



Expanding the framework of the varieties of capitalism: Turkey as a hierarchical market economy

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ABSTRACT

This article both extends the debate on the varieties of capitalism theory beyond the existing literature to solve the ambiguous position of the variety of capitalism that is found in Turkey and brings a novel approach to the studies of the political economy of Turkey by adopting a firm-centred position using the varieties of capitalism framework. Based on a qualitative comparison with the dependent market economies (DMEs), mixed market economies (MMEs) and hierarchical market economies (HMEs), this article claims that Turkey is a hierarchical market economy with four characteristic features that are also found in Latin American economies. These core features are the dominance of the family-owned diversified business groups, state-regimented and weak industrial relations, low skills and the influence of MNCs.

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1. Introduction

Varieties of Capitalism theory has been developed by Hall and Soskice to categorise and describe developed capitalist market economies based on the juxtaposition of Liberal Market Economies (LMEs) which is characterised by arm's length interaction among market actors and the Coordinated Market Economies (CME) in which informal networks and collaborative arrangements accompany market relations. Taking a firm-centred position, Hall and Soskice argue that firms in LMEs or CMEs are operating in an environment conditioned by complementary institutional structures, which determine their corporate strategy for innovation or investment. In the original study, six of the OECD countries are categorised as LMEs (the United States, Ireland, the

United Kingdom, Canada, Australia and New Zealand) while ten as CMEs (Japan, Germany, Denmark, Sweden, the Netherlands, Belgium, Switzerland, Austria, Finland and Norway) (Hall & Soskice, 2001, pp. 1–68).

Hall and Soskice left 'France, Italy, Spain, Portugal, Greece and Turkey in more ambiguous positions', and indicated that these countries 'show some signs of institutional clustering which may be described as Mediterranean Market Economy', featured by a large agrarian sector, widespread state intervention and liberalised labour relations (Hall & Soskice, 2001, p. 21). In the last decade, researchers have used Varieties of Capitalism framework to define distinctive forms of capitalism in Southern Europe, Latin America, Central and Eastern Europe and Asia. Ben Schneider has analysed Latin American countries with the Varieties of Capitalism approach and coined the term "Hierarchical Market Economies" (HMEs) for these countries given the patronage relationship between the state and businesspeople and among firms in these countries (Schneider, 2009). Nolke and Vliegthart have enlarged the studies of Varieties of

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