly including social transfers, a great majority of the society were forced to be in debt. Financialization process in Turkey accelerated

4 Karl Marks, The Eighteenth Brumaire of Louis Bonaparte, 1852, Chapter 1. http://www.marxists.org/archive/marx/works/1852/18th-brumaire/ch01.htm, (Access Date: September, 2013)

5 See David Harvey, 2003; Colin Mooers, 2000.

6 See Macit Rahnema, 2009.

7 Korkut Boratav, Türkiye İktisat Tarihi 1908-2002, (Ankara: İmge Kitabevi, 2003).

when financial accumulation started to intensify as a result of the neo-liberal policies implemented following the economic crisis of 2001. In those years, Turkey became a finance heaven due to low exchange rates and high real interest policies. It also started to become the center of consumption and finance owning to the reorganization of metropolises by the construction of skyscrapers and huge shopping malls. A huge market was set up via a financial network necessary for consumption with the regulations introduced to banking sector and its inclusion into the capital market of international banks. Through this transformation, debt obligations of individuals and households started to increase, which showed a parallelism to the general trend in the world.

This study focuses on the indebtedness of individuals and households in the 2000s in Turkey. In this term, indebtedness relation is analyzed in accordance with the historical development of financialization process within the concept's general context. The first section of this study is based on the formation process of financial capital and its historical development. The second section focuses on the neo-liberal transformation and Financialization following the decision of January 24, 1980 in Turkey. In the final section, indebtedness levels of individuals and households in the 2000s are analyzed.

2. FINANCIALIZATION AND DEBT CRISIS

Financialization is a problematic concept. It started to be used when financial areas began to gain importance from the outset of the globalization process. Minsky characterized the era following the World War II as '*Financial Tranquility*' when there was no serious threat of a financial crisis or a debt-inflation process and the decade following 1966 as *'Financial Turnoil'* when there were "three threats of financial crisis occurring during which Federal Reserve interventions in money and financial markets were needed to abort the crises" [8]. A meta meaning was attached to the concept of Financialization by Giovanni Arrighi who saw Financialization process as a cyclical trend appearing during hegemonic changes[9]. Financial market is a field in which expanded capital, developing and gaining a hegemonic structure as a result of the neo-liberal transformation process of economic

8 Hyman P. Minsky, "The Financial Instability Hypothesis: An Interpretation of Keynes and an Alternative to 'Standard' Theory", Challenge, Vol. 20, No.1,(March/ April 1977), p. 22. http://www.jstor.org/page/info/about/policies/terms.jsp (Access Date: November 8, 2013).

9 Giovanni Arrighi, The Long Twentieth Century, (London: Verso, 1994), p. 6.

and institutional structure, is reproduced. This transformation showed a parallelism with the changing structure of production affected by the developments in communication and technology following the 1970s. Financialization can be claimed to be a solution found to the accumulation crisis which broke out on account of the devaluation of capital resulting from its excessive accumulation (World War II- in the late 1960s). Ben Fine's definition of Financialization is as follows: Exceeding the traditional limits, financialization is the increasing penetration of finance into personal and economic-social reproduction process[10]. For Palley, financialization transforms the economic system not only on macro levels but also on micro levels. Financialization attaches more importance to financial sector compared to the real sector, transfer income from the real sector to the financial sector, leads to increasing income inequality and wage stagnation[11]. Lapavitsas (2009) analyzes the financialization process in three respects: (1) "productivity growth has been problematic from the middle of the 1970s to the middle of the 1990s most significantly USA, (2) the process of work has been transformed, partly due to technological and regulatory change and partly due to bouts of unemployment at key junctures of the period, (3) global production and trade have come to be dominated by multinational enterprises created through successive waves of mergers and acquisitions"[12].

There are different approaches to the formation and development processes of financialization. However, indebtedness and crises resulting from financialization seem to be areas agreed upon. An innate feature of capitalism, indebtedness has always been a problem unique to capitalism. When considered from a holistic perspective on capitalist economy, international indebtedness of countries has become increasingly universal with the financialization of capitalism[13]. Financialization of capitalist economics led to an important change in the way financial profits were gained. To illustrate, capitalist economies focused more on making their financial profits from the personal income of workers and others. According to Lapavitsas,

10 Ben Fine, "Financialization, Poverty and Marxist Political Economy", Poverty and Capital Conference, 2-4 July 2007, University of Manchester, http://eprints.soas.ac.uk/5685/1/brooks.pdf, (Access Date: June 14, 2013).

11 Thomas I. Palley, "Financialization: What It is and Why It Matters", The Levy Economics Institute, Working Paper No. 525, p. 3. http://www.levyinstitute.org/pubs/wp_525.pdf (Access Date: November 8 2013).

12 Costas Lapavitsas, "Financialized Capitalism: Crisis and Financial Expropriation", Research on Money and Finance, Discussion Paper no 1., p.12, http://www.researchonmoneyandfinance.org/media/papers/RMF-01-Lapavitsas.pdf (Access Date: November 8, 2013)

13 See John B. Foster and Fred Magdoff, 2009.

this may be called *financial expropriation*. "Such profits have been matched by financial earnings through investment banking, mostly fees, commissions, and proprietary trading"[14].

Financial areas which capital accumulation was revalued in caused debt crises at global, national, and household levels. Financialization process not only led to systematic crises in financial areas but also made them intensive. For Minsky, the first one of these systematic crises was the so–called *'credit crunch'* of 1966. "This episode centered around a '*run*' on bank-negotiable certificates of deposit. The second occurred in 1970, and the immediate focus of the difficulties was a 'run' on the commercial paper market following the failure of the Pem Central Railroad. The Third threat occurred in 1974-1975 and involved a large number of overextended financial positions but perhaps can be best identified as centering around the speculative activities of the giant banks"[15].

Although the 1970s are regarded as the milestone in terms of debt crisis continuing up to now, it is necessary to put emphasis on remarkable debt levels of underdeveloped countries in the 1950s and 1960s. In fact, the foundation of a debt relation to become permanent for underdeveloped countries was laid in those years. Since underdeveloped countries had both low levels of investment resulting from insufficient savings and a limited market resulting from low income levels, they could step into the *development* process with the aids of industrialized countries[16]. The economic model based on a dependent and exclusionary growth adapted by the IMF and the World Bank established to provide aids for undeveloped countries resulted in an increase in the dependence of underdeveloped countries on external sources[17]. The 1970s were years which signaled that the golden age when there were high levels of growth and enrichment came to an end not only for underdeveloped countries but also for industrialized countries.

