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**A MULTI-SITED ANALYSIS OF RULES AND REGULATIONS  
IN THE RECYCLING MARKET FROM ANKARA to LONDON**

**DEMET ŞAHENDE DİNLER**

**Thesis submitted for the degree of PhD  
2015**

**Department of Development Studies  
SOAS, University of London**

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## **Abstract**

The wage of an urban waste picker who collects scrap metal, waste paper and plastic in the street and sells it to recycling factories in the city of Ankara in Turkey and the profit, which those factories make, depend on the global market. Those local actors experience the recycling market as a fetishised, impersonal, abstract entity against which they feel powerless. By following the journey of recyclable commodities across streets, warehouses in urban slums, recycling factories in Turkey and at the London Metal Exchange (LME) in the UK, where metal prices are determined, the dissertation attempts at showing how this entity which looks independent is actually made real by rules and regulations enacted by market participants and institutions.

Engaging with an inter-disciplinary literature on markets and relying on ethnographic methods, interviews and archival research in Turkey and the UK, the dissertation offers an in-depth analysis of how those rules and regulations emerge, develop, become constitutive components of the market and change over time: customary arrangements by workers to regulate labour relations in the streets; solidarity networks to cushion the negative effects of the market; kinship relations to regulate the economy of the informal recycling warehouses; laws and by-laws by state institutions to transform the recycling market; relations of trust and gift to organise trading practices at recycling factories and finally rules of price discovery and regulations to avoid market abuses in the global exchange. According to the thesis, since the market operates as an ‘imperative’ in capitalist society, by compelling actors to develop strategies to survive, compete and accumulate, those rules and regulations may activate or help actors to cope with the market imperative. Conflicts between different social classes and institutions make such rules and regulations terrains of struggle and negotiation.

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## Introduction

### Problematizing the Market

“They always complain and blame me when prices fall, but never thank me when prices rise in the market and I give them a better price,” says Salih, in a warehouse of an urban slum in Ankara, where waste pickers collect, store and sell scrap metal, while making price calculations with his rather outdated scale. Workers’ income changes often according to the market price of metal, which depends on the global reference price determined by the London Metal Exchange (LME). Price instabilities and falls whose reason is usually unknown to waste pickers and Salih make them quite unhappy. Salih and his partner will soon bring their truck full of waste to the recycling facilities at the Scrap Traders’ Zone in Yakacık district where the feeling about the London Metal Exchange is not very different: “We do the *real* work, the trade, the toil. They do the *fictitious* trade and they are the ones who decide about the price,” says the partner of Osman Scrap Metal Company. It is July 2008, and after a long period of steadily soaring prices, aluminium prices suddenly plummet, provoking frustration among traders. While keeping his scrap metal in the stockpile with the hope that prices will rise a bit, the owner of Mertcan Scrap Metal Company grumbles, by looking at the LME website on his computer: “Look, we became the *puppet* of a *machine*.” This tension between the fictitious and the real, a governing machine and its puppet, indicates more than a metaphorical expression. It refers to a real experience by the traders who have little say or power in determining the prices in the global market. Yet, this does not make the LME trading floor less real than the work performed by Turkish traders.

Although there is no global exchange to mediate a price discovery mechanism in the cases of paper and plastic, collectors and traders of waste paper and waste plastic are no less dependent

on the dynamics of the market. Their experience is similar to scrap metal collectors and traders. “There is not even an exchange for this waste paper. The price is rather arbitrary. None of us understands why and when prices fall and rise,” says the leading organiser of waste pickers in Ankara. “I could not invest, because of market uncertainty,” says the disappointed owner of a warehouse, explaining the reason behind his caution not to buy a press machine to expand his business. Another waste picker comments, taking a serious face: “They say when there is too much import of paper, they do not buy our waste paper,” reflecting on the decreasing demand and price of waste paper. These comments share the assumption that there is a market, which is an independent entity of its own, and affects their investment decisions or survival strategies.

A year and a half after this initial encounter with Turkish traders and waste pickers, my meeting with Bill Beagles, a retired senior trader, by then consultant and trainer for the London Metal Exchange, at Leon Café in the City of London would reveal a similar approach: “We are all powerless against the market.”<sup>1</sup> In contrast to Turkish workers and traders, this is not a complaint, but an acknowledgement of market power, the recognition that uncertainty is the reality of the market, by which traders make or lose money. The superiority of Beagles over others, on the other hand, is that he is financially strong enough to use the risk management tools to cope with this power.

Neoclassical economics would claim that these conceptualisations are due to the self-regulating nature of the market as an independent entity, whereas its critics would argue that they are an ideological illusion. In this dissertation, I criticise neoclassical economics by showing that the market is not a self-regulating entity. I also argue that its experience as depicted above is not an illusion, but corresponds to a real experience of market participants in their practical life. Put differently, the market here operates as a real abstraction, which is enacted by the collective practice of individuals who make it. What does it mean to consider the market as a real abstraction? By referring to Sohn-Rethel’s analysis on the act of exchange, Žizek argues that what is distinctive in a capitalist society is that “before thought could arrive at pure abstraction, the abstraction was already at work in the social effectivity of the market.”<sup>2</sup> As Read puts it, “those abstractions are not only mental generalisations, but are continually

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<sup>1</sup> For similar findings see Knorr-Cetina and Bruegger (2000), pp. 141-68: “You know it is an invisible hand, the market is always right, it is a life form that has being in its own right. You know, in a sort of Gestalt sort of way,” says a trader about the meaning of the market.

<sup>2</sup> Žizek (1989), p. 10.

produced through social practices.”<sup>3</sup> In her detailed examination of the Volume 1 of *Capital* by Marx, Nicole Pepperell argues that Marx talks about ‘real abstractions’ as different from conceptual abstractions, as abstractions, which are created and enacted in practical reality. She argues that the practical experience of a rich variety of distinctive labouring activities and the possibility for persons to move indifferently amongst them is possible only in a capitalist society, in a society in which labour in the abstract is possible: “Indifference towards any specific kind of labour presupposed a very developed totality of real kinds of labour, of which no single one is any longer predominant. As a rule, the most general abstractions arise only the midst of the richest possible concrete development, where one thing appears common to many, to all. Then it ceases to be thinkable in a particular form alone.”<sup>4</sup>

The small scrap metal collector in the street of Ankara, the scrap trader who recycles/sells waste and the London Metal Exchange trader, who are examined in this dissertation, despite all their differences and unequal positions, share the same abstract understanding of the market, ‘the market as such’, because they are engaged in historically specific capitalist relations, which make such an abstraction a practical truth. Another way of expressing this point can be borrowed from Ellen Meiksins Wood’s analysis of the market in a capitalist society.<sup>5</sup> Although the market pre-dates the capitalist society, in capitalist social relations it assumes a novel form and meaning. The market acts as an impersonal, abstract ‘imperative’, which compels certain individuals to produce more efficiently, compete and accumulate (capitalists), and others to sell their labour power (workers). Our activities of producing, buying and selling, with or without our intention, contribute to the reproduction of this imperative. Although there may be many local markets all around the world, there still remains ‘the market’, which is indifferent to, yet the outcome of, the everyday practices of individuals operating in those different localities.

If “the secret of real abstraction is an open secret, one which is to be discerned in the operations of capitalism, rather than in an ideological preoccupation with a true concreteness or hidden essence that the abstractions of capital may be said to cover over”<sup>6</sup>, then, I do suggest that investigating the concrete rules and regulations through which the market operates can enhance our understanding of how this abstraction obtains a practical truth. Those rules and regulations are the by-product of individuals, groups of individuals, communities, private and public organisations operating in the market. Thus, before clarifying how those rules and

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<sup>3</sup> Read (2003), p.134.

<sup>4</sup> Pepperell (2010).

<sup>5</sup> Meiksins-Wood (1994).

<sup>6</sup> Toscano (2008a) and (2008b).

regulations can be productive tools to understand the market, I will first examine how the behaviours and attitudes of the actors in the market are conceptualised.

### **Problematising *Homo Economicus* and the Market Imperative**

Examination of markets is often based on the analysis of individuals who are defined as profit-maximising, rational, self-interested *homo economica*. This methodological individualist approach finds its roots in the development of neoclassical economics. Alfred Marshall begins, in the *Principles of Economics*, with a simple observation, that the most important motivations behind men's behaviour are religious and economic. But the economic motive is more important, "for the business by which a person earns his livelihood generally fills his thoughts during by far the greater part of those hours in which his mind is at its best; during them his character is being formed by the way in which he uses his faculties in his work, by the thoughts and the feelings which it suggests, and by his relations to his associates in work, his employers or his employees."<sup>7</sup> It is because working time takes so much energy from a person, and because during this time a person uses his mental faculties to engage in economic action<sup>8</sup> that his behaviour is shaped accordingly. It is possible to make a scientific analysis of economic actions, because there are regularities and observable patterns in the way in which individuals pursue their motives. This scientific analysis aims to find out what kind of factors this man has to take into account while making economic choices and decisions. In that process one has to face and overcome certain constraints. First, a man has limited cognitive and intellectual capacity to understand and assess a variety and complexity of factors. Second, economic life is characterised by multiple causalities and complexities, which remain unseen. But despite these complexities, gains and losses are not incommensurable.<sup>9</sup> A piece and a position can be logically quite heterogeneous in chess, but the chess player is still able to weigh different positions. In that way, one has to weigh advantages and disadvantages of a particular situation before making any decision. But, how should one weigh advantages and choose the best position? Breaking up time into discrete units and, assuming *ceteris paribus*, studying one bit of a problem at a time is the only viable solution.<sup>10</sup>

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<sup>7</sup> Marshall (1920).

<sup>8</sup> This resonates with the Weberian notion of the economic action, which is "making provision for means to satisfy a desire for utilities". See Swedberg (2011), p. 64.

<sup>9</sup> Marshall (1897), p. 124.

<sup>10</sup> Frantz (2005), p. 74-5.

Uncertainty is another constraint individuals have to cope with. One cannot know in advance to what extent the products produced will satisfy human needs.<sup>11</sup> As Menger points out, “men are already often in error with respect to their knowledge of the subjective factor of value determination.”<sup>12</sup> The market process provides the numerical data and monetary prices to overcome this constraint. Such numerical data are concretised, as Jevons argues, in private account books, the great ledgers of merchants and bankers and public offices, the share lists, price lists, bank returns, monetary intelligence, custom house.<sup>13</sup> Yet, still entrepreneurs make errors in their evaluations and forecasting, which means the monetary costs of production may not conform to sale prices, resulting in losses or profits. The comparison of the actual value of goods with the value of the means of production may show whether the past activity was economic or not.<sup>14</sup> The market then tells the entrepreneurs how they should re-allocate productive resources to exploit profits for a better situation for the satisfaction of needs. This is how the market process weeds out the inefficient entrepreneurs.<sup>15</sup>

Economic calculations do not only apply to entrepreneurs, but also to consumers. Since prices depend on the value that consumers attach to products in the market depending on their desires, their valuation is of the utmost importance to the functioning of the market. Jevons argues that manufacturers have to anticipate the tastes and needs of their consumers, on which their success depends. Thus, the need for a correct theory of consumption.<sup>16</sup> In fact, making choices under the conditions of scarcity is one of the core concepts of neoclassical economics. According to Marshall, “it is an almost universal law that each several want is limited, and that with every increase in the amount of a thing which a man has, the eagerness of his desire to obtain more of it diminishes, until it yields place to the desire for some other thing, of which perhaps he had hardly thought, so long as his more urgent wants were still unsatisfied.”<sup>17</sup> Xenos argues that economising individuals are continuously engaged in allocative acts that involve limitations on particular needs, rendering them calculable. It is the movement from need to need that simultaneously provides for conditions of relative scarcity and absolute scarcity. People exchange only when they believe there is something to be gained, namely greater satisfaction of a need. By treating all situations in which needs exceed supply as scarcity

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<sup>11</sup> Gunning (1989), p. 166.

<sup>12</sup> Menger (1981), p. 146.

<sup>13</sup> Jevons (1871), p. 29.

<sup>14</sup> Menger (1981), p. 147.

<sup>15</sup> Salemo (1993), pp. 130-32.

<sup>16</sup> Jevons (1871), pp. 42-43.

<sup>17</sup> Marshall (1920).

situations, neoclassical economics assumes that all these situations are comparable and subject to analysis according to the same calculative logic.<sup>18</sup>

Let us think, for a moment, about the type of society in which neoclassical economists lived and wrote. The second half of the nineteenth century witnessed the rise and development of the Industrial Revolution, the integration of new countries into the capitalist system. The development of capitalism meant the transformation of everyday work, leisure and family time. Buying, selling, marketing, specialising, speculating, trading, hedging, exploiting opportunities and niches, expanding business, going bankrupt, making decisions, erring, calculating, and accumulating constituted the economic life of individuals who produced and traded.<sup>19</sup> Competition pushed actors to rationalise production, cut down costs, find new ways to attract customers, appeal to new tastes, and use new technologies. These activities were disseminated via imitation and emulation. Markets were connected to each other nationally and globally. A kind of market society was emerging, as Karl Polanyi used the term. This corresponded to the second, formal meaning of the economic defined as a sequence of acts of economising on choices induced by scarcity institutions.<sup>20</sup> For Polanyi the making of an economy as a sequence of such acts occurred in the last two centuries in Western Europe and North America where the “organisation of man’s livelihood to which the rules of choice happened to be singularly applicable”.<sup>21</sup> The rise of a market society made the economy organised around price-making markets where labour, capital, and land are sold and bought as commodities.

“Economic theory has explanatory value only after the facts are established”, claimed Neale, implying that price-making, self-regulatory markets as theorised by Austrian economists had to emerge in the first place before being theorised.<sup>22</sup> Xenos confirms this point: “The indifference of Menger and Marshall to specific wants of individuals is an expression of the indifference displayed by market systems to the specific quality of goods – diamonds or hot dogs. Everything has its price, expressed in common language.” He also argued that by the eighteenth century entrepreneurs had discovered what economic theory later called elasticity of demand: They were exploiting and experiencing the idea that domestic markets could be expanded by introducing variety and fashion into the objects of daily life.<sup>23</sup>

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<sup>18</sup> Xenos (1989), pp. 70-73.

<sup>19</sup> Ingrao (2001), p. 19.

<sup>20</sup> Polanyi (1957).

<sup>21</sup> Polanyi (1957), p. 244.

<sup>22</sup> Neale (1957), p. 371.

<sup>23</sup> Xenos (1989), p. 9.

What differentiates Polanyi, Neale and Xenos from Menger and Mises is that whereas the former considered the validity of certain dimensions of neoclassical theory only in the context of the market society and price-making markets, the latter tended to universalise their assumptions as derivations of human nature and reason and considered institutions such as markets and property as natural consequences of the propensity to exchange. Meiksins Wood's intervention about the compelling nature of the capitalist market<sup>24</sup> serves as a historical corrective. In capitalist social relations, the market acts not as an arena of choice, but as an imperative, putting pressure on its participants to be more efficient and productive in order to survive.<sup>25</sup>

“A kind of market society, a society in which producers were market-dependent on the market for access to the means of life, labour and self-reproduction and subject to market imperatives was not the result of industrialisation but its primary cause.... The distinctive landed class became increasingly dependent on the productivity of their tenants, rather than on exerting coercive power to squeeze more surplus out of them. .... The yeoman-farmer is not the bearer of an opportunity but the subject of an imperative. Owner-occupiers would be subject to those pressures once the competitive productivity of agrarian capitalism set the terms of economic survival. Both had an interest in improvement enhancement of productivity. The capitalist tenant in England is not a petty producer who was grown into capitalist. His specific relation to the means of production, the conditions in which he had access to land itself, made him from the start a capitalist.”

Following Wood, one could argue that being more efficient and productive meant inventing, calculating, and finding new techniques and organising the workplace, in other words acting as if one is *homo economicus*. What is projected onto *homo economicus* as a universalised ontology is in fact historically imposed on individuals by the market imperative. *Homo economicus* is the by-product of capitalist social relations, not as a fixed entity, but as the aggregate of certain repetitive actions of individuals who are compelled by the market where forces of supply and demand constantly change, inefficient entrepreneurs are punished and anything (a new technology, a new need) can make existing economic efforts irrelevant or redundant. These repetitive actions do not take place in a vacuum. While buying, selling, producing, individuals develop, use, obey, contest and alter countless rules and regulations in their everyday practices. Without those rules, the market would not operate on its own. It is to the relationship between those rules and regulations, actors and the market, which I turn now.

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<sup>24</sup> Meiksins-Wood (1994).

<sup>25</sup> Meiksins-Wood (1994).

## **Studying Rules and Regulations to Understand Markets**

Why examine rules and regulations to understand the market? And what do I mean by rules and regulations? By rules, I mean explicit or understood, formal or informal, written or agreed principles and procedures, which govern the conduct (of market participants in this case).<sup>26</sup> By regulations, I mean formal or informal ways of organising, enforcing and monitoring procedures and principles, which govern the conduct (of market participants in this case). For instance, common water management, customary rights over grazing, the organisation of and limiting market entry along gender, kinship and ethnicity may be considered as informal regulations of the market. The documents by independent regulatory agencies, state ministries, and municipalities that determine terms and conditions of the relations of production and exchange, as well as legal sanctions against violations of those terms can be considered as formal regulations of the market. Rules can also be divided into two. Formal rules include how a trader gets a license from the relevant public authority, what kind of procedures a broker has to follow while executing a client's order in the market, what kind of taxation forms a trader has to fill in if taxation law changes constitute legally written formal rules. Informal rules which are agreed upon within a community may include the principles according to which individuals share their land, provide trade credit, use advance money without any formally binding mechanism which forces them to do so.

In this dissertation, I examine both formal and informal rules and regulations: Laws, by-laws, official communiqués, rule books, notices, guidances, circulars, decrees, customary arrangement, social regulations, and moral codes through which the recycling market operates. There are reasons why I chose to use the concepts of rule and regulation rather than institution and organisation. According to North, institutions are the rules of the game in society. They are humanly devised constraints that shape human interaction.<sup>27</sup> Organisations (schools, churches, government agencies, unions), on the other hand, are groups of people who have common interests or work toward a common goal. They are agents of institutional change.

First, the term institution can be confusing since my theoretical framework is not limited to the institutionalist approaches, which emphasise the role of institutions in the market. Second, since rules cannot accommodate all eventualities as Crozier states<sup>28</sup>, there remain zones of uncertainty in which actors can create parallel structures with unwritten and informal rules and

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<sup>26</sup> I rephrase and develop the definitions used by the Oxford Dictionary.

<sup>27</sup> North (1990).

<sup>28</sup> Crozier (1964).

codes. I look at the complex process by which rules and regulations are made, modified, violated, obeyed, transformed by actors in the market. Institutions refer to the “rules of the game”, but there may be rules outside of the zone defined by the game. At a given time, there may be many rules which function concomitantly and which cannot be put under the rubric of a single institutional structure. Third, although I also analyse organisations (ministries, professional chambers, associations of workers), the actors who interact and devise rules and regulations are not limited to organisations as described by North. There exist many informal rules and regulations in the market, which are introduced by individuals and communities, not organisations. Furthermore, organisations such as the Chamber of Scrap Traders or Waste Pickers’ Association as discussed in this thesis do not fit the ideal typical form of organisation. A limited number of individuals engage actively in lobbying activities on behalf of those organisations.

I argue that rules and regulations enable one to uncover how the market operates in everyday practices in at least three ways. First, since the market cannot operate in a vacuum, rules are constitutive components of the market itself. There is no market independent of its rules. Rules form an operating manual, which is sometimes tacitly embedded in the minds of its participants, and sometimes takes a more formal, written format to learn and follow. Market actors do not only speak about markets; they speak *market*.<sup>29</sup> In the urban streets of Ankara, public spaces are shared between waste pickers on the basis of customary rights according to which each waste picker knows which garbage he/she is entitled to work over. An interference with such rights is subject to conflict and mediation by the waste picking communities. In the Scrap Traders’ Zone, it is a customary rule to share customers when a fellow trader is in a financially difficult situation. Exchange of customers is an unwritten and mutually beneficial rule for traders who know that every trader may have bad times, and maintaining social relationships is an asset rather than a liability. The Ministry of Environment and Urbanism defines, in its detailed By-Laws, the license obligations recycling companies must abide by. At the London Metal Exchange, exchange contracts are settled every third Wednesday of each month. If a trader holds more than 50 per cent of the warrants it has to reduce its share, if asked, according to an official document called *Lending Guidance*. A specific Black-Scholes formula is used in order to calculate options as a risk-mitigating tool in the market. Some of those rules require making violent abstractions and complex quantifications as in the case of Black-Scholes, others are more personalised in nature as in the case of customary rights, but

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<sup>29</sup> I adopted this from West (2007) who argues that the Muedan community in Mozambique, which used sorcery practices, did not only speak about sorcery, but also “spoke sorcery”.

they obey the same principle: providing a way to read and use market instruments. The making, dissemination and legitimacy of those rules to be accepted by market participants, however, are not the product of a natural process. Depending on the context and nature of the rules, they may require modelling to obtain performativity in the market<sup>30</sup>, the building of alliances with different groups,<sup>31</sup> or even the execution of political violence.

Second, since the market operates as an imperative, by compelling individuals to develop strategies to survive, compete and accumulate, under that imperative, capitalists develop a number of strategies of which rules are inseparable components. In other situations, capitalists can develop and implement new regulations to cope with the market imperative. For instance, the owner of a warehouse in Ankara, who buys and stores waste plastic, paper and scrap metal use what Harriss-White calls ‘social regulations’<sup>32</sup> of the informal economy. He mobilises a large pool of kinship labour and builds paternalistic connections. Recycling factory owners use ethnic and political exclusion of Roman communities to their own advantage, hiring daily labourers and keeping wages low. A new investor enters the recycling sector in order to benefit from the incentives provided by the government. In certain cases, the competition strategy may be based on evading existing rules imposed for instance by public and legal authorities, as in the case of recycling companies, which are involved in illegal and unfair bidding of scrap metal in collusion with officials from the public authority responsible for the bidding process. When rules cannot be broken, capitalists can find ways to get around them, which may lead to new creative strategies. While trying to get around those rules, capitalists may seek for new avenues and tools for profit-making.<sup>33</sup> In the hands of market actors, then, rules and regulations may be constraints to avoid or resources to explore while coping with, consciously or unconsciously, the market imperative.

The relationship between the market imperative and the rules is not only limited to capitalists’ strategies of competition and survival. There are several instances in which rules and regulations can be the very leitmotiv, the force which activates or fastens the market imperative by turning small producers into differentiated classes of capitalists and labourers and pushing capitalists to compete. Thompson<sup>34</sup> argues that laws from above can help the development of capitalist markets; Marx shows how enclosure laws by the state has increased

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<sup>30</sup> McKenzie (2008).

<sup>31</sup> See Callon (1986), Latour (2005).

<sup>32</sup> Harriss-White (2011).

<sup>33</sup> For an analysis of how strict financial regulations in the American system led investors to develop new innovations to get away with those rules, see Partnoy (2009) and Konings (2011).

<sup>34</sup> Thompson (1993).

the velocity of the dispossession of peasants by creating labourers who have to work in order to survive<sup>35</sup>; Post talks about state laws in nineteenth century America which, by enabling merchants to use land speculation, forced farmers to purchase land at prices above the market price and to increase labour productivity to make their payments, which thus led to differentiation;<sup>36</sup> Chatterjee explains how planning regulations in India have contributed to the development of market relations and sharpened, unintentionally, class contradictions.<sup>37</sup> In Turkey, although state regulations in recycling have only been partially implemented, their full enforcement is likely to bring about a similar outcome, by drastically transforming the recycling market, leading to differentiation among the petty producers who run warehouses and making informal waste pickers fully subsumed proletarians for recycling companies.

Third, both vertical (capital-labour) and horizontal (capital-capital) conflicts in a capitalist society make the market a terrain of struggle. Rules and regulations, which bring about new forms of inclusion and exclusion, sharpen or mediate such conflicts,<sup>38</sup> are excellent means to make this terrain visible. When a new by-law from the state brings about obligations of very high standards for the physical infrastructure of the workplace, it is not a simple technical issue. It favours large recycling facilities at the expense of many established small and medium-size recycling firms. The latter fights to amend those rules as a way to survive in the market. When the new waste management regulations threaten the customary rights of waste pickers to work over public bins, waste pickers resist this threat. Tracking down the ad-hoc and comprehensive changes in the by-laws shows that their final version is a by-product of those conflicts and negotiations between state, capital and labour groups in the recycling sector. Those conflicts are not simply economic; they have a moral dimension: Which rules serve to create a free, fair and orderly market? Who should be responsible for the negative effects of the market? Who is entitled to customary and property rights in the market? When is state intervention in the market legitimate? Those questions pertain to the debates on the relationship between the market and morality.<sup>39</sup> Each actor wants to believe in the legitimacy and benefit of its own activity and develops its own discourse of morality regarding his/her function and role in the market.

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<sup>35</sup> Marx (1992).

<sup>36</sup> Post (1982), p. 43.

<sup>37</sup> Chatterjee (1998).

<sup>38</sup> For an historical analysis of how legal regulations constitute a terrain of struggle see İslamoğlu (2004), for a contemporary case study on Tobacco Law in Turkey, see İslamoğlu (2002).

<sup>39</sup> For historical analyses of the relationship between market and morality, see Thompson (1993) and Searle (1998).

If the nature of rules and regulations as depicted here has validity, new institutionalist economics, which ascribe to rules either the function of reducing information asymmetries and transaction costs in the market,<sup>40</sup> draws an incomplete picture of the role of rules in capitalist markets. This understanding of the market defines the market still as a self-regulating entity where, once actors are equipped with tools to reach out to information and reduce the costs of transactions, they may benefit from the opportunities presented by the market. Yet, in the market, which is characterised by relations of power and inequality, rules cannot stay impartial and devoid of class conflicts.

Examination of rules challenges some misperceptions about the concept of free market in the context of neoliberalism. In the period covered by the thesis, a proliferation, rather than a decrease, of the rules regulating the market is observed.<sup>41</sup> This observation is best expressed by a senior floor trader at the London Metal Exchange (LME) who has been working there since the 1970s: “The difference between old and new times... well, more and more regulations,” he told me while having lunch at one of the busiest restaurants in the City of London. In fact, what is called the Big Bang in the UK as the turning point for the deregulation of financial markets was followed by a series of new problems:<sup>42</sup> the insolvency of the LME brokers due to the absence of a risk mitigating party in the context of the global tin crisis, the cornering of the entire world copper market by a Japanese trader known as the Sumitomo Affair pushed the LME to develop a new regulatory framework to prevent such abuses and loopholes in the market. This was also the time when the Securities and Futures Authority (SFA) approached the LME and asked their directors to cooperate in order to build what they would call a ‘free and orderly market’. Seen from 56, Leadenhall Street where the LME building is located, ‘the free market’ looks more like by-product of dozens of invisible rules and regulations, which are repeated by market participants in their everyday practices, than a spontaneous order left to its own device. The same proliferation of rules applies also to the recycling market in Turkey: Integration with the global markets and the European Union meant the local adoption of new detailed regulations, which the actors had to learn and follow, and the indirect subjugation to many other rules imposed by other market players (such as the import/export restrictions of recyclable commodities by certain countries, Chinese custom regulations to check quality of waste paper and waste plastic, the LME rules. etc.), affecting the local market.

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<sup>40</sup> See North (1990), North (1995), Williamson (2000). See, for a critique, Fine (2005).

<sup>41</sup> Vogel (1998).

<sup>42</sup> Peeters (1988).

In the case of Turkey, the significance of those rules cannot be analysed independent from the role of the global economic governance institutions. The European Union, the IMF and the World Bank have played a key role in implementing a series of neoliberal reforms, which brought about dozens of new legal rules and regulations. Whereas the first generation of market reforms included liberalisation in trade and finance, contractionary fiscal and monetary policies, privatisations, implementation of private sector principles in the public sector, labour market flexibility; the second generation of regulatory reforms included the establishment of independent regulatory agencies to depoliticise economic management.<sup>43</sup> The EU became a more powerful external anchor in the 2000s.<sup>44</sup> After the EU officially announced Turkey as a candidate country, on 19 March 2001, Turkey approved the national programme for the adoption of the EU *Acquis*, which defined the principles, priorities and objectives of the accession partnership.<sup>45</sup> The EU reached the stage of opening formal negotiations for full membership by October 2005.

As far as the recycling sector is concerned, the role of those institutions is important at least in three ways: First, the new waste management regulations, which are examined in the thesis, are adopted from the relevant EU Directives in the recycling sector. Second, privatisation of the state-owned enterprises in the paper industry was a component of the government's mass privatisation programme in 2005, as part of the post-crisis neoliberal economic reform under the guidance of the WB and the IMF.<sup>46</sup> Since these enterprises had a regulatory role in setting paper and waste paper prices, their privatisation had an important impact on the recycling sector. One should add the promulgation of the Law on Foreign Investment in 2003, facilitating the investments made by foreign capital groups in Turkey. The entry of some prominent foreign capital groups in the recycling industry happened after this Law. Third, regulatory changes in the state's agricultural policy to eliminate subsidies, privatise agricultural enterprises and restrain the cultivation of certain agricultural products such as tobacco and

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<sup>43</sup> For an analysis of the first generation of the WB and the IMF reforms called "Washington Consensus", see Williamson (1990). For the implementation of neoliberal reforms in Turkey see Odekun and Nas (1992), Waterbury (1992) and Yalman (2002). For the World Bank's critical revision of its own policies, see Narayan (2000), WB (2001), WB (2004). For a critical perspective of the second generation of reforms called "Post-Washington Consensus" and new IMF conditionalities, see Gore (2000), Fine (2001), Cammack (2003), Stewart and Wang (2003), Weber (2004), Taylor (2005). For "Post-Washington Consensus" and independent regulatory agencies in Turkey, see Şenses (2003), Bayramoğlu (2005), Güven (2008), Sönmez (2011a), Sönmez (2011b), Buğra and Savaşkan (2014).

<sup>44</sup> According to Öniş (2006a), for a long time the EU tended to delegate the economic component of the Copenhagen economic criteria (accepted in 1993) for a transition to the market economy to the IMF.

<sup>45</sup> See Öniş (2011), Uğur and Yankaya (2008).

<sup>46</sup> See Yeldan (2005).

sugar have led to a decline in the ratio of rural employment and increased the number of informal workers including recycling workers.<sup>47</sup>

These policy changes are non-linear, complex, slow and messy.<sup>48</sup> The government may reverse, make redundant or change the course of policies by ad-hoc measures. During the 2000s, the Justice and Development Party in government adopted many reforms in accordance with the EU, IMF and WB but subsequently made several an ad-hoc changes, diverting the initial policy from its intended consequence.<sup>49</sup> New arbitrary interventions in the economy were made by the use of legislative power and incentives were distributed to selected private sector groups. This selective application of reforms was criticised by the global governance institutions as illustrated by the European Union Progress Report in 2012.<sup>50</sup> Against this background, the thesis shows the ways in which waste management regulations remained ineffective, partial or selectively implemented.

Proliferation of formal rules and regulations does not mean that contemporary markets are evolving towards a more formalised system from a more informal one. Despite expectations that there would be a transition towards more formalised, impersonal, written forms of regulation,<sup>51</sup> informal regulations based on social networks, customary rights, kinship, gift and personal trust<sup>52</sup> continue to prevail in the contemporary capitalist society in general and in the recycling sector in particular. Those are not remnants from a traditional past: first, they assume novel forms in the contemporary market as in the case of waste pickers who, trapped in poverty and unemployment, build their own rules of labour market entry by translating rural customary rights to the urban context, or warehouse owners who build a type of ‘fraternal capitalism’- to borrow a term used by Chari in his fieldwork on Indian export-oriented textile producers.<sup>53</sup> Second, they are also seen in more advanced capitalist societies. For instance, for a long time the London Metal Exchange was dominated by an opaque system in which a club of traders carried their warrants in their suitcases without any clearing and risk-taking institution, and the Compliance Department was nothing but one man who drank his wine and

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<sup>47</sup> For the details of the transformation of agriculture see İslamoğlu et al. (2008).

<sup>48</sup> See Fernandez (2008).

<sup>49</sup> See Sönmez (2011a) and Sönmez (2001b).

<sup>50</sup> One very illustrative case is public procurement. See Buğra and Savaşkan (2014), p. 80: “The current application of the Public Procurement Law, especially the use of clauses concerning exceptions, was criticised in the EC’s Turkey Progress Report 2012. The tendency to privilege domestic investors in public contracts, undermined an important objective of Derviş reforms, the stimulation of foreign investments in an economy fully integrated in the global market.”

<sup>51</sup> Harriss-White (2005).

<sup>52</sup> See Granovetter (1985) and Lapavistas (2004).

<sup>53</sup> Chari (2004).

read his newspaper in his dusty office, in the words of its former chief accountant. After the setting up of a Clearing House and adoption of professional rules of compliance in the 1990s, customs, informal arrangements and personal relations still remain significant: recruitment to the Exchange floor is still based on kinship and personal networks, the launch of a contract requires a lot of personal lobbying and networking with financial investors, and traders are involved in the informal over-the-counter trade as much as they are involved in standardised exchange contracts. Thus, when we speak about the market in a capitalist society, we talk about both formal and informal rules; impersonal exchange and social regulations including kinship, religion and gender; contractual relations and personal relationships; property rights and customary rights; formalised wage contracts and bonded labour.

### **Methodology**

As an attempt to reveal what kind of rules and regulations organise the recycling market by following the travel of the waste as a recyclable commodity (waste paper, waste plastic and scrap metal), the research was conducted in multiple sites.<sup>54</sup> The first space of research was dozens of streets in which waste pickers worked in the city of Ankara. I concentrated mostly on the city center by spending long hours with waste pickers at their collection points, near their trucks, in their tea breaks, during their days off, but I also accompanied some workers who worked in the peripheral streets of the city. The street was also the space of organising waste pickers. I accompanied organisers in their travel to warehouses, demonstrations, hospitals, and in their meetings with individuals from different professions (doctors, lawyers, graphic designers) who all supported the organising work in various ways.

The second site of research was the neighbourhoods where waste pickers lived. These neighbourhoods included a squatter settlement where Kurdish waste pickers have lived for the last twenty years, an inner city slum where mostly Turkish waste pickers from Central Anatolia lived and worked as migrant labourers, and an old industrial zone which has not gone through the anticipated urban regeneration plan and hosts several warehouses rented by Kurdish employers hiring kinship labour. The differences between these three waste picking communities are taken seriously in the dissertation in order to prevent a totalising, homogenising approach to waste pickers' lives. The warehouse was a very important space where I could join dinners, breakfasts, tea breaks, group conversations, one-to-one talks during different time slots. In neighbourhoods I was invited to house visits, weddings. This fieldwork

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<sup>54</sup> See Burawoy (2003).

was done during May-October 2007, December 2007, and June-October 2008. A shorter re-visit was made in the summer of 2009.

The third space of research was the Scrap Traders' Zone during the summers of 2007 and 2008. I visited traders' offices, talked to them in and outside of the office space, observed their conversations, their factories and relationships with fellow traders and workers.

I was unable to carry out the type of ethnographic research or interviews in state institutions in the way I did with workers due to both time constraint and ongoing conflict between waste pickers and public authorities for which I took a definite side. My research was then limited to an extensive investigation of official documents, by-laws, official communiqués, as well as the discourses of state officials.

My final stop was the London Metal Exchange and the City of London from December 2009 to May 2010. The research consisted of interviews with senior and mid-level managers of the Exchange, its employees, senior traders and the CEOs of the companies, which are LME members, market reporters from market research companies, professional consultants and trainers. Those interviews were accompanied by ethnographic observations at the trading floor and in different units of the Exchange. Interviews were conducted at cafés, restaurants and office spaces in various parts of the City of London, enabling to immerse myself in the atmosphere of one of the most important financial centers of the world. I also attended the LME training courses to learn trading practices such as hedging, and was granted a certificate.

A number of constraints were present during the research although some of those constraints turned out to be opportunities at the end. My fear of exercising an epistemic violence over, or abusing the confidence of, the subaltern groups I worked with was so strong that for a long time I could not even ask them questions.<sup>55</sup> Although I would later discover that the researcher himself/herself could not only be the subject of but also *subject to* power relations in the field,<sup>56</sup> I still took the emotional and physical burden of being more an activist than a researcher while working with waste pickers. This engagement, which went far beyond the requirements of an observer, was time consuming and in certain situations emotionally devastating given the violence and poverty to which my informants were subject to, but it ended up by enabling me to penetrate fully the life of my informants. Still, it is only after I

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<sup>55</sup> See Spivak (1988).

<sup>56</sup> See West (2007).

could have a distance from both the field and activism that I managed to make sense of, evaluate and write up the data I collected.

Being a female researcher was both an advantage and a disadvantage. Working with male workers and developing close relations with them put me, in their eyes, into different roles, a sister to protect, a therapist to share problems with, an educated person who can help to solve problems, a female companion to spend time with during days off, a friend to call when needed. I struggled hard to build a balance between my own work and emotional stability and their needs and expectations. My support as an activist was both appreciated and suspected. Staying overnight in warehouses in remote areas, visiting the inner city slums where there was violence and petty drug trafficking were necessary in my eyes to collect data and be closer to people's lives. Although I was stubborn in revisiting those places several times, I listened to and followed the advice of my worker friends when they warned me against potential threats. In the Scrap Traders' Zone, which was a male-dominated area, I was, in certain cases, mistaken for a mistress of a factory owner or a salesperson, and had to gently cope with certain prejudices. Still, I did not have problems of access in reaching out to traders in their offices and factories and built good relationships with those traders who appreciated a student who took interest in their under-researched sector, which, they felt, had little reputation.

The research at the London Metal Exchange was different from the fieldwork in Turkey, because my informants were professional traders whose schedule was very tight. Still, I was lucky enough to attract the interest of the LME managers who valued my research and I got the permission to get access to the trading floor, which is normally close to the public. They helped me to reach out to certain traders. Yet, appointments had a strict time limitation and I had to learn how to be efficient in getting most out of my interviews.

Apart from ethnographic data collection and semi-structured interviews, archival research of official state documents, workers' publications, newspapers, and reports was conducted during the fieldwork. Some key informants for the research were interviewed once again in 2014 and 2015 for significant updates and archival research about the recent developments in the recycling sector was continued for the post-fieldwork period (2010-2014).

Lack of rigorous economic data is due to certain constraints during the fieldwork rather than an underestimation of their value. Despite my efforts to examine the economic behaviour of warehouse owners, it was extremely difficult to find appropriate evidence to track down such

behaviour. Whenever there existed book keeping habits, the records were extremely poor and inaccurate and most calculations were made in the mind of warehouse owners or in small pieces of paper. Thus, my argument could only concentrate on the visible aspects of the petty commodity production and accumulation in terms of the ownership of assets and capacity to mobilise labour. In the case of recycling factories, book keeping was mostly carried out by externally hired accountants and traders preferred being confidential. I could observe and talk about the effects of abrupt changes in price movements on traders, but this was not backed up by a registration of daily price movements.

A note of caution has to be made regarding the use of theory. Theoretical approaches used in the dissertation correspond to different moments or stages in the recycling market. Various scales are related to different literatures and although there is one overarching question about how the market is organised by rules and regulations, the changing ontology of those rules and regulations (customary rights, informal practices, legal documents) or the changing actors who design and enforce them (workers, traders, public authorities) made it necessary to adopt a pluralist approach. Although I follow the Marxist conceptualisation of the market as an imperative and class analysis, the way I engage with the specific literature on markets is not about selecting and applying the ‘best’ approach to my fieldwork or synthesising diverse perspectives into a comprehensive framework able to cover all aspects of the markets. Rather, I benefit from different theoretical approaches, as means to better problematise the empirical findings or, in a Geertzian manner, to build a vocabulary in which such findings can express themselves<sup>57</sup> and assume a meaning, which could remain more obscure without their lenses. Thus, different theoreticians from the literature on markets, including economic sociology and actor-network theory, state theory, political economy are referred to as far as they are able to shed light on the issues discussed in the thesis within the framework as drawn in this introduction.

### **Outline of Chapters**

Each chapter focuses on a specific area of regulation in the recycling market from the perspective of an actor: waste pickers, organisers, warehouse owners, state officials, local traders and finally global exchange traders and managers. While examining regulations, the chapters also examine, when relevant, the actors’ experience and perception of the market, which determines which rules they contest and which ones they promote.

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<sup>57</sup> See Geertz (1973).

*Chapter 1* investigates how the labour market in recycling is regulated by the customary arrangements of waste pickers themselves. The chapter puts waste picking as informal labour in the context of the Turkish political economy of the last three decades, which has led to an increase in unemployment, poverty, labour mobility blurring the rural/urban distinctions and an expansion of the informal sector. The apparently self-employed waste pickers are in fact wage labourers and create a surplus value extracted by warehouse owners and recycling factory owners. When the disciplinary measures by local governments attack these customary rights by calling waste pickers ‘illegal waste hunters’ and bring formal rules to the sector, forcing waste pickers to sell at a price lower than the market price for certain recycling factories, waste pickers resist. In the conditions of urban poverty, the garbage provides waste pickers with sources of used commodities, which they use for personal consumption, or gift and re-sale in a flea market. Thus, the first chapter investigates three different areas of the recycling market each regulated by waste pickers themselves.

*Chapter 2* examines how, when the market and state cannot fill the gaps for waste pickers to get access to basic services (health, education, legal services, housing, transport), a group of organisers fill in those gaps by building and mobilising networks of solidarity. Organising becomes a way to solve problems, which the state and free market cannot resolve for waste pickers. It also examines how organisers made a number of attempts and formulated demands to re-regulate the recycling market at the benefit of their members. The building of a warehouse without any intermediary, the idea of a cooperative and trade union, the negotiations with the local municipality can be all read as failed or achieved attempts to have a say in the restructuring of the recycling market.

*Chapter 3* looks into the warehouse where waste is stored, sorted and transported. It is an analysis of how accumulation patterns in the recycling market by warehouse owners are regulated by social structures such as kinship and tribe. Whereas one waste picking community is using social regulations of labour (via the mobilisation of a large pool of kinship labour and paternalistic networks of dependency) as an opportunity to accumulate, the other one reproduces itself as petty commodity production units relying on family labour.

The technical and legal regulations by the state, which transform the recycling market, constitute the focus of *Chapter 4*. As a local adaptation of the relevant European Union Directives, those regulations redefine the recycling market as a technical area of expertise by

coding types of waste and determining standards which each market actor has to abide by. They privatise waste management by prohibiting informal practices and creating incentives for new investors. They also trigger a number of conflicts between different capital groups in the recycling market and are re-shaped accordingly.

*Chapter 5* depicts the main features of the recycling market by looking into the waste paper, waste plastic and scrap metal and investigates the relations of trust, gift and morality, which govern the everyday economic activities of traders in the Scrap Traders' Zone in Ankara. Those relations are significant resources and means to sustain the regularity of trade partnerships, raise competitiveness of certain companies, or create control and dependency over others under the competitive pressures imposed by the recycling market.

Scrap metal prices in the Turkish warehouses and Scrap Traders' Zone in Ankara are using the LME price as a global reference price. The historical development of and current struggles over the rules and regulations at the London Metal Exchange (LME) are the subject of *Chapter 6*. The chapter examines how the rules at the LME have evolved as a response to the previous problems in the market. It finds out similarities and differences between the LME and the local Turkish market in terms of the presence of non-market relations and historical trajectory of new rules and regulations. This implies that advanced capitalist countries and developing countries share more common ground in terms of the operations of the market than it looks like at first glance.

*Chapter 7* aims at revealing how the market actors follow a set of rules in their everyday practices at the LME. It examines in detail the regulations of market surveillance and compliance, the principles governing the behaviour of brokers, the rules according to which the closing and official LME prices are discovered. The experience of market actors at the LME vis-à-vis the price is compared to the experience of Turkish traders.

*The Conclusion* connects each chapter in order to reiterate and sustain the argument that the fetishised form of the market is enacted by the everyday practices of conflicting classes and institutions while obeying, repeating, contesting and re-making those rules and regulations.

## **Chapter 1: Waste and Labour in the Recycling Market**

### **Introduction: Labouring Waste**

The day is turning slowly into evening in İskitler, a former industrial zone, which had hosted small workshops before the metropolitan administration evacuated the area as part of its urban regeneration plans. Since the plans are still pending, the empty warehouses found their new tenants in waste pickers who needed storage space for waste paper, waste plastic and scrap metal they collect from thousands of streets of the capital city of Ankara. Despite its chaotic and deserted outlook, the area still exhibits the regular characteristics of an old industrial zone, with parallel streets cut by larger avenues, on both sides of which warehouses of similar shape, with two floors are located. It is in one of those streets that Recep, a nineteen year-old waste picker is preparing to go to work. His preparation includes putting on work clothes and gloves, which enable him to be immersed into all kinds of garbage, making sure that some pocket money and a packet of cigarettes are ready, checking the solidity and heels of the carrier and taking it out to the street from the warehouse. That day, I am accompanying Recep in his long walk from İskitler to Etlik.

The second eldest son of a Kurdish warehouse tenant, Recep came to Ankara with his brothers and relatives to work. Had he not come to Ankara that summer of 2008, he would have been on a rural farm in the South as a seasonal worker to harvest cotton or a textile worker in an informal sweatshop in İstanbul, as several other workers from his own town, Siverek of Urfa (in the South East of Turkey) were doing. Until that day, I had accompanied waste pickers on a number of occasions, during breakfast time, at different points in the city center when they took some time to rest and talk to me, in the evening, and at their weddings, but I had never become part of a full journey during which they walk for several hours to find the best quality

waste to sell. We start walking along the large avenues in order to reach a neighbourhood where there are many hills. While climbing over the hills, I remember one of the short stories written by a waste picker in the magazine published by Waste Pickers' Association, called *Katık* where he talks about how tiring it is to walk up to the hills with the heavy carrier. We stop by the waste bins, which are located on the pavements. They are small waste bins but there are, as I observe Recep taking them, a lot of empty plastic bottles. While the full moon rises slowly, we continue walking up and down. I follow Recep in his walk. He is quite confident, takes directions naturally, similar to a hunter who finds his way in the forest. He knows which streets to enter; one could easily understand that this is his routine work. Recep does not want me to open the garbage bags and find the waste inside, he feels ashamed.



**Figure 1:** A waste picker comes back from work to his warehouse, İskitler, Ankara.  
*Photo credit: Ali Saltan*

At the same time when Recep is preparing to go to work, Veysel is taking his place at the corner of one of the busiest streets of the central Kızılay, namely Konur Street, famous for its cafés, restaurants and bookshops frequented especially by university students. This is a corner where he stores all the cardboards and waste paper he collects from the shops and other offices located nearby. At first glance, Veysel seems much luckier than Recep since he does not need to walk long hours to find waste. Yet, his job is not less labour intensive. He has to build and maintain the network of good personal relations with individuals from those shops and offices, to ensure the regular provision of waste. He has to make several tours from late afternoon until midnight in order to get the waste, which is put at different points in the area where he is

working. He has to sort out and classify the material properly in the corner in order not to pose any problem with passengers or municipal police. When waste is too much to handle for a single individual, his younger brother will help him out in visiting different points on the street.

Whenever I talk to Veysel in his breaks, he looks tense. I understand the reason behind this tension, as I spend more and more time with him and we become friends. Veysel has finished high school and passed the university entrance exam with some modest success. Yet since the sickness of his father, he had to look after the whole family and interrupt his studies. He feels ashamed of what he is doing and my presence reminds him of the missed opportunity to go through higher education. He came to Ankara in 1994, when his village was evacuated as a result of forced migration by the state and settled with his family in Türközü neighbourhood like many other co-villagers. In the absence of other employment opportunities, waste picking became the job of this community.

Towards late evening, Veysel goes to bring his truck from an area where waste pickers park their trucks. Only after midnight are they allowed to put the waste paper and cardboards in their trucks. Frequency of car circulation decreases after that. From 2 AM until next morning Veysel will try to take a deep sleep in Türközü where he lives with hundreds of other families, who are doing this job. The trucks will wait until next morning in their neighbourhood with kilos of waste paper and plastic. The next day Veysel will bring his truck to one of the recycling factories for sale around 3 PM. Then he will come back to Kızılay once again to the same corner to start the everyday routine, until Sunday when he usually takes the day off.

At the time when Veysel goes to sleep the working time of another waste picker, Mustafa starts in Hamamönü, a neighbourhood, which is a half an hour walking distance from the busy street where Mustafa is working. Originally from the eastern city of Kars where his wife, two daughters and parents live, Mustafa spends most of the year in Hamamönü in order to send money back to his family. While Mustafa is busy getting the large amounts of cardboards from shops and good quality paper from offices in Kızılay, Mustafa specialises in the collection of scrap metal. He finds valuable scrap metal in several places all around the city: sunk machinery and cables of the abandoned private factories, public street lamps and waste bins which contain tin, iron, aluminium and zinc. Since Mustafa has already been in prison, it is dangerous for him to work alone without any support since there is always the risk of being arrested by the police. Thus he goes to work with his partner, Davut, a young man who grew up in orphanage and

then was married to a widow with a girl child. He travels a long way by train from Sincan, a working class neighbourhood in the periphery of Ankara.

The warehouse where Mustafa lives is a remnant of an old shantytown building (*gecekondu*) with two large rooms and a toilet. The entry room serves as a dormitory for the workers during the evening and when beds are tidied up it turns into a sitting room with sofas and a TV. The back room serves as an office space for the warehouse owners with old armchairs, which welcome curious guests like myself. The L-shaped garden is rather quiet during daytime but gets very busy from late afternoon with the visits of day labourers who sell occasionally their waste, other waste pickers from nearby warehouses, and street kids. One area within the garden serves to store waste, which is loaded on the truck going to the recycling factory. Depending on the occasion (a dinner, drink time, breakfast or a talk around the fire) I converse with Mustafa and his friends in all these spaces.

Recep, Veysel and Mustafa embody three representatives of the precarious informal labour force in Turkey, whose number has been increasing in the last three decades. Their story is far from being an exception. Their situation points out to some of the general features of the Turkish labour market: high levels of labour market turnover, lack of social security coverage, limited access to health and education, low wages, inter-generational poverty, use of child labour, exposure to the negative effects of financial crises. In order to understand the dynamics of this growing precarious informal labour force, it is useful to investigate the effects of the Turkish economic and social policies of the last three decades on the labour market.

### **1.1. Neoliberalism, Labour Market and Recycling Workers**

First, the changing structure of the industries and industrialisation policies after 1980 is crucial to understand the patterns in the labour market. Turkey has interrupted the inward-looking import substitution industrialisation strategy<sup>58</sup> and shifted to trade liberalisation to promote exports. The import regime was gradually liberalised by allowing the import of items formerly prohibited or subject to tax levies, by simplifying export procedures, granting tax rebates, foreign exchange retention schemes, and export credits at preferential rates.<sup>59</sup> From 1980 to

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<sup>58</sup> Turkey shifted to the ISI strategy after 1960 with the establishment of the State Planning Organisation (SPO) and state support for the local manufacturing of consumer durables via import quotas, cheap inputs and subsidies. The deepening phase of the ISI was interrupted by the inner contradictions of the accumulation strategy and the pressures by the World Bank and the IMF in the late 1970s to shift to liberal economic policies. See Eralp (1990).

<sup>59</sup> See Şenses (1991), Sönmez (1992), Eralp, Tünay and Yeşilada (1993), Öniş (1999), Boratav (2005).

1989 the currency was deliberately devalued and wages were kept low in order to increase export competitiveness. Although those instruments enabled a rapid export boom due to the existing manufacturing capacity by those industries, which had grown by the state-led import substitution strategies, export levels did not bring about the expected rise in profitability in sectors geared to foreign trade. Contrary to neoclassical expectations that low wages would generate higher employment, in the Turkish case low wages reduced domestic demand; lack of infrastructure, lack of a skilled labour force, and high costs of imported inputs acted as disincentives for private sector investment in manufacturing.<sup>60</sup>

After 1989, tax rebate schemes ended and the exchange rate regime was liberalised. The transition to full capital account liberalisation with the decree no. 32 has resulted in the inflow of short-term capital into Turkish financial markets, which appreciated the Turkish lira, making imported manufacturing inputs cheaper and exports more expensive. The period 1980-2000 witnessed a poor performance in employment generation by the manufacturing industry. Formal employment in enterprises hiring more than 10 workers fell by 25 per cent.<sup>61</sup> The sectoral composition indicates that Turkey was stronger in labour intensive sectors, especially textile, but not in high value-added sectors. There was no strategic education policy to educate the labour force to work in capital-intensive industries. Labour market remained segmented.<sup>62</sup> The ratio of marginal labour to total employment in the manufacturing industry increased to 49 per cent (1,170,000) in 1994, and stabilised around 44 per cent (1,035,000) in 1995, from 41 per cent (700,000) in 1980. The number in informally employed labour exceeded the amount of formally employed labour in 1994, and was equal to 49 per cent of total employment in private manufacturing in 1995.<sup>63</sup> By 2000, according to the Urban Areas Small and Unincorporated Enterprise Survey Results by the State Institute of Statistics, the total number of informal workers in the urban enterprises had reached 1,340,000 (988,000 being self-employed; 206,000 being direct employees and 146,000 unpaid family workers).<sup>64</sup>

After 2002, the construction industry was made, via a carefully crafted series of government interventions, the leitmotiv of economic growth.<sup>65</sup> The strategy was based on domestic demand for housing, massive urban regeneration plans to provide cheap land for the building industry and transformation of key urban cities into financial and touristic centres. The government

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<sup>60</sup> Yentürk (1997) and Onaran (2000).

<sup>61</sup> Boratav, Köse and Yeldan (2000).

<sup>62</sup> See Şenses (1994), Şenses (1996), Köse and Öncü (2000).

<sup>63</sup> Boratav, Köse and Yeldan (2000), p. 9.

<sup>64</sup> See Bulutay and Taştı (2004).

<sup>65</sup> For this new growth strategy based on the construction industry and the role of Turkish Mass Housing Administration (TOKİ) see Kuyucu (2009), Uzunçarşılı Baysal (2010).

distributed a number of economic incentives and privileges to create vested interests reproducing its power.<sup>66</sup> Structural deficiencies of the economy such as the vicious cycle of current account deficit financed by short-term capital flows and overvalued currency and the threat of low demand, as compared to the large supply in the construction industry, remained constant. Apart from limited efforts to create new jobs via some government subsidies to the private sector as a response to the world economic crisis of 2008-2009, unemployment continued to rise.<sup>67</sup> The new Labour Law of 2003 gave employers the right to use flexible work arrangements with the introduction of part-time and temporary work, previously used by the informal sector.<sup>68</sup>

Second, the changing role of the Turkish economy in the international division of labour and its integration with the global supply chains had an impact on labour markets. Competitiveness at every stage of production has consolidated the use of informal work arrangements, including the proliferation of subcontractors and home-based work, worsening the conditions of labour. In other words, the formal sector itself needed informalisation to sustain its profitability rates.<sup>69</sup> Turkey shows congruence with global trends in developing countries.<sup>70</sup> Most multinational companies use informal work arrangements<sup>71</sup>; hire workers ‘off-the-books’, subcontract production or sales to informal companies.<sup>72</sup> Sometimes a single company, at different stages of its business, may be involved in formal or informal arrangements.<sup>73</sup>

Third, financial crises had a significant influence on labour markets and the informal economy.<sup>74</sup> After 1989, full capital account liberalisation led to the appreciation of the currency, the rise of domestic borrowing, and the associated rise in the ratio of interest payments over the budget.<sup>75</sup> Domestic borrowing, due to public sector deficit, led to higher interest rates, which increased credit costs and reduced investment. Hot money flows benefited from higher interest rates. Due to the appreciation of the Turkish lira and the cheapening of imports, foreign trade deficit increased. Interest costs on domestic debt and tax evasion further increased public sector borrowing requirements. All these factors culminated in the crisis of

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<sup>66</sup> See Buğra and Savaşkan (2014) for an analysis of the government, private sector groups and business associations during the Justice and Development Party government.

<sup>67</sup> Yeldan (2007).

<sup>68</sup> For detailed analyses of informality and flexibility of the labour markets in the 2000s see Özdemir, Yücesan Özdemir and Erel (2004), Özdemir and Yücesan Özdemir (2004), Özdemir and Yücesan-Özdemir (2005).

<sup>69</sup> This argument is also made by Maegher (1995) for the context of Africa.

<sup>70</sup> See Gunther and Launov (2012), Alter Chen (2012), Varek, Chen and Husmanns (2012).

<sup>71</sup> Roberts (1989).

<sup>72</sup> Portes and Schaffler (1993).

<sup>73</sup> Tokman (1991).

<sup>74</sup> For important accounts of the crises of 1994 and 2000-2001 see Cizre-Sakallıoğlu and Yeldan (2000), Akyüz and Boratav (2003), Cizre-Sakallıoğlu and Yeldan (2005), Yeldan (2006), Öniş (2006b).

<sup>75</sup> Köse and Yeldan (1997).

1994 when the current account deficit reached an unsustainable level. Measures in the post-1994 crisis did not change the structural features of the Turkish economy and finance. In 2000 an economic programme implemented under the guidance of the IMF limited the capacity of political authorities to use monetary and fiscal instruments. The reliance on short-term capital flows as a means to sustain the current account deficit remained intact. By the end of 2000, there was a capital outflow of 23.9 billion dollars.<sup>76</sup> The 2001 financial crisis led to a massive loss of jobs. Out of 1,567,000 unemployed in 2002, 390,000 have been made redundant the previous year. Unemployment rose from 6.3 per cent to 10.6 per cent in 2001 for the last quarter. Real wages declined by 14.4 per cent. The food component of the Consumer Price Index rose at a rate of 78.4 per cent in 2004.<sup>77</sup> Especially less-skilled workers who were employed in the formal sector, shifted to informal employment.<sup>78</sup> Despite their low participation in the labour force until the mid-2000s, women tended to take informal sector jobs when their husbands lost their jobs. In the context of the 1960s and 1970s, the informal economy had been functional in meeting the needs of an industrial workforce in the cities of the developing countries such as Turkey, because of the inadequacy of the welfare system in those countries and failure or unwillingness of the state to provide basic needs and infrastructure like housing.<sup>79</sup> But after the 1980s, the informal economy assumed the role of supplementing income for many workers whose purchasing power declined or whose jobs were lost as a result of crises and privatisations.<sup>80</sup>

Fourth, the structural reforms as envisaged by the World Bank, the IMF and the EU had serious consequences with respect to the transformation of the labour markets. In contrast to other developing countries, it took much longer to complete structural adjustment reforms in Turkey. Privatisations and agricultural reforms were delayed either due to the reluctance of incumbent governments to lose their political base, or resistance from different bureaucratic institutions and interest groups. Most of the privatisation programme was achieved in the 2000s under the Justice and Development Party (JDP) government. Privatisation of state economic enterprises (including key sectors such as copper, aluminium, petroleum, telecommunications) led to either unemployment or the transfer of former public employees to precarious contract workers in other public services.<sup>81</sup> Agricultural reforms included the sale of public facilities and factories in agricultural industries, the limiting of production in certain

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<sup>76</sup> Yeldan (2002).

<sup>77</sup> Şenses (2003), pp. 99 and 103-4.

<sup>78</sup> Taymaz (2012), p. 371.

<sup>79</sup> Roberts (1991), Şengül (2001).

<sup>80</sup> Carr and Chen (2002).

<sup>81</sup> Yücesan-Özdemir and Özdemir (2008), p. 147.

agricultural products including sugar and tobacco, liberalisation of agricultural imports and cattle, introduction of contract farming with the multinational companies in the global food chains and elimination of subsidies. This resulted in a drastic decline in agricultural employment. Many household heads started working as informal workers in construction, recycling and service sectors in the cities while their families stayed in the village.<sup>82</sup>

Fifth, migration movements of the 1990s played an important role in creating new forms of urban poverty and led to the need for an informal economy. The forced migration of Kurdish communities from Eastern villages by the Turkish armed forces during the 1990s resulted in the migration of village communities to the cities. In the absence of available job opportunities and due to lack of skills required by formal industries, these communities had to work with very low wages in the informal economy: Street vendors, waste pickers, waiters, porters, day labourers on construction sites. They lived as tenants in squatter settlements and experienced different forms of discrimination.<sup>83</sup>

In what ways did this general framework of the political economy affect the communities in which Recep, Veysel and Mustafa lived? Were there any similarities and differences in the way they experienced the conditions of poverty, exclusion and unemployment?

