



HACETTEPE UNIVERSITY

Center for Market Economics and Entrepreneurship

3RD INTERNATIONAL ANNUAL MEETING

OF SOSYOEKONOMI SOCIETY

PROCEEDINGS BOOK



Sosyoekonomi

APRIL 28-29, 2017 ANKARA / TURKEY

3rd INTERNATIONAL ANNUAL MEETING

Sosyoekonomi Society

Editors

Ahmet Burcin YERELI

Altug Murat KOKTAS

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Themes & Topics

- Regional Economics and Regional Development
- Environmental Economics and Environmental Management
- Energy Economics and Energy Resource Management
- Economics of Industrial Research and Innovation
- International Economics and International Trade
- Tourism Economics and Tourism Management
- Labour Economics and Industrial Relations
- Market Economics and Entrepreneurship
- Fiscal Federalism and Decentralization
- Microeconomics and Macroeconomics
- Public Economics and Public Finance
- Gender, Diversity and Social Issues
- Local Governance and Subsidiarity
- Poverty and Income Distribution
- Rural Development Policies
- Business Administration
- Health and Education
- Finance and Banking
- Economics and Law
- Spatial Economics
- Law and Business

DEADLINES	
March 15, 2017	Abstract Submission
March 20, 2017	Author Notification
March 31, 2017	Registration Fee and Registration Form Submission
April 10, 2017	Announcement of Programme
April 20, 2017	Submission of Presentation Documents
April 28, 2017	Opening Ceremony and Sessions
April 29, 2017	Sessions

	April 28, Friday (1st Day)	April 29, Saturday (2nd Day)
08.30 - 09.00	Registration	
09.00 - 09.30	Opening Ceremony / <i>Symyrna</i>	Registration
09.30 - 11.00	Session I-A / <i>Symyrna I</i> Session I-B / <i>Symyrna II</i> Session I-C / <i>Aden I</i> Session I-D / <i>Aden II</i>	Session V-A / <i>Aden I</i> Session V-B / <i>Aden II</i> Session V-C / <i>Symyrna I</i>
11.00 - 11.30	Coffee Break	Coffee Break
11.30 - 13.00	Session II-A / <i>Symyrna I</i> Session II-B / <i>Symyrna II</i> Session II-C / <i>Aden I</i> Session II-D / <i>Aden II</i>	Session VI-A / <i>Aden I</i> Session VI-B / <i>Aden II</i> Session VI-C / <i>Symyrna I</i>
13.00 - 14.00	Lunch	
14.00 - 15.30	Session III-A / <i>Symyrna I</i> Session III-B / <i>Symyrna II</i> Session III-C / <i>Aden I</i> Session III-D / <i>Aden II</i>	
15.30 - 16.00	Coffee Break	
16.00 - 17.30	Session IV-A / <i>Symyrna I</i> Session IV-B / <i>Symyrna II</i> Session IV-C / <i>Aden I</i> Session IV-D / <i>Aden II</i>	

Preface

Professor Ahmet Burcin Yereli and his colleagues in Hacettepe University, Turkey established center for Market Economics and Entrepreneurship (CMEE) in 2003. CMEE, which is working in close cooperation with relevant institutions and organizations, makes researches on the structure of the market economy in Turkey and seeks to provide recommendations and solutions for the entrepreneurs who are the most important actors of the free market process. Since it was established the Center, has also made efforts to integrate public sector institutions and bureaucrats with market economy by providing advisory services to public institutions, organizing training programmes for public employees and holding international conferences.

Sosyoekonomi Journal, in accordance with the objectives of CMEE mentioned above, was started publication in 2005 by the same managerial staff of CMEE and since then continues its biannual publications for ten years. First ten years of the journal has been past under the conduct of CMEE. Professor Yereli who is the Director of CMEE and editor of Sosyoekonomi Journal, in the beginning of 2015 and taken charge of Sosyoekonomi Journal in its body has founded Sosyoekonomi Society.

Sosyoekonomi Journal is an international, scientific and refereed journal and became quarterly after its eleventh publication year. 32nd issue of the journal will be published in April 30th, 2017. Sosyoekonomi Journal has covered by several citation and abstracting/indexing databases like TUBITAK Ulakbim Turkish Social Sciences Database, EconLit, ProQuest, EBSCO, Global Impact Factor, RePEc, IDEAS, EconPapers, Google Scholar, etc.

Based on a decade of its academical and publishing experience, the editorial board of Sosyoekonomi Journal has decided to hold scientific events and for this purpose, First International Annual Meeting of Sosyoekonomi Society had taken place on October 29-30, 2015 in Munich, second had taken place on October 28-29, 2016 in Amsterdam. For this year's meetings Ankara and Vienna had been chosen by editorial board members. Moreover, for the next years, we continue to work on organizing the forthcoming events in different cities and countries.

The main purpose of this event is to contribute to social sciences by bringing together academics, professionals and decision makers from different countries. For this purpose, *Environmental Studies, Household Economics, Behavioral Studies, Marketing, Public Finance, Taxation, Budgeting and Audit, Business Economics and Entrepreneurship, Competition, Finance and Banking, Economic History, Fiscal Policy, Public Economics, Law Studies, Energy Economics, Regional Economics, Economic Growth and Development, Financial Economics, Gender Studies, Philosophy of Economics, Social Policy, Labour Studies, Public Expenditures, and Deterministic Studies* have been selected as sub-issues of the conference. We anticipate that 112 papers, which were selected diligently by our Scientific Committee presenting, by the participants from different institutions will provide very fruitful discussions.

Members of the scientific committee have played a key role by evaluating the selection process of abstracts that had submitted for consideration and only the most relevants were selected from a large pool of applicants. This effort makes a significant contribution to academic qualifications of our meeting. We thank to all those who contributed this effort and special thanks to members of the Organizing Committee. We hope the Conference will have a very beneficial effect to the participants and the scientific world as well.

Sosyoekonomi Society

Programme

1st Day

Opening Ceremony 09.00-09.30

28 April 2017 Friday

1st Day

Room: *Symrna I*

Ahmet Burcin YERELI

President of *Sosyoekonomi Society*

Session: I-A / 09.30-11.00

28 April 2017 Friday

1st Day

Room: *Symrna I*

Chair: **Aysen ARAC**

Variations of the Textile Workers' Perceptions on the Working Conditions and Experiences: An Analysis of the Differentiation of the Turkish and Syrian Labourers on Refugee Work in the Istanbul Textile Industry

Ertan EROL & Ayla Ezgi AKYOL & Ipek GUMUSCAN & Mustafa KAHVECI & Kivanc Yigit MISIRLI & Pedriye MUTLU & Ezgi PINAR & Cemal SALMAN

Most Women At (Equalitarian) Work: What Is The Secret of Nordic Success? Lessons for Developing World
Isil ALKAN

In Working Life Talent, Skill, Competence, Competency for Labour Market: A Focus Group Meeting
Nuray TURAN & Mustafa Yasar TINAR

The Relationship between Workaholism and Work-Family Conflict among Assistant Experts in Public Institutions

Belgin AYDINTAN & Emre Burak EKMEKCIOGLU & Yunus BIYIK

The Impact of Informal Social Networks on Labour Earnings Individuals in Turkey
Ayse Aylin BAYAR & Bengi YANIK-ILHAN & Nebile KORUCU

Session: I-B / 09.30-11.00

28 April 2017 Friday

1st Day

Room: *Symrna II*

Chair: **Basak DALGIC**

The Impacts of Local Capital Markets on Poverty Reduction

Hasan Bulent KANTARCI & Reginald OKYERE

Conditional Cash Transfers in the Struggle against Poverty: An Evaluation from the Point of Universal Human Rights

Doga Basar SARIPEK

Decentralization and Poverty Reduction: Opportunities and Challenges in Kenya

Erol BULUT & Bashir Ismail ABDOW

Provincial Income Inequality and Spatial Autocorrelation across Turkish Provinces: 1992-2013

Cagri Levent USLU

Global Imbalances and the Role of Raising Income Inequalities in the Globalization and Financialization Era

Deniz ABUKAN & Asli Ceren SARAL

Session: I-C / 09.30-11.00

28 April 2017 Friday

1st Day

Room: *Aden I*

Chair: **Wissam ABDALLAH**

Regional Impact Analysis in the Relationship between Economic Growth and Energy Consumption: An Evaluation on China-ASEAN Pattern

Muge YUCE & Tuba SAHINOGLU

Economics Dimension of Crime Committed in Turkey: A Spatial Analysis

Halil TUNCA

From the Regional Development to the Spatial Sustainability Programs for Centres of Attraction

Ozden SEN

Regional Differences in Labour Force Participation Rates in Turkey

Selcen OZTURK

Efficiency of Turkish Provincial Municipalities

Yusuf CUMHUR & Necmiddin BAGDADIOGLU

Session: I-D / 09.30-11.00

28 April 2017 Friday

1st Day

Room: *Aden II*

Chair: **Tekin AKDEMIR**

Ottoman-Russian Competition in Tabriz-Erzurum-Trabzon Transit Trade Route at the End of 19th Century and Beginning of 20th Century

Masoumeh DAEI

Convergence and Cointegration Analysis under Structural Breaks: Application of Turkey's Tourism Markets

Berhan COBAN & Esin FIRUZAN

A Strategy Proposal for Apiculture, Honey Production and Marketing in the Black Sea Region: Agglomeration

Ozgur TEOMAN & Onur YENI

Handmade Musical Instruments Production in Turkey: A Survey for Cymbal Manufacturer Corporations

Alper ERSERIM & Baris TEKTEKIN

Potential Improvement on Production Efficiencies for EU-Turkey Agricultural Sector: 2002-2013

Fatih Hakan DIKMEN & Emre Guneser BOZDAG

Coffee Break 11.00-11.30

Symyrna Fuaye

Session: II-A / 11.30-13.00

28 April 2017 Friday

1st Day

Room: *Symyrna I*

Chair: **Serdal BAHCE**

The New Blueprint for Development: Sustainable Development Goals

Gorkem DURAK

Does a J-Curve Exist for Japan and the USA?

Aysen ARAC

Developing Trade and Investment between Afghanistan and Central Asian Countries

Yasin Kerem GUMUS & Mohammad Dayyan Ariameher AYOUBI

Sustainable Tourism Planning as a Tool for Regional Development: South-eastern Anatolia Region - Turkey Case

Aydan SAT & Sevinc Bahar YENIGUL

A Spatial Econometric Analysis of Regional Disparities in Turkey

Murat GUVEN & Bulent GULOGLU & Fuat ERDAL

Session: II-B / 11.30-13.00

28 April 2017 Friday

1st Day

Room: *Symrna II*

Chair: **Burcu FAZLIOGLU**

Ageing in Times of Demographic Shift; Case of Turkey

Doga Basar SARIPEK

Medical Accounting and Effects of Managerial Accounting: Example of Private Hospital

Enes DOGRU & Bulent DERSE & Onur YARAR

The Role of Health on Employment Status in Turkey

Asuman CUKUR

Relationships among Intercultural Sensitivity Ethnocentrism and Personality

Gulsah OZOGUL & Osman YILDIRIM

The Mediating Role of the Change-Centred Leadership Style on Personality Types and Conflict

Ayse Cigdem MERCANLIOGLU & Osman YILDIRIM & Banu SEZGINER

Session: II-C / 11.30-13.00

28 April 2017 Friday

1st Day

Room: *Aden I*

Chair: **Mustafa Umur TOSUN**

Income Inequality Convergence: Is It A Debate Or Truth?

Hatice KUCUKKAYA & Yasemin BOZDAGLIOGLU & Mustafa OZER

Consumption and Income Inequality in Turkey

Egemen IPEK

The Change in the Effects of Turkey's Social Policy Implementations on Local Administrations

Cagatay ALAN & Hulya KUCUK

The Appearance of Poverty in the Development Plans in Turkey

Fatih SANTAS & Gulcan SANTAS & Ahmet KAR

Food Banking as a New Instrument for Social Policy

Seyran GURSOY-CUHADAR & Feyza TURGAY

Session: II-D / 11.30-13.00

28 April 2017 Friday

1st Day

Room: *Aden II*

Chair: **Serkan ERKAM**

An Empirical Analysis of Bank-Specific and Macroeconomic Drivers Influencing Net Interest Margins of Turkish Listed Banks: Panel Data Evidence from Post-Crisis Era

Ozcan ISIK & Murat BELKE

Fiscal Shocks, the Current Account, and the Exchange Rate

Faik KORAY & W. Douglas McMILLIN

A Further Examination of the Finance-Led, Export-Led and Import-Led Growth Hypotheses in WAEMU's Countries

Mahmut ZORTUK & Seyhat BAYRAK-GEZDIM & Semih KARACAN

Determinants of Domestic Credit in Developing Countries: A Dynamic Panel Data Estimation

Zuhal KURUL & Pinar SEZER

The Impact of the Increase in Housing Prices after the Global Crisis in 2008 on Revenue from Estate Tax

Eda BALIKCIOGLU

Lunch Time 13.00-14.00

Fires & Flavors

Session: III-A / 14.00-15.30

28 April 2017 Friday

1st Day

Room: *Symrna I*

Chair: **Fuat OGUZ**

Privatization and State-Owned Enterprises

Ezgi PALAS-DAGLI

On Jean Tirole, Analysing the Economics of Two-sided Markets

Gamze KARGIN-AKKOC

Reading the Relationship between Public Relations and Economics by the Mediation of Thorstein Veblen

Ilkben AKANSEL

The Consequences of Corruption on Inflation in Developing Countries: Evidence from Panel Cointegration and Causality Tests

Serife OZSAHIN & Gulbahar UCLER

Belief and Communication in Tax Compliance: An Experiment

Emre OZYERDEN & Ahmet Burcin YERELI

Session: III-B / 14.00-15.30

28 April 2017 Friday

1st Day

Room: *Symrna II*

Chair: **Faik KORAY**

Diplomacy Impact on Energy Supply Security: Turkey Case

Leman ERDAL

Evaluating Emissions from Energy Production in Turkey by Using the Analytic Hierarchy Process

Yagmur KARA

The Comparison of Fuel Tax between Turkey, EU and OECD

Hasan Bulent KANTARCI

The Effects of Increasing Domestic Coal Share in Electricity Generation under Energy and Climate Policies in Turkey: Input-Output Analysis

Levent AYDIN

The Effect of Household Heterogeneity on Consumption Expenditure: Simultaneous Quantile Regression Analysis

Egemen IPEK & Ozlem SEKMEN

Session: III-C / 14.00-15.30

28 April 2017 Friday

1st Day

Room: *Aden I*

Chair: **Isil Sirin SELCUK**

Investigation of Attitudes and Behaviours of University Students on the Use of Plastic Bags by Structural Equation Modelling

Huseyin GURBUZ & Veysel YILMAZ

A Quantitative Study on Eating Out Of Home Behaviour of Turkish Consumers

Tuba YUMUSAK & Aybegum GUNGORDU

An Investigation of Health-Promoting Lifestyle Behaviours in Older Adults by Different Variables

Hande SAHIN & Sibel ERKAL

Investigation of Factors Effecting the Using Preferences of Kentpark Which Is a Recreational Field in Eskisehir

Huseyin GURBUZ & Veysel YILMAZ

Effects of Using Celebrity Images in Advertisement on Brand Images and Brand Personality

Husniye ORS & Nazan BASBOZKURT

Session: III-D / 14.00-15.30

28 April 2017 Friday

1st Day

Room: *Aden II*

Chair: **Altug Murat KOKTAS**

Turkish Economy in Transition to Refugee Economics: Opportunities and Prospects
Murad TIRYAKIOGLU

Fiscal Discipline in Turkey and Effects on Budget, in the Context of Effective Management of Public Resources
Muzeyyen Ozlem CETIN

Resistance of Taxpayers and Increasing Assessment of the Sin Taxes in Turkey
Isil Fulya ORKUNOGLU-SAHIN & Ahmet Burcin YERELI

On the Insufficiency of User Charges as one of the Revenue Sources of Municipalities: Issues and Suggestions in the case of Biga Municipality
Selcuk IPEK & Ridvan ENGIN

The Effects of Short-term Capital Movements on Sectorial Production: The Case of Turkey
Sukru APAYDIN & Hasan SAHIN

Coffee Break 15.30-16.00

Symyrna Fuaye

Session: IV-A / 16.00-17.30

28 April 2017 Friday

1st Day

Room: *Symyrna I*

Chair: **Fatih Hakan DIKMEN**

The Economics of Net Neutrality: An Assessment of the Turkish Telecommunications Markets
Fuat OGUZ & Gamze KARGIN-AKKOC

Properties of Business Cycles in Developing Countries: A Comparative Analysis
Bekir ASIK & Huseyin TASTAN

Investor protection, Institutional Characteristics and Investment: the Case of the MENA Region
Abed Al-Nasser ABDALLAH & Wissam ABDALLAH

Why Do Firms Repurchase Their Stocks? Evidence from an Emerging Market
Burak PIRGAIP & Semra KARACAER

Do Credit Shocks Matter? A Case Study for Turkey
Fulya GEBESOGLU & Nimet VARLIK

Session: IV-B / 16.00-17.30

28 April 2017 Friday

1st Day

Room: *Symrna II*

Chair: **Hale AKBULUT**

The Examination of Financial Satisfaction and Intergenerational Resource Transfer in Elderly
Hulya OZTOP & Sevinc SANLI-AKKURT & Husniye Ceyda MISIRLIOGLU

Social Security of the Self-Employed Workers in Turkey
Najihan DURUSOY-OZTEPE & Sezgi AKBAS

Costs of Kidney Transplantation in Comparison to Organ Prices in the Black Market
Yavuz DEMIRDOGEN

Assessment of Civil Society in the Context of Development
Nurten DERICI

Socio-Economical and Political Analysis of Tax Burden and Income Distribution since 1923 until Today
Hakan AY & Mehmet Latif HAYDANLI

Session: IV-C / 16.00-17.30

28 April 2017 Friday

1st Day

Room: *Aden I*

Chair: **Hasan Bulent KANTARCI**

Iran Sanction and Impact on Iran Macroeconomic Indicators
Masoud SHEIKHI

Sustainable Public Procurement (SPP) For Sustainable Development: Selected Countries Examples
Elif Ayse SAHIN-IPEK & Yaprak KARADAG

The Effects of Leadership Style on Organizational Justice Perception: A Research on the Employees of
Pristina International Airport
Hamza KANDEMIR & Ergin KALA & Kursat OZDASLI & Hasan Fatih SEVAL

The Relationship between Economic Growth, Energy Consumption, and Other Macroeconomic Variables: An
Analysis for Fragile Five Countries
Asuman KOC-YURTKUR & Arzu TAY-BAYRAMOGLU & Bersu BAHTIYAR

Asymmetric Pass-Through Relationship between Consumer and Producer Prices in Turkey: NARDL
Rahmi YAMAK & Serkan SAMUT

Session: IV-D / 16.00-17.30

28 April 2017 Friday

1st Day

Room: *Aden II*

Chair: **Ahmet Burcin YERELI**

A Conscientiously Socialist or a Rational Man in Ottoman: İştirakçi Hilmi

Gizem EREN & Ahmet Arif EREN

New Freedom: A Forerunner of New Deal Administrative and Fiscal Reforms of Woodrow Wilson

Mustafa Cem OGUZ

As an Automatic Stabilizer Tool Increases and Decreases in Stock of Goods: Example of Prophet Joseph

Mustafa SAKAL & Bilal GODE & Ali Gokhan GOLCEK

Convenience of the Movement in Criminal Attempt

Ahmet GOKCEN & Recep KAHRAMAN

Execution of the Offense in Attempt

Mehmet Emin ALSAHIN & Recep KAHRAMAN

2nd Day

Session: V-A / 09.30-11.00

29 April 2017 Saturday

2nd Day

Room: *Aden I*

Chair: **Anna GOLOVKO**

Regional Migration Affair and Its Effects onto the Fiscal System

Yasemin TASKIN

Land and Financial Administration in the Ottoman Empire According to the Law Book of Buda (Budapest)

Altug Murat KOKTAS & Isil Sirin SELCUK & Ahmet Burcin YERELI

Liberal Turn in Social Protection: Activating Social Assistance Programmes in Turkey

Asli TASDEMIR

What is the Allocation and Monetary Value of Unpaid Work? New Evidence from Turkish Time Use Survey

Selcuk GEMICIOGLU & Ugur AKKOC

Overview of New Turkish Law No. 6735 on the International Labour Force

Ekin TUNA

Session: V-B / 09.30-11.00

29 April 2017 Saturday

2nd Day

Room: *Aden II*

Chair: **Hakki Hakan YILMAZ**

Green Industrial Policies as a Development with Disasters Strategy

Murad TIRYAKIOGLU

Testing the Relationship between CO2 Emissions and Agricultural Production Index in ECOWAS: A Panel ARDL Approach

Mahmut ZORTUK & Seyhat BAYRAK-GEZDIM & Semih KARACAN

Re-Evaluation of Human Development Index' Effect on Environmental Performance Index based on Structural Equation Model

Noyan AYDIN & Elif YALCIN

The World Bank's Credit Policies: The Sample of Turkey in the Context of Environmental Credit

Gunay GONULLU

Growth Strategies and Value Creation in Turkish Energy Sector

Ozan GONULLU

Session: V-C / 09.30-11.00

29 April 2017 Saturday

2nd Day

Room: *Symyna I*

Chair: **Mustafa KIZILTAN**

Comparison the Contributions of Foreign Direct Investments and Portfolio Investments to Economic Growth in Emerging Market Economies

Harun BAL & Mehmet DEMIRAL & Emrah Eray AKCA

A Causality Analysis of the Impact of Banking Sector on Economic Growth: Evidence from Turkey

Ayberk Nuri BERKMAN

Turkish Central Bank's Foreign Exchange Controls

Zubeyir TURAN

The Employees' Perceptions On Job Insecurity: Does Becoming A Parent Matter?

Anil BOZ-SEMERCI

Azerbaijan Industry Diversification: The Need and the Basic Directions of its Implementation

Lala ADIL-HAMIDOVA

Are Unemployment Rates Stationary in Turkey? New Findings from Fourier KPSS Unit Root Test

Findik Ozlem ALPER

Coffee Break 11.00-11.30

Aden Fuaye

Session: VI-A / 11.30-13.00

29 April 2017 Saturday

2nd Day

Room: *Aden I*

Chair: **Ash Ceren SARAL**

Borrowing within the Financial Sources of Municipalities in Turkey

Haluk TANDIRCIOGLU & Fatma YAPICI

Socio-Economic Differentiation in Cross-Border Interaction: West and East Border Regions of Turkey

Cigdem VAROL & Emrah SOYLEMEZ

Employment Dimension of Social Capital: Evaluation of Job Search Channels

Inci PARLAKTUNA & Tugba SARAC & Oytun MECIK & Eren Can AYBEK

The Effect of Organizational Citizens Behaviour on Transformational and Ethical Leadership

Ilkim AKAR APLADI & Osman YILDIRIM

Corporate Governance Principles in the Light of Ethical Rules and Social Responsibility

Yeliz MOHAN BURSALI & Ibrahim AKSEL

Session: VI-B / 11.30-13.00

29 April 2017 Saturday

2nd Day

Room: *Aden II*

Chair: **Recep KAHRAMAN**

Liquidated Damages Clauses as Standardized Terms of Contract

Tuba BIRINCI UZUN

The Scope of the Occupational Health and Safety Act No. 6331

Merda Elvan TUNCA & Senem ERMUMCU

Assessment of Public Hospital Unions Hospitals in Turkey by Comparative Table Analysis

Ahmet KAR & Cuma SONGUR & Mehmet TOP

Information Exchange and Turkey-United States Tax Information Exchange Agreement

Fevzi Rifat ORTAC & Isil Fulya ORKUNOGLU-SAHIN

Conflict of Natural Law with Positive Law: Example of the Wealth Tax

Ali Gokhan GOLCEK & Altug Murat KOKTAS & Ahmet Burcin YERELI

Session: VI-C / 11.30-13.00

29 April 2017 Saturday

2nd Day

Room: *Symyrna I*

Chair: **Hakan AY**

Impacts of Labor Union Activities on Job Quality: Evidence from Waged Workers in OECD Countries

Ozge DEMIRAL

Sustainability in Logistics Industry

Gul SENIR & Rabia EFEOGLU

The Role of State Economic Enterprises in the Provision of Regular Labour Force in Turkey: Case of SEKA Paper Factory in the Early Republican Period

Feyza TURGAY & Seyran GURSOY-CUHADAR

Openness to International Trade, Human Capital and Economic Growth in Turkey

Hacer Simay KARAALP-ORHAN

The Validity of EKC Hypothesis for Turkey: Fourier Cointegration Test Results

Ali Eren ALPER

28 April 2017 Friday

Session: I-A / 09.30-11.00

LABOUR STUDIES

Room: *Symyrna I*

Chair: **Aysen ARAC**

- Variations of the Textile Workers' Perceptions on the Working Conditions and Experiences: An Analysis of the Differentiation of the Turkish and Syrian Labourers on Refugee Work in the Istanbul Textile Industry

Ertan EROL & Ayla Ezgi AKYOL & Ipek GUMUSCAN & Mustafa KAHVECI & Kivanc Yigit MISIRLI & Pedriye MUTLU & Ezgi PINAR & Cemal SALMAN

- Most Women At (Equalitarian) Work: What Is The Secret of Nordic Success? Lessons for Developing World

Isil ALKAN

- In Working Life Talent, Skill, Competence, Competency for Labour Market: A Focus Group Meeting

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Variations of the Textile Workers' Perceptions on the Working Conditions and Experiences: An Analysis of the Differentiation of the Turkish and Syrian Labourers on Refugee Work in the Istanbul Textile Industry

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Keywords : Syrian Refugee Crisis, Istanbul Textile Manufacturing, Refugee Labour.

JEL Classification Codes : F22, J21, J70, J81.

Following the intensification of the violence in Syrian Civil war the numbers of internally and externally displaced people in the country soared. Currently up to 3 million Syrian citizens living in Turkey and only less than 10 percent had been accommodated within the refugee camps, leaving almost 2.8 million Syrians in need of housing, employment and alimentation. Under the temporary protection status the majority of Syrian refugees integrated to the labour market mostly in sectors that needs unskilled and low-paid sectors such as construction, agriculture and in the manufacturing the textile sector.

This work focused on the changing patterns of perceptions of the Turkish citizens and Syrian migrants working in the Istanbul textile sector on the major issues arose following the integration of the Syrian refugee workers to the industry. In this vein, several issues had been identified such as working conditions, payment differences, employment conditions, workplace experiences, inter-workers relations and the existence and further social integrations of Syrian refugee workers in the country. In that sense, the work aims to investigate main areas where the perceptions differs most -and vice versa- among Turkish citizens and Syrian refugees working in the Istanbul textile industry.

Since the beginning of the conflict in Syria it has been estimated that more than 260.000 people have been killed, 1.5 million people were injured, between 6.5 to 8 million people had been internally displaced while between 4.6 to 4.8 million people forced to fled abroad particularly to the neighbouring countries (ICRC, 2015).

As one of the neighbouring countries alongside Lebanon, Jordan and Iraq, Turkey became a primary host country for the Syrian refugees in where the official figures reached to 2.971.817 people by May 2016. In the first years of conflict the refugees had been mostly hosted in temporary refugee camps in the South Eastern part of Turkey while in the following years Syrian refugees were gradually spread around the country, most intensively in Istanbul and South Eastern cities such as Gaziantep, Şanlıurfa and Hatay.

Since Turkey preserves its geographical reservation on the 1951 Geneva Convention, the status of foreigners and refugees are regulated with the 2014 ‘Foreigners and International Protection Law’ (*Yabancılar ve Uluslararası Koruma Kanunu -YUKK*) in which the Directorate General of the Migration Management was assigned as the primary public organ responsible with the implementation of the law. According YUKK, Syrian refugees can apply for the work permit after a period of 6 months following their application for international protection and have right to work with any employer even though there are some exceptions in terms of sectors and geographical scope (Bidenger, 2015: 232).

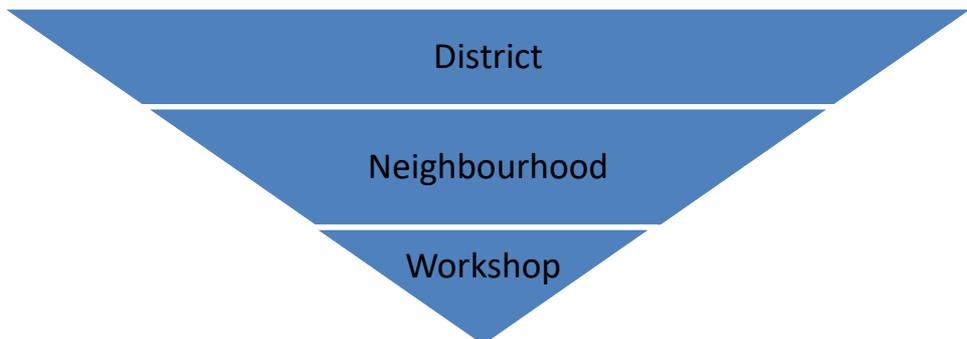
Therefore this work focuses on the possible effects of the integration of the Syrian refugee labour to the textile manufacturing through analysing the wage differences, variations on the workplace experiences, variations on previous work experiences and perceptions, and inter-workplace relations between Turkish and Syrian workers in the sector. The work also aims to provide demographic and social data on this process. In that vein, two different but complementing questionnaires were conducted with 300 Turkish and 300 Syrian textile workers in 10 different districts of Istanbul where the textile manufacturing is mostly concentrated. The first section of this paper the methodology of the work will be outlined. In the second section some major demographic and social data will be presented. Lastly, some other major findings such as wage and work-experience differences will be demonstrated.

Methodology of the Research

In terms of the method applied in this work and determining the sample sizes, the main obstacle was the lack of data. First reason for that, the exact number and regional distribution of the refugees living outside refugee camps is pretty much up to debate. Second, textile industry is largely informal. Most workshops are subcontractors for large firms from Turkey or bigger international clothing companies.

In that sense through the database of the Istanbul Chamber of Industry (ICI) 46 different sectors had been identified within the textile industry and 13 districts in Istanbul were determined as the regions where the textile manufacturing activities had been clustered. Even though the informality in the textile sector prevents to demonstrate the exact distribution of the textile production in Istanbul, the official databases still provides a viable proxy since the informal workshops are tend to be located in the immediate vicinity of the formal production areas. It is also identified that only the 8,05% of the textile manufacturers that are member of the ICI located in the Asian side of Istanbul while 91,95% is located in the European side of the city. In that sense the Asian side of Istanbul was not included since each of the first 18 districts of the European side of Istanbul contains more textile manufacturing activity then the total textile manufacturers in the Asian side.

Table: 1
Sample Design



Demographic Findings

As it can be seen in Table 2 while the majority of our Syrian refugees sample is comprised of young workers between the ages of 18-25 this figure changes for the workers from Turkey where the dominant age group goes up to 25-36. However, it can also be noted that for both groups the share of workers above the age of 30 decreases which can be seen as a sign for the experienced workers in the sector either leaves the industry or changes for larger and formal workshops in the same textile manufacturing.

Table: 2
Age Distribution of the Turkish and Syrian Workers

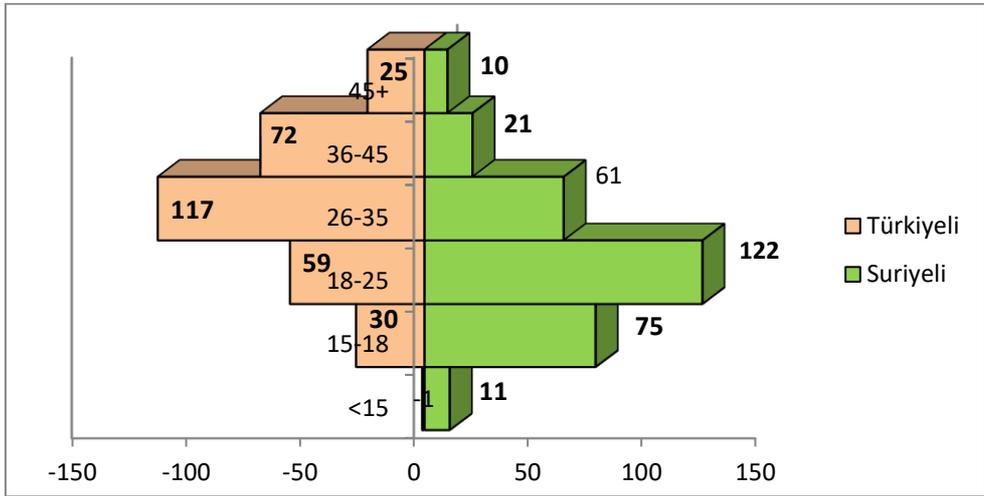
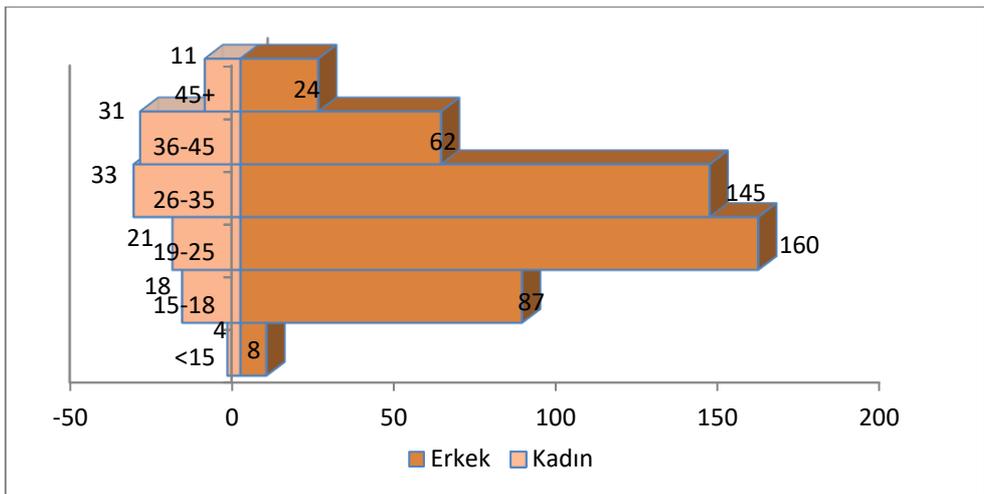


Table: 3
Gender Distribution of the Turkish and Syrian Workers



It has also been observed that there is a differentiation on the share of male and female workers between Turkish and Syrian workers. While almost one third of Turkish workers are female (31%) this rate reaches only 7% among Syrian workers.

Table 4 demonstrates the wage differences among the Turkish and Syrian workers as well as between male and female labourers. It has been observed that in the medium wage in Istanbul textile sector stands as 1264.34 Turkish Liras. There is a substantial hierarchisation between Turkish and refugee workers.

Table: 4
Wage Differences

	Medium Wage	Number of workers
Female	1106.538	117
Male	1304.048	480
Total	1265.34	597
Turkish Total	1394.811	301
Turkish Female	1183.053	95
Turkish Male	1492.466	206
Syrian Total	1133.632	296
Syrian Female	776.1364	22
Syrian Male	1162.361	274

Variations of the Textile Workers' Perceptions

The wage differences between Turkish and Syrian textile workers best manifests itself on the perceptions of workers about the downward pressure of the integration of the low cost Syrian refugee workforce into the textile labour market. Table 5 shows both Syrian and Turkish workers believe that refugees receive less salary, while Table 6 shows Turkish workers believe this makes the Syrian workforce more attractive.

Table: 5
Perceptions on Wage Differences

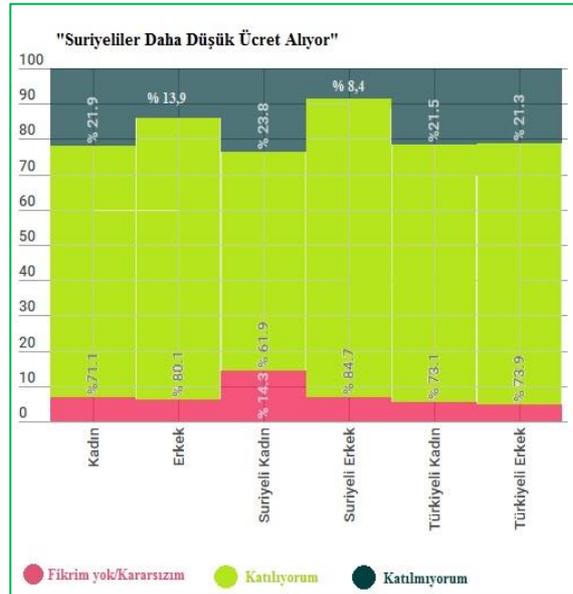
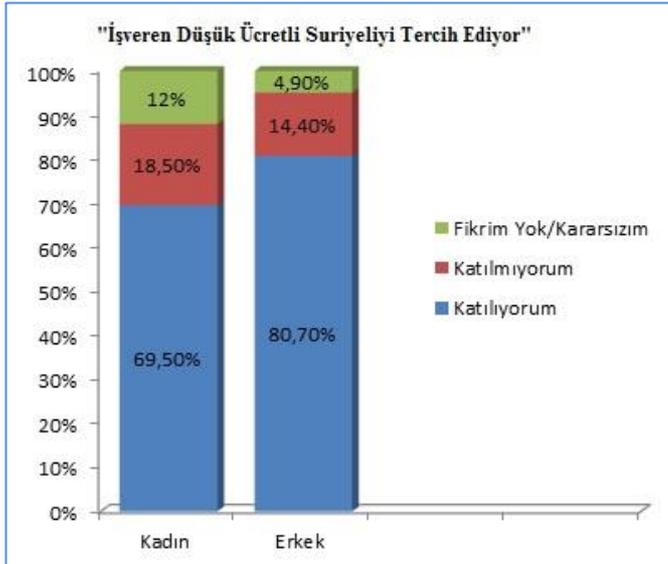
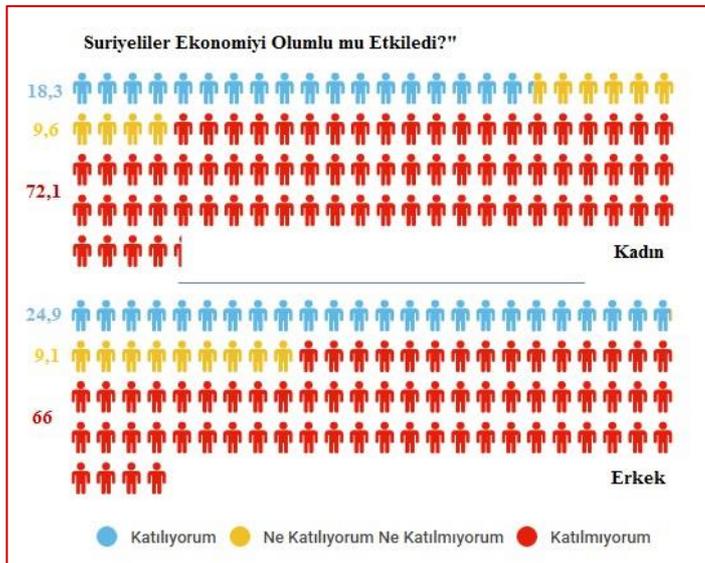


Table: 6
Perceptions on Employer Preferences



In general terms it has been observed that Turkish workers believe Syrian workers are less productive than the Turkish textile workers and overall impact of Syrian refugee influx is negative for the Turkish economy.

Table: 7
Impact on Turkish Economy in General



Conclusion

In conclusion of the several other aspects that had been analysed in this work it is possible to argue that the Syrian refugee labour integration into the textile sector in particular perceived as negative by Turkish workers in several different ways. Firstly, Turkish workers believe the impact of this integration puts a downwards pressure on wages while this makes Syrian workers more preferable. Secondly, Turkish workers believe Syrian migration in general increased their poverty via pushing up the rents in their neighbourhoods. Meanwhile, it has been observed that Syrian workers also agree the downward effect of their integration to the labour market, disagreeing on other aspects such as productivity.

Most Women At (Equalitarian) Work: What Is the Secret of Nordic Success? Lessons for Developing World

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Keywords : Female Employment, Female Labour Force Participation, Nordic Countries, Welfare State Model, Equalitarian Work.

JEL Classification Codes : J01, J08, J16, E23.

Gender equality and female participation to labour force have been the outstanding phenomenons of last decades both for developed and developing countries associated with the consciousness regarding that female labour is indispensable in terms of development. Thereby, the share of women in labour markets is increasing gradually throughout the world while developed countries exhibit higher female participation rates in comparison with the developing ones. Especially, European countries exposes higher female employment rates in comparison with the other regions in the world. However, the participation and employment rates of females vary across countries in Europe and Nordic countries are unrivalled concerning the subject. EUROSTAT reveals that the average female employment rate is 64% for EU (28 countries) while the rate is 83% for Iceland, 78% for Sweden, 77% for Norway, 73% for Denmark and 72% for Finland as of 2015. Thus, it is enunciable that Nordic countries are the ones increasing the average of EU in terms of female participation to labour markets. The success of Nordic countries is not restricted with the female participation to labour markets, moreover, these countries are often presented as a paragon of gender equality. While many developed economies have failed in closing the gender gap in many fields, Nordic countries are at the top in global rankings concerning gender equality as they attach fundamental importance to equality between women and men. As is known, the global gender gap index ranks countries on their ability to close the gender gap in four areas such as economic participation and opportunity (salaries, participation and highly-skilled employment), educational attainment (access to basic and higher levels of education), health and survival (life expectancy and sex ratio) and political empowerment (representation in decision making structures). Finally, the overall score is calculated by using an un-weighted average of each sub-index score. Nordic countries rank at the top according to overall score regarding gender equality for ages (WEF, 2016).

Nordic countries are very succesful in terms of gender equality and female employment because they started to work very early for these purposes. They succeed to increase their female labour participation rates from forty percents to nearly eighty percents between 1970's and 2010's providing gender equality on a large scale. This progress is needless to say incoincident as there are many drivers behind this advancement. Initially, it should be determined that implemented policies are key drivers of female employment and gender equality. Studies reveal that female employment decision does not simply reflect individual preferences. Even though, education levels, fertility rates and social structure have impacts on female employment, implemented policies matter more than the mentioned (Christiansen et al., 2016). Social policies are significant for female employment not only to increase the labour participation rates but also for the continuity of the participation. So, remarkably high participation rate of women can be attributed to the welfare state model and family friendly policies implemented in Nordic countries which are peerless (Gupta et al., 2008). In this context, it is essential to handle "welfare state" concept in order to associate social policies with equalitarian employment.

The most influential and widespread distinction about welfare states in the literature belongs to Gosta Esping Andersen. In his book titled "Three Worlds of Welfare Capitalism", he lays out three

main types of welfare states and according to him, modern developed nations are clustered as a) Liberal b) Corporatist-Statist c) Social Democratic (Andersen-Esping, 1990). Among these clustering, social democratic welfare state regime mainly aims at developing public policies altering unequal gender relations and egalitarianism is a fundamental value for this regime. Nordic countries are mostly involved in the third category and especially Sweden is considered as a typical example of social democratic welfare state mode. Hence, the term of “Sweden model” is often used instead of social democratic welfare state model in the literature. Within the scope of welfare state regime, gender equality friendly policies implemented in Nordic countries have ensured women and men to bond labour force participation with parenting. These policies; such as parental leave and public childcare, have supported women to give up their traditional roles and identities with providing articulation to labour markets (Sörensen & Bergqvist, 2002). Thus, Nordic countries have become successful in achieving high rates of female labour force participation without reducing fertility contrary to many European countries (Gupta et. al., 2008). On the other hand, Nordic countries have benefited from quotas to procure gender equality in many fields. Legislated quotas have always been significant gender equality measures both on politics and business in these countries. Quotas for public boards, committees and councils, political parties and public joint stock companies enabled women’s high presence in many fields in mentioned countries (Niskanen, 2011). Access to education has been the other important fact for ensuring female employment and gender equality in the Nordic region. Due to high education rates of females, the gender gap has been reversed and women constitute majority of high-skilled labour force in the Nordic countries. When the educational attainment statistics of the region are analysed, comparison between sexes show that men have lower educational levels than women (Norden, 2015).

The aim of this study is to unearth the main determinants behind the Nordic success regarding high female employment and gender equality. In this context, the mystery behind the distribution of equitable income, opportunities and resources are researched by enlarging on welfare state model and employment policies boosting female employment and gender equality in the region. The labour force, employment and gender gap statistics utilised in the study were obtained from European Union Statistics (EUROSTAT), International Labour Office Statistics (KILM-ILO) and World Economic Forum (WEF). Moreover, related literature was also used. As is evident from the mentioned facts above, the success of Nordic countries in respect of female participation to labour markets and gender equality can not be contributed only to wealth. Family and gender equality friendly social policies, legislated quotas concerning both employment and political attendance and women’s high education rates are the main determinants for high female employment rates and equalitarian participation to decision-making processes. Thus, the study not only evaluates the policies of Iceland, Finland, Sweden, Norway and Denmark concerning economic participation and gender equality but also gives lessons in respect of enhancing gender equality in terms of economic participation especially for the developing world.

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The Relationship between Workaholism and Work-Family Conflict among Assistant Experts in Public Institutions

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Keywords : Workaholism, Work-Family Conflict, Public Institutions.

JEL Classification Codes : M10, M12, D23, J20.

Individuals' compulsive overworking behavior and desire for working excessively can affect their family or private life negatively and it can lead to work-family conflict which is substantial for employees and organizations because of its negative effects. Thus, the purpose of this study is to examine the relationship between workaholism (working excessively and working compulsively) and work-family conflict among married 356 assistant experts who work in different public institutions in Ankara. Participants completed a questionnaire on workaholism and work-family conflict. Correlations explored whether there were any relationships between workaholism and work-family conflict and regression analysis was used to ascertain the effect of workaholism on employee's work-family conflict. The results indicated that working excessively significantly and positively affected assistant experts' work-family conflict. However, working compulsively did not significantly affect the participants' work-family conflict.

Introduction

Work-family conflict is a significant variable to study may be associated with a number of negative consequences at both the individual and organizational level from management study perspectives. Moreover, consequence of workaholism may be increased levels of work-family conflict (Greenhaus & Beutell, 1985). Thus, the aim of this study is to examine reciprocal relationships and effects between workaholism and work-family conflict. Work-family conflict might be expected to be associated with work based outcomes according to results of the researches (Major & Klein & Ehrhart, 2002; Fu & Shaffer, 2001).

Participants

The data was collected through questionnaires from 356 assistant experts who work in different public institutions in Ankara of whom 34% were female and 66% male. Participants' mean age was 28 and their mean tenure was 2 years in the present organization.

Measures

Workaholism was measured using Dutch Work Addiction Scale, developed by Schaufeli, Taris and Bakker (2006), which was adapted to Turkish by Doğan and Tel (2011). This scale is a combination of working compulsively and excessively. Cronbach's alpha for the scale of working compulsively was 0.80; for the scale of working excessively was 0.79. Work-family conflict was measured using the five item scale developed by Netemeyer, Boles and McMurrian (1996). Cronbach's alpha for this scale was 0.88.

Results

This study examined that the relationship between workaholism (working excessively and working compulsively) and work-family conflict. First, to test the strength of the relationships between these variables, Pearson correlation was applied. Thus, working excessively significantly and positively related with work-family conflict ($r=0,29$, $p<0,01$). However, working compulsively did not significantly related with work-family conflict ($r=0,22$, $p>0,05$). Second, regression analysis was conducted to clarify the effect of workaholism on employee's work-family conflict. The findings pointed out that working excessively was significant predictor of assistant experts' work-family conflict ($\beta= 0,30$; $p<0,01$). Working compulsively positively and but not significantly affect work-family conflict ($\beta= 0,19$; $p>0,05$).

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The Impact of Informal Social Networks on Labour Earnings Individuals in Turkey

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Keywords : Informal Networks, Employment, Quantile Regression, Turkey.

JEL Classification Codes : J00, J21, J30.

There are many ways of finding jobs and filling the vacancies for job seekers and firms. One of which includes directly applying to the employer while the others are inserting or answering adverts in newspapers, websites, employment or vocational guidance agencies. Among the ways of finding a job, using the informal social networks is extensively used by both the firms and the workers. These informal networks include family, friends, relatives or other contacts. Since the impacts of informal networks on labor market are non-negligible, many studies in the literature focus on informal. However, there is no consensus on the magnitude and the direction of these social networks on job search and wages.

The studies which are mainly investigate the relation between the social networks and the wages conclude a fact that as informal contacts reduce information asymmetry by lowering uncertainty about the job match quality, they are better channels which work as an information transmission mechanism (Montgomery, 1991; Dustman, et al., 2016). In this regard, these studies found some evidence on the issue that the occurrence of the better matches leads to higher wages. Even though, the theoretical background suggests that better matches occurred with social networks, the empirical evidence at the literature put some mix results (Montgomery, 1991).

Some studies proposed that employed contacts are more likely to refer good applicants otherwise their reputation will be in risk (Saloner, 1985; Montgomery, 1991; Kugler; 2003). Therefore, less able workers will less likely to be referred. Referees are going to monitor the refereed worker and thus this monitoring will probably make them more productive. Most of the recent studies reveal the positive link between finding a job with referral and wages (Marmaros & Sacerdote, 2002; Dustman et al., 2016; Brown et al., 2016).

On contrary, Bentolila et al. (2010) figure out that finding a job with a referral leads to decrease and/or no change on wages. For Austria, Belgium and the Netherlands, finding a job with referral is beneficial for the rise in wages, while for some others, such as Greece, Italy, Portugal and the United Kingdom, the opposite is true. Besides, no significant effect is found for the other EU countries and for the US (Pellizzari, 2004).

Some studies focus on the reasons of the negative impact of finding a job with referral on wages and in one study it is concluded that this may resulted from the firms' strategies during the hiring process (Pelizzari, 2004). As personal contacts are usually maintained for purposes which are not related to provide information on jobs arise another reason for the negative impact (Bentolila et al., 2010). In addition, an unemployed finds a job by using referral in specific occupations or segments of the labor market. Therefore, individuals' abilities may not fully have exploited. Shortly, these personal contacts may produce a mismatch between workers' comparative productive advantage and their occupational choices. Pistaferri (1999) stated two reasons for the negative effect of informal network on wages. One of them is related to the fact that the informal network is a proxy for unobserved job characteristics. Informal networks are more likely to be effective on the firms with lower wages on average irrespective of skills. In Italy, as for small firms there are no regulation about hiring and wage

setting and firm size is not able to be observed. Therefore, finding a job through social contacts embodied the relation between firm size and earnings. The second reason arises from the unobserved low skills and ability which is highly related with searching jobs through network.

For our knowledge, in Turkey the effects of finding a job through different ways of searching a job have not been questioned yet. Therefore, the present paper will fulfil this gap in the literature. Although, mainly the impact of some variables on the wage is generally used to study with mean regression (OLS), this approach may be insufficient for some distributions as it only explains the impact of variables at the mean of the distribution. In fact, the effect of some variables on dependent variable could differ along the whole distribution, therefore disregarding such a possibility may cause a serious weakness for the investigation. The wage distribution might differ in many ways which is not completely revealed by an examination of averages. In that sense, in this study for the empirical analysis quantile regression is employed in which specific quantiles of wage conditional could be estimated (Koenker & Bassett, 1978). The Household Labor Force Survey (HLFS) data stem from the TurkStat is utilized for the period of 2004-2014. The data is limited for only wage workers who are older than 15 years-old. For the quantile regression, the natural logarithm of wage is taken as an independent variable whereas individuals' characteristics such as education, age, previous labor market status and living area, the answers for question "How did you find this job" are included as independent variables.

The preliminary results indicate that, finding a job through social contact has a negative effect on wages. This result is consistent for all the different quantiles of the wage distribution. Besides, there is no significant difference between males and females. Therefore, these results reveal that, the social contacts can help finding jobs easily however; these jobs are not the ones in the occupations where the workers are more productive. Social contacts lead to mismatch between the workers' occupational choices and their productive advantages. To sum up, these results in low labor force quality and low return to firm decrease aggregate productivity.

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28 April 2017 Friday

Session: I-B / 09.30-11.00

POVERTY & INCOME INEQUALITY

Room: *Symyrna II*

Chair: **Basak DALGIC**

- The Impacts of Local Capital Markets on Poverty Reduction
Hasan Bulent KANTARCI & Reginald OKYERE
- Conditional Cash Transfers in the Struggle against Poverty: An Evaluation from the Point of Universal Human Rights
Doga Basar SARIPEK
- Decentralization and Poverty Reduction: Opportunities and Challenges in Kenya
Erol BULUT & Bashir Ismail ABDOW
- Provincial Income Inequality and Spatial Autocorrelation across Turkish Provinces: 1992-2013
Cagri Levent USLU
- Global Imbalances and the Role of Raising Income Inequalities in the Globalization and Financialization Era
Deniz ABUKAN & Asli Ceren SARAL

The Impacts of Local Capital Markets on Poverty Reduction

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This study has been expanded from the graduate thesis of Kocaeli University Social Sciences Institute, “The Role of Capital Markets with Poverty Struggle: Turkey Example”.

Keywords : Poverty Reduction, Local Capital Markets, Capital Market Development.

JEL Classification Codes : G15, G18, G20.

Through the development of local capital markets, poverty reduction can be achieved. The development of capital markets offers significant opportunities and benefits towards the development of a country. The development of strong and stable capital markets can contribute significantly towards the reduction of poverty. The development of local capital markets enhances integration between global capital markets and a country’s financial system. The International Monetary Fund (IMF) and international organizations such as the World Bank is supporting the development of capital markets and economic growth. The development of local capital markets together with market liberalization leads to the increase in foreign direct investment. This will also lead to an increase in productivity and the development of technology transfer all of which contribute to poverty reduction. The impacts of local capital markets development on poverty reduction as well as on a country’s economy as a whole are discussed in the following article.

Purpose of Work

How to deal with the concept of poverty in politics for reducing poverty is also very important. The economic criteria for handling poverty can be considered as social and political criteria. The most commonly used consumption expenditures and monetary income poverty criteria are examined when measuring poverty. The role of the capital market in the market economy and the well-functioning of the capital market are also very important for the economies. This is why transferring money resources to those who need money for investment from saving money also affects the quality of investment decisions. The capital market is also used as a measure of the economic, social and political situation of a country.

Benefits of Enhancing Local Capital Markets

The development of the local capital market has long been one of the most important economic policies, especially addressed by developing countries. Local capital markets provide many opportunities and benefits for the development of countries. Many countries are implementing various innovations to improve the domestic capital market. At the beginning of these innovations comes the abolition of restrictions and controls of banking and capital account (Laeven, 2014: 3). In addition, the development of local bond markets is crucial for countries to hedge large fiscal deficits without risk of exchange risk and financial pressure or external borrowing.

Local capital markets provide some benefits to investors and borrowers, especially to the countries themselves. We can exemplify the better risk sharing of these benefits and the more efficient allocation

of capital. At the same time they are improving the implementation of monetary, fiscal and exchange rate policies. The development of money and bond markets supports the implementation of monetary policies (Turner, 2002: 2).

The development of the local capital market is beneficial for the development of money and bond markets. The monetary policy indirectly affects the real economy and prices through various channels. These various channels are in the form of interest channel, exchange rate channel, credit channel, asset price channel. Due to the importance of future expectations in the monetary policy, this channel is added to the expectation channel (Cengiz, 2009). A decrease in the money supply increases the interest rates and indirectly the cost of debt. Therefore, the expenditures of the producers in capital goods are reduced. Likewise, consumer spending on durable consumer goods is decreasing (Cengiz, 2008: 124).

Local capital markets can attract foreign capital when opened to foreign investments. The arrival of foreign capital in the country also reduces the costs of local firms and businesses. Therefore, risk sharing among countries is also developing. In the development of local markets, the structure of the country is important. However, there are other factors for financial development than structural theories (Eichengreen & Luengnaruemitchai, 2006: 3).

Conditions Required for Strong and Stable Capital Market Development

Proper functioning of local capital markets requires fulfillment of various requirements. It can be explained in the following way what these requirements are for the proper functioning of local capital markets. These can be explained as stable macroeconomic policies, strong institutional and legal regulations and a well functioning financial infrastructure (Laeven, 2014: 7).

It is widely accepted that capital markets can not develop in unstable economies. Macroeconomic weaknesses of the economy are reflected in asset prices and can cause a series of collapses in asset markets. Although the volatility of macroeconomic indicators such as interest rates and exchange rates does not encourage the development of financial products, the volatility of such variables is so uncertain. Excessively high and volatile real interest rates are seen by investors as unsustainable and cause uncertainties. This uncertainty diminishes investment incentives in local capital markets because it negatively affects the expected profit from long-term projects. (Rojas-Suarez, 2014: 14).

It is very important that the risks of capital markets are restructured more effectively. One of the most important criteria of capital markets is that the operational infrastructure of capital markets must be strong. The success of a capital market depends on productivity and security, as well as the spread of information on the quality and securities value that securities issues are listed and traded on the stock exchange (Peker & Karaağaçlı, 2015: 341).

Securities law is very important for the development of capital markets. But these laws show significant differences between countries. For example, laws enacted by public enlightenment and liability standards and mandated to facilitate private practice benefit the development of the securities market, while the public disclosure laws of securities have effect (LaPorta & Lopez-de-Silanes & Shleifer, 2006: 27).

Conclusion

As the countries become richer, the poor people of that country also become richer on average. The same applies to better paid work. Economic growth and income poverty are diminishing. Local capital markets offer a variety of benefits to investors and borrowers, including governments. More efficient distribution of capital can be possible with better risk sharing. This also improves the implementation of monetary, fiscal and exchange rate policies. Local currency offers a safe alternative investment for bank deposits and supports countries against sudden stops and exchange rate shocks.

Local capital markets, when opened to foreign investment, attract foreign capital and increase financial integration.

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Conditional Cash Transfers in the Struggle against Poverty: An Evaluation from the Point of Universal Human Rights

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Keywords : Conditional Cash Transfers (CCTs), Poverty, Latin America, Human Rights.

JEL Classification Codes : I31, I38, H53.

Poverty incidence, in the broadest sense, addresses the situation that individuals must continue their lives under severely negative conditions due to the lack of competence and opportunities to meet their needs and, therefore, not be able to participate into the society as equal citizens. Even if insufficient income levels come into mind when the subject of poverty is on the table to debate, poverty is, in fact, a multidimensional concept having many reasons beyond the income insufficiency. While these reasons may be related to individual-based conditions, such as individual insufficiencies and incompetency, they may be totally society-based as well. In this second sense, poverty may occur from the unequal distribution of resources and incomes that are created by using the given resources. As a conclusion, poverty has always been an issue needs to be solved through social, economic and political approaches regardless of its core reasons.

Conditional Cash Transfers (CCTs), in this sense, have brought a new dynamism in the field of poverty alleviation. Within the great abundance of both conventional and modern poverty alleviation strategies in countries, CCTs stand out from the rest by focusing on the certain types of poverty, namely structural poverty, and by setting up the long-term goal of investment on human capital as the essential poverty alleviation strategy. Two main means of investment on human capital are health and education. Put clearly, children and pregnant women in poor families have the obligation to pay regular visits to the hospitals and, the school-aged children must continue their education. To this end, there is a conditional social protection in CCT programmes and this is exactly the point that the CCTs are criticised when considering the universal human rights.

CCTs do not apply any kinds of immediate supports or social aids which relieve the poor temporarily. Therefore, CCTs struggle against the structural reasons of poverty instead of the temporary and cyclical incidences. Another key feature of CCTs is that they are partly the result of a rights-based approach towards poverty problem. The poverty incidence, indeed, has been addressed with differing perspectives from time to time by both societies and by governments. To this end, while once poverty is a result of an uncontrolled and rapid growth process with a liberal point of view and responses based on market and philanthropic or charity based solutions are heavily suggested, another time it may be considered a social policy matter and approached by rights-based solutions. CCTs are possible to be in the middle of these two different points. The principle of conditionality in CCTs leads this kind of an interpretation since the only way for the poor to benefit from social policy interventions is fulfilling the predefined conditions. In short, “conditional” entitlement is the case here.

However, stipulating certain preconditions in order to be entitled as the beneficiaries among the poor draw reactions particularly from human rights supporters. The objections rely on the fact that the social protection is a universal human right and cannot be made conditional to any behaviour. When the individual cannot meet the given conditions in CCTs because of any internal and/or external insufficiencies, s/he is excluded automatically from the scope of social protection. This conclusion is

considered the violation of the right of social protection, which is absolutely one of the basic universal human rights.

Suffering from the poverty problem severely for ages, Latin America is the first region that launched CCT programmes in the world. There have been numerous programmes by almost all countries of the region so far. It is certain that CCTs have brought a new dynamism in the struggle against poverty problem. After the indisputable success of these programmes in Latin America region, other poor and/or developing parts of the world started to adapt CCTs in their struggles against poverty.

However, it is not correct to see CCTs solely as a miracle in poverty alleviation. These programmes, in this sense, are effective only on their own target groups under certain conditions. Ignoring this fact and applying CCTs to all sections of the population and to all risks may not bring success. First, CCTs are applicable only on absolute poor families where there are babies or school-age children. There is no universal coverage in CCTs due to its conditionality principle. Besides, since CCTs are designed to be effective on a longer term, there are no direct positive outcomes on, for instance, effects of sudden economic crises which require an immediate intervention.

As the last words, CCTs proved themselves as effective programmes on the struggle against poverty. But still there are some points to clear up. First, CCTs need to be complemented by other poverty alleviation strategies, namely by the ones including immediate interventions. Otherwise, it is unavoidable to see the destructive outcomes on the poor in the short run. Second, social protection is undoubtedly a universal human right and cannot be conditional to any behaviour. If there is an incompetency on the fulfilment of the education and/or health condition, the poor individual cannot get any cash transfers and left out of the social protection automatically. This is clearly against the human rights. On the other hand, the opposite claim suggests that these conditions encourage and sometimes even pave the way to use one of the basic human rights, namely the social protection. Put clearly, governments make cash transfers to the poor just to make sure that they have and use their basic human rights. Regardless of which opinion beats the other, CCTs are indisputably fruitful in the struggle against poverty and when considering their ultimate benefits on structural poverty problem, they are not against the universal human right of social protection.

Decentralization and Poverty Reduction: Opportunities and Challenges in Kenya

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Keywords : Decentralization, Local Government, Devolution, Kenya.

