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Crisis of Capitalism and (De-)Politicisation of Monetary Policymaking: Reflections from Hungary and Turkey*

Introduction

The technocratic management of money—embodied in the practices of central banks— has long been the underlying restructuring mechanism of national economies and polities under capitalism. Monetary policy has become an increasingly attractive tool for governments particularly in the post-2008 global crisis context. Nowhere is this phenomenon perhaps more apparent than in Europe's periphery where the sharpening and irresolvable contradictions of the global crisis of capitalism and democracy manifest themselves more discernably. The cases of Hungary and Turkey are a case in point. Given this observation, this article explores the question: how can we conceptualize the direction of monetary policy in the European periphery[1] in the post-2008 context?

We approach this question from the perspective that monetary policymaking is fundamentally connected to the political domain and the totality of capitalist social relations. First, we propose to conceptualize the direction of monetary policy in Hungary and Turkey as a *process of (re)politicisation* with a characteristically repressive drift. The constitutive elements of the political discourse throughout the late 2000s in both countries emphasize, on the one hand, the victimization of the countries under the neoliberal austerity prescriptions of global financial capital and its "foreign" representatives and "lobbies." On the other hand, this discourse emphasizes so-called "illiberal" development strategies. In both countries, this right-wing nationalist discourse appeals to wide swaths of the population comprising marginalized socio-economic groups while preserving the capitalist status quo. Second, the process of politicisation has *diverged in both countries*. In the Hungarian case, we identify numerous strategies by the political executive to exercise overt control over the management of money legally and institutionally. In Turkey, alongside the changing discourse, we observe a similar trajectory of governmental politicisation in other issue and policy areas alongside an active and systematic repression of progressive, radical left politicizations. However such a trend in monetary policymaking has not been as *visible* in Turkey as in the Hungarian case until recently. Nevertheless, the lack of visibility does not mean such governmental politicising efforts have not taken place in Turkey[2]. Third, our exploratory research highlights the importance of understanding the processes and goals of both depoliticisation and politicisation, on the one hand, and their (un)intended consequences, on the other. This is possible if we have a contextual understanding of these processes linked to the historical specificity of capitalist social relations, state-form and modes of governance in each country. Such a stance allows for a two-layered critique of the so-called "orthodox" and "unorthodox" economic policies of the capitalist states without presenting one as an alternative to the other.

The mainstream scholarship on central bank independence and independent regulatory agencies have long tended to assert the innate effectiveness of distancing decision making mechanisms from elected officials and politicians due to latter's presumed clientalistic, populist and corruptive tendencies (Kydland and Prescott, 1977, Barro and Gordon, 1983; Cukierman, 1992). These approaches can provide insights into investigating the particular relations between elected and appointed state managers and address the aforementioned *symptoms* of clientalism and corruption within the ranks of the state. While they highlight the urgency of these symptomatic issues, they do not provide a comprehensive account of the root causes of such tendencies.

We contend that this is because in large part they build on an externally defined relationship between state and societal processes; separating the study of the structure and functioning of governmental actions and processes from societal dynamics. Moreover, these approaches often carry the implicit objective of achieving a set of desirable outcomes in economic management and governance – the normative basis of which are often taken for granted as capitalist, neoliberal and orthodox. Thus, the drastic distributional effects and "social welfare function" (or lack thereof) of monetary policies—that is, their class character—which result in systematic income transfers from the working classes to the financial capital are sidelined and neglected (Watson, 2002: 187). In the absence of acknowledging these facets of monetary policymaking, we argue that the mainstream approaches fall short of fully accounting for the public disenchantment with global capitalism, financial establishment and economic orthodoxy which systematically produce social inequalities, asymmetries and exclusion as the underlying reasons behind post-crisis politicisations.

Within the critical strand of political economy, the transformations in this contested policy field have been assessed on the basis of a set of depoliticisation strategies. That is to say: removing the decision making powers and responsibility away from the elected state managers in arms' length fashion (Burnham, 1999, 2001, 2014; Kettell, 2004, Rogers, 2009, 2013). The analytical strength of this scholarship, which builds broadly on the Conference of Socialist Economists (CSE) approach to state and global capitalism, emanates from its holistic approach to forms of governing and social relations. It allows the researcher to position the transformations that take place at policy level within a broader social and political critique. It accounts for their relational and conflict-ridden dynamics based on the class character of the social relations underlying them (Bonefeld, 2014).

This critical scholarship, however, has largely focused on the experience of core capitalist countries in their empirical research and theory building. This article aims to conceptually capture the recent trend of central banking politicisation in Turkey and Hungary and, subsequently, raises the question of whether it carries within it objectives of depoliticisation in these countries- an observation recently made in the post-crisis UK context as well (Burnham, 2014). In so doing, we refer to the observation that repressive modes of governing in both countries risks locking in the politicised monetary policy and isolating it from progressive public critique and contestation. Therefore, we put forward a double-faceted critique of both the pre-crisis depoliticising policy prescriptions (Holmes, 2014) and the post-2008 politicisation in both countries. In our view a political economy approach which explicitly problematises the capital logic and class character of policymaking processes under capitalism is required to put forward such a comprehensive critique. On this basis the article presents reflections from an exploratory analysis of two case-studies with a specific focus on monetary policy. It aims to make a contribution to this critical scholarship through an illustration of these country cases.

In the first section, we present the conceptual tools at our disposal. The second section provides a rationale for case selection and methods. The third section assesses the historical background in both countries, with a particular focus on the depoliticisation trajectory preceding the 2008 global and European crisis. The final section assesses the post-2008 politicisation developments of central banking and central bank-state relations in both countries. In conclusion, we reflect on the insights drawn from these cases for broader debates and studies into (de)politicisation and critical political economy.

