Chapter 7
Explaining the Role of the State: Dilemma Theory

Overview
The analyses in the previous chapters reveal that the role of the state in containment of industrial conflict in neo-liberal environments is crucial.

Figure 7.1: The focus of the chapter

Organized industrial relations
(Bargaining and Coordination levels)

Unorganized industrial relations
(The feeling of injustice)

Excluding the State

Organized industrial relations
Industrial conflict is contained by the neo-liberalization of collective bargaining, that is, the manipulation and coordination of bargaining by employer-dominated partnerships

Unorganized industrial relations
Industrial conflict is contained by the correction of injustices by non-state actors (NGO’s, consumer groups and international networks)

Focusing on the State

Organized industrial relations
Industrial conflict is contained by the pro-worker interventions of the democratic state (which is sensitive to societal reactions) in the bargaining and its coordination

Unorganized industrial relations
Industrial conflict is contained by direct or indirect attribution of the blame of injustice to the state rather than employers

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223 Another version of this chapter is accepted for publication:


224 It is worthwhile reiterating that government in this study is understood as the body that runs the state and makes decisions on its behalf, whereas the state is, following Weber, “the set of organizations invested with the authority to make binding decisions for people and organizations juridically located in a particular territory and to implement these decisions using, if necessary, force” (Rueschemeyer & Evans 1985: 46-47). Having this in mind, sometimes I use the words the state and government interchangeably.
In chapter 5, the examination of the metal sector bargaining system in Turkey as a case of organized industrial relations showed that governments could not relentlessly pursue the neo-liberal agenda that requires a pro-employer stand. Under the conditions of democracy they were obliged to adopt a more balanced position. This seems to lend support to the hypothesis that in neo-liberal environments pro-worker interventions of the democratic state (which is sensitive to societal reactions) in the bargaining and its coordination contains the industrial conflict (see lb in figure 7.1). On the other hand, in chapter 6, the scrutiny of textile & clothing sector in Turkey as a case of unorganized industrial relations pointed out the minimum wage as the key instrument which allows governments to manage the industrial conflict and resentment. This finding appears to be in compliance with the hypothesis that in unorganized industrial relations direct or indirect attribution of the blame of injustice to the state rather than employers contains the industrial conflict (see IIb in figure 7.1).

However, some issues about these state-centered hypotheses (see the grey area in figure 7.1) appear to be crucial but so far remained theoretically and empirically obscure:

Firstly, the link between politics and industrial relations seems to be quite important: In the organized field, the key for containment of industrial conflict appears to be the separation of politics from collective bargaining in order to prevent mobilization capacity of workers from being used for political protest. On the other hand, in the unorganized field the exact opposite, that is, the interaction between workers and governments through politics (of minimum wage) seems to be the possible mechanism, which contains the conflict. However, in both cases, other than the interview accounts, the concrete evidence for these links with the politics was absent.

Secondly, in chapter 5 the expansion of unorganized industrial relations appeared to be the outcome of deliberate government policy of reducing the mobilization capacity of workers by shrinking the size of organized industrial relations. On the other hand, the analysis of the unorganized industrial relations in chapter 6 suggests that governments, through minimum wage, influence the conflict dynamics of this field. However, governments seem to be constrained in the way in which they could manipulate the minimum wage. They have to pursue a minimum wage strategy which would prevent wide spread tension and resentment.
among workers while not damaging the logic of production chains. However, whether the expansion of unorganized industrial relations could affect the viability of this strategy is not yet scrutinized.

Thirdly, the extent to which economic developments influence government policies regarding the organized and unorganized industrial relations still remains unaccounted for.

Finally, the analyses in previous two chapters show that the policies regarding the industrial relations should not be influenced by the differences between governments. The logics underlying these policies, that is, preventing political mobilization within the organized field and managing the resentment and conflict within the unorganized field, appear to remain valid for all governments. This implies that there should be a meta-principle of the state, which remains equally binding for all the ruling parties. However, so far no such meta-principle is pointed out.

In short,

i) the link between the politics and the organized and unorganized industrial relations,

ii) the implications of the expansion of the unorganized field,

iii) the impact of economy on governments’ industrial relations policy,

iv) (whether there is a) meta-principle of the state which forces all governments to act in the same way

are the issues that remain theoretically and empirically obscure. Obviously, in order to claim that state-centered hypotheses in the second column of the typology account for containment of industrial conflict these issues must be clarified.

Indeed, the last one (i.e., iv) of these issues is of crucial significance, for if one can discover the meta-principle of the state, then it may be possible to connect the vindicated (but distinct) hypotheses in the typology (see the grey area in figure 7.1) at a higher abstraction level in order to establish a general theory of the state in industrial relations. Such a theory may also clarify the remaining obscure issues.

Therefore, in this chapter, I construct a state-centered conceptual and analytical framework (dilemma theory) by pursuing an intuitive idea: balancing accumulation and legitimation is the meta-principle of any capitalist state. This theory offers a general explanation for the containment of industrial conflict in neo-liberal environments.
In the following pages, I first introduce the dilemma theory and construct a set of analytical devices for its operationalization. Secondly, I apply it to the case of Turkey to see whether it can account for the reality uncovered in previous chapters from a state-centered perspective. Finally, I assess the findings and discuss the way in which they clarify the points which hitherto remained obscure. The chapter ends with the reiteration of key results.

**Dilemma Theory**

O’Connor (1973) argues that any capitalist state must undertake two potentially contradictory tasks: ensuring accumulation of capital while legitimizing this process for those who are not capable of accumulating capital. Thus, if, for the sake of building a parsimonious conceptual framework, one reduces the political economy into a game between three generic actors – ‘capital’, ‘labour’ and ‘the state’ – one expects capital to prefer and press for increased state support for accumulation and, labour, unless mobilized for radical change, to demand legitimation.

Although accumulation can always be understood as increasing capital’s share in the surplus value generated by the economy, legitimation cannot simply be reduced to its polar opposite. The state may promote an ideology that portrays a particular accumulation pattern as inevitable and thus, legitimize the system by hegemony without directly influencing the share of capital in the national product (see Jackson 1991:244). Similarly demands for legitimation may also be crushed by sheer coercion (Dahrendorf 1959:279). However, given the fact that in any capitalist society those who would prefer legitimation are likely to be the majority (that is, wage earners) sooner or later legitimation must be ensured in terms of real material gains for them despite the immediate consequences of such a policy for accumulation. On the other hand, the fact remains that neither the capitalist state nor the capitalist society can be sustained without accumulation. Thus, it is only temporarily possible to sacrifice accumulation for the sake of legitimation or legitimation for the sake of accumulation, most of the time these tasks must be balanced. Consequently, the state, regardless of the ideologies of ruling political parties, permanently faces the problem of maintaining the balance between accumulation and legitimation.
This can be considered as the meta-principle guiding all governments. The role that is played by the state in organized and unorganized industrial relations, too, may be comprehended by referring to this meta-principle. Now let us examine these fields one by one from the perspective of accumulation /legitimation dilemma

*Organized industrial relations*

The state may cope with the accumulation/legitimation dilemma by delegating the task to a system which may, to some extent, separate politics from economy. In this way the state may simultaneously avoid the responsibility of legitimation while indirectly ensuring it. This system is the organized industrial relations in which labour and capital collectively undertake the legitimation task by engaging in collective bargaining with minimum state intervention or even without it\textsuperscript{225}.

Obviously, as depicted by the state of nature exercise in chapter 3, to ensure the continuity of production, the institutional structure of organized industrial relations must be designed by the state so as to prevent the conflict potential embedded in different dimensions (i.e., inter-class, intra-class and internal) from becoming extremely inflammable. For this purpose, the state while leaving the wage-time bargaining to the representatives of workers and employers may regulate the effort bargaining. Similarly, opportunities for short-term interest maximization may also be limited by the state. Indeed, the degree to which these constraints and regulations are enforced may be a strategic instrument that can be used by the state to impose a particular accumulation/legitimation regime. However, the most important element in the institutional structure of organized industrial relations is the rules, which regulate the associative power of workers (see Kelly 1998:60). Given that workers’ associative power is not only crucial for inter-class conflict but it also exerts substantial influence on the collective organization of employers, the rules regulating this power, too, may be used by the state as another strategic instrument for imposing a particular accumulation/legitimation regime.

\textsuperscript{225} Indeed one may argue that the conflict potentials embedded in organized industrial relations are reflections of or generated by the difficulty of maintaining a balance between accumulation and legitimation.
The influence of the state in organized industrial relations is not, however, confined to legal means. Some pivotal wages, that is, those wages, which have a pattern setting impact may be very susceptible to government manipulation, thus, they may also be used as strategic instruments. The public sector wages, for example, can be effectively used for imposing certain patterns on the wage-time bargaining in organized industrial relations in order to deliberately enhance or alter the existing accumulation/legitimation regime. A more subtle way, of course, is to use macroeconomic policy instruments (i.e., interest rates) for the same purpose.

The state may use its strategic instruments, without being directly implicated, for influencing the way in which accumulation/legitimation dilemma is handled by collective actors in organized industrial relations. However, as depicted in chapter 5, there are two problems with the field of organized industrial relations which prevents it from being the ultimate solution for handling the accumulation/legitimation dilemma without direct state intervention:

Firstly, the ability of organized industrial relations to keep economic sphere separate from the politics is limited by and dependent on the economic conditions, which are essentially beyond the immediate and absolute control of any actor. Employers and trade unions, when they fail to agree, may still ask for state intervention and unexpected economic fluctuations would increase the likelihood of such impasses in organized industrial relations. In such circumstances if the relative size of organized industrial relations is large\textsuperscript{226}, then it is very likely that collective actors would have sufficient resources to politicize their demands and ask for state intervention. Obviously, this would undermine the very logic of organized industrial relations by bringing back the accumulation/legitimation dilemma to the state.

Secondly, if the state fails to use its strategic instruments carefully or due to economic crisis or political pressure was compelled to make abrupt changes in the way in which it uses these instruments so as to alter the existing accumulation/legitimation regime then it will be implicated and held responsible. In such circumstances the collective action capacity embedded in organized industrial relations may be politically mobilized by the organized labour in the form of street

\textsuperscript{226} This can be the relative size of the bargaining coverage.
protests and industrial actions, which may paralyze both economy and politics.

Obviously, these two contingencies are likely to be interrelated and sequential: responding to organized pressure for intervention by altering or re-imposing the existing regime of accumulation/legitimation may result in political mobilization of the organized labour.