JEL Classification Codes : H72, H76.

Kenya is the newest to join a growing number of countries opting for decentralization over centralization. Previous regimes, including the colonial regime, tried to introduce some level of decentralization in Kenya. However, these were mainly aimed to deconcentrate central government activities but not to empower communities per se. Effective from the promulgation of the constitution of Kenya 2010 on 27th August 2010 and in the subsequent rollout of the devolved system of governance after general elections in 2013, the country has embarked on a decentralization process that has been termed most rapid and ambitious process of decentralization in the world by the World Bank (2012), due to its uniqueness in devolving substantial powers and resources to local authorities those political and administrative structure are being developed from the scratch.

The new decentralization system is aimed to achieve better democratic rule and accountability, to support national unity through addressing the needs of the marginalized groups and regions in the country, to enhance citizen participation in decision-making processes, to achieve equitable distribution of resources, and spearhead the country in achieving socio-economic development. Central to all these principles and objectives of devolution is to make a positive change in the living standards of the citizens. This have increased the expectations of the citizens in a country that have failed to achieve its potentials time and again. Thus, the aim of this academic paper is to assess the implementation of the devolved system of governance in Kenya in order to understand the opportunities and the challenges ahead as the country embarks on a long journey of constitutional implementation and adjustment from a centralized system of governance to decentralized one.

Methodology and Data

The methodological analysis will be a comparative assessment of a selected twenty county governments' expenditures on development, pro-poor programs, and on expenditures that encourage rent-seeking. To be more precise, we will be assessing the share of total expenditure on development, the share of developmental expenditures on pro-poor programs i.e. developmental expenditures on pre-primary education, primary healthcare and sanitation, and water & swages. The proxy for expenditures that encourage rent-seeking will be the share of developmental expenditures on road constructions. The rationale behind the selection of this methodology is first of all, the volume of expenditure at the lower tier in a decentralized system demonstrates degree of autonomy and determines the success and the failure of the local governments. Secondly, this method is the most viable method at the current early stage of decentralization in Kenya. Of course, detailed surveys are needed to find out how the poor are benefited in such allocations.

A comparison will be drawn between counties on the bases of percentage of expenditures they allocated for developmental, pro-poor programs, and road construction. In our first analysis, we will be finding out if counties with high poverty rates will be allocating more for development and pro-poor programs than those with less poverty rates. And secondly, the preference for allocating more money for pro-poor programs than in road constructions in all counties.

The selection of the twenty counties is based on a simple formula of first ranking counties as per the share of people living with poverty in a county based on 2009 national census and then choosing the top and bottom ten countries. Table 1 below lists the selected counties and their poverty rates in an ascending order. The data used is derived from the actual county spending on various recurrent and development expenditures, which is available at both individual county treasury websites and Office of the Controller of Budget's (OCOB's) County Governments Budget Implementation Review Reports. For better comparison, the figures are changed from monetary values to percentage formats. For the purpose of accuracy and completeness of the data, we used the county expenditures of the financial year (FY) 2015/2016.

Table: 1
Selected Sample of Counties

No.	County Name	Poverty Rate
1.	Kajiado	11.6 %
2.	Nairobi	22.5 %
3.	Kirinyaga	25.2 %
4.	Kiambu	27.2 %
5.	Meru	28.3 %
6.	Murang'a	29.9 %
7.	Lamu	32.7 %
8.	Nyeri	32.7 %
9.	Narok	33.8 %
10.	Siaya	35.3 %
11.	West Pokot	69.8 %
12.	Kilifi	71.4 %
13.	Isiolo	72.6 %
14.	Samburu	73.0 %
15.	Kwale	74.9 %
16.	Tana River	76.9 %
17.	Marsabit	83.2 %
18.	Wajir	84.0 %
19.	Mandera	87.8 %
20.	Turkana	94.3 %

Source: Own modification based on county fact sheets (CRA 2011).

Findings, Conclusion, and Recommendation

According to our findings on the share of expenditure on development, counties classified as poorer have taken a leading role in allocating more money for development expenditure. Turkana (63.29%), Tana River (58.29%), Mandera (57.07%) and Kwale (56.21%) counties had allocated more than fifty percent of their total expenditures to development expenditure. While on the other hand, Nairobi (17.41%), Kiambu (21.76%), Nyeri (26.34%), Kirinyaga (25.60%), Meru (26.73%), Narok (29.14) and Kajiado (29.96%) allocated below the counties' target of thirty percent for development expenditure. This is mainly due to the existing gap in terms of infrastructure between the poorer and the less poor counties. But ever the less, it shows the likelihood of convergence and reduction of inequalities, a major contributor to poverty.

On pro-poor expenditures, the result is rather mixed. The first ten slots in terms of allocations on water & swage and education expenditures shows an evenly divided result. There are exactly five counties from each side of poverty spectrum. While allocations for health expenditures show a slight lead by the less poor counties because of the availability of level five hospitals in more urban counties which receive more national transfers. Every three dollars spent on pro-poor programs - health, education, and water & sewages - there is two dollars spent on road construction. This is a positive ratio because the cost of constructing a kilometer of road is way more than buying, for example, tones of medicines or books.

It is too early to say devolution is succeeding or failing in Kenya. There are early signs of positive results as well as negative ones. But challenges such as old system hangovers, growing recurrent

expenditure, shortage of qualified manpower, reported cases corruption and lack of active local participation could drain the progress made under the new system of governance. Despite these challenges, strong constitutional support, vibrant civil society, and democratic political structure of the country provide opportunities for devolution to succeed in Kenya. And it is all about how the local governments will minimize the obstacles and maximize the opportunities that will determine the outcomes of decentralization in Kenya and the role it can play in reducing rampant poverty and inequality levels in the country.

Provincial Income Inequality and Spatial Autocorrelation across Turkish Provinces: 1992-2013

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Keywords : Provincial Income, Regional Income Inequality, Regional Gini Index, Spatial Autocorrelation.

JEL Classification Codes : O18, O11, D63.

The source and evolution of income inequality and counter policies to reduce it are one of the main issues of growth economics. Income inequality generally refers to the inequality between different income groups. Yet, recently, the issue also refers to income differences between genders, ethnic groups, education levels ...etc. After the Second World War, regional income inequality started to gain importance. Regional income inequality problem concerns a wide variety of countries, ranging from the most developed countries such as the U.S., Germany or Japan to developing countries like Brazil, Poland or Turkey. The geographic size of the country does not matter either; both large countries like China, Russia as well as small countries like Luxembourg, Belgium suffer from regional income inequalities.

When the focus country is Turkey, it may be argued that especially after 1980, the increase in economic integration with the rest of the world caused by globalization an increased the strategic importance of Turkey in the global arena and ultimately has caused an uneven economic transformation among the regions of Turkey. Only some particular sectors, labor force or some particular lifestyles could manage to survive in this progress. During this period, some regions of Turkey have been kept away from economic growth.

The fact that further deepens the problem of regional income inequality is the distribution of the high and low income regions across the country. Studies that analyze this spread conclude that these regions are not distributed randomly across the country, but instead there is a significant pattern for the spread of high and low income regions across the country. This pattern creates clusters of rich and poor regions. The rich regions are clustered in the western part and the poor regions are clustered in the eastern part of Turkey.

Without a doubt this fact arises one important question: do neighboring regions effect the development path of a particular region? Or in short, is there a spatial autocorrelation in terms of economic development of a country?

The aim of this paper is to investigate the degree and progress over time of spatial autocorrelation between regions in Turkey and whether low and high income regions are randomly distributed or not where the definition of region is limited to the provincial level, or NUTS Level 3. Yet, before analyzing the spatial autocorrelation one should calculate the degree of regional income inequality.

The most popular measure of inequality index is the Gini index. Essentially, the index is developed to measure income inequality between different income groups. Kakwani (1980) successfully adapted the Gini index to regional economics. The regional Gini index can be computed in two different ways. The unweighted Gini index (Gu) does not consider the population shares of regions and varies from 0 (perfect equality) to 1 (perfect inequality). The weighted Gini index (Gw) also considers the population shares of regions and takes the value 0 if regions' income shares are perfectly equal, and $1-(\Pi/P)$ if regions' income shares are perfectly unequal.

After computing the regional income inequalities, the attention may be diverted to spatial autocorrelation. In the regional economics literature the degree to which the per capita GDP in one region is independent or influenced by its neighbors is another important point of interest. Moran's I test for spatial interdependence in group-level data is the most widely used method on this issue. Basically, Moran's I is a measure of spatial autocorrelation. Like the autocorrelation, spatial autocorrelation means that nearby observations of the same variable are correlated. However, autocorrelation is about contiguity in time, whereas, spatial autocorrelation is about contiguity in a two-dimensional space. Moran's I values around +1 represent strong and positive spatial dependence of the variable under question (i.e., GDP per capita) indicating a spatial clustering, while values around -1 mean that the variable under question is dissimilar between two nearby regions.

Further, Anselin's (1995) Moran scatterplot presents the relation of the variable in location i with respect to the values of that variable in the neighboring locations. The variable under interest is depicted on the x-axis of the graph and the lag of the variable is represented on the y-axis. The lag is nothing but the values of the location's neighbors. Four quadrants of the scatter graph depict four different spatial associations.

This study uses provincial GDP per capita figures for the period between 1992 and 2013. The official statistics published by State Institute of Statistics (TUIK) covers the period between 1987 and 2001, thus useless to investigate the recent developments at the provincial level. Therefore, the primary data set employed in this study is the one published by The Economic Policy Research Foundation of Turkey (TEPAV) basing on the estimations using night-time light values. The method uses algorithms that can examine changes in the intensity of illumination and estimates the GDP. The method is intensely used in developing countries where the regional GDP values are lacking or unreliable. Various studies on different countries reveal that the method can predict the regional (provincial) GDP as accurate as official statistics.

Preliminary results indicate that both unweighted and weighted Gini coefficients are increasing throughout the period under question, indicating that regional income inequality is increasing over time. Yet, the rate of increase is relatively low. When the difference between the Weighted and Unweighted Gini coefficients are considered, it becomes evident that the level of inequality even further increases when population shares of provinces are taken into consideration.

In terms of spatial autocorrelation, results indicate that there is a strong spatial autocorrelation between provinces. Low (high) income provinces are mostly surrounded by low (high) income provinces. This is a proof that there are regional income clusters in Turkey rather than a random distribution of low and high income provinces. Another important conclusion of the spatial autocorrelation analysis is that the tentative border between the high income west and poor income east moves even further west throughout the period under question. This fact may be interpreted as further concentration of richness at the western provinces.

Global Imbalances and the Role of Raising Income Inequalities in the Globalization and Financialization Era

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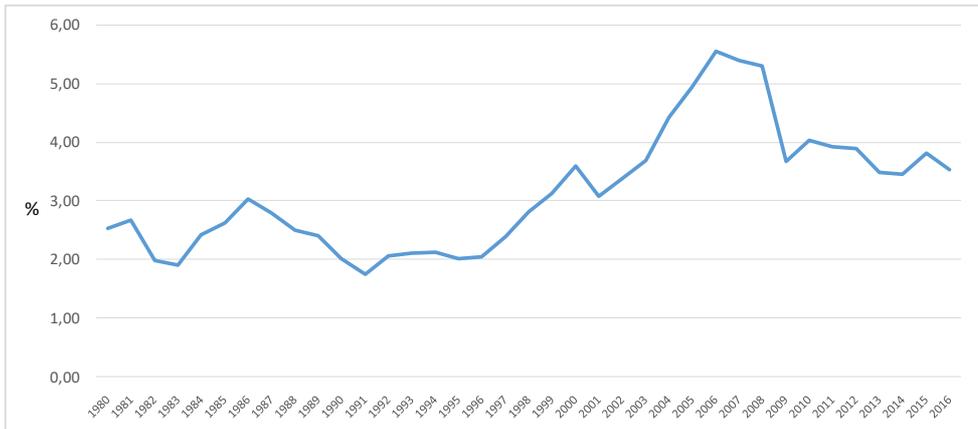
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Keywords : Global Imbalances, Labour Share, Income Inequalities, Financialization, Globalization, Regulatory Policies.

JEL Classification Codes : E24, F30, F65, F66, F68, J28.

After the demise of the Bretton Woods system, the widening in global current account imbalances have reached unprecedented levels and this phenomenon has been referred to as global imbalances in literature. The figure below reveals the scope of the widening in global imbalances after 1980s.

Figure: 1
Cumulative World Current Account Balances (Absolute Values, % of World GDP)

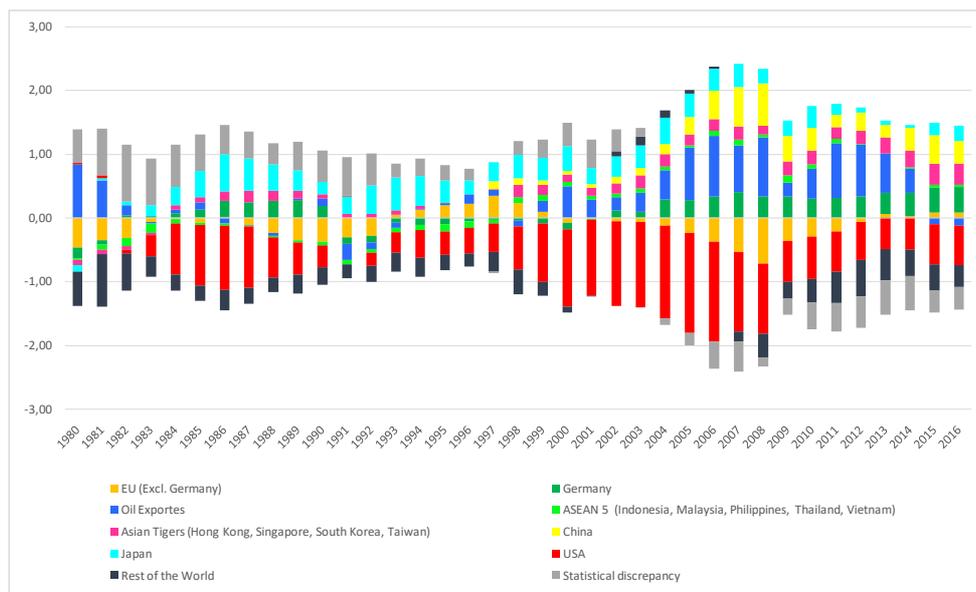


Data Source: IMF WEO Database, October 2016.

The global imbalances have grown rapidly and steadily after 1996 until the recent global crisis. The mild correction of imbalances in 2001 partly results from the 2000/2001 USA recession and partly from the decline in oil prices and hence the surpluses of the oil exporters. The role of the US current account deficits is evident throughout whole era, as the most important component of global current account deficits.

This phenomenon can be seen in the graph below. The regional dispersion of current account deficits and surpluses reveals the role of US in growing global imbalances. It also indicates that, the last episode of global imbalances (after the mid-1990s) is different by the direction of capital flows with capital flowing from emerging to industrial economies or in another saying “uphill”. This is evident in the figure below which reveals the increasing share of emerging markets in the global current account surpluses. This indicates that present globalization era differs by some fundamental aspects.

Figure: 2
Dispersion of World Current Account Balances (% of world GDP)



Data Source: IMF WEO Database, October 2016.

As shown in the graphs above, despite the effects of the global crisis, the scope of the global imbalances seems decreased only in a moderate manner. Following the outbreak of the 2007/2008 global crisis, global imbalances have been at the forefront of policy debates with their role in the crisis, their origins and their sustainability. Nevertheless the causes of the global imbalances, suggested in literature, like excess savings in emerging countries- so called saving gluts or mercantilist behaviour of emerging markets in the global system-so called Bretton Woods II theory do not seem to completely explain the persistence of global imbalances.

We believe that causes of global imbalances are structural and have strong links with other phenomena- raising income inequalities and declining labour shares among both developed and developing countries. The lack of adequate internal demand in some countries, probably due to income inequalities and excess demand in others with help of the financialization, promote the global imbalances. In this regard, widening global imbalances shows the countries tendency to replace domestic demand they needed for economic growth by debt-led or export-led demand.

With arise of neoliberal policies since particularly 1980's, accelerating of globalization process in favor of capital mobilization and goods and services trade; and increase in financialization have been the causes behind both income inequalities and global imbalances. In our work we investigate these phenomena in relation with imbalances and inequalities with using UNIDO, ILOSTAT, IMF and World Bank databases.

Hence we believe that, considering the complexity and extensity of these problems, government policies aiming the imbalances and the inequalities should be designed without restrictions of old perceptions. In this regard, the regulatory role of the government in both financial and labour markets can be analyzed in a whole new perspective. Furthermore new international agreements and actions should be considered to complement national policies.

In sum we see raising inequalities and sustained global imbalances as the faces of the same coin. These phenomena are serious problems, not favourable processes even in short run or “natural” outcomes of working of international market forces. Hence, we investigate the government’s role in these processes and discuss the alternative policies and regulations against them.

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28 April 2017 Friday

Session: I-C / 09.30-11.00

REGIONAL STUDIES

Room: *Aden I*

Chair: **Wissam ABDALLAH**

- Regional Impact Analysis in the Relationship between Economic Growth and Energy Consumption: An Evaluation on China-ASEAN Pattern

Muge YUCE & Tuba SAHINOGLU

- Economics Dimension of Crime Committed in Turkey: A Spatial Analysis

Halil TUNCA

- From the Regional Development to the Spatial Sustainability Programs for Centres of Attraction

Ozden SEN

- Regional Differences in Labour Force Participation Rates in Turkey

Selcen OZTURK

- Efficiency of Turkish Provincial Municipalities

Yusuf CUMHUR & Necmiddin BAGDADIOGLU

Regional Impact Analysis in the Relationship between Economic Growth and Energy Consumption: An Evaluation on China-ASEAN Pattern

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Keywords : Regional Development, Energy Consumption, Economic Growth, Regional Impact Analysis, Asian Economies.

JEL Classification Codes : F59, Q43, P48.

Asian economies and China as major economic actors in terms of both regional and global economy are in the process of economic stagnation for now. Therefore, it is expected a sharp decrease in energy demand -that has continued since 1990s- of Asian economies which will be directly affected by export and investment flows.

The question of how the likely economic shrinkage in China will affect the economic performance of the ASEAN countries and how this impact will be reflected in the global marketplace is an important research question. In this context, first of all, the literature on the relation between economic growth and energy consumption of China and ASEAN countries and then the economic dependency between these two actors and their possible consequences are assessed within the context of the data.

Developing Asian economies have reached the production level of the G7 countries by producing 30% of the world's total GDP by 2015¹. The most prominent structural feature of Asian economies, which have achieved high economic growth rates under the Chinese leadership, is that they depend on energy consumption, which requires high fossil use.

Today current social and political instability in Asia, which accounts for 59% of the world's population², 31.5% of global goods exports and 32% of global goods imports³ require sustaining high economic growth rates and high energy consumption as well.

In this context, according to the International Energy Agency's 2016 report, the main problem for the leading countries of Asia, which alone accounted for about 40% of global energy consumption in Asia in 2014⁴, is the elimination of social, economic and environmental concerns caused by rapid economic growth and also maintain sustainability at the same time. The fact that economic growth is becoming sustainable also raises the question of dependence on the Chinese economy, another structural feature of Asian economies.

The fact that Asian economies become dependent on China's economic growth is directly related to the process of economic growth in this region. Asia's prominent rise in global commodity and

1 GDP Share of World Total PPP, <http://www.economywatch.com/economic-statistics/economic-indicators/GDP_Share_of_World_Total_PPP/>, 15.03.2017.

2 UN World Population Prospects (2015), <https://esa.un.org/unpd/wpp/publications/files/key_findings_wpp_2015.pdf>, 10.03.2017.

3 World Trade Organizatton, International Trade Statistics (2015), <https://www.wto.org/english/res_e/statis_e/its2015_e/its2015_e.pdf>, 22.09.2016.

4 IEA Key World Energy Statistics (2016), <<https://www.iea.org/publications/freepublications/publication/KeyWorld2016.pdf>>, 13.03.2017.

energy markets has basically occurred in two stages. The first phase of regional economic growth, which took place under the leadership of Japan between 1950 and 1970, completed its second phase with the rise of China in the 1990s (Wong, 2013: 288). These developments, both of which led to Asia becoming one of the centers of global economic power, have resulted in different effects on the regional economic structure. Accordingly, the first wave in the Japanese pioneer resulted only in economic growth and regional interaction, while the second wave in the Chinese leadership resulted in economic and political dependence of the regional countries on China. This has led China to become an economically and politically active player in the Asia-Pacific region, affecting the development of regional countries (Wong, 2013: 288). China is directly contributing to the development of many countries that are increasingly integrated into the Chinese market according to structural analyzes on the Asia-Pacific economies and also in many other regions, and in Central and Southeast Asia (Coase, 2015: 332). At this point, contributing to the development of regional economies is achieved through mutual trade and foreign direct investment policies between China and these countries. China, which is the first foreign trade partner in the economies of the regional countries, also directs a significant amount of the FDI amount to these countries. With \$ 187 billion in 2015, China as the third largest foreign investor after the United States and the EU, has directed 62% of its total foreign direct investment abroad to neighboring countries in Asia¹.

ASEAN is one of the most important regional actors who have strong and multi-dimensional relations with China. With more than 630 million inhabitants and US\$ 2,431 billion in GDP in 2015, the ASEAN has entered the top ten economies by setting the eighth rank in the global economic order after the US, EU, China, Japan, Germany, England and France². The interaction between China and ASEAN is not only important for the global economy as well as regional economy but also it has some basic variables that need to be analyzed according to long-term economic forecasts. Accordingly, the critical development which is expected to change regional and global balances; is the expectation about a secular economic stagnation that will be occurred in the Asian countries starting with China in the near future. The expected slowdown in the Chinese economy and the decline in energy demand as a result of reduction in energy intensity are expected to directly affect Asian economies through export channels and investment flows. As a result of this development, it is predicted that the increase in energy demand which has continued in the region since the 1990s will come to the end (BP, 2015).

In this light of the developments, the economic contraction expected in China will affect the economic performance of ASEAN countries, and it is an important research question as to how this effect will be reflected in the global markets. By taking this questionnaire as a starting point, it is first aimed to investigate the relations between economic growth and energy consumption of China and ASEAN. The relationship between these two variables will be examined by scrutinising the international academic literature and so the dependency of ASEAN countries on the Chinese economy will be revealed. The basic question to be asked based on these data is the correlation between the dependency of ASEAN economies to China and the possible economic contraction in China.

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- 1 OECD (2016), *FDI in Figures, October*, <<http://www.oecd.org/daf/inv/investment-policy/FDI-in-Figures-October-2016.pdf>>, 28.02.2017; Casanova & Garcia-Herrero & Xia, 2015; <https://www.bbvaresearch.com/wp-content/uploads/2015/07/15_17_Working-Paper_ODI.pdf>, 25.07.2015; "Riding the Silk Road: China sees outbound investment boom, Outlook for China's outward foreign direct investment", March 2015, <[http://www.ey.com/Publication/vwLUAssets/ey-china-outbound-investment-report-en/\\$FILE/ey-china-outbound-investment-report-en.pdf](http://www.ey.com/Publication/vwLUAssets/ey-china-outbound-investment-report-en/$FILE/ey-china-outbound-investment-report-en.pdf)>, 28.02.2017.
 - 2 World Bank, GDP, <<http://data.worldbank.org/indicator/NY.GDP.MKTP.CD?locations=CN-1W-US-EU-JP-FR-GB-DE>>, 07.11.2016).

Expected Outputs - Conclusion

In this study, it is aimed to analyze the effect of Chinese growth and energy consumption on regional economies, which are analyzed in international academic studies by using only domestic datas. Therefore, the most distinctive feature of this study is the effort to analyze the effects of China's economic structure on regional economies at the regional and global level. The main figures to be used in this context are the ASEAN countries' dependency levels on the Chinese economy, structural characteristics of mutual trade and energy consumption.

As a result of the analysis, it will be tried to examine the possible consequences of the expected stagnation in the Chinese economy and the reduction in energy intensity on regional economies through the economic relations between the ASEAN countries and China.

China's economy for the last two years there have been increases in foreign investment and consumption, while economic growth rate has decreased. Due to the large share of World trade, slowdown in the Chinese economy will be cause an economic slowdown in ASEAN countries through the contraction of foreign trade. Than energy consumption will reduce in China and ASEAN countries. A change in economic growth strategy has a significant effect on these developments. China has started to shift from a manufacturing investment-export led model to a new services and consumption driven economy.

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Economics Dimension of Crime Committed in Turkey: A Spatial Analysis

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Keywords : Crime Economics, Turkey, NUTS-3, Panel Data Analysis.

JEL Classification Codes : A12, C23, D69, K14.

The term of crime can be defined as the illegal behaviors that affect the daily lives and welfare of individuals and societies negatively. There are many reasons why individuals are forced to commit illegal acts. Because the examination of these reasons is related to many disciplines including psychology, sociology, political science and law, crime is defined as a very complex and interdisciplinary concept. There are various motives as underlying causes for different types of crimes. The perspective of the approach of economic science to the concept of crime that it affects the individual and social well-being negatively and the crimes committed against the property are examined. Economics tries to explain the crime economy through cost- benefit analysis. In other words, if the benefit to be gained after the crime is higher than the cost to be borne, the individual prefers to commit the crime. As in the whole world, the crime rates in Turkey have also been rising recently. Therefore, it is necessary to examine the socio-economic factors that can trigger crime and which are in the scope of the science of economics.

In this study, it is aimed to determine the basic social and economic factors affecting the increasing crime rates in Turkey. For this purpose, the panel data model will be estimated by considering the data of 81 provinces for the 2008-2014 period. The dependent variable in the model is the crime committed against the property when the economic reasons construct the basic motivation. The independent variables have been determined by making a literature review for Turkish and foreign studies. Gross domestic product per capita, the unemployment rate, the net value of the immigration received by the province, population density, the population for each education level in the scale of the province are selected as the independent variables in the study model. Apart from these variables, as the social, cultural and political conditions in each geographical region in Turkey is different from the others, regional dummy variables are included in the model as control variables. The results obtained from the model support our predictions and other studies in the literature. In other words, the differences between the provinces in economic opportunities and education level are the most significant factors determining the crimes against property.

From the Regional Development to the Spatial Sustainability Programs for Centres of Attraction

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Keywords : Regional Development, Spatial Sustainability, Program for the Centers of Attention, Public Investment and Supports.

JEL Classification Codes : H54, O21, R11.

Seeking solutions for the regional and industrial development problems of the states after the WWII led to the theoretical studies in this area and as in the rest of the world, the Models, developed in Turkey were realized through the development plans and the government programs. On the other hand, a shift in the axis was experienced starting from 2000's and as the planning priorities changed in the development plans, the priority was shifted from the regional development to the spatial focusing and thus, the sustainability of the development began to be undertaken under the Provinces or the Regions. Within this context, the Support Program for the Centers of Attraction (SPCA), which is based on the Perroux's theory of "Development Poles" was initiated in 2008. With this program, it was aimed to overcome the regional inequalities by supporting the areas that can be centers of attraction, to halt the immigration, providing a push of the economic development of the city centers and to spread those effects around the city centers.

In practice; a new program that is different from the projects that are aimed at the regional development and that only worked to increase the tourism potential of the provinces in its scope called the Centers of Attraction Program Investment Support Initiative, (CAPISI) as the continuation of the Support Program for the Centers of Attraction (SPCA), was initiated. In CAPISI; the number of the provinces that are the centers of attraction is expected to be increase and in addition to the shift in the development axes, different impacts than the other regional development programs should also be expected due to the joint nature of the program with the participation of the public and private sectors.

The aim of this study is to demonstrate the difference of the CAPISI from the other regional development oriented projects due to the involvement of the private sector to the development process for the purpose of the realization of the spatial sustainability and to show that its expected effects will be limited when the development axes are taken into account. In this regard, a qualitative research method of literature review was employed and the books, articles, reports and electronic databases were reviewed.

When the undertakings, made in the area of the regional development in the past are taken into consideration, it was concluded that the results of the CAPISI will not be quite different than the outcomes of the projects such as the South-eastern Anatolia Project (SAP), Eastern Anatolian Project (EAP), Eastern Blacksea Project (EBP), Konya Plains Project (KPP) and that the regional development efforts have been in a vicious cycle in a regional manner. In addition to the fact that the infrastructure investments to be directed by the public sector will have economic, social and cultural impacts, the program will not produce the expected outcome since the public support shall be routed to the agriculture sector instead of the high tech industrial manufacturing when the unemployment, immigration, income per capita, production, consumption and the share in foreign trade are taken into account for the generality of the provinces. Despite the fact that the previous projects aimed at the regional development were conducted within the scope of action plans, which allowed comparisons between the targets of the plan and the realization level of the targets, the utilization level of the

resources and the outcomes, the lack of the policy documents of the CAPISI, which covers a 4-year term and which will use a considerable amount of public funds is also remarkable.

It was concluded that although the projects that have been conducted since the 80's were directed to the provinces that are the centers of attraction today, the regional development problems couldn't be solved and this project will be a project, which was initiated with political concerns with counterseal outcomes for our country, which struggles with the budget deficits, high inflation, unemployment and the insufficient investments. Due to the different ethnical, historical, sociological, economic, and politic characteristics of each different province, it is recommended that the programs, which have been planned solely with the economic aspect and which have not yet been put into action, should be revised to include the total solutions of the problems.

Regional Differences in Labour Force Participation Rates in Turkey

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Keywords : LFPR, Regional Development, Regional Policy, Sustainable Development.

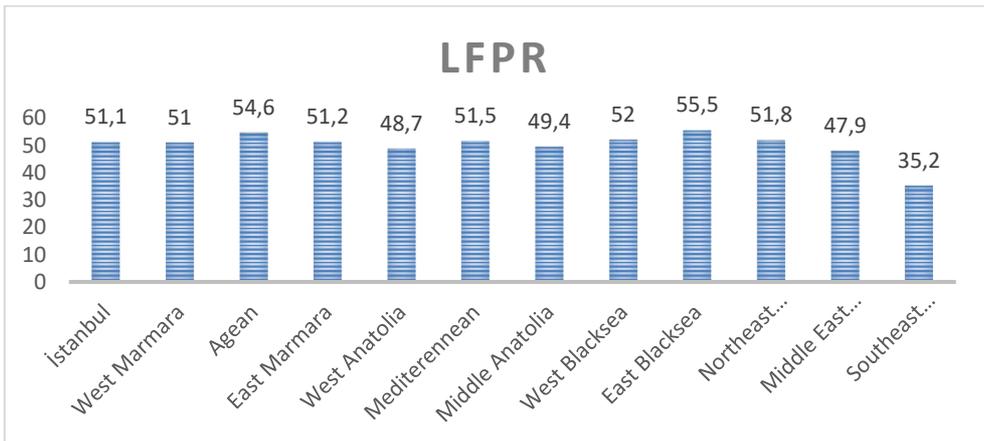
JEL Classification Codes : R11, R12, O12.

Regional development has been viewed as a fundamental factor for macro-economic growth and development, especially in recent decades with the introduction of economic geography models. The localization of the development phenomena has once again showed that it is important to diminish regional disparities.

Regional disparities in Turkey have been an important topic since the early republican period and it is widely discussed by academics and also by policy makers. We observe special attention to regional disparities in almost all development plans. However, regional disparities still persist.

We observe differences and disparities in almost all economic aspects. This study aims and focuses to analyse regional disparities in labour force participation rates (LFPR), since LFPR is valued as an important factor for regional development. Those who are over 16 and employed for pay or are actively seeking for work or waiting call back from previous employments are considered in the labour force. Labour force participation rate is defined as; the ratio of labour force to total population. LFPR is an important indicator of development on both regional and national level. In Turkey we observe severe differences in LFPR between regions. Similarly, there is a considerable amount of gender gap in LFPR. Graph1 shows LFPR for level-1 industrial regions of Turkey for 2015.

Graph: 1
Regional LFPR



At first glance the LFPR between level-1 regions seem tolerable. However, when we deeply observe in level-2 regions or in terms of gender, occupation and fluctuations over time, the differences become important.

It is a well-known fact that level of education is positively related with LFPR, especially for women. Therefore, we can argue that diminishing differences in LFPR both in regional and gender aspects can be considered far more important developmental policy goals than diminishing the difference between Gross Regional Product or unemployment levels. Increasing the levels of LFPR and diminishing the differences between regions will have important backward and forward linkages with migration, job creation, and per capita GDP and unemployment levels.

In order to analyse the differences between regional LFPR, regional statistics derived from the Turkish Statistical Institute (TurkStat) are utilized. The main objective is to understand the basic reasons to disparities in LFPR. In order to capture the time effect of the long and persistent differences in LFPR in Turkey this study adopts a dynamic panel data methodology (dynamic GMM).

According to Roodman (2006), the difference and system GMM estimators are specifically designed to deal with several problems such as a dynamic estimation process, (i.e., if the dependent variable is influenced by its own past values), the existence of endogenous or pre-determined regressors, idiosyncratic disturbances that have individual-specific patterns of heteroskedasticity and/or serial correlation, autocorrelation which might arise from using the lagged dependent variable in the model, the panel data set that have a short time dimension and a large individual dimension and, finally, in the case where the only available instruments might be “internal” (i.e. depends on lags of the variables itself). However, it also allows the use of exogenous instruments. In this context, the GMM methodology is employed in this study in order to cope with the dynamic nature of the estimation process, potential endogeneity problem between productivity and agglomeration and potential heteroskedasticity problem that might arise as a result of time-invariant individual characteristics such as geography and demographics being correlated with the explanatory variables. Finally, because of data limitations the only available instruments in this study are lagged values of the used variables.

With regard to the choice between the difference and system GMM, the Arellano and Bond (1991) estimator uses first difference transformation which is referred to as difference GMM estimation. With first difference transformation, deeper lags of regressors remain orthogonal to the error term and, hence, can be used as instruments. However, if the data in hand is an unbalanced panel data, first difference transformation magnifies the gaps in the data set. This problem can be overcome with the use of forward orthogonal transformation as suggested in Arellano and Bover (1995), referred to as system GMM estimation. Forward orthogonal deviation subtracts the average of all future observations of a variable. Hence, it is computable for all observations except the last one, and therefore, minimises data loss. Furthermore, the lagged observations are valid instruments in such a case because they are not used in transformation, unlike first differencing. Finally, the main and most important difference between these two estimators is that Arellano and Bond estimator differences with levels and implies that past changes are predictive of current realisations of the dependent variable. However, Arellano and Bover estimator levels with differences and implies past levels themselves are predictive of current realisations of the dependent variable rather than past changes. Therefore, system GMM estimation methodology rather than difference GMM estimation is employed in this study.

The industrial zones (level-2) are used in the analysis in order to achieve a deeper understanding of regional disparities in terms of LFPR. A total of 26 industrial regions are analysed through the years 2008-2015. The analysis is performed two ways. First dummy variables for industrial regions is used in the analysis. Further in order to pinpoint the regional determinants of LFPR, region specific estimations are performed. Initial results indicate the nature of LFPR is dynamic and is affected by different factors in different regions. Therefore, regional development policies should focus on these regional differences in characteristics that would affect LFPR.

The results of this study is hoped to shed light to policy makers while conducting regional policies regarding LFPR in Turkey.

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Efficiency of Turkish Provincial Municipalities

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Keywords : Efficiency, Data Envelopment Analysis, Municipality.

JEL Classification Codes : C44, C61, D24.

This study is designed to evaluate the technical efficiency of provincial municipalities within the framework of regulations put into force in parallel to the developments in the developed world to ensure an effective service delivery in Turkey. The Data Envelopment Analysis (DEA) is used in this study, encompassing 51 provincial municipalities, excluding metropolitan municipalities. In this context, 3 models are formed and assessed with regard to water, solid waste and fire brigade services delivered by the municipalities between 2006 and 2012.

There are 81 provincial municipalities in Turkey. 30 metropolitan municipalities are not included in the study since Decision-Making Units (in our case, municipalities) are required to have the same characteristics in evaluating their efficiency when using DEA. In other words, the products or services produced and inputs must have the same characteristics. However, the features of the metropolitan municipalities in Turkey and other provincial municipalities are different. While the services of the solid waste in the contiguous areas of the metropolitan municipalities are delivered by the central district municipalities, in the provincial municipalities' contiguous area are met by provincial municipalities. Likewise, in the metropolitan municipal council area of the metropolis, park and garden services are fulfilled by both the central district municipalities and the metropolitan municipality. In addition, the shares transferred from the central government budget to the municipalities and provincial municipalities differ from the tax and non-tax revenues used in evaluating the effectiveness of financial services. Therefore, if the activities of provincial municipalities and metropolitan municipalities are jointly evaluated, the results obtained may be misleading. For this reason, the metropolitan municipalities are excluded from the scope of the study.

DEA is a mathematical programming model applied to observable data that brings about a new approach so as to do an empirical construction of production function and/or effective production possibility curve. It is an evidence based methodology and used to relatively evaluate the efficiency of DMUs in transforming inputs into outputs. DEA identifies an efficient frontier surface enveloping all sample observations. This surface is determined by efficient DMUs, where DMUs do not lie on this surface are deemed inefficient.

The inputs and outputs used in solid waste services evaluated in this study are identified through studies by Huang *et al.* (2008), Gaiola (2002), Worthington and Dollery (2001), Prieto and Zofio (2001), Kaygısız and Girginer (2011) and Bosch *et al.* (2000), while those used in sanitation and water services are obtained from studies conducted by Abbott and Cohen (2009) and Von Hirschhausen *et al.* (2009).

Within this scope, in sanitation services, total sanitation expenditures, total number of workers, length of water network, capacity of water tanks are regarded as input, whereas amount of water loss/leakage, amount of water supplied and number of subscribers are employed as output.

In solid waste services, total solid waste service expenditure (TL), number of workers working in solid waste service and number of vehicles working in solid waste service are determined as inputs, and amount of solid waste collected (tonnes) is used as output.

In fire brigade services, number of workers in fire brigade services, fire brigade services expenditure (TL), number of fire brigade vehicles are determined as input, while number of rescued buildings and number of fire incidents are determined as uncontrollable output.

Population density is used as an uncontrollable output in all three models.

The DEA models are applied to data covering the period of seven years between 2006 and 2012. Following the literature, an input-based approach is used in all models under the assumptions of constant returns to scale (CRS) and variable returns to scale (VRS) taken into account separately.

Many of municipalities show various levels of technical inefficiency in delivering all three of services. In terms of the number of technically inefficient units, the least technical inefficiency is identified in the water service while the worst in the fire service. The scale inefficiency is not found to be a major cause of inefficiency in the municipalities.

Under the assumption of CRS, on average, the lowest technical efficiency is in the water services (2010) 0,89, the solid waste services (2012) 0,52 and the fire brigade services (2010, 2011) 0,60. The technical efficiency is declined in 2010 and after. The highest average technical efficiency under the assumption of CRS is 0.97 in the water services in 2008, 0.80 in the solid waste services in 2010, and 0.67 in 2009 in the fire brigade services.

Under the assumption of VRS, on average, the lowest technical efficiency is in the water services (2012) 0,93, the solid waste services (2012) 0,59 and the firefighting services (2009 and 2010) 0,78. Under the same assumption, on average, the highest technical efficiency is 0,98 in the water services (2008), 0,83 in the solid waste services (2010) and 0,84 in the firefighting services (2008).

As a result of this study, the main reason of inefficiency in said municipalities are identified as due to excessive staffing and soft budget discipline possibly deriving from political improper decisions. The services of water and solid waste units are generally handled by subcontractors. Therefore, the employment of personnel in these units, the tools and equipment, investments are realized through subcontractors. The employment of personnel, tools and materials and capital investments are carried out within the scope of tender rules which are tied to soft rules. As this is vulnerable to political favouritism, it leads to excessive personnel recruitment and makes the cost of rent and investment of the tools and equipment higher than the real market value. Therefore, it can be asserted that the effectiveness of municipalities is not realized due to these factors. A radical proposal of this study is that the political parties should not nominate candidates for municipal elections to end such political favouritism. It is also recommended that the public procurement legislation should be reorganized in such a way as to prevent fraud, especially in the evaluation of proposals, including the evaluation of approximate costs and extremely low proposals.

This study also recommends establishment of a separate body, as a semi-public department or independent agency, to monitor performance of municipalities annually, utilizing from performance evaluating methodologies including DEA. The body or agency may encourage inefficient municipalities to promote their performance, for instance, by giving certain monetary and honorary prizes and publicizing these municipalities by means of mass communication. Additionally, the efficient municipalities may be encouraged to keep their best performance by receiving full share of their annual allotment from the central budget.

A separate proposal may be to establish Local Administrative Court of Accounts (SAI) equipping them with the authority of performance supervision to enhance the performance of municipalities. In this way, a more effective supervision of the municipalities can be ensured and the Court of Accounts, which specializes in municipal supervision, can guide the municipalities to increase their performance.

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28 April 2017 Friday

Session: I-D / 09.30-11.00

SECTORAL STUDIES

Room: *Aden II*

Chair: **Tekin AKDEMIR**

- Ottoman-Russian Competition in Tabriz-Erzurum-Trabzon Transit Trade Route at the End of 19th Century and Beginning of 20th Century

Masoumeh DAEI

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Ottoman - Russian Competition in Tabriz - Erzurum - Trabzon Transit Trade Route at the End of 19th Century and Beginning of 20th Century

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Keywords : Ottoman-Russian Relations, Trade Routes, 19th Century, Tabriz, Tbilisi, Erzurum, Trabzon.

JEL Classification Codes : N43, N73.

In the beginning of nineteenth century, european capitalist and industrial governments in order to transmit their products and manufacturers to east and also to transmit their raw materials from east to west had a competition with each other, and they forced to construct new ways surpass each other and to minimize their transportation expenditure for this matter to come off, transit commercial ways that reach to Iran from east port of Black Sea, had been given special importance in one hand, from the beginning of nineteenth century, commercial activation of Black Sea and on the other hand the opening of Suez canal until 1869 caused the commercial that is performed from east of Black Sea with Iran to receive strategic importance from both commercial and political point of view among governments. there were two ways that compete for transit trade from the east coast of Black Sea, and the two governments become each other rival that commerce via these ways, i. e. for Ottomans; Trabzon, Erzurum and Tabriz roads, and for Russian in Georgia coast via Sukhumi - Poti or Batumi port to Tbilisi and Tabriz. in order to retrench its half colonization situation in north region of country and also making commercial Caucasus region and to extend in it to whole Asian market places tsar government tried to make Cucasian commercial and transit way attractive and aimed at giving financial customary, and fiscally assistance to their merchants to compete with English wares that come to Iran via Ottoman ways. In the middle of the 1820 English wares first come to Iran via Persian Golf. But then, from north through Sukhumi to Caucasy and from there to east of Anatolia and then reached to north of Iran and, this success of English was against the Russian marketing. From political point of view English was against the Russian marketing, from political point of view Russian who had relation ship with this part and this relation was dying down daily. The selling of English ware was increasing in Iran and English had tried to access new and short maritime ways, and one of the shortest of these ways was path of Black Sea according to this article it is tried to give new look and apart from clean cut samples (political and economic role of India) by studing Iran commercial and transit issue and despite negative influence of foreign presence, to survey their existence in Iran economy in nineteenth century wich caused mobility and property in its trade and on the other hand to answer to this question why and how the roads caused political and economical competition between two Russian and Ottomans governments and also to specify the England role in seizing the road depended to Ottoman.

Begging Competition between Russia and Ottoman and the Role of Britain

First of this century own way of Russia improved to Ottoman crossing until 1832. The commerce to be accomplished by Black Sea was protected to Russia ports in Sokhumi.

The aims of Russia were commercial area and related with all of Asian Bazar and merchants use this government protection (Issawi, 1980: 123). The order of Tesar, Russian merchants and foreign merchants have many duties with due attention to nationality (Üner, 1982: 290).

About this reason Britain was success full again to Russian Bazar Russia political relations with Gafgaz area. They can't strong relationship for economical case and this relationship reduced and

English good soling increased. There are two reasons: First: Britain like short way and near that cause applied to sell English goods and silk export and Iranian products decreed transportation costs and shorts way was Black Sea path second: Appling steam ships between Constantinople and Trabzon.

Britain perfects countries such as, Ottoman that their Bazars controlled carries own goods and was sold. Coming of Russia to South threat Britain benefits. These works stop and protect your been fits (Issawi, 1980: 123). Ottoman grounds protect Russia. Iran- Trabzon way controlled by Ottoman and Britain government protect Ottoman. (Üner, 1994: 45; Aygün, 2005: 170-171).

Transfer Iran Commerce to Russian Way

With beginning of Britain Battle arrived commerce goods of Russia to Iran and India, after finishing of battle and Russia compromise especially after 1866. If Ottoman ways can compete with Russia ways but now make another Railway Puti- Khazar in 1866. Commerce battle enter to new case, principle factors that cause Ottoman superiorly illustrated in blue cases: first: make way and railway in order shape of Black Sea to Khazar. Second: security and protection of merchants' goods insurance by Nejde Company. Trird: make ports, Transportation in transit road Russia to Tabriz in 1863 (Issawi, 1980: 142; Torabî-yi Farsanî, 1342: 341-342). Construction railway Puti - Tbilisi begins in 1872 and makes way Tbilisi, Tabriz and Baku. Tbilisi Railway Company in Tabriz- Puti responsible goods transportations and Russia government perform to this case (Kaynak, 1985: 36).

War in 1877 and 1878 corresponding of Berlin conclusion Batumi, Ghares and Ardahan achieve by Russia but Britain tribes Batumi by Turkish, because their benefits in East with Batumi depends in Turkish. On the other hand Ottoman aid situation was each near and comfort ability to Batumi commerce with Iran but this topic that Russia can a simple commerce with Iran Britain have to think. If military and political case lay aside domination of Batumi port and Ghares. Iran transit way will achieve by Russia and Britain must pay many taxes to Russia. If Russia don't allowed export to Britain (Woods, 1970: 2).

The most rating latest year (1895-1909) and pay attention to Iran market because this market was important for Russian economical passing in Persian Jolfa ways and Khazar Sea until 1914. Commercial way in Tabriz after opening Suaz Canal in 1969 compete with Caucasia way and Persian Jolfa. With opening of Suaz canal and shipping spender of Dogleg (Tigris) causes to commerce revival by Baghdad and Kermanshah. Russian land commerce increased with Azarbyjan. But struggle of Britain for commercial way by Siestan for competition of Russia in Khorasan wasn't successful (Issawi, 1980: 112) after first world war intention of petrelproducts promoting Persian Gulf ports and existing ways and railway lines most of Iran commerce transit to Persian Jolfa. In the last year of world war specially in two last year's Iran experts decreased that one reason was 12th of October revel union in 1917 illustrated Russia and socialistic military after first world war soviet government focused to heavy industries and restrain most of Iranian import goods as result this case Iran in years of first world war cause to commercial crisis (Issawi, 1980: 113, 230).

In promoting of commercial relationship in the first of twenties century Ottoman start to construct konsolos in different cities of Iran. Especially konsolos (Shahbandar) of Tabriz and Khorasan are most important their basic goal was commerce but their thought and political cases contribute by konsolos.

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Convergence and Cointegration Analysis under Structural Breaks: Application of Turkey's Tourism Markets

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Keywords : Convergence Hypothesis, Unit Root test, Tourism markets, Cointegration, Structural Breaks.

JEL Classification Codes : Z32, C22, C58.

International tourism is the one of the largest and fastest growing services industry in the world. The Turkey tourism movements have begun to gain momentum in the 2000s in parallel to the world tourism movements. The purpose of this study is to examine the cointegration structure and convergence hypothesis in Turkey's tourism markets monthly data over the period 1996-2016.

To check the existence of convergence, we used international tourist arrivals to Turkey from each of Turkey's 23 major markets. International tourist arrivals data of Turkey may comprise structural changes and volatility. These attributes may negatively affect the reliability of unit root and cointegration tests outcomes. Ignorance of volatility and breaks leads to decrease in the number of convergent tourism markets.

Conventional Dickey Fuller unit root test, recently developed Lagrange multiplier (LM) and Residual Augmented Least Squares (RALS-LM) tests are performed to test the existence of convergence in the tourism market. Gregory Hansen test which is widespread test in presence of structural break and Westerlund-Edgerton LM cointegration test are used for checking long run relationship of the tourist arrivals data.

The study reveals strong evidence that most of the tourism markets for Turkey are converging. This means that tourism policies and strategies are successful for convergent tourism markets. In addition, there is some long run relationship among the different tourism markets in the presence of structural break and volatility.

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A Strategy Proposal for Apiculture, Honey Production and Marketing in the Black Sea Region: Agglomeration

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JEL Classification Codes : Q13, Q17, R11.

This study aims to show the need for a well-designed agricultural agglomeration strategy for apiculture, honey production and marketing in the Black Sea Region of Turkey. An increase in the welfare of producers and consumers in the market depends on the existence of the economic efficiency conditions in the agricultural input and product markets. In recent years, some applications of agglomeration as a mean of regional economic development have been observed in the agricultural sector through the demand for high quality and standardized agricultural raw material of the food industry. Honey and honey product sectors in parallel with apiculture have been showing a considerable progress in both production levels and creation of value added in recent years in Turkey. As a matter of fact, Turkey reached up to the second position in terms of the honey production in the world in the year 2015. Despite this promising tendency, it was found that the sector had not operated efficiently in terms of production and marketing. Relatively high prices of honey and accordingly, lack of foreign competition can be seen as consequences of the aforementioned lack of efficiency. In this paper, we propose an agglomeration strategy for the apiculture and honey/honey products sector in the Black Sea Region as an alternative model to target a more efficient market framework.

In approaching agglomeration in the context of agriculture earlier models of economic development suggested that the agglomeration strategy was not suitable for the agricultural sector, and it would worsen the developmental disparity between rural and urban areas since the beneficial powers of agglomeration were captured in the urban sectors (industry and services). This approach is associated with the four main characteristics of the agricultural sector which originate from the production structure. First of all, the agricultural sector produces generic products, such as food, using constant returns to scale technology. Secondly, the sector conveys the impression of being an insufficient sector in terms of product differentiation, innovations and knowledge externalities. Thirdly, since the structure of agricultural markets is often competitive, it does not offer supernormal profits to the producers. Finally, since the relative factor density in agriculture is in favor of land, agricultural production is not suitable for spatial concentration.

Along with increases in food prices, some major structural changes in the agricultural sector occurred in recent years have led to a shift in the perspective towards agglomeration in agricultural sector. In the 21st century, the demand for food products changed structurally, and demand shifted from the generalized food demand to the demand for differentiated products as described in the description of the characteristics of the new food regime. The reflection of this change in the composition of demand on agricultural production appears as increasing product diversity and high value-added production. As this change has been supported within the frame of concepts such as standardization of product marketing, patents and innovations in packaging, which are relatively new concepts for agricultural sector, it can be argued that the sector had entered a process of self-discovery, and had started to escape from the above-mentioned limiting situation of being an “agglomeration-incompatible” sector. In this context, “new agriculture” requires tools to improve competitiveness and innovation capacity in the macro-level, and agglomeration applications for

various agricultural products at the regional level is considered as a tool to serve these purposes and it is considered that the benefits obtained from the agricultural agglomeration will ultimately contribute to the regional development. In addition, despite difficulties in measuring, in some field work done at micro level for the agricultural sector it has been shown that some important externalities from clustering have rooted from the cooperation, and the input and information sharing among rural households. Therefore, this finding supports that clustering and agglomeration has the ability to create positive externalities, even for agricultural structures where family-type agricultural operations are prevalent.

Food and Agriculture Organization of the United Nations (FAO) describes agricultural clusters as “a model that producers, agricultural enterprises and institutions that are related to the same agricultural sub-sector and face common challenges and follow common opportunities come together”. Four major positive externalities are expected to arise as a result of the cooperation of the factors forming the model. These factors are utilization of qualified labor pools, input sharing, information dissemination and potential cooperation opportunities. It is expected that the aforementioned external economies will increase the productivity and the income level accordingly.

Despite the recent positive development in honey production level, it is not possible to observe the same trend in exports and yield levels. According to FAO statistics Turkey, with 11 thousand tons of exports in 2015, is not among the top ten countries in honey exports. This can be attributed to the lack of standardized production and the lack of competitive power in terms of price resulting from high input costs. In terms of yield, although Turkey is a very rich country in terms of bee genetic resources, the average yield in Turkey is well below the world average. The average yield of honey per colony is 24 kg in the world whereas the yield per colony in Turkey is around 14-15 kg according to FAO and TURKSTAT. This can be explained by the inability to breed indigenous races in particular and by the lack of technological knowledge and the use of technology, which are the basic determinants of productivity in the economic sector.

In Turkey, 20% of the honey production takes place in the Black Sea region and the average honey yield in the region is above the average yield in Turkey. However, there are some serious structural problems of apiculture that can be discussed under two titles: production and marketing. Producers operate under high-cost conditions and associated inefficiency of production causes higher prices which eventually results in lower demand for honey and other products as well as lower competitive advantage in the world markets. In addition, lack of producer cooperatives and access to credit constitutes the main marketing problems. Mainly, wholesale traders play a significant role in marketing of honey, and producers have difficulties in obtaining loans from banks except Ziraat Bank, a public bank.

In our strategy proposal the main component of the cluster is the small family enterprises which constitute a significant portion of the producers in the Black Sea region. As a result of clustering, beekeeping is aimed to be the single/core activity for income generation. This clustering practice requires producers to organize at local level and be able to switch to contract production. Another component of the cluster is input suppliers. High input costs cause higher prices harming both domestic demand and international competitiveness. Hence, as the number of competitive and specialized input suppliers increase, input costs are expected to decrease. The third pillar of the cluster is composed of food producers which process the primary product and create value added. Agricultural producer-food manufacturer relationship is of great importance since these firms buy the high quality product of bee producers as contract production model prevail in the cluster. An integral part of the cluster is the honey exchange. Establishing a honey exchange in the cluster will draw producers and purchasers together and promote efficient price formation. Moreover, since share of wholesale traders and middleman will decrease, producer income will tend to increase. Institutional support mechanisms form another part of the cluster. A successful agglomeration practice needs strong institutional support.

In our proposal this support mechanism is composed of public support (ministries, local governments, universities etc.) and private support (cooperatives, unions etc.).

Handmade Musical Instruments Production in Turkey: A Survey for Cymbal Manufacturer Corporations

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Keywords : Handmade Musical Instruments, Cymbal Manufacturer Corporation.

JEL Classification Codes : N800, M10.

Nowadays, while the worlds competition is changing simultaneously. States which preserve their cultural values seem to surpass the others on the subject of cultural industry. In international field, societies which show their cultural accumulation, rise their competition powers and contribute to their national economies. There are many products bearing economical values among cultural and art-related concepts. One of those is the sector of musical instruments. Being totally dependent on foreign resources about musical instruments, Turkey has earned the number one position in the whole world by creating a worldwide brand name for only one kind of musical instrument. Cultural inheritance that are carried up to recent days by some of small business owners -who manufacture musical instruments- as a result of both artistic and economic reasons are known all around the world. The most important one among those is the sector of hand-made cymbals, which have been manufactured in Turkey for a long while and which is indeed a worldwide known brand. When we consider the position of handmade cymbals, that are manufactured in Turkey, in world market, it is seen that cymbals were first created in Turkey under scope of the sector of musical instruments, and later became a worldwide known brand.

This research is an attempt, which intends to understand how a small local business dealing with handmade cymbals evolved into a big worldwide business. The basic purpose of this attempt is to examine the growth and existence of businesses dealing with musical instruments in Turkey from a historical perspective. The findings that are obtained at the end of interviews conducted with the businesses named Istanbul Mehmet Cymbals and Bosphorus Cymbals are tried to be analysed throughout this Research.

Strategy of the Research

The Research scopes on two significant companies named Istanbul Mehmet Cymbals and Bosphorus Cymbals, which have been manufacturing cymbals in Turkey for a long while. Before interviews conducted with mentioned companies, previously prepared questionnaire forms were used and also some other information concerning the companies were obtained. Findings concerning this research that scopes on the information regarding to establishment, development, market competition and performance of the companies are presented.

This research is a Descriptive Research; and Multi-Sample Case Study is performed during the whole research. Sample Case Study is realized as case analysis in the form of a qualitative research; and in-depth interviews are applied as data collection technique.

Findings

When we consider the characteristics of the companies in Turkey, which manufacture hand-made products, we can see that such characteristics base on local values, and those manufacture businesses host master-apprentice relationships. It is determined that no written information referencing such small businesses existed, or that such small businesses were never subjected to researches.

Consequently, this Research bases on small businesses, where the form of production facilities was first created; and it focuses on development and incorporation of the businesses that have worldwide reputation nowadays in relation with production of hand-made musical instruments.

The categories throughout the Research are determined as Incorporation - Development - Market and Rivalry - Performance. Below (Table.1-2), you can see findings concerning the Companies respectively Istanbul Mehmet Cymbals and Bosphorus Cymbals.

Table: 1

ISTANBUL MEHMET CYMBALS				
<u>THEME</u>	<u>MANUFACTURE</u>		<u>PROMOTION</u>	
<u>CATEGORY</u>	<u>Establishment</u>	<u>Expansion</u>	<u>Market(ing) & Competition</u>	<u>Performance</u>
<u>CODES</u>	<ul style="list-style-type: none"> • Reasons of Organization • Method Of establishment 	<ul style="list-style-type: none"> • Billy Hart's arrival to the atelier • Job-order production • Necessary financing only available from sales • Master - apprentice relationship • Production according to rising styles musician demand • Accounting work; within company 	<ul style="list-style-type: none"> • Sales price to market conditions, competition conditions competitive price • R & D (Research & development) • Sales in the World Marketing • Endorsing • Use of social media, participation in fairs, advertising to sector publications • Labour issue and raw material access 	<ul style="list-style-type: none"> • Moderate - High

Table: 2

BOSPHORUS CYMBALS				
<u>THEME</u>	<u>MANUFACTURE</u>		<u>PROMOTION</u>	
<u>CATEGORY</u>	<u>Establishment</u>	<u>Expansion</u>	<u>Market(ing) & Competition</u>	<u>Performance</u>
<u>CODES</u>	<ul style="list-style-type: none"> • Desire to establish a company 	<ul style="list-style-type: none"> • Job - Order production • Necessary financing only available from sales and demand study • 100% sales • Experting in jazz cymbals • Accounting work; out of company 	<ul style="list-style-type: none"> • Sales price to market conditions, competition conditions, competitive price and promotion visits • High-end Marketing • 60% of world market • Endorsing • Use of social media, participation in fairs, advertising to sector publications • Expansion problem; Lack of human resource 	<ul style="list-style-type: none"> • Between low - Very high

Potential Improvement on Production Efficiencies for EU-Turkey Agricultural Sector: 2002-2013

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Keywords : Agriculture Sector, Efficiency, Potential Improvement, Data Envelopment Analysis, European Union.

JEL Classification Codes : C60, D24, Q13.

The Agriculture sector has owned a strategical importance in every countries' economy, because, it is the first stage of development process. Most of the employment is covered by the agricultural sector, especially for the developing countries. In addition to this, for long term development plans, agricultural sector has an importance in terms of providing inputs to the other sectors. In the last 15 years, the share of agricultural sector has sharply declined in Turkish economy and this cause to several economic and social problems. The decrease in the share of agriculture in the national income is one of the most important causes of migration from rural to urban.

While the share of agricultural employment in total employment was 37.6% in 2001, it decreased to 19.7% in 2014 in Turkey. The share of the service sector in total employment increased from 39.7% in 2001 to 51.9% in 2014. When we look at industrial sector, employment level increase from 22.7% (2001) to 27% (2014). As it can be seen, labor force has been transferred from agricultural sector to service sector. In other words, the majority of the population on the producer side has passed on to the consumer. This situation is also reflected in the foreign trade figures in agriculture sector and the rate of increase in imports was above the rate of increase in exports from 2001 to 2014.

In addition to this, agricultural production value and growth rate in agricultural sector have decreased in the period discussed. While the share of agricultural sector in GDP was approximately 11% in 2001, this rate decreased to 8% in 2015. This situation is also valid for arable areas. The arable land has decreased from 23.800 (thousand hectares) to 20.500. In terms of mechanization of the agricultural sector, according to FAO data, while net capital stock in 2002 was 47243 (million \$), it increased to 70899 (million \$) in 2013. It has contributed to the increase in the efficiency of the agricultural sector by increasing the output per land over the years.

There are a many studies on agricultural economic efficiencies in the literature. The few outstanding studies which wrote up Turkish agricultural production efficiencies in macro scale, were mentioned in this study: Karaçuka, M., Deliktaş, E., ve Tunça, H. (2014); Cankurt, M., & Miran, B., & Günden, C. (2013); Avcı, M. A., ve Kaya, A. (2008); Rungsuriyawiboon, S., & Lissitsa, A. (2007); Coelli, T.J., & Rao, D.S.P., (2005); and Arnade, C.A. (1994).

There are two main different method to measure the production efficiency: Parametric and non-parametric methods. Parametric methods divided in to 3 in itself namely stochastic frontier approach (SFA), thick frontier approach (TFA) and distribution free approach (DFA). The most used method in econometric studies is SFA which was simultaneously developed by Aigner, D., & Lowell, J.A.K., & Schmidt, P. (1977), Meesuen, W., & Van Den Broeck, J. (1977) ve Battese, G.E., & Corra, G.S. (1977).

Non parametric method can also divided into 2 categories namely data envelopment analyses (DEA) and Malmquist index. DEA was developed by Charnes, A., & Cooper, W.W., & Rhodes, E. (1978) and this is also called CCR model. This method is based on linear programming. DEA shows the relative efficiency of decision making unit (DMU). Efficiency is defined to ratio of total weighted

outputs to total weighted inputs. In this method, the best observations among DMUs are considered as efficiency frontier and the other observations are compared with the most efficient units. In this study both DEA and Malmquist index were used to find the production efficiency scores.