In İskitler, Recep worked with family members, relatives and co-villagers from the city of Urfa. Most of them had come to Ankara in the second half of the 2000s. They all lived as migrant workers, slept in the warehouse during the evenings and sent money to their families in the village. Some of the waste pickers worked as textile workers before in İstanbul. In fact a year after I met Recep, he would give up waste picking and migrate to İstanbul, hire a flat with his cousins to work for a low but regular wage at a textile workshop in Bağcılar. Yet, other waste pickers who previously worked in textile workshops told me that they preferred waste picking, because not having a supervisor and a boss was more preferable. Other waste pickers, especially younger children between twelve to sixteen years old, worked during the harvesting season on cotton farms in Çukurova. They would find work via an elder relative who usually acts as an intermediary between the farmer and labourers from the same village or family.<sup>84</sup> Most of them left studying after primary or secondary school and did not have sufficient skills

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<sup>82</sup> For an analysis of agricultural reforms see Aydın (2001) and İslamoğlu (2002); for the concrete effects of reforms on small peasants Özügürlü (2011); for contract farming see Ulukan (2009).

<sup>83</sup> For the working conditions and neighbourhood experience of those communities see Yılmaz (2006), Yılmaz (2008) and Kaya (2009).

<sup>84</sup> For the conditions of seasonal agricultural workers from the South Eastern region of Turkey see Çınar (2014); for the specific case study of cotton and seasonal workers see Çalışkan (2007a).

for better jobs. There were other waste pickers who worked as construction workers. Thus the worker profile was a migrant worker who alternated between available jobs in rural and urban labour markets with low skills.<sup>85</sup>

Veysel, his family members and relatives had a different story. Veysel was a member of a tribal community, which migrated to the city as a result of forced migration, after the evacuation of their village in Hakkari by the Turkish armed forces in 1994. In contrast to rural-urban migrants who settle in the peripheral neighbourhoods and enter the labour market via previously established kinship networks,<sup>86</sup> Veysel and other inhabitants of Kotranis village could not benefit from those networks. Although they had the disadvantage of limited access to labour market, they could use those territories of the city, which provided the highest quality garbage in the center. No labour market turnover was observed. Family and kinship safety nets were important survival mechanisms. In contrast to children from Urfa, the children from Hakkari could go to school, not only because they were settled, but also because the families considered education as a means to achieve upward mobility for future generations. Fathers and elder brothers were responsible for waste picking. Children who went to school were responsible for helping the family work during holidays.

Mustafa and his community were different from the communities to which Recep and Veysel belonged. Hamamönü was an inner city slum, which hosted migrant workers who stayed in the prison such as Mustafa. It was difficult for such individuals to apply for regular jobs since employers checked workers' criminal records. In Hamamönü, there were small thieves, drug dealers as well as waste pickers living in the area and frequenting the warehouse. According to Ümit's study of children with criminal records, also covering this neighbourhood, children who lived and worked in such neighbourhoods were born into a space which offers them little chances and opportunities.<sup>87</sup> Mustafa and his friend Davut were both married, but there were single or divorced migrant workers who were deprived of the kinship connections as in other communities and came to work in Hamamönü as a place to earn their living. It is important to note that except for Mustafa who was Kurdish, most workers in the area were migrants from the villages of Ankara or neighbouring cities in Central Anatolia including Çankırı and Yozgat.

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<sup>85</sup> For a study, which shows the shifts between agricultural labour and service sector labour (tourism) by workers in the case of Antalya see Aykaç-Yanardağ (2009).

<sup>86</sup> Erder (1996), Tezcan (2011), Yıldız ve Oda Projesi (2013).

<sup>87</sup> For studies, which examine crimes in terms of their relations with the conditions of poverty and exclusion in similar neighbourhoods, see Ümit (2007) and Erman (2007).

The next section explains the characteristic features of waste picking as a labour activity. Each type of labour has its historically and materially contingent character, which leaves its print on the daily life, remuneration patterns and conflicts experienced by those who execute it.



**Figure 2:** Two old waste pickers in front of a warehouse, İskitler, Ankara.  
*Photo credit: Ali Saltan*

### **1.2.Waste pickers as Wage Labourers**

After collecting waste, the waste picker sells it daily to a buyer (either an intermediary warehouse owner or a recycling factory directly). The money he receives for this sale is, other conditions being equal, the daily (changing) market price for different categories of paper, plastic and scrap metal. The sale of the commodity as a waste on the basis of the market price and the fact that most waste pickers work individually in the streets with their carriers puts, at first glance, the category of the waste picker as a self-employed individual of the informal economy rather than as a wage labourer. In this picture, the commodity sold is a product (waste) not labour power; the transaction occurs between two independent parties; and if the buyer sells the commodity of waste at a higher price, this can only be considered as an arbitrage opportunity he exploits. The waste picker has the freedom to sell to any warehouse or recycling factory, depending on the price they offer. What is an exchange value for the waste picker is a use-value for the buyer.

Treating workers in the informal sector as self-employed individuals rather than as wage labourers is common in mainstream approaches to the informal economy.<sup>88</sup> The category of self-employed implies own-account work, asset ownership, and entrepreneurship. But as empirical studies on the informal sector suggest, the apparent self-employment may disguise forms of wage labour.<sup>89</sup> The reason why wage labour escapes the eye in the first place is the limitations of the formal and Western understanding of wage labour, which refers to the work in registered companies within the confines of social security and labour laws. Yet, a large amount of labour force does not fall into this category in developing countries including Turkey. In fact, “classes of labour have to pursue their reproduction through insecure, oppressive and typically increasingly scarce wage employment and/or a range of likewise precarious small-scale and insecure informal sector (survival) activity, including farming in some instances; in effect various and complex combinations of employment and self-employment.”<sup>90</sup>

A closer look could show that what the waste picker sells is not only waste but also his/her labour-power. The long hours of walking, building networks, finding the good quality garbage, putting it into the carrier, segregating and classifying, all constitute both physical and social labour spent to make waste ready for recycling. The waste paper, waste plastic and scrap metal, which are brought to the warehouse or recycling factory, have already been processed by the waste picker, and have added value. Storage in the warehouse, transport to the recycling factory, the process of recycling in the factory (namely the pressing of paper, the transformation of plastic into granules by large machinery or segregation of scrap metal products into their components by the workers) will add further value to the commodity of waste. But the initial finding of the waste, which has the capacity to be sold (i.e. to attract buyers) from the garbage and making it ready for the warehouse and the factory is itself the result of the labour power of the waste picker. In fact, it is one of the least organised and most difficult parts of the overall labour process, which I have observed during the fieldwork.

Birkbeck justifies that point in the case of Cali dump workers. According to Birkbeck, garbage pickers who work in the dump and sell to dealers “are little more than casual industrial outworkers, yet with the illusion of being self-employed. They may be in a position to decide when to work and when not to, but the critical factor is control over the prices of recuperated

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<sup>88</sup> De Soto (2003).

<sup>89</sup> Harris-White and Gooptu (2001), Breman (1996).

<sup>90</sup> Bernstein (2007), p. 6.

materials and that control very definitely lies with the industrial consumers. It is for this reason that I call the garbage pickers ‘self-employed proletarians’ thereby underlining the essentially contradictory nature of their class location. They are self-employed, yet sell their labour power.”<sup>91</sup> As Marx states,

“Self-employed workers may be dispossessed from the surplus-value, which they produce without being totally separated from the juridical ownership of means of production. The capitalist buys labour power by buying their product. As long as self-employed workers must exchange their labour in order to survive they come under the command of the capitalist and at the end even the illusion that they sold him products disappears. He (the capitalist) buys their labour and takes their property first in the form of the product, and soon after the instrument as well, or he leaves it to them as sham property in order to reduce his own production costs.”<sup>92</sup>

The fact that the waste picker is working independently, without any external supervision can be misleading since the physical proximity or actual control of the one who appropriates the value produced by the waste picker is not a precondition for the wage labour relationship. As Marglin points out<sup>93</sup>, factory organisation is not the necessary and teleological outcome of capital-labour relation, but a historical product emerging from the need of capitalists to discipline labour more. Both before the invention of the factory and after its widespread use, piece rate regimes did not cease to exist. The latter have been used and are still being used as a mode of wage labour in which individuals can work at home or in their own small workshops to manufacture goods.

Despite this independence, which waste pickers consider as a benefit as compared to other sectors where some of them have previously worked, there is still a kind of supervision in the warehouse or in the factory. The nature of the work (the need to walk in streets and find the right garbage) shifts supervision and quality control to the moment of the actual sale of waste. Similar to piece rate labour regimes where the intermediary agent checks the quality of the products after they are submitted, the warehouse or factory owner check the quality of waste paper by looking at whether it is wet or not, whether it fits the quality categories of paper. When a problem is spotted, a certain percentage of the total sale price is deducted from the payment, which will be made to the waste picker.

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<sup>91</sup> See Birkbeck (1978), p. 1174. Wright puts them into ‘semi-autonomous employees’ as a contradictory class location. Control over investment, others’ labour power, property and capital and legal status are absent, but control over some physical means of production is minimal and there is sale of one’s own labour power. See Wright (1976).

<sup>92</sup> Marx, *Grundrisse*, p. 510, quoted by Chevalier (1983). See also Başkavak (2013) for a similar argument for the waste pickers in Ankara.

<sup>93</sup> Marglin (1974).

In the case of Tanzania, Rizzo and Wuyts show how the so-called self-employed bus drivers do in fact work for a class of bus owners who charge a daily rent to drivers. Workers do not receive a regular wage. Rather the daily rent for the bus owner is deducted from the daily income together with costs (repair, petrol costs). Thus the business risks and costs are transferred to bus drivers.<sup>94</sup> In the Turkish case, there is also a risk transfer, but in a slightly different way. Similar to the Tanzanian bus owners, the warehouse owner and the recycling factory owner do not have to pay any regular wages to waste pickers. If there is not sufficient waste, they pay less since the payment is made on the basis of kilos; if prices fall, they can pay less (although they may not immediately reflect price changes on waste pickers in order to keep their labour supply). Moreover, since the money waste pickers earn depends on the quantity of waste, the waste picker has an incentive to bring the maximum amount of waste to increase his/her income, which also benefits the warehouse or the recycling factory owner. As compared to the Tanzanian bus driver, the waste picker has certain advantages: He/she can increase daily income with more waste whereas the bus driver has to pay the daily rent even if his/her income falls due to possible additional costs. He/she can also have higher sale prices when market prices increase. But in both cases workers depend on employers to whom they sell their labour power.

Following Banaji<sup>95</sup> one could argue that the crop shared between the farmer and sharecropper, the piece rate paid by the textile employer to the home based worker, the direct cash money paid as hourly/weekly/monthly wage to workers, the money the bus driver receives after paying the daily rent to the bus owner, the sale price of waste given to the waste picker on the basis of quantity of waste can all be considered as forms of wage labour in a capitalist society.<sup>96</sup> As Castel puts it, the very category of Western salary is a relatively new phenomenon peculiar to the Keynesian Welfare state and did not even cover a large number of workers in Western society.<sup>97</sup> In fact, the diversity in remunerating, hiring, firing and controlling individual workers is a rule, rather than an exception.<sup>98</sup> Although most of those arrangements are different modes of the appropriation of surplus value by the capitalist, they may be the result of a number of contingent factors in their origins and development. Some

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<sup>94</sup> Rizzo and Wuyts (2014).

<sup>95</sup> Banaji (2003).

<sup>96</sup> Oya (2007) points out a similar situation in the context of Africa where capitalists use a multiplicity of labour regimes.

<sup>97</sup> Castel (1999).

<sup>98</sup> Ortiz (2002).

may be also preferable over other by workers for different reasons.<sup>99</sup> One way of overcoming this problem would be to differentiate between the individual reason behind the action of the capitalist and the worker, the aggregate function this action assumes in the total social capital (sometimes independent from the individual motive of the person), the unintended consequence (becoming a norm or being unable to fulfil the intended purpose). For instance, some of the forms of supervising, controlling and remunerating labour can become norms of capitalist production for long historical periods as a result of class struggles over the organisation of production relations.<sup>100</sup> In order to remain competitive, capitalists start adopting those norms at their own workplaces. Yet, those norms are historical regularities, not inherent features of capitalist relations. In certain cases this very adoption to be competitive can bring about novelties and changes in labour regimes.<sup>101</sup>

The wage labour relation does not exist in a pure form, it exhibits empirical variety. I deal with the debates on petty commodity production in more depth in chapter 2; here I should mention that disguised wage labour and petty commodity production should not be considered as opposed to each other. According to Harriss-White and Prosperi, there is a continuum of forms of self-employment from hardly disguised wage labour to complete autonomy. They argue that self-employed workers are exploited not only in the labour markets but also in the rental markets (for property, raw materials, money markets and finished products market) that they can have a distinctive logic of super exploitation. They also indicate that the prevention of accumulation by exchange relations can lead to the expansion of self-employment.<sup>102</sup> Harriss-White shows, for the case of India, how some recycling workers are wage workers, some disguised wage labour, some petty commodity producers, some petty capitalists and some not so petty capitalists.<sup>103</sup>

In the case of Turkish waste pickers, self-employed workers can be pure wage workers, dependent on a warehouse. In this case, the wage is paid on the basis of the amount of waste the waste picker brings to the warehouse every day. Second, they may be unpaid family labour. Third, when the worker has a means of transport but does not have a warehouse or other source of waste, he/she occupies the contradictory position of self-reproducing petty commodity

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<sup>99</sup> For the cultural origins of piece-rate labour regime in Gujarat, India, see Gidwani (2001).

<sup>100</sup> Knafo (2007).

<sup>101</sup> This point can be illustrated by the case of the car industry where Japanese producers had to apply Fordist techniques in order to compete with the American producers. While trying to adapt those techniques to their cultural conditions, they developed the lean production techniques, which, in turn, had to be applied by global producers for the sake of remaining competitive. Tolliday and Zeitlin (1987).

<sup>102</sup> Harriss-White and Prosperi (2013).

<sup>103</sup> Harriss-White (2014).

production and disguised wage labour, dependent on the recycling factory. Fourth, when the recycling worker owns a warehouse, has unpaid family labour and hires a number of wage workers, he/she becomes a petty commodity producer who may have potential for accumulation. He/she has also more bargaining power with recycling factories in the exchange relation. Accumulation depends on access to wage labour, informal credit and further sources of waste (which requires the dependency of small warehouses on larger ones). Lack of access to money markets and the expansion of self-employment in the sector as Harriss-White and Prosperi argue, act as hindrances to accumulation.

It is then useful to identify the different relations, into which waste pickers enter as labourers with respect to the warehouse owners and recycling factory owners:

1. Unpaid family labour-warehouse-factory
  - 2.a. Individual wage worker-warehouse-factory
  - 2.b. Individual wage worker-warehouse-intermediary warehouse-factory
- 3.a. Kinship labour (as wage worker)-warehouse-factory
- 3.b. Kinship labour (as wage worker)-warehouse-intermediary warehouse-factory

The wage received by waste pickers depends on which of those categories they belong to. When there is a warehouse where all the individuals work as waste pickers, and they do not have a means of transport, a larger warehouse with a truck can come and buy their waste. In this case, the larger warehouse owner acts as an intermediary whose sale price will be lower than the case in which waste pickers could sell their own waste directly to the recycling factory. When there is a warehouse, which hires kinship labour as wage workers, the wage will be the market price. The same applies to warehouses, which hire external wage workers. In that context, the individuals will receive higher wages if they bring more waste to the warehouse although they might have spent an equal number of hours in the street while scavenging. When a warehouse uses solely family labour, then the wage remains unpaid. The distribution of money, as I will show in the next chapter, is based on the internal patriarchal relations of power.

As a general tendency, waste pickers in Türközü community fall mostly in category 1, the ones in Hamamönü in category 2, and the ones in İskitler in category 3. However in each area there are waste pickers who work under different categories as well. For instance in İskitler there are waste pickers from category 1 and 2.

Do waste pickers conceive their situation as wage labourers or as self-employed individuals? Do they perceive their economic activity as a relation of exploitation or a relation of exchange? In fact, it is not uncommon that workers in the informal sector consider their arrangements with employers as an exchange relation, not necessarily between equal trading partners, but one in which the warehouse owner, for instance, provides space, storage, transport, facilities (especially if the worker is a migrant staying in the warehouse), and the waste picker gives in return the collected waste. Such an understanding does not necessarily indicate false consciousness; it has a material basis. Biernacki shows how, during the historical emergence of the textile industry in England both the textile workshop owner and the worker conceptualised their relation, for a long time during which differentiation gradually evolved, as an exchange relation, rather than a class relation.<sup>104</sup> In the case of waste picking, especially in situations where kinship ties help the waste picker to get the job, the relationship can also take the form of paternalism on the part of the warehouse owner and a moral indebtedness on the part of the waste picker. Özatalay<sup>105</sup> documented, for the case of Turkish textile workers, how such indebtedness had the effect of preventing the worker from contesting the authority of the workshop owner and thus helped the latter to ensure a certain level of exploitation in the form of wage repression. Such paternalistic attitudes were also observed in the fieldwork, but they were used to keep waste pickers dependent on a given warehouse, to maintain an abundance of available labour.

The perception of the waste picker regarding his relation with the warehouse owner or the recycling factory owner is mixed and depends on the specific social relations in which their employment relation is embedded. Migrant waste pickers in İskitler and Hamamönü who depend on a warehouse and survive on the daily income consider themselves more as workers. Those in Türközü who work in unpaid family labour with the family truck tend to think that they are part of a family business, although the work they perform in the streets makes them feel like proper workers. It was interesting to note that a waste picker in İskitler stated that he was a worker who earned his own money even if he was the brother of the warehouse owner.

One final aspect of the wage labour relation remains the issue of advance money. What happens when the warehouse owner and recycling factory owner provide debt in the form of

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<sup>104</sup> According to Biernacki (1995), in this relationship, the workshop master was conceived as the provider of the space, the material, the working environment; the worker as the one who offered his labour to process the material.

<sup>105</sup> Özatalay (2003). For a study, which shows how such indebtedness is enmeshed in religious rituals and beliefs in the case of the relationship between Islamist employers and their employees, see Durak (2013).

advance money to be deducted later from the sale price of waste? This deduction can be made daily or weekly, depending on the specific arrangement made between both parties, but it is informally agreed that until the repayment of the debt the waste picker will continue working for the same warehouse. Is it possible to talk about ‘bonded labour’ in that context? According to Banaji, “Debt, that is, the depiction of wages as loans, is simply a device to control labour in conditions where the competition for labour is likely to drive up the bargaining power and wages of workers.”<sup>106</sup> Although debt is a portion of the wage paid to the worker, it is important to look into the ways in which it is used by the employer and the worker in order to grasp the function it takes in different contexts. Depending on the relationship between the debtor and the lender, the amount of money lent, the timing of repayment, the motivation of both parties in agreeing upon such an arrangement, the meaning of advance money can change. In the case of the recycling sector, the following observations can shed light upon the role of advance money:

- i) If a warehouse or recycling factory owner competes for labour and waste, he/she can offer some advance money.
- ii) The provision of advance money depends on the regular payments made by the recycling factory owner to the warehouse owner.
- iii) If a waste picker needs a large amount of money in order to send some to his family, then he/she might ask for advance money from the warehouse owner.
- iv) If a warehouse uses only family labour, then advance money is not used.
- v) If the warehouse owner helped his/her relatives to come to the city to hire them as labourers, he/she may need to give advance money for travel and other possible costs.
- vi) If the waste picker does not consider waste picking as regular work, he/she may take his/her advance money and then leave the neighbourhood, work for another warehouse or in another city or in another job.
- vii) If the work is more regular and there is the possibility of encountering the warehouse owner or the risk of the spread of information, then he/she would prefer staying until his/her debt is paid, so that he/she can work with the warehouse when he/she comes back.

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<sup>106</sup> Banaji (2003), p.87. See also Brass (2003), for a critique. For an analysis, which examines bondage with respect to both dependency and resistance see De Neve (1999).



**Figure 3:** Brothers and cousins from the same waste picking family, İskitler, Ankara.  
*Photo credit: Demet Ş. Dinler*

### **1.3. Waste pickers' Experience with Market (s)**

#### **1.3.1. Market Price**

The changing conditions in product, labour and financial markets have direct and indirect effects on all workers including waste pickers. The effects of market situations on workers employed at a factory in the formal sector with a monthly remuneration can be observed. For instance, a financial crisis, a change in the exchange rate regime or the emergence of competitor economies hits the export share or the input prices in the sector where the factory operates. Such effects can take the form of salary delays, redundancies or a total shutting down of the factory resulting in mass unemployment. Or the conditions at the workplace may remain constant whereas a sudden upsurge of inflation for the consumer goods may decrease household savings. If the worker already has a housing credit, a housing bubble or a sudden increase in interest rates may cause serious difficulties in re-payment.<sup>107</sup> Or the influx of cheap

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<sup>107</sup> In that situation, the worker does not only experience market conditions as an employee whose job, income and purchasing power are under threat, but as a small property owner or a pension fund investor whose investment is at risk. For a discussion about the exposure of workers to the imperatives and incentives of finance capital, see Lapavistas (2011), p. 620. For a theoretically pertinent discussion about how the neoliberal project aimed at decomposing workers as a class and re-composing them as individual property owners in the case of the UK, see Bonefeld (1993).

labour in the form of migrant workers can lead to a decrease in real wages since employers could use the available pool of migrant labour as a leverage to keep wages down.

Similar to other workers, waste pickers could also be affected by a financial crisis, which worsens the degree of urban poverty by lowering purchasing power. But there are also differences in the way in which waste pickers experience market conditions: First, they are unregistered informal workers without sufficient income and thus have limited connection with the formal financial market. Second, although they have little chance of being in the formal labour market, they are less scared of being unemployed since it is generally possible to find a warehouse and recycling company to work for. Third, waste pickers have limited access to some basic public goods such as health since their informal status deprives them of general social security coverage. Their sole option is to benefit from the so-called 'green card',<sup>108</sup> a certificate provided to those who do not have social security coverage and live in conditions of poverty. But if they do not have this card or they need medical treatment, which is not covered by the health package provided by the card, they have to buy health services from private hospitals.

The difference remains as the effect of the form of wage labour, the sale price, which varies according to changing market prices. That wages are indexed to the market prices has a practical effect on workers' income, survival strategies and modes of thinking, in the way other forms of wage labour do (such as sharecropping, piece rate regime, fixed monthly salary, hourly paid wage, bonded labour). Since prices fluctuate in the market for scrap metal, waste paper and plastic separately, the quantity of income waste pickers earn daily is not stable. This instability is one of the conditions behind precariousness. For those waste pickers who work seasonally, precariousness is more severe since they are devoid of social safety nets that waste pickers settled in the urban neighbourhoods benefit from.

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<sup>108</sup> By the time of the fieldwork the transition to the General Health Insurance System had not been completed. This meant that informal workers including waste pickers, who did not have a formal registration in the social security system, were entitled to health services only via a system called 'green card' assigned to individuals who lived below the poverty line. The decision about who is eligible to receive a green card was made by appointed governors of provincial districts upon the investigation of local neighbourhood administrators who come to office by election. That is why the selection of green card users could be a political process. Without a green card patients could only benefit from limited health services in emergency situations. The new system which was put into force on 01.01.2012 cancelled the green card and made anyone whose income is below 1/3 of the minimum wage eligible for access to a number of health services paid directly by the state. Eligibility is conditional on a direct income test made by the Foundation of Social Aid and Solidarity affiliated with provincial governors.

Price falls constitute a matter of practical concern whose causes are worth thinking about from the perspective of the waste picker. When asked about what lie behind price changes, some waste pickers are prompt in making comments, which shows that they have already thought about this issue. In certain instances they express their views themselves about the market without being asked a question. Certain waste pickers who have been doing this job since the 1980s remember how waste paper prices were more stable due to the regulatory role of the state owned enterprise, SEKA.<sup>109</sup> Since the price of waste paper (including white paper, newspaper, cardboards) is a derivative of original paper produced out of tree wood in factories, the market power of the state owned enterprise SEKA was significant in regulating price movements. After the privatisation of SEKA in 2005 and the liberalisation of the import of cellulose products, the market was left to its own devices. Some waste pickers and small warehouse owners claim that it is the collusive behaviour of paper factories, which determine the price of paper. But since they do not have direct contact with those factories, such comments are likely to be heard from recycling factory owners who complain about paper prices and justify price falls by putting the blame on paper factories.

When one speaks with waste pickers who do price calculations every day, speak to traders, warehouse owners, recycling factory owners about market prices and try to make spending decisions (sending money to the family in the village, compensating a lost or broken carrier, nutrition, rent, figuring out whether it will be possible to buy a truck one day), it is possible to see how the terms of the market have penetrated their everyday language. Waste pickers speak through the language of supply and demand, but they translate this vocabulary into everyday speech. “When I was in İstanbul recently, I used to see ships at the port. Ships bringing paper. When they import paper, then the price falls,” tells a waste picker, to explain why paper prices fall sometimes. Although the association of ships with import of paper at the moment of his observation may not be correct for that specific moment, it is correct that Turkey depends increasingly on imports for paper and paper products.<sup>110</sup> The same waste picker also makes a connection between the working of the construction industry and the demand for scrap metal: “Construction industry has stopped. That is why they do not need aluminium nowadays.” I ask curiously how he knows that construction industry has slowed down. “I walk a lot every day when I collect scrap metal, so I see the construction sites” he responds.

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<sup>109</sup> Founded in 1936 during the ‘etatist’ period of Republican government, SEKA was the state company for cellulose and paper products.

<sup>110</sup> By 2013, the local production covered only 1/3 of the demand for paper in Turkey. 2/3 of the paper is imported from countries including Indonesia, China and Malaysia. See Orta Anadolu İhracatçı Birlikleri, *Kağıt Karton Sektör Raporu*, Ağustos 2011, Ankara.

Most waste pickers know the London Metal Exchange as a major factor behind the changing metal prices of which scrap metal prices are derivatives. Several recycling factory and certain warehouse owners uses the mobile applications of the LME. In the summer of 2008, for instance, aluminium prices had reached a peak in July before experiencing a drastic fall in August, which continued with the onset of the subsequent financial crisis. This disappointed many small scrap metal collectors. Waste pickers are happy when metal prices go up, but have limited understanding of why prices fall and sometimes put the blame on the warehouse owner.

Some elderly waste pickers ascribe the price falls to an over-supply in the labour market. “There are so many people who are doing this job, it is not like before,” says Orhan, who now runs a small warehouse and has been in the recycling sector since his childhood as a waste picker. “The easterners- everything got worse after they came.” The so-called easterners are Kurdish waste pickers who have been coming to Ankara since the second half of the 1990s, first as a result of forced migration and then due to unemployment. It is not unusual that competition in the labour market very often takes an ethnically discriminatory form.<sup>111</sup> However, although labour supply may be high as Orhan correctly points out, the demand for waste also increased tremendously with the rising local and global demand for recycled materials, as demonstrated with the entry of new recycling factories.<sup>112</sup>

Whether the waste picker sells to the warehouse owner or to the recycling factory directly creates a difference in terms of their relationship to the market. The one who depends on the warehouse, by keeping his/her right to work for another warehouse (an option which is still restricted due to factors discussed in the previous section) has little bargaining power regarding the sale price. The waste picker who solved the problem of transaction cost (transport of the waste material) is able to receive the difference between the sale price offered at a warehouse and the sale price offered at a recycling factory. Although the market price changes at little rates and although some waste pickers may prefer working regularly with the same company, there are cases in which some recycling companies offer slightly higher prices to attract more waste pickers to sell for them, or some new entrants can offer advance money as an incentive. Waste pickers can thus have room for manoeuvre to use such competition to their own advantage.

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<sup>111</sup> For an empirical analysis of the Turkish case of ethnic discrimination in the labour market see Lordođlu and Aslan (2012).

<sup>112</sup> According to the Ministry of Environment and Urbanism statistics, the number of licensee companies in the business of collecting and storing waste has increased from 15 in 2003 to 266 in 2011; the number of licensee companies in the business of recycling waste has increased from 13 in 2003 to 276 in 2011. See *Ambalaj Bülteni*, No. 8, 28.02.2014.

Had every stage of the waste management system been privatised, the territories over which waste pickers worked in the streets would have been under the management of the companies and there would be a total subsumption of the waste picker to specific companies. As Gidwani and Reddy report for a region in India,<sup>113</sup> when the bin space was privatised, a salaried bin guide whose first allegiance was to his corporate employer maintained the bin space. Similarly, in Colombia Cali, there were six paper buyers, which acted together to control prices.<sup>114</sup> Yet, in Turkey, there were several recycling companies and the experience of the waste picker who could sell directly to the factory *also* included a market search for the best offer among the companies. Waste pickers used this relative autonomy in negotiating prices. In contrast to waste pickers who were dependent on a warehouse, they behaved *as if* they were traders. They made phone calls, compared prices, and told some companies that others give better prices to have a higher bargaining power. In other words, although both categories of waste pickers were in relations of dependency in the market, the ones who sold directly to the recycling factory owners had higher bargaining power and assumed the role of an intermediary alongside the role of labourer who spent physical force in waste picking.

What is interesting listening to waste pickers talk is how the information they get from their daily encounters with warehouses and recycling factories as well as their own observations generate a partial, one-sided, but still valid dimension of the reality about the market. Changing supply and demand (for waste or for labour) oligopolistic behaviour (by market players), global financial markets (as in the case of the LME) are realities, which waste pickers experience or simply hear about in the recycling market. It is because waste pickers feel the effects of those abstractions in their daily life that they can talk about them.

### **1.3.2. Customary Rights, Property Rights and the State**

As compared to cases where privatisation of waste management makes waste pickers direct employees of companies, the entry to Turkish labour market in recycling is open to everyone without the need to register with a specific company: *anyone* can pick waste. Yet, *where* one is entitled to pick waste has its own rules of inclusion and exclusion. While one needs only a carrier to start working as a waste picker, the urban territory in which he/she is allowed to pick

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<sup>113</sup> Gidwani and Reddy (2011), p. 1637.

<sup>114</sup> Birkbeck (1978), p. 1177.

up waste is determined according to ethnicity and kinship ties and thus includes different levels of inequalities.<sup>115</sup>

Terms and conditions of labour market entry were initially determined by the Türközü community. Before their arrival to Ankara from their village in 1994, members of the Roman community occupied some of the strategic and central places in the city center to collect waste. The waste pickers from Türközü forced them to leave those spaces. Then, similar to the system of customary rights, which allowed Kurdish peasants to share spaces of grazing for sheep in villages,<sup>116</sup> they shared the urban space to collect waste among the tribe members by confiscating previous customary rights of another excluded group (Roman community) by force. On an axis from Sıhhiye, Kızılay to Çankaya, which constituted the main city center, different strategic locations to collect and store waste were assigned to families who migrated from Kotranis to Türközü. Waste pickers who worked together were usually brothers. Each family unit had one main point to store their waste and were allowed to take the waste of shops, restaurants, residential buildings and offices within the territory around this point. Approximately one hundred and twenty families worked along this axis.

Waste pickers from Hakkari still had relatives in the Southern Eastern region, mainly in the city of Van. Most of the elder sons married girls from the villages of Van. During the summer young students or villagers came from Van to do waste picking in Ankara. Türközü community took those young waste pickers with them and showed them places where they could pick up waste. The accommodation of seasonal kinship labour was an important duty to the family and tribe. However, other waste pickers from different cities without kinship ties were not allowed to work on this axis of which Türközü community took control. Such inequalities within waste picking communities - on the basis of ethnicity, nationality, gender and age - were revealed by Birkbeck who explains how in the dump at Cali young men called *voladores* pushed women and children when trucks came to the dump and paid truck drivers some money in order to get the best waste before the rest of waste pickers worked over them.<sup>117</sup> Those sectoral findings can also be located within the broader framework of the informal economy in which 'social regulation' governs entry to the labour market. As Harriss-

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<sup>115</sup> For a detailed and invaluable discussion of how customary rights over land include levels of inequality on the basis of ethnicity, caste and class, see Peters (2004).

<sup>116</sup> For information about Kurdish peasants' use of grazing land in Hakkari (the city where Türközü community is from) see the ethnographic study of Yalçın-Heckmann (1991). For a theoretically informed and empirically rich analysis of customary rights over a grazing land in India, see Axelby (2007). According to Axelby, neither privatisation, nor state control over land can explain the way rights over grazing is organised. Peasants negotiate those rights through kinship ties, mutual compromises and local codes of conduct.

<sup>117</sup> Birkbeck (1978), p. 1179.

White argues, “when states are unable to regulate markets, when social groups based upon identity supply the preconditions for engagement in markets and or entry in market, old discriminating forms of regulation can actually be expected to intensify.”<sup>118</sup>

In the Turkish case, waste pickers’ main area of work was not the dump, but the streets.<sup>119</sup> Had the main space of work been a dump as in the case of Colombia and South Africa, conflicts would have been more serious. The fact that working space was urban streets, which could be expanded to several neighbourhoods by the entry of new labourers, alleviated possible tensions and restrained forms of exclusion to kinship differences. In fact, existing customary rights were quickly recognised by the newcomers who were usually from the same ethnic (Kurdish) origin but from a different city (with different kinship and tribal ties). Those newcomers started looking for new neighbourhoods to collect waste and did not confront the former waste pickers. Once they started occupying these new streets, they also became their de facto territories. Initial limitations were, therefore, not necessarily constraining. It was obvious that both practically and in terms of income too many waste pickers could not survive on waste picking in the city center. Expanding into new spaces in the city meant also exploiting new opportunities, although this required much more physical labour. The comparison between Recep and Veysel whose stories were told at the onset of this chapter refers to a difference between two waste pickers who work according to those customary rights and who spend different types of physical labour, one by working *intensively* in the city center over the waste of a narrowly defined space, another one by working *extensively*, walking kilometres to find out waste in dozens of streets.

Waste pickers’ (customary) right to collect waste did not remain unchallenged. The municipal government whose mayor was elected from the neoliberal Islamist party JDP<sup>120</sup> entered into a conflict with the Kurdish waste pickers. The Kurdish waste pickers were stopped in the street, interrogated, and asked for their identity cards (a type of harassment which was geared to check whether workers were from the cities in the Kurdish region, implying that they could be a potential threat). Right after the local elections of 2004, the municipal police came to Türközü and delivered an official document to remove the warehouses of the waste pickers, which were set up in the large land over which the squatter settlement houses were looking.

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<sup>118</sup> Harriss-White (2003), p. 468.

<sup>119</sup> By the time the fieldwork started in 2007, the main dump area of Ankara had already been rented via a public auction by the metropolitan municipality to a company named ITC and ITC had turned the dump area into a recycling facility by hiring its own workers. There was no public access to the dump. *Zaman*, “Mamak Çöplüğünün Kokusu Duyulmuyor”, 5 July 2006.

<sup>120</sup> For an analysis of the policies of the JDP, see Coşar and Yücesan-Özdemir (2014), Balkan et al (2014).

This was a discriminatory practice given that the warehouses of waste pickers who were from non-Kurdish origin were left untouched. The Türközü community reacted to this with an upsurge of spontaneous collective anger and burnt their warehouses. Deprived of a place to store their waste, they had to deliver their waste daily to the recycling factories.

In 2004, the By-Law on Packaging and Packaging Waste Control<sup>121</sup> was implemented with the purpose of drastically changing the structure of the recycling market. The By Law was an attempt to define the terms and conditions of collecting and recycling waste and determine the division of labour between private companies and public authorities. Although the By-Law attempted to regulate the stage of collection, there were several dimensions in the By-Law to be handled and completed before collection could be done by the management of private recycling companies. The whole urban territory would be reconfigured to make plans for the collection of waste by those companies with the cooperation of public authorities. Without waiting for such plans to be implemented, a multinational company called ITC (Investing Trading and Consulting Limited Company) based in Switzerland received a license to make investment plans.

By the time ITC entered the market, most waste pickers were selling the waste they collected to diverse recycling companies. There existed some very old companies, which had regular relationships with waste pickers. Other relatively new entrants were trying to develop networks with warehouses to attract them. ITC, on the other hand, was a big company and it wanted to use its links with the municipal government to get access more quickly and cheaply to waste. The regulatory agenda of the local government overlapped with the profit ambitions of the licensee companies in which public authorities had vested interest. This time municipal police started stopping waste pickers in the streets and telling them that they should sell for ITC. Waste pickers were not happy with this since ITC offered prices below the market price. Resistance increased conflicts. The municipal police started confiscating the carriers of waste pickers and exerted violence on those who wanted to keep them. The ethnic conflict had now turned into a class conflict: physical violence included the appropriation of the surplus value as produced by the waste picker via the confiscation of his carrier in case they do not sell to ITC at a lower price. The loss of the carrier had a material cost to the waste picker since it was impossible to pick waste without a carrier.

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<sup>121</sup> Official Gazette, 22.07.2005, no 25538. The By-Law was enacted in compliance with the Packaging and Packaging Waste Directive 94/62/EC.

The granting of a license to another recycling company, SIMAT, complicated and increased tensions.<sup>122</sup> Whereas ITC had connections with the Ankara metropolitan municipal administration, SIMAT had connections with the municipal government of Çankaya district, responsible for the Çankaya-Kızılay-Sıhhiye axis in which waste pickers from Türközü worked. This time Çankaya municipal police put pressure on waste pickers to sell for SIMAT. The wastepickers from Türközü were then subjugated to further acts of violence. They did not know how to handle the conflict between SIMAT backed by the Çankaya municipality from the Republican People's Party (RPP) and ITC endorsed by the Ankara Metropolitan municipality from the Justice and Development Party (JDP), which had serious repercussions on their work.

It was during this period of conflict that in autumn 2006 an official from the Ankara metropolitan municipality interpellated waste pickers as 'illegal waste hunters'. In a written public statement regarding waste pickers in the streets, Fatih Hatipoğlu, the head of the Directorate of Health Affairs claimed that they had started a war against illegal waste hunters who were tearing bin bags and creating a threat to the environment. He added that some companies, which offered incentives for street children to do this job, would be banned from doing business.<sup>123</sup> This interpellation resonates with the hunters depicted by E. P. Thompson in *Whigs and Hunters* in the eighteenth century England.<sup>124</sup> Thompson describes peasants whose customary rights to hunt and forage on common land of forestry were prohibited. Since peasants protested the bans, The Black Act of 1723 gave the death penalty to rebellious acts of deer stealing and tree cutting, because those peasants were not viewed "as rights-holders defending their property but were branded as criminals interfering with the property of others. For Thompson, however, they were defenders of the traditional legal and constitutional rights of freeborn Englishmen against unjust expropriation without compensation."<sup>125</sup>

The By-Law of 2004 had aimed to replace the customary rights with capitalist property rights in the way the eighteenth century English legislation did. Yet, the conditions in the market were not mature enough, the structure of recycling companies were not flexible enough to also radically change the labour market. The 'illegal waste hunter' denoted that it was illegal for the waste pickers to collect (hunt) waste. Waste pickers were criminals interfering with the property rights of others, as Thompson had said for the English hunters. But whose property

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<sup>122</sup> Alkan (2007).

<sup>123</sup> *Sabah*, "Ankara'da Çöp Savaşı", 4 October 2006.

<sup>124</sup> Thompson (1975).

<sup>125</sup> Cole (2001), p. 180.

was waste? Was it public property, property of licensee companies? Although the By-Law brought about a road map to follow in order to transform and re-regulate the recycling market, it would take time until the whole urban territory would be re-configured to enable recycling companies to be responsible for specific areas for the collection of waste. Receiving a license had several material and technical requirements, which were difficult to be met by many companies. Negotiating and planning this configuration would be a burdensome act. While those plans were pending, what the local government did was to accept customary rights as they are, as long as waste pickers accepted to sell for the licensee companies in which municipal authorities had vested interests.

Waste pickers challenged the discourse of the local government and the fact that their customary rights would only be respected if they sold below the market price. They first reclaimed their right to work in the street. This right was justified on the grounds that there was no other employment opportunity for the urban poor who lived in their conditions. Had the state not evacuated their villages, had the state provided jobs for waste pickers who were unemployed or barely survived as agricultural labourers, most of them would not have done this job, as they explicitly affirmed. This emphasis on the obligation of the state to create employment for the unemployed, poor and excluded was widespread among waste pickers and overlaps with Edelman's<sup>126</sup> claim regarding the peasants that 'just behaviour by the more powerful' is still an aspiration, which marks social movements. However, the expected duties from the state were more to justify their own job as waste pickers than to develop a mobilisation and formulate a demand to assign other employment by the state: If the state did not meet this obligation to its citizens, then waste pickers should be allowed to use their right to work.

The confiscation of carriers, which was an explicit assault on the right to work by waste pickers was protested with varying degrees of anger and frustration: "If someone plays with my bread, then I know what I will do. I have nothing to lose but my carrier," said waste pickers. One could argue that this attempt to reclaim their customary rights over urban waste in defined territories could be understood through the lenses of moral economy.<sup>127</sup> When the local

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<sup>126</sup> Edelman (2005), p. 339.

<sup>127</sup> The concept of moral economy was first developed by Thompson for the crowds of the eighteenth century. Thompson (1971). The term was used to make sense of the protest actions (attacks of grain convoys and breadshops) by the crowds, which were morally regulated activities expressing popular values about prices and subsistence. The concept was then creatively adapted by James Scott to the peasant movements of the 19<sup>th</sup> and 20<sup>th</sup> centuries. According to Scott, the peasants' ethic of subsistence implied that everybody in the community had the right to survive and elites had a duty to respect and protect this right. Peasant mobilisation starts when there is a widespread belief that such duties are ignored. See Scott (1977). There are several studies, which use

government re-defined the urban bin spaces as its own territory of intervention by excluding waste pickers' right to work over the public bin spaces, the way waste pickers defined themselves had a dimension of morality. Waste pickers defined themselves as 'recycling workers' who were doing a legitimate job in the market. From their view, recycling should be considered with dignity as an economic activity, because they were putting their hands into the garbage in order to earn their living rather than being a thief or a criminal. The element of morality was thus hidden in the codes of conduct exhibited by waste pickers in their struggle for survival in the absence of other employment opportunities. Nonetheless, their claims *regarding* and *within* the market were slightly different from other protests analysed through the lenses of moral economy. Their demands differed in certain ways from contemporary agrarian movements defending state subsidies, just price or price over the cost for agricultural products<sup>128</sup>, claiming food sovereignty and full control over land<sup>129</sup>, or eighteenth century crowds which were against non-customary prices. Waste pickers claimed their right to work in urban territories, but they did not claim a protective just price in a competitive market. They defended the market price against the interference of the local government with that price, because the local government was siding with some companies to reduce the market price. As in the words of one elderly waste picker, they were not against competition in the market; but if there were to be a competition, it should be a fair one. The confiscation of carriers by the security forces and the enforcement to sell at a low price to a specific company (ITC) was an unfair impediment to the right of the waste picker to sell his/her waste to the company of his/her choice. It was not the rules of the game themselves, but the violation of those rules, which had outraged waste pickers. Their demand about the price was more similar to some of the debates on medieval markets in which just price was equated with the market price itself without any external interference.<sup>130</sup>

Waste pickers in the İskitler community were relatively safe compared to the ones in the Türközü community, although the municipal police also harassed some warehouse owners in the area since the enactment of the waste management regulations. Since İskitler was within

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the concept in the context of struggles against neoliberalism. See Auyero (2004). For a critical and cautious approach to the over-extension of the concept to different contexts and historical periods, see Thompson (1993).

<sup>128</sup> Edelman (2005).

<sup>129</sup> Wolford (2004), pp. 254-55. According to Wolford, the landless peasants' claim for land via occupation was based on their belief that this was their right, that God did not sell land to anyone, that land was life itself and they also believed in food sovereignty, the local control over food from production to consumption.

<sup>130</sup> According to this interpretation by the Scholastic thinkers, as long as there was no external intervention into the market place (be it hoarders, manipulators) the value of a commodity would be determined by natural factors and common estimation, which was the product of the total community (including buyers and sellers) through the impersonal working of the economy. See Kaye (1998), p. 88-89 and 93. See also Monsalve (2010), p. 8, for the equation of just price and market price as long as the price is determined according to "common estimation and judgement".

the district of Altındağ, waste pickers in this area were protected from the conflict between the Çankaya municipality and the metropolitan municipality. In August 2008, however, a more serious incident happened. The Altındağ Municipality targeted some warehouses and sent an official document to evacuate the warehouses in a period of seven days. I helped waste pickers to see how many warehouses received such a warning. The number was four. We thought that this was a strategy to avoid any form of collective action by all warehouses: As long as other warehouses thought they were secure, they would not want to support the reaction of those warehouses. Four years ago the municipal forces had come to demolish warehouses built by the Türközü community. But in İskitler warehouses belonged to private property owners and were either rented or occupied. In cases of occupation of the vacant warehouses, it was considered as a violation of private property by the municipal administration. This gave leverage to execute a forced evacuation. Despite some public demonstrations by waste pickers and attempts by a warehouse owner to bring the issue to the member of the parliament selected from the city of Urfa, his natal town, the actions of the municipality could not be stopped. At the end of the seven-day notice, municipal trucks dumped excavations to the warehouses to make them dysfunctional. For days waste pickers had to sleep on the streets by using cardboards and newspapers. Some of them left for work in Antalya, a southern city where their relatives lived.

In Hamamönü the relationship between property rights and the labour market was more complicated. Scrap metal, if collected in large quantities, brought much more money than waste paper and plastic, especially during periods of soaring metal prices. Scrap metal collectors who worked during the night stole metal from private or publicly owned properties. For instance some abandoned factories still contained sunk investment including machinery made up of metal or cables consisting of metallic material. If there were night watchmen at the door, waste pickers would offer a drink or some money to get some of the metal from the factory. If this were not possible, children would enter the factory or the building through a small window and get out any metal, which would be worth selling to warehouse: The word for stealing such metals was ‘eating the factory’. Other public material such as bins and lamps in the streets were also made up of different types of metal. With certain tools, it was possible to remove some parts of the properties. Theft was an explicit violation of private and public property rights and waste pickers who were involved in this were conscious about what they were doing. Yet, some of them justified what they were doing again with reference to lack of choices and the state’s inability to fulfil its role to provide employment opportunities. “There was a time in which people who had criminal records were given the right to work in

workplaces. Not anymore. People do not hire us”, said Mustafa. For children, working as a thief meant being under the protection of an elder person – the leader of a gang – and escaping violence at home, in a workplace or in school.

Waste pickers in Türközü differentiated themselves from waste pickers in Hamamönü. They drew boundaries between what was legal and illegal, what was legitimate and illegitimate, what was moral and immoral. But who fell into which category changed depending on the ones who defined those boundaries: For the local state all waste pickers were illegal waste hunters, for Türközü waste pickers the ones in Hamamönü were illegal and immoral, jeopardising the legitimacy of waste picking as decent work. For the waste pickers in Hamamönü their work was illegal but not immoral, because they had no other option.

### **1.3.3. Multiple Markets and the Changing Value of Waste**

The recycling market is not only limited to the arena for the sale of labour power by the waste picker; there exist two further markets where the waste picker engages in different economic and social relations and assumes different roles. Where there is a tendency to classify, homogenise waste under categories desirable for the recycling factories, in those additional markets, waste becomes valuable due to its heterogeneity and the multiple values it assumes in the hands of different individuals. Appadurai notes that, “... things can move in and out of the commodity state, that such movements can be slow or fast, reversible or terminal, normative or deviant.”<sup>131</sup>

My awareness of one of those markets happened as a result of a joke made by young waste pickers. I was in İskitler, spending time with young workers from Urfa. Recep, whom I had accompanied one evening to pick up waste, was wearing a nice white shirt and a silver-like necklace. I complimented him on the necklace, knowing that migrant waste pickers felt usually ashamed in their dirty work clothes and had little opportunity to wear clean and nice-looking clothes except on a Sunday for a trip to the city centre. Recep’s cousins and brothers laughed: “He got it from the container market.”<sup>132</sup> I did not get it and thought initially that there was a market called *Container*, which made them laugh even more. Then I understood that when waste pickers found beautiful objects, which they could use for themselves, they said that they got it from the container market. All containers holding garbage in the city constituted a kind

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<sup>131</sup> Appadurai (1988), p. 13.

<sup>132</sup> In Turkish the term ‘market’ refers to the ‘shop’ a smaller version of the ‘supermarket’.

of ‘shop’, which offered free objects for those who took enough time to search for them. In other words, waste pickers did not only look for waste paper, scrap metal, plastic bottles, cardboards, which had exchange-value in the recycling market for traders, but also any object, which might have a use-value for them. A small portion of the labour power they spent while scavenging was saved to find such objects.

In the container market some components of waste, which no longer had a use value for their first consumers, gained a second use-value in the hands of the waste pickers. Şanlı’s warehouse’s furniture was made up of garbage material: sofas, small tables, a library made up of books found in the rubbish. The container market was different from the first recycling market, because it was based on the diversity of products rather than homogeneity; it relied on the value waste pickers attached to them. In the first recycling market, there was a search for any waste, which would be counted as worth selling to recycling companies. The classification of the waste material was thus made according to the rules determined by those companies, which needed specific types of waste packaged to be ready for electronic scales to weigh the trucks: white paper, newspaper, cardboards, plastic bottle, scrap aluminium, copper, zinc, tin. The material, which was sold in the recycling market, was dis-entangled from their previous context<sup>133</sup> to be transformed into recyclable products, which would be processed at the recycling factories.

In the container market the waste was re-entangled<sup>134</sup> into a set of new social relations and obtained a secondary use-value for the waste pickers themselves. Since waste pickers had limited income to spend on these objects, and since their consumer choices were severely limited by constraints of budget allocation into nutrition, food expenses, rent, bills, to reproduce themselves, any added item is considered as a luxury one. The container market enabled waste pickers to have access to some of those goods for free. What was no longer considered as having a use value for consumers who put these objects in the garbage obtained a use-value for waste pickers. The use of the term container market is not just rhetorical. The metaphor correctly helps to grasp the fact that waste pickers go into a market (container) and get useful objects either for personal consumption or to give as a gift, without paying a price. For the poorest waste pickers even food, which is thrown unfinished in the garbage is taken

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<sup>133</sup> By ‘dis-entanglement’, I mean the process by which a thing is made a commodity by being severed from previous social and physical ties and reorganised as standardised alienated products. In this context of recycling, the things in the messy garbage are taken out and classified as Callon (2006) shows.

<sup>134</sup> Objects can be disentangled to act as commodities in the market but throughout their biography they can assume new functions and get new meanings by being re-entangled in new relations and networks. See Araujo (2007).

home and eaten: “Sometimes we find in the garbage some food we already saw behind a window shop but could not afford. So we get happy,” says Güven, a young waste picker.<sup>135</sup>

The transformation of waste material into gifts adds a further layer to the transformation of the value of waste. I noticed this first when a young waste picker in Hamamönü, who remained silent during a long period of my fieldwork, touched my shoulders gently one day and left a red necklace in my hands. Another day, an old waste picker in İskitler, who enjoyed talking about politics and life in our routine conversations accompanied by tea, asked one of his sons to bring me a small decorative teapot made in copper that he had carefully spared among other objects he and his family had found out in the garbage. Both presents were signs of care and friendship. Gifts were not only kept for visitors and researchers. They were also used for family occasions, as I would observe in the case of one waste picker who was carefully wrapping up with nice wrapping paper all the toys he had found in the garbage to take them to his children in Antalya, where his family was living after they had migrated from Urfa. The occasion was the Eid holidays where several migrant waste pickers visited their families in other cities. The wrapping paper was to make the children believe that the toys were new.

Gifts were not random remnants from the garbage. Among all sorts of objects waste pickers came across they were specific things selected, cleaned and maintained for individuals they cared about. Rather than being signs of mutual economic obligation or political superiority as in the case of native communities operating on gift exchange,<sup>136</sup> pure gifts enabled waste pickers to show that despite their poverty they could still control and use some resources (the garbage) in a way to exhibit a number of emotions from gratitude to visitors to fatherly affection for their children.

Not all objects collected from the garbage are re-used or offered as gift by waste pickers. They are saved in the warehouse, truck or at home for re-sale in a bazaar, which is a kind of flea market.<sup>137</sup> This market, which I visited upon the invitation of some waste pickers and to satisfy my curiosity, was disappointing at first glance. Poorly decorated, the bazaar does not have any stalls one usually sees in typical local markets for grocery and clothing. All the objects, second-hand clothes, books and all sorts of bizarre looking stuff found by waste pickers from the garbage, are put on a very large and thick tissue material on the floor. Nonetheless, there is

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<sup>135</sup> “Atık Kağıt İşçileri: Bizim Kalbimiz Herkesten Daha Temiz”, [www.sendika.org](http://www.sendika.org), 29 January 2007.

<sup>136</sup> Mauss (1990).

<sup>137</sup> Birkbeck notes a similar secondary market in Cali where garbage pickers saved cutlery, jewellery, shoes and clothes to sell to second-hand dealers. In the case of the flea market in Ankara waste pickers act as second-hand dealers themselves. Birkbeck (1978), p. 1174.

still an interesting movement within the bazaar to follow if the interactions between its visitors and sellers are carefully observed. As Geertz argues in his classic piece on the bazaar, “information is poor, scarce, maldistributed, inefficiently communicated and intensely valued.”<sup>138</sup> He mentions ignorance about product quality and going prices for buyers. In the case of this bazaar, sellers have some level of ignorance. For instance, they do not know, at the beginning, which of the objects they found at the garbage are worth selling and would attract customers. Interaction with the bazaar attendees is a major learning resource for them to understand which objects visitors look for. Once some customers show interest in a specific product, for instance printer ink boxes, they would be more attentive to search for more of them in the garbage. In this way a type of clientelisation, in the words of Geertz, would be formed, “reducing search to manageable proportions and transforms a diffuse mob into a stable collection of familiar antagonists”.<sup>139</sup> That way they would gain some regular customers who know that they could find what they are looking for at this specific waste picker’s place. Waste pickers would still continue putting new objects at the disposition of customers since they would not know in advance whether a specific object would attract someone new or not. In this small flea market the objects put into the rubbish have a second life and their value changes from valueless to a durable category once again.<sup>140</sup> The life of objects, “that have been rendered relatively homogeneous by commoditisation are appropriated by consumers, revived and individuated.”<sup>141</sup> As Araujo puts it, “products may have long and complex biographies that are temporarily interrupted by the attachment and detachment of property rights.”<sup>142</sup> The bazaar is also important for those individuals who look for cheap clothes or similar objects of use-value if they cannot afford them in the first-hand markets. In other words, if the recycling market is a market to help waste pickers to survive against poverty, the bazaar is also a place for consumption for those who live in the conditions of poverty.

## Conclusion

Waste travels to ‘multiple’ markets, to use a term developed by Vivian Zelizer:<sup>143</sup> i) recycling market where recycling companies buy the labour power of waste pickers ii) container market

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<sup>138</sup> Geertz (1978), p. 29.

<sup>139</sup> Geertz (1978), p. 30.

<sup>140</sup> Sherry (1990), p. 195.

<sup>141</sup> Sherry (1990), p. 196.

<sup>142</sup> Araujo (2007), pp. 213-14.

<sup>143</sup> Zelizer (1988). By criticising both the neoclassical understanding of abstract and self-regulating markets and the economic sociology approaches focussing on social relations sustaining markets, Zelizer suggests making an empirical examination of a variety of historically changing markets associated with different values, behaviours and beliefs underpinned by structural factors. She investigates shifts between gift-type exchanges and impersonal

where waste pickers use the objects they got from the garbage or offer them as gifts iii) flea market where waste pickers sell the objects they find in the garbage to interested individuals. In the first market, the waste picker does not only sell the waste as a commodity, but also sells his labour power as a commodity to the recycling company which gets the surplus value produced by the waste picker; in the second market the waste picker attaches a new use value to the waste and waste obtains the value of a gift rather than a commodity; in the third market the waste obtains an exchange value for waste pickers and use value for buyers without the appropriation of surplus value by another party. The wage labourer in the first market turns into a petty dealer in this third market. In the first market, waste is disentangled and framed as recyclable material to be processed by any recycling company, in the third market waste is re-entangled into new relations via an interaction with the customers seeking to buy diverse objects for specific purposes.

The waste picker acts concomitantly in three distinct yet interrelated areas: i) recycling market with the commodification of waste and labour power ii) subsistence economy and gift provision iii) second-hand market. Those areas respond to different needs of waste pickers, their families, social networks and buyers of waste, which cannot be met by one single market sphere alone. Miller explains how in the context of Indian pot makers, the ritualised exchange of pottery in community is supported by a secondary market, where rational exchange based on supply and demand functions.<sup>144</sup> In the former, the ritualised and formalised nature of the market makes it difficult to meet the practical needs that might emerge in the community (the breaking of pots, the need for additional pots due to various reasons). The latter serves this practical purpose. In the context of waste pickers, the garbage is a unique and rich resource from which waste pickers can mine material demanded by the recycling market, material that they can use for personal needs or offer as gift and material that they can sell in a secondary market at the disposition of very different individual users. For instance, since the sale of labour power in the recycling market does not generate sufficient income, waste pickers rely on the container market to meet some consumption needs including clothes, toys and food.

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markets, the role of non-economic factors in shaping economic behaviour, as in the case of the multiplicity of monies including domestic, sacred, gift money apart from the universal abstract money. See also Zelizer (1989).

<sup>144</sup> Miller (2002).

## Chapter 2: Reshaping Moral Codes and Regulations in the Market: Struggle of Waste pickers

### Introduction

“Do not throw capitalism in the garbage. It is not worth one cent.” Such was the slogan written on an enormous banner for May Day signed by waste pickers in the year of 2002 in Ankara. About 30 people, surprised yet very pleased to receive a lot of attention by the May Day participants, were walking behind the banner. The person, who first suggested participating in the march, would later remember how a demonstrator came to ask them whether they were Trotskyite by referring to the placards they were carrying with the slogan “Live the unity of workers”. The young waste picker who had never heard about the name of Trotsky in his life naively answered: “Hey brother don’t you see that we have the signature on the banner, we are waste pickers.”<sup>145</sup> This May Day participation was the first big step to appear in the public for the very young organisation of waste pickers, a short while after a group of individuals set up a warehouse in İskitler neighbourhood with the intention of developing solidarity networks amongst waste pickers against conditions of urban poverty and exclusion. The leading person of the group was a former socialist activist called Ali Mendillioğlu. His entry to the waste picking communities after he left his job at a trade union gave him the challenge of organising a large group of informal workers, which was not considered as part of the traditional working class by many left-wing groups and trade unions.

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<sup>145</sup> Interview with Ali Mendillioğlu, “Kapitalizmi tarihin Çöplüğüne Atmayın, Beş Para Etmiyor”, TMMOB Elektrik Mühendisleri Odası, Ankara Şubesi, *Haber*, 2007/4  
[http://www.emo.org.tr/ekler/f01683a169bdcc3\\_ek.pdf?dergi=46](http://www.emo.org.tr/ekler/f01683a169bdcc3_ek.pdf?dergi=46)



**Figure 4:** Waste pickers on MayDay 2014, “To Live is To Resist” (in Turkish and Kurdish)

After the military coup d'état in 1980, for three decades trade unions have steadily lost membership or could not recruit new members due to a number of factors: anti-democratic legal structures making it difficult to unionise, aggressive strategies of employers to prevent unionisation, the commitment of union leaders to the status quo and decreasing confidence of workers in unions.<sup>146</sup> The official figures also demonstrate a serious decline in membership.<sup>147</sup> While some existing unions attempted at overcoming these barriers by exploiting global networks of solidarity in organising multinational companies, a limited number of new unions chose to leave their comfort zone and organise subcontracted workers, with some level of success.<sup>148</sup>

Another path pursued during the 2000s was to set up associations and networks, which behaved like trade unions in organising and fighting for the demands of their members, yet these did not have the legal structures of unions and thus did not benefit from the typical

<sup>146</sup> For an analysis of those factors see Lordođlu (2003), Urhan (2005), Sazak (2006), Adaman, Buđra and İnel (2008), Uçkan and Yıldırım (2010), Dinler (2012a).

