THE CHANGING PERCEPTIONS OF THE CENTRAL BANKS IN THE WORLD ECONOMY AND TURKEY

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ABSTRACT

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With their legal monopoly over the issuance and distribution of state money, central banks occupy a privileged position between politics, economy, and public administration. Moreover, central banks have always been public institutions that reflected the changing forms of state interventions in the economy since their roles have been transformed in line with the role of the state in the economy. Given the dual nature of the central banks as both the bank of the state and the bank for banks, central banks are key institutions forming the state-finance nexus, thus necessitating a critical perspective on State/Market relations. In this regard, central bank independence has emerged as a crisis management strategy of neoliberalism in accordance with the aim of reducing state interventions in the economy. However, since central bank independence failed to ensure financial stability, there has been a proliferation of studies in a quest to scrutinize the roles of central banks in the aftermath of the 2007-8 financial crisis. While the great majority of these studies assert that the central banks should go beyond the narrow nature of the central bank independence framework, the central bank debates in Turkey ignore the changing paradigm of central banking in the aftermath of the 2007-8 financial crisis. Hence, this thesis aims to illustrate by adopting a critical political economy approach the growing discrepancy between the debates regarding the roles of central banks on the domestic and international levels by scrutinizing the positions of central banks in the state-finance nexus in the light of recent developments.

Keywords: Central Bank, Central Bank Independence, State-Finance Nexus, Financialization, Crisis Management Strategies

ÖZ

DÜNYA EKONOMİSİNDE VE TÜRKİYE'DE MERKEZ BANKALARININ DEĞİŞEN ALGILARI

BAŞARANGİL, Derya
Yüksek Lisans, Siyaset Bilimi ve Kamu Yönetimi Bölümü
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Para basma ve ihraç etme tekeline yasal olarak sahip olan merkez bankaları, bu özellikleri sebebiyle siyaset, ekonomi ve kamu yönetimi açısından ayrıcalıklı bir konuma sahiptir. Üstelik merkez bankalarının rolleri devletin ekonomideki rolüne paralel olarak dönüştüğünden, merkez bankaları her zaman ekonomideki devlet müdahalelerinin değişen biçimlerini yansıtan kamu kurumları olmuşlardır. Merkez bankalarının hem devletin bankası hem de bankaların bankası olarak sahip oldukları ikili doğaları göz önüne alındığında, merkez bankaları devlet-finans ilişkisini oluşturan, dolayısıyla Devlet/Piyasa ilişkilerine eleştirel bir bakış açısıyla yaklaşmayı gerektiren kilit kurumlardır. Bu bağlamda merkez bankası bağımsızlığı, neoliberalizmin ekonomiye devlet müdahalesini azaltma hedefi doğrultusunda bir kriz yönetim stratejisi olarak ortaya çıkmıştır. Ancak merkez bankası bağımsızlığının finansal istikrarı sağlayamaması nedeniyle, 2007-8 mali krizi sonrasında merkez bankalarının rollerini inceleyen çalışmalar çoğalmaya başlamıştır. Bu çalışmaların büyük çoğunluğu merkez bankalarının merkez bankası bağımsızlığı çerçevesinin dar yapısının ötesine geçilmesi gerektiğini öne sürerken, Türkiye'deki merkez bankası tartışmaları 2007-8 mali krizi sonrasında değişen merkez bankacılığı paradigmasını görmezden gelmektedir. Dolayısıyla bu tez, son gelişmeler ışığında merkez bankalarının devlet-finans bağı içindeki konumlarını irdeleyerek, merkez bankalarının rollerine ilişkin ulusal ve uluslararası düzeydeki tartışmalar arasında giderek artan ayrışmayı eleştirel siyasal iktisat yaklaşımı çerçevesinde ortaya koymayı amaçlamaktadır.

Anahtar Kelimeler: Merkez Bankası, Merkez Bankası Bağımsızlığı, Devlet-Finans Bağı, Finansallaşma, Kriz Yönetimi Stratejileri

To the Memory of My Father

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LIST OF ABBREVIATIONS

AKP	Adalet ve Kalkınma Partisi
BIS	Bank for International Settlements
BRSA	Banking Regulation and Supervision Agency
CB	Central Bank
CBI	Central Bank Independence
CBRT	Central Bank of Republic of Turkey
ECB	European Central Bank
EU	European Union
FED	Federal Reserve
FSC	Financial Stability Committee
GDI	Government Debt Instruments
GFC	Global Financial Crisis
IDLF	Intra-Day Liquidity Facility
IMF	International Monetary Fund
IT	Inflation Targeting
LoLR	Lender of Last Resort
MMLR	Market Maker of Last Resort
NAIRU	Non-Accelerating Inflation Rate of Unemployment
OECD	Organization for Economic Co-Operation and Development
PBC	Political Business Cycles
SDIF	Savings Deposit Insurance Fund
TCMB	Türkiye Cumhuriyet Merkez Bankası
US	The United States
WB	World Bank
ZLB	Zero Lower Bound

CHAPTER 1

INTRODUCTION

Since the central banks have a monopoly over the issuance of state money, they are positioned at the intersection of politics, economics, and public administration. As anti-competitive financial entities, central banks are considered public institutions with their legal monopoly of control over the issuance and distribution of domestic currency, which are established and protected by law. With their very modern historical backgrounds, central banks have been in charge of managing the accounts of the state in general and the financing needs of the state in crisis times in particular. On the other hand, central banks have organic links with the banking and financial systems through their connections in money markets from the first day of their establishment. Given their dual nature stemming from their privileged position, central banks have needed a certain degree of autonomy from both the state and the market. Historically, the role of the central banks has transformed in tandem with the ideological expression of the form of state intervention in the economy. Given the close relations between the credit creation process and capitalism, central banks have been crucial for functioning capitalist systems with having a monopoly of legal tender and their roles in money markets. To the extent that central banks are the banks both of the state and the banks, particularly in times of crisis, it would not be surprising that the role attributed to them has changed in line with the responses given to crises of capitalism.

This study has been motivated by the recent debates regarding the role of central banks both at the international and domestic levels. More specifically, the current debates in the Turkish context on central bank independence drove this study to scrutinize the effectiveness and the roles of the central bank in the economy. In this regard, this study seeks to contribute to the analysis of central bank independence in light of the changing central banking practices and perceptions in the post-2008 era.

Central banking practices offer a fertile ground for encapsulating the State/Market relations since central banks emerge as a key component of the power relations regarding state-finance nexus. The state-finance nexus in this thesis refers to reciprocal power relations between the state and financial markets, which are formed by the dual nature of central banking. In the aftermath of the 2007-8 financial crisis, the lines between monetary and fiscal policies and between financial and non-financial sectors have been blurred with the interventions of the central banks to cope with the crises. As the roles attributed to the state expanded against the variegated crises of capitalism during this period, the changing central banking practices reflected these transformations. The main concern of this study is to show the changing roles of central banks in their relation to the rising hegemony of finance. More precisely, as the central banking practices have changed in the aftermath of the 2007-8 crisis, this study aims to comprehend the interrelated dimensions of central banking by going beyond the shallow nature of the recent Turkish debate.

From the late 1970s onwards, the world economy has undergone a series of transformations in tandem with the rise of neoliberalism as a hegemonic project in response to the crises of the 1970s. As the forms of state interventions transformed with neoliberalism, central banks emerged as prominent actors in the fight against inflation notion, inspired by Monetarism as one of the theoretical underpinnings of neoliberalism. Since the separation between the economy and politics is taken for granted, central banks have begun to be isolated from political pressure in line with the neoliberal logic of reducing the state intervention in the economy. In addition to fiscal and structural reforms proposed by neoliberal logic, the central bank independence has been shaped through financial reforms. In this context, inflation targeting emerged as the main monetary policy regime of the independent central banks. With their narrowed goal of price stability, inflation-targeter independent central banks emerged as a form of neoliberal central banking practices that accelerated the financialization process under the reform packages of neoliberalism. In addition to the transformation of central banks in advanced countries, the central bank independence framework has been imposed on developing countries by the international financial organizations as a part of Washington and the post-Washington Consensus reforms to enhance the creditworthiness of those countries.

With the rise of financialization as an integral component of neoliberalism, central bank independence spread throughout the 1990s as a result of the financial liberalization process to ensure free circulation of capital. Until the 2007-8 financial crisis, central banks in advanced and most developing countries have followed the central bank independence framework under the inflation-targeting regime with a narrow-minded focus on the goal of price stability. The 2007-8 financial crises changed the theory and practices of central banking since it has been understood that pursuing the price stability target was insufficient to ensure financial stability. In order to ensure financial stability along with price stability, central banks have begun to embark on new toolsets under the name of macroprudential policies. With the effects of the crisis spreading in developing countries, central banks in those countries have followed similar patterns. As a result of the Covid-19 pandemic-related crisis, neoliberal central banking began to lose its hegemonic power since central banks have come to the fore with their crisis management roles. With the rising emphasis on the crisis management roles of central banks, there has been a proliferation of calls on the functions of the central banks to embrace new objectives to deal with recent crises such as the pandemic, climate change, and social inequalities.

In the Turkish context, the Central Bank of The Republic of Turkey (CBRT) was established in 1930 in line with the notion of economic independence of the newly established nation-state. After a series of amendments in the law of the Central Bank, the Bank gained its legal instrument independence in 2001 in line with the institutionalization of structural reforms as a conditionality of the IMF-led stabilization packages. After the independence law of 2001, the CBRT implemented the inflation targeting regime both implicitly and explicitly. In addition to the price stability objective, financial stability became one of the main goals of the Central Bank after the impacts of the 2007-8 financial crisis began to be felt in the Turkish economy. Hence, macroprudential measures have been implemented by the CBRT to provide financial stability and protect the Turkish economy from speculative capital flows. From 2013 onwards, as Turkey entered a political and economic turmoil period, the rising authoritarianism debate began to be accompanied by the central bank independence debate. As a result of frequent replacements of the central bank governors by the government, the central bank independence became a piece of front-page news in Turkey, even during the pandemic era. Hence the main motivation behind this thesis is that there is a growing discrepancy between the recent debates on central bank independence at the domestic level and the international level regarding the changing role of the central bank.

Due to the increasing importance of Central Banks and their close relation with the financial hegemony today, this study problematizes the transformation of central banking practices as part of crisis management strategies of capitalism in general and neoliberalism in particular. In the light of the recent debates on central bank independence, the thesis focuses on central banking in the post-2001 period as a part of the neoliberal transformation in Turkey. Since Turkey became an exception in both policy responses and its discussion of central bank independence even during the pandemic, the thesis will attempt to illustrate the dissociation of the recent Turkish debate with the international concerns. In this regard, this study is mainly conducted to give answers to the following questions regarding the changing roles of central banking:

1. Given the central bank independence framework, what are the theoretical and historical underpinnings of the goal of price stability?
2. Since the objectives and tools of central banks are transformed in times of crisis, is it possible to think that central banks fulfill the role of the key component of state-market relations in terms of the "state-finance nexus?"
3. To the extent that the central banks take account of goals beyond price stability, is it possible to sustain the classical paradigm of central bank independence?
4. What do the roles attributed to the Central Bank in Turkey indicate in the transformation of the state from 1980 onwards? Is it feasible to contemplate the Turkish opposition's adherence to central bank independence as yet another manifestation of the "*dissident but hegemonic discourse*?"

From the middle of the 1980s onwards, Central Banks and the issue of independence have been discussed by different scholars with various approaches. It can be argued that the literature of central banking has proliferated with the notion of central bank independence. Moreover, a trend that the academic interest in the central bank intensifies in times of crisis might be observed in the literature. As mentioned above, since the central bank is located at the intersection of economics, public administration, and politics, it has been a subject of inquiry by different disciplines. Not only by the field of economics, but the subject of central banks is also one of the key topics in contemporary international political economy literature. Studies on the central banks can be grouped under three main topics: price stability and inflation targeting, financial stability, and increasing roles of the central banks. These three main topics are also coherent with the periodization of the history of central bank independence. A periodization can be made through from the 1980s onwards that: the transformation of neoliberalism and financialization, from the 1990s to the 2008 crisis, and from the crisis to the pandemic. Since inflation-fighting emerged as a crisis resolution tactic from the late 1970s, the central bank literature primarily focused on inflation-targeting regime. Firstly, as central bank independence is advocated and praised for achieving inflation targets, there is a huge number of studies examining the reverse relationship between the independence and inflation. Eijffinger and de Haan (1996) present a detailed list on illustrating that inverse relationship. Cargill (1995) Walsh (1993) argued that, on the other hand, negative link with inflation might be weaker.

Secondly, there has been a wide literature on the theoretical foundation of central bank independence. Goodman (1991) provides the domestic factors behind the argument of independent central bank by examining that there is no strong support in every country for independence. In addition to critical studies from the heterodox perspectives (Goodman, 1991; Hayo & Hefeker, 2001; Fernandez-Albertos, 2015; Baerg & Gray & Willisch, 2020), there is also a vast contribution to central bank independence literature from mainstream thinkers. The relation between central bank independence and inflation has also been scrutinized by various economists and scholars.

Thirdly, there are also studies based on empirical findings that reject the direct correlation between central bank independence and low inflation, which examine the effectiveness of the goal of price stability (Cukierman & Webb & Neyapti, 1992; Posen, 1993; Campillo & Miron, 1996). In addition to measuring the effectiveness of the central bank independence debates from a macroeconomic perspective, the central banks are also examined from the perspective of the international political economy. Prominent studies have contributed to the central banking literature by thinkers such as Epstein (1992), Watson (2002), and Polillo and Guillen (2005). By undertaking on the dual tasks of price and financial stability in the post-2008 era, the central banks began to be discussed over "the state-finance nexus" by different scholars and academics with various backgrounds and priorities (Harvey 2007, 2010; Borio & Disyatat, 2009; Lapavitsas, 2009; Palley, 2009; Taylor, 2010; Goodhart, 2011; Bowman et al, 2012; Cömert & Benlialper, 2016; McPhilemy, 2016). As a result of the diversification of objectives of central banks and the emphasis on financial stability after the 2008 crisis, the central banking discussions have been intertwined with the financialization literature. Considering what has been learned from the 2008 crisis, the Covid-19 pandemic has also ignited a debate about the role of the central banks, since the banks were able to take quick response against the effects of the pandemic. This thesis will also deal with critical macro-finance literature that focuses on the co-evolution of central banking practices with the financial sector (Gabor, 2011; Goodhart et al., 2014; Tooze, 2018; Borch & Wosnitzer, 2021).

Since the legal independence of the CBRT was obtained by the law amendment in 2001, the literature review on the Turkish context will mainly cover the period after the 2001 financial crisis onwards. To provide a historical background of the CBRT, a few studies focused on the pre-2001 reform will be used in the thesis (İlkin & Tekeli, 1997; İlkin & Tekeli, 1998; Bakır, 2007). To understand the central bank literature in Turkey, it seems feasible to classify it under three important periods; the first one is from the 2001 reform to the 2008 crisis, the second one is about diversified instruments and new tools of the CBRT to respond to the effects of the 2008 crisis, and the last one is about the rising emphasis in the central bank independence as a way of ensuring the stabilization of the Turkish economy. Although there are many studies examining central bank independence and the effectiveness of the inflation targeting regime from a macroeconomic perspective in the post-2001 period, studies that treat the central bank independence from a critical approach are limited number (Yeldan, 2002; Cömert, 2019; Orhangazi & Yeldan, 2021). Moreover, there are few master theses and PhD dissertations directly focusing on central banking in the academic literature in Turkey (Akçay, 2008; Ayhan, 2008; Şenyarar Bayrak, 2013; Bozkurt, 2015). Given the special status of the central bank, there are also theses on the autonomy of the Bank studied in the field of public administration (Rumelili Koç, 2019).

Since the CBRT announced the exit strategy in 2010 and adopted macroprudential measures to ensure the new goal of financial stability, the first group of literature on the Turkish case can easily be found from mainstream and macroeconomic perspective both in working papers of the CBRT itself and in economics literature (Akkaya & Gürkaynak, 2012; Başçı, 2012; Kara, 2016, Uysal, 2017). This kind of literature mainly focuses on the effectiveness of the macroprudential policies and their macroeconomic effects by conducting purely economic analysis. There are also critical studies assessing the rising importance of financialization, the effects of the 2008 crisis, and the evolution of monetary policies of the CBRT (Yeldan, 2009; Ergüneş, 2010; Benlialper & Cömert, 2016; Cömert & Türel, 2017; Cömert & Yeldan, 2018). Although it is not reflected in academic studies, there is also an increasing interest in central bank independence especially in the recent era of the AKP rule in economic discussions of Turkey. The increasing interest and attention in the central bank independence go in tandem with the authoritarianism debate in Turkey. Just as the so-called authoritarian turn of the AKP rule is defined mostly from the bottleneck of 2013 onwards in the literature, the central bank independence debate in Turkey might be dated back to 2013 (Gürkaynak et al., 2015; Esen & Gümüşçü, 2016; Tansel, 2018; Akçay & Güngen, 2019; Orhangazi & Yeldan, 2021). Given the increasing government interventions and controls over state institutions including the CBRT, a trend that stressed the importance of the institutions and especially the independence of the central bank has occurred among different oriented scholars (Atiyas 2012; Parliamentary Debates, 24th Term; Financial Times, 12 March 2015; Demiralp & Demiralp, 2018; Dönmez & Zemandl, 2019; Akçay, 2020). Therefore, central bank independence has come to the fore as a remedy to overcome the structural problems of the Turkish economy, both in academic literature and the political agenda of the opposition (Özatay, 11 July, 2018; Gürses, 13 July, 2018; Eğilmez, 2019; Birgün, 3 May 2021; Yeldan; 2021; Pierini, 11 July, 2019; Reuters, 25 November 2021).

Given the central bank determines monetary policy that directly or indirectly affects the whole society, the difference between the above-mentioned central bank literature and my research is that my focus will mainly be on recent debates regarding the role of the central bank. Just as the authoritarianism debate, the Turkish debate on central banking has failed to provide a comprehensive analysis on the background of the ongoing economic and political crises. In other words, recent debates on central bank independence in the Turkish context tend to portray government interventions in the central bank as the trigger of the current crisis, on the one hand, while presenting central bank independence as a solution to it. Since the macroeconomic lesson learned from the pandemic is that central banks should work closely with governments rather than maintaining the obsolete central bank independence framework, my research motivation will be the subject of substantially differentiated debates between Turkey and the international level. Therefore, by focusing on the recent debates on the role of central banks, the distinctive feature of my thesis will be engaging the central bank literature in the debates on the transformation of the state, authoritarianism, hegemony, and financialization.

Since the central banks have organic links with the financial markets as public institutions, the central bank independence phenomenon will be treated from a relational perspective regarding the reciprocal relations within the state-finance nexus. To discuss the place of the CBRT in the neoliberal transformation and financialization in Turkey, the notion of central bank independence will be scrutinized from the critical political economy perspective. This thesis will provide a relational Marxist analysis of the recent debates at the international level regarding the new roles of central banks to illustrate the peculiarity of the Turkish case.

To achieve its objectives and answer the above-mentioned questions, the structure of the thesis will consist of five chapters, including the introduction and the conclusion. By focusing on the vast academic literature on central bank independence, the second chapter will scrutinize the theoretical and historical underpinnings of the goal of price stability. After the theoretical debate, the second chapter will attempt to evaluate the central bank independence from a critical political economy perspective. The third chapter will scrutinize the goal of financial stability that has been brought to the agenda of the central banks as a response to the 2007-8 financial crisis. After maintaining a brief literature review on the financialization debate to illustrate the organic link between central banks and financial markets, the third chapter will handle the changing goals and tools of central banks in the aftermath of the 2007-8 financial crisis. The chapter will also assess the latest calls on the central banks regarding its tools and goals that aim to go beyond the goal of both price and financial stability. Considering the international calls for the new roles of central banks, the third chapter will also discuss the sustainability of the neoliberal model of inflation-targeter independent central banking. The fourth chapter will mainly focus on central banking practices in Turkey concerning the developments from the first day of the establishment of the Central Bank to the latest debates on central bank independence. After providing a historical background for the neoliberal transformation in Turkey, the fourth chapter will critically assess the recent emphasis of the opposition on the restoration of central bank independence in comparison with the mainstream authoritarianism debates. Rather than engaging with the day-to-day novelties and debates and presenting the course of events, the thesis will attempt to display the crisis of crisis management in Turkey by focusing on the characteristic features of the post-2013 period. In the conclusion part, the debates carried out in the previous chapters of the thesis will be evaluated from a relational perspective.

CHAPTER 2

THE GOAL OF PRICE STABILITY

Since central banks have the sole right to the issuance of legal tender, they are in a privileged position in the globally financialized world of today. This authority provides them an essential role within the state-finance nexus; since the privileged positions of the central banks stem from not only being money-printing institutions, as they were on the first day of their establishment, but also guaranteeing the money created in the market by private banks as state-backed money (Pistor, 2013; McLeay et al, 2014). Given their position in the intersection of politics, economics, and public administration, central banks have been one of the most prominent institutions affecting macroeconomic developments from the 1980s onwards. With the dominance of neoliberalism, central banks have undergone a series of transformations. In line with the logic of fight against inflation, the goal of price stability emerged as only objective of a central bank to pursue in part of the neoliberal orthodoxy (Fischer, 1995). In this regard, the goal of price stability should be scrutinized to understand the logic behind the central bank independence and the role of a central bank in general.

The following section will examine the theoretical foundations of neoliberal central banking from a historical perspective to explain the logic underlying the inflation-targeting monetary regime and the goal of price stability. In this context, this chapter will begin its scrutiny of the price stability objective with the inflationary bias in the late 1970s and will end with the 2007-8 financial crisis. Firstly, in line with the literature given, the theoretical foundations behind price stability will be assessed from a critical political economy perspective. Secondly, the spread of the central bank independence in the 1990s will be examined. Thirdly, historical roots and the logic behind the central bank independence will be critically assessed. In doing so, the chapter will also keep in view the heterodox critique of the price stability goal and the inflation-targeting regime.

2.1. Theoretical Foundations of the Price Stability Goal

The phenomenon of Central Bank Independence (hereafter CBI) has mushroomed from the early 1990s onwards, its theoretical foundations were rooted in the late 1970s. In the 1970s, the rising energy prices, falling profit rates, and simultaneously increasing inflation and unemployment brought about severe political and economic crises. The literature on CBI has started to take roots in response to those crises. Thereby, it is not surprising that the foundations of CBI literature coincide with the period of the transition to neoliberalism. Consistent with the neoliberal logic that characterized the previous decade as highly undesirable, with civil strife and disorder, and outdated economic policies, the literature on the CBI has blamed the monetary policies of the 1970s for the crises (Yalman, 2002, p. 27). In this regard, the transition to neoliberalism has been reflected in the changes in monetary policies.

Many of the approaches proposed since the late 1970s have been concerned with the role and effectiveness of monetary policy in responses to the crises of the 1970s. The change in the Federal Reserve System's (FED's) monetary policy in 1979, considered the Volcker shock in the literature, tended to be elaborated as the starting point of the transition to neoliberalism in general and the evolution of monetary policies in particular (Harvey, 2005; Krippner, 2007). Paul Volcker, Federal Reserve chairman between 1979-1987, argued that in order to suppress high inflation, interest rates must be raised via money targeting. This shift in monetary policy has emerged as a response to the stagflation of the 1970s that was the combination of high inflation, high unemployment, and lower growth. Even though the Volcker shock (1979-1982) managed to bring inflation down, with its sound monetary policy, short-term interest rates increased, unemployment and current account deficit broke records, and the third world countries were dragged into the debt crisis (Goodhart, 1989, 1994).

The monetarist view is the logic that enabled the FED to push interest rates to keep inflation in control under the rule of Paul Volcker. Monetarism, as one of the macroeconomic theories under the rubric of neoliberalism, was developed with the rejection of Keynesian framework. Put differently, the logic underlying monetarism is anti-inflationary bias emerged against the crises of the 1970s. According to Milton Friedman, who was the key proponent of monetarism, "inflation is always and everywhere a monetary phenomenon" (Friedman, 1970, p.24). In the monetarist view, expansionary and welfare stabilizing policies implemented under the Keynesian framework of economics have been the cause of high inflation in the 1970s. In line with the neoliberal argument of minimum government intervention into the economy, "the central claim of monetarism is that the role of the government in stabilizing the economy ought to be limited to ensuring a steady rate of growth of the money supply" (Krippner, 2007, p.488). Since inflation is seen as associated with the amount of money in circulation, the first thing to be done according to the monetarists would be adopting monetary targeting as the nominal anchor in monetary policy via the tool of interest rate manipulation (Gabor, 2011). Given the Keynesian goal of full employment, the monetarist view argued that Keynesianism had a "propensity to generate runaway inflation because of macroeconomic mismanagement and the accommodation of the workers' demands" (Saad-Filho, 2010, p.98). As one of the key elements of monetarism, chasing the pursuit of employment would cause high inflation since the natural rate of unemployment (as Non-Accelerating Inflation Rate of Unemployment, NAIRU) above real unemployment leads to higher inflation (Arestis & Sawyer, 2003, p.8). Therefore, in the monetarist view, the long-run effects of monetary policy on real economy and unemployment, real wages, outputs, and other macroeconometric parameters have been subordinated to the fight against inflation (Palley, 2007). "In the absence of significant wage pressures or major supply shocks during the consolidation years of neoliberalism," the policy choices of governments were accused of entailing inflation (Saad-Filho, 2019, p.272).

The Phillips Curve is a key technical argument that provides a line of thought in defense of CBI and anxiety of inflation. During the 1960s, in the heyday of Keynesianism, Philips' discovery of the existence of a stable inverse relation between high unemployment and the change rate of nominal wages, i.e., inflation, became the dominant Keynesian paradigm (Cristiani & Paesini, 2017). The Phillips curve was considered a menu of possible choices in which the governments could opt for higher inflation to curb unemployment (Alesina et al, 1989; Snowden &

Vane, 2005). Even though the Phillips curve dominated in the golden days of Keynesianism, the 1970s have witnessed stagflation in which high inflation coincided with unemployment, rather than an inverse relationship between the two. Since the Phillips curve accounted for high inflation especially by the advocates of monetarism, what was required was to replace the Phillips curve with what became known as its “expectations-augmented” version (Forder, 2006, p. 224). In other words, the Phillips curve for the monetarist outlook served the electoral purpose of ambitious policymakers and justified that unemployment has the natural rate, i.e., NAIRU (Forder, 2006). The Phillips curve had been modified to prevent politicians from intervening into economy, and so, unemployment had been removed from being a political goal, but was left to the market. As can be seen in Lucas’s model, no predictable monetary policy has any effects on output in the expectations-augmented Phillips curve, “because there is no possibility of a systematic gap between expected and actual inflation, since the private sector adjusts its expectations according to the monetary policy” (Fischer, 1994, p. 268).

In determining the monetary policy, from the mid-1970s onwards, the literature of Business Cycles began to develop to illustrate the politicians’ election-led motivations concerning the Phillips curve. With the defense of anxiety to inflation, the Business Cycles literature refers to self-interested politicians and their macroeconomic goals (Alesina & Stella, 2010). To explain the politicians’ vote motivations and actions leading to high inflation, the literature splits into two distinct positions. One is the Political Business Cycles, and the other one is the Partisan Theory. For the Political Business Cycles approach, which was developed by Nordhaus (1975), “the economy is characterized by a Phillips curve which is easily exploitable because of backward-looking expectations” of the voters (Alesina et al., 1989, p. 63). Dubois (2016, p. 2) states that “unemployment and inflation are subject to cyclical fluctuations linked to the rhythm of elections, and therefore these fluctuations are called “political business cycles” (PBCs)”. In Partisan Theory, though is not so differentiated from the PBC approach, the emphasis is on the partisan behaviors of the politicians. In his critique of Nordhaus’s approach, Hibbs (1977) argued that the left and the right parties opt for different political choices regarding the “trade-off between inflation and unemployment” (Alesina et al, 1989).

In this line of thought, the conservative and right parties act in line with the fight against inflation; the left parties, on the other hand, seem to be keen on exploiting the Phillips curve and implement welfare stabilization programs that led to high inflation (Persson & Tabellini, 2004). Nevertheless, in line with neoliberal thinking, both approaches coincide with the view that the economy should be isolated from the political pressures of the electoral-led motivations of the politicians. In Nordhaus terms, economic policy should be "entrusted to persons who will not be tempted by the sirens of partisan politics," implying an independent central bank for monetary policy (Nordhaus, 1975, p. 188).

In efforts to the depoliticization of economic management, the time inconsistency problem emerged as a justification tool to illustrate the issues derived from the politicians. The time inconsistency problem points out a situation in which a policymaker's decision can change over time. Put differently, since the politicians have short-time horizons, "time consistency is a problem of policymakers acting with discretion to optimize policy on the assumption" (Forder, 1998, p. 310). "The time inconsistency problem has provided much of the impetus for granting CBs more autonomy ('independence') to vary interest rates as they, the independent CBs, think right, but for the attainment of an objective, i.e., price stability" (Goodhart, 1994, p. 1427). According to Kydland and Prescott (1977), since politicians act in maximizing social welfare function by their future expectations derived from their actual or past experiences, the time inconsistency problem occurs. Operating in the Rational Expectations line of thought, Kydland and Prescott (1977, p. 487) argued that the time inconsistency problem generates the problem of credibility for policymakers, which can be solved by following rules in economic policymaking rather than having discretion. Moreover, to overcome the problem of time inconsistency, the rules in economic policy, especially in monetary policy, should be simple and institutionalized in a way that everyone can understand (Kydland & Prescott, 1977, p. 487). In addition to the rules vs. discretion debate, by raising the issue of credibility, Barro and Gordon (1983) have argued whether the time inconsistency problem can be eliminated simply by giving credibility to the central bank. Barro and Gordon (1983) differentiated from Kydland and Prescott's line of analysis by arguing that the announcement of a rule is not solely credible (Forder, 1998). In their framework, there is "a positive theory of monetary policy and inflation," and by embracing Rational Expectations School, unemployment has been removed from being the subject of monetary policy (Barro and Gordon, 1983, pp.589-590). The credibility issue is associated to the time consistency problem that "can be solved by making explicit a rule which guides private sector expectations in a helpful direction or by keeping it implicit and following it for long enough" (Forder, 1998, p.312). By endorsing a game-theoretic approach, Barro and Gordon argue that the credibility issue that can be eliminated through institutionalizing monetary policy with establishing an independent central bank is essential in making the rules of the game (Barro & Gordon, 1983, p.608). In following the debate of rules vs. discretion, Rogoff's contribution comes into the picture by limiting the discretion of the government. Rogoff (1985) removes "the inflationary bias associated with the inherent time inconsistency of monetary policy by delegating this policy to a conservative (in the sense of more anti-inflationary) central bank" (Fernandez-Albertos, 2015, p. 8.2). Rogoff's conservative central banker who is free from both governmental and bureaucratic pressures, has discretion in making monetary policy as being inflation averse. Consequently, in addition to the time inconsistency conceptualization, "the rules vs. discretion literature" is based on distrust of politicians and anxiety of inflation in general and proposes to take monetary control away from the government's hand. (Goodhart, 1995, p.66). To sum up, "Friedman's call for a monetary growth rate rule, discretion invoking long and variable lags, political manipulation, central bank credibility, the Lucas Critique, and problems of time inconsistency" provide the ground for the main assumptions of the central bank independence literature from the mid-1970s onwards (Wray, 2007, p. 15).