1- State, Crisis and (De)politicisation in the Management of Money

In this article we adopt the view that the processes of (de)politicisation should be understood within a critical account of the state as a *form* of social relations and the role of state managers in the management of these crisis-ridden social relations (Clarke, 1991; Burnham, 1994; Bonefeld et. al., 1995; Bonefeld, 2014). Such an approach explicitly problematises the economic-political separation in capitalism that is taken for granted by the mainstream approaches and aims to demystify the existing power relations that it conceals and perpetuates. Through this critical lens, the necessarily conflictual and short-term orientation of the *depoliticisation processes* could be understood as facing constant opposition from politicising dynamics. In particular, these are intensified under crisis conditions, forcing the governments and politicians to reiterate and reinstate depoliticisation in various forms (Bonefeld et. al., 1995; Burnham, 2001, 2014; Kettell, 2004; Rogers, 2009; Sutton, 2016).

On this basis, the most prevalent definition of depoliticisation in the existing literature is the one developed by Peter Burnham with specific reference to the Blair government's economic policies in the 1990s. Burnham defines depoliticisation as:

> placing at one remove the political character of decision-making. In many respects, state managers retain arm's-length control over crucial economic and social processes whilst simultaneously benefiting from the distancing effects of depoliticisation... By switching from a politicised (discretion-based) to a depoliticised (rule-based) system, governments establish credible rules for economic management, thereby altering expectations concerning wage claims, in addition to 'externalising' responsibility for the imposition of financial discipline (2001: 128).

Depoliticisation is conceived here as a *governing strategy* and, therefore, retains its political character, albeit appearing otherwise. Recent research has drawn on this framework to move it beyond the governmental sphere (Hay, 2007: 82-9) and proposed "governmental/societal/discursive depoliticisation" on the basis of the actors and forms involved in particular issue areas and contexts (Wood and Flinders, 2014).

A similar set of subtleties and complexities can be found with respect to the conceptualisation of politicisation. However, it remains more underspecified, leading to multiple, sometimes conflicting definitions and normative values attributed to it. In the mainstream thinking, the link between unorthodox economic policy and politicisation hinges on the notion of discretionary monetary policy, where the electoral cycle is coupled with the business cycle for "short-term electoral expediency" (Hay, 2007: 115). This more discretionary monetary policy then translates into control and management of governance by the executive, and autonomy of the said body is decreased. Unlike the mainstream scholarship which approaches these dynamics in a rather formalistic, binary fashion devoid of political content, the notion gains a critical character when, as outlined above, it is conceived within a broader perspective of diverse governing strategies of the capitalist states in historical perspective.
It is therefore crucial to specify *what/which issue area* is being (re)politicised, *by whom* and in *what way/form* in order to provide a meaningful critical assessment. In other words, instead of conceiving of (de)politicisation 'in general', we approach it as cases of (de)politicisation 'in particular' to be understood in contextual terms.

In this article, we conceive monetary policy to be closely connected with the governing forms of broader capitalist social relations of which the state is a constitutive part. Against this background, the term *governmental politicisation* will refer to the act of returning *visibility* to the political character and control of decision making by the government through substantive policy measures. Relatedly, *discursive politicisation* will address the rhetorical problematisation of an alleged need to politicise decision making *by* the state managers (with or without fully materialising in governmental politicisation or at times accompanied with the depoliticisation strategy).

Since the late 1970s, orthodox monetary policy has come to entail a "dedication to price stability"which implies the seemingly non-negotiable subordination of so-called "real macro-economic outcomes" (e.g., (un)employment, real GDP and its growth rate) to maintaining the stability of the price level, as well as fiscal discipline) (Tobin, 1999: 14). In this context central bank independence is conceived as a means to thwarting the "political business cycle" problem lamented by neoliberal and public choice theorists and "widely promoted by a range of international institutions, such as the World Bank, the International Monetary Fund, and the European Commission, as the most effective guarantor of sound monetary policy" (Hay, 2007: 113). Otherwise, in the interest of winning office, "rational political actors" are incentivized to set inflation targets "that they have no intention of keeping" while market actors will theoretically "anticipate" inflation—a response resulting in higher average unemployment, inflation, and interest rates, as well as lower levels of investment (Alesina, 1989; Kydland and Prescott, 1977 in Hay, 2007: 114). Not bound by electoral commitments independent professional central bankers could treat "potential[ly] public and political disputes about appropriate instruments and settings" as "purely private and technical matters" (Hay, 2007: 116-17).

From 2008 onwards, however, we observe an emerging trend of a re-consideration, critique and, in certain cases, reversal of the prior orthodox strategies pursued in economic management (Morgan, 2009; Mojon, 2010; Mackintosh, 2014, Moschella, 2015). Especially evident from the early 2010s, these gradual and often ad-hoc changes in central banking practices across the globe have been accompanied by a discursive turn towards attributing a more active role to central banks in matters of growth, financial stability and employment (Cukierman, 2011). The crisis has also thrown into question the alleged credibility and trust of central bank policies in the eyes of the public (Walti, 2012; Roth et. al., 2014). Against this background, we turn our attention to the two country cases to trace both the material and discursive changes in central banking and what they mean in terms of a larger scale transformation of state and social relations in times of crisis.

2- Case Selection and Methods

Turkey and Hungary have often been analysed in the scholarship as exceptional cases within their respective designated geographies of Central and Eastern and Southeastern Europe. Often particularistic and Eurocentric theoretical frameworks have been employed, perpetuating and deepening the stand-alone characteristics of each country case, in their deviation from the Western European ideal type (For a recent comparative assessment of the two country cases from such a perspective with reference to the limits of the alleged 'transformative power' of the EU, see Onis and Kutlay, 2017). Recent monetary policy changes in both countries have been previously assessed either in single case study design (Bakir, 2007; Akcay, 2009) or in comparative research design which was positioned within the geographical cluster of Central and Eastern Europe (Mero and Piroska, 2016).

Both countries underwent substantive restructuring in the pre-2008 context in line with both the framework of the Washington consensus and subsequent EU accession requirements (Sadler and Swain, 1994: 390-1; Bedirhanoglu, 2007: 1246-8; Bohle and Greskovits, 2007: 109, Bakir and Onis, 2010; Sonmez, 2011; Gagyi, 2016).The global crisis from 2008 onwards has similarly witnessed the emergence of a period of questioning and revision of the pre-2008 policies.
Even though Hungary is an official EU member and Turkey is a candidate country, we contend that, within the scope of the management of money, the positioning of both economies outside the immediate Eurozone and official control of ECB makes them plausible cases for exploring the common and divergent strategies of the monetary policymakers within the structural constraints and autonomy provided in such a context.