<sup>147</sup> According to the official statistics as published in January 2014, only 1,096,540 workers out of 11,600,554 registered workers in Turkey are members of the union. This unionisation ratio corresponds to less than 10 per cent of the whole formal labour force. See Official Gazette, 29.01.2014.

<sup>148</sup> Mc Grath and Dinler (2011), Dinler (2012b).

instruments of collective bargaining agreements or strikes. They were easy to establish and flexible enough to reach out to a large number of individuals seeking support. Despite limited scope, these organisations had some visible success in solving the daily life problems of their members at the workplace, providing legal support and raising awareness in the public. They were led by political activists, independent activists or workers themselves. Amongst these one can cite domestic workers, home based workers, seasonal agricultural labourers, construction workers, call centre workers, subcontracted health workers, subcontracted postal workers, all of whom were not on the radar of traditional trade unions given their informal status.<sup>149</sup> The organisation of waste pickers falls in this category. In fact, their leader was one of the first to notice the extremely complex, segmented forms of employment in the neoliberal context and to exploit the gap of organising informal labour.

Waste pickers all around the world have been organising for the last two decades and their campaigns are becoming a global phenomenon. Especially waste pickers in South America and South East Asia who run their own unions, associations, cooperatives and networks.<sup>150</sup> The association of Turkish waste pickers was set up in a period in which new regulations were enforced, and new multinational companies entered the recycling sector. This was far from being an exceptional situation. As Mather puts it, local governments in the world are under the pressure to give contracts to global corporations in the recycling sector.<sup>151</sup> Turkey is not the only country where this process led to a denied access to waste for waste pickers or to a conditional access dependent on the selling of waste to a single company for a lower price.<sup>152</sup> That is why waste pickers' organisations in diverse countries do not only fight to improve their bad working conditions, but they also fight against or attempt to deliver an alternative to the increasing trend of the privatisation of waste management systems. In the case of Turkey, this transformation was still in its infancy by the time the fieldwork started. It is in this ad-hoc, conflictual and open-ended context that waste pickers positioned themselves and tried to formulate their demands for the recycling market.

This chapter investigates the relationship between the organisers, the organised and the supporting groups at the micro level<sup>153</sup> with the aim of revealing two main issues about the

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<sup>149</sup> For a slowly emerging literature on those initiatives, see Selçuk (2005), Taşkıran (2011), Baştürk, Tartanoğlu and Emirgil (2011), Çınar (2012), Koçak (2013).

<sup>150</sup> See, for examples, Samson (ed.) (2009). See also Medina (2007) for an historical and theoretical analysis of scavenging.

<sup>151</sup> Mather (2012), p. 42.

<sup>152</sup> For the case of Bangkok, Thailand, see Dias (2012).

<sup>153</sup> The micro-level analysis of the relations between the organiser, the organised and other related groups has not received the scholarly attention it deserves. There exist more recent ethnographic studies, which focus on the

recycling market: First, since waste pickers live in the conditions of urban poverty some of their basic needs are met neither by the state, nor the market. The solidarity networks that organisers mobilise serve as a substitute to market mechanism.<sup>154</sup> These networks regulate partially the way waste pickers reproduce themselves. Second, waste pickers and organisers formulate certain demands to re-regulate the market for their own benefit. Those demands are the outcome of the very process of organising: They are developed by the organisers, who observe the market, the conditions of waste pickers, and engage with public authorities. They are not simply economic demands to improve the conditions of the workers; they also have a significant moral dimension. Being subject to the humiliating gaze of the public while working over the public garbage in the streets, waste pickers fight to be recognised as recycling workers who perform a decent, legitimate job rather than being considered as vagabonds, potential criminals or a disruption to social order.

### **2.1. Solidarity and Brokerage as a Substitute to Market Mechanism**

“Where?... OK, we’re coming...” Ali hung up the phone and stared at me and three other people sitting in the dark office-like space of a warehouse in Akdere, Mamak, where we had been invited to introduce the Waste pickers’ Association “We need to go... to the hospital,” he continued, “the municipal police has beaten up very badly one of our friends. He is in the intensive care unit.” Soon after these words I found myself on a bus going to the city centre where we would head on to the hospital. On the way to the hospital I learnt that the victim was a young person called Ahmet from the Türközü community. During school terms, he was a university student in the city of Van; in the summer break he was in Ankara for waste picking to meet his school expenses. In front of the hospital there were many young and old male members of the Türközü community. We were told that the municipal police had found him in a rather silent street with some other waste pickers and had exercised violence resulting in the risk of brain damage. The community members were very upset, yet calm. It seemed that they

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everyday role of the organiser in the organising process. See Kunnath (2006) and Birelma (2014).

<sup>154</sup> The role of women in recycling and reproduction of the households is not within the scope of the thesis, because the fieldwork was not extended to cover gender relations. Yet, their major role has to be acknowledged. In the three communities I did research on in Ankara, there were no women who worked as recycling workers. This situation was different in the case of Yahyalar community, for instance, where the Roman families worked as waste pickers independent from gender differences. In Türközü, women had the main reproductive role. They raised children, undertook all domestic responsibilities and supported each other via kinship networks. In İskitler, the wives and mothers of wastepickers lived in the villages of Urfa. They were responsible for looking after the extended family when their husbands and sons were in the city. In certain cases where wastepickers worked also as rural wage labourers, women joined the rural labour force in harvest seasons. In Hamamönü, there were married migrant workers apart from the single ones. Their wives assumed a similar role.

were accustomed to such bad incidents. I waited while Ali discussed with others what to do about this. A public statement or demonstration was likely to follow in the next few days.



**Figure 5:** Ali Mendillioğlu (in the middle) and two young waste pickers  
*Photo Credit: Zaman*

I would soon learn that this was one of the dozens of telephone calls Ali had to take every single day as part of his organising work. Responding to an emergency, finding a lawyer for legal support, arranging some immediate cash for the repayment of a debt, finding a graphic designer to help the design of the workers' magazine *Katık*, getting school clothes for children, mediating a disagreement and conflict, representing the problems and interests of waste pickers to municipal or local government officials, mobilising different unions and NGOs for public demonstrations, providing emotional support for young and depressed workers were among the several responsibilities he was expected to undertake. All those activities required an ability to bring together otherwise unconnected people and institutions. Put differently, Ali acted as a broker.<sup>155</sup> Having grown up in a squatter settlement in the Mamak district of Ankara, Hıdırlıktepe, he had witnessed the penetration of drug dealers into the neighbourhood, fought against them and learnt to solve daily-life problems in the communities at an early age.

Urban poor's daily life is organised around survival strategies. There exists a wide range of everyday tactics<sup>156</sup> developed by the urban poor to cope with their situation as documented by empirical studies: They buy dry bread from the butchery at a lower price, boil bones to give protein to children, cultivate vegetables in the backyard, use student bus tickets, bring the food at the workplace to home, heat the house only when children sleep, take the bath with the water

<sup>155</sup> By brokerage I mean the "linking of two or more currently unconnected social sites by a unit that mediates their relations with each other and/or with yet another site." See Mc Adam, Tarrow and Tilly (2001), p. 142.

<sup>156</sup> De Certeau (1988).

heated under the sun during the summer, use illegal electricity, collect remnants in the open air markets.<sup>157</sup> Women can sometimes not find the money to buy gas to cook, parents do not switch on the TV so that children do not see the adverts for expensive food they cannot afford.<sup>158</sup>

Poor families are eligible to apply to relevant public institutions to ask for direct cash transfers. Social aid has been an important instrument of the government to fight against poverty. It takes the form of direct aid to poor households (clothes, furniture, consumption goods, heating materials), monthly salary for widows and destitutes, education subsidies. They are provided by the Ministry of Family and Social Policy, The Foundation of Social Aid and Solidarity, General Directorate of Foundations and local municipalities. Studies indicate the political nature of the distribution of such aid and its limits in eradicating the structural causes of poverty.<sup>159</sup> In the case of waste pickers, families settled in İskitler receive municipal aid whereas in Türközü the ethnic and political affiliation of waste pickers prevent them from receiving such support. Yet, families have their own social safety nets. During marriages and funerals a large amount of money is collected within the community to support families' wedding costs or compensate a loss in the family.<sup>160</sup> Migrant workers in İskitler and Hamamönü do not have access to such support mechanisms since their residential addresses are registered in their rural villages and are, thus, outside of the radar of political and public institutions. Such weak ties between waste pickers and local state institutions make the role of an organiser as a broker to solve daily-life problems and support survival strategies indispensable.

An important consequence of informality is the lack of access to health services and social security coverage for workers. Such deprivation exposes waste pickers who work in non-hygienic conditions of the garbage to all sorts of risks. They are vulnerable to basic health problems<sup>161</sup> and devoid of insurance in case they have a serious accident and are unable to

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<sup>157</sup> Erdoğan (2011), p. 77.

<sup>158</sup> Bora (2011), pp. 119-21.

<sup>159</sup> For an analysis of the content and political nature of the distribution of social aid during Justice and Development Party Period after 2002 see Metin (2011). For the logic, historical background and political economy of anti-poverty strategies in Turkey, see Buğra (2008) and Yılmaz (2012).

<sup>160</sup> During the fieldwork a very much respected and beloved community leader died suddenly. He was the breadwinner for his family together with his sons. Türközü families collected money to give to his family. During the season of summer, almost every two weeks an elder son of a family gets married and receives financial support provided by the community members for his wedding.

<sup>161</sup> Reported health problems are various infections due to absence of hygiene, hernia in the back and neck problems due to carrying heavy material, pneumonia and rheumatism due to working in cold and malnutrition, wounds caused by bites of dogs and mice. Similar health problems are reported in other studies, namely "ergonomically related illnesses due to leaning, pushing, pulling and physical exertion; sensorial related illnesses

work. Women normally can benefit from the health system if their husbands have social security coverage but in the informal sector this is not possible. Thus, waste pickers' wives and children also suffer from problems of access to health. The market provision of health and social security exists, but most waste pickers cannot afford them.

Ali mobilised professional doctors who were active members of the union of health or simply willing to support poor waste pickers in order to do medical checks in neighbourhoods where waste pickers live. This was welcomed so much by the waste pickers that a group of waste pickers joined the demonstration of doctors' and other health workers' organisations against the privatisation of the health system.<sup>162</sup> Ali also used his own personal networks to help individual waste pickers to get access to hospitals and health services by putting them in touch with some doctors. He accompanied some migrant workers to hospitals' emergency rooms when they had a work injury. This initial work would later be the foundation of a *Waste Working Group* in Ankara made up of different members of chambers and non-governmental organisations to discuss problems of waste pickers and devise policy proposals to improve the conditions of the recycling sector at the benefit of workers and the broader public.<sup>163</sup>

Legal support was another important dimension of Ali's work. Waste pickers were subject to violence by the municipal police and could sometimes be arrested and taken into custody. Their warehouses were also under the threat of evacuation. Finding workers at the police station, getting lawyers to defend them, talking to municipality officers to stop the violence or warehouse evacuations were among his routine work. When the number of legal cases increased and waste pickers got further public visibility, members from the Association of Progressive Lawyers invited him to a meeting to discuss how more systematic and persistent legal support could become. One year after that meeting The Association set up a commission for workers' rights and publish in *Katık* an article to teach workers their legal rights when they

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due to atomised waste particles entering their system and other occupational hazards such as cuts, infections." For Colombia, see Ruiz-Restrepo and Barnes (2010), p. 74, and "toxic materials, vermin, insect and bacterial infections, cuts and abrasions, inhalation of smoke and fume from oft-burning dumps"; for India, see Mahaderia and Wolfe (2008), p. 45.

<sup>162</sup> The demonstration was on 12 March 2007. See Özturan (2013).

<sup>163</sup> The *Waste Working Group* included representatives from Ankara Chamber of Doctors, Confederation of Progressive Trade Unions, Chamber of Environmental Engineers, Ankara Bar Association, Chamber of Urban Planners and Waste pickers' Association. Tabip Odasından Çöp Çalışma Grubu", Mediamagazin, 23 January 2007; "Ankara'nın Çöpünde Neler Oluyor", Press Release, Ankara Chamber of Doctors, 20 December 2006. The head of Ankara metropolitan municipality, Melih Gökçek, who showed hostility to waste pickers, has threatened those representatives of the Chamber of Doctors for helping out waspickers. See "Ankara Tabip Odası Gökçek'in Çağrısına Yanıt Verdi", 27 December 2006, sendika.org.

are taken into custody or when their carriers are confiscated by municipal police.<sup>164</sup> They also continued offering legal assistance to waste pickers in cases of emergency.

Raising small-scale funds to meet certain basic needs that families could not afford was another routine job Ali performed. For instance, before each school term, he raised funds to buy school clothes for girls who were going to primary and secondary school. Although he had strong intuitions to understand the needs of the communities he worked with, not always was he able to calculate the consequences of his actions and the possible negative effects of his support. In one case when he mobilised resources to collect second-hand toys and clothes for children to be collectively distributed, Türküzü families were unhappy since they felt that such open aid damaged their pride. They did not want people to think that they were in a desperate situation and unable to look after their own children.

The reliance on brokers does not only derive from lack of access to resources for the urban poor in general and waste pickers in particular. Brokerage is also deeply embedded in the historically specific relations of patronage in Turkish politics.<sup>165</sup> I witnessed how waste pickers got in touch with some acquaintances in order to buy bus tickets at a good price, how they sought for strategic people to issue primary school certificates without finishing a primary school, how they looked for connections to help to register their children to the vocational school of their choice. I was myself considered as a resource person who could help with some of those needs. Waste pickers were well aware that access to information and opportunities meant knowing the right people in the right places.<sup>166</sup> If the Waste pickers' Association provided them with public visibility, this could be used as a tool to further expand their access to information, strategic resources and useful contacts.

## **2.2. The Building of Networks**

How were the networks to support the waste pickers in getting access to basic social services built? Helping workers required the correct identification of their needs and thus a penetration into their daily lives by getting their trust. On the one hand organisers had to know closely waste pickers; on the other hand they were obliged to reach out to those individuals who would provide support. In other words, organisers had to be part of a large network weaving both

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<sup>164</sup> Çağdaş Hukukçular Derneği Ankara Şubesi, Mesleki Sorunlar ve İşçi Hakları Komisyonu (2008) "Kağıt İşçilerinin Sorularına Cevaplar, Yasal Haklarımız", *Katık*, Year 2, Issue 5.

<sup>165</sup> Boratav (1983), Gülalp (1984), Sunar, Güneş-Ayata (1994), Erdoğan (1998).

<sup>166</sup> Elyachar (2005).

inner and outer circles of the organisation. The inner circles were necessary to get the local knowledge and find the right people to communicate problems to the organisers; the outer circles were necessary to mobilise logistical, material and other forms of support to the workers. The building and maintenance of those networks is not an easy task to achieve,<sup>167</sup> but one advantage of the waste pickers' movement was that Ali was already an individual who was densely connected to many individuals from different environments. His former activism had put him in touch with many activists, left-wing groups, and unorganised workers' groups. While he worked as a professional organiser for a large public sector union organising civil servants, he knew many civil servants from different segments of the state bureaucracy and met activists and organisers from other trade unions in the labour movement. Since he had grown up in working class neighbourhoods he had access to local communities.

There were a variety of networks, which made up the organisation. First, there were a small number of waste pickers who were either politically involved or used to be politically active. As Roberts and Portes argue, "social networks and previous experience of collective action provide an important basis for mobilisation."<sup>168</sup> Those individuals were ready to undertake organising activity as part of their past or current ideological belief and political commitment. The first of those activists was Ömer, with whom Ali opened the warehouse in İskitler. Ömer knew many workers in the area. After the organising started, Ömer and Ali decided to work separately due to some disagreements.

A former political activist with remarkable writing skills, Derviş was running the busiest warehouse in Hamamönü, the one where I had met Mustafa, Davut and other waste pickers. Derviş collected second-hand books waste pickers found in the garbage in a library in his warehouse. He allowed individuals who had criminal records to work in his warehouse. He got in touch with Ali around the time the Waste pickers' Association opened its office in Türközü in 2005. He mobilised the workers in his warehouse and neighbourhood to engage with the movement of waste pickers. Derviş became the entry point to Hamamönü, which had previously remained unorganised. Although he was rarely involved in organising workers

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<sup>167</sup> The building and nurturing of networks for an organisation, tribe, political group or any actor wishing to create an influence over a group of people or a territory or is not new phenomenon. Their importance was demonstrated in very diverse settings. Barkey shows how the Ottoman Beylik expands its borders to become an empire via relations of marriage, war alliance and economy; Auyero explains the networks that political brokers build in inner and outer circles to tie urban poor to the Peronist party; Axelby reports the necessity for the Indian peasants to forge diverse alliances in order to maximise access to grazing. See Barkey (2008), Auyero (2000), Axelby (2007).

<sup>168</sup> Roberts and Portes (2006), p. 75. "People who had been or are still political activists, labour union leaders and long time community organisers are at the core of neighbourhood movements. Past experience in a different type of organisation generate the leaders for new mobilisations."

outside his neighbourhood, the library he set up in his warehouse with second hand books found from the garbage, the poems he wrote regularly for *Katik* and the stories he liked sharing made him a very interesting person for academics and activists who wanted to reach out to waste pickers.

Selahattin became the main point of contact after Ali left the warehouse he opened in İskitler. Contrary to Derviş who had given up waste picking after opening the warehouse, he was a waste picker himself and his warehouse was a place where waste pickers had a shared ownership. Out of his political beliefs, he was trying to apply principles of solidarity and equality in the warehouse through reading, preparing food and discussing problems together. He was also helping Ali to visit the warehouses in the İskitler area for organising work. The profile of warehouse owners in İskitler had changed after the relocation of the small industrial workplaces. By 2007, most waste pickers were Kurdish and it was easier for Selahattin to reach out to them. Selahattin was calm, quiet, avoiding unnecessary tensions, mediating conflicts between different groups of waste pickers. We visited many warehouses together to do a mapping of all warehouses in the area, to inform the organising work.



**Figure 6:** A waste pickers' organiser  
*Photo Credit: Ali Saltan*

The second inner circle consisted of elder waste pickers who were respected members of their communities and had influence over them. Father Can (*Can Baba*) was a waste picker in his

forties, yet looked much older. He had stayed in prison at a young age due to a case of blood feud and after prison his wife and children did not want to live with him. He opened a warehouse and worked with waste pickers for years, although by the time I knew him he was barely walking due to a serious leg injury and was looked after by some waste picker families in rotation. The very powerful rhetoric and strong poetry of Father Can made him have an influence both on the public and young waste pickers. Ali brought him to many of the seminars and meetings organised by certain institutions, unions and universities, which wanted to get into contact with the waste pickers' movement.<sup>169</sup>

Hüseyin, Ramazan and Mehmet were middle age waste pickers who managed warehouses in Türközü with their elder sons before the demolition of the warehouses in a conflict with the police in 2004. They met Ali and his friends during this conflict and played an important role in the organising work. After his serious sickness, Ramazan had to stop working and left the responsibilities to his elder son, Veysel. Mehmet continued his involvement but he was less interested in the broader goals of organising than solving the immediate problems of waste picking families. Hüseyin, on the other hand, was the most valuable asset for organising. He stayed active until his sudden and unfortunate death in 2008. Both Ali and waste pickers admired Hüseyin's personality. He was mature and wise enough to make his opinions respected within the whole community, friendly and affectionate enough to build very warm relations with young waste pickers. As Ali noted, his very presence in organising was a very strong incentive for others to trust and commit to the Association.<sup>170</sup>

The third inner circle was constituted of young waste pickers who learnt radical activism in the process of organising. It included individuals such as İbrahim and Abdurrahman who were extremely furious with the treatment by the police and willing to take initiative and become precursors of a long-standing movement. Members of Türközü community, Zafer and Veysel, on the other hand, were not attracted to a strong political discourse. They lived with their families within the boundaries of their communities, wanted to solve their ongoing problems with the municipal administration, protect their right to work and aspired to get recognition in

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<sup>169</sup> "...They got hunters with prize to catch us, but then who would kiss the cats which are not cherished, who would nurture the dogs which are not loved. At that garbage a pigeon waits with hope, it never gets afraid of me, for all the wishes owned by pigeons are for me to come there. I am a waste picker, my voice is unheard. While I commit suicide for freedom at the shore of hopes, I would become nobody of everybody I know." Atk Kağıt İşçisi Can Baba, 5 December 2007, <http://istanbul.indymedia.org/tr/news/2007/12/224674.php>

<sup>170</sup> Elderly people did not always play an enabling role for organising. The tribal community had its own rules and regulations and elder members were cautious about outsiders. Young waste pickers abided by the codes of conduct: they assumed responsibility for the family's work, talked very respectfully, did not drink, brought their money directly to their fathers, and were not involved in street fight. Elderly people did not want young workers to be radicalized in the movement. They were looking for more compromising solutions to their problems.

the eyes of the public. Zafer helped Ali with his routine work of holding meetings. In fact, he would undertake some of Ali's responsibilities after he left for organising waste pickers in İstanbul in 2010.

The outer circles were first made up of professionals and academics who wanted to support organising: doctors, lawyers, university professors, students, journalists, social service experts, trade union members and leaders, civil servants, graphic designers and possible acquaintances of those groups. They were significant in solving the problems of waste pickers and providing technical, legal, medical and organisational support as explained in the previous section. It is also possible to divide those outer circles into two: a group of individuals more closely tied to the organising work (providing more direct support by attending workers' meetings), and a group of individuals more weakly tied to organising (lending support on an ad-hoc basis, only when a problem occurs). Second, there were left-wing groups which supported organising. They attended wastepickers' demonstrations and meetings, published news and interviews about waste pickers' in their newspapers.

The role played by outer circles for waste pickers resemble what Granovetter defines as the significance of 'weak ties' in society. According to Granovetter, it is weak ties, rather than strong ones, which link micro-scale social structures with large-scale ones. In the example of employment, close friends are likely to have access to the same information opportunities about employment for instance whereas acquaintances, to whom one is connected with weaker ties, are more likely to be in different circles including different types of valuable information regarding such opportunities.<sup>171</sup> The individuals to whom Ali was connected via different networks and the acquaintances of those individuals were important sources for different types of support and ideas for organising: a civil servant from a union could know municipal police officer at the municipality to get insider information; an academic could arrange a seminar where *Katık* could be sold to participants at a good price to increase funds; a waste picker who is not very active might know a relative in another city where they could send some copies of *Katık* to expand the scope of organising.

The efficient use of urban space was an important component in building, sustaining and using these networks. Although the dispersed character of work might seem as an obstacle to organising as compared to the areas where workers work and live together in settled communities (factories or working class neighbourhoods), the geographical composition of the

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<sup>171</sup> Granovetter (1983), p. 205.

labour force was turned into an advantage by organisers. Ankara was a city whose main centres and certain squatter settlements were close to each other. Even without public transport or a car, it was possible to reach out to the city center from Türközü and Yıldız in a couple of hours, from İskitler 45 minutes, from Hamamönü 20 minutes. This proximity meant that without paying any costs, organisers could walk between these neighbourhoods during the day and night time. Warehouses in each neighbourhood were at a walking distance to each other and easy to visit in a short period of time. There were always some people in warehouses during the working time of waste pickers. For the settled communities there was easy access for house visits. During the working time, it was possible to see waste pickers from Çankaya to Sıhhiye. In late evening there was more chance to talk to waste pickers after they finish most of the work before they go back to their trucks, but since they worked without a boss, they could always take a break in order to talk to the organisers on a bench, or at a corner. This flexibility gave enormous leverage to organisers.

Similarly Ali and his friends could easily reach out to the outer circles, because offices, government buildings, professional chambers, hospitals, trade unions and some university buildings were again very close to the city centre, at a walking distance. There were some well-known coffee houses where people met each other, played card games and socialised. It was possible to find a group of civil servants or members of a union at a coffee house in Sakarya playing cards. Ali could just pop in for five minutes to talk and ask for a favour. It was again easy to set up a meeting with a manager of the Chamber of Environmental Engineers or Chamber of Doctors in their offices in order to discuss possible ways of cooperation to support waste pickers. Ali and his friends could meet several people in one single day by walking from a warehouse to an office and from an office to another warehouse. Ali was trying to bring warehouse owners or waste pickers, when they had time off or a break, to visit these places so that they can meet people from the outer circles and develop their relations with them. In that way, Ali was using what Martin and Miller called spatial practices of brokers, “who could foster communication among a variety of social sites, bridging place-specific cultures and ideologies” and play an important role in alliance building by bringing together the otherwise spatially segregated groups.<sup>172</sup>

Despite occasional attempts by Ali to delegate tasks and responsibilities, the transfer of organising skills was rather weak. Whenever a problem was not resolved, the first person to call was always Ali. The inner circles functioned well to a certain extent, but in the absence of

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<sup>172</sup> Martin and Miller (2003), p. 152.

self-governing rules such as a clearer division of labour, and the determination of the number of workers each waste picker would be responsible for in fostering communication, and a more systematic reporting of problems, they did not yield productive outcomes to consolidate organisation for the future. Another weakness was that the networks Ali built around himself were not densely connected with each other. Waste pickers in İskitler had little connections with the ones in Türközü or Hamamönü. The Association's office was located in Türközü because of the highest number of members, but waste pickers from other areas did not often come to the meetings over there. Also, the initial idea of setting up small offices in each neighbourhood was not possible due to financial problems. Therefore, interaction between different waste picking communities for the purpose of organising remained limited.

### **2.3. In Search of Recognition: Moral Codes in the Recycling Market**

Waste pickers have a strong drive for getting social recognition. It is their exclusion from the formal labour market, which made them work in the garbage. Such work, which is done in a public space, is subject to humiliation by the public, which makes waste pickers ashamed of themselves. The thought that nobody is attracted to him for Ömer (İskitler), not being able to afford a car for his bride during their wedding for Mirhat (Türközü), not being able to buy the proper school clothes for his daughters for Mustafa (Hamamönü), being noticed by his former friends while collecting waste in the street for Hayran are all examples of daily life issues where the problem is not only lack of means, resources, and income, but lack of self-respect, caused by a feeling of powerlessness vis-à-vis class inequalities. Mirhat wants to make his wife proud of her husband in front of other people but this possibility is taken from him; Mustafa is scared that his daughters will feel humiliated in front of their friends because of their father's inability to provide them with suitable clothes; Hayran feels humiliated in front of his friends who see him for the first time collecting waste. In each case, the problem is felt in relation to a broader community. What creates shame is the existence of others who judge them. The impotence (as a husband, as a father, as a worker) of failing to meet not only what is expected but of what one expects from oneself plays a key role in causing shame.

Waste pickers are conscious of the structural reasons, which put them in this condition: forced migration, lack of employment opportunities in the cities, low wages in rural employment. Nonetheless, such awareness does not intercept the personalisation of the consequences of their condition. As Sennett and Cobb found out for the case of blue-collar working class in Chicago, workers start taking responsibility for the class inequalities they experience in their everyday

life.<sup>173</sup> Ironically, while waste pickers experience the market as an impersonal, alienated force, which they cannot fully understand or control as depicted in the previous chapter, they experience class contradictions as a personal issue. This creates a paradox: they are unable to control what is happening to them and the only way to feel in control becomes blaming oneself. They cannot change external factors but they can change what is wrong about them. But it is not possible to overcome material constraints, which created their impotence in the first place.

The words expressed by Mustafa are corroborative of this contradictory emotional status. An entertaining figure, who likes talking and joking with his fellow workers living in the same warehouse in Hamamönü, Mustafa changes his mood considerably in our private conversations. He reflects on his abhorrence of his environment and, more significantly, of himself. He does not have a regular job and has to live with other scrap collectors under the same roof. He asks me several times: “why am I like this?” It is compelling to see that he does not have a single answer to his own question: once he believed his father, who forced him to work amongst gamblers when he was child, was responsible for his destiny. Another time the answer is hidden is his human nature (for which he blames himself) or religious in origin (he must have committed a sin to be punished this way). Then he looks at his surroundings and put the blame on environmental factors: he is bad because people around him are not good. Whenever I contest some of his arguments, he then finishes the conversation by criticising the whole social order: “this order is corrupt”.

The personalised nature of class experience is partly derived from the fact that class does not refer simply to an economic status including ownership of revenue, assets or capital, but an issue of denied respect and dignity. It is in comparing themselves with others that individuals internalise class hierarchies. Sayer<sup>174</sup>, Sennett and Cobb, Newman<sup>175</sup> and Lamont<sup>176</sup> give evidence for such an argument and show how sentiments of shame, pride, envy, resentment, self-respect, dignity are key to understanding how class works and how social divisions are reinforced. As Sayer put it:

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<sup>173</sup> Sennett and Cobb (1972).

<sup>174</sup> Sayer (2005a).

<sup>175</sup> For the relationship between emotions and class in the context of urban working poor in the United States, see Newman (2000).

<sup>176</sup> Lamont (2000) shows that traditionally the members of the American male working class has a very strong attachment to their jobs, because it considers work as an affirmation of its masculinity and ability to be the breadwinner for the family.

“Sentiments such as pride, shame, envy, resentment, compassion and contempt are not just forms of ‘affect’ but are evaluative judgments of how people are being treated as regards what they value, that is things they consider to affect their well-being. They are forms of emotional reason.”<sup>177</sup>

Such emotions and values give signals about the way in which people evaluate their own position with respect to others. When they acquire certain patterns and commonalities as shared values and norms within a group of people, they become integral components of a class. In the specific case of waste pickers, the feeling of shame and humiliation has a special meaning: since their job is done in the public, especially in rich areas where there is higher quality garbage to find recyclable material, waste pickers face public gaze directly and the experience of shame and humiliation is the first, direct and unforgettable experience they have had. Even if they get used to it after a while, the memory of those first days never dissipates. Almost all the workers, with or without being asked, talk about that first memory in a highly emotional way and are marked by it profoundly. Over time people are not subject to less humiliation, but they get accustomed to or learn ways to cope with it.

A powerful coping mechanism is to justify waste picking as a socially useful labour: the recycling of waste paper, waste plastic and scrap metal contributes both to the environment and the economy. Waste pickers extrapolate figures about this contribution by giving the number of trees they save thanks to waste picking. In Hamamönü, a waste picker uses the biological metaphor of insects, which are at the bottom of the soil and grass and eat pernicious organisms harming the soil. In nature every living organism has a useful function to fulfil. So does everyone in a society. Waste pickers can be at the bottom of society but like those useful insects, they provide environmental benefits. Another waste picker complains about the fact that he has to always legitimise what he does whereas other people do not have to defend themselves for the work they do. For many, in the absence of external support (such as the state) waste picking is a strategy, which they created on their own and thanks to which they stick to life. That is why the very source of shame becomes also a source of pride: without waste picking, they would find themselves in prostitution, criminal activities or suicide and it is they who, with their honour, chose waste picking in order to survive and support their families.<sup>178</sup>

Another legitimisation mechanism is to show the positive sides of waste picking as compared to other types of work the urban poor have to do. Waste picking allows workers to be free. Time

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<sup>177</sup> Sayer (2005b).

<sup>178</sup> For similar findings in South Africa see Benson and Vanqa-Mgijimo (2010), p. 13.

is theirs. They can decide whether they will go to work one hour before or later, whether they will give themselves one day off. Deeper observations of the job would show indeed how the absence of a boss may not mean absence of control over the work they are doing: in fact they impose control on themselves. They may give themselves one day free, but they know that the next day they need to work more, to find better quality paper, plastic or metal in order to compensate for this free time. Depending on personal motivation and needs, some workers would do two shifts per day. Still, not being monitored during work time brings some degree of autonomy. Many workers say that they prefer this job to factory work. They also like walking in the streets and daydreaming. Yardımcı and Saltan find very similar arguments in their research with waste pickers in İstanbul.<sup>179</sup>

Codes of morality to comparing poor waste pickers with the rich reinforce the pride associated with waste picking. That poor people consider themselves ‘rich in heart’ as compared to ‘greedy, cruel, selfish’ wealthy people has been well documented by the extensive study of Erdoğan<sup>180</sup> among the Turkish urban poor. Other studies have also shown how class hierarchies are reflected in a language, which uses little reference to class terms.<sup>181</sup> In the specific context of waste pickers, this takes a peculiar linguistic form: the job of waste pickers is dirty, and people think that they are dirty, but as they repeat quite often, “their hearts are cleaner than anyone else”. This not only adds a moral superiority to balance material inferiority, but also signals a search to restore equality denied to waste pickers.

Anger and frustration towards the humiliating gaze of the public and the need to be recognised by those people creates an ambivalent emotional status for waste pickers, which also translates into their encounter with the municipal police (*zabıta*).<sup>182</sup> As explained in the previous chapter, the municipal police take the trolleys used by waste pickers and do not hesitate to resort to violent methods when they are resisted. The municipal police represent the state in the eyes of waste pickers. On the one hand, they want to believe that they do not do anything wrong and are furious at the police as reflected in their discourse: “If they play with my bread, they play with my honour there is no joke in it. I would do whatever is required”, “We have nothing to lose except our trolleys”. Those sentences imply that they could physically fight back the police. On the other hand, they want reconciliation with the police and say that they do not

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<sup>179</sup> Yardımcı and Saltan (2007). For other earlier studies on waste pickers see Özgen (2001), Altuntaş (2008).

<sup>180</sup> Erdoğan (2001).

<sup>181</sup> Bauman (1982).

<sup>182</sup> “Zabıta” is municipal police responsible for a number of duties including controlling street vendors, local markets, health safety of local shops, checking illegal construction sites, traffic regulations and infrastructural work on the main roads. For the historical development of the police in Turkey see Ergut (2004).

understand why they are not allowed to do their jobs properly. This issue becomes even more important for the Kurdish waste pickers. They show their identity cards and ask: “Aren’t we the citizens of this country? So why are we treated like this?” Some of them think that police forces are just taking orders and do what they need to do; some of them even say that the municipality is right in trying to regulate waste picking activities since there are people with criminal records, who do not deserve to do this job. Some expect waste picking to be an officially recognised municipal job, since it is considered to be safer and more secure. In all these conceptualisations one can observe the tension between the frustration towards the state and the desire to be recognised as equal citizens, between the desire to respond to violence and the need to compromise in order to remain safe.

Accompanied by a desire to change one’s position in the social hierarchy, envy is not absent from the emotional repertoire of waste pickers. Bourdieu et. al<sup>183</sup> have shown how the dream of the temporary worker in French factory is to have a permanent status like other workers at the same place; Özatalay<sup>184</sup> documents how the dream of textile workers in a small sweatshop is to open his own shop and imitate his employer. Similarly waste pickers aspire to the possibilities they can explore in their environment (having a warehouse or finding something very valuable and precious in the garbage, buying a mobile phone). I observed this during the one day I spent with Veysel (Türküzü) on his day off. In his very nice clothes and with a completely different body language (still lacking confidence but pretending not to be a waste picker), Veysel not only enjoyed being in a café in the city center (a café in front of which he was collecting garbage every day), but also expressed verbally how it was a different experience for him to be there. He performed the role of a decent customer in the café and an ordinary passenger in the street. Veysel never talked about his problems as a waste picker that day, he did not want to see anything, which could remind him of waste picking. He just said how beautiful it was to be there with me, even though we did nothing special, just hanging out freely, like all those university students he envied so much. He not only wanted to be a different person but became one, with his performance in the sense Goffmann uses the word.<sup>185</sup> Next day when I saw him again in his work clothes he would say, “Look at the clothes I have today, think of how I was yesterday and what I became today”. I smiled and said that the person was the same and this is what counted, which he appreciated but did not want to accept.

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<sup>183</sup> Bourdieu (1993).

<sup>184</sup> Özatalay (2003).

<sup>185</sup> Goffmann (1990). According to Goffmann, everyday life can be conceptualised as a series of various performances taking place in diverse settings and groups (workplace, family, social life). The person can either be conscious of the role he/she plays or he/she may internalise the role. In each case repetitive role-play leads to specific and structured patterns of behaviour, which get normalised.

It was telling that some of the waste pickers in the İskitler community, who went to Kızılay only a few times, had a similar feeling of envy towards the center. As in the words of Yılmaz: “If I could, I’d like to live in Kızılay, when I go there, I see that there are really nice places. Not like here.” Such asymmetrical comparison between different spaces is also documented by Ümit who found out that the children in the poor urban slums usually express class differences in terms of neighbourhoods.<sup>186</sup> In İskitler, Davut would make a similar comparison between neighbourhoods. He would keep talking about five, six, maybe eight types of classes among people without giving a lucid explanation. One day, upon my insistence he decided to clarify: “OK, write it down,” (referring to my small notebook – a black Moleskine which I was no longer hiding as I was doing at the onset of the fieldwork for fear of intimidating workers), “(1) Bahçelievler 2) Ayrancı 3) Kızılay 4) Ulus 5) Macunköy... and write down us (Hamamönü) at the bottom.” He was enumerating the different neighbourhoods he was passing in the evenings in order to look for scrap metal. Places such as Bahçelievler and Ayrancı were the wealthiest neighbourhoods whereas Hamamönü would be at the bottom of the list since waste pickers lived there.

The examination of the pieces (short articles, poems, stories, reflections) published in *Katık*, which was irregularly published as nine issues since its establishment reveals workers’ contradictory emotions: anger and frustration towards the local government, aspirations to a better future, and class inequalities they experience in their everyday life.<sup>187</sup> The way in which emotions are expressed relies on metaphors extracted from the everyday work of waste pickers: “*There is a bit of you in all the hills I walk up to, in all the bin bags I open; You are as innocent as a pet, as modest as plastic, as cute as nylon, as precious as aluminium, as rare as copper,*” says a poem. Another one would tell: “*Love changes the perspective of man. The most peaceful and painful life of man is love life. For on the one hand you are happy for loving, on the other hand you suffer because you are possessed by this love,*” as the poet analyses his sentiments. Disappointment with life is a common theme which recurs in the poems: “*Despite the fact that I work like this and I find myself in the most profound and lower part of life, I still think, so I do exist,*” writes one young waste picker. Another one describes his life with poetic metaphors and expresses his disappointment: “*They hit the blue of my dreams, my innocence is painted in argo and tobacco, they even did not buy me working clothes, it is the infancy of my elder brother that I wear*”. Innocence, dream and blue represent childhood, an expectation of a bright future which is yet to come, the tobacco colour and

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<sup>186</sup> Ümit-Atılğan (2014).

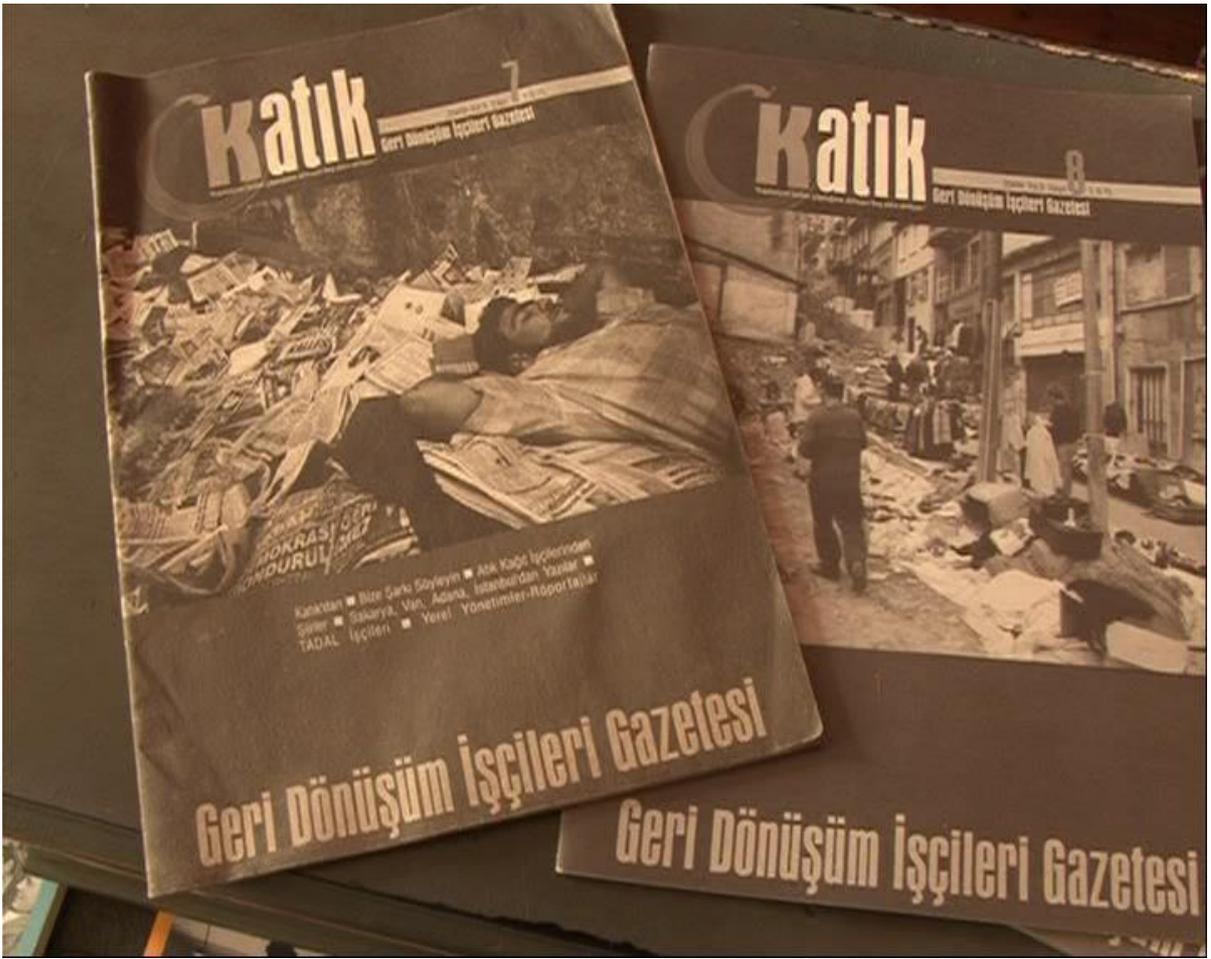
<sup>187</sup> For another analysis of the magazine *Katık*, see Özsoy (2012).

brother represent the missed opportunities, the lost innocence and a lifestyle which has to pass from generation to generation.

Legitimation mechanisms I heard from waste pickers find their repercussions in those writings. They write about the trees they save every day and how their life has a meaning both economically and environmentally in the face of a society which tends to exclude them. One says: “We have not got small enough not to be seen,” to a person who shouts at him and throws a piece of garbage on his head from the window of a building in front of which he collects waste. Waste pickers proudly underline that they are ‘recycling workers’ against the discourse of the metropolitan municipal administration interpellating them as ‘illegal waste hunters’ as explained in the previous chapter. Some of them who are more literate write as if they are students of sociology of recycling industry and other forms of labour in the informal sector. They give information about the recycling sector in different cities from which they send their letters and talk about the conditions of agricultural labourers: wages, nature of labour, workers’ economic and social problems, strategies of companies. There are also political pieces, which talk about the necessity to change the whole social order and build a collective utopia where exploitation and injustice will end.<sup>188</sup>

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<sup>188</sup> For extracts used in this section, see the following pieces from the magazine of recycling workers, *Katık*: Recycling Worker Kadir, “Biz Daha Görülmeyecek Kadar Küçülmedik”, *Katık*, Year 1, Issue 1, 2007; Recycling Worker Hüseyin, “Atık Kağıt İşçisi Olmak”, *Katık*, Year 1, Issue 3, 2007; “Adana’da Geridönüşüm Sektörü”, *Katık*, Year 1, Issue 4, 2007; Recycling Worker Güven, “Tek Şahidim Yıldızlar ve Çöpler”, *Katık*, Year 1, Issue 4, 2007; Recycling Worker Yusuf, “Herşeye Rağmen”, *Katık*, Year 2, Issue 6, 2008; Serkan Engin, “Kırık Çırac”, *Katık*, Year 2, Issue 6, 2008; “Sessiz Fırtına, Güneydoğu’da Sefalet”, *Katık*, Year 4, Issue 9, 2010.



**Figure 7:** *Katik*, Magazine of Recycling Workers, Issues no 7 and 8.

Veysel, Mustafa, Davut, Hüseyin, Mehmet, Ömer, Mazlum, Güven, İbrahim, Abdurrahman are all friends with Ali, some with closer ties than others. Ali would never neglect stopping by on the street whenever he saw a waste picker to have a short conversation with, or spending long hours in the evenings at a warehouse or a coffeehouse to discuss family issues, emotional problems and the future of organising. It is from these conversations that Ali builds his own discourse of morality. As Gramsci argued, for the organic intellectual, “the mode of being of the new intellectual can no longer consist in eloquence, which is an exterior and momentary mover of feelings and passions, but in active participation in practical life, as constructor, organiser, permanent persuader and not just simple orator.”<sup>189</sup> The dialogues between the organiser and the organised, the group talks and interactions help the dissemination of positive feelings, codes, words, behaviours. Legitimation mechanisms developed by waste pickers and articulated by organisers translate into leaflets, slogans and public demonstration speeches. That way the contradictory feelings and thoughts start gaining a more coherent character. Once

<sup>189</sup> Gramsci (1971), p. 10.

this collective repertoire is constituted, workers use it as a resource to benefit from while expressing their thoughts to others.

#### **2.4. Taking Part in Reshaping the Rules of the Market**

“I resemble our situation a bit to the process of primitive accumulation, which Marx talks about. Things will change in the future. There will be an industrialisation of the sector and we have to be ready and powerful by then.” We were coming back from a visit to a warehouse in Yıldız where squatter settlements would soon be demolished. Towards the city center Ali was sharing with me his opinion about the future of the recycling market and how organisers should be prepared for this change. Ali was mostly self-taught and his knowledge was patchy, unsystematic. Yet he had the capacity to learn and adapt the sources he read from Marxism, literature and popular culture to the context of organising. He was an excellent observer, able to examine workers’ emotions, the situation of the market, recycling companies, and everything pertinent to his organising work. While he was sharing his thoughts about primitive accumulation, I was thinking that he had a good point. In the early 2000s, there was already an emerging body of literature about the relationship between neoliberalism and primitive accumulation emphasising the permanent nature of primitive accumulation and showing that contemporary attempts to privatise resources such as water could be thought of in that regard.<sup>190</sup>

Practically speaking, waste was already a commodity traded in the recycling market. But a large portion of urban waste was under the control of waste pickers as part of their customary right to collect and sell. Had the municipal administrations privatised the bin spaces by assigning them to private companies and allowing them to hire directly or contract out with workers, it would be an example of a modern form of enclosure. And this was, and is still an option on the agenda. But during the period of the fieldwork, this was not the case. Whether or not primitive accumulation would start or not for the case of urban waste, Ali had the correct hunch in studying the current status and future direction of the recycling market. In 2002, when Ali and his friends set up a warehouse in İskitler, their preliminary idea was to get in touch with as many waste pickers as possible and build a system in which intermediary traders would be out and they would sell directly to recycling factory owners in order to increase the revenue of waste pickers. Put into the language of the market, they aimed at solving the problem of transaction costs in the market to maximise waste pickers’ relative bargaining power. This

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<sup>190</sup> See De Angelis M (2001), Zarembka (2002), De Angelis (2004), Roberts (2008).

would also help developing social networks with young waste pickers and develop relations of trust to help organising. Although they did not know the information at the time, there were cases similar to what they anticipated. In India, for instance, Self-Employed Women's Association (SEWA) had helped female waste pickers to set up their own warehouses from where the collected waste paper was sold directly to mills without any middlemen.<sup>191</sup> Initially Ali and his friends got around fifteen to twenty young street children into the warehouse and provided trolleys for waste picking. They shared the money they got by selling waste directly to recycling factories.

By the time Ali opened this warehouse, İskitler was a very lively area with warehouses and auto repair companies. In 2004, the metropolitan municipal administration evacuated the area and relocated the auto repair companies into an organised industrial zone, on the grounds that the area would undergo through an urban renewal project. Certain companies could not afford to move and some employers and workers lost their jobs. Certain warehouses also closed down in the same period. In 2005, some families from Urfa came to the area and more relatives followed behind. Those in the larger warehouses had their own trucks and smaller ones sold their waste to the larger ones.

By 2004 the attention shifted to another very serious issue, the violence of the municipal police in compliance with recycling factories, which were legally authorised to collect and manage waste. Ali and his friends did not initially understand the root causes of this violence. Only after doing some research did they learn about the new waste management regulations. As explained in chapter 1, the Ankara Metropolitan Administration and the Çankaya Municipality have supported two different licensee companies, ITC and SIMAT. Municipal police working for both administrations exercised violence on waste pickers to force them to sell their waste to ITC and SIMAT. The essential demand of the Association was, after that time, the protection of the right to work in the streets. In the absence of grassroots political mobilisation, which enables the links between local governments and excluded social classes by bridging the gap between technical expertise and local involvement and fostering deliberation and informed compromise as in the case of Kerala and Porto Alegre,<sup>192</sup> Ali and his friends turned to some activists working for non-governmental organisations. Some of them made the suggestion to build a cooperative in Türközü. Cooperatives were institutions used by waste pickers

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<sup>191</sup> Scheinberg, Muller and Tasheva (1999).

<sup>192</sup> Heller (2001), p. 158.

especially in South America.<sup>193</sup> The model of cooperative was used in different ways: waste pickers could use the cooperative only to market waste to recycling factories with higher bargaining power in setting prices. A cooperative could also get involved in production by investing in recycling machinery to press waste paper and selling that material to paper factories directly.<sup>194</sup> However, the idea of a cooperative was not very popular amongst the waste pickers and the central group of organisers. Waste pickers came from a rural background and they were accustomed to engaging in economic activities as family units. They had economic solidarity networks, but the idea of collective action in the economic sphere was foreign to them. A cooperative would mean a collective action requiring joint decision-making about investment, marketing, accounting and distribution of profits.

Through experience, Ali had realised that neither the Ministry officials nor the municipal administrations were clear about how to regulate the market. Had they followed exactly the regulations of their own design, non-licensee companies would have to shut down, all municipalities would have submitted their waste management plans, waste pickers would have been deprived of their customary right to collect waste and companies would take over the duty to collect waste. Ali was aware that companies still relied on the waste collected by waste pickers, because none of the companies would hire and remunerate employees to go and collect waste from the garbage in the thousands of streets in Ankara. According to Ali, companies did not consider the collection and storage of waste profitable, and it was to their advantage to continue buying waste from waste pickers and their warehouses at a low price without undertaking any labour costs (such as social security or regular wages).<sup>195</sup> From the perspective of the local governments, there were problems such as financial and regulatory costs of implementing waste management plans, and vested interests of certain municipal administrations in favouring certain recycling companies.

Although the full transformation of the whole waste management did not look to be possible in the near future, there were some ongoing changes in the Mamak dump area such as the building of an assembly line for workers, which pushed Ali to think of possible future scenarios. He published in *Katık* an article, which proposed to establish a new trade union of

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<sup>193</sup> In 2004, waste pickers' associations (primarily cooperatives and federations of cooperatives) came together to form the Latin America Waste pickers' Network. The network now has representation from 15 countries, including from the Caribbean. See Bonner and Spooner (2011).

<sup>194</sup> See Theron (2010), p. 20. In Turkey, setting up of a cooperative is costly, subject to many bureaucratic procedures, taxation and social security premium requirements for waged labourers. The Cooperative Law, Official Gazette, no 13195, on 24.4.1969. There is separate legislation for the agricultural cooperatives and unions.

<sup>195</sup> Interview, Çöpteki Servetin Fakir İşçileri, *Halkın Günüğü*, 18 March 2008.

recycling workers. In 2008 this proposal seemed awkward: there was not a formal employer-employee relationship in the warehouses. Some warehouse owners were themselves waste pickers, others used family labour or hired wage labour. Ali was conscious of the contradictory nature and technical difficulties of his proposition. Yet, from his perspective, the discussion of a union would enable the workers to reflect upon, in more pragmatic ways, some theoretical problems which could not be addressed as such within the community: how is it possible to be a union member if there is no proper employer? What happens if there is no formal job contract for many of them? Can we use the traditional tools of struggle such as collective bargaining agreement and a strike?<sup>196</sup> What happens to the warehouse owners and the workers since there is no clear-cut differentiation between them? How should one organise the workers at the recycling factories? What role could waste pickers assume in their organisation? What kind of demands should the workers make? Should they ask for better prices, social security, health services? From whom, the state, factory owners? Ali not only considered waste pickers as recycling workers whose rights are violated, but as future company workers. He thought about the possibility that small warehouses could perish in the future.<sup>197</sup> Ali was suggesting a broader coalition between workers in the recycling sector, other social groups affected by similar issues (urban regeneration, forced migration, limited access to health and education), and institutions that are related to the problem of waste. He used the frame of social movement unionism in his discourse.<sup>198</sup>

During eight years of organising in Ankara the Waste pickers' Association pursued a variety of strategies.<sup>199</sup> The most important gain they had was to be able to negotiate formally with the Çankaya municipal administration. Although local governments did not recognise waste pickers as a stakeholder in the way NGOs and international organisations did, the persistence of violence and the inability of waste pickers to terminate it via protests led organisers to use one of the dominant discursive paradigms of the period against the local government: governance. The Association claimed that if the recycling market were to be restructured, then,

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<sup>196</sup> Mendillioğlu (2008a) and (2008b).

<sup>197</sup> In his analysis of the shift from craft type of work to factory worker for the textile industry in Denizli, Özügürlü argues that many craftsmen prolonged the inevitable process of proletarianisation by increasing the productivity of home based looms via different techniques. According to his view, when massive factories took over the control of production by hiring direct labourers and new machinery and reducing the dependence on home based labour, the former craftsmen became factory workers. Özügürlü (2008) called them 'delayed proletarians'.

<sup>198</sup> Ross (2007).

<sup>199</sup> The action types they used were not orchestrated, they were the sum of already familiar tactics, immediate responses to violence and a search for formal recognition: public protests in the city center and in front of municipalities, participation in May Day, burning of warehouses against the attack of the police, formal meetings with municipalities. As Tilly argues, collective repertoires are "learnt cultural creations, but they do not descend from abstract philosophy or take shape as a result of political propaganda, they emerge in struggle." See Auyero (2006).

as one of the major actors in the recycling sector, it should be allowed to participate in the decision-making process regarding the future of the recycling market. The By-Law on Waste Management should be re-regulated to accommodate the needs and demands of waste pickers.<sup>200</sup>

In different countries participation in the regulation and management of waste by recycling workers was in fact made possible by the efforts and struggle of waste pickers' organisations. In Puna, India, the trade union of waste pickers developed an alternative to the full privatisation of management by developing a system in which the cooperative of waste pickers set up teams to do door-to-door collection of waste by working as service providers to neighbourhood residents in defined territories. The system requires user fees for both sides.<sup>201</sup> In Colombia, despite the initial attempts to exclude waste pickers by granting tenders to large corporations, the legal fight of the National Association of Recyclers ended with a victory and the Constitutional Court granted waste pickers the right to access, sort and recycle waste and to enter tenders.<sup>202</sup> The waste pickers' cooperative UFPRAME entered a tender by building a strategic alliance with a Mexican company and won the right to collect waste in one region. A programme called Advanced Locality Management was introduced by some municipalities in Mumbai, by providing waste pickers with sheds, vehicles for day transportation, open spaces to collect from direct households alongside private operators.<sup>203</sup>

Waste pickers did not only operate at the local municipal level. National and international scales were used for resource allocation, recognition and partnership. In the Philippines, the Payatas Scavengers' Federation worked with the Payatas Environmental Development Programme, NGOs, the UN programmes, and Enterprise Development Consultants to receive credit to open junk shops, which used family labour to take recyclable materials from the dump area to sell to the contract buyers.<sup>204</sup> In Brazil, a National Solid Waste Policy recognised waste pickers in 2010 as service providers and supported municipalities integrating them into waste management in Brazil. Similarly the legislation on waste management was based on a participatory process to include waste pickers' associations in Peru.<sup>205</sup>

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<sup>200</sup> Steinberg (1999).

<sup>201</sup> Chikarmana (2012), Kabeer, Milward and Sudarshan (2013).

<sup>202</sup> Ruiz-Restrepo and Barnes (2010), p. 80.

<sup>203</sup> Mahederia, Pharate and Mistry (2005), p. 17.

<sup>204</sup> Missionaries (1998).

<sup>205</sup> Dias (2012), p. 2.

In the Turkish case, since the Ankara Metropolitan Municipality refused to take the Waste pickers' Association as a legitimate actor in the sector, it never talked to any representative of waste pickers. But when violent measures did not subjugate waste pickers, the ITC representatives developed certain tactics. They appointed a leading member of the Türközü community to a managerial position to deal with waste pickers who sell to the company, and another one to a position in a facility within the Mamak Dump area, making them responsible for restructuring and managing. These individuals played a significant role in convincing some groups of waste pickers to sell their waste during certain days of the week to the ITC. This compromise was approved by the elderly members of the Türközü community who were seeking to find a peaceful solution.

The Çankaya Municipality, despite the extreme violence exercised by its police, agreed to negotiate with waste pickers. The outstanding attention that waste pickers received in the media, and the stubborn reluctance of waste pickers to accept selling to SIMAT the recycling company supported by the municipality, played a role in this. At the beginning, the meetings between waste pickers' representatives and municipal officials were aimed at persuading waste pickers to reach an agreement with SIMAT, whose representatives were allowed to attend the meetings. The failure of those negotiations and the tarnishing of the reputation of the municipality pushed officials to arrange a deal with waste pickers. The municipal administration accepted the contribution of waste pickers to the recycling economy, recognised them as 'environment volunteers'<sup>206</sup> and provided them with working clothes and badges in orange, which would give them the right to work safely within the legal jurisdiction of the Çankaya Municipality.<sup>207</sup>

Lack of social security and access to health services were other important demands of waste pickers. Since there was no traditional employer-employee relationship, access to those benefits should be the responsibility of the state. This was not impossible as the case of Puna in India suggests. KKPKP (waste pickers' union) mobilised the network in India for the inclusion of waste pickers in social protection measures offered by the 2008 Unorganised Social

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<sup>206</sup> Kabeer et al. (2013) says how the use of a variety of discourses (economic, professional, environmental) and the argument that waste pickers performed a valuable contribution to waste economy (via solid information, first by extrapolating than by research supported by the ILO) helped the union KKPKP to earn legitimacy in the eyes of the municipality. p. 254.

<sup>207</sup> Dias (2012), p. 3 mentions similar demands such as uniforms, ID cards, granted access to urban waste in the context of other countries.

Workers' Social Security Bill and worked for the medical insurance schemes covered by the municipality as the employer.<sup>208</sup>

In September 2013, the Ankara Governor published a circular, which was sent to municipal administrations and also to the Waste pickers' Association.<sup>209</sup> The sending of the official circular to waste pickers should be read as an achievement of the waste pickers' struggle because they were taken as legitimate actors in a sector directly addressed by the state. The circular referred to the By-Law of 2011 and stated that only those waste pickers who work on behalf of licensee companies and authorised institutions would be allowed to work on the streets with appropriate identification cards, working clothes and carriers. All others would be strictly forbidden from working.

“We want to eliminate the conditions which create us.” Ali mentioned this several times in interviews, and in our conversations. This emphasis was not arbitrary. Although he believed in the importance of his work of a broker, problem-solver, social network builder and negotiator, he was conscious about the limits of such work. The real solution lay in the elimination of the conditions, which reproduced thousands of individuals as waste pickers, in other words conditions that reproduced a large group of the population as precarious wage labourers (and a smaller number as holders of the means of production). Ali knew that even if waste pickers were to have improved rights, they would still remain as wage labourers or new forms of labour would emerge. As Neary puts it, “...the progressive transformation of human society involves not the realisation of labour on its own or in conjunction with other institutions... but the abolition of labour and the society out of which it is constituted.”<sup>210</sup>

A conversation between İbrahim and Ali at a dinner table late evening outside of a warehouse could shed light on this point. This was a small urban slum on the top of a hill, just opposite the newly built residential houses for middle and upper class people, as part of an urban regeneration project. İbrahim, who was in the inner circles of organising looked with hate at one of the high buildings and told what happened to him earlier. A woman on the tenth floor of that building got angry with him while he was looking into the garbage in order to find some waste plastic or paper to sell. “How come that woman living on the tenth floor can shout at me from her window and tell me what I should do? What is the problem? What should I do? Why can't I be there?” he asked. Ali answered with his calm and wise voice: “The problem is not

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<sup>208</sup> Kabeer et al. (2013), p. 257.