2.2. The Spread of Central Bank Independence

Since the theoretical sources of the CBI are rooted in the responses to the crises of the 1970s, under the ascendancy of neoliberalism, there has been an increase in the number of independent central banks from the late 1980s onwards. Throughout the 1980s, the world economy underwent a severe transformation as a result of the 1970s crisis that paved the way for implementing neoliberalism. Even if capital account liberalization was not prescribed in the classical framework of the Washington

Consensus (Williamson, 2004), under its implementation, opening capital accounts has been imposed on developing countries by the IMF, the World Bank, and the US Treasury (Rodrik, 2006). Additionally, as another phase of neoliberalism, financialization[1] which became superior over the real and banking sector from the early 1980s, accelerated in developing countries from the 1990s onwards (Duménil & Lévy, 2005; Epstein, 2005). As a result of the increasing power of the financial sector vis-a-vis the manufacturers, the worsening conditions of the labor markets, and the de-industrialization process in general, developing countries started to open their domestic economies to foreign investors (Epstein & Yeldan, 2006). Moreover, the dissolution of the Soviet Union "put a number of countries, some of them newly created, in the position of feeling a particular need for institutional models" (Forder, 2005, p.847). Accordingly, the phenomenon of the CBI emerged as an instrument to provide credibility to attract foreign direct investments and to ensure capital inflows to countries. Given the consolidation of the market system through increasing flows of capital due to the effects of capital market liberalization, it is not surprising that the 1990s was a decade that the CBI reform spread as an economic trend. In the 1990s, the International Monetary Fund (IMF) initiated to accept the CBI as a condition and an inflation-targeting regime as the new nominal anchor of its financial assistance programs (Goodfriend, 2007). Moreover, the Maastricht Treaty stated the CBI as an obligatory criterion to enter the euro area, which also committed the price stability as the primary objective of the European System of Central Banks. In addition to promoting capital account liberalization as a corollary of economic development and maturation (Eichengreen, 2001, p.347), it might be feasible to think the CBI as institutionalization of an independent agency was advised by international organizations like the OECD and the IMF under the prescription of neoliberalism for Good Governance. The triumph of the CBI in the 1990s was an outcome of neoliberalism, financialization, and globalization as three intertwined processes (Epstein, 2005).

The CBI phenomenon not only refers to the establishment of formally independent central banks, but it also includes appropriate monetary policy instruments that would enable the fight against inflation. After causing a rise in unemployment and a

[1] A more detailed discussion on financialization will be carried out in chapter 3.

disinflationary pressure, central banks abandoned monetary targeting and “began to move towards direct inflation targeting, rather than relying on any intermediate targets for money supply growth” (Dalziel, 2001, p. 5). Subsequently, inflation targeting emerged as a nominal anchor since the declaration of the central bank of New Zealand Act that stated the goal of price stability as its only mandate in 1989. Since then, inflation targeting has been implemented by several countries throughout the 1990s as an orthodox monetary policy framework to reduce inflation into low levels.

Inflation targeting involves some key elements as operating policy framework[2]. The most critical ones are as follows: “institutional commitment to price stability as a primary goal of monetary policy”; “public announcement of medium-term targets for inflation range”; “transparency and openness in the implementation of monetary policy”; and “accountability of the central bank with respect to achieving its inflation objectives” (Mishkin, 1999, pp. 18-19; Arestis & Sawyer, 2003; pp. 5-9, Snowden & Vane, 2005, pp. 413-414). An inflation-targeted central bank determines an inflation range (generally between %2-3) to achieve its inflation forecasts by using short-term interest rates as the main monetary policy tool. The goal of price stability means “achieving and maintaining stability in the general level of prices, i.e., inflation”; thus, despite the rhetoric on pursuing “price stability,” “in practice all the inflation-targeting countries have chosen to target the inflation rate rather than the level of prices” (Mishkin, 1999, p. 19). In the conspicuous features of the inflation-targeting regime, credibility, transparency, and accountability are reflected in the key concerns of the theoretical foundations of the CBI. The anxiety to inflation of the late 1970s in the monetarist outlook is institutionalized under the inflation targeting regime. Above all, the time-inconsistency problem that is solved by the CBI is guaranteed under the credibility notion of inflation-targeting regime (Schaling, 1995). The accountability associated with transparency involves the regular public announcement about the forecasts and targeting of a central bank. To signal inflation targets to the market appropriately, an inflation-targeter central bank enhances its

[2] According to Michael Woodford, the inflation targeting regime is derived from the view of Knut Wicksell, a quantitist economist of the Gold-Standard era, that inflation problem can be solved with interest rates arrangement pressures (Woodford, 2003, pp. 49-55; Gabor, 2011, p. 20). Wicksell is also among the economists Hayek was influenced by.

communication tools, most importantly, begins to publish *Inflation Reports* regularly. It is worth noting that not all inflation-targeter or independent central banks follow similar patterns, and the varieties of independence may change. Nevertheless, since the inflation-targeting regime is interwoven with the CBI, "the extent of objectives granted to central banks is correlated with their degree of independence: the higher the degree of independence of central banks, the smaller their set of goals, and vice versa" (Fontan & Larue, 2021, p. 156).

"Central bank independence refers to the monetary policymakers are free from direct political and governmental influence in the conduct of monetary policy" (Walsh, 2010, p. 21). Since the CBI spread as an economic trend in the 1990s, the studies concerned with economic performance of both inflation-targeting regime and CBI have also started to proliferate. A vast literature has also developed on the measurement of independence. To briefly review the literature on the CBI, it should be feasible to start with the different types of definition of independency.

In their index study examined 72 countries, Weber, Cukierman, and Neyapti (1992) divide independence into two definitions, the formal and the actual, but in both cases, they stipulate the price stability target for the independence of the central bank. By producing four various rankings of independence of central banks, the study has revealed that CBI is "only one of several institutional devices for ensuring price stability" (Cukierman, Webb & Neyapti, 1992, p. 383). Fischer (1995), on the other hand, defined the types of independence as goal independence and instrument independence. Unlike Cukierman, Webb and Neyapti, independent central banks have the authority to set interest rates in Fischer account. Goal independence[3] means the freedom of a central bank to "select the ends of monetary policy; instrument independence is the freedom to select the means to pursue specified goals" determined statutorily or through negotiations with the government (Conti-Brown, 2015, p. 269). Another study should be mentioned that De Haan and Eijffinger (1996) describes the independence of the central bank which associates with three different types which are personnel, financial and policy. As the most important among them, financial independence refers to the ability of the central bank for

[3] Today central bank independence is often referred to as instrument independence.

financing public expenditures directly or indirectly through central bank credits and whether monetary policy is subordinated to fiscal policy (De Haan & Eijffinger, 1996, p. 2). For Otmar Issing (2006), finally, independence is institutional independence in the broadest sense. Institutional independence means that the central bank is free from political influence and is legally protected when conducting monetary policy.

Although the measure of independence was inappropriate for a variety of reasons, the empirical studies on the effects of an independent central bank or the inflation-targeting regime on economic performance have found a positive or adverse relation between independence and inflation (Forder, 1998, p. 328). Several studies have clearly stated that improved economic performance stemmed from the inflation-targeting or from the CBI (Bade & Parkin, 1988; Alesina et al, 1989; Grilli et al, 1991; Cukierman, 1992; Alesina & Summer, 1993; Bernanke & Gertler, 1999). According to Arestis & Sawyer (2003, p. 24) "inflation started to decrease in many of inflation-targeting economies, even before inflation targeting as monetary policy was implemented." However, other studies exhibited that there is no persuasive evidence that an inflation-targeting regime enhances macroeconomic performance or there is a direct connection between low inflation and the CBI (Posen, 1993, 1995; Campillo & Miron, 1996; Carare et al, 2002; Ball & Sheridan, 2003; Chang & Graebel, 2004). Measuring independence on economic performance reflected the idea that independence was institutionalized as a scientific fact (Issing, 1996; Marcussen, 2009). In fact, "the global shift towards inflation targeting in the 1990s placed the burden of macroeconomic governance squarely onto the shoulders of central banks" (Braun & Gabor, 2020, p. 242). Therefore, what needs to be done is to examine what independence is preferred for, rather than establishing a correlation between independence and economic performance.

2.3. Critical Assessment on the CBI

The concept of the CBI and inflation-targeting regime emerged as a form of monetary policy derived from the crisis management strategies of neoliberalism vis-a-vis the crisis of the 1970s (Burnham, 2006, p.98). The arguments for the establishment of the CBI had enabled paving the way for the transformation of the state under the neoliberal hegemony. As noted by Duménil & Lévy (2001, p. 587), "the structural crisis of the 1970s created the conditions for the reassertion of the hegemony of finance". Thus, since financialization is a part of neoliberalism, the CBI has proliferated under the heyday of neoliberalism. The central banking practice of neoliberalism might be associated with the depoliticization of economic policymaking, a conceptualization enhanced for the Thatcher-era UK economy by Peter Burnham (1999).

Central bank independence framework with the inflation-targeting regime reflected the very idea of deepening the dichotomy between politics and economics. Given the theoretical sources of the CBI literature, the rule-based policies in monetary policymaking have been canonized to ensure a central bank free from politics. A counter-inflationary central bank free from politics should be able to pursue the goal of price stability by opting for rule-based policies in determining monetary policy rather than those in discretionary spending to generate welfare. As argued by the Polillo and Guillen (2005, p. 1768), the idea of the CBI "matches the technocratic ethos of the neoliberal paradigm, with its purportedly objective, nonpartisan, disinterested, and depoliticized approach to policy making". Insulating monetary policy from political intervention and maintaining it in a technocratic way do not mean that monetary policy is apolitical (McNamara, 2002, p. 48; Burnham, 2006, p. 99). As even Joseph Stiglitz (2013) argues, the notion of independent central bank is loaded with political values. "Since the pursuit of an anti-inflationary strategy is not neutral in its distribution of costs and benefits on society, the role of the agencies and institutions in this process is deeply political" (Jayasuriya, 1994, p. 119). Democratic accountability of central banks has diminished under the technocratic regime of inflation targeting, which is essentially meant to signal market expectations, despite claims by those who argued that the CBI had increased accountability and transparency (Thornton, 2002; Howells & Mariscal, 2006).

Although the monetarist critique of the Phillips curve states that the curve was manipulated in the Keynesian period as "the day-to-day plaything of the political authorities", it dictates that the reverse version of the curve must be applied to achieve low inflation, that is, the goal of full employment must be discarded (Friedman, 1968, p. 178). Assuming a bargaining between inflation and unemployment has led to the observation that "unemployment becomes either voluntary or the outcome of institutional distortions which should be removed politically" (Saad-Filho, 2010, p. 98). According to Anwar Shaikh (1997), a Marxist economist, "there is no historical trade-off between unemployment and inflation in OECD countries" where "the rise in average unemployment levels was associated with a fall in average output growth rates in the postwar period" (Papadatos, 2012, p. 125). Given the critique of the Phillips curve manipulating as a menu of choices, the question of who benefits from the CBI is supposed to be raised in line with Sawyer and Arestis (2003) line of thought. To the extent that the working class benefited from the Phillips curve in the 1970s, as in Lucas' critique, the financial groups and global capital would be benefiting from the inflation targeting regime in the neoliberal central banking era (Jayasuriya, 1994; Forder, 2005). Recognizing monetary policy having no long-term impact on macroeconomic variables other than inflation means that economic policy objectives such as employment, macroeconomic growth, and income distribution were neglected vis-a-vis inflation (Carare et al, 2002; Palley, 2007). Put it differently, in the inflation-targeting framework, the social relations characteristics of central banking have been neglected in terms of the narrow goal of price stability. Under the inflation-targeting regime, which is imposed to developing countries, country-specific differences are ignored, "because it has been developed without reference to the full set of constraints (i.e., the structural equations of the economy) operating on policy makers" (Palley, 2007, p. 62). Moreover, it is peculiar that inflation targeting was implemented as the nominal anchor in the 1990s when inflation was not an immediate problem (McNamara 2002; Forder, 2006; Epstein & Yeldan, 2006). Therefore, the developments presented as the outcomes of the inflation targeting regime are the conditions for this regime (Saad-Filho, 2010; 2019).

Throughout the 1990s, CBI not only spread among developed countries, but international financial institutions such as the IMF, EU and OECD promoted CBI for the developing countries. As a part of the neoliberal transitions in developing countries, they reformed their central bank laws by adopting the inflation targeting regime in line with the IMF's conditionality of stabilization packages in the late 1990s and early 2000s. Given the CBI as IMF conditionality, central banking has a political aspect due to the existence of links between the central bank and global capital, rather than central bank operating as an independent agency to ensure merely low inflation. Adopting the CBI and inflation targeting, therefore, ensures that a country has creditworthiness in the eyes of international financial institutions (Maxfield, 1997; Bodea & Hicks, 2015). In other words, the idea of credibility in the CBI framework operates as ensuring the sustainability of one country's debts, that is, the new role of central banks under neoliberalism (Chick, 2005; Giardano & Tommasino, 2011).

Thanks to the global liquidity environment, many developing countries implemented inflation-targeting regime as the main monetary policy anchor in the early 2000s, and achieved macroeconomic growth until the effects of the 2008 crisis were felt. Even some of them recorded very low inflation rates under their inflation target ranges, which revealed that it was about capital flows rather than the success of inflation targeting. From the early 1990s to the 2007-8 financial crisis, central banks operated under the hegemony of monetary policy consensus (Bernanke, 2012), which has reduced the role of monetary policy in pursuing price stability and insulated central banks from political implications (Singleton, 2010; Fontan & Larue, 2021). Thanks to low inflation and low interest rate as the outcomes of this "moderate" period, credit bubbles that led to the financial turmoil in 2007-8 were generated. As the most important impact of the financial crisis of 2007-8 in central banking, the inadequacy of the goal of price stability in addressing financial stability has been accepted. In other words, the financial crisis of 2007-8 revealed that central banks should operate beyond a narrow target of price stability.

2.4. Conclusion

Tracing the historical roots of the mandate of price stability reveals that the central bank independence framework with the inflation-targeting regime has emerged as a form of managing the crisis of the 1970s. Given the augmented version of the Phillips curve, the Business Cycles approaches, and the debate on rules versus discretion in spite of their contradictions or incompleteness have provided the theoretical foundation to prevent government intervention into the economy. It is not surprising that the CBI has been promoted by the international financial institutions under the framework of good governance, the way of ensuring credibility, and positive economic performance. Since the relation between the state and the market is internal and necessary (Burnham, 2006), the independence of the central bank operates as a country’s dependency on the purposes of international financial creditors. The financial crisis of 2007-8 put an end to the narrowed perception of central assumptions of the CBI model assuming that monetary policy has no distributional impacts. Since the central bank’s independence is integrated with the inflation targeting regime and the price stability objective, the failure of the goal of price stability in providing financial stability requires the idea of independent central banks to be questioned.

CHAPTER 3

BEYOND THE GOAL OF PRICE STABILITY

"Finance is a gun. Politics is knowing when to pull the trigger."

\- Mario Puzo

To provide a comprehensive analysis of the central bank independence, one should investigate the transformations of central banking in a historical process. During the period between 1980-2008 labeled as "the Great Moderation", central banks followed inflation-targeting regime that focused narrowly on the goal of price stability as a standard monetary policy framework (Bernanke, 2004). Until the 2007-8 financial crisis, tuning the short-term interest rates was deemed sufficient to ensure the way to financial stability (Borio, 2014). The eruption of the 2007-8 financial crisis and the subsequent deterioration in the global economy have changed the theory and practice of central banking. Even the mainstream has raised it that central banks should not narrowly focus on the price stability goal in the aftermath of the crisis. Since central banks emerged as a key institution of "the state-finance nexus", the crisis has also revealed that they should "take financialization seriously" (Harvey, 2011; Obstfeld & Taylor, 2017).

Rather than contending a detailed explanation of the underlying causes behind the 2007-8 financial crisis, this chapter will specifically deal with the implications of the crisis on central banking. Given the leading cause of the 2007-8 financial crisis, this chapter will first consider relevant parts of the financialization debate to illustrate the relationship between central banks and the financial sector. After the financialization debate, the chapter will handle the changing goals and toolsets of central banking to evaluate the implication of the crisis on central banks. In this regard, the main argument of the chapter will be that the narrow-minded focus on monetary policymaking, namely the goal of price stability, has failed as a result of the increasing power of the financial sector. Hence, as the new goal of an independent central bank after the 2008 financial crisis, new toolsets to ensure financial stability under the name of so-called unconventional monetary policies will be scrutinized to determine whether it is compatible with independence arguments. In addition, the chapter will assess the latest calls on the roles of the central banks to embrace new objectives to deal with issue areas such as the pandemic of Covid-19, climate change, and inequalities, aiming to go beyond the goal of both price and financial stability.

In line with the financialization debate, the main motivation of the chapter is to encapsulate central banks' key position in the reciprocal relations between the state and the financial and/or banking sector. Given the effects of the 2007-8 crisis, one of the main objectives of the chapter is to discuss whether the transition of central banks' policymaking practices from so-called conventional to unconventional ones in the post-2008 period has created a shift in the logic of neoliberal central banking. The chapter will claim that to the extent that the transformation of central banking practices or deployment of central banks for the new roles does not create a systemic alternative, they would remain one of the crisis management strategies of neoliberalism. To put it in a Gramscian sense, the chapter intends to assess the hegemonic dimension of central bank independence by considering the new debates on central banks' roles. In overall, this section will inquire about both the validity and sustainability of arguments for central bank independence within the broader objectives of central banks.

3.1. The Great Recession and A Brief Literature Review of Financialization

While the history of finance is as old as capitalism itself and the term financialization is not a time or spatio-limited process, the term's popularity is derived from the growth of financial markets in the past 40 years and their subsequent collapse recently (Hanieh, 2009; Sawyer, 2014; Van der Zwan, 2014). The term financialization, which is first used by Kevin Phillips in 1993 to define the prolonged split between the divergent real and financial economies, began to gain wide interest to analyze the causes of the 2007-8 financial crisis (as cited in Foster, 2007). In addition to the crisis-related arguments, scholars from various disciplines use the term financialization to explain the causes of the crises and transformations of the world economy that have undergone in the past 40 years. The term financialization, which started to be used "as a periodization tool" in the early 1990s to comprehend the transformations of capitalism, could make sense in designating the relations between the state, markets, and households (Güngen, 2010, 2012). The concept of financialization, by different schools of thought, is not only used as an *explanans* (that which does explain) but also sometimes used as *an explanandum* (that which is explained) (Lagna & Hendrikse, 2017, p.4). For instance, the Monthly Review line of thought deploys the concept to highlight the characteristic features of monopoly capitalism; post-Keynesians, on the other hand, define the expansion of the financial sector and financial innovations as financialization. Nevertheless, there is no accepted agreement on its definition, in the debate on financialization, yet various interpretations continue to proliferate.

The literature has ranged from comprehensive handling of financialization by putting it in a broader historical outlook to focusing narrowly on the growth of the financial sector in itself (Stockhammer, 2004; Krippner, 2007). Additionally, a variety of studies categorizing the literature[4] on financialization studies followed a similar pattern in identifying the positions. Conducting a detailed analysis of the financialization debate is beyond the scope of this thesis, since this chapter is concerned with the financialization process that caused the 2007-8 crisis and its relation to central banking practices. Yet, to present a general outline of financialization literature, the chapter will review selected core studies. Even though one cannot be separated from the other with strict boundaries, it is plausible to designate two main perspectives in the literature regarding the concept of financialization. Although the predominant tendency is associated with the profound changes in the world economy from the 1980s onwards, the term is also deployed to analyze the historical patterns of capital accumulation regimes. Accordingly, the first perspective is related to the historical outlook on financialization and can be associated with World System Theorists, Regulation School, Monthly Review line of thought, and different interpretations among Marxist scholars. Even if the

[4] For detailed overview on financialization literature, see: Orhangazi, 2008; Lapavitsas, 2011; Hein et al., 2014; Van der Zwan, 2014; and Sawyer, 2014.

mainstream economists largely ignored the process of financialization until the 2007-8 crisis, post-Keynesian and critical political economy scholars have been pointing out "the deleterious impact" of financial expansion from the 1980s onwards (Lapavitsas, 2011, p.614). In this regard the second perspective on financialization is related to the heterodox line of analysis mainly based on post-Keynesian view, while the first one is chiefly about the Marxist debate on financialization.

Although there are different interpretations of financialization, it is plausible to specify a common ground among Marxist scholars on financialization: it refers to a new era in capitalism. The first group of this approach, ranging from the economic sociology view to the Regulation School and connected to Marxist theory, putting financialization in a historical context. In Giovanni Arrighi's well-known work analyzing capitalism as a recurring system from the 16th century onwards, financial expansion is one of the phases of systemic accumulation cycles inherent to capitalism's cyclical nature (Orhangazi, 2008; Lapavitsas, 2011). According to Arrighi, hegemonic capitalist powers prevailed over each other along with the cyclical evolution of the world economy. Therefore, "overaccumulation of capital results in financial expansion," which also signifies "the autumn of the hegemon" of the respective era (Arrighi, 2004, p.536). Concomitantly, financial expansion characterizes the fall of the former hegemon before the terminal crisis and enables the rise of a new hegemon in the capitalist system. According to this perspective, the recent financial crisis of 2007-8 is another decline of the American hegemony. However, the 2007-8 crisis has not entailed the birth of the newly dominant power vis-a-vis the US hegemony from the point of Arrighi's conceptualization (Lapavitsas, 2011, p. 616). Following a similar pattern to Arrighi, Krippner develops a US economy-oriented outlook for financialization by examining the revenues of American firms (Krippner 2005; Orhangazi, 2008). The Regulation School, on the other hand, deploys financialization as the characteristic feature of the new growth regime that succeeded Fordism acknowledged in the post-war era. Hence, Regulation School theorists concerns with the possibility of a finance-led accumulation regime, despite the instability of finance and the booming impact of financial logic from managerial elites to households (Boyer, 2000, 2009). On the other hand, the Monthly Review scholars contribute to the financialization debate within a historical context in line with Baran and Sweezy's thoughts. Baran and Sweezy provided an early awareness of the rise of finance, without using the term financialization as one of the characteristic features of "the monopoly stage of capitalism" in the 20th century. According to them, monopoly capitalism is a vastly productive system that generates huge surpluses that also introduce barriers that limit their profitable investment (Foster, 2007). Hence, financial expansion emerged as a solution to the lack of effective demand problem and stagnation within the production sphere under the weight of the surplus from the 1970s onwards (Lapavitsas, 2011).

The analysis of financialization made by Sweezy and Magdoff was enhanced by Brenner to analyze the economic crises of the 1970s through linking "the tendency of the rate of profit to fall" in classical Marxism. The crisis of the 1970s, according to Brenner, derived from the falling profit rates due to over-accumulation and proved that "the decreasing vitality of the advanced capitalist economies had been rooted in a major decline" (Brenner, 2009, p.9). As in line with the Monthly Review scholars, according to Brenner, booming financial activities have been meeting the problems of the real sector from 1973 onwards. Interpreting the crisis of the 1970s as continuing until today might be misleading since the explanations of the 2007-8 financial crisis with references to falling profit rates and over-accumulation do not fully comprehend the current situation (Lapavitsas, 2011, p. 613). On the other hand, based on the 2007-8 crisis, Konings, Panitch, and Gindin deal with financialization as a process of financial globalization and emphasize the role of the state within this process. Panitch and Gindin (2009) argue that the rate of profits has increased from the 1980s, and the crisis of 2007-8 has not resulted from the problem of over-accumulation. Contrary to Brenner's argument, the crisis of 2007-8 has proved "American capitalism's ability to functionally integrate ordinary people's activities and aspirations into the financial system" rather than the decline of its hegemony (Konings & Panitch, 2008, p.24). According to this set of scholars, the crisis stemmed from the financial globalization process and spread from the American housing sector, which was functioning to integrate the working class into the financial system (Konings & Panitch, 2008; Panitch & Gindin, 2011, 2014).

There is a tendency among the Marxist scholars in analyzing financialization with reference to classical Marxist concepts such as "interest-bearing capital", "fictitious capital", and "world money" or Hilferding's and Lenin's conceptualization of "finance capital." According to Ben Fine (2010b, p.97), financialization, as a key defining moment of neoliberalism, refers to "the increasing penetration of interest-bearing capital across social and economic production" Hence, within the process of financialization, "the various forms of capital in exchange have not only expanded in extent and diversity but have become increasingly articulated with one another" (Fine, 2010a, p.98). According to Hilferding, "capitalism was transformed through the rise of finance capital at the end of the 19th century, where industrial and banking capitals were amalgamated, with banks in a dominant position" (Lapavitsas, 2011, p.619). "Finance capital refers to the simultaneous and intertwined concentration and centralization of money capital, industrial capital, and commercial capital" (Chesnais, 2016, p.5; Yalman et al., 2019, p.7). The term finance capital, on the other hand, is different from today financial capital as "concentrated money capital operating in financial markets." The term financial capital, regarding the booming of finance since the late 1970s onwards, "designates what national accounts call 'financial corporations', namely banks and investment funds of all types, broadened to include the financial departments of large industrial non-financial corporations" (Chesnais, 2016, p.5).

Another Marxist analysis of financialization and the 2007-8 crisis is developed by Costas Lapavitsas and "Research on Money and Finance Network" scholars. As a systemic transformation within contemporary capitalism, they handle financialization more comprehensively with its impact on households, workers, and student loans. According to Lapavitsas, the 2007-8 financial crisis reflects the results of two interwoven causes. The crisis broke out due to the change in the US banking system as a result of the growing financial sector, and financialization of workers' income. Since the banks turned from trading to investment banking practices, they have turned to lend households and individuals as sources of profit (Lapavitsas, 2011, p.620). On the other hand, the financialization of workers' revenue due to the growth of open financial markets is also associated with the privatization of public services. The retreating of public vision in policymaking required the poor to borrow for public services such as housing, health, and education (Lapavitsas, 2011). Additionally, whereas the weight of finance in the economy has been growing, “employment in the financial sector did not increase” (2011, p.621). Briefly, Lapavitsas’s line of thought on financialization is addressed by the conceptualization of “financial expropriation”, which summarizes the inclusion of the poor and the workers as borrowers into financial-led capitalism (Lapavitsas, 2013).[5] Finally, in the Marxist line of inquiry, different scholars elaborate on financialization through providing class-based analysis. According to Dick Bryan, Randy Martin, and Mike Rafferty, financialization process switches the understanding of the reproduction of labour by constituting labour as a form of capital (Bryan et al., 2009, p.463).

The second approach is associated with other heterodox analyses of financialization. The post-Keynesians, although they differ among themselves, discussed financialization as a series of structural transformations occurred from the 1980s onwards. Accordingly, they have stressed the negative impact of the growth of the financial sector increasing vis-a-vis the real sector from the 1980s onwards (Epstein, 2001; Duménil & Lévy, 2005). On the other hand, in theorizing financialization, the Social Structures of Accumulation approach contributed by some post-Keynesian scholars focuses on the long-run views of Hyman Minsky’s work. According to this set of scholars, Minsky’s financial instability hypothesis demonstrates the ways in which financial markets “filled the hole in aggregate demand created by wage stagnation and widened income inequality emerged in neoliberalism” (Palley, 2009, p.3; Hein et al., 2014). Another set of scholars concerned with the negative relationship between financialization and capital accumulation (Orhangazi, 2008, p.69). In this regard, they have examined to what extent financialization has altered firm practices, concerning shareholder value (Van der Zwan, 2014). Although the financial profits composed an increasing share of total profits, the increased profits have not translated into a rising investment due to the shareholder value orientation and financial volatility (Stockhammer, 2012, pp.60-61). As a result of the increased role of shareholders, the process of financialization resulted in a slowdown in capital accumulation on behalf of corporate managers and international investors.

[5] In addition to Lapavitsas, a range of scholars from a variety of disciplines treats financialization by focusing on the financialization of the state, households, and individuals’ everyday life. By attributing to the classical liberal view on individual as homo-economicus, those scholars concern with “the rise of citizen as investor” (Van der Zwan, 2014, p. 111). For prominent examples of this line of works, see: Ertürk, et al., 2008; Davis, 2009; Dymski, 2009; Dos Santos, 2009.

The term financialization has been variously defined in the burgeoning literature, yet it has not had a uniform definition (Engelen & Konings, 2010, p. 606). The prominent outline in the literature considers financialization as an expansion of financial logic and innovations. In addition, the increasing influence and power of finance are interpreted as a process that takes place despite nation-states (Van der Zwan, 2014). On the contrary, as well as neoliberalism and globalization, financialization is not a process that might be addressed free from the state. In this regard, conceptualization of financialization in this thesis refers to "the political and economic dominance of finance within the neoliberal context" (Palley, 2021, p.463). Beyond the literature analysis in this chapter, financialization is a multidimensional process that operates unevenly across different countries and social classes. Financialization should be addressed through the power relations between the state and financial markets to encapsulate it with its whole dimensions. Given the scope of this thesis, a review of a financialization debate is essential to encapsulate the links between state and market, neoliberalism and financialization, and central banks and financial markets enabling independent central banks to emerge.

3.2. Reconfiguration of the "State-Finance Nexus": The Role of Central Banks

Since finance has provided the necessary basis for the mode of existence of contemporary capitalism, financialization should be grasped as an organic development of the capitalist accumulation process (Bryan et al., 2009; Sotiropoulos et al., 2013; Saad-Filho, 2017). To the extent that capitalism has been transformed from the post-war period onwards, the roles attributed to the state would be changed. In this regard, examining the role of the state can provide the necessary basis to analyze the process of financialization. Hence, financialization should be addressed through the relations between the state and markets, since the binding decisions were taken "by the state on behalf of capital in general and finance in particular" during the post-war era (Jessop, 2010; Fine & Saad-Filho, 2017, p.245). Accordingly, this process should not only mean the financialization *of* the state but should also refer to the financialization *by* the state. Put differently, financialization should be addressed not only as the spread of financial way of thinking into the state but also as reciprocal relations developed within the "state-finance nexus" in general or within the “neoliberalism-finance nexus” in particular (Harvey, 2011; Walter & Wansleben, 2019). To put specifically within the scope of this thesis, addressing the financialization debate is crucial to illustrate the CBI as the critical component of the neoliberal logic since central banks and financial markets are transformed in tandem (Vogl, 2017).

The profound changes in the world economies that have undergone in the last forty years are characterized by the rise of a well-known trio: neoliberalism, globalization, and financialization (Epstein, 2005, p.3). From the beginning of the 1980s onwards, the state has been the pivotal agent in rationalizing the neoliberal ideology, providing the institutional platform for the transition to neoliberalism, and supporting the financial system (Saad-Filho, 2009, pp. 253-54). Since neoliberalism necessitates an active and continuous state intervention under the ideological guise of non-interventionism, the role of the state in the process of financial liberalization is crucial (Lapavitsas, 2013, p. 794; Saad-Filho, 2017, p.251). The state, in the sense of the neoliberal state from the 1980s onwards, plays an active role in both the elimination of the impacts of financialization and the sustainability of the function of the process (Fine, 2010b). The relation between the state and the financial sector, because of the position of the state, is both complementary and conflicting. The state, on the one hand, as a market-enabling force takes the necessary measures to let markets properly work; and eliminates the conflicts arising from the mode of articulation with the world economy on the other. Moreover, the state might seem like a part of the problem, yet it is also a part of the solution. As conceptualized in this thesis, the financialization *of* and *by* the state refers to changing forms of state intervention within and through financialization.

The state’s role in financialization is neither external nor internal; on the contrary, the state’s actions and markets’ responses have evolved in tandem with each other (Krippner, 2011, p.52). By the same token, under the “ecological dominance of finance,” the distinctions between state and finance and the financial and non-financial sectors have been increasingly blurred (Jessop, 2010). As Langley (2007) defines, what needs to be done to analyze properly is to “re-politicize financialization” by going beyond policy evaluation and technical solutions.