In the DEA method, there is an assumption that, if the inefficient units follow the efficient units in managerial and operational ways, they will reach to the levels of efficient units. For every inefficient unit, there is a reference group which is formed by some the efficient units coming together. The reference group for an inefficient unit does not necessarily contain all of the efficient units. One or a few efficient units can guide to the inefficient unit. It depends on the similarities of input and output combinations between the inefficient unit and efficient units one by one. If there is more similarities between an efficient unit and the inefficient unit, most likely, that efficient unit will be the reference to the inefficient one. The DEA, formed a frontier with all the efficient units, like a plate. It is important that which part of the frontier plate that the inefficient unit is over. In this part, the nearest efficient units to the inefficient unit are the reference units of it. The above-mentioned assumption that, every inefficient unit has a chance to catch up the efficiency which is realized with taking reference these nearest efficient units as a role model. What the criteria of inefficient unit to catch up the efficiency is given by the DEA solution matrix which is produced by distance functions. The "Potential Improvement" (PI) analysis is based on these relationships between the efficient (reference) and inefficient units. PI gives an opportunity to researchers to learn about the structural problems of inefficient units. There must be enough time period to enable inefficient DMUs to efficient. In this study 12 years of data has been used.

This study originally consists of two parts. At first stage we calculated the efficiency scores of Turkey and 24 EU countries' agricultural sector by using data envelopment analysis (DEA) and Malmquist Index and the scores have been compared with each other. At second stage, we performed potential improvement analysis for these countries between the years 2002 and 2013. In the Congress, the second stage will be presented after briefly referring to the first stage.

4 inputs and 1 output were used to calculate and evaluate efficiency scores. While the inputs are labor force, net capital stock, arable land and pesticides, output is agricultural value added. Both inputs and outputs have been normalized by dividing into arable agricultural land. Therefore number of inputs in the model is 3. This measurement of technical efficiency was made by using DEAP V2.1 package software program which developed by Coelli.

Regarding to findings for the 12 years and 25 countries, the average technical efficiency scores is 0,685. On the other hand, Turkey's technical efficiency scores is approximately 0,7. The most efficient countries are Belgium, Denmark and Bulgaria and their efficiency scores are equals to 1. The change in total factor productivity value for all countries is 1,004 while Turkey's score is 0,992. Therefore, there was a small decline in total factor productivity in Turkey for the period discussed.

The PI analysis for all the years and for all the units shows that the some of efficient units - agricultural economies- have in more reference groups. In all of the periods, the most referenced efficient unit is Belgium which is referenced 132 times by the inefficient units. The two others are in an order Bulgaria (130 times) and Denmark (104 times). Even Lithuania (45 times) has only one year inefficient, its total reference numbers in twelve years are less than the United Kingdom's (50 times) references. United Kingdom is efficient in seven years.

Turkey is inefficient agricultural economy for all the years. She takes reference only one efficient unit which is Bulgaria, for all years, except for 2007. In 2007, the reference units are Poland dominantly and Belgium.

28 April 2017 Friday

Session: II-A / 11.30-13.00

ECONOMIC GROWTH & DEVELOPMENT

Room: *Symyrna I*

Chair: **Serdal BAHCE**

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The New Blueprint for Development: Sustainable Development Goals

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The research starts by summarizing the history of sustainability and sustainable development. It enriches the topic by reviewing books of prominent economist and writers. After emphasizing the importance of each work of these writers, the recent progress is given in the framework of the UN approach about the sustainable development. The continuum starts with the United Nations Conference on Human Environment (1972) and explains other UN's efforts for sustainable development until 2016. Afterwards, 17 global goals and 169 associated targets are reviewed. Pointing out the connection between SDGs and targets, policy analysis of targets and SDGs, similarities and differences between SDGs and Millennium Development Goals (MDGs) and criticism of the SDGs are the aims of the study.

Sustainability term has been used for many years. In ancient civilizations such as Mesopotamian, Greek and Egyptian, environmental issues were questioned by prominent philosophers. In *The Republic*, Plato pictured humans being born from earth to express the role of the earth as a mother. In Varro's *On Agriculture*, it was stated that the evil effects can be lessened by care. This can be seen as a spark of sustainability. After the Industrial Revolution, the importance of sustainability started to rise.

The 18th century was a start of concern for overpopulation and resource shortages. Thomas Robert Malthus claimed that due to different growth types of population and resources, catastrophic checks would be happened on overpopulation. He stated that if production and population are not equal, the great law of our nature will try to keep these effects equal (Malthus, 1789: 5).

In Alfred Russell Wallace's *The Wonderful Century*, 'the plunder of the earth' chapter discussed the harm and exploitation done by human kind. Water shortage for irrigation and infant deaths were extensively mentioned in the book. Wallace stated that a million people forced to suffer a lifelong deficiency for healthy existence (Wallace, 1899: 379). In *The Silent Spring* (1962), written by Rachel Carson, it is stated that the history of life was the mutual effect between living things and nature. "Since the mid-1940s over 200 basic chemicals have been created for use in killing insects, weeds, rodents, and other organisms described in the modern vernacular as 'pests'; and they are sold under several thousand different brand names" (Carson, 1962: 7).

The UN approach about the sustainable development starts with the United Nations Conference on Human Environment (1972). The lack of environmental concerns of Millennium Development Goals (MDGs), the world needed a new blueprint for development. In October 2015, *Transforming Our World: the 2030 Agenda for Sustainable Development* was issued in order to tackle the unfinished business of the MDGs. The Agenda, Sustainable Development Goals (SDGs), replaced the MDGs which were influential between 2000-2015. People, planet and prosperity are the center of gravity of the Agenda. Eradicating poverty is strongly highlighted for sustainable development and seen as an unavoidable necessity of it.

Between 2000 and 2015, we had MDGs, which consist of 8 goals and 21 targets, but now we have SDGs which has 17 goals and 169 targets. In the SDGs, it can be detectable that some of the targets

are repetition and some of them are new. Some of the sentences have strong verbs to achieve the mentioned target, while some have only an ambition to reach a certain level. For example, it can be seen that eradication of extreme poverty is explicitly predicted to be solved completely, but for the global maternal mortality ratio, it is expected to be less than 70 per 10.000 live births. This means that some targets are not perfectionist and only achieving a critical level is assumed as satisfactory. For overall evaluation, 54.5% of the targets are expected to reach a certain level, while 45.5% of the targets are expected to solve the mentioned issue completely. Therefore, it could be inferred that the SDGs only give importance to specific areas and claiming the number of the targets are too much for a guideline of development is misleading.

Thomas Pogge and Mitu Sengupta claimed that the SDGs should be designed for structural reforms of the global institutional order (Pogge & Sengupta, 2015: 57). Nonetheless, they stated that the present structure of the world economy is not sufficient to reach this aim. Furthermore, it is mentioned that ‘strong human rights language’ is needed to enlarge the SDGs’ ambition and impact. Additionally, they proposed recommendations for improving specific goals. For example, SDG-16 *promotes peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels* must be supported with concrete responsibilities for developed countries and international organizations.

Awareness of overpopulation and resource shortages were started in the 18th century. Since then, however, humankind has been continuously testing the limits of nature via adding new technologies into the prevailing production processes. Especially, the Industrial Revolution caused the depletion of critical resources, and consequently gave rise to the sustainability term. Some economists and writers such as Thomas Robert Malthus, George Perkins Marsh, Alfred Russell Wallace, Rachel Carson, Edward Goldsmith and Robert Allen underlined the issue for the sake of humanity and nature itself throughout the history.

In 1973, the oil crisis gave rise to the problem of resource scarcity and efforts for sustainability become the agenda of the UN. After the United Nations Conference on Human Environment Conference, actions to improve awareness of sustainable development and conservation human environment were started. In 1987, the Brundtland Commission published the famous *Our Common Future*. The report improved our vision of the relationship between economics and environment.

The research concludes that the SDGs are more comprehensive and transformative than the MDGs due to the fact that including subjects such as good governance, achieving gender equality and sustainable use of ecosystems. Among 169 SDGs’ targets, 77 of them directly aim to end an issue while 92 of them only targeting a certain threshold level. In this respect, it can be inferred that the SDGs concentrated on leading issues and give a guideline for other areas. In fact, this broader framework justifies the setting of more goals than the previous paradigm, namely the MDGs.

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Does a J-Curve Exist for Japan and the USA?

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In response to increasing trade deficits in the wake of the Great East Japan Earthquake in March 2011, the government of Japan started to take measures under the economic-stimulus program, so-called *Abenomics*, to reduce the trade deficit of the country at the end of 2012. For this aim, Japan allowed depreciation of Yen against the USD. (Raguza and Barzideh, 2014; Junko and Kiyotaka, 2015). This sort of aim can be achieved if “the J-curve hypothesis” is valid. In this regard, whether the J-curve hypothesis is valid or not for Japan is very crucial for the government of Japan.

The J curve hypothesis, introduced by Magee (1973), asserts that currency depreciation worsens the trade balance in the short-run and improves it over time in the long-run. Because, the depreciation of the country’s currency against to other currencies makes the domestic products cheaper for the consumers abroad and also foreign products more expensive for the domestic consumers, leading to an increase in exports and a decrease in imports in the short run. On the other hand, the long run reaction of the trade balance that J-curve hypothesis predicts is the case only if the Marshall-Lerner (ML) condition, developed by Marshall (1923) and Lerner (1944), is satisfied. ML condition states that currency devaluation will only lead to an improvement in the balance of payments when the sum of demand elasticities for imports and exports is greater than one. The trade balance’s pattern of this initial worsening in the short-run and subsequent improvement in the long-run resembles the letter “J.” This pattern is the namesake of the J-curve.

Since Magee (1973) first introduced the J-curve hypothesis, the validity of the hypothesis has been tested by many scholars. Yet, the empirical findings are mixed. For example, Rose and Yellen (1989), Shirvani and Wilratte (1997), Bahmani-Oskooee and Brooks (1999), Wilson and Tat (2001), Wilson (2001), Bahmani-Oskooee and Goswami (2003), Akbostanci (2004) and Hsing et al, (2010) do not find any evidence for the validity of J-curve hypothesis. However, Gupta-Kapoor and Ramakrishnan (1999), Kale (2001), Lal and Lowinger (2002), Gomes and Paz (2005), Halicioglu (2008) do find evidences of the J-curve hypothesis.

In the related literature there are few studies investigating the J-curve hypothesis for Japan and its trading partners, to the best of our knowledge. Backus (1993) examine the real trade balance for Japan. Using quarterly data from 1955:2 to 1993:2, he applies vector autoregression approach and the impulse response function. The finding of this study suggests a J-curve for Japan. Bahmani-Oskooee and Alse (1994) also test the J-curve hypothesis for several countries including Japan using the error correction method. However, they find the ratio of imports to export for Japan to be stationary in levels and therefore they are not able to use it as dependent variable of the long run trade model. Therefore, they exclude Japan from further analysis.

Being the fourth largest export economy in the world, Japan exported 645.2 billion USD worth of products in 2016. Among its trading partners, the largest share of total Japanese export belongs to the

1 For a literature survey see Bahmani-Oskooee and Hegerty (2010).

USA, which is accounted for its 20.2% in 2016. Moreover, USA is Japan's second main import partner after China. The USA's share of total Japanese import is 10%. Hereby, our study aims to explore the evidence of the J-curve hypothesis for Japan using the trade flows between Japan and the USA. To this end, we apply the nonlinear ARDL model, recently introduced by Shin et al. (2014). The ARDL approach allows us to examine the long run relationship among the variables irrespective of the fact that the series are stationary in level or not. The data used in this study is monthly figures covering the period of 1988M1-2016M9.

In order to investigate the J-curve hypothesis for trade flows between Japan and the USA, we consider the possible long-run relationship between trade balance and real exchange rate of the following form:

$$\ln TB_{i,t} = \alpha_0 + \alpha_1 \ln Y_t^{Jap} + \alpha_2 \ln Y_t^{USA} + \alpha_3 REX_{i,t}^+ + \alpha_4 REX_{i,t}^- + \varepsilon_t \quad (1)$$

Here, \ln represents the natural logarithm. TB is the trade balance of Japan and defined as the Japan's import to UK divided by its export from USA. Y_t^{Jap} and Y_t^{USA} are the Japan's and US's industrial production indexes (as proxy of income). The real exchange rate ($REX_{i,t}$) between the JPY and the USD is defined as $REX = (NEX * CPI_{Jap}) / CPI_{USA}$ where NEX is the number of units of USD per JPY. CPI_{Jap} and CPI_{USA} stand for the consumer prices indexes in Japan and in USA, respectively. REX_t is decomposed as $REX_t = a_0 + a_1 REX_t^+ + a_2 REX_t^-$. REX_t^+ and REX_t^- are partial sum processes of positive and negative changes in $\ln REX_t$ and are defined as follows:

$$REX_{i,t}^+ = \sum_{j=1}^t \Delta \ln REX_{i,t}^+ = \sum_{j=1}^t \max(\ln REX_{i,j}, 0) \quad (2)$$

$$REX_{i,t}^- = \sum_{j=1}^t \Delta \ln REX_{i,t}^- = \sum_{j=1}^t \min(\ln REX_{i,j}, 0)$$

The J-curve hypothesis cannot be rejected provided that the estimated α_3 and α_4 to be significant and that $\alpha_3 > 0$, or $\alpha_4 > 0$ or both in Eqn. 1, because of real exchange rate definition utilized in this study.

Following Shin et al. (2014) we extend Eqn. 1 to the following nonlinear ARDL model:

$$\begin{aligned} \Delta \ln TB_{i,t} = & \alpha + \sum_{j=1}^{p1} \beta_j \Delta \ln TB_{i,t-j} + \sum_{j=0}^{p2} \gamma_j \Delta \ln Y_{t-j}^{UK} + \sum_{j=0}^{p3} \delta_j \Delta \ln Y_{i,t-j} \\ & + \sum_{j=0}^{p4} \theta_j^+ \Delta REX_{i,t-j}^+ + \sum_{j=0}^{p5} \theta_j^- \Delta REX_{i,t-j}^- \\ & + \mu_1 \ln Y_{t-1}^{UK} + \mu_2 \ln Y_{i,t-1} + \mu_3 REX_{i,t-1}^+ + \mu_4 REX_{i,t-1}^- + \varepsilon_t \end{aligned} \quad (3)$$

Bounds Testing Approach of Pesaran et al. (2001) can be applied to Eqn 3. to investigate the cointegration among the variables under investigation. The null hypothesis of no cointegration is given by $\mu_1 = \mu_2 = \mu_3 = \mu_4 = 0$ in the Eqn. (3), which can be tested using Wald or F -statistics. Since the distribution of the test statistics is nonstandard, Pesaran et al. (2001) tabulated two sets of critical values as the lower bounds and upper bounds for given significance levels. If the computed statistics fall below the lower bound, the conclusive decision can be made in favor of no cointegration. If they

exceed the upper bound, it indicates cointegration. If, however statistics fall within these bounds, inference is inconclusive.

The short run and long run asymmetries can be examined using Eqn.3 and Eqn.1. First, the estimates of the nonlinear ARDL model, given Eqn.3, can be used to investigate the short run asymmetry. Shin et al. (2014) proposed that the short run asymmetry can be tested by using Wald test for the null hypothesis of $\sum_{j=0}^{p_4} \theta_j^+ = \sum_{j=0}^{p_5} \theta_j^-$ in Eqn. 3. Second, as long as a long run relationship between trade balance and real exchange rate exists and $\alpha_3 \neq \alpha_4$, significant α_3 and α_4 represent the asymmetric responses of trade balance to the appreciation and depreciation of the real exchange rate in the long run.

The empirical process of this study we pursue is as follows: First, we apply the Augmented Dickey Fuller Unit Root Test (ADF) to examine the order of the integration of the time series used in Eqn. 1. This is because we cannot employ the nonlinear ARDL approach in case some of the series we used in Eqn.1 are integrated of order 2 or more. The ADF tests' results show that all series used in Eqn. 1 are either $I(0)$ or $I(1)$. Second, we estimate the nonlinear ARDL model given Eqn.3. We use Akaike Information Criterion (AIC) to select the optimal lags for each differenced variables in the model. Third, we apply the Bounds Testing Approach (BTA) to the estimated nonlinear ARDL model in order to explore the long run relationship between real exchange rates and trade balance. The result of the BTA suggests that the variables are cointegrated. We also test short run asymmetry in the trade balance in response to changes in real exchange rate. The result of the Wald test we apply to the estimated nonlinear ARDL model reveals that the null hypothesis of no asymmetry can be rejected at 10% but not at 5% significance level. Fourth, we estimate the long run trade model given Eqn.1. The estimated coefficient of positive change in real exchange rate turns out not significant. Although that of negative change in real exchange is significant, the sign is negative. Then, we test whether trade balance responses asymmetrically to positive and negative changes in the real exchange rate in the long run. To this end, we use the Wald test, whose result shows that there is no long run asymmetry. Then, we estimate the long run trade model with the real exchange rate as an independent variable. In other words, the effects of the increase and decrease in real exchange rate on the trade balance are assumed symmetric. The estimated coefficient of the exchange rate in the long run linear trade model is significantly positive. Thus, the results of the study suggest that there is a j-curve for the trade flows between Japan and USA.

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Developing Trade and Investment between Afghanistan and Central Asian Countries

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In general terms, the purpose of this study is to analyse and develop business relations, investments, and potential opportunities between Afghanistan and Central Asian markets. A political instability emerged after the USSR defeat in Afghanistan, and the countries in Central Asia supplied a stringent relation across the borders with Afghanistan.

Firstly, we aim to analyse the structural condition of Central Asian markets and the capacity of their business markets. The second purpose is to find an appropriate solution for establishing practical business relations and transportations in the field of energy, economy and trade between Afghanistan, and the countries of Central Asia and South Asia, and it is most likely to be the most important key factor of this study. However, Central Asian countries markets have rich and untouched energy resources, and thus, these markets contain highly supported and attractive investment opportunities both for international or foreign investors. Furthermore, South Asia countries, such as India and Pakistan, which constitute 1.5 Billion of world's population, attempt to approach and take control of Asian countries markets.

Hence, these markets have a high marketing potential in term of business interactions. All these opportunities are possible, if Central Asian countries establish excellent and warm commercial and political relations with Afghanistan, since Afghanistan is the only remaining path to connect to Southern Asia and Central Asia markets at lowest cost. Moreover, Afghanistan also requires to establish and to develop these economical and excellent business relations with North Central Asian countries for accessing to energy resources. Primarily, based on above arguments and key business factors, the importance of this study cannot be overemphasized.

The research method is based on data collected from international institutions, such as IMF, World Bank, Asian Development Bank and on reports from Ministries of Afghanistan. Evaluation of this study has been made based on academic articles.

In the first part of this study, the structural circumstance of Central Asian and existing demand of markets for accessing to South Asia is analysed and constituted. The second part of this paper is constituted from evaluation of business and investment volume between Afghanistan and the Central Asian countries. The third part concerns about mutual evaluation of energy markets between Afghanistan and Central Asian countries, discussed on the basis of capacity of regional trade policy in Afghanistan. And finally, on the last part, the practical ways to increase the volume of trade and analysis of trade problem (lack of necessary fundamentals to facilitate the flow of trade and investments for increasing the trade, problems of insecurity, assurance of Afghanistan to Central Asian countries that NATO and America are not the cause of problems in Afghanistan; however, from their existence, they may be used as an opportunity to attract capital investments) have been evaluated.

Despite all the problems caused by the collapse of the Soviet Union and alteration behaviour of Central Asian countries with Afghanistan, current challenges, still the existence of better investment opportunities and capacity for extreme need of Central Asian countries to Afghanistan for export and

expand of mutual trade volume with Afghanistan increase day by day. Where Afghanistan forms a bridge between Central Asia and South Asian markets, in terms of monopolizing the trade deals, first of all these countries need some bilateral agreements with Afghanistan. This is due to the fact that Afghanistan is the only country to permit both South and North Asian countries to export and import their goods and to invest in their markets. Therefore, Afghanistan plays a key role, and has a strategic geographical location for businesses carried out between them.

To conclude, wealth of Afghanistan, such as rich underground resources, geographical location and connecting two major poles, this country may play an important role in regional trades and economic condition of Asian countries. In this context, KASA-1000 project may constitute a practical example for this claim, as it connects Pakistan with Central Asian countries in order to transfer of power or energy from and to both sides, and another high potential project in terms of economy and trade relations may be TUTAP (distribution of energy and investment between Turkmenistan, Uzbekistan, Tajikistan, Afghanistan and Pakistan) to which currently all these countries are applying for implementation. And TAPI pipelines project for distribution of gas among Turkmenistan, Afghanistan, Pakistan and India, and also may be a practical example. This research also aims to emphasize current challenges and concerns about investment and trades relations between Afghanistan and central Asian countries.

Political instability, lack of standard economical infrastructures and competency of powerful countries are the most consequential problems that prevent Afghanistan's commercial relations with Central Asian countries. In addition to intelligence wars, increase of instability of interior security and lack of investments are also the key factors preventing Afghanistan to develop commercial relations with Central Asian countries. For instance, TUTAP and CHABAHR are the two important projects currently Afghanistan government attempts to invest on them, but because of directly interventions of powerful countries like Russia, United States of America, India, Pakistan and indirectly interferences of Arabian countries like Saudi Arabia and Qatar don't permit Afghanistan government to proceed. Furthermore, although securing projects is a key provision of an investment, Afghanistan is unable to provide security to its own projects, foreign countries take responsibility as well as getting benefits.

In proposal to this effort, a reasonable and practical suggestion can be the volume of trade and balance of investment between Afghanistan and central Asian countries. First of all, Afghanistan needs to improve its economical infrastructures, fulfil its regional trade policy standards and solve the security problem and convince Asian countries that the existence of NATO and American soldiers is not a problem for business or trade markets. Finally, Afghanistan must encourage the Central Asian countries to remove the customs barriers and reduce trade tariffs. Finally, it is an essential factor for Afghanistan to fulfil the interests of Russia while implementing large scale economical projects since central Asian countries don't wish to establish commercial relations with Afghanistan without the cooperation of Russia in those beneficial large scale projects.

Sustainable Tourism Planning as a Tool for Regional Development: South-eastern Anatolia Region - Turkey Case

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For decades, tourism has become a crucial sector for cultural and economic development, for this reason it has been used as a tool for overcoming uneven regional development. Since, the management of tourism affects the conditions of destinations and host communities, and more broadly, the futures of ecosystems, regions and nations. Informed decisions at all scales are needed so that tourism can be a positive contributor to sustainable development in keeping with its role as a significant source of both benefits and potential stresses. But there is no doubt that, tourism sector has negative effects on its own resources and studies show that tourism is not automatically the savior for all less developed areas and it can also cause some negative impacts. The Western world has realized that this industry has not only entertained and employed millions of people around the world, but has also destroyed nature through pollution, has destructed animal habitats and has been responsible for deforestation to make way for hotel constructions, just to mention a few negative aspects. Owing to this, the key word and need for maximization of the benefits of tourism and for minimization of the costs of developing industry is planning and recently, discussions on tourism planning have underlined the need for sustainability, which, along with the ecological issues, pays attention to economic and socio-cultural factors.

Sustainable tourism is generally defined as tourism activities that create a net benefit for the economic, social, cultural and natural environments of a destination. According to the World Tourism Organization: "Sustainable tourism development guidelines and management practices are applicable to all forms of tourism in all types of destinations, including mass tourism and the various niche tourism segments. Sustainability principles refer to the environmental, economic and socio-cultural aspects of tourism development, and a suitable balance must be established between these three dimensions to guarantee its long-term sustainability." Thus, sustainable tourism should: "Make optimal use of environmental resources that constitute a key element in tourism development, maintaining essential ecological processes and helping to conserve natural heritage and biodiversity. Respect the socio-cultural authenticity of host communities, conserve their built and living cultural heritage and traditional values, and contribute to inter-cultural understanding and tolerance. Ensure viable, long-term economic operations, providing socioeconomic benefits to all stakeholders that are fairly distributed, including stable employment and income-earning opportunities and social services to host communities, and contributing to poverty alleviation." (UNWTO, 2005).

The focal factors in sustainable tourism planning, on the other hand, are a long-term viewpoint and comprehensiveness (Kauppila et al., 2009). The latter refers to three basic elements of sustainability - ecological, economic and socio-cultural - and how to take them into account in planning (McIntyre, 1993: 10, 40; Inskip, 2001: 31; Dowling & Fennell, 2003: 13-14; McIntyre, 1993: 10). Sustainable tourism planning aims to support the community and economic goals in regional development with elements safeguarding the environment. On the principle level, sustainable tourism planning integrates the traditions and planning goals presented by Getz (1987). The basic goal and value of sustainable tourism planning is the reconciliation between economic development and the socio-cultural and

ecological environment with an aim to integrate tourism planning into other broader spatial planning perspectives. According to the studies of Kauppila et al. (2009), all the components and major stakeholders in tourism planning - the industry, environment or local people - are considered and collaboration between different stakeholders and industries is emphasized.

From this perspective, the aim of this paper is to scrutinize the principles and limitations in utilizing tourism for positive regional development within the context of sustainable tourism planning. For this aim, a case study was realized in Southeastern Anatolia Region, which is a less developed region in Turkey. Southeastern Anatolia Region lies in the southeastern part of the country and includes the provinces of Adıyaman, Batman, Diyarbakır, Gaziantep, Kilis, Mardin, Siirt, Şanlıurfa and Şırnak. The region has an area of 75.358 km² and has a total population of 8.508.887 in 2016. Its history begins around 7,000 B.C. in the New Stone Age. In the land which encircles the Fırat (Euphrates) and the Dicle (Tigris) rivers, lived Abraham, the patriarch claimed by three world religions. Göbeklitepe, Zeugma, Mount Nemrut, Balıklıgöl, Cendere Bridge, Mardin and Deyr-ul-Zaferan are some of tourism sights in the region. Actually, Southeastern Anatolia Region with an abundance of historical sights, natural highlights and large hospitality, can offer new destinations for foreign and domestic travelers while contributing to a sustainable development of this region. Turkish central government has realized crucial public investments and planning studies for that region from the 1980s to eliminate regional disparities by using its agricultural and tourism potentials. “Southeastern Anatolian Project” (GAP), which is the largest and most multifaceted regional development project in Turkey, and social and cultural development projects, tourism master plans are some of these facilities.

This paper is focused on the tourism master plans and their effects on regional development. Main research questions of this paper are given below:

- What is the role of tourism sector in regional development?
- To what extent sustainable tourism is possible and practical?
- Do tourism master plans prepared for the region answer the requirements of sustainable development and sustainable tourism planning criterion?
- Which instruments should be selected for sustainable use of tourism potentials of Southeastern Anatolia Region?
- In what ways are projects that are primarily aimed at supporting sustainable regional development being supported, or could be supported?

The results of the case study show that although there are some limitations in the way of sustainable regional development in the Southeastern Anatolia Region, the planning facilities effect positively the social and economic life in terms of tourism activities.

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A Spatial Econometric Analysis of Regional Disparities in Turkey

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Keywords : Regional Disparities, Geographically Weighted Panel Regression, Income Elasticity, Price Elasticity.

JEL Classification Codes : C1, E1, R1.

Reducing regional income and consumption disparities is highly important for economic development. The aim of the paper is to analyze the regional consumption disparities across the 26 NUTS 2 regions of Turkey for the period from 2005- 2013. More specifically we investigate if there are significant differences in income and consumption behaviors across the Turkish Regions. Besides we analyze whether the disparities among the regions decrease over time.

Method

In this study we use Geographically Weighted Panel Regression (GWR) which has been recently developed by Bruna and Yu(2013). This technique is an extension of Geographically Weighted Regression originally advanced by Yu (2010). GWR is a non parametric technique and it focuses on the spatial non-stationarity. The technique suggests that a set of global regression coefficients would not be adequately take into account the underlying data generating process of the observed geographic dataset. For various reasons such as intrinsic varying mechanisms or potential misspecification, the relation between dependent and explanatory variables would differ from one location to other. GWR overcomes this shortcoming by estimating local coefficients along with global coefficients.

On the other hand panel data which combines cross section and time series dimension of the data at hand increases estimation power reduces multicollinearity. Thus extension of GWR to panel GWR which makes the sample larger would also increases estimation power and raises degrees of freedom.

Data

This study employs Nomenclature of Territorial Units for Statistics (NUTS) 2 level yearly data from 2005 to 2013 for 26 regions. The data were obtained from online database of Turkish Statistical Institute (TUIK).

We estimated income and price elasticity for 12 item groups in 26 different regions by using GWR method. The item groups are food, alcohol, clothing, shelter, furniture, health, transportation, communication, recreation, education, restaurants and others.

Results of the Estimation and Policy Implication

The results of the study show that there is a variation depending on goods and service groups as well as regions.

The result of the price elasticity illustrates that demand for alcohol, shelter, furniture, health and others are similar between east and west regions of Turkey while demand for food, clothing, transportation, communication, transportation, communication are different in two regions.

Table: 1
Income Elasticity for 12 Item Groups in 26 Regions

	Food	Alcohol	Clothing	Shelter	Furniture	Health	Trans.	Comm.	Recre.	Education	Resta.	Others
TR10	0,183	1,180	1,577	0,638	1,495	0,736	2,187	1,152	0,817	0,159	1,494	2,243
TR21	0,237	0,877	1,439	0,685	0,950	1,020	2,600	1,326	1,160	-0,211	1,432	1,499
TR22	0,562	1,000	1,594	0,708	1,298	0,816	1,381	1,036	1,211	0,469	0,943	1,786
TR31	0,455	0,837	1,424	0,981	0,926	0,745	1,892	1,109	1,470	0,476	1,174	0,135
TR32	0,695	1,018	1,784	0,869	1,017	0,827	1,289	0,762	1,353	1,332	0,787	0,607
TR33	0,478	0,975	1,490	0,865	0,981	1,361	2,041	1,256	0,885	0,583	1,340	1,472
TR41	0,497	1,072	1,402	0,822	1,113	1,604	1,634	1,269	0,793	1,455	1,418	2,205
TR42	1,035	0,998	1,287	0,965	1,536	0,632	0,757	0,814	0,367	0,768	0,543	1,773
TR51	0,998	0,840	0,917	1,048	1,274	0,460	1,209	0,659	0,236	0,833	0,777	1,623
TR52	0,969	1,354	1,201	0,829	0,904	1,116	0,813	0,809	0,953	1,479	1,174	1,591
TR61	0,805	1,251	1,673	0,913	1,062	0,550	1,133	0,823	1,044	1,613	1,222	0,771
TR62	0,899	1,367	0,299	0,834	1,299	1,114	1,464	0,507	0,362	0,274	1,796	1,663
TR63	0,683	1,571	0,836	0,532	1,361	1,052	1,243	0,641	1,696	1,388	2,260	1,433
TR71	0,795	1,291	0,840	0,784	1,040	1,703	1,626	0,705	0,301	1,798	1,499	1,204
TR72	1,057	2,227	0,398	0,253	1,173	2,405	1,222	0,656	1,615	1,680	0,463	1,609
TR81	0,947	0,984	1,128	0,902	1,656	1,169	1,067	0,659	0,138	0,835	0,533	1,346
TR82	1,270	0,469	1,057	1,163	1,644	0,103	0,459	0,548	0,882	0,482	-0,468	1,567
TR83	0,926	0,945	0,553	0,742	1,029	0,903	0,549	0,767	1,126	2,506	1,616	0,823
TR90	1,175	1,710	0,743	0,370	0,819	3,548	1,440	0,648	1,587	1,718	0,040	0,614
TRA1	1,261	1,687	0,316	0,569	0,578	2,398	1,156	0,679	1,941	1,399	-0,381	2,056
TRA2	1,466	1,908	0,706	0,301	0,523	1,666	1,373	0,686	1,763	1,868	0,060	0,582
TRB1	0,909	1,939	0,260	0,568	1,258	1,415	1,101	0,679	2,129	1,483	0,442	2,840
TRB2	1,047	0,688	0,186	0,927	1,522	2,967	0,739	0,722	2,074	1,225	-0,717	2,331
TRC1	0,376	0,570	0,516	0,678	1,675	1,298	1,930	0,447	2,384	0,742	1,897	2,948
TRC2	0,741	1,250	0,363	0,917	1,594	1,371	0,303	0,928	1,702	1,873	1,195	2,548
TRC3	0,883	0,580	0,587	1,176	1,426	1,351	0,160	0,984	1,814	2,008	0,404	1,985

Table: 2
Price Elasticity for 12 Item Groups in 26 Regions

	Food	Alcohol	Clothing	Shelter	Furniture	Health	Trans.	Comm.	Recre.	Education	Resta.	Others
TR10	-0,545	-1,246	-3,432	-0,480	-1,976	-0,398	-1,379	-0,263	-0,193	-0,039	-1,302	-2,792
TR21	-0,485	-0,866	-2,683	-0,548	-0,922	-1,427	-2,365	-1,219	-0,893	0,565	-1,255	-1,707
TR22	-0,677	-0,949	-2,688	-0,564	-1,763	-0,706	-0,914	-0,751	-1,187	-0,827	-0,679	-2,106
TR31	-0,601	-0,789	-2,339	-0,982	-1,262	0,322	-1,420	-0,778	-1,051	-0,587	-0,662	0,291
TR32	-0,819	-0,934	-2,991	-0,813	-1,542	-0,731	-1,034	-0,388	-0,946	-1,638	-0,296	-0,461
TR33	-0,652	-0,957	-2,579	-0,770	-1,461	-2,346	-1,577	-1,784	-0,165	-0,624	-0,767	-1,621
TR41	-0,705	-1,094	-2,399	-0,724	-1,639	-2,737	-0,758	-1,759	-0,141	-2,066	-0,904	-2,639
TR42	-1,357	-0,973	-2,629	-0,922	-1,976	-0,800	0,076	-0,723	-0,001	-0,565	-0,256	-2,062
TR51	-1,265	-0,824	-2,142	-1,009	-1,771	-0,804	-0,270	-0,989	0,226	-0,801	-0,404	-2,187
TR52	-1,179	-1,443	-1,995	-0,728	-1,271	-2,020	0,064	-1,105	-0,334	-1,599	-0,748	-1,896
TR61	-1,064	-1,285	-2,604	-0,840	-1,362	-1,005	-0,590	-1,098	-0,095	-1,585	-0,718	-0,681
TR62	-1,269	-1,570	-1,188	-0,755	-1,815	-2,837	-0,140	-0,971	0,355	-0,212	-1,362	-2,129
TR63	-1,075	-1,754	-1,657	-0,451	-1,762	-1,939	-0,086	-0,761	-1,114	-1,553	-1,869	-1,402
TR71	-1,221	-1,343	-2,193	-0,688	-1,520	-3,832	-0,568	-1,329	0,285	-2,095	-1,178	-1,565
TR72	-1,421	-2,401	-1,186	-0,121	-1,635	-4,281	-0,027	-0,891	-1,122	-2,072	-0,086	-1,712
TR81	-1,124	-0,879	-2,080	-0,906	-2,053	-0,509	-0,318	-0,559	0,211	-1,304	-0,155	-1,644
TR82	-1,692	-0,350	-2,391	-1,199	-2,433	0,139	0,750	-0,539	-0,413	-0,409	1,093	-1,983
TR83	-1,138	-0,972	-1,359	-0,658	-1,383	-1,197	0,634	-1,335	-0,492	-3,567	-1,368	-0,971
TR90	-1,533	-1,824	-1,741	-0,241	-1,078	-5,270	-0,426	-0,474	-1,130	-2,410	0,461	-0,214
TRA1	-1,691	-1,835	-1,019	-0,512	-0,578	-2,496	-0,104	-0,670	-1,713	-1,729	1,197	-1,641
TRA2	-1,914	-2,133	-1,897	-0,175	-0,400	-1,715	-0,532	-0,440	-1,681	-2,591	0,480	0,194
TRB1	-1,300	-2,123	-0,777	-0,543	-1,488	-1,700	0,081	-0,564	-1,571	-1,678	0,143	-2,793
TRB2	-1,785	-0,552	-0,897	-0,928	-1,856	-3,178	0,769	0,010	-0,596	-0,894	1,959	-1,916
TRC1	-0,714	-0,504	-1,030	-0,625	-2,167	-2,116	-0,972	0,060	-1,934	-0,867	-1,336	-3,152
TRC2	-1,394	-1,383	-0,924	-0,870	-1,830	-2,014	1,285	-0,042	0,655	-1,769	-0,643	-2,329
TRC3	-1,385	-0,473	-0,880	-1,190	-1,273	-1,424	1,548	-0,191	-0,424	-1,556	0,383	-1,688

The result of the income elasticity shows that demand for food, clothing, health, communication, recreation, education, restaurants and others are different between east and west regions of Turkey.

However, demand for alcohol, shelter, furniture, transportation and others are similar in these regions. Price and Income Elasticity for 12 Item Groups in 26 Regions are presented in table 1 and table 2 respectively.

The findings of the study are expected to provide some insights for regional development policies of Turkey.

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28 April 2017 Friday

Session: II-B / 11.30-13.00

HEALTH & MANAGEMENT

Room: *Symrna II*

Chair: **Burcu FAZLIOGLU**

- Ageing in Times of Demographic Shift; Case of Turkey
Doga Basar SARIPEK
- Medical Accounting and Effects of Managerial Accounting: Example of Private Hospital
Enes DOGRU & Bulent DERSE & Onur YARAR
- The Role of Health on Employment Status in Turkey
Asuman CUKUR
- Relationships among Intercultural Sensitivity Ethnocentrism and Personality
Gulsah OZOGUL & Osman YILDIRIM
- The Mediating Role of the Change-Centred Leadership Style on Personality Types and Conflict
Ayşe Cigdem MERCANLIOGLU & Osman YILDIRIM & Banu SEZGINER

Ageing in Times of Demographic Shift; Case of Turkey

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Keywords : Ageing, Elderly Care, Turkey, Informal Care, Institutional Care.

JEL Classification Codes : J14, I38, D64.

In the face of rapidly ageing populations, governments need to design integrated policy packages which combine social security, health, environment, socio-cultural activities and family life. Considering the share of the elderly in Turkey, which was 5.7 in 2005 and is expected to be 17.6 by 2050 in total population, care needs in general terms are expected to expand rapidly in the near future. It is evident that Turkey is in the course of a new era demographic shift. The average life duration, for instance, increases thanks to the advancements in nutrition and overall health conditions as well as the decline in fertility rates. As a result, while other age groups have a steady or very slow increasing path, the share of the elderly in total population expands with a greater speed. This rapid expansion in elderly population is expected to lead a huge increase in care needs unavoidably.

The share of aged 65 and over in overall population in Turkey is approximately 7.5% today. The steady but relatively slow course of increase in elderly population continued for a long time until a big leap happened in the 1990s. As a result, the share of the elderly in total population has doubled since 1935 (TurkStat, 2016a). To this end, Turkey is possible to call “aged country” since 2009.

Even the more important, number and share of the elderly in overall population is expected to increase even more rapidly during the 21st century. Put thoroughly, 0-14 and 15-19 age groups are expected to be fixed and the 25-54 age group will start to decrease rapidly in Turkey as of 2025 (State Planning Organization, 2007: 49) The share of aged 65 and over, on the other hand, is expected to increase to 10.2% in 2023, 20.8% in 2050 and 27.7% in 2075. (TurkStat, 2016b; State Planning Organization, 2007: 7).

These figures reveal clearly that Turkey is ageing with an unacceptable speed. Therefore, Turkey has to complete all required policies and programmes necessary for a healthy, functional and effective ageing period and caring service. Otherwise, governments will be completely unprepared for the socioeconomic, psychological, cultural and physiological problems related to the ageing process.

The report titled “An Investigation of Turkish Family Structure: Proofs, Recommendations (AITFS)” by the Ministry of Family and Social Policy puts clearly that 66% of the elderly live either alone or just with their spouses in Turkey. Only 20 thousand older people out of 6 million prefer living in a residential care facility as of 2012 partly due to the insufficient institutional capacity (AITFS, 2014: 103-109).

In the lack of an effective formal care insurance model, informal and society-based care mechanisms are very common and traditionally strong in Turkey. However, internal and external changes in socioeconomic and family life particularly after the second half of the 20th century, such as increasing industrialization and rapid urbanization, challenged the familial and other types of interpersonal solidarity. This is especially a big problem in large cities where the social life flows much quicker and families are mostly immediate. As a result, demand for formal care services to replace the insufficient informal caring services has increasingly expanded.

The increase in the number of divorces and single parenthood, turning from large family into immediate family, and growth in the number of women labour force all together weakened the former

strong positions of the elderly in the family and challenged the informal support mechanisms (Akgeyik, 2006: 59; Bayoğlu, 2011: 125). Besides, migration by children from rural areas to urban areas, changing culture and increasingly conflicting values between young and old generations, and social and economic deprivation are among other developments challenging the traditional and informal in-family care services. (Saka & Varol, 2007: 20).

In conclusion, despite the above-mentioned transformations and 87.7% immediate family rate compared to only 12.3% traditional large family type (AITFS, 2014: 29) in Turkey, large family and kinship relationships still keep their presence functionally. In this sense, even if the family members live in different residences, mutual assistance and support among them are still kept to a great extent. As a result, protection of the elderly both financially and physically by the family is still the common case in Turkey compared to the Western world (SPO, 2007: 103; Cankurtaran & Eker, 2007: 66).

In other words, traditional familial solidarity is still considered the central agency in the elderly care in Turkey. Systematic and institutional care solutions by the state are still exceptional and limited only in big cities. The spouse or daughter of the elderly has the main responsibility of caring in this family-centred system due to the paternal authority and traditional culture.

Considering the increasingly weakening position of familial care day after day and the insufficient institutional substructure, more rehabilitation or nursing homes for the elderly are definitely required. The existing institutions are in need of revision within the scope of healthy, functional and effective ageing targets. Besides, the institutions need improvements in terms of capacity and quality as well as the number of the staff. As another crucial policy, new projects and programs considering the targets mentioned above as well as the social, cultural, economic and political participation of the elderly should be encouraged.

As the last words, despite of having a rapidly ageing population, Turkey still seems insufficient to respond wisely and effectively against the ageing problem. Traditional family-based and other types of society-based mechanisms cannot cover all the care needs of the elderly and, therefore, there is absolutely a need for a more systematic, institutional, and national coping with strategy. This new era may start at a local level thanks to the well-developed municipal social assistance system. However, there must be uniformity among all municipal services. Otherwise, clientelist and populist results may occur and those may be harmful for rights-based solutions in care issues.

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Medical Accounting and Effects of Managerial Accounting: Example of Private Hospital

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Keywords : Medical Accounting, Billing, Insurance Processes, In-Network Providers.

JEL Classification Codes : M40, M41.

Although medical accounting is considered as a well-known concept, the lack of a full job description leads to a different understanding of this concept. In Health institutions and organizations, different names are assigned to units that perform medical accounting tasks, and the assignment of different tasks to the authorities working here makes it difficult to define the task. The aim of this research was to be able to define the mission of medical accounting, to show the differences between bookkeeping and to highlight its importance for managerial accounting.

A private hospital sample was given to illustrate the contribution of medical accounting to managerial accounting. It has not been easy for hospitals to reach medical accounting data, either because of hospital policy or because the data are not regularly recorded. In the example given, it has been reached lists of reasons for returning invoices for 2010, which were recorded monthly by medical accounting authorities in a private hospital in Bursa. The data were grouped with the help of Microsoft EXCEL and statistical information was obtained.

Medical accounting, in essence, has an autonomous structure within the hospital with billing processes. It is possible to make the following definition from the primary duties of medical accounting responsible. Medical accounting; which is the entire billing process, general health insurance for private insurers and contracted agencies. It follows updated legislation. Know the terms of agreements made with private insurance and in-network providers. Based on this articles, the invoices is to be arrange or edit. It follows billing processes for invoicing units and is responsible for their training in related matters. Idiosyncracies, it works both interactively and independently with other units of the hospital due to the need for information accumulation requirements and continuous legislation follow-up. By reason of to this non-standard structure, it is observed that there are different applications in institutions. It has been observed that different appointments were made between institutions.

Although the unit's performance appraisal varies from institution to institution, it is generally accepted that there is a low deduction rate for insurance and in-network providers, and bills can be invoiced without charge.

Medical accounting authorities can be trained in hospitals without regard for their graduation status. An authorized who is an expert in the business, is to earned good money. Or those who do not like wages, they can easily find better conditions in different institutions.

In the present study, lists of reasons for returning the invoice had been reached 2010 for a private hospital in Bursa As an example in Table 1, there is a part of the refund table for September 2010. Under the heading "Location", the locations where the fault was made are shown. With "invoice no" you can see which receipt is faulty, "Institution code" which insurance institution is returned, "Amount" and the amount of the incorrect invoice amount, "explanation" is also shown by the detailed description of the error.

Table: 1
Refund Table of September from Private Insurance to Patient Based

No	Location	Invoice Number	Invoice Date	Institution Code	Amount	Description
1	Medical Director	4010112450.	09.08.10	T. IS BANKASI	925,34 TL	Detailed The report is detailed for physiotherapy dr. report
2	Medical Director	4010121708	25.08.10	YAPI KREDİ	554,57 TL	Detailed The Report is detailed of the kidney stone for hip mr dr.report
3	Planning	4010112922	09.08.10	T. HALK BANKASI	244,56 TL	According to the price contract, We have to deal with wrong emergency medical hold fee is half of the bed price. It should be 44,55 TL.
4	Planning	(4010115020) 524 75 52	13.08.10	T. IS BANKASI	2.943,92 TL	According to the price contract, the false birth package should be 2,759,92 TL.
5	Planning	4010122327	27.08.10	ACIBADEM	10,299,90 TL	According to the contract,the price is wrong
6	Planning	4010100748	14.07.10	ALLIANZ	146,60 TL	TTB unit is faulty
7	Planning	4010113336	10.08.10e	T. HALK BANKASI	1.819,95 TL	TTB unit is incorrect, We have to deal with wrong emergency medical hold fee is half of the bed price. It should be 44,55 TL.
8	Planning	4010116296.	16.08.10	T. HALK BANKASI	535,85 TL	The faulty inspection fee for the TTB unit must be 10% discounted to 77,76 TL according to the agreement.
9	List of In-Network Providers	4010099174.	12.07.10	ANADOLU A. PERS.	9,289,79 TL	The contract does not pay unpaid services bonewax and bacteria filtration.
10	Invoice Control	4010121220	25.08.10	ALLIANZ	359,68 TL	Unexamined process test hp urea breath test was not operated.
11	Invoice Control	4010118812.	20.08.10	YAPI KREDİ	161,25 TL	There is no quitance-pos slip.
12	Invoice Control	4010109880.	03.08.10	T.C. ZIRAAT T. HALK	1.872,31 TL	There is no drug price tag.
13	Invoice Control	4010098243.	09.07.10	a. ANONYMOUS	2.044,33 TL	Identity, report card, referral form, judicial document missing Anadolu Sigorta should also add ID to all invoices for hospitalization

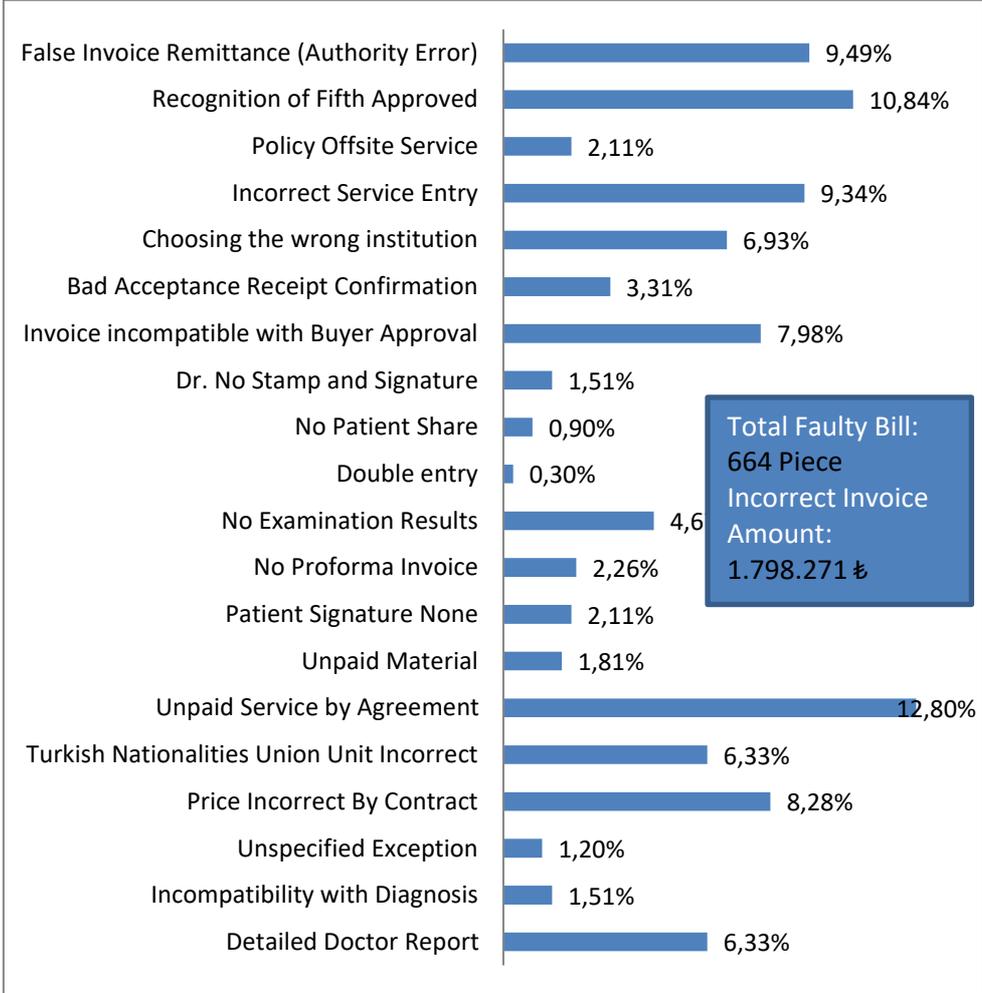
On patient basis, annual invoice return reasons are grouped by means of the Microsoft EXCEL program and statistical information such as figure 1 is obtained from the data. According to this information; and 12,80% of annual invoices are not paid according to the agreement made with the private insurance company. The second line with 10,84% is the bills approved by the insurance company. The mistake made here comes from the insurance company. The minimum return tax is double taxation with a rate of 0.30%. When the figure is examined, there is no big difference between the reasons for the return made. Faults are usually made by insurance representatives, patient admission authorities or MMY's. MMY's have indirect or even share in the mistakes made because they have to check the mistakes made by the admission authorities in this process.

According to Figure 1, the total number of invoices issued and returned annually is 664. The total of misplaced bills are TL 1.798.271. The amount of this bill can be taken if payment of some part is late and payment of some part is late. Even if payment of the full amount is taken, the time lost is a danger to the financing of the health care institution.

Medical accounting authorities, it should work with the information processing to prevent these errors and make arrangements that will not give any fault to the hospital automation system. They should also provide training that is directly related to the invoice and that aims to prevent patient acceptance or billing errors.

It is also directly associated with the invoice, and to provide training that aims to prevent illnesses in acceptance or inspection of patients. Because the applicability of the health model in Turkey requires legislation to be dominant. In this case, medical accounting for managers is becoming an important unit of an operator. Incorrectly arranged invoices can lead to high costs or loss of time, as can be seen from research using medical accounting data. Administrators should work within the business unit with the medical accounting unit, formulate their decisions using the necessary support and the data provided by the unit.

Figure: 1
Reasons for Annual Billing Reimbursement of Private Insurances



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The Role of Health on Employment Status in Turkey

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Keywords : Health, Employment.

JEL Classification Codes : J21, I10.

Introduction

Health as a human capital plays an important role in employment status. The relationship between health and employment has been well examined in the developed countries. Many studies have found a strong association between health and employment. Evidence suggests that the relationship is reciprocal. Although the association has been well documented way of causality and magnitude have still being discussed in the literature. The goal of this study is to investigate the role of health on employment status in Turkey where the research on this area is scarce.

Literature Review

Health is an important part of labor force participation. Especially poor health disturbs individuals chance to participate in the labor market and therefore decreases the potential income. The impact of health indicators on labor status has been explored extensively. Studies confirmed an adverse relation between poor health and unemployment while the relation between health and employment has been found to be positive (Cai, 2010; Cai & Kalb, 2006; Chirikos, 1993; Currie & Madrian, 1999; Contoyannis & Rice, 2001; Gomez & Jones & Rice, 2010; Nwosu & Woolard, 2015). It is argued that the relationship between health and employment is reciprocal. Indeed Healthy Worker Hypothesis and Social Causation Hypothesis have been offered to explain the relationship between health and employment (Adelmann & Antonucci & Crohan & Coleman, 1990, McMichael, 1976). Health status may affect employment status and this affect known in the literature as Healthy Worker Hypothesis. According to this hypothesis employers choose healthy workers so labor market participation increases with better health. Employment status may in turn affect health status and this affect known in the literature as a Social Causation Hypothesis. According to this hypothesis being employed contributes to a better health.

In their study Currie and Madrian (1999) confirms that poor health has substantive effects on labor force participation and they suggest that the magnitude of the results are sensitive to chosen health measure. Because of the data limitations, in most survey data only self assessed health measure is available, most of the studies have used self assessed health as a health measure to investigate the relationship between health and employment. Even though self assessed health (SAH) measure has been proven to be a reliable indicator of health (Benyamini and Idler, 1997), it still has limitations (Crossley & Kennedy, 2002; Böckerman & Ilmakunnas, 2009). In order to reliably measure health to overcome limitations of SAH, studies in an increasing rate use the more objective health indicators like chronic illness indicators, mental illness indicators etc. There is evidence that unemployment impairs mental health (Paul & Moser, 2009). Also studies confirm that people with poor health are more likely to retire early (Bound & Schoenbaum & Stinebrickner & Waidmann, 1999; Disney, Emmerson & Wakefield, 2006; Shuring & Burdorf & Kunst & Mackenbach, 2007). In many countries this creates a fiscal concern not only for social security expenses but also for health expenses.

Since there are many factors other than health that impacts employment status like education, age, gender, marital status etc, the impact of health on employment status may differ depending on these confounding factors. Such as studies consistently have found the impact of health on employment status can be different for different age groups (Curry & Madrian, 1999), can be different for different educational attainments (McDonough & Amick, 2001). Also it can differ depending on gender (Cai, 2010, Gomez & Jones & Rice, 2010). It seems like the impact of poor health on employment status can be sensitive to demographic and socioeconomic factors. To see the impact of health on employment status, it is crucial to control these confounding factors.

In terms of the reverse causality of health and employment status, it has still being discussed. While studies consistently find causality from health to employment status there is little evidence for causality from employment to health. Health can be improved by higher income, education etc but one of the main component of health is genetic; people are born with certain health capital. This study tests the reverse causality and discusses the results.

Methods

The role of health on employment status in Turkey has been analysed using the representative cross-sectional Turkey Health Survey data for 2014 obtained from Turkey Statistical Institute. Turkey Health Survey was conducted every two years and 2014 dataset is the latest available dataset of Turkey Health Surveys. Logistic regression is applied on 2014 Turkey Health Survey (THS) dataset which is a unique dataset in terms of information on health status of respondents. The dataset has very detailed information about the health status of the participants as well as information about demographic and socio-economic characteristics of the respondents like employment status, age, gender, income, education, marital status etc. but also contains many health indicators. The information on health status of respondents includes subjective measure of health (SAH) as well as objective measures of health. Health information is as wide as from general health indicators to self assessed health, from chronic diseases to functional abilities, from health care service usage to medication usage. Commonly SAH is used to explore the relation between health and employment status which has its own limitations as we discussed above. Studies emphasize the importance of using objective measures of health when analyzing health and employment relations. (Kalwij & Vermeulen, 2008). Therefore using this dataset, logistic regression is applied to investigate the role of health on employment status in Turkey utilizing both subjective and objective measures of health while controlling confounding factors like age, gender, education, marital status etc.

Conclusion

This study contributes empirical evidence on the health and employment status relations and provides some evidence on the role of health on employment status in Turkey. This study finds evidence of a significant interaction between these two variables. So the results confirm the common finding in the literature that there is a positive relationship between health and employment status controlling for the many confounding factors in Turkey. The data implications of the direction of the relationship have been discussed in detail with its policy implications. And also limitations of this study have been examined and further direction in research has been suggested.

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Relationships among Intercultural Sensitivity Ethnocentrism and Personality

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Keywords : Intercultural Sensitivity, Ethnocentrism, Personality, SPSS.

JEL Classification Codes : M10, M12.

Nowadays communication is a crucial phenomena from the nuclear family to the the huge organizations. The communication covers many types of rituals, namely, intrapersonal and interpersonal communication that are under the influence of psycholological factors. For this study intercultural sensitivity ethnocentrism and personality have been chosen to clarify the links among them. The aim of this research is to find out the relationships among personality, intercultural sensitivity and ethnocentrism.

Erasmus Plus Student Mobility programs offer students not only educational opportunities but also different cultural views points regarding different cultures. It is also true that Erasmus Plus Student Mobility programs can not contribute to each participant at the same value. Personality traits of those who participate in this movement are an important variable that will affect the extent to which this activity will benefit from the opportunities it offers. An outsider can be asserted that a visitor with an introverted person does not benefit from different cultures while adapting to the country's cultural structure. In this research, a 40 adjective checklist (Nye, Roberts, Saucier, and Zhou, 2008) has been used to understand the participant personality. For this reason, an adjective checklist has been taken into account in order to show how the personality traits are effective on the intercultural sensitivity and ethnocentrism.

To understand the intercultural sensitivity, a scale which is proposed by Chen and Starosta (2000) has been used. Similarly, studies have been conducted in terms of intercultural sensitivity levels on university students in the USA (Neuliep and McCroskey, 1997; Mahoney and Schamber, 2004). Banos (2006) studied secondary school students in Spain, and Westrick and Yuen (2007) tried to reveal intercultural sensitivity levels in their research on students in Hong Kong.

Holme et al. (2009) found that there was a significant difference in the level of cross-cultural sensitivity of students compared to gender and academic achievement in a quantitative research conducted by a total of 549 students in Finland.

Spinthourakis et al. (2009) examined the intercultural sensitivity levels in the quantitative research on students in Greece in terms of gender, age, education level of father, grades of secondary education and similar variables.

While Talib and Hosoya (2010) compared the intercultural sensitivity levels of students trained in Japan and Finland, Demir and Demir (2009) searched the social and cultural benefits of the study on students who went abroad with the Erasmus Student Exchange Program.

Another variable is ethnocentrism. As it is well known, everyone is a bit ethnocentric. If this thought goes beyond a certain level, the person will begin to underestimate other cultures. The etnocentrism is considered as an important variable in this study. Ethnocentrism, like personal traits in terms of culturally sensitive, can constitute an important barrier.

The research model is descriptive. The study group consists of 122 students who have joined Erasmus Plus Student Mobility programs. Research data have been collected by means of scales such as (1) intercultural sensitivity scale developed by Chen and Starosta (2000), (2) ethnocentrism scale developed by Neuliep and McCroskey (1997) and (3) adjective checklist proposed by Nye, Roberts, Saucier, and Zhou (2008). The study data have been collected through a set of questionnaires and analyzed using SPSS software programs.

The results showed that there are statistically significant relations between students' intercultural sensitivity and their ethnocentrism levels. It is also pointed out that students' personalities affect their ethnocentrism levels statistically.

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The Mediating Role of the Change-Centred Leadership Style on Personality Types and Conflict

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Keywords : Conflict, Bigfive, Change-Centered Leadership, Structural Equation Modelling.

JEL Classification Codes : M10, M12.

The aim of this research is to clarify the mediating role of one of these three variables, namely, change-centered leadership style, bigfive and conflict. To find out this issue, a survey is designed by using change-centered leadership style, bigfive and conflict scales which are appeared in the literature.

As it is well-known, there are a lot of researches about many types of leadership styles in the literature. There is no doubt that there are many different organizations in which different type of leaderships may be effective. In this research, it was thought that change -centered leadership style would have important consequences because of the conflict and the people who are one of the parties to this conflict. That is the reason why this style has been selected for this research.

From small structures such as families to larger organizations, conflicts can arise within the system to spoil the quality of communication to some extent in every organizations. It is known that the attitudes and behaviors of different types of personality in conflict are also different than each other. Conflict resolution is also changing differently depending each type of personalities. On the other hand, the leader who is proposing the change is likely to face conflict during his leadership. For this reason, it is obvious that personality types should also be taken into account in case of conflicts with change-centered leadership.

The survey responses collected in the research were analyzed and interpreted using SPSS for Windows 22.00 and AMOS 22.0 program. Of the 213 people surveyed, 49.8% were male, 50.6% were married and about 75% of them had a graduate education. It is seen that 35.9% of the participants are between the ages of 21-30, 47.4% are between the ages of 31-40, 12.9% are between the ages of 41-50, and 3.8% are over 51 and above. Confirmatory factor analyzes were performed on the scales used in the research and Cronbach's Alpha values were calculated. Confirmatory factor analyzes were performed via AMOS programs for all three scales used in the study. Using the structural equation modeling, the mediator model was tested using the AMOS program.

This study represents a descriptive research model. For this research survey, conflict scale (Nauta & Sanders, 2000; Nauta & Kluwer, 2004), a-40 adjective checklist (Nye & Roberts & Saucier & Zhou, 2008) and a change-centered leadership scale (Ekvall & Arvonen, 1991) have been used to understand the links among participants' personality, conflict resolution and change-centered leadership style. In other words, an adjective checklist has been taken into account in order to show how the personality traits are effective on the conflict and change-centered leadership style.

Confirmatory factor analyzes were performed on the scales used in the research and Cronbach's Alpha values were calculated. Confirmatory factor analyzes were performed by AMOS programs for all three scales used in the study. Using the structural equation modeling, the mediator model was tested using the AMOS program. According to the results of the analyses obtained, it was found that the effect of personality traits (BF) on Conflict (CO) was not meaningful by being mediated by

Change-Centered Leadership (CCL). In other words, CCL has full mediator role on the relation between Bigfive and conflict.