<sup>209</sup> Ankara Governor (2013).

<sup>210</sup> Neary (2002), p. 185.

the woman but you.” “Is it me?” responded İbrahim, half surprised. “So should I eliminate myself?” The organiser said: “Yes, maybe you should.”

In this simple dialogue, which was the culmination of many previous dialogues and confrontations between the two, some of which I had witnessed myself, was hidden a lesson for the young waste picker: by envying the tenth floor, he reproduces capitalist relations, because what he offers is to change his position which would put him at the tenth floor, a continuation of the existing class hierarchies. İbrahim was the obstacle behind himself not in a psychological sense, but in the very material sense of adopting and reproducing the norms, which characterise capitalist society.<sup>211</sup> He is critical of the woman herself, not of the very existence of the tenth floor itself; he challenges holders of positions, not positions themselves. But there is more than that. If İbrahim reproduces capitalist relations by envying them, then, in order to eliminate the ‘problem’ he tries to understand, he has to eliminate this reproducing subject, which is himself. This is a powerful lesson about the dialectics of class struggle in capitalist society: the issue is not an attack on the bourgeois class or the victory of the working class, but the elimination of reified capitalist social relations of which the worker himself is a part. Here the leader does not correct the so-called ‘false consciousness of the worker’, he invites him to make a critical reflection, which is not made from an outside vantage point, but immanently, showing that he is a very part of the social relations he needs to criticise. Therefore, İbrahim needs to reflect not on the illusion but on the truth of his own thinking, which is made possible by the everyday practices of capitalist relations.

Ali intervened again later during the conversation when İbrahim said that they desperately needed but were unable to see some light in order to continue their struggle: “We want to see a light all the time but the light is us, we are the ones who can disseminate light to others, but we cannot see it since we think it should be somewhere outside.” This time the worker becomes not an obstacle against but a possibility to change his own conditions, since he is the one who has the light, not the woman on the tenth floor.

As Postone argues,

“Social domination in capitalism can not be apprehended sufficiently as the domination and control of the many and their labour by the few. In capitalism

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<sup>211</sup> In a television programme in 2010, Ali said: “By looking at the luxurious cars while collecting waste, by envying the luxurious residences opposite to our own houses, we reproduced the system which we complained about every day in one or another way. So in fact, we are not that innocent.” Ali Mendillioğlu, *Fark Yaratanlar*, NTV, 22 November 2010.

social labour is not only the object of domination and exploitation, but is itself the essential ground of capitalism. The non-personal, abstract, objective form of domination characteristic of capitalism apparently is related intrinsically to the domination of the individuals by their social labour.”<sup>212</sup>

## **Conclusion**

The conditions of social exclusion and urban poverty, and the absence of state support made it difficult for waste pickers to reproduce their labour power. They mostly compensated their lack of access to basic social services via informal means. They either lived as tenants or owners of informal squatter settlements or, in case they were seasonal migrants, they lived in the warehouse they worked for. In Türközü the families from the same tribe supported each other financially by collecting money for weddings and funerals. However, there still remained many problems waste pickers could not solve by themselves. The networks of social solidarity and organisers have filled in this gap left by the market and the state. As successful brokers, a small group of organisers have built a set of networks both inside and outside of the waste picking community. They built a bridge between professional doctors, lawyers, volunteer activists, academics, artists, trade union members who mobilised resources to support the workers: health services, scholarships for students, newspaper coverage and advertisement for public visibility, legal support, and direct cash transfers for the poor.

Ali worked as an ethnographer of workers and market. Although he did not have a road map for organising and formulating demands, as he himself sincerely confesses, practical experience gave him a lot of insights. He learnt relevant legislation, regulations and By-Laws to examine the industry. His mobility in different neighbourhoods enabled him to ask questions, collect data and think about possible solutions. Survival strategies of waste pickers depended on continuous access to public and private bin spaces in the urban streets. New rules about who is entitled to collect, store and sell waste, became an important arena of conflict for waste pickers. They wanted to protect their right to work and be recognised by relevant municipal administrations in their working area by receiving identity cards and getting access to health and social security. The demands vis-à-vis the market changed from an initial attempt to remove intermediaries to increase the revenues of waste pickers to a desire to take part directly in the regulation of the market by negotiating with the municipal administrations. Theirs was not simply a demand for economic and social rights, but a moral one. Since their working space was urban streets, they had to face the humiliating gaze of the public. They

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<sup>212</sup> Postone (1996), pp. 125-26.

were criticised for being dirty and potential criminals. Waste pickers experienced such accusation with shame, anger and frustration and responded by showing their work as socially useful and as a source of pride. Class was not a position occupied by waste pickers in a social structure, but a lived relation in everyday life,<sup>213</sup> sometimes more directly, sometimes mediated through other mechanisms, vis-à-vis society, vis-à-vis the police and the state, vis-à-vis the companies.

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<sup>213</sup> Meiksins-Wood (1995).

## Chapter 3: Petty Commodity Production and Accumulation in the Warehouse: Social Regulations of the Informal Recycling Market

### Introduction

The relationship between social institutions such as family, kinship, caste, tribe, gender, religion and economic processes is recognised as a persistent feature of contemporary markets.<sup>214</sup> These institutions predate the capitalist society, yet they take new forms and functions when embedded in capitalist social relations. The complexity and contingency of this relationship can be seen in the variety of forms it takes:<sup>215</sup>

First, they can help or hinder accumulation. When the members of the Gounder caste turned from rural workers into successful textile producers they became integrated within the global export markets by using their own toil;<sup>216</sup> Dalit business, Muslim artisanal production and tribal leaders were found to be subordinated by merchants and financiers in India.<sup>217</sup>

Second, they can facilitate, foster, legitimise or disguise forms of exploitation. In Turkey, in the conservative town of Konya, employers are found to use religious rituals and beliefs as a way to control their workers<sup>218</sup>; in an industrial district in Çanakkale, the managers of a very old and traditional factory of ceramics used paternalistic attitudes as a way to control labour not only in the workplace, but by penetrating their family life;<sup>219</sup> a similar process was in place in the city of Kayseri where former peasants of the village of Hacılar who became industrialists

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<sup>214</sup> Harriss-White (2005).

<sup>215</sup> It is important to note that the specific function they take is not pre-determined; it depends on what an agency does with them. In that sense, although the approach of social structures of accumulation, which see in social structures a way to provide stability, regulate class conflict and competition, it may not always be the case. See Kotz (1994) p. 54.

<sup>216</sup> Chari (2004).

<sup>217</sup> Harriss-White (2010a).

<sup>218</sup> Durak (2013).

<sup>219</sup> Güler (2014).

used rural village networks to domesticate labour;<sup>220</sup> the informal hiring and discipline of seasonal migrant workers from cities such as Urfa was done by intermediaries who were usually a relative from the same village.<sup>221</sup>

Third, they can support reproduction of labour power or petty commodity production. In some South East Asian countries, gender inequalities were considered to be one of the major factors behind the competitiveness of export-oriented firms;<sup>222</sup> in Turkey, the super-exploitation of family labour in the intensified agricultural production by small farmers prevented them from falling into the status of wage-labourer in the context of a financial crisis and neoliberalism.<sup>223</sup>

In this chapter, I will investigate how these social mechanisms regulate the recycling economy in the warehouses. The chapter looks specifically at the historical trajectories of two waste picking communities and how their economic life is socially organised. The main focus of analysis is the relations of kinship and tribe. The differences between the social organisation of the economic life in Türközü and İskitler are considered to have an explanatory value to understand why petty commodity production continues in the former and why some degree of accumulation is possible in the latter for a limited number of warehouses. The chapter also examines what happens when certain warehouse owners are devoid of such networks of kinship, but still try to accumulate.

### 3.1. The Warehouse

On a very hot Sunday morning a warehouse in İskitler looks barely like a workplace. The area is almost deserted, street dogs find a corner to sleep under the shadow of a tree or a parked truck, the owner of a small local grocery shop, which has recently been robbed, sits on a sofa at the backyard of his shop. Warehouses, which are located on both sides of parallel streets, reminiscent of the old industrial zone, show their dark, contaminated and uncanny faces. Yet, this sinister outlook, justifying at first glance the media descriptions of the area as the refuge of street kids, homeless people, thieves and prostitutes,<sup>224</sup> disguises one of the most dynamic

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<sup>220</sup> Cengiz (2013)

<sup>221</sup> Çınar (2014).

<sup>222</sup> Seguíno (2000).

<sup>223</sup> Boratav (2005).

<sup>224</sup> For examples illustrating the persistent depiction of İskitler as a dangerous neighbourhood, see *Çubuk Medya*, “Ankara’nın Öteki Yüzü”, 25 April 2008; *Mimdap*, “Boşaltılan Sanayi Suç Yuvasına Döndü”, 15 May 2008; Yalçın Bayer, “Fuhuş, Gasp, Tinerci ve Hırsız Yatağı”, 29 January 2011, *Hürriyet*; Ender Baykuş, “İskitler’de Fuhuş, Gasp ve Hırsızlık Kol Geziyor”, 20 January 2005, *Hürriyet*; Ankara Haberleri, “Ankara İskitler’de Güpegündüz Fuhuş Rezaleti”, 6 May 2012; *Sabah*, “Çöp kent İskitler”, 31 December 2012.

working spaces of the city. Dozens of young waste pickers bring waste paper, plastic and scrap metal with their trolleys, segregate, weigh and store them until they are packed into large sacks to be put on the trucks which will transport them to recycling factories. There is immense physical labour spent every day in and around the warehouse. The working rhythm and function of the warehouse change depending on the time of day. In a busy time before the departure of the trucks, the warehouse is an office to do last checks and make phone calls to learn the latest market prices; right after the return of waste pickers from their work, the warehouse is a lounge hall to have tea, smoke a cigarette, watch the news from an old TV, chat with co-workers and check the daily income; during the hours of segregating and packing waste the warehouse is a unit of logistics where one calculates the maximum efficiency for placing the sacks within the truck; late evening the warehouse is an area of socialisation where waste pickers discuss a family issue and exchange information.

As a crucial component of the recycling economy, the warehouse solves some of the major market problems at once: recycling factories' facilities accept waste paper, plastic and scrap metal as properly segregated and packaged before being processed. By providing physical spaces for storage and segregation, they partially solve the problem of transaction costs. Warehouses are also a solution to the problem of information asymmetry: one can learn from a number of warehouses, which are located near the city centre, the market prices for waste plastic, waste paper and scrap metal. If members of one family are both the labourers and managers of the warehouse and family members live in a residential settlement, the warehouse remains a simple economic unit. If the owner hires wage labourers who are seasonal migrant workers, the warehouse is also a social unit of reproduction: the migrant workers sleep, eat and socialise in the warehouse. Depending on the physical features of the warehouse, either the upper floor or one or two rooms on the ground floor are used as a place for sleeping. Breakfasts and dinners are cooked on a portable stove and dishes are handled in a small washbasin. These costs are not paid for by the warehouse owner but shared among the workers. In other words, just the mere provision of space minimises the labour costs both for the warehouse and the recycling factory owner.



**Figure 8:** A waste picker in front of a warehouse in İskitler, Ankara.  
*Photo credit: Ali Saltan.*

From the perspective of its owner, the costs of opening a warehouse are low. Operating in the informal economy, there are no additional costs of taxation, social security premia and other costs associated with running a small-scale business enterprise. Rents are cheap. The main cost is transport connecting the warehouse to the recycling factory.<sup>225</sup> For the recycling factory owner, the warehouse is one source, amongst others, for the provision of waste. Since there are no formal contracts between warehouse owners and recycling factory owners, the regularity of the relationship between the factory and warehouse depends on a number of non-contractual relations: the ability of the factory owner to attract warehouses (by lending advance money, keeping good personal relations or offering a higher price). All labour costs, until the actual process of the transformation of waste, are transferred onto warehouse owners and waste pickers. Informal warehouses are crucial to the formal recycling factories as reported by studies on the inner connections between the informal and the formal sectors.<sup>226</sup>

Most warehouses in Ankara function as petty commodity production units. Although waste picking does not appear to be production in the traditional sense, finding the right quality of waste paper in the garbage, gathering, segregating, carrying, and storing require physical labour and these activities transform simple garbage into recyclable material. Waste is not a

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<sup>225</sup> There are exactly twenty kilometres between the city center, Kızılay and the Scrap Traders' Zone in Yakacık. This Zone hosts hundreds of recycling enterprises.

<sup>226</sup> See Moser (1978), Chen (2007), Harriss-White (2010a).

commodity before it is picked up from the bins and processed by the labour of waste pickers. In recycling factories, waste paper is pressed by a press machine and reorganised in very big bales to be further transported to the paper factories producing paper with recycled material. Similar procedures with different techniques and machinery apply to plastic and some forms of scrap metal.

In petty commodity production, the producer has ownership or de facto possession of the means of production; the goods produced are commodities; the scale of production is small; the producer usually uses unpaid family labour, although he may also hire limited wage labour. As Weeks points out, according to Marx, since no general commodity production existed before capitalism, petty commodity production is also generated by capitalist social relations.<sup>227</sup> Petty commodity production is, “unable to reproduce itself outside the relations and processes of capitalist commodity production, where the latter becomes the conditions of existence... and internalised in its organisation and activity.”<sup>228</sup> Those units may not look like a capitalist enterprise, but what makes them capitalist is the “relations which structurally and historically explain their existence” in terms of capital-labour relations.<sup>229</sup> The recycling warehouses, most of which emerged in the 1990s, show that petty commodity production is not vanishing or persisting, but a re-emerging and recurrent pattern within the capitalist relations of production. Petty commodity producers can reproduce themselves, decompose into wage labourers or transform into larger capitalist enterprises. As Bernstein says,

“In terms of the enterprise as a whole, and its fortunes (reproduction, decomposition, transformation), its distinctive combination of class places can help explain the contradictions petty commodity producers often confront between reproducing themselves as labour (daily and generational reproduction) and capital (maintenance, replacement, and possibly expansion of the means of production). Reducing levels of consumption (and increasing or limiting numbers of children according to specific circumstances), in order to maintain, replace or expand the means of production (i.e. accumulation) is an expression of this contradiction.”<sup>230</sup>

Petty commodity producers can be considered as disguised wage labour, although, as Harriss-White<sup>231</sup> points out, this is only one form, amongst others, that petty commodity production may take. She also points out the multiple internal logics and external reasons for the petty commodity producers to reproduce themselves in both rural and urban contexts. Yet, there still

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<sup>227</sup> Weeks (2010), p. 25-26.

<sup>228</sup> Bernstein (2001), p. 29.

<sup>229</sup> Gibbon and Neocosmos (1985).

<sup>230</sup> Bernstein (1986).

<sup>231</sup> Harriss-White (2010b).

remain contingent possibilities triggered by internal and external conditions for a number of PCPs to either accumulate or turn into wage labour via differentiation. For instance, some of them can produce a surplus above the amount needed for the simple reproduction and reinvest of this surplus in extending the material base of production. This can be done by, “cultivating more cropping land, intensifying land use or through irrigation or the application of higher levels of fertilizer, expanding livestock enterprises, purchasing tools or equipment, which increase productivity and hiring in more labourers ... The farm begins to assume the character of a capitalist enterprise, dominated by the logic of profit and loss within competitive markets, an enterprise within which a proportion of the surplus value produced by wage labourers must be reinvested in production in order to maintain its productive capacity.”<sup>232</sup> In that sense, as an economic unit of production, households can become the very foundation of the development of capitalist production with their contribution to productive capacity, material wealth and capital accumulation.<sup>233</sup>

Similar to rural households, urban households and warehouses can become sites of accumulation as long as certain conditions are met. If the small warehouse owner wants to increase his/her profit for further investment, he/she has to increase the amount of waste to buy, store and sell by hiring more wage labour. Labour costs cannot be further decreased, because sale of labour power equates to the market price for waste. Therefore one has to buy more labour power in order to increase profit. A second option for the warehouse owner is not to hire wage labourers for his/her own warehouse, but to buy the labour power of waste pickers who work in smaller warehouses, which do not have access to transport and thus depend on larger warehouses. For recycling factories, going to single warehouses to buy waste can be costly (fuel, driver, time). But a warehouse owner can buy the waste of nearby warehouses or in other neighbourhoods. In other words, he/she can solve the transaction costs and information asymmetries problems of other warehouses. That way he/she can increase the amount of waste to sell to recycling factories. This requires sufficient money to make payments to those smaller warehouses and cover transport costs. Another option is getting credit via formal or informal mechanisms. Similar to rural households, access to formal credit is limited without collaterals such as capital or assets. Informal debt may be possible in certain cases via relatives.

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<sup>232</sup> Cousins, pp. 10-11.

<sup>233</sup> According to Cook and Binford (1986), the development of capitalist rural relations justifies Lenin’s thesis of differentiation rather than Chayanov’s argument on simple reproduction. This argument is also applicable to the role of waste picking families in the recycling industry. For a nuanced evaluation of this debate via a projection on the contemporary challenges posed by the globalisation of agriculture, see Bernstein (2009).

What would make differentiation abrupt and widespread rather than sporadic or slow would be the subjugation of petty commodity producers to the market imperative via external factors.<sup>234</sup> In the case of recycling sector, this could be, for instance, the changing of waste management regulations by banning informal warehouses, increasing the costs of opening a warehouse or by forcing them to become the formal wage labourers of recycling companies (and not simply to sell below the market price). The most recent regulations are likely to create such an effect, because it forces waste pickers to work with permits on behalf of recycling companies although the details of the procedures for implementation are not clear yet and it puts a ban on the informal warehouses by allowing only ‘waste commissionaires/dealers’ who are required to formally register.<sup>235</sup> If this formalisation becomes financially costly and registrations practically depend on the access to political gatekeepers, it is likely that there may be a differentiation within the informal recycling sector at the point of collection and storage before sale. The consequences of these new regulations are yet to be seen. Currently waste picking remains dominated by petty commodity producers whose number is steadily increasing in the absence of other employment opportunities.<sup>236</sup> But there is not one form of petty commodity producer. As explained in chapter 1, there is a continuum between wage labour and petty commodity production. Empirically it is possible to observe PCPs who rely on family labour and can only reproduce themselves, PCPs who hire wage labour but cannot accumulate, PCPs who mobilise sufficient wage labour to accumulate, PCPs who are disguised wage labour.

Type of recycling unit	Warehouse ownership/tenancy	Use of labour	Means of transport	Relationship to recycling factory	Source of waste outside warehouse	Use of informal credit/debt
1	No	Family labour	Truck	Direct sale	No	From the employer to buy truck
2	Yes	Wage workers	No truck	Sells to dealer	No	No
3	Yes	Wage workers	Truck	Direct sale	No	No
4	Yes	Family labour	Truck	Direct sale	No	No
5	Yes	Family labour	No truck	Sells to dealer	No	No
6	Yes	Family labour and wage workers	Truck (s)	Direct sale	Yes	Financial support from family

**Figure 9:** Type of warehouses

<sup>234</sup> Post (1982), p. 43. Post explains how the state policy enabled merchant capital to use land speculation, which forced farmers to purchase land at prices above market prices. The burden of mortgage payments forced farmers to specialise in crops, and increase production and labour productivity. This led to a process of social differentiation via the dispossession of many petty commodity producers.

<sup>235</sup> By-Law on the Management of Waste, Official Gazette, no 28035, 24.08.2011.

<sup>236</sup> While the research was conducted, there were many other waste picking families in various neighbourhoods including Akdere, Yahyalar, Yenimahalle, and Şentepe. From the end of the fieldwork until 2014 new waste picking communities were formed. Many families in the urban regeneration area of Dikmen, North of Ankara, who use their own houses’ backyards as storage places, joined the labour force in waste picking. Migrant Syrian families became another significant actor in the recycling sector. In other words, petty commodity production in waste picking increased further in the last five years.



**Figure 10:** A family on the upper floor of a warehouse used as dormitory, Ankara.  
*Photo credit: Ali Saltan*

### 3.2.Reproducing Petty Commodity Production: The Case of Türközü

Türközü is a squatter settlement in the Mamak neighbourhood in the city of Ankara. The settlement is located on a hillside, looking over a spacious empty land. The majority of residents belong to a tribe called *Giravi*, and migrated from the village *Kotranis*<sup>237</sup> located in Hakkari in 1994. This was the result of what is now called in the literature as *forced migration*, referring to the sudden and abrupt displacement of thousands of villagers in the Eastern and South Eastern regions of Turkey between the years of 1984 and 1999.<sup>238</sup> Having been dispossessed of their land, many of those peasants participated in the urban informal precarious labour force.<sup>239</sup> In 1994, Kotranis families who relied economically on cattle breeding and farming had to abandon their land, saw their animals killed by the military forces and migrated to different areas: the centers of Hakkari and Van in the same region, Adana and Mersin in the

<sup>237</sup> Kotranis is the Kurdish name of the village. The Turkish version is Ördekli.

<sup>238</sup> The displacement was the outcome of the state and military's strategy to fight against Kurdish guerilla forces. For researches on the social consequences of displacement see Kurban, Yüksek, Çelik, Ünal, Eker (2006), Yolaçan and İlhan (der.) (2010).

<sup>239</sup> According to Yörük (2009) forced migration supported the accumulation regime of neoliberalism in the 1990s because Kurdish migrants worked in the most precarious and informal jobs with low wages.

South, Ankara (capital city) in the Central Anatolia and İstanbul in the Marmara region. More than 120 extended families came to Ankara and settled in Türközü.

The typical rural-urban migration in Turkey would start with some villagers migrating and settling in certain areas, initiating early connections for access to infrastructure, and labour markets, and create social safety nets and political networks. Other co-villagers or families of the early migrants followed this pattern, benefited from initial connections and in certain cases served as labour supply for the migrants who had the possibility to set up businesses.<sup>240</sup> The peculiarity of forced migration is that a large number of families come to the city simultaneously, without enabling a gradual adaptation to urban life. In the absence of previous connections to existing labour markets via relatives, Kotranis people had to be creative in their survival strategy, similar to many other peasants dispossessed as a result of state's violence. Following one of the members of the community, they discovered that waste paper, when collected in large amounts, could generate a certain level of income. The best supply of waste, they found out, was in the central and rich neighbourhoods of Çankaya, Kızılay and Sıhhiye. As explained in chapter 1, the economic activity of cattle breeding imbued Kurdish peasants with the capacity to share pastures in rural fields via a system of customary rights. The Çankaya-Kızılay-Sıhhiye axis in Ankara could be interpreted as a large field to share between 120 extended families.

Having solved the problem of employment, the Kotranis community had to deal with transaction costs (storage and transport) in the recycling market. In the spacious area over which their dwellings looked, community members built small warehouses to segregate and store waste paper. To transport waste paper from the city center to their warehouses and then to the recycling factories, they needed small vans. Having noticed the opportunity for the regular supply of high quality waste paper, the owner of a recycling factory gave advance money to several waste pickers so that they could buy mid-size trucks themselves. Waste pickers could pay back their debt in due course by selling their waste paper to his factory.

For a decade, the Kotranis community, which settled in Türközü, continued working peacefully according to the informal system they had built between the city centre, Türközü and Macunköy where recycling factories were located. There were approximately seventy small warehouses in Türközü. They belonged to either individual families or were shared by brothers. In April 2004, one month after the local elections, the municipal police forces visited

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<sup>240</sup> Erder (1996).

Türküzü and compelled the community to demolish their warehouses. Subject to the threat of violence and unprepared to handle it, the Türküzü community members responded with collective anger: they burned their own warehouses without allowing the police to demolish them. Without warehouses to store their waste, they started using their vans as a storage place. Waste paper would be put in the vans late in the evening, and transported the next day to the recycling factories in the late afternoon, before waste pickers started their work again.

The attack by municipal police could be interpreted as a form of discrimination against Kurdish migrant groups in the city by the right-wing nationalist political authorities. However, first, despite everyday forms of discrimination against Kurdish groups, there was no overt violent political attack against them in Ankara. Second, for the specific case of the Türküzü community, they had managed their warehouses without any problems for ten years. That is why this sudden assault remained rather curious until further developments took place after three months. In July 2004, the By-Law on the Control of Package and Package Waste brought about license criteria for recycling companies, which led to an alliance of interest between municipal administrations and some new investors. From the second half of 2004, with escalating pressure, first the metropolitan municipal police, then the Çankaya district municipal police started stopping them in the streets while they were doing their work and exercising different forms of violence against them: harassment, intimidation, confiscation of carriers, physical violence. The justification for this intervention was that waste pickers were working illegally and disturbing the public. But it was soon discovered that they were forcing waste pickers to sell to ITC or SIMAT, which were supported by municipal governments as explained in previous chapters. Conflicts continued until the Waste pickers' Association in Ankara, initially formed by Kurdish waste pickers in the Türküzü and Çankaya municipality, reached an informal arrangement in 2009.

The likelihood of the Türküzü community members to achieve accumulation in recycling was limited due to a number of reasons: First of all: the relationship between the composition of the community and conditions of waste picking. When 120 extended families migrated to Ankara, community members had to look for work opportunities together. All the household heads were responsible for the economic and social reproduction of their families. Availability of sufficient waste to reproduce each household facilitated equal access to waste picking for every family. Customary rights in rural fields were transferred to urban streets. They could set up small warehouses with a modest cost in their own neighbourhood. Depending on the situation of each family, fathers, elder brothers and younger brothers worked together. There was

sufficient family labour to use for picking, storing and transporting waste. Therefore waste picking enabled the Türközü community to re-organise itself in a model similar to rural households: independent farming and cattle-breeding family units became, in the economic geography of the urban space, independent waste picking families.

Second: the composition of the household income. When male members of families worked, the earned income was geared to the reproduction of the household as a whole. Spending and investment patterns were quite similar for most families: food was the first important item. In other migrant communities where rural-urban linkages persist, products of farming are sent to the migrants and serve as costless components of nutrition. But in the case of Kotranis village, there were not so many people left behind. Rent, bills and school for younger children constituted the following items on expenditures for the household. Türközü families had a propensity to benefit from the educational opportunities in the city for younger children who do not work as waste pickers. Money was not only spent on family expenditures. Each family had economic responsibilities to each other via the rules set by the tribe. Weddings and funerals were important moments in the lifecycle of the tribe. During weddings gold and money was collected to help the young couple start their life. If the head of a household died, a considerable amount of money was collected from families to support the spouse and her children. Each family had to keep some savings to support the economic and social reproduction of the community.

Third: the intervention of the municipal police. Before 2004, some Kotranis families were able to buy waste from individual waste pickers (who neither owned a transport nor a warehouse) from the outside of the community since they had storage places in their own neighbourhood. After the demolition of the warehouses, this opportunity was eliminated. Thus if the warehouse owners were to expand their business, they no longer had this chance. They parked their vans in specific locations in the city centre and brought them in the late evening to put all the waste collected and gathered at certain points in the areas where they worked. They went back home with their vans (3 PM) and the next day they brought the waste paper to the recycling factories before they started working again in the late afternoon (around 4.30 PM). This meant that they had to rely economically only on the waste they collected themselves.

Fourth: the lending strategy of a large recycling factory owner, Çetin Atalay. Lending advance money to several waste pickers solved an important transaction cost problem. In that way, waste pickers did not depend on an intermediary warehouse owner who bought their waste;

they could work directly with factories. Such a strategy contributed further to the reproduction of the Türközü families as petty commodity producers. In the absence of this external support for transport, some waste pickers who could afford to buy a van would be in a more advantageous position. But this strategy offered opportunities for all waste pickers who tended to use advance money for investing in a truck. The use of advance money as a means to create a dependency of the workers on the employer or his intermediary agents was studied mostly in the agricultural sector and certain industries.<sup>241</sup> In this context, advance money had a more complex consequence. First, it guaranteed the sale of waste to the money lender and increased his source of profit. Second, it helped waste pickers not to depend on any intermediary agent by transporting directly to recycling factories and thus increased their revenue. Third, it created equal opportunities to waste picking families by partially avoiding the empowerment of a selected number.

Economic and social organisation of the tribe, local government and capitalist strategies helped the reproduction of the Kotranis families as petty commodity producers. In İskitler, on the other hand, some warehouse owners from the city of Urfa had better prospects in terms of accumulation.

### **3.3. Toil, Kinship and Accumulation: The Case of İskitler**

Located between Kızılay and Ulus, İskitler is an old small industrial neighbourhood. This neighbourhood was very lively when it was home to car repair, maintenance and building material shops. Some small warehouses buying scrap metal, paper and plastic were also in the periphery of this cluster of shops. In 2005, committed to urban regeneration plans, the metropolitan municipal administration decided to transform this area into a marketplace with small shops and forced small industrialists to go and settle in another place. However, municipal plans failed to materialise in the short term and the area remained idle until waste pickers found that this could be a suitable place for warehouses.

In 2006, a group of Kurdish migrants, originally from Siverek town of Urfa in the South Eastern region of Turkey, who worked in the informal recycling industry in Istanbul came to Ankara. They rented some of the empty warehouses at a relatively cheap price. With the coming of relatives and the setting up of new warehouses, by 2008, there were already 30 warehouses in the area, each of which employed, depending of the season and availability, 5 to

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<sup>241</sup> See Jodhka (1994), Kapadia (1995), Lerche (2007).

30 waste pickers. The majority of waste pickers came from Urfa and had tribal linkages, as in the case of the Kotranis community. Like many other rural families in the Global South, families from Urfa increasingly depend on non-farm employment in order to increase their income. Waste pickers from Urfa combined seasonal agricultural work with urban informal work. However, this escape from rural poverty results, for most of them, in new forms of urban poverty as Rigg points out.<sup>242</sup> For the Turkish case, Işık and Pınarcıoğlu explain this phenomenon as ‘new structural poverty’ in which rural-urban migrants are no longer able to benefit from the opportunities of upward mobility in the city.<sup>243</sup>

In İskitler, the economic and social organisation of the community is different from the Türközü community. Each warehouse is a place to work and live. Often the spacious ground floor is used to store and segregate waste. The upper floor is used as a sleeping and eating place for the owner(s) of the warehouse and the waste pickers who work with them. Young waste pickers who work regularly or seasonally send money to their families who lived in villages. Those young workers are brothers, cousins, and nephews, depending on the degree of kinship with warehouse owner(s). Warehouse owner(s) are either single individuals or brothers, or cousins who have a business partnership.

Contrary to the Türközü community where family members work together and share the earned income (whose distribution depends on the decision-making power of the father), the İskitler community shows the slowly emerging pattern of a differentiation between warehouse owners and waste pickers as capitalists and labourers. Every evening, after waste pickers bring the waste paper, scrap metal and waste plastic to the warehouse, they put them onto the scale. The difference between the sale price of waste (the wage of the waste picker) at the warehouse and the sale price of waste at the recycling factory becomes the profit of the warehouse owner.

The Türközü community families have easy access to high quality garbage in the Kızılay and Çankaya neighbourhoods. From 1994 to 2008, the amount of garbage increased with the rise of supermarkets, cafés, restaurants and general level of urban consumption. In contrast, in İskitler, waste pickers had to walk for eight hours per day in different neighbourhoods (Etlik, Keçiören,

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<sup>242</sup> “Lives and livelihoods in the Rural South are becoming increasingly divorced from farming and, therefore, from the land. Patterns and associations of wealth and poverty have become more diffuse and diverse as non-farm opportunities have expanded and heightened levels of mobility have led to the delocalization of livelihoods. This, in turn, has had ramifications for the production and reproduction of poverty in the countryside, which is becoming progressively de-linked from agricultural resources.” Rigg (2006).

<sup>243</sup> Whereas during the waves of migration in the 1980s and 1990s, rural-urban migrants found the opportunity to get access to employment and urban land by transferring their poverty to new comers, such a shift was less likely in the 2000s due to the increasingly structural nature of poverty. See Işık and Pınarcıoğlu (2001).

Bahçelievler) in order to find good quality waste from residential buildings and shops. But despite this initial advantage, their income is spent on the reproduction of the family as an economic and social unit. In İskitler, on the other hand, waste collected by a large number of waste pickers working full time in different neighbourhoods facilitates the formation of profits for warehouse owners who hire many waste pickers.

Whereas in Türközü tribal relations contribute to the reproduction of families as petty commodity producers, some of the warehouse owners in İskitler use their own tribal links to transform waste pickers into wage labourers. Tribal connections enable these warehouse owners to mobilise a large pool of labour to facilitate a slowly growing accumulation. While unpaid family labour helps the Türközü community to sustain itself economically, paid kinship labour enables warehouse owners in İskitler to expand their business. Tribal links are useful resources for different ends in the two communities: formation of a labour market based on customary rights in the urban space for Türközü, mobilisation of wage labour necessary for profits in İskitler.

There exist further differences between the conditions under which Türközü and İskitler residents operate in the recycling sector. The Türközü community had no assets to bring to the city due to forced migration.<sup>244</sup> Thus, most of them had to work as waste pickers. But in the case of İskitler, some migrants had some limited capital to pay rent for the warehouse and afford a truck to transport it to recycling factories. It was these individuals who could hire young migrant waste pickers who looked for work in the city. In other words, initial conditions of waste picking activity in İskitler facilitated differentiation in contrast to Türközü. Had only a limited number of waste pickers had access to transport and warehouses in Türközü, a degree of differentiation might also have taken place, but as explained previously, these opportunities were made available to most families.

The role of the municipal police should be pointed out in comprehending the differences between Türközü and İskitler. After the demolition of the warehouses in 2004, the Türközü community families did not attempt to look for another place to set up new warehouses. This was partially due to their willingness to cooperate, rather than continue the conflict, with the local state officials, and partially due to the difficulty to find a free space outside of their neighbourhood. İskitler warehouses were also expecting to be evacuated by the municipal

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<sup>244</sup> The situation is likely to change when the lawsuits filed by waste pickers to get a compensation money for the evacuation of their village houses finalise.

police forces. But urban regeneration plans were pending and during the time of the fieldwork, warehouses were active economic enterprises. Without these warehouses, it would neither be possible to provide a place to eat and sleep for young waste pickers, nor to store waste. Their absence would have limited their capacity to mobilise wage labour.

In İskitler advance money is given to young workers who need to send money to their families. Their dependence on the specific warehouse is due to the fact that they are hired and then protected by the warehouse owner. Some of these workers are seasonal workers who work on rural fields. Thus, during some seasons of the year, there are more labourers working for the warehouses.

The comparison between İskitler and Türközü may give some insights into the path-dependent nature of the transition from petty commodity production to accumulation in the absence of a brutal change, which triggers differentiation.<sup>245</sup> Path dependency refers to the fact that, “outcomes at a critical juncture trigger feedback mechanism that reinforce the recurrence of a particular pattern into the future.”<sup>246</sup> Once actors find themselves in a particular course of action, they find it more difficult to reverse it. Although economists emphasise the utilitarian dimension of path dependency, there are more complex and multi-faceted causal explanations behind the reproduction of institutions.<sup>247</sup> As Bennett and Elman suggest, for path dependence to occur, there should be some different feasible alternative histories, which would later close and not open up due to constraints.<sup>248</sup>

According to Pierson,<sup>249</sup> in economics the role of prices and repeated interactions in coordinating the economy in the market makes it easier for actors to learn and adapt to change, in contrast to politics where institutional inertia is much more likely to occur. Although there may be some truth in this argument, the sphere of economics, which is connected to a number of social and political institutions, also exhibits signs of path-dependence. The way economic and social life was initially organised by rural migrants in the urban context was important to

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<sup>245</sup> It is important to note that the profile of the Türközü community as depicted here is the outcome of 15 years of urban life, whereas the İskitler community has been living in Ankara only for the last 4 years (even though the warehouses which are owned by the non-Urfa migrants are much older). Therefore in terms of life cycle those two communities are relatively small. Yet, it is still plausible to argue that the micro-level processes described here are consonant with the argument on multiplicity, non-linearity and uneven character of capitalist transitions with respect to the rural-urban linkages as formulated by Byres. See Byres (1996). For a similar argument see also Harriss-White, Mishra, Upadhyay (2009). The rapidly shifting positions of labourers in rural and urban contexts as depicted here are supported by the findings of Özügürü (2011).

<sup>246</sup> Pierson and Skocpol (2002), p. 6.

<sup>247</sup> Mahoney (2000), p. 517.

<sup>248</sup> Bennett and Elman (2006), p. 252.

<sup>249</sup> Pierson (2000), p. 489-90.

determine the future possibilities of accumulation. The migration pattern for Türközü included the settlement of peasant families in an urban neighbourhood and their work as waste picking families. In İskitler, on the other hand, warehouse owners did not bring their families to settle fully in urban neighbourhoods; their families lived in rural villages with lower living costs.

The strategies of the state and companies played a role in shaping the path pursued by waste pickers, especially for the Türközü community. The demolition of warehouses in Türközü by the municipal police deprived waste pickers of their storage space and the possibility to store waste, which can be sold to the warehouses apart from the waste collected by the family. Provision of credit to buy trucks by a recycling factory owner created more equal conditions for all families to partially solve the problem of transaction costs, which further blocked the possibility of differentiation. By contrast, warehouses in İskitler remained untouched by the municipal police for a long time. Most waste pickers were migrant labourers, which came to the city to earn money to send back to their families in the villages. The surplus value they created in the warehouse was the profit of the warehouse owner if the warehouse did not depend on simple family labour. Therefore, the way waste pickers started working, the composition of the warehouse, the connection between the recycling warehouse, urban household and the rural household have drawn the path, which waste picking communities took in the city of Ankara. In Türközü the existing tribal structure reproduced the moral bonds of solidarity and mutual help since all families lived in the same neighbourhoods and depended on each other for their reproduction. Although there were differences between waste picking families in their access to higher or better quality waste in the city centre, availability of transport and lack of warehouses cancelled out these differences and helped the persistence of petty commodity production.<sup>250</sup>

In İskitler, there were certain possibilities for accumulation. This did not apply to all warehouse owners equally and most warehouses remained as petty commodity production units. The story of Fahrettin, the owner of the largest warehouse in İskitler can illuminate what kind of strategies a warehouse owner can use for accumulation.

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<sup>250</sup> The differences between the Türközü and İskitler communities based on path-dependency resonates with the comparative research of Özüğurlu (2008) in Babadağ and Buldan villages (producers of cotton and textile artisanal shops) in the city of Denizli in Western Anatolia. Özüğurlu shows how the social and economic organisation of life in those villages created different outcomes in the ways in which they integrated with the dynamics of the global textile industry. In the former, the factory-like and labour intensive work at home, supported by a local technological invention to cope with the pressures of capitalists facilitated proletarianisation, whereas the latter protected its artisanal features and continued producing higher quality and traditional, touristic products.

### 3.4. Strategies of Accumulation: The Story of Fahrettin

In 2008, Fahrettin was the owner of the largest warehouse in İskitler. The eldest son of a former village policeman in Siverek, Urfa, Fahrettin had set up his previous recycling warehouse business in İstanbul. Some of his brothers worked in the textile industry as unskilled workers. Fahrettin lost a lot of his money in İstanbul, but by benefiting from this early experience decided to set up a warehouse in Ankara. He had just one small truck to carry waste and his brothers to help with waste picking. Yet, he had an advantage of getting financial support from his father who owned some land in Siverek. In Ankara access to informal money markets is limited. The general decline in the financial support provided by kinship and solidarity networks is underlined in empirical studies.<sup>251</sup> According to some very old recycling factory owners, who are the subject of chapter 5, it was easier to get small-scale credit from the state-owned banks in the 1970s and 1980s when they opened up their small warehouses. Credit with low-interest rate was an important means of expanding their business. Not only such opportunities are more limited now, but also most warehouses in Ankara are informal and cannot meet the legal and collateral obligations required by the banks.

Fahrettin used a number of strategies of accumulation. Rather than using his truck to carry only the waste of his warehouse to recycling factories, he started travelling within the city center, starting from his own neighbourhood, to find smaller warehouses without any transport to buy their waste. As some small warehouse owners without a truck explain themselves, recycling factories do not like spending time and labour to buy waste by sending their own trucks to individual warehouses. When a small warehouse owner calls a recycling factory officer to come and pick up waste, he always has to wait for days. New entrants visited warehouses to attract waste sellers and had informal contracts with them, but usually, due to economies of scale and efficient use of transport costs, it was the preference of recycling factories to buy waste directly from warehouses at their own factories unless a warehouse offers an amount of waste large and profitable enough to be worth collecting from the warehouse. Thus, while waste pickers in his warehouse worked in the street, Fahrettin spent a lot of time in building networks with some small warehouses to collect their waste from their warehouses. He sold this waste to recycling factories at a higher price and benefited from the arbitrage opportunity.

A second means by which he increased the amount of waste available for sale was to hire more wage labour in his two warehouses. He travelled to his village and invited the young sons of

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<sup>251</sup> Şen (2011).

his relatives by using his village, kinship and tribal ties. Many young waste pickers came as migrant labourers to his warehouses. Oya shows, in the case of Africa in general and Senegal in particular how access to land and capital is significant for rural farmers to accumulate.<sup>252</sup> Although Fahrettin lost considerable capital in İstanbul, he still had access to some capital from his father and land in Siverek and could meet the costs of warehouse rent, advance money for migrant labourers to come from the village and transport. Since recycling factory owners knew that Fahrettin was able to provide regular waste, they were willing to give advance money or regular cash to Fahrettin. Thus Fahrettin guaranteed that he could pay waste pickers regularly.

A third and effective strategy was to help some individuals from his village to open a warehouse in the İskitler area. Some of these people were already waste pickers in Fahrettin's warehouse and were looking forward to opening their own warehouse. Others came to Ankara with the aim of opening a warehouse. Fahrettin provided these individuals with advance money to open up a warehouse on the condition that they would sell directly to Fahrettin. Two of them, who were Fahrettin's cousins, would later buy their own trucks and not sell to Fahrettin as they promised, which would lead to some conflicts, but other warehouses continued selling directly to him. The potential proletarians were transformed into petty commodity producers by Fahrettin so that the latter could mobilise labour on behalf of Fahrettin and so that the surplus created could contribute to the ability of Fahrettin to invest and accumulate. This strategy was risky, yet smart, because it was attractive for many co-villagers to set up their own business and bring their own relatives to make them work as waste pickers. In that way Fahrettin cut down costs of hiring and supervising labour.<sup>253</sup> Warehouse ownership allowed individuals to work with their own cousins and nephews, have a degree of autonomy over the space and have a regular buyer, in exchange for the arbitrage profits Fahrettin gained. Fahrettin's strategy was similar to the way Çetin Atalay made the Türközü waste pickers dependent on him. While Fahrettin's money was conditional on opening a warehouse and selling waste to himself, Atalay's money was conditional on buying a truck and selling waste to his factory.

The relationship between Fahrettin and his workers played a role in his success. Fahrettin was respected by his brothers, nephews and other relatives working in his warehouse. When he entered the warehouse to meet the researcher waiting for him, everybody stood up; while

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<sup>252</sup> Oya (2007).

<sup>253</sup> For the diversity of hiring, firing and remunerating labour in developing countries, see Ortiz (2002).

talking about him, waste pickers did not hide how they looked up to Fahrettin. Although some warehouse owners from the same village did not like Fahrettin because of his desire to control the area as the largest employer, many other warehouse owners talked about him with respect and gratitude, explicitly saying that they could come to Ankara thanks to Fahrettin. Fahrettin himself exhibited his paternalistic attitude when talking about waste pickers. He said how he tried to help workers when they needed money for their families due to health issues. While this paternalistic attitude was fostering the dependency of his workers on his warehouse, the economic limits to this behaviour would be soon revealed: when carriers of waste pickers were confiscated by the municipal police, Fahrettin would buy new carriers but later deduct the costs from the wages of waste pickers.

Another important feature of Fahrettin was his engagement to his work as if he were himself a labourer, in a way to remind what Chari called ‘fraternal capital’ in the context of small textile entrepreneurs in the Southern India.<sup>254</sup> According to Chari, by using their own toil, members of the Gounder caste succeeded in turning from peasant workers into small factory owners connected with the global supply chains in the textile industry. Those owners looked still like workers themselves, worked in the workshops and valued work experience more than any formal business management skills, which they did not have. “When I remember my past mistakes, I find the force to work until midnight, on the top of the truck,” Fahrettin told me. He regretted having lost money in İstanbul and having made bad judgements and decisions both about his personal life and his recycling business. It was the summer time, his naturally dark skin had become more bronze under the sun. One would never see him sitting. In fact, although I visited the area several times, it was difficult to get hold of Fahrettin since he was occupied with work outside the warehouse as well. He was chasing some new sources of waste, making deals with recycling factories, fixing the problems of his labourers. He even found time to join the demonstrations of the Waste pickers’ Association depicted in chapter 2, since he was disturbed by the treatment of municipal government, which affected his workers too.

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<sup>254</sup> Chari (2004).



**Figure 11:** A warehouse owner in İskitler.  
*Photo credit: Ali Saltan.*

The specificity of Fahrettin can be better understood when contrasted with the case of Derviş, the owner of the largest warehouse in Hamamönü. Contrary to Fahrettin, whom you can see on the phone finalising a deal, on the top of his truck checking the solidity of the waste packs, seeking new warehouses to buy their waste, Derviş shows little concern for discipline and efficient use of time. He is never punctual, comes to the warehouse or goes to recycling factories whenever he wants, misses appointments. Whereas Fahrettin's warehouses are adapting to the work discipline by the repeated acts of collecting, storing, segregating, packing waste several times during the week,<sup>255</sup> the rhythm of working is much slower at Derviş's warehouse. Whereas Fahrettin and his brothers check the accounts regularly, Derviş is very poor in book keeping; sometimes those who are indebted to him may leave the warehouse and not come back for a long time. Fahrettin's trucks travel several times between different warehouses, recycling factories and İskitler during the daytime, whereas Derviş's only truck visits the factories, depending on Derviş's irregular schedule. While Fahrettin's warehouse is silent during the evening, waste pickers watching TV or resting after they come back from work, there is always some noise caused either by a fight between a few waste pickers and other visitors to the warehouse, or by stories and jokes told around a fire at Derviş's warehouse.

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<sup>255</sup> Thompson (1967).

Fahrettin works with factory owners as long as they provide regular cash, but Derviş has to call or visit factories several times before he gets paid. Although the former hires more wage labourers, the latter hires scrap metal collectors who get high quantities of non-ferrous metals whose market value is higher than waste paper or plastic. Yet, Derviş is unable to transform this opportunity into sustainable profit. Conscious of his weaknesses, he accepts the partnership of Salih who seeks to become an ambitious businessman and is much stricter with workers in terms of book keeping. Nevertheless, unable to control and cope with the acts of violence, fights between workers, irregularity of work and stress caused by the unexpected events in the inner city slum, Salih gives up and leaves the warehouse. Considering himself as a proper shopkeeper, he is angry that recycling is not considered as a proper business recognised by the municipal administration and the public opinion.

Despite the regular circulation of waste between the street and his warehouse, Derviş is unable to sustain a recycling business. But the location of Derviş's warehouse is important in a different way. As explained in previous chapters, Hamamönü is a neighbourhood, which hosts several male migrant labourers who have criminal records and do not have other employment opportunities, children who escape familial violence. This function of accommodating socially excluded people under a roof gives the warehouse more than an economic character. While at Fahrettin's warehouse, all relations of kinship, tribe and family obtain rapidly an economic character to serve the aspirations for accumulation, Derviş's warehouse, whose owner does not follow an economic logic, still preserves its social function. That is why a change of ownership does not end the reproduction of the social relations, which were at the very basis of the warehouse in the first place. During my last visit to the warehouse two work partners who had just got out of prison and had little money were thinking about how they could afford to hire the warehouse from its current owner in order to continue the recycling business.

During the time Derviş's warehouse changes its owner, Fahrettin anticipates, as he discreetly tells me, to buy a press machine and rent a recycling factory in the largest recycling site of Ankara, despite all the concerns of his brothers who are against taking such a large investment risk. After his strong lamentation regarding how he wasted his money by making mistakes, and obeying his weaknesses for spending on consumption and leisure, he appears to fit what Marx described as the accumulator in *Capital*: "Accumulate, accumulate. This is Moses and the Prophets.... Save, save, i.e. reconvert the greatest possible portion of surplus-value or surplus

product into capital....”<sup>256</sup> In fact, Fahrettin looked like following the advice of Malthus as explained by Marx:

“In order to charm out of his bosom the awful conflict between the desire for enjoyment and the chase after riches, Malthus, about the year 1820, advocated a division of labour, which assigns to the capitalist actually engaged in production, the business of accumulating, and to the other sharers in surplus-value, to the landlords, the place-men, the beneficed clergy, &c., the business of spending. It is of the highest importance, he says, ‘to keep separate the passion for expenditure and the passion for accumulation’.”<sup>257</sup>

His passion for expenditure having ceded its place to the passion for accumulation, Fahrettin does not appear to worry about the future constraints of the market which would compel him once he becomes a factory owner.



**Figure 12:** A truck is ready to go to Scrap Traders’ Zone for delivery, Ankara.  
*Photo credit: Ali Saltan.*

### 3.5. Lack of Social Regulations

What happens when warehouse owners do not have the extensive kinship networks to mobilise labour? What happens when he only has a warehouse, a truck and limited family labour? The

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<sup>256</sup> Marx (1867). As Weeks puts it “the law of exchange under capitalism is as follows: capitalists exchange at value and appropriate surplus value and accumulate; workers exchange at value and surrender unpaid labour.” Weeks (2010), p. 45.

<sup>257</sup> Marx (1867).

warehouse owner knows that expansion of production requires higher capacity to mobilise labour for greater access to waste. But as long as the main work of the warehouse owner remains as buying and selling waste, there are limits to accumulation. Investing in a means of production - a press machine for paper or scrap metal - can add value to the simple waste. This is the dream of both Orhan and Sedat who run warehouses in the İskitler area.

A native of Ankara, Orhan, who had started waste picking in his childhood and had managed to open a warehouse in İskitler, has been thinking about buying a small press machine for a long time. The machine presses large amounts of paper, bales them and makes them ready to be sold directly to the recycling factory owners. Yet he does not feel competent enough to take the risks associated with investing in machinery. He has a very large, clean warehouse, which is suitable to set up the press machine. He even has some savings to spend on it, savings he made thanks to his wife who bought some gold each time her husband gave her some money; but apart from his two sons who, he confesses, are not very interested in expanding the business, there are only a small group of young waste pickers collecting waste for his warehouse. He does not hire migrant labour and does not offer a dormitory place. If he expands his business, he has to build direct connections with recycling factories and find new sources of waste in the way Fahrettin does with his truck. Orhan, who is quite old, does not trust that he can deal with these new constraints of business life. He knows that the prices of paper and plastic fluctuate and “the market is uncertain,” as he says. When I ask him to explain what he means by uncertainty, he elaborates: “I mean, not uncertain actually... but paper factories, they decide about everything, the prices...” Also, his memory is haunted, as he tells me, by the stories of rich businessmen in the recycling sector who went bankrupt because of their mistakes. He remembers how the leading recycling paper company in Ankara until the 2000s, lost so much money because the owners made luxurious spendings without thinking about the future and made incorrect investment decisions. That is why he thinks it may be better to stick to what he knows the best without changing things too much. The latest novelty in his life is the deal he made with a new plastic recycling factory, because its representative visited him several times, was very nice towards him and convinced him to sell his plastic bottles to this new company. “He had a very sweet tongue,” Orhan said of the company’s representative, by showing his satisfaction that he was taken seriously.

Similar to so many other traders I would encounter during the fieldwork, Orhan feels jealousy towards his fellow traders. He is especially cautious about those warehouse owners who are able to mobilise a large pool of kinship labour as Fahrettin does. An unplanned meeting

between Fahrettin and Orhan reveals this tension between the two warehouse owners. Fahrettin accompanies me in my short travel to Orhan's warehouse in İskitler and the two men who know each other but do not talk too much engage in a short conversation out of courtesy. "Your place is too messy," says Orhan, by implying that Fahrettin does not have much experience and order in his business. "Too many waste pickers and limited space," responds Fahrettin, by implying that he has the superiority of labour force as compared to Orhan's place. In fact, despite all the order of Orhan's warehouse, it is Fahrettin's warehouse, which earns a lot of money and show the potential of accumulation.

The dream of buying a machine by Fahrettin and Orhan was realised by a small warehouse owner in the same neighbourhood. Sedat is a small scrap metal collector from the city of Niğde<sup>258</sup> who owns a small warehouse in İskitler. In the backyard stands a giant scrap metal press machine, which is disproportionate to the size of the warehouse. After having worked as a scrap metal collector since his childhood, Sedat managed to buy a truck and open his own warehouse. Sedat travelled to different neighbourhoods to buy scrap metal, distributed his business cards to everyone he met, and kept good social relations with each customer, in order to open up future avenues for doing business. He knew that he should solve the problem of transaction costs, which is why he bought a truck with his brother. He was also conscious that he could not afford to rent a factory in the Scrap Traders' Zone where most recycling factories were located, which is why he set up the press machine in his own warehouse. This latter strategy deprived him from more customers, because many scrap metal dealers would come to visit the large Zone to do business. Lacking the opportunities presented by the clustered recycling facilities, Sedat had to work even harder to make direct trading arrangements with metal factories.

While Fahrettin benefits from the labour force available through his kinship ties, Sedat uses his exceptionally strong analytical skills in collecting information about the market, assessing various types of information to make his investment and sale decisions. He observes his environment, trading activities, government policies and makes predictions about price changes and future direction of the market. One day in the backyard of his warehouse he astonished me with his analytical skills by drawing a picture on an old newspaper to show me how hinterlands affect the way trade is done with reference to the location of the factories in İstanbul and its surroundings. He was putting a lot of thought into examining the market with the available information he collects from his conversations with other traders, reading of news

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<sup>258</sup> Toroğlu and Ceylan (2014).

and his encounters with different people, including people from different professions and from whom he bought scrap metal.

His personal skills were not always sufficient to deal with the unpredictability of the market. Due to the sudden plummeting of aluminium prices in July 2008, which he could not foresee, Sedat had serious difficulties in paying back the credit he got in order to buy his scrap metal press machine. Although he sold directly to the recycling factories in other cities with his truck without the need of any intermediary agent, his financial situation was still precarious. That is why he was very interested in the fact that a researcher came from London and would examine the London Metal Exchange (LME). As a trader who believed that the market has its own rules, which, once learnt properly, could be used as an advantage, he was keen to learn the mechanisms by which the LME operated. “This London Metal Exchange... it must have a system. You can learn in London and help us.” Sedat was sure that there *must be* some rationale behind its operation as all markets have. He could predict the movements in the local scrap metal market where he has accumulated sufficient experience and tacit knowledge, but he could not foresee the behaviour of the global prices.

Assessed with respect to the qualities of alertness, risk-taking, making good judgements and exploiting opportunities, Sedat exhibited the characteristic features of an entrepreneur as depicted by economists. Entrepreneurship entered the vocabulary of the market with classical political economists of the eighteenth century. With the intensification of economic activities of investing, trading, producing, political economists attempted to make sense of what kind of features individuals have to possess in order to be more successful in their engagement in such activities. Whereas Richard Cantillon, who first used the term<sup>259</sup>, emphasised the risk-bearing and forward-looking nature of entrepreneurship, Jean Baptiste Say underlined the importance of the construction and application of theoretical knowledge and pointed out to the qualities of judgement, perseverance and the art of administration.<sup>260</sup> A century later, Alfred Marshall would argue that the entrepreneur has the ability to be able to keep in mind many things at once, to make sure everything is ready when needed, to act promptly, adapt to changing environment, have knowledge of the trade, and forecast opportunities.<sup>261</sup>

For Kirzner, the distinguishing feature of the entrepreneur is alertness, the ability to discover the opportunity to buy at a low price and sell at a high price (due to differences in

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<sup>259</sup> See Spengler (1954).

<sup>260</sup> Van Praag (1999), pp. 313-15.

<sup>261</sup> Van Praag (1999), p. 318.

intertemporal or interspatial demands), exemplified in the personality of the arbitrageur.<sup>262</sup> This requires a capacity to know where to look for knowledge itself. In fact, “it is the systematic sequence of error (in the entrepreneurial assessment of profit opportunities), profit opportunity, discover and correction which constitutes the market process.”<sup>263</sup> According to Schultz, the entrepreneur is anyone who can, “perceive an economic disequilibrium, evaluate its attributes, and if it is found to be worthwhile to act, reallocate their resources”.<sup>264</sup>

As an individual who did not have capital, but looked always for arbitrage opportunities, Sedat fits into the Kirznerian framework in contrast to Orhan who was too worried about market uncertainties. What Sedat saw as opportunities in the market were considered as risks that were difficult to undertake for Orhan. Having entrepreneurial qualities did not mean a protection from those risks for İbiş. The compelling, rather than enabling power of the market would be felt when a sudden fall of prices jeopardised Sedat’s business which relied on a careful balance between his new investments, the necessity to pay his debts and the reliability of scrap metal buyers. It was a period where the scrap metal market was short in cash and many traders had to accept cheques for payment. Sometimes, those cheques were written by a third person who also owed the trader and who was expected to make his own payment. In other words, traders accepted ‘buying the debt’ of a third person they did not know. Sedat was in that situation. While showing the cheques to the researcher who was surprised that a smart trader accepted such a precarious deal, he smiles, by trying to disguise his anxiety: “This can happen to anyone in the trade business, especially in such times. I could also have had to give a cheque like this.”

Neither Sedat nor Fahrettin could be considered as entrepreneurs in Schumpeterian sense. As compared to Kirzner who considered the entrepreneur as an arbitrageur, Schumpeter perceived the entrepreneur as the innovator.<sup>265</sup> The innovator could introduce a new product, a new method of production which has not been tested by experience (either coming from a discovery or new way of handling a commodity commercially), find out a new market, a new source of supply of raw materials or create a new organisation.<sup>266</sup> Albert Hirschman, on the other hand, has a much broader understanding of entrepreneurship than Schumpeter. Not simply the innovator who achieves creative destruction in the market, the entrepreneur has to engineer agreement among all interested parties in the introduction, implementation and dissemination

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<sup>262</sup> Hebert and Link (1989), p. 46.

<sup>263</sup> Van Praag (1999), p. 326.

<sup>264</sup> Naudé (2008).

<sup>265</sup> For a comparison between Schumpeter and Kirzner’s view of entrepreneurship with respect to the concepts of innovator and arbitrageur, see Foss and Klein (2002).

<sup>266</sup> Schumpeter (1992), p. 66.

of the novelty, including the inventor, the partner, the producer, the supplier, the distributor.<sup>267</sup> His analysis resonates with the actor-network theory, which looks into how new ideas, policies or products require the creation of interest, recruitment and mobilisation by relevant groups in order to turn them into practical realities.<sup>268</sup>

Although Fahrettin did not innovate in the Schumpeterian sense, his strategies still included an element of innovation and mobilisation of different groups as Hirschman points out. By using available resources in his village and in the city for new ends (accumulation in recycling) he acted as a ‘bricoleur’.<sup>269</sup> Fahrettin had experience in the recycling sector from İstanbul. He mobilised a large pool of migrant labour via kinship ties from his town Siverek in Urfa in South East Turkey. He also identified a pool of small warehouses in Ankara from which he could derive a regular amount of waste and created new petty commodity producers, who were dependent on him. Finally, he added his social skills of networking and negotiating with recycling factories to get the best price for the waste he sells. All these elements came together to enable him to become an entrepreneur in recycling who can anticipate becoming a factory owner.

Neoclassical economics consider entrepreneurship as another factor of production<sup>270</sup> similar to land, labour and capital. This understanding considers entrepreneurial behaviour as a natural propensity of certain individuals who are able to realise their potentials within the competitive market. What is omitted in this approach is how the capitalist market itself pushes individuals to act in certain ways. As Oya argues, in the context of African and Senegalese rural entrepreneurs, the entrepreneurship of capitalists can be revealed by their particular experiences of dealing with competition, constraints, innovation and investment opportunities.<sup>271</sup> In the absence of access to wage labour, the social skills of Fahrettin might not have contributed to his success, or if only personal qualities mattered, Sedat would not have suffered from the problems of delayed payments and plummeting market prices. In fact, as Birkbeck shows in the context of recycling dealers in Colombia, small entrepreneurs can emerge from the ranks of waste pickers in the dump by using informal credit, social networking and then fail due to a number of reasons, showing the instability and

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<sup>267</sup> Hirschman (1958).