*Unorganized industrial relations*

As depicted in chapter 6, the state would be directly held accountable by those who are excluded from the channels of collective representation, that is, those who are employed in unorganized industrial relations, for their circumstances. Thus, in a political economy sooner or later the feeling of injustice generated at workplace level will be a political issue and its importance and urgency would increase with the relative size of unorganized industrial relations. This means that the state would be responsible for the injustice generated within unorganized industrial relations especially if it uses a pivotal wage such as minimum wage as a strategic instrument of manipulation, which can be easily traced back. Indeed, one may argue that not only the way in which such instruments are used but also their very emergence may be considered as response to the demands of legitimation and accumulation from unorganized industrial relations.

Therefore, unlike in the case of organized industrial relations, the politicization of accumulation/legitimation dilemma in unorganized industrial relations is almost inevitable. However, what is different from organized industrial relations (where the associative power of workers and employers can be strategically mobilized at any time to pressure governments) is that in unorganized industrial relations lack of collective mobilization capacity limits the occasions, which may explicitly reveal the politicization. In this respect election periods would be very crucial. Because elections allow the only legal collective action capacity acquired by those who are employed in unorganized industrial relations, that is, the right to vote, to be exercised in order to react to the way in which the accumulation/legitimation dilemma is handled by the state.

Obviously, it is possible for the state to avoid this direct responsibility by reducing the size of unorganized industrial relations by encouraging collective representation of workers and employers and in this way expanding the organized field. However, as depicted above,
organized industrial relations do not provide the ultimate solution: during economic crisis actors in this field may convert the accumulation/legitimation dilemma into a major political crisis by first demanding and then reacting to the direct state intervention.

*The state in industrial relations*

One can see that neither organized industrial relations nor unorganized industrial relations allow the state to permanently avoid from being directly responsible for or smoothly solving the accumulation/legitimation dilemma. Yet both of these fields may facilitate the task in different ways: unorganized industrial relations may reduce the danger of widespread and sudden mobilization against a particular accumulation/legitimation regime and organized industrial relations, under appropriate economic conditions, may prevent the extensive politicization of the dilemma.

However, as depicted in chapter 5, the exact opposite is also possible: the way in which the strategic instruments of the state is used (for example, pivotal wages) for the sake of maintaining a particular accumulation/legitimation regime may trigger politicized collective action in organized industrial relations and simultaneously generate wide spread feeling of injustice and extensive resentment in unorganized industrial relations. Indeed, during the periods of alteration of the accumulation/legitimation regime this kind of double reaction which creates a *de facto* alliance between all wage earners may only be prevented by extensive use of coercion and suspension of democracy. However, as long as democracy is retained, the state must use its strategic instruments in order to prevent emergence of such a crisis even if this precludes consistent imposition of a particular accumulation/legitimation regime.

This implies that extensive expansion of organized or unorganized industrial relations may also reduce the way in which the strategic instruments of the state (legal framework, macroeconomic policy and pivotal wages) can be used. In turn, the way in which these instruments are used may also stimulate further expansion or contraction of these fields. In fact, one may argue that in a political economy the available options for tackling the accumulation/legitimation dilemma would be conditioned by the relative sizes of the organized and unorganized industrial relations.
Two time horizons

There is an ideal solution for the accumulation/legitimation dilemma: enabling the entire economy to function better in the sense of generating more growth and in this way simultaneously ensuring accumulation and legitimation. A particular accumulation pattern can then be legitimized by increasing labour’s income, shared by a growing number of people, while keeping its relative share constant. However, the functioning of economy in its entirety remains elusive and the policy instruments available to the state are not sufficiently precise to generate a predictable outcome immediately (Keech 1995: 22-44). Therefore, one should adopt two time horizons for the government, that is, short and long: the government must balance accumulation and legitimation in a short time horizon, while trying to approximate to the ideal solution (i.e. improving the economic performance in order to increase growth and employment) in the long run. In other words, governments always try to balance legitimation and accumulation in an economic situation about which they cannot do much in short term, partly because of the many external constraints in an economy which is not autarchic, partly because of the many unknowns involved\textsuperscript{227}. Hence the accumulation/legitimation dilemma forces governments to focus on short time horizon, at least, in the way in which they use some of their strategic instruments such as pivotal wages.

Empirical Projection

In order to apply this entire conceptual framework, which might be called as the dilemma theory, to empirical circumstances, it is essential to develop an analytical model which would allow attributing a concrete meaning to expressions like accumulation bias, favoring legitimation...etc. Given that the way in which the accumulation/legitimation dilemma is tackled by the state is conditioned by the economic circumstances; this model should connect the economy with the state’s use of its strategic instruments. One way of doing this is to focus on the interaction between economy and pivotal wages and to develop tools in order to capture the changes in the use of other strategic instruments.

\textsuperscript{227} The inconsistency between long and short time horizons can also be attributable to the patch-work structure of any state: that is, state agencies focusing on long horizon and short horizon are most of the time neither identical nor perfectly coordinated.
Analytical Model

In order to capture the choices of the state regarding accumulation and legitimation under given economic circumstances, one may plot the changes in a particular pivotal wage against the changes in the GDP. The idea behind this simple operation is as follows: by adjusting the level of a pivotal wage, the state determines to what extent the surplus value generated by the economy is shared between the capital and labour in those segments of the economy which is influenced by this pivotal wage, and thereby attains a particular balance between accumulation and legitimation tasks. The change in the pivotal wage is determined by the state while the change in the GDP is considered as a stochastic variable, in the sense that it is beyond the absolute and immediate control of the state. In other words, while annual change in the GDP can only be influenced in the long time horizon, the annual change in the pivotal wage requires immediate action. More formally, the state has to make a choice on y-axis (through action or inaction) in response to a given point in the x-axis so as to reach an actual balance point in the space mapped by x and y axes (see figure 7.2).

For the sake of simplicity one may argue that the balance between accumulation and legitimation can be attained by choosing a point on y-axis which is equal to the value of the given x point. This would mean that the state would use its power so as to ensure that the labour would be compensated by the capital in proportion to the economic growth indicated by the annual GDP change. Formally all the points referring to this balance can be depicted by the line, y = x. Hence this line is called the balance line (see figure 7.2).

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228 It is important to recall that pivotal wage is defined as the wage, which has a pattern setting influence on the economy.

229 This is an ex-ante model. The idea is that the state does not act by looking at the GDP statistics, but GDP change is used (retrospectively from the perspective of inquiry) as an approximation to the knowledge of the state about the economic circumstances at the moment of the decision. Obviously, in this respect the GDP is a better indicator than the GDP per capita.
Figure 7.2: Analytical model for accumulation and legitimation

230 There is an implicit assumption as to the perception of actors in the analytical model: employers (capital) and workers (labour) are assumed to perceive the value of money in the same way. This assumption requires using a measure common to both actors. For this purpose I used the value of the pivotal wages in US dollars: due to high inflation and currency devaluation of the lira, the dollar value of wages was relevant for purchasing power at least since the 1980s and increasingly so between 1990 and 2004. Indeed one ex-minister of Labour and Social Security told me that the consumer price index was never taken into account in minimum wage deliberations (interview #64 / 27.09.2007). On the other hand, the importance of dollar value for employers results from the dependence of Turkey on imports of half-finished goods and on export of final products, which were all bought and sold in dollars between 1970 and 2004. However, instead of using US dollar values it is possible to establish a more sophisticated model by using consumer price index for workers and producers price index for employers. This approach leads to multidimensional vector entities, which require employing trigonometric functions for making sensible interpretations but at the end these interpretations do not differ much from what is presented here.
Let us elaborate on this model by examining possible choices available to the state (points in the y-axis) by looking at two main contingencies (see figure 7.2).

- If there is negative economic growth the balance point will be either in ZONE I or in ZONE III, under these circumstances if the state chooses a point (such as point b) that has a negative y-value which is smaller in absolute value than the given negative x value then the actual balance point lies in the small part of ZONE III which is above \( y = x \) and under \( y = 0 \). This would mean that the loss of income by the labour would be less than the loss of profit suffered by the capital. Hence the balance would be in favor of legitimation.

  (such as point a) that has a positive y value despite the negative x value then the actual balance point would be in ZONE I and would be attained by abandoning accumulation entirely for the sake of legitimation. For any such point would imply that income of the labour would be increased despite declining profits of the capital. Therefore, ZONE I is called pure legitimation region.

  (such as point c) that has a y-value which is negative and larger in absolute value than the given negative x-value then the loss of income for the labour would be more than the declining profits of the capital. Consequently, legitimation would be partly sacrificed for the sake of accumulation. When this occurs the actual balance point would lie in the ZONE III under the \( y = x \) line.

- If there is positive economic growth the balance point will be either in ZONE II or in ZONE IV. Under these circumstances if the state chooses a point (such as point d) that has a y-value which is higher than the given x value then the actual balance point would be above the \( y = x \) line and in ZONE II. This implies that the increase in the income of labour will be greater than the increase in the profit of the capital. Thus, accumulation would be partly sacrificed for the sake of legitimation.

  (such as point e) that has a y-value between 0 and the given x value then the income of labour would increase less than the profits of the capital thus, part of these profits would be
accumulated, thus, legitimation would be partly sacrificed for the sake of accumulation.

(such as point f) that has a negative y value despite the positive x-value, then the income of the labour would decrease while profits were increasing and the actual balance point would be in ZONE IV. This implies that the capital would not only accumulate its recent profits but would also increase them further by paying less to the labour. Hence any actual balance point lying in ZONE IV would mean that the legitimation is entirely abandoned for the sake of accumulation. Hence ZONE IV is called pure accumulation region

Thus, one can argue that the balance line (y = x) divides the entire two-dimensional space mapped by x and y-axes into two areas: the upper part should be named as legitimation region and the lower part should be called accumulation region (see figure 7.2). The detailed analytical descriptions of these regions are given in figure 7.3.

Figure 7.3: Analytical descriptions of accumulation and legitimation regions

| LEGITIMATION REGION | • ZONE I (pure legitimation region)  
|                     | • The area between y = 0 and y = x in ZONE III  
|                     | • ZONE II except the area between y = x and y = 0  
| ACCUMULATION REGION | • ZONE IV (pure accumulation region)  
|                     | • The area between y = x and y = 0 in ZONE II  
|                     | • ZONE III except the area between y = 0 and y = x  |
The Legitimation Level

One may use this model in order to create a variable, which would quantitatively express the balance between accumulation and legitimation in a particular year. For this purpose, one may define the *Euclidian distance* between the actual balance point determined by the state and the corresponding point on the balance line as legitimation level (see the dotted lines in figure 7.4).