Therefore the two countries set the ground for the assessment of both complex similarities and differences within a common conceptual framework, while critically exploring the plausibility of the said framework beyond established cases in an effort to challenge particularistic, Eurocentric approaches outlined above (George and Bennett, 2005: 19-22; 75-6; 83). To this end a qualitative, exploratory two-case study approach is adopted on the basis of critical textual analysis and supportive evidence from semi-structured interviews conducted in both countries.

Such an approach allows us to retain flexibility to pose a wider number of research questions in order to assess the suitability of the conceptual toolkit of depoliticisation/politicisation. Focusing on these country cases in an interrelated, exploratory manner but not in strictly comparative terms, also cautions against producing rigid periodisation and categorization along ideal typical models. It allows room to assess the changing direction of monetary policymaking in its open-ended, dynamic character (Yin, 2003). Since both the material objectives and discursive justifications and the broader social and political impact of the unfolding politicisation as articulated and practiced by policymakers are under scrutiny, qualitative methods are deemed most appropriate in both country cases in order to identify and give meaning to these mechanisms in depth.

The article presents evidence from two prior, independent in-depth case studies (Donmez, 2012; Zemandl, 2017). In the case of Turkey, key resources include CBRT's annual reports, press releases, interest rate decisions and online media coverage in the post-2001 context. In addition the article draws on the semi-structured interviews that were conducted in Ankara and Istanbul with the former senior CBRT officials in 2009-2010 period. The interviewees were asked open-ended questions regarding their involvement in monetary policy formulation and implementation in the post-2001 context, the central bank-government-treasury relations, degree of independence that the central bank and its staff exercised vis a vis the government, business associations and trade unions in comparison to the pre-2001 period. However gaining access to interview current CBRT officials has not been possible. Given this limitation to investigate the internal transformation and politicisation of central banking in the post-2010 period, the online database of parliamentary deliberations available from the website of Grand National Assembly of Turkey for the 1999-2015 period was also consulted in order to gain insight into the content of the more recent and ongoing debates surrounding the central bank, government-central bank relations and the forms of framing of monetary policy considerations in the assembly. In the case of Hungary, key resources include the National Bank of Hungary (MNB)'s annual reports, time-series data on monetary council decisions, minutes of the monetary council meetings, official opinions of the European Central Bank, press coverage available online and semi-structured, open-ended interviews with central bank insiders conducted during 2013, reflecting a mixed profile of policy preferences (i.e., orthodox approach versus new "unorthodox" approaches of the Fidesz-KDNP ruling government). The questions focused on what different respondents emphasized and considered salient in terms of the MNB's policy goals, functions, and organizational culture under Governor Simor and changes under Governor Matolcsy during the ruling Fidesz-KDNP government.

3- Brief historical background in the pre-2008 context: Integration into the global capitalist system and depoliticisation

With the neoliberal capitalist restructuring of the national economies in the aftermath of the global crisis in the late 1970s, the depoliticisation attempts took the monetary form of disciplining through the initial promotion of privatisation and financialisation in Hungary and Turkey with the full support of the IMF and World Bank as noted earlier (Boratav, 1990)[3]. In the Turkish context, privatisation efforts remained partial and incomplete despite substantial sales of large scale public sector companies and institutions, partly due to an emerging public sector workers' movement and unionising from 1987 onwards. Eventually financialisation was forced to support the rolling over of public debt, which remained consistently high and fed the crisis dynamics of the 1990s, with the simultaneous development of fictitious capital accumulation (Akcay, 2009; Gungen, 2010).

In the case of Hungary, the integration into the global circuit of capital visibly accelerated from 1989 onwards when the country officially became one of the Central and East European 'transition' countries (Borocz, 2000; 2012; Gagyi and Eber, 2015; Gagyi, 2016; Gerocs and Pinkasz, 2017). Gerocs and Pinkasz (2017), with specific reference to the accumulation dynamics in the automative industry, argue that this integration has increasingly taken a dependent form with large scale privatisations, the foreign direct investment flows especially in electronics and car manufacturing sectors and European Union transfers as part of the global restructing of capital and labour in this period[4].

3.1 The strategy of depoliticisation: The 2000s in Turkey and Hungary

A series of crises (currency/banking in Turkey and debt/fiscal in Hungary) catapulted both countries onto the path of depoliticisation in central banking—the accepted conventional wisdom of the late 1980s and 1990s. The 2000-2001 financial crisis emerged as a key turning point for the thorough restructuring of social relations in Turkey. The double crises (November 2000 and February 2001) initially occurred as a currency and banking crisis which, as it unfolded, revealed the more serious structural problems inherent in capital accumulation and policy making (Akyuz and Boratav, 2003; Yeldan, 2002). As a number of interviewees suggest, the state managers, especially in the Treasury and Central Bank, had been continuously deliberating the idea of putting forward a thorough depoliticisation agenda during the 1990s. However restructuring could not be initiated until the crisis broke.

The outcome of the process was a de facto technocratic government in the post-2001 context and the appointment of one of the Vice Governors of the World Bank to the post of Minister of Economy[5]. The ongoing ascendancy of the technocrats in economic policy making throughout the 1990s, a development which also took place in Hungary (Gagyi, 2015; Gerocs and Pinkasz, 2017), especially those of the Treasury and the Bank vis-à-vis the State Planning Organisation and Finance Ministry is noteworthy here. This is reflected in the fact that the IMF carried out negotiations primarily with the Treasury, the CBRT technocrats and only the Minister of State responsible for economy from the Cabinet as a number of interviewees noted. In other words the rule of the market was reinserted on social relations through independent regulatory agencies in the banking sector, agricultural and energy markets and, fundamentally, the disinflation strategy of an independent central bank (Bakir, 2007).