Understanding financialization with its political aspects would be plausible by considering it in relation to the state. Hence, it is plausible to conceptualize the state "as a social relation" by maintaining a debate on the financialization *of* and *by* the state. The state, in this regard, "is not a thing or a rational subject but an ensemble of institutions and organizations that exercise power through the changing balance of forces and strategic rebalancing of forms of governance to improve state intervention" (Jessop, 2016). Throughout the financialization process, "the changing balance of forces" and the necessary "set of arrangements" executed by the state are increasingly shaped by the developments within the "state-finance nexus" (Harvey, 2011). Moreover, the nexus between neoliberalism and financialization is derived from both strategic objectives and inevitable outcomes (Jessop, 2014). Without getting into a debate on which one caused the other, the combination of neoliberalism and financialization has become "a hegemonic model of the market economy" from the 1980s onwards (French et al., 2011, p.800). Financialization, a process that refers to a historical moment in which market-based and risk-oriented financial innovations grew rapidly, occurs within a neoliberal context (Hardie et al. 2013; Lagna & Hendrikse, 2017, p.25). As the contemporary form of capitalism, neoliberalism is a hegemonic project of recomposition of the rule of capital, confirming the hegemony of a particular class, i.e., the capitalist class in general and the financial capital in particular (Saad-Filho, 2017). Although the ideological expression of neoliberalism is the non-intervention of the state into the economy, the constitution and reproduction of its hegemony are grounded with "the systematic use of state power" (Saad-Filho & Yalman, 2010). Hence, "the reassertion of the hegemony of finance" under the ideological expression of neoliberalism is a deliberate and organized move taken by the state through the liberalization of capital and markets (Duménil & Lévy, 2005). Areas of state intervention are where the hegemony is constituted and entails financial liberalization process that allows finance to operate as a hegemonic fraction (Durand & Keucheyan, 2015, p.9). Accordingly, this hegemony has been produced during the financial liberalization process through changing forms of state intervention as "subtle mechanisms of ideological integration than direct recourse to arms" (Thomas, 2009, p.161). In other words, since the 1980s, "the New Financial Architecture" has organized, confirmed, and even during the crisis times, reproduced the hegemony of neoliberal capitalism.

Liberalization and expansion of financial markets have been essential for the making of global capitalism throughout the neoliberal period. Since neoliberalism is equated to active market-building, it is the confluent of market-oriented financial transformation with the neoliberal era. Despite the laissez-faire image of neoliberalism, freeing up and sustaining functioning markets has always entailed a significant role for the state (Lévy, Stephens & Leibfried, 2015, p.362). To put it differently, within the neoliberal context, making markets work in general means making financial markets in particular (Fine, 2010b, p.19). To consolidate the free market ideology under the ascendance of neoliberalism, the process of financial liberalization has been accelerated. Financial liberalization refers to policies to dismantle or alleviate regulatory control over the financial sector's institutional structures, instruments, activities, and agents (Ghosh, 2005). The state serves as the necessary institutional formation in this process by assuring the legal-political framework to ensure the effectiveness of financial markets. The state's role in the financialization process is not only providing the necessary framework to repeal regulatory acts but also constructing the financial markets. "Financial markets are legally constructed and, as such, occupy a hybrid place" within the state-finance nexus (Pistor, 2013). In addition to bound in law, "design and implementation of the changes needed in financial markets are a political as much as an economic challenge" (Crotty, 2009, p.577). Rather than focusing on country-specific examples of financial liberalization, the short narrative provided in this chapter will deal with the common theme of this process. Financial liberalization refers to a set of policies implemented in the US as an advanced country first and then in emerging market economies[6] under the instructions and supervisions of international organizations like the IMF and the WB.

In addition to the role of the US-led organizations, American state apparatuses such as the FED and the US Treasury became more crucial in making this process[7]

[6] The catchphrase "Emerging market economies" (EMEs) is generally used to identify developing countries that have markets with investment potential. The EMEs and developing countries are used interchangeably in this study. The advanced capitalist countries, on the other hand, refer to developed countries like the US, the UK, and other European countries.

[7] Emphasizing the role of the US in financial liberalization process is crucial to the extent that this process has entailed the first financial crisis of the 21st century. For a detailed analysis of the causes of the 2007-8 financial crisis, see: Crotty, 2009; Helleiner, 2011, and Kotz, 2016.

(Panitch & Gindin, 2014). To a great extent, the expansion and complexity of financial markets after the 1980s were made possible through a series of deregulatory decisions. Under the market-efficiency rhetoric of neoliberal logic, regulatory measures relaxed the constraints on the financial systems. Deregulation also "included the abolition of any controls on the setting of private sector interest rates and exchange rates", with attempts to ensure forms of self-regulation and market discipline (Papadatos & Mavroudeas, 2012, pp. 492-93). Within the neoliberal agenda, in addition to pushing for the deregulation of economies, the world economies were forced to open their national markets to free capital mobility, trade, and financial actions. Financial markets were initiated to deregulate in the US[8] from the late 1970s onwards. In most developing countries[9], on the other hand, this process has been accelerated throughout the 1990s. The economies of those countries have been opened with the full capital mobility enforced through the implementation of Washington Consensus prescription, thereby the capital account liberalization. Contrary to small government rhetoric of neoliberalism, governments have taken necessary measures for deregulation and liberalization. Moreover, beyond the imposition by the Bretton Woods institutions, "the policymakers in developing countries themselves also saw capital account liberalization as part of the process of economic and financial development" to attract foreign investment and to stabilize their domestic economies (Goodhart, 2006 as cited in Fine, 2013). Even though "the liberalization of capital flows has allowed countries to sustain large current account deficits temporarily," the financialization process has opened the economies of those countries to external shocks entailing "boom-bust cycles driven by capital inflows and currency crises" (Stockhammer, 2012, p.41). In addition to the series of financial crises in EMEs in the 1990s, the expansion of the financial sector and capital flows entailed the 2008 financial crisis in the US.

A series of measures to deregulate financial markets, a new banking system, and capital inflows from different countries via full capital mobility have changed the structure of the American financial system. Thanks to the financialization and

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[8] For a detailed analysis of the deregulatory measures taken within the American financial system, see: Konings, 2011; Arestis & Karakitsos, 2013, Cömert, 2013.

[9] A more detailed analysis of this process in EMEs will be exemplified by the Turkish experience in Chapter 4.

liberalization process, the proliferation of new financial techniques and technologies was made possible. The regulatory structure framing the financial system has been relaxed step by step since the 1980s. In addition to the abolishment of regulatory measures existing since the New Deal, the spread of financial innovations has enabled the financial sector to find ways to circumvent constraints (Konings, 2011). "By the removal of the checks and controls on most financial activities, finance became more powerful, not only in terms of the expansion of financial activities and markets, but also in terms of political influence, which in turn helped to further liberalize and deregulate financial markets" (Orhangazi, 2008, p.56). As the financial sector itself has changed within this process, non-bank financial institutions have gained weight (Stockhammer, 2012). Defining as the shadow banking system,[10] "these institutions are much less regulated than regular banks, though, thanks to financial innovation, they perform similar functions as banks" (Stockhammer, 2012, p.49). To the extent that the shadow banking system that helps to circumvent traditional banking regulations is associated with the growth of the securitization practices, it would be possible to identify it as one of the main causes of the 2008 financial crisis (Lastra & Wood, 2010). Besides, the traditional banking system has been transformed in itself from the bank-based system to market-based system since the 1980s. Throughout the financialization process, the banking system has been restructured towards investment banking techniques. That is to say; the banks have started borrowing from "money markets to invest in securities, earning profits through fees, and trading" (Lapavitsas, 2011, pp.620-22). This new model of banking practices is conceptualized as "the originate-and-distribute model" by Brunnermeier (2008). On the contrary to the originate-and-hold model banking, "bank loans are repackaged and sold to other banks, foreign banks, and the domestic and foreign personal sector in the originate-and-distribute model" (Arestis & Karakitsos, 2013, p.21). This widespread banking model has a close affinity with cheap credit expansion, specifically in the form of mortgage securities, a crucial factor in the making of the 2008 crisis.

[10] According to Roubini, as cited in Lastra & Wood (2010, p.541), "broker-dealers, hedge funds, private equity groups, structured investment vehicles and conduits, money market funds, and non-bank mortgage lenders are all part of this shadow system". For detailed works on shadow banking system, see: Adrian & Shin, 2009; Mehrling, 2011; Lysandrou & Nesvetailova, 2014; Pozsar, 2014; Murau, 2017.

As a result of the new banking model of repackaging loan securities and transferring them onto third parties, securitization became the most widely used financial innovation from the late 1970s onwards. Securitization refers to the process in which separate loans or other certain types of financial assets are pooled into a single financial instrument to be easily repackaged into other securities and sold to investors. Securitization provides to obtain the lump-sum value of an asset immediately rather than waiting for a regular flow of payments (Cömert, 2013, p.26). "Financial institutions employ securitization to transfer the risk of the assets they originate from their balance sheets to other financial institutions, such as banks, insurance companies, and hedge funds" (Jobst, 2008, p.48). Derivatives, on the other hand, generally referred to "a financial contract whose value is derived from the value of an underlying asset or simply underlying" (Chui, 2012, p.3). Since "it is far cheaper to purchase a derivative on an asset than to own the asset itself", derivatives can provide banks to have leverage (Cömert, 2013; Bryan et al., 2021). The logic behind this type of financial innovations is avoiding risk. The great expansion of derivative markets since the 1990s "provided risk-insurance in a complex global economy without which the internationalization of capital via trade and FDI would have been significantly restricted" (Panitch & Gindin, 2011, p.10). Thanks to the proliferation of using securitization and derivatives techniques, financial actors have not only found the way for avoiding risk and also circumvent themselves from the binding balance sheet constraints. Financial innovations that made financial institutions feel safer have triggered excessive risk-taking and over-leveraging. The risk aversion methods enabled by financial innovations have gone hand in hand with a degree of volatility threatening economic stability (Panitch et al., 2015, p.126). These are also closely associated with "the subprime mortgage market that is a financial innovation designed to extend home ownership to risky borrowers" (Arestis & Karakitsos, 2013, p.23). The unpaid mortgage loans provided for borrowers with poor credit history kept in debt pool and transferred into low-risk securities. These unpaid subprime mortgages were one of the main reasons that triggered the 2007-8 financial crisis. Although not limited to the USA, it is possible to see credit expansion in the pre-crisis period associated with the political aspects of the financialization process. With the retreatment of public provision and a large number of privatizations in certain sectors, basic requirements such as housing, health, and even education became met via financial tools, i.e., debt (Lapavitsas, 2011). Within “the neoliberal policy box”, as Palley (2009) puts it, privatization and labor market flexibility have played a significant role in the curtailment of dissident voices. Through the policy choices in this period, one of the intended outcomes is eliminating the probability of the emergence of counter-hegemonic voices (Saad-Filho, 2017, p.245). Nevertheless, the constitution of “the neoliberal box” and financialization as its integral feature does not mean that it is entirely an exogenous process imposed from the outside to the financial actors. The political and economic developments do not work independently of each other and take their roots in the power relations between classes and in conditions of the capitalist mode of production. However, bear in mind that the political and legal framework required by the outcome of these struggles is provided by the law makers or the state in general.

The role of the state in financialization process is broader than providing the legal-political framework since it has been reflected in an institutional form. Changing forms of state intervention through the financialization process find one of its expressions in central banking practices. To highlight the role of the state and to provide a strategic-relational analysis of financialization, the central bank might be scrutinized as a fertile object of research. During the neoliberal era, central banks have emerged as a key institution of the relations between the state and the financial sector, i.e., the state-finance nexus. Although not limited to the neoliberal era, the role and functions of central banks have evolved over time in line with the ideological reflection of the role of the state in the economy (Coombs & Thiemann, 2022). From the first day of their emergence, central banks have become a key component of the state-finance nexus since they have an organic link with the state on the one hand, and with finance, especially with the banking sector on the other (Painceira, 2022). The organic link of central banks with the financial sector has become more salient during the financialization process as an integral part of neoliberal capitalism since the financial sector has expanded enormously. In addition to the traditional banking system, the non-banking financial sector – the shadow banking system has gained saliency in central banking practices during the neoliberal era, especially since 2008.

Even though they still hold the toolset they have had from the moment they were established, central banks have fulfilled diverse functions in different historical periods. From the very beginnings, central banks became an institution where the role of the state in the economy is embodied in line with the phases of the capitalist accumulation process. To put it differently, the roles and tools of central banks evolved in tandem with the "specific spatio-temporal contexts" of the capitalist accumulation process (Jessop, 2006, 2014). Historically, central banks emerged through distinct interests or different logics, private and public ones that are interconnected (Painceira, 2022, p.37). The central banks initially emerged as private banks in advanced countries during the late seventeenth century and were later transformed into governmental banks. Since their establishment, the central banks have had a "dual nature" derived from its connection with the state and its engagement with banking activities (Itoh & Lapavitsas, 1999; Painceira, 2022). From the foundation of modern central banks, the role of a central bank has been concerned with the state's financing needs, especially in war times. Additionally, central banks have a traditional role as the monopoly of issuing legal tender, which is transformed into labeling money created in the market as state-backed money in the modern economy (Mehrling, 2014). Central banks, on the one hand, as the bank of the state, controls the money supply, managing the accounts of the state and financing the needs of the king first and then the state (Itoh & Lapavitsas, 1999, p.158). The foundation of a bank that has to ability to lend to the state permitted the emergence of state-backed credit money, and this bank possessed the main reserve of the banking system (Itoh & Lapavitsas, 1999; Ingham, 2004; Coombs & Thiemann, 2022). On the other hand, by holding other banks' deposits and connecting with the banking system through participation in money markets, central banks serve as the bank for bankers (Bordo, 2007). In addition to financing the state in war times, central banks directly lent to other banks in crisis times as the lender of last resort.

During their very modern historical backgrounds, the functioning of the central banks represents the ideological expression of the form of state intervention in the economy. Central banks emerged as an outcome of the capitalist accumulation process, by this feature can be considered a "spatio-temporal fix" or an "institutional fix" that serves to manage crisis tendencies inherent in capitalism (Jessop, 2006, 2020). As an institutional fix, central banks not only represent the ideological function of the state in the economy but also have distinctive selectivities which favor some actors, interests, and identities of the capitalist classes (Jessop, 2020). That's why certain roles and functions assigned to the central banks have been transformed in specific historical periods in line with the requirements of capital accumulation. Noticing changing objectives and functions of central banks throughout their history is worth considering to highlight the critical role of central banks in the state-finance nexus. The brief history of central banking outlined here attempts to provide a general framework for diverse roles assigned to central banks. Given the country-specific differences between advanced and emerging capitalist countries, this brief framework reflects the common practices in capitalist countries' central banking. From their foundations, two main functions of central banks remained constant, which reflects their dual nature; the first is to finance the needs of the state, and the second is to ensure the banking system's stability. Although early central banks date back to the 15th century (Coombs & Thiemann, 2022), gaining their prominence coincided with the classical Gold Standard era during the 19th century to a large extent (Knafo, 2006). During the classical Gold Standard era, the main objective of the central banks was to control the money supply and keep the exchange rate within the specified gold points. During this era from 1880 to 1914, central banks hoarded gold reserves to keep safe their domestic economies and the value of their currencies (Knafo, 2006). According to Knafo (2006, 2013), hoarding gold reserves of central banks has encouraged enabling the emergence of the international monetary system. Given the interventions of the central bank in the banking system to stabilize it, the roots of the lender of last resort role of central banks are also rooted in the Gold Standard era. With the outbreak of World War I, the classical Gold Standard came to an end. By the impacts of the war, central banks began to be concerned about the issues regarding the stability of the domestic economy, such as employment, real activity, and the price level (Bordo, 2007).

The lender-of-last-resort function of central banks gained saliency during the Great Depression of 1929, which "opened the space for a re-envisioning of central banks along the lines of fiscal Keynesianism where they would be subjugated to state treasuries" (Coombs & Thiemann, 2022, p. 544). During the Second World War, in addition to stabilizing their domestic economies, central banks helped to finance wartime spending and even to fund the allies. In the aftermath of WW2, central banks began to function in certain instance in the context of a planned economy to embrace macroeconomic goals, such as achieving the goal of full employment. In addition to the Keynesian policy goals, within the Bretton Woods system, each central bank's main goal was to prevent the devaluation of their national currencies. It is worth emphasizing here that central banks kept collecting gold reserves to back the money supply due to the fluctuation in the US dollar during the Bretton Woods system (Monnet & Puy, 2019). Throughout the 1970s, in addition to the collapse of the Bretton Woods system, many capitalist economies in the world had experienced the situation of stagflation as the composition of high inflation with high unemployment, and in the case of many developing economies, from the balance of payment crises while pursuing the import-substitution industrialization strategy. In this regard, neoliberalism had the opportunity to be implemented in certain countries "as a crisis package to deal with the problem of inflation and the disappearance of growth" (Gamble, 1988). Hence, monetarism, which provides one of the theoretical pillars of neoliberalism, has become influential in monetary policy configuration due to the political and economic environment of the inflationary 1970s. Therefore, the leading action was the change in conducting monetary policy in 1979, known as the Volcker coup, which abandoned Keynesian goals and paved the way for the objective of price stability (Duménil & Lévy, 2005, p. 25).

As discussed in the previous chapter, the goal of price stability became prominent as the main objective of monetary policy from the early 1980s onwards for the vast majority of central banks. The inflation-targeting regime, in this respect, started to be adopted by an increasing number of central banks, whether implemented implicitly or explicitly. Accordingly, the phenomenon of central bank independence has been derived as a common pattern of neoliberal central banking practice, in line with its primary discourse of reducing the role of the state in the economy. Until the 2007-8 financial crisis, central banks had only a narrowed policy objective, price stability, which meant keeping inflation within a target rate by controlling a short-term interest rate (Borio, 2014, p. 191). In that framework, central banks "aimed at maintaining that rate thanks to open market operations in which liquidity is provided in the form of the central bank reserves to commercial banks at a certain interest rate against collateral for a short time" (Fontan & Larue, 2021, p. 157). Within that framework, just as the policy objective of central banks narrowed down to price stability, the effectiveness of central banks on the real economy was diminishing. The pursuit of price stability was considered sufficient to ensure macroeconomic stability; therefore, central banks' supervisory and regulatory roles were retrenched in line with the microprudential orientation (Borio, 2014, p. 193). Neoliberal central banking practices, due to the financialization process and the growing extent of the financial sector as a result of it, differ from other periods in the history of central banking. Given the historical functions and roles of the central banks, it is possible to argue that their dual nature has been operated together until the domination of neoliberal central banking practice, i.e., central bank independence. Within the CBI template, central banks gradually relinquish their role as the bank of the state and begin to operate as the bank of banks or the bank of the financial sector in the neoliberal context. Given the history of central banking, the relationship between central banks and financial markets cannot be understood independently of one another. The state and finance nexus in general, and the link between central banks and financial markets in particular, gains more saliency in conducting monetary policy. Beyond being the bank for bankers historically, central banks' policy choices and frameworks affect the financial system, and the effectiveness of those policies relies on developments in the financial system at the same time. Through the transmission mechanism of monetary policy, central banks can affect the real economy. The transmission mechanism consists of two pillars: "the first between central banks and the financial sector" and the other "between the financial sector and the real economy" (Cömert, 2013, p.25). That is to say, central banks have an effect on the real economy indirectly through influencing the financial markets. Central banks try to reach inflation targets by influencing the price levels and quantities of financial sector assets via changing the compositions of their balance sheets or short-term interest rates (Cömert, 2013, p. 18). Central banks set their operational targets, that is, overnight interest rates from the 1980s onwards, and expect to influence asset prices, market rates, exchange rates, and expectations accordingly (Cömert, 2013). In addition to setting the short-term interest rate which became the operational tool of the independent central banks, open market operations were the main direct instrument to reach their objective of price stability (Papadatos & Mavroudeas, 2012; Cömert, 2013; Fontan & Laure, 2021). There are varieties of transmission mechanisms and different channels within them that go beyond the scope of this chapter. Central banks in the past had various instruments to conduct the economy, but during the so-called Great Moderation between 1980 and 2008 era, their objectives narrowed down, and their tools decreased in significance. Since the banking system forms the channels of the transmission mechanism of central bank's monetary policy, within the neoliberal era, due to the financialization process, the transmission mechanism has increasingly begun to rely on financial markets. Even though central banks have various toolsets, their main direct instruments have been oriented to pursue price stability while the financialization process has accelerated to a large extent simultaneously. Historically, the banking system formed the transmission mechanism, which is transformed in itself largely from the 1980s onwards. As a result of the evolution of the banking system to a market-based model driven by financial innovations and deregulation, commercial banks have gained the capacity to manage the transmission channels of monetary policy (Dietsch et al., 2018). Moreover, thanks to financial innovations like securitization and derivatives, financial firms have been enabled to extend their balance sheets beyond traditional constraints without transferring any risks. In addition to the CBI rhetoric on the importance of adjusting expectations in fighting for inflation, "expectations in financial markets have become more vital due to new risk management techniques" (Cömert, 2013, p. 33). Concomitantly, the financialization era enabling the financial sector to become giant and complex has coincided with the period when central banks abandoned their direct traditional tools in controlling financial markets. Thus, the tasks of central banks, including conducting monetary policy, were increasingly left to the market in general and financial markets in particular from the 1980s onwards. Regardless of country-specific differences, it would be possible to say that "the effectiveness of central bank policies decreases" as the tools of central banks narrow and financial markets expand (Cömert, 2013, p.64).

Given the evolving history of central banks as an institutional fix, their foundations and operations serve the capital requirements shaped by crisis tendencies, power relations, inner and intra-class struggles, and networks. Since central banks have historically had an organic link with the financial sector, their role as the bank for banks has become salient during the era of Great Moderation, where financial hegemony dominates. To the extent that finance operates as a hegemonic fraction from the 1980s onwards, it would be feasible to consider independent central banks as hegemonic apparatuses (Durand & Keucheyan, 2015). That means the central bank independence template is “a design that enhances the power of finance over monetary policy” (Palley 2019, 2021). Therefore, it would not be surprising that “this period of central bank dominance coincided with the transformation of traditional banking into “securitized” or “market-based” banking, and with the growth of the broader shadow banking system” (Gabor & Braun, 2020, p. 242). Under financial dominance, the transmission mechanism of monetary policy not only relies on traditional private banks but also depends on the non-banking financial sector, where traditional banking activities are increasingly relocated in repo markets (Dietsch et al., 2018). In the aftermath of the 2007-8 financial crisis, the organic link between central banks and the financial sector or financial capital has become salient and has entailed a series of discussions on the objectives of central banking. Although the crisis-related studies vary from financial system-based explanations to monetary policy-based explanations, it can be said that there is a consensus that the crisis has changed central banking theory and practices. Pre-crisis central banking practices have revealed that pursuing the goal of price stability fails sufficient to ensure financial stability in particular and macroeconomic stability in general.

3.3. The Goal of Financial Stability and Its Beyond

By the crisis of 2007-8, called the Great Recession, the world was hit by “the first global financial crisis of the 21st century,” and key economic indicators fell as faster than they did in the Great Depression (Foster & McChesney, 2009). Although it broke out in the United States unlike previous financial crises, the crisis had severe impacts beyond the Atlantic. As David McNally (2009, p.41) puts it, this was a globalizing crisis at the heart of the system. The 2007-8 Financial Crisis transformed into sovereign debt crises in the Eurozone and spread over developing countries by hitting their financial systems. The crisis began with a downturn in the real estate markets in the US, which was correlated with a housing price boom in subprime mortgage markets. In the US, when Lehman Brothers went into bankruptcy in September 2008, the real sector began to feel the harsh effects of the crisis. It is ironic that the seeds of the “Great Recession” sown in the pre-crisis era called the “Great Moderation” (Borio, 2014, p.194). The Great Moderation, a period in which neoliberalism declared its success, also explains the developments that led to the 2007-8 crisis (Kotz, 2016, p. 28). The outbreak of the crisis and the spread from the financial sector to the real one and from the US to other countries is closely related to financial innovations. Financial innovations have entailed financial institutions to excessive risk-taking through the provision of loans, especially for subprime borrowers with poor credit histories. The credit expansion was fostered by a securitization tactic through “slicing risk through repackaging subprime mortgages” that enabled to extend home ownership to risky borrowers (Arestis & Karakitsos, 2013, p. 23). Depreciating subprime mortgage-related assets triggered the systemic crisis (Brunnermeier, 2009). As a consequence, proliferating financial innovations, rising financial deregulation, increasing household and financial sector debt, and a series of shifts in the financial practices have led to the 2007-8 financial crisis.

Even though there are a variety of studies regarding the causes of the crisis, maintaining a debate on the crisis is beyond the scope of this thesis. Nonetheless, to the extent that they are concerned with the financialization and neoliberalism processes, dividing the crisis-related works into two groups would be feasible. Whereas the mainstream scholars illustrate the crisis as a merely financial crisis with reference to Hyman Minsky’s financial instability thesis, heterodox explanations underline the adoption of the neoliberal growth model with rising debt and asset price inflation (Palley, 2009, p.3). Although the studies vary from financial system-based to monetary policy-related explanations, there is a consensus that financial instability as a root cause of the crisis should be taken seriously. This consensus has come to terms with providing financial stability under macroprudential supervision. Although the literature on macroprudential policy is far from such a consensus on its objectives, macroprudential supervision seems crucial for systemic risk aversion in the aftermath of the crisis (Galati & Moessner, 2012). According to BIS, macroprudential means following “a system-wide or systemic perspective, rather than from that of the safety and soundness of individual institutions on a stand-alone basis" (Borio, 2011, p.2). Differentiated from the microprudential approach that limits the individual institutions-specific risk factors of the pre-crisis period, macroprudential supervision focuses on the system as a whole (Borio, 2003). In addition to enormous growth in financial markets during the Great Moderation, the micro-based approach is closely related to the mainstream "belief in self-regulating markets" that provoked financial deregulation (Levine, 2010). However, the 2007-8 financial crisis has demonstrated the need to go beyond the micro-based approach.

The 2007-8 financial crisis triggered a persistent process of regulatory reforms to alleviate the effects of the crisis and reduce the likelihood of future crises (Cukierman, 2019, pp.172-173). Even though the regulatory and supervisory vision under the name of macroprudential policies are not limited to monetary policy, this vision put "the crisis management role of central banks" forward (Boeckx & Cordemans, 2017, p.69; Johnson et al., 2019, p.3). Beyond conducting monetary policy, central banks have regulatory and supervisory roles and act as the lender of last resort in crisis times (Mehrling, 2014). In pre-crisis central banking practices, those traditional roles of central banks have reduced solely to conducting monetary policy via tunning policy rates with a narrowed goal of price stability. During this era, the effectiveness of central banks has also decreased since their roles and tools have narrowed down. Hence, although the monetary policy did not play a direct role in causing the housing bubble, central banks (the FED in particular) might be deemed responsible for its promotion and continuation by neglecting their roles for regulation and supervision of the financial sector (Arestis & Karakitsos, 2013, p.31; Cömert, 2013, p.153). Since the pre-crisis central banking practices did not ensure macroeconomic stability, it has been inevitable for central banks to engage with the macroprudential framework.

Given their organic links with the financial markets, central banks can act quickly to respond to the crisis and ensure financial stability. The position of a central bank between the state and the financial sector enables it to take "preventive measures against a systemic crisis and the injection of public funds to limit the adverse effects" of a financial crisis (Cukierman, 2019, p.182). The crisis management role of central banks is not specific to the post-2008 era since they have been transformed as an institutional fix in line with the crises of capitalism. Post-crisis central banking practices did not transform the mindset of neoliberal central banking but altered the conduct of monetary policy (Boeckx & Cordemans, 2017, p.64). Nonetheless, introducing new macroprudential monetary policy tools to ensure financial stability has posed challenges for independent central banks. Embarking on such regulatory and supervisory roles might endanger central bank independence since that independence correlated with narrowed objectives and tools. The crisis challenged the technical practice of independent central banking and rendered the operational framework in line with the macroprudential provision.

The central banks in most countries have expanded their roles in the aftermath of the crisis. Central banks have begun to actively use their balance sheets "to directly affect market prices and conditions" in line with the consensus on the need to go beyond the goal of price stability (Borio & Disyatat, 2009, p.1). That's why there are various names, such as balance sheet and unconventional policy, for these macroprudential monetary tools. Additionally, embarking on those so-called unconventional monetary policies meant that independent central banks have begun to pursue a new policy target of financial stability. Since these policies are implemented as a crisis response, there has yet to be an accepted consensus on the scope and tools of those unconventional monetary policies (Borio, 2014). "Institutional designs for macro-prudential policy have differed from one country to the next, reflecting different legal and institutional starting points, the varying public salience of financial reform issues, and diverse national experiences" (McPhilemy, 2016, p. 531). Nevertheless, a few common macroprudential monetary policies including quantitative easing, forward guidance, negative interest rate policy, and others can be mentioned that the responses to the 2007-8 financial crisis entailed. It's worth noting here that none of these so-called unconventional monetary tools were unique to the post-crisis period; the crisis just brought widespread use of those tools (Boeckx & Cordemans, 2017). In the aftermath of the crisis, the central banks have acquired an objective to avoid the collapse of the financial sector and to provide liquidity in need. The major central banks including the FED, the Bank of England, and the European Central Bank (ECB) lowered interest rates in response to the crisis and by 2009, interest rates were almost close to 0%. Zero lower bound (ZLB) is a problem that falling of interest rate to the lowest level and limiting the ability of a central bank to stimulate growth. Therefore, the major central banks, initially the FED, have implemented large-scale asset purchase programs called as quantitative easing (QE) as a substitute for lowering the interest rates. Quantitative easing includes “purchasing assets directly from banks and financial institutions through creation of central bank reserves” (Bowman et al., 2013, p.468). Put differently, quantitative easing means printing central bank money to buy bonds to stimulate the economy in general and provide liquidity to the capital markets in particular. It is possible to separate asset purchase programs during the crisis from their normal-time counterparts since they are much wider and only done once the policy rate reaches the zero-lower-bound (Cukierman, 2019, p.172). Some central banks also expanded their liquidity facilities in addressing disruptions in the monetary policy transmission chain through lending operations that aimed more explicitly at providing stimulus (BIS, 2019). Moreover, some central banks also decided to set negative policy rates in order to both stimulate banks’ lending and to deal with the ZLB (BIS, 2019). Forward guidance is another complementary monetary tool used widely during the post-crisis era to serve central banks’ intentions concerning future policy rate settings and ensure communication of their commitment to the pursuit of their mandates (BIS, 2019). As a result of acquirements of public and private credit risk, the balance sheets of the central banks have expanded significantly through quantitative easing programs, “collateral swaps (swapping lower-quality securities of banks with higher-quality government bonds), and loans to banks against eligible collateral” (Bowman et al., 2013, p. 469).