<sup>268</sup> Akrich, Callon and Latour (2002a) and (2002b).

<sup>269</sup> Bricolage was first used in the discipline of anthropology by Lévi-Strauss (1966). From this perspective bricolage was an analogy for the working of mythical thought: selecting fragments from previous cultural formations and redeploying them in new combinations. The concept was then adopted to various disciplines including engineering, molecular biology and humanities. See Johnson (2012).

<sup>270</sup> Audretsch and Kailbach (2004).

<sup>271</sup> Oya (2007).

precariousness of the conditions of accumulation.<sup>272</sup>

### **Conclusion**

As a space of production and reproduction, the warehouse reflects the contradictory class positions of both waste pickers and warehouse owners. The warehouse can be a petty commodity production unit with unpaid family labour, a unit of expanded reproduction with the hiring of some wage labourers or a unit of accumulation via access to capital, more source of waste and the use of a large pool of wage labour. The warehouse owner can oscillate between the position of a wage labourer, a petty commodity producer and a capitalist who accumulates. The stories of successful entrepreneurs show that the capacity to mobilise labour via kinship ties, the ability to create a number of petty commodity producers who depend on the entrepreneur for survival, social skills to find additional sources of commodities, and the ability to find arbitrage opportunities can be important assets for accumulation.

Despite possibilities of accumulation, rapid differentiation in the recycling sector in Ankara seems to be still absent unless the new waste management regulations are fully implemented in practice by forcing waste pickers to work directly for recycling companies, increasing the costs of opening a warehouse and putting stricter criteria in doing a recycling business. In the Turkish case, the path-dependent nature of petty commodity production and accumulation can be observed in the comparison between two waste picking communities. The initial conditions of waste picking in the urban context by rural-urban migrants were significant in drawing the future course, which the warehouses analysed in the Türközü and İskitler communities suggest.

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<sup>272</sup> Birkbeck (1978).

## Chapter 4: State Regulations in the Recycling Market

### Introduction: Conceptualising the Role of the State

“How things are (allowed to be) is not simply a matter of ideological assertion (and consensus is never merely ideational). It is concretised in laws, judicial decisions and their compilations as case laws, registers, census returns, licenses, charters, tax reforms, and all the other myriad ways in which the states and individualities are regulated,”<sup>273</sup> argue Corrigan and Sayer, in their analysis of the formation of the English state. The regulation of those individualities by the state is closely related to an analysis of the market, because many market activities are regulated by the state itself: legal definition of property, licensing and enforcement of sectoral laws and competition laws, setting the terms and conditions of trading practices, defining technical standards for workplaces...etc. This is also what Harriss-White means by talking about those rules, which enable the state to “pervade” and even “saturate” the market.<sup>274</sup> In Turkey, the role of state regulations in the recycling industry is very important since, in a period of ten years, regulations have altered the informal rules of the sector. Yet, this transformation is not a unilinear and complete phenomenon. It consists of many conflicts with different social groups, ad-hoc changes, legal amendments and unintended consequences. That is why it is necessary to draw an initial framework to show what kind of methodological insights will guide the empirical investigation of the complex influence of state regulations in the recycling market.

Although its early works dates back to the 1960s and 1970s, the public choice theory of the state rose to prominence in the context of globalization and neoliberalism. The state was conceptualised as an impediment to market activity, as the source of inefficiency, rent-seeking and corruption. De-linking politicians and bureaucrats from the allocation and control of resources were suggested as the viable solution to make the economy rational and efficient.<sup>275</sup>

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<sup>273</sup> Corrigan and Sayer (1985), p. 197.

<sup>274</sup> Harriss-White (2011).

<sup>275</sup> Buchanan (1984), Buchanan (1986), Levi (1988).

In its practical implementation, this suggestion brought about what Kahler called ‘orthodox paradox’: if politicians were the main source behind what the market reforms are expected to change, how would one expect the same politicians to implement the market reforms, which would undermine their support base?<sup>276</sup>

This paradox was turned by politicians and private sector actors into an opportunity. Market reforms needed, to gain legitimacy, the creation of a support base; in other words winners who would have vested interests in the continuation of the reforms. If those reforms were to be implemented in their ideal and abstract form as defended by neoclassical economics and public choice theory, it would mean the elimination of all forms of resource allocation including the benefits to the private sector, which would find little support amongst the capital groups. Ironically, the supporters of the free market would become those who rarely obeyed its rules. In Turkey, winners were created by a variety of government-induced mechanisms including export subsidies, internal borrowing to transfer financial rents in the form of interest payments, public auctions, and privatisations.<sup>277</sup> Although this process caused new forms of rent seeking and corruption,<sup>278</sup> the state has been an engine for capital accumulation. The role of the state has obtained a new meaning in the aftermath of the financial crises of 1999 and 2001. By then, the state was attributed the role of correcting market failures, and enabling transparency. Independent regulatory agencies, expected to de-politicise economic management and monitor markets<sup>279</sup>, would be key agents of this new regulatory framework. This was also a period in which capital groups were reconfigured: there was a greater concentration in the financial sector with the bankruptcy and sale of many local banks to foreign investors<sup>280</sup>, as well as in various other sectors including pharmaceuticals, cement, and wholesale.<sup>281</sup> All those policies were implemented as part of the structural adjustment reforms, stabilisation programmes introduced by the IMF and the WB and EU conditionalities as explained in the introduction of the thesis.

How did those policies gradually transform the recycling industry? It is possible to see the repercussions of the state’s role in facilitating the integration of the local market with the global market. Trade liberalisation increased the trading volumes of recyclable commodities

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<sup>276</sup> Kahler (1990), Geddes (1996).

<sup>277</sup> Köse and Yeldan (1997), Öniş (1999) and Yalman (2009).

<sup>278</sup> For an analysis of the new forms of corruption in neoliberalism in South American and Indian cases, respectively, see Manzetti and Blake (1996), Harris-White (1996), Khan (2002).

<sup>279</sup> Burnham (1999).

<sup>280</sup> Gültekin-Karakaş (2009).

<sup>281</sup> For a sophisticated empirical analysis of the tendency of concentration based on the decisions of the Competition Authority from 1998-2002, see Bayramoğlu (2003).

despite the imbalances between exports and imports at the expense of exports. Liberalisation of the import of cellulose products, especially from the EU countries, was significant in that regard. Due to its major steel industry which uses scrap metal as raw material, Turkey became a net importer of scrap metal. Local capitalists may also take advantage of export markets when domestic prices are low. Although there are many domestic recycling companies, foreign capital groups entered the sector as in the case of the ITC, which was depicted in chapter 1. The role of the Law on Foreign Investment should be noted in that regard.

An important pillar of neoliberal reforms, the privatisation of SEKA, which had a direct implication on the local paper and waste paper prices in Turkey, was achieved in 2005. Although SEKA was put on the agenda of privatisation in 1997, public opposition led to a delay in the actual implementation of the decision. Most enterprises were sold in 2003 and 2004 whereas the main factory was shut down in 2005 despite the resistance of its workers. Yet even in this case, according to Karataş, the competitive and transparent bidding process and a sound calculation of the market value of the enterprises were absent.<sup>282</sup> This showed, once again, how the government manipulated the conditionalities imposed by the global governance institutions.<sup>283</sup>

In the context of the 2000s, many independent regulatory agencies were established to regulate different sectors:<sup>284</sup> Banking, public auctions, tobacco, sugar and energy. They were geared to prevent politicians from intervening in the economy and delegate decision-making to expert bureaucrats. In certain cases such as public auction and energy, this resulted in new forms of intervention by the government via legislative powers.<sup>285</sup> But in the case of the recycling sector, the essential decision-making powers lay in the Ministry of Environment and Urbanism. In other words, waste management was under the responsibility of elected politicians and appointed bureaucrats within the Ministry. The introduction of the EU standards made those bureaucrats “progenitors of scarcity” as Schaffer uses the term.<sup>286</sup> Recycling companies would now be requested to apply for receiving a license to collect, store, recycle and trade waste according to the criteria defined by public authorities. This brought about not only new forms of inclusion and exclusion in the market but also new ways of formal and informal interactions between state officials and private actors. That local actors have re-interpreted and re-defined

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<sup>282</sup> Karataş (2009).

<sup>283</sup> The same pattern can be observed in the political and administrative reforms but they are outside the scope of the thesis. See Uğur and Yankaya (2008).

<sup>284</sup> See Sosay (2009), Öniş and Bakır (2010).

<sup>285</sup> See Buğra and Savaşkan (2014).

<sup>286</sup> See Schaffer (1984).

some of those policies added a further layer to such conflicts. The recycling market became, in its phase of transformation, a new arena of struggle and negotiation between various actors.

Although the By-Law on the Control of Solid Waste dates back to 1991,<sup>287</sup> the gradual privatisation, implementation and monitoring of a waste management system compatible with the European Union standards started only after 2004, with the enactment of the By Law on the Control of Waste Package. Before this, supply of waste was limited to the collection by waste pickers, public institutions and private establishments (such as printing companies or malls) which recycling companies arranged deals with upon their initiative. There was also ÇEVKO, a foundation set up by a group of industrial companies in 1991, which contributed to the collection and recycling of waste from institutions which agreed to use the system set up by ÇEVKO. However by making recycling an obligation for all companies, which produce waste to supply their waste in the market, the new regulations increased the quantity of waste in the market. The new regulations set recycling targets as part of a national state policy and priority, and created incentives for private investors. It envisaged the reconfiguration of the recycling market in a way to replace the informal system with a heavily regulated, monitored system based on technical standards and a division of labour between private establishments (responsible for collection, storage, recycling and sale of waste) and government agencies (for making, implementing and monitoring plans of waste management). After the new regulations, big capital groups including multinational companies also started investing in the sector. According to the latest figures of the Waste Management Directorate at the Ministry of Environment and Urbanism, there were 402 recycling companies holding either a license or temporary work permit from 2007 to 2010.<sup>288</sup>

The developments in the recycling sector barely reflected the implementation of a master plan as envisaged by the By-Laws, because of the state's heterogeneous nature and the complex structure of the recycling industry. The state is multi-layered, made up of different institutions and agencies, which may have conflictual objectives and priorities. Each of those layers is connected in various ways to different social classes and associations representing their interest. Those differences justify Migdal's argument about the need to analyse how the state's "various components, often impelled by conflicting interests and pulling in different directions relate to one another. . . . Various units of the state have diverse histories of their own, leading to

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<sup>287</sup> By-Law on the Control of Solid Waste, Official Gazette, no 28014, date 14.03.1991.

<sup>288</sup> Ministry of Environment and Urbanism, Directorate of Waste Management, list of companies with license or temporary work permit. Temporary work permit is a document which a recycling company is given until it meets the requirements to receive a license.

different sorts of esprit de corps, senses of purposefulness and insularity by their staffers or politicians.”<sup>289</sup> According to Migdal, it is possible to classify the components at least under four main categories: i) *Trenches* - including tax collectors, teachers, local police who are first points of contacts with the beneficiaries of state policies ii) *Dispersed field Offices* - which represent implementors of state policies at legislative bodies, courts, military, bureaus iii) *Agency’s central offices* - made up of Ministries and related offices responsible for the formulation of national policies and iv) *Commanding heights* - which represent state leadership.<sup>290</sup> These various components also exist in the case of waste management. First, the By-Laws give different roles and functions to different institutions within the state: district municipalities, metropolitan municipal administration, municipal police, city governor, provincial administrations of the Ministry of Environment and Urbanism. Second, since recycling is an economic sector like others, general economic regulations and auditing rules by other institutions also apply to recycling companies: Ministry of Economy, Court of Accounts, Competition Authority, Council of State. These institutions rarely act in an orchestrated way. A ministry can enact a by-law, which can be partially adopted by the local government or interpreted differently for purposes other than its initial objective, or which can be offset by an ad-hoc regulation. Some of the rules may be present on paper, but not properly implemented without the execution of relevant legal sanctions. Or they may be only selectively followed by the implementors.<sup>291</sup> Thus, in order to understand these subtle differences, it is important to decipher the day-to-day routine of state regulations and how they are implemented in practice.

Fernandez’ analysis of the gender sensitive anti-poverty policies in the Indian case provides with significant insights, which advance our understanding of the multiplicity of the state contexts in which various societal and state actors operate. According to Fernandez, policy processes are messy, unpredictable, slow and uneven.<sup>292</sup> One can talk about multiple state contexts forming the terrain from which multiple, even contradictory policies emerge.<sup>293</sup> Unintended consequences of those policies are not only accidental or the result of poor design, but they may serve other agendas. In my analysis, I also rely on the distinction made by Fernandez between formal and informal practice in policy-making:<sup>294</sup> Formal practices are those that follow official policy representations articulated in policy documents. Informal

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<sup>289</sup> Migdal (2004), p. 116.

<sup>290</sup> Migdal (2004), pp. 117-22.

<sup>291</sup> For a study which supports the argument in the case of India, see Bavinck (2003).

<sup>292</sup> Fernandez (2008), p.9.

<sup>293</sup> *ibid.*, p. 304.

<sup>294</sup> *ibid.*, p.287.

practices are not sanctioned by policy directives, may be contrary to formal directives and may even be considered as illegitimate in society.

Since the recycling sector is itself very complex and heterogeneous, the multi-layered nature of the state makes rules and regulations a highly contested terrain of conflict, struggle and negotiation between different actors from public authorities and private groups. But this is not a neutral arena or a power game; it is an arena of class struggle.<sup>295</sup> The debates around the various amendments on the draft law on public auction illustrate the way in which state officials change their strategic position about a policy via their close engagement and distance from different capital groups.<sup>296</sup> Sönmez makes a similar point for the energy sector where the government made several ad-hoc regulations to alter the direction of the initial reform for liberalisation.<sup>297</sup> Similarly, Alper and Öniş explain how the banking sector reform was the outcome of a series of negotiations between the international financial institutions, banking capital and the government.<sup>298</sup> As a result of these processes, regulations are re-drafted, amended and re-shaped. Tracking down small shifts as well as major amendments in rules and regulations enables one to uncover the conflicts and negotiations between different market actors and state agencies. By deriving methodological insights from this framework as drawn above, this chapter makes an empirical investigation of the rules and regulations enforced by the state in the recycling industry.

#### **4.1. State Regulations and the Recycling Market in Turkey**

Like other resource management systems,<sup>299</sup> waste requires a high degree of state involvement even with advanced levels of privatisation. Building large infrastructures for sustainable storage facilities to destroy waste, which cannot be recycled and commodified in the market, allocating recycling licenses, controlling whether companies meet the necessary criteria to do recycling business, mapping the urban territories to design and implement local plans of action for waste management, and making a division of labour between municipal sanitation services

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<sup>295</sup> Jessop (1985), Poulantzas (2000).

<sup>296</sup> Ercan and Oğuz (2006).

<sup>297</sup> Sönmez (2011a).

<sup>298</sup> Alper and Öniş (2002).

<sup>299</sup> Although urban waste can be considered as an externality rather than a natural resource as in the case of water for instance, its collection with the specific purpose of recycling turns it into a resource to be used.

and recycling companies for waste collection, all require involvement by different agencies at the central and local level of the state.<sup>300</sup>

During the 1990s, although there existed several projects funded by international financial institutions such as the World Bank to support waste management with the Ministry of Environment and Forestry<sup>301</sup>, most of these projects were limited to the analysis of the situation and policy recommendations rather than achieving a concrete implementation of sustainable waste management systems.<sup>302</sup> It is as a result of the necessity to adopt to the requirements of European Union regulations<sup>303</sup> that the Ministry has undertaken more serious steps to design and implement a comprehensive system of waste management: the By Law on the Control of Waste Package in 2004.<sup>304</sup>

The EU Directives<sup>305</sup> brought about a set of definitions which are also applied in the Turkish regulations: waste producers are legal persons whose activities produce waste; dealers constitute any undertaking which acts as a principal to purchase and sell waste; recycling means the recovery operation by which waste materials are reprocessed into products and substances for the original or other purposes; collection refers to the gathering, preliminary sorting and storage of waste before being transported to a waste treatment facility; waste management means the collection, transport, recovery and disposal of waste. These definitions are important since they are used in determining the division of labour among different actors in the overall waste management system.

The Article 11 (2a) of the Directive asks member states to increase the preparation of waste for re-use and recycling at the households and other places by 50 per cent by 2020. This means that Turkey has to transform its collection and sorting system at the household level.

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<sup>300</sup> Also, when neither the state nor the private sector are able or willing to deal with specific aspects of this management, communal participation may be a valid option as in the case of the direct participation of waste pickers into the collection of waste from public bins.

<sup>301</sup> On 29 June 2011 the name of the Ministry was changed into the Ministry of Environment and Urbanism.

<sup>302</sup> For a historical review of the earlier developments on waste management during the 1990s see Court of Audits (2007).

<sup>303</sup> Turkey is still in the process of implementing regulations for economic and social harmonisation with the EU as part of the admission negotiations which started in 2005. For details about how the Turkish government prepared to achieve this harmonisation in the sphere of environment which covers issues related to waste management, see Ministry of Environment and Forestry (2006).

<sup>304</sup> By-Law on Package and Control of Waste Package, Official Gazette, no 25538, 30.07.2004. This was the second By-Law related to waste management. The first one was the By-Law on the Control of Solid Waste, Official Gazette no 20.814, 14.03.1991. Since then a series of By-Laws was introduced regarding different types of waste (including waste oil, waste batteries, dangerous waste). This dissertation deals solely with regulations on waste including scrap metal, waste paper and waste plastic.

<sup>305</sup> Directive 2008/98/EC of the European Parliament and the Council of 19 November 2008 on Waste and Repealing Certain Directives came into force on 12 December 2008.

Furthermore, measures to set up establishments, which will collect and transport waste on a professional basis should also be taken by governments. The permits for these establishments have to be taken from the competent authority and they have to be registered and monitored. It is also obligatory to design and implement waste management plans over geographical entities.

The general repercussions of this Directive by setting the terms and conditions of waste management, which will be explored further below, can already be noticed: i) privatising the collection, sorting, storing and recycling waste ii) attributing to the relevant public authorities the role of designing and implementing plans for waste management iii) eliminating the informal system of scavenging by creating the conditions for transition to recycling at the household level. If the By-Law were to be fully implemented, the following picture would occur: all municipal authorities would make a waste management plan to be submitted to the Ministry of Environment and Urbanism. All companies, which operate or will operate in the collection, segregation, storage and recycling of waste, would be required to receive a license or a temporary work permit from the same Ministry. The companies, which collect waste, would be involved in contractual relationships with the municipal authorities and unauthorised third parties would be prevented from collecting waste from the public areas. The private companies, which produce waste packaging, would be responsible for sorting out their waste on site before delivering it to recycling facilities. The same companies would be allowed to establish non-profit institutions to collect recyclable waste package by receiving the official authorisation from the Ministry. Translated into practice, the By-Law would increase the supply of waste in the market by forcing many companies to bring their waste packaging to the market, terminate informal waste picking in the streets, only allow contractors to hire labourers to collect waste, and officially recognise organisations such as ÇEVKO as a partner in waste management. In other words, this was a programme to privatise and formalise the recycling sector under the control and partnership of the provincial and municipal administrations of the state. The proposed model was not the by-product of an empirical analysis of the existing conditions of the recycling sector, but rather a road map to formalise the terms and conditions of managing waste by defining the roles of the private and public sector. The implementation was left to the responsibility of the provincial administrations and municipal authorities.

Rarely do official state documents translate fully into practical reality. They may be used selectively, made redundant by informal regulations, be contested, generate unintended

consequences<sup>306</sup> rather than anticipated objectives or be reshaped as a result of conflicts between different social groups and state institutions effected by the very regulation. The ad-hoc nature of policies and the transition between informal and formal practices have been documented by Fernandez' analysis of India.<sup>307</sup> As she points out, some formal practices may be officially changed as mid-course policy adjustments; some others may start out as informal policies, and be later given formal legitimacy. Waste management is not an exception. In fact, in the Turkish case, anticipated regulatory changes were likely to open new sources of conflict at the local level.

And they did. In Ankara, the metropolitan municipal government took the By-Law and justified its new interventions in the recycling market with reference to it, especially the discipline and violence it executed in the streets towards the waste pickers as explained in chapters 1 and 2. If the metropolitan administration had the real intention of replacing the informal system of collection, it should have built the necessary infrastructure to replace the existing system with the segregation of waste at the household level. As long as the system was not built at the level of households, offices and commercial establishments, and as long as the public bins were full of unsegregated waste, waste pickers would be needed to collect the waste. Rather, the municipal administration chose to force waste pickers to sell to specific companies at a lower price. This pressure was put on by the municipal police, which corresponded to the 'trenches' of the state in the vocabulary of Migdal.

The metropolitan administration made another move to put pressure on the existing recycling companies. It introduced a parallel By-Law with the decision of the Municipal Council on 10 August 2005.<sup>308</sup> With this municipal By-Law the metropolitan administration forced waste producer companies to give their package waste to the ITC company, which had rented Mamak and Sincan recycling facility for a period of 49 years. By this time the number of registered waste package producing companies was not high. Thus greater resistance came from the part of the recycling companies which did not have a contract with the municipal government or which had not received a license yet from the Ministry of Environment and Urbanism. Some companies came together to establish an association called Atık-Der (The Association of Waste Collecting and Recycling Companies) to negotiate a plan with the municipal administration to share the right to collect, recycle and trade waste in the urban space. Atık-Der

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<sup>306</sup> To have an enhanced understanding of how unintended consequences should be significant components of an analysis of state policy-making and institutions, see Cortell and Peterson (2001). For an analysis of Turkish regulatory reforms from this perspective, see Sönmez (2011b).

<sup>307</sup> Fernandez (2008).

<sup>308</sup> See Court of Audits (2007).

was guided by a relatively new recycling factory called Kardelen Paper Factory. However, both lack of experience and coherence on the side of companies, and lack of reluctance on the side of the municipal government, meant these plans did not turn into a concrete output.

Another action by the municipal administration, which affected recycling companies, was its decision to relocate the recycling facilities in Macunköy area to the Scrap Traders' Zone. Until this decision, many waste paper recycling factories were located in Macunköy. Rents in the Zone were high and it was costly to build a recycling facility due to sunk costs. By the time I visited Macunköy, some factories had already left for the Scrap Traders' Zone and others were making their preparations. To what extent this was part of the urban regeneration plans for Macunköy and to what extent the decision was to weaken paper recycling companies vis-à-vis the new recycling firm ITC supported by the mayor was unclear. But it was certain that recycling companies incurred losses due to this relocation.

The By-Law anticipated that the companies which were granted a license would be responsible for collecting, storing and trading waste as part of the waste management plan prepared by municipalities. Yet, as acknowledged by both the Waste pickers' Association and the official report prepared by the Court of Audits in 2007, there was lack of infrastructure and reluctance from the companies to do the work of collection. Therefore most of the collection at public bins or private workplaces, which do not fall into the category of waste package producing companies, was done by waste pickers. The picture depicted by the By-Law of 2004 was far from turning into a full reality. What was really achieved was to create a framework in which companies started receiving licenses or seeking ways to improve their facilities to receive a license.

Many of the objectives to change the waste management system were still far from being met. This can be seen in a report prepared by the Court of Accounts. The Court of Accounts is responsible for auditing public institutions in order to check their accountability, financial transparency and performance, in compliance with the Law no. 5018, and identify any abuse of public resources.<sup>309</sup> According to their report, which checked the performance of the waste management system as implemented by public agencies, it was due to the absence of infrastructure that recycling companies bought their waste from waste pickers, which reproduced an unhealthy system and made companies devoid of their responsibilities of collection and segregation as defined by regulations. The official documents, which were

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<sup>309</sup> Law on the Management and Control of Public Finance, Official Gazette, no 5018, date: 10.12. 2003

provided by waste producer companies to the public agencies, were not properly monitored; the statement from the companies was taken for granted. In the provincial administrations, there was very little staff responsible for waste management. In the case of Ankara metropolitan administration, which was the case study of the report, there was not even a Waste Management Unit, a commitment that the municipal administrations should have fulfilled in compliance with the European Union regulations. It is worth noting that the report's rationality to check the performance and accountability restrained the possibility of revealing the social question behind the problem of waste management. The Waste pickers' Association was not recognised as a stakeholder to consult for the report. Rather, their role as a substitute for the building of a sustainable system of collection based on private property was considered to contradict the targets of waste management.

In 2007, the Ministry amended the existing By Law.<sup>310</sup> Although the basic model about waste management was kept the same, the new By-Law stated that waste package producing companies were required to give their waste either to authorised institutions or to those companies, which had a contract with municipal administrations free of charge. ÇEVKO was an authorised institution.<sup>311</sup> This change, which happened just a month after I started my fieldwork, was seriously disturbing for recycling companies. Already in Ankara, many of them were unhappy with the practices implemented by the Ankara metropolitan administration and the mayor Melih Gökçek.<sup>312</sup> This new development once again favoured, this time officially via the Ministry of Environment and Urbanism, the authorised institutions and municipal contractors.

The specific report prepared by TÜSİAD<sup>313</sup> is illustrative of this conflict. The report looks at the article of the By-Law, which states that waste package producing companies are required to give their waste to the companies that made a formal agreement with the municipal administration or to the authorised institutions free of charge. According to TÜSİAD, this

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<sup>310</sup> The By-Law on the Control of Waste Package, Official Gazette, no 25562, 24.06.2007.

<sup>311</sup> Founded in 1991 by fourteen waste package producing companies, ÇEVKO is a non-profit organisation which undertakes the task and responsibility of creating a recycling system for waste package on behalf of waste package producing companies. Since the enactment of the By-Law of 2004, it is an officially authorised institution. An authorised institution is a foundation established by waste producing companies, which undertakes the responsibility of achieving the objectives of recycling as defined by the relevant By-Laws.

<sup>312</sup> Currently in his fifth term of office as a member of the Justice and Development Party, Melih Gökçek has served as metropolitan mayor since the local elections of 1994. He is known to be a political figure who is involved in various corruption cases and acts in arbitrary and non-accountable ways in policy-making. For more details about his leadership and policies, see Bostanoğlu (2008).

<sup>313</sup> TÜSİAD (Turkish Industry and Business Association) is the largest business association in Turkey representing large capital groups. Founded in 1971 in İstanbul, it became a powerful interest representing association voice in Turkish politics. For an analysis of its historical role both in the economy and politics see Buğra (1998), Ozan (2012).

requirement is likely to cause a number of unfair practices in the recycling market. First, segregation and storage of waste is a costly business. In case companies are prevented from receiving a sale price, they would have to incur these costs and have less incentive to meet the recycling targets set by the Ministry of Environment and Urbanism. If they do, they would face unfair competition as compared to the ones, which do not. Second, many companies could sell their waste in an unregistered way. Third, recycling companies which meet all license criteria and sign agreements with relevant enterprises would have to cancel their contracts. New entrants would be discouraged from entering the market, impeding further the principle of competition.<sup>314</sup> TÜSİAD's report was an effort to reclaim private property rights in the recycling sector, and an implicit critique of the privileges enjoyed by organisations such as ÇEVKO.

The same year that TÜSİAD made its written critique, the Ministry of Environment and Forestry published an Action Plan to cover a four-year period as a road map to implement waste management regulations. If By-Laws describe the reality as it should be, Action Plans describe the processes and mechanisms by which this By-Law will be made a reality. In other words, the Action Plan makes a political commitment to close the gap between procedural norms and practical reality. The Action Plan on Waste Management mapped the national territory into manageable components by dividing provincial districts into regional units,<sup>315</sup> and showed that the number of municipal administrations that had submitted their waste management plans to be approved by the Ministry was still very low. Before the termination of the period covered by the Action Plan, however, the Ministry had again changed the By-Law on Waste Package Control.<sup>316</sup> It removed the article of the previous By-Law, which required the waste package producing companies to give their waste free of charge. Thus the demand of TÜSİAD and the recycling companies was met.

After the promulgation of the new By-Law in 2011, the Ankara Governor published a decree on 5 September 2013.<sup>317</sup> Governors and their Directorates of Environment and Urbanism represent what Migdal calls 'dispersed field offices' in his analysis of multiple parts of the state.<sup>318</sup> They can also be called 'implementers'.<sup>319</sup> They are the ones who rework and organise state policy and, I would add, renegotiate it when necessary. They are the actors who will turn the By-Laws into a practical reality. The Decree stated that it was no longer allowed for

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<sup>314</sup> TÜSİAD Sanayi, Tarım ve Hizmetler Komisyonu (2008).

<sup>315</sup> Ministry of Environment and Forestry, General Directorate of Environment Management (2008).

<sup>316</sup> The By-Law on the Management of Waste, Official Gazette, no 28035, 24.08.2011.

<sup>317</sup> Ankara Governor (2013).

<sup>318</sup> Migdal (2004), pp. 117-122.

<sup>319</sup> Grindle (1980), p. 197.

individuals who were not legally authorised to collect, transport and store waste. Only authorised institutions, licensee companies and individuals who collect waste on behalf of these companies will have such permission, and they will be required to wear the clothes and work cards provided by relevant municipal authorities. The Directorates of Environment and Urbanism and Municipal authorities are expected to audit and cooperate with local police and municipal police if necessary. Whereas the Court of Accounts emphasised the need to create the infrastructure for sorting out waste at the household level, the governor decree implicitly envisaged a scenario in which waste pickers could become company workers. It also states that police force can be used in case the rules are not followed in the urban areas. However, in the absence of a concrete plan to transform the existing labour process by a joint initiative from companies and municipalities, the warning to control whether the transformation is actually taking place and whether its new rules are followed becomes redundant.

In 2014, The Ministry of Environment and Urbanism opened a new Draft By-Law on Waste Management to public debate by the relevant stakeholders.<sup>320</sup> In line with the update of Waste Framework Directive of the EU (2008/98/EC), a new By-Law, compatible with the Environment Law no. 2872, envisaged taking all the concepts and regulations related to waste management into one single regulation for simplification. The new Draft By-Law can be considered as an umbrella regulation, which makes a very detailed definition and classification of all types of waste. It regroups types of waste according to their source of origin, nature, material and level of danger. Every single type of waste finds a place in this detailed list and is given a specific code. The recycling companies are then asked to fill in a 'National Waste Transport Form' (UATF) by using these codes to register every single operation they carry out at various stages in the recycling market. The By-Law guarantees the register of all sorts of waste into a comprehensive waste management system at the company, municipal and ministerial levels. This is not a simple matter of technicality: the By-Law designs an alphabet for collecting, storing, sorting, recycling, transporting, managing and destroying waste, which market players should learn and adopt. It also gives the state the ability to monitor and discipline recycling activities by making it legible. In a case study in the fisheries sector, Callon shows how the changes in the fisheries market are preceded by a new scientific practice of representation: "the scallops are transformed into larvae, the larvae into numbers, the numbers into tables and curves which represent easily transportable, reproducible and diffusible sheets of paper."<sup>321</sup> Similarly, waste is transformed into several categories with

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<sup>320</sup> Ministry of Environment and Urbanism (2014).

<sup>321</sup> Callon (2007).

specific tables, which represent registration forms to represent the goods to be traded, registered and monitored in the recycling market.

A comprehensive regulation to reconfigure the market is also an attempt to reconfigure the market participants. The new regulations re-configure companies as ‘holders of recycling license’, ‘waste producers’, and ‘waste dealers’, who have to abide by a set of standards. This means that the state has to re-define the economy as a territory to be programmed, to transform events into information and individuals into market players whose behaviour and actions are to conform to the standards and norms imposed by the state.<sup>322</sup> The By-Law legally forbids the collection of waste except for licensee companies, but it states that the so-called ‘waste dealers’ can still do trading activities as long as they are formally registered. It is possible to read this clause as a reflection of the relevant clause of the European Union Directive, which defines dealers in recycling. But it may also be read as an attempt to terminate the informal use of warehouses and yet solve the practical difficulties that such an attempt may cause by creating a legally defined status of ‘waste dealer’. The practical difficulties can be understood given that the practical implementation is still not in place after three years of the enactment of the By-Law. The number of informal warehouses and waste pickers in the city of Ankara has increased since then.

#### **4.2. Development of the Turkish Recycling Market, the State and Private Interests**

The ad-hoc, changing and patchy nature of regulations and their partial implementation may lead one to omit the gradual transformation of the recycling market on the ground. What the By-Laws achieved gradually, together with the increasing global demand for recycling in the last decade, was to increase i) the number of waste package producing companies as waste suppliers in the market ii) the number of licensee companies in the recycling sector. Quantity matters: the regulations did not only increase market players, but also increased vested interests in the recycling industry. According to the *National Recycling Strategy Document and Action Plan* the number of companies, which produce packages and bring them to the market was 350 in 2003. This number increased to 5048 in 2008 and 15,192 in 2012. The number of collection and segregation facilities that had a license was 15 in 2003; it increased to 137 in 2008 and 296 in 2012. The number of recycling facilities that had a license was 13 in 2003; it increased to 89

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<sup>322</sup> See Rose and Miller (1992).

in 2008 and to 280 in 2012.<sup>323</sup> This number includes both old recycling companies, which operated without a license prior to new regulations and new entrants to the market.

The government put much stronger emphasis on its commitment to implement changes with the *Strategy Document*. The document stated that special systems would be set up to oblige everybody to segregate waste at its source and transport mechanisms to carry that waste. Long-term bidding processes would be formalised to facilitate the contracts between licensee companies and the municipal authorities. For recycling facilities, special incentives would be offered. A new exchange for waste would be established in cooperation with relevant business associations. This can be read as a reiteration of the intention to remove the informal scavenging system, and replace it with a formal system of contracts according to which companies will work in specific neighbourhoods by hiring wage labourers.

Although the replacement of the collection system is still far from being a reality in the second year of the Action Plan, there are signs that the private sector is being offered incentives. The so-called incentives promised to the private recycling facilities were turned into reality. In 2013, 71 incentive certificates were granted to recycling facilities (21 plastic recycling, 13 scrap metal, 9 non-metal scrap, 1 waste package); in the first 7 months of 2014 29 subsidy certificates were provided. Subsidies include provision of location, exemption from value added tax, support of insurance premium, tax reduction, and support for income tax.<sup>324</sup> In fact, new investors in Ankara perceived recycling as a profitable sector worth investing in; new business interest representing associations were established by voicing new demands regarding the recycling sector.<sup>325</sup> Such interests are far from constituting a general ‘capital interest’ covering all private sector groups at once.<sup>326</sup> Different private sector groups perceive their interests differently, compete over resources, and engage with the government offices in various ways.

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<sup>323</sup> Ministry of Science, Industry and Technology, General Directorate of Industry (2013). Collection and sorting facilities include workplaces which buy and sell recyclable commodities. Recycling facilities are those workplaces which have the necessary infrastructure, machinery and staff to recycle commodities themselves before the sale. They are subject to different types of license requirements.

<sup>324</sup> Ekonomi Bakanlığı, Teşvik Uygulama ve Yabancı Sermaye Genel Müdürlüğü, Geridönüşüm Teşvik Uygulaması.

<sup>325</sup> Currently there are Federation of the Associations of Recycling Companies made up of five local associations, the Association of Recyclable Waste Material Industrialists (TÜDAM), Professional Chambers of Scrap Traders in various cities, Association of Ship Recycling Industrialists, Association of Waste Paper and Recycling Companies (AGED).

<sup>326</sup> For a discussion of the analytical and empirical problems about the concept of an ideal general interest by capital see Bertramsen, Thomsen and Torfing (1991).

Engagement of those emerging interests with the state can be illustrated in a significant case involving the waste paper recycling companies. During the fieldwork, waste paper recycling facilities were already unhappy with the price per kilo for waste paper, which they had to fix according to the price set by a small number of paper factories. There were always rumours that paper factories colluded to set prices. Still there was usually steady demand for waste paper in the market. The situation changed with the global economic crisis. When China reduced importing waste paper at the end of 2008, European companies tried to get hold of their stocks by importing large quantities to Turkey. The price of one tonne of imported waste paper became 40 Euros when the local price of waste paper was 150 Euros.<sup>327</sup> Although this was an opportunity for some local companies to buy local waste paper at a lower price, the ones, which had already made large stocks of waste paper, entered into a difficult situation. The following year, the result of the crisis was shown in a fall in the global aggregate demand for waste paper, followed by lower rates of collection.<sup>328</sup> Prices recovered gradually from 2010 to 2011.<sup>329</sup> Thanks to the rising global demand for waste paper, Turkish recycling companies found it more profitable to export waste paper rather than selling in the domestic market.

On 21 April 2011, an official communiqué was published on the Official Gazette to make amendments on the official communiqué, which regulates the conditionality of exported goods.<sup>330</sup> This was to limit the export of waste paper. On 17 June 2011 a special statement (120004482) from the Ministry of Economy declared The General Secretary of the Export Unions for Metal and Mining as the authorized institution. The Ministry put the condition that waste paper exporters should take permission from at least three companies, which use waste paper as an input, who should officially say that they do not need the exported waste paper.<sup>331</sup> This decision was allegedly due to the lobbying activities of paper factories at the level of the Secretariat. According to the representatives of business associations organised in the cellulose and paper sectors, the increasing export of waste paper to Asian countries such as China and India posed serious shortcomings for the local paper industry. They argued that the export of waste paper is harmful for the local industry, because it increased the costs of local production. Factories, which process paper as an end product found it difficult to compete with the

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<sup>327</sup> “Avrupa’nın Hurda Kağıdı Yerliyi Vurdu”, 25 November 2008, [www.t24.com](http://www.t24.com).

<sup>328</sup> “Kağıt Geridönüşümünde Düşüş Olacak”, 26 April 2009, [www.haberortak.com](http://www.haberortak.com).

<sup>329</sup> Bureau of International Recycling (2010).

<sup>330</sup> Official Communiqué on the Amendment of Official Communiqué 2006/7 on the goods whose export is conditional upon registration, Official Gazette, no 27912, date: 21.04.2011.

<sup>331</sup> The Ministry of Economy took this authority from a decision (no 95/7623) of the Council of Ministers published on the Official Gazette on 6 January 1996 and no. 22515. In the appendix of the decision there is a regulation on Export Regime. Article 3 gives the Ministry the authority to monitor, audit every stage of exports, request information regarding exports, bring limitations and bans and make export quantities dependent on a set of conditions.

imported paper. They justified this intervention by the Ministry as a necessity to protect the ‘national interest’. If exports were not restrained, this could harm the national economy.<sup>332</sup>

Waste paper sellers counter-argued that this decision was a deliberate manoeuvre by paper factories to reduce the price of waste paper in the domestic market. In their view, a drastic price fall served as a strong disincentive for people to pick up and trade waste paper. In the discourse of recycling companies, the paper factories gave inaccurate information and threatened the situation of not only recycling companies, but also thousands of waste pickers who depended on the collection of waste. They associated their interest with waste pickers, because they were aware of the fact that, in the absence of a long-term solution for residential recycling, it was practically difficult and costly for them to collect waste. Ironically, the owner of one of the companies making those statements was the one who cooperated with the municipality in the Beyoğlu district of the city of İstanbul in forcing workers to sell at a low price, similarly to the case of Ankara.

Another state agency intervened in the issue in 2011: the Competition Authority (CA). In contrast to the Court of Accounts, which is responsible for checking the compliance of policies by all responsible government agencies and private sector groups to the regulatory framework of waste management including relevant legislation and By-Laws, the scope of action for the Competition Authority is rather narrow and conditional upon individual complaints. The CA works on a case-by-case approach and checks whether the case in question violates the clauses of the Law for the Protection of Competition. Upon a complaint made to the CA by one of the recycling companies, the institution investigates whether or not nine paper factories, which are members of the Foundation of Cellulose and Paper Industry<sup>333</sup>, have acted together in order to make the export of waste paper conditional upon a certificate, which depends on the permission of paper producing companies. The CA was responsible for examining to what extent the decision of the Secretariat for Foreign Trade was caused by a joint action by paper producing companies, which would imply the violation of the Article 4 of the Law to Protect

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<sup>332</sup> For the details of the conflicts between waste paper sellers, paper factories and changing prices see Arif Bayraktar (2011) “Hurda Kağıtta Rant Kavgası”, *Zaman*, 24 July; *Zaman*, “Hurda Kağıdı Satamayan Getirsin, Biz Alacağız”, 31 July 2011; Esra Özarfat (2011) “Hurdada Şart Kavga Çıkardı”, 25 July, *Dünya*; Coşkun Çardak (2014) “Atık Kağıtçılar Şartsız İhracat İstiyor”, 3 July, *Dünya*; “Hurda Kağıt Fiyatı Düştü, Toplama İşİ Sekteye Uğradı”, 19 August 2014, *İşte Kobi*; “Atık Kağıt Geridönüşüm Şirketlerinden Sözlü Savunma”, 27 June 2013, *sondakika.com*.

<sup>333</sup> The foundation has following member companies: Akasan, Dentaş, Halkalı, Hayat Kağıt, Hayat Temizlik, İpek Kağıt, Kahramanmaraş Kağıtçılık, Marmara Kağıt, Modern Karton, Muratlı, Olmuksa, Oyka, Parteks, Pehlivanlı, Selkasan, Viking.

Competition.<sup>334</sup> The Competition Board, which is the governing board of the CA investigated the allegation of collusion for several months and used a number of methods. It examined the electronic mail and written communications of the companies. E-mail communications revealed that most of these companies discussed with each other how to respond to the request from recycling companies to get permission for export. They were aware of the danger of violating the Article 4 of the Competition Law and warned each other about not giving the appearance of collusion although their mutual discussions clearly showed the felony of collusion. The Competition Board also recruited an anonymous witness to testify about evidence regarding collusion and checked his testimony against further facts. For instance, when the witness stated that seven company executives met at a restaurant dinner to make an agreement about the quantity of the waste paper to be exported, the Board called the restaurant managers and received a dinner receipt as evidence of the meeting. It was also found out that a very limited number of recycling companies were given permission to export a limited quantity of paper. Other e-mail communications revealed that some paper companies, which were under allegation, were worried about this situation and advised others that more recycling companies should be given permission.

After the evaluation of the written documents of defence by the paper and cellulose companies, the Competition Board made, on 8 July 2013, the decision that the actions of the companies were evidence of collusion and thus a violation of Article 4 of the Competition Law. Yet, Article 5 of the same Law states that the Board may, “exempt agreements, concerted practices between undertakings, and decisions of associations of undertakings from the application of the provisions of article 4: a) Ensuring new developments and improvements, or economic or technical development in the production or distribution of goods and in the provision of services b) Benefiting the consumer from the above-mentioned c) Not eliminating competition in a significant part of the relevant market d) Not limiting competition more than what is compulsory for achieving the goals set out in sub-paragraphs (a) and (b).” By majority vote, the Board gave companies exemption for a period of three years (from 2011 to 2014).<sup>335</sup>

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<sup>334</sup> Law No. 4054, Official Gazette, no 22140, 13 December 1994. Article 4 states: Agreements and concerted practices between undertakings, and decisions and practices of associations of undertakings, which have as their object or effect or likely effect the prevention, distortion or restriction of competition directly or indirectly in a particular market for goods or services are illegal and prohibited.

<sup>335</sup> Competition Board Decision, number: 13-42/538-238; date: 8 July 2013. The decision document includes an objection. This shows how what violates and does not violate competition or what the correct sanction against a violation of rules is far from being absolute and final, but requires a degree of controversial judgement.

When the three-year period ended in June 2014, the Association of Waste Product Industrialists (TÜDAM) made a declaration that they would now want to make unconditional exports, and they made an application to the Ministry of Economy. “The prices should be determined according to the rules of the economy, not by such interventions. When demand declines in the domestic market, we should not be prevented from exporting paper in a way not to prevent any losses. How can we make investment with constantly changing prices? And while exports are prohibited, imports are totally free, which is against the targets of our government for the year of 2023.”<sup>336</sup> In this speech the representative of waste paper recycling companies defended the free market against government intervention, which creates a source of uncertainty for making decisions and investment. Against the discourse of national interest promoted by the Foundation of Cellulose and Paper Industrialists, TÜDAM uses the discourse of the free market.

The role of the Competition Authority adds a further layer to an understanding of the relationship between the state and the recycling market.<sup>337</sup> It took two years for the Competition Board to make the necessary investigations and reach a decision. During this period, the decree on the limitation of exports was put in practice. This was an example of what Black called ‘regulatory lag’, the time difference between regulators becoming aware of an issue and actually acting to address it.<sup>338</sup> Whereas the regulatory practice required an application, investigation, analysis, reporting and decision-making in a careful, comprehensive and subtle way, the political intervention could be much quicker and ad-hoc in nature, as in the case of the By-Law issued by the municipal council in 2005 or the decree issued by the Ministry of Economy in 2011. They were both parts of the same state system, with different priorities, modes of operation, degree of insulation from and influence over private groups. These differences justify Migdal’s argument about the need to analyse the various units of the state with different degrees of insularity by their staffers and senses of purposefulness.<sup>339</sup>

Another case, which illustrates tensions between state and interest groups, yet concludes with a more positive result on the side of the businessmen, was the case of the By-Law, which

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<sup>336</sup> Coşkun Çardak (2014) “Atık Kağıtçılar Şartsız İhracat İstiyor”, *Dünya*, 3 July.

<sup>337</sup> The Competition Authority was founded on 7 December 1994 with the enactment of the Law on the Protection of Competition, but started functioning only in 1997. It is an independent regulatory agency affiliated with the ministry of Customs and Trade. Responsible for checking cases (including mergers and acquisitions) to investigate the violation of the principles of competition in the market, covering all sectors.

<sup>338</sup> Black (2013), p. 21.

<sup>339</sup> Migdal (2004), p. 116.

regulated the trade of scrap metal in 2010. This time the Chamber of Scrap Traders,<sup>340</sup> an old organisation in the sector, had to deal with the negative consequences of a new By-Law bringing about new standards for the scrap trade business. The Chamber had been following the waste management regulations since 2004. According to the director, İrfan Çinkaya, “these regulations make our traders impossible to do business in a country whose infrastructure is not at the European level.” The majority of the members at the Chamber were involved in scrap metal business rather than plastic and paper and it was not until 2010 that the regulations specific to scrap metal business were enacted. A By-Law enacted on 12 May 2010<sup>341</sup> put technical requirements, which, if implemented, would mean new and costly investment for a great number of scrap metal traders. For instance, for the ferrous scrap metal, the size of enterprise was set as 20.000 m<sup>2</sup>; for the non-ferrous scrap metal this size was fixed as 5000 m<sup>2</sup>. This did not match with the current enterprise size of many traders.

The Chamber used several instruments in order to amend the By-Law: lobbying the Ministry, filing a lawsuit to cancel the By-Law, preparing a list of possible amendments to change the By-Law, visiting the Competition Authority to raise the issue of how the By-Law creates unfair treatment. The efforts of the Chamber yielded its concrete result in one year-time. In June 2011, the new By-Law on the Recycling of Certain Safe Waste<sup>342</sup> annulled the previous one criticised by scrap traders. According to new regulations, the size of the enterprises handling ferrous scrap metal was allowed to be only 4000 m<sup>2</sup>, the size of those handling non-ferrous scrap metal only 1000 m<sup>2</sup>. Article 13 also made scrap metal traders, who are only involved in the collection and segregation of scrap metal, exempt from the environmental license. Change of numbers and exemption from the license for specific companies was deliberate: this way, many scrap metal traders who would not meet the heavy requirements and costs for enterprise size and other technicalities would be protected.<sup>343</sup>

In the recycling market, there was no competition for general licenses to set up a recycling facility or collection and sorting facility. Any company meeting the technical criteria as defined in the relevant regulations was entitled to receive a license. In fact, the Ministry encouraged the receiving of licenses in order to expand the scope of recycling business. Exclusion from licenses could be caused by lack of financial resources to make necessary investment to meet the criteria, but the government did not attempt to shut down companies,

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<sup>340</sup> Founded in 1952, Ankara Chamber of Scrap Traders represents approximately 700 traders in the scrap business.

<sup>341</sup> The By-Law on the Control of non-Hazardous and Inert Waste, Official Gazette, 12 May 2010.

<sup>342</sup> Official Gazette, 17 June 2011, no. 27.967.

<sup>343</sup> Ankara Chamber of Scrap Traders (2014).

which took their time in applying for and receiving a license. The conflict regarding the delivery of waste free of charge to authorised institutions was also terminated with the By-Law of 2011. What was really a matter of competition for rents was at the municipal level rather than at the ministerial level. In Ankara there were only three districts in which the metropolitan municipality carried out a project of on-site recycling with the ITC. For other districts companies could buy and waste pickers could pick up waste. However, both the Çankaya Municipal authority and the Metropolitan Municipality favoured two recycling companies (SIMAT and ITC)<sup>344</sup>. The more waste management plans are implemented, the more competition over access to municipal contracts may be expected to increase in the future.

One major case of direct corruption involving state officials and the private sector in the recycling sector was revealed recently. The incident happened at the Machinery and Chemical Industry Institution in Ankara,<sup>345</sup> a state organisation, which regularly organises public auctions for the sale of gigantic amount of scrap metal and machinery collected from different state institutions throughout Turkey. This organisation is carried out by an enterprise called *Hurdasan* affiliated with the Institution. Investigations first by the police then by the public prosecutors found that senior managers at *Hurdasan* had made secret agreements with some companies including some recycling companies in the Scrap Traders' Zone before the public auctions.<sup>346</sup>

## Conclusion

The relocation of factories to the Scrap Traders' Zone, the cumbersome regulations and the favouring of some big investors in recycling, can be read as another moment in the historically tense relationship between the state and business in Turkey. Businessmen have long complained about the uncertainty created by state institutions. By a simple decree or decision without any consultation, the state can arbitrarily interfere with the market, harm business

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<sup>344</sup> As Vitalis (1995) put it, in private market systems, "patronage is neither easily nor convincingly reduced to an instrument used by governing officials to control capitalist clients. Patronage is in many instances and respects a market relationship, a synonym for literally doing business with the state."<sup>344</sup>

<sup>345</sup> The Machinery and Chemical Industry Institution (MKEK) is a state owned enterprise responsible for the production and sale of all sorts of machinery and tools for the manufacturing industry as well as defense industry materials and arms necessary as part of the development plans by the state. One duty of the institution is to collect, assess, use and sell the materials, tools, metals which fall in the category of scrap by the official bureaus, public administrations, state economic enterprises.

<sup>346</sup> For news about the corruption case see, Sertaç Koç (2013a) "MKE'ye İhale Yolsuzluğu Baskını", *Milliyet*, 3 November; Sertaç Koç (2013b) "Müfettişler Üç Yıl Önce Uyardı", *Milliyet*, 11 November; MKE'de Hurda Yolsuzluğu Davası, *Memleket*, 4 February 2014; "MKEK'de Hurda Yolsuzluğu Davası", *Timetürk*, 9 April 2014; Fatih Genç (2014) "MKEK'de Tık Yok", *Haber71*, 14 May

interests, and confiscate private property.<sup>347</sup> Yet, it is the same state that also provided incentives for the investors to invest in recycling facilities via tax exemptions and the provision of physical land, which increased the supply of waste in the market by forcing waste producers to sell their waste for re-use and recycling and which made private companies the *leitmotiv* of the expanding sector with the support of municipal administrations. This contradictory role is due to the heterogeneous nature of the state, which has to accommodate conflicting functions and priorities, rather than being an impediment to market.<sup>348</sup>

In the recycling sector, the role of the state is important because, on the one hand, waste management is an economic activity, which requires cooperation between local governments and private companies and, on the other hand, the harmonisation process with the EU brought about a series of new local regulations which altered the nature and rules of the previously informal working sector. These regulations are not simple and technical adaptations from the international frameworks regarding waste management. They open up new sources of conflict among different actors within the state at various scales (local and national), as well as among private sector groups. They are also reshaped as a result of these conflicts. Thus understanding state policy is crucial to grasp the specific path the recycling sector took in the last decade.

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<sup>347</sup> For an analysis of the historically shaped complaints of the businessmen towards the Turkish state, see Buğra (1996).

<sup>348</sup> Here I refer to approaches, which ascribe a positive meaning to economics and a negative role to politics in the context of neoliberalism. See Grindle (1991).

## **Chapter 5: Gift, Trust, Morality and Trade: Scrap Traders' Zone**

### **Introduction**

In this chapter, I examine the recycling factories, which process recyclable commodities and scrap traders, who buy waste plastic, waste paper and scrap metal from the warehouses as depicted in chapter 3. Most of those companies in Ankara are located in an area called Scrap Traders' Zone in Yakacik district. I am trying to understand how non-market relations regulate the local recycling market. The chapter starts by depicting the local and global features of the recycling market and then looks at how traders have to respond to a number of pressures under the market imperative. The argument that relations of trust and gift can be considered as responses to deal with those pressures is demonstrated in four sub-sections. The first section presents cases of gift-exchange and customer-sharing, the second one investigates the significance of political exchange in economic relations, the third one shows how moral beliefs are important elements of doing trade and finally the fourth one discusses different scales of trust ranging from one-to-one relations to more institutionalised forms. All the sections suggest that non-market relations are not fixed entities; they can be built, broken and repaired.

### **5.1. Recycling Market: Global and Local Dynamics**

Recyclable commodities have become a significant component of the global trade in which Turkey has a special position by being the world's leading importer of scrap metal.<sup>349</sup> The

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<sup>349</sup> The figures given by the Bureau of International Recycling (BIR) reveal that with an increase to 22.4 million tonnes in 2012 (+4.5 per cent compared to 2011), Turkey reinforced its position as the world's leading importer of steel scrap "Turkey Remains World's Top Steel Importer, 4 June 2013, [www.recyclinginternational.com](http://www.recyclinginternational.com).

recycling world's centre of gravity is moving to Asia and more precisely to China where demand for recovered paper and plastics is much higher. Due to the financialisation of commodity markets<sup>350</sup>, recycled commodities are increasingly behaving like primary ones. The price of non-ferrous scrap is tied to non-ferrous metals, recovered paper to paper and cellulose fiber, ferrous scrap to ferrous metal (iron ore is much more a reference than steel). Exchange rate regimes, supply and demand, regulatory changes in different countries affect recyclable commodities. Financialisation is especially significant for the scrap metal prices, because their price relies on the price discovery function of the London Metal Exchange where the main trading companies are owned big investment banks and hedge funds.<sup>351</sup>

National regulations exert a significant influence on price movements. A recent and significant regulation was the Green Fence Operation enforced by Chinese authorities beginning from February 2013 as a system to prevent illegal trading and control the quality of imported secondary raw materials, including the direct inspection of the content of containers to find out organic contamination and high moisture content. Inspections slowed down port operations, large quantities of waste were blocked and containers were returned to the country of origin, although there were positive long-term effects in terms of increasing the quality of the recyclable materials.<sup>352</sup> One should also note the export restrictions imposed by individual countries: The limitations on the export of recyclable materials by Taiwan in April 2010, Turkey's restrictions on the export of waste paper by a decree from the Ministry of Economy in July 2011, the export restrictions by the South African government during 2013.

When examined separately in the Turkish market, waste paper, waste plastic and scrap metal have common features in terms of their market behavior. Yet, there are a number of differences as well. Each commodity price is shaped by the relevant state regulation and global market dynamics. I will examine how these dynamics evolved during the period of the fieldwork.

In Turkey, the ratio of recycling paper is approximately 35 per cent, which is much lower than the EU rate of 71.7 per cent in 2013.<sup>353</sup> By 2013, the local production covered only 1/3 of the demand for paper in Turkey. 2/3 of the paper is imported from countries including Indonesia,

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<sup>350</sup> For a critical perspective about the effect of financialisation on developing countries see Newman (2012).

<sup>351</sup> A correlation is found between the declining/rising interest by financial investors and falling/rising commodity prices from 2008 to 2010, during and after the global economic crisis. Chalmin (2010).

<sup>352</sup> For empirical figures about losses and reduced export rates for Europe and the US, see Resource Recycling (2013).

<sup>353</sup> Bureau of International Recycling (2013).

China and Malaysia. Local paper producers complain about the dumping prices due to the requirements of World Trade Organisation in the paper sector and argue that imported paper is not of the same quality as the locally produced paper to which local rules of quality standards do not apply.<sup>354</sup> The drastic shift and imbalances of exports and imports can be observed in figures between 2000 and 2010. The total value of imported cellulose products has tripled from 2000 to 2010. For 2010, the total value of exported cellulose products was only 42 per cent of the total value of imported products.<sup>355</sup> Paper prices fluctuate according to daily movements of currency rates. It is also worth repeating the local intervention of the members of the Foundation of Cellulose and Paper Industry members in order to restrict the export of waste paper, as explained in chapter 4.

The global economic crisis of 2008/2009 had a negative impact on waste paper prices. According to major waste paper traders in Turkey, European exporters had the habit of reducing their prices at the end of each year in December with the method of dumping. In 2008, in the mid of the global crisis, China reduced importing waste paper from Europe, which led European companies to sell their stocks to Turkey. At the end of 2008, the price of a tonne of imported waste paper became 40 Euros while the local price was around 150 Euros. Although this was used as an opportunity for some local companies to buy local waste paper at a lower price, the ones, which had already accumulated large stocks of paper, entered into a very difficult situation and made losses.<sup>356</sup> In the following year, the long-term effect of price falls was felt in the falling of aggregate demand for waste paper.<sup>357</sup> Furthermore, traditionally recovered papers were sent in the containers returning empty to China due to trade imbalances between North America/Europe and China. The global economic crisis of 2008 caused a decline in trade and a fall in freight rates. The shippers thus reduced service frequencies and increased freight rates. At the beginning of 2009 prices for recovered paper fell drastically; they were even lower than the cost of collection. Subsequently volumes of collection dropped by 15 per cent in Europe. This made it possible to rebalance the domestic European and North American markets and prices began to pick up in 2010. <sup>358</sup>

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<sup>354</sup> *Dünya*, “Damping ve İthal Kağıttaki Artış Yerli Üretimi Zora Soktu”, 14 January 2014. This is an argument made by other waste paper companies in developing countries. For a counter-argument, which considers benefit in the international trade of waste paper, see Beukering and Duraiappah (1996).

<sup>355</sup> Orta Anadolu İhracatçı Birlikleri, *Kağıt Karton Sektör Raporu*, Ağustos 2011, Ankara.

<sup>356</sup> “Avrupa’nın Hurda Kağıdı Yerliyi Vurdu”, 25 November 2008, [www.t24.com](http://www.t24.com).

<sup>357</sup> “Kağıt Geri Dönüşümünde Düşüş Olacak”, 26 April 2009, [www.haberortak.com](http://www.haberortak.com).

<sup>358</sup> Bureau of International Recycling (2010).

Waste plastic and plastic bottle prices in Turkey are affected by the global supply and demand. The annual global trade of waste plastic is predicted to reach 45 million tonnes by 2015. A worldwide demand for waste plastic is estimated for 2020.<sup>359</sup> The global financial crisis harmed the trade of waste plastic, because Chinese plastic recycling companies, which are major importers from Western countries, reduced their operation by the end of 2008. Many European trade projects were halted after the prices fell by double in December 2008. Prices started recovering again during 2010.<sup>360</sup>

In Turkey, plastic bottle prices tripled from 2006 to 2011 from 400 Turkish liras per tonne to 1150 Turkish liras per tonne.<sup>361</sup> The first reason was the entry of new companies in the sector with very extensive volumes of operation. According to the estimates of the Association of Pet Recyclers, the yearly capacity of those new five companies varied between 10.000-24.000 tonnes whereas 20 companies in total used to operate with a yearly capacity of 5000-6000. The second reason was the price elasticity of cotton in the production of certain textile products. Since flake (recycled plastic bottle) is used in the production of synthetic fibre, which is a raw material for textile, the demand for flake and fibre as a substitute of cotton increased, which increased the price of plastic bottle. Yet, since the domestic production of recycled plastic bottle remained low, companies continued importing recycled plastic bottle.<sup>362</sup> The price of plastic bottle became again 700 Turkish liras, going back to the level of 2010.

An important raw material in many industries, scrap metal is used in electronic furnaces, which account for 35 per cent of worldwide steel production. Construction is the largest consuming sector for copper (followed by transport and electronics), while the transport sector is the largest consuming sector for aluminum (followed by construction and packaging). Copper demand is expected to rise for manufactured electronic goods, and for the transport sector, given that more electronic features are added to vehicles.<sup>363</sup> The traded volume of copper in the world rose from 7 million tonnes in 2000 to 10.1 million tonnes in 2011. The traded volume of aluminium in the world rose from 10.9 million tonnes in 2000 to 18.3 million tonnes in 2011.<sup>364</sup> While US is a net exporter of scrap metal,<sup>365</sup> Turkey is the

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<sup>359</sup> Velis (2014).