**Figure 7.4: The legitimation level at two different points**

If the actual point lies in the legitimation region, the legitimation level will be positive but if the actual point is in the accumulation region it will be negative. The legitimation level allows expressing the outcome of the interactions between the state, capital and labour as a single number.
Therefore, one can scrutinize the behaviour of this variable in order to examine, for example, the impact of elections on industrial relations.

**The Mean Actual Balance**

One can also use this model in order to attain a simple expression of the actual balance between legitimation and accumulation during a given period. For this purpose, one may define the slope coefficient $\Psi$ obtained from the equation $y = \Psi x$ as the mean actual balance. The best estimate for $\Psi$ can be found by using Gaussian least squares$^{231}$. Here it is important to note that $\Psi$ is merely a measure of representation$^{232}$.

Obviously, $\Psi = 1$ for the balance line, and if $\Psi$ is smaller than 1 for a given period then one should conclude that the period had accumulation bias, that is, during this period, in average the system could be maintained by giving precedence to accumulation rather than legitimation. However, if $\Psi$ is larger than 1 this implies that the period had legitimation bias (see figure 7.5). The mean actual balance can be used to link institutional changes and overall political climate with the political economy and industrial relations. Thus, the mean actual balance allows to relate the use of pivotal wages to the way in which some other strategic instrument of the state are used in a particular period, such legal framework or institutional structures.

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$^{231}$ If $f(\psi) = \sum (y - \psi x)^2$ then solving $\lim_{\Delta \psi \to 0} \frac{f(\psi + \Delta \psi) - f(\psi)}{\Delta \psi} = 0$ for $\psi$.

$^{232}$ In other words, $\Psi$ should not be considered as a regression coefficient. The only common thing between $\Psi$ and regression is the use of least squares technique. This is not sufficient to consider $\Psi$ as a regression coefficient for two reasons. Firstly, here the equation $y = \Psi x$ is not used to explain $y$ with $x$. In fact it is the $\Psi$, which is to be explained by appealing to structural and cyclical changes. Secondly, in classical regression theory it is the dependent variable (i.e., the one assigned to the y-axis), which is to be considered stochastic while the independent variable (i.e., the one assigned to the x-axis) should be considered non-stochastic. Obviously, in the analytical model presented in the text, the exact opposite is the case. The implication of all this is that one cannot establish the statistical significance of a particular $\Psi$ value by using t-test based (derived from standard deviations) inferences of classical regression theory. Therefore, in the following pages I design another method for examining the significance of particular $\Psi$ values, which is based on simulations.
Now since the conceptual and operational description of the dilemma theory is completed, it is possible to interpret neo-liberalism in accordance with this framework.

**Re-interpreting neo-liberalism**

Within the confines of the dilemma theory, neo-liberalism may be perceived as a political project which promotes the idea of favoring accumulation at the expense of legitimation. Moreover, it can also be interpreted as a reaction against the strategy of extensive delegation of the accumulation/legitimation dilemma to organized industrial relations which in many countries proved to be not only incapable of handling it without implicating the state but also appeared to be severely limiting the state’s freedom of choice for altering the existing regime. Thus, neo-liberalism motivates governments to actively use their strategic instruments, especially the legal means, to shrink organized industrial relations (see 1 in figure 7.6) while imposing accumulation bias into the
political economy by using pivotal wages and macroeconomic measures. The only instrument reserved for legitimation is hegemonic ideology. Of course, the economic growth that is expected to be triggered by free market, too, would in the long run contribute to the legitimation of the neo-liberal project.

However, by drawing on the insights provided by the dilemma theory one can argue that under the conditions of democracy the persistent pursuit of neo-liberalism is not sustainable and would sooner or later trigger two types of legitimation crisis:

Firstly, if the marginalization of organized industrial relations is not sufficiently rapid (see II in figure 7.6) or the state tries to impose accumulation bias without shrinking organized field (see 2 and I in figure 7.6) then at some point collective organization of workers may be mobilized against the accumulation bias and lead to simultaneous paralysis of the economy and politics. This may be called the explicit crisis of neo-liberalism (see figure 7.6).

Secondly, if or after organized industrial relations is marginalized (see III and IV in figure 7.6), the resulting expansion of unorganized industrial relations would compel the state to use its strategic instruments in order to prevent the feeling of injustice among workers from being permanently directed to employers which may hamper production and lead to accumulation crisis. Consequently, the way in which these instruments are used would implicate the state and be politicized (see V in figure 7.6). Therefore, incumbent governments especially prior to elections would have to take the expectations of the electorate (majority of which would be employed in unorganized industrial relations) rather than neo-liberal prescriptions into account when they make decisions regarding the manipulation of unorganized industrial relations. This may be called the implicit crisis of neo-liberalism (see figure 7.6).

The state, as depicted earlier\textsuperscript{233}, may prevent the recurrence of explicit crisis by shrinking the organized field while simultaneously

\textsuperscript{233} In chapter 5, it is shown that after the large scale protests of 1989-1990 all governments pursued the same policy: allowing pro-worker signals to be sent into organized industrial relations by the new gentleman deal arrangement while enforcing the pro-employer legal framework. This translates into the dilemma theory in graphical terms as 3a and 3b in figure 7.6
imposing legitimation (see 3a and 3b in figure 7.6) but there is no way of preventing the recurrence of implicit crisis (see III, IV and V in figure 7.6).

Figure 7.6: Interpretation and implications of neo-liberalism according to the dilemma theory

Regardless of whether the implicit and explicit crisis of neo-liberalism occur separately or simultaneously, unless sheer coercion is used and so long as the conditions of democracy are retained, the only way to cope with these crises is to impose legitimation bias into the relevant field or
fields of industrial relations, that is, deviating from the neo-liberal course (see 3b and 4 in figure 7.6). Therefore, the role of the state in containment of industrial conflict should be explained by referring to the emergence of explicit and/or implicit crisis of neo-liberalism and the resulting legitimation decisions.

In previous chapters I focused on the dynamics of metal and textile & clothing sectors as cases of neo-liberal environments placed respectively in organized and unorganized industrial relations. During this endeavour I discovered the crucial role played by the state in containment of industrial conflict indirectly by tracing its influence in the scrutinized sectors. In order to apply the dilemma theory to the same empirical circumstances\textsuperscript{234}, however, it is essential to focus directly on the state and to point out explicitly its strategic instruments, especially pivotal wages, which allow it to manipulate organized and unorganized industrial relations. Moreover, it is also essential to recall crucial legal and institutional changes, which might have affected the way in which accumulation/legitimation dilemma was tackled. Therefore, it is useful to reiterate the characteristics of and developments in organized and unorganized industrial relations in Turkey in order to reveal the position of the state in these fields clearly.

\textbf{Adjusting the Focus: Turkey revisited}

In Turkey, collective bargaining was properly legalized in 1963 by the enactment of new industrial relations laws. This legal structure was very conducive for the development of organized industrial relations, and the overall mood in this field until the mid 1970s was relatively peaceful\textsuperscript{235} thanks to the implicit consensus generated by the import substitution policy which simultaneously allowed high levels of profit and

\textsuperscript{234} It is of crucial importance to note the dilemma theory is devised by using the qualitative evidence provided by chapter 5 and chapter 6, and it is tested here by the quantitative data, which is not used in previous chapters. Thus, it is developed by using one data set and tested by using another one.

\textsuperscript{235} It is of importance to mention that when I use the term ‘relatively peaceful’ I refer to the collective bargaining processes rather than overall political climate and the inter-union struggles. Obviously, the intention is neither to underestimate wide-scale worker protests like 15-16\textsuperscript{th} June events in 1970 which was triggered by TÜRK-İŞ’ s attempts to undermine the DISK (Talas 1992:159) nor to discard the brutal consequences of the military intervention of 12\textsuperscript{th} March 1971 (see Zurcher 2003:171).
regular improvements in wages. In this environment the total number of unionized workers remarkably increased and organized industrial relations flourished. However, in 1980 the policy of import substitution was replaced by the project of creating an open market economy in accordance with the tenets of neo-liberalism (Aydın 2005: 43-44). The military coup of that year created the conditions for necessary restructuring. Consequently, the industrial relations laws of 1963 were repealed and much more restrictive laws were enacted in 1983 in order to tame the trade unions (Aydın 2005: 52-56; Boratav 2005: 147-164). These developments indicate that the state influenced the dynamics of organized industrial relations through two quite different legal frameworks: the permissive laws of 1963 and the repressive laws of 1983. One may consider the enactment of these legal structures as strategic decisions to establish and/or alter two distinct accumulation/legitimation regimes: import substitution and export oriented growth.

Organized industrial relations in Turkey is divided into two distinct sub-fields as public and private (see figure 7.7). Public sector is characterized by relatively better conditions for workers and by its (increasingly more explicit) pattern setting influence for the organized industrial relations in the private sector.

Before 1980, the collective bargaining at workplace level determined the wages in various public enterprises, that is, there was no central policy. In this sense there was no difference between public and private sector. The outcomes of bargaining in both of these sub-fields were mutually influencing each other. However, due to the relative easiness of obtaining higher wages in the public sector the collective bargaining at public enterprises have had a pattern setting influence for the private sector negotiations, more than the vice versa (see 1a in figure 7.7). After the neo-liberal shift a centrally controlled mechanism was established and between 1980 and 1989, that is, in Özal period, public wages were strictly determined by governments in order to impose

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236 As mentioned in chapter 5, Özal was the minister of economy in the junta government (1980-1982) and after short absence he appeared as prime minister (1983-1989), and then finally, he became the president until his death (1989-1993). However, from 1989 onwards his strict adherence to prescriptions of neo-liberalism was not pursued by his successors due to rising wave of protests. For sake of convenience I call the 1980-1989 periods, as Özal years, in order to emphasize purely neo-liberal industrial relations policies of the time.
‘market discipline’ to organized industrial relations in the private sector (see 1b in figure 7.7). However, in 1990 the centrally controlled wage determination mechanism was replaced by a gentleman deal arrangement which allowed the joint determination of wage norms by government and the peak labour organization TÜRK-İŞ. These norms could be further adjusted at workplace level bargaining (see 1c in figure 7.7).

Indeed, given the important role played by public wage through the history of organized industrial relations, it can be considered as one of the strategic instrument of the state that could be used to impose accumulation or legitimation on organized industrial relations. In this sense, one should consider the public wage in the terminology of the dilemma theory as one of the pivotal wages controlled by the state. It is important to recall that, as mentioned in chapter 5, due to the privatizations initiated after the neo-liberal shift the share of public sector gradually shrank (see the privatization trend in figure 7.7) but it still accounted for quite a large part of organized industrial relations, and thus, the influence of the public wage on the collective bargaining in private sector remained intact.