While in Hungary there was no such landmark crisis in the same period, widely accepted orthodox monetary policies were already being implemented under then-governor Gyorgy Surányi of the MNB (1995-2001). Suranyi was appointed by Prime Minister Gyula Horn, who was facing runaway economic debt in the mid-1990s and appointed several “pragmatic problem solvers” into his administration (Inglot, 2003: 227, Hungarian Spectrum, 2009). Surányi was widely credited with bringing inflation under control, and helping transform the MNB ‘into a truly independent central bank’ (Kopits, 2014: 104). Similar to the Turkish case, this central banking approach remained largely unquestioned and taken for granted throughout the 2000s. Even in the midst of crisis (2007-2013), the orthodox position was notably reflected in the bank's discourse about price stability and the emphasis on caution or risk aversion in times of crisis (e.g., MNB, 2012: 11, 18; Johnson & Barnes, 2015: 548).

Between 2001 and 2005, albeit numerous crisis potentialities in national and global terms, depoliticisation efforts through central bank independence has delivered relatively "positive" material outcomes from the point of view of state managers in Turkey as interviewees also highlighted. Among them were reduced inflation, growth recovery, enhanced competitiveness, increased capital inflows in line with the priorities and objectives of the policy. However high unemployment rate coupled with a mounting private consumer debt problem and difficulties to depoliticise the tax and social security system persisted and deepened in this period simultaneously (CBRT Data, Annual Reports, 2002-2006). Bakir and Onis (2010: 79-80) explain these discrepancies in policy outcomes with the overemphasis of the reforms on 'prudential regulation' without sufficient attention paid to the rapid financialisation of the Turkish economy in this period. This process has further led to debt-led growth with dire consequences for income distribution away from households to the financial sector (ibid: 79).

In terms of its impact on public debate, the political interest and controversy over monetary policy indeed largely increased in this period in Turkey. However, following Kettell (2008), the form and character of the interest demonstrated the short-term "success" of the depoliticisation strategy since the Central Bank was largely on target with most criticisms and controversy over monetary policy- shielding the governments from the effects of unpopular policies (Akcay, 2009).

The pre-2013 period of central banking in Hungary came to be associated with a quintessential marriage between the doctrine of monetary orthodoxy and notions of independent and non-bureaucratic, cooperative working methods as many interviewees emphasized. It lasted until the Pandora's box of the global financial crisis was opened and the financial sector came to be discursively associated *not* with independent, intellectual prudency as propagated, but with the reign of concentrated capitalist interest—backed by foreign interests and central banks. The effects of crisis eventually engulfed Hungary - and a land-slide election victory for the right-wing opposition (Fidesz-KDNP) to boot – was a game changer. The global financial crisis hit households and small businesses struggling to repay loans denominated in foreign currency. The new ruling coalition used the occasion to bring the virtues of orthodoxy to a debate and to exercise unprecedented political power over financial institutions, including the Central Bank, as well as in other policy areas (Szikra, 2014; Johnson and Barnes, 2015; see also Zemandl, 2017).

4- The emerging politicisation trajectory: The Impact of the 2008 Crisis and its Aftermath

In the context of the latest global crisis and austerity, several questions arise with regards to the mission of central banks. The deepening of the crisis has called for more systemic and holistic responses in a political environment which has increasingly come to question the alleged credibility and legitimacy of the doctrine of independent central banking. From a critical political economy perspective, this process was closely linked to the return of Keynesian thinking and the resulting re-invention of the role of the state in the economy (Inman, 2013; Economist, 2016). Within this context the following section analyses the manifestations and processes of post-crisis politicisation of central banking in Hungary and Turkey, in terms of commonalities and divergent trends.

4.1 The manifestations of discursive politicisation of monetary policy in Turkey and Hungary

We trace similar processes of *discursive* politicisation in both countries, involving verbal attacks on central bank policies and the articulation of domestic alternatives to accepted policy doctrine. However, in the case of Turkey, the form of discursive politicisation was directed at the CBRT's policy decisions. Substantive politicisation was reserved for other domains of economic policy. Not dissimilarly, in the case of Hungary, verbal attacks levelled at the MNB occurred in conjunction with the pursuit of the politicisation of other domains of economic policy led by then-Minister of National Economy, Gyorgy Matolcsy who would later be appointed Governor of the MNB. The MNB's discursive politicisation served as a harbinger of the institution's subsequent governmental politicisation.

In Turkey, two seriously contested policy rate increases took place in the summer of 2006 and in the autumn of 2008 at the onset of the global crisis (CBRT Annual Reports, 2006-8). It was also a period in which a major controversy over the appointment of the new Bank Governor (Durmus Yilmaz took office in 2006 for a period of five years) and the government's proposal to move the location of the Bank from Ankara to Istanbul broke out (Akcay, 2009: 254-280).

This period reflected the consolidation of the depoliticising impact of the strategy on the level and quality of public debate (Hay and Watson, 1999; Kettell, 2008). There were a number of rhetorical threats from within the government to reverse the Bank's independence and explicit controversy between the government and the Bank over its alleged "high interest rate, low exchange rate" policy, as reflected in the wide media coverage (Ankara Chamber of Commerce, 2007; Ozatay, 2007; Sonmez, 2007). However, no such reversal actually took place. Instead the government exploited the opportunities of having transmitted its control over monetary policy to the independent central bank by jumping into the bandwagon of criticizing the Bank alongside business and exporters associations and unions. The Bank ultimately lowered policy rates from September 2007 and November 2008 onwards after the brief increases between May-July 2008 as an initial reaction to the global crisis (CBRT Interest Rates).

Nevertheless, these developments did not result in fully fledged adoption of an ‘unorthodox’ position in economic policy making due to the state managers' efforts to ensure that certain pillars of economic policymaking remained *seemingly* outside the political process[6]. On the other hand, the government articulated a discourse which repeatedly promised the signing of a new IMF stand-by agreement from May 2008 onwards in order to garner credibility without an actual commitment (Financial Times, 5 Dec 2008; 27 Jan, 10 Feb, 16 May, 20 June 2009). This stance presented the crisis as though it were outside the dynamics of the Turkish economy. It was argued that the economy proved much more resilient than it had been in the pre-2001 period (Prime Minister Speeches, Sep-Dec 2008; see also Onis and Guven, 2011).