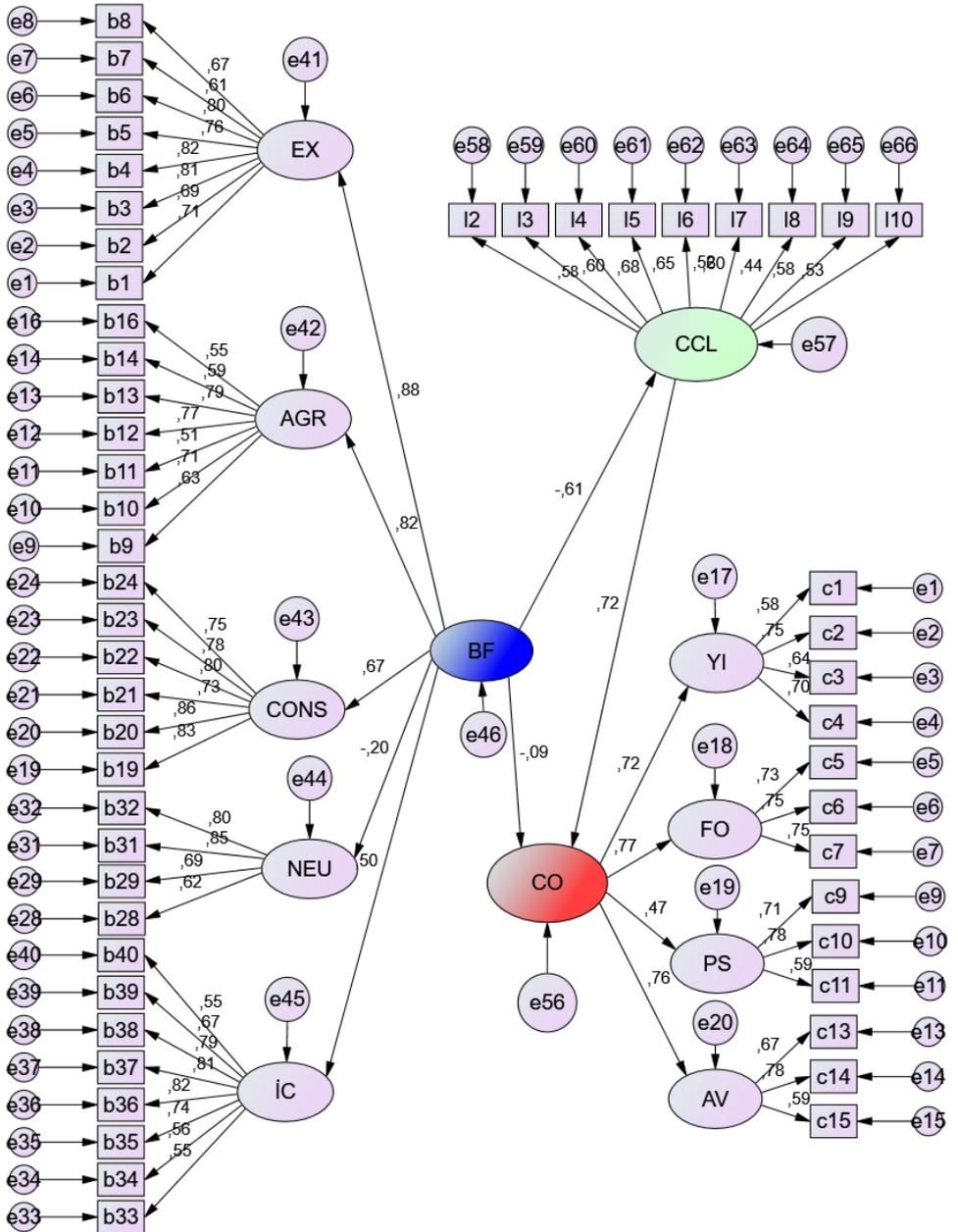
Models that test for the presence of mediator or moderator variables in many respects form the basis of structural equality modeling. Models that actually test for the presence of mediator or moderator variables can be thought of as simple structural equality models. For this reason, it is very important to understand how the more complex structural equations involving latent variables are analyzed (Bollen & Curran, 2006; Raykov & Marcoulides, 2000; Schumacker & Lomax, 2004).

It has been found that the model was significant when the model test values χ^2 (1942.603), χ^2 / df (1.990) have been found in the model in which the influence of the Big Five (BF) variable on the Conflict (CO) The effect of the Bigfive (BF) variable on Conflict (CO) (-.52 and p (.05)) has been significant because the fit index values have been included in the acceptable limits of GFI (.859), CFI (.951), RMSEA (.063), and SRMR <0.05), it is understood that the modeled structural equation is valid (Fig.1).

The model has been found to be significant when the model test values χ^2 (2681.04), χ^2 / df (1.901) whave been found in the model in which the mediator effect of the Leadership (CCL) variable has investigated in the influence of the Bigfive (BF) variable on the Conflict (CO) Compliance index values are found to be outside of these limits, even if they are close to acceptable limits when GFI (.8231), CFI (.812), RMSEA (.085) and SRMR (.083)

The effect on the 3rd model (p <0.05), in which the effect of BF variable only on the CO variable has been found significant. The effect on the second model (p <0.05), in which the effect of CCL variable only on the CO variable has been found significant. The effect on the CCL variable in the first model (p <0.05) has been significant statistically significant.

Fig. 1
Mediated Effect of CCL Variable on the Relation between BF on CO



After these correlations which are significant in singular models, the mediator effect model of CCL variable has been tested as a structural equation model in the effect of CO on BF variable. The

significance of the BF variance on the CCL variance (-.615) has been significant ($p < 0.05$) with the regression coefficient ($p < 0.05$), while the effect of the BF variable on the CO has been significant with the regression coefficient (.718) -0.89 , $p > 0.05$, it is statistically insignificant. The effect of BF on CO (-.521) has been significant while the effect of BF on CO (-.089) has not been significant when CCL has added to the model (Table 1). Because of this, it has been understood that the effect of BF on CO has been meaningless as mediated by CCL, it has been understood that Leadership (CCL), Bigfive (BF), Conflict (CO) have had an effect as full mediator.

Table: 1
Regression Coefficients Calculated from Intermediation Model

Model	Endogenous	Effect	Exogenous	Non-standardized coefficients	Standardized coefficients	CMIN	p
Model I	CCL	<---	BF	-.623	-.626	-6.253	***
Model II	CO	<---	CCL	.732	.765	5.712	***
Model III	CO	<---	BF	-.497	-.521	-4.946	***
Mediator	CCL	<---	BF	-.590	-.615	-6.074	***
	CO	<---	BF	-.081	-.089	-.934	.350
	CO	<---	CCL	.685	.718	5.139	***

** $p < 0.05$

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28 April 2017 Friday

Session: II-C / 11.30-13.00

POVERTY & SOCIAL POLICY

Room: *Aden I*

Chair: **Mustafa Umur TOSUN**

- Income Inequality Convergence: Is It A Debate Or Truth?
Hatice KUCUKKAYA & Yasemin BOZDAGLIOGLU & Mustafa OZER
- Consumption and Income Inequality in Turkey
Egemen IPEK
- The Change in the Effects of Turkey's Social Policy Implementations on Local Administrations
Cagatay ALAN & Hulya KUCUK
- The Appearance of Poverty in the Development Plans in Turkey
Fatih SANTAS & Gulcan SANTAS & Ahmet KAR
- Food Banking as a New Instrument for Social Policy
Seyran GURSOY-CUHADAR & Feyza TURGAY

Income Inequality Convergence: Is It a Debate or Truth?

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This study is derived from the doctoral thesis ‘Panel Data Analysis of Income Inequality in Developed and Developing Countries’ by Hatice Küçükkaya.

Keywords : Income Inequality, Beta Convergence, Cross-country.

JEL Classification Codes : D630, C180, C830.

Although there is plenty of studies concern about income inequality, literature on convergence in income inequality is sparse. Taking a closer look at the income inequality trends of countries, the topic of convergence in income inequality between developed and developing countries catches the eye. Therefore, in this study, we aim to analyze whether there is an existence of convergence in developed and developing countries or not.

When the literature about income inequality is considered, it can be said that convergence literature started with the predictions of neoclassical growth theory. This literature has been corroborated with empirical studies from the beginning of the twentieth century. Some of these latest delegates of these studies are Barro and Sala-i- Martin (1992), Benabou (1996), Ravallion (2002). In the first study, the model that used for testing convergence implies conditional convergence. The second study also implies convergence in distribution especially in the countries with the same fundamentals. The last one explains the convergence process by using nonlinear regression in parameters.

The issue of income inequality convergence has been stood up to Neoclassical Growth Theories. These theories beginning with Solow (1956), concern about the whole distribution. These theories later in 1990s, are empirically tested with studies like Barro and Sala-i-Martin (1991), Bernard and Durlauf (1995), Durlauf and Johnson (1995), Bernard and Durlauf (1996). Most of these empirical studies which grounded Neoclassical Growth Models imply the convergence in income distribution. The convergence literature splits into two categories; sigma and beta convergence. Quah (1993) discusses these categories with aforementioned studies Barro (1991), Barro and Sala-i-Martin (1991), Mankiw, Romer and Weil (1992) recalling Galton’s fallacy. He points out that sigma (σ) and beta (β) convergence are different concepts. A form of β convergence that heights of persons in a family regress to the mean across generations does not imply an example of σ convergence that the dispersion of heights across the population diminishes over time. We can still think β convergence not only in this case, also in terms of how rapidly teams at the bottom of ranking tend to rebound toward the middle or how quickly champions tend to revert to mediocrity where σ_t is constant by definition.

Barro and Sala-i-Martin (1991) adds two questions to make a distinction between σ and β convergence. If we are interested in how fast and to what extent the per capita income of a particular economy is likely to catch up to the average per capita incomes across economies. Then β convergence is the concept that we concern. On the other hand, we want to know how the distribution of per capita income across economies has behaved in the past or is likely to behave in the future. In second case, σ convergence is the concept that we are interested. In this study, when these cases are considered, it is thought that use of β convergence is correct.

Before testing the convergence empirically, we want to look at the initial and final Gini index values belonging to developed and developing countries. Because testing your hypothesis with empirical methods rather than testing your hypothesis with the most appropriate empirical method is more important. When we look at the graphics that representing initial (1990) and final (2010) inequality levels of developed and developing countries, existence of convergence can be interpreted. Therefore, we aim to analyze the convergence hypothesis among developed and developing countries by using beta convergence. In this study to test the convergence, equation 1 which stems from Hotelling (1933) and adopted by Chambers and Dhongde (2016) is used.

$$\frac{1}{\tau} \ln\left(\frac{Gini_{iT}}{Gini_{iT-\tau}}\right) = \alpha + \beta \ln(Gini_{iT-\tau}) + u_i \quad (1)$$

Where $Gini_{iT}$ denotes the Gini index of country i $i = (1, 2, \dots, N)$ at time T , τ denotes time horizon, α denotes constant term, β denotes the convergence parameter and u_i is a mean zero error term. If the convergence parameter β is negative (positive) then there is inequality convergence (divergence). For β values that stand for non-zero, steady-state inequality converges to an expected value of $-\alpha/\beta$ (Ravallion, 2002:6). In this model, the change in a country's inequality level functions as its initial inequality level. The variable τ allows for different time horizons and varied model estimations. Therefore the model becomes more preferable.

In econometric analysis section, we use three groups of samples to examine country trends specifically. Our whole sample consists of 83 countries for the period 1990-2010 and the other two groups split up as 29 developed and 54 developing countries. In this section, data that stands for income inequality has mostly been a problematic. In the 1990s, Deinenger-Squire (1996) database has been used in a wide range of empirical literature. However in recent years, various databases have become prominent. Some of these are; Unu-Wider World Income Inequality Database (WIID), The Standardized World Income Inequality Database (SWIID), The World Wealth and Income Database (WWID), University of Texas Inequality Project (EHII) and The Chartbook of Economic Inequality. On the other hand, the significant point in the analysis is what the aim of the study is and whether the calculation method of Gini coefficient deals with the subject appropriately. Aforementioned databases and those used in the literature have been investigated and All The Ginis (ATG) database has found convenient for this research. Ginis for all countries were taken from this database which has been compiled by Branko Milanovic.

We test the convergence hypothesis by using the model that derive from Chambers and Dhongde (2016) as seen in the equation 1. This model is tested by using panel Ordinary Least Squares (OLS). Empirical results show strong evidence on beta convergence in which balanced panel between the period 1990 and 2010. OLS estimation results sympathize with convergence hypothesis that explains decreasing inequality levels in countries that have high inequality levels at the beginning of the period and increasing inequality levels in countries that have low inequality levels at the beginning of the period of the analysis. The findings are also supporting nations' income inequality histories. Thus, this paper settles convergence/divergence debate. Our cross-country analysis shows that income distributions are becoming unequal over the observed time period.

Reflecting on overall the study, the main point that we should underline is that the convergence in income inequality is valid for the period 1990-2010 and the sample of the analysis, for depending on the length of the period under study, changes might be seen in the income inequality trends of the countries. Similarly, recently prominent Branko Milanovic points to the fact that the income inequality trends of the countries should be interpreted as Kuznets waves rather than Kuznets curve.

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Consumption and Income Inequality in Turkey

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JEL Classification Codes : D63, D31.

In recent inequality literature, the argument that consumption is more appropriate measurement rather than income to calculate inequality between households has been gaining increasing attention. From this perspective, in this study the magnitude and trend of both income and consumption inequality between Turkish households are analyzed by calculating Gini, Mehran, Piesch, Kakwani, and Theil indices using the Household Budget Survey data provided by TURKSAT for the period between 2003 and 2014. The main finding obtained from this study is that consumption inequality indices are more equal than indices of income inequality. This result supports the growing literature argued that consumption is more reliable source to measure inequality between households.

Introduction

It has been argued that income variable commonly used in the calculation of inequalities between economic agents has some major problems. The first one is that individuals are more likely to manipulate the household survey data by misreporting of their income due to the tax issue. The second problem is based on using self-reported income for a measurement to analyze distributions of welfare. This problem may lead more sensitive estimation of income inequality. The changing in income inequality may also lead to different welfare distribution under different credit market structures. The last one is that current income may not be right measure of lifetime economic resources credit markets allow households to smooth consumption fluctuations (Duygan & Güner, 2006).

Recent inequality literature has been focusing on using the consumption as a measurement instead of income due to the having some disadvantages of income data mentioned above. (Duygan & Güner, (2006), Turkey; Gunatilaka and Chotikapanich, (2009), Sri Lanka; Cai et al., (2010), China; Chang, (2012), Taiwan; Yusuf et al., (2014), Indonesia, etc.).

For these reasons, the aim of the study is to analyze how the use of income or expenditure variables will make a difference when measuring the inequality between households.

Data and Methodology

Several inequality indices will be calculated through both income and expenditure channel using the Household Budget Survey data provided by TURKSAT for the period between 2003 and 2014. The most important limitation of this data is not having panel data characteristics.

In the analysis, income defined as yearly disposable income of household; expenditure defined as monthly total consumption expenditure of household deflated by monthly CPI. Those two variables weighted by *Faktor* and divided by OECD equivalence scale defined by OECD which is used for the size of household. This scale considers the 1 parameter for the first adult, 0, 5 parameter for the individuals 14 years old or older, and 0, 3 parameter for the individuals under 14 years old (TURKSTAT).

Income and expenditure inequalities for the corresponding term are analyzed by calculating Gini, Mehran, Piesch, Kakwani, Atkinson, Theil, the relative mean deviation, the coefficient of variation,

the standard deviation of logs, the mean log deviation, the generalized entropy measure with sensitivity parameters -1 and 2 indices.

Empirical Findings

Table 1 presents the estimated indices of income and expenditure inequalities for the period between 2003 and 2014.

Table: 1
Income and Expenditure Inequalities for Turkey (2003-2014)

Methods	Expenditures Inequalities											
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
RMD	0.278	0.269	0.277	0.265	0.259	0.251	0.261	0.257	0.263	0.270	0.267	0.268
CoV	0.998	0.928	0.921	0.851	0.811	0.772	0.819	0.816	0.852	0.870	0.851	0.872
SDLogs	0.681	0.679	0.699	0.674	0.659	0.656	0.673	0.659	0.663	0.677	0.670	0.663
Gini	0.389	0.379	0.390	0.373	0.363	0.356	0.367	0.363	0.370	0.378	0.373	0.374
Mehran	0.505	0.499	0.509	0.492	0.482	0.475	0.488	0.480	0.487	0.496	0.491	0.490
Piesch	0.331	0.318	0.331	0.314	0.304	0.297	0.307	0.304	0.312	0.319	0.315	0.316
Kakwani	0.133	0.126	0.133	0.123	0.116	0.112	0.119	0.116	0.121	0.125	0.122	0.123
Theil	0.289	0.266	0.280	0.252	0.234	0.223	0.239	0.236	0.248	0.258	0.250	0.253
MLogD	0.255	0.244	0.259	0.237	0.224	0.217	0.230	0.224	0.231	0.241	0.235	0.234
GE(-1)	0.306	0.300	0.325	0.295	0.276	0.276	0.292	0.279	0.283	0.297	0.290	0.282
GE(2)	0.498	0.431	0.424	0.362	0.329	0.298	0.336	0.333	0.363	0.378	0.362	0.380
Atkinson	0.225	0.217	0.228	0.211	0.200	0.195	0.206	0.201	0.206	0.214	0.210	0.209
Income Inequalities												
RMD	0.309	0.301	0.294	0.284	0.280	0.285	0.306	0.296	0.295	0.291	0.275	0.274
CoV	1.343	1.153	1.080	1.008	0.953	0.974	1.230	1.244	1.064	1.140	1.018	0.992
SDLogs	0.772	0.786	0.790	0.742	0.728	0.739	0.785	0.757	0.764	0.733	0.703	0.698
Gini	0.432	0.425	0.413	0.400	0.394	0.402	0.430	0.416	0.414	0.406	0.386	0.384
Mehran	0.552	0.550	0.542	0.523	0.517	0.525	0.554	0.538	0.537	0.527	0.503	0.500
Piesch	0.372	0.362	0.349	0.339	0.333	0.340	0.368	0.355	0.353	0.346	0.328	0.325
Kakwani	0.162	0.157	0.149	0.140	0.136	0.141	0.160	0.151	0.149	0.144	0.131	0.129
Theil	0.379	0.354	0.325	0.302	0.288	0.300	0.369	0.345	0.327	0.324	0.287	0.279
MLogD	0.326	0.321	0.309	0.282	0.272	0.282	0.327	0.304	0.301	0.287	0.257	0.251
GE(-1)	0.446	0.462	0.468	0.390	0.364	0.379	0.458	0.416	0.429	0.383	0.376	0.370
GE(2)	0.902	0.664	0.583	0.508	0.454	0.474	0.757	0.774	0.566	0.650	0.518	0.492
Atkinson	0.278	0.275	0.266	0.245	0.238	0.245	0.279	0.262	0.260	0.249	0.226	0.222

RMD: the relative mean deviation; *CoV*: the coefficient of variation; *SDLogs*: the standard deviation of logs; *MLogD*: the mean log deviation; *GE(a)*: the generalised entropy measure with sensitivity parameters (a)=-1 and 2.

Conclusion

This study presents some important results. One of them is the fact that consumption inequality is lower than income inequality during the period between 2003 and 2014 as parallel with the different country case studies. Second one is that 2009 global economic crisis has a remarkable negative effect on income inequality. Third one is that consumption inequality has smoother pattern than income inequality for the corresponding period. Finally, based on these findings it can be said that consumption is more reliable source to measure welfare inequality between households.

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The Change in the Effects of Turkey's Social Policy Implementations on Local Administrations

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Keywords : Social Policy, Local Administrations, Municipality, Social Municipality.

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Social policy is defined as government's interventions to correct the inequalities in the society, improve the standards of the disadvantaged, enable the balance of income and power distribution and grant them basic social rights. As organizations providing public services, local administrations along with centralized governments take charge of the services that are in the context of social policy. In Turkey, the responsibility of local administrations to provide welfare is steadily increasing, together with the reforms in public administrations, local elements must be encouraged to take more roles in the field of social policy.

In this study, we will try to explain within which bounds of possibility social municipality that emerged in our country in recent years can be realized in municipality services. Besides, focusing on local administrations and municipalities, the improvements of municipalities from past to present will be explained and that will be explained from the viewpoint of social policy and social municipality. How social policy implementations are beginning to come out in local administration services will be discussed and along with the Municipality law no. 5393 supporting social policy services of today's municipalities and how these services will be put into practice will be analysed.

The Appearance of Poverty in the Development Plans in Turkey

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JEL Classification Codes : I15, H75.

Poverty is seen in backward, developing or developed countries and regions in varying proportions and structures. Although poverty is understood as low income or consumption (Chambers, 1995: 180), it is the inability to meet the basic needs of people (Turkish Statistical Institute, 2008: 32). Millions of people worldwide still live in a poor way, despite declining over the years. According to the poverty line of \$ 1.90, 700 million people are poor by year 2015 (World Bank, 2016). It can be said that the rate and number of poverty has declined over the years in Turkey. Food poverty (hunger) is not experienced in Turkey. Individual poverty rate is 0.02% at the \$ 2.15 poverty line, and 0.64% at the 4.3 \$ poverty line (Turkish Statistical Institute, 2014). This study was conducted to examine the situation of poverty in the world and Turkey, and the appearance of poverty in the Development Plans in Turkey. Up to now, ten development plans have been put into practice in Turkey. Within the scope of economic philosophies and approaches, plans have been characterized as mixed economy and holistic during the period of 1960-1980, and liberal and strategic since 1980. Poverty has been addressed at the macro level in accordance with the Development Plans. While the policies implemented in the period of 1960-1980 adopted the policy of struggling against poverty through direct aid to the poor; there is a tendency to turn to indirect means such as education and tax after 1980.

One of the indicators of development levels of the countries is the lack of poverty or reducing to an acceptable level. For this reason, the struggle against poverty is among the factors that constitute the core of development (Dogan & Celik, 2012: 130-131). Poverty is a phenomenon that has happened at all times in history and all over the world (Odabasi, 2009: 11). While the content and the way to influence people vary in the historical flow, poverty is the common problem of all countries and the world regardless of the level of development (Gundogan, 2008: 42).

The concept of poverty refers to the deprivation of the possibilities that life requires. In other words, poverty is the inability to meet the basic needs of people (Turkish Statistical Institute, 2008: 32).

Poverty in the Development Plans

State Planning Organization (SPO) was founded in September 30, 1960, which was affiliated to the Prime Ministry in order to accelerate economic and social development through development plans in Turkey. The SPO was abolished in 2011 and the Ministry of Development was established with the Decree Law No. 641, which was the "Decree Law Concerning the Organization and Duties of the Ministry of Development". From the date of establishment of the SPO, ten development plans have been put into practice. Within the context of economic philosophies and approaches, plans can be characterized as mixed economy and holistic in the period of 1960-1980, and liberal and strategic since 1980 (Ministry of Development, 2014).

The Ministry of Development fulfills the functions of planning, coordination and control in Turkey. The execution is made in units of the public and private sector at every stage (Celik, 2013: 241). The development plans are presented to the High Planning Council after they are prepared by the Ministry of Development for five-year periods. The Board reports to the Council of Ministers a

report on whether the plan meets the main objectives. After the plan is reviewed and approved by the Council of Ministers, it is offered for the approval of the Turkish Grand National Assembly (Decree Law No. 641).

In the development plans put into practice from 1963, various targets and struggle areas are determined regarding economic and social life.

Table 1 shows the distribution of concepts that are important in the struggle of poverty in the Development Plans in Turkey. When examined, it is seen that the emphasis is on the social aid and the expressions on taxation for the struggle of poverty.

Table: 1
Poverty in the Development Plans

Concept	Frequency
Aid	4
Tax	3
Individual institution struggling against poverty	4
Dwelling	1
Justice in the income distribution	2
Education	2

Conclusion

In the development plans put into practice from 1963, various targets and struggle areas are determined regarding economic and social life. One of these areas is poverty. From the date of establishment of the SPO, ten development plans have been put into practice. Within the scope of economic philosophies and approaches, plans have been characterized as mixed economy and holistic during the period of 1960-1980, and liberal and strategic since 1980 (Ministry of Development, 2014). While the policies implemented in the period of 1960-1980 adopted the policy of struggling against poverty through direct aid to the poor; there is a tendency to turn to indirect means such as education and tax after 1980.

Since the first plan, a remarkable issue in the Development Plans is to express the need for a structure that will provide a holistic and single-handed service in the struggle against poverty. Ministry of Development, Ministry of Family and Social Policies, Ministry of Health, General Directorate of Foundations, Ministry of National Education and various associations play role in the struggle against poverty. Although various institutions struggle against poverty, this situation can cause confusion in serving and benefiting from the service, as a result of the multidimensional nature of poverty. For this reason, as expressed in the plans, a structuring to provide holistic and single-handed services will increase the effectiveness in struggling against poverty.

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Food Banking as a New Instrument for Social Policy

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It is possible to describe Social Policy as applications such as the church, the family or charitable organisations that reflect the society's moral responsibility towards the poor. However, it is also necessary to underline the transition process from the society and volunteerism to the State and from moral basis to rights-based concept in terms of modern social policy. (Koray, 2015: 12). Despite this, recent arguments about the social policy have emphasised on the role of the State as the leading actor of the social policies. Neoliberalism, the current dominant ideology, underlines the burden on the State for the social expenses. It becomes inevitable to ask whether we are going back to philanthropy and going away from the rights-based social policy. In this concept, it is observed that the social definition of the State has been fading away; instead, the responsibilities in this area have been tried to be carried out by the third sector with the philanthropist emphasis. That's why; it is possible to observe that not only the applications but also the ideology behind these applications has led a transformation 'from the rights to the benevolence' (Koray, 2007: 31).

Social responsibilities of the State have decreased because of neoliberal policies. On the contrary, a clientelist system has been shown by underlining social aids for unsafe, disorganised and poor communities. (Koray, 2015; Celik, 2010). Just at this point, food banking welcomes us as an application that supports this process. Food banking is a system that aims to provide the people-in-need with some goods which are likely to lose value because of some reasons such as their expiry date, packaging defaults, or being export surplus. This donated surplus food is collected, stored and distributed by the food banks.

Food banks are non-profit organisations and they provide those in need with food or meals either directly or indirectly via social foundations. (Riches, 2002: 650). Even though the mainland of food banking is America, it is commonly known in Europe, as well. This rapid increase in these food banks has led to some arguments not only about the food security and how the food will be provided but there are also arguments about social policy, too. The most distinctive argument among these is that the food banking as a social aid application will probably cause clientalism.

On the other hand, the increase in food banks was at a higher level at the same time when the unemployment rates were higher; that's why, the phenomenon should be discussed in aspects of social policy. (Goldberg & Green, 2009). When it is dealt with an international dimension, this application, which started as *bons-offices*, is likely to replace the State's missions in time.

According to Riches, food banking application seems to have started as *bons-offices*; yet, it became a buttress on the State after the year 1980, and it formed the second layer of the wealth system. Similarly, the number of food bank users in England in the last decade has been increasing rapidly. This increase in food banks in English societies reflects the detrimental effect of the recession period. It also reflects a strict social security system forcing its citizens to stay out of the social protection by the State. (Jawad, 2011: 128). In other words, the existence of the food banking system can be considered as a signal that shows the failure of the Social State. (Groves, 2003: 120). In fact, this failure is a result of a transformation inside the social state. The requirement for the applications like food banking is due to the fact that the social definition of the State has been fading away. Even though it

is early to declare that the State has decreased its wealth services and it has let the third sector solve this starvation problem as the food banking is still at an infancy period in Turkey. Yet, the examples of food banking in Europe and in America enable us to make predictions for the future. Three stages in which the food banking phenomenon becomes centralized are 1. Forming and developing international food banking organisations, 2. Building partnerships with food companies by the support of the media, 3. The governments' including the philanthropist partners into the social security system to contribute to the new conservative wealth reforms and helping them get a significant part inside the social security system (Riches, 2002: 652). When we examine these stages, we can say that Turkey has completed the first stage and the other two are among the social policy strategies of the government in power. This philanthropist system, which already exists in Turkish society's traditions, is especially fed with conservative declarations of the current government. However, it is also necessary to highlight that this situation is also criticised, as well. One of the criticisms against the food banking is about the tax incentives. As it is known, in the process of taxation, the associations and foundations that work for the benefits of the public can deduce 5% of donations from the tax. On the other hand, associations and foundations that have food banking system are given the right to deduce 100 % of donations. These taxations that are needed to be given to the State are given to certain groups and certain people via associations and foundations. This is an example proving that the social definition of the State has been fading away. Another thing which can be criticised is that although food banking is only limited with food in America and Europe to stop wasting, it is extended with clothes or fuel in Turkey. This attitude eases to put the idea of zakat instead of taxes inside the society. It also causes to be subjective while choosing the person to be helped, and this means that the idea of social justice can be harmed. It is the government itself that needs to be fair. It does not seem rational to expect these associations and foundations to care for the whole people-in-need. There is a reasonable aim to use the income from the taxes for social purposes. Therefore, the State should provide the appropriate conditions to be a Social State with the taxes it collects itself. One more thing that is criticised is the issue of the supervision and the security of these food banks. Today, the exact number of the food banking foundations is not clearly known especially after the municipalities were included in the system in the last period. This raises questions concerning how these foundations are supervised. Clientism has become more common with the municipalities having food banking system. There are proofs showing that the habit of alms has been put inside the culture via food banks rather than applying the principles of the State. This habit of alms causes political dependence. The application enables the employer to clear their stocks. However, it also lets him abuse the system by not checking the expiry dates of the food. (Radikal, 11.03.2008).

Thus, although food banks seem to be the urgent sources to overcome poverty, they can never abolish the reasons of poverty. Yet, these organisations do not aim this. However, food banks need to be approached both for the food security and human rights. We need to remember that the dependence on these food banks is because of the State Policies, which apply neoliberal policies even though the State ought to be responsible for its citizens. To sum up, by seeing the applications in the west, we should observe this food banking system from the social policy perspective and we need to be careful not to let the food banking system be a tool of clientism.

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28 April 2017 Friday

Session: II-D / 11.30-13.00

BANKING & FINANCE

Room: *Aden II*

Chair: **Serkan ERKAM**

- An Empirical Analysis of Bank-Specific and Macroeconomic Drivers Influencing Net Interest Margins of Turkish Listed Banks: Panel Data Evidence from Post-Crisis Era

Ozcan ISIK & Murat BELKE

- Fiscal Shocks, the Current Account, and the Exchange Rate

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- A Further Examination of the Finance-Led, Export-Led and Import-Led Growth Hypotheses in WAEMU's Countries

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- Determinants of Domestic Credit in Developing Countries: A Dynamic Panel Data Estimation

Zuhal KURUL & Pinar SEZER

- The Impact of the Increase in Housing Prices after the Global Crisis in 2008 on Revenue from Estate Tax

Eda BALIKCIOGLU

An Empirical Analysis of Bank-Specific and Macroeconomic Drivers Influencing Net Interest Margins of Turkish Listed Banks: Panel Data Evidence from Post-Crisis Era

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Keywords : Banking, Net Interest Margin, Financial intermediation, Panel Data, Turkey.

JEL Classification Codes : G21, O16.

The recent global financial crisis has fueled the heavily debated topic regarding the efficiency of financial sector. Financial intermediation is important for economic growth. The development of financial intermediation level is a good predictor of long-term economic growth, capital accumulation and productivity growth. Therefore, financial system especially banking sector collapse foregrounds the risks associated with efficiency of banking sector.

Financial markets and institutions are emerging to reduce frictions arising from information and transaction costs. Banking sector is a main channel to ameliorate these costs particularly in developing countries. The efficient banking sector allocates financial resources to various promising investment opportunities, thereby promoting economic growth. The development and efficiency of banking sector affect the return on savings and investments. The spread between two returns signals the interest margins.

The net interest margin (NIM) reflects the efficiency of banks, and covers the cost of financial intermediation. However, the decline in interest margins does not always mean an improvement in efficiency. The decline in the NIM also mirrors the possible tax reduction or higher default rate of loans. The higher interest margins in the banking sector are more likely to provide to strong bank capitalization, asset structure, capital base, and transfer of profit. High margins are generally connected to inefficient and non-competitive banking sector. Higher margins also reflect the insufficient regulatory environment and high level of information asymmetries. Hence, the high level of net interest margins states the high risk.

The net interest margin is also a significant indicator of financial intermediation to understand average of yields on assets, loan, costs, liabilities, borrowers' creditworthiness and net worth deteriorates. The determinants of NIMs have already been dealt with considerable body of banking research literature. The net interest margin determinants are substantial for number of reasons involving changing trends of banking structure and efficiency from time to time, and the net interest margin gives some price signals to the banking sector and market players together. The higher interest margins can impede the increase in savings and investment. The raises in NIMs states that the cost of using the financial intermediation especially bank channel become unaffordable for specific borrowers. This effect is probably to be more severe in developing countries. The need for external financing is provided by banks due to underdeveloped capital markets in developing countries. Banks are main channel to transforming savings to investment in a bank-based financial system.

In this context, Turkey has a bank-based financial system. The weight of the banking sector in the financial system is almost ninety percent. Banks have a dominant role to direct financial markets. Turkish banking sector restructured after the domestic financial crisis in 2000-2001. In the crisis era, comprehensive reform package has been implemented, and this package successfully implemented, and strengthened the Turkish banks to external shocks. The worldwide financial crisis experienced in

the years of 2007-2008 adversely affects Turkish economy like other many emerging economies. The Central Bank of Republic of Turkey (CBRT) has adopted a new monetary policy framework after the crisis at end of 2010. Along with the new monetary policy structure, the CBRT has increased the importance of financial stability in addition to price stability, which is the main objective. As a consequence, the global crisis requires examining whether the performance and effectiveness of the Turkish banking sector has changed after the crisis.

Unlike most of the papers investigating the net interest margins in Turkish banking industry, we focus on publicly traded deposit banks for this study. Our paper is to contribute the existing banking literature and it is the first to investigate the relationships between banking and macroeconomics variables and net interest margins (NIMs) for Turkish banking sector in the post-crisis era. More specifically, this study is aimed to investigate both bank-specific and macroeconomic drivers of net interest margins using panel data techniques for a sample of 12 deposit banks traded on the Borsa Istanbul Stock Exchange over the post-crisis period 2010-2015. We use a dataset which covers the various functions of the banking sector and macroeconomic environment of economy. The dataset contain both internal (specific to banking sector such as bank size, bank risk aversion, operating costs, opportunity costs, managerial efficiency, credit risk, implicit interest payments) and external factors (macroeconomic indicators such as GDP growth and inflation) that play significant roles in shaping the performance of banking sector. Our financial data source for the bank-specific variables is the Turkish Banking Association (TBA). The macroeconomic indicators (i.e. inflation rate and GDP growth) are taken from the Central Bank of the Republic of Turkey (CBRT) database.

There are different estimators (i.e., the pooled-OLS, fixed-effects and random effects) employed in panel data analysis, in this context, according to the results of the F-test, Breusch-Pagan test and Hausman test, the fixed effects estimator has been used to estimate the parameters of NIM models. Before reporting our findings obtained from NIM models we check the econometric properties of our specification (i.e. autocorrelation, heteroskedasticity and cross-section dependence in our bank sample).

The results of the econometric analysis suggest that while bank size, bank risk aversion, opportunity cost, managerial efficiency, and GDP growth are negatively associated with NIMs, inflation rate, operating cost, implicit interest payments, and credit risk are positively correlated with NIMs of deposit banks. More specifically, higher size and managerial efficiency lowers net interest margins significantly, whereas higher implicit interest payments, credit risk, and operating cost significantly increase net interest margins of deposit banks. In terms of macroeconomic indicators, neither GDP growth nor inflation rate has a meaningful effect on net interest margins for the time-period under consideration.

The cost of financial intermediation services provided by banks is of great importance both for the stability of the banking sector and for the overall performance of the country's economy. Therefore, the results of this study are important not only for depositors and investors but also for bank managers and regulatory authority. As for policy recommendation about NIMs, bank management has to strike an optimal balance between lending and deposit rates and develops new policies to reduce credit risk. Besides they take precautions to reduce operating costs and implicit interest payments. On the side of regulatory authority, inflation, which causes interest margins to increase, should be controlled and qualified growth should be supported.

Fiscal Shocks, the Current Account, and the Exchange Rate

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Keywords : Fiscal Policy, Current Account, Exchange Rates, VAR Models.

JEL Classification Codes : F42, E20.

The U.S. economy is faced with persistent current account deficits since the 1980s. By the end of 2006, the U.S. current account deficit reached its peak at 6.5 percent of the GDP. Although the U.S. current account deficit as a ratio of GDP declined during the Great Recession, it is still high and a cause of concern for the global economy.

Even though discussions of the relation between budget deficits and current account deficits in the popular press assign a causal role running from budget deficits to current account deficits, there is no theoretical consensus concerning the effects of fiscal policy actions on the current account and the real exchange rate among theoretical models and competing research programs.

Despite the popularity of the subject in policy analysis and the lack of consensus among different theoretical models, and a substantial increase in the volume of empirical studies analyzing the effects of fiscal policy on the economy, there is relatively little empirical evidence investigating the effects of fiscal policy on the real exchange rate and the current account. This paper aims to fill this void.

Previous empirical studies using the VAR approach, such as Koray and McMillin (2006), Kim and Roubini (2008), Muller (2008), and Beatrix and Lane (2009) find that expansionary fiscal policy shocks depreciate the exchange rate and decrease the current account deficit, while Monacelli and Perotti (2010) find that the exchange rate depreciates and the current account deficit increases in response to expansionary fiscal policy shocks.

This paper investigates empirically, using a structural VAR model, the response of the exchange rate and the trade balance to fiscal policy shocks for the U.S. economy. Different from previous studies, we identify fiscal shocks by employing the narrative approaches of Romer and Romer (2010) and Ramey (2011) in a VAR and show that output increases, the real interest rate rises, the real exchange rate appreciates, and the current account deteriorates in response to a positive shock to an exogenous increase in defense spending proxied by military spending news and to a negative shock to exogenous taxes. These results imply that fiscal policies aimed at cutting the budget deficit would also help improving the current account.

A Further Examination of the Finance-Led, Export-Led and Import-Led Growth Hypotheses in WAEMU's Countries

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Keywords : Export-led Growth, Financial-led Growth, Causality, WAEMU.

JEL Classification Codes : F43, O40, C23.

The question whether exports and financial development are one of the most crucial part of economic development strategy has been the center of discussion among researchers and policy makers. The export-led growth hypothesis is suggested that the increase in exports is the main determinant of growth. Besides, financial-led growth is also necessary not only for increasing economic performance, but also for dampening the volatility of the growth process. This paper aims to an empirical examination of the finance-led, export-led and import-led growth hypothesis for WAEMU which is taken part in member countries of regional grouping of Sub-Saharan Africa countries. The empirical results show that there is bi-directional causality between export and economic growth. This indicates that there is evidence in support of the export-led hypothesis. And also, there is no direction of causality between financial development and economic growth.

Introduction

One of the main questions in the economy is how one country can achieve high economic growth. An export-led growth and financial-led hypotheses have been regarded as one of the answers to this fundamental question. An export-led growth strategy implies opening domestic markets to foreign competition in exchange for market access in other countries. Export of goods and services is an important source of foreign exchange reserves. It creates employment opportunities and can reduce balance of payments problems. Floating exchange rate, reduced tariff barriers for exporting sectors are all an example of policies adopted to promote export-led growth. Besides that, the relationship between finance and growth has been one of the most debated subject in recent years. Central to this debate is the question of whether strong economic performance is finance-led or growth driven (Akinlo and Egbetunde, 2010). The financial-led growth is necessary not only for increasing economic performance, but also for dampening the volatility of growth process. The main subject is that an efficient financial system is one of the pillars of vibrant and sustainable economic development (Evans, 2013).

There is a numerous of empirical studies on the export-led growth paradigm. In the literature, several studies pointed out that a robust financial system is the main requirement for development and its effect plays a crucial role in economic growth (Mirdala, 2011; Demetriades & Andrianova, 2004). Abou-Stait (2005) states that an export-led growth strategy aims at providing producers with incentives to export their goods through various policies. The strategy also aims at increasing the capability of producing goods that can compete in the world market using advanced technology and make provision for foreign exchange needed to import capital goods. Empirical evidence in support of finance-led growth hypothesis has been provided in the works of Levine (1997), Jalilian & Kirkpatrick (2002) and Habibullah & End (2006).

According to World Bank survey, the African nations, which are continuing reforms, have experienced lowering inflation, declining fiscal deficits, accelerating gross domestic products growth rates and expanding exports. These reforms are in the form of export-led, import-led and financial-led

growth. This new development requires the testing the export-led, import-led as well as financial-led growth hypotheses on West African countries.

To test linkages between economic growth and financial development as well as export and economic growth several studies have been conducted. Most of these studies have actually examined the finance-led and export-led growth hypotheses separately. Thus, very little has been done about the interrelationship among these variables. In this study, we investigate the relationships between finance-led, export-led and import-led growth hypotheses for WAEMU which is taken part in member countries of regional grouping of Sub-Saharan Africa countries.

Data and Model

In this study, we consider a multivariate model to test the export-led growth, import-led growth and finance-led growth hypotheses for WAEMU countries over the period 1986-2014. According to literature economic growth is expressed as a function of financial deepening, exports, and imports. The model is expressed following as:

$$GDP_{it} = \alpha_0 + \alpha_1 M2_{it} + \alpha_2 EXP_{it} + \alpha_3 IMP_{it} + \varepsilon_{it}$$

where GDP_{it} is the sum of gross value added by all resident producers in the economy plus any product taxes and minus any subsidies not included in the value of the products. It is proxy for economic growth. Data are in current U.S. dollars. $M2_{it}$ represents money and quasi money as a percentage of GDP. It is proxy for financial deepening. EXP_{it} and IMP_{it} are respectively exports of goods and services as well as imports of goods and services. They represent the value of all goods and other market services provided to the rest of the world. All the variables in our data set source from World Bank Indicators and they are expressed in natural logarithms.

Empirical Results

Numerous studies on the export-led and financial-led growth hypothesis often work with nonstationary variables in levels. To avoid spurious results, it is required to test for the cross-sectional independence in the errors, for the stationarity and the co-integration of variables. Before investigating for the presence of unit roots in the series, we apply the Pesaran (2004) CD test which rely on the null hypothesis of cross-sectional dependence in the errors.

Table: 1
Pesaran (2004) CD-Test Results

Variables	CD-test	p-value	corr	abs(corr)
<i>lnGDP</i>	27.43	0.000	0.963	0.963
<i>lnM2</i>	11.95	0.000	0.419	0.500
<i>lnEXP</i>	25.72	0.000	0.903	0.903
<i>lnIMP</i>	26.97	0.000	0.946	0.946

According to the results of CD test in Table 1, the null hypothesis of “no cross-sectional dependence” is rejected. Then, all variables are cross-sectionally dependent for the related period. To test the stationarity of the data, we carry out the panel unit root tests developed by Levin, Lin and Chu (2002) [LLC] and Im, Pesaran and Shin (2003) [IPS]. The LLC test is an extension of standard ADF test and assumes parameter homogeneity while IPS test allows for heterogeneity across the panel and serial correlation in the error terms. If there is cross-sectional independence among the panel members, these tests are used. When in the presence of the cross-sectional dependence we 2nd generation panel unit root tests has to be used. Hence, we applied the CIPS test developed by Pesaran (2007), which takes into account possible cross-sectional dependence.

The results for panel unit root tests are presented in Table 2. We can conclude that the null hypothesis of unit roots test for the panel data for GDP, M2, EXP and IMP series cannot be rejected in level. However, the null hypothesis of unit root is rejected when those series are in first differences.

Table: 2
Panel Unit Root Test Results

Variables	LLC(t-stat)		IPS(W-stat)		CIPS test	
	Level	First Diff.	Level	First Diff.	Level	First Diff.
<i>lnGDP</i>	-0.5567	-5.6385***	-0.6800	-7.5506***	-1.318	-4.010***
<i>lnM2</i>	-2.5404*	-6.7001***	-1.2766	-7.5453***	-1.021	-3.614***
<i>lnEXP</i>	-1.4697	-6.6371***	-0.0546	-8.8879***	-2.105	-4.265***
<i>lnIMP</i>	-1.4034	-4.5438***	1.0460	-6.6669***	-1.757	-3.768***

These results strongly suggest that the variables are non-stationarity in level but stationary in first differences. This results show that these variables are integrated on order one, I(1). In such a case, it can be concluded that the existence of the co-integration relationship between these series can be examined because series under consideration are integrated of the same order. We performed the approach of Westerlund (2007) to examine whether a long-run equilibrium relationship exists between the variables. Table 3 reports the results of co-integration analysis.

Table: 3
Panel Cointegration Test Results

Westerlund Panel Co-integration Test	
Statistics	p-values
G_t	0.003
G_a	0.121
P_t	0.000
P_a	0.001

Note: *** rejects the null hypothesis of no co-integration at the 1% level.

We found evidence in support of co-integration for panel data series, with the null hypothesis of no co-integration relationship being rejected at a 1% level of significance. The results of a panel causality test between GDP, M2, EXP and IMP are listed in Table 4. The optimal lag structure is 1, which is obtained by using the AIC.

Table: 4
Panel Causality Tests

Dependent Variable	Source of Causation				
	Short-run				Long-run
	$\Delta \ln GDP$	$\Delta \ln M2$	$\Delta \ln EXP$	$\Delta \ln IMP$	ECT
$\Delta \ln GDP$	-	0.052*** (0.248)	0.148* (0.090)	0.275*** (0.064)	-0.231*** (0.066)
$\Delta \ln M2$	0.033 (0.184)	-	0.180 (0.160)	-0.375*** (0.141)	-0.188 (0.161)
$\Delta \ln EXP$	0.088 (0.192)	0.040 (0.051)	-	0.544*** (0.150)	-0.277*** (0.074)
$\Delta \ln IMP$	0.423*** (0.052)	-0.040 (0.051)	0.235* (0.128)	-	-0.331*** (0.102)

Note: The standard deviations are in parentheses; ***, ** and * stand for statistical significance at 1%, 5% and 10%, respectively.

The results of panel causality test shows that there is bi-directional causal relationship between financial deepening and import as well as export and import in the short run. The coefficients of ECT are significant, except M2. When M2 is dependent variable, ECT term is insignificant. It means that there is no causality between financial development and growth in long-run. However, there is evidence of bidirectional causality between both export and growth and import and growth in the long run.

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Determinants of Domestic Credit in Developing Countries: A Dynamic Panel Data Estimation

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Keywords : Domestic Credit, Developing Countries, Global and Domestic Factors.

JEL Classification Codes : C33, E44, E51.

Determinants of domestic credit to private sector have recently considered as a growing body of literature in regard to boom and bust cycles in domestic bank credits in developing countries. In particular, there has been a boom cycle in the preceding years of the global financial crisis. However, the collapse of financial markets in advanced economies in 2008 and 2009, has overshadowed this increasing trend and induced bust cycles in some emerging countries. This negative trend has turned back to its increasing path after the recovery and let researchers to investigate the key drivers of bank credit in developing world.

In this paper, we first examine the trends in domestic credit given to the private sector in for 39 developing countries in our sample in order to visualize our empirical research. For our sample, domestic credit to private sector as a percentage of GDP in between 2000 and 2004 have followed a stable path between the rates 30-35 % of GDP. These years represent effects of the financial turmoil and economic crisis in some developing countries such as Latin American and Asian crisis in 1997, Russian financial crisis in 1998 and Turkish economic crisis in 2001. After the recovery period, many emerging markets have experienced a rapid expansion in bank credits and domestic credit level to private sector that has been reached to approximately 45 % of GDP until 2007. With the global financial crisis in 2008, the availability of domestic credit has narrowed in many emerging countries. It is noteworthy that the experience of the domestic credit has vastly differed across countries and regions. During the global financial crisis, particularly transition countries have severely contracted in bank credit while higher income emerging markets in Asia and Latin America have remained more stable. However, the increasing trend in domestic credit in emerging market have continued from 2012 to 2015 and has reached to almost 52 % of GDP. In this regard, regional differences in terms of credit growth have increased the considerations on determinants of domestic credit in these countries. Additionally, the rise of global risk and increases in global liquidity during and after the global financial crisis have revealed the need for revisiting the main drivers of domestic credit in developing countries.

In the literature, there is a considerable number of studies that have investigated the domestic credit cycles in developing countries with different perspectives. The first strand of literature identifies the main characteristics (bad or good), duration and timing of the credit cycles (Mendoza & Terrones, 2008). The second strand examines the link between credit cycles and some potential consequences of credit booms and busts such as financial crisis and some macroeconomic aggregates of the countries. In particular, Furceri et al. (2012), Lane and McQuade (2013) and Igan and Tan (2015) focus on the effects of capital inflows and credit expansion. Such studies limit the research with just one indicator and lead to a restriction on our understanding of the nature of credit cycles. Along with these limitations in this strand of the literature, it is reasonable to take into consideration the key determinants of domestic credit broadly. Hence, the third strand of the literature examine the drivers of the domestic credit in broad manner (Bakker and Guide, 2010; Aisen and Franken, 2010; Elekdağ and Wu, 2011; Elekdağ and Han, 2012; Guo and Stepanyan (2011); Dell - Ariccia et al. 2012, Gozgor, 2014). Along

these ways in the previous literature, determinants of domestic credit are investigated by using mostly non dynamic econometric techniques. To best of our knowledge, only Gozgor (2014) employ a dynamic panel data estimation by following Arellano and Bond (1991).

Against this background, we undertake a broader empirical analysis to examine the potential factors that determine the domestic credit to private sector by employing dynamic panel data estimation methods revealed by Arellano and Bover (1995) and Blundell and Bond (1998). Therefore, the contribution of this study to the literature twofold. First, we extend the literature on the determinants of the domestic credit by investigating a broader set of macroeconomic indicators as domestic factors and introducing different global liquidity and global volatility measures. Secondly, we apply a more efficient dynamic panel data methodology (system GMM) in order to understand the behavior of bank credit in developing countries.

In our study, we employ system GMM estimation for 39 developing countries over the period of 2000-2015 by using annual data in order to include all boom and bust cycles. We obtain data from World Bank World Development Indicators dataset. Our results show that domestic credit in developing countries in our sample are influenced from both domestic and global factors. We find that the lagged value of the domestic credit has significantly positive effect on domestic credit asserting that the persistency of domestic credit. Among domestic factors, nominal exchange rate has positive impact revealing that depreciation in the domestic currency leads significant increases in domestic credit availability. We find that the current account balance negatively contributes the domestic credit. As an external factor, FDI inflows promotes domestic credit positively. On the side of global factors, VIX as the indicator of global volatility has significant negative impact on domestic credit showing that the increase in the perceived risk in global financial markets suppresses the level of domestic credit. We use different global liquidity indicators and get evidence on that the weighted average of broad money growth rates of G7 countries and cross border credit in the world level have a substantial positive influence on domestic credit levels. When we analyze the impact of global financial crisis in 2008, our results demonstrate that domestic credit is positively influenced from financial crisis. Additionally, we control the overall relation for transition countries. Our results reveal that there is no difference between transition countries and other developing countries in our sample. However, we find out that transition countries influenced from global liquidity and global volatility conditions more than the other countries. Our results suggest that the behavior of domestic credit might change with respect to different stages of global financial conditions and policy makers in developing countries might be aware of the noticeable effects of global factors as well as the external balances and exchange rate policies.

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The Impact of the Increase in Housing Prices after the Global Crisis in 2008 on Revenue from Estate Tax

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Keywords : Housing Sector, House prices, Property Taxes.

JEL Classification Codes : R38, R32, K11.

Introduction

Public economy emerged in order to provide solutions for problems that stem from government's intervention to the economy. As mentioned by Musgrave (1959: 1-2) market economy becomes insufficient for solving socio-economic problems and in some circumstances market economy cannot be effective in the production of private goods due to the technical conditions of production in an environment where there is no equality income distribution, poverty and famine arise and the scope of social security services increasingly expands. As a result of this, private sector implements low production-high cost policies by monopolization and decreasing the social welfare in markets where decreasing costs, increasing returns to scale and externalities are commonly seen. Therefore, Musgrave argues that states intervene in the economy not only to produce public goods and services but also to improve the competitive environment in the market.

Stiglitz (1988: 90) defined merit goods as a special type of private goods in his study. Accordingly, merit goods stand for "goods that have been excluded from the free consumer preferences and which are totally or partially financed through public budgets". In parallel to this definition, Stiglitz deemed houses built by Housing Development Administration of Turkey (TOKİ) as merit goods. As a result, TOKİ, which is a merit good, is one of the important state interventions in the housing sector.

Governments intervene in housing sector in order to enable equality by making low income citizens owners, to regulate shortages in the market and ensure social welfare (Smith & Munro & Christie, 2006: 82). Studies on government intervention in housing sector show that involvement which can harmonize with housing policy rather than excessive ones are more appropriate for development in housing sector regardless of the fact that countries are developed or under development. While houses built by private sector might improve housing sector in some countries, in others, the exact opposite impact of this may be observed (Stephens, 2003: 1024).

Housing sector is one of the leading sectors that indicate how developed a country is. For that matter, public sector transforms the good of housing into a merit good by intervening in the housing market. The need for housing, which is one of the main determinants in ensuring effectiveness of allocation of resources, shows the significance of housing sector. Such an effective sector in economy is also important for budget balance. Therefore revenue from estate tax is of importance in housing sector. This study examines whether the rise in housing prices in 29 OECD countries over the period 2008 and 2015 has increased property tax by employing dynamic-panel data analysis.

Literature Review

Lutz (2008) estimated the flexibility rate between housing prices and property tax in the district of Columbia, US by using time series method for the period 1975Q1-2008 Q1 and in conclusion found that the long term elasticity rate was 0.4. He pointed out that property tax revenue in Columbia, U.S.A., had an impact on the change in housing prices, though it was not very high. Weida et al., (2012)

examined the impact of property tax on housing prices between the years 1980 and 2009 in 24 OECD countries. In conclusion, they stated that property tax is more effective in housing prices in comparison to interest rates. Bai et al. (2004) examined the impact of property tax on housing prices focusing on cities and municipalities in China. They found out that property tax decreased housing prices on average by 11-15% in Shanghai, while it increased prices by 10-12% in Chongqing. Olivera et al., (2016) examined whether the rate of increase in housing prices in 34 OECD countries had an impact on property taxes. They concluded that the rate of increase in housing prices and seasonal ups and downs in housing prices did not have an impact on the rate of increase of property tax. In their study, Follain and Giertz (2016) observed an increase in the revenues from property tax in local governments in the periods when housing prices increased by using VECM for the period between 1980 and 2007 and pointed out the significance of this in terms of public finance.

Data and Methodology

This study examines the effect of the rise in housing prices in 29 OECD countries over the period 2008-2015 on property taxes by means of dynamic-panel data analysis. The data is obtained from OECD. In a dynamic panel the model is specified as a system of equations, one per time period, where the instruments applicable to each equation differ (for instance, in later time periods, additional lagged values of the instruments are available).

$$Y_{it} = \alpha Y_{it-1} + \beta X_{it} + \phi_i + u_{it} \quad (1)$$

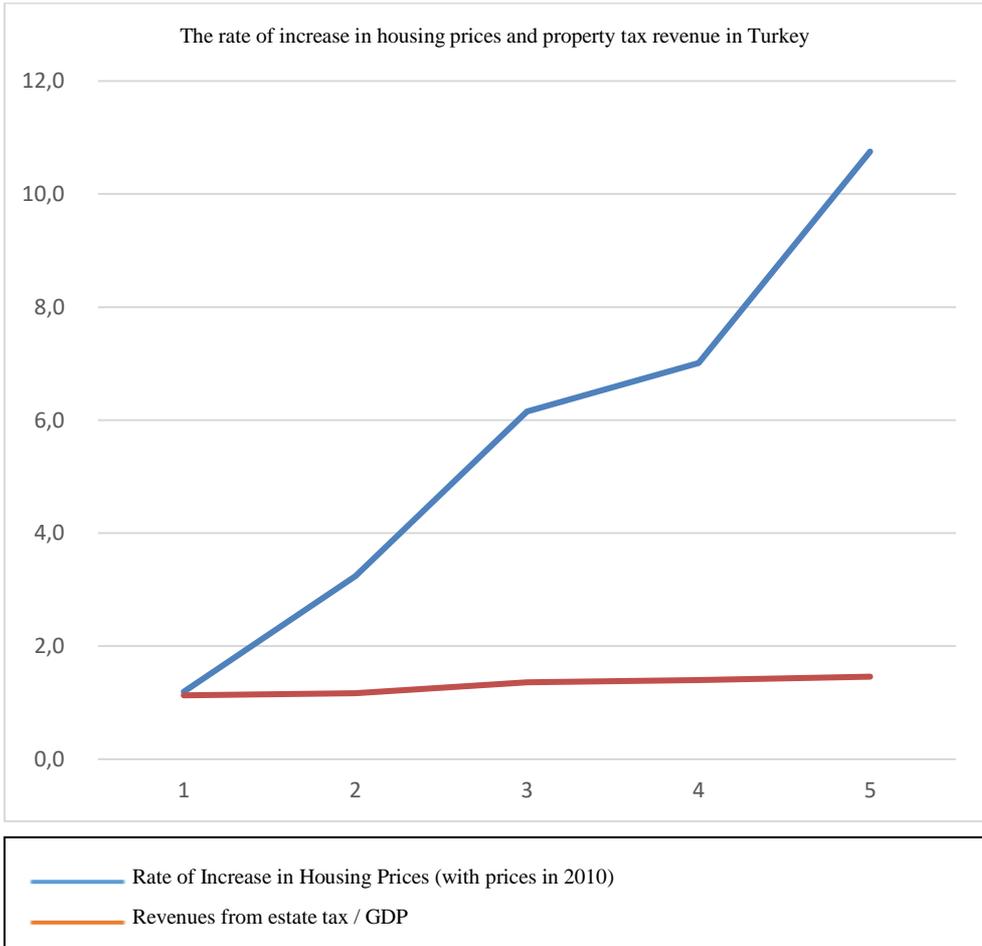
Table: 1
Dynamic Panel Estimations

	Arellano Bond	Arellano-Bover/Blundell-Bond
housepr	housepr(dependent variable) 0.5094*** (20.22)	0.5026*** (112.25)
proptax	3.1858*** (3.72)	1.4945*** (29.25)
N	29	29
Sargan Test	57.1986	28.004
2.order autocorrelation	-2.5062	-2.4863
Sample	170	199

*Note: ***, **, *show 1%, 5%, 10% statistically significant or not, N number of observation and in paranthesis z statistics.*

In Table 1, Sargan and Auto-correlation test statistics indicate that the utilized instruments are suitable and that the null hypothesis of “there is no 2nd degree auto-correlation” is not rejected, respectively. The results indicate that house prices in a dynamic process affected property taxes at 1% respectively. According to the results of the analysis, there is a positive relation between house prices and property taxes.

Graph: 1
The Rate of Increase in Housing Prices and Property Tax Revenue in Turkey



Source: *OECD House Price Indices and Property Taxes Data.*

This graph shows the rate of increase in housing prices and the share of property tax revenue in GDP in Turkey between 2011 and 2015. The ratio of increase in housing prices is 9.5% while the increase in property tax is 0.33%. As seen the rate of increase in property taxes and house prices differs. The reason for this is that, the current property tax valuation methods do not reflect market conditions, environmental and regional effects. Since 2011 there have been some efforts in Turkey to develop an effective real estate valuation system to overcome this problem.

Conclusion

The government intervene the housing sector to allocate the efficient distribution of resources. Housing sector is spread over a large area in terms of both demand and supply. The most important example of this was seen in 2008 when the housing crisis in the U.S affected the whole world. With

this in mind, this study has examined the impact of increases in housing prices on revenues from property tax in 29 OECD member countries after the crisis in 2008.

Property taxes have an important share in the local government budgets as the tax is administered by them. Since 2011 there have been some efforts in Turkey to develop an effective real estate valuation system to increase property tax revenues which are so important for local governments. To this aim, important decreases have been observed in title deed fees to reflect the real value of real estate returns. The purpose of this is to raise revenues from property tax, which is an important type of tax for our country, up to the necessary levels.

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28 April 2017 Friday

Session: III-A / 14.00-15.30

PUBLIC FINANCE

Room: *Symyrna I*

Chair: **Fuat OGUZ**

- Privatization and State-Owned Enterprises
Ezgi PALAS-DAGLI
- On Jean Tirole, Analysing the Economics of Two-sided Markets
Gamze KARGIN-AKKOC
- Reading the Relationship between Public Relations and Economics by the Mediation of Thorstein Veblen
Ilkben AKANSEL
- The Consequences of Corruption on Inflation in Developing Countries: Evidence from Panel Cointegration and Causality Tests
Serife OZSAHIN & Gulbahar UCLER
- Belief and Communication in Tax Compliance: An Experiment
Emre OZYERDEN & Ahmet Burcin YERELI

Privatization and State-Owned Enterprises

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Keywords : Economic Administrative Law, Privatization, State-Owned Enterprises, Economic Growth, Productivity, Free Market, Public Expenditure, Public Services.

JEL Classification Codes : K23, L33.

This paper probes into the concept of privatization, its historical development and the reasons of state-owned enterprises occurrence. Moreover, the paper discusses the underlying factors for the effectiveness of privatization and exemplifies unsuccessful implementation. The article examines the role of privatization that can play to overcome the problems associated with the operations of the public enterprises in developing countries. Since achieving this paper's goals, it was benefited from literature and done an analysis of success and unsuccessful examples of state-owned enterprises.

The instruments of Keynesian economics which were grown after economic crisis in 1929 emerged the concept of state-owned enterprises. The reasons of establishing of these organizations are being explained from the point of developed countries as floating the capital to the base while developing countries identify it as the economic development. The liberal transformation in 1970s conceived the privatization in free economy model in company with criticizing the economic interventionism. The disappointment of state-owned enterprises on economic fields was solved with associating the concept of privatization.

The privatization practice in Turkey depends on 24 January 1980 dated Council of Minister's program. According to this, it was aimed to remove the financial obstacles, to narrow the determinant role of public on Turkish economy and to make private sector more efficient. This practice, which was considered as a transition to the free market economy, brought up transfer the state-owned enterprises to the private sector. The basis of privatization implementation on the strategic plan was actualized within the framework of the main plan of privatization which was prepared with an international tender initiated by State Planning Organization. The plan, which indicated the purposes of privatization, stated that objectives were ordered proportional significance level. There was a category of state-owned enterprises that gave priority to some of them. Therefore, the enterprises that could not privatize in a short period were restructured as the plan.

However, the privatization has many definitions since it is related to economy, business, management, politics, and law disciplines; two definitions could be utilized to concretize: narrow and broad meanings of privatization. The narrow sense of privatization is stated as the transfer of all or a part of the state-owned enterprises to the private sector. On the other hand, the broad meaning of privatization is asserted as trust-busting, boosting the free market and destructing to financial pressures on economic life. The general opinion also expresses that the transfer should also include their administration and supervision transferring.