<sup>360</sup> Velis (2014).

<sup>361</sup> POLİETDER (2011).

<sup>362</sup> “550 bin doları PET şişeyle sokağa atıyoruz”, 13 July 2013, *Cumhuriyet*.

<sup>363</sup> Streifel (2006).

<sup>364</sup> Chalmin (2010).

<sup>365</sup> Lyons (2010).

biggest scrap importer in the world. According to a report by the Steel Exporters' Association, the total amount of scrap metal imported was 108 million tonnes in 2012 and Turkey received 21 per cent of this.<sup>366</sup> South Korea is the second largest importer followed by India. Scrap metal is used by the Turkish steel industry, which supplies raw materials for the automotive, railway and machine industries. China is another significant player as a net importer of stainless steel and iron ore.<sup>367</sup>

Scrap metal prices (for non ferrous metals - aluminium, zinc, copper, tin, iron, steel billet, lead and nickel) are indexed to the London Metal Exchange price for metals. In Turkey, the sale price of scrap metal is determined by taking into account the LME global reference price.<sup>368</sup> The demand for scrap metal remained high except for the period of global economic crisis. The world demand, which was 2 per cent in the second half of 2009, rose to 4.2 per cent in 2010. Chinese demand has been a key factor in price recovery, especially in iron ore and steel. The increase in raw material prices led to an increased demand for scrap metal. Changes in currency rates affect also scrap prices. Those industries, which import their inputs, prefer using scrap materials when the foreign currency gets more expensive. Between 2006-2008 scrap metal prices were considerably high by reaching a peak point at the beginning of summer 2008. Then starting from mid July prices started falling down and then plummeted after the global economic crisis.

Changes in the global demand and supply of recyclable goods, currency rates, the daily LME price, local regulations are followed closely by Turkish traders in the recycling industry.<sup>369</sup> In the following section, I attempt at understanding the ways in which these actors deal with the pressures of the market. I argue that trust, gift and political exchange serve as means to survive, compete and reconfigure market relations. There are three types of recycling companies in the area I am examining: The waste paper companies, which buy and process waste paper to sell to paper factories; the waste plastic companies, which buy and process waste plastic to sell to plastic companies; the scrap metal companies, which buy and process various types of scrap metal to metal factories. There are also small scrap metal traders who simply buy and sell scrap metal in the same area.

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<sup>366</sup> "Turkey Leads World Scrap Metal Imports", *Today's Zaman*, 5 July 2014; CYCLOPE and VEOLIA Environmental Services (2006).

<sup>367</sup> Bureau of International Recycling (2013).

<sup>368</sup> "Dünya Metal Fiyatları Nasıl Belirleniyor", *Moment*, September 2009.

<sup>369</sup> "Hammadde Fiyatlarına Zam Gelince Hurda Kıymete Bindi", *Zaman*, 8 July 2006; "Piyasalardaki Dalgalanma Hurda Fiyatlarına da Yansdı", *Sondakika*, 28 September 2011;

## **5.2. Non-market Relations in the Scrap Traders' Zone**

Established in 1970, Scrap Traders' Zone is the largest industrial area for the traders of scrap metal, waste plastic and waste paper in Turkey with more than 1200 enterprises, 3 banks' local branches, 1 postal office and approximately 10,000 workers. It is located 22 km from the city centre. It is surrounded by security walls to protect against theft of the tonnes of valuable waste. The area is flat, divided into dozens of streets populated by hundreds of shops and factories. There exist plastic recycling factories processing all types of plastic material into granules, paper recycling factories which press and bale waste paper to make it ready to be sold for use, and scrap metal factories which segregate, process or simply buy and sell scrap metal (aluminium, zinc, copper). There are also many shops, which buy scrap tools, furniture, and car components and sell them after repair. In the last decade the Scrap Traders' Zone became an area for international trade with Azerbaijan, Ukraine, China, India and other Middle Eastern countries. Trade in scrap aluminium, copper, paper, plastic, spare parts for machinery, spare parts of vehicles (road, maritime and air) is made daily between different cities in Turkey and with those countries. This is the place that is visited most often by warehouse owners, which were depicted in the previous chapter. During the day time, trucks from all over Ankara come to the Zone, put their truck on the electronic scales set up on the floor of the recycling factories, weigh their waste and get paid. They also check the most recent prices, chat with the factory owners, and learn the latest gossip about the companies.



**Figure 13:** Entrance, Scrap Traders' Zone, İvedik, Ankara.

The Scrap Traders' Zone barely fits the ideal typical market of perfect equilibrium; its traders look little like the *homo economica* whose rational choices determine market outcomes. Rather, traders are involved in relations of trust, gift exchange, political connections and moral beliefs, which regulate trading practices in various ways. Ethnographic studies of neoliberal projects, which rely on the idea of a *homo economicus*, who, once stripped of obstacles to compete in the market, will overcome the trap of poverty, questioned the validity of this assumption.<sup>370</sup> According to Elyachar, who studies the neoliberal market solution to poverty in Cairo, Egypt, “even in the history of western thought, the maximising agent of neoclassical economics does not always reign supreme and run free. The individual agent pursuing his/her interests is neither as universal nor as timeless a concept as folk notions of the ‘market’ would imply.”<sup>371</sup> Studies on the markets of advanced capitalist countries also question the Walrasian model of equilibrium based on the choices of individuals. In their case study of the electricity industry, Granovetter and McGrive “conclude that, “the electric utility industry was born not of Benthamite equations or optimizing rationality, but longstanding relationships, similar experiences, common dependencies, corporate interlocks and active creation of new social relations.”<sup>372</sup> Such research findings are supported by the findings of historical studies on

<sup>370</sup> The critique of *homo economicus* can be seen in other fields of development studies. See Cramer (2002).

<sup>371</sup> Elyachar (2005), p. 148.

<sup>372</sup> Quoted from Granovetter and Mc Grive (2002: 228) by Miller (2002).

markets. Carruthers<sup>373</sup> shows, in the case of 18<sup>th</sup> century London stock market, how traders were responsive to political allegiances and ethnic identities of the trading partners and the non-economic rationality or political logic characterised trading strategies.

The first week I spent in the Zone during the summer of 2008 showed me how precarious and unstable the recycling business was. Four partners of one of the biggest waste plastic companies were in a major disagreement and about to split up. Another smaller waste plastic company was struggling to pay the wages of his workers due to the tardiness of payments by his buyers. An experienced petty trader was renting a large facility with debt to start his own business. A waste paper factory owner was planning to sell his factory, which was doing so well once upon a time. A scrap metal trader who had lost a large amount of money due to false cheques was trying to recover. In a few weeks' time the four partners would split up. The small plastic company in financial trouble would close down. The experienced trader would make many deals thanks to his connections but would not have sufficient cash to pay waste pickers. The scrap metal trader's request to postpone his credit payments would be refused by the bank.

The commodities, which were not determined by a global exchange, were no less insulated from the dynamics of the global market. In a couple of months the global economic crisis would erupt and deeply affect the waste paper sector, similarly to the scrap metal sector. China would suddenly halt import of waste paper and European companies would export large quantities of waste paper to Turkey at one third of the domestic price. Another source of instability was changing state regulations in the recycling industry. The first By-Law on Waste Package had been introduced in 2004 and amended in 2007. The new license obligations, the tense relations with the municipal authorities, new forms of inclusion and exclusion in the market were all sources of conflict for the incumbent companies and the new entrants.

Things were not that gloomy for everybody in the summer of 2008, though. A very big scrap metal company was boosting its business so fast that it was planning to make a new investment in a gas station, and it had also won a significant public auction for scrap metal: dozens of workers were working in the factory to sort out the enormous amount of scrap metal. A waste paper factory was strong enough to offer higher prices for waste paper to get the clients of other factories. A new waste paper recycling facility was being established in compliance with all the technical requirements asked by the Ministry of Environment and Urbanism for a recycling license. Its visitors were contemplating the degree of technical sophistication. A new

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<sup>373</sup> Carruthers (1994), p. 166.

plastic bottle recycling company was making a number of good deals with warehouses in İskitler, which were mentioned in the previous chapter. In the summer of 2008, it seemed whether one exploited opportunities or was subject to constraints in the market was an open-ended phenomenon.

The market imperative, as explained in the introduction, compels traders to compete, accumulate, calculate, invest, be more efficient, rationalise production, and cut down costs. While dealing with those pressures, capitalists in the Scrap Traders' Zone are obliged to ask many questions: How to find reliable buyers for traded commodities? How to get support in times of financial distress? How to balance the cheques to be paid and the advance money to give to warehouses? What to do when prices fall too much? How to increase the supply of waste? How to cut down costs when competitors enter the sector? How to cope with the requirements of new license obligations? It is the necessity to constantly ask these questions, which nurture a calculative rationality, to borrow a term used by Gudeman.<sup>374</sup> But their answers rarely lie in the simple economising behaviour of the trader. Trust, gift exchange and personal connections can be read as partial answers to these questions in the market. Although trust and gift can be characteristic features of any economy and they also connote spheres outside of the market, in the capitalist relations they assume specific functions.<sup>375</sup> As Lapavitsas argues, gift and trust are not external to market relations in capitalist society, but they serve to facilitate the production and circulation of commodities.<sup>376</sup> Depending on the context in which they are embedded, they become significant resources and means to sustain the regularity of trade partnerships, increase competitiveness of certain companies or ways to create control and dependency over others. Like all social relations, their unequal distribution in the Scrap Traders' Zone provoke envy, frustration and anger on the part of traders who are less likely to build or who lose such resources and relations.

### **5.2.1. Sharing Customers, Goods and Networks: The Economy of Gift-Exchange**

I was sitting in the office of the owner of Altuntaşlar Paper Recycling Factory, when a trader walked in to talk about a financial problem. The deadline of the next instalment payment for a new house he had bought was approaching and he found himself in unexpected financial distress. What the factory owner offered to his colleague was not debt in cash, but a customer

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<sup>374</sup> Gudeman (2008).

<sup>375</sup> For a critique of theories of economic sociology from that angle, see Çalışkan and Callon (2009), Çalışkan and Callon (2010).

<sup>376</sup> Lapavitsas (2004).

whose waste paper he could turn into cash to make profit. Altuntaşlar's business was going well in those days and he did not need to buy the waste paper of this customer. His colleague could buy and sell the waste paper and make his instalment payment with the profit.

Customer share is not uncommon among neighbour traders in such industrial areas. Elyachar talks about the frequency of customer sharing as a standard practice by workshop masters in Cairo. This practice does not mean that workshop masters are less interested in pursuing their profit. On the contrary, the fact that the track of those exchanges is regularly kept and the expectation that such behaviour will be reciprocated shows that there is a motive of calculation and profit making.<sup>377</sup> The exchange with commissions, which occurs when, for example, a blacksmith who already has extra work, sends a customer to another one is closest to classic market exchange, whereas an exchange without commission can be considered as a combination of gift and market exchange. In the case of Altuntaşlar's owner and his colleague, the gift is a favour, which is not only done to maintain the good social relations between traders, but also anticipates a return when the person who offers the gift himself will need a favour in the future. In that sense customer share is a Maussian type of gift, which involves reciprocity and mutual obligation on both sides involved in the exchange of gift.<sup>378</sup> As Elyachar argues, in contemporary markets, differentiating gift from utility is a misplaced exercise since they are very much intertwined.<sup>379</sup>

Sharing customers is not the only form of gift-type exchange I witnessed in the Scrap Traders' Zone. The owner of Grup Plastic Recycling Company for instance, took the representative of a new company in the Zone as his protégé. The new company, originally based in the city of Antalya in the south of Turkey, recently invested in the recycling sector after calculating that profitability in recycling was increasing. The new company appointed a young officer responsible for finding waste sellers from several warehouses throughout Ankara. The owner of Grup Plastic liked this young man and introduced him to the people in his networks. Such a favour incarnated a sign of his authority in the Scrap Traders' Zone, implying a dimension of what Mauss argues about the gift relation: "to give is to show one's superiority, to be more, to be higher in the rank, magister. To accept without giving in return or without giving more back is to become client and servant, to become small, to fall lower."<sup>380</sup> Grup's owner's generosity was thus related to his desire for recognition of his authority, and his reputation in the Zone.

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<sup>377</sup> Elyachar (2005), pp. 154-155.

<sup>378</sup> Mauss (1990), p. 104.

<sup>379</sup> This relation between gift and utility changes in different societies. See, for instance, Gell (1992).

<sup>380</sup> Mauss (1990), p. 95.

On the other hand, since the new entrant was a powerful company with diversity in its investments, Grup Plastic's owner knew that establishing good relations with this company would be in his own interest.

The help provided by Grup Plastic depends on the recognition of his authority by others and is likely to be refused if this authority is challenged. Its owner criticises Recai, who recently opened up a new plastic recycling facility in the Scrap Traders' Zone despite his very limited capital and is unable to pay the money to traders who sell their plastic to Recai. While I sit in Recai's office, Recai lies on the phone to a trader who sent a large amount of plastic to his factory: "The driver is on his way, you will get your money soon" he says, while as he speaks, the driver of the company sits in front of me, waiting for his payment. "In this business, you have to lie. I mean, I have to lie. Look at this." He has unpaid cheques and is short of cash. According to the owner of Grup Plastic, Recai does not have the capacity to be a competitor on the Zone. "I offered Recai to buy his plastic in cash, but he refused... You have to lean your back against something," he says. And now he waits to see how Recai will act to resolve his financial problems. I soon realise that although conflict and envy are common in the Scrap Traders' Zone, confrontations and tensions can also turn into cooperation and it is not unlikely that Grup Plastic can work with Recai in the future if the latter accepts the terms and conditions of the former.<sup>381</sup>

Recycling factory owners can use real tangible gifts in their business, especially in order to attract waste dealers or create a friendly business environment at the workplace. Similar to the case in the Laleli district where textile manufacturers have a fridge or kitchen to offer various sorts of drinks and refreshment to transnational traders<sup>382</sup> who visit their shops, scrap traders have similar equipment to offer drinks and food to visitors. The owner of Bolat Scrap Metal Company, who is originally from the city of Niğde in Central Anatolia, offers me a local soda produced in Niğde, which is not easy to find in regular shops. Regular and reliable waste sellers who come from a long way by their trucks are treated more seriously and with great care and are offered lunch: it is important for them to think that their long travel was worth doing. Certain gifts serve more directly the utility of recycling factory owners. The partner owners of Çiftel Paper Recycling Factory, which has been doing business with printing companies in Ankara for a long time explains why they bought a forklift as a gift for each of the printing companies and send a staff regularly to help them. Printing companies have

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<sup>381</sup> As Mauss argues, people who had no choice in cooperating and giving in tribal life could suddenly pass from battle to festival and vice versa. Mauss (1990), p. 104-105.

<sup>382</sup> Yüksek (2003).

enormous amount of good quality paper and their first priority is to make sure that such waste is cleaned in their storage space. Çiftel staff uses the forklift to tidy up and pack the waste paper and then bring it to the factory. If Çiftel does not provide such services to buy the waste, printing companies could find another factory to do the same job. Such extra investment in forklift and staff enables Çiftel to continue the business relationship.

### **5.2.2. Political Relationships**

“Relationships are not things that exist outside a previously existing individual and subjectivity. Rather, the centrality of relationships is a habitus shared by the popular Egyptian classes... The question of who captures the positive relational value produced among workshop masters is a political issue,” says Elyachar in her fieldwork in Cairo.<sup>383</sup> In the case of Turkey, waste management regulations of 2004 brought to the fore the significance of political connections. The By-Law brought about specific obligations regarding the machinery, equipment, registration system for the processed and traded products, size, floor, ceiling and walls of the enterprise, sanitation system, technical staff who need to be employed and other infrastructural issues.<sup>384</sup> The By-Law also enabled companies to receive a temporary work permit until those requirements are met in order to cushion the effects of transition. However, it generated new forms of exclusion in the market. Local recycling companies, which were in the business for several years had suddenly found, as a competitor, an international company with local partners – ITC, which was promoted by the municipal mayor. It was not only the waste pickers who experienced ITC as a threat to their everyday life. During a recent visit to a new office centre in the Etlik district, the owner of a paper recycling company owner told me that the managers of the centre had refused to sell their waste because the metropolitan municipal administration asked them to sell their waste to ITC. “Of course they will sell to ITC, what else can they do?” he continued, with little surprise, to show his understanding of the situation. A refusal of the municipal administration’s request may cause trouble in the business of the centre due to the jurisdictional authority the municipality enjoys over business territories. The owner of the recycling factory is pragmatic: he accepts the situation as it is and moves forward to the next potential customer.

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<sup>383</sup> Elyachar (2005), pp. 145-46.

<sup>384</sup> For the technical details about the application procedures of licenses, see the By Law on Environment Permit and License, Official Gazette, 12 September 2014, no: 29117.



**Figure 14:** Recycling Company, Scrap Traders' Zone, İvedik, Ankara.

Not all traders could afford to be as careless as İsa since some had made significant losses in this new process of restructuring. The traders who were relocating their factories to the Scrap Traders' Zone from Macunköy upon the instructions of the metropolitan municipal administration were very frustrated by this intervention. Whereas the owners of a newly established company Kardelen, who made a lot of investment in their factory in Macunköy complained about the losses they had, the owner of the oldest company, Atalay Paper, which is now run by the son-in-law of its founder, preferred staying silent regarding the developments, although his silence was unable to disguise the extreme discontent reflected by his facial expressions. Atalay used to be the most famous waste paper factory before the introduction of waste management regulations. It was its owner who had given the debt to waste pickers to afford trucks to transport their waste. Now those trucks were travelling to ITC or other recycling factories offering better rates.

Another group who benefited from changes was constituted of former bureaucrats who entered the recycling sector and established new companies.<sup>385</sup> Incumbents felt less competitive when they compared themselves with these new players who had, they thought, better access to information and technical expertise. "They say he used to work for the Ministry of Environment before setting up this company," says a trader, with a malignant voice, while talking about a new entrant, which had four different ventures in different areas of recycling. Getting insider information was also important for the public auctions in which certain public institutions sold their scrap metal and paper through a competitive bidding process. It was necessary to follow, in order to have the competence to win an auction, the dates via special newspapers for commerce, and know the tricks made by traders during the auction such as the deliberate rise of bids. The practice of gift-exchange as explained in the previous section ceded its place to competition and intimidation in the case of auctions, which provided enormous supply of waste.

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<sup>385</sup> Such connections are common in the Turkish case. See Buğra (1996) and Evans (1997).

The revelation of corrupt practices in bidding as explained in the previous chapter would be read as a sign for the limitations of the collusion between state officials and private groups. The publicly revealed involvement of a company in the Scrap Traders' Zone, which I had visited in the initial period of my fieldwork - in one of those illegal practices in public auctions would remind the traders that collusion with state officials might be sometimes more dangerous than beneficial.

It looked like, for many traders, individual complaints and initiatives vis-à-vis state officials and politicians would be too weak to handle the consequences of new waste management regulations. A first initiative was set up by the owners of the Kardelen paper factory. The favouring of ITC and SIMAT companies by the metropolitan municipality and the Çankaya municipality put new companies such as Kardelen into a disadvantageous position. Kardelen wanted to start a set of negotiations with the metropolitan administration. It set up an association Atık-Der (Association of Recycling Companies), which would be a stakeholder in devising and negotiating a plan with the metropolitan mayor. According to this plan the city of Ankara would be divided into territories and each district would be under the responsibility of one company which would be a member of Atık-Der. Kardelen's strategy was meaningful, because it took its legitimation basis from the very logic and articles of the regulatory framework itself. However, the mayor was reluctant to negotiate formally with Atık-Der. The plan remained as a failed attempt to re-organise the recycling market.

A more formal initiative, which was more likely to yield productive outcomes, came from the Chamber of Scrap Traders<sup>386</sup> regarding another By-Law, which involved the business of scrap metal. As a very old organisation in the sector, the Chamber already had serious concerns regarding the content and amount of waste management regulations since 2004. According to the director, İrfan Çinkaya, "those regulations make it impossible for our traders to do business in a country whose infrastructure is not at the European level." The majority of the members at the Chamber were involved in the scrap metal business rather than plastic and paper and it was not until 2010 that the regulations specific to the scrap metal business were enacted. A By-Law enacted on 12 May 2010<sup>387</sup> put technical requirements, which, if implemented, would mean new and costly investment for a great number of scrap metal traders. For instance, for ferrous scrap metal the size of enterprise was set as 20,000 m<sup>2</sup>, for non-ferrous scrap metal this size was fixed as 5000 m<sup>2</sup>. This did not match with the current enterprise size of many traders.

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<sup>386</sup> Founded in 1952, Ankara Chamber of Scrap Traders represents approximately seven hundred traders in the scrap business.

<sup>387</sup> The By-Law on the Control of non-Hazardous and Inert Waste, Official Gazette, 12 May 2010.

Although scrap traders were discontent with these changes, the Chamber of Scrap Traders approached the issue as a matter requiring cooperation rather than confrontation. Traders used the more abstract concept of the ‘state’ as such while talking to the researcher (“The state has to support that sector”, “The state has to remove the withholding tax”), but started using possessive adjectives when they wanted to demonstrate their close engagement with the state: “We presented our problems to *Our* Minister; *Our* Director of Secretariat said that he would take those problems into account”. This shift from the more abstract, distant use of the state to a more intimate usage of the names of state officials showed a recognition of power as long as the actors who embody it are prepared to recognise them in return. In fact, from the symbolic and semantic universe of Turkish traders, power is not something to contest, deny or ignore, it is something to acknowledge and benefit from.

The word ‘mağdur’ comes from the Arabic origin ‘gdr’, which means doing injustice and cruelty to someone. The actor who executes this injustice and cruelty is ‘gaddar’, the one who is subject to it is ‘mağdur’ (the passive form). Traders felt that state regulations were an injustice and they were subject to this injustice (mağdur). Traders saw the state as the solution to this problem. They used the term ‘sahip çıkmak’ in claiming their expectation from the state. ‘Sahip’ comes from the Arabic origin ‘shb’ and has two related meanings. One is to be a companion, a friend; the other one is to be a guardian. In other words, traders wanted the state to be their guardian, companion, and also, to use their term, ‘not to leave them alone’. The scrap sector is said to be ‘sahipsiz’ (without a guardian). Interestingly, the state officials themselves adopted this linguistic framework and when they talked to traders they argued that traders would not ‘be left alone’ and subject to injustice (mağdur). It is worth noting that these concepts, which are normally used within the discursive framework of subalterns (workers or the urban poor) in their engagement with the state, are borrowed by traders. Or perhaps it is more meaningful to say that subalterns, traders and the state share a cultural and linguistic terrain from which different groups borrow concepts applicable to their situation.<sup>388</sup>

It is then thought that a guardian, an external actor, could provide the recognition, which is sought by traders. Behind this search for recognition there is the image of the scrap dealer as a petty dealer who walks from street to street with his carrier to buy the scrap furniture and metal

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<sup>388</sup> For instance, it is common that workers’ organisations and trade unions ask the state to remove injustices (mağduriyet), and to act as the guardian (sahip) of workers.

from households and shops. Although many early street scrap dealers<sup>389</sup> who came from villages to cities opened their shops made further investments and have decent earnings, they still think that this perception remains strong, which creates a feeling of inferiority, a sense of being devoid of public recognition. It is almost astonishing to see that this is a feeling, which unites the scrap trader with the scrap collector. Despite the chance of upward mobility the trader had, in his eyes, his social status is still not sufficient enough to leave behind the image of a scrap collector.

To what extent this search for recognition by the public authority would be a practical reality would be tested by the outcome of the efforts of the Chamber of Scrap Traders. The Chamber of Scrap Traders' representatives put enormous pressure on the relevant public authorities to change the By-Law on the Control of Non-Hazardous and Inert Waste. They contacted Ankara Chamber of Shopkeepers and Artisans and the Turkish Federation of Shopkeepers and Artisans (TESK), which are umbrella organisations representing the interests of small and medium scale business groups, communicated the potential effects of the new regulations and asked for support in lobbying the government. Unable to deal with the technical complexities of legal regulations, the Chamber hired a private legal consultancy company, which would provide legal services, and a private engineering consultancy company on the issue of the environment. Regular contacts with the General Directorate of Environment Management, General Directorate of Waste Management at the Ministry of Environment and Forestry were made and experts from the Ministry were invited to the Scrap Traders' Zone in order to give information about the By-Laws. Members of the Chamber were called to those meetings via mobile phone messages. Whereas experts reminded the traders that their business was redefined as a space to regulate, where technical standards would apply, traders learnt those regulations to understand how they can change them to their benefit. Although the Chamber filed a lawsuit to the Council of State in order to annul the By-Law on Non-Hazardous Waste, it established tactically a working group, which would produce a set of demands to be integrated into the By-Law. The Chamber also visited the Competition Authority to explain that the new regulations created unfair competition, because their requirements could only be met by very large companies, which would lead to monopolisation in the recycling sector.

The culmination of these attempts was the visit of senior officials from the Ministry of Environment and Forestry to the Scrap Traders' Zone to observe the situation and listen to the problems of traders from themselves. The Under Secretary Lütfi Akça, Deputy General

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<sup>389</sup> Toroğlu and Ceylan (2014).

Director for Environment Management, Recep Şahin, Director of Waste Management Bureau, Ahmet Mahir Erdem came from the Ministry to the Zone in 2010. This visit made the efforts of the Chamber visible and increased its legitimacy. In the initial days of the fieldwork the traders did not seem to have a high regard for the Chamber of which they were members. This time things seemed to start changing. Visits by ministers, vice-ministers, and chairpersons of government offices were considered to be significant events in the Scrap Traders' Zone.<sup>390</sup> The traders, the members of the governing board of the Chamber, ministerial delegation met in the room of the director first, the director of the Chamber delivered a speech on behalf of all the members. Then some selected workplaces were visited, and state officials asked a couple of questions. At the end a plaque in silver was presented to visitors as a memory of the day and a sign of respect and gratitude.

In *Negara*, Geertz talks about the expressive nature of the Balinese state “toward spectacle, toward ceremony, toward the public dramatisation of the ruling obsessions of Balinese culture social inequality, status and pride... A theatre state in which kings and princes were the impresarios, the priests the directors, peasants supporting cast, stage crew and audience.”<sup>391</sup> In the case of scrap traders, the particularity of the spectacle performed by politicians and traders in their formal encounter lies, ironically, in its utmost *banality*. Any private sector association organises similar visits, takes and publishes similar pictures, and uses a similar language in their speech. What one sees in the Scrap Traders' Zone, both physically and in the photographs, could be seen in many other local contexts, during the meetings between state officials and business groups: rows of businessmen and state officials in suits and ties, smiling faces, shaking hands, whose pictures will be published in the local business magazine and on the website of the relevant association. But once accepted as legitimate, this banality in rituals becomes an inseparable component of the overall performance, because its very absence would mean that something is missing, something is not properly done.

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<sup>390</sup> Making visits and receiving visitors are an important routine in the work of the Chamber of Scrap Traders. For instance since many scrap metal traders come from the village of Bala in the city of Ankara, the NGOs and municipal mayor of Bala are visited: Bala Mayor Halil İbrahim Gürbüz, Bala Chamber of Shopkeepers and Artisans, Bala Chamber of Drivers. The Chamber also visited the Director of Turkish General Assembly and metropolitan mayor, Melih Gökçek.

<sup>391</sup> Geertz (1980), p.13.



**Figure 15:** Visit of Vice Minister of Economy at the Scrap Traders' Zone, 26.6.2014, "Our Dear Minister, Welcome to our Zone"

*Photo credit: Ankara Chamber of Scrap Traders*

No matter how much work is done in inter-personal communications, unseen meetings and one-to-one correspondences, this very performance, because it expresses visually a picture, which local businessmen are used to seeing often in other contexts, becomes a must. In an environment where the economic activity of trading is also very much an act of performing, bargaining, arranging a good deal, even the researcher is expected to have her camera, notebook and other material to perform the role of a researcher and is not found to be persuasive in the absence of well-known props. Valuing the performance of power should not surprise. "A great part of politics and law is always theatre," said Thompson, "since a social system has become set, it does not need to be endorsed daily by exhibitions of power – what matters more is a continuing theatrical style... control is cultural is not to say that it was immaterial, too fragile for analysis, insubstantial. To define control in terms of cultural hegemony is not to give up attempts at analysis, but to prepare for analysis the points at which it should be made: into the images of power and authority, the popular mentalities of subordination."<sup>392</sup>

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<sup>392</sup> Thompson (1974).



**Figure 16:** Visit of Vice Minister of Economy, Scrap Traders' Zone, 26 June 2014.  
*Photo credit: Ankara Chamber of Scrap Traders*

The efforts and performance of the Chamber yielded its concrete result in one year-time. In June 2011, the new By-Law on the Recycling of Certain Safe Waste<sup>393</sup> annulled the previous one criticised by scrap traders. According to new regulations, the size of the enterprises handling ferrous scrap metal was allowed to be only 4000 m<sup>2</sup>, the size of those handling non-ferrous scrap metal only 1000 m<sup>2</sup>. Article 13 also made scrap metal traders who are only involved in the collection and segregation of scrap metal exempt from the environmental license. The change of numbers and the exemption from license for specific companies were deliberate: this way, many scrap metal traders who would not meet the heavy requirements and costs for the enterprise size and other technicalities would be protected.<sup>394</sup> This time, scrap metal traders were no longer victims of an injustice seeking a guardian, although the very spectacle where they had performed this role contributed to their final success. Unlike waste pickers or Atık-Der members, they had really participated into the re-making of the regulations, which shaped their market.

The relationship between scrap traders and the Ministry of Environment and Urbanism was significant in terms of showing how not only implementation but also contestation of rules can expand what Michael Mann calls the 'infrastructural power of the state'. According to Mann:

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<sup>393</sup> Official Gazette, 17 June 2011, no. 27.967.

<sup>394</sup> Ankara Hurdacılar Odası (2014).

“Every dispute between the elements of civil society onto the territorial plane of the state, consolidating social interactions over that terrain, creating territorialised mechanisms for repressing or compromising the struggle and breaking both smaller local and also wider transnational social relationships.”<sup>395</sup>

By participating in the re-making of waste management regulations, scrap traders had also accepted its main framework, its terms and conditions, and internalised the syntax of state regulations.

### 5.2.3. Trade, Morality and Evil Eye

Scrap Traders’ Zone, which consists of 1200 small, medium and large scale enterprises and hires more than 10,000 employees, looks like a small town where people know each other’s business deals, earnings and investments. Constant gossiping, interrogating, and observing each other’s business is common in the area. Traders would ask me what other traders said and did with the hope of getting some information. They would make judgements about the decisions others made, mistakes others made, and would question the source of the money they earn. They would compare themselves with others and reflect expressions of envy, anger, frustration and jealousy. Although traders do not socialise much, information is circulated very quickly across the Zone. A worker buys and borrows something from another workplace. People observe when a truck comes, when a new machine is bought, when one factory owner misplaces the electronic scale and makes some loss. When work partners get into conflict, news is heard very quickly.

When the owner of a recycling facility finalises a profitable deal or expands his business or there is a new entrant, this is heard and envied. The literature on evil eye provides robust evidence on how wealth accumulation provokes envy in communities and how this envy is conceptualised according to the terms of the fear of evil eye by the members of those communities. According to Gosh, “beliefs and practices which constitute the evil eye are enmeshed with the conditions of production and the villagers’ representation of the dynamics of their own economy... Envy (*hasad*) working through the agency of the glance (*nazar*) has efficient action and can destroy and harm the objects of people against which it is directed.”<sup>396</sup> According to Gershman, “evil eye belief reflects the fear of destructive envy, which arises

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<sup>395</sup> Mann (1984).

<sup>396</sup> Gosh (1983), p. 211.

from the inequality of outcomes. It effects real economic decisions by discouraging effort, wealth accumulation, upward mobility and encourages unproductive practices such as the concealment of wealth.”<sup>397</sup>

In the Scrap Traders’ Zone, traders do not let the fear of evil eye block upward mobility or disguise wealth. On the contrary, expensive cars, outfit, mobile phone accessories are praised. Yet, there is still a place for evil eye (*nazar*) in trade relations.<sup>398</sup> In the Turkish context, evil eye reflects less a fear of being punished than a discourse of legitimation for those who do not earn enough and an explanation for the sources of failure for certain traders: “You will not aim for too much profit. You should not be too greedy in that business. There is no end to competition in this business,” says the owner of a plastic recycling company. He then gives the example of a company whose partners fell out and they got trouble in their business because they were greedy and fighting for more money. His words remind me of Elyachar’s depiction of the understanding of evil eye by the workshop masters in Cairo: “legitimate pursuit of interest based on the satisfaction of needs is different from overproduction”, which provokes the evil eye.<sup>399</sup>

Success is praised, but its terms and conditions are open to moral debates. A completely utilitarian logic is not approved. Traders know that being too aggressive in price competition would cause harm to everybody. If one offers a very high price to a customer in order to attract customers and contradicts the economic logic, it disrupts others, but also prepares his own misfortune. “A company offered 170,000 Turkish liras to a printing company I worked with for years in order to get his waste paper,” says the owner of Çiftel company. He adds that in the past he and a few recycling paper factories came together and set the market price against the big paper factories, which colluded to buy waste paper at a lower price. Cooperation against this was at the benefit of all of the recycling companies, they thought, but with new entrants and reluctance of others to join them, this cooperation did not last long and the rules of the game were broken. In that sense, traders in the Zone were more like Modjokuto’s businessmen in the bazaar economy of Indonesia, as depicted by Geertz, who were self-made entrepreneurs

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<sup>397</sup> Gershman (2014), pp. 3-4. There is a range of cases from Brazil, Egypt, India, Spain, America where evil eye belief assumes a similar function and where communities develop measures to avoid the destructive effects of the evil eye.

<sup>398</sup> The words used for evil eye are the same in Turkish as in Arabic. *Nazar* comes from the master verb ‘glance’ in the Ottoman Turkish, which is a combination of Arabic and Persian languages. Thus the similarity between the Turkish and Egyptian case for the vocabulary of evil eye and envy.

<sup>399</sup> Elyachar (2005), p. 148-49. According to Elyachar, “attack of evil eye would rectify the overproduction of individual short-term gain and restore the homeostasis between cycles of short and long-term exchange.” p. 160.

seeking their own profit and efficiency, yet had little interest in collective action and organisation.<sup>400</sup>

The correct, moral and acceptable forms of behaviour are not fixed, but contested and shifted in practice. There is not an Archimedian point of reference from which traders are judged. Issues are taken on a case-by-case basis. There exist points of reference, perspectives to debate and judgements to negotiate. There is no purely right or wrong behaviour. For instance, an small intermediary trader is famous for cheating the people he works with, but this is considered as legitimate because he also makes his bosses earn a lot of money. “You have to ignore small cheating if someone makes you earn money,” says one of the traders. “If one thinks only about his own profit, he can not make profit himself at the end.” Moral codes are not rigid but are formed on a case-by-case basis. Certain traders can be self-reflexive and make moral judgements about their own behaviour: “... partners in that company had fought and were about to break their partnership. Due to the tension and fight, no one was there at the factory. Their sellers had to get their money. We saw that and we bought the waste for 350 liras... Although it was worth 500 liras. We did a kind of opportunism there.”

Business mistakes traders make are also discussed in the Zone as lessons to learn from. One of the oldest paper companies, Atalay Paper is remembered by traders as one of the most successful companies in the time of Çetin Atalay, who was also the person who gave advance money to many waste pickers as explained in chapter 3. His son-in-law who inherited the business is not considered as a skillful trader. He had the electronic scale built in the wrong place in his factory, which made it difficult for trucks to empty their waste. And now he was obliged to have the whole system re-built at a high cost. In fact, unlike other traders who were very active, talkative, watching what workers were doing, making comments, and ardently dealing with customers, he looked rather quiet and disoriented. Making good decisions depended on traders’ experience and the intuitive and tacit knowledge<sup>401</sup> they accumulated over the years. “You will know which good will sell itself while buying something”; “You will only trade the goods you have experience in”; “You will specialise in one thing if you do not want to lose”; “One partner should play the good cop, the other the bad cop with customers,” were all the result of such experience coming from the everyday practice in the market.

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<sup>400</sup> Geertz (1963), p. 127 and 130.

<sup>401</sup> For the significance of local tacit knowledge in trade see Elyachar (2012).

Certain recycling companies in the sector were seriously criticised by scrap traders. Those companies were considered to be wealthy, they had immense supply of scrap metal and hired dozens of workers segregating the scrap metal. There were rumours that they were involved in illegal activities of fake invoice and theft. Traders were unhappy about this situation; they thought that one of the reasons scrap trading had a low reputation in society was due to these traders who violated legal rules. Although such lack of reputation led to the problem of low self-esteem on the side of certain traders, they tried to justify their work as valuable, similar to waste pickers who legitimised themselves as recycling workers contributing to the welfare of the economy.

Factory owners had their own offices, were dressed differently, but emphasised several times that they never forgot where they came from. It is worth noting that some of them worked together with their workers or spent time with them as if they were their co-workers, as I directly witnessed. They considered themselves as creating employment for the workers, or used the term ‘family’ for people who worked in their factories.<sup>402</sup> This desire for moral legitimation can be also seen in the personal stories told by traders. A visit by a labour inspector from the Minister of Labour and Social Security had made Mehmet very emotional because the inspector, who had noticed that Mehmet’s employees were socially excluded people such as Roman waste pickers. Normally most of these people worked without any social insurance at the factory. But the inspector congratulated Mehmet and said that he should be officially praised for giving these people whom employers would not employ a chance to earn a living. In the Zone, there were many factories, which hired day labourers from such poor neighbourhoods. It was an advantage for employers to call workers and their relatives when there was too much waste to recycle and not to incur any additional costs when business was usual. But rather than presenting the use of informal, unregistered labour as a benefit, Mehmet showed it as a favour he made to workers.

Envy, gossip and contradictory stories of morality can not be considered as traditional beliefs and practices associated with local trade. On the contrary, the globalisation of the recycling market, the determination of the prices by the global exchanges provoked further the contradictory feelings of envy and morality. Small traders were observing how large companies with access to capital could enter the sector for the purpose of profitable investment; existing incumbents were observing how some new recycling companies with technical expertise and political connections benefited from the changes in waste management

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<sup>402</sup> See Jacoby (ed.) (1991) for paternalism and French employers.

regulations and others chose to get into illegal practices of theft and smuggling. While recycling was becoming a much larger and international business, aggressive pricing strategies of new entrants, rapidly changing scrap prices indexed to the global exchange, and the collusive market behaviour of paper and plastic factories destabilised business in the Scrap Traders' Zone and made it more difficult to foresee the market behaviour and make sound business decisions. Not all traders in the Zone were able to deal with these constraints with equal competence. The ones who were successful were thought to be so by unfairly disrupting the business of others or by having access to connections, which were not available to all, because under the conditions of competition no one could make so much profit. The ones who really made profit, on the other hand, did not have the fear of misfortune.

#### 5.2.4. Trust

There is no word more frequently used than 'trust' in the Scrap Traders' Zone.<sup>403</sup> The answer to the question of what the regulative principle of trade is remains trust; traders talk about the crucial significance of trust, how, in the absence of trust, business relations would not occur. Most traders were proud of having earned the confidence of businessmen they worked with to the extent that their word was considered as insurance stronger than any official/contractual document. Nevertheless, the more I spend time with traders at their offices, factories, and in one-to-one or group conversations, the more I realise the contradictions of this discourse: the same traders who underline trust, complain about traders who cheat and lie, those who give false cheques or steal, those who do not make payments on time, and those who deliberately raise prices to put other companies in a difficult situation. How can something, which is a scarcity, regulate trading relations? What are the sources of these contradictions? Why is Scrap Traders' Zone as much a space of suspicion as trust? What kind of different meanings does trust connote, reinforce and disguise? Is trust absolute, equal for both sides or conditional? In what ways are relations of trust affected by the inequalities in the recycling sector?

According to Weber, "participation in a market encourages association between the individual parties to specific acts of exchange and social relationships, above all that of a competition, between the individual participants who must mutually orient their action to each other."<sup>404</sup> In the market, trust between individual parts of the exchange is considered to be necessary. For, by reducing the complexity of social reality, trust offers a possibility for actors to choose one

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<sup>403</sup> For an investigation of trust relations amongst the Turkish businessmen in Mardin, see Atalay Güneş (2012).

<sup>404</sup> Weber (1947), p. 139.

action rather than another.<sup>405</sup> Trust is thought to happen when the specific economic cooperation is considered to be at the benefit of both parties as in game theory, but such a view ignores the power relations and the institutional structure of the market.<sup>406</sup> In fact, trust can be created, broken and destroyed in the market depending on the changing power relations.<sup>407</sup>

The role trust assumes depends on the nature of the market where exchange relations take place. In her fieldwork in the informal textile industry in Laleli, İstanbul, Yüksekser<sup>408</sup> finds that the buyers and sellers do not know each other, there is no legal sanction due to the informality of transactions, and information asymmetry is high. In this context trust represents a principle of taking risk (although a precarious and unstable one) for both sides and which is consolidated via repetition. When a shop owner gives clothes to a trader with trade credit and when this credit is paid back after the sale, the relation of trust is strengthened. Both sides work under constraints: the wholesale operators want to sell and get payments back, retail traders need to finish shopping in a very short periods of time. Under these constraints, both sides want to build long-standing partnerships. Trust does not refer to a prior social relation on which the market relations are built; it is created by the market actors themselves. Partnership collapsed during the Russian crisis of 1998, because it depended on the availability and flow of cash in the informal market of Laleli. Yet, new partnership relations were built later with new actors who could survive in or enter the market.

In the Scrap Traders' Zone, the market was similar to what Yüksekser describes. There was a hybrid use of formal and informal trading activities. The buyers of scrap metal, paper and plastic were large factories, which were either in Ankara or other cities. In fact, a specific market transaction is rarely a purely impersonal exchange. A significant amount of intersubjective relations and the building of trust are required to make market transactions happen. For recycling factories, finding waste sellers, making deals with paper, metal and plastic companies, following scrap auctions, and learning new license requirements involve a lot of contacts, which involves developing and nurturing personal relationships.

In the previous section I tried to explain how such relationships require, in certain cases, access to political connections as well, but at the individual company level political connections are not unlimited resources available to everyone. Many factories have to rely on their own staff

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<sup>405</sup> Luhmann (2000), pp. 95-98.

<sup>406</sup> Korczynski (2000).

<sup>407</sup> Möllering (2008).

<sup>408</sup> Yüksekser (2003).

and connections in order to buy waste. Skillful individuals who can find and consolidate these connections may become strategically important. Baki is one of these individuals who had past experience in the recycling sector. He worked for different factories in the past and was hired by a new recycling company after its establishment. Recycling appeared to be a good option at the time, but since none of the owners had previous experience in the sector, they looked for a person to help them with the business. Baki knew a lot of people and persuaded many warehouses to sell for this new entrant. Egyptian workshop masters would say of this situation: “he brought his market with him”.<sup>409</sup> Baki pretended that he was a pious person in order to please to the owners of the new factory who had strong religious beliefs: “It was amusing. I suddenly saw Baki praying five times a week. Whereas just one day before we were all at the pavyon, drinking alcohol”<sup>410</sup> says a small trader, laughing and thinking about the scene with Baki.

Another new entrant to the sector hired Ferhat who regularly visited warehouses to talk with warehouse owners. He knew how to speak to and please warehouse owners, and how to make them satisfied. Even a small difference in price, coupled with nice words to appeal to the pride of the warehouse owner, could make a difference in capturing a new customer. “You should know how to speak to different people, even your way of smoking and talking should change depending on the person you talk to,” said Ferhat, when I ask him how he manages to attract warehouses to sell for his company. The owner of Çiftel follows the newest developments not only in the recycling market, but also investigates all business novelties in the city in order to figure out who can be potential producers and sellers of waste. He visits newly established shopping and office centres in different districts to distribute his business card and offer to buy their waste.

Although there are regular buyer-seller relationships, small sellers want to try different factories and investigate whether payment would be on time. From this rationality, on-time payment is important for a warehouse owner, because he should pay waste pickers he hires or other small sellers from whom he bought waste. If one wants to avoid losing suppliers in the Scrap Traders’ Zone, the way suppliers are treated also makes a difference. Suppliers are welcome to the offices and taken care of in a hospitable manner. During different visits to the recycling factories, I saw suppliers sitting in the office of the owner. Small warehouse owners,

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<sup>409</sup> Elyachar (2005), p. 150.

<sup>410</sup> Pavyon is the name for a Turkish traditional local night club with dancers and singers where women accompany customers at their table.

whose outfit rarely represents a businessman, were treated as important people. Factory owners would take some time in sitting, talking, and having a drink with them.

According to Lapavitsas, the need for trust emerges from the use-value of the products sold in the market. Buyers want to make sure that a product is of good quality, and meets certain standards.<sup>411</sup> That is why trust supports capitalist relations in the market. Thus sustainable commodity exchange has a pre-requisite of trust. Such a conceptualisation is valid when there are regular relations between buyers and sellers, and there are similar cases in the Scrap Traders' Zone. Trade credit (the delivery of a commodity by the seller to the buyer with the promise that the payment will be made at a later date) is given to those companies with whom one has a relationship of trust. However there are cases in which despite the lack of established relationship between the buyer and seller, the seller has to rely on the buyer's word, because there are not sufficient buyers in the market who offer cash payment. This time the seller is obliged to trust, because he/she does not have sufficient bargaining power in the market. For instance, as compared to a larger factory which can afford to make its product wait in the stockpile until there is cash in the market or prices rise, the smaller companies cannot wait. Either they sell at a cheaper price or sell to someone who promises to pay shortly. In that context trust is an obligation involving risk. It can either consolidate with the realisation of the promise or dissolve in its failure. It is not because the seller has a confidence he built over time in the buyer, but because he did not have much choice in the market that he accepted to grant this trust temporarily to the buyer. Trust then turns into a means to put pressure on the seller whose bargaining power is low.<sup>412</sup>

Interestingly, it is exactly this vocabulary of trust and risk minimisation that the director of Troy Metal Company, concomitantly the founder of the İstanbul Metal Exchange (IMEX), used while explaining the rationale behind the building of the Exchange. This time, trust was not between a buyer and a seller, but delegated to a third party. This third party was Troy Metal, which facilitates and convenes the Exchange website where buyers and sellers find each other in a completely de-personalised way. Neither the buyers nor the sellers have to know each other. The interface enables them to define their needs to buy and sell and make an offer. When the price offered and price wanted match for a specific product, the system approves the deal. The physical delivery is made under the guarantee of the İstanbul Metal Exchange, which provides the legal sale contact, logistical operations and control for the finalisation of the deal.

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<sup>411</sup> Lapavitsas (2004).

<sup>412</sup> For a similar argument in the context of the relations between large ship companies and their subcontractors in Tuzla district of İstanbul, see Akdemir (2008), p. 171.

Each product has to meet certain standards also approved by the Exchange. This is similar to a system of ‘institutionalised trust’ based on contractual obligations.<sup>413</sup>

“Our experience suggested that it was extremely difficult to find a good buyer and seller whom one can trust,” said Hüseyin Çelik, the director of İstanbul Metal Exchange, in his fancy office located on the sixth floor of one of the three towers of the famous World Trade Center in İstanbul. “That is how we decided to develop this system.” After research in the market with one-to-one communications with traders, Çelik and a team of individuals consisting of managers, traders and IT experts had several meetings until they came up with the most efficient design to facilitate online trade. Anybody in China, for instance could have a trading partner in the Scrap Traders’ Zone in Ankara thanks to the system of IMEX. I was curious about daily trading volumes to understand the frequency of use by traders. Çelik’s voice became hesitant and cautious: “Well, you know, it is all about politics. We are not able to reach out to our targets yet, because we have not got the support of the Ministry of Industry.” IMEX representatives had meetings with the Ministry of Industry and Technology about the Exchange, and they presented their system at a meeting with stakeholders. However, they were still waiting to hear from the Ministry in order to promote the benefits of the Exchange further. “You know, in Turkey, if you do not have such support, you can not disseminate something like this.” Since he avoided giving further details despite my questions I had to read between the lines: there was interest in the Exchange but it was still not commonly used among traders. The promotion by politicians was expected to create the mobilisation for the widespread use of the Exchange.

In his investigation into the formation of new exchanges in the U.S., McKenzie depicts the portrait of a senior trader who had to “coerce, cajole, admonish and plead” with people in order to persuade them to use the exchange. He asked them to do a favour in return for previous business relations and friendship networks.<sup>414</sup> Exchanges do not get users by themselves. There is need for individual actors (both political and market actors) to use and promote the system, show the benefits of its use, persuade others that it is beneficial, evoke curiosity and interest, and create vested interests in the system. Whether İstanbul Metal Exchange will be able to achieve this consent both from market and political actors remains an open-ended question.

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<sup>413</sup> According to Zucker (1985) this form of trust to guarantee market transactions is incarnated by laws, regulatory institutions, stock markets and labour unions.

<sup>414</sup> McKenzie (2006), p. 155.

## **Conclusion**

The recycling market has become increasingly global in the last two decades. The domestic price of the recyclable commodities depends on changes in currency rates, global regulations, elasticity of demand for commodities, economic crises, and supply and demand by major producer and consumer countries. Turkey is truly integrated with the global recycling economy in terms of its import and export volumes, and of using the global exchange (LME) price in metals. That is why all the factors, which affect prices as cited here, also influence the local traders in the recycling sector.

In this context, a trader in the Scrap Traders' Zone faces a number of market constraints. Increasing the supply of waste, finding reliable buyers, solving financial problems, coping with price fluctuations, and learning and adopting to changing state regulations, all require personal networks, building of trust, exchange of gifts, and access to political connections. Capacity to create, mobilise and maintain such relations enhances the ability to deal with those constraints and when possible, turn them into opportunities. When such resources are unequally distributed, and unfairly used at the disadvantage of others, they provoke debates about the link between trade relations and morality. Helping a fellow trader by sharing his/her customer or networks, providing trade credit, cooperating to change a state policy show that traders develop among themselves informal rules to survive in the market.

## **Chapter 6: Waste and Global Market: Historical Evolution of Rules and Regulations at the London Metal Exchange**

### **Introduction**

The website, which stays permanently open on the computers of the scrap traders in Ankara, showed the LME prices. The Exchange has recently announced that it would launch new scrap contracts for 2015, but even when it only determined the global reference price for metals, traders in Ankara used metal prices as an index for their scrap metal. Although local traders spoke a market language in terms of the factors effecting prices (exchange rate, level of import and export), they had little knowledge about how the LME determined daily prices. This chapter investigates closely the Exchange which looks alien to those who are subject to its price discovery mechanism. It argues that the trading practices at the Exchange are not less real than what is performed in the Scrap Traders' Zone contrary to the perceptions of the local traders in Ankara, and they are in fact part of what makes up the global market beyond their deliberate intentions.<sup>415</sup>

As in the previous chapters, the focus is on the rules, codes and regulations which organise the market. Since its official inauguration in the nineteenth century, the Exchange has undergone drastic transformations. Today, all traders indicate 'more and more regulations' as the most important change between the past and the present of the Exchange. The proliferation of rules both in the City of London in general and at the London Metal Exchange in particular coexists with the development of the so-called 'free markets.'<sup>416</sup> This chapter examines first the historical evolution of regulations from the nineteenth century to the contemporary period. To achieve this task, it focusses on three significant turning points: the international tin crisis, the Big Bang and the Sumitomo Affair, which all resulted in important regulatory changes at the

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<sup>415</sup> Çalışkan (2010).

<sup>416</sup> Vogel (1998).

Exchange. This section also deals with the most recent rule changes to a series of legal and regulatory battles between metal producers, United States' regulators and American investment banks, which are the LME members. Second, the chapter analyses how new metals have entered the orbit of the Exchange and how new Exchange traded contracts were designed and implemented.

The narrative about the historical trajectory of the LME is justified by its ability to show the similarities with the Turkish market. Although some aspects of the LME are heavily formalised and de-personalised, i) other aspects remain still informal and personal ii) in the past customary relations, personal trust and corruption were also prevalent at the LME. Furthermore, development of new contracts and struggle over new regulations at the LME exhibit some patterns similar to the way in which market actors interact with each other and state actors in Turkey, as will be shown at the end of the Chapter.

### **6.1. Historical Evolution of the LME Regulations**

The London Metal Exchange was officially founded in 1877 with the establishment of London Metal and Mining Company, but its origins can be traced back to 1571 when metal traders began to meet regularly at the Royal Exchange.<sup>417</sup> The Ring tradition was born at the Jerusalem Coffee House: a merchant drew a circle on the floor and call out 'Change'. All traders willing to trade at that point came to the circle to make their bids and offers. During the Industrial Revolution when the UK started importing large tonnages from abroad,<sup>418</sup> the metal traders who bought metal from Chile and Malaya faced the challenge of guessing prices at the time of the ship's arrival months after they made their deals. With the invention of telegraph, lines of communication were set up between continents and the shift from sail to steam ships made arrival times predictable. Merchants started selling the metal for forward delivery on a fixed date. In other words, in order to protect themselves against price risk (potential fall of prices during the time of the shipment), they used a future contract. In 1869, the opening of the Suez Canal reduced the delivery time of tin from Malaya to match the three month delivery time of copper from Chile. This became the origin of daily prompt (settlement) date for contracts from today to three month forward at the London Metal Exchange. After diverse addresses in the City of London, the current home of the Exchange became 56 Leadenhall Street.

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<sup>417</sup> LME, "History", [www.lme.com](http://www.lme.com).

<sup>418</sup> Hobsbawm (1999).

The rules regulating the exchange remained customary and informal for a long time. In the nineteenth century the Exchange adopted a rule, which stated that if in its opinion a corner was being attempted, it could investigate and take whatever action it considers proper to restore the equilibrium between supply and demand.<sup>419</sup> There was no clearing house and prices were set up as the outcome of a ring settlement.

“Each member began to submit a daily confidential return to the Secretary of the Exchange showing the warrants he owed or was due to receive from each other member on the prompt date together with the balance of his transactions with the market as a whole. The Secretary was able to fit these returns together, isolating the members who were long in the market, and direct them as to whom delivery of warrants should be made.”<sup>420</sup>

During this period and later during the 20th century, the LME was like a club market, which is “constituted of a group of their traders for their mutual protection and are based upon trust and non-legal sanctions.”<sup>421</sup> The stock exchange rules included the companies listing requirements and the system of single capacity, which prohibited members from acting as both broker and dealer (jobber).<sup>422</sup> Most senior traders at the LME remember the pre-1980 Exchange as a club of gentlemen smoking cigars who walked around with their suitcases full of warrants, which were only guaranteed by their own word, ‘Dictam Meum Pactum’ (my word is my bond).<sup>423</sup>

## **6.2. Regulatory Transformation: Tin Crisis, Big Bang and Sumitomo Affair**

The structural changes to the LME in the 1980s and 1990s were the outcome of a number of major events. The first big shock came with the tin crisis, which erupted in 1985. Until the tin crisis, the international tin market was largely influenced by the international tin council established by the signing of the international tin agreement in 1954.<sup>424</sup> The Council consisted of producer countries led by Malaysia, Indonesia and Thailand, and consumer countries including Japan and the European Economic Community. The Council, when it saw necessary for the equilibrium of the market, asked its members to put export quotas to facilitate the adjustment of tin supply to the global demand. Second, it bought the surplus tin when prices fell below a certain level. When demand was higher, the surplus tin was sold to stabilise the

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<sup>419</sup> Cranston (2007), p.27.

<sup>420</sup> Cranston (2007), p. 14

<sup>421</sup> Collins (2002).

<sup>422</sup> Taylor (2002).

<sup>423</sup> “London Insiders Remember Big Bang”, *BBC News*, 26 October 2006; “Big Bang Memories, 1986 Revisited”, *Financial News*, 12 October 2011.

<sup>424</sup> The international sugar agreement was signed in 1954, the international coffee agreement in 1962, the international cocoa agreement in 1972 and the international rubber agreement in 1980. See Gilbert (1995).

price. This was called the buffer stock function of the Council. The LME was important for the ITC, because it was one of the trading platforms in which it bought tin. Over time, the Council found it very difficult to stabilise prices because the world demand for tin decreased and countries, which were not its members (such as Brazil) increased production, contributing to an oversupply. Furthermore, certain industries started using other types of metal and plastic as a substitute for tin. In order to compensate for the negative effects of these developments, the Council borrowed huge funds from international financial institutions, but in the long run it was unable to make its re-payments on time.

The ITC entered into a financial crisis by 1985.<sup>425</sup> It had made enormous purchases of tin at the LME from 1982-1984 and 14 of the metal trading companies at the Ring had assumed positions on behalf of the ITC, which had obligations to buy 50,000 metric tonnes of tin at a price of 12,100 dollars per tonne (the floor price at which ITC committed to). Since the LME did not have the system of an independent clearing house during this period and had the principal-to-principal contract system, if a client defaulted, the unmet obligations of the ITC would become the obligations of the dealing members. Although the Bank of England warned about this situation, the LME could do little about the Council, because it only regulated members, not their clients.

The crisis situation aggravated further, culminating with the announcement of the ITC that it had run out of cash on 23 October 1985. Tin prices fell drastically upon this statement and one day after, on 24 October, the LME suspended its tin dealings. Prices were negotiated at a rate lower than the time of suspension at the LME. The LME consulted the Bank of England and private banks to see the feasibility of a rescue package together with the ITC. Apart from a financial package, the solution was considered to put emergency limits on the amount the tin price could fall in a day by the LME.<sup>426</sup> Hoping to compromise between sellers who wanted the October price and buyers who wanted the lowest current price, the LME fixed a price in the middle on 8 March 1986 at 6,250 pounds per tonne. MMC Metal went bankrupt; six other companies withdrew from the Ring and others had to be re-organised and buttressed by parent companies. This failure put pressure on the LME to change the principal-to-principal system and set up a clearing system requiring immediate registration of all trades and payment of margins and offering the Exchange's guarantee of payment on every contract.

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<sup>425</sup> Chandrasekhar (1989), Mallory (1990).

<sup>426</sup> "Tin Crisis has Ripple Effects", *New York Times*, 4 November 1985, by Steve Lohr.

The new system was governed by the London Clearing House (LCH),<sup>427</sup> and worked as follows: one clearing member makes a contract with another clearing member to buy metal. Both clearing members enter the details of the trade into the computerised matching system, which feeds the information to the LCH. The system is monitored and controlled by the LME staff. When details including time of trade, price, prompt date (settlement date for contracts), contracting parties and volume are entered, the trade is accepted as matched. The LCH assumes a contractual role in these matched trades, becoming the buyer or seller for either party. This protects clearing members from the risk of business failure. Against the market risk it takes, the LCH requires a payment of margins (cash amount that covers the extent of losses a contract might incur), whose amount is decided on the basis of a member's net position (profit and losses) and which can be paid in cash or in collaterals via bank guarantees.

Six months after several companies had to withdraw from the Ring, a number of rule changes at the London Stock Exchange (LSE), famously known as the Big Bang due to the path-breaking transformation they generated, were introduced on 27 October 1986. The new rules enabled 100 per cent outside ownership of member firms at the LSE, abolition of fixed commission charges, removal of the distinction between a stockjobber and stockbroker. The brokers and jobbers were now allowed to act in dual capacity (both on their behalf and for their clients); firms could sell bonds and shares to investors and trade them as principals. Senior dealers who experienced these changes express mixed perceptions and feelings. The old stock exchange motto 'Dictam Meum Pactum' ceded its place to a detailed record of audits and regulations. A group of commercial banks bought up traditional and established broking and jobbing firms; American investment banks supplanted the British Merchant banks.<sup>428</sup> The City started offering new financial instruments to investors, which were imported from the American finance system. Traders at the LME told how they used to observe the organisational features and financial instruments of the American markets and adopted some of them to the British context.

The dissemination of new financial instruments to Europe and the UK from the 1980s onwards revealed an important dimension about the nature of rules, going beyond the dichotomy of 'restraining vs. enabling'. One indirect, yet very powerful effect of rules, is that actors develop new strategies while attempting to avoid rules. Black gives several examples of how much financial strategy and innovation was developed as a means to cope with the restrictive

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<sup>427</sup> From September 2014, LME Clear, owned and operated by the LME itself governs the clearing system.