In Turkey unorganized industrial relations has always accounted for a larger portion of non-agricultural employment than organized industrial relations. During the pre-1980 period the relative share of the unorganized field was not expanding due to growth in organized industrial relations induced by the permissive legal framework of 1963. However, the neo-liberal shift in 1980 and the resulting inclination towards export-oriented production had crucial impact on unorganized industrial relations. Obviously, expansion of the unorganized field would be very conductive to development of industries, which would compete on the basis of cheap labour. Consequently, after 1980 as the relative share of organized industrial relations in the entire employment declined, the relative share of the unorganized field started to grow\textsuperscript{237} (see the marginalization trend in figure 7.7).

\textsuperscript{237} Increasing immigration, too, contributed to the expansion of the unorganized field. Quite often it is the push factors (such as the war in the Kurdish regions) rather than pull factors which motivate people to immigrate within Turkey. The expansion of unorganized industrial relations results from the inability of formal economy to create sufficient number of jobs for arriving immigrants. Thus, the immigration quite often implies deterioration of living conditions, which leads people to hold on to archaic traditions as the cornerstone of their
As depicted in chapter 6, unorganized industrial relations contain distinct sub-fields, which are distinguished from each other in terms of their degree of formality. For analytical clarity, however, it is still possible to disregard these differences and divide the entire unorganized field into two sub-fields as formal and informal. The informal sub-field has been permanently expanding since 1980 (see expansion trend in figure 7.7): by

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238 See also figures 5.4, 5.9 and 6.3
Dilemma Theory

2000 more than 50 percent of the entire non-agricultural employment was informal (Auer & Popova 2003). Given that trade union density was reduced to around 10 percent of the remaining 50 percent, one can safely argue that by 2000 more than 90 percent of workers were employed in formal or informal unorganized industrial relations.

The expansion of the unorganized industrial relations in such a way may be considered as the outcome of a strategic decision of the state in accordance with the accumulation/legitimation regime promoted by neo-liberalism.

The minimum wage, as depicted in chapter 6, has been crucial for unorganized industrial relations since 1969. It plays different roles at different levels of formality within unorganized industrial relations: at high levels of formality it is the strictly paid wage supplemented by social security and promise of long-term employment but as the level of formality decreases the minimum wage becomes either officially paid wage or the lighthouse wage to be taken as reference both by employers and workers. As explained in chapter 5, after 1980 minimum wage was unilaterally determined by governments (see arrow 2 in figure 7.7). Therefore, one should consider the minimum wage in the terminology of the dilemma theory as one of the pivotal wages controlled by the state.

Having these observations in mind, one may apply the dilemma theory to the case of Turkey in order to see whether it can make sense of the empirical reality uncovered in previous two chapters from a state-centered perspective. This may also shed light on the points, which remained obscure:

i) the link between politics and industrial relations,

ii) the implications of the expansion of the unorganized field and

iii) the impact of economic developments on government policy.239

239 Obviously, the fourth obscure point mentioned at the beginning of the chapter, that is, whether there is a meta principle of the state which forces all governments to manipulate industrial relations in the same way, will be clarified if the entire analysis in this chapter, based on the assumption that it is the accumulation/legitimation dilemma which is the meta principle, is vindicated.
However, before applying the analytical model to the case of Turkey, it is useful to point out the expectations implied by the dilemma theory in order to establish some interpretation guidelines, which might be helpful during the empirical analysis.

**Interpretation guidelines:**

**Expectations deduced from the dilemma theory**

Dilemma theory, as mentioned above, envisages neo-liberalism as a certain way of handling the accumulation/legitimation dilemma, that is, the use of pivotal wages and legal means by the state in order to favor accumulation at the expense of legitimation. This also implies deliberate shrinking of organized industrial relations and thus, inevitable expansion of the unorganized field.

According to the dilemma theory, these measures are likely to trigger explicit crisis in organized industrial relations, that is, political mobilization of the collective action potential against governments, while generating implicit crisis in unorganized industrial relations, that is, emergence of elections as a permanent constraint in the way in which the strategic instruments of the state can be used to manipulate the unorganized field.

The only possible solution for the state to cope with these crises and thereby contain the industrial conflict would be to impose legitimation bias into the relevant field or fields of industrial relations, that is, contradicting neo-liberal prescriptions (see 3b and 4 in figure 7.6). Therefore, in general terms, neo-liberalism implies the following sequence: a *period of accumulation bias, emergence of explicit and/or implicit crisis* and *shift into legitimation bias* (see figure 7.6).

The *explicit crisis* of neo-liberalism can be empirically spotted by observing that elections do have an influence on organized industrial relations and by pointing out first, general irrelevance of industrial actions for legitimation outcomes due to the undermined role of collective bargaining, and second, collective actions against governments.

*The implicit crisis*, on the other hand, can be spotted by the influence of elections for the legitimation imposed into unorganized industrial relations.

In simplest terms, the indication of governments’ success in tackling the explicit crisis would be disappearance of elections as relevant
factors for organized industrial relations due to the re-delegation of accumulation/legitimation dilemma to collective bargaining. Moreover, the use of legal means so as to allow collective bargaining to generate legitimation bias may also be considered as another indicator.

On the other hand, the tendency of imposing increasing legitimation bias into unorganized industrial relations as a response to the expansion of this field may be taken as evidence for the attempts of governments to tackle the implicit crisis.

The impact of economy on the accumulation/legitimation dilemma, on the other hand, can be spotted by examining the relationship between the GDP changes and legitimation levels. The positive and/or negative associations between these variables would indicate the way in which economic circumstances influence the government decisions regarding industrial relations.

**Empirical Analysis**

Having the interpretation guidelines in mind, I apply the dilemma theory to Turkey in three phases: First, after plotting both of the pivotal wages (minimum wage and public wage) against the GDP changes and pointing out industrial actions, elections and distinctive years in the resulting pictures, I derive some preliminary conclusions. Second, I make a period analysis by employing the mean actual balance variable in order to see whether the general sequence envisaged by the dilemma theory (accumulation - explicit and/or implicit crisis-legitimation) is observable and whether the preliminary conclusions may be strengthened further. Finally, by using the legitimation levels generated by the two pivotal wages as dependent variables, I establish two multivariate models in order examine the impact of politics and economy on the dynamics of organized and unorganized industrial relations.

**Phase I: Visual Interpretation**

Figure 7.8 shows the application of the model to Turkey by using the two distinct pivotal wages. The upper panel is based on the minimum wage and the lower one is on the public wage. In both figures the boxed-crosses depict the actual balance points of the 1970-1979 period during which the import-substitution was the main economic strategy and trade
unions were operating in quite a free legal framework. The other crosses show the actual balance points of the 1980-2004 period during which the establishment of an open-market economy was the undisputable maxim and the power of trade unions was severely restricted. The election years are designated with "E", the industrial action years are marked with "S" and years with economic crisis are illustrated with "C". Naturally, some years are marked with more than one letter. In order to facilitate the comparison between the panels each designation is preceded by a number indicating the last two digits of the year of observation.

By looking at the upper panel based on the minimum wage and comparing the number of points above and below the balance line, one may conclude that the preference of the state through 1970-2004 period was more for legitimation than accumulation. Moreover, increasing GDP growth appears to be associated with increasing legitimation. However, one can also see that during these 35 years, the state has entirely abandoned legitimation for the sake of accumulation seven times (see the points in the pure accumulation region), while making the opposite choice only once (see the pure legitimation region). One may further note that during election years (marked with 'E') the choice was made either in favor of legitimation or exactly on the balance line, but never below. In other words, regardless of the economic situation, between 1970 and 2004 governments never favored accumulation over legitimation during an election year. To make this point more clearly, one can examine the government's choices in crisis years (marked with 'C'). Four of the five crisis years witnessed a preference for accumulation over legitimation, so it appears that to favor accumulation during an economic crisis is the usual choice. There is only one exception: when the crisis coincided with elections, the government preferred to abandon accumulation entirely for the sake of legitimation. Finally, by focusing on the years, which witnessed big strikes and public dissidence (marked with 'S') we can see that all four of these years the choice was in favor of legitimation. This suggests that industrial unrest as well as the need to win elections was inducing governments to sacrifice accumulation for the sake of legitimation. The fact that two of the years of industrial unrest coincided with elections suggests a possible link between the two.

On the other hand, the visual interpretation of the lower panel based on the public wage is not so straightforward. Only clear tendency appears to be the association of increasing GDP changes with increasing legitimation. By comparing the number of points above and below the
balance line one can see that through the 1970-2004 periods there was no clear tendency favoring any particular choice: there are 16 points clearly falling into each region while 3 points are placed almost exactly on the balance line. Moreover, unlike the upper panel there is no clear pattern of favoring legitimation at election years. However, during the last years of Özal we find legitimation in both panels (see the years 89, 90 and 91). Each of these three years was marked by mass industrial action and an election. Simultaneous legitimation in both panels is also observable for the year 99 when economic crisis coincided with elections. However, the point referring to the year 95 despite coincidence of elections with industrial action is in the accumulation region in the lower panel while being found in the legitimation region in the upper one.

Obviously, not only there is no clear pattern of accumulation and legitimation in the lower panel but it is also not easy to point out a common tendency in both panels besides some sporadic resemblances and the association of increasing GDP change with increasing legitimation.

As a first approximation, one may explain the difference between upper and lower panels by referring to the defining characteristics of the fields they capture. Due to the pivotal wages that are used in their formation, these two panels reflect dynamics in the different fields of industrial relations: While the upper panel based on minimum wage reflects the dynamics of unorganized industrial relations, the lower panel based on public wage captures the dynamics of organized industrial relations.

As mentioned above, before 1980 there was no particular central policy with regards to organized industrial relations, and the public wages like all other wages were entirely determined at the workplace level by employers and trade unions. In other words, the task of balancing the accumulation/legitimation dilemma was delegated to the collective bargaining structure without direct state intervention. The annual outcomes (see boxed crosses in the lower panel) in terms of accumulation and legitimation reflect the relative power of trade unions in this period: 7 out of 10 points in this period fall into the legitimation region.
Figure 7.8: Accumulation/legitimation through two pivotal wages 1970-2004
However, during the Özal years (1980-1989), the public wage was strictly controlled in order to send low wage signals to the entire economy. In other words, the delegation of the task of maintaining accumulation/legitimization balance to collective bargaining was to great extent revoked and the government directly assumed the responsibility. The simultaneous occurrence of strikes, elections and legitimation at years 89, 90 and 91 in the lower panel may be interpreted as the resulting political mobilization in the organized industrial relations, that is, the explicit crisis of neo-liberalism.

