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PINAR DONMEZ AND EVA ZEMANDL

State, crisis and politicisation of economic policymaking: Reflections from Hungary and Turkey

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ABOUT THE AUTHORS

Pinar Donmez has been a Research Fellow at the Center for Policy Studies of CEU since January 2014. Her doctoral research investigated crisis and restructuring in post-2001 Turkey from a critical political economy perspective. She is interested and would like to learn more about theories of state and modes of governance under capitalism, social movements and strategies of resistance.

Eva Zemandl is a PhD Candidate at the Doctoral School of Political Science, Public Policy and International Relations. Her current research interests include social and employment policy in Europe and the role of bureaucracy and public administration in policy-making.

CENTER FOR POLICY STUDIES
CENTRAL EUROPEAN UNIVERSITY
Nádor utca 9.
H–1051 Budapest, Hungary
cps@ceu.edu

STATE, CRISIS AND POLITICISATION OF ECONOMIC POLICYMAKING: REFLECTIONS FROM HUNGARY AND TURKEY

Pinar Donmez and Eva Zemandl

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ABSTRACT

This working paper aims to explore the increasing role and impact of government-led repoliticization in Hungary and Turkey in the context of the post-2008 crisis and restructuring. Politically and economically positioned within the periphery of Europe both countries have gone through a thorough restructuring process in the pre-2008 context. Whilst this process has introduced and consolidated depoliticized forms of governance to a certain degree in both countries, the global crisis from 2008 onwards is claimed to have led to the emergence of a reverse process of politicisation towards a clearly visible ministerial control over the management of money in the Hungarian context and the intensifying discursive attempts to politicize monetary policymaking in the Turkish context while still retaining its formally depoliticized character in material terms. Similarly in both countries the process has been going hand in hand with the entrenchment of an increasingly authoritarian discourse and practices in various issue and policy areas as part of the overall management of the crisis-ridden capitalist social relations. The paper aims to explore these similarities and differences in these country contexts within a critical framework of (de)politicization and make an original contribution in advancing research in this field beyond the established case studies in the existent literature by focusing on the periphery of Europe.

1. INTRODUCTION

The latest global and European crisis from 2008 onwards has cast doubt upon widely held assumptions and practices in what politics and policymaking is and should be about. This renewed clash of perspectives as well as material practices is nowhere more pronounced than in the broader domain of economic management which is understood here to be organically connected to the political domain and the totality of social relations. Within this expansive field of economic policymaking the management of money, embodied in the concrete practices of central banks, emerges as the underlying restructuring mechanism of national economies and polities in the era of close interconnectedness of the global financial system. Nowhere is this phenomenon perhaps more apparent than in Europe's periphery. The examples of Turkey and Hungary as potential trend setters in the politicization of monetary policy – or a rising popularism in economy policy as a whole - are notable. Given this empirical observation, this paper explores the question: how can we conceptualize the direction of monetary policy in the European periphery in the post-2008 context?

The mainstream literature on economic management, central bank independence and independent regulatory agencies has long tended to assert the innate efficiency and effectiveness of distancing decision making mechanism from the elected officials and politicians in this policy area due to their perceived clientalistic and corruptive tendencies (Kydland and Prescott, 1977, Barro and Gordon, 1983; Cukierman, 1992). These approaches in large part build on an externally defined relationship between state and societal processes which leads to the separation of the study of structure and functioning of governmental actions and processes from societal structures and dynamics. This often results in a formalistic and individualistic assessment of state actors and policies with an implicit objective of achieving a set of desirable outcomes in economic management and governance formulated in line with orthodox economic thinking.

Within the critical scholarship of political economy, the transformations in this contested policy field for the past two decades have been assessed on the basis of a set of strategies of depoliticisation, that is removing the decision making powers and responsibility away from the elected state managers in arms' length fashion (Burnham, 2001, 2014; Kettell, 2004, Rogers, 2009). The analytical strength of this scholarship emanates from its holistic approach to state, forms of governing and social relations which allows the researcher to position the transformations that take place at policy level within a broader social and political critique. It does not investigate these dynamics/realms/agents in a relationship of exteriority and dichotomy (state vs. society, elected politicians vs. technocrats) but point towards their relational and conflict-ridden character on the basis of the capitalist character of the social formation and resulting economic management. Scholars also utilized the concept of depoliticisation to refer to removing/distancing an issue area from public political debate towards the non-governmental and/or private realm whilst muting political contestation and emergence of alternatives within the formally democratic political settings (Hay, 2007; Wood and Flinders, 2014). The critical scholarship however has largely focused on the experience of core capitalist countries in their empirical research and theory building similar to the mainstream strand in this respect.

The peripheral countries emerge as key nodal points in the current (re-)configurations of power within global political economy under crisis. The dynamics of depoliticisation and repoliticisation in the domain of domestic policy processes manifest themselves in rather extreme fashion in the context of peripheral countries given their precarious position within the world system vis a vis the capitalist core. For this reason they deserve in-depth critical assessment to be able to identify the convergences and divergences from the core but also from within the peripheral countries themselves.

Against this background the rationale for focusing on Turkey and Hungary in tracing the evolution of these processes in the post-2008 context is the following: Both countries represent two cases in the periphery of Europe across the Central -Eastern and Southern European axis (despite the differences in terms of EU membership status) that have gone through a substantive restructuring in the pre-2008 context in line with both the framework of (post-)Washington consensus and subsequent EU accession requirements. Whilst these processes have introduced the depoliticized forms of governing in both countries in the state and decision making structures, the emergence of the global crisis from 2008 onwards has led to the emergence of a reverse process of re-politicisation. The latter took the form of a clearly visible ministerial control over central banking coupled with discursive politicisation in the Hungarian context and the intensifying discursive attempts to politicize monetary policymaking in the Turkish context. This paper aims to conceptually capture this trend in the periphery, which may mark a new trajectory in monetary policy on a wider scale. The paper endeavors to fulfill a second function; it presents an exploratory case-study based research on the critical assessment of the (de)politicization framework in these two country contexts with a specific focus on monetary policy area. It aims to make a contribution to this critical scholarship through an illustration of these country cases.

Therefore we would like to investigate what kinds of forms/manifestations of (re)politicization emerge within the specificities of these countries and whether it is possible to assess these dynamics within a common conceptual framework.