By implementing the unconventional monetary policies, central banks have begun to intervene directly to the financial markets, albeit more explicitly than in the pre-crisis period (Hannoun, 2010). None of these policies implemented in response to the crisis was neither new nor unconventional, as claimed. On the contrary, central banks have a traditional role as lender of last resort[11] that provides emergency liquidity to financial institutions in times of crisis dating back to the Gold Standard era. Unlike

[11] English economist Walter Bagehot’s Lombard Street (1873) is the leading reference on the role of lender of last resort (LoLR). According to his rule, central banks should lend unlimitedly “to solvent firms against good collateral with a penalty rate” in crisis times. For a detailed and comparative analysis of the LoLR function, see: Mehrling, 2011.

previous crises, it is claimed by some scholars that central banks went beyond their classical roles by acting as market makers of last resort in response to the 2008 financial crises (Buiter & Sibert, 2007; Mehrling, 2011, 2014). Acting as a market maker of last resort also correlates with the state having the “twin roles of a financial regulator and a market actor” through central banking practices (Wang, 2020, p.192). Here is of interest that emergency liquidity providing by central banks is kept specific to this period, even though central banks are the bank for the banks. In fact, the adoption of different tools by central banks in times of crisis results from their operation as an institutional fix. Nevertheless, the crisis brought saliency to the central banks’ widespread use of differentiated policy tools to deal with the crises. Expanding the role of the lender of last resort to the market maker of last resort brought the 2007-8 financial crisis-specific expression of “too big to fail” forward. “Too big to fail” is a popular expression that defines the “large financial institutions that states cannot let collapse because of the high levels of collateral damage and the overall loss of market liquidity” (Bryan et al., 2021, p.265). Bailing out operations for the too-big-to-fail institutions put into practice in the midst of the 2007-8 financial crisis. In the US, for instance, Lehman Brothers was allowed to fail, while other prominent financial institutions like Bear Stearns and American International Group, Inc. were bailed out. Pre- and post-crisis central banking practices were frequently criticized because they were contradictory both with one another and within themselves. Bailing out operations is criticized for creating moral hazard problems and encouraging banks to take excessive risks since the banks know they can be bailed out if a crisis occurs. It is worth mentioning here that “the too-big-to-fail logic based on backstopping and shifting risk away from large institutions is a core feature of capitalist financial management” (Konings, 2015, p.8). Determining a financial institution as too-big-to-fail is a strategic selection done on behalf of the financial capital in general and is also closely correlated with having relative autonomy for a central bank (Panitch & Gindin, 2014). Relative autonomy, in a sense of the capacity to decide, is sometimes directly on behalf of the system and sometimes in favor of the financial institution.

The crisis revealed the insufficiency of pre-crisis central banking consensus on the goal of price stability for ensuring financial stability. On the other hand, the crisis altered the conduct of central banking practices rather than changing the mindset of central banks that operate as "the lynchpin of financialization" (Palley, 2021). By intervening in the financial markets more directly and explicitly, central banks have "reinforced the main characteristics of financialization from the beginning of the crisis" (Painceira, 2010, p.292). Instead of treating financialization as a source of the problem, central bank interventions during the crisis were implemented to provide emergency liquidity to the financial sector. As it has become salient in quantitative easing actions, large asset purchase programs are implemented for "the security of financial market liquidity, not the well-being of households per se" (Bryan et al., 2021, p.269). That means, central banks have turned out to be the main agent in protecting financial interests since they were ready to act as market makers of last resort in a crisis (Painceira, 2010, p.140). Printing central bank money to inject liquidity into the markets also means that "the central bank is being used to socialize financial losses to protect private profits" (Painceira, 2010). Rather than dealing with the crisis, central banks have focused on "cleaning the debris" with large liquidity injections and buying unpaid debts (Borio, 2014). As Panitch and Gindin (2012; 2014) capture, central bank interventions to the crisis were toward *failure containment*, more than *failure prevention*, which aims to "limit increasingly dangerous volatility without undermining the ability of finance to play its essential role in capitalism" (p.396). As quoted by Thiemann (2020, p.470), "the critical task of the macro-prudential central banker is as a risk manager to the financial system." To the extent that the process of financialization has altered financial markets by making them giant and more complex, central bank intervention in these markets has also changed. In this regard, the 2007-8 financial crisis has differentiated from previous crises by expanding traditional central bank interventions toward non-banking institutions. Besides their organic link with the classical banking system, central banks, due to financial innovations, have to deal with non-banking financial institutions like hedge funds, insurance companies, and so on. Shadow banking activities were used during the pre-crisis credit system and were also supported by central banks (Birk & Thiemann, 2019, p.6). Nonetheless, with designing new security structures after the collapse of Lehman Brothers, "the shadow banking entities have received the opportunity to access the central bank's balance sheet via repurchase agreements" (Wullweber, 2020). Since "the bank-loan channel of credit has been substantially replaced by a capital-market channel" (Mehrling et al., 2013; Mehrling, 2014, p.109), the central banks are now more intertwined with the shadow banking system to implement and transmit their monetary policy (Gabor & Braun, 2020, p.249). As financialization is an ongoing process and the shadow banking activities spread, unconventional monetary tools have turned out to be usual central banking practices rather than crisis responses. The problem lies here that central banks embark on these unconventional policies without quitting the CBI template. The classic paradigm of CBI has become obsolete in unconventional monetary policy framework since it has a very technocratic aspect as defined through narrow policy goals and tools. Moreover, by reaching beyond interest rate policy, central banks have blurred the line between fiscal and monetary policies since public sector debts are ballooning with the central banks' balance sheets accordingly (Borio, 2014, p.191). Consequently, unconventional monetary policies have kindled a proliferation of debate on the roles of central banks.

The 2007-8 financial crisis has turned out to be a periodization tool for analyzing the changing characteristics of contemporary capitalism, namely neoliberalism. "The lessons learned from the crisis" has also become a frequently used phrase to designate the post-crisis characteristics in political economy issues (Johnson et al., 2019). Given the context of this chapter, central banks have emerged as one of the most-scrutinized public institutions in that era in terms of their roles and positions. Additionally, unconventional policies implemented in response to the crisis have become day to day practices for central banks, especially in times of financial panic. By the so-called lessons learned from the 2007-8 financial crisis, independent central banks have adopted unconventional monetary policy toolkits, as shown in the current Covid-19 pandemic-related monetary policy responses. In fact, when comparing central banking, what changed before or after 2008 was its practices rather than its logic or mindset in relation to central bank independence arguments. In their responses to the crisis, central banks did not change their positions in the financialization process by continuing to signal market expectations and even augmented the process by injecting vast amounts of liquidity needed in the financial markets as the bank for banks. Therefore, in addition to burgeoning literature on the roles of central banks, growing entanglements of central banking practices with shadow banking activities have kindled ongoing debates on the independence of central banks.

Unconventional monetary policy tools became more critical during the pandemic of Covid-19 since the crisis management roles of central banks were brought to the fore once again (BIS, 2020). With the outbreak of the Covid-19 pandemic, measures taken to slow the rate of infection of the virus, such as lockdowns and social distancing measures, triggered a sudden stop in economic activity, including compression in productive activities and interruption in supply chains. The pandemic crisis derived from its spread from the real economy to the financial markets, not from the financial system itself in reverse with the 2007-8 financial crisis (Cantu et al., 2021). The outbreak of the pandemic revealed once again the importance of “the emergency power” which the central banks had in crisis times compared with other fiscal authorities such as Treasuries and finance ministries (Rogoff, 2019). Beyond their traditional roles as lenders of last resort, “the role of central banks as crisis managers further expanded and acquired new contours during the Covid crisis with very close cooperation with fiscal authorities” (Goodhart & Lastra, 2023, p.7). Due to the 2007-8 financial crisis experiences have advanced central banks’ ability in crisis management, they have acted quickly on a massive scale in response to the pandemic-related fear and uncertainty in the financial markets.

Since the Covid-19 pandemic is a global shock across world economies, central banks in advanced and developing countries have followed similar and also various patterns in policy responses by targeting various market segments. According to the BIS Annual Report (2020), the overriding policy objectives in the Covid responses can be regarded as twofold; the first goal targets lending to financial institutions to prevent long-lasting damage, while the second aims to restore market confidence (p.39). The first policy response, in this regard, was the cut in policy rates, as a conventional policy response before the 2007-8 financial crisis. Cutting policy interest rates was accompanied by forward guidance, typically in advanced economies, and reserve policy, more broadly implemented in emerging market economies (Cantu et al. 2021). Another policy implemented widely was lending operations to financial institutions. As the lender of last resort, central banks injected large amounts of liquidity for banks and other financial institutions in order to encourage them to pursue credit expansion to households and non-financial institutions. During the Covid crisis, lending operations were expanded by newly establishing programs, mainly in terms of the size of the facilities, eligible collateral, and the maturity of the instruments (Cantu et al., 2021, p.11). Another unconventional policy implemented during the pandemic to stimulate credit flows was asset purchase programs, i.e., quantitative easings that came to the fore with the 2007-8 crisis. Those asset purchase programs were mostly market-oriented and involved commercial papers, corporate bonds, equities, and asset or mortgage-backed securities (Cantu et al., 2021, p.13). While most central banks in emerging market economies have introduced asset purchase programs for the first time in the pandemic, the advanced countries have relied on their previous experiences. Since those economies have more complex variety in types of assets, many central banks in advanced countries have acted as market maker of last resort. As the Covid crisis sparked a "dash for cash," the FED again acted as the global central bank with its ability to provide "limitless cash" since the most liquid currency of the financially globalized world is the US dollar (Tooze, 2021; Milstein & Wessel, 2021). Those swap lines with nine central banks were established under Reciprocal Currency Arrangements by the FED as the global lender of last resort to take dollar shortages globally in 1962 and then occasionally instituted for a fixed period and a limited amount of US Dollars, like in 1994 (Dutt, 2020). To improve the liquidity of global dollar funding, "the Federal Reserve reopened swap lines with nine other advanced countries that were previously activated during the 2007-8 crisis" (Cantu et al., 2021, p.15). Moreover, to ensure that other economies which could not access swap lines had access to dollar funding without selling Treasuries in the market, the FED established the FIMA repo facility as a complementary measure (Milstein & Wessel, 2021). The unconventional monetary policies implemented during the 2007-8 financial crisis and pandemic were mentioned briefly in this chapter to provide a general framework for the goal of financial stability. To the extent that those policies were implemented differently in different countries, defining the goal of financial stability would not be as clear-cut as price stability which is a single-minded goal. Nevertheless, unconventional monetary policies have entailed flourishing acknowledgment of the importance of the crisis management roles of central banks.

Moreover, unconventional monetary policies, including those implemented during the pandemic, have remained as day-to-day central banking practices in non-crisis times. Even so, the unconventional policies have sparked a burgeoning debate on central banks embracing new roles to deal with crises such as climate change, inequalities, and distribution. From the 2007-8 financial crisis onwards, as this thesis has underlined, central banks have implemented an expansionary monetary policy to increase the flow of credit under the name of unconventional policies. Those policies are often criticized for neglecting the political and distributional aspects of central banking practices. Even though the pandemic is a global shock that affected all economies and economic agents, the central banks' responses have maintained the general characteristics of the financialization process about the ways in which it tended to deepen the existing inequalities. The key overarching principle of central bank interventions in the Covid crisis was to address market dysfunctions by implementing unconventional policy tools (BIS, 2023). Given the concerns arising from unconventional monetary policies, the lender of last resort role of central banks poses the most critical aspect regarding the relation between central banks and the financialization process. As the financial system has been transformed with the growing impacts of shadow banking activities, the forms of central bank intervention in crisis times have also evolved in tandem. Since the 2007-8 financial crisis and the recent Covid crisis, central banks have expanded their lender-of-last-resort interventions beyond traditional boundaries, which historically acted as a backstop for banks in crisis times. On the other hand, the compatibility of central bank independence arguments with the changing central banking practices forms the key aspect within the scope of this thesis. During the post-2008 era, implementing unconventional policies invalidated central bank independence that hinged on pursuing one goal with one instrument. Moreover, since central bank independence represents a formal separation between monetary and fiscal policy, the line between them blurred via deploying of unconventional policies (Borio, 2014; Goodhart & Lastra, 2023).

3.4. New Debates on the Roles of Central Banks

It would be argued that two closely affiliated debates arose from changing forms of central bank interventions during the 2007-8 financial and the Covid crises. The first line of debate concerns the transforming role of central banks in crisis management from the lender of last resort (LoLR) to the market maker of last resort (MMLR) or dealer of last resort (Buiter & Sibert, 2007; Mehrling, 2014). Due to a series of financial innovations from the 1970s onwards, as already discussed in this chapter, the financial markets have become more segmented and more market-based, leading to the rise of the shadow banking system (Murau, 2017). As the financial system became market-based, central banks' interventions in credit markets to provide liquidity went beyond conventional LoLR operations to include non-banks financial entities of the so-called shadow banking system. During a crisis in the market-based credit system, when the actors that had to be market-makers like banks or broker-dealers unwilling to lend, the central banks (the FED primarily) become market-maker to restore confidence among financial segments and guarantee "the smooth functioning of financial markets" (Musthaq, 2021). By going beyond conventional LoLR operations, central banks use their balance sheets to absorb risky assets and provide liquidity with quantitative easing programs or outright purchases. During the 2007-8 crisis and the Covid pandemic, central banks in advanced countries have "expanded existing LoLR operations by broadening the range of eligible collateral in repo transactions and in discount window lending, providing central bank liquidity against private, illiquid securities and even through the outright sale and purchase of financial securities" (Musthaq, 2021, p.7).

In the evolving structure of financial markets toward collateral-intensive financial systems organized around securities and derivatives, "collateral-based repo operations turned out to become the main source of financing for banks and other financial intermediaries" (Gabor, 2016; Fontan & Larue, 2021; Musthaq, 2021). Repos (repurchase agreements) are short-term contracts under which "a lender agrees to buy an asset from another institution as a borrower and sell the asset back to the borrower at a pre-agreed date" at a predetermined price and interest (Gabor & Ban, 2016, p.619). Even if the borrower continues to receive all interest payments on the asset, the lender can sell the asset in the case that the borrower does not fulfill its promise to repurchase it, accordingly, the asset also operates as collateral (Gabor & Ban, 2016; Wullweber, 2020). Since government bonds are viewed as the most risk-free assets (Gabor, 2021a, p.18), most repos are collateralized with government bonds (Wullweber, 2020, p.8). In times of stress, private financial institutions (such as hedge funds, pension funds, insurance companies, banks, or other investors) begin to sell their government bond holdings. By acting as the market makers of last resort, central banks intervene in government bond markets on a large scale and purchase those government bonds by outright purchases. In addition, central banks also expanded their liquidity provision by undertaking long-term securities in mortgage-backed security markets. Creations of new securities for repo transactions by central banks (primarily by the FED) have enabled shadow banks to access central banks' balance sheets and, therefore, to safe assets (Wullweber, 2020). This kind of rise of shadow banking has profound implications for money creation, leading to debates on whether shadow banks can create quasi-money or shadow money (Pozsar, 2014; Gabor & Vestergaard, 2016; Murau, 2017; Wullweber, 2020). On the central bank side, by purchasing mortgage-backed securities and government bonds, central banks transfer risk from the private sector to their own balance sheets (Musthaq, 2021). By bearing risk as a result of increased balance sheets and encouraging shadow banking entities, MMLR operations of central banks pose severe concerns for financial instability that can entail the possibility of an outbreak of a 2008-like financial crisis.

The unconventional balance sheet policies implemented in the 2007-8 financial crisis and the Covid pandemic have made clear that reciprocal relations between central banks and financial markets are now more complicated. Even if the pandemic-related financial stress did not stem within the shadow banking system itself unlike the 2007-8 global crisis, central banks' interventions targeted primarily "market dysfunctions" (Hauser, 2021). As a result of the growing impact of shadow banking, central banks' large-scale interventions in credit markets went beyond traditional LoLR operations. As the market-based credit system exceeded the loan-based banking system, central banks increasingly acted as backstops for shadow market entities. By establishing large-scale asset purchase programs, "central banks provide safe assets to market participants who use them as collateral in repo transactions" (Fontan & Larue, 2021, p.160). Through repo market operations, shadow banking actors find a chance to receive central bank money and collateral (Wullweber, 2010, p.10). As a result, the MMLR operations of central banks encouraged shadow banks to increase speculative and risk-taking activities (Toussaint, 2018). With the rise of shadow banking, just as the financial markets have been transformed in tandem with central banking practices, central bank interventions "eventually fuel financialization, asset price inflation, and financial instability" (Braun, 2021, p.15).

Since the organic link between central banks and financial markets relies on reciprocal relations, the increasingly growing impact of the financial sector (shadow banking activities in particular) became more apparent with central banks' interventions in recent crises. Given the history of central banking, acting as a backstop for the shadow banking entities is derived from traditional roles of central banks, since the banking system now relies on market-based credit system. Traditionally, "central banking responds to the particular systemic properties exhibited by financial networks, financial nodal points, and the possibility that their failure will take down wider social structures" (Konings, 2015, p.8). Since 2008, by providing unprecedented amounts of liquidity via bond purchases, central banks not only benefit the bondholders and market participants holding financial assets while increasing existing inequalities but also led to the possibility of the growth of systemic risk due to the rising asset prices (Wansleben, 2023, pp.209-10). Consequently, central banking practices in the post-2008 era have raised questions about the role of central banks in increasingly financialized capitalism and have posed new challenges that central banks should adapt to meet the contemporary issues of climate change, societal inequalities, and so on.

The 2007-8 financial crisis and changing forms of central bank interventions have paved the way for burgeoning relatively new literature regarding the functioning of financial markets, which is the critical macro-finance (CMF) literature. The so-called CMF literature gathers various European-based scholars from different social science disciplines who analyze topics concerning central banking. According to Daniela Gabor, a leading figure in this approach, the CMF literature focuses on "the co-evolution of global finance and the macro-institutions of the state" (Gabor, 2020). By doing this in a very eclectic way, the literature brings together the views and theories of different scholars, from Hyman Minsky to Michael Mann and even to Michael Foucault and Pierre Bourdieu. This literature designates the plumbing of contemporary finance as dollar-dominated market-based finance with the growing impact of the shadow banking system (Gabor, 2020; Musthaq, 2021). The main feature of financial globalization lies in the infrastructural power of market-based finance that stems from "entanglements between specific financial markets, central banks, and fiscal authorities" (Braun, 2020). In contemporary financialized capitalism, the financial system forms the governance infrastructure for macroeconomic policy (Gabor & Braun, 2020). With this reversed version of Mann's conceptualization of state power, the CMF scholars attempt to redefine the organic link between central banks and the financial sector and also the ascendancy of finance. In this sense, the infrastructural power of finance refers to financial dominance on the one hand and the central bank dominance on the other, which exercises vis-à-vis specific parts of the state (Gabor & Braun, 2020). Conceptualizing central banks with infrastructural power means that the central bank can shape the boundaries between the state and the economy (Coombs & Thiemann, 2022). Instead, as the public institutions sit in between politics, economics, and public administration, central banks transform in line with the role of the state in the economy.

Central banks' using the collateral framework as a financial stability tool in shadow banking or market-based finance raises questions about a return to fiscal dominance. As central banks provide liquidity in the shadow banking system by buying government bonds by acting as the MMLR, the questions on monetary financing have gained saliency regarding the interaction between monetary and financial stability (Gabor, 2016; BIS, 2020). Monetary financing involves a fiscal stimulus financed with central bank money by referencing quantitative easing programs led by the central banks during the 2007-8 financial and pandemic-related crises (BIS, 2020). Accordingly, with ever-increasing financialization, financial markets have have reached the essence of sovereign debt management practices that forms "the repo-sovereign bond market nexus" and also "the state-finance nexus" in general (Fastenrath et al., 2016; Gabor, 2016). However, as Gabor rightly analyzed, acknowledging "sovereign bonds had become the cornerstone of modern financial markets," "coordination between monetary and fiscal policies is an optical illusion that masks the macro-financial – rather than fiscal – reasons" behind the central bank interventions in government bond markets (Gabor, 2016, p.4; 2021a, p.6). Indeed, central banks' operations aimed to restore the smooth functioning of the markets by "taking large quantities of risk off private sector balance sheets, which means more risk on public sector balance sheets" (Hauser, 2021, p.10). According to CMF scholars, with the large-scale purchases of government bonds by central banks, bondholders have "wielded infrastructural power and influenced the formulation of unconventional monetary policy in their favor" (Fontan & Larue, 2021, p.167). Hence, through unconventional interventions such as quantitative easings, the role played by the central banks has altered as they "became creators or generators of financial capital" (Dietsch et al., 2018; Sokol, 2022, p.2). While successfully emphasizing the coevolution of central bank interventions and finance (and also empowerment of financial capital – even if they use the term "finance capital," it actually refers to financial capital), this CMF literature underestimates "the lineage of modern liquidity practices from historical LoLR operations and their implementation in non-crisis times" (Musthaq, 2021, p.5). Since unconventional monetary policies, from quantitative easings to swap lines, are tools that have already been in the arsenal of central banks, central bank interventions in crisis times are not specific to the post-2008 era. Concomitantly, the close linkage between central banks and finance has gained saliency. To put it in Harvey's terms, "central banks, that have long functioned as the 'central nervous system' for regulating and promoting capital, exist in a liminal space between the state and the private banks" (Harvey, 2014, p. 46). In addition, the close coordination between central banks and treasury departments in crisis times forms "the state-finance nexus", which Harvey calls everywhere (Harvey, 2006, 2011, 2014). To the extent that central banks transformed in tandem with financial markets, central bank interventions would also evolve toward modern versions of LoLR operations, i.e., the MMLR. As Harvey argued, "ever since the inception of central banks, their role has been to protect and bail out the bankers, not to take care of the well-being of the people" (2014, p.46). Since it has its mandate for the regulation and control of the banking system and the benefit of capital as a whole, it would be logical that the state-finance nexus is not subject to democratic or popular control (Harvey, 2018, pp.203-4).

The second line of debate that arose from changing forms of central bank interventions during the 2007-8 financial and Covid crises is on the compatibility of unconventional policies with central bank independence. Even if there has been a variety of independence definitions in the literature, central bank independence refers, as this chapter already pointed out, to adherence to the new monetary consensus that prevailed from the 1990s until the 2007-8 financial crisis. The central bank independence is strictly defined by the adoption of the inflation-targeting regime with price stability as the main objective of the central bank and the short-term interest rate as its operational target. With the expansion of the financial sector roughly from the 1970s onwards and the outbreak of the 2007-8 financial crisis, the consensus of the CBI paradigm has been shaken. It is accepted that ensuring price stability is inadequate in providing financial stability. However, even if the mainstream acknowledged the insufficiency of price stability, the adoption of unconventional monetary policies is not considered incompatible or inconsistent with the classical CBI paradigm. Bernanke (2020) argues that unconventional monetary tools and mainly quantitative easing programs are additional tools that are implemented to safeguard and restore the inflation-targeting regime when faced with the zero lower bound constraints (Walter & Wansleben, 2019). Even if "the inflation targeting framework was no longer consistent with policy action or observed effects during QE" (Wansleben, 2023, p.219), the so-called new monetary policies are articulated with the CBI arguments. Considering unconventional monetary tools as additional measures seems not sufficient since they went beyond the main arguments and the theory of the central bank independence paradigm. Even more, it is necessary to remind the German Constitutional Court verdict that the ECB, by launching quantitative easing programs in 2015, "had overstepped the bounds of its proper domain of monetary policy and strayed into the area of economic policy, which the European treaties reserve for national governments" (Tooze, 2020b). As stated by Adam Tooze, "the German court is right to detect that the ECB justifies a new set of policies about the same old mandate of price stability" (2020b, p.17). Because the inconsistency with the central bank independence paradigm lies in its failure to ensure financial stability. The problem is assuming the central banking practices are neutral by neglecting the distributional and political outcomes of monetary policy. Moreover, the political and economic environment in the late 1970s that led to emerging central bank independence arguments is no longer valid since inflation was not a top-priority concern in the post-2008 era. Even more, given the crisis management roles of central banks, the post-2008 central banking practices have caused it to be called “new experimentalism” concerning its contradictions with the existing central banking theory (Best, 2022). However, even as the tools of independent central banks diversified within the post-2008 era, the main logic of central banking did not change radically. Independent central banks are still signaling market expectations like in the pre-2008 context, even if the financial system has transformed itself by becoming more market-based (Benlialper & Cömert, 2015). The contradictory relationship between price and financial stability is also scrutinized by the CMF scholars. According to this line of scholars, central banks should also be independent of financial dominance, not only from governments (Dietsch et al., 2018; Fontan & Larue, 2021). Moreover, central banks should go beyond the pursuit of financial stability since the intertwined links between central banks and the financial sector have benefitted financial elites (Tooze, 2020b; Wansleben, 2023). This type of independence from the financial sector needs to be revised regarding the traditional roles of central banks since central bank independence is embedded in the logic of neoliberal governance (McNamara, 2002). By emphasizing the role of the central bank in “financialized capitalism”, these scholars, rather than proposing a change in the governance of the central bank, only scrutinized the already existing situation as an object of analysis (Knafo, 2020; Musthaq, 2021). The domination of the governance perspective in the CMF literature has revealed that they perceived the state and the market as ontologically separated entities.

As the organic link between central banks and financial markets gained saliency in the post-2008 era, central banks have been brought to the fore in embarking on new adaptations against the crises of capitalism. What is discussed over the crisis management roles of central banks[12] is addressing the state, or more precisely, the state autonomy. The need for the state was raised even by three prominent economists, who had a critical role and responsibility in overcoming the 2007-8 financial crisis in the US economy, admitting that only the visible hand of the

[12] There has been a bourgeoning literature on the crisis management role of the central banks, including green central banking (Volz, 2017; Campiglio et al., 2018; Volz & Dikau, 2021; Dafermos et al., 2021b; Yeldan & Ünüvar, 2022) and the roles of central banks on inequalities and development (Epstein & Montecino, 2017; Aklin et al., 2021).

government can stop a financial collapse rather than the invisible hand of capitalism (Bernanke et al., 2019). In addition to the financial system's inherited crisis-driven characteristic, as the Covid-related health and supply-side problems articulated with climate change concerns and the Ukraine war, the ability of the state in coordination with the private sector to cope with this "polycrisis" (Tooze, 2022) has been started to be discussed increasingly. Given this variety of crises of contemporary capitalism, central banks are now permanently on call to react with a massive stimulus (Tooze, 2020a). By analyzing the rise of market-based finance, the CMF literature also attempts to examine the state by conceptualizing the "derisking state" (Dafermos et al., 2021a). The derisking state points out a state that eliminates the risk for the sake of financial elites, as being salient in the balance sheet policies of central banks transferring risk from the private sector to their own balance sheets. According to this analysis, independent central banks are being used by the Wall Street Consensus[13] that relies on shadow banking activities (Dafermos et al., 2021a). The derisking state is closely related to the rise of the state as an economic actor "with the growth of finance and the replacement of fiscal activism with independent central banks" (Dafermos et al., 2021a, p.241). The state's participation in financial markets is closely affiliated with the financialization of the state arguments (Hardie et al., 2013; Wang, 2015, 2020). However, the process of financialization requires not only the financialization of the state but also financialization by the state since the necessary "set of arrangements" is taken by the hands of the state (Harvey, 2010). Moreover, despite the radical outlook of derisking state conceptualization, the CMF literature does not involve a comprehensive theory of the state. Even though they used some specific terms with reference to Michael Mann with a reversed version of his terms, such as infrastructural power, their state-centric perspective is derived from the late 1970s debate on the state autonomy of the statist-institutionalist view. Nevertheless, they are discussing the transformation of capital, particularly financial capital, by referring to the state without enhancing a proper theory of the state. By doing this, they claim that the state, especially the central bank, should be free from

[13] The Wall Street Consensus, a conceptualization developed by Daniela Gabor by referencing to Washington Consensus, "has emerged in recent years which posits that development goals can be achieved by placing global finance at the center of development processes" (Dafermos et al. 2021a, p.238). Accordingly, it is "an attempt to reorient the institutional mechanisms of the state towards protecting the political order of financial capitalism against climate justice movements and Green New Deal initiatives" (Gabor, 2021b, p.3).

the financial capital by handling the state merely as a function or as an agent with its own purpose. On the contrary, “as a conflictual social relation, the state is a relationship of forces, or more precisely, the material condensation of such a relationship among classes and class fractions” (Poulantzas 2014 [1978], p.128). More precisely, to put it in strategic-relational terms, “state power is an institutionally and discursively mediated condensation (a reflection and refraction) of a changing balance of forces that seek to influence the forms, purposes, and content of polity, politics, and policy” (Jessop, 2016, p.10). The strategic-selectivity of the state refers to “a complex set of institutional mechanisms and political practices that serve to advance or obstruct particular fractional or class interests” (Jessop, 1999, p. 57). This means that by “the heterogeneity and lack of unity among the dominant classes,” the state gains relative autonomy that enables the ability to act sometimes on behalf of the system as a whole and sometimes of a particular class (Durand & Keucheyan, 2015, p.6). Regarding the central bank as an institutional fix within this framework might enable the discussion of its independence with reference to the relative autonomy of the state. The relative autonomy of the state might provide an opportunity for transcending the existing hegemony of capitalism by enabling the flourishing of counter-hegemonic alternatives. Additionally, with the present upsurge in inflation (especially in advanced countries), the polycrisis environment is able to provide policy space to tackle existing financial hegemony (Durand, 2022). Even if there has been a “logical reversal” during the post-2008 era, to the extent that the financial hegemony reigns, the recent social and ecological crises would not be opening “the contest for the throne of its reign” (Durand, 2021, 2022). Moreover, to the extent that financial, social, and ecological crises do not alter the main logic of capital and the shift in the balance of power between the states and markets (i.e., increasing financial dominance), crisis management tactics of capital would not entail a qualitative change in capitalism. As long as financial hegemony prevails, central banks will continue to operate as hegemonic apparatuses.

3.5. Conclusion

To the extent that capitalism has been transformed and addressed the state to adopt new mechanisms, key state institutions would also change their operations and functions to meet new calls. Given changing forms of state interventions in terms of their relation to markets, central banks have always been in a position that reflected the state-finance nexus. The theoretical background of central bank independence, therefore, has emerged as a response to the inflationary environment of the 1970s. Central banks not only form the state-finance nexus as they form the central bank-finance nexus per se but also reflect the neoliberalism-financialization nexus in the context of the neoliberal period. In addition to the other heterodox and critical approaches recognizing financialization as a new epoch of capitalism in which the CBI has emerged as the specific central banking practice of this epoch, this chapter attempted to analyze financialization in relation to the state as an integral part of neoliberalism. Since "the state has a constitutive role on capital's economic forms and in organizing the circuits of capital" (Jessop, 2006, p. 161), the state itself is not only transformed by financialization, but it also widened the space for financialization. Hence, the main argument of this chapter is that central banks provide an adequate institutional and spatio-temporal fix for financialization since they have an organic link with financial markets from their inception.

Up to the 2007-8 financial crisis, central banks in most countries had followed the classical paradigm of central bank independence with its narrowed-down objective and operational tool, price stability and short-term interest rate, respectively. With the 2007-8 financial crisis outbreak, there has been a wide consensus that the goal of price stability has failed to deliver financial stability. Central banks had responded to the crisis by adapting unconventional monetary policies, besides maintaining the inflation-targeting regime and the goal of price stability. From the 2007-8 financial crisis onwards, independent central banks have followed the dual goal of price and financial stability. With the expansion of the financial sector in its operations and complexity and as it becomes apparent in the recent Covid-related crisis responses, it reached the point where there emerges "the primacy of financial stability over price stability" (Durand, 2022, p.49). Just as the financialization debate inherently would bring the state to the fore, the crisis management role of central banks has increasingly begun to point to the need to increase the capacities of the state, including central banks. To the extent that social, financial, and ecological crises put the state in trouble and shake the financial hegemony, central banks would be called to embark on new crisis mechanisms. By examining the changing roles and perceptions of central banks in the post-2008 era, this chapter aimed to develop a critical perspective that depicts the necessity of central banks to go beyond the "dedemocraticized" independence paradigm in light of the recent debates on central banking (Stahl, 2021). Since the crises of capitalism are many and varied, the role of central banks should be analyzed from a relational perspective, in which reciprocal relations between the state, financial markets, and fractions of capital have shaped central banks.