On the other hand, since 1969 the minimum wage has been the main tool to cope with the feeling of injustice generated within unorganized industrial relations. One may argue that the preference for legitimation imposed through the minimum wage before 1980 should be related to the import substitution strategy of this period which required keeping purchasing power of wage earners high in order to provide market for highly protected domestically manufactured consumer goods. In this period the relative size of unorganized industrial relations was rather constant. However, after 1980 the size of unorganized industrial relations started to expand. Consequently, after 1980 the minimum wage assumed increasingly crucial role of pattern setting for the entire economy and it could not be excluded from the political calculations of governments. Thus, one may argue that after 1980 the implicit crisis of neo-liberalism was increasingly present in the system as envisaged by the dilemma theory and this was forcing the state to opt for legitimation, particularly in election years.

One may actually further interpret the legitimation in both panels at years 1989, 1990 and 1991 which mark the end of Özal period and witnessed a general election and large scale industrial actions as the simultaneous emergence of explicit and implicit crisis of neo-liberalism. According to the dilemma theory one would expect the state to cope with these simultaneous crises by imposing legitimation bias into the system. However, at this stage of the analysis it is not possible to detect a shift from accumulation into legitimation.

The gaps in this visual interpretation can be filled and interpretations can be strengthened further by using the other variable proposed in the analytical model: mean actual balance lines.
Phase II: Actual Balance in sub-periods

The balance between legitimation and accumulation in the long run should be influenced by the underlying institutional structure, economic strategy and motivation of governments. Therefore, a periodization on the basis of deep changes in economic strategy, ideology and institutions of industrial relations, should reflect in shifts in the mean actual balance lines between accumulation and legitimation between such periods. This kind of analysis would shed light on some points, which remained obscure in the preceding section.

As mentioned above, in the history of industrial relations in Turkey, since 1970 there were two important turning points: the year 1980 marks the first year of the shift from import-substitution into neo-liberalism, the beginning of the central control over public wages and the commencement of gradual marginalization of organized industrial relations. On the other hand, the year 1990 marks the establishment of gentleman deal arrangement for determination of public wages, that is, the reversal of the central control policy, and it also seems to be coinciding with the simultaneous emergence of the explicit and implicit crisis of neo-liberalism. Therefore, one can divide the entire history captured by the two panels of the preceding figure (1970-2004) into three periods by using these dates as 1970-1979, 1980-1989 and 1990-2004 and then estimate the mean actual balance lines for each sub-period. In this way one may capture the overall mood of each of these periods in terms of accumulation or legitimation bias, and see whether the sequence envisaged by the dilemma theory, which is to be the source of the containment of industrial conflict, that is, accumulation bias - explicit & implicit crisis - legitimation bias, has really occurred in organized and unorganized industrial relations. It is also important to recall that while the dilemma theory does not mention anything on the magnitude of legitimation bias which is to follow the explicit crisis in organized industrial relations, it expects to detect some sign of increasing legitimation bias in the unorganized industrial relations during the course of neo-liberalism due to the expansion of this field and the resulting increase in its importance in politics.

Figure 7.9 depicts the application of mean actual balance tool to both of the pivotal wages for the periods of 1970-1979, 1980-1989 and
1990-2004: the upper panel depicts the minimum wage based lines and the lower one shows the public wage based lines\textsuperscript{240}.

In the lower panel focusing on organized industrial relations there is a clear pattern: while the 1980-1989 line has a severe accumulation bias indicated by a negative slope (\(\Psi_{1980-1989} = -0.34\)) the other two periods, that is 1970-1979 and 1990-2004 both have substantial and quite similar legitimation bias (\(\Psi_{1970 - 1979} = 2.048\) and \(\Psi_{1990-2004} = 2.14\)). Although it was not possible in the previous figure to discern a clear pattern in organized industrial relations, now there is a clear picture which enhances the analysis based on visual interpretation: during the 1970-1979 period the handling of the accumulation/legitimation dilemma was delegated to the collective bargaining structure, which obviously, generated an overall legitimation bias (\(\Psi_{1970 - 1979} = 2.048\)), seemingly due to the strength of trade unions resulting from the permissive laws of 1963.

The meaning of the strict central control over the public wages during the 1980-1989 period is now quite clear: imposing an accumulation bias (\(\Psi_{1980-1989} = -0.34\)) on the system in accordance with the export oriented growth strategy inspired by neo-liberal prescriptions so as to allow accumulation of capital while enhancing the competitiveness of employers in international markets. Finally, the impact of the gentleman deal arrangement on the public wage after 1990 is also obvious: reversing the trend of the previous period and re-imposing the legitimation bias (\(\Psi_{1990-2004} = 2.14\)). Actually, rather similar slopes of the 1970-1979 and 1990-2004 lines (\(\Psi_{1970 - 1979} = 2.048\) and \(\Psi_{1990-2004} = 2.14\)) may imply that although organized industrial relations was increasingly marginalized in the latter period, the position of those who were employed in this field were relatively similar in both of these periods. Indeed, one can see that after 1990, as hinted by the visual interpretation, the delegation of accumulation/legitimation dilemma to the gentleman deal arrangement (and thus, to collective bargaining) has indeed generated legitimation as envisaged by the theory.

\textsuperscript{240} Recall that \(\Psi\) is not a regression coefficient (see the mean actual balance definition given above together with the related footnote). The implication is that one cannot establish the statistical significance of a particular \(\Psi\) value by using t-test based (derived from standard deviations) inferences of classical regression theory. Therefore, here there is no table of standard deviations or t-values for the estimated \(\Psi\) values. Instead I examine the significance of particular \(\Psi\) values by using simulations and by redefining the term significance as historical validity of periodizations. See the subsequent pages for more on this.
Thus, one may argue that the decision to establish a gentleman deal arrangement resulted in the imposition of legitimation bias into organized industrial relations, which, in turn, prevented the recurrence of explicit crisis of neo-liberalism (see 3b in figure 7.6). Consequently, industrial conflict in organized industrial relations was contained through sectoral bargaining systems as in the case of metal sector scrutinized in chapter 5.

In the upper panel focusing on unorganized industrial relations one can also see a clear pattern: while the 1980-1989 line has an accumulation bias (Ψ_{1980-1989} = 0.72) the other two periods, that is 1970-1979 and 1990-2004 both have legitimation bias, though the magnitude of this bias in the latter period is much greater (Ψ_{1970 - 1979} = 1.77 and Ψ_{1990-2004} = 2.44). The previous purely visual interpretation suggested that during the entire 1970-2004 period the overall choice of the state was in favor of legitimation in unorganized industrial relations. However, now we can detect a period of accumulation bias in between two legitimation bias periods: while before 1980 during the import substitution period the minimum wage was used to impose legitimation bias into the system (Ψ_{1970 - 1979} = 1.77 ), the 1981-1989 period, that is, the first decade of neo-liberalism, appears to have witnessed accumulation bias (Ψ_{1980-1989} = 0.72) just to be followed once again by legitimation bias of higher magnitude in the 1990-2004 period (Ψ_{1990-2004} = 2.44).

In other words, there are clear shifts in the way in which the state manipulated the unorganized industrial relations in its attempt to cope with the accumulation/legitimation dilemma. Indeed, the difference in magnitudes of legitimation bias in two periods (Ψ_{1970 - 1979} = 1.77 and Ψ_{1990-2004} = 2.44) can be explained by the expansion of unorganized industrial relations after 1990 due to further marginalization of the organized field and the resulting increase in the number of people for whom the minimum wage was vital. Due to this trend the direct responsibility of governments for coping with the accumulation/legitimation dilemma has also increased. The outcome, as detected by the visual analysis, was the implicit crisis of neo-liberalism, which forced governments to impose higher legitimation bias into the system in order to secure their position (see V and 4 in figure 7.6). This, of course, complies quite well with the expectations of the dilemma theory.
However, one should also note that there has already been an implicit crisis during the first years of neo-liberalism. This can be detected by comparing the magnitudes of accumulation bias imposed during the 1980-1989 period in the upper panel through public wage ($\Psi_{1980-1989} = -0.34$) and in the lower panel through the minimum wage ($\Psi_{1980-1989} = 0.72$). These two numbers are quite different both qualitatively and quantitatively. The reason is that, as depicted in the previous phase of the analysis, during all election years in the period of 1980-1989 governments opted for sending legitimation signals to unorganized industrial relations while sending accumulation signals to organized industrial relations. This was due to the fact that already during the first decade of the neo-liberalism the relative size of unorganized industrial relations was (becoming) large, thus, governments could not risk their position for the sake of being entirely consistent in the use of two pivotal wages. This shows that the implicit crisis of neo-liberalism existed also in the first decade of neo-liberalism which prevented consistent implementation of neo-liberal prescriptions even by the most committed governments.

Finally, we should note that although in the previous visual analysis it was not possible to point out a common pattern in the way in which two different pivotal wages were used, now by comparing the upper and lower panels of figure 7.9, one can see that there was after all a common pattern: in both panels\textsuperscript{241} legitimation bias precedes ($\Psi_{MW1970 - 1979} = 1.77$ and $\Psi_{PW1970 - 1979} = 2.048$) and follows ($\Psi_{MW1990-2004} = 2.44$ and $\Psi_{PW1990-2004} = 2.14$) the accumulation bias of the 1980-1989 period ($\Psi_{MW1980-1989} = 0.72$, $\Psi_{PW1980-1989} = -0.34$). This common feature indicates that despite continuing adherence to the idea of establishing an export-oriented economy, there was a shift from accumulation into legitimation in the entire political economy occurring around 1989 or 1990, following the simultaneous emergence of explicit and implicit crisis of neo-liberalism manifested through large-scale industrial actions in the organized and wide spread resentment in the unorganized industrial relations.

\textsuperscript{241} Abbreviations: $\Psi_{MW}$ stands for mean actual balance imposed by minimum wage and $\Psi_{PW}$ stands for mean actual balance imposed by public wage.
Figure 7.9: Mean Actual Balance Lines by two pivotal wages

Balance Lines imposed by Minimum Wage 1970-2004

Balance Lines imposed by Public Wages 1970-2004
Dilemma Theory

This observation complies with the dilemma theory which also envisaged the same sequence: in order to cope with the explicit and implicit crisis of neo-liberalism the state, through some strategic decisions, imposed legitimation bias into both of these fields of industrial relations and thereby contained the industrial conflict.

However, before accepting this overall interpretation, one should objectively judge the validity of periodization on which the entire argument rests by answering a critical question: Is it possible that despite their substantive historical meaning, the turning points used for the periodization are just arbitrary?