The paper proceeds as follows: in the first section we present the conceptual tools at our disposal. The second section assesses the historical background in both countries leading to 2008 European crisis framing the dynamics within the theoretical framework proposed. The third section will solely deal with the post-2008 developments on the central banking and central bank-state relations in the context of two countries.

2. STATE, CRISIS, DEPOLITICISATION AND RE-POLITICISATION

The act of depoliticising cannot be understood fully without a critical account of state as a form of social relations, state managers and their overall role in the management of crisis ridden social relations (Clarke, 1991; Burnham, 1994; Bonefeld et. al., 1995). Such an approach would enable us to explore the underlying dynamics and their material basis therein. Otherwise debates into these processes cannot advance beyond the given horizons of the mainstream literature and remain in purely descriptive and reified form. In this manner the necessarily conflictual and short-term orientation of the depoliticisation *processes* could be understood in facing constant opposition from politicising dynamics, especially intensifying under crisis conditions, and forcing the governments/politicians to reiterate and reinstate the depoliticising moment in various forms, shield themselves from criticisms and outside demands, seek credit for the favourable policy outcomes or adopt a politicised mode of economic management altogether (for critical appropriations of the concept within such a framework, see Bonefeld et. al., 1995; Burnham, 2001, 2014; Kettell, 2004; Rogers, 2009).

On this basis the most prevalent definition of depoliticisation in the existent 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. As a form of politics it seeks to change market expectations regarding the effectiveness and credibility of policy-making in addition to shielding the government from the consequences of unpopular policies... 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. The stronger (and more distant) the set of 'rules', the greater manoeuvrability the state will achieve, increasing the likelihood of achieving the objectives" (2001: 128)*

As can be seen, this definition of depoliticisation is conceived with reference to the perspective, motivations and strategies of the managers of the state governing capitalist social relations. It is perceived here as a governing strategy and therefore retains its political character albeit appearing otherwise. Recent research has drawn on this framework to sharpen the explanatory power of these constructs and move it beyond the governmental sphere (Hay, 2007: 82-9) and proposed "governmental/societal/ discursive depoliticisation" to differentiate subtleties on the basis of the actors and forms involved in particular issue areas and contexts (Wood and Flinders, 2014, Policy and Politics, 2014 Special Issue).

A similar set of subtleties and complexities can be found with respect to the conceptualisation of (re)politicisation. However the concept itself remains more underspecified which leads to multiple, sometimes conflicting definitions and normative characteristics attached to it across different disciplines and research areas. In the mainstream thinking, the link between unorthodoxy and politicization 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, p. 115). This more discretionary monetary policy then translates into control and management of governance issues 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, the notion gains a critical character when conceived within a broader perspective of diverse governing strategies of the capitalist states in historical perspective as outlined above.

Surely not every (re)politicising attempt leads to the complete overhaul of the decision making process in a policy area by the central government and its "corrupt" officials as often presumed by the neoliberal orthodoxy nor towards the mobilisation of progressive social and political forces to address a particular issue at hand (cf. on examples of such progressive politicisation in gender politics and the politicising role of women's movements, see Krizsan ed., 2015; Johnson, 2011; on similarly related morality issues, Engeli et. al, 2012). Therefore in our view it is 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 using this conceptual kit.

In this paper we focus primarily on the state-led politicisation of economic policy making with respect to the specific field of monetary policy as we identify this policy area closely with the governing forms of broader capitalist social relations of which the state is a constitutive part. On this basis the term "governmental politicisation" will refer to the act of returning the visible political character and overall control of decision making back to the elected government whereas "discursive politicisation" will address the rhetorical problematisation of a presumed need to politicise decision making in this manner by the state managers (with or without fully materialising in governmental politicisation).

When we particularly focus on the field of economic policy making and central banking through this lens, we observe an interestingly evolving trend historically. Since the late 1970s, orthodox monetary policy has come to entail a "dedication to price stability" (Tobin, 1999, p. 14)[1]. In the European context the European Central Bank (ECB) is in fact obligated to maintain the purchasing power of the *Euro* currency (Article 127 of the Treaty on the Functioning of the European Union), which includes keeping inflation below 2% (European Central Bank, 2011[2]). The implication of such an approach is 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, p. 14).

The link between orthodoxy and de-politicization hinges on the notion that, whilst monetary policy is a "salient topic in public debate" through media, forums, parliamentary debate, issue networks, and advocacy coalitions, it remains outside the control and management by central government (Wood, 2013). De-politicization entails taking issues important to the wider public off of the executive political agenda and putting them in the hands of theoretically independent "'neutral' experts in technocratic and economic management[3]". As Hay (2007) notes, "central bank independence is 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" (p. 113). It is a means to thwarting the "political business cycle" problem lamented by neoliberals and public choice theorists (Hay, 2007, p. 113). Otherwise, in the interest of winning office, "rational political actors" are incentivized to set inflation targets "that they have no intention of keeping" and, therefore, "will interfere with the natural business cycle of the economy to the detriment of its long-term performance" (p. 114). More specifically, 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, p. 114).

In the interest of keeping with the orthodoxy of "anti-inflationary credibility" and "good economic performance", the neoliberal and public choice wisdom contends that politicians can make a credible commitment to an inflation target through the panacea of a politically independent body. An independent central banking governance structure is, therefore, the domain of professionals, who treat "potential[ly] public and political disputes about appropriate instruments and settings" as "purely private and technical matters" (Hay, 2007, p. 116-17). Although subject to public scrutiny through various governmental accountability mechanisms (i.e., parliamentary review), these experts are not bound by electoral commitments.

From 2008 onwards, however, in large part due to the drastic impact of the global crisis, 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 late 2000s and early 2010s, these gradual and

1 Tobin, J. (1999). Monetary policy: Recent theory and practice. Cowles Foundation Paper, No.975, 13-21.

2 European Central Bank (2011). The monetary policy of the ECB 2011. Frankfurt am Main: European Central Bank.

3 https://www.opendemocracy.net/ourkingdom/2008/01/29/why-we-hate-politics-by-colin-hay-the-politics-we-deserve

often ad hoc changes in central banking practices across the globe have been accompanied by the re-emergence of 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 made a drastic impact on the alleged credibility and trust of central bank policies in the eyes of the public (Walti, 2012; Roth et. al., 2014). It is in this context we intend to turn our attention to the two country cases in order 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.

3. HISTORICAL BACKGROUND IN THE PRE-2008 CONTEXT

3.1. Turkey

In the context of Turkey and the area of economic policy making, one could notice the synchronisation of depoliticisation efforts and key moments of crisis historically.