CHAPTER 4

THE CENTRAL BANK INDEPENDENCE IN TURKEY: THE CASE OF THE CBRT

Since central bank independence is a global phenomenon, forty-year transformations in central banking practices in advanced countries have been reflected in developing countries. Given the country-specific features of developing countries, it would be feasible to discern variegations in central banking practices. Unlike the advanced countries, central bank independence is stipulated in developing countries by international financial and/or supranational organizations as a way of enhancing the creditworthiness of the country (Maxfield, 1997). Given the transformations of the Central Bank of the Republic of Turkey (CBRT), Turkey as a developing country provides a fertile sample to illustrate the changing perceptions of central banking. From the first day of the establishment of the CBRT, the roles and practices of the Bank have transformed in line with the changing forms of state interventions affected by domestic and international power relations. Although the CBRT gained its instrument independence legally in 2001, the debates regarding the CBI have proliferated in recent years in line with the rising authoritarianism in Turkey. To evaluate the CBI and the transformations of central banking practices in a developing country, this chapter will scrutinize the changing perceptions of the Central Bank in Turkey. It would be feasible to periodize the historical moments of Turkey's mode of articulation of the world economy through its reflections on the policies and statuses of the Central Bank. For this purpose, the first period will encapsulate the establishment of the CBRT and trace to the transition to neoliberalism in Turkey. Considering that central banking in the 1930s reflected the independence notion of the newly established Turkish state, the chapter will take the CBRT from the year it was founded. After tackling with the pre-neoliberal era central banking practices that transformed in line with the political and economic novelties at home and abroad, the chapter will continue to evaluate financial developments between 1980 and the 2001 financial crisis to illustrate the state-finance nexus in Turkey. Since the 1980s refer to changing mode of integration into the global economy, the second period will be designated the changing forms of state interventions during the 1980s and the 1990s. Given the law in 2001 renders the CBRT's status independent, the chapter will examine the central banking practices in the early years of the Justice and Development Party (AKP) governments as the third period. After briefly mentioning the Turkish central banking experiments regarding the implications of the 2007-8 financial crisis, the fourth period will evaluate the impacts of the rising authoritarianism on central bank independence. Since the frequent dismissions of central bank governors have kindled an ongoing debate regarding the CBI, central banking practices will be handled through the tensions between the government and the Bank from a critical political economy perspective. Given the growing emphasis of the opposition (both at intellectual and party-political levels) in Turkey on ensuring the CBI to restore the capital accumulation process, the main motivation of the chapter is to scrutinize the role of independence in the ongoing trend of the economy and its relation to the authoritarian turn of the AKP rule. Since the CBRT has obtained its independence as one of the IMF conditionalities, the chapter argues that the recent CBI debates reproduce the neoliberal proposal of technocratic and the so-called apolitical economic policymaking. In this regard, the chapter also claims that defending the effectiveness of the Central Bank by insisting on the classical CBI framework neglects the latest and newest debates at the international level, aiming to go beyond the CBI paradigm from the 2007-8 financial crisis onwards. Hence, the main argument of the chapter will be that there is a growing discrepancy between the recent debates on central bank independence at the domestic level and the international level regarding the role of the central bank. The chapter will try to provide concluding remarks on the state-finance nexus and the boundaries of central banking in a developing country in general and whether the recent central banking practices in Turkey reflect the crisis of crisis management in particular.

4.1. The Historical Evolution of the CBRT

Both international developments shaping the post-World-War-I world and domestic interests and specific relations shaped the process entailing the establishment of the

CBRT. The necessity for every country to have a central bank and existing central banks to keep a certain distance from the government was proposed as a way to return to the Gold Standard and to stabilize the world monetary system in the Conference of Genoa in 1922 (İlkin & Tekeli, 1998, p.195). Around the same year in Turkey, the necessity of a national state bank, referring to a central bank that is an entity responsible for "war financing" historically, started to be discussed during the War of Independence (Capie et al., 1994; İlkin & Tekeli, 1997, p.245). Moreover, the necessity of a national state bank that would function as the bank of issue and conduct relations between the capital and credits was also uttered in debates at the İzmir Economic Congress in 1923 (İlkin & Tekeli, 1997, p.246). In addition to the government-inside debates regarding establishing a central bank, different circles and interest groups were also striving for the Bank. The first attempt was made by the IsBank (İş Bankası in Turkish) which have close affinities with the government as the first national bank of Turkey. Despite all the efforts of IsBank, including inviting foreign experts and leading central bankers and having them prepare the reports submitted to the government, the request for the conversion of a private commercial bank into a central bank was rejected by the government, particularly by the prime minister İsmet İnönü. According to Boratav (2006, p.61), İnönü's rejection of the conversion of the IsBank to the central bank was crucial in the transition to etatist/statist policies affected by the relations between government and the circles of Isbank. On the other hand, the insistence of the Ottoman Bank, which operated as the functioning of the central bank for the Ottoman Empire and had issuance privileges until 1935, on the insufficiency of establishing a central bank due to the domestic economic and fiscal problems also failed (İlkin & Tekeli, 1998). It is crucial to note here that İsmet İnönü insisted that the central bank to be established should be independent. The insistence of İnönü on independency was that a central bank should be at a distance not only from the government but also from the private sector. (Bakır, 2007, p.17).

Since certain economic clauses of the Treaty of Lausanne expired in 1929, Turkey found opportunity to "proactively adopt an interventionist and protectionist developmental policy" (Özgür & Özveren, 2022, p.113). Moreover, the Great Depression of 1929 provided some opportunities for newly established nation-states in the Third World, including Turkey to transform the crisis into a national developmental opportunity (Özgür & Özveren, 2022). On the other hand, the depreciation of the Turkish currency against the sterling due to the Great Depression entailed the enactment of "Law No. 1567 on the Protecting the Value of Turkish Currency" in February 1930 (İlkin & Tekeli, 1998). Hence, the depreciation of the Turkish currency accelerated the proposals to establish the central bank to present a symbol of economic independence. The establishment of the Central Bank was also an "integral part of the decision to achieve and maintain macroeconomic stability, to be anchored on the stability of the exchange rate and as a prerequisite for integration into the global market" (Yalman, 2019a, p.27). After a few months, the Law for Establishing the Central Bank of Turkey (Law no. 1715) was enacted in the Grand National Assembly of Turkey in June 1930. According to Law No. 1715, the Central Bank of The Republic of Turkey was established as a joint stock company which reflected its independence and distinguished it from other public institutions. Law No. 1715 stipulated that the amount of shares belonging to the Treasury would not exceed fifteen percent of the total capital to emphasize the Bank's independence (Bakır, 2007, p.20). Due to the delay in providing the gold to be invested in government shares, the Central Bank started to operate in 1931 (İlkin & Tekeli, 1998, p.199). According to Law No. 1715, "the primary goal of the Central Bank was to boost the economic development of the country", and the Bank has the privileged right to issue money (Law 1715, 1st and 3rd Article). Since the government was the sole authority to set exchange rates under the fixed exchange rate regime, the primary policy tool of the Bank was "to set rediscount rates to regulate the money market and control the circulation of money" (Law 1715). By obtaining the role of the treasurer of the government, the Bank was authorized to execute treasury operations and was obliged to take all required measures to protect the value of Turkish currency. During the 1930s, the character of the economic policy was etatism. Under the etatist regime, the main commitment was macroeconomic stability shaped by the basic principles of "balanced budget and sound money" (Türel, 2001, p. 72). It is important to stress that etatism did not necessarily refer to pure statist or state-led developmental strategy, rather, it was perceived as complementary relations between the public and private sectors (Boratav, 2006, 2008). In fact, the etatist period was not in an anti-capitalist character since the state "helped create the early segments of a national bourgeoisie" by launching investments that the private sector avoided (Özgür & Özveren, 2022, p.115). The peculiarity of Turkish central banking during the etatist era was that the independence of the Central Bank was relatively high in terms of avoidance of financing public deficits. The fact was that even advances transactions to the Treasury were made in exchange for gold, thereby attempting to prevent the CBRT from printing money and the excessive use of central bank resources by the public (Önder, 2005, p.107-8). However, under the adverse conditions of World War II, there was a growing tendency towards using central bank resources for financing public sector during the 1940s. Reserve requirements, the rates of which were increased in 1941 and 1942, were not used as a monetary policy tool in this period but only to protect savings deposits and finance the public to a certain extent (Önder, 2005, p.109). As a result of the increase in the government's debts to the CBRT, banknote emissions increased, and the increase in deposits resulted in the expansion of the loans (Önder, 2005). Eventually, monetary expansion increased the general price levels and ended the relatively low inflation rates of the 1930s. Turkey's transition to the multiparty system in 1946 had almost coincided with the end of the Second World War. The transition to a mixed economy was announced as a "new etatist" approach in which "the main role of the state was defined as supporting private entrepreneurship" (Kepenek, 2022, p.142). This announcement was about the restructuring of the Turkish economy according to the necessities of the post-War US-led era, as reflected in the replacing the original post-war development plan that was prepared before the end of the war. "While the 1946 Plan aimed to increase state investments in industry, railroads, and electrification, the 1947 Plan that even never officially implemented, aimed to increase investments in agriculture, highways, and large infrastructure projects" in line with the same logic that was underlined above in the context of the US reports (Kepenek, 2022; Akçay, 2023, p.48). 1946 was also the year that the devaluation of the Turkish currency against the US dollar was decided. The underpinning behind the decision aimed "to regulate the trade balance via a more market-oriented fashion in an increasingly liberalized foreign-trade regime" and the expectation of membership to the IMF (Kepenek, 2022, p.143). Succinctly, the year 1946 marked the beginning of a period in which inward-looking economic policies began to be loosened, imports were liberalized, and foreign aids and resources of finance began to be used for developmental purposes (Boratav, 2019, p.104). Accordingly, the 1950s symbolized a radical shift in the economic independence notion by giving priority to adjustment to reintegrate the Turkish economy into the world economy in a new US-led world economic order (Yalman, 2009, p.177). Put differently, it is possible to argue that the 1950s were decisive in determining the mode of articulation of the Turkish economy with the world and the definition of the role of the state in the economy. During the Second World War, some merchants accumulated huge amounts of capital and wealth thanks to war profiteering provided the funds for financing new investments (Kepenek, 2022; Yalman, 2019a). In addition to the change in policy priorities, this was also reflected in the growth of the financial sector by raising the number and strengthening of national banks during the 1945–60 period. As in line with the open and integrated into the world economy direction of the Turkish economy, the 1950s witnessed expansionary monetary, fiscal, and credit policies. The expansionary trends of the 1950s have been followed in central banking. During the 1950s, the main objectives of the Central Bank were to achieve growth and rapid development goals, which would increasingly be financed by the Central Bank's resources. Accordingly, some amendments were made by Law No. 6544 in 1955 to reorganize the relations between the Central Bank and the Treasury, which allowed the Central Bank to provide short-term advances to the Treasury. After the amendments, not only were public deficits increasingly financed through emissions, but also State Economic Enterprises (SEEs) and agriculture subsidies were met from the Bank sources (Akçay, 2009, pp.183-184). As a result of the expansionary policies, economic difficulties came to the surface from the mid-1950s onwards through the explosion in domestic demand, a sharp rise in inflation, supply shortages arising from the decrease in agricultural yield, and the fall in imports due to the foreign-exchange bottleneck (Kepenek, 2022, pp.149-150). Eventually, due to the decline of imports in dollar terms by more than 40 percent between 1953-58 and the devaluation of the Turkish currency against the US dollar, the first IMF stand-by agreement in the history of the Republic was signed in 1958 (Boratav, 2019, p. 123).

In the aftermath of the coup of 1960, the new constitution brought developmental planning onto the agenda of the Turkish economy. Although it is possible to contemplate the “functioning of the idea of planning as a hegemonic apparatus since it was seen as the lynchpin of a new democratic political order”, the Development Plans failed to accomplish their major goal, which was gradually diminishing the dependency on the economy on foreign resources (Yalman, 2019a, pp.36-7). The idea of development planning supplemented the import-substitution industrialization strategy. The planning was not an anti-capitalist character either. “In the 1960s and the early 1970s, Turkey’s large business groups supported the ISI strategy” due to “the prospects of high profits offered through protection from international competition and incentives provided by the state without reciprocal commitments” (Akçay & Türel, 2022, p.164). Even so, there was an implicit social contract underpinning the ISI strategy from workers in large enterprises to capital groups. The idea of planning has been reflected in state institutions with the establishment of State Planning Organizations (SPO). After the transition to a planned economy in the 1960s, the Central Bank continued to pursue expansionary monetary policies in line with economic novelties and industrial development goals and to finance the government budget deficits. In addition, most of the practices regarding the controlling of foreign exchange were transferred to the Central Bank, and reserve requirements began to be held in the Bank’s balance sheet (Önder, 2005). Despite the clear exclusion of deficit financing in the provision of the first five-year development plan (1963-67), central bank credits increased in the first year of implementation and 75 percent of the credits went to the public sector (Tenker, 1967, p.219). The planners “had left monetary policy to the authorities responsible for administering monetary and fiscal policies” and had envisaged an insufficient and inconsistent monetary policy aspect in the first plan (Tenker, 1967). In light of this situation, the attitude of the SPO and the planners had changed, which was reflected in the 1965 Annual Program by giving priority to “a growth-oriented monetary policy” (Tenker, 1967, pp.221-2). In those years, credits and loans provided by the Central Bank were mainly given to the Treasury to finance short-term deficits in the budget, delivered to state-owned economic enterprises, and also provided for Tobacco purchases (Kepenek & Yentürk, 2005). The new founding law of the Central Bank, Law No. 1211, was enacted on 14 January 1970, which brought significant changes in the organizational structure and the duties of the Bank. The most significant change was stipulated significant curtailment of the independence of the Central Bank by requiring the Treasury’s shares would not be less than 51 percent of the Bank’s capital. The new law of the Central Bank was influenced by the idea of planning since the tools and powers of the Bank were augmented in line with the requirements of priorities of the SPO and the government (İlkin & Tekeli, 1998). The Bank was “authorized to conduct open market operations to regulate money supply and liquidity” and also “was permitted to conduct rediscount operations and to extend medium-term loans to support investments and economic development” (Law 1211, 4th Article). The Bank was also authorized to lend to the banks within limits drawn by this law and was equipped with the toolset enabling it to lead the credits of the banking system to investments (İlkin & Tekeli, 1998, p.200). It would be appropriate for Law No. 1211 to be interpreted as “a delayed reflection of the planned economy approach in Turkish central banking” (Türel, 2011, p.129).

Due to domestic and international incidents, the 1970s witnessed severe economic and political turmoil that accelerated from the second half of the decade. In the aftermath of the oil crisis in 1973industrial productivity decreased, the inflation increased, profit rates fall, and the balance of payments and terms of trade deteriorated in Turkey (Akçay & Türel, 2022). Throughout the 1970s, the rising trend in the ratio of public sector borrowing requirement to GDP was accompanied by hiking inflation since the high proportion of public sector deficits was financed by the Central Bank credits (Akçay & Türel, p.184). Attempts to improve the Turkish economy in spite of two successive IMF agreements in two years have failed and deeply deteriorated by the oil shock. Stabilization efforts in the ISI strategy to improve the Turkish economy in spite of two successive IMF agreements in two years have failed and deeply deteriorated by the second oil shock. Eventually, the 24 January Decisions put an end to the crises of the 1970s with a major policy shift in 1980.

4.2. The State-Finance Nexus in Turkey: Between 1980 and 2001

The neoliberal transformation of world economies, defined by Harvey (2005) as “the Deng-Volcker-Thatcher-Reagan Revolution”, started in the late 1970s and early 1980s. The neoliberal policies implemented under the rule of mostly conservative governments in advanced countries were prescribed for developing countries through policy reforms with the name of Washington Consensus (Williamson, 1990; Stiglitz, 2004). Functioning as “a new hegemonic apparatus” of international financial organizations and the US Treasury throughout the 1980s and 1990s, the Washington Consensus has stipulated policy reforms focusing on privatization, trade liberalization, macro-stability, and fiscal discipline (Stiglitz, 2004; Yalman, 2009, p.254). Turkey was not an exception in this trend of neoliberal transformation. The stabilization package launched on 24 January 1980 signified “a radical change both in the mode of articulation of the Turkish economy within the global economy and in the role that the state used to assume in the conduct of economic policy for most of the time since the establishment of the Turkish Republic” (Yalman, 2019b, p.51). With the launching of the program, a neoliberal structural reform package was initiated through adopting an outward-looking, export-oriented, and market-based system with the denunciation of the ISI strategy. Although the integration into world economy has been one of the goals of the Turkish policymaker from the establishment of the Republic, this aim has gained new saliency as an end in itself in the 1980s (Yalman, 2009, p.250). Moreover, given that structural reforms were prescribed by the IMF and the WB, in addition to the discourse of reducing the state intervention in the economy, the neoliberal package left little room of maneuver the way in which would contradict the economic independence notion of the founders of the Republic (Yalman, 2009, p. 251).

In tandem with the characteristic rhetoric of neoliberalism, Turkish policymakers were “keen to consolidate the new order by portraying the previous one as a highly undesirable one characterized by civil strife and disorder on the one hand, and an economic crisis caused by outdated policies on the other” (Yalman, 2002, p.27). Supporting the neoliberal reforms by the capital groups in Turkey was remarkable regarding their capacity for flexibility and adaptability since they were one of the counterparties of the implicit social contract that formed the basis of the early stages of the ISI strategy. It was the workers who were excluded as part of the social compromise behind the ISI strategy with the ban of trade union activities and deterioration of social and economic rights guaranteed by the 1961 Constitution. Hence, neoliberalism not only changed the State/Market relations in the 1980s, but it also transformed the State/Society relations. Indeed, a radical change, as promoted by the practitioners of the neoliberal agenda, did not refer to a transition from an anti-capitalist period. In addition to the discursive shift to create consent for the implementation of new policies, the coup d'état of 12 September 1980 enabled to depress the possible dissident voices. The coup also pointed out "a change in the form of the state which was institutionalized within the confines of the authoritarian 1982 Constitution" (Yalman, 2019b, p.52). Such a radical change in the form of the state might fit well into Nicos Poulantzas's conceptualization of "authoritarian statism," although he did not refer to neoliberal transformation. Authoritarian statism refers to changing the balance of separation of powers within the state without a regime change by "transferring of power from the legislature to the executive and the concentration of power within the latter… accompanied by the decline in the rule of law" (Jessop, 1990, p.187). Similarly, the authoritarian character of the 1982 Constitution is derived from the increased power of the executive at the expense of the other two forces.

The modalities of the relations between states and markets over the last four decades tended to be elaborated with reference to three interrelated processes: neoliberalism, financialization, and globalization. The term financialization is deployed in political economy literature, mainly referring to the increasing weight of finance vis-a-vis the real sector, especially in advanced countries. It would be feasible to distinguish the definition of financialization from financial liberalization and globalization when specifically developing countries are in question. Although financialization cannot be dissociated from financial liberalization and globalization, it is more comprehensive than both as a social and economic process. The process of financialization in developing countries, which varies with the mode of integration in the world economy and domestic conditions, is initiated with financial liberalization as a set of policies and then accelerated with financial globalization (Lapavitsas & Soydan, 2022). With the renewed hailing of the free market as "a self-regulating entity", neoliberal reforms altered the role of the state in the economy, at least at the level of discourse with the non-intervention rhetoric. Nevertheless, as an integral part of neoliberalism, lifting the regulations on domestic markets and ensuring free capital mobility required systematic state interventions for financialization. In addition, the fact that financialization is a process executed by the state gains more saliency in developing countries. To the extent that financial and capital markets in developing countries are not more developed and complex as in advanced countries, the role attained by the state would be more decisive. Moreover, financial systems in developing countries tended to become bank-based, as the set of arrangements in those countries paved the way for the emergence of large capital groups “constituted the dominant form of private, domestically-owned capitalism” (Yalman, 2019, pp.38-9). Given neoliberalism in Turkey can be periodized in two phases, settling the conditions for the institutionalization of independent neoliberal central banking necessitated financial liberalization considering relations between central banks and financial markets. In this regard, during the first phase of the neoliberal transformation in Turkey, decisions taken for the liberalization of trade and capital accounts were closely linked with central banking practices.

The profound changes that the Turkish economy has gone through from the 1980s onwards were aimed at relieving the intense financial repression that allegedly led to inefficiency in the allocation of resources and harmed economic efficiency by negatively affecting investment and savings trends (Türel, 2009, p.135). In line with the dominant economic perspective of the period, economic policies in the 1980s have become witness to rapid liberalization and deregulation along with market-oriented policies through the leadings of the IMF and the WB. The first step in financial liberalization was taken with the 24 January stabilization program aimed at relieving inflationary pressure and increasing international competitiveness. This reform package included the removal of all types of price controls to allow prices to be determined under free market conditions and meant a substantial reduction in indirect subsidies for SEEs (Altınkemer & Ekinci, 1992). The package also adopted an outward-oriented foreign trade policy and introduced certain measures to liberalize the import and foreign exchange regimes. After a series of developments and scandals, including the Gentleman’s Act, the July Banking, and the Bankers’ Crisis stemmed from the lifting of interest rate restrictions on bank lending and deposits, “the authority to determine interest rates on deposits was relegated to the Central Bank in 1983” (Altınkemer & Ekinci, 1992). In May 1981, a crawling peg regime was initiated in which the Central Bank started daily announcements of the official exchange rate that it was abandoned in April 1994 (Cömert & Türel, 2017). After the enactment of the Capital Market Law in 1981, the Capital Markets Board was established under the Prime Ministry, which would be responsible for money and credit and would regulate and supervise the capital markets. The Board also would determine the interest rates to be applied on 'selective credits' as an incentive mechanism, for exporters and would set the minimum requirements to be met for establishing new banks and conditions of entry for the foreign banks (Yalman, 2019b, p.57). Between 1983 and 1985, the liquidity and reserve requirement system were simplified that was seemed imperative to introduce measures designed to lower the cost of credit. In addition to the decision to reduce and/or put a cap on interest rates, these developments might be "considered essentially as a bailing-out mechanism for the banks and *ipso facto* for the manufacturing industry" (Yalman, 2019, p.59).

The process of financial deepening and liberalization was directly shaped by the public sector borrowing requirements. Before the 1980s, under the financially repressed conditions, budget deficits were mostly financed by "direct monetization through the Central Bank resources" (Köse & Yeldan, 1998). To prevent financing public deficits through the central bank resources, the Treasury initiated to issue Government Debt Instruments (GDI) conducted by regular auctions from May 1985 onwards. By issuing GDIs, the state "substituted fiscal policy for monetary policy and hindered the Central Bank's capacity to conduct monetary policy; and second, it enabled the Treasury to assume a monopoly power to regulate the distribution of domestic credit" (Köse & Yeldan, 1998, p.62). The relationship between the Central Bank and the Treasury was transformed through the securitization of fiscal debt, and the banking sector was positioned in the middle of this relationship. Accordingly, the banking system initiated to finance public deficits by investing the low-interest credits they obtained from the Central Bank in much higher-interest papers issued by the Treasury (Akçay, 2009, pp.206-7). Holding public debt instruments (GDIs) has provided the banking system with a series of incentives by the state. Transferring the Central Bank sources to the banking system has been justified with the direct borrowing from the Central Bank meant omission that would entail rising inflation (Akçay, 2009). It is worth remembering here that it was the state banks that played a key role “in channeling foreign aid and credit as well as domestic public credit to private industry in the 1950s” (Yalman, 2019, p.34). Hence, to the extent that forms of state interventions in the economy have transformed, the banking system itself and the relation between the financial sector and the state would also be altered in tandem. The year 1986 is tended to be considered a turning point in Turkish central banking when the monetary and credit policy based on the control of total reserves started to be implemented (Dumlu, 1998, p.201). In order to conduct monetary policy effectively with indirect instruments, the Central Bank has played a leading role in establishing money and the secondary GDI markets (Önder, 2005, p.161). Given the difficulties experienced by the Central Bank in controlling monetary developments as a result of the stand-by agreement with the IMF, the need to develop an interbank money market has emerged to obtain signals from the banking system (Saraçoğlu, 1997). Hence, the Interbank Money Market became operational in 1986 within the Central Bank as an alternative to the rediscount facility and enabled the transferring of excess funds between banks. The Central Bank was taking the credit risk in the interbank market, where the Bank had to act as a “blind broker” since it was the only acceptable counterpart in the interbank transactions (Saraçoğlu, 1997, p.8). The secondary market in government securities was necessary for the operation of the interbank market since Turkish law did not allow the Central Bank to lend without collateral (Saraçoğlu, 1997; Cömert & Türel, 2017). The collateral accepted by the Central Bank in interbank transactions was government securities. As an exemplar of the bank-dominated financial system in Turkey, non-bank financial intermediaries and other non-bank institutions were not allowed to participate in the interbank market. With the establishment and deepening of the interbank money market and secondary market for government securities, the Central Bank initiated the implementation of Open Market Operations in 1987, which would increasingly become the main policy tool. As seen in all these developments, the Central Bank had played an active role in the transition to a market-oriented policy framework, and its initiatives found support in the financial system (Saraçoğlu, 1997, p.17).

For integration into the global financial system, as a developing country, liberalization of foreign exchange regime was seen crucial. The first steps for liberalization of the foreign exchange regime were taken in 1983 and 1984 with the issue of a series of Decree with No. 28 and No. 30, respectively. These decrees partly liberalized the capital accounts and paved the way for full liberalization. With the issuance of those decrees, commercial banks were granted to engage in foreign transactions and also accept foreign currency deposits from the residents. Based on Decree No. 30, the Central Bank started to import and sell gold to residents against Turkish Lira in 1984 since the capacity to govern the foreign exchange and precious metal reserves was given to the Central Bank with Decree 92 issued in 1983. With the issuance of Decree No. 32 based on the Law of Protecting the Value of the Turkish Lira, the full capital account liberalization in Turkey was completed. With Decree No. 32, capital movements were fully liberalized, and the full convertibility of the Turkish lira was entailed, which was completed in the early 1990s. Intending to integrate the Turkish financial system into international markets, the main reason behind the decision of capital account liberalization was to ensure growth and stability through raising savings and to improve economic efficiency via accessing global financial capital (Boratav & Yeldan, 2006; Yeldan, 2022).

The timing of this decision seemed controversial since it was considered as "premature decision in the presence of pervasive macroeconomic instability and a severely under-regulated financial system" (Ersel, 1996). Criticizing the decision over timing did not mean radical opposition to free capital mobility; it was advocated that the decision should be taken after necessary institutional arrangements and financial regulations were made. The Decree was also criticized for its possible consequences of liberalizing foreign exchange transactions in a country where a lack of necessary institutional infrastructure for fiscal discipline would lead to the institutionalizing of inflation (Ayhan, 2008, p.67). Following the deregulation of capital flows in 1989, there was a large amount of short-term capital inflow into the economy, which "turned out to be the basic mechanism for the financing of public sector deficits" (Köse & Yeldan, 1998, p.53; Yalman, 2019b, p.70). Financing public debts through the banking system as the main intermediary has remained after the issuance of Decree No. 32, "not only by borrowing from the CBRT but also by borrowing from the international money markets" (Akçay, 2023, p.56). Thus, instead of funding productive investments as alleged, since the GDIs offer high-interest yields, entering foreign capital into the country turned to meet the borrowing requirements of the state (Orhangazi, 2020, pp.84-5). Plenty of arguments indicate that Turkish banks have emerged as a rentier class with income transfer accruing to them through the fiscal debt management tactics of the Treasury (Köse & Yeldan, 1998, p.63; Akçay, 2009; Yeldan, 2022). Given the changing mode of public financing, the banking system was granted incentives by the state for holding GDIs in addition to reductions in the reserve requirements. According to Boratav (2019, p.197), on the other hand, financing public deficits through foreign capital thanks to capital account liberalization rather than through omission or taxation might be considered a return to populism. The main characteristics of the neoliberal period in the 1980s were "export promotion with strong subsidies and gradually phased import liberalization, together with a managed floating exchange rate and regulated capital movements" (Boratav & Yeldan, 2006, p.421). It was ironic that the 1930 Law No. 1567 for Protecting the Value of Turkish Currency was still in force during this era when the depreciation of the Turkish lira was one of the central premise of the new policy adaptations (Köse & Yeldan, 2006, p.421; Yalman, 2019b, p.63).

In January 1990, for the first time in its history, the CBRT announced its monetary program to the public, including issues such as meeting the market's liquidity needs without undermining the stability of exchange rates and setting interest rates. With a decision that came into force at the beginning of 1990, the short-term rediscount window was opened to meet the temporary liquidity needs of the banking sector by stopping medium and long-term loan allocations of the Central Bank (Dumlu, 1998, p. 203). Due to the Gulf War and domestic political instability, a monetary program was not made in 1991. Since September 1991, the CBRT has started to carry out the auction method in direct purchase and direct sale transactions to ensure that transaction rates occur under market conditions and to contribute to developing money markets (Önder, 2005, p.186). In 1992, the monetary program was announced "reluctantly" due to the increase in credits extended to the public sector and the Central Bank's insufficient efforts to control the expansion of reserve money and to stabilize money markets (Önder, 2005, p. 187; Cömert & Türel, 2017, p.286).

With the decision to open up the capital accounts, the Turkish economy exhibited "a boom-bust growth performance due to speculative short-term capital movements, i.e., hot money flows" (Orhangazi, 2002). For "the domestic financial markets, liberalization of the capital account necessitated a higher rate of return on domestic assets as compared to foreign currency" (Köse &Yeldan, 1998, p.67). Hence, the appreciation of the national currency has turned out to be an instrument to invite hot money flows into the domestic economy. The short-term capital inflows also became the mechanism for financing the public sector deficit and ensured huge arbitrage gains for the Turkish banking sector, which borrowed from international financial markets to finance public deficits. Since the exchange rate and the interest rate as the main macroeconomic prices became dependent on the decisions of the international financial sector, it is alleged that the Central Bank assumed a passive role in conducting monetary policy (Köse & Yeldan, 1998, p.62). Under these circumstances, where the high government deficits coupled with the exchange rate under the dependence on speculative capital flows, the Turkish economy witnessed its first full-fledged financial-cum-real crisis in 1994 (Yeldan, 2022). As the primary trigger of the crisis was the reversal of capital flows, there was a policy shift of the Central Bank with the adoption of a stabilization program on 5 April 1994, in which the Central Bank gave priority to the stability of the financial markets with its policy of sterilized intervention (Yalman, 2019b, p.75). After a period of appreciation trend in domestic currency, a policy package that stipulated tight monetary policy with the austerity announced on 5 April 1994 against the crisis stipulated a 38% devaluation in the Turkish lira. The Treasury's use of Central Bank resources was also restricted on 21 April 1994 with an amendment of the Central Bank Law to prevent public financing. The 1994 financial crisis did not lead to a reversal of market-oriented reforms, even domestic economic policies were realigned after 1994 for hot-money-driven speculation-led growth (Cizre & Yeldan, 2005; Yaldan, 2022). With a protocol agreement signed between the Bank and the Undersecretariat of Treasury in 1997, the Treasury's use of short-term advances from the Central Bank was terminated as of 1998. Given the dependence on hot money flows in the roll-over of debts, it is argued that the public sector has been trapped in a phenomenon characterized as Ponzi-type financing[14] that offers relatively higher returns in the

[14] Ponzi-type financing refers to a Ponzi scheme as "a fraudulent investing scam that generates high returns for earlier investors with money taken from later investors with little risk to investors" (2023, May 27 in Investopedia. https://www.investopedia.com/terms/p/ponzischeme.asp). To keep the scheme going, it is "required ever-increasing flow of money from new investors for the perpetuation of the high returns" (Yalman, 2019b, p.78).

form of short-term returns to the banking system in the Turkish context (Köse & Yeldan, 1998, p.62). In addition to structural problems derived from the financial opening, the Turkish economy was hit by the contagion effect of a series of financial crises that erupted in new emerging capitalist countries, including Russia, Brazil, and Asian countries. Hence, the 1990s witnessed an increasing degree of dependence of the economy relied on free capital movements that ultimately generated a higher level of current deficits (Boratav & Yeldan, 2006). With reference to the 1980s in Latin America, the 1990s in Turkey tended to be defined as the “lost decade” since prolonged structural imbalances, high inflation, successive financial crises, and political instabilities have occurred (Yeldan, 2002). Eventually, these developments paved the way for “the re-emergence of the IMF as a key actor in economic policymaking from 1998 onwards for the next 10 years” (Yalman, 2019b, p.76).