This question can be answered by a simulation exercise that would allow comparing the periodization used in this analysis with all possible random periodizations. For this purpose, one can use the following procedure separately for the upper and lower panels of figure 7.9: (1) choosing a random period size $S_i$ between 4 and 35 (that is taking four years as the minimum length of a meaningful period in which a shift from legitimation to accumulation or vice versa may occur); (2) choosing $S_i$ random years from the period of 1970-2004; (3) estimating the mean actual balance $\Psi_i$ for these $S_i$ years; (4) repeating these three steps 10000 times in order to create a set of randomly estimated $\Psi_i$ values for randomly chosen sets of $S_i$, which due to the central limit theorem should be normally distributed; (5) standardizing the full $\Psi$-set with 10000 values so as to create a probability distribution; and (6) placing the (standardized) historical values $\Psi_1$, $\Psi_2$ and $\Psi_3$, for respectively $S_{1970-1979}$, $S_{1980-1989}$ and $S_{1990-2004}$ on this density distribution and judging the coincidence between their occurrence probability and that of the values obtained from random periodizations. The outcome of this procedure undertaken separately by using public wage changes (for the upper panel) and minimum wage changes (for the lower panel) is shown in figure 7.10.

The outcome of the simulation exercise is encouraging: in the upper panel one can see that both the 1970-1979 and 1990-2004 values ($\Psi_{PW,1970-1979} = 2.048$ and $\Psi_{PW,1990-2004} = 2.14$) fall into the area of randomness, while the value for 1980-1989 period ($\Psi_{PW,1980-1989} = -0.34$) appears to be much less likely to be due to mere chance. This is in line with the fact that both in 1970-1979 and 1990-2004 the task of coping with the accumulation/legitimation dilemma was delegated: the public wage emerged in the former period directly out of collective bargaining at
lower levels, and in the latter period it was the joint outcome of the
gentleman deal arrangement between governments and the peak labour
organization, and the collective bargaining at lower levels. Hence there
was a little chance of pursuing a deliberate policy by governments in
these periods. However, in the 1980-1989 period, the public wage was
centrally controlled for the sake of pursuing a neo-liberal agenda, hence it
was deliberate. In the lower panel the $\Psi$ value of the first sub-period
($\Psi_{1970-1979}^{MW} = 1.77$) falls into the sphere of randomness, the other $\Psi$
values obtained from the second and the third periods ($\Psi_{1980-1989}^{MW} =
0.72$ and $\Psi_{1990-2004}^{MW} = 2.44$) appear to be significant. This means that
legitimation bias that was signalled through the minimum wage during
the pre-1980 may not have been a conscious choice of governments in
the presence of still strong trade unions at that time, but both the
accumulation bias of 1980-1989 and legitimation bias of 1990-2004 do
not appear to be the result of chance.

Thus, one can argue that the interpretation of the period analysis
presented in this section, which strengthened the previous visual analysis
and confirmed the expectations of the dilemma theory has a sound
mathematical basis.

However, there are still three issues which are pointed out by the
dilemma theory and/or spotted during the visual interpretation but still
not entirely proven: do elections really have different influence on
organized and unorganized industrial relations? How does industrial
action influence the dynamics of these fields? What is the impact of
economic conditions?
Figure 7.10: Periodization tests
Dilemma Theory

Phase III: Explaining Legitimation Levels

These questions can be answered by establishing multivariate regression models for the two legitimation series generated by the pivotal wages. These two series are derived for the period 1970-2004 in accordance with the definition mentioned above (i.e., Euclidian distances between the actual points and balance points on x = y line in respective panels of figure 7.8) are depicted in figure 7.11.

![Figure 7.11: Two legitimation series](image)

The dilemma theory and the claims emerged during the previous sections require to include the GDP change, strike participation and elections as well as interactions among these variables into the regression equations as factors that affect the legitimation series. It is useful to reiterate the expectations about the impact of these variables implied by the dilemma theory: so long as accumulation/legitimation dilemma is delegated to collective bargaining one would expect elections to have no influence on the legitimation series determining the dynamics of organized industrial relations (that is legitimation through public wage series in figure 7.11). However, one would expect this series to be positively influenced by industrial action. For so long as collective bargaining remains as the real determination mechanism, workers
demand legitimation directly from their employers by using their associative power through industrial action\textsuperscript{242}.

On the other hand, due to direct accountability of governments, one would expect elections to have positive influence on the legitimation series, which determine the dynamics of unorganized industrial relations (that is legitimation through minimum wage series in figure 7.11). However, one would expect industrial actions to have no influence on this series. For those who are employed in unorganized industrial relations cannot officially strike and their wildcat actions are not recorded. In other words, strikers belong to organized industrial relations and thus, they are not relevant for the legitimation levels in the unorganized industrial relations.

As to the GDP levels, given the rather positive relationship observed in the previous panels between the GDP change and legitimation levels, one would expect the increase in the GDP to have positive influence on both legitimation series. In other words, improving economic conditions should generate more legitimation.

I choose the logarithm of the number of strikers\textsuperscript{243} as the variable that captures the influence of strikes. The GDP is included in the form of annual change while election years are incorporated as a dummy variable (election = 1 and no election = 0). Note that in order to decrease the level of multicolinearity the interaction between log(strikers) and GDP is dropped from the equation\textsuperscript{244}. The resulting models are presented separately for the two legitimation series in table 7.1 and table 7.2.

Before interpreting these tables it is important to note that in order to avoid unjustified influence of large error values, the regression

\textsuperscript{242} Needles to say that, if the accumulation/legitimation dilemma is not delegated to collective bargaining but undertaken directly by governments, one may expect industrial action to be directed against governments.

\textsuperscript{243} The logarithm of strikers allows seeing the strikes as the state sees them; they become important only if the number of strikers increase by thousands.

\textsuperscript{244} For the same reason the other legitimation series as an explanatory variable in each case is also dropped. So the legitimation through minimum wage does not appear as an explanatory variable for the legitimation through public wage and similarly the legitimation through public wage does not appear as an explanatory variable for the legitimation through minimum wage. However, it is important to note that the models established without this constraint despite multicolinearity related changes in significance structure do not undermine the interpretation given in this section.
coefficients and associated probabilities estimated by the method of least squares are complemented with the outcomes of a more robust estimator, the Huber function\(^\text{245}\). So long as the difference between OLS (or GLS) coefficients and Huber coefficients is small the probabilities generated by the former are presented, however, if the difference is large then both coefficients and their respective probabilities are given, and substantive interpretation of the difference is made. Finally, to compare the relative importance of coefficients, all the models are supplemented with OLS (or GLS) beta coefficients.

The table 7.1 reveals the way in which explanatory variables account for the legitimation series generated by the public wage, thus, it reflects the dynamics of organized industrial relations. It is important to note that there are two separate models presented in table 7.1, while model I is established by excluding entries of the years 1983 and 1991 which proved to have large influence, model II includes all entries. Both of these models have significant negative intercepts implying that the organized industrial relations has an inherent accumulation bias\(^\text{246}\) which should not be surprising given the crucial role of accumulation in capitalist production mode. Similarly, in both models the positive GDP growth is significant and associated with increasing legitimation. This

\(^{\text{245}}\) The Huber function is this:

\[
 f (\Delta_i) = \begin{cases} 
 \frac{x_i^2}{2} & \text{if } |\Delta_i| \leq \hat{\sigma} \\
 \hat{\sigma} |\Delta_i| - \frac{\hat{\sigma}^2}{2} & \text{if } |\Delta_i| > \hat{\sigma} 
\end{cases}
\]

where \(\Delta_i = Y_i - \beta X_i\), \(\hat{\sigma} = \text{median} (\Delta) / 0.6745\)

\(Y_i\) = observations of the dependent variable, \(X_i\) = observations of the independent variables, \(\beta\) = coefficients of independent variables

**median** (\(\Delta\)) stands for MAD: median absolute deviation about the median

which is **median** (\(|x - \text{median}(x)|\)) for any random variable \(x\). Note that the MAD of a standard normal random variable is 0.6745. Thus, in order to standardize any particular MAD to obtain a robust variance estimator, one should divide it by 0.6745. Hence is the robust variance expression in the formula. The Huber function is minimized via repeated iterations in order to obtain robust coefficients (for details of Huber estimations see Faraway 2005:98, Kelly 1996:36).

\(^{\text{246}}\) This means that if one can hypothetically discard all the factors then the system would always generate negative legitimation, that is, accumulation.
confirms the expectation that improving economic conditions imply more legitimation. However, the impact of elections variable in these two models is different. While in model I the influence of elections is not statistically different from zero (that is insignificant) in the model II this factor has positive and significant impact. Indeed, beta coefficients of model II indicate that the elections variable has the largest relative impact on the legitimation level. Obviously, model I confirms the expectation that in organized industrial relations elections should not be influential but model II does not confirm this expectation.

The explanation of this discrepancy is in the condition attached to the expectation: elections would not influence organized industrial relations so long as accumulation/legitimation dilemma is delegated to the collective bargaining. However, as depicted above during the 1980-1989 period due to strict control of the public wage by governments the collective bargaining at lower levels cease to be the determining mechanism, consequently, workers employed in organized industrial relations held the government directly responsible and thus, the politics became relevant for organized industrial relations. One may argue that during this period the conditions of explicit crisis of neo-liberalism were emerging. The fact that when two election years in this period is excluded (1983 and 1991) from the analysis, the impact of elections disappears shows that the expectation as to the relation between organized industrial relations and politics and the condition attached to it are both statistically making sense.

One should note the large difference between the Huber and GLS coefficients associated with the elections variable in model II as a further evidence for the crucial influence of these two years. Thus, the insignificance of elections in model I should be explained by the fact that except for the period of 1980-1989 the accumulation/legitimation dilemma was delegated to the collective bargaining, thus, the realm of politics was rendered irrelevant for organized industrial relations.