It could be argued that in the pre-1980 context the management of capitalist social relations has been coupled with short-term yet partial and incomplete tactics of depoliticisation corresponding to the recurrent economic and political crises of the late 1950s, 1960s and 1970s. It is not surprising to observe that the timing of domestic depoliticisation efforts in the form of military interventions coincided with the moments of global overproduction/overaccumulation crises during the post-1945 period. Similarly the aforementioned historical turning points have marked significant changes in the formation of Turkish capital as detailed in the work of Ercan (2002) within a broader theoretical account of global and domestic circuits of capital. It is surely not possible to bundle the differing dynamics of each of these historical turning points in a formalistic and general assessment of depoliticisation and antipolitics. Each period has demonstrated elements of continuity and rupture in terms of the emergence and development of capital accumulation in Turkey.

Adherence to orthodoxy

With the neoliberal restructuring of the national economies in the aftermath of the global crisis in the late 1970s, the attempts of depoliticisation have equally been transformed into a more monetary form of disciplining through the initial promotion of privatisation attempts and financialisation in Turkey from 1980 onwards with the full support of the IMF and World Bank. The seven-year long period of ban on union activism and party politics following the 1980 coup d'etat certainly facilitated the swift adoption of these novel tactics by suppressing active dissent and opposition in the public political realm.

Whilst privatisation efforts aimed to allegedly remove the role of the state and state managers in the accumulation process, the financialisation and financial liberalisation was considered to be a complementary measure to the latter in bringing the much needed reserve money and money capital to the national circuit in the context of the assumed decline of the role of state. Interestingly enough these efforts too remained partial and incomplete in so far as they encountered rapidly growing resistance from labour (public sector workers' movement in particular) from 1987 onwards with the lifting of political ban. In the context of failure of much of the privatisation agenda in this period, financialisation process was instead 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). Nevertheless their partial success and effect on societal common sense rested on elevating the money power of capital (Bonefeld et. al., 1995) into a key mechanism of organisation of everyday life which progressed further into the post-2001 period in the Turkish context.

The impact of the 2000-2001 double crisis and the unfolding strategy of depoliticisation

The 2000-2001 financial crisis emerged as a key turning point after which a thorough restructuring of social relations through the depoliticisation of economic management ensued. The double crises (November 2000 and February 2001) initially occurred in the form of a currency-cum-banking crisis which subsequently revealed the more serious structural problems inherent in capital accumulation and policy making as it unfolded[4]. Despite the fact that state managers, especially in the Treasury and Central Bank, had been continuously deliberating and negotiating the idea of putting forward a thorough depoliticisation agenda during the 1990s, restructuring could not be initiated until the crisis broke (TI1-TI4).

It could be argued that the 2000-2001 crises allowed the elected government act not so dissimilarly to the military technocratic governments of the previous decades. The outcome of the process was the formation of a de facto technocratic government in the post-2001 context in the aftermath of the appointment of one of the Vice Governors of the World Bank to the post of Minister of Economy by Ecevit himself. The ongoing ascendancy of the technocrats in economic policy making throughout the 1990s, especially those of the Treasury and the Bank vis-à-vis the State Planning Organisation and Finance Ministry, is reflected in the fact that the IMF carried out negotiations primarily with the Treasury, the CBT technocrats and only the Minister of State responsible for economy from the Cabinet (TI1, TI2). In other words, the monetary disciplining replaced the role of the military form of disciplining of capital and labour in the Turkish context by reinserting the rule of market, competition and value-form 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 (Donmez, 2012). Hence the formally "democratic" but the highly technocratic form of restructuring.

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 -reduced inflation, growth recovery, enhanced competitiveness, high export performance, increased capital inflows despite the persistent problem of high unemployment coupled with a mounting private consumer debt problem and difficulties to depoliticise the tax and social security system (CBT Data, Annual Reports, 2002-2006, TI1-TI3, TI4). This period coincided with Sureyya Serdengecti's governing period in the central bank which was in large part a period of strict following of the orthodox monetary agenda of price stability and inflation targeting.

4 For detailed assessments on the causes, dynamics and unfolding of the 2000-2001 crises from a variety of perspectives, see Alper, 2001; Yeldan, 2001, 2002; Ozatay and Sak, 2003; Egilmez and Kumcu, 2008; Ekinci and Erturk, 2007; Akyuz and Boratav, 2003.

In terms of its impact on public debate and opinion on central banking and monetary policy the political interest and controversy over monetary policy has indeed largely increased in this period. However, following Kettell (2008), the form and character of the interest has demonstrated the relative "success" of depoliticisation strategy since the Central Bank was largely on target of most criticisms and controversy over monetary policy- shielding the governments from the effects of unpopular policies (Akcay, 2009; Donmez, 2012).

3.2. Hungary

As a peripheral capitalist country set for eventual Euro adoption, Hungary has, until recently, followed widely accepted orthodox monetary policies since the onset of post-socialist transition. Similar to the Turkish case, this central banking culture remained largely unquestioned and taken for granted throughout the first decade of the 21st century. But the global financial crisis of 2008 which eventually engulfed Hungary - and a land-slide election victory for the right-wing opposition (Fidesz-KDNP) to boot – was a game changer. The consequences of orthodox monetary and banking policies trickled down to struggling households, working class, disadvantaged and discriminated segments of society. 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 independent Central Bank.

The discursive and legislative evolution in Hungary from orthodox to unorthodox monetary policy in the age of post- global financial crisis is captured by the change in policies and internal-governance of the Hungarian Central Bank under the governorships of András Simor (appointed by previous Socialist-led government, 2007-2013) and Gyorgy Matolcsy (appointed by Fidesz-KDNP government, 2013 -). "Orthodox" policies under Simor are synonymous with the more de-politicized approach to central banking. That is, the central bank is formally insulated from the interference of ruling party or coalition and positioned within the *non-governmental yet public domain* (Hay, 2007; Wood, 2013). Conversely, "unorthodox" policies under Matolcsy could be considered more in line with a politicized approach to central banking. In other words, the central bank is usurped by the ruling party or coalition in the form of greater centralized control and meddling. In this scenario, monetary policy is brought back into the *governmental domain* (Hay, 2007; Wood, 2013).

Comparing the Hungarian Central Bank (MNB)'s policies and internal governance under Simor's final year of leadership (2012) to that of Matolcsy's first year (2013) is indicative of the movement toward re-politicization of monetary policy in Hungary.