<sup>428</sup> "London Insiders Remember Big Bang", *BBC News*, 26 October 2006; "Big Bang Memories, 1986 Revisited", *Financial News*, 12 October 2011.

regulations<sup>429</sup>: standby letters of credit were developed in the US because of prohibitions on national banking associations from issuing bonds by way of guarantees; Regulation Q, which limited interest rates US banks could pay their depositors, gave way to the rise of money market mutual funds.<sup>430</sup> In his historical investigation into American finance, Konings argues that banks' most creative financial strategies were due to their desire to circumvent regulations by the government. For example, banks transformed illiquid loans into tradable asset-backed securities, which could then be sold to a third party or transferred to special investment vehicles. Domestic limitations pushed banks to exploit opportunities of derivatives and foreign exchange markets in the Euromarket.<sup>431</sup> Another interesting financial instrument, Quantos, was invented because it allowed investors who, by law, were not permitted to speculate in a particular currency, to do so indirectly without being caught. For instance many investors were not allowed to buy large amounts of non-US dollar instruments. But they could buy Quantos, because the payments were in US dollars.<sup>432</sup>

The introduction of new instruments and deregulation of financial markets were accompanied by a series of new regulations, which consolidated over time in the aftermath of financial scandals and fraud in the 1990s. The first Financial Services Act was promulgated in 1986 and came into full force in 1988. The new Act established regulatory supervision by the Securities and Investment Board (SIB) and a number of self-regulatory organisations (SROs) responsible for its registered members.<sup>433</sup> The Securities and Futures Authority was set up as a self-regulating organisation (SRO) which had the responsibility of regulating firms engaged in the securities and futures sector of the financial services market including shares, bonds, traded options, corporate finance and futures. The SFA was also responsible for regulating the LME members.

In 1989, a year after the Financial Services Act came into full force, Neil Banks came to work at the LME. Having started his business life in 1975 as chief accountant in brokerage houses, Neil Banks joined the LME as the Director of Finance, and had an important role to play in the development of the Compliance Department. In his own words, in 1989 the Compliance Department was, "literally a cupboard, one guy sitting there, he did not know what he was

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<sup>429</sup> Financial innovation is not linked simply to regulatory constraints. For details see Konings (2011).

<sup>430</sup> Black (2013).

<sup>431</sup> Konings (2011), p. 127.

<sup>432</sup> Partnoy (2009), p. 72.

<sup>433</sup> The Financial Services Act was amended with the Financial Services and Market Act of 2000, which was also replaced by the Financial Services Act of 2012, which established the Financial Conduct Authority (FCA) responsible for the regulation of the LME as well. Those broader regulatory changes are not within the scope of the dissertation. See Taylor (2000).

supposed to do and was reading a wine magazine.” According to Banks, in those days even the newly founded Securities and Futures Authority (SFA) did not know exactly what the regulation of commodity markets was supposed to mean. It was a trial and error process. “SFA set the general rules saying ‘you must maintain a properly orderly market’. We said ‘what does that mean?’ and they said: ‘let’s talk about it’”, said Banks, astonishing me in the middle of our lunch at Café Bella near Victoria Station, right before he catches his train back home to the countryside where he spends his retirement days when he does not do consultancy work in the City.

As Neil Banks continues to speak, I think about how the rules which we take so much for granted when they are in operation, were, in fact, not at all clear in the minds of those who originally made them. Managers were too aware that market players could create many aberrations and what is called an ‘orderly’ market was definitely not a spontaneous outcome of players’ activities. Rather, it could only be the result of actors who properly followed certain rules. But the question was: what differentiated proper trading practices from improper ones? Should there only be sanctions on bad practices or was it possible to implement preventive measures? Such issues required a considerable degree of judgement both on the side of market participants, regulators, compliance departments and special committees of the commodity exchange.

The LME started recruiting people to set up a new compliance system for the surveillance of its members. Since Banks previously worked for brokerage houses, which were also setting up their own compliance department, he transferred staff from those houses. He was very careful in selecting people. He wanted them to combine analytical abilities of accounting with the ability to think commercially. He hired a former accountant of Price Waterhouse who worked in different countries with considerable experience. Yet, thinking as a trader while writing rules was not sufficient. It was not easy for the LME members to accept and adapt to regulatory changes. Neil Banks and his co-workers had to justify to the LME members why it was their own good to implement these changes. It was also Neil Banks who convinced the LME Directors to implement computerised systems, which started operating from 1995 onwards.

In 1996 another serious event, known as the Sumitomo Affair, led to the imposition of new rules on market participants who hold dominant positions.<sup>434</sup> During 1991-1996 Hamanaka, a senior trader at the Japanese Sumitomo company established in different times a dominant long cash and futures position obliging shorts either to deliver or close out at a Premium. A short position is the sale of a borrowed security or commodity with the expectation that the asset will fall in value. A long position is the buying of a security or commodity with the expectation that the asset will rise in value. The strategy of Sumitomo was called a short squeeze, because by raising the spot price of a commodity as a result of buying back positions from short sellers, he induced backwardation. In the state of backwardation, the future price of a commodity is lower than the cash spot price.<sup>435</sup> During a short squeeze more people attempt to buy the spot as its price increases<sup>436</sup>, triggering a chain reaction. If the market is in backwardation in its normal situation, the LME does not make an intervention. But if backwardation is caused by a manipulative squeeze strategy, it has the right to use specific market intervention policies such as imposing backwardation limits. From 1991 to 1996, the LME not only imposed backwardation limits in different times but also sent a letter to Hamanaka expressing concerns about the company's copper positions. In June 1996 Sumitomo announced losses of 1.8 billion following unauthorised trades by Hamanaka. Hamanaka would later be jailed and a comprehensive consultation process would be started at the LME to investigate to guarantee that such improper trading practices do not happen again. *Market Aberrations: The Way Forward*, which the LME published in October 1998 is the result of this consultation process.

The first area of consultation was the publication of information about the position (whether speculating or hedging) of market participants, which was already a common phenomenon in the US regulatory framework. After the Sumitomo Affair, the Exchange realised that lack of information and lack of surveillance over clients had been serious problems in its capacity to notify and prevent the cornering of the market. But what kind of information would be collected and made accessible? How would it help the market to be more transparent? From the perspective of new institutional economics, reducing information asymmetries would enable market actors to make better choices and compete efficiently. Yet, such an approach takes for granted that there is 'market information' as such, which, once available to all, can facilitate perfect competition for those who know how to evaluate it. Although new

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<sup>434</sup> Gilbert (1996); "Factbox: Some LME Investigations", *Reuters*, 2 October 2009.

<sup>435</sup> By contrast, when the future price is higher than the spot price the market is told to be in contango.

<sup>436</sup> Knafo (2009) explains how the peculiar logic of speculation lies in the speculators' ability to inflate prices by pushing actors to buy assets with the perception that prices will rise.

institutional economics acknowledge the bounded rationality argument,<sup>437</sup> they have little interest in problematising the very nature, scope and performative effects of information in and about the market. When an Exchange officially selects, collects and publicises a specific type of information, it is no longer any random piece of data in the market. It obtains a performative feature. Some market actors can use that information as a signal to engage in abusive behaviour. As the consultation document stated,

“Although individual companies would not be named, there was concern that coupled with information already in the market place, the *new information* could expose individual members unfairly to concerted market behavior, even when the members were not in any way abusing their large positions.”<sup>438</sup>

Despite these concerns, the LME believed that information about large positions should be known to market participants on an anonymous basis, on certain conditions:

“The LME believes that users of the markets have a right to know if large positions are held in the market, although large position information will need to be *interpreted* by market users with care. If information is published regularly, the development of such positions should become more readily apparent and can be *taken into account* in determining trading strategies.”<sup>439</sup>

What do we mean by interpretation with care? Not all dominant positions mean an abuse of the market. In the words of Diaurmid O’Hegarty, who was the Director of Compliance in 2010, market participants sometimes behave as if the dominant position holder has stolen the commodity whereas in fact he bought it legitimately on the market. That is why dominant positions are legitimate as long as they are in compliance with the existing rules and regulations. According to the LME,

“a dominant position holder would be *abusing* the market *if it used its dominant position to require other market users to pay more to meet their needs than they would have had to pay had the market reflected the natural interplay of supply and demand without any participants having a dominant position.*”<sup>440</sup>

If someone has a dominant position in the stock, he incurs additional responsibilities to the market to avoid his inherent market power resulting in market abuse, and this may mean that while he has a dominant stock position, he will no longer be able to undertake trading strategies that would be acceptable in other circumstances. But as the LME accepts,

“The problem is that while the concept is clear, its application involves considerable *judgement*... Market users criticise the lack of certainty and what

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<sup>437</sup> See Kato (1996).

<sup>438</sup> LME (1998).

<sup>439</sup> LME (1998).

<sup>440</sup> LME (1998).

they see – incorrectly – as arbitrariness; while the dominant position holders seek definitive guidance on what price they can charge.”<sup>441</sup>

The resulting market regulation tool became the *Lending Guidance*, which shows what type of information the LME will collect every day from its members (including their clients). In case this information suggests that someone has a dominant long position, the dominance being defined by the *Guidance* itself, then what the position holder should do is described with specific steps. According to the *Guidance*, every morning at 8.30 AM members have to send relevant figures in order for the LME to calculate their positions.<sup>442</sup> The relevant position is called WTC (W, defining total of warrant holding; T, net positions for delivery tomorrow and C, net cash trading position for delivery in two business days’ time). The W + T + C is divided by the number of live LME warrants for a specific metal. The result signifies the position of this holder. The cash price used to calculate the premium each business day is the LME official cash settlement price published on the previous day. In order to prevent market dominance, the LME also aggregates the positions of a client across all brokers while reaching its estimate of dominant positions. If the LME finds out that a member or client holds 50 per cent or more of the warrants and/or cash today/cash positions in relation to stocks, the member<sup>443</sup>

should be prepared to lend, *if asked*, at no more than a Premium of ½% of the cash price for a day. If at any time a member or client holds 80% or more of the warrants and/or cash today/cash positions in relation to stocks, he should be prepared to lend, if asked, at no more than a Premium of ¼% of the cash price for a day. If at any time a member or client holds 90% or more of the warrants and/or cash today/cash positions in relation to stocks, he should be prepared to lend, if asked, at no more than the cash price.<sup>444</sup>

According to Mark Bradley, a very young and excited staff member, who has been working at the Compliance Department since 2006 after his experience as a research analyst in Soft Commodities and who would later become deputy head of Market Surveillance Team, the imposition of this rule depersonalises the relations of compliance: the rule applies equally to all. Everybody knows that the result of a dominant position as defined by the *Guidance* has its consequences. Bradley is also the person who contributed to the development of a Dashboard showing real time price movements during the day while sessions on the Trading Floor continue. When there is a price anomaly in the market, the users of the Dashboard from the

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<sup>441</sup> LME (1998).

<sup>442</sup> LME (2009).

<sup>443</sup> LME (2011).

<sup>444</sup> LME (2011).

Market Surveillance and Compliance Teams can zoom on the screen to detect which exact transaction creates this anomaly. “I had the idea and brought it to the IT department to see whether it is feasible,” says Bradley, while showing me how the Dashboard operates. Dashboard is one of the market surveillance instruments, which are designed by those who observe and monitor the market everyday and think about ways to improve transparency; it illustrates the cooperation between human cognition and computerised programs.

Another area of debate in the consultation for the *Lending Guidance* was the specific market intervention policies that the LME would use. Some of the market participants suggested automatic backwardation limits rather than discretionary ones. This would mean that at a pre-determined level of backwardation, there should be a pre-determined limit to impose. But the LME did not consider this as an option, because in certain cases,

“a backwardation reflects a *natural state or sentiment of the market*. A temporary backwardation in a metal can be caused by a strike at a producer, reaction to a regional economic crisis, natural disaster in a mining area or any other temporary (actual or perceived) interruption to supply or increase in demand. Markets such as LME are open to backwardations driven by market Fundamentals and it is a vital role of the markets to provide liquidity, entice supply and satisfy demand in these situations. Automatic backwardation limits would interfere with the free interplay of demand and supply and undermine one of the main functions of the market.”<sup>445</sup>

That is why the LME decided to keep the discretionary power over backwardation limits when it judges that the market is not orderly.

### **6.3. Rules as Arenas of Struggle: New Warehousing Rules and Commitment of Traders' Reports**

After the introduction of the *Lending Guidance* in 1998, for a long time the LME did not change its rules about the publication of information collected from market participants. From time to time there was pressure from industrial consumers to publish the nature of position holders (for instance speculators or hedgers) and even put position limits on derivatives as in the case of the US, because their perception was that speculators were mainly responsible for inflating prices. The LME managers would respond that speculators were buying the price risk which industrial users wanted to hedge and without the liquidity brought by the speculators there would be less possibility for industrial customers as well. One main reason why the LME

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<sup>445</sup> LME (1998).

resisted publishing the type of positions was that, “the market is too complex to identify each position by intention. It is an open debate that such categorised position information needs to be treated with caution.”<sup>446</sup> “Part of the problem is that major players hold positions on behalf of their clients.”<sup>447</sup> The attitude of the LME in terms of its approach to regulation could be considered as a conscious recognition of such facts. “More rules do not help,” said Diarmuid O’Hegarty. “The best use of the rules you have in a lot of cases will work better.” “There will always be someone breaking rules. You do not measure your success by disciplinary action, you measure it by how orderly your market is over time.” According to the head of the Compliance Department, regulations could not be parallel to what market actors do. They were not reflections of their actions, as market players would expect. They could only encourage good and bad practice.

The LME thought that one should give sufficient time to a new regulatory framework to function properly for the market. Constant implementation of new rules might be futile because of the problem of regulatory lag. Regulatory lag occurs when regulators take an enormous amount of time in analysing the market, applying rules or devising new ones; by the time a regulator identifies a problem and tries to correct it, most of the abuse in the market is already done. Furthermore, by the time new rules are implemented, actors could already find new loopholes in the existing regulatory framework.

At the LME, regulations which come from inside the LME and from outside are differentiated by traders. Many of them would call too much regulation an excuse for politicians to put the blame on financiers and traders in justifying themselves. They agree that excessive regulation is a disincentive for market actors and do not correct market aberrations. “Ask yourself why they are doing that,” says the manager of a Ring dealing company. “Regulators are empowered by the government, the government is run by politicians who are the worst for seeking to blame somebody else. Therefore regulators never want to be in conflict with the politician... those people do not have experience of the market. Exchange people have their own regulatory services.” Another one thinks that regulators have to please the politicians and find someone to blame for the crisis. The memory of the devastating consequences of the tin crisis is so powerful that nobody seems to question the use and legitimacy of the regulations, which followed the crisis including the Clearing House and the setting up of the Compliance department. The LME traders differentiates legitimate and necessary regulation and excessive

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<sup>446</sup> “Factbox LME answers questions on large, speculative positions”, *Reuters*, 29 July 2009.

<sup>447</sup> “LME Bows to Alcoa, Rusal on Trading Transparency: Will It Work?” *Metal Miner*, 10 October 2013, by Stuart Burns.

regulation, the former set up by the LME itself and the latter imposed by politicians and financial regulators such as the FSA. George Adcock, the business manager at the LME tells me that the LME has competently survived the bankruptcy of some of its members as compared to the crises in the 1980s and 1990s. The way the LME handled the bankruptcies of Lehmann Brothers (2008)<sup>448</sup> and MF Global (2011)<sup>449</sup> without any loss of credibility to the Exchange demonstrates the healthy functioning of the Exchange.

After its sale to the HKEx Group on 24 July 2012<sup>450</sup>, a leading operator of exchanges and clearing houses based in Hong Kong, the main financial centre in Asia, certain changes were observed in terms of its approach to regulations. In 2013 giant aluminium producers Rusal and Alcoa asked the LME to publish speculative positions similar to the US. According to Rusal's chief executive there was a need for greater transparency in the LME's disclosure of commercial and non-commercial positions. Rusal said that, "knowing the level of speculative positions is essential in a market where LME trading volumes last year in aluminium derivatives was more than 30 times higher than industrial demand for metal." Alcoa confirmed: "The dramatic increase in trading volume on the LME in recent years is predominantly due to the increased trading activity from financial investors who do not participate in the underlying physical markets."<sup>451</sup>

From 5 August 2014, the LME started publishing a Commitments of Traders Report (COTR), which consisted of a report for each business day of the previous week, collectively published on a weekly basis. The data summarised is produced from the Daily Open Position Statistics submitted in the Daily Position Reporting System. The LME made five classifications: i) producer/merchant/processor/user ii) broker dealer/index traders iii) money manager iv) other reportables v) not defined.<sup>452</sup> The data included: total open interest, total number of shorts, short position change, percentage of total open interest, total number of longs, long position change, total net position, net position change and total number of entities.

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<sup>448</sup> "Lehmann suspended from trading on LME/ICE/LIFFE", *Reuters*, 15 September 2008, by David Sheppard and Anna Stablum.

<sup>449</sup> "MF Global suspended from LME trading, CME clearing after bankruptcy filing", *Reuters*, 1 November 2011.

<sup>450</sup> "LME Shareholders approve HKEx's 2.2 billion takeover bid", *Bloomberg*, 25 July 2012, by Agnieszka Troszkiewicz and Maria Kolesnikova. The sale was thought to bring more resources and opportunities including new clients in mainland China, clearing of products denominated in yuan, registration of Asian warehouses.

<sup>451</sup> "Aluminium producers demand LME Release more positioning, warehouse data", *South China Morning Post Business*, 12 September 2013.

<sup>452</sup> For an example report see, London Metal Exchange, *Commitment of Traders Report*, 24 October 2014.

In 2013, another conflict emerged in relation to the LME warehouses. Warehouses constitute an important part of the LME's role in the market, because it is believed to help price convergence between the futures and the physical market. To what extent the prices discovered at the LME reflect the physical market is of the utmost importance to market participants. The LME warehouses serves the industry during periods of over and under-supply; it is not a substitute, but a support of the actual supply mechanism. The LME does not sell or buy metals, it just approves warehouses in different locations and storage facilities. 700 warehouses all around the world are themselves owned by private companies. The LME uses the information about inventories of these warehouses as an indicator to understand metal supplies while it makes decisions regarding its specific market intervention policies as described above.

In 2010 some American investment banks bought several warehouses, which triggered a chain of conflictual situations, leading to serious allegations both in the UK and the US regarding price manipulation. Normally these bank holding companies such as JP Morgan were prohibited from direct participation in commodity markets because of the Company Act in the US. This prohibition did not apply to Goldman Sachs and Morgan Stanley, which were investment banks until they became bank holding companies in 2008. After that date the Federal Reserve gave a five year grace period (expiring in September 2013). In 2005, the Fed gave JP Morgan approval to enter the commodity markets, but it prohibited the bank from expanding into storage business because of risk.<sup>453</sup> Five years later in 2010, JP Morgan bought UK Based Henry Bath and Sons which operated 76 warehouses in eight countries, whereas Goldman Sachs bought Romulus, Michigan-based Metro International Trade Services, which operated 34 out of 39 facilities of storage in Detroit area.<sup>454</sup> Since then aluminium stockpiles in Detroit warehouse surged 66 per cent and accounted for 80 per cent of US aluminium inventory monitored by the LME and 27 per cent of the total LME aluminium stockpiles.

Before the sale of several warehouses to investment banks, warehouse customers used to wait an average of six weeks for their purchases to be located and delivered to factories. After the sale to investment banks, this period went up to sixteen months. Since storage is an important component of the premium added to the price of all aluminium sold on the spot market, the delays meant higher prices for everyone involved in the market.<sup>455</sup> The involvement of financial institutions in commodities' trade gave them an additional advantage, because

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<sup>453</sup> See "Fed Reviews on Big Banks' Commodity Trades after Complaints", *Bloomberg*, 20 July 2013, by Bob Ivry.

<sup>454</sup> "Commodity Trading in Jeopardy Amid Fed Review", *Wall Street*, 22 July 2013; "Goldman and JP Morgan Enter Metal Warehousing", *Bloomberg*, 2 March 2010.

<sup>455</sup> "A Shuffle of Aluminium, but to Banks, Pure Gold", *New York Times*, 20 July 2013, by Daniel Kocieniewski.

ownership of physical assets gave them insights into the physical flow of commodities.<sup>456</sup> End users said that this caused long waiting times that inflated premia and distorted the market price.

This situation alerted the US regulators who started considering whether investment banks should be under scrutiny and asked to withdraw from the physical commodity business. The US Commodity Futures Trading Commission (CFTC) and Department of Justice launched probes into the metals' warehouses situation.<sup>457</sup> Although the CFTC did not regulate the LME and did not have any authority over physical commodities' trading, it was still able to, "claim jurisdiction through a no-action letter it granted allowing the LME to operate in the US or through metal futures traded on CME Group Exchange."<sup>458</sup> The rising complaints alerted the Financial Conduct Authority (FCA) in the UK. Upon the complaints that queues were caused by the deliberate actions of banks to artificially inflate prices and distort the supply and demand, the FCA started considering an investigation into metals' warehousing.<sup>459</sup> These pressures led the LME to re-consider its own warehousing rules.<sup>460</sup> Although the LME contested the accusation that the supply of metal was late by arguing that it is not a supplier, but only a market of last resort, it could not remain indifferent to the allegations that the increased premiums charged due to more delays made the cost of non-LME metal lower than the LME-traded metal, which could harm the credibility of its price discovery mechanism.

The proposed changes included two phases: in the first phase, the LME would aim at preventing stocks and queue lengths from increasing. For instance if an affected warehouse (which is the warehouse with load out queues of more than 100 calendar days) has a minimum load requirement of 3000 tonnes of copper per day and loads in 3500 tonnes of copper per day for that calculation period, during the preliminary discharge period, it will have to discharge its minimum load-out requirement plus an additional surplus of 500 tonnes of copper per day. In the second phase, the LME would aim at reducing stocks.<sup>461</sup> The two big aluminium producers, the American Alcoa and Russian Rusal disagreed with these proposals. Alcoa sent a letter to the US Commodity Futures Trading Commission and the UK Financial Conduct Authority calling the LME proposal a 'misguided' effort that would disrupt the market. Alcoa claimed

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<sup>456</sup> "LME warehousing queues: Will the new LME proposal have an impact?", *Commodities Now*, August 2013.

<sup>457</sup> "Regulators urged to probe metals market abuse", *Reuters*, 10 November 2013, by Patrick Jenkins and Jack Farhy.

<sup>458</sup> "CFTC puts metal warehouses on notice of possible probe", *Reuters*, 22 July 2013, by Josephine Mason.

<sup>459</sup> "FCA considers investigation of metal warehousing", *Reuters*, 31 July 2013, by Susan Thomas and Douwe Miedema.

<sup>460</sup> "LME approves stricter warehouse rules", *Wall Street Journal*, 7 November 2013.

<sup>461</sup> "LME warehousing queues: Will the new LME proposal have an impact?", *Commodities Now*, August 2013.

the LME should halt any plans to implement the changes<sup>462</sup> and it was fundamentally wrong for an Exchange, which should have acted as a neutral platform, to alter the rules of the market with the aim of moving prices (regional premiums). Rule changes would lead to a decline in the premiums and profits would be hurt. Without higher premiums to offset low underlying prices, producers were likely to limit capacity to remove excess in the market.<sup>463</sup> Rusal applied to the UK's High Court in December 2013 after the LME announced that the rule changes would be implemented by 1 April 2014. According to Rusal, the consultation process was unfair, procedurally flawed and proposed changes were a breach of human rights.<sup>464</sup> In March 2014, the court decided that the LME had not properly consulted alternatives by putting the rules on hold. The LME appealed the decision. The UK Court of Appeal ruled that the consultation process was not unfair or unlawful, overturned the lower court judge's ruling in March 2014, after which the LME announced the date of the rule changes as 1 February 2015.<sup>465</sup>

The US regulators and politicians were not satisfied with the proposals and pushed for more drastic changes. The Exchange found itself as an actor engaged directly in American politics, having meetings with senators who put pressure on regulators to lobby for changing the LME rules. The US Senator Sherrod Brown (Chairman of Senate Banking, Housing and Urban Affairs Committee) asked, before the court decision to approve rule changes, in September 2014, that the CFTC should probe the LME to ensure aluminium trading and warehousing are free of manipulation and such a review should come before the agency grants full registration to the LME as a foreign trading exchange.<sup>466</sup> After the LME won the court case, it hoped that it could convince the senators that the rule changes would be sufficient to handle transparency problems in prices. Yet Sherrod Brown pushed for, "a cap rent that warehouse operators can charge on metal stored in their hands, discouraging stockpiling by putting a limit on the money to be made from storing."<sup>467</sup> This measure was considered to be drastic and anti-competitive for the LME. The LME was, "caught between producers such as Rusal who fear rule changes could lower aluminium prices and industrial users who have long complained that prices have

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<sup>462</sup> "Alcoa and Rusal are beneficiaries of warehouse logjam", *Wall Street Journal*, 23 October 2013, by Matt Day.

<sup>463</sup> "Alcoa complains to UK, US regulators about metal warehousing", *Reuters*, 21 October 2013.

<sup>464</sup> "Rusal takes LME to court over warehouse rules", *Financial Times*, 24 December 2014, by Mark Odell and Neil Hume.

<sup>465</sup> "LME wins UK appeal over Rusal", *Bloomberg*, 8 October 2014, by Andrea Gerlin; "LME wins court appeal in aluminium dispute", *Wall Street Journal*, 8 October 2014, by Eise Erheriene.

<sup>466</sup> "Senate Democrats urge review of LME aluminium trading", *Bloomberg*, 28 September 2014, by Silla Brush.

<sup>467</sup> "LME lobbying to prevent regulators from increasing oversight of bourse in the US", *International Business Review*, 17 October 2014, by M. Rochan.

been propped up artificially”.<sup>468</sup> The fact that it was under the pressure from the CFTC review on the one hand, and UK legal authorities on the other hand, shows how much regulations become a terrain of struggle between different actors.

#### **6.4. Development of New Contracts**

Although the LME price remains the global reference price for non-ferrous metals and steel billet, a trader does not have to use the exchange-traded contracts. He/she can opt for an over-the-counter (OTC) trade. As opposed to a centralised exchange, an OTC contract is traded via a dealer network. Although the OTC contracts escape the heavy regulatory costs of exchange-traded contracts, they do not offer regulatory protection such as risk aversion and clearing.

How were the LME-traded contracts born? The first metals traded at the LME in the nineteenth century were copper and tin. The copper contract was upgraded to high grade copper in November 1981 and the current Grade-A contract came into being in June 1986. The current tin contract was introduced in 1979; lead and zinc were officially traded from 1920 onwards. Zinc has undergone a number of upgrades, most recently with the introduction of the special high grade contract in June 1986. Primary aluminium was introduced in December 1978 and today’s high grade contract began trading in August 1987. Nickel commenced trading on the Exchange in April 1979; aluminium alloy in October 1992. In March 2002, a special aluminium contract, namely, North American Special Aluminium Contract (NASAAC) was launched to meet the specific hedging requirements of the American automotive industry, by making delivery points close to the proximity of end users.<sup>469</sup> Steel billet was launched in 2008, plastics contract on 27 May 2005,<sup>470</sup> although it was delisted from April 2011 onwards due to its limited success.

Launching a new contract requires a process of standardisation. The metal has to be severed from its ties, decontextualised, de-personalised and framed as a marketable good with pre-defined standards. In the language of the Actor Network Theory, it has to be ‘disentangled’. To be traded at the LME, a metal should be of a specific quality, quantity and have a specific delivery and settlement date. For example, for the LME aluminium contract, the quality is specified as primary aluminium with impurities no greater than in the registered designation

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<sup>468</sup> “LME takes battle to Washington after London warehouses win”, *Reuters*, 17 October 2014.

<sup>469</sup> Schofield (2007).

<sup>470</sup> “LME to delist plastics futures”, *Plastics Today*, 20 October 2010.

P1020A in the North American and International Registration Record, entitled 'International Designations and Chemical Composition Limits for Unalloyed Aluminium'. The quantity is specified as 25 tonnes (with a tolerance of +/- 2 per cent). The form and shape are ingots, T-bars and Sows. For the LME, there is one more important feature, which is the delivery and settlement date: TOM is the next business day from today. The cash prompt date is two business days from today followed by other daily prompts up to three months. TOM, CASH and 3 month prompts roll on a daily basis. Weekly prompts are on every Wednesday of the month from 3 months to 6 months. Monthly prompts are on every third Wednesday from 7 months to 123 months.

The launch of a new contract receives resistance first from producers since they prefer producer pricing.<sup>471</sup> Until 1978 aluminium prices were set up by the six major leading aluminium producers.<sup>472</sup> Alcoa, Alcan, Reynolds, Kaiser, Pechiney and Alusuisse covered 73 per cent of primary aluminium, 80 per cent for alumina and more than 60 per cent for bauxite. The companies with smelters operated alumina plants to supply alumina to smelters and bauxite mines to supply bauxite to alumina refineries. These producers resisted the trading of aluminium at the LME. Initially the LME volumes were low, but a series of developments helped the eventual success of the contract. First, over time, new competitors entered the market. The number of merged companies also increased. The share of the original aluminium producers dropped significantly. Second, the collapse of the Soviet Union brought about an enormous amount of metal on the free market, which put a downward pressure on world prices and also led to the collapse of predatory pricing. In another example, nickel, three large companies controlled production for a long time. In 1969 the Canadian Inco went on a major labour strike, which decreased supply despite growing demand during the Vietnam War years. New countries emerged as producers such as the Dominican Republic and Australia, and Canadians lost domination. Another strike at Inco in 1978 increased prices and a nickel contract was launched in 1979.<sup>473</sup>

During the fieldwork, the steel billet had just been launched and market players were monitoring to what extent it would be successful, especially given the fierce resistance by major steel producers such as Mittal. During the debates over steel, major steel producers such as Mittal made fierce attacks on the LME. It was a paradox, on behalf of Mittal, to contest the

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<sup>471</sup> Producer pricing is the setting of the price of a commodity by major producers in the global market.

<sup>472</sup> Nappi (2013).

<sup>473</sup> Martin Abbott, "LME Week Dinner Speech", *Commodities Now*, 13 October 2009.

steel billet given that the company was a category member four at the LME to hedge other parts of its business via the Exchange. In the words of the former LME CEO, Martin Abbott,

“What they fear is a loss of control. And yet I have not seen any analysis which would suggest that they have to control in the first place. I think Mittal’s claim to control steel is a dangerous claim. They have a perception they would be losing control because of this new tool. Of course, when you look at the group, they are highly sophisticated in the hedging of their own interest rates. We know they are making uses of equities market because of their own floatations. I am reasonably confident they are hedging their energy exposure. They are not without the skills. They tend to separate what they see as hedging inputs into their business and then their core product as being something they do not want to see any kind of control over their product.”

Michael Overlander, the CEO of one of the ten Ring Dealing companies, Sucden, makes a similar comment.<sup>474</sup> “History shows that initially very few producers like the conception of a futures contract because it takes away what they guard very jealously.” Who is interested in exchange traded contracts if not producers? There exist drives: first, on the consumer side who use metals as inputs in production, there is always a need to plan ahead and thus hedge the price risk. Second, the Exchange itself has a propensity to expand in order to boost the profits of its members, especially given the existence of alternative contracts offered by competitors (Shanghai Exchange in China, Chicago Mercantile Exchange and Chicago Board of Trade (CME) in the US). Third, financial investors have an appetite for new products. Yet the presence of general need and interest does not imply any comfortable and smooth transition to a new contract. The market players and the Exchange itself have to be convinced that the contract is commercial enough to make profit. But this is a self-fulfilling process. If more people use the contract, it becomes more profitable. “Market has its own power but it is also about human relationships in attracting more business. You can take a horse to the water but you cannot force it to drink. When a contract is created there is a demand for them... If they can see that they make a profit out of it, they can trade in... nothing will be an over night success,” says the director of a major market data research and distribution company in the City.

In the case of the aluminium alloy contract, it was certain consumers who visited the LME to discuss the need for a contract. In the words of Neil Banks,

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<sup>474</sup> “The Pricing Power Battle, Steel Futures”, *Commodity Risk*, Incisive Media.

“The director of purchasing raw materials from four motor companies visited us in London... Most used aluminium alloy in cars. They could not use a global contract because the Mid West contract is significantly different... Chemistry of alloy is different. They came with ideas and it was over a lunch. All we do would be to design a brand new contract for North American delivery only and we created two contracts, Eurasian and North American. Contract design is five minutes. Getting the chemical specifications right is longer and getting supply chain’s consent several months. We went to Mid-West several times to do meetings with scrap collectors, smelters, companies. We had a whole big meeting and it was fantastic.”

However, the proposal to launch a contract for aluminium alloy was not welcome by all stakeholders such as smelters for fear of losing their competitive power. It was big companies such as General Motors, which backed up the contract and supported the LME contract.

“I spoke to scrap convention in Las Vegas in a panel with the chief from General Motors and his counterpart. I gave an intro to futures and hedging and the scrap recyclers were like “who is this English bloke with suit in our business?” Bob from GM said: “I am going to announce that a hundred per cent of our aluminium alloy next year will be the price of this guy, the LME price. You better get used to it.” It was apocalyptic for these guys. We had a big show down with some people. What they did not want was a delivery point in Baltimore because this could be an entry for Eastern Europe. They thought Eastern European alloy could come in. We said: “No this is a free market, you have to compete with the imported alloy. It has to be that way.” Secondary smelters said “we’re not accepting that”. The guy who chaired the meeting said: “If those guys do not sign up to this then we do not do the contract and then you can talk to GM, Chrysler and Ford how you sabotaged this contract. And it got done.”

For Banks, the most important thing is to get private ownership for contracts. He is conscious that it is a waste of time to get the support of everybody. One has to find people who exert the greater influence over others. “If you get somebody to buy, then you have a vested interest,” he says. Normally, in the supply chain, end users are the best people, because they are obliged to hedge their price risk and they may also force their own suppliers (as in the case of the auto industry) to hedge their own price risk too. Yet, the launch of a contract is not a sufficient condition to ensure its eventual success. As the Reuters’ metal reporter, Hümeýra Pamuk says, the LME managers literally lobby big investment banks such as JP Morgan and Goldman Sachs in order to convince them to use the product. In the case of steel, only after 2 years, steel billet became fairly successful, after the realisation that US scrap price, the LME Steel Billet price and Turkish rebar price correlated.<sup>475</sup> The use of the billet by Stencor, Mitsui, Metalloid

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<sup>475</sup> “A Successful Year for the LME Steel Billet contract, Prices Picked Up 2010/2011”, *Metal Miner*, 17 January 2011, by Stuart Burns.

and Deutsche Bank played an important part in this. However one year after this positive development some investors started taking their business away from the LME Billet. Deutsche Bank moved its steel derivatives to CME in the US, which offers steel swap, CME billet and scrap swaps.<sup>476</sup> By 2014, the interest and participation in the contract further declined due to an enlarging gap between contract prices and the physical market.<sup>477</sup>

In the vocabulary of Actor-Network Theory, the LME managers and their team pass through the stages of ‘problematization’ (formulating the need for market participants to hedge their risk for a given metal), ‘interessement’ (creating a contract and justifying its benefit to people who can find it attractive), ‘enrollment’ (getting people to voice their interest in and to actually start using the contract) and finally, ‘mobilisation’ (getting large volumes of contract traded on the Exchange).<sup>478</sup> Development of new contracts also depends on the ability to identify the needs and potential new areas to exploit. Global investment banks are the LME members and the LME is close to the physical industry via the operations of its brokers who make deals with several clients from all over the world. Thus appetite about new products can be identified via these networks. Furthermore the LME made a pro-active effort to reach out to emerging Asian markets by opening an office in Singapore in April 2010. In the words of Martin Abbott,

“We have huge amount of business on the Exchange generated from the Asian markets. A large part of events happening in the Asian market is effecting the price. You’ve also got the growth of Shanghai Futures Exchange. And we are building our warehouse in there. We were in Asia for a long time but we’re expanding our network. We were in danger of being or being perceived as disconnected from the growth engine of business, which is Asia.”

The LME’s increasingly global presence in Asia brought a lot of tangible and quick results. HKEx Group based in Hong Kong made an offer to buy the LME and the deal was accepted by the LME members in 2012. The LME applied to the CFTC in the US to become an approved foreign exchange. After the LME was sold and Martin Abbott stepped down from his position, the new management of the LME consolidated further the ties with Asia. Cash-settled steel rebar and scrap contracts, announced to be launched by 2015,<sup>479</sup> can be considered as a response to the growing competition by Shanghai Futures Exchange (SHFE) where such products are already traded. “If you do not trade rebar or iron ore in the metal sector, you are

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<sup>476</sup> “Deutsche Bank Abandons LME Steel Billet”, *Reuters*, 22 June 2012.

<sup>477</sup> “LME affirms support for billet contract as stocks drop to zero”, *Steel First*, 13 August 2014.

<sup>478</sup> Callon (1986) and Latour (2005).

<sup>479</sup> “London Metal Exchange to Launch Scrap and Rebar Contracts”, *Metal Miner*, 24 June 2014, by Stuart Burns.

behind,” said Hümeýra Pamuk, while we were having our coffee at Starbucks in the City of London. In 2010, she was thinking that the LME was unable to catch up with and meet the needs of price risk aversion of the entire global market. At the time, I was unable to fully appreciate this critique of the LME since the LME looked like the centre of the global metal industry from inside the Exchange where I spent a lot of time, but Pamuk turned out to be right. The steel rebar contract, launched at the SHFE in March 2009, became the most traded metal by volume by 2013, and the new management of the LME did not want to miss the opportunity to offer competing products. Whereas the SHFE added hot-rolled coil to the steel wire contract, the LME also announced that it could add iron ore (whose price ceased to be negotiated and which was traded on the spot market beginning from 2010), coking coal and steel coil.

### **Conclusion**

This chapter depicted the historical emergence and development of the rules and regulations at the London Metal Exchange. The story of 30 years of transformation suggests that the LME’s internal rules have been developed gradually as a result of i) an attempt to find regulatory solutions to market aberrations ii) a necessity to adapt to the broader regulations in the financial sector iii) an effort to expand the scope of metals covered and the volumes traded at the Exchange. This brought about an intensive formalisation of contracts, rules and surveillance in the market as compared to the period before 1985. Lending Guidance, Clearing House, Compliance Department, Rule Book are changes which have been developed as a response to the problems encountered by the LME. This stands in contrast to the Turkish local market in which, although the global reference price of the LME is accepted and used, there are still many issues including unpaid cheques, trading tricks with regards to the quality and quantity of the traded goods, unkept promises due to the informality of trading arrangements, theft and corruption. What is new in the local market in terms of formalisation, on the other hand, is the new waste management regulations, which impose new license obligations. Similar to the conditions imposed by the LME on their different categories of members, Turkish traders in the recycling business are required to meet certain standards in terms of staff, physical infrastructure and technical rules of collecting, storing and selling waste.

The new regulations in Turkey classify different categories of waste in a very detailed way. Each type of waste is codified and both waste producers and recycling factories need to use those categories in filling in the specific forms of registration, which enable those market

actors to be officially recognised by the authorities of waste management. In other words, traders are re-defined by those authorities as individuals to be monitored by the state, whereas traded goods take new names with new standards. This process of getting codified by the authorities for a recyclable good becomes a pre-requisite for being traded. The rule defined by the state thus becomes a constitutive component of the recycling market. At the LME, there is a process of standardisation for metal contracts. When the LME defines a contract, it has to determine all qualitative and quantitative aspects of the metal itself, to disentangle the metal from all previous connections and all complex technical, physical, regional contexts. When there is a global steel contract price used by the Turkish traders, it refers to a metal whose features have been clearly defined by the LME itself. The LME can determine the global price only after this process of standardisation. This process of re-defining both by the state and the global exchange becomes a component of the vocabulary of traders themselves.

Traders in the Scrap Traders' Zone do not have the trading volumes and financial power to use the risk management tools offered by the LME. That is why they are exposed to price volatility more than the LME traders and their clients. Turkish traders, on the other hand, can use a pool of resources as a means to cope with the uncertainty in the market. They can share customers, benefit from the economy of gift, and delay the repayment of trade credit by relying on long-standing relations of trust, which are open to be broken and re-built. A retrospective outlook at the LME, however, suggests that personal trust was also very important before the Tin Crisis. When the crisis occurred, the words given by traders could not prevent many from making significant losses. Informal trust mechanism in transactions was replaced by the Clearing House in which the third party undertakes the risk of default. In Turkey, this mechanism is still missing except for a rather small and experimental İstanbul Metal Exchange. Rather, many traders still suffer from unpaid cheques or broken promises.

In both markets, political exchange was an important aspect of the market activity, although the nature and intensity of the exchange varied. In the Scrap Traders' Zone, traders were conscious that political relationships had become even more important after the introduction of new license regulations. If the new regulations were simply a matter of technical requirement, then forms of exclusion would be based on to what extent one has the financial and infrastructural capacity to meet such requirements. But they could observe that public authorities could favour and collude with some private actors by violating the very rules and regulations. Although patronage networks were criticised, traders recognised the value of

political power and wanted pragmatically to use it at their own advantage rather than asking for its withdrawal from their business.

At the LME, the importance of political exchange became more significant when regulators assumed a greater role. Traders and managers of the LME perceived the role of regulators as political actors who wanted to control the market and whose priorities (for staying in power) contradicted the requirements of the market. They were discontent with the interventions of the American and European regulators, who did not understand the specificities of the metal markets. Turkish traders were also unhappy with the imposition of European standards, which contradicted the reality of the local scrap trade market. In both cases there was a search for exerting pressure on politicians when the decisions of the latter were considered as a threat to the usual way of doing business. The LME had meetings with European regulators and American senators. The Chamber of Scrap Traders had meetings with officers and directors of the Directorate for Waste at the Ministry of Environment and Urbanism as well as with senior officials from the Ministry of Finance. These exchanges were geared to promote the interests of the members and find a realistic compromise to accommodate them. The trader who does research, sets up a system for online trading based on clearing at the İstanbul Metal Exchange and lobbies politicians to promote the exchange for traders, the directors of the Chamber of Scrap Traders who hire consultants and visit ministers to pressure them for regulatory amendments, the LME managers who try to persuade members by presenting the tangible benefits of a regulatory change or convince the large market players for investing in a new product, all show that the design, implementation and active use of rules and regulations necessitate the efforts of individuals for getting the consent of relevant stakeholders (political and/or market actors). In other words, in terms of the necessity to build alliances and networks to introduce, implement or reverse a change in the market, both scrap traders/their representatives and the LME traders/managers share a common ground.

Debates and struggles over the rules and regulations in the market is a permanent process. At the LME, whether the LME should interfere with the prices or not, whether the prices reflect the fundamentals of supply and demand or not, whether the *Lending Guidance* should be applied or not are matters of constant debate. Furthermore, warehouse rules constitute an important arena of struggle between metal producers and consumers. In the Scrap Traders' Zone, one can observe how traders discuss whether public authorities should interfere with the market price, whether new regulations are creating new forms of inclusion and exclusion at the expense of small traders, whether European standards should be applied to the Turkish context

or not. In both cases, the outcome of debates and struggles is open-ended and shaped by power relations in the market.

## **Chapter 7: Everyday Operation of Rules and Price Discovery at the London Metal Exchange**

### **Introduction**

The previous chapter examined the historical development of the rules and regulations at the LME. This chapter aims at understanding how members and managers of the LME implement, follow and further develop these rules in their everyday practices. In the first part, the routine of LME brokers, managers and staff is examined in order to demonstrate how dozens of rules are implemented by market participants in their daily practices. In the second part, the rules which support the making of the price discovery mechanism are explained together with the perception of market participants about the price. This analysis can also shed light on the discussion between a warehouse owner and the waste pickers' organisers mentioned in the previous chapters: does a "bunch of rich capitalists sit down and decide about the price as they wish," or is there "a system with rules, which makes the price", possible to learn in order to develop better competitive strategies in the market?

### **7.1. Rules in Action**

In order to understand how rules are enacted by market participants, it might be illuminating to look closely at the routine of one day at the City of London and the LME. The financial capital of the world together with New York City, the City of London, which borders Westminster, is host to the world's greatest foreign exchange market. The City residents constitute 7,000 people but during the day time the population reaches 300,000 people due to the employees who commute to the City. An early walk makes one notice fancy fresh juice and smoothie shops and fitness centers, which are quite popular due to the needs of the traders and brokers to be in good health while coping with the extreme time pressures their jobs require.

Despite this professional outlook, some customs are still maintained at the LME. As traders tell me, recruitment to the Floor is still done on the basis of kinship and other social networks. For instance, when Malcolm Freeman worked as a young tennis teacher, the parents of one of his tennis students asked him whether he would be interested in working at the LME where he worked. He made a recommendation to the LME company for Freeman who is still working as a manager of an LME member company. Michael Overlander, the current CEO of Sucden at the LME was recruited to an LME member company upon the recommendation of his father-in-law. A retired trader told me that the young people on the Floor are the children or nephew/nieces of the people he worked with. Recruitment to technical and managerial positions, on the other hand, is based on meritocracy: the Market Surveillance team hires young graduates with excellent numerical skills and the self-confidence to make quick calculations and be decisive in front of intimidating traders on the Ring; the Compliance Department hires people with a background in market research or accountancy, those who have experience in regulatory authorities such as the former Securities and Investment Board or those who managed compliance departments in different companies; senior management recruits people with global experience, combining trading experience with research and analysis to have a broader view of the market in contrast to the narrowly-focussed brokers.

The day starts quite early at the City. A typical broker whose company is a member of the LME, for instance, would contact his clients as early as 7 AM in his office. Some experienced traders think that brokers have become human extensions of computers<sup>480</sup>, others believe that the broker-customer relationship, which is built over time via the nurturing of trust<sup>481</sup> still relies on the necessity of individuals, who have to understand the needs of and explain the best options to the customers. The broker can trade on the LME select, the online trading platform, which operates between 00.45 and 19.30 London time from Monday to Friday, to be only accessed by members of category 1 and 2, allowing traders to execute trades with other LME members. The LME contracts including futures, options and TAPOs can be traded in this way. A future is an agreement to buy or sell a standard quantity of a specified asset (material) on a fixed date at a price agreed today. An option is the right, but not the obligation, to buy or sell a futures contract at a price (the strike price) agreed today. A TAPO (traded average price option) is an option calculated on the basis of monthly average settlement price (MASP). The

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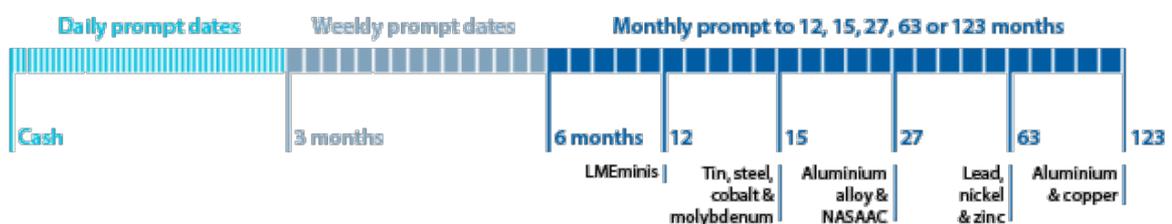
<sup>480</sup> Regarding how non-human objects, technology and economic agents come together to make up markets see, Knorr Cetina and Brugger (2000), Knorr-Cetina and Preda (2005), McKenzie (2006), McKenzie and Hardie (2006), McKenzie (2008).

<sup>481</sup> According to Beunza et al (2006) different forms of trust are necessary in the financial markets as in the case of arbitrage, whose practice requires the building of trust and other social relations.

option calculation at the LME is based on the famous Black-Scholes model. Black-Scholes is a mathematical model developed to make an estimation of the price of options.<sup>482</sup>

Hedging is establishing a position in a commodity futures market, which is equal and opposite to a transaction made on a physical market. A hedger starts with a price exposure, buys or sells futures contracts and therefore offsets the price exposure. A speculator, on the other hand, starts without price exposure, buys or sells futures contracts and takes on price exposure. To make it simpler, let us assume that you are an auto producer and you need large quantities of aluminium after six months according to your production plan but you do not know what the price of aluminium will be after six months. If you work with an LME broker, he can use hedging strategies to buy you a contract which guarantees delivery at a price fixed today. After six months, when the broker closes the position, the price of aluminium will stay at this fixed price. In case the price of aluminium rises by the time of delivery, you will not have made profit. Speculators are the ones who are willing to take the price risk against which you want to protect yourself. They speculate on the value of a futures contract, betting that the party seeking insurance (you) will be wrong about the future value of the underlying asset. Speculators look to buy an asset in the future at a low price according to a futures contract when the future market price is high, or to sell an asset in the future at a high price according to a futures contract when the future market price is less.

While trading, prices are quoted as bids and offers. Customers placing buying orders pay the offer price; customers placing selling orders receive the bid price. The difference between the prices at which brokers are prepared to buy or sell is called bid/offer spread. The LME price structure is bounded by very specific rules of temporality. The LME has standardised daily, weekly and monthly prompt dates which are the settlement dates of futures contracts.



**Figure 17:** Prompt date structure for LME contracts, LME.

<sup>482</sup> See McKenzie (2006) for the historical origins of the Black-Scholes model. See McKenzie, Muniesa and Sui (2008) for the performativity of economic models. For the specific calculation of Black Scholes at the LME see <http://www.lme.com/trading/contract-types/options/black-scholes-76-formula/>.

Malcolm Freeman, who was in the committee developing this prompt date structure at the LME explains how the idea came about, and how the third Wednesday was picked up and implemented as follows:

“Prior to a standardised LME options contract typically you trade options you had a new prompt date for each of them. It became evident in the 1980s that this was open to abuse. People could create a higher squeeze with one specific option day. It was causing market distortions. We decided that a standardised traded option would be best. It was logical that the prompt date would be the middle of the month. People pricing on a monthly basis. Third Wednesday would fit such a date. 2 or 3 days before, there was still too much concentration. Every third Wednesday always was good. Also prior to exchange, you could pick any strike price for an option. You could create artificial time balls. Standardised prompt dates, declaration dates, standardised strike prices... And it worked very well. Options business grew and grew.”

“The most logical ideas are sometimes the simplest ones,” says Freeman. But it always takes time, as in the case of the new contract products, to persuade the LME members. Still, explains Peter Childs, once they are convinced that a new rule is to their benefit, they are more likely to give their consent:

“LME members are slow and not receptive to change. I can give you a whole range of examples. I’ll give you something I did: date extensions. I mean copper and aluminium were 15 months contract, we extended to 27 months. And then to 5 years and 10 years forward. If you keep business in the OTC you do not have price transparency. But in the eyes of members they are happy to go far forward in OTC market. ‘Hey guys,’ I said, ‘I’ve been doing some analysis’. There was resistance originally because bid-offer spread narrows possibilities and profitability is reduced. But with more transparency over a period of time it gives market more credibility and would generate more liquidity. Extension to 10 years forward increased the volumes... What I am doing now is to replace 15 and 27 month prices with three December forward prices. The years will roll as you move to another calendar year. In the December month, there are lots of business out there. Reference prices should be there. It will generate more volume. It’s quite a fundamental change.”

Peter Childs shows me the presentation he made in front of the LME Directors regarding the potential benefit of introducing December prompt dates in the published official prices. As a person who has been in the surveillance of the market for many years, observing price movements and being one of the persons who did the evening evaluations for establishing the Closing Prices, Childs had sufficient experience to understand how one could use temporality as a means to increase liquidity and profitability in the market. He saw that there was a growing tendency for metals to be transacted on a yearly December-to-December basis and it was easier for market participants to match their physical trades with their hedging activity on

those dates. 16 months after this presentation, his proposal would be officially accepted in October 2011.

Another platform for trading is the 24-hour accessible telephone trading. The telephone trading through the LME lasts 24 hours, so a broker may receive an order to execute early in the morning. Let us assume that the phone rang and a broker took an order to execute for a client. What kind of rules should he keep in mind? He has to be aware of the Market Conduct Source Book (MAR), which includes Code of Market Conduct (MAR1) and Price Stabilising Rules (MAR2) implemented by the Financial Conduct Authority (FCA).<sup>483</sup> He has to also know the relevant rules in the LME Rule Book and relevant Guidances issued by the LME that give explanations to members about the application of certain rules and behaviours. To concretise how those rules are used, let us assume that the client received a large order to execute in the market from a client. In a client contract, the clients have contracts with brokers, not the Exchange or another member. The broker can fill in the client order from his proprietary trading book, cross it with an opposite order from another client or put it into market to seek other bids and offers. He has to also decide, until the prompt date, whether or not to offset the trade in whole or part. He needs to consider whether any conflict may arise between the interests of that client and his own interests and if so, how to manage this conflict by: a) avoiding particular situations that give rise to this conflict b) Chinese walls between different business areas c) disclosure of information to clients.

When a customer's order is sufficiently large to move the market, the broker may decide to deal with his own account, by using his dual capacity (to trade both for his own account and for client orders) before the execution of the large order. However, he has to disclose to this client the potential profit he will make by putting in the large order, in order to comply with the principle of disclosure, as a means to deal with the conflicts of interests emerging from dual capacity. The broker is allowed to make profits upon the consent of his client. Without consent the broker abuses his fiduciary position, which requires him to place his clients' interests above his own interests. If the broker also makes sales and purchases in significant amount for discretionary client accounts at prices more favourable than subsequent sales and purchases allocated to the first client who asked for the execution of the large order, it is considered as 'mis-pricing'. When the broker acts in that way in order to benefit or avoid a loss as a result of his anticipated market movement, his first client may suffer loss or damage because the broker's own trade (either for his own account or for his other clients) may move the market

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<sup>483</sup> FCA was established with the new Financial Services Act which came into full force by 1 April 2013.

this time against the client. So in such cases, the broker has to transparently inform the client about a conflict of interests and how he will manage this conflict. In fact, in an old, yet significant dispute between Brandeis (the brokerage firm) vs. Black (the client), the arbitrators' investigation and the court's final verdict were completely in favour of the client, because of the misconducts of the broker who was faced with a similar situation.<sup>484</sup>

What happens if a broker wants to settle his obligations on his book that specific day? The Exchange operates a secure electronic transfer system for LME warrants called LMEsword. The LMEsword system facilitates the transfer of ownership of LME warrants and stock reporting. Warrants are held in a central depository, they are produced to a standard format and include a unique barcode. LME member firms who hold a net outstanding short position in an LME contract on the settlement date must make warrants available via LMEsword to settle their obligations.

At 8.30 AM a staff from the relevant member company at the LME has to send the figures in order for the LME to calculate their positions in compliance. They have to submit these reports via a system called LMEprds: client and proprietary positions, clients and proprietary warrant holdings, clients and proprietary options and TAPOS positions by strike prices, market open interest.<sup>485</sup> The Compliance Department examines all these figures and if the staff notices an anomaly in the positions, he calls the relevant company and asks about the intention behind the position. The Compliance Department has to regularly monitor positions and, when and if necessary, has to decide whether it will use any of the specific market intervention policies or the *Lending Guidance*. While doing this, the Department has to interpret the information regarding the physical industry. As a terminal market for the materials that are traded on the LME, the amount of material held on warrant in LME warehouses is often used as an indicator of the underlying supply and demand situation for a material.

<b>Stocks</b>	<b>Amount</b>
Opening stock	162025
Live warrants	132650
Cancelled warrants	29375

**Figure 18:** LME Official Opening Stocks in Tonnes for Aluminium, 11 November 2014

<sup>484</sup> For details, see High Court Judgement on the Brandeis arbitration, 25 May 2001, Lloyd's Law Reports Part 7, Vol 2, 359-372; SFA Board Notice 578, 16 March 2001: SFA Guidance on the customer relationship and other conduct of business requirements for firms engaged in metals business; LME Guidance on the structure of and order execution on the LME reissued on 12 October 2001 as LME Notice 01/385; SFA Board Notice 609 dated 20.12.2001: SFA disciplinary action against Brandeis.

<sup>485</sup> LME (2009).

Around 11.30 AM trading starts at the open outcry Ring. That is why before that time dealers and brokers have to be present at 56 Leadenhall Street. Located on the ground floor, the Ring is circular with ring dealing brokers having designated seats. There are booths behind these positions containing a mass of communications equipment linking brokers to their main officers and directly to their clients. You can see a broker who holds one phone at his right and another one at his left ear taking buying and selling orders.<sup>486</sup> Among five categories of membership at the LME<sup>487</sup> only ten members are eligible to be Ring dealers, whose companies are owned by large commercial and financial groups in mining and resource companies, banks or international trade commission houses.<sup>488</sup>



**Figure 19:** The Ring, the LME.

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<sup>486</sup> Knorr Cetina and Bruegger (2000); McKenzie and Hardie (2006); Çalışkan (2010).

<sup>487</sup> *Category 1* members or Ring dealing members are entitled to trade in the Ring, LMEselect and the telephone market - they can issue LME contracts (buy and sell for their clients); *Category 2* members (associate broker clearing members) have all the privileges of the former except dealing at the Ring; *Category 3* members can trade and clear their own business, but cannot issue client contracts or trade in the Ring; *Category 4* members are trade clearing members who may issue LME contracts but are not members of the clearing house; *Category 5* members have no trading rights except for clients.

<sup>488</sup> The current list of the Ring dealing traders is: Amalgamated Metal Trading Limited, ED & F Man Capital Markets Limited, GF Financial Markets UK Limited, INTCL FC Stone Ltd, JP Morgan Securities, MAREX Financial Limited, Metdist Trading Limited, Société Generale Newedge UK Limited, Sudden Financial Limited, Triland Metals Limited. By the time of the fieldwork the list was different: MF Global which declared bankruptcy in 2012 was a Ring member; Barclays which is still Category 2 member has withdrawn from the Ring in 2013.

At 11.40 AM Ring sessions start and last until 5 PM with pauses and a lunch break. Members sit on the red sofa. Each metal is traded for a session of five minutes. The following metals are traded at the Ring sessions: Aluminium, Aluminium Alloy, North American Special Aluminium Contract (NASAAC), Copper, Nickel, Tin, Zinc, LME, Lead and minor metals (Cobalt and Molybdenum), Steel Billet. Usually for one Ring dealing company, there is a team of dealers who specialise in a few metals.

Traded metals	Times	Traded Metals	Times
Steel Billet	11.40-11.45	Aluminium alloy and NASAAC	14.45-15.00
Aluminium alloy and NASAAC	11.45-11.50	Lead	15.00-15.05
Tin	11.50-11.55	Zinc	15.05-15.10
Primary Aluminium	11.55-12.00	Copper	15.10-15.15
Copper	12.00-12.05	Primary aluminium	15.15-15.20
Lead	12.05-12.10	Tin	15.20-15.25
Zinc	12.10-12.15	Nickel	15.25-15.30
Nickel	12.15-12.20	Steel billet	15.30-15.35
Cobalt and Molybdenum	12.20-12.25	Interval	15.35-15.40
Interval	12.25-12.30	Lead	15.40-15.45
Copper	12.30-12.35	Zinc	15.45-15.50
Aluminium alloy and NASAAC	12.35-12.40	Copper	15.50-15.55
Tin	12.40-12.45	Primary aluminium	15.55-16.00
Lead	12.45-12.50	Tin	16.00-16.05
Zinc	12.50-12.55	Nickel	16.05-16.10
Primary aluminium	12.55-13.00	Aluminium alloy and NASAAC	16.10-16.15
Nickel	13.00-13.05	Kerb session*	16.15-17.00
Steel billet	13.05-13.10		
Interval	13.10-13.20		
Kerb session*	13.20-14.45		
Interval	14.45-14.55		

**Figure 20:** Type of metals traded at LME and times of trade, the Ring.

\*Kerb session: this is the time where different metals are traded outside of the five minute-sessions of the Ring.

One trader specialising in three metals may spend, for instance, 40 minutes in the Ring and the rest of the time outside of the Ring. A trader may shout the price at which he will buy or sell to all brokers. Others may reply with their own offer or may accept. During bids and offers, the trader has to remember the relevant rules of trading at the Ring from the LME Rule Book. Otherwise he/she may be subject to disciplinary proceedings and fines.<sup>489</sup> Right behind the red sofa there are at least two clerks for each team of Ring dealing companies. They provide communication in and out of the Ring. One is usually using hand signals to indicate what price is currently trading, the other will be recording transactions. Telephone clerks in the booths communicate with two phones, one on each ear. They either receive orders from large clients or provide a commentary back to their offices in London or overseas offices.