An overview of the content of parliamentary debates during the 2007-2010 period reveals that a set of criticisms were initiated against the effects of the Bank's monetary and credit policies on the “real” sector (Parliamentary Debates, 23. Term, 1-4 Legislative Years). By late 2008, the Ministers responsible for economy came to explicitly acknowledge the effects of the deepening crisis on the domestic economy (3. Legislative Year 17.Meeting 13/Nov/2008 Thursday, p. 33). Nevertheless the-then Prime Minister and the Finance Minister were still insistent that “this is not an economic crisis but a financial crisis” and that “this crisis is not Turkey's crisis, this is a global crisis” (28. Meeting 16/Dec/2008 Tuesday, p. 13, 67-8). The rhetoric of “turning crisis into opportunity” and emphasis on the “inevitability of change to which everyone needs to adapt” complemented this representation of crisis *and* restructuring (ibid., p. 13, 15). The 2009 budget deliberations set off heated debates in the parliament, including discussions on the substantial modifications of the CBRT’s mandate. As a member of parliament stated: “The Central Bank must definitely take initiative in this process. [It] must be taken toward a policy orientation to look out for the real economy beyond its focus on the inflation target, monetary and credit policies.” (79. Meeting 21/Apr/2009 Tuesday, p. 7).

However, the Ministers' response to these challenges did not fundamentally divert from the depoliticisation principle in monetary policy making as they reiterated the importance of the CBRT's independence (37. Meeting 25/Dec/2008 Thursday, p. 126). Without explicitly impinging on the official status, institutional structure and governing of the Bank, the AKP government had instead chosen to politicise other areas of economic policy, namely fiscal policy and borrowing via increases in the Treasury borrowing limit (37. Meeting 25/Dec/2008 Thursday, p. 127), incentive/stimulus packages for select sectors and industries and a new public finance and debt management law (110. Meeting 25/Jun/2009, Thursday, p. 41).

The transformation of the crisis into a European sovereign debt crisis across the continent from 2010 onwards has had a lasting effect. This period also set off the formulation of a policy mix towards 'a flexible monetary policy' with "lower policy rates, a wider interest corridor and higher required reserve ratios" with a renewed and explicit mandate to uphold financial stability alongside price stability (CBRT AR, 2010: 27, 32, 43; CBRT Press Releases, No: 2011-23, 26-27, 29, 40-41; CBRT website). These changes appear to have aimed at striking the balance between two objectives at the same time: providing the required amount of money into circulation to offset recessionary effects, facilitate the conditions for accumulation and avoid any medium-term inflationary effects and exchange rate risks due to the relaxed credit mechanism and easier borrowing conditions from the Bank (CBRT AR, 2010). In terms of the way these measures have been discussed in the public political domain, the occasional calls for the change of CBRT mandate to include the objectives of "production and employment", the overhaul of the floating exchange rate regime and the issue of CBRT's location change from Ankara to Istanbul further intensified in the 2010-2011 period (Parliamentary Debates, 4th and 5th Legislative years; Jul, Dec 2010; Jan-Feb 2011). The uncertainty surrounding the change of CBRT governor in 2011 also became a matter of contestation in this period. The "policy mix" has continued with intensifying foreign exchange interventions by the Bank to overcome periods of volatility and stabilize the exchange rate. Continuous appraisals as well as criticisms within the public debate have accompanied this process as to whether this amorphous policy toolkit is and could indeed be a successful one (Hurriyet, 4 Jan 2012; 8 Jan 2012; Parliamentary Debates, 24th Term, 2nd Legislative Year, Dec 2011). We observe that the post-2010 period was marked more by the debate and contestation over the exchange rate, growth and the current account deficit than inflation targeting and price stability (Hurriyet, 9 Jan, 26 Jan 2012)[7].

In the case of Hungary, we characterize the form of discursive politicisation as distinctly nationalist[8] (articulation of domestic policy alternatives) and as a harbinger of governmental politicisation of the MNB. This politicisation of monetary policy unfolded in a particular context – that of the Fidesz-KDNP ruling coalition two-thirds majority electoral victory and "so-called" mandate in 2010, the fall out in Hungary from the global financial crisis and recession, and the 2014 elections in which Fidesz-KDNP were expected to retain power. These major events and their consequences led to a markedly more nationalist economic policy discourse on the part of the ruling coalition, emphasizing Hungary's independence from the external influence of international financial institutions, credit rating agencies, and foreign banks (also reflected in its criticism of traditionally "western" and European values) and a call for national "cooperation" and "harmony" (Simon, 2011; K.A., 2013; K.M., 2013; Feher, 2014). Among Prime Minister Viktor Orban's declarations were that the country "had let go of neo-liberal economic policy" (e.g., "letting go of the policy of austerity, just before [Hungary was] about to share the fate of Greece"). By 2014, Hungary had become "an economic success story, which Europe, too, is slowly beginning to acknowledge" (Orban, State of the Nation Address, 2015). "The most popular topic in thinking today is trying to understand how systems that are not Western, not liberal, not liberal democracies and perhaps not even democracies, can nevertheless make their nations successful," citing China, Turkey, and Russia as examples (Orban, 2014).

Prime Minister referred to Hungary's "new direction in 2010" as the moment when the "new era of national politics began" (Orban, State of the Nation Address, 2015). This new direction was synonymous with a rejection of foreign debt and a departure from liberal democratic politics more generally (Orban, 2014; 2015). Feeding off of nationalist sentiment, including from voters who had moved to the far-right due partly to wider disenchantment with neoliberal economic policies, the government's discourse centered on Hungary's independence from debt-led growth, which was argued to have lasted between 1960 and 2010 (ibid.). However it is crucial to emphasise that this discourse, albeit seemingly anti-liberal, was not anti-capitalist.