The growth rate for America, Europe and Japan decreased from 4.0, 4.8, and 9.6 between 1960 and 1973 to 2.4, 2.6, and 3.6 between 1973 and 1979, respectively[18]. In America, profit rates before taxes fell to 6 percent

14 Costas Lapavitsas, p. 4.

15 Hyman P. Minsky, 1977, p. 22.

16 Fikret Başkaya, Borç Krizi Üzerine Bir Deneme, (İstanbul: Özgür Üniversite Yayınları, 2009), s. 20.

17 Fikret Başkaya, s. 31.

18 Bill Lucarelli, Monopoly Capitalism in Crises, (Newyork: Palgrave Mac. 2004), p. 94.

in the first years of the 1970s from average 9 percent in the 1960s[19]. The decrease in profit rates, the need for borrowing, and regression of the USA's hegemony, the incompatible relation between fordist production structure and internalization of capital led to seeking for new approaches, which resulted in the establishment of financialization process. At first hand, some changes were brought to economic and institutional structure. Loan supplies, euro-markets, oil shocks, petrodollars, and other factors unique to that period also enabled those changes to take place[20].

2.1. Change in Economic and Institutional Structure

Since the idea that Keynesian policies-expansionary fiscal policies- caused stagflation with high inflation rates and unemployment became more common, those policies were abandoned following the 1970s. In fact, the reason why expansionary policies were not maintained resulted from the economic situation of the USA. Expansionary monetary policies implemented in the USA to finance the budget deficits resulting from the Vietnam War came to an unsustainable level, which led to inflationist pressure. The most important result of the USA's monetary expansion was that it became impossible for dollars in the market to be exchanged with gold and that the system of Bretton Woods came to an end. When the system of Bretton Woods came to an end, the value of dollar started to be freely determined, which removed the biggest obstacle to the dominance of dollar in the market.The abundance of dollar in the market brought an elasticity to external payments and caused a remarkable increase in creditworthy. In the end, "*the devil came out of the lamb and financial values system based on risk speculation and expectations became determinative in all markets*"[21]. Financial capital aimed at high interest rate, high financial return, and low inflation put contractionary monetary and fiscal policies on its agenda[22]. Actually, capital owners found a solution to how they would value the capital surplus when there was a decrease in the opportunities for investments. The process to reproduce capital accumulation was based on the expansion of fiscal-financial field resulting in an increase in demand for financial products. On the supply side of this process came financial institutions to the

19 Simon Mohun, "Aggregate Capital Productivity in the US Economy, 1964-2001", Cambridge Journal of Economics, 2009:33, p. 1027. http://cje.oxfordjournals.org/content/33/5/1023.full.pdf+html (Access Date: February 11, 2014).

20 Neşecan Balkan, Kapitalizm ve Borç Krizi,(İstanbul: Bağlam Yayınları, 1994), s. 59.

21 Erinç Yeldan, "Kapitalizmin Yeniden Finansallaşması ve 2007/2008 Krizi: Türkiye Krizin Neresinde?" Çalışma ve Toplum, 2009/1, s. 15.

22 Erinç Yeldan, s. 15.

forefront with a number of new financial tools such as futures, options, derivatives, and high risk funds, etc[23]. As a result, a period when financial speculation began to become dominant in financial markets started. In other words, the Keynesian period came to an end, and the period of "*neo-liberal capitalism*" based on deregulation and liberalization of the financial system started.

2.2. Neo-liberal Capitalism and Debt Crisis

Neo-liberal capitalism is a period when liberal market is formed. The main characteristics of this period are as follows: 1) removal of all regulations and obstacles to free movement of capital both at national and at international level (financial deregulation) 2) privatization of public services 3) cut in public social expenditures 4) abandoning fiscal policies enabling economic fluctuations to ease and unemployment to remain at low levels 5) reduction in taxes collected from private sector 6) an increase in pressure on trade unions 7) making labor market more flexible 8) adoption of unlimited competition as a main principle[24]. With the implementation of these policies, an enormous growth was ensured in finance sector. Companies working in finance sector made a fortune from the loans they lent to the countries in debt crises. However, productive sector was negatively affected by the regulation in financial sector and increasing speculative activities. The decrease in transaction costs resulting from the developments in communication and technology and petro-dollar income stocks in euro market resulting from the increase in oil prices also enabled this process. The surplus in financial sector turned into loans lent to underdeveloped and developing countries through macroeconomic stability and cohesion programs carried out by the IMF and the WB, which resulted in an increase in the indebtedness of these countries. An analysis of indebtedness levels of underdeveloped countries during the financialization process reveals that these countries are in a debt crisis. Total debts of these countries increased to 1.242.18 million dollars from 62.447 million dollars in the 1970s, which corresponds to a 12 times increase[25].

23 John B. Foster and Fred Magdoff, p. 80.

24 David M. Kotz, "The Financial and Economic Crisis of 2008: A Systemic Crisis of Neoliberal Capitalism", Review of Radical Political Economics, vol. 41/3, summer 2009, p. 307. http://www.sagepub.com/cleggstrategy/Kotz%20D%20M.pdf (Access Date: January 6, 2011).

