Fund bubble bursts in Türkiye, freezing the savings of half a million people

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Last week the speculative bubble built up around several portfolio management companies on the Istanbul stock exchange (Borsa ?stanbul) burst. The savings of hundreds of thousands of small investors have been frozen, and the government of President Recep Tayyip Erdo?an has once again mobilized public resources to shield the rest of the system.

The crisis began when the Istanbul-based Pusula Portföy announced Tuesday that some of its funds would be unable to make repayments to investors on time, setting off a rush by investors to withdraw their savings. The following day, two funds of Tera Portföy, with a combined size of 366 billion lira (US$7.5 billion), likewise failed to meet redemption demands.

The panic that began on Tuesday peaked on Wednesday. A three-day wave of selling wiped nearly 10 percent off the BIST 100 index. On Thursday morning the Financial Stability Committee, chaired by Treasury and Finance Minister Mehmet ?im?ek, declared that the problem was concentrated in one segment of the fund market and was "temporary and manageable." The Capital Markets Board (CMB) then laid down the procedures for liquidating a total of 131 investment funds belonging to seven portfolio management companies. The liquidation of these funds, worth more than 800 billion lira (US$16.5 billion), directly affects over 500,000 investors, who will not be able to reach their money—or whatever is left of it—for roughly three months.

What has taken place is only the visible tip of the financialization of the economy and the parasitism that accompanies it. While the financial oligarchy has amassed vast fortunes under the government's supervision, the cost of the crisis is being loaded onto the working class the moment the bubble bursts.

The mechanism is a modern version of the Ponzi scheme. Certain domestic funds bought up large quantities of shares in companies with a small free float. These concentrated purchases inflated both the share prices and the apparent value of the funds holding them. High returns drew in more investors, supplying fund managers with fresh money to buy the same or related shares. As a result, two Pusula Portföy funds posted gains of 164 and 144 percent in the first seven months of 2026.

All of this took place in full view of the government and as a product of its own regulations. In June, MSCI pointed to suspicions of coordinated trading in funds tied to small companies and announced that it could begin reassessing Türkiye's standing in its indices if no concrete progress was made by November. Earlier, on November 4, 2025, ?im?ek himself had spoken of manipulation in the funds. Yet regulation was put off for some 10 months while the bubble went on growing. Not until August 28 did the CMB tighten the rules.

Why the government looked the other way for so long becomes clearer on examining the management and ownership structures of the companies whose funds have been shut down. While millions of working people are crushed and impoverished by the cost of living, these profiteering financial circles have woven a network of ties with the ruling party and the state bureaucracy.

The press has reported that Muhammet Yar?z, chairman of the board of Pusula Portföy, who was arrested in the aftermath, held a post in the Istanbul organization of the Justice and Development Party (AKP) led by Erdo?an. According to a review by *T24*, based on records of the Public Disclosure Platform, the management and ownership structures of these companies include a former ambassador and a pro-government columnist, figures who have served on presidential advisory boards, the wife of a deputy minister and former Finance Ministry bureaucrats. Fecir Alptekin, senior advisor to the president, served on the board of directors of Tera Portföy for a few months at the end of 2025.

The government is seeking to prevent the fund crisis from spreading to the financial markets as a whole and to deflect criticism of itself. "There is no economy-wide systemic risk. There is no structural problem in the stock market or the fund market," ?im?ek said.

Justice Minister Ak?n Gürlek announced that four corporate officials, including fund managers, had been arrested and 51 barred from leaving the country. In the same statement he noted that access to 246 social media accounts had been blocked on the grounds that they had posted material liable to create fear and panic among investors.

A significant portion of the investors in these frozen funds consists of workers and retirees who are seeking alternative sources of income to offset the erosion of their wages by inflation, and who often invest in these funds at the recommendation of the banks where they hold their accounts.

The rule of Erdo?an’s AKP, which began in 2002, was itself erected on the wreckage of the 2001 financial crisis. The loosely regulated banking system collapsed, overnight interest rates shot above 1,000 percent and the floated Turkish lira swiftly lost roughly half its value. The economy contracted by 5.7 percent that year. Hundreds of thousands of workers lost their jobs, wages were slashed and small tradesmen ruined. The “Transition to a Strong Economy Program” of Kemal Dervi?, brought in from the World Bank, meant austerity for the workers and full guarantees for the banks and creditors. The following year the AKP came to power on the back of the social anger that had built up over this crisis.

Now, a quarter of a century later, the AKP confronts a similar but far more explosive situation. Sitting atop a financial bubble that could burst at any moment and a fragile economy, the government has been imposing austerity for three years.

Since taking office in 2023, ?im?ek has waged a systematic assault on the working class under the banner of “fiscal discipline” and “the fight against inflation.” The central bank raised its policy rate from 8.5 to 50 percent; this leap in the cost of credit crushed small businesses and indebted households while delivering high real returns to the holders of deposits and government bonds. Wage increases, for their part, were held down by being set according to targeted rather than actual inflation. The “fight against inflation” program has in reality been the instrument of an ever-expanding transfer of wealth from the working class to finance capital.

This crisis of financialization is by no means specific to Türkiye. In the 2008 financial crash and the 2020 pandemic, central banks pumped trillions of dollars into the markets, and they intervened once more to rescue the banks in the 2023 US banking crisis. This “cheap money” regime fed not productive investment but speculation in stocks, real estate and derivatives. While the world’s stock markets hover at record highs on the speculative surge in artificial intelligence shares, social inequality has reached staggering proportions.

The *Financial Times*, the voice of the City of London, treated the crisis in Türkiye largely as a technical malfunction. For the FT the real question was whether the crisis constituted a test of ?im?ek’s effort to restore international confidence in the Turkish economy. Within this framework the crisis was reduced to the lax supervision and cronyism of an “emerging” market, the proposed remedy being tighter rules, more transparent ownership structures and the measures demanded by MSCI. The hundreds of thousands of workers and retirees whose savings have been frozen figured in this account only as “investors” seeking to exit the funds—that is, as one parameter of a liquidity problem.

In fact, this mechanism is not an aberration peculiar to Türkiye but an expression of the normal functioning of financialized capitalism. The cycle in which purchases concentrated in a handful of companies mutually inflate prices and fund values is not qualitatively different from the dynamic driving up the market capitalization of AI giants on Wall Street today.

More fundamentally, the ?im?ek program which the FT presents as an effort to “rebuild [Türkiye’s] international economic credibility” is not the antidote to the crisis but its basis: it is precisely the program that suppresses wages in order to secure high real returns for international capital and drives workers into risky funds to protect their savings. The financial press’s call for “better regulation” amounts, as in every crisis since 2008, to a prescription for propping up the system while making the working class foot the bill once again. The problem is not inadequate supervision, but the capitalist profit system itself, under which the wealth of society is subordinated to the speculation of financial oligarchs.

The government is now declaring the crisis “manageable” and seeking to defuse social anger by arresting a few scapegoats. The answer of the working class must be to demand the expropriation of every fortune amassed by this swindle and its transfer to public ownership, the full compensation of working people’s frozen savings out of that expropriated wealth, and the nationalization of the banks and major financial institutions under the democratic control of workers.

This requires that the working class build rank-and-file committees independent of the trade union bureaucracies and all the parties of the establishment, and struggle to take power on the basis of an international socialist program.

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