The legislative power enacted a code, rules the competent authority to implement the privatization program, to manage fund and to do other duties in 1994.

Privatization consists of a broad range of methods and models which are contacting out for public services, voucher programs and selling of public possessions to the private sector. The other methods of privatization are leasing, transferring of operational rights, establishing of incorporeal rights on

property, revenue partnership mode. Moreover, there is a model for strategic enterprises which identifies preferential share.

The concept of privatization has also some matters to be addressed. One of the problems is to determine which public services or what kind of enterprises should be privatized. It cannot be identified objectively because of the social, economic and political pressures. Some public services, defined as “basic public services”, cannot be privatized such as Justice, Police and Education services because of their structural characteristics, while others can be by under the supervision of the state.

Privatization is a way to bring some advantages of competition and liveness to provide public services. These advantages are having greater productivity, promoting innovation and service quality. On the other hand, privatization involves the risk that encourages the growth of monopoly power.

The principle of social state is much-debated issue in implementation of privatization. The privatization is an only instrument as a recovery function in the social states. The principle, which is relevant closely to the concept of human dignity and social welfare, is accepted intervention method in economy. The privatization issue of public services brings up some problems to the agenda that if the state has obligations for public services in social law state or not. Another problem is that if the state has any restrictions in the other public services.

If the public welfare is executed in privatization, the states should pursue two main points: Increasing economic efficiency and decreasing public expenditure. The conveying process of enterprises, which include in the scope of privatization without productivity factor, to the private sector is not suitable according to legal arrangements. The enterprises that are accepted as a burden on public economy are appropriate examples for privatization, although it is not only and last method. If the causes of privatization should be explained truly, there is a need to focus on how productivity level of these enterprises increases or the high public loss level can be decreased. Other forms of privatization like the contracting out of services, deregulation, leasing and the use of management contracts are likely to be more acceptable in developing countries’ governments than the outright complete sale of assets.

Managing the privatization process without applying competition law rules is the main cause of privatization’s failure. Another cause of failure is to prefer block selling method in implementation of privatization which aims to float the capital to the base. By this way, it is admissible that income is increasing swiftly. However, as it is mentioned before, the main targets of privatization are enhancing productivity level and reducing public expenditure. The implementations which do not go towards logical targets are evaluated as a contrary privatization to the principles of state of law.

Consequently, the purposes of the paper are describing the concept of privatization and the state-owned enterprises, examining the development period of privatization in Turkish Law, explaining the methods of privatization and emphasizing the importance between privatization and principles of Economic Administrative Law.

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On Jean Tirole, Analysing the Economics of Two-sided Markets

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Keywords : Two-sided Market, Industrial Organization, Regulation, Jean Tirole.

JEL Classification Codes : D40, L10, L20, L51.

The purpose of this study is to point out Jean Tirole's arguments on the two-sided market model. In 2014, Jean Tirole was awarded the Nobel Prize for the study, which stressed the importance of regulations to prevent consumers and small firms from suffering from a monopolistic behavior of large firms. Tirole (2014) stressed in the Nobel lecture "Market Failures and Public Policy" that industrial organization theories are an important area for solving the problems of differentiating industries. So much so that the industrial organization analyzes the theories, anti-trust and regulation tools and the firms and industries of every measure with their own character traits. Thus, the policies and regulations that are produced increase the effectiveness of economic instruments and policies. Two-sided markets models have become a new area within theory of industrial organization. The price structure of the two-sided market is different from the traditional pricing theories. This different price structure finds itself in the literature as the most prominent feature of two or multi-sided markets.

Two or multi-sided markets can be defined as two or more markets with different demanding user groups, and these groups of users are interacting and influencing each other through network externalities (Rochet & Tirole, 2002; Wright, 2004; Evans, 2003; Armstrong, 2006).

In fact, many markets with network externalities can be regarded as a two-sided market. But what is important is the ability to bring the market together. In this context, there are strong complementarities between the two sides. However, they cannot internalize externalities as accepted in the multiproduct literature. In short, this direction is different from multiproduct oligopoly or monopoly markets. On the other hand, it has different characteristics than network economics, which particularly emphasize externalities. Although like network economics, it cannot be said that these theories have the power to explain two-sided markets alone. In summary, we can see that market theory as an intersection of network economics and multi-product pricing literature (Rochet & Tirole, 2002).

First, Rochet and Tirole (2002) analyzed credit card payment systems under two-sided markets. An important feature of two-sided markets is that they bring the both sides together. This is a combination of supply and demand balancing in a simple sense. If the parties do not benefit from each other, it is not possible to form a market. So much so that this situation seems to be different from classic economic theories, but it is the existence of the platform that brings the two sides together. The ability to maintain the presence of this platform requires both the usage and membership externalities as well as the existence of a platform-compensated price (Rochet & Tirole, 2002). In another paper, they (Rochet & Tirole 2004), gave a detailed description of user and membership externalities, and classic one-sided market examples where these externalities did not coexist.

If two-sided markets are defined as merely bringing the both sides on board, many markets will show two-sided market characteristics. For this reason, these markets need to be defined not only by the externalities they create but also by the price structure balanced by the platform. Theories developed in traditional economic theory generally focus on a price level. However, besides the price level in the two-sided markets, the price structure is also of great importance. In two-sided markets, the price level is the total price level that the platform has applied. This is simply based on standard assumptions, demand elasticity, and platform competition. The price structure is the allocation of total

price between buyer and seller. In this case, the price depends on the total profit of the platform and the value of the sides and the platform value. In some cases, even a zero-pricing rule can be applied (Lee & Wu, 2009).

To deal with two-sided markets in the context of Rochet and Tirole, it is important to understand the pricing strategies and competitive structure of these markets. Also, it is substantial to be able to identify the rapidly developing and expanding markets with technology and to be able to produce appropriate policies for the structure of the competition and the market. An in-depth analysis of Rochet and Tirole's extensive two-sided market definition, platform competition and pricing studies in 2002, 2003, 2004 and 2006, respectively, is important to understand the characteristics of this market we will face in soon.

From the beginning of the 2000s, a new kind of economy is developing rapidly with technology. The new agents and tools are integrated with economy and these are generally growing with technological advancement as credit cards, TV portals, telecommunication instruments and mass media. These new tools and agents are creating new market structures and business models that are quite different from standard models and structures. In this field, it is crucial to understand new forms and to show differences to apply the right policies for all economic agents. Also, it is important to identify the scope of the two-sided market for competition, regulation, and relevant market. In this context, the standard view for one-sided markets appears to be inadequate in the analysis of the behavior of market actors as against in the view of two-sided markets containing multiple groups of users with different demand structures.

Current theories of the industrial organization have focused on the rapid progress of technology as well as new business models and competition structures. We can summarize these areas in two major topics. The first one is the network economics that we have frequently encountered in the literature and the other is the two-sided market theory. The analysis of two-sided markets, an important extension of studies that have been made in the field of regulation, competition, and market failures of J Tirole, one of the pioneers of this field and who has received the Nobel Prize for his work and studies in this field, is important to understand today's economic activities and tools. In this context, the aim of this study is to present how innovations in Jean Tirole's industrial organization theories have shaped that with an in-depth descriptive analysis of the new price theories and competition.

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Reading the Relationship between Public Relations and Economics by the Mediation of Thorstein Veblen

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Keywords : Public Relations, Thorstein Veblen, Neoclassical Economics.

JEL Classification Codes : M2, B52.

Introduction

Social sciences has a wide range aspect. Many notions used in social sciences have deeper relations than it is expected. It means social sciences are interdisciplinary. Economics is the most important social science affecting human life. Because economics determines every incident of people's lives. Although economics is related with demand, supply, firms, unemployment, rates, inflation etc. concepts, it needs to convince people to continue the capitalist system. One of the reasons why capitalism was cut by some big crisis was the 1929 crisis. The great crisis of 1929 changed the minds radically.

Until 1929 crisis, system saw people as working robots. Their wishes, their tastes, their expectations were ignored. And constant raising of production made the system go wrong. For a while after it has collapsed totally. But, capitalism always finds a way to release the problem, so it did. Consequently, public relations was born to help out the economic crisis. Additionally, one person was able to see the corruption before it has started: Thorstein Veblen. This genius man saw the deterioration of the system. Because he was an immigrant child of a Norwegian immigrant family in USA. It should be remembered that public relations was arised in the USA as the most powerful capitalist economy, he critised the system inside the country not as left wind. Seeing the state of affairs how capitalism works pushed him to create important notions for criticism. And the system has collapsed on what he describes the system lacks.

So, this study will focus on starting between general relationship between public relations and economics and the next point will be discussed about the foresights of Veblen. With his genius notions and their connections between public relations will help to enlighten how the capitalism works with both economics and public relations.

How Must It Be Called the Relation between Public Relations and Economics

The connection between public relations and economics cannot be denied. Because, public relations is intertwined by economics, politics, history, sociology, psychology etc. sciences as functional and conceptual. "The methods and tools using by public relations are arosed by the conditions of capitalist-liberal system. [...] public relations has a constitution to be structured by the capital economics relations and determined by self-interest of class and gained a mission to protect these self-interest. Besides, it serves to control the public mind, a techniqe using to obtain hegemony in liberal-capitalist democrasies and at the same time it undertakes the duty for big companies in order to strengthen their positions and their images in abroad countries which opens to interanational bazaars." (Becerikli, 2003; Çakar, 2012: 5).

The biggest historical event is that public relations has caused to undertake a duty like this. Looking from historical perspective, the public relations concept has been using a tool in each old and new states. Some public relations implementations have been used in Old Greek, Rome Empire, Ottoman

Empire and even all big civilisations in an obvious distance. However, this situation cannot be compared by the one that we live in today. Because the state systems based in public relations today are the liberal-capitalist democracies. Public relations is valid in where the economics system is liberal-capitalist and the political system is democracy. The liberal-capitalist system dimension of public relations also reflects the close relationship with economics. For this reason, raise of public relations and the 1929 crisis proceed simultaneously.

“Every moment of life and organized life has full of interactivity of constant moment of people (Erdoğan, 2016: 16). Individuals and social groups contact to each other to satisfy their desires and necessities. But, permanent relations cannot be established rationalist profit-loss technique. Those are established by mutual trust and cooperation (Wilson & Odgen, 2004: 10)” (Arklan, 2011: 16). Public relations undertakes to establish this mutual trust and cooperation. Because at the end of the Great crisis of 1929 world needs a savior. As Veblen saw, the conflict between predatory class and peaceful productive class came to an end. However, this wasn't truly an end. Because the capitalist system has created a new actor: Public relations. This new actor made it possible to gain more profit to firms and made possible to obtain every products for human.

The point must be remembered urgently, the public relations as we understand today has started in 1920's and made its real starting in 1929. The economic crisis does not only affect working class, but also make things difficult for capitalist class. This circumstance can be taught by complex economics models, but it can be explained by the easiest model in economics. Supply-demand law.

And this law made it possible to ease globalisation. Globalisation is the most powerful tool to help public relations. Because globalisation makes people to be motivated to a growing consumption and accordingly it changes its life style totally in every kind of consumption habits, value judgement, cultural identities (Çakar, 2012: 38). At this point public relations is said to be the most important tool to change those consumption habits. And the connection between public relations and economics can be observed deeply.

The connection between economics and public relations which introduced to the world's agenda with 1929 crisis can be best explained by the thoughts of Thorstein Veblen. Although Thorstien Veblen is an economist, he is also a competent scientist whom philosophy is very strong. The essence of Veblen's thought both has enlightened the path going on 1929 crisis and has accelerated the cure found by the system's dominants as 'public relations'. What does make Veblen unique then? His glance to the way of capitalism? The notions developed by him and using even today? Actually, it can be said that all these things. But the most important part of all, Veblen's identity made him shape his world of thought and made his ideology as a capitalist critic still, but not to be as left wing. Because Veblen was born as an immigrant kid in Wisconsin. He was graduated his education in one of the famous universities in USA: Yale. His wide world of thoughts gave him an opportunity to work in several eminent university like Chicago, Stanford, Missouri, and New School.

“As Galbraith said (1980: 61), ‘The American universities wanted in those days, the professors who approve conservative truths, and give a respect to wealth and entrepreneurship. Veblen didn't do that; hence it was accepted that he was an ideal person for an institution he wasn't currently work for.’ (Köse & Öncü, 2000: 57).” (Şenalp, 2007: 54).

The years Veblen lived (1857-1929) makes us see why his intellectual mind was shaped like this. The years when Veblen lived is the era of attacking neoclassical economics. The applications which ignore people of wild capitalism and Veblen's life are overlapped. That's the reason why even academic world is affected somehow by this production style affected Veblen's capitalism comprehension. As it can be remembered that the production style before 1929 crisis was Taylorism or Scientific Production Method. Put it differently, there was a system which is caused to think there was no difference between a human and a robot, a system which was only produced and a system which

was externalized someone who were not capable to produce. In that case the first question must be asked what kind of economics mind caused the 1929 crisis and caused the born of public relations? It must be looked at the basic lying after the mind only focused on profit and unlimping production which ignored human circumstances. This basis only focused on profit and paved the stones of the crisis step by step.

Veblen starts to question economics at this point. Classical economics' (and continuing neoclassical economics) main assumptions are 'invisible hand' and 'naturel order'. "According to Veblen the mainstream economics theory has closed to an individual to utilitarian rationalism press of Mill and Bentham's utilitarianism by distorting in order to find a legitimate basic. For this reason, economics has become dysfunctional, constant and deterministic science. Veblen advocates that individuals move by the mediation of formal and informal institutional relations and movements like status, habits, and customs. In this respect, he criticizes as if an individual was a hedonistic by extracting its context..." (Şenalp, 2007: 54).

Seeing individuals hedonistic and following after maximization of utility means firms will produce for consumers the best and the most products. In other words, firms do not only exist in the market to maximization of their profit, but also they both obtain maximization of consumers by the mediation of the most production of goods and services. A system was built with a mutual happiness. However, this 'fairy tail' excludes an important figure: 'human'. Because a human being is an economical, social, cultural and psychological feature. This feature makes several attitudes voluntarily, but most of them are done by imposition of force. Individuals do not always act choice by a rationalistic hedonism. When the era Veblen lived, people do not follow a rationalistic hedonism why the economics conditions caused arising of public relations. It is useful to remember what the public relations for private sector meant. Because there is a deep connection between the public relations in private sector and Veblen's economics criticism. This bond has started in the Great Crisis of 1929 and has been continuing effectively even today.

The public relations in private sector is based on different kinds of aims like changing the organizational image, introducing a change in the politics of the firm, educating consumers before shopping, removing a conflict, organizing renovations of the product, protecting in capital market, raising the price of the stock etc. (Hazar, 2009: 9).

It can be understood from these aims, public relations has actually no aim to be gathered with public. The implicit aim, but the main one, is here to follow politics raising firm's profit and to make it inspire the impression of doing to public. The emotion which is felt by as if both firm will maximize of profit and submit a benefit for consumers maximize benefit. How could it be possible, then? How the relation between public relations and economics emerge on? The most important notion which was created by Veblen is '*conspicuous consumption*'.

"In *conspicuous consumption* the benefit of a goods or a service is sourced by not its qualifications, but reflecting an individual's purchasing power to showing someone off. Desiring a goods depending on the social position earned is a good example of this situation. In that type of consumption goods' price has a value, but not its qualifications. This effect has been called by '*Veblen Effect*' " (Şenalp, 2007: 55, 56).

The public relations apprehension which was emerged by steering wide populations whose purchasing power has decreased by the mediation of 1929 crisis has been used by conspicuous consumption and has been using by it. Initially, producing and selling different kinds of goods for every population's income level has gradually turned to be bought by the social position of it. So, all goods and services are served by different sorts of classes. Besides, almost all classes are pushed by public relations in order to surpass to upper class. In here, public relations make people steer to choose several goods and services. Furthermore, consumers are directed to buy the goods and the services

which produce for one upper class within the framework of their budget, even sometimes to exceed their budget by the mediation of borrowing. Thus, with the help of those expensive goods people feel themselves as if they belong to upper class. The conspicuous consumption which is created by sense of belonging is the result of Veblen's two institutions which are emerged by human history. These two institutions comprise of as consequence of property relations and determine how the public relations work.

According to Veblen, property relations which coordinated with human history has brought out two institutions opposite to each other. Firstly, *predatory idle class* and secondly, *peaceful productive class*. Predatory idle class is related with making property created by someone's labor and in this way, having fortune. Peaceful productive class is related with mastery/workmanship, production and servicing to someone. Furthermore, the first one has cause to developing of commerce; the second one has caused to developing of industry. In this property relations the first one made the progress by the mediation of subduing of the second. "Predatory idle classes have fed to an individualism which takes over the other's hand and disdains the other, peaceful productive classes have led to develop a communitarian spirit which is tend to be 'live and be live'". (Öncü, 2015: 12).

The habit of disdaining one upper class to lower class has developed *individualistic hedonism*. Limitless hedonism is fed by limitless consumption. Whereat, feeding of a consumer's individualism is also related to maximizing hedonism. Put it differently, the more an individual consumes the more becomes an individual and hedonistic. Public relations takes on feeding, living and sustaining this feel task. The situation what public relations undertook was this one with the Great Crisis of 1929.

A certain controversy between economics theory and the assumptions which claim capitalism is the carrier of progressive modernization on the way to the crisis of 1929. The most famous economists in that time have market efficiency snatched themselves, but they missed one important thing: "competition which is magnificent fuel of the market efficiency always tend to pull prices down towards unit production costs. However, high fixed capital costs made unit production cost unimportant. [...] The organic compound of the capital was experiencing an explosive growth and capitalism was so destroying itself." (Perelman, 2015: 32). The 1929 crisis is now an inevitable end. What makes Veblen unique at this point is to predict the source and the end of this competition. The competition institution was not only among the capitalists, but also between the predatory idle class and the peaceful productive class. Competition at both the vertical and the horizontal levels was dampened by the product surplus and the poverty of the consumer mass that should buy these products. Public relations has re-emerged the competition again and led the consumers to the products which are essentially the same but the nuances. Because, what has changed in the crisis of 1929 was only technique. This situation has let the predatory class subdued the peaceful productive class.

Actually, globalisation proceeds by the mediation of the conflicts of these two classes. And the public relations is the tool of this situation. Predatory class wants to capture every economics mechanism to accelerate their profits. And this classes' way of life tries to be spread among peaceful productive class. Because globalisation makes people to become consuming addicts. And this situation isn't a thing that consumers want it voluntarily. Globalisation tries to raise people's consuming addicts. So, in here, people don't want to buy expensive products. The general slogan of firms 'we serve you the best products and services' push the consumers to buy every product that they really need them.

Undoubtedly, globalisation and Veblen's class segregation about how capitalism works has a deep relation. Because predatory class is also the ruler of the globalisation. Of course, the system's owners want to make profit than they have. It means public relations helps to convey their demands to consumers. Public relations is also an administration of consciousness. It helps to convince people to buy products. The more production predatory class makes the more public relations will need.

Consequently, public relations is interdisciplinary which cannot be explained by only one scientific aspect. On the other hand, public relations is described by three different sciences' paradigm. And those are administration, communication and sociology-social psychology. And all are look the public relations from the point of view their mind. So it affects public relations in different aspects, it serves different lack of public relations. Administration part has a powerful effect administration and organization. Communication focuses on communication and it needs a mutual feedback. And the last one addresses on trust, harmony, and belief etc. feelings. (Hazar, 2009: 13). Economics both focuses on the economics events and public relations helps the firms to be created on those feelings. And economics' public relations part uses all different sources of social sciences.

The perspective of public relations differs according to these three different sciences' paradigma. Hence, management science, communication and sociology-social-psychology are useful for public relations. Public relations is a help tool for the aim of a firm to maximize its profit. This has an organic tie between Veblen's *modern robbery barons*' notion. Veblen, makes a tie between modern robbery barons and the behavioral pattern of savage cultural society. The emulating between American Indians who destroy a great amount of fortune on bonfire to reinforce their prestige and modern robbery barons who show off their fortunes emerge as conspicuous consumption. Veblen who reminds that modern robbery barons who make conspicuous consumption mostly move like an art critic hope to earn respect imposing their tastes to general public (Perelman, 2015: 30, 31). The connection between modern robbery barons and conspicuous consumption made by Veblen can be explained by public relations into two ways. Firstly, sponsorship, artistry etc. which are called as philanthropic investments meet firms' conspicuous consumption requests. So, capitalists make those investments both welcoming their conspicuous consumption and opening new doors to gain more profits. Namely, consumers tend to consume the products of the firms which make philanthropic investments by the mediation of advertisements, announcements, public relations campaigns etc. Thus, firms can amplify their profit target by the mediation of conspicuous consumption.

Firms which wish their profit targeting always up use the public relations as consent production. Because public relations which is also a consent production can be possible only with this way. "[...] 'consent production' can be make possible to use strategies like lobbying, public relations, public diplomacy, the relations between media which are done by governments and firms." (Çınarlı, 2010; Büyükdoğan, 2016: 190). "Veblen has not only predicted the crisis which the system has fall into/will fall into by his glorious intuition, but also he predicted the ways which the system has found to reveal can be other crisis. Public relationship emerged by 1929 crisis to escape from complicity initially has reinforced ideological power of the system. But, public relations which is production of consent has started to move forward through crisis.

The first aim of public relations was to direct people re-consuming by the mediation of ensuring production of consent. Initially, the system worked, but then it has caused to start of other economic crisis. Because constant production of consent brings constant consuming and even overconsumption comes with production of consent. The path what having much more money than disposable income is borrowing? However, the system which manages skipping borrowing-unemployment and refund reverses the expectation of gaining more profit. Put it differently, the firms which reinforce their gaining profit power with ideological production of consent will start to make loss that's because of the effect of excessive loaning. Namely, excessive production of consent sabotages economics capacity instead of meets people's necessities with rational production. Hence, the connection between public relations and production of consent has been continued where the firms' want to be the place of people instead of meeting people's necessities like the connection between overconsumption-overproduction.

Results

Thorstein Veblen distinguishes classes into two parts: One is a ruler and the second is the directed. And with his sentences they are called by *predatory class* and *peaceful productive class*. Why he is seemed to be a unique scientist is about where he lives and his origins. He lives an immigrant child of a Norwegian family in USA. And the time when he lived is also the time of arising of capitalism. Capitalism mind focuses on maximizing profit. It is without any doubt cannot be seen awkward. But, seeing workers as robots and ignores every bad situation falls the system down. And Veblen's genius is in here. Because, with his important concepts he saw the system's lacks, and gave a warning to the system's rulers. Unfortunately, the system ignored him too. His lifetime story especially in academic world is the most dramatic indicator of it.

Thanks to faith of science, time showed the world he was right. But, of course, as in every system people suffered from the big crisis. Because the Great crisis of 1929 didn't not only collapse of big firms, it collapsed every citizens' life in USA but as well. However, capitalism always finds a solution to release the system again. After end of the 1929 crisis it found a new solution: Public relations. This new solution is highly powerful. Because in this time capitalism system finds a way to make the profits much possible than formerly in order to convince people. So, in here public relations is pillared itself to different kinds of science: administration, communication and sociology-social psychology. And those are affected to convince people to buy products and services by three different aspects of public relations.

Now, Veblen's one of the most important notion *conspicuous consumption* has come into consumers' life. This time, capitalism makes it maximizing profit by the mediation of convincing people. And consumers use the products and services as if they really need them. But, actually not. And the way to push them to buy products and help to capitalism maximizing profit is conspicuous consumption. Consumers want to feel themselves as if they belong in one upper class.

Consequently, economics system and public relations has a mutual effect on consumers' life. Public relations helps economics to move on. And also, capitalist system works how the economics wants to be by the mediation of public relations. Most of the consumers tend to consume conspicuous consumption. And Veblen's concepts and mind are still valid for today's capitalism system.

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The Consequences of Corruption on Inflation in Developing Countries: Evidence from Panel Cointegration and Causality Tests

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Corruption is a multidimensional issue with far-reaching effects and is highly related to disciplines of sociology, political science, history, economy and public administration. Thus, it is quite difficult to make an exact and comprehensive definition of corruption. Corruption is generally defined as “*the use of public office for private gain*” (Gray-Kaufman, 1998; Rose-Eckerman, 1999; Lambsdorff, 2007). The main difficulty faced by the researchers while conducting studies to measure the economic effects of corruption is the way corruption is measured and the reliability of this measurement. Although there is not a consensus on the positive and negative effects of corruption on economic indicators, the general view is that its negative effects will outweigh the positive ones in the long run. Corruption emerges as a negative construct which erodes property rights, harms political institutions and complicates the nature of economic development (Hodge et al., 2011).

The studies which examined the relationship between corruption and inflation generally found a positive and significant relationship between inflation and corruption. According to Nordhaus (1975), opportunist political parties use their existing public authority and increase government spending to be re-elected in the short term and to remain in power. Politicians finance the budget deficits created by the increase in government spending over taxes or emission. Increasing the volume of money through emission leads to inflation. Moreover, corruption reduces efficiency by preventing the efficient distribution of resources. The transfer of these resources from productive fields to less-controllable and manipulated projects affects financial performance negatively. On the other hand, an increase in prices is to lead more to illegal and unethical behaviors like theft and fraud (Braun & Di Tella, 2004: 80). High inflation which reduces the income of individuals and groups, impairs income distribution and increases uncertainty in the economy. Due to the rapid and continuous decrease in purchasing power, people may seek ways to illegally generate income (Al-Marhubi, 2000: 200).

This study examines the relationship between corruption and inflation using the data for 20 developing countries for the 1995-2015 period and the panel data analysis techniques. For this purpose Freedom from Corruption data set developed by the Heritage Foundation was used to measure corruption. High values in Freedom from Corruption index point to low levels of corruption in a country, so each value in this index is deducted from 100 and reversed for ease of interpretation. Thus, the freedom from corruption variable which is reconstructed for econometric analysis is expected to have a positive sign. Econometric analyses were conducted using the RATS Data7.0 and Gauss10 software. The model to be estimated to determine the relationship between corruption and inflation is given in Eq. (1):

$$INF_{i,t} = \beta_0 + \beta_1 GDPPC_{i,t} + \beta_2 OPEN_{i,t} + \beta_3 M2_{i,t} + \beta_4 COR_{i,t} + e_{i,t} \quad (1)$$

In this equation, i represents cross-sectional units, while t is time and $e_{i,t}$ is the error term. Detailed information on the variables in the long-term equation is given in Table 1.

Table: 1
Definition of Variables and Data Sources

Variables	Explanations of Variables	Data Source
<i>INF</i>	Consumer prices (annual %)	World Bank, W.D.I.
<i>COR</i>	Freedom from corruption index	Heritage Foundation
<i>GDPPC</i>	GDP per capita growth (annual %)	World Bank, W.D.I.
<i>OPEN</i>	Exports plus imports of goods and services (% of GDP)	World Bank, W.D.I.
<i>M2</i>	Broad money growth (annual %)	World Bank, W.D.I.

Before conducting an econometric analysis, the effect of countries with cross-sectional units on each other must be tested with cross-sectional dependence methods. Breusch and Pagan (1980) *LM* (Lagrange Multiplier), Pesaran (2004) *CD*, *CD_{LM}* and Pesaran et al. (2008) *LM_{adj.}* (bias-adjusted CD) tests are the most commonly-used methods to test the cross-sectional dependence. The cross-sectional dependence test findings in the Table 2 indicate that the null hypothesis stating that there is no cross-sectional dependence based on all of the methods is rejected at 5% significance level.

Table: 2
Cross-Sectional Dependence Test Results

Test	Statistics	Probability
<i>LM</i> (Breusch & Pagan, 1980)	180.3	0.68
<i>CD_{LM2}</i> (Pesaran, 2004)	-0.496	0.31
<i>CD_{LM}</i> (Pesaran, 2004)	-1.338	0.09
Bias-adjusted CD test (Pesaran et al., 2008)	-0.582	0.72

The fact that the cross-sectional dependence test points to cross-sectional independence among the countries in the panel mean that some first generation methods could be used in the unit root, co-integration and causality analyses. Thus, three different unit root tests which are Levin, Lin and Chu (2002, hereinafter LLC), Im, Pesaran and Shin (2003, after this IPS) and Hadri (2000) are used to analyze and determine the stationary levels of the series.

Table: 3
Unit Root Tests Results

Variable	LLC		IPS		Hadri	
	Level	First Diff.	Level	First Diff.	Level	First Diff.
<i>CPI</i>	6.10***	-13.1	-5.18	-16.2	6.32***	23.2
<i>GDPPC</i>	-3.51	-9.63	-2.56	-9.97	8.07***	8.25
<i>OPEN</i>	-2.07*	-6.53	-1.17***	-6.22	7.66***	4.70
<i>M2</i>	-1.62***	-9.43	-2.94	-14.1	5.54***	16.2
<i>COR</i>	-15.6	-14.5	-14.1	-14.6	6.70***	6.14

Note. *, **, and *** indicate series have unit root at 1, 5, and 10 percent levels of significance, respectively.

The results of the unit root test can be seen in Table 3. As the results reveal, the variables are integrated of different levels. Although the variables of inflation rate (*CPI*) and money supply (*M2*) have unit root at the level according to LLC and Hadri tests, they are stationary at level according to the IPS method. The variables of *GDPPC* and *COR* are not stationary at the level according to the IPS and LLC unit root tests, while *OPEN* has unit root at level according to all the unit root tests. The results, which are obtained when the first differences of the variables are taken and subjected to unit root test again, show that each series becomes stationary at the first difference and the unit root disappears. Following these findings, the presence of a long-term relationship among the series was investigated through Pedroni (1999) and Kao (1999) co-integration methods and results of the analysis were reported in Table 4.

As the results in Table 4 show, according to five of the seven statistical calculations developed by Pedroni for both the constant and the constant-trend model, the null hypothesis is rejected at 99% significance level. This result indicates that there is a long-term relationship among the variables in Eq. (1). The findings of Kao (1999) test verify this result as well. The t statistics in the constant model

of the Kao (1999) residual co-integration test shows that the null hypothesis is rejected at 99% significance level and that there is a long-term relationship among the variables.

Table: 4
Pedroni and Kao Co-integration Tests Results

	Constant	Probability	Constant and Trend	Probability
Pedroni (1999)				
Panel v	1.226	0.11	-0.405	0.65
Panel rho	-2.684	0.00	-1.473	0.07
Panel pp	-17.11	0.00	-18.99	0.00
Panel adf	-12.88	0.00	-9.031	0.00
Group rho	1.012	0.84	1.836	0.96
Group pp	-10.72	0.00	-14.38	0.00
Group adf	-3.93	0.00	-2.610	0.00
Kao (1999)				
t statistics	-6.69	0.00		

Note: Lag selection is based on the SIC with maximum of 3 lags.

Table: 5
Panel Mean Group Estimation Results for 20 Developing Countries

	GDPPC	M2	COR	OPEN
Azerbaijan	-0.54	0.39**	0.53	-0.10
Argentina	-1.70***	0.39***	-1.16***	0.27
Brazil	0.95	0.95***	1.92***	0.34
Bulgaria	-3.75	3.37***	4.57**	-0.23
China	0.62	0.27	2.59***	0.19
Egypt	-2.46***	0.54***	-2.76***	1.04***
Hungary	-0.80**	1.13***	1.20***	0.09**
Indonesia	-0.59	0.87***	1.30*	0.27
Kazakhstan	-3.31***	0.53***	0.76***	0.30**
India	0.93*	1.96***	-0.40*	-0.28**
Malaysia	-1.67***	2.06***	0.25	0.10
Mexico	-3.35***	0.35***	0.23	1.00***
Pakistan	1.69*	0.12	-1.58***	-1.75***
Poland	-0.73	1.19***	-0.77***	0.20*
Russia	-3.44***	2.52***	-1.93***	-0.40
South Africa	2.52	1.43***	0.05	0.05
Tunisia	-2.77***	1.43***	0.50	-0.07
Turkey	-0.12	0.79***	0.65	-0.45
Thailand	0.14	0.63	0.12	0.49
Romania	-2.51***	0.83***	0.47	0.05
PANEL	-1.05**	1.05***	0.33	0.06***

Note: *, **, and *** denote statistical significance at the 10%, 5%, and 1% levels, respectively.

Table: 6
Canning and Pedroni (2008) Causality Test Results

COUNTRY	COR → INF	Probability	COUNTRY	COR → INF	Probability
Azerbaijan	-0.770**	0.04	Malaysia	-1.195**	0.04
Argentina	-1.528***	0.01	Mexico	-0.190	0.13
Brazil	0.149	0.65	Pakistan	-0.344	0.15
Bulgaria	0.004	0.81	Poland	-0.141	0.62
China	-0.818*	0.10	Russia	-0.305**	0.02
Egypt	-0.246	0.43	SouthAfrica	-2.074***	0.01
Hungary	-0.240	0.40	Tunisia	-0.481	0.34
Indonesia	-0.793***	0.00	Turkey	-0.141*	0.10
Kazakhstan	-0.133	0.35	Thailand	-1.584**	0.04
India	-0.211	0.33	Romania	-0.147**	0.02

Note: ***, ** and * indicate rejection of the null hypothesis of no causality at 1, 5, and 10 percent levels of significance, respectively.

As a result of the finding that the variables in Eq. (1) move together in the long term, parameter coefficients were obtained for each variable with panel MG estimator methods developed by Pesaran and Smith (1995) in the next stage. The coefficients for each country are presented in Table 5. Mean Group estimator shows that in 14 of 20 developing countries, corruption affects inflation rates

positively, while in 6 countries, it affects inflation rates negatively. The positive relationship between inflation rates and freedom from corruption also indicates that corruption increases the inflation rates in a country. However, the results are statistically significant in 6 of the 14 countries with positive interaction and all the countries (n: 6) with negative interaction.

Causality relationship between variables was investigated through the Canning and Pedroni (2008) causality analysis and results are reported in Table 6. The causality test results indicate that there is causality from the level of corruption to inflation rates in 10 of the 20 countries in the panel.

Belief and Communication in Tax Compliance: An Experiment

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Laboratory experiments are becoming popular for researchers working on tax compliance. In these experiments, participants are invited to the laboratory and are given or allowed to earn income. Then they are asked to report these incomes, which are private information for them at this stage, in order to be reduced by a certain ratio. Then, some of the participants are selected randomly and audited. In case of underreporting, underreporter has to pay the reduction amount and a fine. These stages represent a taxation process by keeping other determinants external, such as tax morale.

Previous experiments show that audit frequency and magnitude of fine are effective in compliance. On the other hand, compliance is negatively correlated with marginal tax rate (see Fonseca & Myles, 2011 for a review).

Another observation from previous experiments is that participants behave accordingly to what they believe as the social norm. In other words, tax compliance increase as participants believe that compliance is the norm, and vice versa (see Alm, 2011). In this paper, we are testing how individuals believe what others believe and behave in a taxation experiment. Additionally, we let participants to communicate each other and share their opinions about others' behaviour.

In the experiment, participants are first allowed to earn their experimental individual income. In the second stage, they are asked to report these incomes. Participant are aware of that they can report any amount, that these reported incomes would be reduced by a certain ratio, and that there would be an audit. In the next stage, there is an audit with a certain probability. If the audited participant is found non-compliant, then s/he has to pay the full reduction plus a fine, otherwise nothing changes. Participant's earning is:

$$e_i = m_i - t * r_i + f * (m_i - r_i)$$

In the equation above, m_i represents participant's earning, t represents the tax rate, r_i is the reported income and f is fine multiplier. If participant reports his/her full income ($r_i = m_i$), then the earning is $(1 - t) * m_i$. If s/he underreports and is not audited, then the earning is larger than this amount. If s/he underreports and is audited, then s/he has to pay the full tax plus a fine which is a multiple of the evaded amount. Notice that fine part of the equation is applied when the participant is audited and found underreporter.

In our experiment, control treatment is the base experiment stated above. In control treatments, we add new features: in *belief* treatment, participants are asked to guess the compliance rate and guesses of the compliance rate of the whole group before they report their income. This guess is incentivised, i. e. participants earn experimental income if their guess is correct, and therefore we expect participants would reveal their actual belief about the group belief and behaviour. In communication treatment, participant are allowed to send a message to another participant about his/her belief about group behaviour. After seeing the message, participants will guess the compliance rate and report their income.

This experiment aims to test how belief and sharing beliefs shape the behaviour in a tax compliance setting. Since other factors are controlled, any difference between treatments can be attributed to the feature in question. Below we present our hypotheses:

H_{01} = *Participants behave according to what s/he believes how others behave*

H_{02} = *Communication does not affect the behaviour of participants*

In the first hypothesis, we test whether belief about others' behaviour determines the compliance decision. This can be tested with a regression where compliance decision is explained by belief about group compliance. The second hypotheses tests the effect of communication on social norm, thus compliance decision. Here we make treatment tests for control and communication groups.

The experiment is scheduled in April 2017 at Hitit University. Participants will be Public Finance undergraduate students, and experimental income will be converted to class grades for the final exam of a selected lecture. The results of the experiment will be reported at the conference.

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28 April 2017 Friday

Session: III-B / 14.00-15.30

ENERGY & ENVIRONMENTAL STUDIES

Room: *Prins Hendrik 3*

Chair: **Faik KORAY**

- Diplomacy Impact on Energy Supply Security: Turkey Case
Leman ERDAL
- Evaluating Emissions from Energy Production in Turkey by Using the Analytic Hierarchy Process
Yagmur KARA
- The Comparison of Fuel Tax between Turkey, EU and OECD
Hasan Bulent KANTARCI
- The Effects of Increasing Domestic Coal Share in Electricity Generation under Energy and Climate Policies in Turkey: Input-Output Analysis
Levent AYDIN
- The Effect of Household Heterogeneity on Consumption Expenditure: Simultaneous Quantile Regression Analysis
Egemen IPEK & Ozlem SEKMEN

Diplomacy Impact on Energy Supply Security: Turkey Case

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Keywords : Energy Security, Geopolitics of Energy, Energy Diplomacy, Turkey.

JEL Classification Codes : Q40, Q48, N70, F59.

Energy, as a source of wealth and power, has been the main cause of geopolitical rivalry between states who desire to control and exploit energy resources. The safe, sustainable, reliable energy supply at reasonable prices is in the first place on the agenda of many countries who has rising oil demand as the sustainable energy supply is highly crucial for a healthy functioning economy.

The concept of energy security, by its nature, has a broader definition with multiple dimensions including social, military, economic aspects. It has also multi-dimensional aspect such as geopolitics that is the intersection of energy's political geography and other international concerns of energy security including energy supply and demand security. It has been analyzed from three points of view: depletion of energy resources physically and increasing energy prices are both analyzes from economic point of view. The last one is from political point of view which state that energy resources are used as a political tool by some energy exporting/rich countries to influence other countries' decisions (Gurbanov, 2013).

As fossil fuels, especially oil, approach towards the peak production point; geopolitics of energy is increasingly affecting the future of countries. The issue of energy security turned out to foreign policy priority of both energy expoting and energy-importing countries (Gurbanov, 2013). Unbalanced distribution and physical depletion of energy resources are main reasons for energy supply security and energy diplomacy.

The energy prices, has always been the most important risk factor for energy supply security since oil prices have a negative effect on global oil consumption, and prices of oil substitutes. Energy prices have been triggerred to increase by the depletion of the conventional fossil fuel sources (coal, oil and natural gas) which are highly concentrated in certain regions of the world, rapidly increasing global energy demand and the competition over energy reserves.

From economic point of view, increasing energy prices has three different dimensions in the concepr of energy security. It is an "*energy supply security*" concern for consumer countries who has huge energy consupion like China; energy transmission is crucial for countries on the way of energy transit route like Turkey. Lastly it is the energy demand security for countries that generate much of income from energy export such as Russia. While energy security is defined by consumer and transit countries as "*cheaply provided energy from diversified energy-lines*"; it is defined as "*energy exports at monopolistic prices and lines*" by the producer countries who derive the majority of their income from energy exports (Erdal, 2011; Dent, 2013). These three dimention in economic defitions take bidirectional solutions to the energy security concerns for all.

Access to energy is the key element for both sustainable economic development and political stability which are two concepts mutually feeding each other.

Most of the researchs identify that political instability (war and conflicts), sanctions, underinvestment, threats to energy transportation and energy investment regulations in the host country are factors, which affect energy supply security of exporting countries/regions and influence global energy security (Vakhshouri, 2011).

The nature of the world's energy markets differs from sector to sector. As the current structures of global energy security are more dependent on oil than any other fuel source; the oil market is the most globalized and integrated of all. Although oil is distributed by tankers, by sea; the natural gas is mostly transported by land-based pipeline networks as it is regionalized or localized rather than globalized. *This limits the geographic scope of sourcing natural gas for importing countries as they are reliant on gas supplier nations in their regional neighbourhood* (Dent, 2013). Kubicek (2013) assert that *Caspian basin is landlocked, dependent upon pipelines or shipping arrangements through neighboring states to get oil and gas to global consumers*.

Energy supply security, which means access of safe, sustainable, environmentally reliable energy at a reasonable price, is the source of both conflict and cooperation between states. It is said that the competition over energy reserves in the Caspian Basin will continue for many more years due to factors of the security issues, increasing global energy demand, domestic politics within the region and the strategies of external actors. On the other hand Turkey's proximity to both Middle East and Caucasian energy basins gives it the chance to become a candidate for energy corridor which links energy suppliers and consumers. Also, a perfectly set up energy diplomacy with energy actors is expected to give opportunity to ensure energy supply security.

This study tries to combine the concept of diplomacy with the concept of energy security, focusing on fossil fuels basically petrol and the natural gas as diplomatic assets.

Diplomacy is defined as "the assets that governments utilize for protecting and developing their interests within the framework of their complex economic, political and cultural relations with other governments or international organizations" (Uludağ et al., 2013; De Jesus, 2013; Dent, 2013).

The article is structured within three sections. The first section includes definitions of the concept of energy security, geopolitics of energy and energy diplomacy which is a sub-section in foreign politics. In the second section the strategic nature of energy sources and geopolitics of energy will be discussed within the light of energy diplomacy between different states/regions.

Energy diplomacy which contain diplomatic methods for utilizing energy (reserves or transfer routes) for maximizing nation state's energy interests via bilateral, multilateral, regional and global relations of energy demand and supply. The the implementation of energy diplomacy by energy actors will be analysed on historical basis and a focus will be given on Turkey.

The last section is assigned to Turkey's energy diplomacy practices that will be examined in terms of both domestic and international interactions. Turkey's efforts toward more secure energy supply through diplomacy via collaboration, cooperation with nation states or multilateral organizations will be discussed.

Energy diplomacy is a sub-element of energy policy that enable governments to protect and maximize their national energy policy interests. It is said that energy diplomacy cannot identified as positive or negative in practice, but there are differences triggered by the amount of fossil energy resources or transfer routes that a government commands. The major energy actors implement their diplomacy tools in the global energy rivalry in accordance with their economic, military and political capabilities. The maximum rate of exploitation, reliable transferring and trade of fossil energy resources turns them into diplomatic assets in this rivalry. The study will analyze the new opportunities and threats between Turkey and its energy suppliers which have remarkable market power in energy supply.

Evaluating Emissions from Energy Production in Turkey by Using the Analytic Hierarchy Process

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Keywords : Air Pollution, Analytic Hierarchy Process, Energy Production, Energy Sector.

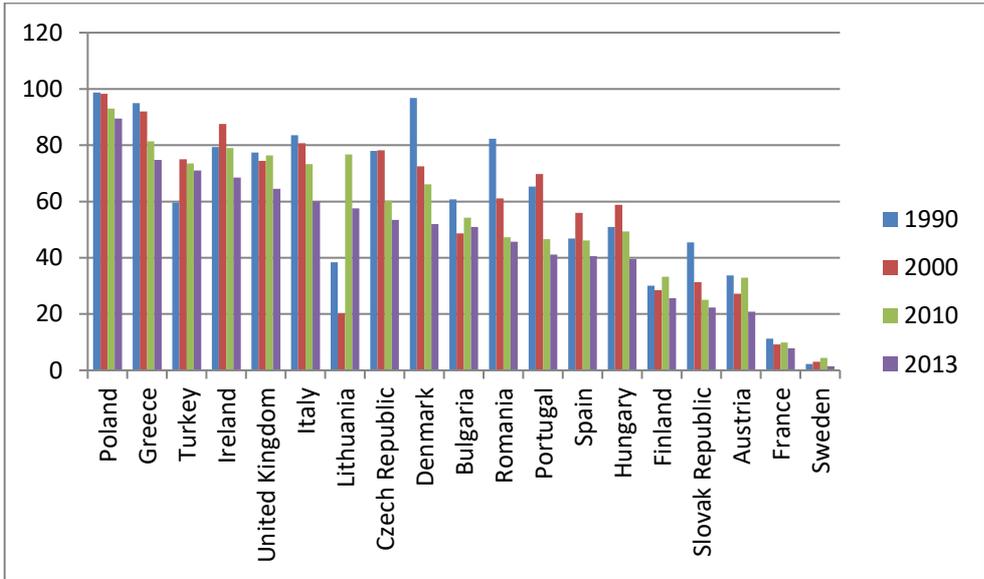
JEL Classification Codes : Q53, O13, Q56, Q43.

Anthropogenic air pollution mainly arises from energy production and its use. A higher level of energy consumption ensures the higher economic growth furthermore environmental degradation and health effects on society. Turkey as a rapidly growing economy has been experiencing increasing demand of the energy sector. According to the projections of Ministry of Energy and Natural Resources, the final electricity demand will be doubled in 2023 compared to 2015. The main structure of energy production of the country is based on fossil fuels. By the end of 2015, the share of natural gas and coal in energy production was 37,8% and 28,4% respectively. Although Turkey has been trying to increase the share of renewable energy sources in recent years, this rate is still very low. For this reason, air pollution should not be disregarded and sustainability of economic growth must be ensured. The objective of this study is to compare the air pollution of Turkey occurred by energy production between 2006 and 2011. To this aim, an Analytic Hierarchy Process (AHP), one of the most widely used decision-making tool, is proposed. SO_x, NO_x, NMVOC, NH₃ and CO₂ are five main criteria of the hierarchy and the six years between 2006 and 2011 are considered as alternatives. SuperDecisions software v.2.8.0 is employed for the analysis. Equal weights are assigned to the criteria. The results indicate that 2006 is the best performed year and is followed by 2007 (0.890632). On the other hand, 2008 (0,815518) and 2011 (0,82364) are rated as the least performed years.

Introduction

Economic growth rate of Turkey has been rising significantly in recent years. This remarkable economic growth is ensured with the increasing energy consumption. The energy use increased by 36% and reached 1540 kg of oil equivalent per capita by the end of 2014 (World Bank, 2017). This remarkable energy demand growth has been related to rising growth of air polluters. Urbanization, industrialization and the power plants which use fossil fuels are the main sources of the emissions (IEA, 2016).

Graph: 1
Electricity Production from Fossil Fuels (%)

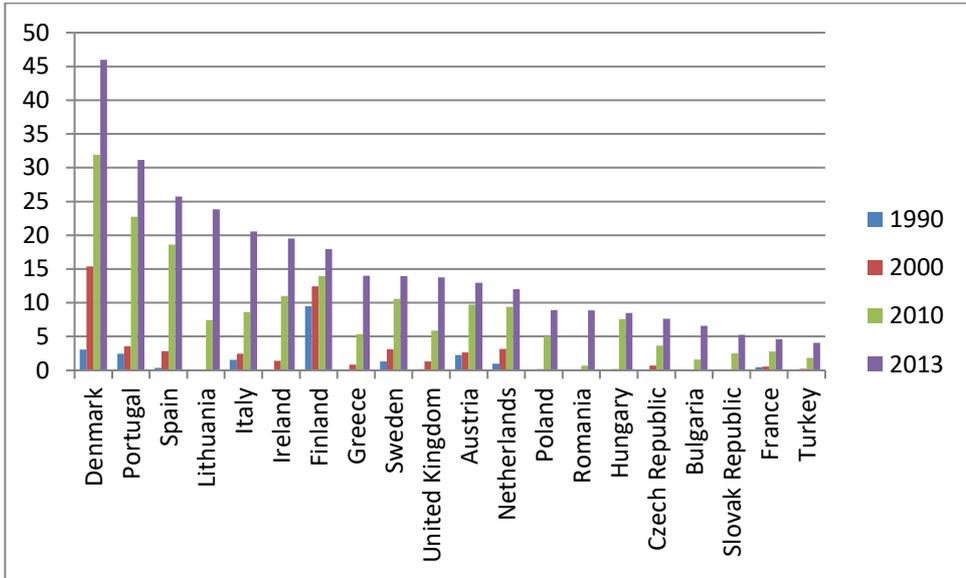


Source: *World Bank, 2017.*

The source of the energy production is as important as meeting the energy demand of the country. In the graph, (Graph 1) a comparison of the selected European countries' percentage of the fossil fuels in electricity production can be seen. In 1990, electricity production from fossil fuels in Turkey was 60%, in 2013 it has risen to 71%. In Sweden, France, and Austria these rates are 1%, 8% and 21% respectively, in 2013. Compared with Turkey, energy production from fossil fuels are significantly low.

Turkey has been attempting to fulfill the energy needs from renewable sources in recent years. In Graph 2 below electricity production percentage from renewable sources can be seen. By the end of 2013 this rate is 4%. However, when compared to other countries, this capacity is still very low.

Graph: 2
Electricity Production from Renewable Sources, Excluding Hydroelectric (%)



Source: World Bank, 2017.

Emissions of sulfur dioxide and other air pollutants due to the use of fossil fuels in power generation and industry generally rise as economies industrialize (IEA, 2016). Air pollutants can be grouped into four categories (Kampa & Castanas, 2008);

- 1) Gaseous pollutants (e.g. SO₂, NO_x, CO, Ozone, Volatile Organic Compounds)
- 2) Persistent organic pollutants (e.g. dioxins)
- 3) Heavy metals (e.g. lead, mercury)
- 4) Particulate matter

Gaseous pollutants which cause the air pollution in the atmosphere and affect both human health and ecosystem are the results of human activities but mainly combustion of fossil fuels (Kampa & Castanas, 2008). For this reason, pollutant gasses were taken as criteria in the study.

Methodology and the Model

The Analytic Hierarchy Process (AHP), a mathematically based decision support tool to solve complex multi-criteria decision making problems (Saaty T. L., 1980). The AHP has been widely applied in a wide range of study fields and is an effective method for evaluating the complexity by decomposition problem into criteria and attributes hierarchically. AHP method is based on pairwise comparison matrixes and calculating the largest eigenvalue related to the eigenvector.

AHP has five basic steps (Saaty & Kearns, Analytical Planning the Organization of the Systems, 1985);

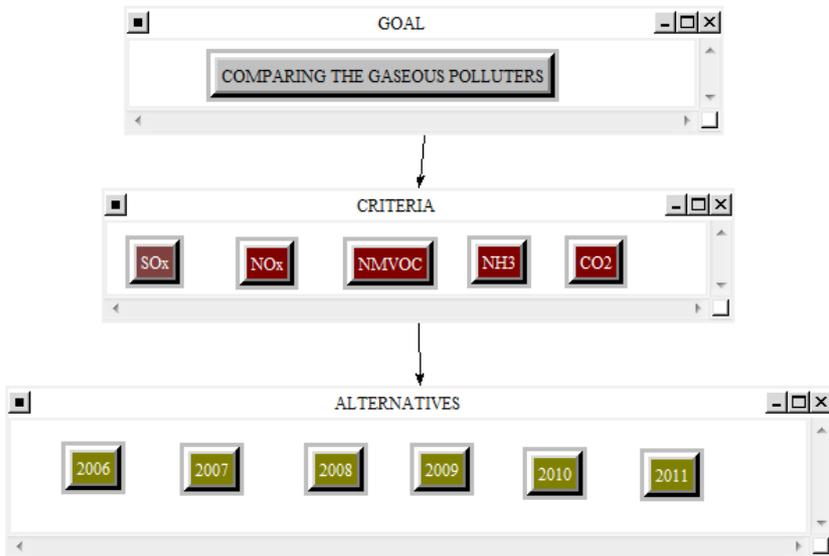
- defining and determining the problem;
- decomposing the problem in a hierarchy from the top through the intermediate levels;

- constructing a set of pair wise comparison matrices;
- testing the consistency index;
- synthesizing the hierarchy to find out the ranks of the alternatives.

In order to compare the gaseous pollutants arise from energy production and distribution sector a hierarchy tree is developed. The goal of the problem exists at the top of the hierarchy. The goal is to compare five pollutant gaseous types' performances of selected years. The pollutant categories are limited with gaseous pollutants. SO_x, NO_x, NMVOC, NH₃ and CO₂ were chosen as five main criteria for the second level of the hierarchy. The criteria clusters are connected to the goal and equal weights are assigned to each criterion. All data have been drawn from Turkish Statistical Institute (Turkish Statistical Institute, 2017). The latest statistics are published in 2011. Since the method has a restriction on the number of criteria and alternatives (Saaty & Özdemir, 2003) the alternatives of the research are limited between 2006 and 2011. The analysis has been performed by SuperDecisions v.2.8.0 software. To assess the performances, a hierarchy tree is presented in Figure 1.

The data was normalized by dividing each value by the total for constructing the pair wise comparison matrix. Then the criteria were pair-wise compared and computed via SuperDecisions v.2.8.0. Since the consistency ratios were less than 0.10 the pairwise comparison matrixes were accepted as consistent.

Figure: 1
Hierarchy Tree



Results and Conclusion

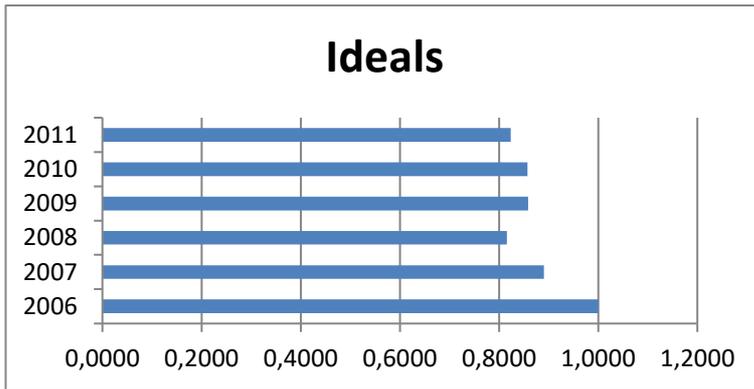
The overall synthesized priorities for the alternatives can be seen in Table 1. According to the results, 2006 has the highest performed year when equal weights assigned to the gas pollutants. In

other words, environmentally least damaged year is 2006. In the following years, the performances have decreased. The second ranked year is 2007 (0.890632). It is followed by 2009 (0.858415), 2010 (0.857318) and 2011 (0.823640). And finally, the least performed year is 2008 (0.815518).

Table: 1
Results of the Model

Alternatives	Ranks	Ideals	Normals	Raw
2006	1	1.000000	0.190639	0.095319
2007	2	0.890632	0.169789	0.084895
2008	6	0.815518	0.155469	0.077735
2009	3	0.858415	0.163647	0.081824
2010	4	0.857318	0.163438	0.081719
2011	5	0.823640	0.157018	0.078506

Graph: 3
Graphical Results of the Model



In this paper, a multiple criteria decision-making model is presented to rank and compare the selected years in terms of air pollutants caused by energy production and distribution sector. By the ability to combine the criteria, AHP simplifies the comparison process. As a decision support tool, AHP can support authorities by calculating the relative performances of the alternatives for policy making process. The analysis presented here can be repeated by consulting to the experts to assign different criteria weights.

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The Comparison of Fuel Tax between Turkey, EU and OECD

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Keywords : Fuel Taxation In Turkey, Special Consumption Tax, VAT.

JEL Classification Codes : F53, F55, F59.

In this article, the Special Consumption Tax on fuel products was researched and compared with OECD and EU member countries and economic effects were explained. In Turkey, Special Consumption Tax (SCT) and Value Added Tax (VAT) are mainly based on fuel products. Compared with overseas applications, it is concluded that the tax on fuel oil in Turkey is similar to that of OECD and EU countries and the tax burden is similar. However, when compared to OECD countries, taxes on fuel products are ranked the seventh highest in the OECD countries after Israel, the Netherlands, the United Kingdom, Italy, Finland and Greece, when Turkey is ranked in terms of taxes on fuel. However, the fact that the current tax practice in Turkey is higher than the income and corporate taxation has resulted in a burden on some sectors and a slowdown in economic development.

Purpose of Work

Taxes on fuel oil have an important place in the tax revenues of the states. This type of taxation has a significant contribution to public revenues as well as an opposition to the management of the country's economy as an important instrument in terms of intervention. Some countries maintain high tax rates in order to reduce consumption of fuels that are more harmful to the environment by setting emission and environmental criteria and try to direct consumption by keeping tax rates lower in cleaner known fuels.

Taxes on consumption are collected from imported goods, manufactured goods, tobacco, fuel, or private or general services or goods. Consumption taxes are divided into sales tax, VAT and private consumption tax (Piketty, 2015: 535). Consumption tax is the consumption of goods - in general, flexibility and necessity - to meet the needs of people, and the tax incentives are the expenditures people have made to get these goods. Expenditure taxes need to be consumed or changed hands for consumption. For this reason, areas such as food, clothing, energy, fuel, which are essential for consumption, are suitable areas for efficient spending. Taxes on expenses are indirect taxation as a rule. They are suitable for taxpayer psychology and management is much easier than direct taxation (Akdoğan, 2009: 273).

Taxation of Fuel Consumption in Turkey

In Turkey in August 2002, Private Consumption Tax Law no. 4760 was enacted and the Fuel Consumption Tax was abolished from the enforcement, but it was moved to the Private Consumption Tax Law by maintaining all the same features. With the Special Consumption Tax Law No. 4760, 16 different taxes, funds and duties and similar liabilities were collected under single tax regulation. This arrangement a simplification of the tax structure, ease of implementation has been provided and this regulation has contributed to bringing the Value Added Tax closer to EU norms (Taylar, 2010: 436-437).

In the application of the Special Consumption Tax on Turkey, especially on fuel oil, the fluctuation of oil prices has been determined as specific per liter to not adversely affect the public good. Special Consumption Tax is subject to one-time taxation at the time of delivery by the producers including

importers or refineries (Çapar, 2004: 127). In practice, gasoline produced in raffine is delivered to marketing company and SCT is born. In practice, gasoline produced in raffine is delivered to marketing company and SCT is born. The Marketing Company applies its own profit to excise duty gasoline and delivers it to the gas stations where we can call again wholesaler or retailer. At this stage, however, the excise tax will not be applied again.

In a study on the economic-political infrastructure of the diet of fuel consumption, several factors have been found to influence the rate of intake of fuel consumption (Goel & Nelson, 1999: 43-59). It is seen that more than 50% of Turkey's total private consumption tax incentive is due to the special consumption tax on oil and natural gas products. When the share of excise tax on petroleum and natural gas products in total tax revenues is examined, it is observed that it changed between 12,75% and 10,5% (Gelir İdaresi Başkanlığı, 2015).

Taxation of Fuel Consumption in OECD and EU Countries

Looking at the OECD countries, it appears that there are different approaches to the taxation of fuel products. Gasoline is a type of fuel consumed mostly by final consumers (households). The average retail tax on gasoline for 34 OECD countries is 50.12%. The countries with the lowest tax rates were Mexico with 13.79% and the USA with 14.75%. The highest tax-paid countries are Israel with 68.07%, the Netherlands with 61.93% and the United Kingdom with 61.05% (OECD, 2014a; Canadian Fuels Association, 2013: 6; Graham & Glaister 2002: 22).

Turkey is the seventh country to receive the highest tax when it is ranked from top to bottom with a tax rate reaching 59% of gasoline sales price. Looking at the index of the retail price of the taxed-to-retail price, 53.15% is reached. It means that OECD countries outside the USA, Mexico, Australia and Canada are taxing very high taxes on the petrol (Gelir İdaresi Başkanlığı, 2014; OECD, 2014a; OECD, 2014b).

The use of diesel fuel (motor) is a type of fuel consumed mostly by production units, commercial and industrial sectors. For the diesel fuel type, when looking at the tax on the diesel, a similar picture appears on the petrol. The average tax rate for 34 OECD member countries on diesel fuel is 42.92% and the median is 47.03%. Turkey is the sixth OECD country to receive the highest tax on diesel following the United Kingdom, Italy, Israel, Norway and Sweden (OECD, 2014b; Sterner, 2007: 3197).

Conclusion

Turkey is the seventh country in the OECD countries after Israel, the Netherlands, the United Kingdom, Italy, Finland and Greece, when it is ranked from top to bottom in terms of taxes on gasoline. In terms of taxes on diesel fuels, it is the sixth highest taxing country. Taxes on fuel oil cause an effective but unfair taxation structure. The increase in the share of these taxes in tax revenues will start to cause a disruption of income distribution, a contradiction to tax justice, and negative effects on other dynamics of the economy. Fuel is also the source of the industry as an energy source. This input usually appears as logistics and partly as an energy source of production units. Increasing logistics costs in industry and especially in sectors where transportation has a great share in agriculture and production costs, fuel oil will be used as a significant cost factor and it will be applied as a factor that negatively affects the domestic price level and also reduces competitiveness in terms of foreign trade.

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The Effects of Increasing Domestic Coal Share in Electricity Generation under Energy and Climate Policies in Turkey: Input-Output Analysis

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Keywords : Energy and the Economy, Climate, Air Pollution, Input-Output.

JEL Classification Codes : Q43, Q53, Q54, C67.

Turkish electricity generation industry is a rapidly growing market due to the strong economic growth, rapid population growth and urbanization, and extension of electrification to the whole country rising per capita electricity demand (Ozturk et al., 2007; IEA, 2016). Rapid population and economic growth has given rise to rapid growth in electricity demand. Over the past quarter century, the average annual growth rates of electricity generation and demand were both around 6.5% while generation capacity grew by about 6.1%. During the same period, per capita electricity demand grew annually by 6.1%. (Table 1).