Adherence to orthodoxy

Under Simor, 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. The MNB's 2012 annual report explicitly toes this orthodox line of *price stability.*[5]

5 "In accordance with Article 127 of the Treaty on the Functioning of the European Union, the MNB Act, which establishes the Bank's primary objectives and basic tasks as well as its institutional, operational, personal and financial independence and operation, stipulates that the primary objective of the MNB is to achieve and maintain price stability [. . .] The organizational objective of the Bank is to be excellent, both in terms of professionalism and operational conditions, and to be among the best central banks. The motto of its strategy adopted in 2007 is 'The Magyar Nemzeti Bank for Stability'. Accordingly, the most important task of the Bank is to ensure the stability required for the proper development of the economy in the fields of price stability, stability of the financial intermediary system, the payment system and the legal tender as well." (Magyar Nemzeti Bank, 2012, pp. 11, 18).

Whilst 2013 can be characterized by consecutive rate cuts, the previous crisis years saw mixed responses (rate cuts, increases, and rates unchanged). It is perhaps interesting that, from July 2009 to April 2010 (Fidesz-KDNP's election victory), we see consecutive rate cuts by the "old" monetary council. Then a period of conservatism commences through January 2012, with either rates unchanged or rate increases. We observe consecutive decreases in the rate from August 2012, when Simor and his deputies start to be outvoted in the monetary council[6].

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 (Magyar Nemzeti Bank, 2012) when the ruling coalition appointed monetary council members broke with the orthodox policy actors appointed under the previous Socialist-led government. During the first half of the year, however, 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 (Magyar Nemzeti Bank, 2012, p, 7)

By the summer of 2012, appointees of the ruling coalition broke with the orthodox trend, seeing the opportunity to allow for more flexible monetary policy. During the second half of the year, while the MNB's forecasts "pointed to inflation persistently exceeding the inflation target," the monetary council was divided about the medium-term inflation risks (p. 7). From August 2012 and into the first months of 2013, Simor and his deputies, who voted to maintain rates, were consistently outnumbered by the rest of the council, who voted for consecutive rate cuts ("Interest rate decisions"), "bringing the benchmark to 5.25 percent, matching the lowest on record" (Simon, 2013). The orthodox policy actors argued that inflation was rising faster than the central bank's 3 percent target, warned about it "sticking at higher levels" and a potential market backlash, pointed to the limited impact on lending and economic output, and advocated for the credibility of Hungary's fiscal consolidation and the debt's "sustainable declining path" (Simon, 2013; Than and Szakacs, 2012). Simor toed the "price stability" line first and foremost:

> *"In my opinion, when inflation expectations, i.e. the longer-term inflation outlook, become uncertain, the central bank should act much more firmly to keep price and wage-setting behavior disciplined" (Than and Szakacs, 2012).*

Under Simor, the MNB remained very much in the orthodox club. The MNB's analyses and decisions are rendered salient by the media and via other policy forums. Furthermore, as the MNB's shareholder is the "Hungarian State," it is also accountable to Parliament via a supervisory board and the relevant minister (Magyar Nemzeti Bank, 2013b). However, it is not a governmental body as such and enjoys an independent legal status. At least until recently, it derived its relatively de-politicized status from its de-jure (by association with the EMU) and de-facto membership of the club of orthodox monetary policy elites. Prior to the global financial crisis, this "club's" orthodox stance remained relatively untouchable in terms of governmental accountability thanks to its highly technical ethos. In other words, society could debate monetary policy in the media and at various forums, but final judgment would rest with the experts who allegedly knew best.

Under Simor and his predecessors in the 2000s, the MNB had become an eastern European orthodox darling, having garnered a respectable reputation among the international monetarist elite.

6 Interest rate decisions of the MNB Monetary Council, http://english.mnb.hu/Monetaris_politika/decision-making/mnben_mttagok_kinevezese accessed on 20/3/2015.

As such, it was cast as a beacon of independence in the highly conflictual and mud-slinging terrain of Hungarian electoral politics.

The MNB's former reputation was moreover embedded in the culture of internal governance which gradually took shape over the 2000s. Perceived as a credible, "independent" institution, it reportedly had the following distinguishing features: a comparatively flatter hierarchy, an ethos of open debate and professionalism (FI1, FI5, FI6).

The pre-Matolcsy period of central banking in Hungary has come to be associated with a quintessential marriage between the doctrine of monetary orthodoxy and notions of independent and non-bureaucratic working methods (CI1, CI3). The implication is that central banking *is* orthodox, *is* independent, and *is* professional. In the last several decades, the field was protected from governmental politicization by a sort of intellectual consensus, not only about the proper doctrine of monetary policy, but also about the way a central bank's internal operations should be conducted. Thus, until recently, the culture of governmentally independent ivory tower knowledge and open debate ensured a certain legitimacy in the public sphere, where the discourse of orthodoxy was taken for granted. It did so until the Pandora's box of the global financial crisis was opened and the financial sector came to be more visibly associated *not* with independent, intellectual prudency as propagated, but with the reign of concentrated capitalist interests—backed by central banks.

4. THE IMPACT OF THE 2008 CRISIS AND ITS AFTERMATH

As noted earlier the onset of the global financial crisis and its rapid evolution into the fiscal and political crisis across Europe and beyond has triggered a number of changes in the ways central banks' core mission is perceived and practiced. There have been continuous debates about the merits of orthodox monetary policy and encouraging greater access to credit and liquidity.

Several questions arise, including: at the risk of higher inflation, should the ECB play a stronger role in injecting needed capital into the financial system and to alleviate the immediate consequences of sovereign debt? And is the global financial crisis the right context for practicing fiscal austerity? It is within this volatile context that the MNB's and CBT's re-politicization is unfolding. While the implementation of ad hoc measures to stave off the crisis in the initial phase (2008-2010) has increased central banks' room for maneuvre both in core and peripheral countries, 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 independent central banks. From a critical political economy perspective, this process was closely connected to the return of Keynesian thinking in economic policymaking and the resulting re-invention of the role of the state in the economy- this time understood not simply as a constraining factor but an enabling one.