25 Neşecan Balkan, s. 27.

Table 1: *Debt Levels of Underdeveloped Countries 1970-1990 (Million Dollars)*

Years	**1970**	**1975**	**1980**	**1985**	**1990**
Total External Debt (Million $)	62.447	157.4993	561.415	941.906	1242.18
Debt Service Payments	9.215	21.856	90.283	132.886	144.133
Debt/Export Ratio	117.9	102.6	133.5	217.8	181.5
Debt Service Ratio	17.4	13.7	21.5	30.7	21.1
Debt/GNP Ration	14.4	17	29.2	48	43.3

Source: *World Debt Tables (Washington, D.C.: The World Bank Miscellaneous Years); cited by Balkan, 1994, s.142.*

Entering the 1980s with high levels of debts, these countries' being in need for getting loans eased the way for neo-liberal policies to be implemented. Capital market and commodity market of these countries were also opened to foreign markets. Finance markets directed by speculative capital movements became the leading actor in economy, and real sector became of secondary importance[26]. There are also some arguments that foreign capital played a role in supplying financial capital required during growth and created growth cycles[27]. According to Ercan, when the international capital movements became intense, it was possible to reach monetary capital in the form of foreign exchange[28]. Becoming fragile as a result of the liberalization of financial markets, national markets, on the other hand, were able reach the capital required for opening to international markets and re-producing the accumulation in their domestic markets. However, neo-liberal policies (stabilization and adjustment policies) put into effect and financialization resulted in debt crises in these countries. Growth cycles created in short term were replaced with stagnation, excessive budget and current deficits.[29]

26 Bill Lucarelli, "Financialization and Global Imbalances: Prelude to Crisis", Review of Radical Political Economics, 44(4), 2012, p. 431, http://rrp.sagepub.com/content/44/4/429 (Access Date: October 4, 2013)

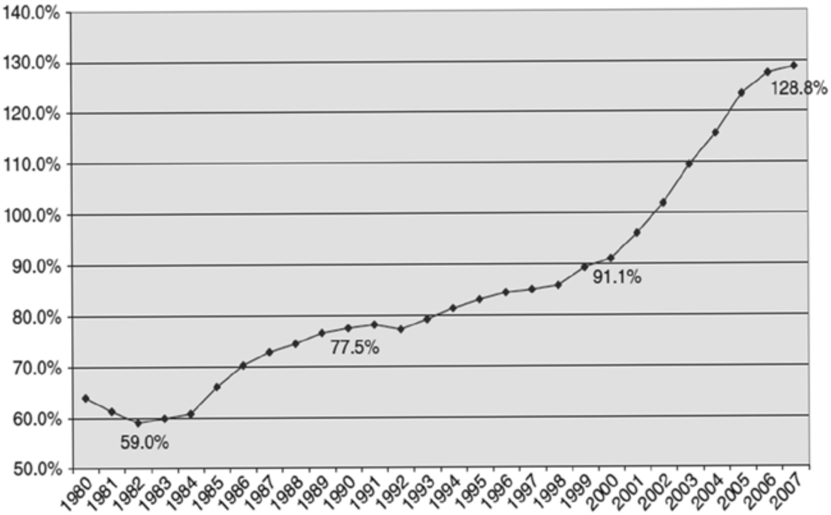
27 See Fuat Ercan, "Türkiye'de Kapitalizmin Gelişimi" içinde Demet Yılmaz vd., (der) Türkiye'de Kapitalizmin süreklilik İçinde Değişimi 1980-2004, (Ankara: Dipnot Yayınları, 2006); Kurtar Tanyılmaz, "Türkiye'de Kapitalizmin Gelişimi" içinde Demet Yılmaz vd., (der), Türkiye Ekonomisinin 80 Sonrası Sanayileşme Deneyimine Bakarken, (Ankara: Dipnot Yayınları, 2006).

28 Fuat Ercan, 2006, s. 389.

29 See Karen L. Remmer, "The Political Impact of Economic Crisis in Latin America in the 1980s", The American Political Science Review, Vol. 85, No. 3 (September, 1991); Osvaldo Martinez and Luis Fierro, "Debt and Foreign Capital: The Origin of the Crisis", Latin American Perspectives, Vol. 20, No. 1, Cuba: Labor, Local Politics and Internationalist Vıews, winter 1993.

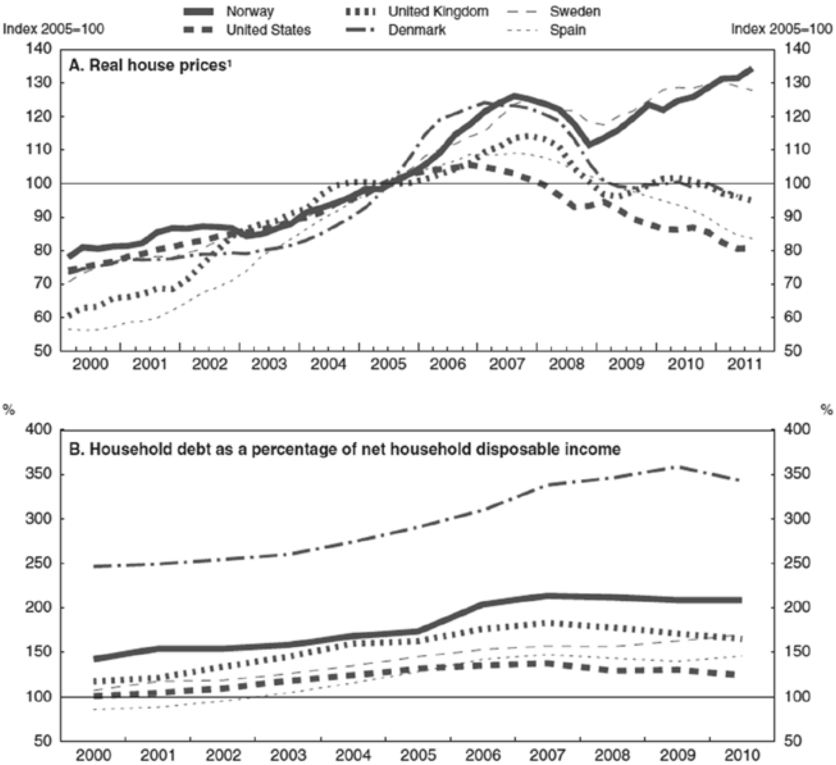
This brought about an immeasurable wealth accumulation, resulting in increasing unemployment, decreasing real wages, widening poverty, and increasing income inequality. Practices ending up with subsequent crises continued with the principle of "more reforms and liberalization for more stability". Practices still being applied formed the basis for crises in Sub-Saharan Africa (Somali and Rwanda), Southern and South Eastern Asia (like India, Bangladesh, and Vietnam.), Latin America (like Brazil, Peru, Argentina, and Chile) in the 1970s and 1980s, in Mexico and Turkey in 1994, in Eastern Asia between 1997 and 1998, in Brazil and Russia in 1998, and a global crisis in 2008. The crises experienced caused an indebtedness relation expanding to household levels.