If we look at the log(strikers) variable in both models which captures the impact of industrial action on legitimation levels, it is also possible to confirm the other expectation regarding organized industrial relations, that is, industrial action has a significant positive impact on legitimation levels.
### Table 7.1

<table>
<thead>
<tr>
<th>Variables</th>
<th>GLS beta coefficients</th>
<th>Huber Coefficients</th>
<th>GLS coefficients</th>
<th>t-values</th>
<th>Associated probabilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intercept_1</td>
<td>-12.522</td>
<td>-13.431</td>
<td>-2.801</td>
<td>0.0093</td>
<td>**</td>
</tr>
<tr>
<td>Intercept_II</td>
<td>-12.515</td>
<td>-13.285</td>
<td>-2.630</td>
<td>0.0106</td>
<td>**</td>
</tr>
<tr>
<td>Elections_1</td>
<td>1.2232</td>
<td>47.977</td>
<td>48.738</td>
<td>1.529</td>
<td>**</td>
</tr>
<tr>
<td>Elections_II</td>
<td>0.5871</td>
<td>18.8747</td>
<td>21.0677</td>
<td>2.002</td>
<td>**</td>
</tr>
<tr>
<td>log(strikers)_1</td>
<td>0.6041</td>
<td>0.6248</td>
<td>1.0558</td>
<td>1.932</td>
<td>**</td>
</tr>
<tr>
<td>log(strikers)_II</td>
<td>0.5183</td>
<td>0.6518</td>
<td>1.0558</td>
<td>1.879</td>
<td>**</td>
</tr>
<tr>
<td>GDP growth_1</td>
<td>0.5318</td>
<td>2.2764</td>
<td>2.1065</td>
<td>2.656</td>
<td>**</td>
</tr>
<tr>
<td>GDP growth_II</td>
<td>0.4595</td>
<td>2.2425</td>
<td>2.1065</td>
<td>2.533</td>
<td>**</td>
</tr>
<tr>
<td>Elections*log(strikers)_1</td>
<td>-1.0254</td>
<td>-3.5245</td>
<td>-3.9605</td>
<td>-0.951</td>
<td>**</td>
</tr>
<tr>
<td>Elections*log(strikers)_II</td>
<td>0.1177</td>
<td>0.8511</td>
<td>0.7769</td>
<td>0.671</td>
<td>**</td>
</tr>
<tr>
<td>Elections*GDP_1</td>
<td>-0.4513</td>
<td>-4.2026</td>
<td>-4.0327</td>
<td>-1.748</td>
<td>**</td>
</tr>
<tr>
<td>Elections*GDP_II</td>
<td>-1.0069</td>
<td>-6.0832</td>
<td>-6.3097</td>
<td>-3.548</td>
<td>**</td>
</tr>
</tbody>
</table>

**Note:** The initial OLS model is transformed in order to solve the heteroskedasticity generated by log(strikers) variable and the resulting GLS models are presented in this table.

**GLS I diagnostics (1983 and 1991 excluded):**
- F-statistic = 2.255 (at 6 and 27 degrees of freedom) and associated probability = 0.0682
- Multiple R-Square = 0.33
- Adjusted R-Square = 0.19
- Condition index: [1.0; 13.8; 36.5; 56.9; 97.8]
- Multicollinearity is possible
- Durbin-Watson: 1.52 & RUNTEST and visual diagnostics reveal no autocorrelation
- GLEJSER test & SPEARMAN rank-correlation test (undertaken for all variables separately) and visual diagnostics reveal no heteroskedasticity.

**GLS II diagnostics (1983 and 1991 included):**
- F-statistic = 3.413 (at 6 and 29 degrees of freedom) and associated probability = 0.0089
- Multiple R-Square = 0.41
- Adjusted R-Square = 0.30
- Condition index: [1.0; 6.3; 11.6; 17.7; 20.2]
- Multicollinearity is unlikely
- Durbin-Watson: 1.22 is in the uncertain region but RUNTEST and visual diagnostics reveal no heteroskedasticity
- GLEJSER test & SPEARMAN rank-correlation test (undertaken for all variables separately) and visual diagnostics reveal no heteroskedasticity.
- Elimination of two highest cools' distance entries (years 1983, 1991) generates the GLS I Model.

Indeed, the beta coefficients of *model I* indicates that the industrial action is the most influential of all significant factors affecting organized industrial relations. One should note that in both models the difference between the GLS and Huber coefficients of log(strikers) variable is large. However, while in model I both probabilities are significant, in *model II* only the probability associated with the GLS coefficient remains
significant. Indeed, this discrepancy, too, should be interpreted as the outcome of the large influence of politics on organized industrial relations during the 1980-1989 period which finally resulted in explicit crisis of neo-liberalism at the end of the 1980s: for if we just focus on Huber probabilities associated with the elections and log(strikers) variables in model II we can see that they are in complete compliance with the expectations associated with the unorganized industrial relations where industrial action is irrelevant for the legitimation outcome but elections are crucial.

Thus, one can further argue that these two Huber probabilities of model II confirm once again the irrelevance of collective bargaining for organized industrial relations during the 1980-1989 period due to strict central control imposed by the state, which finally led to explicit crisis. The analysis of interaction terms enhances these findings\textsuperscript{247}.

We can see that the multivariate analysis confirms all the expectations as to the organized industrial relations that are implied by the dilemma theory and emerged during the course of previous phases of the analysis.

Table 7.2 reveals the way in which explanatory variables account for the legitimation series generated by the minimum wage. Thus, it reflects the dynamics of unorganized industrial relations. This model, like the previous models has a significant negative intercept implying that unorganized industrial relations, too, has an inherent accumulation bias. The positive and significant impact of GDP on legitimation levels is also very similar to the previous models and complies with the expectation that improving economic conditions imply more legitimation. However, the interesting part of the model is the positive significant impact of elections and insignificance of industrial action.

This outcome complies with the expectation that for those employed in unorganized industrial relations politics are the relevant realm for legitimation levels while industrial actions are undertaken by other people for other purposes. Indeed, OLS beta coefficients show that elections are the most influential variable affecting the legitimation levels in unorganized industrial relations. Moreover, the small differences between the Huber coefficients and OLS coefficients can be interpreted as the stability of this underlying logic of unorganized industrial relations.

\textsuperscript{247} See Appendix 1.
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despite the fluctuations in the actual magnitude of legitimation at various years.

Table 7.2

<table>
<thead>
<tr>
<th>Variables</th>
<th>GLS beta coefficients</th>
<th>Huber Coefficients</th>
<th>GLS coefficients</th>
<th>t-values</th>
<th>Associated probabilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intercept</td>
<td>#**</td>
<td>-17.7791</td>
<td>-16.6472</td>
<td>-1.831</td>
<td>0.08 *</td>
</tr>
<tr>
<td>Elections</td>
<td>0.8315</td>
<td>43.0224</td>
<td>41.8965</td>
<td>2.298</td>
<td>0.03 **</td>
</tr>
<tr>
<td>log(strikers)</td>
<td>0.1176</td>
<td>0.7686</td>
<td>0.6737</td>
<td>0.681</td>
<td>0.50</td>
</tr>
<tr>
<td>GDP growth</td>
<td>0.5314</td>
<td>2.5971</td>
<td>2.6233</td>
<td>3.133</td>
<td>0.004 ***</td>
</tr>
<tr>
<td>Elections*log(strikers)</td>
<td>-0.1864</td>
<td>-1.1205</td>
<td>-1.0256</td>
<td>-0.502</td>
<td>0.62</td>
</tr>
<tr>
<td>Elections* GDP</td>
<td>-0.5512</td>
<td>-4.3860</td>
<td>-4.4121</td>
<td>-2.431</td>
<td>0.02 **</td>
</tr>
</tbody>
</table>

OLS diagnostics
-F-statistic = 3.146 (at 5 and 29 degrees of freedom) | associated probability= 0.022 **
-Multiple R-Square = 0.35 | Adjusted R-Square = 0.24
Condition index: | 1 | 7.9 | 19.9 | 21.2 | 49.8 | multicollinearity is possible
-Durbin-Watson: 1.36
RUN.TEST and visual diagnostics reveal no autocorrelation
-GLEJSER test & SPEARMAN rank-correlation test (undertaken for all variables separately) and visual diagnostics reveal no heteroskedasticity
-Elimination of highest cooks’ distance entry impose no alteration in the significance structure

These findings strengthen the idea that since the 1970s the field of unorganized industrial relations, due to its large size, was politicized and this has been the permanent condition during the entire neo-liberal period. This confirms that the implicit crisis has been present in Turkey since the inception of neo-liberalism. The outcome, as clearly depicted by the model, was a permanent pressure for legitimation, which could not be ignored especially during the election periods. This, according to the theory, is the reason for containment of industrial conflict in unorganized
industrial relations. It is important to note that the analysis of interactions enhances these interpretations\textsuperscript{248}.

We can see that, as to the field of unorganized industrial relations, too, the multivariate analysis confirms the expectations that are implied by the dilemma theory and emerged during the course of previous phases of the analysis.

**Assessment**

The three-phase analysis of the way in which the accumulation/legitimation dilemma was handled in Turkey indicates that the pursuit of neo-liberalism during the 1980s implied the imposition of accumulation bias into the entire industrial relations and marginalization of the organized field, that is, a clear break from the legitimation oriented import-substitution strategy, as envisaged by the dilemma theory. The result was simultaneous emergence of explicit and implicit crisis: the undermined position of collective bargaining rendered the realm of politics relevant for organized industrial relations and finally triggered industrial actions against government (see 1 and II in figure 7.6). On the other hand, the expansion of the unorganized field, too, constrained governments' choices due to increasing importance of this subfield for politics (see V in figure 7.6). Consequently, in the beginning of 1990s the state had to deviate from the neo-liberal course and imposed (or created necessary conditions for imposition of) legitimation bias into the both fields of industrial relations by using pivotal wages and making necessary institutional changes (see 3b and 4 in figure 7.6).

Obviously, these events which can be perceived as the sequence of accumulation bias - explicit & implicit crisis - legitimation bias, comply with the expectations of the dilemma theory regarding the consequences of neo-liberalism. Moreover, the analysis, as envisaged by the theory, also confirms that this sequence was generated by the relevance of politics for the unorganized field, and when collective bargaining properly functions, the irrelevance of politics for the organized field.

Therefore, one may argue that the expectations that are deduced from the dilemma theory are confirmed by the empirical analysis\textsuperscript{249}.

\textsuperscript{248} See Appendix 1
Thus, the dilemma theory is capable of accounting for the empirical reality uncovered in previous chapters and providing a state-centered interpretation.

**Discussion**

As the assessment shows dilemma theory is capable of accounting for the empirical reality uncovered in previous chapters from a state-centered perspective, but does it offer something more? How can we relate the findings and interpretations in this chapter to the issues that remained obscure in previous chapters? Namely, i) the link between politics and the organized and unorganized industrial relations, ii) implications of the expansion of the unorganized field, iii) the impact of economy on governments’ industrial relations policy.