Since coming into power in 2010, the ruling government had repeatedly clashed with the EU and the ECB regarding taxes, constitutional issues, central bank independence, as well as the foreign-currency loans (e.g., Feher, 2014). Much of this discourse was fueled by the foreign-currency loan fallout, in which hundreds of thousands of Hungarian borrowers' monthly payments skyrocketed thanks to Central European currencies plummeting in value against the Swiss franc in 2008. The foreign banks which had initially sold these loans at formerly favorable exchange rates became the target of widespread public anger—an important factor in Fidesz-KDNP garnering a landslide victory in 2010. The ruling coalition took it upon itself to find a nationalist solution to the problem in the run up to the 2014 elections. It passed legislation allowing borrowers to convert outstanding loans from francs and euros into forints at market rates, while also burdening the (mostly foreign) banking sector with additional taxes (Economist, 2014). The ruling coalition's credibility was further augmented in 2013 when Hungary repaid to the IMF its outstanding debt of 2.5 billion euros "from a 2008 emergency loan program" (Dunai & Szakacs, 2013) and the country was able to exit from the European Union's excessive deficit procedure (Council of the European Union, 2013). Against the backdrop, the government could successfully position itself, both discursively and substantively, against the prevailing western dominance of its economy, including financial sector (Gagyi and Eber, 2015: 605-6; Gagyi, 2016: 359-360).

The engineer behind this discourse and subsequent policy measures was Gyorgy Matolcsy—a key figure inside the ruling Fidesz party and Prime Minister's "'right-hand man'" in economic affairs (Dunai, 2016)[9]. Together with the PM, he "spearheaded the government's criticism of the [MNB]," criticizing its "'strong forint' policy" and favoring some measure of inflation in order to kick start economic growth and avoid deflation (Buckley & Eddy, 2013; KA., 2013; Reuters, 2013; Zemandl, 2017). Moreover, in positioning himself as a defender of national interests, Matolcsy had openly "called on the four major credit rating agencies to start negotiations on Hungary's rating upgrade," as well as on "the resignation of Olli Rehn" for having "conducted bad economic policy" at the European Commission (K.A., 2013).

Matolcsy furthermore cited "traditional economic policy" as the reason for the ousting of 19 failed EU member state governments at the polls. According to the bank governor, the unorthodox path deviates from the traditional one because it is built on "solidarity" rather than "austerity" (K.M., 2013). There was also a tendency to cast Hungary's direction as the new normal. Matolcsy had argued that the world's largest central banks followed an unorthodox monetary policy after the great recession: "since August of last year, we, the majority of the monetary council were always right in this respect" (K.M., 2013).

These statements are reflective of a repeated emphasis on the government's overarching System of National Cooperation which was authored by Fidesz-KDNP with the supposed aim of defining the principles and common goals uniting Hungarian society (Lambert, 2016). There was a deliberate goal to "harmonize" fiscal and monetary policy (e.g., Than and Szakacs, 2012) and to aim for a "strategic partnership" between the MNB and the cabinet while adhering to price stability (e.g., Reuters, 2013)[10]. Thus, unlike in the case of Turkey, where discursive politicisation sustained depoliticised strategy in monetary policy materially, discursive politicisation in Hungary signaled and was part of an evolving substantive paradigm shift.

4.2 Governmental politicisation of monetary policy in Hungary and reflections on Turkey

This section analyses the *governmental* dimension of the MNB's politicisation, with reflections on how the Turkish case thus differs. In the name of Fidesz-KDNP's overwhelming electoral mandate, nationalist policy discourses developed in the general context of increasing centralization and ministerial take-over of previously more-or-less independent organizations. Between 2010 and 2013, there has been a palpable endeavor to bring the Bank in line with the "electoral mandate"—a phrase often and strategically employed by the ruling coalition in its discursive defense of controversial policies. This is evidenced by Fidesz-KDNP's controversial amendments to the MNB Act CCVIII of 2011 (Zemandl, 2017)[11]. There were two rounds of political appointments to the MNB monetary council made under Fidesz-KDNP. The first turnover took place in 2011. The second shake-up in 2013 saw the replacement of Simor and his two deputies, with Matolcsy and three new deputies commencing the substantive policy changes at the MNB. Thereafter, the translation of the prevailing nationalist discourse into so-called unorthodox policy involved a pro-growth stance, including—among other measures—a preference for reducing and maintaining low interest rates, designing cheap, domestic financing instruments, the absorption of banking supervision (absorbing the

Hungarian Financial Supervisory Authority into the MNB), and the concept of "self-financing" in order to increase the bank deposit portfolio (MNB, 2014: 7).

Matolcsy's takeover also involved the passage of a new MNB Act entering into force on October 1, 2013. The Act integrated financial supervision and consumer protection functions into the central bank's structure, and a Financial Stability Council was also established for micro and macro-prudential issues[12]. While the previous crisis years saw mixed responses (rate cuts, increases, and rates unchanged), 2013 was characterized by consecutive rate cuts.[13]

The "policy dilemma" of the post-crisis period, or the problem of weak demand and subsequent calls for looser monetary policy, on the one hand, and persistently high inflation carrying implications for the medium-term, on the other, culminated in 2012 (MNB, 2012). The monetary council members appointed by the ruling coalition broke with the orthodox policy actors by the summer of 2012. From March 2013, with a new executive leadership at the helm, the Governor voted in favor of decreases for the remainder of the year, as did all other Fidesz-KDNP appointed members. The majority of council members continued to vote for rate reductions until August 2014 (Magyar Nemzeti Bank, no date). From August to December of 2014, members unanimously voted to maintain rates (Magyar Nemzeti Bank, no date).

Similar to CBRT, MNB's politicisation had been visibly manifested through its internal structural changes, which sparked criticism in the media among policy experts and analysts because they featured a markedly stronger emphasis on loyalty to government policies (e.g., via select hirings, firings, loyalty tests), a reinstituted hierarchical management structure, and a more politicised cadre of middle management (Varkonyi, 2013; Simon, 2013; Reuters, 2013; Zemandl, 2017). In this scenario, the doctrine of orthodoxy and the sheltered ivory tower of knowledge were not only questioned, but incrementally and partially dismantled in the interest of a nationalist capitalist political and economic agenda, i.e., garnering a secure super majority from the economically and politically disenchanted working classes and electorate in the context of crisis. The MNB's path to 'unorthodoxy' was legitimated by Fidesz-KDNP's electoral victory, paving the way for "harmonizing" fiscal and monetary policy.