Figure1: *The Ratio of Household Debt to Disposable Income*



Source: *David M. Kotz, p. 314.*

Figure 2: *House Prices and Household debt in selected OECD Countries*



Source: *OECD Economic Surveys: Norway 2012, http://www.oecd.org/eco/4965444 1.pdf, (Access Date: January 22, 2013).*

Austerity policies implemented during crises caused a pressure on real incomes, and aid packages introduced by governments to fight against crises were worth of trillion dollars. This burden was imposed on a great majority of societies through taxes. Nonetheless, this process did not pose an obstacle to economic expansion while it led to a big welfare loss for wage labor. *How would booming consumption against decreasing real wages be defined?*[30]. When Figure 1 and Figure 2 are analyzed, the expansion is seen to be closely related to household debt levels. As seen in the figures, the ratio of household debts to disposable income exceeded 100%. For instance, the ratio of household debts to disposable income in the USA increased to 130% in the late 2000s from 59% in the 1980s (see Figure 1). This ratio had

30 See John Bellamy Foster and Fred Magdoff, 2009, p. 28.

a similar increase in most OECD countries. In short, with financialization, a new period started, which was based on borrowing more than income to meet basic needs. A similar process was experienced in Turkish economy, which will be dealt in details in the following section. Financialization process started in the 1980s in Turkey. Wide public deficits and high borrowing rates in the 1990s resulted in crises in 1994, 1999, and 2001, respectively. Following 2000, Turkey entered a financial growth period based on consumption and borrowing.

3. FINANCIAL LIBERALIZATION PROCESS AND BORROWING IN TURKEY

Turkey had political instability and high inflation rates and was in a debt crisis (1979) in the early 1980s. In the analysis of structural transformation of Turkish economy, 1980 is accepted as a turning point. 1980 was the year when a an economic program involving extensive liberalization of Turkey's finance and trade and based on IMF stand-by arrangement was put into effect. Within the scope of the neo-liberal program put into effect in 1980, there was export promotion, liberalization of foreign trade, and financial liberalization which all necessitated financial reforms, tax and expenditure reforms, and privatization[31]. As Arın stated, the first step towards the separation between "monetary accumulation and real accumulation" was the liberalization of foreign trade and internal financial market, which would be regarded as a summary of financialization process. Important incentives were introduced to export by gradually decreasing tariffs imposed on imports. In accordance with internal financialization, controls on interest rates were removed in 1981, and deregulation started[32]. In this period, financial tools such as certificates of deposit and bills of debt were diversified, and important steps were taken to structure financial tools by the establishment of Istanbul Stock Exchange (*IMKB*)[33]. Liberalization of foreign trade was completed with the removal of arrangements regarding international capital movements in 1989. Statutory decree numbered 32 and dated 1989 (convertibility of money, liberalization of foreign exchange regime) was important in terms of the integration of local market into the world economy[34]. It was an important decree because it allowed residents

31 Tülay Arın, (der.), Türkiye'de Mali Küreselleşme ve Mali Birikim ile Reel Birikimin Birbirinden Kopması, (İstanbul İletişim Yayınları, 2004), s. 578.

32 Tülay Arın, s. 579.

33 Sinan Sönmez, (der.), Türkiye'de Neoliberal Dönüşüm Politikaları ve Etkileri, (İstanbul: Bilgi Üniversitesi Yayınları, 2009), s. 30.

34 Fuat Ercan, (der.), Türkiye'de Yapısal Reformlar, (Ankara: Dipnot Yayınları, 2005), s. 400.

in Turkey to purchase foreign currency from banks and private finance institutions as much as they want and to transfer the foreign currency they purchased to foreign countries.

Table 2: *Macro-economic Indicators 1989-2002*

YEARS	**1989**	**1990**	**1991**	**1992**	**1993**	**1994**	**1995**
Export (Million $)	11.625	12.959	13.593	14.715	15.345	18.106	21.637
Import (Million $)	15.792	22.302	21.047	22.871	29.428	23.270	35.709
Balance of Payments (Million $)	2.712	944	-1.199	1.484	308	206	4.658
Inflation (CPI %)	63.3	60.3	66.0	70.1	66.1	106.3	89.1
Foreign Debt (Million $)	43.911	49.035	52.381	58.595	70.512	68.705	75.948
Domestic Debt Stock (Million TL)	41,9	57,2	97,6	194,2	357,3	799,3	1.361,0
GDP (%)	0,3	9,3	0,9	6,0	8,0	-5,5	7,2
Consolidated Budget Balance (Thousand TL)	-8.312	-12.355	-33.427	-59.439	-125.912	-151.838	-294.023
PSBR* (Thousand TL)	12.283	29.140	63.111	116.147	203.811	239.573	390.028
KKGB/GDP	4,0	5,5	7,5	7,9	7,7	4,6	3,7
YEARS	**1996**	**1997**	**1998**	**1999**	**2000**	**2001**	**2002**
Export (Million $)	23.224	26.261	26.974	26.587	27.775	31.334	36.059
Import (Million $)	43.627	48.559	45.922	40.671	54.503	41.399	51.554
Balance of Payments (Million $)	4.545	3.344	447	5.206	-2.997	-12.924	
Inflation (CPI %)	80.4	85.7	84.6	64.9	54.9	54.4	45.0
Foreign Debt (Million $)	79.299	84.356	96.351	103.123	118.602	113.592	129.559
Domestic Debt Stock (Million TL)	3.149,0	6.283,4	11.612,9	22.920,1	36.420,1	122.157,3	149.869,7
Consolidated Budget Balance (Thousand TL)	-1.267.47	-2.220.43	-3.964.57	-9.257.194	-13.631.38	-33.390.79	-36.996.48
GDP (%)	7,0	7,5	3,1	-4,7	7,4	-7,5	7,9
PSBR (Thousand TL)	1.294.178	2.258.007	5.016.735	12.176.647	14.806.210	28.961.881	34.990.077
KKGB/GDP	6,5	5,8	7,1	11,6	8,9	12,1	10,0

Source: *DPT (State Planning Institution); Social and Economic Indicators, Undersecretaries of Treasury, Turkish Statistics Office.*

*PSBR (Public Sector Borrowing Requirement)