Let us examine these issues one by one to see whether the analysis in this chapter provides new explanations and evidence:

*The politics and industrial relations*

The analysis in chapter 5 indicated that, in organized industrial relations, the key for containment of industrial conflict is ensuring the separation of politics from collective bargaining in order to prevent mobilization capacity of workers from being used for political protest. On the other hand, the analysis in chapter 6 suggested the exact opposite for the unorganized field, that is, politics of minimum wage, which generates implicit interaction between workers and governments is the cause of containment and/or management of conflict. However, concrete evidence for these claims was lacking.

In this chapter the dilemma theory provided a theoretical interpretation for both of these claims by describing neo-liberalism as an ideology of sacrificing legitimation for the sake of accumulation and provided the required evidence: as anticipated in the first phase and

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249 It is worthwhile reiterating that this confirmation is not an example of applying a theory to empirical conditions from which it was derived at the first place. For the dilemma theory is devised by using the qualitative evidence provided by chapter 5 and chapter 6, and it is confirmed in this chapter by the quantitative data, which is not used in previous chapters. Thus, it is developed by using one data set and it is confirmed by using another data set. Hence its validity is confirmed at least in the case of Turkey.
revealed in the third phase of the analysis, in Turkey between 1980 and 1989 the shift into neo-liberalism and strict control over public wages, by imposing accumulation bias into the organized field ($\Psi_{PW1980-1989} = -0.34$), undermined the collective bargaining and rendered politics relevant realm for seeking redress as depicted by model II in table 7.1. However, the establishment of gentleman deal arrangement in 1990 severed the link between politics and organized industrial relations by re-delegating the task of coping with accumulation/legitimation dilemma to collective bargaining. This arrangement as depicted in the second phase of the analysis started to generate legitimation ($\Psi_{PW1990-2004} = 2.14$) and as indicated by model I in table 7.1, rendered politics irrelevant for the dynamics of organized industrial relations and thereby prevented political mobilization of the collective action potential. These findings provide necessary evidence as to the nature of the link between politics and organized industrial relations that was lacking in chapter 5: so long as collective bargaining properly functions (that is without direct government intervention in favor of employers) the organized industrial relations and politics would remain separate.

The analysis in this chapter also depicts the exact opposite nature of the link between politics and the unorganized field: the model in table 7.2 shows that the politics have been relevant for the dynamics of the unorganized field through the entire scrutinized period, a finding which confirms the implicit interaction expectation emerged in chapter 6, which was only substantiated by interview accounts.

However, besides providing theoretical leverage and empirical support for the claims emerged in previous chapters, the analysis in this chapter also shows that while the explicit crisis of neo-liberalism, that is, political mobilization of collective action potential in organized industrial relations against neo-liberalism, could be solved by effective re-delegation of accumulation/legitimation dilemma to collective bargaining. But the implicit crisis, that is, politicization of the unorganized field and the resulting constraint in government actions, is likely to be a permanent condition in neo-liberal environments.

This is clearly depicted by the lack of pure consistency in the way in which organized and unorganized fields were manipulated by the most committed neo-liberal government during the 1980s. The government preferred to impose legitimation bias into unorganized industrial relations during the elections years due to its large and increasing size,
while imposing accumulation bias into organized industrial relations, instead of pursuing neo-liberal agenda consistently by imposing accumulation bias into both of these fields. In other words, the analysis shows that resentment of those who were employed in unorganized industrial relations could not be discarded even by the most neo-liberal governments. Thus, since its inception neo-liberalism has been facing the implicit crisis.

This indicates that if organized industrial relations entirely disappear, neo-liberalism is bound to generate at least one type of legitimation crisis, which would, in turn, preclude its implementation.

_The implications of the expansion of unorganized field for the neo-liberal project_

In chapter 5 the expansion of unorganized industrial relations appeared to be the outcome of deliberate government policy of retaining neo-liberal legal framework intact in order to reduce mobilization capacity of workers by shrinking the size of the organized field. On the other hand, the analysis of the unorganized field in chapter 6 suggested that governments, through minimum wage, influence conflict dynamics of this field but they were constrained in the way in which they could manipulate minimum wage. They had to pursue a minimum wage strategy which would prevent wide spread tension and resentment among workers while not damaging the logic of production chains. However, the implications of the expansion of the unorganized field for the neo-liberal project remained obscure.

In this chapter, the dilemma theory envisaged that shrinking the organized field is imperative for implementation of neo-liberal project but it is bound to generate implicit crisis, that is, limiting the policy options of ruling governments as to unorganized industrial relations due to increasing importance of this field for electoral politics. Indeed, the empirical application of the theory revealed (in the second phase of the analysis above) that in Turkey the magnitude of implicit crisis increased gradually and forced governments to impose higher levels of legitimation bias into unorganized industrial relations after 1990.

This development was envisaged by the dilemma theory: the particular use of strategic instruments of the state would influence the relative size of the organized and unorganized fields and, in turn, the relative sizes of these fields would increasingly constraint the way in
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which strategic instruments may be used by the state to tackle the accumulation/legitimation dilemma. The insistence of the state to retain neo-liberal legal framework intact, that is, using one of its strategic instruments in a certain way, in order to marginalize organized industrial relations (see 1, 3a and 3b in figure 7.6), increasingly limited the way in which it could use the other strategic instrument, that is minimum wage (see V in figure 7.6). In other words, being consistent with neo-liberalism in the use of one strategic instrument increasingly precluded such consistency in the use of the other one.

This may be considered as the indication that for the state the consistent pursuit of neo-liberalism with all available strategic instruments is not possible.

Impact of economy on government policies

In previous chapters the extent to which economic developments beyond the control of governments influence the policies regarding the organized and unorganized industrial relations remained unaccounted for. The operational model based on dilemma theory, by defining the economic developments as a stochastic variable, allows examining this obscure point.

The analysis in this chapter indicates two results: firstly, when there is economic crisis governments sacrifice accumulation for the sake of legitimation, that is, adopting a pro-employer stand. However, if economic crisis coincide with elections the choice, at least within the unorganized field, is the opposite: adopting a pro-worker stand and preferring legitimation. Secondly, both in the organized and unorganized fields improving economic conditions are associated with increasing legitimation, that is, governments are likely to adopt a pro-worker stand when economic conditions improve. These findings indicate that unless politics interfere, contraction of economy leads to pro-employer stand and expansion of economy leads to pro-worker stand both in the organized and unorganized industrial relations.

However, the important point revealed by the multivariate models is that the politics of unorganized industrial relations appeared to have constrained the choice of governments in this particular field, that is, implicit crisis of neo-liberalism proved to be capable of overruling the
dictates of economic circumstances. Similarly, the second phase of analysis shows that delegation of accumulation/legitimation task to collective bargaining, too, proved to impose an overall legitimation bias into the system regardless of economic circumstances ($\Psi_{pw1990-2004} = 2.14$). These two findings imply that without curtailing democracy and banning collective bargaining it is not possible to force accumulation bias into industrial relations. For shrinking the size of organized industrial relations in order to prevent legitimation imposed by collective bargaining leads to expansion of the unorganized field (see 1 and III in figure 7.6) which through its link with politics force governments to regularly impose legitimation (see V and 4 in figure 7.6). In other words, under the conditions of democracy it is not possible for governments to pursue the entirely pro-employer policy that is required by neo-liberalism.

Thus, one may once again argue that, if democratization or democracy is one of the features of neo-liberal environments, then the consistent pursuit of neo-liberalism is not possible.

**Conclusion**

The explanations in the preceding section suffice to show that, dilemma theory, not only accounts for the empirical reality uncovered by previous chapters from a state-centered perspective but it also offers a theoretical leverage and provides the required empirical evidence for the issues and questions that remained hitherto obscure. Indeed, by combining these insights provided by the dilemma theory with findings of previous chapters and by referring to the empirical characteristics of neo-liberal environments, one can make a conclusive explanation for the containment of industrial conflict:

*Under the conditions of democracy or democratization capitalist states cannot implement neo-liberal policies in the realm of industrial relations without creating the conditions, which would sooner or later lead to regular deviations from neo-liberalism. The outcome would be industrial peace resulting from the exportation of industrial conflict into the realm of politics with detrimental implications for consistent pursuit of neo-liberalism.*

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250See interaction analysis in appendix A for details.
For, as depicted in chapter 1 (by citing historical developments) and in chapter 3 (by using the state of nature exercise) the implementation of neo-liberal prescriptions requires active and persistent state interventions. However, due to the obligation of capitalist states to cope with the dilemma of accumulation/legitimation, neo-liberalism is trapped in a vicious circle:

So long as organized industrial relations are not marginalized full-fledged implementation of neo-liberal policy of favoring accumulation would not be possible due to the mobilization capacity of workers that may lead to explicit crisis. In order to cope with this problem the state, as envisaged by the hypothesis Iib (see figure 7.1) and depicted in chapter 5, would be forced to make pro-worker interventions in the neo-liberalized collective bargaining systems which would result in generation of legitimation by these systems. In this way for the sake of preventing political mobilization of workers in the organized field, that is, in order to disconnect this field from politics, the state, at least temporarily, would deviate from the neo-liberal course.

However, if and after organized industrial relations largely disappear, the state would be directly held responsible for solving the accumulation/legitimation dilemma for increasingly large group of people employed in the unorganized field, that is, it will face the implicit crisis, and thus, under the conditions of democracy it would regularly be forced to prefer legitimation at the expense of accumulation due to the implicit interaction between workers and governments. This process, as envisaged by hypothesis Iib (see figure 7.1) and depicted in chapter 6, would result in the attribution of the blame for injustice also partly to the state, and thus, it would render the politics the relevant realm and voting the effective medium for addressing grievances generated in industrial relations, and thereby create the necessary background condition for industrial peace while rendering consistent implementation of neo-liberalism impossible.

As one can see, the marginalization of organized industrial relations and thereby prevention of political mobilization against the neo-liberalization of collective bargaining is one of the conditions for full-fledged implementation of neo-liberal prescriptions; however, emergence of this condition implies regular deviations from the course of neo-liberalism at least during the election periods due to the resulting expansion of the unorganized field.
Thus, in neo-liberal environments trying to avoid *explicit crisis* leads to *implicit crisis*, which can only be solved by regular legitimation decisions. The analyses in this and previous chapters reveal that only when the state provides this basic background condition, which seems to be easier to accomplish when economy is expanding, industrial conflict can be contained by other factors and actors. For example, it can be contained by the employer dominated bargaining systems in the organized field as depicted in chapter 5 and by the private labour regulation in the unorganized field as shown in chapter 6.

Having all these findings in mind, one can make the following remark:

*Containment of industrial conflict in neo-liberal environments should be explained by referring to the emergence of explicit and/or implicit crisis of neo-liberalism and the resulting legitimation decisions of the state which is permanently involved in tackling the accumulation/legitimation dilemma.*