In Turkey, by comparison, it was the proponents of the pre-2008 orthodoxy who were particularly critical of the pro-growth, low interest rate policy of the Bank during this period (Hurriyet, 2 February 2012). The Bank's interventions into the exchange rate have often been viewed as de facto competitive devaluations fueling growth and inflation simultaneously and, therefore, interpreted as the Bank's implicit surrender to government pressure (Parliamentary Debates, 24th Term, 2nd- 3rd- 5th Legislative Year, Feb, Nov-Dec 2012, Feb-Apr 2013, Dec 2014). The Prime Minister and his Cabinet ministers' continuous mention of the "interest rate lobby" and the need to support the exporting industries and foreign trade have also contributed to such an outcome (Hurriyet, 2 March 2012; Akcay, 2014; Birgun, 8 March 2015; Parliamentary Debates, 1 July 2013, 19 Dec 2014).

The onset of the growing societal politicisation that reached its peak in June 2013 and the subsequent rifts within the ranks of the state and government set off a new period of monetary policy tightening (which subtly ensued in early 2013). It included policy rate increases in July 2013 and, finally, a very significant increase in January 2014 (CBRT website, Policy Rates Data). The process, while demonstrating that the Bank could still exercise its mandate in relation to price stability despite delay, also set off a renewed discursive battle between Erdogan in particular and the Bank, the recent manifestation of which could be observed from early 2015 (Guardian, 23 March 2015; Financial Times, 9, 12 March 2015; Parliamentary Debates, Feb-Mar 2015). This trend has become more pronounced from late 2015 onwards as the political pressure over the Bank in formulating and implementing its monetary policy found more space in the press. Efforts on the part of the government to support small and medium sized companies, the construction business and Islamic capital have been frequently highlighted (The Economist, 2016, 2016a; Al-Monitor, 2017). The internal struggle and sharpening contradiction within the capitalist state as revealed in the contested coup attempt in the country also contributes to the complex picture in Turkey and the underlying dynamics of its divergence from the case of Hungary. In the post- July 2016 purges, the central bank has been among the many targeted state institutions with 105 employees dismissed (Bloomberg, 2017).

In the post-2008 context, the monetary policymaking and central banking has been rather discursively politicized by the government without an explicit legal/institutional revocation of the independent status of the Bank and its operations as observed in Hungary. This, in line with Akcay (2014), indeed meant that the formal independence of the Bank continued shielding the government from the impact of potential unpopular policies and, simultaneously, accrued credibility for those that become successful (Parliamentary Debates, 14 Dec 2013, 4 Sep 2014). Building on this arm's length control over the monetary policy pillar in this fashion has allowed space for the government, alongside other dynamics, to politicize and articulate a strongly oppressive discourse and practice in a number of other issue areas outside economic policy (Donmez, 2014). Depoliticisation, therefore, was not absolute or all-encompassing. While in the case of Hungary, the discursive politicisation was a *harbinger* of governmental politicisation and the latter could be legitimised in the context of the ruling government's seemingly "successful" nationalistic economic policy, the Turkish case demonstrates how *limiting* politicisation to the discursive form in monetary policy until recently served to legitimise politicisation of other areas.

Conclusion

This article aimed to shed light on the contested post-crisis dynamics in monetary policymaking in two country cases, Hungary and Turkey. The peripheral positioning of both countries has previously resulted in a rather constrained policy autonomy due to either the formal inclusion (Hungary) or potential promise of being part of the European Union (Turkey). In addition, both followed the textbook restructuring recipes streamlined by the IMF and EU from the early 1980s in the Turkish case and 1990s in the case of Hungary. Despite the divergent historical trajectories of the two countries, the situation by the late 1990s and early 2000s was similar in both cases and in line with the predominant trends seen elsewhere within the periphery of global capitalism. This was also the ground upon which the post-2008 backlash and search for the so-called nationalist alternative governing strategies emerged.

Against such a background, the global crisis played a crucial role in the changing trajectory of economic policy making and discourse in both countries- with slight temporal variation. The discourse surrounding this trajectory change was more about the so–called motto of "turning crisis into opportunity" in Turkey, while in Hungary it was rather a nationalist reaction against the EU's (mis)handling of the deepening crisis – with a rationale and final outcome not too dissimilar. The constitutive elements of this political discourse throughout the late 2000s also carry similar elements in both countries in terms of the victimization of the countries under austerity prescriptions of global financial capital and its "foreign" representatives and "lobbies".

While both central banks underwent discursive politicisation, in Hungary this was part of a broader nationalist discourse and changing economic paradigm. In Turkey it was confined to opportunistic verbal attacks against a backdrop of politicisation of several (extra-)economic domains. Moreover, in Hungary, we observe a more comprehensive and systematic process of governmental politicisation, manifested as overt structural control of central banking alongside a major paradigm shift in economic and monetary policy. In the Turkish context, we are confronted with a more complex picture due to the presence and eventual suppression of a growing left-wing opposition in the post-2013 period and the strong explicit rift between different ranks of the state (i.e. Central Bank vs. government, government vs. president, judiciary and police as it became evident with and escalated further from the corruption scandal of late 2013). The latter dynamic, we suggest, may still lead to the overlapping of politicising dynamics with depoliticised forms of governing in the Turkish context, while the Orban government possesses a stronger grip, enabling a tighter, and more centralized control over monetary policy making. Recently more fundamental and systematic substantive politicisation efforts have become visible in this policy field in Turkey along similar lines to the Hungarian case as highlighted earlier (Birgun, 2015; 2015a; 2016; 2016a).