When Turkish economy in 1990 is analyzed, it is seen that cash balance of consolidated budget, foreign debt, and balance of payments reached to -12.335 thousand liras, 49.035 million dollars, and 944 million dollars, respectively (see: Table 2). Liberalization policies implemented up to that period resulted in growing budget deficits, increasing public debts, and deteriorating balance of payments. The process called 1989 economic crisis revealed that the outward-oriented growth model was not smoothly continuing. The rate of increase in export, which showed a rapidly increasing trend till the end of the 1980s, came very close to zero in the 1990s. The process which was seen relatively profitable for capital owners towards the late 1980s brought about a crisis resulting from excessive accumulation of unproductive capital when non-renewable production capacities came to an end[35]. Global competition forced countries into having a tendency towards domestic demand. Actually, it was necessary to stimulate domestic demand, which was only possible with borrowing. Removal of obstacles in the way of banks needing to get loans from international markets with the decree numbered 32 provided stimulation for domestic demand. Accordingly, commercial loans and consumer loans started to expand in this period which was oriented towards increasing domestic demand[36]. Real sector became of secondary importance and finance market became predominant in economy, which were characteristics of this period. This process continued till the 2000s with intensive expansion of indebtedness from national levels to household levels. Financial capital owners made huge profits by lending the loans they borrowed from abroad to their governments with higher interest rates.

The 1990s were the years when financial accumulation model was formed. With this model, Turkish economy had an outward-oriented macroeconomic look. As a result of the new structure, financial speculation became dominant in economic activities. Foreign exchange rate became more sensitive to short-term capital movements than to commodity trade. What is highly characteristic of short-term speculative capital movements making high profits from national markets is that they disturb financial balances when they get into a country while providing a relative financial relaxation and growth. However, they cause financial crises when they suddenly leave the country[37]. It's another characteristic result is that utilization of speculative foreign capital flow to finance foreign trade leads to an increase in public sector borrowing requirement and an expansion

35 Erdal Eroğlu, (der.), Sermaye Birikim Süreci, Toplumsal Yapılarda Dönüşüm ve Sosyal Hakların Metalaşması, (Ankara: Mülkiyeliler Birliği, Yayın no: 2011/2), s. 703.

36 Sinan Sönmez, 2009, s. 32.

37 Gülten Kazgan, Tanzimat'tan 21. Yüzyıla: Türkiye Ekonomisi, (İstanbul: Bilgi Üniversitesi Yayınları, 2002), s. 167.

in import volume by decreasing national saving tendency[38]. As a result, when 1994 economic crisis broke out, Turkey had a financial model (excessively valued national currency) trapped in high real interest rates and low foreign exchange rates. Also, trade deficit was on increase, and speculative profits became of high importance in Turkey then, resulting in loss of credibility[39]. Following the economic crisis in 1994, economic stability programs were put into effect without delay, first of which was known as April 5 (1994) decisions. Within the scope of April 5 decisions, the following objectives were set: (1) to increase public revenues (oil consumption tax) (2) to cut down on public expenditures (transfer expenditures excluding interest) (3) to promote services to increase export and foreign exchange (4) to increase the control of the CB (Central Bank) in monetary policies (5) to realize privatization and tax reform. These objectives formed the subtopics of future stability programs to be implemented later.

A new transformation process covering neo-liberal regulations in economic and institutional fields started for Turkish economy in 1998. Stand-by agreements No 17, 18, and 19 signed with the IMF were also within this scope. "Struggle against Inflation Program" (*EMP*; 2000-2002) aimed at controlling public sector deficits, decreasing interest rates and inflations and "Program for Transition to Strong Economy" (*GEGP*; 2002-2004) including structural and institutional regulations were put into practice in this period. The first step of stability programs, *EMP* ended up with February 2001 economic crisis. *EMP* helped reduce interest rates for a short term. However, interest rates increased again when the expected inflation rate was not realized; Turkish lira was overvalued; current deficit increased, and there occurred a need for foreign resources. Besides these interrelated processes, high public deficits, public debts, and fragile structure of financial markets resulting from speculative capital movements all led to 2001 economic crisis in Turkey. Sönmez claims that the underlying reason for the 2001 economic crisis is the economic model itself. "The program which started to be implemented had a feature encouraging external borrowing by justifying this based on a need for a decrease in increasing internal borrowing, mitigating enormously increasing internal debt stock, and reducing interest rates[40]. For Boratav and Akyüz, "While it was necessary to decrease interest rates to reduce public deficits and keep internal

38 Erinç Yeldan, Küreselleşme Sürecinde Türkiye Ekonomisi, (İstanbul: İletişim Yayınları, 2005), s. 40.

39 Erinç Yeldan, s. 51.

40 Sinan Sönmez, 2009, s. 57.

debts at a sustainable level, it was such a strategy that put several banks into trouble"[41].

The model did not help create a suitable environment for a country in debt, which necessitated a tight financial policy. Following financial crisis of February 2001, Turkey adopted a new program called "Transition to a Strong Economy Program" in order to set up an infrastructure for restructuring public management and public economy. By basing its monetary policy on higher real interest and lower exchange rates compared to the international markets, the model accelerated short-term capital inflow. Within the framework of financial policies, tight fiscal policies and privatization policies focused on primary surplus target started to be implemented. In addition, labor markets were deregulated to increase competitiveness; public services were restricted to realize primary surplus target; private sector was promoted in areas with high surplus value such as education and health, and legal, institutional and constitutional regulations required for all these arrangements were introduced. Following the 2001 fiscal crisis, a new economic and social era started for Turkey whose most notable character was known as increasing borrowing based on widening consumption at all levels.

4. DEBT-RIDDEN SOCIETY: HOUSEHOLD CONSUMPTION AND INDEBTEDNESS LEVELS IN TURKEY AS OF 2000

Starting in the 1970s, financialization process has resulted in financial capital reaching enormous amounts and acting without rules. Doubtlessly, this process brought about systematic crises feeding one another and increased indebtedness at all levels both from global to national level and from national level to household level. Borrowing is the most important tool which reproduces fiscal capital accumulation the most. "In a capitalist system, loans are a mechanism which enables the redistribution of money capital among capital units due to its accumulation in specialized fiscal capital units"[42].Borrowing became a political tool rather than a necessity. Finally, borrowing became a fundamental determinant of daily life.