Table: 1
Development of Turkey's Electricity Generation Industry

	1990	2000	2010	2015	Average annual growth rate
Population (thousands)	56,473	67,845	73,723	78,741	1.5
GDP(current USD, million)	150,676	266,568	731,145	717,880	4.2
Installed power capacity (mw)	16,318	27,264	49,524	73,747	6.1
Gross electricity generation (gwh)	57,543	124,922	211,207	261,783	6.5
Gross electricity demand (gwh)	56,812	128,276	210,434	265,724	6.5
Per capita electricity demand(kwh)	1,006	1,891	2,854	3,375	6.1

Source: *TURKSTAT and IEA.*

Table: 2
Overview of Electricity Capacity and Generation

Production and capacity from	Electricity Generation		Installed Capacity	
	GWh	%	MW	%
Coal	76,263	30,3	14,814	21,3
Gas	120,576	47,9	18,724	26,9
Oil	2,146	0,9	82,14	11,8
Hydro	40,645	16,1	23,643	34,0
Wind	8,520	3,4	3,630	5,2
Geothermal	2,364	0,9	405	0,6
Biofuels	1,082	0,4		
Solar PV	17	0,0	40	0,0
Waste	104	0,0		
Other sources	246	0,1	50	0,0
Total Production	251,963	100,0	69,520	100
Imports	7,953	3,1		
Exports	2,696	1,0		
Domestic Supply	257,220			
Energy Sector Own Use	14,447	5,6		
Losses	37,331	14,5		
Final Consumption	205,442			

Source: *IEA.*

As shown in Table-2 electricity is generated mainly from coal, oil, and natural gas fossil fuels, which made up 79.1% of total generation in 2014. Natural gas is the major fuel in electricity generation (47.9%), followed by coal (30.3%), and some fuel oil (0.9%). Since Turkey has no nuclear energy until

now, renewable energies are the third pillar in power generation including hydro (16.1%), wind (3.4%), geothermal (0.9%), biofuels and waste (0.4%) and solar (0.1%). Hydroelectric plants are the major installed capacity source, with 34%, followed by natural gas 26.9%, coal-fired power plants 21.3%, and wind 5.2%.

In Turkey the mix of electricity generation change each year due to the seasonality of capacity of hydro and disabled to work or unavailability of old lignite thermal power plants. For example the hydropower production was at a low level of 40.6 TWh in 2014, while hydropower production averaged 47.1 TWh for the period 2005-15, or 22% of total generation. The share of natural gas and hydro total generation has been volatile. In recent years, the use of coal in power generation has increased, while electricity production from oil declined. Natural gas has increased its share from 45.3% in 2005 to 47.9% in 2014 (IEA, 2016).

It is clear that Turkey mostly meets its energy demand from imported fossil sources due to the very limited indigenous oil and natural gas resources except lignite and some hard coal. As Turkey has only indigenous fossil fuel with significant lignite reserves, it is regarded as essential component to come across future energy demand, especially for electricity generation. The Turkish government expects coal, together with nuclear energy and renewable sources to play an important role in electricity generation and growing role in securing energy supply. (IEA, 2016) Therefore, government attempts to cover its electricity generation gap and decrease its dependence on foreign energy resources, mostly natural gas. The energy strategy of Turkey aims to increase the amount of electricity generated from domestic coal to 60 TWh by 2019 (MENR, 2015) and ultimately to generate electricity for all existing lignite and coal potential to ensure supply security. But this approach leads to the global and national environmental issues that must be taken into account particularly carbon emission and its implications on climate change.

The proposed analysis in this paper evaluates economic and environmental impacts of using more domestic lignite in coal-fired electricity generation on Turkish economy. Electricity generation sector for sustainable development is not only main issue for Turkey but it is also vital issue for many countries over the world. Therefore, this issue has been well studied on life cycle basis for developed or developing countries in literature. Even though life cycle analysis as a tool to assess sustainability is not without its limitations, (Bergerson & Lav, 2002), it is widely used as a tool for evaluation of the impact for a commodity to sustainable development because it is widely accepted perfectly suited for evaluating the environmental, economic and social sustainability (Atilgan and Azapagic;2016). In literature, the life cycle assessment studies of Uchiyama (2007), Weisser (2007), Bilek et al. (2006), Hondo (2005), Denholm and Kulcinski (2004), and Gagnon et al. (2001), are the most comprehensive examples on electricity generation. They used one or more indicators to make assessment especially, greenhouse gas emissions and possibly energy accounting in their studies. Gagnon et al. (2001) used wide range of indicators of sustainability in their study, but they do not consider social impacts. Life cycle assessment studies often employ not only process analysis but also input-output analysis. A large number of studies (Heijungs et al., 2006; Heijungs & Suh, 2002; Lave et al., 1995; Hendrickson et al., 1998; Joshi, 1999; Matthews & Small, 2000; Lenzen, 2002; Suh & Huppes, 2005) have evaluated the impacts of environmental, economic and social sustainability on electricity generation using input-output analysis. However Atilgan and Azapagic (2016) study only presents for the first time an integrated life cycle sustainability assessment of the electricity sector in Turkey, using multi-criteria analysis. Life cycle sustainability assessments using IO-based techniques generally result in more comprehensive results when compared to process analysis because the process system systematically cuts inputs from higher-level production processes by determining system boundaries (Lenzen, 2002; Suh & Huppes, 2005).

The aim of this paper is to evaluate the economic and climate change effects of increasing domestic coal share in electricity generation by using input output analysis. The policy scenario is to increase

investment for coal fired power plants used domestic lignite. In order to analyze this policy option, we specifically developed static input output model for Turkish economy. The electricity generation sector have mostly been evaluated using only limited number of economic or environmental indicators. In this paper, a range of key indicators incorporating four economic and five environmental indicators have been used to evaluate effects of increasing indigenous coal production on Turkey's economy. The impacts of value added, trade deficit and working hours for person are positively larger for coal fired electricity generation and coal mining sectors in a country regarding economic growth. In contrast to positive impacts of economic indicators, environmental results of input output analysis use of more coal use leads to the significant negative implications on climate change (greenhouse gasses) and pollutants to air.

The paper is organized as follows. The underlying method, which is based on input-output techniques firstly developed by Leontief (1941, 1966) and policy scenario and data are presented in section 2. The results of economic and environmental impacts of increasing coal share in electricity generation in Turkey are carried out in Section 3. The conclusions and policy recommendation are given in Section 4.

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The Effect of Household Heterogeneity on Consumption Expenditure: Simultaneous Quantile Regression Analysis

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Keywords : Consumption, Households, Quantile Regression.

JEL Classification Codes : D12, C21, D10.

This paper aims to investigate the linkage between household's total consumption expenditure and household heterogeneity which reflects the observed socioeconomic and demographic varieties among households. The potential effects of this heterogeneity which can be accepted as the main determinant of consumer expenditure differences among households on household consumption expenditure is examined for the year of 2014 with the Household Budget Survey data provided by TURKSTAT. In the analysis, simultaneous quantile and bootstrap method (SQR) which has some advantages over the classic Ordinary Least Square (OLS) technique is preferred to apply to identify the all over the distribution of consumption expenditure for the households. With this model the effect of household heterogeneity on the different quantiles of the conditional distribution of household's total consumption expenditure can be clearly characterized. We concluded that quantile regression analysis is more appropriate to show the effect of household's heterogeneities especially for skewed distributed socioeconomic variables on consumption expenditure.

Introduction

Determination of the factors influencing consumption behavior has been the subject of many empirical studies in the microeconomic literature with the availability of micro level data. Understanding the socioeconomic factors underlying household consumption behavior will provide important scientific clues as to whether policies are to be implemented by the government or the private sector and the effectiveness of these policies.

For this purpose, the effect of socioeconomic factors affecting consumption behavior of households in Turkey for the year of 2014 is estimated by applying simultaneous quantile regression (SQR) model using Household Budget Survey (HBS) micro data set provided by TurkStat. One of the main reasons of using the SQR method in this study is to provide more exhaustive information at different points of the distribution of household consumption expenditure compared to other mean-based estimators such as OLS (Mignouna et al. 2015). Thus, with this model the changing structure of the consumption expenditures in different points with household socio-economic factors such as age, gender, income, having social security, car ownership can be observed. Moreover, the effect of household heterogeneity on the different quantiles, Q10, Q25, Q50, Q75, Q90 of the conditional distribution of household's total consumption expenditure can be qualified. Although this paper based on the Çağlayan & Astar (2012) study, the most notable difference is that rural urban area separation is not included to our model as a dummy variable since the TurkStat has not been making the urban-rural separation since 2013 for the reason the with regulation on the metropolitan municipality law in Turkey. With this new law the distinction between rural and urban areas has become unclear. Also, in this paper log-log model has been applied.

Data and Methodology

The quantile regression model introduced by Koenker and Bassert (1978) is defined solution to minimize the equation (1) for the θ th regression quantile, $0 < \theta < 1$.

$$\min_{b \in R^K} \left[\sum_{t \in (t: y_t > x_t b)} \theta |y_t - x_t b| + \sum_{t \in (t: y_t < x_t b)} (1 - \theta) |y_t - x_t b| \right] \quad (1)$$

where; $\{x_t: t = 1, \dots, T\}$ is a sequence of K -vectors of a known design matrix, and $\{y_t: t = 1, \dots, T\}$ is a random sample on the regression process $u_t = y_t - x_t \beta$ having distribution function F .

The Koenker and Bassert quantile regression model is applied on the Household Budget Survey (HBS) micro data set for the reference year 2014. In the analysis, dependent variable is total consumption (C) defined as total value of all expenditures on individual and collective consumption goods and services incurred by resident households. Disposable income (Y), amount of money that households have available for spending and saving after income taxes have been accounted for, is used as an independent variable. The logarithmic values are calculated for both consumption and income variables. Household heterogeneity which reflects the observed head of household's and household characteristics, age, gender, education level, marital status, having social security, car ownership, household size is inserted in the model as independent variable. The education (edu) variable is identified as a continues variable takes the value of 0 if head of household is illiterate, 1 if head of household has primary education, 2 if household head has secondary education, 3 household head has high school and 4 if household head has high education level. Another dummy variable is gender takes 1 if head of household is a male otherwise it takes the value of 0. Marital status is also considered as a dummy variable which it takes the value of 1 if head of household is married, otherwise 0. Having a social security (ss) and car ownership dummies are denoted whether head of household has a social security and car or not. The age variable ranges between from 17 to 99. The equivalence scale defined by OECD is used for the size of household. This scale considers the 1 parameter for the first adult, 0, 5 parameters for the individuals 14 years old or older, and 0, 3 parameters for the individuals under 14 years old (TURKSTAT).

Table: 1
Results of OLS and QR

Variables	q10	q25	q50	q75	q90	OLS
logy	0.6392* (0.0121)	0.6640* (0.0142)	0.6839* (0.0108)	0.6593* (0.0134)	0.6058* (0.0161)	0.5941* (0.0271)
edu	0.0447* (0.0076)	0.0350* (0.0048)	0.0264* (0.0047)	0.0288* (0.0058)	0.0378* (0.0102)	0.0472* (0.0069)
age	-0.0047* (0.0006)	-0.0036* (0.0003)	-0.0030* (0.0003)	-0.0026* (0.0004)	-0.0013** (0.0006)	-0.0029* (0.0003)
gender	-0.0139 (0.0376)	-0.0114 (0.0163)	-0.0047 (0.0228)	-0.0463*** (0.0251)	-0.0085 (0.0374)	-0.0130 (0.0175)
marital	0.0575** (0.0250)	0.0486* (0.0167)	0.0155 (0.0223)	0.0319*** (0.0179)	0.0002 (0.0406)	0.0336** (0.0170)
ss	0.1088* (0.0343)	0.0452*** (0.0238)	0.0166 (0.0239)	0.0258 (0.0210)	-0.0049 (0.0320)	0.0512* (0.0193)
car	0.1377* (0.0125)	0.1477* (0.0098)	0.1788* (0.0096)	0.2686* (0.0127)	0.3958* (0.0233)	0.2333* (0.0129)
oecd	0.0622* (0.0075)	0.0491* (0.0059)	0.0524* (0.0085)	0.0717* (0.0086)	0.0857* (0.0110)	0.0746* (0.0087)
cons	0.4855* (0.1226)	0.5194* (0.1407)	0.5637* (0.0960)	0.9759* (0.1236)	1.6531* (0.1386)	1.3454* (0.2411)
Pseudo R ²	0.4296	0.4151	0.4071	0.3919	0.375	0.6148

Notes: (i) variables in parentheses are standard errors (ii) *, **, *** indicate significance levels at 0.01, 0.05, and 0.1, respectively.

Empirical Findings

The simultaneous quantile regression model is estimated using the HBS data to identify the all over the distribution of consumption expenditure changing with socioeconomic factors affecting consumption behavior of Turkish households for the year 2014. Table 1 presents the estimated coefficients of the quantile regression model and OLS model.

The coefficients in the table 1 are robust and almost all coefficients have expected sign. The results show that income has positive and statistically significant effect on consumption at all quantiles. At the 90th quantile, represents the households with high consumption, the effect of income on consumption expenditure is slightly less than others. The variable of age of household head has negative and statistically significant effect on consumption expenditure at all quantiles. However, the magnitude of these coefficients is small. It means that 1 year increase in the age of household head decrease the consumption expenditures at all quantiles nearly by 0.004 percent. The education variable is found positive and statistically significant at all quantiles. However, at the low quantile the effect of head of household's education level is higher than at high quantiles. The marital status of household head has positive and large effect at 10th and 25th quantiles. The consumption expenditures of household with single household head are lower than the household with married household head as well. According to the table 1, whether having a male or female household head has no statistically significant effect on consumption except at 75th quantile. The one of interesting finding is that car ownership variable has positive and larger effect on consumption expenditure at 90th quantile than the rest of quantiles.

Conclusion

This paper measures and decomposes the differences in consumption distributions between households in Turkey for the year 2014. Although there are many studies on the consumption expenditure analysis, most of them lack of the present the all over the distribution of consumption expenditure among the households. The main contribution of this paper is that each independent variable is estimated as a continuously for all quantiles between (0, 1) instead of estimating the value of discrete quantiles such as Q20, Q25, Q75. Thus, the relationship between these variables and quantiles are presented.

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28 April 2017 Friday

Session: III-C / 14.00-15.30

BEHAVIORAL STUDIES

Room: *Aden I*

Chair: **Isil Sirin SELCUK**

- Investigation of Attitudes and Behaviours of University Students on the Use of Plastic Bags by Structural Equation Modelling

Huseyin GURBUZ & Veysel YILMAZ

- A Quantitative Study on Eating Out Of Home Behaviour of Turkish Consumers

Tuba YUMUSAK & Aybegum GUNGORDU

- An Investigation of Health-Promoting Lifestyle Behaviours in Older Adults by Different Variables

Hande SAHIN & Sibel ERKAL

- Investigation of Factors Effecting the Using Preferences of Kentpark Which Is a Recreational Field in Eskisehir

Huseyin GURBUZ & Veysel YILMAZ

- Effects of Using Celebrity Images in Advertisement on Brand Images and Brand Personality

Husniye ORS & Nazan BASBOZKURT

Investigation of Attitudes and Behaviours of University Students on the Use of Plastic Bags by Structural Equation Modelling

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Keywords : Sustainable Behaviour, Plastic Bags, Factor Analysis, Structural Equation Modelling.

JEL Classification Codes : C38, C89.

The raw material of the plastic bag is obtained from sources that are not renewable and do not spoil for long periods in the environment. In society, thinking that recycling is carried out on nylon bags as a result of misinformation may lead to wrong choices and uses. Nowadays, the nylon bags produced after the recycling process are black nylon bags that we all know. Although black nylon bags are banned in many countries, only a few are illegal in our country. Many campaigns have been launched around the world for the use of nylon bags. With the help of these campaigns, consumers are trying to raise their awareness. In our country, such campaigns are few but made on provincial basis.

The aim of these studies is to investigate the attitudes and behaviors of Eskişehir Osmangazi University Statistics Department students to choose cloth bags instead of plastic bag.

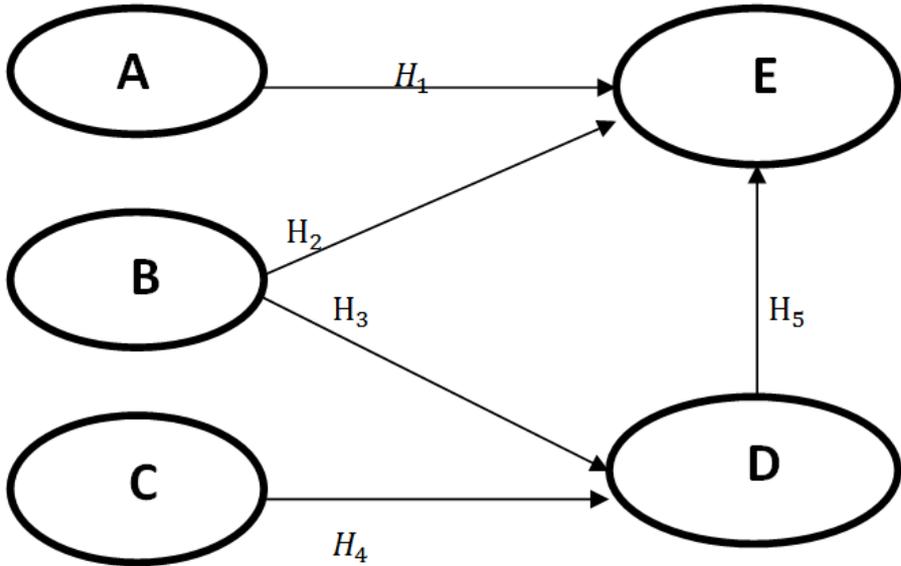
The sample of the study consisted of 208 students who were educated at the Department of Statistics of Eskişehir Osmangazi University. In the study, a measuring instrument called "Behavior Survey on the Usage of Nylon Bag" was used (Jayaraman et al., 2011; Ohtomo and Ohnuma, 2014; Ohtomo and Hirose, 2007).

In the study, a research model was proposed using literature. The proposed model is given in Figure 1.

In the model, A: Awareness of the damage of the plastic bag; B: Health; A: Support for the prohibition of plastic bags; D: intention to reduce the use of plastic bags; E: Sustainable behavior latent variables. It was determined that the determinants of reducing the use of nylon bag in the study were awareness of the damage of the nylon bag, positive attitude towards the prohibition of the nylon bag and reduction of the use of nylon bag. However, although it is not known that nylon bags are harmful, the use of nylon bags continues. It has been determined that individuals who are in favor of the prohibition of nylon bag in the study are in the intention and behavior to reduce the use of plastic bag.

Structural Equation Modeling (SEM) is used in the analysis of the data. SEM is a comprehensive statistical method used in testing hypotheses about causal relationships among observed and unobserved (latent) variables has proved to be useful in solving problems and in formulating theoretical constructions. SEM also can expand the explanatory ability and statistical efficiency for model testing with a single comprehensive method.

Figure: 1
Proposed Research Model



Equations for the Structural Model in the Analysis Result

$$D = 0.65*B + 0.48*C \quad R^2 = 0.71 \quad (1)$$

$$E = 0.20*D - 0.54*B + 0.64*A \quad R^2 = 0.18 \quad (2)$$

With the aid of Equation 1, it can be said that the favorable attitude (B) factor for the plastic bag is harmful and the intention to reduce the use of plastic bag (C) explained 71% of the change in the factor of decreasing the use of plastic bags (D).

The analysis results are briefly summarized below:

A-E: one unit increase in awareness of the damage of nylon bag will result in an increase of 0.62 units in sustainable behavior.

B-D: the intention to reduce the use of nylon bags increases by 0.57 units as the level of consciousness on the health of the nylon bag increases by one unit.

B-E: Increased consciousness level one on the health of the nylon bag caused a decrease of -0.57 units of sustainable behavior. This result is interesting. For the B-E relationship, when the mediator variable D is significant, ie, the B-D-E relationship is calculated as 0.13. Briefly, among health conscious persons, those who have the intention to reduce the use of plastic bags are achieving sustainable behavior. Of course it is not right to say that this relationship is at a very high level. The most important result is the use of nylon bags, although nylon bags are known to be harmful.

C-D: one unit increase in support for the prohibition of nylon sachets results in an increase of 0.43 in sustainable behavior. This finding suggests that the state would be moderately beneficial in reducing the use of nylon bags by imposing an additional tax on the production of plastic bags

and by prohibiting the placement of plastic bags of fruits and vegetables in neighborhood markets.

D-E: one unit increase in the intention to reduce the nylon bag results in an increase of 0.23 units in sustainable behavior.

Some practical suggestions can be given about reducing plastic bags that are so damaging to the natural environment and human health; less plastic bags can be used. For example; If only 2 bags per week are used less than 100 bags per year will not be thrown. In shopping, cloth bag, net, wheeled market bag or basket can be used. Plastic bags can be recycled. Instead of buying a garbage bag, the remaining nylon bags can be used again. It is advisable not to buy the products sold in plastic bags. Beside all this, perhaps the first thing to do is to inform the public correctly about the damage of plastic bags to life and nature, and to put obstacles to prevent the use of unnecessary plastic bags.

A Quantitative Study on Eating out of Home Behaviour of Turkish Consumers

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Keywords : Eating out of Home Behaviour, Hedonic Value, Utilitarian Value, Restaurant Attributes.

JEL Classification Codes : M30, M31.

Being a part of a society's culture, eating and drinking behaviour may involve various meanings in the context of consumption and consumer behaviour for both marketing scholars and practitioners. The purpose of this study is to measure the restaurants' attributes and the hedonic and utilitarian values held by consumers. In the study, hedonic values were found more related with the characteristics of restaurants. Women have more hedonic values than men. Married consumers have more hedonic values than single consumers. Single consumers have more hedonic values than married consumers.

Introduction

Cultural differentiative characteristics of societies resemble each other day by day as a consequence of globalisation. Eating out of home behaviour as a part of a society's culture involves various meanings for both marketing academics and marketing practitioners in the context of consumption and consumption behaviour. Eating out of home has been a subject to be examined by antropologists, social policy advisors, agriculture economists, sociologists, tourism managers, marketers and historians (Warde & Martens, 2000; Ozdemir, 2010). The most important concept in the fast life tempo becomes "time" and individuals form their expenditures for using time efficiently. Restaurants try to be distinctive from their competitors with their store atmospherics (color, music, design etc.) or service such as menus including various foods and drinks. On the other hand, fast food restaurants function as Fordist production lines (Warde & Martens, 2000).

Before the eating out home process, consumers have expectations that motivate themselves. During the moment of consumption, interaction and participation stands out and after the consumption, consumers become satisfied and experience a suprising, recollective, satisfying and delighting practice (Ozdemir, 2010). Being an urban acquisition, expenditures of eating out of home have increased under the effect of neoliberal policies of the 1980s with globalisation and the spread of shopping centers in Turkey (Akarca & Sugur, 2015). Considering the household consumption expenditures in Turkey, expenditures of eating out of home appear in expenditures of restaurants and hotels. Expenditures of restaurants and hotels were 6 percent in 2014 and increased to 6.4 percent in 2015. When examined the order of consumption groups in total household expenditures in 2015, expenditures of restaurant and hotels come after expenditures of housing and rent, food and non-alcoholic drinks, transportation (Household consumption expenditure news bulletin, 2015). The purpose of the current study is to measure the restaurant choice criteria and hedonic and utilitarian values of consumers for eating out of home behaviour.

Literature Review

Eating out of home behaviour is the consumption of foods and drinks offered by an eating and drinking business by spending money out of home (Ozdemir, 2010). Besides the practical importance of eating out of home behaviour, it involves a symbolic meaning too. Individuals can eat out of home

due to compulsory requirements or only for pleasure. Furthermore, eating out of home behaviour can both brings experience and reflects social distinction (Warde & Martens, 2000). Age, income, region, class and household may affect eating out of home, together (Warde & Martens, 2000).

Consumption is seen as a distinctive characteristic between individuals (Warde & Martens, 2000). Consumption, consumption value and customer value are different concepts. According to marketing strategists, customer value is a return on product benefits for the specific quantity of the customer's money (Lai, 1995). On the other hand, consumption values which explains the consumption behaviour are represented as five different concepts by Sheth et al. (1991). These mentioned values are as follows; functional value, conditional value, social value, emotional value and epistemic value. Consumer decision-making can be affected by each value or all of the values at the same time. Functional value is the perceived value according to the functional, physical or utilitarian performance of a product. Conditional value is a consequence of a set of conditions or a specific condition that a decision maker encounters. Social value involves the relationship of a product with demographic, socioeconomic and cultural-ethnic groups. Emotional value is a perceived value oriented towards a product that is able to enact emotions. Epistemic value is a benefit of a product which arouses curiosity, provides innovation and meets the need of knowledge.

Wenben Lai (1995) notes the eight benefits of a product. These benefits can be gained by consumers either with ownership or consumption. These benefits are functional benefit, social benefit, emotional benefit, epistemic benefit, esthetic benefit, hedonic benefit, conditional benefit and holistic benefit. Unlike Sheth et al. (1991)'s values, Wenben Lai (1995) includes the esthetic, hedonic, conditional and holistic benefits. Esthetic benefit is the offering of sense of beauty. Hedonic benefit meets the needs of taste, fun, becoming distant from job and anxiety. Conditional benefit meets the conditional needs in specific conditions. Holistic benefit involves the complementariness, compatibleness and consistency of a product group. Babin et al. (1994) defines the utilitarian and hedonic values in measuring shopping experiences of consumers. Utilitarian value is rationale and represent the purchase of a product, efficiently. Hedonic value reflects the fun and emotional part of the shopping. Thus, a shopping made with a purpose differentiates itself from seeing shopping as a purpose. The current study examines the above mentioned utilitarian and hedonic values.

Method

In the study a survey form is prepared according to Park (2004)'s scale. We carried out a pilot study on 100 consumers and tested the reliability issues. Then we performed exploratory factor analysis, confirmatory factor analysis and Pearson correlation analysis. The survey form adopted from Park (2004) includes 4 items to measure hedonic values, 3 items to measure utilitarian values and 11 items to measure restaurant attributes. The response format was standardized using a five-point Likert scale ranging from "strongly disagree" to "strongly agree."

Findings

Our sample consists 306 consumers who have eating out of home habit and chosen with simple random sampling method. Our sample characteristics show that 53.9 percent of the sample is women and 46.1 percent of the sample is men. 48.7 percent of the sample is students, 51.3 percent of the sample has a job (23.9 percent is doctor, 12.7 percent is academic, 14.7 percent has other jobs). 1 percent of the sample is graduated from high school, 48 percent graduated from college, 51 percent of the sample are post-graduates. 35 percent of the sample has an income about 3500 TLs and over; 17.3 percent of the sample has income between 2501-3500 TLs; 2.6 percent of the sample has income between 1501-2500 TLs; 22.5 percent of the sample has income between 501-1500 TLs; 22.5 percent of the sample has income between 0-500 TLs. 63.7 percent of the sample is single, 36.3 percent of the sample is married. 62.4 percent of participants' eating out of home expenditures are less than 500 TLs.

37.6 percentage of participants' eating out of home expenditures are between 501 and 1500 TLs. 33.3 percent of participants' one time eating out of home expenditure is between 6 and 10 TLs. 33.3 percent of participants' one time eating out of home expenditure is between 11 and 15 TLs. 59.5 percent of the sample eats out of home five times a week. 27.8 percent of the sample eats out of home one time a week.

First we carried out a pilot study on 100 consumers. We tested reliability issues for the pilot study and found that both scales are extremely reliable according to Hair et al. (1998) who suggest that the Cronbach Alpha Coefficient has to be at least 0.60 for being satisfactory (Hedonic values' Cronbach Alpha= 0.713; utilitarian values' Cronbach Alpha= 0,703). Next, we performed an exploratory factor analysis. According to the results, Kaiser-Meyer-Olkin (KMO) sampling adequacy which shows the appropriateness of factor analysis is found extremely reliable (0.735) because it is over 0.7 (Altunisik et al., 2007). Other indice that shows the appropriateness of the exploratory factor analysis is Bartlett test. According to the Bartlett test, exploratory factor analysis is appropriate (app. Chi square = 479,689; df = 21; p = 0) (Can, 2012). Factor loadings of 0.50 or above are reported for EFA as suggested by Hair et al. (1998). We employed direct oblimin as the rotation method and found two values such as hedonic values (factor 1) and utilitarian values (factor 2) (see in Table 1).

Table: 1
Exploratory Factor Analysis Results

		Factor	
		1	2
Q1	The mood and interior design of restaurants are important when eating-out.	.786	
Q4	Eating-out should be fun and pleasant.	.745	
Q3	Although the cost is the main factor, it is necessary to eat out at a good place.	.700	
Q2	I prefer eating out to feel good feeling in a wonderful place.	.671	
Q6	The best place to eat-out is one that is pragmatic and economical.		.802
Q7	It is a waste to spend a lot of money when eating-out.		.770
Q5	Eating-out should be simple and convenient.		.762

After the exploratory factor analysis, we carried out first-order confirmatory factor analysis. According to the results of first-order confirmatory factor analysis, fit indices of the scale (CMIN/DF: 3.84; RMSEA: 0.096; GFI: 0.963; CFI: 0.933; IFI: 0.934) were found acceptable (Marsh & Hocevar, 1985; Maccallum et al., 2001; Byrne, 2010).

Table: 2
First-order Confirmatory Factor Analysis Results

Path			Standardized regression weights	S.E.	C.R.	P	R ²
Q1	<---	factor1	.448				0.201
Q2	<---	factor1	.794	.430	6.124	***	0.630
Q3	<---	factor1	.664	.331	6.265	***	0.441
Q4	<---	factor1	.453	.182	6.192	***	0.205
Q5	<---	factor2	.557	.094	7.220	***	0.310
Q6	<---	factor2	.819				0.671
Q7	<---	factor2	.628	.111	7.614	***	0.395

CMIN/DF: 3.84; RMSEA: 0.096; GFI: 0.963; CFI: 0.933; IFI: 0.934.

The relationship between hedonic and utilitarian values with restaurant attributes is examined with Pearson Correlation Analysis. Table 3 demonstrates that there is no significant relationship among price, location and hedonic values. Furthermore, there is not a significant relationship among utilitarian values, quick service, and taste of food, kindness of the employees, reputation and image, facilities. Table 3 represents the high correlation coefficient between mood and hedonic values. Furthermore, there is a high correlation between utilitarian values and price. There is a negative relationship between mood and variety of the menu and utilitarian values. There is a significant correlation between a hedonic value of eating-out, expenditure per visit and consumer buying frequency. There is a

significant correlation between a utilitarian value of eating-out, expenditure per visit and consumer buying frequency. Hedonic values are more related to buying frequency and expenditure per visit than utilitarian values.

Table: 3
Pearson Correlation Results

	Hedonic values	Utilitarian values
Price	.089	.261**
Mood and interior design	.579**	-.078
Quick service	.324**	.068
Cleanness	.377**	.122*
Location	.089	.139*
Promotional incentives	.116*	.128*
Taste of food	.283**	.048
Variance of menu	.368**	-.209**
Kindness of employees	.497**	.000
Reputation and image	.400**	.046
Facilities	.393**	.106
Buying frequency	.486**	-.289**
Expenditure per visit	.284**	-.148**

**Correlation is significant at the 0.01 level (2-tailed).
*Correlation is significant at the 0.05 level (2-tailed).

We also examined the average values for restaurant attributes. Table 4 illustrates that consumers mostly pay attention to cleanliness, taste of the food and fast service.

Table: 4
Average Values of Restaurant Attributes

Restaurant Attributes	Average Value
Price	4.16
Mood	4.30
Quick service	4.42
Cleanness	4.79
Location	4.06
Promotional incentives	3.17
Taste of food	4.69
Variety of menu	4.06
Kindness of employees	4.63
Reputation and image	3.43
Facilities	3.80

Furthermore, we tested the relationships between hedonic, utilitarian values and marital status, gender with independent samples t-test.

Table: 5
Independent Samples T test for Gender and Hedonic Values

Groups	N	Average	Standard Deviation	Degrees of freedom	t	p
Women	165	3.804	0.692	304	2.907	0.004
Men	141	3.558	0.787			

The relationship between gender and hedonic values is statistically significant at the $p < 0,05$ level. Women have more hedonic values than men as can be seen in Table 5.

Table: 6
Independent Samples T test for Gender and Utilitarian Values

Groups	N	Average	Standard Deviation	Degrees of freedom	t	p
Women	165	3.45	0.894	304	-0.382	0.703
Men	141	3.48	0.877			

The relationship between gender and utilitarian values is statistically non-significant because of the $p > 0,05$ that is represented in Table 6.

Table: 7
Independent Samples T test for Marital Status and Hedonic Values

Groups	N	Average	Standard Deviation	Degrees of freedom	t	p
Single	195	3.53	0.67	304	-4.96	0,00
Married	111	3.96	0.79			

The relationship between marital status and hedonic values is statistically significant at the $p < 0,05$ level. Married consumers have more hedonic values than single consumers as can be seen in Table 7.

Table: 8
Independent Samples T test for Marital Status and Utilitarian Values

Groups	N	Average	Standard Deviation	Degrees of freedom	t	p
Single	195	3.608	0.944	281,032	4.044	0.00
Married	111	3.222	0.711			

The relationship between marital status and hedonic values is statistically significant at the $p < 0,05$ level. Single consumers have more hedonic values than married consumers as represented in Table 8.

Conclusion

Changes in consumer behavior with respect to globalization and time perception also affect the eating out of home behavior of consumers. Consumers begin to see eating out of home as social self-satisfaction instead of hunger satisfaction. In this study, the results show that hedonic values have higher relationship with the attributes of restaurants rather than utilitarian values. Consumers link hedonic values with the mood, the kindness of employees, reputation and image. The pleasure of consumers from eating out of home depends on the image and mood, the courtesy and interest of staff. According to utilitarian values, price and location are the most important factors. Especially, due to rapidly increasing the speed of life, easily accessible venues are preferred by consumers. In general, consumers consider hygiene and taste of meals when they dine out. Women have more hedonic values than men. Married consumers have more hedonic values than single consumers. Single consumers have more hedonic values than married consumers. This study presents how the eating out behavior of consumers' changes with hedonic values as well as utilitarian values.

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An Investigation of Health-Promoting Lifestyle Behaviours in Older Adults by Different Variables

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JEL Classification Codes : I12.

With the decline in fertility and mortality rates, the elderly population gradually increases in both number and proportion. The population aged 60 and over has tripled between 1950 and 2000 from 205 million to 606 million and is expected to increase more than threefold in the next 50 years. Projections show that older adults will constitute 21.1% of the general population by 2050. In an aging population, the ability of older individuals to lead a healthy life is of great significance. Healthy lifestyle is defined as controlling health-affecting behaviors and choosing behaviors appropriate for the individual's medical condition in the organization of daily activities. Converting these behaviors into an attitude can not only maintain well-being but also improve health. In older adults, physical and chronic diseases as a physiological response to stress and life struggles, as well as, psychiatric illnesses can be frequently observed with old age. These problems that accompany aging can only be overcome by promoting a healthy lifestyle and implementing the concept of "Healthy Aging." Improved health in older individuals is associated with independence in daily life, good levels of cognitive and physical functions and active living.

Older adults who translate health-promoting lifestyle behaviors into a lifestyle can sustain well-being and improve their health. Albeit the effectiveness of health-promoting lifestyle behavioral practices toward improving health, there are a limited number of studies on health-promoting lifestyle behaviors among the elderly population. Therefore, this study was planned and conducted to investigate health-promoting lifestyle behaviors in older adults with respect to various variables.

Methods

The study population is older adults aged 65 and over residing in Etimesgut, Ankara. The researchers opted to employ sampling due to time and cost restrictions. The study sample comprised 508 older adults selected with systematic sampling.

Research Design

The study adopted a comparative, descriptive and explanatory design in the analysis of health-promoting lifestyle behaviors of 65 years old and older adults residing in Etimesgut, Ankara.

Data Collection

In the study, a questionnaire was used for data collection. The questionnaire consisted of two parts. The first part comprised demographic questions while the second part included the "Health-Promoting Lifestyle Profile" developed by Walker et al. (1987) and adapted into Turkish by Esin (1999).

Health-Promoting Lifestyle Profile: The Profile assesses an individual's health-promoting behavior in association with a healthy lifestyle. The Profile is a Likert-type rating scale with 7 subscales (Self-Actualization, Health Responsibility, Exercise, Nutrition, Interpersonal Support, Stress

Management, Overall) and 48 items. All items are positive and have a 4-point Likert rating (i.e. 1-4). Item responses are *Never, Sometimes, Often and Regularly*.

Data Analysis

In the study, the demographic characteristics of the respondents are given in frequencies and percentages while each Health-Promoting Lifestyle Profile item is characterized by percentage distribution, arithmetic mean and standard deviation. In addition, the t-test was used for two groups and an analysis of variance was conducted for more than two groups, in the comparison of the item ratings and demographic characteristics.

Conclusion and Recommendations

Of the 508 respondents, 29.9% were female, 70.1% were male and 82.1% were aged 75 and younger. 50.4% were elementary school graduates while 78% had a monthly income of 2250TL and less. The percentages of the older adults who were homeowners and tenants were 85.8% and 14.2%, respectively. 91% of the older adults had 2 or more children and 69.3% lived with their spouses or alone. The percentages of the respondents who were socially insured by SSK (for private and public sector workers), Emekli Sandığı (for civil servants) and Bağ-kur (for artisans, farmers and the self-employed) were 51%, 28% and 15.2%, respectively.

Investigation of the results on the health-promoting lifestyle behaviors of the elderly individuals revealed that “eat breakfast”, “eat three meals daily”, “respect accomplishments”, “maintain meaningful interpersonal relationships” and “life has purpose” were the most positively rated items while “vigorous exercise three times a week”, “read books and magazine about health”, “participate in supervised sports programs”, “attend environmental programs” and “attend healthcare programs” were the most negatively rated items.

The Cronbach’s Alpha for the overall profile was 0.929 and the Cronbach’s Alpha values for all the subscales were above 0.70. In addition, the overall arithmetic mean ($\bar{X}=2.74$) was greater than the median calculated as 2.5 for the 4-point rating scale. Furthermore, “exercise” ($\bar{X}=2.09$) and “health responsibility” subscales had the lowest mean scores while “nutrition” ($\bar{X}=3.49$) and “self-actualization” subscales has the highest.

Table: 1
Descriptive Subscale Statistics

Scale/Subscale	# of Items	\bar{X}	S.D.	Cronbach's Alpha
Self-Actualization	13	3.00	0.60	0.845
Health Responsibility	10	2.23	0.66	0.814
Exercise	5	2.09	0.75	0.789
Nutrition	6	3.49	0.62	0.752
Interpersonal Support	7	2.79	0.63	0.820
Stress Management	7	2.82	0.64	0.876
Overall	48	2.74	0.52	0.929

Health-promoting lifestyle behaviors of the older adults did not display a significant difference with respect to home ownership ($P>0.05$) whereas there was a significant difference in health-promoting lifestyle behaviors with respect to gender, age, educational attainment, monthly income, number of children, other household members and social security ($P<0.05$). The health-promoting lifestyle behaviors of the older adults who were 76 years old and older, who had middle school degrees and less, who had a monthly income of 1000TL and under, who had no children, who lived alone, and those who had no social security or had green cards were more unfavorable than that of the other groups (Table 2).

Table: 2
Comparison of Health-Promoting Lifestyle Profile by Demographic Characteristics (n=508)

Variable	Group	\bar{X}	SD	t/F	P
Gender	Female	2.60	0.45	-2.922	0.004*
	Male	2.76	0.58		
Age	65-70	2.79	0.56	3.022	0.018*
	71-75	2.79	0.56		
	76-80	2.63	0.49		
	81-85	2.59	0.57		
	85 and over	2.72	0.45		
Education	Elementary school and less	2.59	0.55	16.169	0.000*
	Middle School	2.59	0.55		
	High School	2.72	0.46		
	University	2.77	0.54		
Monthly Income	1000 TL and under	2.35	0.51	16.197	0.000*
	1001-1500	2.71	0.54		
	1501-2250	2.75	0.53		
	2251-3000	2.70	0.47		
	3001 and over	3.12	0.45		
Number of Children	None	2.46	0.69	2.447	0.033*
	1	2.73	0.65		
	2	2.74	0.49		
	3	2.80	0.54		
	4	2.60	0.52		
	5 and more	2.70	0.57		
Other Household Members	Alone	2.43	0.56	8.277	0.000*
	Spouse	2.80	0.52		
	Relative	2.66	0.60		
	Spouse and children	2.74	0.51		
	Other	2.58	0.59		
Home Ownership	Homeowner	2.72	0.53	1.017	0.309
	Tenant	2.65	0.66		
Social Security	None	2.49	0.63	6.015	0.000*
	Green Card	2.35	0.68		
	Emekli Sandığı	2.86	0.58		
	Bağkur	2.69	0.52		
	SSK	2.67	0.50		

* $p < 0.05$.

In view of the study results, the researchers would like to make the following recommendations:

- Developing and broadcasting media (television, radio, etc.) programs aimed at the acquisition of positive health-promoting behaviors in older adults.
- Financial status is an important determinant for healthy aging. Policies and regulations to improve the financial conditions of older adults should be implemented.
- Healthcare services for older adults with lower educational attainment and those aged 75 and older should be improved to promote a healthy lifestyle.

Investigation of Factors Effecting the Using Preferences of Kentpark Which Is a Recreational Field in Eskisehir

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Keywords : Eskişehir Kentpark, Recreation, Multiple Linear Regression Model, Factor Analysis.

JEL Classification Codes : L83, C01, C38.

The urbanization process, which was accelerated by the industrial revolution, caused that the people's natural inhabitation is the cities. Because of the building density in parallel with the population growth, unplanned developments and wrong place choices in most of the cities where urbanization and industrialization take place, there has been a lack of communication between the cities and countryside and a decrease in the green, open places.

After people left their separate lives in the countryside and started living in the cities as a community, the concept of "park" emerged. The increase in population and the demand on living in the cities caused the destruction of the open spaces for public use and the forests around the cities in order to meet the settlement needs. Therefore, the recreational fields for the city residents have decreased.

The recreation is the sum of activities done in order to regain the physical and mental health, which have been affected or under risk, by the intense daily workload, routine life style or negative environmental effects.

The aim of this study is to find out the factors affecting the people's preferences of Kentpark, which is one of the recreational fields of Eskişehir. A questionnaire, developed based on the literature review, was used in order to find out the factors affecting the preferences of Kentpark.

Sample: The sample includes 330 people who visited the park for recreational purposes. After the face-to-face interviews, the visitors' demographic characteristics and the attitudes regarding their visits preferences were determined.

The methodology: in order to find out the internal consistency reliability, the Cronbach alpha (0,932) was calculated. The factor analysis on the attitude items revealed six factors: Transportation facilities (U), physical exercise facilities (F), cleanness/maintenance (B), security (G), attractiveness (C), and loyalty (S).

The relation between demographic characteristics and factors were analysed by t and F tests. The relationships among cleanness/maintenance, attractiveness, satisfaction and loyalty were significantly meaningful.

The results of multiple regression analysis between the park visitors' satisfaction and the factors (C, B, G, U, F) are shown in Table 1.

Table: 1
Multiple Regression Analysis between the Park Visitors' Satisfaction and the Factors

Model		Not standardized Coefficients		Standardized Coefficients	T Value	Sig.
		B	StandarError	Beta		
1	Fixed	3,239	,027		118,517	P<0,01
	C	,263	,027	,432	9,623	P<0,01
	B	,072	,027	,118	2,627	,009
	G	,135	,027	,222	4,932	P<0,01
	U	,142	,027	,234	5,204	P<0,01
	F	,123	,027	,203	4,507	P<0,01

Multiple regression analysis modal (dependent variable satisfaction):

$$\text{Park Satisfaction} = 3,239 + 0,263C + 0,072B + 0,135G + 0,142U + 0,123F$$

Results of the analysis showed that the factor “attractiveness” explains the park satisfaction more than other factors. One unit increase in the factor “attractiveness,” increases the park satisfaction 0,263 unit. There were significant relationships between the park satisfaction and other factors (transportation facilities, physical exercise facilities, cleanness/maintenance, Security, attractiveness) in the same direction.

Besides, in another multiple regression analysis, the dependent variable “park loyalty” and other factors, as independent variables, were analysed and the results in Table 2 were obtained.

Table: 2
Multiple Regression Analysis between Park Loyalty and Other Factors

Model		Not standardized Coefficients		Standardized Coefficients	T value	Sig.
		B	Standart Error	Beta		
1	Fixed	-.790	,250		-3,161	,002
	C	,575	,043	,575	13,485	P<0,01
	B	,172	,038	,172	4,524	P<0,01
	G	,137	,039	,137	3,507	,001
	U	,176	,039	,176	4,487	P<0,01
	F	,081	,039	,081	2,080	,038
	M	,244	,076	,149	3,197	,002

Multiple regression analysis modal (Dependent variable loyalty):

$$\text{Park Loyalty} = -0,790 + 0,575C + 0,172B + 0,137G + 0,176U + 0,081F + 0,244M$$

The results of this analysis showed that the factor “attractiveness” has the highest parameter in explaining the park loyalty. One unit change in attractiveness factor increases the park loyalty about 0,60. The transportation facilities, physical facilities, cleanness/maintenance, security, attractiveness and satisfaction together explain the 54% of the change in loyalty.

Recommendations: Some recommendations were put forward based on the results. According to the results the first most important factor to explain the park satisfaction is the attractiveness and the second most important one is the transportation. The results of the second regression analysis showed that transportation factor has the biggest score followed by attractiveness and park satisfaction to explain park loyalty.

Eskişehir is called as “university city” because of the residents’ educational level, natural beauties, social environment and free student life. Eskişehir is one of the mostly preferred city by the students who want a university life out of their hometown and has two state universities: Anadolu University (with active student population of 1140288) and Eskişehir Osmangazi University (with active student population of 30981). Considering that 69,4 % of the participants were aged between 19-25, 70% of them were university students and 63,3% of them use public transport to reach the park, developing the public transport facilities to the park would increase the number of the visitors to the park.

Examining the regression analysis results on the park satisfaction, it is seen that the cleanness/maintenance parameter is very low, which means that it is necessary to deal with the improvements regarding the cleanness/maintenance satisfaction.

Considering the fact that the park is visited especially by the young and the university students, increasing the physical and sports facilities that attract them may improve the park loyalty.

Park visitors spend about 1-2 hours (57,9%) in the park and variety of activities can be planned to increase this period.

Effects of Using Celebrity Images in Advertisement on Brand Images and Brand Personality

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Advertisements has an important share in marketing contact promotion devices. TV, another media tool, still holds its importance. TV has strong influence on affecting attitudes and it is an undeniable fact that TV is the most effective tool for reflecting celebrities (Pringle, 2008:82). Brand equivalence dimensions in marketing literature is accepted as one of the success signs of marketing management. In this context, the effect of celebrity image on brand image and brand personality which has an important place on brand equivalence worths researching.

According to Schickel, celebrity image is an beneficial ideological symbol as the celebrities easily become a symbol because of their appearance in media constantly. The most important thing is celebrity image is not limited to the professional life. In contrast to the public images, celebrity's private life takes attention not professional lives (Meyers, 2009). Usage of celebrity has an effect of increasing advertisement ratings and product evaluation. Advertisers has to provide source diversity to make consumers focus on product (Tran, 2013). Usage of celebrities to present a product is a popular advertising strategy. Usage of celebrities in advertising affects brand image, plays an important role as one of the creating and developing equality (Choi & Rifon, 2012).

Brand image can be defined in general as a subjective and sensorial phenomenon shaped in the comments that consumers make in a rational and emotional basis. The thing shaped in consumer's mind is a total picture of the brand (Uztuğ, 2008: 40). In the most general term image is people's thoughts about an object, institution or another person. So, everybody can have an image, but to make this image positive one should do image-enhancer activities (Parılı & Tolon, 2003: 101).

Bussinesses should care about brand personalities. Because the importance of a brand's in a customer's life is based on brand's positioning and the image it created and the image a brand will form is dependent on brand personality (Dursun, 2009).

In marketing literature, there are not enough researches about how image of the celebrity which is considered to be effective in advertisement affect the consumer. Measuring the consumer's attitude towards the celebrity image, revealing the effects of celebrity image on brand personality, is important to contribute to marketing knowledge and practitioners. In this context, purpose of this study is revealing effects of celebrity image used in advertisements on brand image and brand personality.

Research Method

This research was carried out in Ankara. As population is huge and dispersed, research was performed by face to face meeting with 500 responder using convenience sampling method. Datas were analyzed with SPSS 24.0 program. For analysis of research hypothesis, T test, regression and correlation tests were used with dependent group. In this study, with the brand images and brand features of Maylo and Halkbank effects of using celebrities in advertisements and face of these brands Seyfi Dursunoğlu and Şahan Gökbakar's perception on consumers.

Findings

500 responder was attended to this research. Age, gender and education level of these attenders mainly like this: of 62.9% is between 18-37, of 57.1% is female, of 53.5% is university graduate and of 50.4% is single.

According to evaluation result of Maylo and Halkbank; consumers have heard both of these brands, and have idea about brands and respect the both brands. When we investigate Maylo and Halkbank's brand images; it was found that Maylo has cheerful, brave and creative personality while Halkbank has realistic, successful and extrovert. Consumers which perceive Seyfi Dursunoğlu's image tidy, sensitive, secure and enthusiastic are thinking that personality of Maylo brand is realistic. Consumers which perceive the image of Seyfi Dursunoğlu family-oriented are thinking that the personality of Maylo is honest.

Consumers which perceive Seyfi Dursunoğlu's image rational, strong and brave are thinking that personality of Maylo brand is cheerful. Consumers which perceive Seyfi Dursunoğlu's image humble and determined are thinking that personality of Maylo brand is brave. Consumers which perceive Seyfi Dursunoğlu's image amusing, interested and brave are thinking that personality of Maylo brand is creative.

Consumers which perceive Şahan Gökbakar's image enthusiastic and social are thinking that personality of Halkbank brand is realistic. Consumers which perceive Şahan Gökbakar's image interested are thinking that personality of Halkbank brand is honest. Consumers which perceive Şahan Gökbakar's image strong and solid are thinking that personality of Halkbank brand is reliable. Consumers which perceive Şahan Gökbakar's image tidy and family oriented are thinking that personality of Halkbank brand is intelligent. Consumers which perceive Şahan Gökbakar's image amusing, rational, humble, naif, sensible, determined and brave are thinking that personality of Halkbank brand is attractive.

According to research results, Seyfi Dursunoğlu is evaluated as compare to Şahan Gökbakar is tidier ($p=0,000$), more naif ($p=0,000$) and more reliable ($p=0,044$), Şahan Gökbakar is evaluated as compare to Seyfi Dursunoğlu more determined ($p=0,001$) and solider ($p=0,000$). According to research results, Halkbank is more realistic, honest, virtuous, brave, creative, reliable, intelligent, successful, high level, attractive, extrovert, firm brand compared to brand of Maylo. ($p=0,000$).

There is a positive very low relation ($r=0,162$; $p<0,05$) between Seyfi Dursunoğlu's celebrity image and Maylo brand's personality, positive low correlation between Seyfi Dursunoğlu's celebrity image and brand image ($r=0,221$; $p<0,05$). There is a positive moderate relation ($r=0,617$; $p<0,05$) between Maylo brand's brand personality and brand image.

There is a positive moderate relation ($r=0,394$; $p<0,05$) between Şahan Gökbakar's celebrity image and Halkbank brand's brand personality, positive moderate relation ($r=0,410$; $p<0,05$) between Şahan Gökbakar's celebrity image and brand image. There is a positive strong relation ($r=0,762$; $p<0,05$) between Halkbank brand's brand personality and brand image.

According to the regression analysis's result executed for Seyfi Dursunoğlu and Maylo advertisement, celebrity image effects brand personality ($B=0,089$; $p<0,05$) and brand image ($B=0,129$; $p<0,05$). According to the regression analysis's result executed for Şahan Gökbakar and Halkbank advertisement, celebrity image effects brand personality ($B=0,229$; $p<0,05$), and brand image ($B=0,279$; $p<0,05$).

Results and Suggestions

When research and the answers consumers gave are examined, it is understood that people mostly focus on the given message. Advertisements with joy and humour are more desired to be watched by consumers. It will raise awareness among the consumers when the messages marketing experts and advertisers want to convey is done through fun-contended scenarios and people. The advertisements performed by celebrities such as artists, athletes and businessmen provides the advertisement to be remembered easily and more credible.

The answer for the question “If a brand was a person, what it would be like?” is wanted to be given by brand personality. While the personality traits of Halkbank is interpreted as realistic, successful and extrovert, Şahan Gökbakar is perceived as brave, stable, firm, social, enthusiastic and strong in personality. The harmony between brand and product is important to create a personality and designate an image. In this context, Halkbank can give the impression that the brand can have the positive traits of Şahan Gökbakar. Maylo brand, a brand of LilaKağıt, is situated as the most sincere cleaning paper. Seyfi Dursunoğlu, who perform in their advertisements, is perceived as strong with his standing behind what he said, sincereness, courage and social person.

Referring to the research results, in marketing strategies that bussiness’s develop to create brand equivalence, using advertisement device of promotion karma, it can be suggested as a competitive positioning strategy that they use celebrities that have positive image and personal traits and that are loved by the audience.

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28 April 2017 Friday

Session: III-D / 14.00-15.30

TURKEY STUDIES

Room: *Aden II*

Chair: **Altug Murat KOKTAS**

- Turkish Economy in Transition to Refugee Economics: Opportunities and Prospects
Murad TIRYAKIOGLU
- Fiscal Discipline in Turkey and Effects on Budget, in the Context of Effective Management of Public Resources
Muzeyyen Ozlem CETIN
- Resistance of Taxpayers and Increasing Assessment of the Sin Taxes in Turkey
Isil Fulya ORKUNOGLU-SAHIN & Ahmet Burcin YERELI
- On the Insufficiency of User Charges as one of the Revenue Sources of Municipalities: Issues and Suggestions in the case of Biga Municipality
Selcuk IPEK & Ridvan ENGIN
- The Effects of Short-term Capital Movements on Sectorial Production: The Case of Turkey
Sukru APAYDIN & Hasan SAHIN

Turkish Economy in Transition to Refugee Economics: Opportunities and Prospects

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Keywords : Human Development, International Migration, Refugees, Immigrant Workers.

JEL Classification Codes : F22, J15, J61, O15.

Millions of people all over the world are displaced because of various reasons such as climate changes, natural disasters, war, and political pressures. That's why housing countries' economy are being affected in a permanently or temporarily way in this process no matter what the reason is and accordingly some social problems are observed as caused by cultural particularities as well as economic problems occurring. Turkey, including its geopolitical position as the first country where the earthquake and immigration, is a high likelihood of exposure to a variety of disasters. As opening its door for the neighbouring countries' displaced people due to the political unrest, Turkey faces several both economic and social issues in this respect. The goal of this study, the poverty that Turkey is facing already, middle-income trap, problems such as unemployment, is being redefined with the transition to the refugee economy and consequently the issue of how such strategies can be developed in order to prevent from becoming permanent and to detect can be taken policy measures. Social innovation, offering innovative solutions to existing social problems in this process and human innovation shaped as closely associated with it and in the prevention of poverty and reduction, is recognized as important tools and its feasibility are assessed in this context.

Fiscal Discipline in Turkey and Effects on Budget, in the Context of Effective Management of Public Resources

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Keywords : Public Finance, Public Financial Management and Control Law, Public Expenditures, Fiscal Audit, Fiscal Discipline.

JEL Classification Codes : H50, H60, H61.

The process of globalization has affected the economy policies of national economies. These effects have required the improvement to fiscal policies, which have been applied.

In parallel with the developments in this area, the reforms have been needed for public sector, which has been used of resources effectively and productively. Performance management, fiscal discipline and transparency are the main principles for public finance, in the new economic system (Demircan, 2006: 49-51).

In Turkey the works on new fiscal system have been intensified from 2000's. Public Financial Management and Control Law (PFMCL) numbered 5018, which was accepted in 2003 and was put in practice in 2006, is the most rooted reform on the fiscal management and audit system.

It has been aimed that with the fiscal discipline practices, which have been put in practice with the PFMCL, have contributed effectively and productively management of public resources. The aim of the study is evaluation to effects of the fiscal discipline applications on the budget.

PFMCL covers budgets of central government budget, local administrations budget, social security institutions, which are budgets of administrations within the scope of general management.

According to the relevant Law, the budgets of institutions and organizations, which are liable for execution of the main activities of the state, are in the central government budget (Siverekli, 2014: 71). For this reason, the central government budget figures are examined in this study.

The main aim of public finance is applying politics for rising the welfare degree at the economy. Policy tool of public finance is budget. Being result-oriented to presentation of public services and evaluating public administrators' achievements according to the results of public activities, has become a common practice according to the new comprehension. Four main principles have been adopted to effective management of public resources. These are fiscal transparency, accountability, performance based budgeting and multi-year budgeting (Mutluer, 2007: 423, 424).

Fiscal transparency means that, to have information to using of public resources. It is pointed that, information about to be obtained of public resources and to be used of public resources to be shared with the public on time, in Article 7 of Law No.5018 (Mutluer, 2007: 425).

Accountability is regulated in Article 8 of Law No.5018. According to this article, the person, who has responsibilities for to be obtained fiscal resources and to be used fiscal resources, have to fulfil their responsibilities and have to give an account of to the competent authorities (Mutluer, 2007: 426).

Performed based budgeting system aims that, to be defined main functions of public administrations, to be introduced targets, which to be wanted to reach in this context, to be determined performance indicators for reach these targets (Önder & Türkoğlu, 2012: 201).

According to Article 9 of Law No.5018, it is anticipated that, all the public administrations to go through to the performance based budgeting system (Mutluer, 2007: 428).

As a result of these developments, performance audit approach has gained importance. Performance audit is an important element to be effectively used of the public resources and to be explained of the results of the practices (Köse, 2013: 51).

According to PFMCL, performance audit of public administrations, which are in the context of this Law, can be done by internal audit units (internal audit) and Turkish Court of Accounts (external audit) (Candan, 2007: 228).

In PFMCL, internal audit is regulated as an advisory activity to effective use of public resources. Also it is indicated that, internal audit is to be carried out by internal auditors (Mutluer, 2011: 296).

Parallel to PFMCL, with Turkish Court of Accounts Law No. 6085, which was accepted in 2010, scope of audit of Turkish Court of Accounts have been expanded. Also performance audit authority has been given to Turkish Court of Accounts in addition to the regulatory audit authority (Söyler, 2012: 87, 88).

Table 1
Central Government Budget Figures/GDP, 2006-2016

(%)	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015*	2016**
Central Government Budget Expenditures	23,5	24,2	23,9	28,2	26,8	24,2	25,5	26,0	25,7	25,9	25,9
Non-Interest Expenditures	17,4	18,4	18,6	22,6	22,4	21,0	22,1	22,9	22,8	23,2	23,3
Interest Expenditures	6,1	5,8	5,3	5,6	4,4	3,3	3,4	3,2	2,9	2,7	2,5
Central Government Budget Revenues	22,9	22,6	22,1	22,6	23,1	22,9	23,5	24,9	24,3	24,7	24,5
Budget Balance	-0,6	-1,6	-1,8	-5,5	-3,6	-1,4	-2,1	-1,2	-1,3	-1,2	-1,3
Primary Budget Balance											
(Authority Defined)	5,4	4,2	3,5	0,0	0,7	1,9	1,3	2,0	1,5	1,6	1,2

Notes: * Realization ** Budget

Source: *Merkezi Yönetim Bütçe Büyüklükleri 2000-2016*,

<<http://www.bumko.gov.tr/Eklenti/9922,denge2016.pdf?0>>, 07.03.2017.

In Table 1, it is examined to the central government budget figures for the period of 2006-2016. In this period the ratio of budget expenditures/GDP and the ratio of budget deficit/GDP were stable generally. There were some deviations in 2009 and in 2010, as a result of the effects of the global economic crisis.

According to the central government budget data, the average budget figures for the period 2000-2005 were as follows: (Merkezi Yönetim Bütçe Büyüklükleri 2000-2016, <<http://www.bumko.gov.tr/Eklenti/9922,denge2016.pdf?0>>, 07.03.2017.)

(The average budget figures were calculated by us using the data in the specified source.)

- Budget expenditures/GDP : 31%
- Budget deficit/GDP : 8%
- Interest expenditures/GDP : 12%

In Table 1, it is seen that, the ratio of interest expenditures/GDP has decreased since 2006.

The decline in interest expenditures has been affected by the harmonious management of public debt management with monetary and fiscal policies (T.C. Başbakanlık Hazine Müsteşarlığı, n.d.: 24).

Fiscal discipline has a critical role the success of the financial management of the public sector in Turkey. Government expenditures are taken under control as quantities and components through fiscal discipline (Kaya & Şen, 2013: 387).

Regulations, which were made under the framework of fiscal discipline adopted with PFMCL, have provided to be improvement about budget discipline and efficient use of public resources. On the other hand, fiscal discipline needs to be maintained and to be improved, and efficiency of internal and external audit needs to be improved.

According to 2017-2019 Medium Term Program (MTP), performance based budgeting, performance audit, efficiency of internal audit applications will be increased and implementation infrastructure of Turkish Court of Accounts will be strengthened (T.C. Kalkınma Bakanlığı, n.d: 14).

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Resistance of Taxpayers and Increasing Assessment of the Sin Taxes in Turkey

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Keywords : Taxpayer Psychology, Behavioural Responses to Tax, Sin Taxes, Turkey.

JEL Classification Codes : H2, H26, Z13.

Although taxation has been voluntarily given like gifts and donations in kind for the price of security, serenity and collective life in ancient times, it has become mandatory in many civilizations in history due to the establishment of the first states and their taxation authorities. For example, it can be included in this scope that in Ancient Greece; head tax, estate tax, taxes on their animals, farms and production of high income landowners and in Rome; income from places defeated by conquest, customs tax, sales tax, inheritance and transfer tax, as ispençe taxes paid on the territory and the haraç tax from production of foreign nationals of the Ottoman State or their poll tax due to the not being able to perform their military service. Thus, nowadays the negative perception of taxpayers which occurred with increasing tax payments day by day and necessity of paying cash requires that the taxpayer's psychology to be considered in terms of tax compliance.