The successive crises in Turkey throughout the 1990s caused by speculation-led patterns of growth driven by hot money flows gave opportunity to the IMF to restore the loss of its credibility in handling the East Asian crisis (Yeldan, 2022, p.245). In this regard, the Staff Monitoring Program was initiated in 1998, and then a disinflation program was enacted in the same year under the guidance of the IMF to improve fiscal balances and reduce inflation. Since public expenditures were continuing to expand, coupled with increasing pressures on financial markets and high real interest rates, the government was obliged to adopt the 2000 disinflation program as documented in the December 1999 *Letter of Intent* (Yeldan, 2002). “The pre-announcement of exchange rate depreciation in accordance with” a currency basket as the daily tablita “was the backbone of the program” that entailed an exit strategy to break the inflation (Yeldan, 2022, p.247). With the announcement in the program that the rate of currency depreciation would be set as stated in a pre-announced calendar, the inflation targeting (IT) was also anchored to a preannounced crawling peg set on a daily basis for a currency basket (Demiralp, 1999, p.31; Akyüz & Boratav, 2003, p.1552). With the technical support of the IMF and under its supervision, the new exchange-rate-based disinflation program initiated monetary control by drawing upper limits to the net domestic asset position of the CBRT. The program stipulated its monetary rule that subjected the liquidity generation mechanism to the net foreign asset position of the CBRT, which meant forcing the

Bank to act as a "semi-currency board" (Yeldan, 2002, 2022). As a result of restrictions set on the upper ceiling of net domestic assets, the program curbed the Central Bank's monetary expansion only to increases in the stock of net foreign assets by buying foreign exchange from the banking sector without increasing the Bank's foreign liabilities (Yeldan, 2022, p.248). With this program, expected to cover three years, the Central Bank committed itself to a policy of no-sterilization to allow domestic interest rates to be fully market-determined by determining the base money with the balance of payments developments (Demiralp, 1999, p.33). Given the restriction of the Central Bank's autonomy by forcing it to operate like a quasi-currency board under the fully liberalized capital account, adherence to the IMF anti-inflation program not only left the Central Bank deprived of its traditional crisis management roles but also opened the economy to speculative external shocks (Yeldan, 2002; Öniş, 2003; Ertuğrul & Yeldan, 2003, as cited in Yeldan 2022).

The Turkish economy witnessed its most severe economic crisis at that time while the IMF-led exchange-rate-based disinflation program was in effect. Even though it was alleged by the IMF and government officials that the targets set in the program were met, since the currency continued appreciating resulted in capital flight (IMF, 2000). A huge amount of capital flight caused "a severe liquidity shortage in the domestic commodity and asset markets" and a hike in interest rates (Yeldan, 2002). The government requested to access "the Supplementary Reserve Facility from the IMF which granted US$7.5 billion in additional support in December 2000," and the technical limits of the monetary program have been revised (Yeldan, 2002; Ertuğrul & Yeldan, 2003). "Rising public debt, high inflation, and the continued real appreciation of the currency created considerable uncertainty over the sustainability of the currency peg" (Akyüz & Boratav, 2003, p.1556). In February 2001, a political dispute between the Prime Minister and the President entailed another uncertainty among the markets. When the banking system suffered significant losses, the Central Bank faced the dilemma of either defending the currency peg bonded with the disinflation program or acting as the lender of last resort by injecting liquidity (Akyüz & Boratav, 2003, p.1555). The CB was forced to inject liquidity at the expense of drying up its foreign reserves to support the domestic currency, which did not avoid a shrinkage in the monetary base (Yeldan, 2002; Akyüz & Boratav, 2003).

After the appointment of the former vice president of the WB, Kemal Derviş, as unelected Finance Minister, Turkey submitted another Letter of Intent to the IMF.

Since the next decade of the Turkish economy would be shaped by the Transition to a Strong Economy Program announced in 2000 under the guidance of Kemal Derviş, the impacts of the program will be evaluated in the next part of this chapter. What needs to be considered here is that the twin crises in the early 2000s erupted mainly due to the outbreak of increased fragility in the financial system rather than the failure of the fiscal and/or monetary authorities to follow the main targets in the IMF program as alleged by the IMF officials (Yeldan, 2002, p.10). On the contrary, since the traditional tools of the Central Bank in crisis management were restricted by the disinflation program by forcing it to act as an "accounting officer," the underlying cause of the crises was the fragility created by the uncontrolled, volatile, and speculative foreign capital in- and out-flows (Yeldan, 2002). Nevertheless, after the misguidance and failures of the IMF in the Asian crises, it was ironic in the Turkish context throughout the 1990s that it "became the key player not only by injecting the funds needed to support the fiscal and financial systems but also by providing positive signals to financial markets" (Akyüz & Boratav, 2003, p.1557). To the extent that the Turkish economy became dependent on foreign capital flows from 1989 onwards, the dominant motivation in policymaking has been "the specter of capital flight" (Balkan and Yeldan, 2002, p.51 as cited in Yeldan, 2022, p.253).

After all, the Turkish experience in the 1990s displayed the consequences of financial liberalization and structural adjustment programs for a developing country. The objective of the integration of the Turkish economy into global markets was carried out through the borrowing needs of the public sector. The issuance of Government Debt Instruments has not only transformed the debt relation between the Central Bank and the Treasury but also the position of the Turkish banking sector. The financial liberalization process has led to positioning the Turkish banking system at the center of financial flows by creating arbitrage opportunities that enable the banks to utilize the difference between the high rates of government bonds relative to external borrowing and domestic deposits (Akyüz & Boratav, 2003; Akçay, 2023). Hence, the state-finance nexus in the Turkish context can be traced through the changing mode of public financing, unlike in advanced countries where the nexus refers to the relation between the Central Bank and the Treasury in crisis times. Moreover, in Turkey, as a developing country, the regulatory and supervisory role of the state in the financial markets has been distributed between the Central Bank, The Treasury, the Ministry of Finance, and the Capital Market Board. However, after 2000, with the new Banking Law enacted in 1999, the authority of the Ministry of Finance in this regard was transferred to the Banking Regulation and Supervision Agency, in line with the establishment of regulatory bodies under the Good Governance understanding (Cömert & Yeldan, 2017, p.285).

The financial liberalization process in Turkey might also be considered an exemplar in illustrating the state-led character of neoliberal restructuring. As the "state-centered financialization" is more salient in developing countries (Becker, 2016), the structural adjustment policies might be evaluated as a strategy for 'capital in general' that could only be carried out by a state (Yalman, 2004). Moreover, the IMF-led programs not only provided advantages to international financial capital as became salient in the Turkish context but also enabled income transfer for the domestic financial class[15]. The financial liberalization process in Turkey was also the first phase of neoliberal transformation in Turkey, as it was a period when the seeds of the institutionalization of neoliberalism were sworn. Notably, the financial crises of 2000-2001 were seen as an advantage to enable the necessary steps to be taken toward the institutionalization of neoliberalism in Turkey, including the fulfillment of the independence of the central bank.

4.3. The Independence Law in 2001 and Its Aftermath

After the eruption of the twin crises in November 2000 and February 2001, the coalition government of that time and its new minister, Derviş, responded to the crises by introducing the 'Transition to Strong Economy Program' as a sequel of

[15] Considering the current financial system, although the difference between finance capital and financial capital seems to fall behind to comprehend the intertwined relations within capital groups, the Turkish financial class can also be defined as finance capital as the Turkish capital groups are organized in the form of conglomerates (referred to as holding companies in the Turkish context) that exercise a significant degree of control on both the money capital and productive capital with their diversified structures in different sectors (banking, manufacturing, foreign trade, tourism, construction, energy, etc.) (Yalman, 2019a, 2019b).

orthodox economic liberalization in Turkey. The program signified the second period of neoliberal transformation in Turkey, as revealed by the words of Derviş that the aim of the program was "to institutionally separate the economic from the political" (Marois, 2019, p.110). In addition to eliminating the impacts of the crises, the program aimed to propose a scheme for restructuring the public administration and economy in a way that would prevent the reemergence of this situation again (*Strengthening the Turkish Economy*, 2001). The general stance of the program was completely compatible with the Post-Washington Consensus[16] framework, as emphasized in the program in terms of aiming to "prevent irrational interventions in the running of the economy, and strengthen good governance and the fight against corruption" (*Strengthening the Turkish Economy*, 2001, p.13). Towards this direction, to develop the so-called competitiveness of the Turkish economy "to ensure an open economy functioning under free market conditions," the program stipulated a privatization rush along with envisaging structural renewals and legislative changes for key public institutions. The law that granted instrument/operational independence to the CBRT was implemented along with 15 legal amendments, including the Public Tender and Public Borrowing Law, along with privatizing the state-led sectors, including Telecom, Sugar, Tobacco, and Natural Gas.

Prior to the crises and the appointment of Kemal Derviş as Minister of Economy by Bülent Ecevit, it was promised in the *Letter of Intent* dated 18 December 2000 submitted to the IMF that there would be a gradual shift to formal inflation targeting in the monetary framework and that the new law for the Central Bank would be enacted to ensure its operational independence (IMF, *Letter of Intent*, 2000, 18 December; Türel, 2001). In this regard, the new central bank law, Law No. 4651, was enacted on 25 April 2001. The new law amended the 4th article of the former one, Law No. 1211, and redefined the aims, duties, and tools of the Bank.

[16] The Post-Washington Consensus refers to an augmented version of the Washington Consensus that concerns a broader range of goals on "equitable development, sustainable development, and democratic development" rather than focusing just on economic growth (Williamson, 2004, p.14). Under the Post-Washington Consensus framework, new reform areas, including civil society and governance, have been brought to the fore, besides establishing regulatory and supervisory bodies and institutions (Jayasuriya & Rosser, 2001). It would be argued that the Post-Washington Consensus signified a shift in the neoliberal rhetoric from the non-interventionist state to the regulatory state to ensure the needs of the market (Öniş and Şenses, 2007).

Accordingly, it was stated that the primary objective of the Bank would be to achieve and maintain price stability (Law 4651, 4th article). Moreover, it was stipulated in the same article that the Bank would determine its monetary policy and instruments at its own discretion to achieve and maintain the price stability target, which meant that the Bank had attained legal instrument independence. Additionally, the Bank would determine the inflation target with the Government and comply with the said target when implementing monetary policy. By repealing the related articles of the former law regarding “short-term advances to the Treasury and credits to public institutions”, Law No. 4651 foreclosed the financing of public deficits. Moreover, according to the new law, the Central Bank also would not be able to “purchase debt instruments issued by the Treasury and public establishments and institutions in the primary bond market” (Kara, 2008). According to Türel (2001, p.83), those restrictions were contradicted by the traditional role of a central bank as the lender of last resort by restricting the room of maneuver of the Bank in the face of a sudden external shock. After implementing monetary targeting throughout the 1980s and the 1990s and adopting an exchange rate anchor in the 1999 disinflation program, the new law of the Central Bank paved the way for adopting an inflation-targeting regime (Türel, 2001, p.84). Rather than explicitly implementing it, implicit inflation-targeting regime was adopted implicitly in the post-2001 era to ensure a series of prerequisites and improve the credibility of the CBRT. “As a prelude to full-fledged inflation targeting, the CBRT targeted its “net domestic asset position” between 2002 and 2003” (Cömert, Olçum & Yeldan, 2010, p.466).

With the general elections held in the aftermath of the 2001 crisis in November 2002, the Justice and Development Party (AKP), which came to power, emerged as a hegemonic power in Turkish politics since then. Although the causalities that enabled the newly established AKP to win sweepingly diversified from the election system of that period to the punishment of the parties that caused the 2001 crisis by the voters, it was “the first non-coalition government since 1991” (Akça, 2014). Contrary to its political Islamic heritage, the AKP defined itself as a conservative democrat party with a pro-Western attitude determined to implement a neoliberal economic policy framework (Tugal, 2009). The first ruling years of the AKP mainly were the second phase of Turkish neoliberalism that primarily relied on the policy framework drawn by Derviş. In line with the EU candidacy process and the IMF program, these years were shaped by "twin targets, a primary surplus target in fiscal balances and inflation targeting," under the conditionalities of international organizations accepted as the double anchor, i.e., the IMF and the European Union (EU) (Telli et al., 2008). Especially in the first years of rule, the AKP "successfully articulated different intra-class interests" from the institutional representatives of the capital groups to different identity groups by gaining the consent of dominated classes (Akça, 2014). The AKP's electoral success tended to be associated with the "domestic social coalitions" it formed that gathered different social groups, from left-liberals to Islamic communities (Öniş & Şenses, 2007). Beyond the electoral success, the post-2001 orthodox stabilization policies, especially those implemented during the first ruling years of the AKP regime, tended to be elaborated as generating macroeconomic success by different academics and scholars. Considering the tight monetary policy supported by the austerity program with a primary surplus target and large privatizations, on the contrary, the economic model of Turkey that emerged in the 2000s aggravated the structural problems of the Turkish economy from 1989 onwards. As to the extent that the stance of monetary policy was decisive in the post-2001 stabilization process, it would be feasible to scrutinize the ruling years of the AKP regime through transformations of central banking practices and changing perceptions of the Central Bank.

Since the neoliberal central banking practices under inflation-targeting regimes had to be transformed due to the eruption of the 2007-8 financial crisis, elaborating on these transformations in Turkey is required to encapsulate the post-2001 period. As the central bank attained instrument independence with the amendment of Law No. 4651, the goal of price stability stipulated in the law necessitated the adoption of inflation-targeting. The years between 2002-2005 were the pre-condition period in which implemented implicit inflation-targeting regime to meet the conditions for transformation to an explicit one as "the final target of monetary policy" (TCMB, 2005). Accordingly, in addition to "controlling short-term interest rates through money market operations" as the main policy tools of inflation-targeting central banks, monetary aggregates were introduced as "complementary anchors" at the request of the IMF to ensure the credibility of the inflation targets (TCMB, 2005;

Özatay, 2009; Cömert & Türel, 2017). The new law of the CBRT paved the way for the use of communication tools to enhance the credibility of the policies of the Bank as the characteristic feature of inflation-targeting. Managing the expectations via communication tools including press releases, inflationary reports, and post-meeting statements is crucial for the inflation-targeting regime since its implementation relies on the assumption of receiving necessary signals properly regarding the policy interest of the central bank. Accordingly, the CBRT started conducting inflation expectations surveys, and the inflation expectations of the Bank began to be shared with the public via reports. However, the understanding of the survey results by the market took a year, and the change in the methodology of the consumer price index (CPI) basket in 2004 formed an additional challenge for the implicit inflation-targeting regime (Kara, 2008, p.7). While "the CBRT never raised interest rates during the implicit inflation-targeting period of 2002-2005", it attempted to enhance its communication skills (Kara, 2008, p.8).

Under the inflation-targeting regime, the CBRT has no exchange rate target as a policy tool (TCMB, 2005), given the transition from the pegged exchange rate system to the floating one that is left to be determined in free market conditions has already been announced (Press Release, 2001). It is crucial to remind here that the concept of *trilemma* refers to an impossible situation regarding independent monetary policy, free capital mobility, and fixed exchange rate regime. According to the original framework of the *impossible trilemma*, independent monetary policies are only possible under free capital movements if exchange rates are floating (Rey, 2015). It might be possible to think of the inflation-targeting regime in monetary policymaking as a reflection of the trilemma framework. However, according to Rey (2015) and Cömert (2019), floating exchange rates cannot isolated economies from external shocks in developing countries where the impacts of capital flows are more crucial. Therefore, the situation faced by developing countries is actually a *dilemma*, not a *trilemma*. According to the dilemma, "independent monetary policies are possible if and only if the capital account is managed, directly or indirectly, regardless of the exchange- rate regime" (Rey, 2015, p.21). Since developments from the 1980s onwards "have gradually reduced the capacity of central banks to implement effective monetary policy" (2019, p.17), the trilemma debate carried out by Cömert is closely associated with “the dual decoupling” argument (Cömert, 2013).

Given the backgrounds and contradictions of the IT regime as discussed in the second chapter of this thesis, the implementation of the IT in developing countries contained limitedness specific to those countries. With a highly specific definition of inflation as consequence of excess demand that would be expected to affect through interest rates with the manipulation of aggregate demand and conducting expectations, the IT framework neglects “the supply-push inflation which cannot be controlled through monetary policy” (Benlialper & Cömert, 2015, p.2). According to this assumption, “interest rates influence the inflation rate and capital account through their revaluating impact on the domestic currency over the exchange rate channel” (Şener, 2011, p.296). By ignoring the country-specific differences between advanced and developing countries, the IT framework disregards cost-push shocks and supply-side factors as sources of inflation variegated by different channels of transmission mechanism (Benlialper & Cömert, 2015; Cömert & Türel, 2017). In the Turkish case, as an inflation targeter, the CBRT not only intervened with short-term interest rates but also “benefited from the appreciation of the TL in its fight against inflation” (Benliapler & Cömert, 2015, p.4). Considering the insufficient effect of the manipulation of short-term interest rates to curb inflation, Benlialper and Cömert (2015, p.4) argue in their studies based on “the econometric analysis from a VAR model and descriptive statistics” that “appreciation of the TL was tolerated during the period under investigation, whereas depreciation was responded aggressively by the bank” (Benlialper & Cömert, 2015, p.4). This policy stance is defined as an “implicit asymmetric exchange rate peg” essential to IT regimes in developing countries (Benlialper & Cömert, 2015). During the IT period up to the 2007-8 financial crisis, the Turkish economy witnessed domestic economic growth supported by capital inflows. While nominal interest rates and inflation were reduced, the high real interest rates and appreciation trend in TL stimulated capital inflow (Şener, 2011, p.296). As stated by even the CBRT governor at that time, “low-interest rates in advanced economies such as the US, the Euro area, and Japan, and high economic growth rates around the globe, resulted in liquidity abundance in emerging markets (EMs)” including Turkey (Başçı, Sarıkaya & Özel, 2007, p.12).

Due to the exchange rate expressing a significant appreciation of the TL, inflation rates remained impressively low and even realized lower than expected under the implicit inflation-targeting period. Hence, during the implicit IT period, “the inflation rate gradually fell to 7.7 percent at the end of 2005 from 68 percent at the end of 2001” was a result of the global liquidity *bonanza* rather than the interest rate policy of the CBRT (Alper & Hatipoğlu, 2009, p.60). Rather than implementing any type of capital controls to prevent negative impacts of the capital flows, “the main tools available to the central bank remained interest rates and limited foreign exchange market interventions” (Orhangazi & Özgür, 2015, p.8). The CBRT, “rather than reversing the appreciation trend of the lira”, followed the common feature of developing countries by accumulating foreign exchange reserves[17] (Benlialper and Cömert, 2015, p.18). Accumulating large amounts of foreign exchange reserves during the 2000s as a precaution was a “confidence measure for debt obligations and to maintain exchange liquidity against external shocks in capital markets, which was urged by the IMF and the WB” (Dufour and Orhangazi 2009; Şener, 2011).

In the emergence of a capital-inflows-dependent, finance-led growth model in the 2000s, the transformations in central banking practices and monetary policy were accompanied by fiscal austerity policies. The public debt is still considered the source of the problem as became salient by the words of the former deputy governor of the CBRT, Fatih Özatay, that tight monetary policies and the fight against inflation are confronted and characterized by “fiscal dominance” (Özatay, 2007). Accordingly, the government had to adjust the primary deficit to ensure ‘monetary dominance’, so that fiscal austerity could compensate for monetary policy and the central bank would not be forced to create inflationary debts by printing money (Şener, 2011, p.299). Hence, the post-2001 transformation of the Turkish economy also includes aims of restructuring the banking sector, privatizations, and improving the social security system. Accordingly, the Central Bank’s transition to the explicit inflation-targeting regime was postponed for restructuring the banking sector, as the public debt was still high in the first years of the implicit IT regime since bailing out the banking sector had been costly for the state (Güngen, 2012, pp.174-8). The

[17] For a detailed analysis of the process of hoarding foreign exchange reserves in developing countries, see: Painceira, 2010; Painceira, 2022.

process of rapid privatization of natural monopolies not only reduced the public spending and/or debt or, allegedly, increased efficiency in public services but also fulfilled the task of disciplining the working class by "privatizing State-Owned Enterprises since they were politically important because they were strongholds of organized labor" (Akçay, 2020, p.8). One of the most neglected samples of the authoritarian features of the early AKP rule in the post-2001 period is the flexibilization of labor markets through amendments in the Labor Code in 2003, besides the curtailment of economic and social rights for the workers (Bozkurt-Güngen, 2018). Moreover, the years in the aftermath of the 2001 crisis were regarded as a success for the AKP regime with its macroeconomic growth rates despite being unable to create employment, as defined by the term "jobless growth" (Telli et al., 2006; Yeldan 2007). During these allegedly success years, the low inflation rates and decrease in domestic interest rates encouraged an increase in domestic credit. The rapid increase in household borrowing has been predominantly in consumer credits and housing loans (Karaçimen, 2014). Eventually, "the post-2001 growth has relied on short-term capital inflows and the emergence of an increasingly financialized[18] economy in which growth came to depend more on the expansion of private-sector debt and asset price appreciation" (Orhangazi & Özgür, 2015, p.16).

From 2006 onwards, the CBRT has adopted an explicit inflation-targeting regime. Until the 2007-8 global financial crisis, the main framework of the IT regime was implemented without a deviation from the previous implicit period. The transformation of central banking practices in the aftermath of the crisis has been reflected in developing countries, including Turkey. Since the early impacts of the crisis did not feel as sharp as in advanced countries in developing countries like Turkey, the CBRT raised its policy interest rate in the first quarter of 2008 in order to reach its inflation targets that could not be met between 2006 and 2007 (Cömert & Türel, 2017, pp.293-4). After two years of the crisis, the Bank announced a monetary and exchange rate policy text named Exit Strategy in 2010. In line with other developing countries, Turkey has been hit by the Global Financial Crisis (GFC)

[18] Conducting a financialization debate for the Turkish experience is beyond the scope of this chapter. The financialization process in Turkey is predominantly analyzed with reference to specific terms, including financial inclusion, dependent, and/or subordinated financialization. See: Ergüneş, 2010; Karaçimen, 2014, 2015; Güngen, 2018; Apaydın & Çoban, 2022.

through the trade channel, which has witnessed a substantial fall in export earnings during the crisis (Cömert & Yeldan, 2019, p101). Nevertheless, many other developing countries, along with Turkey, were able to cut their own policy rates by welcoming liquidity into their economies due to the significant expansionary monetary policies implemented by the central banks in advanced countries as a response to the GFC (Cömert & Türel, 2017, p.99). From 2011 onwards, the CBRT has been modified the inflation targeting framework by incorporating the goal of financial stability as a supplementary objective. Additionally, a series of measures have been developed "toward building an institutional setup for implementing explicit macroprudential policies since 2011" (Kara, 2016, p.85). The Financial Stability Committee (FSC) was founded in 2011 to respond to macro-financial risks in a more systematic and coordinated manner consisting of the CBRT, the Treasury, the Banking Regulation and Supervison Agency (BRSA), and the Savings Deposit Insurance Fund (SDIF), which might be considered "the state-finance nexus" in Turkey.

"Price stability remained the overriding objective", while the policy focus of the Central Bank was broadened to include macro-financial risks vis-a-vis the increasing global risk appetite and heightened volatility in capital flows (Kara, 2016, p.87). The macroprudential toolset of the Bank includes an asymmetric interest rate corridor and reserve option mechanism (ROM). ROM, which "allows banks to hold some portion of reserve requirements in foreign currency or gold," is "designed to weaken the link between capital flows and domestic macroeconomic variables" (Benlialper & Cömert, 2016, p.17; Kara, 2016, p.87). On the other hand, in the interest rate corridor, where "the one-week repo auction rate became the main policy instrument, while overnight borrowing and lending rates defined the lower and upper bound" (Başçı & Kara, 2011, p.5). The aim of the interest rate corridor is to smooth the volatility of capital flows by generating volatility in overnight rates. In addition to new tools devised by the Bank, traditional ones have been adjusted for the macroprudential policy framework. For instance, "minimum reserve requirements were lowered so Turkish banks would not face liquidity problems that could arise from the higher daily interest rates" (Şener, 2016, p.152). The lender-of-last-resort (LoLR) roles of the CBRT are quite controversial since the organic link of the

Central Bank with the banking system differs from as it is in advanced countries due to the backwardness of the Turkish banking system. An intra-day liquidity facility (IDLF), as the first LoLR facility of the CBRT introduced on 5 July 1999 “to address urgent funding needs in the banking system and alleviate congestion in payment systems” (Cömert & Öncü, 2023b, p.44). The late liquidity window (LLW/LON) was implemented in July 2002 as an overnight depo facility, operating within its function as the LoLR to address the funding needs of banks (Cömert & Öncü, 2023b). With the macroprudential framework, “the CBRT transitioned into a net lender position from 2010” onwards (Cömert & Öncü, 2023b, p.45). The CBRT also declared a credit growth target and guided banks to achieve this target in line with the policies implemented in other developing countries aiming to shape credit growth and improve credit quality (Benlialper & Cömert, 2016, p.17). Developing countries, including Turkey, began to feel the harsh impacts of the financial crisis after the statement of the taper tantrum by the FED in May 2013, announcing to cut quantitative easing operations and raise interest rates (Bernanke, 2013). The Turkish Central Bank has attempted to handle the negative impacts of the GFC with its policy set, which would be named “managed uncertainty” between 2010 and 2014. The importance of the macroprudential policies in the Turkish context is that a peripheral central bank like the CBRT could enjoy relative autonomy by finding room to maneuver against the volatility of capital flows in the post-crisis period (Şener, 2016, p.156; Zayım, 2022, p.21). The managed uncertainty, the set of responses of the CBRT under Erdem Başçı term to the GFC, is also considered a “belated realization of the *dilemma* framework” in Turkey (Cömert & Öncü, 2023b, p.142).

In addition to the taper tantrum announcement of the FED, 2013 was a year in Turkey signified by the Gezi Park protests as one of the largest anti-government protests in Turkey and the intensifying clash within the political power among the AKP cadres (Akçay, 2020, p.10). The year 2013 also tended to be elaborated as the beginning of the democratic backsliding process in Turkey that referred to the authoritarian turn of the AKP regime (Esen & Gümüşçü, 2016, 2020). From 2013 onwards, the political tensions between the government, particularly its leader, Recep Tayyip Erdoğan, and key state institutions have gained saliency in the public. Although the insistence on reducing the interest rates has always been a policy choice for the AKP and Erdoğan since the first rule of his government (Cömert & Öncü, 2023b), the early verbal attacks on the Central Bank Governor that he should lower the interest rates became salient by 2015 when Erdem Başçı was in charge. As the tone of Erdoğan's criticism of the Central Bank and the Bank's governor has become increasingly harsher, the notion of central bank independence has turned to be a signifier of the authoritarian shift of the AKP regime (Özel, 2015). "The AKP's move towards oppressive, non-transparent, centralized, personalized, and discretionary state practices after 2013" (Bedirhanoğlu, 2020, p.27) was institutionalized with the move to the presidential system in 2018 after a referendum. This shift would not be considered a pure regime change since it pointed to a qualitative change in the neoliberal transformation of Turkey as an ongoing process (Bedirhanoğlu et al., 2020). One of the characteristic features of this new regime, "discretionary economic management," has been reflected in changing perceptions of the central bank in Turkey in the post-2013 period (Bedirhanoğlu, et al., 2020). In the aftermath of the transition to the new presidential regime, "the currency crisis erupted when political tension between Turkey and the USA escalated in August 2018," accompanied by a sharp depreciation of the TL (Akçay & Güngen, 2019). Even if the policy interest rates of the central bank were reduced in 2016 in addition to different credit support mechanisms, like the use of the Credit Guarantee Fund to socialize the financial risks, these futile attempts did not prevent the eruption of the 2018-19 currency crisis (Akçay & Güngen, 2019, pp.13-17; Boratav & Orhangazi, 2022, p.293). The Turkish economy has been more severely affected by pandemic-related shocks than other developing countries (Kara, 2021, p.299) since it was already in a recession due to the 2018-19 crisis. Moreover, "Turkey became an outlier in terms of the design and composition of pandemic-related relief packages" compared to the other countries' reactions (Kara, 2021, p.299) since it encourages credit expansion through public banks rather than supporting economic activity.

In the central banking realm, on the other hand, 2019 was the first year of the dismissal of the Central Bank Governor, Murat Çetinkaya, in the AKP era. Even if his tenure coincided with the quantitative tightening decision of the FED, the 15 July coup attempt, and the 2018-19 crisis as the first currency crisis of the Turkish economy since 1994, the dismissal of him was justified as a "failure to achieve institutional goals" with a presidential decree as a result of the increasing tension with the government on interest rates (Cömert & Öncü, 2023b, pp.142-43). Keeping the economic growth rate high via a low-interest rate policy is crucial to maintaining the construction-centered, debt-led strategy of the government for electoral support (Boratav & Orhangazi, 2022, p.292). Until the dismissal of Çetinkaya in 2019, only three central bank governors had been dismissed or forced to resign throughout the history of the CBRT, namely Cafer Tayyar Sadıklar, İsmail Hakkı Aydınoğlu, and Bülent Gültekin respectively (Bakır, 2007, pp.132-3). After the dismissal of Murat Çetinkaya, there have been frequent replacements of the central bank governors, from Murat Uysal to Naci Ağbal, to Şahap Kavcıoğlu respectively. After the May 2023 general elections, Şahap Kavcıoğlu was appointed as the chairman of the BRSA, and Hafize Gaye Erkan was inducted as the governor of the CBRT to replace him.

The frequent dismissals of the central bank governors have entailed a proliferation of interest in central banking in Turkey as a symbol of rising authoritarianism. In the post-2018 era, central banking has turned out to be a current issue regarding the diminishing independence of the Bank due to the frequent replacements of central bank governors after Çetinkaya and the rapid depletion of the foreign reserves of the Bank. Rather than detailing the course of events after the dismissal of Çetinkaya, the primary motivation of the thesis is to attempt to illustrate the ongoing pattern of debate in the Turkish context regarding central banking. The debate regarding central bank independence, by both opponent mainstream economists[19] and the political parties, has been neglecting the aspect of the CBI being a "market-dependent central banking" practice (Şener, 2011, p.297). As ensuring the CBI as a way of restoring the capital accumulation process and as a remedy for the structural problems of the Turkish economy, the insistent on the CBI tends to ignore the characteristic features of the Turkish economic model that emerged in the 2000s under the AKP regime.