In such a context the Hungarian and Turkish experiences provide insights in exploring how the peripheral capitalist countries react within a constrained global economic environment and simultaneously within a more discretionary domestic political environment opening up the possibility for governments to politicise economic policymaking with relatively less risk. We would like to emphasise that the timing and onset of these transformations have not been immediately observable or synchronized in the immediate aftermath of the crisis in both countries. Indeed in the Hungarian case, the impact of this process has only become apparent from 2010 onwards with the electoral victory of Fidesz. In the Turkish case, as will be demonstrated, the discursive efforts of politicization has been present from roughly 2006 onwards and intensified with the deepening crisis. Therefore it is important to note that crisis is not conceived here as a precise *moment* of disruption from the existent state of affairs with symmetrical and well-timed effects across the globe but as part of an unevenly unfolding *process* across particular country contexts. As indicated at the beginning of the paper, this process has indeed set off the trend towards re-politicisation in this respect in both countries towards a clearly visible ministerial control over central banking in the Hungarian context and the intensifying discursive attempts to politicize monetary policymaking in Turkey with the entrenchment of increasingly authoritarian discourses and practices in various other issue and policy areas in both countries.

4.1. Turkey

Discursive politicization of monetary policymaking – (2006-2010)

Within the specificity of the Turkish context, one might argue that the post-2001 restructuring strategy had already been encountering significant challenges from 2006 onwards with the onset of brief financial volatility. While the implicit inflation targets were regularly met in the 2001-2005 period and the Bank policy rates were not raised in the 2002-2005 period but either lowered or kept at same levels in order to manage inflation expectations (Ozatay: 2009: 115-6), the explicit inflation targets in the 2006-2010 period have been missed and the period witnessed two seriously contested policy rate raises in the summer of 2006 and in the autumn of 2008 at the onset of the global crisis (CBT 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 decision to move the location of the Bank from Ankara to Istanbul broke out[7].

What is interesting is that this period reflected the consolidation of the depoliticising impact of the strategy on the level and quality of public debate. There were a number of rhetorical threats to reverse the Bank independence from within the government and explicit controversy with the Bank over its infamous "high interest rate, low exchange rate" as reflected in the wide media coverage (Ankara Chamber of Commerce, 2007; Ozatay, 2007; Sonmez, 2007). However no such reversal actually took place and in fact the government exploited the opportunities of having transmitted its control over monetary policy to the independent central bank by jumping into the bandwagon to criticise the Bank alongside business and exporters associations and unions. The Bank ultimately lowered policy rates from September 2007 onwards and from November 2008 onwards after the brief increases between May- July 2008 as an initial reaction to the global crisis[8].

Nevertheless these developments did not result in fully fledged adoption of an unorthodox position in economic policy making and re-politicisation due to the state managers' efforts in ensuring that certain pillars of economic policymaking remained *seemingly* outside the political process. Employing

7 Akcay (2009: 254-280) provides an insightful account of these events for the period 2001- 2006 in an effort to demonstrate the inherently class character of the decision to grant independent status to the CBT and emphasise that the diverse societal demands from the Bank due to the negative effects of the pursued accumulation strategy on certain particular capitals prove the characteristic of the state as a terrain of class struggle.

8 CBRT Data on Bank Interest Rates, accessed at http://www.tcmb.gov.tr/yeni/evds/pgm/faiz/on.htm, on 15/03/2015.

a discourse which repeatedly promised the signing of a new IMF stand-by agreement from May 2008 onwards to garner credibility without an actual commitment (FT, 5 Dec 2008; 27 Jan, 10 Feb, 16 May, 20 June 2009) and presentation of crisis as though it were outside the dynamics of Turkish economy, which was argued to be much more resilient than it used to be in the pre-2001 period (PM Speeches, Sep-Dec 2008) were widely utilized strategies.

Therefore, while in material terms the independent bank could not deliver anymore, in perceptional terms its independence and sole responsibility for managing price stability was still left unquestioned in this period. An overview of the content of parliamentary debates during the 2007-2010 period reveals that the CBI, inflation, exchange/interest rates were not problematised comprehensively or became a matter of heated debate except criticisms against the effects of the Bank's monetary and credit policies on the "real" sector (Parliamentary Debates, 23. Term, 1-4 Legislative Years). They have been almost exclusively perceived as a matter outside government discretion along similar lines in the Hungarian context under Simor's reign. Indeed one could argue that as a subject matter of political debate and deliberation, economic policy (especially its monetary pillar) has ceased to feature in the media in comparison to other subjects that increasingly came to be politicised during the post-2001 period as a whole.

By late 2008, the Ministers responsible for economy came to explicitly acknowledge the effects of the deepening crisis on domestic economy due to its integration with global 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 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 CBT's mandate as indicated here by a member of parliament:

> *"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 CBT'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 has chosen instead to politicise other areas of economic policy in this period, namely fiscal and borrowing policy via increases in Treasury borrowing limit (37. Meeting 25/Dec/2008 Thursday, p. 127), the introduction of a fiscal rule, 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).

Deepening crisis, new Bank strategy, government-central bank tension (2011-present)

While the initial impact of the crisis appeared to have waned and recovery briefly followed in the latter part of 2009, the Greek default and the transformation of the crisis into a European sovereign debt crisis across the continent from 2010 onwards has had a lasting impact on the peripheral countries of Europe. The central banks in these countries initially tightened their monetary policy by increasing the interest rates in response and the CBT was no exception. This period also set off the formulation of a policy mix for CBT 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 (CBT AR, 2010: 27, 32, 43)[9].

These changes appear to have aimed to strike 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 (CBT AR, 2010). In terms of the way these measures have been discussed in the public political domain, the occasional calls for the change of CBT mandate to include the objectives of "production and employment", the overhaul of the floating exchange rate regime and the issue of CBT's location change from Ankara to Istanbul have further intensified in the 2010-2011 period (Parliamentary Debates, 4th and 5th Legislative years; July, December 2010; January, February 2011). The uncertainty surrounding the change of CBT governor in 2011 (Erdem Basci was ultimately appointed as the current governor of the Bank) also became a matter of contestation in this period.