The economic transformation happening in accordance with reproduction of capital accumulation process in the world brought about a social formation to integrate with this transformation and ensure the sus-

41 Korkut Boratav ve Yılmaz Akyüz, "Türkiye'de Finansal Krizin Oluşumu", İktisat İşletme ve Finans Dergisi, 2002, s. 16.

42 Neşecan Balkan, 1994, s.17.

tainability of the system, or to politically, culturally, and ideologically reproduce the system. This social formation was based on the idea that consumption meant freedom. The final thing to do was to remove all barriers against "free" consumption and to shape time and space accordingly. Consumption started to rapidly increase in this period. The features of the goods owned became the criteria for freedom. Consumption became dominant over all social relations. Huge shopping malls (SMs) were established where people could spend their time freely and meet all their needs ranging from nutrition to clothing. Their living spaces were reorganized around these SMs. A great part of people's daily lives started to be consumed in these SMs. It was no longer necessary to have an income adequate for consumption since advanced financial markets provided every kind of opportunity for borrowing including credit cards, low interest bank loans, consumer loans such as car, home, marriage loans, debt notes, payment by installments, all of which were introduced to increase consumption. With the improvements in communication and information technologies, consumption widened in terms of time and space. For instance, virtual markets were set up and electronic trade became common. It wasn't difficult to reach or own a good in the back of beyond any more. However, the freedom of consumption also had a limit. As Baudrillard stated people are indirectly free under the principle of needs and satisfaction as all people are equal in the use-value of all goods. However, inequality and separation start when it comes to the exchange-value of a good[43].

Consumption firstly requires having necessary money and income. That is the point where freedom is restricted and refers to "moment" or today. Borrowing is a relation between today and tomorrow. The loans borrowed to consume today mean debts to be paid with future income. If borrowing increases, mortgaged future wages and incomes increase, too. By this way, oppression and control are differently reorganized.

According to Hardt and Negri (2012), the relation between capital owners and workers has changed. How capitalists exploit workers is no longer the same as it was. Today capitalists do not visibly exist on the scene. Workers are not directed or disciplined to create wealth but do this more autonomously. Capital accumulation is mainly not through profit but though rent taking a financial form and ensured via financial tools, which brings debt issue forward. In today's world, the relation between producers and exploiters is based on debt. In other words, "the 99 percent

43 Jean Baudrillard, Tüketim Toplumu, çev. Hazal Deliceçaylı ve Ferda Keskin (İstanbul: Ayrıntı Yayınları, 2010), s. 53.

of the population is subject—owes work, owes money, owes obedience—to the 1 percent"[44]."

In Turkey, the 2000s were the years when financial gains were high and financial capital accumulation was intensive. Education, health, nutrition, housing are areas where social reproduction occurs, and they have become the leading areas where expanding financial capital is revalued. When the regulations introduced to these areas are taken into consideration, it is obvious that they have become increasingly integrated with private market. For instance, private hospitals increased from 271 in 2002 to 503 in 2011 via the transformation program in health sector[45]. Also, the number of private universities established between 2000 and 2012 was 43. Financial capital seems to have been revalued in in productive sectors as a result of the increasing privatization practices. The 2000s were the years when privatization reached its peak. According to the data of Turkish Presidency of Privatization Administration, while privatization income was 407.360.700 TL between 1986 and 2000, it increased to 50.862.051.486 between 2000 and 2012. Based on this data, neo-liberal policies can be claimed to have been extensively implemented in economic and social areas. When data on household indebtedness levels and credit card use are analyzed, it is possible to see how much households were affected by these policies.

According to the distribution of household consumption expenditures of 2002-2011, housing and rental expenditures are the highest, followed by food and non-alcoholic beverages, transportation and clothing expenditures, respectively. When the relevant data are analyzed yearly, housing and rental expenditures keep being at the top. Also, there has been an increase in transportation expenditures resulting from the increases in raw petrol prices.

44 Michael Hardt and Antonio Negri, Declaration, (Melanie Jackson Agency, LLC, 2012).

45 Health Statistics Annual 2011, http://sbu.saglik.gov.tr/Ekutuphane/kitaplar/siy_2011.pdf

Table 3: *Household Consumption Expenditure Types*

Years	Food and non-alcoholic beverages	Alcoholic beverages, cigarettes and tobacco	Clothing and shoes	Hosing and rent	Furniture, household appliances, and maintenance.	Health	Transportation	Communication	Entertainment and culture	Education service	Restaurants and hotels	Other goods and services
2002	26,7	4,1	6,3	27,3	7,3	2,3	8,7	4,5	2,5	1,3	4,4	4,6
2003	27,5	4,1	6,2	28,3	5,7	2,2	9,8	4,3	2,2	2,0	4,1	3,5
2004	26,4	4,3	6,5	27,0	6,6	2,2	9,5	4,5	2,5	2,1	4,5	3,9
2005	24,9	4,1	6,2	25,9	6,8	2,2	12,6	4,3	2,5	1,9	4,4	4,1
2006	24,8	4,1	5,9	27,2	6,2	2,2	13,1	4,2	2,2	2,1	4,2	4,0
2007	23,6	4,3	5,9	28,9	5,9	2,4	11,1	4,5	2,1	2,5	4,5	4,2
2008	22,6	3,8	5,4	29,1	5,8	1,9	14,1	4,4	2,5	2,0	4,4	4,1
2009	23,0	4,1	5,1	28,2	6,2	1,9	13,6	4,2	2,6	1,9	5,2	4,0
2010	21,9	4,5	5,1	27,1	6,3	2,1	15,1	4,1	2,8	2,0	5,4	3,7
2011	20,7	4,1	5,2	25,8	6,4	1,9	17,2	4,0	2,7	2,0	5,7	4,3

Source: *TÜİK (Turkish Statistical Institution); Household Budget Survey.*

When household indebtedness levels in Turkey are analyzed, borrowing is seen to be on an increase just like in most other countries in the world. While the ratio of borrowing to household incomes was 4.7% in 2002, it increased to 51.7% in 2011, which shows a 13 times increase. The amount of household obligations increased from 6.736 million TL in 2002 to an amount of 251.9 million TL in 2011. By continuously increasing, the ratio of household interest payments to household incomes reached to 23.1%. The relevant data reveal that households in Turkey have been increasingly in debt year by year. A quarter of household incomes are used for interest payments. It is also notable that global financial crisis of 2008 led to an increase in indebtedness levels in Turkey. In the years following the financial crisis, the ratio of debts to disposable incomes increased by 25%, which indicates that borrowing increased more and more and that the impact of the financial crisis could be reduced by the borrowing in the field of consumption. 29.5% in 2007, this ratio increased to 51.7% in 2011.