These reflections bode well with an understanding which treats the politicizing and depoliticising processes as parts of diverse governing strategies of the state managers. We contend that these are not necessarily mutually exclusive or separable from each other on the basis of a strict historical periodisation, but potentially co-existing and overlapping (Burnham, 2014). Our research in the context of these two countries also highlights the importance of understanding both the process, the goals and (intended/unintended) consequences of (de)politicisations. First, both country cases demonstrate how uncontested processes of depoliticisation stand on weak foundations of legitimacy and their institutions particularly vulnerable during major crises. Second, they demonstrate *how* such crises can trigger various processes of politicisation, potentially leading to increasing centralization and repressive governmental control. We argue that it is possible to recognize these dynamics if we have a contextual understanding of these processes within the historical specificity of the capitalist social relations, state-form and modes of governance in particular contexts. Conceiving discursive and governmental politicisation as state strategies in this manner allows us to uncover that seemingly illiberal, anti-neoliberal discourses and policies perpetuate the capitalist status quo in repressive form in the case of both countries. Such a stance also allows for the double critique of the so-called "orthodox" and "unorthodox" economic policies without presenting one as an alternative to the other. In this light we would like to further pose the question: Does the politicisation process as identified here in the cases of Hungary and Turkey lead to policies that are nevertheless shielded from contestation and perpetuate existing class and power relations in a context which is increasingly centralized and ultimately depoliticising? If so, what forms of politicisation can lead to progressive, emancipatory outcomes beyond these reactionary state-led variants? The critical assessment of the Turkish and Hungarian cases herein sheds light on the need to continue further research in this direction with the aim of uncovering these interrelated dynamics and demystifying the conflict-ridden nature of social relations and state under capitalism.

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[1] For the purposes of this article 'European periphery' refers to an analytical, not a geographical, category referring to the hierarchical characteristic of European capitalism which became more overt with the unfolding global financial crisis since 2008(Milios and Sotiropoulos, 2010). While identifying Spain, Portugal, Greece and Ireland as the 'internal periphery' of the Eurozone in line with Lapavitsas et. al. (2010: 4), Milios and Sotiropoulos (2010: 230) emphasise that 'there is an even sharper division between the core of the Eurozone and several countries in Eastern Europe, which might be called the external periphery. Since 2008 the latter has also entered a crisis with similar characteristics to that of the internal periphery' (ibid.). Therefore the concept does not refer to a specific typology of state in reified form (peripheral vs. core) (Burnham, 1998 cited in Sutton, 2016).

[2] The legal and institutional transformation of the management of money in a politicised manner have not been as rapid and observable in Turkey with systematic changes in the central bank law and direct political appointments from the Cabinet to the central bank governor post as in Hungary in the post-2010 period. However there have been incremental legal changes in appointment and selection criteria of the senior bank staff in 2012 and the appointment procedure, professional background and experience of the new Governor in 2016 in particular have been criticized strongly in the media (Gurses, 2016). The rise of visible political pressure over the central bank in Turkey through the Economic Coordination Board and the recent governmental proposal in changing the Central Bank Law, however, have come onto the governmental agenda and become more strongly pronounced in the media during the 2015-17 period (Ozatay, 2016. Birgun, 2016a).

[3] The seven-year long ban on union organisation and activism and party politics following the 1980 military coup certainly facilitated the swift adoption of these novel tactics by suppressing active dissent and opposition in the public political realm in Turkey. Boratav (1990: 224) suggests that the 1980s witnessed 'fundamental deterioration in the relative economic position of labour in general against capital in general; and, secondarily to important changes in the balance of forces within the sub-groups of the dominant classes in the Turkish society'.

[4] It drastically transformed the ownership structure of the industries towards a concentration in transnational corporations, led to profit and income transfers in the medium term and exacerbated the current account problems and external debt burden (Gerocs and Pinkasz, 2017). The presence of cheap, highly skilled labour power as well as geographical proximity and developed infrastructure was particularly attractive for global capital (ibid.).

[5] Some analyses highlighted the 'political' and 'institutional entrepreneurship' of the former WB Vice Governor, new Economy Minister Kemal Dervis, in facilitating and justifying this neoliberal policy framework (Bakir, 2009).

[6] Bakir (2009a: 73) argues that there was also reluctance and 'ideational rigidity' within the central bank itself towards implementing expansionary monetary policies in this early phase of the unfolding crisis.

[7] It should be noted that the fixed inflation rate target of 5% has not been met from 2012 onwards but it was achieved in 2009 and 2010 thanks to its upward revision (CBRT Website, Inflation Targets Data). Following a brief increase in its short term lending rate in 2010 and 2011, CBRT continuously lowered it until the summer of 2013 while also gradually lowering its borrowing rate until early 2014.

[8] Nationalism is defined more broadly as “an ideology seeking to establish or promote the unity, identity, and autonomy of a nation or potential nation” (Shulman, 2000: 368), while “financial nationalism" is more precisely “an economic strategy that employs financial levers - including monetary policy, currency interventions, and other methods of interaction with local and international financial systems - to promote the nation’s unity, autonomy, and identity” (Johnson & Barnes, 2015: 536).

[9] Gyorgy Matolcsy as economy minister (2010-13) had been one of the key authors of the ruling coalition’s economic policies which were characteristically pro-Keynesian (e.g., Novak, 2014) and included hiking taxes on banks and other sectors, nationalizing private pension assets, and seizing private-sector assets for the state (e.g., Reuters, 2013; Than and Peto, 2013).

[10] Several of the MNB’s policies since Matolcsy’s takeover, including its tendency to reduce interest rates, the “Funding for Growth Scheme,” its expanded role as the country’s chief financial supervisory authority (having absorbed the Hungarian Financial Supervisory Authority),its highly controversial spending on real estate and other national assets, and its setting up of foundations which were shown to have benefitted close allies of Matolcsy and Fidesz are reflective of this policy and discourse. In the interest of space, this paper cannot cover each of these issues.

[11] In response to attempted amendments to the MNB Act, the ECB and wider foreign press sounded concerns (ECB Press Release, 2011, 2012). This legal wrangling is illustrative of the government’s attempt to pull the institution closer to its political agenda against largely unquestioned orthodox norms of central bank independence.

[12] The MNB made reference to the link between the passage of the act and the financial crisis. “The negative repercussions of the financial crisis in Hungary and the best practices of several EU Member States have both demonstrated that the harmony between macro and micro level supervision is indispensable for the prevention and resolution of individual or systemic financial crises.” (Magyar Nemzeti Bank, 2013: 8).

[13] A period of conservatism commences from January to August 2012, with interest rates either unchanged or increased. One interviewee described how “behavior changed” after the crisis, with policy experts becoming more “more risk-averse”. In the first half of 2012, the monetary council did toe the line of risk aversion, the majority deciding either to increase rates (Simor and his two deputies) or to maintain them at the current level (MNB, 2012: 7).