In the subsequent period up to present, we observe the continuation of this "policy mix" with intensifying foreign exchange interventions by the Bank to overcome periods of volatility and stabilize the exchange rate and the continuous appraisals as well as criticisms within the public debate as to whether this amorphous policy toolkit is and could indeed be a successful one (Hurriyet, 4 January 2012; 8 January 2012)[10]. Indeed one could argue that the post-2010 period was marked more with the debate and contestation over the exchange rate, growth and the current account deficit than inflation targeting and price stability in the area of economic policy (Hurriyet, 9 January 2012; 26 January 2012)[11]. It should be noted that the fixed inflation rate target of 5% has not been met continuously from 2012 onwards and met in 2009 and 2010 thanks to its upward revision[12]. Following a brief

9 During 2011 foreign exchange reserve requirement ratios were decreased, FX selling auctions were initiated and intensified. Whilst the policy rate was reduced by fifty basis points, the overnight borrowing rate considerably increased to 5% from 1.5% in an effort to "narrow" the interest corridor and offset the abrupt depreciation of the lira (Press Release, No: 2011-23, 26-27, 29, 40-41). On its official website, the CBT notes that in the context of the global crisis and yet in line with its primary objective of price stability, it has "shifted towards a flexible monetary policy, which closely monitors financial stability" (CBT website, http://www.tcmb.gov.tr/wps/wcm/connect/TCMB+EN/TCMB+EN/Main+Menu/MONETARY+POLICY/FINANCIAL+STABILITY/The+CBRT+and+Financial+Stability accessed on 15/3/2015.

10 "Does the Central Bank know something we do not know?" http://www.hurriyet.com.tr/ekonomi/19595856.asp; "Babacan: The Central Bank follows quite a successful strategy", http://www.hurriyet.com.tr/ekonomi/19633288.asp , accessed on 1/3/2015.

11 "Central Bank governors who talk about the exchange rate" http://www.hurriyet.com.tr/yazarlar/19634595.asp , "Basci: There are those who would like the Turkish Lira to depreciate, if we grow by 4%, no one could talk about the current account deficit in 3-4 months", http://www.hurriyet.com.tr/ekonomi/19772728.asp accessed on 1/3/2015.

12 CBT Inflation targets, http://www.tcmb.gov.tr/wps/wcm/connect/TCMB+EN/TCMB+EN/Main+Menu/MONETARY+POLICY/PRICE+STABILITY/Inflation+Targets , accessed on 5/3/2015.

increase in its short term lending rate in 2010 and 2011, CBT continuously lowered it until the summer of 2013 while also gradually lowering its borrowing rate until early 2014 pursuing an expansionary, growth-focused policy.

It was the representatives of the pre-2008 orthodoxy who were particularly critical of the pro-growth, low interest rate policy of the Bank in this period (Hurriyet, 2 February 2012)13. The Bank's interventions into the exchange rate have often been viewed as de facto competitive devaluations fuelling growth and inflation simultaneously and therefore interpreted as the Bank's implicit surrender to government pressure. The then-PM Erdogan and his Cabinet ministers' continuous mention of "interest rate lobby" and the need to support the exporting industries and foreign trade have contributed to such an outcome (Hurriyet, 2 March 2012; Baslangic Dergi, 24 January 2014; Birgun, 8 March 2015)14.

The onset of the growing societal politicization that reached its peak in June 2013 Gezi protests and the subsequent rifts within the ranks of the state and government set off a new period during which the tightening of monetary policy (which subtly ensued in early 2013) took pace with policy rate increases in July 2013 and finally a very significant increase in January 2014 (from 7.75% to 12% in overnight lending rate and 3.5% to 8% in overnight borrowing rate)15. This process, whilst 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 latest manifestation of which could be observed in early 2015 (Guardian, 23 March 2015; Financial Times, 9, 12 March 2015).

In the post-2008 context it could be argued that the monetary policymaking and central banking has been rather discursively politicized by the government without an explicit reversal of the independent status of the Bank and its operations. This, in line with Akcay, indeed meant that despite the government's doublespeak the formal independence of the Bank continued shielding the government from the impact of potential unpopular policies and simultaneously accrue credibility for those that become successful (Baslangic Dergi, 2014). It could also be argued that building on this arms length control over the monetary policy pillar in this fashion has also allowed space for the government, alongside other dynamics, to (re-)politicize and articulate a strongly authoritarian discourse and practice in a number of other issue areas outside economic policy. Considered in comparison with the Hungarian experience, this aspect constitutes a visible contrast in the way depoliticisation and politicisation strategies are pursued in different country specificities within the periphery of Europe.

4.2. Hungary

Unorthodox policy discourse: unfolding re-politicization

The central bank in Hungary was part of a visibly more politicised governing strategy in the socialist era and before the 2000s than it was since the 2000s. But since 2013, there has been a palpable endeavor to "retake" the Bank – to bring it in line with the "electoral mandate," at least in terms of political discourse.

13 "If the Central [Bank] bets on high growth just like everyone else" Erdal Saglam, http://www.hurriyet.com.tr/yazarlar/19823951.asp accessed on 1/3/2015.

14 Our currency now has credibility; the interest rates should come down even further", http://www.hurriyet.com.tr/ekonomi/20038979.asp ; "Exchange or interest rate? Waiting for the approaching crisis", Umit Akcay, http://baslangicdergi.org/kur-mu-faiz-mi-yaklasan-krizi-beklerken-umit-akcay/ ; "Central Bank rift within the power bloc: What is happening?", Deniz Yildirim, http://birgun.net/news/view/iktidar-blogunda-merkez-bankasi-catlagi-ne-oluyor/14753 accessed 10/3/2015.

15 CBT Policy rates, http://www.tcmb.gov.tr/wps/wcm/connect/TCMB+EN/TCMB+EN/Main+Page+Site+Area/CBRT+POLICY+RATES accessed on 10/3/2015.

The reign of György Matolcsy is, in particular, associated with the more unorthodox approach, in terms of its controversial policy response to the global financial crisis in the run up to an election period and its internal culture of governance, where recruitment and hierarchy reflect ministerial structures and a greater emphasis on political loyalty.

Unorthodoxy, electoral politics, and a supermajority

The re-politicization of Hungarian 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 and populist discourse on the part of the ruling coalition. In other words, the global financial crisis has been cast as the cause of all economic evils ailing Hungary – including its debt-ridden households who took on foreign loans denominated in Swiss francs. Foreign companies and the international financial institutions have been singled out and blamed, while the Fidesz-KDNP ruling coalition and its policies are packaged as the panacea. As such, the government has embarked on a nationalist economic agenda which emphasizes Hungary's independence from foreign influence (also reflected in its criticism of traditionally "western" and European values) and a call for national "cooperation" and "harmony." Moreover, in the name of the overwhelming electoral mandate, this emerging policy trend is against the background of increasing centralization and ministerial take-over of previously more-or-less independent organizations.