The alleged macroeconomic growth between 2002-07 attributed to the AKP regime with an independent central bank has been ignoring the experiences of other

[19] See: Gürses, 13 July, 2018; Eğilmez, 2019; Demiralp & Demiralp, 2018; Özatay, 2020, and also https://chp.org.tr/haberler/chpden-merkez-bankasi-icin-bagimsizlik-teklifi

developing countries in that period (Cömert et al., 2022). As mentioned above, the seeds of the "foreign capital inflows-dependent, debt-led, and construction-centered economic model of Turkey" have sworn in the first years of the AKP regime (Orhangazi & Yeldan, 2021). As a result of the upsurge in foreign capital that entailed to a cheapening in imports accompanied by a loss of export competitiveness, the construction sector-centered growth emerged as a characteristic feature of the AKP era supported by credit expansion and the government's investment strategy (Orhangazi & Yeldan, 2021, pp.17-18). Since the first days of the AKP rule, central banks and monetary policies have played a leading role in maintaining the debt-ridden growth model (Ünüvar & Yeldan, 2016). Throughout the neoliberal period at both phases in Turkey, the CBRT has been a leading actor in changing the needs of public financing and the roll-over of debt. The policies implemented through the financial liberalization process enabled the AKP to accelerate financialization, resulting in a shift from public to private indebtedness throughout the 2000s (Bedirhanoğlu, 2020, p.30). Beyond the roll-over of the public debt, the strategic-selectivities of the AKP paved the way for a making of strong neoliberal state between 2002 and 2013. However, as became salient in the replacements of the Central Bank Governors without taking into consideration whether or not they lowered the interest rates according to the wishes of Erdoğan like Naci Ağbal and Şahap Kavcıoğlu, the recent moves of the AKP might be considered a "crisis of crisis management" (Offe 1976; Jessop, 2019). As discretionary decision-making increased with ad-hoc and arbitrary interventions, particularly in central banking, the post-2013 period of the AKP era is associated with a shift from depoliticization to re-politicization in economic policymaking (Dönmez & Zemandl, 2019; Akçay, 2020; Kutun, 2020). It should not be neglected here that since depoliticization is not immune from political interests, recent re-politicized moves of the AKP are not moving away from neoliberal policymaking. After the regime change, the government has conducted transactional relations to ensure its socio-political base and its economic model, as can be observed from recent "swap arrangements" with the Arap peninsula or China to increase foreign exchange reserves (Cömert & Öncü, 2023b). On the other hand, as became salient in the aftermath of the general elections in May 2023 with the extension of the AKP rule into a third decade, the government has signaled the turn to classical orthodox economic policies with the appointment of the new Central Bank Governor and the Minister of Treasury and Finance. To the extent that "the AKP's 'authoritarian turn' represents a qualitative break from the party's earlier practices and policy priorities" (Tansel, 2018, p.198), the so-called changing economic orientation of the government in the post-2013 period would be contemplated as a break with the interests of domestic capital[20] and international capital groups.

Given the Turkish central bank is bonded with domestic and international economic conditions, insisting on the CBI, with its narrowed focus on fighting inflation, falls behind the recent debates on the new roles and tools of central banking after the 2007-8 financial crisis. Hence, the Turkish central banking debate diverged from international novelties as the central banks came to the fore in embracing new roles in recent challenges, including the pandemic, green transformation, and social equality. While the Turkish debate in the first half of the 2000s was more integrated with the developments in advanced and other developing countries, there was a discrepancy with the international debates regarding central bank independence in recent years. The position of the opposition regarding the CBI in Turkey might be considered a *dissident but hegemonic* à la Yalman (2002). It would be *hegemonic* since the IT regime and the CBI framework is identified in the early years of the AKP regime in Turkey. On the other hand, it would be *dissident* since the recent period of central banking in Turkey has witnessed the jeopardizing of the independence of the CBRT. Nevertheless, the pattern of the debate on central banking in Turkey should be more considered with the structure of the domestic economy and the recent international debate. Given the Turkish economy has a capital flow-dependent structure, as a developing country, the effectiveness of central banking in Turkey is always bound by the hierarchy of money. Given the depoliticized nature of the IT regime and the CBI framework, the policies implemented between 2002 and 2007 are the main determinants of the trajectory of the Turkish economy. In this regard, central banking in Turkey should be discussed in a more comprehensive way without neglecting the fragilities accumulated between 2002-7 (Özgür & Orhangazi, 2015) and ignoring the latest calls on the roles of

[20] For a debate on the domestic capital groups that are claimed to form the economic base of AKP and the tensions between them: Akçay, 2023.

central banks at the international level. Moreover, given the discussion in the third chapter of this thesis, the Turkish context necessitates the *derisking state* debate for the AKP era since the government derisks the investments debt and income guarantees with the Public-Private-Partnership projects, which is a topic associated with the depletion of foreign exchange reserves of the CBRT to gather electoral support from pro-capital groups.

4.4. Conclusion

The central bank independence in Turkey has always been an issue deemed important from the establishment process of the CBRT. The roles attributed to the CBRT have transformed in tandem with the role of the state in the economy and its strategic-selectivities. In this sense, the CBRT can be considered an institutional fix regarding its roles defined in the laws of 1930 and 1970, and its diversified tools in line with financial liberalization after the 1980s, and the 2001 independence law. Moreover, to the extent that it became salient in the post-1980 transformation of the Turkish economy, the post-2001 CBRT might be considered a hegemonic apparatus of the international financial capital since its independence under the IT framework stipulated as IMF conditionalities. On the other hand, given the changing central banking practices in the post-2013 period, the aspects of policy choices regarding the CBRT primarily beneficial to domestic capital groups have come to the fore.

Given the hierarchical characteristics of the world economy, the CBRT would never be contemplated apart from international developments. Policy choices and responses of the CBRT have always followed the general trends in the trajectories of the global economy. In the aftermath of the 2008 crisis, while independent central banks in advanced countries initated to embark on new roles, a decrease in central bank independence was observed in developing countries where authoritarianism was rising (Dönmez & Zemandl, 2019). Since the central banks in developing countries are more open to the impacts of external developments due to financial globalization, the independence of these central banks would not be handled merely with their domestic conditions. In this regard, central banking in Turkey should be elaborated in light of the international novelties along with the structure of the

Turkish economy, particularly its finance-led, capital flows-dependent feature that emerged from the 1980s onwards.

CHAPTER 5

CONCLUSION

The primary drive behind this thesis was to comprehend the role and effectiveness of the central bank by taking into consideration the recent debates on central bank independence in Turkey. By analyzing central banking with reference to international debates and novelties, the thesis has attempted to illustrate the limited nature of the Turkish central banking debate from a critical economy perspective. More specifically, the thesis has scrutinized the roles of the central bank in its relation to the state and financial markets. Throughout the thesis, central banks, as public institutions with their organic links with financial markets, were contemplated as a key component of the state-finance nexus beyond the crisis-time collaboration between the Central Banks and the Treasuries. Hence, the state-finance nexus in the thesis was reconfigured with the dual nature of central banks, which have organic links with the state and the banking system. From the inception of central banks onwards, the roles attributed to them have been transformed in line with the role of the state in the economy. Moreover, as they are both the bank of the state and the bank for banks, central banks have evolved in tandem with the financial markets. In this regard, central banks have been considered, referring to (Jessop, 2006, 2020), as a a sample of a “spatio-temporal fix” or an “institutional fix” regarding their roles in crisis management since the functioning of the central banks represents the ideological expression of the form of state intervention in the economy.

By adopting a relational Marxist perspective that focuses on relations and processes to capture the various aspects of central banking practices, the thesis has initiated its analysis with the theoretical and historical underpinnings of central bank independence. In the context of neoliberalism, central bank independence has come to the fore with the notion of fighting against inflation in response to the crises of the 1970s. In its broadest sense, central bank independence indicates that monetary policymakers are freed from politics and/or government influence when conducting monetary policy. Technically, central bank independence is designated with adopting the inflation-targeting regime with the goal of price stability as the main objective of the central bank and tunning the short-term interest rate as its primary operational tool. Throughout the second chapter, the goal of price stability was preferred as an object of analysis concerning central bank independence, which is more comprehensive than the inflation-targeting regime. The goal of price stability is grounded by the different theories, approaches, and technical arguments, ranging from Monetarism to Public Choice School to Rational Expectations line of thought. The common feature behind the arguments for the goal of price stability pointed out the expansionary and welfare-stabilization policies implemented under the Keynesian framework of economics as the cause of high inflation in the 1970s. Moreover, presenting inflation as merely a monetary phenomenon has required isolating monetary policy from political and discretion-based decisions. A series of technical arguments providing theoretical pillars to curb inflation reflected the aim of reducing the state intervention in the economy in line with the neoliberal restructuring of State/Market relations. Hence, central bank independence has emerged in the context of neoliberalism as a technical solution to the inflation problem arising from the discretion-based decisions and electoral-led motivations of politicians of the previous era. Put differently, central bank independence appeared as a crisis management strategy of neoliberalism in the context of inflationary bias. The spread of central bank independence, on the other hand, has become possible in tandem with the process of financialization as an integral feature of neoliberalism. In the context of increasingly financialized capitalism with the liberalization of capital mobility, central bank independence framework was hailed as a way of attracting foreign direct investments into a domestic economy with its characteristic features of credibility, accountability, and transparency. Moreover, central bank independence was stipulated to developing and late-developed capitalist countries as a conditionality by international and/or supranational organizations such as the IMF and EU. Despite advocating the openness of monetary policymaking, central bank independence is loaded with political values in terms of the depoliticization of economic policymaking by isolating central banks from democratic popular control and maintaining it in a technocratic way. In this regard, as premised in the second chapter, the central bank independence framework reflects the neoliberal logic in all aspects by requiring continuous state intervention under the ideological guise of non-interventionism discourse.

In addition to the lack of a direct impact of central bank independence on ensuring low inflation, the underpinnings of the goal of price stability have been shaken by the 2007-8 financial crisis. The eruption of the 2007-8 financial crisis was crucial in depicting the relations between the state and the financial markets, i.e., the state-finance nexus. As the key institution of the state-finance nexus, central banks have been transformed by the impacts of the crisis. As discussed in the third chapter of the thesis, the financialization process was addressed as one of the leading causes that entailed the outbreak of the crisis. A brief look at the financialization debate was crucial to illustrate the relation between the state and finance in general, and central banks and financial markets in particular. Throughout the third chapter, financialization was handled as an integral feature of neoliberalism by referring to changing forms of state intervention. Hence, the financialization *of* and *by* the state pointed out the roles undertaken by the state within and through the financialization process. From the late 1970s onwards, the financial deregulation and liberalization process coincided with the transformation of the financial system into a market-based manner accompanied by the growth of shadow banking activities. Moreover, from the late 1970s to the 2007-8 financial crisis, central banks abandoned their traditional roles in regulation and supervision of the financial system to pursue the goal of price stability as it became more complex and expanded. With their traditional roles as the lender of last resort and organic links with the financial markets, the crisis brought to the fore the crisis management roles of central banks. As it is acknowledged that ensuring price stability was insufficient for delivering financial stability, central banks began to embark on dual goals. To ensure financial stability, central banks adopted unconventional monetary policies into their agendas. As detailed in the third chapter, most of the unconventional monetary policies were traditional tools already in the arsenal of the central banks, which were abandoned under the central bank independence framework in the neoliberal era. Again, it should be highlighted here that adopting unconventional policies is incompatible with the central bank independence framework grounded by a single goal with narrowed tools. However, by implementing unconventional monetary policies, central banks' interventions in the crisis ridden financial systems have reinforced the main characteristic of the financialization process as these indicated that they were still acting on behalf of the financial capital. Hence, central banks did not diverge from the neoliberal logic of favoring private profits by socializing the losses of financial capital with unconventional policies, which became salient in too-big-to-fail operations. As one of the central premises of the unconventional tools section of the third chapter, we have argued that central banks operated as the enabling force for the hegemony of finance in the neoliberal era, even in the aftermath of the crisis.

As detailed in the third chapter, interventions of the central banks to ensure the restoring of financial markets with large asset purchases by transferring the private sector's risks to their own balance sheets have blurred the line between fiscal and monetary policies. Given the expansion of unregulated financial markets and proliferated financial innovations, central bank interventions in sovereign bond markets have become increasingly intertwined with shadow banking activities. The interventions of central banks are crucial in the thesis to illustrate the co-evolution of the central banks and finance. As financial markets become more market-based, central bank interventions in those markets have evolved from lender of last resort to market-maker of last resort. With the outbreak of the Covid-19 pandemic-related economic turbulence, the crisis management roles of the central banks were brought to the fore again. Central banks responded to the Covid-related crisis with their experiences from the 2007-8 financial crisis. In this regard, as detailed in the thesis, those crisis interventions of the central banks have kindled a series of ongoing debates regarding the roles of central banks. Moreover, the post-2008 central banking practices have falsified the previous arguments on central bank independence that the central banks should merely focus on pursuing the goal of price stability. Since the central banks have started to ensure financial stability by expanding their tool sets and objectives without quitting their adherence to the central bank independence framework, the post-2008 central banking practices have exhibited the organic relation between central banks and financial capital. Hence, as the critical premise of the thesis, the underpinnings of the central bank independence framework became obsolete in the post-2008 era.

Given that central bank independence has a clear-cut framework characterized by a single-minded goal with a single tool, the goal of financial stability is not strictly defined like the goal of price stability. As central banking practices and their lender-of-last-resort operations have expanded in the aftermath of the 2007-8 financial crisis, the roles of central banks as crisis managers have raised questions and concerns about the distributional impacts of those practices. Even though the recent central banking practices are incompatible with the existing theoretical background of central bank independence, central banks still act on behalf of the capital in general, financial capital in particular, by alleviating market dysfunctions. In this sense, embarking on central banks' new roles against the new challenges both the state and markets faced would remain as the crisis management strategies of neoliberalism to the extent that the recent crises have not reversed the logic of intervention. As detailed in the third chapter, the recent debates on the roles of central banks in the Global North address the organic link between central banks and financial markets by arguing that central banks should not only be independent from the states but also from financial capital. Those debates have rightly pointed out the concerns about the expansion of financial hegemony with the rise of so-called shadow banking activities through intertwinement with sovereign debt management strategies. However, since the central banks have been positioned as the key component of the state-finance nexus from their inception, new debates on the roles of central banks should not neglect the historical trajectories of central banking. As argued in the thesis, to the extent that central banks transformed in tandem with financial markets, central bank interventions would also evolve toward modern versions of their traditional roles. Moreover, as the central banks have long functioned as an institutional fix reflecting the strategic-selectivities of the state, the new calls on the roles of central banks would expose the debates on the autonomy of the state. Hence, by considering the dual nature of central banks, the relative autonomy of these banks should be examined from a relational perspective rather than merely focusing on the independence of the central banks from financial dominance. To the extent the state has relative autonomy beyond being merely a function or an agent with its own purposes, the central bank, as a key state institution in the state-finance nexus, would mirror this relativeness. Prior to the fourth chapter, the thesis contended with the theoretical and historical evolution of central bank independence regarding the Global North experience. Throughout the fourth chapter, the main concern was the changing perceptions of the Central Bank in Turkey. The Global North debate was maintained to illustrate the narrowness of the Turkish debate regarding central bank independence. The Turkish debate, on the other hand, diverges from the recent debates on the new roles of central banks, while providing the historical contours of a developing country's central banking. The trajectories of the Turkish economy and the roles and practices attributed to the CBRT, in particular, have reflected changing forms of state interventions affected by domestic and international power relations. The periodization of the Turkish economy, in this regard, can be traced through changing perceptions of the CBRT. Throughout the chapter, the Turkish economy was characterized by two interrelated moments: one is the notion of integration into the world economy, and the other one is the public sector borrowing requirements. The establishment of the CBRT reflected the logic of ensuring economic independence in line with the national independence notion of the newly-established Republic. Hence, the independence understanding of the 1930s in Turkey differed from the central bank independence framework in modern times. International developments of the post-1929 economic depression environment also shaped central banking practices in the early years of the Republic. Although the independence of the CBRT could be considered relatively high regarding its avoidance of public debt financing, in the early 1940s a tendency toward using central bank resources for public finance beagn to develop. As a repercussion of the expansionary policies of the 1950s, the CBRT started to provide short-term advances to the Treasury supported by the amendment in the Law of the CBRT in 1955. Although there was no difference in terms of financing the government deficits, the post-1960s central banking practices in Turkey reflected the developmental planning understanding.

As detailed in the fourth chapter, the 1980s witnessed a series of transformations in the Turkish political economy. The 1980s, with the transition to neoliberalism, exhibited a radical shift in the direction of the Turkish economy in terms of its mode of articulation with the world economy and in the role of the state in the economy. The Turkish experience with neoliberalism can be scrutinized into two phases: the first period is from 1980 to 2001, and the second is from 2001 to the present. During the first phase of neoliberalism in Turkey, the process of financial deepening and liberalization was molded by the public sector borrowing requirements. In order to reduce the direct monetization through the CBRT resources, government debt instruments were launched to issue by the Treasury which was closely related with the monetary policy. As expressed in the thesis, the state-finance nexus in Turkey has gained saliency in the post-1980s era with the securitization of fiscal debt. With the issuance of government debt instruments, the Turkish banking sector has been positioned in the middle of the relation between the central bank and the treasury. The second part of the fourth chapter explained in detail the financial liberalization process conducted by the direct involvement of the central bank through government debt instruments. After a series of transformations regarding financial liberalization, central banking practices in Turkey have been directly influenced by the successive IMF stand-by agreements throughout the 1990s and 2000s. After the decision to liberalization of capital accounts with Decree No. 32 in 1989, the Turkish economy was laid open to speculative short-term capital movements, which entailed the financial crisis circles throughout the 1990s. This process was accompanied by the diminishing regulatory and supervisory roles of the central bank in line with the international trends in central banking. As emphasized in the thesis, the CBRT has obtained its legal instrument independence as an IMF-conditionality, which reflected the neoliberal proposal of technocratic and depoliticized economic policymaking.

Under the central bank independence framework, the CBRT implemented an implicit inflation-targeting regime until 2006, when it became convenient for the explicit one. The inflation-targeting framework needs to be revised for developing countries, including Turkey, since it is concerned with demand-pull inflation. As argued in the fourth chapter, the classical framework of the inflation-targeting regime was not sufficient to curb inflation rates in developing countries where supply-side factors and cost-push shocks affected inflation. Under the inflation-targeting regime, the CBRT, like other developing countries, intervened in the depreciation of the domestic currency with an asymmetric stance towards exchange rates. Moreover, lower-than-expected inflation rates during the pre-2008 era in developing countries like Turkey were closely related to the liquidity bonanza resulting from capital flows of that time. The pre-2008 period, where the classical central bank independence framework was implemented in the early years of the AKP regime, was underlined in the fourth chapter since the vulnerabilities of the Turkish economy accumulated in this period. As detailed in the chapter, since the structure of the Turkish economy was shaped throughout the 2000s, strategic-selectivities of the government resulted in post-2018 economic troubles. Hence, the emergence of "the foreign capital flows-dependent, debt-ridden, and construction-centered" economic model in the 2000s was accompanied by central banking practices. In this regard, the central bank independence framework in developing countries like Turkey operates as a hegemonic apparatus of international financial hegemony by reinforcing the dependency on foreign capital flows as the characteristic feature of those economies.

In the aftermath of the 2007-8 financial crisis, in parallel with the reactions of central banks in advanced countries, the CBRT also adopted the goal of financial stability, while price stability remained the leading objective. In the fifth chapter, the close relationships between the central bank, the treasury, the Banking Regulation and Supervision Agency, and the Savings Deposit Insurance Fund in forming the Financial Stability Committee to respond to the impacts of the crisis have been pointed out as the exemplar of the state-finance nexus in Turkey. As asserted in the related chapter, the CBRT found room to maneuver through the implementation of the macroprudential measures to prevent the adverse shocks of speculative capital flows. As asserted in that chapter, the CBRT found room to maneuver through the implementation of the macroprudential measures within the policy framework of "managed uncertainty" to prevent the adverse effects of speculative capital flows. The year 2013, when the harsh effects of the global crisis began to be experienced in developing countries with the taper tantrum announcement of the FED, coincided with the beginning of authoritarian turn debates in Turkey. After a series of transformations encountered in the political economy of Turkey in the post-2013 era, from 2019 onwards, there has been a proliferation of interest in central banking regarding the frequent dismissals of the bank governors and rapid depletion in the bank's foreign reserves. Central bank independence, in this regard, began to be advocated as a way of rebuilding the capital accumulation process and, hence, eliminating the current vulnerabilities of the Turkish economy. As repeatedly expressed in the fourth chapter, the central premise of the thesis is that the recent debates on central bank independence in Turkey reproduce the neoliberal proposal of technocratic and apolitical economic policymaking by ignoring the changing paradigm of central banking in the aftermath of the 2007-8 financial crisis. Since the classical framework of central bank independence, with its tight objective of ensuring price stability, became obsolete in the aftermath of the crisis, the Turkish central banking debate completely differed from the recent concerns on the new roles attributed to central banks at the international level. Moreover, the Turkish debate on the role of the central bank is lacking in comprehending the variegated aspects of central banking, specifically its close affinities with finance. Since the rapid depletion of foreign reserves of the central bank is closely related to the policy choices of the government in favoring pro-government domestic capital, the Turkish debate needs to take into consideration the *derisking state* arguments. In addition, as uttered in the thesis, the Turkish central banking debate has close parallels with the rising authoritarianism arguments in overlooking pre-2013 developments.

This thesis has aimed at revealing the various interrelated dimensions of the central banking practices both in the trajectories of the international and domestic level. In order to grasp central banking with all its aspects, the thesis has been built on a relational analysis of the changing perceptions of central banks from a political economy perspective. More specifically, the thesis has attempted to understand the logic behind the central bank independence notion. Accordingly, central bank independence emerged as a crisis management strategy of neoliberalism that reflected the aim of reducing the state intervention in the economy in line with the neoliberal restructuring of State/Market relations. More broadly, the pivotal premise of this thesis is that central banks operate as an institutional fix that forms the state-finance nexus and reflects the strategic-selectivities of the state. Designating the state-finance nexus with the dual nature of central banks is crucial to illustrate the post-2008 transformations of central banking practices and the characteristic feature of the world economy that has become increasingly dominated by the hegemony of financial capital. However, as has been uttered in the thesis, since the central banks are always in a position to reflect the role of the state in the economy, emphasizing the relative autonomy of central banks might crack the doors in unsettling financial hegemony. On the part of the Turkish debate, central bank independence in Turkey should be discussed with a relational approach without neglecting the international and domestic developments affecting central banking. Central banking in Turkey should be examined through the organic relations between the central bank and financial markets and the hierarchical structure of monetary relations as a developing country's central bank.

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APPENDICES

A. TURKISH SUMMARY / TÜRKÇE ÖZET

Merkez bankaları para basma ve ihraç etme yetkilerini ellerinde bulunduran kurumlar olarak, her zaman siyaset, iktisat ve kamu yönetimi açısından değerli bir kurum olmuştur. Sahip oldukları ayrıcalıklı konum nedeniyle, merkez bankaları tarihsel olarak devletin hesaplarını yönetmekle görevli oldukları gibi özellikle kriz ve savaş zamanlarında da kamu finansmanından sorumlu olmuşlardır. Devlete borç verme yetkisine sahip kurum olarak merkez bankaları ayrıca bankacılık sisteminin ana rezervine sahip olmuş, para piyasalarındaki kritik pozisyonu sebebiyle bankacıların bankası görevi de görmüştür. Sahip oldukları ikili doğaları, merkez bankalarının kuruldukları ilk günden itibaren hem devletten hem de bankacılık ve finans sisteminden belli derecede bir özerkliğe ihtiyaç duymalarına sebep olmuştur. Bu bağlamda tarihsel olarak merkez bankalarına atfedilen görevler devletin ekonomiye müdahale biçimleri dönüştüğü ölçüde dönüşüme uğramış; merkez bankaları devletin ekonomideki rolünü yansıtan kurumlar olarak ortaya çıkmıştır. Bu açıdan merkez bankacılığı uygulamaları Devlet/Piyasa arasındaki güç ilişkilerinin anlaşılabilmesi için verimli bir zemin sunmaktadır; çünkü merkez bankaları devlet-finans arasındaki bağı oluşturan en önemli kurumlardandır.

Bu çalışmanın çıkış noktası, merkez bankalarının rollerine ilişkin son dönemde ulusal ve uluslararası düzeyde artan ilgidir. Daha özelde, Türkiye'de merkez bankası bağımsızlığı konusunda giderek artan vurgu, merkez bankalarının rolleri ve etkinliği konusunda bir araştırma isteği uyandırmıştır. Bu bağlamda tez boyunca, merkez bankası bağımsızlığı eleştirel siyasal iktisat yaklaşımından ele alınmaya ve merkez bankacılığını etkileyen faktörler de ilişkisel bir perspektiften analiz edilmeye çalışılmıştır. Dolayısıyla, merkez bankaları, devlet ile finansal sermaye arasındaki karşılıklı ilişkileri tanımlayan devlet-finans bağı kavramı üzerinden incelenmiştir. Bu açıdan merkez bankası bağımsızlığı, 1970'lerdeki krizlere yanıt olarak enflasyonla mücadele bağlamında neoliberal merkez bankacılığı modeli olarak ortaya çıkmış ve Devlet/Piyasa ilişkilerinin neoliberal yeniden yapılandırılması doğrultusunda ekonomiye devlet müdahalesinin azaltılması amacını yansıtmaktadır. 2008 finansal krizi ile merkez bankası bağımsızlığı arkasındaki temel argümanlar sarsılmaya ve bağımsız merkez bankaları bağımsızlıklarıyla bağdaşmayacak şekilde yeni roller üstlenmeye başlamıştır. Covid-19 pandemisiyle alakalı olarak ortaya çıkan ekonomik gerilimlerin hafifletilmesinde merkez bankalarının aktif şekilde sorumluluk alması, küresel kapitalizmin karşılaştığı sosyal ve ekonomik krizler karşısında merkez bankalarının daha çok rol üstlenmesi gerektiği konusunda artan bir ilgiyi de beraberinde getirmiştir. Türkiye özelinde ise merkez bankası bağımsızlığı 2001 ekonomik krizi sonucu IMF-destekli reformlar bağlamında gündeme gelmiş ve IMF programlarının bir önkoşulu olarak yasalaşmıştır. 2013 sonrasında artan otoriterleşme tartışmalarıyla uyumlu olarak, Türkiye Cumhuriyet Merkez Bankası (TCMB) da başkanları ve para politikası tercihleri ile hükümet arasında giderek artan gerilimler sonucu mevcut otoriterleşme trendini yansıtan kurum olarak ülke gündeminde önemli bir yer edinmeye başlamıştır. Özellikle muhalefet partileri ve anaakım iktisatçı ve siyasal iktisatçılar tarafından merkez bankası bağımsızlığı gittikçe yükselen otoriter eğilimi ve ülke ekonomisinin karşılaştığı sorunları aşmada bir çözüm olarak sunulmaya başlanmıştır. Bu bağlamda, bu çalışmanın temel kaygısı özellikle Küresel Kuzey'deki diğer ülkelerdeki merkez bankası tartışmalarıyla Türkiye'deki merkez bankası tartışmasının giderek birbirinden farklılaşıyor olmasıdır. Dolayısıyla çalışma boyunca aşağıdaki sorulara cevap aranmaya çalışılmıştır:

1. Merkez bankası bağımsızlığı çerçevesi göz önüne alındığında, fiyat istikrarı hedefinin tarihsel ve teorik temelleri nelerdir?
2. Kriz dönemlerinde merkez bankalarının amaçları ve araçlarının dönüştüğü düşünüldüğünde, merkez bankalarının "devlet-finans bağı" açısından devlet-piyasa ilişkilerinin temel bileşeni rolünü yerine getirdiğini düşünmek mümkün müdür?
3. Merkez bankaları fiyat istikrarı ve ötesindeki hedefleri dikkate aldıkları ölçüde klasik merkez bankası bağımsızlığı paradigmasını sürdürmek mümkün müdür?

4. Türkiye'de 1980'den itibaren devletin dönüşümünde Merkez Bankası'na atfedilen roller neye işaret ediyor? Türk muhalefetinin merkez bankası bağımsızlığına olan riayetini “muhalif ama hegemonik” söylenin bir başka tezahürü olarak düşünmek mümkün müdür?

Bu sorulara cevap aramak için giriş ve sonuç bölümleri hariç, tez üç bölümden oluşmaktadır. Birinci bölümde merkez bankası bağımsızlığıyla gündeme gelen fiyat istikrarı hedefinin tarihsel ve teorik temelleri irdelenmektedir. İkinci bölümde ise 2008 krizi sonrası bağımsız merkez bankalarının fiyat istikrarı hedefi yanında finansal istikrar hedefi de gütmeye başlaması sebebiyle, genel olarak merkez bankaları ve finansal sermaye, özel olarak de merkez bankaları ve finansal piyasalar arasındaki karşılıklı ilişki incelenmektedir. Pandemi sonrası ortaya çıkan çoklu kriz tartışması dolayısıyla gündeme gelen merkez bankası tartışmalarına değindikten sonra çalışmanın dördüncü bölümüyle birlikte Türkiye’de merkez bankacılığının dönüşen yönleri tarihsel bir perspektiften analiz edilmektedir.

Merkez bankası bağımsızlığı en geniş anlamda para politikası yapıcılarının siyasi ve hükümet baskılarından muaf olmasını ifade eder. Teknik olarak ise merkez bankası bağımsızlığı net bir şekilde fiyat istikrarının para politikasının tek ve nihai hedefi, kısa dönemli faiz oranlarını belirlemenin ise bu hedefin asıl aracı olması anlamına gelir. Merkez bankası bağımsızlığı, genel olarak enflasyon hedeflemesi rejimi altında bağımsız merkez bankalarının şeffaflık, hesap verebilirlik, açıklık gibi kriterler ile tanımlanır. Çalışma boyunca fiyat istikrarı kavramı, merkez bankası bağımsızlığı ve enflasyon hedeflemesi rejimine kıyasla daha kapsayıcı bulunduğu için tercih edilmiştir. Fiyat istikrarı hedefi, 1970li yılların yüksek enflasyona yol açan politika tercihlerine karşı, neoliberalizm bağlamında enflasyonla mücadele kapsamında gündeme gelmiştir. Merkez bankası bağımsızlığı ve dolayısıyla fiyat istikrarı hedefi, Parasalcılıktan Kamu Tercihi Okuluna ve Rasyonel Beklentiler yaklaşımına kadar ortak noktası enflasyonla mücadele olan fakat birbiriyle farklı yönlerden çelişen çeşitli teoriler, yaklaşımlar ve teknik argümanlar tarafından şekillenmektedir. Neoliberal düşüncenin temel ayaklarından biri olan Parasalcılık, fiyat istikrarı ve merkez bankası bağımsızlığının temelini oluşturan en önemli yaklaşımdır. Bu bağlamda neoliberal dönemin ABD merkez bankası FED başkanı Paul Volcker'ın politikası üzerinden literatürde Volcker şok olarak tanımlanan para politikası ile başladığının öne sürülmesi şaşırtıcı değildir. Parasalcı düşünceden oldukça etkilenen Volcker'a göre enflasyonu bastırmak için parasal hedefleme ile faiz oranları yükseltilmeliydi. Parasalcılık kapsamında enflasyon sadece bir parasal fenomen olarak kabul edildiği için, Keynesyen dönemde uygulanan genişlemeci ve refaha yönelik ekonomi politikaları yüksek enflasyonun en önemli sebebi olarak görülmüştür. Buna göre, Keynesyen dönemde Phillips Eğrisi işsizliği azaltmak için enflasyonu gözden çıkaran politikacılar tarafından manipüle edilmiştir. Dolayısıyla Parasalcı düşünce çizgisi, para politikasının işsizlik, reel ücretler ve makroekonomik açıdan sonuçları olmadığı iddiasıyla enflasyonla mücadelenin teknik ve apolitik bir amaç olduğunu savunmuştur. Bu bağlamda işsizlik de siyasi bir hedef olmaktan çıkarılarak, piyasaya bırakılmıştır. Politik İş Çevrimleri yaklaşımı da aynı şekilde Phillips Eğrisi'ni bir tercih menüsü olarak yorumlayarak, Keynesyen dönemde kendi çıkarını düşünen politikacılar tarafından uygulanan refah arttırıcı istikrar programlarının enflasyona sebep olduğunu ileri sürmüştür. Ek olarak, zaman tutarsızlığı, kendi siyasi çıkarları doğrultusunda hareket eden politikacıların politika tercihlerinin seçim zamanı aralıklarıyla şekillendiğini ve bu yüzden kaçınılmaz olarak enflasyona yol açacağını ifade etmek için kullanılan bir diğer kavramdır. Oyun teorisi yaklaşımından etkilenen zaman tutarsızlığı problemi politika yapıcılar için bir güvenilirlik problemi de üretir. Söz konusu yaklaşımlar çerçevesinde yapılması gereken, enflasyona yol açmamak için politika yapıcılarının çıkar-temelli kararlarından ziyade, para politikası yapımında kural-temelli, teknik ve apolitik kararlar alınmalıdır.