Table 4: *Household Income and Debt Levels 2002-2011 (Million TL)*

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Household obligations	6,736	13,442	28,259	49,979	73,656	100,564	128,966	147,083	195,1	251,9
Household disposable income	143,777	180,305	218,752	255,640	289,743	340,786	352,764	358,713	426,3	487,2
Household interest payments	-	3,983	7,245	10,264	12,175	15,576	19,653	21,114	20,4	23,1
Interest payments/ disposable income	-	2,2	3,3	4,0	4,2	4,6	5,6	5,9	4,8	4,8
Debt/ disposable income (%)	4,7	7,5	12,9	19,6	25,4	29,5	36,6	41,0	45,8	51,7

Source: *Central Bank, Financial Stability Reports 2002-2012.*

The most important borrowing tools of households are consumer loans taken from banks and credit cards enabling households to pay by installments. There was a huge increase in the consumer loans between 1997 and 2009. The number of individuals making use of these loans increased from 1.238.076 to 8.966.464, and the amount of loans reached to 112.827 million TL, increasing by 190 times. Consumer loans make up a great proportion of these loans. Consumer loans are used to buy durable and semi-durable goods, and to cover education and health expenses. Home/ mortgage loans and vehicle loans follow the consumer loans in amounts, respectively. When household consumption types (Table 3) are analyzed, it shows us that consumption types with a great proportion can be claimed to be covered with loans and borrowing. During crises, it is seen that there is a notable decrease in the amount of consumer loans and the number of loan users. The amount of loans used sharply decreased from 5.687 million TL in 2000 to 1.147 in 2001. The number of loan users also dramatically decreased in the same period. The sharp decrease in the amount of loans reveals that banks were quite short of liquidity. Increasing interest rates led to a decrease in loan usage. It is possible to claim that increasing amount of loans and increasing number of loan users following the 2001 crisis resulted from high real interests enabling cash inflow in monetary policies and banks' loan abundance caused by low exchange rates. Data on housing loans are also notable. There was a 20 times increase in the number of housing loan users between 1997 and 2011. It is of great importance to take into consideration that the increase in housing loans especially following 2002 was mainly caused by state's becoming a significant determinant of demands in housing sector via its institution *TOKİ* (Housing Development Administration). The increase in the number of loans legal proceedings initiated against is also worth mentioning. According to the data of Banks Association of Turkey, housing loans are at the top of the list in this respect.

Table 5: *Distribution of Consumer Loans according to Goods and Services, Million TL*

	Vehicle		Housing		Needs*		Other**		Total		Loans legal proceedings were initiated against
	A	N	A	N	A	N	A	N	A	N	
1997	340	176.428	40	17.659	0	0	220	1.043.989	600	1.238.076	18
1998	471	158.397	69	18.592	0	0	641	1.701.473	1.180	1.878.462	35
1999	447	111.471	47	10.586	0	0	755	1.362.026	1.249	1.484.083	72
2000	2.340	352.857	673	58.615	0	0	2.675	2.399.188	5.687	2.810.660	67
2001	286	47.108	48	2.911	0	0	813	817.014	1.147	867.033	71
2002	1.198	79.140	258	10.915	0	0	1.860	1.184.837	3.347	1.274.892	45
2003	4.689	238.507	805	26.992	0	0	4.989	2.016.503	10.483	2.282.002	33
2004	8.457	401.533	2.713	100.499	0	0	10.175	2.894.163	21.344	3.396.145	60
2005	6.836	354.775	12.967	272.252	15.233	6.519.520	4.348	2.063.277	39.384	9.209.824	146
2006	5.373	268.803	15.604	268.274	19.975	4.075.574	652	366.314	41.604	4.978.965	281
2007	5.178	195.241	15.535	240.799	27.538	4.691.232	1.603	209.975	49.853	5.337.247	985
2008	5.029	168.314	15.360	237.283	31.938	5.026.694	2.919	405.893	55.246	5.838.184	1.892
2009	4.863	142.691	21.223	337.203	39.921	6.056.603	122	4.239	66.129	6.540.736	3.384
2010	7.780	225.851	31.821	452.477	60.532	6.975.350	2.885	388.022	103.805	8.041.700	2.694
2011	8.036	202.441	29.756	414.033	69.404	7.650.366	5.631	699.625	112.827	8.966.464	1.625

Source: *Banks Association of Turkey.*

*Durable Consumer Goods, Semi Durable Consumer Goods Consumer loans for marriage, education, and health

**Loans out of this classification

*** Amount

**** Number of Individuals

Table 6: *Distribution of Consumer Loans according to Income Groups*

	Amount, Million TL						
Year	0 - 1.000 TL	1.001-2.000 TL	2.001-3.000 TL	3.001-5.000 TL	5.001 + TL	No clas-sification	Total
1997	460	0	0	0	0	141	600
1998	842	0	0	0	0	337	1.180
1999	797	0	0	0	0	452	1.249
2000	4.149	0	0	0	0	1.538	5.687
2001	746	0	0	0	0	401	1.147
2002	1.789	0	0	0	0	1.528	3.317
2003	6.771	0	0	0	0	3.712	10.483
2004	13.308	0	0	0	0	8.036	21.344
2005	10.001	3.492	1.875	1.487	5.334	17.195	39.384
2006	8.822	6.436	3.585	3.337	8.454	10.970	41.604
2007	10.274	9.564	4.728	4.875	8.993	11.419	49.853
2008	12.249	11.431	6.071	5.740	10.221	9.534	55.246
2009	15.144	16.826	9.021	8.115	12.521	4.502	66.129
2010	23.851	26.062	16.202	12.747	17.303	6.855	103.019
2011	30.268	26.157	17.873	12.585	16.406	9.538	112.827