Prime Minister Viktor Orbán has repeatedly confirmed this new path in public addresses, including during the 25th Bálványos Summer Free University and Student Camp in Romania in 2014 and the annual Fidesz party address held in February 2015. Among his declarations are 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[16];" "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[17].

He refers to Hungary's "new direction in 2010" as the moment when the "new era of national politics began[18]". This new direction is synonymous with a rejection of foreign debt and a departure from liberal democratic politics more generally[19]. Feeding off of nationalist sentiment, including from voters who have moved to the far-right due to wider disenchantment with neoliberal economic policies, the government's discourse centers on Hungary's independence:

16 http://www.kormany.hu/en/the-prime-minister/the-prime-minister-s-speeches/the-next-years-will-be-about-hardworking-people

17 http://www.kormany.hu/en/the-prime-minister/the-prime-minister-s-speeches/prime-minister-viktor-orban-s-speech-at-the-25th-balvanyos-summer-free-university-and-student-camp

18 http://www.kormany.hu/en/the-prime-minister/the-prime-minister-s-speeches/the-next-years-will-be-about-hardworking-people

19 http://www.kormany.hu/en/the-prime-minister/the-prime-minister-s-speeches/prime-minister-viktor-orban-s-speech-at-the-25th-balvanyos-summer-free-university-and-student-camp http://www.kormany.hu/en/the-prime-minister/the-prime-minister-s-speeches/the-next-years-will-be-about-hardworking-people

> *"If we consider our economy in the light of the half century between 1960 and 2010, we may see that it was only ever capable of fast growth when it accumulated significant external debt [. . .] In simple terms, after long decades – perhaps as long as a century – the Hungarian economy is finally not growing from debt, from external credit. This is a genuine economic breakthrough[20]."*

Much of this anti-foreign discourse is 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 and populist 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 banking sector with additional taxes (e.g., Economist, 2014). Against the backdrop of this ubiquitous and palpable situation, the government could successfully position itself, both discursively and in policy terms, against the prevailing western dominance of its economy, including financial sector.

Part and parcel to the discourse is a growing assertiveness on the part of the government in publicly and regularly criticizing the policies of European Union institutions, as well as foreign banks. 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). MNB governor, György Matolcsy himself has 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. Matolcsy's economic policy preferences are comparatively more cavalier, i.e., promoting some measure of inflation in order to kick start economic growth and to avoid Japanese-type deflation in Europe (Magyar Nemzet Online, 2013).

A quintessential face and voice of the ruling coalition, Matolcsy was chosen to replace Simor at the MNB in March 2013, one year before the 2014 elections. In his previous role as economy minister, Matolcsy engineered many of the government's "unorthodox" policies, including 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). Together with Orbán, he also "spearheaded the government's criticism of the central bank" under his predecessor.

The discourse orchestrated by Matolcsy can be characterized as faithfully pro-government, comparatively anti-western, and markedly unorthodox. He has touted his economic policies as a "success story in world history," publicly referring to the 2010 elections in which "Hungary made a choice and it chose unorthodox economic policy". He cites "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." There is also a tendency to cast Hungary's direction as the new normal. Matolcsy has argued that the world's largest central banks followed an unorthodox monetary policy after the great

20 http://www.kormany.hu/en/the-prime-minister/the-prime-minister-s-speeches/the-next-years-will-be-about-hardworking-people

recession: "since August of last year, we, the majority of the monetary council were always right in this respect" (K.M., 2013). This discourse is reflective of the ruling government's repeated emphasis on "national cooperation." There is 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). In other words, under Fidesz-KDNP and Matolcsy, the emphasis in the discourse has shifted from central bank independence to an expectation of closer inter-institutional cooperation.

The nature of this discourse is reflected in 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), and its highly controversial spending on real estate, to name a few. In the interest of space, this paper will treat only the interest rate policy.

In 2012, the Fidesz-KDNP appointed monetary council not only outnumbered the orthodox governorship of Simor and his deputies but has also demonstrated that it prioritizes economic growth over inflation risks (Than and Szakacs, 2012). The messaging coming out of the bank is markedly positive about the effects of this policy. As one interviewee highlights, the "political objective is to present a good image" of Hungary in order to woe external investors and, therefore, "bad news [is] unacceptable. (CI2, also FI6)"

Firstly, the bank has argued that the easing was "warranted both by moderate medium-term inflationary pressures and the level of economic activity, which remained below its potential" (Magyar Nemzeti Bank, 2013, p. 7). The perception was that the Fed's quantitative easing paved the way for easing elsewhere (Magyar Nemzet Online, 2013b). The right-leaning and pro-government daily, *Magyar Nemzet*, explained that neither foreign, nor domestic analysts were questioning the merits of reducing the interest rate on a cyclical basis (Magyar Nemzet Online, 2013b).

Secondly, the bank argued that partly due to the "decline in interest losses owing to the decline in the central bank base rate," the bank recorded a profit in 2013, as compared to losses incurred in 2012 (Magyar Nemzeti Bank, 2013, p. 9). Moreover, Matolcsy's takeover also involved the passage of a new MNB Act entering into force on October 1, 2013. The Act integrates 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. The bank's new powers reflect the shift of focus away from the mantra of price stability to the ruling coalition's emphasis on correcting the fallout from the global financial crisis more generally[21].

The inevitable politicization of the global financial crisis and electoral politics forced the MNB out of its previous comfort zone where its orthodox stance had remained relatively insulated from party-political influence and catapulted it closer to the governmental domain of political deliberation. In this situation, the MNB is not merely accountable to Parliament and the relevant minister as an

21 "Having drawn conclusions from the financial crisis, with this Act the legislator created a central bank which, within the framework of a single institution, guarantees the stability of the financial system and the functioning of individual financial institutions. 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 [. . .] With the comprehensive set of instruments available to the MNB, the identification, prevention, monitoring and control of the systemic risk factors threatening the stability of the financial system and the individual risks of specific institutions have become more harmonised and thus more efficient" (Magyar Nemzeti Bank, 2013, p. 8).

independent body, but it is used as a tool for justifying the ruling government's political discourse and translating it into policy. This is most palpable with the appointment of Matolcsy, one of prime minister Orbán's closest and most trusted allies, who orchestrated highly controversial economic policies as economy minister and transferred that momentum to the central bank.The MNB's re-politicization has been visibly manifested through its internal structural changes. These changes sparked a flurry of criticism in the media among international monetary policy actors, including analysts. For example, the European Central Bank had stated that Orbán and Matolcsy's central bank law "undermined monetary-policy independence" (e.g., Simon, 2013).