Tarihsel açıdan incelendiğinde ise, fiyat istikrarı hedefi ve merkez bankası bağımsızlığı kavramının neoliberal dönüşüm ve Washington mutabakatı kapsamında ekonomiye devlet/hükümet ve dolayısıyla siyasi müdahalenin azaltılması nosyonu çerçevesinde gündeme geldiği görülmektedir. Dolayısıyla bağımsız merkez bankalarının neoliberalizmin altın çağı olarak nitelendirilen 1990lı yıllar boyunca sayıca artması şaşırtıcı değildir. Gelişmiş ülkelerde uygulanan politikalara ek olarak, merkez bankası bağımsızlığı neoliberal dönüşüm çerçevesinde gelişmekte olan ülkeler için söz konusu ülkelere yabancı yatırımcıları ve sermaye akımlarını çekmenin ve dolayısıyla ülkelerin kredi verilebilirliğini arttırmanın bir yolu olarak IMF, Dünya Bankası ve OECD gibi uluslararası kuruluşlar tarafından tavsiye edilmiştir. Dahası, merkez bankası bağımsızlığı gelişmekte olan ülkeler için *iyi yönetişim* anlayışı doğrultusunda post-Washington mutabakatı çerçevesinde bağımsız denetleyici ve gözetleme kurulları oluşturulması hedefini de yansıtmaktadır. Bu bağlamda para politikası açısından yapılması gereken, enflasyon hedeflemesi rejiminin para politikası çıpası olarak kabul edilmesidir. Enflasyon hedeflemesi rejimi, fiyat istikrarının nihai hedef olarak kabul edilmesi, enflasyon aralığına ilişkin orta vadeli hedeflerin kamuoyuna duyurulması ve para politikası yapımında güvenilirlik, şeffaflık ve hesap verilebilirlik ilkelerinin gözetilmesi ile tanımlanır. Bu açıdan merkez bankası bağımsızlığı aslında merkez bankalarının amaçlarının ve araçlarının daraltılması anlamına gelir. Bu bağlamda merkez bankası bağımsızlığı genel olarak Siyaset ile Ekonomi arasında ontolojik olarak bir ayrım olduğunu kabul ederek para politikası özelinde ekonomik politika yapımının depolitizasyonu amacını yansıtır. Dolayısıyla merkez bankası bağımsızlığı 1970li yılların krizlerine bir yanıt olarak söylemsel olarak devlet müdahalesini azaltmayı hedefleyen neoliberal mantığa özgü merkez bankacılığı uygulaması olarak karşımıza çıkar. Ancak iddia edilenin aksine, para politikasını siyasi müdahaleden izole ederek teknokratik bir şekilde yönetmek para politikasının apolitik olduğu anlamına gelmez. Aksine, merkez bankası bağımsızlığı, amaçları ve araçları daraltılıp teknik bir politika yapımından sorumlu olmaya indirgendikçe merkez bankalarının genel olarak kapitalizmin, özel olarak ise finansal sermayenin çıkarları doğrultusunda hareket etmesi anlamına gelmektedir.

1980li yılların başından 2008 finansal krizine kadar geçen süre anaakım düşünürler tarafından Büyük Ilımlılık dönemi olarak nitelendirilmiş, merkez bankası bağımsızlığı bu dönemde para politikası bağlamında genel kabul görmüştür. 2008 krizinin patlak vermesiyle birlikte, merkez bankalarının fiyat istikrarı hedefi peşinde koşmasının doğrudan finansal ve makroekonomik istikrarı sağlamadığı gerekçesiyle anaakım iktisatçılar tarafından dile getirilmiştir. Bu sebeple, 2008 krizine yanıt olarak merkez bankaları fiyat istikrarının yanında finansal istikrar hedefi de gütmeye başlamıştır. Finansal istikrar hedefi doğrultusunda uygulanan para politikalarına geçmeden önce 2008 krizinin temel nedenlerinden biri olan finansallaşmaya yönelik kısa bir tartışma üzerinden bu çalışma bağlamında merkez bankacılığı için ele alınmıştır. Bu yüzden finansallaşma üzerine kısa bir literatür taraması yapılmış, çalışmanın finansallaşmaya dair tanımlaması daha sonra verilmiştir. Buna göre, finansallaşma 2008 krizinden sonra anaakım tarafından da bir sorun olarak dile getirilmeye başlansa bile, heterodoks ve Marksist yaklaşımların uzun süredir ilgilendiği bir tartışma konusudur. Marksist düşünür ve iktisatçılar kendi içlerinde farklılaşmakla birlikte finansallaşmayı kapitalizmin yeni bir evresi olarak ele alma eğilimindedirler. Finansallaşmayı 20. Yüzyılın sonundaki bir dizi dönüşüme referansla açıklayan Hilferding, Lenin ile Baran ve Sweezy'e ek olarak, tarihsel materyalist bir analiz içinde tanımlamaya çalışan Arrighi gibi isimler de mevcuttur. Ayrıca Marksist düşünce çizgisi içinde finansallaşma, neoliberalizmin ayrılmaz ve tanımlayıcı bir özelliği olarak da ele alınmıştır. Post-Keynesyen analize göre finansallaşma ile anlatılmak istenen, 1970li yılların sonundan itibaren geçirilen bir dizi yapısal dönüşümle birlikte finans sektörünün kendi içinde gittikçe büyümesi ve karmaşıklaşmasıdır. Burada ilgilenilen finans sektöründeki bu büyümenin özelde reel sektör, genelde ise büyüme üzerindeki negatif etkisidir.

Bu çalışma boyunca finansallaşma kavramı, devlet müdahalesinin değişen biçimlerine referansla devletin bu sürecin hem etkili bir aktörü olması hem de bu süreç içinde kendisinin de dönüşmesi üzerinden incelenmeye çalışılmıştır. Bu bağlamda, finansallaşma, çalışmada bahsedilen Marksist yaklaşımın finansallaşma tartışması doğrultusunda, kapitalizmde yeni bir evreyi tanımlayan neoliberalizmin ayrılmaz bir özelliği olarak ele alınmıştır. Dolayısıyla finansallaşma süreci hem devlet tarafından bizzat yürütülmüş hem de devletin kendisi bu süreç içinde dönüşüme uğramıştır. Çalışmanın ana konusu merkez bankası üzerinden bakıldığında, merkez bankası bağımsızlığı da neoliberal dönemin merkez bankacılığı modeli olarak ortaya çıktığı için merkez bankalarının finansal sermaye ile olan organik bağları göz önüne alındığında finansallaşmanın bağımsız merkez bankacılığı uygulamalarıyla desteklendiği savunulmuştur. 1970li yılların sonundan itibaren yaşanan yapısal dönüşümlerde devletler ve hükümetler piyasa-temelli ve risk-odaklı finansal gelişmelerin ortaya çıkmasında başat aktörler olmuşlardır. Finansal piyasaların ve sermaye akımlarının serbestleştirilmesi ve kuralsızlaştırılması devlet müdahalesini gerektirmiştir. Bu bağlamda, finansallaşma süreci de neoliberalizmin ayrılmaz bir parçası olarak, söylemsel düzeyde devlet müdahalesini azaltma kisvesi altında bizzat devlet eliyle yürütülen bir süreç olmuştur. Devlet müdahalesinin biçimleri de bu süreç içinde değişip dönüştüğü için, finansallaşma tartışması da devleti sadece bir ajan veya kendi çıkarları olan bir aktör olarak ele almaktansa eleştirel perspektiften ilişkisel bir biçimde yaklaşmayı gerektirir. Buradan, finansallaşma neoliberalizmin ideolojik ifadesi altında devletler tarafından bilinçli bir şekilde finansal hegemonyanın yeniden gündeme getirilmesidir.

Finansallaşma süreci boyunca merkez bankalarının daraltılmış araçları ile tek bir hedef doğrultusunda koşturulduğu merkez bankası bağımsızlığı ve enflasyon hedeflemesi rejimi düşünüldüğünde, merkez bankaları da bu sürecin aktif bir aktörü olarak hareket etmiştir. Bu süreç sonucu, riskten kaçınmaya yönelik yeni finansal araçlar ortaya çıkmış ve bu araçların birçoğu devlet kontrolü ve gözetiminden yoksun klasik bankacılık ve finans sektörünün yanında banka olmayan ve gölge bankacılık olarak tabir edilen yeni finansal kuruluşlar tarafından kullanılmıştır. Klasik bankacılık sisteminin de çok fazla şekilde risk alınmasına olanak sağlayan yeni finansal araçları kullanmaya başlayarak dönüştüğü için bu risk en nihayetinde 2008 krizine yol açmıştır. Dolayısıyla başa dönersek, 2008 krizini etkileyen faktörlerin çekirdeği 1980 ve 2008 arasındaki dönemi tanımlayan Büyük Ilımlılık döneminde ekilmiştir. Her ne kadar 2008 kriziyle birlikte finansallaşma sistemin geneli için bir risk olarak görülmeye başlansa da krize verilen yanıtlar finansallaşma sürecinin temel özelliğini değiştirmemiştir. 2008 krizi sadece finansal sermaye ve finans sektörünü etkilemediği halde, özellikle krize karşılık yürütülen kurtarma operasyonları bağlamında merkez bankası müdahaleleri finansal sermayenin çıkarlarını korumaya yönelmiştir. Yani finansal hegemonyanın ortaya konulması ve sağlanmasında merkez bankacılığı kriz öncesi ve sonrası dönemde kritik öneme sahip olmuştur.

Merkez bankaları krize karşı makroihtiyati tedbirler çerçevesinde finansal istikrar hedefi yürütmeye başlamışlardır. Makroihtiyati tedbirler, 1980 öncesi merkez bankacılığı uygulamalarında yer bulan araçlar olmasına rağmen, merkez bankası bağımsızlığı çerçevesinde merkez bankalarının terk ettiği araçlar oldukları için geleneksel olmayan para politikası araçları olarak tanımlanmıştır. 2008 kriziyle birlikte enflasyon öncelikli sorun olmadığı ve merkez bankaları da halihazırda faiz oranlarını sıfıra yakın olacak şekilde düşürmüş olduğundan, bağımsız merkez bankalarının temel politika aracı olarak faiz oranları kullanılamamıştır. Bu yüzden krize müdahale etmek için merkez bankaları genişlemeci para politikası yürütmeye başlamış, büyük oranlarda varlık alımları yaparak özel sektörün yeni finansal araçlarla edindiği yüksek riskleri kendi bilançolarına eklemişlerdir. Oysa merkez bankaları, merkez bankası bağımsızlığı kapsamında geleneksel olarak sahip oldukları son çare borç veren olma özelliklerini askıya aldıkları için 2008 kriziyle birlikte bu yönlerini yeniden uygulamaya koymuşlardır. Ancak bu sefer finans sektörü gittikçe daha karmaşıklaştığı ve serbestleştiği için gölge bankacılık olarak tabir edilen finansal ve finansal olmayan kuruluşlar da merkez bankası desteği görmeye başladığı için merkez bankalarının artık sadece son çare borç veren olarak değil, son çare piyasa yapıcılar olarak da hareket ettiği çeşitli iktisatçılar tarafında dile getirilmeye başlanmıştır. Tez bağlamında bu durumun, sadece kriz zamanındaki ve 2008 krizindeki merkez bankaları müdahaleleri özelinde değil, merkez bankalarının kuruldukları ilk günden itibaren sahip oldukları ikili doğaları sebebiyle söz konusu olduğunu belirtilmiştir. Dolayısıyla, devletlerin ve merkez bankalarının müdahalelerinin finansal sektör dönüştükçe bu dönüşümle paralel olarak dönüştüğü kabul edilmiştir. Aslında tezin üçüncü bölümü boyunca öne sürülen temel öncül de devlet-finans bağının yani Harvey'in tanımlamasında merkez bankaları ve Hazine arasındaki kriz zamanlarındaki iş birliğinden öte, bizzat merkez bankalarının sahip oldukları ikil doğa sebebiyle kriz dışı zamanlarda da kendini gösterdiğidir.

2008 sonrasında merkez bankalarının uyguladıkları makroihtiyati tedbirler ve geleneksel olmayan olarak adlandırılan para politikası araçları kriz sonrasında da merkez bankalarının araç setlerinde bulunmaya devam etmiştir. Covid-19 pandemisinin yol açtığı tedarik zincirlerindeki aksama sonucu ortaya çıkan ekonomik panik, sıklıkla merkez bankalarının 2008 krizinden çıkardığı derslere atıfla yine geleneksel olmayan politika araçlarıyla, yani miktarsal genişleme programları aracılığıyla piyasalara yoğun şekilde likidite enjekte edilerek çözülmüştür. Covid-19 krizi boyunca sağlık sektöründen sonra en çok öne çıkan kurumlar olarak merkez bankalarının kriz yönetimi açısından rolleri üzerine yoğun bir tartışma başlamıştır. Bu bağlamda özellikle küresel ısınma, sosyal eşitsizlikler bağlamında kapitalizmin karşılaştığı toplumsal ve ekonomik krizler ve kriz ihtimalleri karşısında merkez bankalarının daha aktif bir şekilde rol üstlenmesi gerektiği yönünde çağrılar ciddi oranda artmıştır. Merkez bankalarının bu rolleri üstlenmesinin neoliberal bağımsızlık çerçevesini terk etmesi gerektiğini ortaya koyan birçok eleştirel çalışma, merkez bankalarının sadece devletlerden değil, finansal sermaye ve finansal sektörden de bağımsız olması gerektiğini dile getirmiştir. Bu çağrılarda ortaya çıkan tartışmanın eksik bıraktığı bir yön tartışmanın bağımsızlık kavramı üzerinden şekillendirilmesinden kaynaklanmaktadır. Tez bağlamında öne sürüldüğü gibi, merkez bankaları kuruluşlarından itibaren hem devletin hem de finansal sektörün bankası olarak ortaya çıktığı için, tartışılması gereken merkez bankalarının bağımsızlığı değil, para politikasını yürütürken sahip olması gereken göreli özerkliktir. Bu göreli özerkliğin bir örneği, FED'in 2008 krizine yanıt verirken Lehmann Brothers'ın batmasına müsaade ederken, örneğin AEG'yi batmaktan kurtarmasında bulunabilir. Bu göreli özerklik, merkez bankasının bazen bir bütün olarak kapitalist sistem yararına, bazen de tekil bir finansal sermaye grubu yararına eylemde bulunmasına olanak sağlarken aynı zamanda merkez bankasının toplum yararına dönüşümünü sağlayacak kapıyı da aralayan etkinliği anlamına gelir. Merkez bankalarının ikili doğaları göz önüne alındığında, kapitalizmin krizleri çoğaldıkça ve devletlere de yeni roller düştükçe merkez bankaları da bu yeni roller doğrultusunda payına düşen dönüşüme uğrayacaktır. Bu bağlamda devletler göreli özerkliğe sahip olduğu ölçüde, merkez bankalarının da göreli özerkliği gündeme getirilebilir.

Merkez bankası bağımsızlığının teorik ve tarihsel arka planına değindikten ve 2008 finansal krizi sonrasında değişen merkez bankacılığının uygulamaları ve son dönemde dünyadaki merkez bankasının kriz yönetimi açısından rollerine olan ilgiden bahsettikten sonra çalışmanın dördüncü bölümü Türkiye'deki merkez bankacılığı uygulamalarını tarihsel açıdan ve ilişkisel bir biçimde eleştirel siyasal iktisat perspektifinden ele almaya çalışmıştır. Bu bağlamda, Türkiye'de merkez bankacılığının tarihi TCMB'nin kurulduğu yıl olan 1930'dan itibaren ele alınarak 1980lere kadar uzanan bir ilk dönem içinde aralarda merkez bankasının geçirdiği dönüşümlere ve kanunlarına da değinerek hem ülke içindeki hem de uluslararası ortamdaki gelişmeler ışığında değerlendirilmeye çalışılmıştır. TCMB, 1930'da anonim bir şirket olarak kurulmuştur. Kuruluş sürecinde yaşanan gelişmeler hem

Bankanın kuruluşundan itibaren sahip olduğu bir bağımsızlık nosyonunun hem de Türk ekonomisinin dünyayla eklemlenme biçiminin bir örneğini yansıtmaktadır. Bu bağlamda, TCMB'nin kuruluşu ulusal bağımsızlık anlayışının bir uzantısı olarak ekonomik bağımsızlığın bir sembolü anlamına gelmektedir. Kuruluş sürecinde İş Bankası ve Osmanlı Bankası'nın merkez bankasına dönüşme çabaları, merkez bankalarının hem devletten hem de bankacılık sisteminden bir derecede bağımsız olması gerektiği görüşünü yansıtmaktadır. Kuruluşunu takip eden yıllarda kambiyo rejimi sebebiyle TCMB'nin temel aracı para arzını kontrol etmek için reeskont oranlarını belirlemek ve Türk parasının değerini korumakla yükümlüydü. 1940'lı yılların ortalarından itibaren TCMB genişlemeci para politikaları uygulamaya başlamış ve kamu borçlarının finansmanı TCMB kaynakları üzerinden sağlanmaya başlamıştır. 1950'li yıllar boyunca artan bu uygulama, 1960'lı yılların planlama anlayışı süresince de devam etmiş ve TCMB kaynaklarından kalkınma planlarına kaynak aktarılmaya başlanmıştır. Bu dönemin "geç bir yansıması olarak" TCMB kanunu 1970 yılında değiştirilmiştir.

1980'li yıllar Türkiye ekonomisinde neoliberalizm doğrultusunda kökten yapısal bir dönüşüme işaret ettiği için tez bağlamında Türkiye'de neoliberalizm iki alt dönem altında incelenmiştir. Buna göre, 1980'den 2001 krizine kadar olan dönem ilk aşama, 2001 krizinden günümüze kadar olan dönem ikinci aşamayı ifade etmektedir. Türkiye'de neoliberalizmin ilk aşaması finansallaşma tartışmasının Türkiye bağlamında tartışıldığı, dolayısıyla merkez bankası bağımsızlığının kurumsallaşması için gereken adımların atıldığı ve devlet-finans bağının Türkiye özelinde işleyişini göstermek için kurgulanan bir alt dönem olarak ele alınmıştır. Öte yandan, kendi içinde alt dönemlere ayrılması mümkün olan 2001 sonrası ikinci aşama ise Türkiye'de neoliberalizmin kurumsallaştığı dönem olarak gösterilmek istenmiştir. 24 Ocak Kararları neoliberalizme geçişle birlikte hem devletin ekonomideki rolünü hem de Türkiye'nin dünyayla eklemlenme biçiminde radikal bir dönüşümü işaret eder. Bu kararların ilan edilmesiyle başlatılan yapısal reform paketi ile Türkiye'de dışa dönük, ihracat-odaklı ve piyasa temelli birikim modeli uygulanmaya başlanmıştır. Bu doğrultuda atılan adımlar neoliberalizmi bir hegemonya projesi olarak uygulamaya koyma hedefini gütmüştür. Bu bağlamda neoliberalizmin sistematik devlet müdahalesiyle uygulamaya konulması, gelişmiş ülkelere kıyasla Türkiye'nin de aralarında bulunduğu gelişmekte olan ülkelerde daha görünür olmuştur. Neoliberal reform paketi altında serbest piyasanın kendi kendini düzenleyen bir oluşum olarak yeniden yüceltilmesiyle birlikte, ekonomiye sistematik devlet müdahalesi piyasalar üzerindeki kontrollerin kaldırılması ve sermaye akımlarının serbestleşmesi için kaçınılmaz olarak gündeme gelmiştir. Finansal derinleşme ve serbestleşme süreci direkt olarak kamu sektörü borçlanma gereksinimleri tarafından şekillenmiştir. Bu doğrultuda kamu kesimi finansmanının doğrudan Merkez Bankası kaynaklarından yapılmasının önüne geçmek amacıyla 1985 yılında devlet iç borçlanma senetleri çıkartılmıştır. Buna göre, Hazine ile Merkez Bankası arasındaki bor ilişkisinde bankacılık kesimi konumlandırılmıştır. Yani kamu finansmanı doğrudan olmak yerine, dolaylı bir şekilde TCMB kaynaklarından karşılanır olmuştur. Devlet iç borçlanma senetleri için gereken para ve ikincil piyasaların kurulmasında TCMB aktif şekilde rol almıştır. Bu bağlamda Merkez Bankası'nın bankacılık sisteminden gelen sinyalleri takip edebilmesi için 1986 yılında bankalararası para piyasası kurulmuştur. Bu sayede TCMB 1987 yılında açık piyasa işlemleri uygulamaya koyabilmiştir. 1989 yılında 32 sayılı kararname ile sermaye hesaplarının serbestleşmesi kararı alındığında, bankacılık sistemi uluslararası para piyasalarından elde ettikleri gelirleri iç borçlanma senetlerine yatırarak yüksek kârlar elde etmeye devam etmiştir. Türkiye bağlamında devlet-finans bağını gösteren en belirgin uygulama burada ortaya çıkmaktadır. 32 sayılı kararname sonrası Türkiye ekonomisi spekülatif finansal akımlardan kaynaklanan şoklara açık hale geldiği için, 1990'lı yıllarda diğer gelişmekte olan ülke ekonomilerine benzer şekilde finansal krizler yaşamıştır. Bu krizlerden kurtulma amacıyla hayata geçirilen reform paketleri ise IMF güdümünde veya gözetiminde hazırlanmıştır. Başka bir ifadeyle, 1990'lı yıllar boyunca Türkiye ekonomisi IMF stand-by anlaşmaları ve yapısal uyum paketlerinin uygulanması açısından bir laboratuvara dönüşmüş; Türkiye ekonomisinin art arda yaşadığı siyasi, toplumsal ve ekonomik krizler sonucu 1990'lı yıllar kayıp on yıl olarak adlandırılmaya başlanmıştır.

IMF programı yürürlükte iken ortaya çıkan Kasım 2000 ve Şubat 2001 ekonomik krizleri, Türkiye'de neoliberalizmin ikinci aşamasını işaret eder. 2000-2001 krizleri sonucu Kemal Derviş'in ekonomi yönetiminde baş aktör konumuna getirilmesiyle birlikte Türkiye ekonomisi köklü bir dönüşüm süreci geçirmeye başlamaktadır. Bu bağlamda 15 günde çıkarılan 15 yasalardan biri kapsamında TCMB'nin 2001 yılında çıkarılan yeni yasasıyla yasal araç bağımsızlığına kavuşması da IMF programlarında ve niyet mektuplarında belirtilen bir önkoşulun yerine getirilmesidir. 2002 genel seçimleri sonucu tek başına iktidara gelen AKP hükümeti Kemal Derviş öncülüğündeki reform paketini aynen devam ettirmiş, bu sebeple iktidarının ilk yıllarında Türkiye ekonomisi hem Avrupa Birliği hem de IMF tarafından desteklenerek neoliberal dönüşüm geçirmiştir. Merkez bankacılığı açısından ise 2002-2005 yılları arasında örtülü enflasyon hedeflemesi rejimi uygulamaya konulmuş, bu dönem enflasyon hedeflemesi rejiminin doğrudan uygulanabilmesi için bir ön aşama gibi görülmüştür. 2006 yılında açık enflasyon hedeflemesi rejimine geçilmiştir. 2008 finansal krizine kadar olan süreçte enflasyon sonuçları o dönemde tüm dünyada yaşanan likidite bolluğunun ve Türkiye'ye akan sıcak paraların bir sonucu olarak hedeflenenden daha düşük oranlarda gerçekleşmiştir. Bu dönemde Türkiye ekonomisinin görece başarılı sayılan bir dönem geçirmesi uluslararası trende uygun şekilde mümkün olabilmiştir. Ancak burada belirtilmesi gereken, TCMB'nin enflasyon hedeflemesi rejimi uygularken ekonomiyi sermaye hareketliliğinin oynaklığından koruma amacıyla döviz kuruna da müdahale etmiştir. Yani enflasyon hedeflemesi rejimi katıksız şekliyle uygulanmamıştır. Türkiye örneği, enflasyon hedeflemesi rejiminin ve dolayısıyla da merkez bankası bağımsızlığı çerçevesinin gelişmekte olan ülkeler özelinde barındırdığı sınırlılıkları gösteren bir tartışma nesnesi olarak belirmektedir. Enflasyon hedeflemesi rejimi çerçevesinde tanımlanan talep yönlü enflasyon olduğu için, Türkiye gibi diğer gelişmekte olan ülke ekonomilerindeki maliyet enflasyonu gözden çıkarmaktadır. Bu model ayrıca, gelişmekte olan ülke ekonomileri ile gelişmiş ülke ekonomileri arasındaki farkları görmezden gelerek, gelişmekte olan ülkelerdeki finansal akımların yarattığı şokları ihmal etmektedir. Bu bağlamda, bağımsız para politikalarının ancak serbest sermaye hareketleri altında döviz kurlarının dalgalı olması durumunda mümkün olduğu argümanına dayanan imkânsız üçleme tartışması da gelişmekte olan ülkeler özelinde daha belirgin hale gelmiştir.

2008 finansal krizinin etkileri Türkiye'nin de aralarında bulunduğu gelişmekte olan ülkelerde 2013 yılında FED'in miktarsal genişleme politikalarını kademeli olarak terk edeceğini açıklamasıyla hissedilmeye başlanmıştır. Yine de TCMB, dünya ekonomileriyle uyumlu olarak krizin etkilerine karşı tedbir amacıyla finansal istikrar hedefi benimsemeye başlamış ve makroihtiyati tedbirleri uygulamaya koymuştur. 2013 yılı aynı zamanda Türkiye'de otoriterleşme tartışmalarını gündeme getiren yıl olarak görülmeye başlanmıştır. Bu süreçte sermaye akımlarının yavaşlaması ve yeni IMF anlaşmalarının imzalanmaması sonucu bozulmaya başlayan ekonomi ve azalmaya başlayan siyasi destek sonucu AKP iktidarı ve TCMB arasında faizleri düşürme üzerinden gerilimler görünürlük kazanmıştır. 2015 yılında hükümet bloğu içinde yaşanan krizler merkez bankası hükümet ilişkilerine de yansımıştır. Bu bağlamda asıl olarak ilk nüveleri 2013'te hissedilmesine rağmen 2016 darbe girişimi sonrası dönem ve 2017 yılındaki başkanlık referandumu, Türkiye'de kriz yönetiminin krizinin belirginleştiği bir dönemler olarak nitelendirilebilir. Bu süreçte keyfi ve günü kurtarıcı hamleler sonucu birbiriyle çelişen kararlar alınmaya başlanmış ve Türkiye bağlamında bir 2013 öncesi/sonrası AKP rejimi anlatısı ortaya çıkmıştır. 2019 yılında dönemin TCMB başkanının görev süresi dolmadan görevden alınmasıyla Merkez Bankası başkanları sık sık görevden alınmaya başlamış, faizlerin düşük tutulması baskısı üzerinden hükümet tarafından yoğun bir şekilde bankaya müdahale edilmiştir. Bu açıdan merkez bankası bağımsızlığı Türkiye'de yükselen otoriterleşmenin bir simgesi haline gelmiştir. Merkez bankası bağımsızlığına yönelik artan vurgunun otoriterleşme tartışmalarına benzer şekilde gözden kaçırdığı şey ise Türkiye'nin son dönemde yaşadığı ekonomik ve siyasi sorunların tohumlarının atıldığı dönemin 2013 sonrasından ziyade 2013 öncesi dönem olmasıdır. Merkez bankası bağımsızlığı dahil olmak üzere 2013 öncesi politikalar 2013 sonrası dönemi şekillendirmiş ve 2013 sonrasında krize yol açtığı ölçüde kriz yönetimin krizi sebebiyle var olan durum daha da vahimleşmiştir. Bu açıdan Türkiye'de merkez bankası bağımsızlığı krizden çıkışın ve bozulan sermaye birikim sürecini yerine getirmenin bir reçetesi olarak sunuldukça, 2008 krizinin ardından merkez bankacılığının değişen paradigması göz ardı edilerek neoliberal teknokratik ve apolitik ekonomik politika yapımı önerisini yeniden üretilmektedir. Bu açıdan merkez bankası bağımsızlığının ve 2013 öncesi Türkiye'deki ekonomi modelinin başarısı ve etkinliği ilişkisel bir perspektiften kapsamlı bir şekilde analiz edilmelidir. Bu sebeple uluslararası alanda merkez bankası bağımsızlığının ötesine geçilmesi ve merkez bankalarının demokratikleşmesi talepleri de göz önünde bulundurularak, tartışılması gereken gelişmekte olan bir ülke ekonomisinde merkez bankasının etkililiği ve göreli özerkliğidir. Talep edilmesi gereken de bu bağlamda 2013 öncesi dönemde uygulanan merkez bankası bağımsızlığının dar çerçevesi yerine, merkez bankasının yeni hedefler ve araçlar edinerek demokratikleşmesi olmalıdır.

Bu tezin ana argümanı, merkez bankacılığının devlet ve piyasa arasında birbiriyle uyumlu olarak dönüşen karşılıklı güç ilişkileri çerçevesinde şekillendiğidir. Dolayısıyla merkez bankası bağımsızlığı da merkez bankası ve finansal sermaye arasındaki ilişki üzerinden okunmalıdır. Ayrıca son dönemde ortaya çıkan krizler ve çoklu kriz durumları karşısında devletlere yeni roller düştükçe merkez bankaları da bu rollerle paralel olarak dönüşmektedir. Tarihsel olarak sahip oldukları ikili doğaları ve organik bağları sebebiyle merkez bankaları devletlerin stratejik seçicilikleri doğrultusunda dönüşüme uğrayan kurumsal düzenlemeler olarak faaliyet göstermektedir. Bu yüzden bu çalışma, çoklu kriz ortamında ve finansal hegemonyanın gücünü arttırdığı, devletler ile finansal sermaye arasındaki ilişkilerin biçim değiştirdiği bir ortamda, merkez bankalarının konumlarının ne olması gerektiği üzerine gelecekteki çalışmalar açısından bir tartışma başlatmak amacındadır.

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