<sup>489</sup> A fine was recently charged on nine Floor members for standing during the Ring session. This was a breach of the LME Rule Book 11.3.19, part 3 which require that members must remain seated all times. Yet most of the time dealers are only penalised if no part of their body touches the red sofa around the Ring. See *Wall Street Journal*, 21 July 2014.



**Figure 21:** A member of the Market Surveillance Team, Ring dealer in front, clerks and telephone clerks at the back

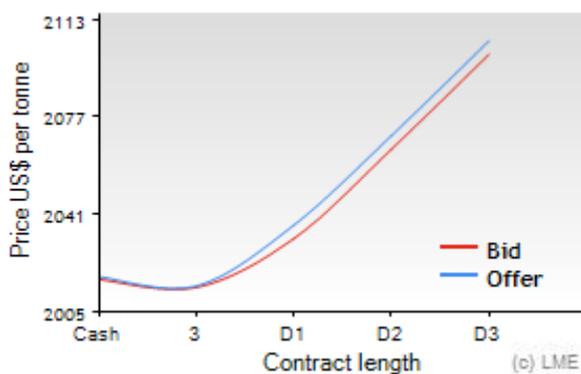
Although the LME Floor is not open to public, I had a chance to be on the Floor thanks to Peter Childs. Childs, who joined the LME in 1985 witnessed all the transformations the LME has gone through and managed the Market Operations Team for many years before he was appointed as the Head of Price Discovery. I was fascinated by the Ring sessions, yet it was impossible for me to catch the words. Paddy Crabbe gives a summary of a potential Ring session as follows:

	<b>Broker, Action, Price</b>	<b>Comment and trader's logic</b>
<b>1</b>	A 2630-B2632	No trade
<b>2</b>	C2631-B 2632	Bid/offer quote narrowed
<b>3</b>	C2631-B2632 D2631	C and B continue their bid and offer Additional bidder is D, C first
<b>4</b>	E (+) to B (-) E2632	E accepts B's offer at 2632 because E is a big buyer and thinks that if he, E, does not act, C or D may move first to accept B's offer
<b>5</b>	E2632-	E buys all that B wants to sell at 2632 and is a buyer over at 2632
<b>6</b>	E 2632-F2634	F is a new seller
<b>7</b>	C2633-F2634	C bids above E. Market now 2633-2634.
<b>8</b>	E (+) to F (-) 2634 trades	E accepts F's offer at 2634 E, concerned that C is also a big buyer, accepts F's offer. No trade at 2633. F's quantity does not satisfy E's buying interest. There are no other offers so E is again a buyer-over.
<b>9</b>	E 2634-B 2635	B re-enters, raising his offer
<b>10</b>	E2634-B 2635 C2634	E and B continue their bids and offers C re-enters bidding at 2634: Again two bids in the market, E is first
<b>11</b>	E(+) from G (-) C (+) from G (-) 2634 trades	G accepts E's bid price and also C's new bid of 2634 Suddenly G, who just received a large selling order (or had to sell at a specific time) enters the market with a huge selling order
<b>12</b>	H 2633	H enters the market with a bid of 2633
<b>13</b>	H (+) from G (-)	G sells and offers

	2633 trades	
14	-G 2633	G is a seller-over at 2633
15	E 2632	E bids 2632
16	E (+) from G (-) 2632 trades	G continues to offer at 2632
17	C 2631-G2632	C re-enters the market as a buyer
18	Bell rings	
19	Official prices 2631-2632	Established at prices quoted when bell is rung

**Figure 22:** Example of a 5-minute Ring session  
(The second of the morning session at the end of which official prices are set).<sup>490</sup>

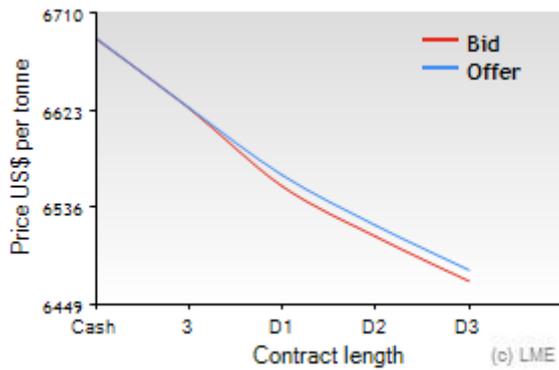
When traders buy or sell futures contracts, they take into account the forward curves for the given metal. For instance, let us assume that we build the forward curve for aluminium on April 2004 for three month prices. We make a list of future prices as set by April 2004, July 2004, October 2004, January 2005, April 2005, July 2005, October 2005, January 2006, April 2006, and July 2006. Then all these points are connected in a price/date graph to make a curve whose shape shows downward and upward trends in the price movement. It is important to remember that the forward curve shows the price at which it is possible to buy or sell futures contracts for a forward date at a price agreed today. In other words, the forward curve does not guarantee a forecast for future prices. Since February 2012 the LME publishes live forward curves for all metals traded in the last Ring session of the day after a member consultation on Closing Prices.



**Figure 23:** LME Forward Curve for Official Prices, Aluminium, 11 November 2014  
(Cash, Three Month, Dec 1, Dec 2, Dec 3 prices)

In this graph the market is in contango, the future price of the aluminium is higher than the spot price.

<sup>490</sup> Crabbe (1998).



**Figure 24:** LME Forward Curve for Official Copper Prices, 11 November 2014  
(Cash, Three month, Dec 1, Dec 2 and Dec 3 prices)

In this graph, the market is in backwardation, the future price of the copper is lower than the spot price.

Amazed by this chaotic spectacle, I then turn to the members of the Market Surveillance Team and Peter Childs to ask how they work. Frankie and Sarah, only in their early twenties, sit on the red sofa with calm and confidence and write down on a note book everything they observe and hear. With their headsets on at the back of the Ring in front of their computers, Dave and James record the actions at the Ring too. Peter Childs trusts his team which is made up of young people with good numerical skills, who can cope with the pressurised environment created by very competitive traders at the Ring.

“One thing about those traders is that they are all very competitive people. I used to play tennis, the Head of the Physicals used to play professional rugby. Peter, a senior dealer incredibly keen football player. You go around and you find lots of people are sports people. If they play golf, they are ridiculously competitive. You find people at the competitive edge. If you play sports you can not freeze the game. It is a continuously moving, happening thing. I’ve seen people... we had a guy, great on paper but give him a live position, you could see the stress coming. What position? I am not sure. What does it mean I am not sure? A junior clerk on the floor, you can kill him for that. The mind set did not work. (This is an) intimidation game. A game of being quick of your feet... Even in the pub. Five more rounds just to get their names on the top of the list... I am faster than you, permanent competitive nature to be number one.”

So says one trader in detail about the common personal features of traders, and most would agree. I watched the Ring session several times and although some sessions were rather quiet, the ones where there were many traders looked like the betters of a cock fight,<sup>491</sup> although there were both betters and cocks who were fighting. They use the maximum of their voice and almost scream, dispose their bodies forwards and towards the traders they trade with, and use

<sup>491</sup> Geertz (1972).

their arms and hands while increasing the momentum of the bids. The outside of the Ring is equally vivid, the communication being done with hand signals. At different points of the Floor, on the red sofa, behind the Ring and outside of the Ring the members of the Market Surveillance team are positioned to observe, listen and write down, either on computers with their headsets or in their note books, everything which is happening on the Floor. The day I am in the Ring, by the time the bell rings for the end of the second Morning session, some traders come near Frankie to see what she just wrote down, because the last quotes she identified together with the other members of the Team will soon turn into the official prices for the global metal industry including Turkey. A trader looks a bit unhappy, as Peter Childs points out to me, but he goes away shortly. “In the old times, it was the traders on the Ring who could decide about the official price,” says Childs, “one would say something, another something else and they would find a middle point.”

Lunch time is one of the busiest times in the City of London, because as compared to old days, nobody has enough time for long and boozy lunches. While having our lunch at a very noisy Italian restaurant with a senior trader, I say “What you do is actually to provide a price which can be used by all market participants, including small scrap traders at some point of the world. I find this amazing.” He looks surprised: “Do you really think so? I am glad someone thinks that way. Most people think we just do some shouting and actually get paid for nothing.” He says he never went to university but got a lot of experience on the trading floor starting from the bottom, like many other senior traders at the LME. He believes that tacit knowledge of the market is not something to be taught at the university.

During the afternoon, the LME continues to be busy. Other regular attendees of the Floor include reporters from market research and data agencies. John who started his career as a trader, then joined Reuters in 1975 and became a commodity market journalist in 1985 as a deputy analyst, until in 2006 he set up his own market research and data distribution agency. He visits the LME every week day with his team to monitor market developments. Reporters will soon write their stories. If the price of copper is very high for a long time despite low demand, they will interview traders and other relevant individuals. Some of them are official data distributors, which sell real time data to subscribers. Access to immediate data will then be limited to those who can afford it, thus creating information asymmetries.

While Ring sessions continue, at the basement of the LME building there is another team facilitating electronic trading and the matching system before the clearing system. One person

watches on his monitor all the electronic trading (LME select) activities. I sit next to him in order to understand how the operation works. The trading occurs in a completely de-personalised way, no trader knows with whom they are trading. This is a sophisticated version of the İstanbul Metal Exchange website. As I watch the screen, more traders are involved in transactions and the person in charge is checking whether there are any errors or problems. The information then goes to another system controlled by another employee who sits a few steps in front. She is responsible for ‘matching’ the contracts before they are cleared by the London Clearing House. It is a fairly repetitive task which requires patience and attentiveness.

While dealers continue trading at the LME during the day, other staff have meetings with customers at their offices. A German manager of an LME member company, who deals with customer relations, explains to me, in his office in the City, how the whole metal business is not simply about placing orders in the market, but about building relationships, in a way similar to the Scrap Traders’ Zone in Turkey.

“When customers are coming, you know your customer business. Then we are sitting together, they explain their background. We advise them of the possibilities available. For a small scrapyards a huge option strategy is not the right thing. In Africa only once a week running a sophisticated hedging programme might be difficult. There are language barriers, religious influences, facts which have to be considered. It is important to start trading so that they understand the way it works. One of the biggest successes of the LME is that members are much closer to their customers than automated commodity exchanges where you even do not see people. People with enough experience and customers respect and accept. Every customer is different. That is a people’s business... Personal relations are the basis of anything.”

After the last Ring Session, the Price Quotations Committee establishes the closing prices, which I will explain in the next section. At the end of the business day, the LME traders have the habit of attending a near-by pub depending on their business schedule. At a walking distance from the building, this is a suitable place for traders to have a pint and discuss a football game.

## **7.2. Free Market and Price Discovery**

I am sitting at one of the back desks in a small classroom at a luxurious hotel in the City where I was accepted as an attendee with 29 traders from all over the world in order to learn the basic rules and hedging practices at the London Metal Exchange. The first day we learn all the basics and the second day we do practical exercises on paper by buying and selling futures contracts

and comparing our results. What surprises me the most is the way instructors internalise the textbook definition of the market. The answer to supply and demand imbalances is always the market itself which is a corrective mechanism. All teachers who are former or current managers, traders, brokers, consultants at the LME are confident that the fundamentals of supply and demand will determine, in the long run, the market price. If there is a ‘deviation’, which is often the case due to the multitude of factors influencing the price, there will be a ‘corrective’, sooner or later.

It is at this point that the mechanism of price discovery, which is contrasted with anti-competitive producer pricing, pricing of commodity agreements and predatory pricing, finds its significance. According to one trader, the previous pricing systems “performed a certain value. Many of them were set to protect the embryonic organisations in post war times. In order to encourage people to start growing domestically again you had to give them some form of protection... All those contracts were there to support the industry initially and guarantee the supply of raw materials in agriculture and mining, but we do not live any more in a world where the state determines the cost of milk. Those days are now gone”. He is quite a Smithian liberal in his argumentation, for he defends the idea that until the achievement of competitiveness, nations should be allowed to foster their economy via protectionism.<sup>492</sup>

From the point of view of the LME, the Exchange does not set the price, it facilitates the world price, which is the culmination of what happens in the market, to emerge transparently. Price discovery implies that the price is already there, objectively, as an emergent property of the actions of the market participants, but there is a need for specific rules, methodologies, and judgements in order to obtain the knowledge of this price.

Every day so many things happen in the market: the exchange rates change, making the dollar more expensive or cheaper; an earthquake happens in Chile and production of copper in the mines is halted, new regulations in Indonesia close down informal mines and thus supply of tin decreases; China sets new regulations for recyclable commodities, thus reducing export rates, the price of cotton increases, which gives way to the increasing demand for pet materials; some traders decide to make stockpiles until prices rise more, some speculators invest in a specific metal by inflating prices.<sup>493</sup> Market research analysts and commodity analysts compile such data to present a situation of the world market in order to support the ways investors make their

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<sup>492</sup> Sally (1998).

<sup>493</sup> Schofield (2007).

decisions, but it is never possible to know one hundred per cent the accurate and fixed situation of the market at one point of time.<sup>494</sup> But these reports, which are also prepared by companies themselves make a representation of the existing reality of the market. Such representation, which is a violent abstraction of the reality, is based on two types of analyses: technical and fundamental analysis. Technical analysis consists of the ability to understand and interpret graphical charts of price movements for various commodities in choosing the best financial strategies, whereas fundamental analysis is geared to identifying all the factors which may affect the price of metals in the physical market. It is by using these analyses, and their own tacit knowledge which accumulates over the years by the very practice of trading, that traders perform their task every day at the Ring. The price discovery is an outcome of the activities of the Ring dealing members who buy and sell in the market. But those activities are not random. They take into account the forward curve (as explained above), and the situation of the market. How do their actions translate into the official price which the world metal market uses as a reference price?

The official price<sup>495</sup> is announced by the Quotations Committee, which includes six staff, authorised by Directors. During the second Ring session, members of the committee who monitor the Ring electronically submit their view of the closing price to the Chairman. A consensus will then be established for each of the metal prices from that Ring session. If a consensus is established for each relevant prompt date for the relevant metal by no later than five minutes after the close of the relevant second Ring session, the end of Ring prices for that metal will be displayed. If there is no objection, the provisional price becomes decisive. This is actually the price which the scrap traders in Ankara watch to determine their own price for scrap metal.

The closing prices are set at a level decided by the Quotations Committee.<sup>496</sup> The Committee considers each closing price on a case by case basis, taking into account business transactions in accordance with the LME's Ring Dealing regulations. It does not give priority to outright prices over carrier or vice versa. It takes into consideration but is not bound by the last bid, offered or traded price for each relevant prompt date. It disregards quotes which are frivolous, for instance quotes which do not fully equate with other traders or quotes that are reflected of market conditions or that would create an anomaly in the forward curve. In general the three months price used as the basis for the close is the last traded price on the close if it falls within

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<sup>494</sup> Smicek (2013).

<sup>495</sup> LME Notice 12/223: A 224, 14 August 2012, "Procedures for Establishment of Official Metal Prices".

<sup>496</sup> LME Notice 13/221: A 214, 5 July 2013, "Procedures for Establishing Closing Prices".

the parameter of the last bid/offer spread. If this is not the case, the Quotations Committee uses the bid or offer closest to the last three months trade.

If the forward curve equates with each aggregate and component part on the close, the Quotations Committee uses this as the basis for the provisional closing prices. There are circumstances when the forward curve will not equate, because there will be differences between the quoted or traded spreads, quoted or traded outright prices, and quoted or traded multi-legged spreads. The Committee will then use its absolute discretion to derive values for these forward months. At times there may have to be a compromise between the spreads when they do not equate with each other, or between the spreads and outright prices. The provisional closing prices are announced at 16:35 hours and displayed in the wallboards. The LME closing prices are disseminated by the LME Market Data Dissemination Platform (LMESelectMD) by 17:50 in US dollars and 18:15 in GBP. The MD also sends detailed, real-time, historic and summary reports of trading activity within the LME for external data vendors and market participants.



**Figure 25:** The price points at an LME trading day.

As can be seen, contrary to the official price which is the last bid in the second session of the Ring, the closing price is based on a full assessment of the overall movements in the market during the day. The committee members are expected to examine the status of the forward curve and exclude anomalies. It has to use discretionary judgement, based on expertise. In other words, seven individuals who examine price movements, forward curve and the bids and offers during the Ring sessions make a judgement about the closing price in a very short period of time. Unless there is an objection, the decision is final.<sup>497</sup>

<sup>497</sup> LME Notice 13/221: A 214, 5 July 2013, "Procedures for Establishing Closing Prices".

The Notice for Closing Prices describes the information that the Committee has to assess in making this decision. It is a specific combination of the information coming from the Ring which produces the Closing Price. The members of the Committee spend their time at the Ring, watching, listening to and noting what traders do.<sup>498</sup> In other words, they behave like computers which receive input from the Ring and transform it, via an assessment whose rules are set, into the output which is called price. The rules that the staff follow during and after the Ring can be thought of as parts of an algorithm which is a set of instructions that need to be followed step by step in order to perform a function. Committee members are the human performers of this algorithm in action. There is a range of knowledge which is necessary for this work: the past historical knowledge of the market, the empirical knowledge which comes from observing and listening (via senses) traders at the Ring, the technical knowledge about the market (bids, offers, forward curve...etc.), analytical knowledge (numerical skills, analytical capacity to find anomalies, to make correlations...etc.). This blurs the distinction between human and non-human objects in the making of the market, because the headsets, computers, graphical representation of forward curves, and electronic boards enable the staff to perform such a task.<sup>499</sup>

In his study of the İzmir Mercantile Exchange, Çalışkan perceived how the pit prices can be considered as ‘rehearsal prices’ or ‘prosthetic prices’, which prepare traders for the post-pit process in which actual transaction prices are determined. “By quoting the prices made during the pit, traders discuss strategies with their clients and then readjust them according to the price levels of the day. It prepares the ground for marketing by marketing cotton itself, though in smaller amounts.”<sup>500</sup> Although there is a difference between the Pit and the Ring, since traders do actual transactions in the Ring during the day, there is a similarity with regards to the making of the Closing Price. Price movements during the day in the Ring are taken into account while the Price Quotations Committee makes its evaluations.

The price discovery mechanism does not guarantee that the price reflects the fundamentals of supply and demand as is often anticipated. On the contrary, there are several instances in which market actors believe that the market is not orderly and there is a need for the specific ‘market intervention’ policies available to the LME. It is a very subtle decision to make: on the one hand, the belief that market disorders have to be rectified by the inherent rules of the LME and

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<sup>498</sup> This points out the significance of ‘evaluation’ in financial markets. For a sophisticated analysis of how evaluation have major consequences, see McKenzie (2011).

<sup>499</sup> See Callon (1998), Knorr-Cetina and Bruegger (2000), McKenzie (2008), Çalışkan (2010).

<sup>500</sup> Çalışkan (2007b).

the fundamentals of supply and demand is the dominating view of the Exchange. On the other hand, one specific disorder may have serious consequences for several market participants, which might also threaten the reputation of the LME in keeping the market in good shape and well functioning. That is why the basic faith in and principle of the fundamentals of supply and demand is moderated by interferences by the LME as the legitimate actor to make such interferences to keep the market orderly. An ideal of the ‘orderly’ market is thus preserved. Since there are so many unpredictable factors, loopholes, strategies by actors, and unexpected circumstances which cannot be fully transcribed into the LME rules (as discussed in the previous section), such discretionary power remedies the imperfections which impede the realisation of the ideal of a self-regulating market.<sup>501</sup>

Since the introduction of the *Lending Guidance* in 1998, the LME used intervention tools less frequently than before. A comparison between two cases, one in which the LME used its discretionary power and one in which it did not may be illustrative in showing the variety of perspectives regarding free market and intervention. The first case dates back to August 2006. The LME made an intervention in the nickel market to head off the risk of defaults on trades by speculators as the metal was thought to have soared to a record high. After the LME’s intervention, three month nickel price retreated to 28,250 US dollars after a price surge to 29,200 US dollars a tonne “amid what one analyst called ‘panic’ covering of short positions where traders bet on a fall in the metal’s price.” The cash price of nickel soared to 33,350 US dollars. Global inventories of nickel have shrunk to less than one day’s worth of world consumption. Although the LME nickel inventories were 6,162 tonnes, the amount of metal actually available to the market was just 1,374 tonnes, since a large proportion of the stockpile was for delivery.<sup>502</sup>

The LME measures were as follows: first, it permitted traders with short positions betting on price falls to defer settlement of their trades. Second, it imposed a backwardation limit in the spread between nickel cash and futures prices of 300 US dollars per tonne per day. Third, it suspended rules that require some traders with big long positions – those betting on rising prices – to lend metal to short sellers who need to settle trades. The LME justified these moves on the grounds that, “nickel stocks are at historically low levels and we now have a genuine

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<sup>501</sup> Miller (2002).

<sup>502</sup> Nickel steadies after LME intervention”, *Financial Times*, 16 August 2006, by Chris Flood.

shortage. Our first priority is to ensure that trading remains orderly and to prevent the risk of settlement defaults.”<sup>503</sup>

Market participants had diverging views about what the LME did and should have done. According to a Ring broker: “LME was in a situation where it had to act – its reputation was at risk if it didn’t do anything. But my opinion is: *Leave it to the market.*” A second trader: “If you take a position, if you take the risk to run short, that’s a calculated risk – stupid or not. You run that risk and you can’t then turn around and bitch about it and get the LME to help out. If people can’t learn their lessons they shouldn’t be trading.” A third broker: “The backwardation limit is a good theory, but a lot of people are thinking: why should the shorts get help?” According to Robin Bhar, a London-based metal analyst at UBS AG: “If the LME does nothing, it will be criticised; if it acts, it will be criticised. Its first priority is to ensure the orderly trading of the market, and there was a serious risk of things unraveling. The LME acted.”<sup>504</sup>

In October 2009 another problem occurred this time in the tin market. There were expectations that the LME would make an intervention. But contrary to the case of nickel, the LME made the judgement that the market was orderly. In this period, tin prices increased and an unidentified party was known to own between 80 and 90 per cent of the tin stocks held in warehouses approved by the LME and more than 90 per cent when adding contracts for tomorrow and the following day’s delivery. According to Nicholas Snowdon, a metals analyst with Barclays Capital in London, this investor pushed prices up which had already risen from 10,700 US dollars at the beginning of 2009 to 14,350 dollars in October 2009, although the global demand remained weak<sup>505</sup> and world stocks were at the highest levels since 2003 with the LME warehouses holding about 26,000 tonnes of tin. According to a European tin buyer: “This is not a good situation and it certainly is *not an orderly market*, which makes tinplate flat-rolled steel covered with a layer of tin.” Another trader said: “To have such a concentration of warrants by one single holder leads to *prices higher than the fundamentals.*” One senior tin market source said: “The tin market is complete nonsense at the moment, prices *do not reflect what is going on in the real world.* There is no shortage of tin. The exchange needs to impose position limits,”<sup>506</sup> implying that backwardation limits are not sufficient and there should be pre-set restraint, on how much position a trader can hold in the market. “It’s a ridiculous

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<sup>503</sup> “Nickel steadies after LME intervention.”

<sup>504</sup> “LME draws fire for an intervention in nickel trade”, *American Metal Market*, 18 August 2006.

<sup>505</sup> “Tin market cornered by unnamed commodity buyer”, *The Guardian*, 6 October 2009, by Elena Moya.

<sup>506</sup> “LME tin market branded disorderly”, *Reuters*, 1 October 2009, by Pratima Desai.

situation to have when there is clearly not a shortage of tin and the LME is *refusing to admit that anything's wrong*," complained another trader.

According to analysts the unidentified investor had the view that the demand for tin would increase and supply would decrease because of factors including the rising consumption of China, the closing of illegal tin mines by Indonesia and increasing demand by the consumers such as can producers.<sup>507</sup> But it was also believed that this was a risky game and the market should soon go back to its 'natural' state. According to Snowden from Barclays Capital, "base metal prices will reflect supply and demand fundamentals, despite big positions being built up in the market. *Fundamentals will punish anyone who gets on the wrong side* of where they should be moving, although there may be some short-term variations." The Head of Compliance at the LME, Diarmuid O'Hegarty shared this idea: "As far as we are concerned the market is orderly",<sup>508</sup> after confirming that there was a dominant position with control of more than 90 per cent of outstanding warrants. "This is a two-sided argument about whether there will be a shortage or a surplus in the future," he said, and this was not certain as some critics suggested. According to another senior manager, "The traders are only complaining because they have called it wrong. Rather than admit this, they are saying there's something wrong with the market. The building up of this position was no secret because we publish a lot of information about the market. You can't call it disorderly at all."<sup>509</sup> Neil Buxton, managing director of GFMS Metals Consulting, agrees: "It's understandable that traders are concerned but my view is that it's going to be relatively short-lived and the backwardation is going to revert to its normal state, which is contango. At the moment, it's good for sellers, not great at all for the buyers – but this will change." But according to another trader, that the situation was within the rules did not mean that there was no problem: "Trade customers are extremely unhappy. But there is *nothing illegal* going on, so they can't actually do anything about it. It is all within the rules but there are *loopholes being created*."

Such contradictory views are reflections of an underlying controversy over market price and price mechanism. The LME managers and brokers complain about the fact that whenever prices go down, producers and consumers (who are for instance automotive producers consuming metal) are unhappy and argue that the price does not reflect the physical market and is distorted by the speculators. Yet, the LME managers argue that the function of price is to tell market participants what they should do. If the price is too high or too low from their

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<sup>507</sup> The mystery trader who is turning the tin market on its head", *Telegraph*, 4 October 2006, by Rowena Mason.

<sup>508</sup> "Tin market cornered by unnamed commodity buyer."

<sup>509</sup> "The mystery trader who is turning the tin market on its head."

perspective, then there is something wrong about their own way of doing business, given that some people are able to afford working with that price. “If you produce pipes and are open to cheaper Chinese pipes (in copper) then you’ve got a bad business model. And the easiest thing is to say is that raw materials cost too much,” says Diarmuid O’Hegarty, while I am asking him why so many people complain about the price at the small meeting room of the Compliance Department at the LME. “What drives your understanding is where you are on the supply chain,” he continues. “If you talk to copper fabricators, they really do not like the price. Because their business model is based on the idea that copper comes from poor countries and tends to be fabricated in rich countries.” He gives the example of the conflict over iron ore, which was, by the time of the fieldwork, a negotiated price rather than an exchange traded contract: “Australians say they are closer to China and ships are expensive. You should pay more for iron ore because the total price is cheaper. To get it from Brazil the shipping cost is higher. Chinese say ‘I do not think so’, because they buy iron ore for price delivery in China.”<sup>510</sup> From his point of view, negotiated prices create a lot of disagreements for different parties and an exchange price removes all those issues by making itself a reference price over which users have no right to negotiate.

Michael Overlander agrees with O’Hegarty about how the discontent of producers is not justified. Since his company offers brokerage services to producers and other market participants, Overlander is aware of the difficulties to make producers understand the price dynamics:

“A producer has a very parochial thought process. They can not go beyond their production. They can not understand why some bullish factor is effecting world price. What we are trying to do is to bring the rest of the world to them... the beauty of sitting in a brokerage houses, you hear all the bullish and bearish arguments about how a product is worth more than what it is. You can sit back and have a much more balanced view.”

Overlander repeats what I was taught at the LME courses and what traders and managers said, with great confidence: there will be always short-term anomalies in the market but in the long term there will be a return to the fundamentals of supply and demand.

“A producer will always feel that his product is worth than the market price. I do not know how you can offer them comfort, because there will be short term anomalies in the market and you will see that price movements do not immediately reflect accurate supply and demand. Price in copper this week is 8,000 dollars per tone. But the demand is really really tough. 7,500 as we

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<sup>510</sup> The price of iron ore used to be set by annual negotiations by major producers; the system was replaced by a quarterly figure based on an average of the spot price over the previous quarter.

“speak. Doesn't the market know what the value is? The question is what is true value? The only true value is what someone is prepared to pay for someone else's product.”

Bill Beagles, a former senior trader at the London Stock Exchange, now a consultant and trainer for the LME could not agree more:

“I know it will look simplistic, but a price is... what it is. Any one moment in time, there may be industrial factors, supply and demand, international politics, embargo in a country, shipping in Atlantic, just a sentiment. Someone thinks that it will increase. An old cliché is you walk in the market and ask why the price increases and someone would say there are more buyers and sellers. It really is simply as it is. It's supply and demand. Where does it come from? From anywhere. It is an equilibrium price for a reason... In a different context. Price of house. It is the right price because someone is prepared to pay 700. I do not care what the price of the next house is. The same in the metal market. The price of gold has been crazy in the last couple of years. That is madness, how could it be? Because there are people prepared to pay that amount of cash.”

Malcolm Freeman from Ambrians' Metal endorses this view:

M. Freeman: “Last week the market was going up... pulses of buying in the market. Money in units of block. Does it reflect the physical market? No. Spread is widening. Evidence of slowdown in copper physically. I believe we will see a correction. Very noticeable that volumes are so big that people are messing around.”

D. Dinler: “How will the correction take place?”

M. Freeman: “The market will correct, certainly. You can not artificially support the price for so long. You will run out of money or the market will drift back. Someone will say: the market collapes, one fund sold it... Some will get a signal, the market will go down quickly.”

The LME managers criticise the way some market participants are constantly unhappy about the price and express their position as if it reflects the objective conditions of the market from which the current market price deviates. According to Martin Abbott, the CEO of the LME:

*“That people do not like the price does not mean that is not the right price. The only objective information is the market price. Everything else is subjective. Because everyone sitting in their own office who think it should be higher or lower... and everyone's view will be different with different perspectives. Their actions with those different perspectives give us the official price, which is the only objective thing.”*

Abbott is speaking here with an implicit vocabulary of emergence. It is the actions of thousands of individuals in the market who act on the basis of their differing perceptions,

which produce (unintentionally) the outcome of market price. Some producers may keep their stocks piling up until prices go up, others may need to sell immediately, some hedge funds may issue certificates with various tranches including metal commodities, some consumers may hedge their risk for metals which are their raw materials, all by checking the current and future price of metals which are in their interest. The objective reality of the price is an emergent property of the market itself as a result of those activities. Abbott explains why his view differs from certain consumers or traders in the industry:

“I spent the last 25 years around this business part as a journalist. You get the possibility of the broadest view. My first few years was in Metal Bulletin. I spoke to miners, producers, consumers. I did not start from a single point of view. And then I obviously worked in member companies. I worked 10 years in North America which was important in the way you see the world... If you want to be a broker you have to be narrow in focus. But to run the exchange you need to be broad in perspective.”

## **Conclusion**

This chapter shows that the regulatory framework is not always a restraint for market participants. There are many rules which are not intended to monitor/sanction but to equip market participants with tools to exploit opportunities. Standardisation of settlement days, extension of forward contracts up to 123 months, and the introduction of December dates gave market players capabilities to develop enhanced hedging and speculative positions. They were developed by traders and managers who have been thinking about their own market activity as part of their everyday practices. They evolved as a result of observing and reflecting upon the market and learning by doing.

The way the rules and the so-called ‘free market’ interact at the LME appear to have achieved the Hayekian solution to the relationship between deliberation and spontaneity, between institutional design and competitive market. As Vanberg indicates,<sup>511</sup> “we need to constrain evolutionary competition by a framework of appropriate rules in order to make it more responsive to the interests of the persons involved. To the extent that the creation of such a framework requires deliberate legislative action, institutional design is not opposed to the role of spontaneous forces, but it is a prerequisite for their beneficial working.”

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<sup>511</sup> Vanberg (1994), p. 191.

Although the LME was severed from the interventions of the state institutions as in the case of the Shanghai Stock Market as depicted by Hertz,<sup>512</sup> its functioning was still based on a number of daily interventions, and rules were made and implemented. But the existing discourse of the free market and intervention helped the market players to express their position regarding, supporting or contesting what should be and should not be done in the market outside of those daily rules, even though the present rules were not a natural part of the market before their implementation.

The discontent about changing prices of various non-ferrous metals at the London Metal Exchange was expressed, very often, in terms of the inability of the LME price to reflect the 'natural' state of the market as defined by 'the fundamentals of supply and demand'. When there was a price much higher than expected it was ascribed to some speculators using, for instance, a short squeeze in the market or some warehouse owners who allowed long queues in warehouses to increase rent payments, who 'artificially' manipulated the price. From the angle of some traders, this very distinction was flawed and misplaced. The fact that a price was considered as 'high' for an end-user did not mean that it was 'wrong', it simply meant that there was someone prepared to pay that price for it. If there were no longer anybody who paid it, the price would fall. Many considered this as the self-correcting feature of the market. From the perspective of the LME managers, since the price, which was discovered at the LME was a very Hayekian mechanism to send signals to market participants about their decisions in the market, the inability to afford the existing market price implied a problem with the existing business model of those who were not happy with it.

If metal consumers or producers who hedged their price risk were the main actors who were unhappy with the price, this difference of position could be ascribed simply to one's position in the overall supply chain, as the former Head of Compliance mentioned. In that sense what was considered to be artificial by consumers, for instance, when the price is high or when brokers with short positions suffer from a backwardation situation. But more closely examined, the LME's position remains also more ambiguous than it looks at first glance. The distinction between the 'natural' state of the market and 'artificial' manipulation by traders and speculators' strategies was also acknowledged by the LME; the main area of dispute was who would make the judgement that the market was not in its natural state.

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<sup>512</sup> Hertz (1998).

The answer lies, in a nutshell, in the LME's expertise, accredited deliberately or not by market players. Even if at any given point of time a purely 'natural state of the market' is almost impossible to determine as such (given that some market players may deliberately keep stocks in some mine or factory in some part of the world) and speculative positions are as legitimate as hedging positions, it is still necessary to define a 'natural' and 'orderly' state of the market in order to make a judgement about whether or not specific market intervention policies should be used in case this state of the market is broken. Such judgement can not be purely subjective; for credibility it has to be based on a deep knowledge and assessment of the fundamentals of supply and demand, the daily position of members and their clients, the forward curve; in other words all the representative tools of the market mentioned above. The LME staff tested whether the market is orderly by a series of comparisons. For example, they compared the dominant positions against the fundamentals of supply and demand (based on, amongst other data, the inventories of the LME warehouses, which serve as a market of last resort) to decide whether they should ask dominant position holders to lend in the market or to impose backwardation limits; or they compared the daily bids and offers at the Ring with the forward curve in order to decide about the closing price. In that sense, there was really 'a system of rules' to be followed to find out which price reflected the state of the market in a given day, as the small Turkish scrap trader believed.

The metal producers, consumers and traders in the global market and Turkish traders in the local market complained about the market price when the price did not meet their expectations or negatively affected their anticipations of profitability. From the point of view of the LME managers, if someone could not deal with the current market price, it meant that there was something wrong about the business they performed, not the price itself. For there was someone ready to pay this price. However, from the perspective of the local recycling factories and scrap traders in Turkey, problems resided less in the way they did business than in a number of external constraints. First, the role of the state. Traders thought that state regulations created unfair competition by increasing the cost of doing business. They were also unhappy that some recycling factories were supported by the municipal police which put pressure on waste pickers and warehouses to sell to those factories. Furthermore, they contested the municipal administration's arbitrary policies to relocate factories or to issue By-Laws to manipulate waste management regulations to its advantage. In their experience, the state was an actor impeding competition. Second, the inequalities of firm size and capital affected the extent to which traders could handle exposure to price risk. Small traders thought that only those traders with financial strength could afford to wait and not to sell their goods until prices

rise again. They could not build stocks at their workplaces, because they did not have the savings to cover their expenses. Third, lack of access to risk management tools. Traders were exposed to price risk when the LME set prices for metals. I already explained in previous chapters what kind of (failed or successful) strategies traders developed as a means to cope with these problems: cooperating to fix the market price, lobbying the state to make regulatory amendments, sharing customers.

Everyday rules of the LME suggest that the behaviour of traders and brokers is heavily regulated by both the LME Rule Book and the legal regulations of the Financial Conduct Authority. If a violation of a rule is noticed, there are severe sanctions both at the LME and in courts. This stands in contrast to the Scrap Traders' Zone where the binding force of regulations applies more to the physical workplace than the actual trading behavior in the everyday life. What is subject to legal sanction would be the anti-competitive behavior of trading actors when there is a formal complaint made to the Competition Authority.

In both markets, individuals have to process a lot of market information and tacit knowledge accumulated by experience is key to success. While doing trade at the Ring the traders have to be aware of the status of the forward curve, use the real-time information coming from the clerks, make very quick decisions. The rhythm of trade in the Scrap Traders' Zone is much slower, but traders have to be aware of the information about the quality of recyclable goods, potential new customers, changing market prices. Intensity of trading becomes higher during public auctions for scrap metal where traders should learn who will be the main bidders and assess their chances for winning the bid. Although rules of the game appear to be more individualistic and competitive at the LME Ring Sessions, similar patterns are observed during the public auctions organised by the Institute of Machinery and Chemistry in Turkey. Traders who exchange gifts and offer protection in times of difficulty, become more competitive in those auctions and may use some intimidating tools to discourage their rivals. It is surprising to observe the social regulation of the market by kinship not only in Turkey but also at the LME: The entry to the Ring was based on kinship relations whereas most traders in the Scrap Traders' Zone come from same villages in the periphery of Ankara.

## **Conclusion**

This thesis aimed to investigate the rules and regulations organising the market in the recycling sector by using the data collected through multi-sited fieldwork relying on ethnographic methods, archival research and semi-structured interviews. Each chapter looked at one aspect of the recycling market: informal labour regulations by waste pickers, the attempt of the organisers to reshape the market, social regulations of petty commodity production and accumulation in the recycling warehouses, waste management regulations by the state, relations of gift, trust and morality which regulate the trading relations of the recycling companies, and finally rules of the global exchange which directly affect the local recycling market. The thesis dealt with both informal rules (customary arrangements, moral codes, social regulations) and formal rules (laws, by-laws, rule books, notices and guidances, circulars) through which the recycling market operates.

In the daily language of its participants, the market is an independent entity: “The market sentiment is crazy, the market is uncertain, the market moves, the market is in bad mood.” But this experience itself is not possible without the enactment of so many rules by market participants in their everyday routine. Rather than repeating the content of each chapter, this last part will attempt to re-classify the findings presented in the chapters around specific conclusions which are pertinent to the main argument regarding the rule-based nature of the market. Experienced as a self-regulating, alienating, autonomous power, the market is a practical truth enacted by individuals who make, implement, follow, repeat, contest and negotiate rules and regulations under the pressure of its imperative.

### **Market Imperative, Rules and Agency**

Where does the relationship between the market imperative and rules reveal itself? First, the dispossession of peasants from their land because of forced migration made them come to the

city and join the labour force. But in the absence of formal employment opportunities, the workers had to survive by picking waste and selling it to warehouses or directly to recycling companies. The workers had nothing but their labour power to sell. Since public bins were all over the city and there was no plan to make an allocation of labour guided by a municipal administration or an employer, waste pickers used a set of customary arrangements. Each family of waste pickers chose a specific point of storage in the city center and started collecting waste from public bins, restaurants, cafes, offices and residential units by building connections with their owners around that specific point. When new communities of migrants came to Ankara, they knew that the city center was already occupied, so they started looking for waste in other neighbourhoods, usually near the area where they rented warehouses, and this area became under their control. When there were seasonal migrant workers coming to earn some income outside of harvest seasons where they worked as agricultural labourers, they were accepted to the community and allowed to work over public bins within the confines of the territory controlled by their relatives. Such unwritten rules made up a labour market for waste pickers where entry was free, yet space of work negotiated, without any cost of hiring and supervising labour.

Warehouse owners were not yet fully subject to the compulsion of competition and accumulation. They were mostly organised as petty commodity production units which used family, kinship labour or hired migrant wage labourers. A number of factors (social organisation of economic life in the city, strategies of the recycling companies, and violence by the municipal police as depicted in detail in the thesis) contributed to this reproduction, whereas, due to rising poverty and migration, the number of warehouses increased even more, outside of the three neighbourhoods in which the fieldwork was conducted. Despite the dominant form of petty commodity production, there were certain warehouses which had the potential for accumulation, without an external imperative to do so. The ones who were able to mobilise a large pool of kinship and family labour via their networks in their villages were able to expand their capital. Kinship and tribal connections were key to serve as a pool of and discipline labour. Had the new waste management regulations been fully implemented by practically forbidding informal warehouses and waste picking, then one could have expected to observe a tendency towards differentiation. Although a circular by the governor published at the end of 2013 gave signs about this possibility, by the time this conclusion is being written in 2014, there is still no intervention made to eliminate informal warehouses. In fact, from the perspective of the recycling companies, the informal organisation of the collection of waste, by the transfer of labour and transport costs to the warehouses, was a favourable solution.

This brings us to the other important aspect of rules. Whereas some rules and regulations may be a *response* to the pressure of the market imperative, others may be some of its *sources*, although the consequences they are supposed to bring about may be delayed or diverted in their practical implementation. Some of the waste management regulations put a competitive pressure on informal recycling companies via new license obligations which favoured financially strong large companies, yet some initiatives by traders helped to cushion the negative effects of those regulations. The Big Bang rules in the City of London, on the other hand, enforced competitive pressures and led to the takeover of the British banks by American ones.

With the increasing globalisation of the recycling market and the privatisation of the state economic enterprises such as SEKA, which regulated waste paper prices, Turkish recycling companies became subject to the competitive pressures of the market. In a liberalised trade regime, global supply and demand, import and export policies of trading partners, currency rates, and price elasticity of commodities all affect market prices, and Turkey, which is an exporter and importer of recyclable commodities and uses the LME price as the global reference price, is influenced by the dynamics of the global market in which it is an actor. The global economic crisis of 2008/2009 negatively affected recyclable commodity prices: the reduction of the import of waste paper by China led to the rising of freight rates, and the increasing import of waste paper by Europe to Turkey led to a fall in the local waste paper prices (lower than the cost of recycling companies), with a recovery only beginning from the end of 2010. In scrap metal, although Turkey was a net consumer and importer of scrap metal, fluctuating prices (with the price of aluminium falling tremendously as the most striking example in the summer of 2008), changes in exchange rates and raw material prices have put pressure on traders in the Scrap Traders' Zone.

Traders' experience with this imperative was two-fold. On the one hand, traders complained about subjection to global markets. They were unhappy with the falling scrap prices and uncertainty of the market. On the other hand, they were aware of many moments in which pressures were transformed into opportunities by agency as well: waste paper recycling companies benefited from export opportunities (thanks to rising global demand from 2010); when import of waste paper from Europe led to a price decline, the ones which had stockpiles before price falls benefited; scrap metal traders who sold scrap aluminium when the price was incredibly high made a lot of profit. In fact, when paper producers colluded to restrain the

export of waste paper to keep the local supply high and price low, recycling companies protested against this on the grounds that it was an intervention in the free market and a breach of their own rights. They were more critical of state interventions (the favouring of ITC by the local municipal administration, the decree of the Ministry of Economy to restrict exports, the By-Law which imposed heavy infrastructural obligations on scrap traders) than the consequences of the market imperative.

Local customs, codes of morality and relations of gift and trust were important sources which regulated trading in the Scrap Traders' Zone while traders were handling the imperative of the market. Customer-sharing to help another trader with the anticipation of reciprocity in the future, tangible gifts or advance money to waste suppliers in order to guarantee the regularity of waste, trade credit given to a buyer on the basis of trust built over long-standing personal relations, and offering social networks to new comers regulated the relations between traders, and their customers in various ways.

### **Informal vs. Formal Rules**

The findings of this thesis suggest that it would be inaccurate to make dividing lines between informal/formal, concrete/abstract, personal/impersonal, and customary/statutory rules. It would be a mistake to see the latter as belonging to market relations and the former belonging to non-market relations. Both dimensions make up the market and most of the time they are interdependent. Informal labour and warehouses reduce, to a great extent, the costs of hiring and supervising labour for recycling companies. Waste pickers are a constant source of recyclable waste for those formal companies. The latter use daily, casual, unregistered labour, made up of workers from the Roman community, whose number can be changed by the employer depending on the availability of waste to recycle. The OTC contracts, which are outside of the regulatory framework of the LME, are also widely traded together with the standardised and cleared LME contracts, because both types respond to different needs of customers in the metal industry. Brokers have to use models and calculations based on abstract quantifications every day to execute client orders, but they also have to engage in face to face interactions with those clients in order to earn their trust and persuade them to use the best financial strategies for their needs. Efforts to make metals tradable products via technical standardisation would be futile without the lobbying activities of managers to convince major investors to use the new products and vice versa. And this latter stage is not independent from the social networks and resources one can mobilise. That is why actor network theories, which

look into the performative power of technologies and theories used in the market, are not too far from the theories of economic sociology, which investigates the social relations and networks in which markets are embedded.

This coexistence is not to deny the distinctive pressures behind i) the tendency to formalise certain aspects of the market and ii) the permanence of old and emergence of new informal regulations in the market. The fact that commodities were attracted towards being standardised contracts in centralised exchanges was because of the needs of market participants to protect themselves against price risks. At the LME, implementation of major regulations including the establishment of a clearing house, obligations to lend for dominant position holders, daily position reporting for market surveillance, and warehousing rule amendments were all geared to reducing market aberrations, which have emerged since the 1980. In the context of Turkey, formal regulatory pressures in the recycling sector originated in the harmonisation process with the European Union. Despite attempts at formalisation, limited employment opportunities in the formal sector, rural-urban migration, the strategies of capitalists to reduce labour costs in recycling factories contributed to the expansion of informal practices and use of informal labour.

### **Representing the Market: Performativity of Rules**

How does one take any action in a complex market (be it trading, regulating, transforming the rules, or reducing aberrations)? To handle complexity one has to build representations of the market to reduce it to a manageable status. In the case of Turkey, waste management regulations were an adaptation of the European Union Directives, based on the future ideal situation of the recycling market. State regulations re-configured companies as holders of recycling licenses for waste producers and waste dealers, and they re-configured different types of waste into specific categories to be coded with standardised names and content listed by market participants. Ministry of Environment and Urbanism produced the National Action and Strategy Plan as a road map to implement those regulations. At the local level, municipal and provincial administrations were made responsible for mapping the territory over which waste management plans would be put into practice. Without the coordinated actions of these institutions, it would not have been possible to transform the existing reality of the recycling market into the reality depicted by the by-Laws. This thesis has shown that many of the regulations are still far from being implemented, but the ones which were implemented (license

requirements for recycling companies, for instance) were effective in making companies implement technical standards at their own workplaces.

Traders and managers at the LME used a number of representation techniques to deal with the complexity of the global market: graphical charts about price movements, dashboards exhibiting price movements, theoretical formulas such as Black-Scholes, the forward curve which is the abstract representation of the current and future prices of metals, fundamental analysis which shows the latest trends about supply and demand, reports by market research agencies, and daily position reports collected from the the status of inventories at the LME warehouses. Traders use such representations in order to make their investment decisions, bids and offers in the Ring; managers use them to make sure that the market is orderly. Rules supported by the technical infrastructure and material technologies (head sets, computer algorithms, dashboards, formulas) have thus become a constitutive component of the market, and earned a performative character. This aspect of the rules can be read as a critique of institutional economics, which reduce rules to the functions they assume (such as reducing transaction costs or information asymmetries).

When such techniques were neither accessible nor perceived as a necessity in the Turkish context, local traders still used some sources available to them in order to make their decisions. They reduced the complex reality to a manageable reality via experience and intuitive knowledge. “You will know which good will sell itself while buying something”; “You will only trade the goods you have experience in”; “You will specialise in one thing if you do not want to lose”; “You will know how to speak to people, how to smoke, which words to use to please to them if you want to attract customers”; “You should give advance money to waste pickers”; “You should find someone to cover your back if you do not have enough power”; “You should ignore it if someone steals from you if he makes you earn money”; “one partner should play the good cop, the other the bad cop with customers”. These were the rules adopted by various traders based on their years of experience in the market.

### **Enforcing and Breaking Rules**

Whether or not anticipated rules can be effectively enforced in the market varies according to the actors who enforce the rules. It is easier for the state to enact rules by using its legislative powers, even without the consent of relevant stakeholders in the market. The problem occurs at

the phase of practical implementation, when there is a gap between procedure and practice, as explained in this dissertation, when the ‘implementors’ at the local level do not have the technical capacity, political willingness or the material infrastructure to make the market fit the picture drawn by the By-Laws, or when the actual reality of the market is too complex to be changed in a short period of time. In the context of the global exchange, by contrast, the pre-enforcement period is much more complex and difficult. Market actors have to be consulted, the directors and members have to give their consent that they are convinced of the effectiveness and benefits of the new rules, and regulatory authorities have to lend their support. Yet, once enforced, all market participants are obliged to abide by them and implementation is rather easy within the confines of the Exchange as compared to the case of state regulations, which have the more ambitious task of changing a whole national territory.

What happens when market participants break rules? Identifying, investigating and sanctioning the breaking of rules by authorities may be a lengthy process. As we saw in the thesis, it took a lot of time for the Competition Board to identify the violation of the relevant article of the Competition Law by paper factories to the disadvantage of recycling companies. It took a lot of time until the manipulative strategies of Sumitomo to corner the entire copper market were revealed and sanctioned. It took a lot of time for the security forces and public authorities to find out about the corruption in the public bids for scrap metal at a public institution, favouring some recycling factories in the Scrap Traders’ Zone. There is a temporal lag between the strategies of market actors and the regulatory supervision. This is also accepted by the LME. For instance it is argued that automatic backwardation limits are not useful, because by the time they are implemented, the strategies which caused a backwardation would have already resulted in manipulation and it is not possible to differentiate, without considerable analysis and judgement, to decide whether a backwardation was the outcome of manipulation or a natural state of the market itself. Although the LME thought that there would always be some people who break rules by exploiting loopholes, the evolution of regulation at the Exchange since 1986 suggests that there was a tendency towards the adoption of stricter rules for the surveillance of market participants. The LME Market Compliance team uses, for instance, a dashboard which investigates real time price movements during the Ring sessions, detects any abnormality and identifies the exact transaction behind it. Also, The Price Quotations Committee at the LME examines the daily price movements against the forward curve to identify any unusual behaviour by the market participants.

## **Relationship between the Global and Local Market**

The effects of the global market on the local market can be seen in a number of instances in the thesis. First, the new waste management regulations in Turkey were enforced as a result of the European Directives on environment and waste management. This was part of the conditionalities put by the European Union for monitoring Turkey in its process of candidacy for full membership. Some of those standards were technically and financially so difficult to be met by local scrap traders that Chamber of Scrap Traders had to engage in intense lobbying activities to amend and adapt the standards to the local conditions. Privatisation of the state paper industry was also a component of the mass privatisation programme of the government in the context of the requirements put by the World Bank, the IMF and the EU to achieve the full transition to a market economy. One should not omit that this agenda overlapped with the demands of the domestic capital groups.

Trade liberalisation since the 1980s and the government's policies to promote the investment by foreign capital in Turkey facilitated the integration of the local and global markets. The volumes of traded recyclable materials have increased to a great extent in the recycling industry. That the primary raw material of the Turkish steel industry is scrap metal made Turkey one of the leading importers of scrap metal. The export opportunities in the context of rising demand for waste paper were exploited by local recycling companies, but the intervention of paper factory owners to restrict exports by lobbying the Minister of Economy limited some of these opportunities.

The pressures put by the WB and the IMF for increasing labour market flexibility and removing state subsidies in the agricultural sector caused a decline in formal employment. A by-product of a fragile economy based on the flow of short-term capital flows, financial crises led to higher unemployment and decreasing purchasing power, which, in turn, contributed to an expansion of the informal labour market. These factors made the informal employment opportunities in the recycling industry more feasible. It is not a coincidence that most recycling workers who were my informants were former small producers or wage labourers in rural areas.

The role of the LME for setting the scrap metal prices in Turkey is peculiar. There is no equivalent of the LME in the waste paper industry. The LME is used as a reference price by all market participants, including large metal recycling factories and scrap collectors in the street

alike. In other words, when a scrap metal collector goes into the street to collect materials in aluminium, for instance, he knows that his income will depend on the official price determined at the LME.

The changes in the supply and demand of recyclable goods have direct repercussions on the local recycling market: the global financial crisis, a change in the value of exchange rates, a decline in the demand of waste paper by China, the sudden import of waste paper from European Union countries affect the financial situation of the local traders. Yet, it would be misleading to think of the effect of the global market simply in negative terms. The rise of global trade for recyclable materials brought about new opportunities for recycling factories. This increased the demand for the waste collected and sold by waste pickers. The continuous expansion of informal warehouses is partly due to the revival of the recycling economy. The scrap metal traders made gains when the LME prices went up for various metals.

### **Market Rules as a Terrain of Struggle**

The thesis depicted a number of conflicts between different actors in the market: between waste pickers and municipal police due to the attack on customary rights by the state; between recycling companies and ÇEVKO, which was given the authority to collect the waste of waste producer companies for free; between big licensee companies supported by the municipal authorities and recycling companies which did not hold a license; between the Ministry of Environment and Urbanism and scrap traders over a new regulation that put heavy obligations difficult to meet for small and medium-scale companies; between the large aluminium producers and the LME over warehousing rules; between American investment banks and the US regulator CFTC over the banks' manipulation strategies in the commodity markets; between a group of American senators and the LME managers over the tightness of warehousing rules. State institutions and independent regulatory agencies, which were either part of such conflicts or were given the task of resolving or examining them (such as the Competition Authority, the Court of Account, the Court of Appeal, the Council of State, the Ministry of Environment and Urbanism in Turkey, the Financial Conduct Authority and British courts in the UK, the CFTC and the American Senate in the US), had competing priorities and attitudes with respect to shaping the outcome of those conflicts. The distinct logics and practices of these institutions, as shown in the thesis, and the specific engagement of different social actors with these heterogeneous components of the state were significant in determining

which rules would be accepted, which ones would be contested/disobeyed, and which ones would be negotiated.

In the context of state regulations, contestation and negotiation of rules helped the consolidation of those who enacted them by fostering the interactions between state and market actors. Turkish traders, while trying to amend the rules which would affect their business, hired lawyers and consultants to speak and master the technical language of the rules, invited technical experts to give training, referred to the Council of State to cancel regulations and lobbied directors at ministries to amend their clauses. This made them much closer to the state apparatus and while they were successful in gaining certain amendments, they also accepted the implementation of regulations. Their business was now turned into a territory regulated much more deeply by the state in the recycling market. Similarly waste pickers turned from unlawful dissidents into legitimate stakeholders by the municipal authority in Ankara as a result of their struggle with the municipal police while trying to protect their right to work over public bins. In other words, the rules concerning the market expanded the scope of state authority.

The conflicts between market actors reflected their diverging opinions about which regulations were an *intervention in*, and which ones were *a necessity for* the free market. For the major aluminium producer Rusal, the new warehousing rules constitute a major intervention in the free market by the LME, some traders consider backwardation limits as an intervention in the free market, the recycling companies consider the restrictions to exports as an intervention in the free market, and recycling warehouses consider the determination of the prices by paper factories as an intervention in the free market. Those who defend intervention in certain contexts, argue that intervention is needed to keep the market free and orderly, because intervention is used against those who manipulate the market.

The market in a capitalist society may act as an imperative with a compelling power over individuals. But if this aspect of the market is historical rather than natural (contrary to neoclassical economics' assumption), and if the rules and regulations which constitute it are also subject to contestation and change as shown by this dissertation, then it is possible to build an alternative organisation of economic life. Such an alternative should re-configure not only production, but also exchange relations, and it is likely to rely on an equally rich variety of

rules and regulations based on and yielding novel principles (of egalitarianism, participation and freedom), rather than being based on an absence of rules.<sup>513</sup>

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<sup>513</sup> Although it is not the aim of this thesis to suggest an alternative organisation of the market, preliminary insights can be found in specific institutional innovations such as cooperatives. For the case study of Kemberburgaz Flower Auction in İstanbul, where the rules and regulations set by the flower producers' cooperatives contribute to the making of fairer and more egalitarian exchange relations both for producers and buyers, see Öz and Çalışkan (2010).

## Appendix 1: List of informants<sup>514</sup>

Altuntaşlar Paper, recycling company, Scrap Traders' Zone  
Atalay Paper, recycling company, Scrap Traders' Zone  
Bolat Metal, recycling company, Scrap Traders' Zone  
Cemal Bozok, General Secretary of Ankara Chamber of Scrap Traders  
Çiftel Paper, recycling company, Scrap Traders' Zone  
Ender Plastic, recycling company, Scrap Traders' Zone  
Ferhat, intermediary  
Grup Plastic, recycling company, Scrap Traders' Zone  
İrfan Çinkaya, Head of Ankara Chamber of Scrap Traders  
Kardelen Paper, recycling company, Scrap Traders' Zone  
Mertcan Metal, recycling company, Scrap Traders' Zone  
Osman Metal, recycling company, Scrap Traders' Zone  
Recai, former intermediary, current recycling company owner  
Varol Plastic, recycling company, Scrap Traders' Zone

Derviş, warehouse owner, Hamamönü  
Fahrettin, warehouse owner, İskitler  
İsmet, warehouse owner, İskitler  
Keramettin, warehouse owner, İskitler  
Mahmut, warehouse owner, Hamamönü  
Necmettin, warehouse owner, Mamak  
Orhan, warehouse owner, İskitler  
Salih, warehouse owner, Hamamönü  
Sedat, warehouse owner, İskitler

Abdurrahman, waste picker, Yıldız  
Ahmet, waste picker, Türközü  
Cahit, waste picker, Hamamönü  
Davut, waste picker, Hamamönü  
Deniz, waste picker, İskitler  
Eyüp, waste picker, Türközü  
Fahri, waste picker, Türközü  
Güven, waste picker, Türközü  
Hüseyin, waste picker, Türközü  
İbrahim, waste picker, Yıldız  
İlhan, waste picker, Yıldız

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<sup>514</sup> The list is not exhaustive, it gives the names of individuals who have been interviewed at length, spoken several times or with whom I spent enormous amount of time on the fieldwork. I talked to many other individuals while I participated to and observed group discussions, community events, social occasions, formal and informal meetings, daily routine (work, eating, leisure time). The names of workers, warehouse owners, intermediaries and organisers (except for Ali) were changed.

Mazlum, waste picker, İskitler  
Mehmet, waste picker, Türközü  
Mirhat, waste picker, Türközü  
Mustafa, waste picker, Hamamönü  
Ramazan, waste picker, Türközü  
Recep, waste picker, İskitler  
Serdar, waste picker, Hamamönü  
Sinan, waste picker, Yıldız  
Şakir, waste picker, Hamamönü  
Veysel, waste picker, Türközü  
Yılmaz, waste picker, İskitler  
Yusuf, waste picker, Türközü  
Zafer, waste picker, Türközü

Ali Mendillioğlu, organiser, Ankara  
Father Can, organiser, Ankara  
Ömer, organiser, Ankara  
Selahattin, organiser, Ankara

Ankara Chamber of Doctors  
Association of Progressive Lawyers  
Hüseyin Çelik, Director of İstanbul Metal Exchange

Alberto Xodo, Current business manager, London Metal Exchange  
Broker, MF Global  
Bill Beagles, trainer and consultant, K2 London Consultancy  
Catherine Markey, former trader, Head of Education, London Metal Exchange  
Diaurmid O’Hegarty, former Head of Compliance, London Metal Exchange  
George Addock, former Business Manager, London Metal Exchange  
Hümeyra Pamuk, former metal analyst, Reuters  
Malcolm Freeman, trader, Ambrians Metal  
Marcos Castro, Current Company Secretary, London Metal Exchange  
Mark Bradley, Compliance Department, London Metal Exchange  
Martin Abbott, former CEO, London Metal Exchange  
Michael Overlander, CEO, Sucden Metal  
Neil Banks, Consultant, London Metal Exchange  
Officer 1, Matching Department, London Metal Exchange  
Officer 2, Matching Department, London Metal Exchange  
Peter Childs, Head of Regulation and Price Discovery, London Metal Exchange  
Senior Customer Relations Executive, LME member company  
Senior Trader 1, LME Ring  
Senior Trader 2, LME Ring

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