The palpable consequences of this fundamental reorganization include Matolcsy's installment of a more hierarchical, ministerial culture, a greater emphasis placed on loyalty to the government and its economic policies, and, at least according to observers from the more orthodox camp, a waning professionalism.

As compared to the period under Simor, where the organization featured 20 organizational units, there are now 30 organizational units under Matolcsy. However, this is also a result of the merger with the Hungarian Financial Supervisory Authority (Magyar Nemzeti Bank, 2013, p. 17). Matolcsy is also associated with having established a more traditionally ministerial management style (FI1-FI6).

Matolcsy's new institutional structure has also featured a markedly stronger emphasis on loyalty to government policies. And as part of the more hierarchical structure, Matolcsy now enjoys "direct rights over the hiring, dismissal and pay of all central bank employees and can delegate this power to the new chief director" (Reuters, 2013). In addition, Matolcsy has prohibited all central bankers from taking part in conferences where "there would be opportunities to speak openly about the government's economic policies" (Baksa, 2013).

The recent changes in central banking in Hungary have come to be associated with the new unorthodoxy of monetary policy which favors more Keynesian approaches during times of crisis. The emerging central banking culture seen in Hungary is the result of a broader political project to wean Hungary from foreign influence and, in the process, to bring important institutions like the central bank under greater government control. In this scenario, the doctrine of orthodoxy and the sheltered ivory tower of knowledge are not only questioned, but incrementally (if not entirely) dismantled in the interest of an authoritarian capitalist political and economic agenda, i.e., garnering a secure super majority from the economically disenchanted electorate. The MNB's path to unorthodoxy is justified by Fidesz-KDNP's electoral victory—by its so-called "mandate" to render the MNB a partner of the government in the interest of "harmonizing" fiscal and monetary policy.

5. CONCLUSION

This working paper aimed to shed light on the contested post-crisis dynamics in the area of monetary policymaking in two country cases, Hungary and Turkey, which are located at the periphery of Europe in political and economic terms. Our main objective has been an assessment of a conceptual framework on depoliticisation/politicization which has hitherto been widely utilized in the analysis of core capitalist countries in the case of two peripheral countries. In doing so we hope that not only this conceptual framework would form a starting point to propose a critical investigation of contemporary transformations in both countries but at the same time, relationally, the country cases could in turn inform the theoretical framework in a constructive manner.

In this light it is possible to identify a number of similarities and differences between these country cases as the key finding of our inquiry and for further elaboration. We have already noted at the beginning of the paper that both countries are positioned within the periphery of Europe. Such positioning brings with itself a precarious existence politically and economically vis a vis the core countries of the continent which results in a rather constrained policy autonomy due to either the formal inclusion (as in Hungary) or potential promise of being part of EU (as in the Turkish case). Therefore EU membership/accession conditionality has somewhat functioned as a constraining factor for domestic level politics in the case of both countries in the pre-2008 context. In addition both followed the textbook restructuring recipes offered by the IMF and EU and streamlined by the (post-) Washington Consensus from the early 1980s (in the shadow of a military coup and military/technocratic government in the Turkish case) and 1990s (in the footprints of similar former socialist governments of Central Eastern Europe in the case of Hungary without regular short-term militaristic interruptions of formal democracy and insertions of technocratic governments). Despite the divergent historical trajectories of the two countries, the situation by the late 1990s and early 2000s was similar in both cases 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 "illiberal" alternative developmental strategies emerged.

Against such a background the global crisis seems to have had a crucial role for the changing trajectory of economic policy making in both countries- with slight temporal variation. This is in line with a general trend among other peripheral developing/emerging economies and within the broader region. The discourse surrounding this trajectory change has been more about the so –called motto of "turning crisis into opportunity" in Turkey while in Hungary it was rather a reaction against the EU's (mis)handling of the deepening crisis – with a rationale and final outcome not too dissimilar. We have also found out that 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".

When we focus on the observable contrasting points in both countries, surely the EU member state status of Hungary as opposed to Turkey's longstanding candidacy status is likely to impact on the divergent outcomes in both countries in terms of the post-crisis re-politicisation experiences. It proves difficult to pinpoint in what way or form this impact is fully manifesting itself calling for further research in this area.

As part of a drastic divergence between the two cases, the process of what we call re-politicisation has manifested in a clearer ministerial control over central banking alongside changing discourse on monetary policy in Hungary. In the Turkish context we are confronted with a more complex picture due to the explicit rift between different ranks of the state (Central Bank vs. government, government vs. president, government vs. judiciary vs. police as it became evident with and escalated further from the latest corruption scandal in late 2013). The latter dynamic, we suggest, may still be relegating and containing the re-politicising dynamics to the discursive domain and overlapping with depoliticized form of governing in the Turkish context while Orban government possesses a stronger grip -enabling a tighter, more authoritarian control over economic policy making. These findings bode well with an understanding which treats these processes as part of diverse governing strategies of the state managers and not necessarily mutually exclusive or separable from each other on the basis of a strict historical periodisation but potentially co-existing and overlapping in particular country contexts (Burnham, 2014). In light of the recent elections and new government formation in Turkey, however, new questions arise as to the possible emergence of more fundamental changes in this policy area along similar lines as the Hungarian case[22].

To conclude, when we return from the concrete analysis of these country contexts back to our conceptual framework, a number of questions confront us for further exploration. Do the events analyzed above necessarily entail an evolution from de-politicization or the elite and technocratic dominance over monetary policy towards re-politicization? To what extent does this new governing form allow for and interact with public deliberation of monetary policy and possibilities for and obstacles against alternative forms and movements of organizing social relations in both countries and in what form? And most importantly, what are the consequences relative to de-politicization? The critical assessment of the Turkish and Hungarian cases in this working paper sheds light on the need to continue further research in this direction with a conceptual toolkit that is dynamic and open-ended enough to be able to grasp the specificity of the particular concrete cases.

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22 Indeed the new government's economic programme in Turkey has recently made the news with strong reactions over the potential attempts to amend the mission of the Central Bank of Turkey. In the programme the mission of the Bank is included only in terms of the independent use of policy instruments in implementing monetary policy instead of additionally including independence in formulating monetary policy which have led commentators and analysts to interpret it in terms of an implicit pressure and future restructuring agenda of the Bank by the government (Hurriyet, 26 Nov 2015; Birgun, 29 Nov 2015).

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