Taxation resistance, minimum fulfilment of tax liabilities by taxpayer or a situation that not to cause tax liability at all. In practice, it seems that tax resistance has emerged with quite different types of taxpayer attitudes and behaviours. Tax resistance can be individual or collective. When analysed the studies in the field of tax resistance, it is seen that in the literature mostly to the causes of taxation resistance and the methods of combating with it have been placed. However, what is more important than tax-resistant taxpayers' resistance is; It is thought to be investigated the compliance reasons of compliant taxpayers. In this respect, it would be very useful to develop the analysis of the revenue service database to ensure that the taxpayers' expectation of voluntary compliance is met by the revenue administration and that the taxpayer's numbers can be increased. Nevertheless, as in the case of in Turkey, instead of the audit of the taxpayers who do not fulfil their tax liability mostly, transition to a random tax audit system is more beneficial in terms of ensuring peace with the taxpayers, who realize that coincidentally inspected without being offended in society or on an individual scale.

The aim of the work, considering as well as the arguments of the supporters of the sin tax and the opposing views, is the analysing and evaluating of the excise tax received from alcoholic beverages in Turkey, the excise tax received from tobacco products and of excise tax received from the other sodas beverages. In the study, assed the share of the sin taxes in the budget value of total excise tax in Turkey which compared with the level of the sin tax in some EU countries by calculating the excise tax of some sin tax. In terms of the results of the reaction against the tax, in Turkey between 2006-2016 smoking and alcohol consumption and according to the Report of Anti-Smuggling and Organized Crimes Report of the General Directorate of Security, the number of incidents of smuggling of alcoholic beverages and tobacco products in the period of 2011-2015 is evaluated by considering the number of incidents. The National Tobacco Control Program Action Plan covering the years 2015-2018, the World Health Organization's alcohol consumption level research results, the Turkish Statistical Institute's 2003-2017 period compared to the average increase in the general price index, the increase in the Consumer price index of alcoholic beverages, wine, beer, tobacco is examined. The method applied in the study is considering the calculation of the excise tax on alcohol and cigarettes,

the comparison with the excise tax in some other countries, the tendency of the taxpayers to reduce the consumption and the levels of out of economy because of the increases in the excise tax.

Thus, excise tax has constituted approximately a quarter of the central budget revenues. In terms of sin tax, the highest share in excise tax is the excise tax on tobacco products with a share of 26.59% in 2016. On the other hand, the share of excise tax for alcoholic beverages is 6.5% in 2016 and the share of excise tax for other sodas beverages is as low as 0.29%. On the other hand, the share of alcoholic beverages, cigarettes and tobacco in Turkey is 4% in 2002-2015 according to expenditure rate of Turkstat household consumption expenditures. Legal restrictions on alcohol in 2013 and increases in excise tax are thought to lead to a decrease in alcohol consumption in Turkey, excluding the non-foaming wine in 2013. However, after 2013, consumption of alcohol seems to increase. Therefore, the tax rates and quantities should be kept at a reasonable level so that individuals can reduce their reaction to taxation and illegal use and control of customs duties in the fight against trafficking should be conducted more strictly to prevent illegal product penetration into the country by beneficiaries of the transit regime. As a matter of fact, according to the OECD report on the fight against harmful alcohol use in 2015; while an adult in Turkey consumes less than 3 litres of alcohol per year, it is below the world average, which is 6.2 litres per person per year of alcohol consumption. Therefore, although the use of alcoholic beverages in Turkey is lower than in other countries, efforts should be made to implement applications for the prevention of unregistered smoking, tobacco and alcohol products.

One of the beneficial studies on this subject in Turkey can be stated as the operation of the Tobacco Products and Alcoholic Beverages Tracking System in 2007. However, it is thought that problems continue following the illegal smoking and tobacco products. In this context, according to the report of the General Directorate of Security (GDS), Combating Smuggling and Organized Crime (COM); alcoholic beverages and tobacco products will be evaluated in terms of the number of incidents, in 2011-2015 period; 2011 number of events is 12,925, number of events in 2012 is 16,492, number of events in 2013 is 20,779, number of events in year 2014 is 15,744, number of events in year 2015 is 14,889. Especially smuggling of tobacco products, which is a source of financial resources for terrorist organizations and organized criminal organizations, has been rising since 2011 and the highest number of incidents has been reached in 2013. In the following period, there was a decrease tendency in the number of events. Illegal cigarettes Ağrı, Van, Şırnak and Hakkari etc. Were tried to be hijacked by being stored in illicit stores, scattered in Turkey, hidden inside false customs sealed TIRs or cargoes carrying freight forwarders. Alcoholic beverage smuggling and fraud are mostly seen in the Mediterranean and Aegean coastline and in metropolis. In 2015 there had caught 77 fake alcoholic beverage producers in Turkey by GDS. The tax loss caused by illegal cigarettes obtained seized by COM units in 2015 is approximately 800 million TL.

The excise duty on cigarette in March 2017 is 68% and the total tax burden on smoking (VAT + excise tax) is 86%. The figure is matching with the target of excise tax's being least 70% of cigarette retail price which in the National Tobacco Control Program Action Plan for 2015-2018. The retail price of a cigarette pack of 20 cigarettes in the EU is 3.3 euros including all taxes. Excise tax is 1 Euro (specific), 0,8 Euro (ad-valorem) and VAT is 2,5 Euro. The retail price of a cigarette pack in Turkey ranges from 10 TL to 13.50TL including all taxes, which is about 2.5 Euro. However, according to Turkstat in Turkey, the increase in the prices of alcoholic beverages and tobacco has significantly exceeded the average price index in the 2003-2017 period. Compared to the values in 2003, in 2017, the price of the consumer increased by 6 times, the wine by 3 times, the price by 5 times for the beer and the tobacco in terms of the consumer price index value. Therefore, the limitations of minimum increases in the minimum excise duty on alcoholic beverages in Turkey and the increase in the value of alcoholic beverages and tobacco products in the period indicated are not more than 3 times the average of the Turkstat general price index, the taxation of both the financial function and the prices in relation to many goods and services Will serve the social function of the taxpayer by reducing the

demand for alcoholic beverages which are quite high. Moreover, since excise tax on cigarettes in Turkey does not show a regressive effect, it can be suggested that the increase in the excise tax level of a packaged cigarette at the retail price will exceed the minimum 2 times the average of consumption price index.

The allocation of sin tax revenues in a certain rate to the struggle with alcohol and cigarettes and to the protection of passive smokers will act preventive health care serve function and contribute to community health. Similarly, ensuring that sin tax revenues are allocated to the expenses of those who receive cancer treatment due to alcohol and cigarette will decrease to the tax resistance of taxpayers. Control of companies operating in the food sector and making regulation of salt and oil taxation in Turkey to combat obesity and reducing tax rates in favour of retail sales against wholesale in terms of reducing the receding effects of the related consumption tax would be beneficial. Because of the younger are more affected than adults by the struggle with alcohol and tobacco products, so the policy of prevention of start-ups to these bad habits with high taxes and prices and the efforts to reduce future health expenditures should be continued. For adults with bad habits, be activated of clinical services in cigarettes, apart from Amatem (Alcohol-Substance Research and Treatment Centre) creation of the departments serving in the hospitals and the dissemination of family practice controls and surveys will contribute to public health.

On the Insufficiency of User Charges as one of the Revenue Sources of Municipalities: Issues and Suggestions in the case of Biga Municipality

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JEL Classification Codes : H70, H71.

User charges are kind of public revenue which is a compulsory that is collected due to the taxpayer's special benefit from some public services. There is a relation between the user charge and the public service provided but this does not reflect the cost of the public service that gives the taxpayer the special benefit.

The sources of municipal revenues are regulated in various laws in Turkey and user charges are the sources of municipal revenues included in the Municipal Revenues Law numbered 2464. Types of user charges in the Municipal Revenues Law; the charges for occupation, for working on holidays, the resource waters, for brokership, for supervision and control of slaughtering, control of weights, building construction charges and various charges.

The purpose of this study is to determine the factors that cause the insufficiency of the user charges in municipal revenues and contribute to offer a solution by making various suggestions in this regard.

Local Governments Activity Reports published by the Ministry of Interior and statistical data issued by General Directorate of Public Accounts were used within the scope of the study. In addition, some financial information requested from Biga Municipality has been used and an interview was held with Directorate of Biga Municipality's Financial Services to determine the problems with user charges and suggestions for solutions.

Table 1
The Ratio of User Charges to Municipal Total and Own Revenues (1.000 TL)

Year	User Charges	The Ratio of User Charges to Municipal Own Revenues (%)	The Ratio of User Charges to Municipal Total Revenues (%)
2007	1.228.316	9,3	5,1
2009	1.179.155	8,8	4,3
2011	1.836.438	9,3	4,5
2013	2.333.840	9,1	4,3
2015	2.633.770	9,2	3,6

Table 1 shows the share of the user charges collected by municipalities in their own and total revenues in Turkey. Since the ratio of increase in municipal revenues is higher than the ratio of increase in amount of user charges, the share of the user charges in municipal revenues has shown a decreasing trend over the years. In addition, there has been no significant change in the share of user charges within the municipal own revenues during the period.

Table 2
The Ratio of User Charges to Total Revenues of Biga Municipality (1.000 TL)

	User Charges	Total Revenues	The Ratio of User Charges to Municipal Total Revenues (%)
2007	1.044	10.243	10,1
2009	1.495	14.776	10,1
2011	1.677	21.103	7,9
2013	2.238	29.933	7,4
2015	2.126	40.989	5,1

Table 2 shows the share of the user charges in total revenues of Biga Municipality. It is possible to say that the user charges in municipal revenues has a decreasing trend over the years.

It has been determined that there are various problems in the practice of the user charges both in the municipalities in Turkey and Biga Municipality. For instance; the municipalities are incurring serious financial loss because user charge tariffs have not been updated for many years. Apart from that, some user charge tariffs ignore the business volume and ability to pay of taxpayers, it causes injustice. In addition, collection of some user charges are becoming impossible due to technical reasons and high costs.

Although the user charges are type of revenue which has high potential to fund resources for municipalities, they are not adequately assessed and therefore do not seem to take an important place in municipal revenues. Some legal arrangements are needed to increase amount of user charges. User charge tariffs should be updated every year to make them resistant to inflation. In addition, municipal councils should be given the authority to designate the user charge tariffs within the lower and upper limits determined in the Law.

The Effects of Short-term Capital Movements on Sectorial Production: The Case of Turkey

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Keywords : Short-term Capital Movements, Business Cycles, Structural Vector Error Correction Model.

JEL Classification Codes : C32, E32, F32.

The crises experienced in many countries with the financial liberalization in the 1980s, brought the issue of economic fluctuations to the agenda, which constitute one of the most controversial areas in the economics literature. In addition, the economic crises have led to discussions about the role of short-term capital movements in this process.

There are three basic approaches in the economics literature related to the subject. In the tradition of classical economics, it is argued that the liberalization of short-term capital flows will smooth the cyclical fluctuations, and will increase the competitiveness of the country by introducing an improvement in favor of tradable goods in the sectorial production structure, thus creating a stable growth process.

According to Keynesian and Marxian economics traditions, financial liberalization will produce the opposite results. To state it precisely, liberalization of capital movements will produce results in favor of nontradable goods; therefore, sectorial asymmetries will be increased, and the competitiveness of the country will be adversely affected. In other words, capital flows lead to the appreciation of domestic currency, and as a result consumption expenditures are changing in favor of nontradable goods. Consequently, a very fragile growth process, which is extremely sensitive to hot money movements, has been created.

In this study, the effects of short-term capital movements on sectorial production have been analyzed by the structural vector error correction model (SVECM) within the framework of the real exchange rate mechanism revealed in theoretical approaches. The main difference of this model from the other models is that it allows decomposition of structural shocks as well as in structural vector autoregression models (SVARs).

The quarterly data of Turkish Economy included a period of 1992:Q1 to 2007:Q3 have been used in the empirical model. Variables used in the study are short-term capital movements, real exchange rate and sectorial production rate.

In accordance with the IMF's balance of payments system, the investments in equities, short-term loans to banks and other sectors, deposits and money in banks and other sectors are defined short-term capital. The real exchange rate is defined as the nominal effective exchange rate adjusted for movements in prices. Real effective exchange rate data is used for 1995 prices based on the consumer price index, which the CBRT defines as being based on 17 countries' money. Sectorial production rate (TNT) is the ratio of tradable sectorial production to non-tradable sectorial production. Agriculture, manufacturing and mining industries are defined as tradable sectors. Construction, trade, housing, financial institutions and all other service industries have been accepted as non-tradable sectors. The statistical data were obtained from the Electronic Data Distribution System of the CBRT and the website of the Turkish Statistical Institute. Eviews 8.0 and JMulti 4 package programs were used in the econometric tests and estimations made in the model.

Results of the empirical work show that short-run capital flows by exchange rate cause importantly cycles on real part of economy. According to this result, it can be said that the relation of money to real production must be based on a solid basis. In this framework, measures such as limiting, controlling, taxing short-term capital inflows and outflows and keeping the banking sector activities under strict supervision can be considered.

28 April 2017 Friday

Session: IV-A / 16.00-17.30

BUSINESS & ECONOMICS

Room: *Smyrna I*

Chair: **Fatih Hakan DIKMEN**

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The Economics of Net Neutrality: An Assessment of the Turkish Telecommunications Markets

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Keywords : Net Neutrality, OTT, Regulation, Electronic Communication Market, Turkey.

JEL Classification Codes : K2, L5, L96.

The rapid spread of technology and the Internet is affecting many industries from an economic point of view. One of the industries where this activity appears at the top is telecommunications markets. While economic activities are being carried out by one side through the internet, new markets are emerging from the other side. These markets often include both electronic communications and commercial activities through applications. Especially in electronic communication, over-the-top services, or more generic applications, which create a serious competition environment with traditional communication tools, provide low cost and effective communication for the consumer. However, it creates a market that increases data traffic for internet service providers and prevents investment returns.

The net neutrality issue has come up in the United States in the beginning of the 2000s. According to Federal Communications Commission (FCC), net neutrality is a kind of open Internet or open access issue. In this context, the definition is commenced with the definition of open Internet. Open Internet is the Internet where the consumers decide, make choices, and behave freely about which applications are used, which contents are created or shared or which contents are accessed. FCC emphasize that the Internet should remain as a powerful open area that allow innovations and job creations. Net neutrality is multilayer and dimensional topic and still does not have commonly held definition. The main emphasis is that the Internet must be neutral to all users. On the other hand, in the US some Internet service providers have already violated neutrality, so net neutrality regulation debates become the main topic of electronic communication market. Nowadays in many countries, especially in the US and EU, net neutrality regulation has become a major issue.

In 2003, Tim Wu propounded the notion of net neutrality as an evolutionary technical process. Wu (2003) mentions two important points about Internet that end-to-end design and non-discrimination arguments. According to Lee and Wu (2009), network neutrality is the principle of network design and also it is a public information network which has provide maximum utility to consumers behaves equally to all data, contents and platforms on Internet. Similarly, Sidak (2006) state that net neutrality's main aims are not to block to access to any contents and not to charge or prioritization any contents.

Net neutrality's main aims are end-to-end principle and non-discrimination. The end-to-end principle refers that the last user can reach the first user and shared contents. End-to-end principle design works with the "best effort" rule on Internet. Best effort principle is directly related with the Internet traffic. Conducting the Internet traffic is the one of the most important issues about net neutrality. Because, the main problem that Internet traffic congestion is existing day by day and the infrastructure of Internet is not enough to satisfy the demand. On the other hand, Internet service providers have technological opportunity to discriminate and to block the consumers freely; or they could easily provide prioritization for some contents and block or slowdown others, or fee a charge (Carter et al., 2008). Consequently, regulations are required to protect consumers and competition. Non-discrimination is about charging or not. Charging a fee only exists with depends on capacity and

speed of Internet (Wilkie, 2007). This part will present the possible problems and importance of net neutrality. Because, net neutrality defenders and opposing views have different scenarios and consequences about net neutrality.

In Turkey, the net neutrality debate has not surfaced yet. The Information and Communication Technologies Authority published a report in 2011 and signaled that Turkey is following closely the debates around the world. According to FCC (2010), open access has three main features as transparency no legal content may be blocked and no unreasonable discrimination. According to an ICTA thesis by Tiryaki (2011), net neutrality debate should be analyzed as part of reducing and blocking Internet services by Internet service providers. Turkey has precision about transparency and open Internet. On the other hand, incomplete competition of broadband Internet services market may cause worry about net neutrality. Imperfect competition may encourage Internet service providers toward discrimination and blocking of contents.

Over-the-top services (which are also defined as content providers) are simply defined as a general term of applications which offer their services through internet service providers (ISPs). While OTT services are offering services, do not make an additional payment to ISPs for mediation and not depend on each other's with commitments or contracts. Especially on the mobile broadband Internet, these services included widely used instant messaging, video calls, social media channels and music applications. Decreasing of sms and voice revenues and increasing of mobile internet data demand are the indication of prevalence of mobile OTT services in recent years. On the other hand, ISPs investment incentives are affected negatively by the prevalence of these applications, growing internet traffic and decreasing of traditional means of communication with SMS and voice revenues.

What are the OTTs role on net neutrality debate? ISPs will face increasing broadband demand and declining voice and SMS revenues with OTT services. In such a case, ISPs that providing usage and connection of network may want to monetize from content providers/OTTs (Economides & Hermalin, 2012; Economides & Tag, 2012; Musacchio et al., 2009). Also, with the expansion of innovation, mobile broadband supply and demand, and easy access to internet, OTTs are supporting to grow multi-sided platforms with network externalities. Net neutrality debate is taking a form around the broadband market. The spread of mobile content providers, tablets, and smart phones increases internet traffic on one side and broadband demand on the other. Further, there is a significant relationship between content providers' and internet service providers' revenues and investments' in literature.

While these developments in the telecommunication market generate new competition rules from one side, the other side can direct the economic actors in the telecommunication market, backbone, or internet service providers, to some violations. The widespread use of the Internet and applications exclude the such as voice calls and traditional SMS tools are leading the way for these applications to be easy and costless and the elasticity of demand for these applications is low. The aim of this work is to reveal the current state of net neutrality, which is the reason for frequent competition discussions in the world, to present the economic situation, the regulation, and the competitive position of the over-the-top services. We also offer suggestions toward improving competition and efficiency in the market in terms of regulatory framework.

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Properties of Business Cycles in Developing Countries: A Comparative Analysis

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Identifying business cycles characteristics is important to develop country specific stabilization policies, to construct theoretical dynamic general equilibrium macro models and to help in estimating and calibrating them. It is particularly more important in developing countries where the socioeconomic effects of economic fluctuations tend to be more pronounced.

Following the seminal paper by Agenor, McDermott and Prasad (2000) several studies have investigated the properties of business cycles in developing countries. However, the majority of existing studies is generally based on relatively small samples which may hinder the generalization of results. For example, Agenor, McDermott and Prasad (2000) have a sample of twelve countries, Rand and Tarp (2002) have fifteen countries, Neumeyer and Perri (2005) have five developing countries, Aguiar and Gopinath (2007) have thirteen developing countries, and Fernandez and Gulan (2012) have twelve developing countries.

Motivated by this observation current paper reexamines business cycle characteristics, or so-called “stylized facts”, using a larger set of countries and a longer span of data. Turning points for the business cycles in developing and developed countries are established up to the late 2000s including the 2008 Great Recession. We rely on nonparametric methods to examine the characteristics of business cycles by identifying the classical cycles of developing countries. Turning points, average duration, amplitude and cumulative movements of contraction and expansion phases of cycles are obtained using the Harding-Pagan methodology which is based on the Bry-Boschan algorithm. The amplitude of contraction and expansion phases expresses economic activity changes during the phase. Cumulative movements of contraction periods are a measure of cumulated output losses from peak to trough and cumulative movements of expansion periods are a measure of cumulated gains from trough to peak.

The statistical properties of business cycles are also identified by investigating the growth cycles. We examine volatility, relative volatility and persistence of a large number of macroeconomic variables such as consumption, investment, net export, exchange rates, inflation, government consumption, and real interest rates. We also analyze the pairwise correlations between GDP and selected macroeconomic variables.

The selected variables are deseasonalized using the Census Bureau’s X-12 seasonal adjustment program. We use natural logarithms of seasonally adjusted variables except trade balance and real interest rates. To extract the cycle and trend we apply the Hodrick-Prescott filter (Hodrick & Prescott, 1977) with the smoothing parameter $\lambda = 1600$.

Our findings can be summarized as follows. First, lower income countries have the longest average contraction periods and developed countries have the longest expansion duration in the sample. Furthermore, the average amplitude of contraction and expansion phase is larger in developing countries. In contrast to this, developed countries have the lowest cumulative movements of contraction periods and the biggest cumulative movements of expansion periods.

Second, output is, on average, about 30% more volatile in developing countries than the developed ones. Output is more volatile in relatively lower income countries, such as Argentina, Peru, Bulgaria, and Turkey. These results are similar to the results of Rand and Tarp (2002) and Male (2010). Rand and Tarp (2002) states that output is no more than 20% volatile in developing countries than developed ones. Male (2010) finds output volatility in developing countries is twice more volatile than developed countries.

Third, the consumption volatility is less than output volatility in developed countries such as the USA, Japan, Germany, France, Canada, and Italy. In contrast to this, the volatility in consumption is higher than output volatility in developing countries especially in middle income countries. These results indicate that there may be a lack of consumption smoothing over fluctuations in these countries. Consumption is strongly procyclical for the majority of the developing countries in the sample.

Fourth, in line with the current literature, investment volatility is found to be higher in developing countries than developed countries. The volatility of investment is nearly three times higher than the volatility of output in developing countries.

Fifth, government consumption is more volatile in developing countries than in the developed countries. On average government consumption is nearly two times more volatile than output volatility. Although government consumption is expected to be countercyclical in order to stabilize the fluctuations our results suggest that government consumption is procyclical in the majority of developing countries. This means that the government in developing countries may aggravate fluctuations rather smoothing them.

Sixth, the trade related variables are compared in developing and developed countries. The expectation is that the trade balance should be countercyclical in developing countries. The results are in line with these expectations, and the correlation between trade balance and output is negative and significantly higher in developing countries.

Finally, the volatility of inflation, real interest rates and nominal and real exchange rates is higher in developing countries as expected. Imports and exports are strongly procyclical in the developed countries, and are procyclical in the majority of the developing countries.

Additionally, investigating the autocorrelations of output shows that there is significant output persistence in the developing countries. When we compare the average autocorrelation coefficient at lag one, it is shown that this value is higher for developed countries than developing countries.

Nearly all developing countries exhibit significant real exchange rate persistence. The magnitude of the average autocorrelation coefficient at lag one in developing countries is lower than in developed countries. In addition to this, however, there is significant inflation persistence in developing countries, again the magnitude of inflation persistency is lower than for the developed countries.

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Why Do Firms Repurchase Their Stocks? Evidence from an Emerging Market

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JEL Classification Codes : G30, G32, G35, C23.

Introduction

Companies have the intention to repurchase their shares mainly in order to replace cash dividends due to tax considerations (excess capital hypothesis), to distribute excess cash to shareholders (free cash flow hypothesis), to optimize capital structure (optimal leverage hypothesis), to avoid hostile takeovers (takeover deterrence/management entrenchment hypothesis), to increase employee motivation by means of stock options (management incentive hypothesis), to increase shareholders' wealth (wealth transfer hypothesis), and to send a signal to their investors regarding the profitability of the company or value of the shares and to stabilize price movements (signaling hypothesis).

Priority ranking of these motivations is subject to change depending on the common practice in jurisdictions. For instance, signaling ranks first in the UK; motivating and signaling go hand in hand in French; and utilizing excess capital leads in the US market. Regardless of the motivations behind, open market repurchases prove to be the most popular method used in almost all markets.

The case in Turkey, where regulations regarding stock repurchases have come into effect more recently than other countries, is unexplored in that respect and it is worth to provide some primary evidence on which factors stimulate companies to repurchase their own stocks. Though repurchasing firms disclose the main reason is undervaluation, it is hard to believe in that they are the only ones whose stocks have been undervalued so far. Hence, we argue why firms repurchase stocks and why others do not in order both to differentiate firms from each other and to understand the implied motivations behind repurchases in the aftermath of the new regulations.

We focus on excess capital hypothesis, free cash flow hypothesis, optimal leverage hypothesis and signaling hypothesis only. We are not interested in takeover deterrence/management entrenchment hypothesis, management incentive hypothesis, or wealth transfer hypothesis since majority of shares are generally held by controlling parties, share-based payments have never been experienced yet, and debt issuance have not been common among non-financial firms to date in Turkey.

Data and Hypotheses

The data set for this research is retrieved from Borsa Istanbul (BIST), Public Disclosure Platform (PDP) and Capital Markets Board (CMB). In that respect, factual data on firms making stock repurchase transactions is obtained, from where it is reviewed and verified by means of financial reports, e.g. financial statements, annual reports or audit reports, disclosed via PDP. Financial data pertaining to these transactions such as stock price, spread, and volume is retrieved primarily from BIST, however Datastream and Thomson Reuter's databases are also actively used in order to fine-tune the data in the analysis.

The sample period extends from the third quarter of year 2010, i.e. 2010/q3, when first stock repurchase transaction is carried out to the last quarter of year 2013, i.e. 2013/q4, that is just before the newest CMB Regulation came in effect on January 3rd, 2014.

We base our hypotheses on various financial indicators that may have potential impact on stock repurchases:

Free cash flow hypothesis

H1. Firms having a high cash level are likely to repurchase stock when compared to the ones having a low cash level (*CASH variable is used, positive sign is expected*).

Signaling hypothesis

H2. Firms having low Earnings Per Share (EPS) are likely to repurchase stock when compared to the ones having high EPS (*EPS variable is used; negative sign is expected*).

H3. Firms having low Market Value/Book Value (MV/BV) are likely to repurchase stock when compared to the ones having high MV/BV (*MKBK variable is used, negative sign is expected*).

H4. Firms having small firms are likely to repurchase stock when compared to the big ones (*SIZE variable is used, negative sign is expected*).

H5. Firms having a high level of intangibles are likely to repurchase stock when compared to the ones having a low level of intangibles (*INTNG variable is used, positive sign is expected*).

H6. Firms having a high level of operating income are likely to repurchase stock when compared to the ones having a low level of operating income (*OPERF variable is used, positive sign is expected*).

Excess capital hypothesis

H7. Firms having low dividend yield are likely to repurchase stock when compared to the ones having high dividend yield (*DIVY variable is used, negative sign is expected*).

Optimal leverage hypothesis

H8. Firms having low leverage ratios are likely to repurchase stock when compared to the ones having high leverage ratios (*DEBT variable is used, negative sign is expected*).

We divide all of the variables, except for *EPS*, *DIVY* and *MKBK* which themselves are already ratios, by total assets so as to control for scale effects and to avoid heteroskedasticity.

Methodology and Results

We employ (1) a conditional logistic regression model, where repurchasing firms and similar non-repurchasing firms are matched; (2) a panel logistic regression model, where regular and irregular repurchasing firms are compared, and (3) a multinomial regression model, where firms following different dividend payment policies are analysed.

The multivariate analyses tests results obtained from:

- Conditional logistic regression model implies that the main motivation of repurchase is signaling in terms of undervaluation (INTNG, MKBK) and positive information dissemination (OPERF, EPS). We also have some clues that excess cash is distributed via repurchases rather than cash dividends (DIVY) (Table 1).
- Panel logistic regression model results support these findings in that excess cash, intangibles and operational profit increase the likelihood of repurchase (Table 2).

- Multinomial regression model reveals that “repurchasing only” firms are rich in cash (*CASH*), big in size (*SIZE*) and lucrative (*OPERF*) when compared to “cash dividend only” firms (*Table 3*).

Conclusion

Stock repurchases, primarily open market stock repurchases steadily increase in volume and become a common practice throughout the financial markets. Flexibility, when compared to dividends in particular, inherent in these transactions has had a critical role in regulatory changes in order to soften restricting provisions once-prevailing in capital markets.

Restrictive regulations in Turkey have also been subject to similar improvements pioneered by CMB, which have recently ended up with a legal infrastructure that allows stock repurchases for publicly held listed firms. This recent nature of Turkish regulations gives inspiration to make a research in the local market so as to make inferences about why firms make stock repurchase transactions.

We find evidence for signaling hypothesis in that repurchase transactions in Turkey are made primarily in order to avoid undervaluation and send positive signals to the market about the company. Moreover, firms having excess cash tend to repurchase more, which indicates that excess capital and free cash flow hypotheses also hold for firms in Turkey as an emerging market.

Taken together, stock repurchase appears to be a strategic tool for outstanding firms employing good corporate governance in Turkey. This is congruent with the viewpoint of investment guru, Warren Buffet, who agrees that the most appropriate action for investors of such firms in periods of undervaluation would be investing in their own stocks.

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Table: 1
Multivariate Test Results (Conditional Logistic Regression)

Variable	Industry Match		Size Match		Market Value Match	
	1-1	1-k	1-1	1-k	1-1	1-k
<i>CASH</i>	-2.085 .124 (0.607)	.273 1.313 (0.902)	1.35 3.857 (0.642)	4.39 80.599 (0.006)***	1.712 5.539 (0.625)	2.744 15.541 (0.018)**
<i>EPS</i>	-4.963 .007 (0.01)**	-.318 .728 (0.013)**	-1.136 .321 (0.073)*	.008 1.008 (0.000)***	-3.668 .026 (0.039)**	-.416 .66 (0.036)**
<i>MKBK</i>	-.012 .888 (0.446)	-.017 .984 (0.586)	-.107 .899 (0.032)**	.007 1.007 (0.591)		
<i>DIVY</i>	-.376 .687 (0.081)*	-.036 .965 (0.600)	.635 .996 (0.042)**	-.181 .834 (0.021)**	-.368 .692 (0.057)*	-.038 .963 (0.607)
<i>SIZE</i>	1.998 7.371 (0.136)	-.050 .951 (0.786)			-.152 .859 (0.718)	-.39 .677 (0.034)**
<i>DEBT</i>	3.369 29.051 (0.241)	-.097 .908 (0.602)	.003 1.372 (0.865)	-.032 .969 (0.898)	2.463 11.744 (0.179)	1.833 6.255 (0.001)***
<i>INTNG</i>	2.032 7.629 (0.000)***	1.115 3.049 (0.000)***	.276 1.318 (0.100)	.882 2.416 (0.000)***	.597 1.817 (0.021)***	.959 2.609 (0.000)***
<i>OPERF</i>	4.303 73.915 (0.017)**	.656 1.926 (0.006)***	6.38 589.91 (0.008)***	-.071 .931 (0.255)	2.283 9.809 (0.091)*	.11 1.116 (0.175)
N	94	961	99	487	102	1,089
Pseudo R2	0.656	0.238	0.50	0.225	0.453	0.253
Prob> chi2	0.009***	0.000***	0.000***	0.000***	0.017**	0.000***
Wald chi2	20.30	91.67	26.94	49.67	17.11	91.91
Likelihood Ratio	-11.207	-105.283	-17.199	-84.97	-19.349	-112.666

***, ** and * denote for 0.01, 0.05 and 0.1 significance levels, respectively.

Table: 2
Multivariate Test Results (Panel Logistic Regression)

Variable	Coefficient	P-value	Fixed Effects			Random Effects			
			dy/dx	Odd Ratio	P-value	Coefficient	P-value	dy/dx	P-değeri
<i>CASH</i>	20.176	0.001***	.261	5.79e+08	0.796	22.46	0.000***	2.891	0.010**
<i>EPS</i>	-1.09	0.265	-.014	.336	0.808	-1.244	0.182	-.160	0.189
<i>MKBK</i>	.073	0.154	.001	1.075	0.791	.034	0.443	.004	0.441
<i>DIVY</i>	.133	0.465	.002	1.142	0.798	.13	0.466	.017	0.463
<i>SIZE</i>	.376	0.421	.005	1.456	0.698	.332	0.477	.043	0.459
<i>DEBT</i>	.405	0.725	.005	1.499	0.829	.220	0.832	.028	0.833
<i>INTNG</i>	3.417	0.024**	.044	30.463	0.798	3.362	0.024**	.433	0.031**
<i>OPERF</i>	26.253	0.000***	1.296	2.52e+11	0.793	29.376	0.000***	3.782	0.000***
N	190					190			
Prob> chi2	0.000***					0.000***			
LR/Wald chi2	74.82					37.34			
Likelihood Ratio	-47.417					-64.834			
Hausman Test (chi2)	-1.35								

***, ** and * denote for 0.01, 0.05 and 0.1 significance levels, respectively.

Table: 3
Multivariate Test Results (Multinomial Logistic Regression)

	Categories								N	Likelihood ratio	Pseudo R ²	P-value	
	1. Category		2. Category		3. Category		4. Category						
	Coefficient	P-value	Coefficient	P-value	Coefficient	P-value	Coefficient	P-value					
1. Category (Repurchase Only)													
CASH			39.917	0.019**	22.144	0.145	39.239	0.02**					
SIZE			1.458	0.002***	.906	0.053*	1.306	0.047**					
DEBT			-1.205	0.408	-7.472	0.007***	-3.455	0.082					
MKBK			.154	0.354	.164	0.254	.139	0.419					
OPERF			49.879	0.078*	19.267	0.216	51.787	0.059*					
INTNG			-.569	0.750	-6.871	0.143	5.089	0.036**					
EPS			-1.474	0.221	.841	0.132	-1.697	0.189					
Intercept			-15.168	0.000***	-8.881	0.028**	-15.34	0.004***					
2. Category (Cash Dividend Only)													
CASH	-39.917	0.019**			-17.772	0.002***	-6.78	0.709					
SIZE	-1.458	0.002***			-.552	0.317	-1.152	0.804					
DEBT	1.205	0.408			-6.267	0.024**	-2.25	0.311					
MKBK	-.154	0.354			.01	0.859	-.015	0.714					
OPERF	-49.879	0.078*			-30.612	0.039**	1.909	0.654					
INTNG	-.569	0.750			-6.303	0.175	5.657	0.032**					
EPS	1.474	0.221			2.315	0.022**	-.223	0.887					
Intercept	15.168	0.000***			6.287	0.188	-.173	0.972					
3. Category (Both Payment)													
CASH	-22.144	0.145	17.772	0.002***			17.094	0.002***					
SIZE	-.906	0.053*	.552	0.317			.4	0.550					
DEBT	7.472	0.007***	6.267	0.024**			4.017	0.210					
MKBK	-.164	0.254	-.01	0.859			-.025	0.705					
OPERF	-19.267	0.216	30.612	0.039**			32.52	0.021**					
INTNG	6.871	0.143	6.303	0.175			11.96	0.016**					
EPS	-.841	0.132	-2.315	0.022**			-2.538	0.035**					
Intercept	8.881	0.028**	-6.287	0.188			-6.459	0.231					
4. Category (No Payment)													
CASH	-39.239	0.02**	.678	0.709	-17.094	0.002***							
SIZE	-1.306	0.047**	.152	0.804	-.4	0.550							
DEBT	3.455	0.082	2.25	0.311	-4.017	0.210							
MKBK	-.139	0.419	.015	0.714	.025	0.705							
OPERF	-51.787	0.059*	-1.909	0.654	-32.52	0.021**							
INTNG	-5.089	0.036**	-5.657	0.032***	-11.96	0.016**							
EPS	1.697	0.189	.223	0.887	2.538	0.035**							
Intercept	15.34	0.004***	.173	0.972	6.459	0.231							

***, ** and * denote for 0.01, 0.05 and 0.1 significance levels, respectively.

Do Credit Shocks Matter? A Case Study for Turkey

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Keywords : Credit, Credit Channel, Current Account Deficit.

JEL Classification Codes : E44, E50, E51.

Structural vector autoregression (SVAR) model is employed over the period 2005:12-2016:9 in order to investigate the impact of credit shocks on macroeconomic performance in Turkey. The SVAR methodology is chosen to determine the dynamic response of a set of macroeconomic performance indicators to disturbances in the credit market. The SVAR model enables that the necessary restrictions consistent with the economic theory are imposed on the estimated reduced form model as required for evaluation of policy recommendations.

The estimated model includes five variables. These variables are credit supplied to the private sector (CRDT), real effective exchange rate (CPI based, REER), and industrial production index (IP), consumer price index (INF) and the ratio of the current account deficit to GDP (CAD/GDP). The external variables included in the model are FED policy interest rates (FEDINT) and the VIX index (VIX) as an indicator of risk aversion in global financial markets. In addition to these, one-period-lagged ratio of the current account deficit to GDP (CAD/GDP₋₁) is included in order to account for the lagged effect of the GDP on the current account deficit.

The data series on domestic variables are obtained from the Central Bank's database (TCMB EVDS) while the FED policy rate is obtained from Thomson Reuters Data Stream data base and the VIX index is taken from Chicago Board Options Exchange. Quarterly GDP series obtained from the database of the Central Bank (TCMB- EVDS) is converted to monthly series by using interpolation since the monthly GDP data is originally unavailable. Litterman (1983) method and Excel is used for interpolation. The domestic variables on credit (CRDT), real effective exchange rate (REER), industrial production (IP) and the consumer price index (INF) are log differenced. The variables of credit, industrial production and consumer price index are deseasonalized by Tramo/Seats X-11.

Empirical evidence is provided to state that credit shocks do matter in explaining macroeconomic performance indicated by a set of macroeconomic variables such as the inflation rate, the industrial production, the current account deficit and the real exchange rates. According to the empirical results, positive credit shocks in Turkey increase output but also produce inflationary pressure. Significant empirical evidence proves that increase in credit results in increase in real effective exchange rates and the current account deficit. We conclude that macro prudential precautions to limit credit expansion is crucial in controlling the current account deficit that is a source of macroeconomic vulnerability in Turkey.

28 April 2017 Friday

Session: IV-B / 16.00-17.30

SOCIAL SECURITY & WEALTH

Room: *Symyrna II*

Chair: **Hale AKBULUT**

- The Examination of Financial Satisfaction and Intergenerational Resource Transfer in Elderly

Hulya OZTOP & Sevinc SANLI-AKKURT & Husniye Ceyda MISIRLIOGLU

- Social Security of the Self-Employed Workers in Turkey

Nagihan DURUSOY-OZTEPE & Sezgi AKBAS

- Costs of Kidney Transplantation in Comparison to Organ Prices in the Black Market

Yavuz DEMIRDOGEN

- Assessment of Civil Society in the Context of Development

Nurten DERICI

- Socio-Economical and Political Analysis of Tax Burden and Income Distribution since 1923 until Today

Hakan AY & Mehmet Latif HAYDANLI

The Examination of Financial Satisfaction and Intergenerational Resource Transfer in Elderly

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Keywords : Elderly, Financial Satisfaction, Intergenerational Resource Transfer.

JEL Classification Codes : D14, D64.

This research was planned and conducted to examine the financial satisfaction of elderly individuals and intergenerational resource transfer. The research was conducted on 548 volunteer participants 60 and older in Planet and Gökürk Family Living Centers within the borders of Ankara Metropolitan Municipality. It was taken the elderly that have good health status and at least one adult child within the scope of the research. Elderly people and adult children were handled in terms of intergenerational resource transfer. The preparation of the questionnaires was made by using the related theories and researches (Hayhoe & Stevenson, 2007; Chuan et al., 2012; Morgan, 1992; Greenly & Greenberg & Brown, 1997; Hira & Mugenda 1999a, 1999b; Iecovich & Lankri, 2002; Tai & Tam, 1997; Zunzunegui & Beland & Otero, 2001). The prepared questionnaire includes questions economic decisions about the family, self-confidence, intergenerational emotional support, financial satisfaction, economic resource transfer towards the parents from the children, and economic resource transfer towards the children from the parent. The data obtained as a result of the questionnaire were evaluated using SPSS24 software. In this study, gender, age, income, marital status, working status, housing status and people living together in the dwelling were examined as independent variables. The reliability analysis of the work was tested with Cronbach's Alpha. In general, the reliability of the test was found to be highly reliable with 87% (0.871). The subscales were examined separately and it was found that the highest score was taken in economic decisions about the family. Variance analysis and t-test were used for each sub-dimension according to socio-demographic variables. According to the results of the research, it was found that individuals aged 65 and below have higher mean scores than those over 65 years of age on the level of confidence in economic decisions about the family and economic resource transfer towards the children from the parent ($p<0.05$). Individuals with income less than or equal to 1500 TL have lower mean scores than 1500 to 3000 TL and 3000 TL on economic decisions about the family, self-confidence, intergenerational emotional support, financial satisfaction and economic resource transfer towards the children from the parent ($p<0.05$). Married individuals have higher mean scores than widows or divorced on economic decisions about the family, intergenerational emotional support, and economic resource transfer towards the children from the parent ($p<0.05$). Retired individuals have lower mean scores than employees on economic decisions about the family and self-confidence ($p<0.05$). Non-working individuals have lower mean scores than on working and retired individuals on financial satisfaction and economic resource transfer towards children from their parents ($p<0.05$). Elderly with homeowners were found to have higher mean scores than tenants on financial satisfaction ($p<0.05$). However, it was found that the mean score of the economic resource transfer towards the parents from the children was lower in the elderly host ($p<0.05$). The results from the research reveal that financial satisfaction in elderly and intergenerational resource transfer are linked to income. All age groups have reciprocal contributions to maintaining social life and socialization, and none are neglectable. Intergenerational solidarity in a system with rights and responsibilities based on the equality of individuals within a strong family and strong community structure is a desirable solution for the elderly to lead a quality life. Intergenerational solidarity is not just about solidarity among the different age groups in the family, It should be remembered that the elderly and other disadvantaged groups in the society are meant to provide

redistribution of resources, primarily income, to protect and improve the living standards. It is necessary to develop projects that will strengthen intergenerational relationships and facilitate transfers to protect and sustain our social values. It is very important to strengthen intergenerational relations and to apply these models in harmony with our culture and education system.

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Social Security of the Self-Employed Workers in Turkey

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JEL Classification Codes : E24, E26, H55, K31.

Self-employed workers are the most heterogeneous group with regard to social security coverage status in Turkey. Obtaining irregular and uncertain income is the most important characteristics of this group. Because of the lack of regular premium payment habit, they constitute one of the weakest group in social security coverage. This situation makes some difficulties for them to obtain social security coverage. In this sense, encountering with probability of social protection inadequacy is pretty much rather than the other groups. The aim of the study is revealing the non-agricultural sector self-employed workers' position in social security system and the extent to which they benefit from social security programs. Primarily in the study, conceptual framework of self-employment will be drawn. Secondly, socioeconomic conditions of self-employed workers in non-agricultural sector will be examined with using the proper data of Turkish Statistical Institute. Finally, status of the self-employed workers in social security system will be analysed.

Self-employed work is one of the most difficult group to define in all the employment status. Difficulties in defining this employment status lead to some complexity in measuring their needs and determining improvement policies about this subject. The International Classification of Status in Employment (ICSE) which adopted by the International Labour Office (ILO) is the essential criterion to define self-employed work. According to this classification, employment statuses can be classified mainly in two groups as "paid employment jobs" and "self-employment jobs" (ILO, 2013)¹. Also self-employed workers can be divided into four sub-divisions as employers, own-account workers, contributing family workers and members of producers' cooperatives. The way of remuneration and the nature of work relationship determine the main distinction of ILO's classification. Paid work has explicit or implicit employment contracts which give basic remuneration not directly dependent upon revenue/profit of the employing unit and it is typically remunerated by wages and salaries. But in self-employed jobs, remuneration is directly dependent upon the profits derived from the goods and services produced. Self-employed individuals make the operational decisions that affect their own enterprise and take responsibility for the welfare of it (ILO, 2013). OECD and EUROSTAT also define self-employment quite similar with ILO². But despite the international organizations have similar definition about self-employment, heterogeneous structure of this employment status and its measurement problem still exist.

In global terms, self-employment features relative strength of informal sector which can be described as working outside the regulated economy, not having any social security coverage and failing to record or declare income. Especially in Asian and African countries, relationship between size and productivity (as a percentage of informal sector in GDP) has usually remarkable discrepancies.

¹ <http://www.ilo.org/wcmsp5/groups/public/---dgreports/---stat/documents/meetingdocument/wcms_223924.pdf>, 22.01.2017.

² <<https://data.oecd.org/emp/self-employment-rate.htm>, <http://ec.europa.eu/eurostat/statistics-explained/index.php/Glossary:Self-employed>>, 22.01.2017.

When the reasons of not being in formal economy analysed, especially irregularity of obtainable income and burden of acting without employer contribution to social insurance premiums remain in the forefront (ISSA, 2012: 8). In addition to that, self-employed workers' profile, needs, size and characteristics vary across the nations. Particularly, degree of differences may increase when the starting point of the analysis is social security coverage. Share of self-employment jobs in total workforce, economic atmosphere and development, regulations regarding self-employed, having difficulties in repayment of tax and social security contributions and cultural issues can be both reason and result of these differences (ISSA, 2012: 10).

Self-employed work is the second largest group after paid employment work when we look for range of the status of employed in Turkey. 67.5% of total employed have paid or casual jobs and 21.3% of that are self-employed (ratio of own-account work is 16.6%; ratio of employers is 4.7%). Also ratio of the unpaid family workers is 11.2% (TÜİK, 2016)¹. Although agricultural sector self-employed workers' relative strength in total self-employed is still high (48.3%), this status of employment takes place in non-agricultural sectors widely (51.7%). Own-accounted workers and employers mostly carry on a business in wholesale and retail trade, building and construction operations, food- textile- clothing and furniture manufacturing, food and beverage services, law consultancy, accounting, personal and household goods repairing etc.². However, especially own-accounted individuals' accessibility to social security coverage is more restricted than employers. 12.9% of employers and 60.1% of own-accounted workers are not registered to any social security institutions³.

Self-employed workers' social security in Turkey was regulated for the first time with Craftsmen and Artisans and Other Independent Workers' Social Insurance Institution (Bağ-Kur) Law, accepted in 02.09.1971. According to this law craftsmen and artisans, real or lump sum income taxpayers because of their commercial or liberal profession earnings and company partners were counted as self-employed/own-account workers. Agricultural sector self-employed workers' (farmers) social security was regulated with Self-Employed Workers in Agriculture Law No. 2926. In this sense, own-account workers in agriculture are the last coverage group in statutory and mandatory social security. Along with Social Security Institution Law No. 5502 which was regulated in 2006, social security institutions were gathered under the one title and along with Social Insurances and General Health Insurance Law No. 5510 which was enacted in 01.10.2008, as part of social security reform, some amendments occur about own-account/self-employed workers.

Social Insurances and General Health Insurance Law No. 5510, along with using similar terminology with Bağ-Kur Law No. 1479 about definition of self-employment, also includes own-accounted workers in agriculture sector in terms of coverage. After the new Law, self-employed workers could benefit from insurance of occupational accidents and professional diseases, sickness and maternity. But in comparison with paid workers, there are still some problems about the amount of premium and minimum premium payment number of days for getting social security benefits. Despite the irregularity and uncertainty about self-employed workers income, they have to pay equal premium amount with paid workers. Notwithstanding, obtaining benefits from old age, disability and death insurances gets harder attaining criteria now. High rate of premiums, lack of state contribution

1 *When calculating statistical data about self-employed workers in Turkey, employers who employ at least one paid or casual personnel in their own company and own-accounted workers who do their job alone, with partner or with unpaid family members for obtaining in-kind and in-cash income are being considered. "Unpaid family workers" who classified in International Labour Office's Classification of Status in Employment as self-employed workers is not being considered because of their varied characteristics of employment status.*

2 TÜİK (2015), *Calculated by the authors from Household Labour Force Survey Microdata.*

3 TÜİK (2015), *Calculated by the authors from Household Labour Force Survey Microdata.*

about that and harder conditions to get social security benefits estranging the self-employed from social security system. Under this circumstances, widening the social security coverage for self-employment should be taken multi-dimensional about number of coverage individuals, range of benefits and increasing benefit levels (ISSA, 2012: 14). At the same time, necessities about contribution amounts, minimum premium payment number of days and minimum years of service for entering social security schemes or obtaining benefits should be eased for self-employed workers in compare to paid workers. Especially there are some needs about raising state subsidies on insurance premiums and eased premium payment methods for self-employed workers.

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Costs of Kidney Transplantation in Comparison to Organ Prices in the Black Market

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Keywords : Organ Trafficking, Transplantation, Dialysis, Black Market, Monetary Incentive.

JEL Classification Codes : I11, I18, K33.

Chronic Kidney Disease (CKD) is the failure of kidney(s) requiring high dialysis expenditures and which is only possible to cure through transplantation. In pecuniary terms, transplantation is cost-effective in comparison to dialysis and the gains of each transplant patient amount is almost TRY 1.100.000 over a 15 years period. However donation is legally only altruistic based which ends up with a difference in demand and supply; thus patients tend to find organs from the black market acquiring organs through human trafficking. Nevertheless, the gains of donors are insufficient and the losses of patients are far more than actual costs under such circumstances where both lives are endangered because of inadequate after-surgery treatments. Legal regulations are unsatisfactory in terms of coping with and suppressing the black market. Having examined the costs of organ procurement from the black market and transplantation, this study proposes an effective donation system which is based on monetary incentive as the core component under governmental regulations.

Human trafficking is ranked the third among all trafficking crimes. One major reason for this crime is organ trafficking where the primary cause of such is kidney trading. Kidney supply is available through altruism in the world however supply is not enough to satisfy the demand and the gap between supply and demand is increasing each year. Patients with end stage renal disease (ESRD) lose their lives unless a suitable donor is found whereas they undergo a hard and painful dialysis treatment in the waiting list for years while waiting for a donor. Patients those who cannot timely find a kidney look for ways to procure organs from the black market. However, kidney transplantation in the black market is more than costly for the patient while it is not feasible for the donor. Transplantation is advantageous in terms of cost-effectiveness, yet a transplant surgery under illegal circumstances comprises numerous hardships.

The costs of kidney transplantation and dialysis are compared with cost of kidney procurement from the black market are compared in this study. In relation to this approach, an incentive mechanism involving monetary support is discussed and recommendations are made for the functioning and effectiveness of a monetary incentive system.

Cost-Benefit and cost-effectiveness analyses between transplantation and dialysis are made on real data in the academic literature. However, reaching real data is not easy in terms of accessibility due to some certain rules and regulations. Studies regarding Turkey are made according to the data contained in the Appendix 2C of the Health Application Notification (HAN) which is based on the standard payments made through the insurance system. Nevertheless, costs and applications of the hospitals show differences throughout the transplantation period. Real data regarding Turkey are used in this study while cost-effectiveness and cost-benefits analyses in the literature from various other countries are examined in detail. Besides, penalties and punishments regarding trafficking are listed for convenience. Consequently, recommendations for an effective functioning of the proposed system are made with the Iranian system as the core model.

There is no certain and official data about the black market and organ trafficking. The most reliable reports on this matter are issued by the World Health Organization (WHO), Interpol and similar organizations. These reports comprise very limited and ambiguous information. In addition, there are some studies at a limited number made by academicians and journalist. Interviews made in the field in person by non-governmental organizations (NGOs) such as the Organ Watch provide information about the size and dimensions of organ trafficking. Poor countries those are the centers of organ procurement basically deny the fact officially therefore the extent of trafficking is not known. A cost-benefit analysis using real data specific to Turkey is made through a literature survey and an alternative kidney donation system applicable in Turkey is proposed.

Data of Appendix 2C of the Health Application Notification (HAN) are used regarding the dialysis costs in Turkey. Analysis of the data obtained with the consent of the Ankara Atatürk Research Hospital was made in consideration the costs of transplantation. These data include the costs of medical equipment, admission, dialysis, operation crew and working hours of nurses before, during and after the surgery of a transplant patient and a kidney donor. The rest of the data are obtained through the analysis of articles accessed through the examination of electronic databases.

Procurement of a kidney from the black market is more than costly for a patient whereas it the gains of a donor are very limited. Besides, the patient is discharged before full recovery and the donor is treated like a commodity. On the other hand, the cost of transplantation is less than finding a kidney on the black market. It is a loss by all means for the parties as long as the black market is not suppressed and continues its existence. A donation mechanism involving monetary incentive would increase donation rates, decrease kidney failure related death rates, prevent loss of manpower and suppress the black market. Through a mechanism effective on that sense, all parties would benefit and would have gains. The monetary support involved in the proposed system shall not be considered as the commodification the human body however is regarded as a compensation for the losses of a donor.

Assessment of Civil Society in the Context of Development

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Keywords : Development, Civil Society, Institution, Turkey.

JEL Classification Codes : F63, L31, O10.

The Aim and Framework of This Study

Civil society, as the third sector in the economy, is the most important part of governance. Civilian organization forms the basis for the building of social and economic institutions in the society and for the reliable performance of these institutions. When the functions of non-governmental organizations and civil networks in developed and developing countries are compared, it is observed that there is not a solid infrastructure of such institutions and networks. And also civil organizations in the society are weak in developing countries. Therefore, there is necessary to look at development approaches from different perspectives, since development points out a total progress with social and cultural aspects beyond an increase of current per capita.

It is seen that, growth-oriented development approaches are gradually being abandoned and human-oriented approaches have come to the forefront in the literature. On the other side, the role of the state, which has been regarded as a driving force, is gradually being reduced to a minimal level, and the role of governance, which emphasizes the importance of heterarchy instead of hierarchical structure, is steadily increasing in development process.

In this study, the change of the role of civil society in development policies from complementary to increasingly autonomous will be firstly argued in the context of globalization and changing state-market relationship. Then the civil society organization in Turkey will be evaluated in terms of major turning points. Particularly quantitative and qualitative improvements that taken place within the scope of EU negotiation process will be revealed with the help of secondary data. The contribution of civil society organizations and civilian networks to employment, economy and development process of Turkey will be examined.

An Overview of the Role of Civil Society in Development

Until the 1970s, the state has been commissioned as a central responsibility for implementing poverty prevention programs. So at present, there is a pluralistic approach. It is foreseen that the various organizations will be used jointly with public actors for social programs applications (Psacharopoulos-Nguyen, 1997: viii).

In the 1980s, widespread and excessive state intervention began to be shown as the main cause of inadequate economic development. In accordance with the theoretical framework that requires the withdrawal of the Washington Consensus, the development economy literature has also been temporarily withdrawn. According to the Washington Consensus, the product of neoliberal thinking, the state is not the solution of problems, but the problem itself. Since the early 1990s, the Washington Consensus has been subjected to serious objections and a new approach called the Post-Washington Consensus has been put forward (Öniş & Şenses, 2013: 350). While the Neoclassical Economics inadequacies of the development problem led to increased criticism, the New Institutional Economics perspective on development began to draw attention. There is a growing belief that what is needed for a successful development is the well functioning public and private sectors acting in cooperation.

After that the state has been reorganized as a coordinating role, not an interventionist, its role has gone beyond traditional prosperity economic proposals. According to Stiglitz (2009: 286), a policy that ignores the social and political dimensions as the Washington Consensus is not only a bad social policy but also a bad economy policy. In connection with these advancements, Non-governmental organizations (NGOs) and collective activities have also found an important place for themselves in economic development (Wayenberge Van, 2013: 318). In the economic discipline, more and more non-economic issues in traditional sense have begun to take place, and the field of economic development is one of the most affected areas (Bardhan, 1993: 139). The fact that NGOs are seen as an important actor in development issues also has started in this period. The reason for the emerging central position of NGOs is based on the progressive social functions of social control and participatory democracy (Yüksel, 2014: 165).

It is necessary to work closely with the government and civil society for an effective and accountable management, good governance and sustainable development (Bebbington & Farrington, 1997: 52). The feasibility of governance falls in a society where the social organization is not intensive and the civil society organizations can not fulfill their basic functions (Sobacı, 2007: 323). Increasing the emphasis on “good governance” by international organizations such as the World Bank and the fact that Civil Society is one of the most important elements of “Good governance” has resulted in an increase in research on civil society.

According to Korten (2009: 100), the real prosperity economy is the clustering of private capital, the state and civil society in a complete equilibrium. There is a need for effective use of human capital, natural resources and financial resources in developing countries, and working with NGOs on this issue can provide much more fruitful results for these countries (Psacharopoulos & Nguyen, 1997: 49). At this point it is not surprising that the role of civil society as a third sector in the development process has attracting more and more attention.

Evaluation of Civil Society in Turkey

In this part of the study, the historical development of civil society organization in Turkey is discussed primarily. Following, it has been benefited from many existing work on development and civil society relations. All secondary were synthesized and evaluated together. In doing so, especially indices and statistics, which are prepared by organizations such as UNDP (United Nations Development Programme), WB (World Bank), UNRISD (United Nations Research Institute for Social Development), CAF (Charities Aid Foundation), CIVICUS (World Alliance for Citizen Participation) and the Turkish National Coordinator of the CIVICUS team, Third Sector Foundation of Turkey (TÜSEV), are used.

It has been seen that, the most important milestone in this process seems to be the acceptance of the EU Copenhagen criteria in 2001. After that, Turkey has shown and promised that important reforms can be realized. Many of these reforms directly affected civil society in terms of rights and freedoms (TUSEV, 2006: 14). The environment in which civil society has been functioning since 2001 has become quite favorable compared to the old one. It started to take on a structure that is active and rapidly developing and open to opportunities.

Although NGOs in Turkey have inadequate use of financial resources and technical and legal backgrounds, it is a fact that NGOs have made important leaps in the EU accession process. It is an important question that NGOs are insufficient in their administrative responsibilities and rights in Turkey and this progress seems to be limited in terms of prevalence and depth (Keyman, 2004: 14). At this point, it is necessary to rake through the legal framework for civil society in Turkey. Besides there is a need to raise public awareness of the inadequacy of public participation in civil society. Numbers of NGOs are already quite small and Participation in NGOs seems to be very low in Turkey.

7.8% of individuals have membership in association and only 1.5% actively volunteer. The rate of individual donations is 18% (TUSEV, 2017).

One of the most important issues for non-governmental organizations is how to ensure that their resources are delivered to their beneficiaries in the most effective and sustainable way (Fowler, 2000: 5). In order for NGOs to fulfill the role of intermediary in ensuring the necessary coordination between the public and private sectors, it is necessary firstly for NGOs to resolve their own coordination problems and adopt them by the society.

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Socio-Economical and Political Analysis of Tax Burden and Income Distribution since 1923 until Today

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Keywords : Tax Policies, Tax Burden, Tax Distribution.

JEL Classification Codes : H2, H20.

In this study; the effects generated on various divisions of society by the distribution of the tax burden that is an important indicator of tax policies used as a tool for intervention in improving tax distribution since the foundation of The Turkish Republic will be explained. Our study will also analyze how influential certain sections of society are in the formation of tax policies during the process beginning from the preparation of tax policies up until coming into effect, as well as the economical, social and political results of such influences. While conducting this analysis, comparisons will be made in terms of periods and in this way, more comprehensible and objective results will be achieved.

The tax policies in the current liberal state are shaped according to those undertaking the tax burden, the sectors to benefit from exceptions and exemptions, cross-regional tax burden and differences in the distribution of income. The fact that tax reforms and laws are shaped and put into force in line with the requests of those with the power causes the politic discourse of the principle of “Equity in Taxation” to be shadowed by its legal discourse and it also reveals the importance of the tax burden.

The efforts to adopt two separate policies, which are creating a national bourgeoisie and receiving the support of the vast majority of the public, brought about by the foundation of the Republic of Turkey in 1923 made it possible to implement liberal policies, but the upset experienced in the budgetary balance until the great depression prevented these policies from being sustainable. While the objective in removing the Tithe Tax (Ashar), thus waiving taxes from an important portion of the public, was to encourage the public to agree with the Republic, it caused a shift in the tax burden towards the working class. The removing of the tithe tax as a result of the pressures from the big land owners in the İzmir Economic Congress paved the way for the agricultural class to get to know the market with their surplus products and significant tax incentives were provided to the capital owners with the Industrial Promotion Law. These developments, which were social and political obligations in the foundation years, can be seen as the result of the -not entirely- liberal efforts of the state to create a national bourgeoisie under the lead of the capital owners.

The self-enclosed economic structure seen after the 1929 crisis, continued until 1939 with tax-burden-increasing regulations brought about as a result of the tax increases caused by the efforts to speed up the development and the preparations for the World War II. It can be said that the share of the agricultural sector in the indirect taxes was partly increased during this period and that the sector was more advantageous than other sectors in terms of the total tax burden. The industrial plans which were prepared during this period for the first time caused the tax burden on this sector to be low because of the dependence of the state on capital. The tax reductions did not reduce the tax burden on the agricultural sector. The dependence of the political power on the agricultural sector, on especially the big land owners, prevented the policies to levy taxes on the grassroots of the public from being implemented and caused the tax burden to remain on the working class. The fall in the agricultural prices and the lack of demand in trade and industry decreased the income of the taxpayers. As a resort,

the Government increased the tax burden on the working class whose purchasing power had increased due the fall of the prices. Exceptional taxes on the working class caused the losses of the trading, industrial and agricultural sector to be burdened on the working class.

The Government adopted a neutral policy in the beginning of the 1940-1946 period and stayed out of the war, but the statism policy was strictly implemented. The increased public expenditures caused the taxes to increase and new tax laws were introduced. Some entrepreneurs, most of whom were especially minorities, gained immense profits by profiteering. As a reaction to this adverse event, Wealth Tax was levied on citizens in 1942 with the aim of levying the excessive income generated because of the war, balancing the income-wealth distribution and shrinking the domestic demand by reducing the disposable income and thus controlling the inflation. According to some political scientists and economists, Turkey lost most of its good reputation with the Wealth Tax.

Soil Products Tax also caused heavy financial burdens on the farmers because of low selling prices under market prices and the costs. This tax caused serious problems for the peasants with its confiscation practice at low prices and resulted in negative reactions towards the political power.

1946-1960s is a period in which the economic structure based on the market mechanism saw efforts to be reconstructed in a manner open to the outside world. The fact that the self-enclosed, protective and domestic economy policies depending on the external balance implemented without a break after the 1929 depression were left led to an economic understanding which allowed exportation and thus increased the external deficit which caused it to survive on external aids, loans and foreign capital investments. Soil Products Tax was removed just before the elections for the agricultural sector which comprised of most of the voters. Similarly, it is remarkable that the tax on tradesmen was removed and they were included in the income tax practice, thus increasing their tax burden. Similarly, the government removed the Manufacturing Excise Duty after the pressures of the industrial sector and brought the Excise Tax into force. The Income Tax exempted the agricultural sector from taxes and the Corporate Tax offered significant advantages to the industrial sector. The fact that no tax was levied on the non-working class led to major losses.