Source: *Banks Association of Turkey.*

When the distribution of consumer loans according to income levels is considered, it is seen that a great proportion of these loans are taken out by those with an income of and lower than 2000 TL. Half of these loans amounting to 56.426 million TL belong to two lowest income groups, which implies that debt burden of low income groups is increasing. When the number of credit card users and their monthly shopping amounts on average are considered, it is possible to claim that Turkey has become a credit card heaven. Increasingly used all over the world and replacing banknotes, credit cards have become an indispensable part of daily life due to the fact that banks distribute credit cards with high limits to all ignoring their age and income and even send credit cards to households off-demand. In fact, almost all needs in daily life are met with credit cards. Based on the surveys carried out by Interbank Card Center with individuals on credit card usage, the reason why individuals used credit cards a lot while shopping was that credit cards enabled them to pay by installments, thereby helping them spend more than their monthly incomes. However, individuals find themselves under a big debt burden in long term, and they have to pay off their debts with new debts. It is known that most of the bank loans recently taken out are used to pay off credit card debts, and banks have been applying to tools to restructure credit card debts. When Table 7 is analyzed, the number of credit card users is seen to have increased by approximately 11 times since 1997. As of 2011, the number of credit card users is 51.360.809, which means nearly 80 percent of the whole population in Turkey does most of their shopping with credit cards. The total amount of shopping per month with credit cards was 829 TL in 2011. This amount increased by years.

Table 7: *The Number of Credit Card Users and Monthly Average Shopping Amounts (TL)*

	Number of Credit Card Users	**Monthly Average Shopping Amounts**
1997	4.847.166	-
1998	7.118.358	-
1999	10.045.643	-
2000	13.408.477	-
2001	13.996.806	-
2002	15.512.780	-
2003	19.863.167	610
2004	26.681.128	-
2005	29.978.243	521
2006	32.433.333.	788
2007	37.335.179	791
2008	-	-
2009	-	848
2010	47.120.008	832
2011	51.360.809	829

Source: *Interbank Card Center, (-) means that no relevant data are available.*

Encouraging individuals to consume more than their incomes is sure to have resulted in a cost, which is the yearly increasing number of credit card users not able to pay their debts. This also shows a parallelism with the increase in the number of credit card users. The number of those not able to pay their credit card debts increased from 32.911 in 2002 to 139.895 in six years. Similarly, the number of those not able to pay bank consumer loans increased by 8 times and reached up to 39.927 in 2008.

Table 8: The Number of Individuals Not Able to Pay Back Credit Card Debts and Consumer Loans

	2002	2003	2004	2005	2006	2007	2008*
Not Able to Pay Back Credit Card Debts	32,911	30,845	49,611	159,888	182,076	167,841	139,895
Not Able to Pay Back Consumer Loans	5,627	4,157	9,863	16,767	21,660	40,957	39,927

Source: *Financial Stability Reports 2002-2012.*

*Shows the first quarter of 2008

While household debt and obligations were on increase, public net debt stock also increased. According the data of Undersecretaries of Treasury and Central Bank of Turkey, public net debt stock increased from 182.841 million TL in 2001 to 534.648 million TL in 2011. Making up a great proportion of public net debt stock, domestic debt stock reached up to 386.900 million TL in 2011. To sum up, when all data regarding public, household, and individual borrowing are taken into consideration, we can claim that indebtedness increased at all levels and Turkish economy started to become a "debt-ridden economy".

5. CONCLUDING REMARKS

The improvements in technology and communication in the 1970s and other factors unique to that period brought about the beginning of a new period led by international institutions like the IMF and the WB. This period is called neo-liberalism age. The most characteristic feature of this age is that all barriers against capital movements were removed. While this process helped financial markets to expand and financial movements to increase, it led to globally increasing indebtedness. Increasing indebtedness ended up with financial crises when it reached unsustainable levels. Stability programs including tight fiscal policies implemented after financial crises caused indebtedness to increase, so indebtedness relation started to be dominant over a great majority of societies in these countries. When financial markets and trade were liberalized in Turkey, the effect of financialization was firstly observed on intensive capital inflow but spread to all factors of the economy. During this period, Turkey was hit by three economic crises of 1994, 1999, and 2001. Especially, with stability programs put into implementation in the late 1990s and early 2000s, the cost of crises started to become socialized. Following 2000, Turkey witnessed increasing household and individual indebtedness.

Particularly called Post-Bretton Woods era, this period mainly changed capitalist mode of production as well as economic and social areas. As a result of the change in the mode of production (from fordism to post-fordism), consumption took a new form, becoming an indispensable desire of life and the only condition for freedom. Once regarded as an indicator of waste, overconsumption started to be embedded in people subconscious as a way of freedom. Consumption was encouraged via communication tools, mainly the media. A new huge sector, advertising sector, developed. When the great amount of money in this sector is taken into consideration, it is clear that consumption is an indispensable source for the maintenance of this system. By this way, communication brought about a new social form, consumption society. This hegemonic relation was also exported to other countries in the world. Actually, all these processes fed one another. The change in production style led to a change in consumption habits of society. Legal and economic structure was reorganized in a way to maintain this new system. Class differentiation increased and every class gained new consumption habits. This process was supported by the developments in technology. In fact, developments in technology as well as in communication accelerated this change and made its influence far-reaching. Besides, borrowing tools to enable consumption were developed in economic field. In this respect, financial markets expanded with new and more developed tools, and banking sector was reorganized.

With the developments in banking sector and financialization of individual incomes accordingly, financial accumulation tended to focus on commoditization of social needs. During this period, a huge increase became observable in consumer loans such as vehicle and housing loans. Likewise, usage of credit cards became common, and they became an indispensable part of daily life. A great proportion of future incomes of households and individuals consuming more than their incomes are already mortgaged. Moreover, the number of those not able to pay back bank loans or credit card debts also increased. It is likely that there will be more cases of not paying loans back, and borrowing will increasingly go on. In economies where indebtedness is at such levels, "economic stability" is of crucial importance. Nevertheless, economies have an instable feature when speculative movements become determinant of financial area and economies become more sensitive to international financial movements, resulting from financialization. To conclude, based on borrowing indicators and in today's circumstances, it is possible to put forward that a "credit crisis" is inevitable due to the fact that current problem is not deeply focused on but postponed with daily policies such as restructuring debts, etc.

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