The tax burden on the low-income groups who faced a high tax burden due to inflation reduced with the reform put into effect by the military government in the 1960-1980 period. The inclusion of large agricultural businesses in the scope of the income tax and the increase of the corporate tax rate to 20% drew negative reactions from the capital owners. However, some pro-capital owner tax policies came into force in this period and they are still in force. In this period, the tax burden was relatively more on the low-income groups because of the general increases in prices. Despite the fact that the share of direct taxes was increased after 1970s, this increase was still not enough for the tax equity. The reflection of this development on the tax policies are the transformations in the tax structure aimed at reducing the tax burden on the capital owners. The VAT and the reduction of direct taxes on capital owners led to a disadvantageous circumstance for the working class. The incentives and subsidies offered advantages to this class and their corporate tax liabilities remained quite low.

The increasing incomes in the growing economy were not taxed in the Democrat Party (DP) era. Major inequalities came to light in the distribution of the tax burden; minimum subsistence allowance was not calculated in a way to reflect the actual circumstances and the income tax turned into a wage tax right in the beginning.

Within the framework of tax policies changed after 1980, the government did not only favour the capital owners by changing the direct/indirect tax options, but also put practices into force which increased the tax burden on the labour. The tax policies implemented during 1980s caused the tax revenues to decrease and some populist policies were implemented which caused inequalities in the tax distribution of the income tax, the erosion of the tax base due to the low tax levied for interests and profits and the exemption of capital owners' profits from shares.

The discontent of the capital owners with the policies and the conflicts between them and the governments pushed the capital owners to be more interested in politics after the removal of bans for pressure groups to get involved in politics with laws put into force in 1995. The inclusion of the capital owners in the politics played an important role in the shaping of tax policies to be implemented after the said date.

Besides the secular and west-oriented capital owners, a new capital owner group emerged in the AKP (Justice and Development Party) era, supporting the political parties which are at peace with their own values and which are inspired by religious motives and the importance of the economic stability was emphasized. The said group which is called “Anatolian Tigers” played an important role in the shaping of politics by re-interpreting the socio-cultural values as well as the economic life.

The development process which began under the lead of bureaucratic classes in Turkey in the foundation years of the Republic has caused problems between the state and the public until today. It can be said that the transformation experienced with the implementation of neoliberal policies in Turkey in 1980s gained speed in the AKP area and that this led to the formation of a middle-class similar to that in the West. The world’s determinative economic and politic structure has also affected our country in this process. However, the tax burden which is high in developed countries remained at low levels in developing countries like Turkey. The efforts of the developing countries to adapt to the international system caused the tax burden to remain on the labour because of indirect taxes and the favouring of the capital owners. Although the social policies implemented by AKP in Turkey to address the income distribution inequalities are in favour of the low-income groups, they are criticized for that the low-income groups may request to benefit from these policies at every opportunity and for that they may adversely affect the capital stock and economic productivity. The objective to ensure equity in income distribution of transfers will not exactly yield the expected results because the low-income groups benefiting from these transfers will take part in the financing of the taxes if the taxation system is generally based on indirect taxes.

28 April 2017 Friday

Session: IV-C / 16.00-17.30

COUNTRY ANALYZES

Room: *Aden I*

Chair: **Hasan Bulent KANTARCI**

- Iran Sanction and Impact on Iran Macroeconomic Indicators

Masoud SHEIKHI

- Sustainable Public Procurement (SPP) For Sustainable Development: Selected Countries Examples

Elif Ayse SAHIN-IPEK & Yaprak KARADAG

- The Effects of Leadership Style on Organizational Justice Perception: A Research on the Employees of Pristina International Airport

Hamza KANDEMIR & Ergin KALA & Kursat OZDASLI & Hasan Fatih SEVAL

- The Relationship between Economic Growth, Energy Consumption, and Other Macroeconomic Variables: An Analysis for Fragile Five Countries

Asuman KOC-YURTKUR & Arzu TAY-BAYRAMOGLU & Bersu BAHTIYAR

- Asymmetric Pass-Through Relationship between Consumer and Producer Prices in Turkey: NARDL

Rahmi YAMAK & Serkan SAMUT

Iran Sanction and Impact on Iran Macroeconomic Indicators

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Keywords : Iran sanction, Iran Macroeconomic Indicators.

JEL Classification Codes : F51, E66.

The aim of the study is to investigate the effects of the introduction of the embargo on the Iranian nuclear program and the effects created by the sanctions on the macroeconomic dimension. The study discusses policies based on the IMF, the World Central Bank and the US Treasury Department. The study differs from other similar studies on discussing the macroeconomic dimension and the policies implemented.

During Islamic Republic after Shah Regime in Iran, the USA imposed sanctions due to political reasons during Reagan Era. After nuclear program and new generation centrifuge (produced in the country), the USA and P5+1 countries imposed harsh sanctions against Iran. On 24 November 2013, the USA and P5+1 countries agreed to negotiate with Iran and asked the termination of nuclear program. In a six months period, according to Joint Plan of Action, suspending the sanctions and monitoring the policies are agreed on. The dimension of the sanctions and the effects of it on economy are examined on this study. The effect of sanctions on macro economic dimension between 2012-2015 (before and after the sanctions) and foreign trade, GDP and inflation are discussed. Sanctions by the USA, prepared by US Department of Treasury on goods and services and extensive sanctions against nuclear program, secondly sanctions by UN and EU including energy and natural gas by termination of importation and activities of big companies cooperating Iran on energy sector, thirdly indicators of sanctions on macro economic dimension are addressed. After Joint Plan of Action, positive effects are registered on importation and exportation and slow foreign capital inflows (with fear of reimposition of sanctions).

Imported goods from Iran

Iranian goods will definitely not be imported into the US territory and will be allowed under the conditions below through the third countries:

- The value of the goods will be \$ 100 or less.
- Information and information material transfers are allowed.
- Household goods and the materials that are brought along (these goods are forbidden to sell).
- Special items and baggage for touristic purposes.

Exported goods to Iran

Generally, goods or technologies that are not licensed by OFAC can not be exported and prohibited goods, non-fragile items can be imported from the United States, for example, people living in the US or working in the US can trade with the Iranian state by "off-shore" but goods or services can not be exported to Iran from US.

Financial Transactions with Iran

According to new sanctions; credit transaction for example for fund commitments or for goods can not be made by residents in the US. Payments for obtaining licenses for agricultural goods, medical or medical supplies that are licensed by OFAC and granting loans or credits to persons and Iranian state are outside the scope. Foreign reserves of US branches are banned by OFAC to banks of Iran and state of Iran, but transactions within the scope of information and information materials are permitted for import transactions and for touristic purposes.

Petro-Chemical Import Sanctions

The Iranian sanctions were temporarily suspended by the United States under the JPOA contract. (Sanctions for petro-chemical imports) US petrochemicals are allowed to be imported from Iran if requirements of the JPOA are fulfilled, but US firms are excluded.

Iran Automobile Sector Sanctions

While the sanctions imposed by the US on the Iran automobile industry during the JPOA period are out of the scope; the important goods and services transferred to the Iran for buying-selling to link with the automobile sector were granted permission if the conditions are fulfilled, but the US companies are excluded.

Sanctions for Gold and Other Precious Metals

Under the terms of the JPOA, the US government allowed gold and other precious metals to be sold to Iran for a short period of time, but companies in the United States are not allowed to engage in buying-selling transactions.

EU and UN Sanctions

On 23 January, an embargo was laid for the purchase of crude oil products from Iran. It entered into force after 1st July and allowed existing contracts to buy crude oil products from Iran by this date at the latest.

- EU officials also stated that the Central Bank of Iran should be prohibited from freezing its assets and from trading in gold and other precious metals with banks and other public institutions.
- Finally, on 15th March , Belgium-based SWIFT (Financial Telecommunication Network between World Banks), which intermediated international banking transactions related to cross-border payments in foreign trade, stopped its service to 19 Iranian banks and 25 affiliated financial institutions on the black list.

Macroeconomic Indicators of Sanctions

The rate of growth in the economy in the years before 2015 was 0.6 and the rate increased by the lifting of the embargo, but this rate was affected mostly by oil and the inflation rate that fell to 11.9 created positive effects on the economy. However, big companies are still getting into the market slowly due to the influence of the embargo.

The unemployment rate was negatively affected by the lack of new jobs and with the improvement in the economy it increased by 4% in the period of 2015-16. The low labour force participation rate increased to 37.2% in 2014, which is further negatively affected by the gender gap and the decrease in participation rates.

2012 2013 2014 2015

Real GDP growth, at market prices	-6.6	-1.9	4.3	1.7
Industry	-18.3	-4.7	4.9	4.2
Services	1.1	-1.5	2.4	-2.0
Private Consumption	-1.7	1.0	3.1	3.9
Government Consumption	-7.2	1.6	2.7	-8.9
Gross Capital Investment	-23.8	-6.9	3.5	-1.0
Exports, goods and services	-20.5	0.0	12.0	6.3
Imports, goods and services	-23.1	-18.7	-5.7	-5.6
Inflation	30.5	34.7	15.6	11.9
Current Account Balance (% of GDP)	4.0	5.7	3.8	2.3
Fiscal Balance (% of GDP)	-0.6	-0.9	-1.2	-1.6

Source: Government data and World Bank staff calculation (2012-2015).

Positive Effects of the Removal of Sanctions

- Impact of foreign companies in energy sector,
- Increase in investment of foreign capital,
- Development of business environment with easier financial support.

With the removal of sanctions from the Central Bank of Iran, the interest rate of short-term deposits has been reduced from 18% to 15% by negotiating inflation with private banks and other banks. At the same time, the Central Bank increased liquidity by 22% in 2014 and raised the value of the national currency to about 10%, which made imports cheaper. GDP ratio decreased from 5.9 in 2010-11 period to 3.0 in 2011-12 period and -6.8 with the effect of sanctions, but international transactions were facilitated by relinking to the SWIFT system with the removal of the sanctions for the central bank. Oil and natural gas cover 60% of budget revenues and 85% of export revenues. Before the sanctions, the ratio to the current account surplus of GDP was 11%, after which it declined to 6%. It is 4% in 2014 and is expected to drop further in the coming years. When the Iranian economy is evaluated in terms of public budget balance, the public budget, which had an average surplus of 2.7 percent between 2000 and 2010, started to give deficit after the sanctions as 60% of income depends on oil and natural gas.

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Sustainable Public Procurement (SPP) For Sustainable Development: Selected Countries Examples

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Keywords : Sustainable Public Procurement, Sustainable Development, Public Procurement, Efficiency of Public Expenditure, Public Financial Management.

JEL Classification Codes : H30, H57, O0.

The purpose of this study is to investigate the steps that are necessary for sustainable public procurement (SPP) to achieve success and whether these steps are followed in the selected countries that follow the SPP policy. As a result of our research, we have found 5 European countries in which the SPP approach is applied integrally. We have examined whether these countries take into account the steps are set by the UNEP approach to SPP. As a result, in European countries that take the SPP approach into account, there are shortcomings in the implementation phase according to specified criteria.

Introduction

Local government and central institutions use resources by purchasing goods and services in significant amounts within national income. According to 2013 data, the share of public procurement in OECD countries within total public expenditure is 29% (OECD 2015: 136). The public sector demand has emerged with this ratio is concentrated in the energy, environment, health and construction sectors. The size and sectoral distribution of the share of public procurement in public expenditure reflects the ability of the public to direct the production and consumption trends in the market according to the desired policy objectives.

As a matter of fact, public procurement is now considered to be one of the most important tools of economic and social policies. In this framework, today many developed and developing countries are aiming to achieve efficiency and productivity through public procurement. It is envisaged that public expenditure will be allocated on the basis of strategic priorities and the value-for-money, helping to create fiscal space that allows for the redistribution of resources (OECD 2015: 136). In this framework, public procurement emerges as an important complement to other financial incentives aimed at ensuring development (Yülek & Tiryakioğlu, 2014: 32).

However, environmental issues have not played an important role in public procurement for many years. Instead, practices focus on basic principles such as fair competition, equal treatment and transparency. The main purpose of these principles is to provide value for money. However, with the emergence of the concept of sustainable development and the introduction of environmental issues into the policy agenda, the point of view on global economic and political platforms has changed (Day, 2005: 203).

In this study, the critical success factors for implementation and implementation of SPP will be addressed within the framework of selected country examples. It is desirable to develop an alternative proposal to existing policy choices in order to achieve sustainable development. However, the concept of sustainable procurement is a new concept for the existing academic literature. It is expected that this work will contribute to the literature.

Theoretical Framework

Even countries that are at advanced level in economic development are facing deterioration in the standard of living of the community. While human development and economic development are being achieved, ecologic boundaries are being pushed and the quality of life of the society is deteriorating. In order to improve the aforementioned conditions, expenditures are increasing and the domestic wealth is decreasing. These effects began to change the definition of development and the features it contains (Sevinç, 2013: 1-4). In parallel with this change, public procurement for a sustainable development model evolves towards SPP.

SPP is the process that takes into account not only the financial cost of procurement but also its social, environmental and economic impacts. The aim of this process is to reduce the adverse aspects to health, environment and social issues by including environmental and social issues in the traditional procurement process (UNEP, 2012: 7). It is a tool for achieving strategic goals such as efficiency, increasing competitiveness, supporting for SMEs, creating fiscal space, reducing greenhouse gas emissions, demonstrating political commitment achieving, addressing social issues (Şahin İpek & Acar, 2016: 56-57).

Marron (2003: 80-81) discussed the benefits expected from SPP method under the direct and indirect effects of SPP. Thus, SPP directly affects the environmental quality and the economic performance of the companies by influencing the purchasing decisions of the community. Accordingly, the views advocating the SPP method argue that the inadequate procurement decisions of the public sector is not only harmful to the environment but also wastes public resources (Marron, 2003: 80-81).

The SPP method has direct effects on public procurement decisions, as well as indirect effects on private sector enterprises and consumers' purchasing decisions. Accordingly, the public sector with the SPP policy aims to influence the behavior of private sector actors by setting examples and sending open signals to the market. In this respect, it is hoped that private consumers will make ecofriendly-green and social responsible purchasing decisions and thus markets will be formed (Marron, 2003: 82).

Method

According to this classification by Marron (2003), there are studies that measure the direct effects of the SPP method (environmental and social benefits, cost savings in the public). However, no study analyzing the indirect effects of the method is found. One of the underlying reasons for this can be seen as difficulty of measuring the net impact of the SPP, along with other policies aimed at changing private sector behavior. Another reason is that SPP can still be considered to be at the embryo stage in countries. Therefore, an econometric study with current data is not possible at this stage.

Table: 1
Formalised Policies in Sustainable Public Procurement

Countries	GPP	SRPP	Integrated GPP and SRPP
Austria	√	X	√
France	√	√	√
Netherlands	√	√	√
Poland	√	√	√
Sweden	√	√	√
United Kingdom	√	√	X

Source: EU (2015) Strategic Use of Public Procurement in Promoting Green, Social and Innovation Policies: Final Report, 24-25.

In the literature review, we find different procurement processes such as social responsibility (SRPP), where social responsibilities are held in the foreground in the procurement process, and green procurement (GPP) incorporating environmental issues into the procurement process. In this context,

SPP is an integrated method of using SRPP and GPP. Therefore, we have selected examples of countries that have integrated the implementation of the SPP concept in European countries. Austria, France, Netherlands, Sweden, Poland have adopted an integrated approach for GPP and SRPP, which typically runs under a framework for sustainable public procurement. (EU, 2015: 24).

We considered the approach of the UNEP to test the phased suitability of SPP implementation in selected countries.

Table 2
The SPP Approach Steps

	Name of Step	Framework of Step
Step 1:	Scoping study, project and governance set up + Train	Application and Agreement Procedure Prepare a Start-up Meeting/Mission Establish the National Focal Organisation Establish a Steering Committee Hold an Initial Training Session/Workshop
Step 2:	Assessment, Review and Prioritisation + Train	Status Assessment, Legal Review, Prioritisation, Market Readiness Analysis
Step 3:	SPP Policy and Action Plans+ Train	Objectives of Developing SPP Policy and Action Plan Sustainable development priorities
Step 4:	Implementation+ Train	Applying Sustainability Criteria Along the Contracting Cycle Identifying Needs and Improving Efficiency Defining the Specification and Inviting Bids Using Eco-Labels Evaluating and Selecting Suppliers Evaluating Bids and Awarding Contracts Auditing and Improving Supplier Performance Managing Contracts for SPP

Source: UNEP (2012), *Sustainable Public Procurement Implementation Guidelines: Introducing UNEP's Approach*, United Nations Environment Programme, 59-63.

Findings and Conclusion

In terms of the implementation success of the SPP method, it is important that the SPP should be implemented in these regulations and whether the SPP method related goals are involved.

- It appears that environmental ministries are actively involved in almost all SPP related units, although there are differences in quality and quantity among selected countries.
- Market capacity analysis, use of life cycle costing technique, use of green and social criteria in the procurement process, provision of participation is required.
- Establishment of inter-ministerial communication platforms and sharing of information with suppliers on the market through these platforms, bringing together the units responsible for purchasing without suppliers, and providing technical support to the suppliers are emerging as a proposal. It is important to include the green and social criteria in the technical specification phase.
- The absence of an effective monitoring mechanism is considered a significant risk in the implementation of the SPP method (OECD, 2013b: 12). In practice and in the literature it is suggested that the use of acquisition-based procurement method be followed;
 - a) Monitoring indicators of policies, laws and plans,
 - b) Monitoring indicators of applications,
 - c) Monitoring indicators of the effects are required.

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The Effects of Leadership Style on Organizational Justice Perception: A Research on the Employees of Pristina International Airport

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Keywords : Leadership Style, Organizational Justice, Partial Least Squares Regression (PLSR), SmartPLS.

JEL Classification Codes : C12, M14, M54.

Leadership styles and its effect on organizational justice perception is not a subject that has been studied extensively. The primary objective of this research is to examine the effects of leadership style on organizational justice perception. According to Goleman et al. (2002), there are five different leadership styles: visionary leadership, coaching leadership, affiliative leadership, democratic leadership, and authoritarian leadership. Organizational justice perception, on the other hand, has three different dimensions: distributive dimension, procedural dimension, and interactional dimension, and these three dimensions are significantly inter-related (Cohen-Charash & Spector, 2001). In this study, a survey has been used to collect primary data to the employees of Pristina International Airport. The data analyzed by the Partial Least Squares Regression (PLSR) method via SmartPLS packet program; and the relationship between leadership styles and the dimensions of organizational justice perception has been asserted.

Methodology

The survey method has used to collect primary data. The survey has developed in order to measure the effect of leadership style on organizational justice perception, by using other previous studies in accordance with the objectives of the research. To determine the leadership styles in the survey, Goleman et al.'s (2002) classification, which was created by analyzing the behavior of 3800 managers around the world, has been used. In this classification, it is assumed that one or a few of these leadership styles (visionary leadership, coaching leadership, affiliative leadership, democratic leadership and authoritarian leadership) have an impact on employees' perceptions of organizational justice. On the other side, to determine the dimensions of organizational justice, Cohen-Charash and Spector's (2001) study has been referred. To Cohen-Charash and Spector (2001), the three different dimensions (distributive dimension, procedural dimension, and interactional dimension) of organizational justice are significantly inter-related.

The survey, which includes visionary, coaching, affiliative, democratic and authoritarian leadership styles and distributive, procedural and interactional justice dimensions, has been applied to the employees of Pristina International Airport, in Kosovo. While the population of the survey was 650 people, 93 were returned. The obtained data has been analyzed by the structural equation model. Leadership style and dimensions of organizational justice perceptions are explained through Path Analysis with Latent Variables. Because of the small number of samples, the analysis has performed by the Partial Least Squares Regression (PLSR) method, which can operate on small sample data, via SmartPLS packet program.

Analysis has been performed by using Smart-PLS 3 software for structural equilibrium modeling. There are different approaches for the Structural Equation Model. The first approaches are covariance-based structural models with software packages such as AMOS, EQS, LISREL and MPlus. The second

approach is structural modeling with Partial Least Squares using PLS-Graph, VisualPLS, SmartPLS and WarpPLS software focusing on variance analysis. This analysis can also be done with “r” software. The third approach is a component-based structural equation model known as Generalized Structured Component Analysis (GSCA) (Wong, 2013).

In this study, the path analysis model was used with the SmartPLS, which defines the relationship between variables and indicators. This approach is very important for the correct understanding of the results. The deductions from this approach are not 100% valid. Since the complexity of the real world is difficult to overcome, this approach is lacking. The path analysis models express the hypothesis and explain the effect of the different hypotheses expected from the model. With this approach, researchers demonstrate hypotheses that are validated or unverifiable (Sender & Pohey, 2014: 348).

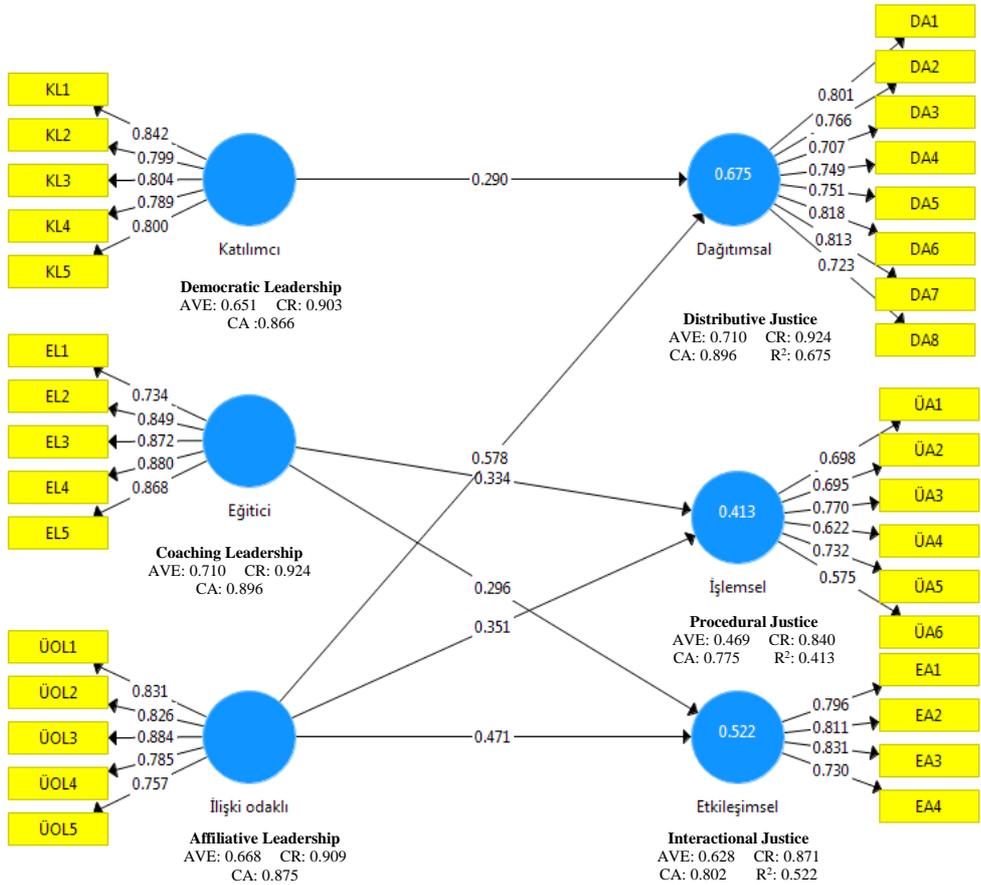
Validity and Reliability

In the study, Average Variance Extracted (AVE), Composite Reliability (CR) and Cronbach’s Alpha (CA) have been used, as reliability criteria. As shown in the Figure 1, the Cronbach’s Alpha (CA) values are above the threshold value of 0.70; the Composite Reliability (CR) value is above 0.70, which is the threshold of compliance goodness; and the Average Variance Extracted (AVE) values are above the threshold value of 0.50 (Afthanorhan, 2013: 200).

Findings and Outcomes

The figure below shows the general findings and outcomes, and also validity and reliability, of the study.

Figure: 1
Finding and Outcomes



In the model formed by the path analysis, regression coefficients show that the participative leadership has a positive and significant effect on the perception of distributive justice perception (,290); the coaching leadership has positive and significant effects on both the perception of procedural justice (,334) and the perception of interactional justice (,296); the affiliative leadership has positive and significant effects on the perception of distributive justice (,578), on the perception of procedural justice (,351) and the perception of interactional justice (,471). The effects of authoritarian and visionary leadership styles on the dimensions of organizational justice perception are excluded, because p-value is less than the significance level defined for the study ($p < 0.05$). In the model, there is no regression in some dimensions.

Figure 1 shows that the most effective leadership style is the affiliative one. Its effects on all three organizational justice perceptions are on the highest level, relatively. Affiliative leadership style creates harmony, builds relationships and emotional bonds, and makes positive impact on employees (Goleman, 2000: 3). In return, this creates a positive impact on all three dimensions of organizational justice perception. Democratic leadership, which is expected to have the greatest effect on all

dimensions, on the other hand, effects only distributive justice perception, with a small ratio. Democratic leadership encourages people to have a word in the decision-making process and focuses on personal development. Nevertheless, it has some drawbacks in some cases (Goleman, 2000: 5). It may be difficult to meet the expectations of people varying depending on the social structure. It may be difficult for a democratic leader to meet the expectations of people, which varies depending on the social structure and social values.

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The Relationship between Economic Growth, Energy Consumption, and Other Macroeconomic Variables: An Analysis for Fragile Five Countries

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Keywords : Economic Growth, Energy Consumption, Structural VAR, Fragile Five.

JEL Classification Codes : Q43, F43, O11, C01.

Energy, which is the basic input in terms of production and consumption in the economy, plays a key role in the development of countries and economic growth levels because the economy has an important position that can take place both in supply and demand. Energy is a major factor in the growth level, industrialization, rising standard of living and social development of a country. This understanding is based on two energy crises of the 1970s (Kraft & Kraft, 1978; Erol & Yu, 1987; Lee & Chang, 2008), to increase oil prices over the years 1973-1974 and 1978-1979 (Reddy, 1998). After these shocks, it has become clear that energy consumption affects not only the economy of a country but also the quality of life. In the light of these developments, the relationship between energy consumption and economic growth has become important, pushing countries to seek alternative energy sources that will reduce energy dependency. Energy has become twice as important in terms of developing countries, which are dependent on two-sided utilities, in particular for both consumption and production.

The existence of the relationship between energy consumption and economic growth has led to the formation of a broad literature on energy economics. Kraft and Kraft (1978) are the leading studies of this literature. In the study, the relationship between energy consumption and national income in the US for the 1947-1974 data range was examined, and a one-way causality relationship was established. Erol and Yu (1987) examined the relationship between energy consumption and national income for the years 1952-1982 for the United Kingdom, Italy, France, Germany, Japan and Canada. Many studies such as Stern (1993), Masih and Masih (1997), Asafu and Adjaye (2000), Rufael (2005), Lee (2005) and Al Iriani (2006) have shown that the relationship between energy consumption and economic growth for different country groups and different data sets.

The energy factor is shown as a source of social development and as a source of economic growth. In this context, energy is associated with many macroeconomic variables in the economy both in the production phase and in the consumption phase and effects many macroeconomic variables. The fact that Turkey is a foreign dependent country in terms of energy leads to significant economic consequences. Countries called Fragile Five that Turkey is one of them have been gathered under the same roof when they are evaluated in terms of various economic indicators. These countries are Brazil, India, Indonesia, South Africa and Turkey, and countries with similar characteristics in terms of macroeconomic performance. For example, as of November 2013, the various economic indicators of these countries can be considered to have the same sensitivities.

Countries	Growth (%)	Inflation (%)	Budget Deficit (%)	Current account deficit (%)
Brazil	2,5	6,2	3,0	3,5
India	5,0	9,6	5,2	3,9
Indonesia	5,6	7,1	3,3	3,5
South Africa	1,9	5,8	4,8	7,0
Turkey	3,2	7,6	2,2	7,2

The Economist, November 2013.

Today, there are many studies examine the relationship between energy consumption and economic growth. While some of these studies are single country analyzes, some of them are doing country group studies. When studies on Turkey are examined, it is seen that there is a causality from energy consumption to economic growth in Soytaş et al., (2001) and Soytaş and Sarı, (2003) despite that, there is no causality relation in Altınay and Karagöl (2004). Topallı and Alagöz (2014) have shown that causality is towards growth to energy, in this case, energy politics does not affect growth. There are also studies that investigate the relationship between energy consumption and economic growth by different methods (Erbaykal, 2007; Gövdere & Can, 2015; Güngör, 2016).

Studies examining the relationship between energy consumption and economic growth in Indonesia have found a direct causality relationship (Kim & Yoo, 2011; Hwang & Yoo, 2012; Jafari et al., 2012; Muhammad et al., 2013; Wahid et al., 2013; Rezitis & Ahammad, 2015). Odhiambo (2009), Lin and Wesseh (2014) and Dlamini et al. (2016) is one of the studies investigating the causality relationship between energy consumption and economic growth for South Africa. Causality relationship was found in the studies. Similar studies and findings were made in Brazil. Cheng (2006), Pao et al. (2014), Shahid et al. (2014.9, Mulali et al. (2016) and Zambrano-Monserrate (2016) are some of these. Ghosh (2002), Mallick (2009) and Gollagari and Rena (2013) are among the studies investigating the causality relationship between energy consumption and economic growth for India.

The existence of the relationship between energy use and economic growth requires an examination of the relationship between these two variables and many other variables. For this reason, it is aimed to examine the dynamic relation between selected macroeconomic variables such as energy consumption, economic growth, inflation, commercial openness and foreign direct investment in this study.

The vector autoregression (VAR) is an econometric model used to capture the linear interdependencies among multiple time series. VAR models generalize the univariate autoregressive model (AR model) by allowing for more than one evolving variable. All variables in a VAR are treated symmetrically in a structural sense; each variable has an equation explaining its evolution based on its own lags and the lags of the other model variables.

This methodology allows us to measure the dynamic feedback effects among the variables. SVAR (Structural Vector Autoregression) approaches processes for models are listed below: (McCoy, 1997: 7):

- Performing stability analysis of the variables in the model,
- Determination of values of variables in the model (level or difference),
- Determining the number of delays,
- Estimating the reduced VAR model and then to put sufficient constraints for the estimation of the structural parameters.

In this study, the dynamic relationship between energy consumption, economic growth, inflation rate, trade openness and foreign direct investment for vulnerable quintiles countries is being investigated by structural VAR method for the period 1990-2014. Using the structural VAR model, the macroeconomic performance of these countries with similar characteristics and fragilities in terms of economic indicators is evaluated. While all the explanatory variables have a significant effect on economic growth, short run and long run effects differentiate among Fragile Five Countries.

Asymmetric Pass-Through Relationship between Consumer and Producer Prices in Turkey: NARDL

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Keywords : Nonlinear ARDL, CPI, PPI.

JEL Classification Codes : C22, E31.

There are two different views in explaining the relationship between CPI and PPI in the literature. The first one is supply side view. According to this view, changes in the cost of input first cause a change in the producer prices then an increase in the consumer prices. Thus, it is assumed that there is a transmission mechanism from PPI to CPI. The second one is demand side view. According to this view, any change in demand for the final goods will alter the cost of input by changing the demand for inputs. In other words, there is a pass-through relationship from CPI to PPI.

Applied literature is very rich in studies which have analyzed the pass-through relationship between PPI and CPI. For example, Ghazaali and et al (2009) and Shahbaz et al. (2009) found co-integration relationship between PPI and CPI for Malaysia and Pakistan, respectively. Akdi et al. (2006), Abdioğlu and Korkmaz (2012) detected that there was no co-integration relationship between two variables for Turkey. In these and similar studies, co-integration approaches such as Johansen-Juselius, ARDL and Engle Granger have been employed by assuming that increases or decreases in both variables affect the rest variable in the same size and lag. However, consumers and producers may not react to increases and decreases in PPI and CPI in the same manner.

In this study, the long-run relationship between CPI and PPI has been analyzed by considering asymmetric pass-through relationship, differing the previous studies for the case of Turkey. For the purpose of this study, nonlinear ARDL (NARDL) model which is developed by Shin et al. (2014) and relaxes symmetricity assumption is used in this study. The long-run relationship between CPI and PPI has been investigated by using the monthly data for the period 2003:1-2017:1. The dataset was established from CBRT. Both series were removed from seasonality and logarithmic forms were used.

In the NARDL model, the independent variable is divided into two parts by taking the positive and negative cumulative sums of the first differences:

$$\begin{aligned}\Delta LPPI_j^+ &= \sum_{j=1}^t \Delta LPPI_j^+ + \sum_{j=1}^t \max(\Delta LPPI_j, 0) \\ \Delta LPPI_j^- &= \sum_{j=1}^t \Delta LPPI_j^- + \sum_{j=1}^t \min(\Delta LPPI_j, 0)\end{aligned}\quad (1)$$

Δ ; The first differences of variables, L; logarithmic forms of the series. Shin et al. (2014) recommend replacing LPPI in symmetric ARDL model by $\Delta LPPI_j^+$ and $\Delta LPPI_j^-$ variables to arrive at the following equation (Bahmani-Oskooee and Fariditavana, 2015):

$$\begin{aligned}\Delta LCPI_t &= \alpha_0 + \sum_{i=1}^q \beta_i \Delta LCPI_{t-i} + \sum_{i=0}^{p1} \delta_i^+ \Delta LPPI_{t-i}^+ + \sum_{i=0}^{p2} \delta_i^- \Delta LPPI_{t-i}^- + \rho_0 LCPI_{t-1} + \\ &\rho_1^+ LPPI_{t-1}^+ + \rho_2^- LPPI_{t-1}^- + \varepsilon_t\end{aligned}\quad (2)$$

In the NARDL model, α , δ and ρ denote the variable coefficients, ε_t ; error term. Equation (2) gives a generalized co-integration model which includes short-run and long-run asymmetries. (+) and (-) superscripts given in Equation (2) represent the positive and negative partial sums decomposed as described above. In the same equation, p and q represent the number of lags for independent and dependent variables, respectively. In Equation (2), the long-run asymmetry is examined by using a

standard Wald test. Null hypothesis in the Wald test to be established for long-run symmetry is $\rho_1^+ = \rho_1^-$. The short-run symmetry can be tested by using a standard Wald test. Null hypothesis in the Wald test to be established for short-run symmetry is $\sum \delta_i^+ = \sum \delta_i^-$. The similar process is followed for the NARDL model, where LPPI is dependent variable and LCPI is independent variable.

The symmetric and asymmetric co-integration relationships between two variables were separately investigated by using both LCPI and LPPI as dependent variable. The results are demonstrated in Table 1.

Table: 1
Estimates of Linear and Nonlinear ARDL Models

	Dependent Variable: LCPI		Dependent Variable: LPPI	
	Linear ARDL	Nonlinear ARDL	Linear ARDL	Nonlinear ARDL
Short-Run				
ALPPI _t	0.204*** (4.442)			
ALCPI _t			0.531*** (4.829)	
ALCPI _{t-1}			-0.059 (-0.501)	
ALCPI _{t-2}			-0.096 (-0.886)	
ALCPI _{t-3}			0.097 (0.903)	
ALCPI _{t-4}			0.127 (1.149)	
ALCPI _{t-5}			0.214 (1.955)	
ALPPI _t ⁺		0.229*** (3.980)		
ALPPI _t ⁻				
ALCPI _t ⁺				0.519*** (3.904)
ALCPI _{t-1} ⁺				0.091 (0.674)
ALCPI _{t-2} ⁺				-0.002 (-0.019)
ALCPI _{t-3} ⁺				0.145 (1.190)
ALCPI _{t-4} ⁺				0.115 (0.924)
ALCPI _{t-5} ⁺				0.325*** (2.650)
ALCPI _t ⁻				0.670 (1.512)
ALCPI _{t-1} ⁻				-0.856* (-1.890)
ALCPI _{t-2} ⁻				-0.682 (-1.542)
Long-Run				
Constant	-0.154 (-0.898)	4.901*** (21.389)	0.380*** (4.399)	4.554*** (221.581)
LPPI _t	1.076*** (39.016)			
LCPI _t			0.921*** (56.393)	
LPPI _t ⁺		1.453*** (3.958)		
LPPI _t ⁻		2.857 (1.640)		
LCPI _t ⁺				0.898*** (13.503)
LCPI _t ⁻				0.715 (1.142)
Diagnostic				
F	16.123***	12.146***	7.103***	6.441***
ECM _{t-1}	-0.065*** (-7.003)	-0.045*** (-7.133)	-0.144*** (-4.646)	-0.170*** (-5.127)
LM	0.220	0.197	0.063	0.003
QS (QS ⁵)	Stable	Stable	Stable	Stable
Adjusted R ²	0.371	0.368	0.348	0.355
Wald Tests:				
$\sum \delta_i = 0$	19.731***		7.256***	
$\sum \delta_i^+ = 0$		15.843***		10.855***
$\sum \delta_i^- = 0$				1.399
$\sum \delta_i^+ = \sum \delta_i^-$				5.057**
$\rho_1^+ = \rho_1^-$		1.715		0.106

Note: Values in parentheses are the probability values for the diagnostic tests; ***, ** and * indicate the significance level at the 1%, 5% and 10% respectively. Table critical values: For the constant and non-trending model 1% I(0) 4.94 I(1) 5.58 %5 I(0) 3.62 I(1) 4.16 %10 I(0) 3.02 I(1) 3.51 (Pesaran et al., 2001: 300).

According to the findings of linear ARDL, there is a strong co-integration relationship between two variables. This result is also valid when the independent variable is replaced with dependent variable. In the NARDL model, the similar results are obtained by bound tests. In addition, CPI has a short-run asymmetric effect on PPI. But the reverse is not valid. For the long-run, there is no asymmetric effect between two variables.

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28 April 2017 Friday

Session: IV-D / 16.00-17.30

PHILOSOPHY & LAW STUDIES

Room: *Aden II*

Chair: **Ahmet Burcin YERELI**

- A Conscientiously Socialist or a Rational Man in Ottoman: İştirakçi Hilmi
Gizem EREN & Ahmet Arif EREN
- *New Freedom*: A Forerunner of New Deal Administrative and Fiscal Reforms of Woodrow Wilson
Mustafa Cem OGUZ
- As an Automatic Stabilizer Tool Increases and Decreases in Stock of Goods: Example of Prophet Joseph
Mustafa SAKAL & Bilal GODE & Ali Gokhan GOLCEK
- Convenience of the Movement in Criminal Attempt
Ahmet GOKCEN & Recep KAHRAMAN
- Execution of the Offense in Attempt
Mehmet Emin ALSAHIN & Recep KAHRAMAN

A Conscientiously Socialist or a Rational Man in Ottoman: İştirakçi Hilmi

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Keywords : Ottoman Socialists, Ottoman Economy, İştirakçi Hilmi.

JEL Classification Codes : B31.

The twentieth-century for Ottoman was a period of time in which she felt the developments in the Europe very strongly, although she had a very small land in the region of Europe. With the nationalist movements following the French Revolution of 1789, the Ottoman stepped off geographically from Europe, but with the impact of the revolution, the idea that the will of the people should exist in the administration had reflections. With the influence of the Jon Turk movement behind this reflections, in 1908, the Kanuni Esasi had passed in to law and the 2nd Constitutional Monarchy is declared. In this process, the Paris Commune, which lived in 1871, allowed the socialist thinkers to bloom on the Ottoman Lands.

The economic situation of the Ottomans lies behind Europe. Its political structure is also not influential as Europe. Therefore, the declared 2nd Constitutional Monarchy did not endorse the administration of despotism (istibdat), and the socialist thought that emerged did not create a working class consciousness that could realize itself. Despite the tries to be westernized, the fusty bureaucracy that the Ottomans have taken over from the past and the worse economic situation comes to the fore as the greatest obstacles. However, with the declaration of the Second Constitutional Monarchy, a short period of freedom has been spread to every part of the empire. Hilmi, known as the first Turkish socialist and known as the owner of the İştirak magazine of the period, had organised strikes in Istanbul in order to promoting awareness and appreciation of the working class.

However, according to the period, there were increases in the strikes in the Ottoman Empire after the declaration of the Second Constitutional Monarchy. The difference of Hilmi is his ability in organising the strikes with a socialist identity and informing the public by announcing the strikes in a magazine which belongs to him. But these were not enough for Hilmi, and in September 1908 he announce in the İştirak magazine that the Ottoman Socialist Party was founded. Therefore, he is the first Turkish socialist as well as the first founder of the Turkish socialist party.

However, Hilmi does not even have a theoretical knowledge of socialism or even a definition of socialism. Hilmi, was not among the Ottoman intellectuals and he was uneducated, and socialism was just a "livelihood" for him. This is where the debate about Hilmi begins. There is a problematic confrontation like where Hilmi will be located in the history of Turkey's socialism. To put it briefly, anyone who defines himself as a socialist is really socialist, so is socialist title to Hilmi suits really well?

Is socialism just a side to equality and if so, is it possible to define everybody who advocates equality as a socialist? As a result of the answers to these questions, Hilmi could be seen as ignorant and courageous. It is important, however, to his introduce socialism through a magazine and a party, despite the fact that he had no education and no true knowledge about what socialism is.

His magazine has been closed many times during the period of pressure and censorship of the Committee of Union and Progress. After each closed magazine, he has published a new magazine with

a new name. As a result of all these activities, he was exiled many times. For the Hilmi in the 2nd constitutional era, he cannot be called as a socialist, but can be called as a conscientiously socialist.

Hilmi at the time of the armistice was an anglophile, who led his socialist activities against France. For Hilmi, who has a red car, alongside his red fleece and his furs, socialism is transformed into a true “livelihood” with strikes was organized against French businessmen on behalf of the British. In this study, Hilmi’s journalism and socialism adventure from İzmir to Istanbul will be examined in the light of the discussions in the literature and it will be discussed where Hilmi is exactly located in the socialist history of Turkey.

New Freedom: A Forerunner of New Deal Administrative and Fiscal Reforms of Woodrow Wilson

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Keywords : Woodrow Wilson, Fiscal Reforms, New Deal Administration

JEL Classification Codes : B31, B32.

To start the history of American social legislation with *New Deal* and *New Frontier* programs is a widespread approach in literature. But social legislation history has a deeper background which goes beyond to New Deal, that is called *progressive era* in American Political History. Progressivism is a reform movement that arose as a response to the changes brought by modernization, such as trusts, problems of urbanizations and political corruptions. In reply to these changes, progressives adopted social reform programs, criticized the founding philosophy of the state and rejected the *laissez faire* policy (Link&McCormick, 1983). They defended the “ordinary man” opposite to trusts and called a reform on political system. One of the most prominent figures of progressives was 28th president of USA, Woodrow Wilson. Wilson’s campaign program for the 1912 election, which promised to reform economic institutions and the program’s book version, published on 1913, was called as *New Freedom* and this book was accepted as a canon by progressive thinkers. In Fact, M. J. Cooper would argue that *New Freedom* was a precursor of the New Deal and described Wilson as a pioneer in social reforms (Cooper, 2011).

Wilson’s presidency period was also interpreted as an implementation of this program. During his mandate, congress was subjugated by the presidency and Wilson dominated the whole process of legislation. He gave various reform proposals and struggled to pass bills; Federal Reserve Act (1913), Federal Trade Commission Act (1914), Clayton Antitrust Act (1914), National Defense Act (1916), The Shipping Act (1916), Federal Transportation Act (1920) and Federal Power Act (1920) were the most prominent of these laws. Through these laws new institutions were founded, aiming to strengthen the executive branch of the state: Federal Trade Commission, Tariff Commission and Federal Reserve System. Wilson also engaged in the most comprehensive fiscal reform in American History and led to legislate 16. Amendment, which allows congress to levy a federal income tax. Moreover, he approved the Underwood-Simmons bill which lowered the basic tariff rates and allowed to federal income tax. Through these acts, he paved the way for financing the budget, not by tariffs, but by proportional taxes, that gives the burden of tax to wealthy citizens, instead of poor (Walker, 1989: 513).

Through the New Freedom program and his presidency, Wilson did not only initiate the social legislation history, he also transformed the ideological identity of Democrat party from conservative ideology to new liberalism. Thereby, the Democrat Party obtained its current identity based on social rights and interventionist state policies. The party’s program, had been recognized by the Jeffersonian philosophy of *laissez faire* and minimal state since the founding of the party, started to resemble Hamiltonian philosophy through New Freedom that allow the central government to intervene in the economic and social affairs of people and states (Trautman, 2010; Wagner, 2007). So it is clear that, in order to comprehend these changes in American politics and economics, it is necessary to analyse the economic intentions/position of Wilson and his New Freedom program.

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As an Automatic Stabilizer Tool Increases and Decreases in Stock of Goods: Example of Prophet Joseph

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Keywords : Automatic Stabilizer, Stock Increase and Decrease, Prophet Joseph, Fiscal Policy.

JEL Classification Codes : N55, P41, Q18.

Automatic stabilizers are known as financial policy instruments that are used to alleviate the first and sudden effects of adverse events resulting from conjuncture movements in economies. These tools, also known as automatic stabilizers in the literature, provide solutions or alleviating this situation with some financial instruments, without the need for voluntary intervention in case of any instability. As tax policies and public expenditures are accepted as automatic stabilizers, in addition to these, Increases and decreases in unemployment insurance, corporate and family savings, financial benefits paid to crops, insurance premiums and stocks of goods are also recognized.

When the increases and decreases in the stocks that make up the source of the study are examined, evaluations about the production-consumption problem in the economy can be made. For example, during periods of expansion in economies, an increase in goods stocks is anticipated when production is excessive, while in the periods when production is shrinking, it is attempted to reduce the production-consumption imbalance in the economy by consuming existing stocks. The policies applied during the seven years of plenty and the following seven years famine can be seen as an example of the practice of increasing or decreasing stocks of goods that can be used as automatic stabilizer tools in Prophet Joseph's period.

With this sampling, which is the original aspect of the work, the financial policies implemented during the Prophet Joseph's period and the famine in the economy were tried to be minimized. In the first part of the study, it will be explained the automatic stabilizers which are used as the fiscal policy tools. In the second part of the study, political, social and financial events that took place during the period of Prophet Joseph Yusuf were examined and the policies applied during periods of plenty and famine were tried to be discussed in terms of fiscal policy.

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Convenience of the Movement in Criminal Attempt

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Keywords : Crime, Attempt, Movement, Convenient.

JEL Classification Codes : K10, K14, K19.

If the perpetrator fails to commit the offense for a reason that is not in his possession, or if the result does not occur, the perpetrator will be responsible for the offense. There are two founding elements of the attempt: material and spiritual. In addition to the criminal intent that is the spiritual element, the material element must be suitable for movement. Every act performed by a perpetrator does not result in criminal responsibility. Because of this article takes part in Turkish Penal Code numbered 5237 "... he begins to commit directly the offense he intends in favorable movements..", it is the founding element of the attempt that the movement is convenient. For this reason, every act performed by the perpetrator does not create criminal responsibility.

Be able to talk about the criminal attempt, movement towards to commit the offense must be convenient for legal type comes true, otherwise the offense can not be committed. In this case can not be mentioned from the attempt because there will be no harm and danger must be in attempt. In other words, because the offense can not be committed with unfavorable movements, no responsibility arises from the attempt. For example sugar, chalk dust, spell-curse, broken needle gun, toy gun etc. are not convenient in terms of killing. The convenience of the movement is not merely that the instruments used in the crime are favorable. All activities undertaken by the perpetrator, including instruments, should be considered with whole concrete case in convenience evaluation. If you need to embody; in addition to movement must be a quality that can bring criminal action, it is also necessary to use it in such a way that it can bring the act of crime into action. For example, the poison is a convenient tool for deliberate killing because of its quality. However, when you pour the poison over the person instead of pouring it into the tea, inconvenience of the movement arises as the vehicle is not being used in a convenient way.

There are objective and subjective criteria that present the convenience of the movement. According to objective standard; the convenience of the movement is not related to the perpetrator's skill but to be sufficient objectively in terms of finalization the crime. For example, if the weapon in the hand of someone who does not know to fire is at a level that can kill the other side, movement is convenient. However, according to the subjective standard, convenience is evaluated according to the perpetrator. For instance, a weapon capable of killing a person is deemed convenient if it is in the hands of a person who knows how to use it.

Convenience of the movement must be determined by considering objective and subjective criteria together in order to punish the person because of attempt. According to this, the judge should evaluate each concrete event in its own terms and show the convenience of the movement according to the type of crime that the person wants to process. For example, a toy gun is not convenient to process homicide guilt but it is regarded convenient for threat guilt.

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Execution of the Offense in Attempt

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JEL Classification Codes : K10, K14, K19.

The action must be regulated as crime in the criminal code in order for anyone to be punished because of his behaviour. Otherwise, this would be an unjustified interference to the rights and freedoms of the person, as the punishment of the action would be contrary to the principle of lawfulness. The presence of the fault also requires in order to be punished the person because of his forbidden act by law. In the crimes mired down during the attempted phase, even though the perpetrator has acted deliberately, either the executive movements are halved or the result does not come to fruition.

Execution of offense must be initiated in order to punish the perpetrator because of attempt. Even if the crime is not completed, the cause of the punishment of the perpetrator is regarded as the weight of the damage or danger caused by the act. In attempt, even if the offense that is the perpetrator's goal is not realized, he is punished because of actions taken to reach the conclusion. For this reason, the attempt increases the possibility of punishment of the perpetrator, in other words, it widens the field of criminal responsibility.

In accordance with the general criminal policy, preparatory movements towards the offense are not punished; with the emergence of dangerousness of the perpetrator, the punishment of him comes up. It is considered the beginning of the execution movements as the moment of emergence of danger, in other words it is a legal obligation for the attempt to commence the execution of the crime. For this reason, the preparatory movements and the execution movements must be separated from each other. Subjective and objective criteria are introduced as the starting point of execution. According to subjektif standards, the execution of the crime begins with the appearance of the perpetrator's intent unmistakably. For example, getting on a plane to kill a person in another place is the beginning of execution of the crime as it reveals intent. If this standard is regarded, an application will emerge that could lead to punishment of someone because of his thoughts and lifestyle. According to objective standard, it is considered the quality of the act that the perpetrator made, not the willingness of him for the execution of the crime. According to this, if the act leads to harm or danger, the execution of the crime starts, otherwise, it is accepted as preparatory action. In this case, pointing a gun at the person he wants to kill is considered as the execution of the crime.

The Turkish Criminal Code numbered 5237 obliged the direct initiation to execution of the crime in order to punish the attempt. In this case, the damage and danger have been accepted as a criterion for the punishment of the person because of the attempt. Therefore, the law adopts the subjective standard that considers the quality of the act in determining the execution of the crime. This arrangement is appropriate because of contributing the protection of person's rights and freedoms.

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29 April 2017 Saturday

Session: V-A / 09.30-11.00

REGIONAL STUDIES

Room: *Aden I*

Chair: **Anna GOLOVKO**

- Regional Migration Affair and Its Effects onto the Fiscal System
Yasemin TASKIN
- Land and Financial Administration in the Ottoman Empire According to the Law Book of Buda (Budapest)
Altug Murat KOKTAS & Isil Sirin SELCUK & Ahmet Burcin YERELI
- Liberal Turn in Social Protection: Activating Social Assistance Programmes in Turkey
Asli TASDEMIR
- What is the Allocation and Monetary Value of Unpaid Work? New Evidence from Turkish Time Use Survey
Selcuk GEMICIOGLU & Ugur AKKOC
- Overview of New Turkish Law No. 6735 on the International Labour Force
Ekin TUNA

Regional Migration Affair and Its Effects onto the Fiscal System

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Keywords : Migration, Immigration, Emigration, Regional Immigration Affair, Fiscal System, Fiscal Burden.

JEL Classification Codes : A19, H59, H51.

Migration has been defined as replacing individuals or societies in country or between countries for economic, political or social reasons. Migration episodes which occur because of different reasons every time have affected behaviours on individuals and societies and policies of governments. Migration has also effects on the fiscal system besides the economical, political and social effects. As a result of being increased migration, expenditures made for immigrants have increased. Those are such as nutrition, accommodation, education, health etc. expenditures. It should be expected that the real effects of immigration expenditures on the short, medium and long term will be different.

This paper aims to clear the effects of regional migration on the fiscal system. Therefore, it will be judged the effects of regional migration from the viewpoint the extents of revenue and expenditure after primarily explained the concept of migration and reasons of migration. With this aim it will be examined the effects of regional migration on the fiscal system from the viewpoint of legal regulations, the impacts on public expenditures and revenues especially the data declared in Turkey by being used the deduction method.

Migration and Their Reasons

Although it can be classified immigrations distance, places events occurred and continuity, most classification is internal and external migration while population movements which are realized with the aim to move from district, city, town, village to a place such as another in order to settle are defined migration, others realized with the aim to settle for a long time and work or accommodate by exceeding borders of a country are defined external migration. (Akan & Arslan, 2018: 16-22).

People leave their motherland because of miscellaneous reasons. Some of them migrate to escape poverty or threats, some others migrate to be adequately educated, to find jobs etc. Conflicts, natural catastrophes and the other events threaten the life cause to increase the migration (Willekens et al. 2016: 897).

Effects of Migration

Recently, mass migrations which emerge from wars, battles, inner chaotic situations effect physical and social environment on the areas left and settled (Fidan & Ünal, 2016: 477).

Social and Political Effects

Migrations make changes at settled places on the social-local areas. As a result of this situation, physical structure, cultural structure and administration of city are affected. As a result of internal migrations unemployment, infrastructure, accommodation, changing intensity of population, harmonization, environmental problems are emerged (Fidan & Ünal, 2016: 480).

Voluntary migrants have also some expectations. If those expectations will be realized social qualification of population will increase at the destination place. So, migrants will place in economic activities effectively and efficiency will increase (Erkal, 2006: 240).

Situations such as war and conflict safe districts and countries have been preferred by migrants (Fidan & Ünal, 2016: 478).

Economic and Fiscal Effects

Migrations from rural to urban areas make negative effects on agricultural areas. (Fidan & Ünal, 2016: 481) Especially internal migrations from rural to urban areas will cause the problem of unemployment. Lack of investment at urban areas make much more increase unemployment (Erkal, 2006: 240) Furthermore, increased informal economy have caused to be decreased of revenues of countries.

On the other hand, migrations towards the developed countries have fastened labour and capital mobility to those countries. Labour markets of both source and destination countries have been affected by those events.

Wages and rates of unemployment have decreased at source countries. (Güner, et al., 2013: 42). Moreover, migrations have affected public infrastructure investments and services. The demand of immigrants public services has been increasing. In addition, under the case of behaviours of immigrants are different from the behaviours native people, some different public goods may be supplied according to their preferences (OECD, 2016: 124) Because of the wars have been happening, increasing mobility of international migration necessitates more supplied of public services and more fiscal resource (Canbay & Gülden, 2016: 95) This situation may press on budget and creates changes on policies of taxation and public expenditure.

Migration in Turkey and Its Fiscal Effects

Internal migration inner country in Turkey happen from rural areas to urban or from urban areas to urban. Migration have been started since 1950's increased with industrialization. After 1980' migration from urban to urban much more occurred (Koçak & Terzi, 2012: 166).

Migration have caused instability and problems on inter-regional investments, rate of urbanization and population density. Due to increasing population density in cities has necessitates making investments in those areas especially the western regions (Koçak & Terzi, 2012: 179).

Although it is not possible to find a correlation between migration and poverty because of traditional solidarity. It has known that there is a strong relationship between those two in international area however (Erkal, 2006: 240).

When we look immigrants come from other countries to Turkey, it has been seen differences from one country to another. According to the Report prepared by Turkey Immigration Office most intensive Immigration Office immigration occurred from Iraq, Syria and Azerbaijan (Immigration Office Report, 2015: 23).

Syrian citizens under the Temporary Protection

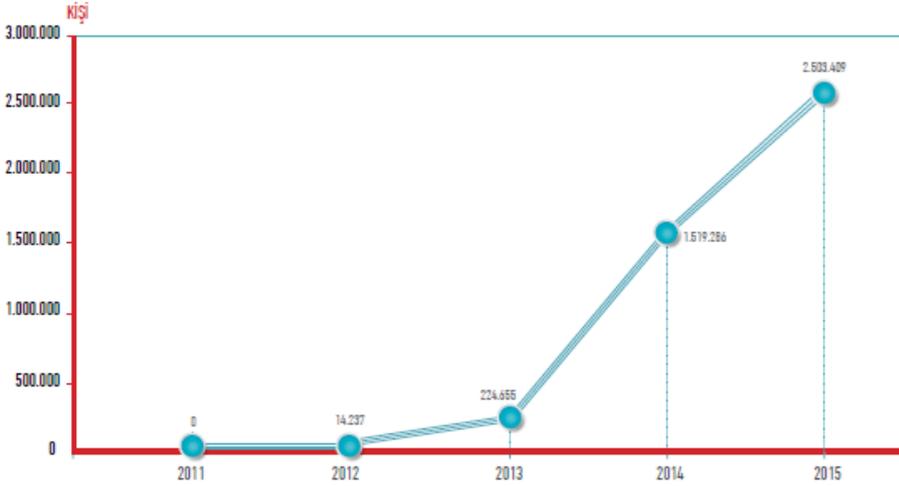


Diagram: T.C. İçişleri Bakanlığı, 2015, *Türkiye Göç Raporu*, 85.

According to above diagram, it is seen that the number of Syrian citizens have been taken under the temporary protection in the year 2015 are two millions and five hundred thousands. Financial aids allocated for Syrian citizens increased day by day. Turkey has spent more than twenty five billion US dollars for Syrian refugees (<<https://www.afad.gov.tr/tr/2373/>>, 20.03.2017).

Immigrants came to Turkey on one hand made increase resource use of country on the other hand they brought some problems too. Because spending financial aids to immigrants through the domestic firms, production of those firms, especially on textile and nutrition area, have increased. As a result, this situation has affected the economy of the country in positive sense. Besides the positive effects the reasons decreasing wage, unjust competition possibility of loss of tax revenues etc. have been considered the negative effects of the migration (Uluslararası Kitlemel Göçler ve Türkiye'deki Suriyeliler, 2016: 13-14).

Conclusion

All kinds of migrations have economic, social and fiscal effects. Migration on one hand, effect migrants, on the other hand they change public expenditure levels and public policies. Especially external migrations necessitate to be supported immigrants through economical, financial and social ways.

As a result of increased compliance of immigrants to cities takes time. Besides possible social and cultural problems economic and financial problems have been inevitable negative effects. Depending of changing expenditure structure, compliance costs of new life have increased. Taking into account positive and negative aspects of migrations and making policies of public expenditure and revenue by considering their effects in the long term.

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Land and Financial Administration in the Ottoman Empire According to the Law Book of Buda (Budapest)

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JEL Classification Codes : M10, M12, J24, M54.

The Ottoman Empire constituted a system on the basis of sharia law provisions throughout the territories in three continents where it had prevailed for more than six-hundred years. The sustainability of the economic system based on land was crucial due to the growth of the Empire's widespread sovereignty over a vast geographical area which was restored along with the wars. Since the land was utilized as a means of both maintaining livelihood and financing the wars, overall supervision of agricultural activities was rendered vital for the economic system. Various statute books had been issued in order to ensure the supervision and control in the states, provinces, districts and subdistricts within the Empire. The legal laws that constitute the legal basis of the land administration are seen especially during the era of Sultan Suleiman the Magnificent and written by the famous spiritual figure named Ebussuud Efendi. In accordance with the changing circumstances of the time, the books of law to which attachments were made had been issued in order to clarify a variety of issues ranging from taxation to division of inheritance.

Ottoman land ownership has been tried to be explained in various ways in the literature within the framework of different ideas. Some of them described it in the form of flow toward the feudalism, while others described it as a type of feudal society or nomadic mode of production. According to Barkan, it must be considered as a part of a large-scale, fortified army organization for warfare and an economic system which commissioned the whole country for this purpose. Since the foundation of the Empire, the conquered lands were divided into two parts as Anatolia and Rumelia, and some portion of these lands were defined as State Lands (*Arâzi-i Memleket*). The bare ownership of these lands did belong to the State. The lands in question were consigned to be used as "*Arazi-i Emiriyye*" in exchange for a certain amount of tax.

In 1476, records were made by Mehmed II (the Conqueror), and the lands were given to the military class as "*timar*" (small fief) and "*zeamet*" (feudal tenure), and to the Sultan and the viziers as "*has*" (large fief). In this context, *timar* included the lands with tax revenues between three thousand and twenty thousand akches, while *zeamet* included the lands with tax revenues between twenty thousand and a hundred thousand akches. *Has*, on the other hand, included the lands with tax revenues more than a hundred thousand akches. The continuity of the system was ensured through the issued laws. For example, according to the principles set by Osman Gazi, it was assured that timar holders had not been deprived of their lands in vain and timar lands had devolved on the deceased timar holder's son.

Issues related to financing, such as keeping the land cultivated and adjustment of tithes in accordance with the quality of the land, had made the community strictly tied to the land. On the other hand, the widespread use of firearms and the resulting decline in sipahi requirement led to the need for cash money to finance the war, leading to the weakening of the fief system.

The topic of the study is the land administration in the Ottoman Empire and its financial dimension within the framework of the law book of Buda (Budapest) prepared by Ebussuud Efendi. The statute book was consecrated by Sheikh al-Islam Uryanzade Ahmet Es'at Efendi. Although it is not known

exactly when it may have been written in 1673 or 1746 due to the addition of the fatwas given by Sheikh al-Islam Yahya Efendi and Huseyn Efendi (successors of Ebussud Efendi). The statute book, which included many different topics related to land administration such as the acquisition, usage, taxation and inheritance of land; tax payments to sipahi; the transfers to storage or nearby bazaars, constitutes the original aspect of this study in terms of giving information about the financing of Ottoman war logistics. In this context, the financial aspect of land administration, in particular, is the focal point of the study.

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Liberal Turn in Social Protection: Activating Social Assistance Programmes in Turkey

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Keywords : Activation, Workfare, Social Assistance, Turkey.

JEL Classification Codes : I31, I38, J20, J21.

Since the 1970s, there has been an ongoing process of the redesign of social policies on the basis of the requirements of the economic given the dominance of economic imperatives within capitalist societies in the era of neo-liberal globalizations (Sykes, 2012). One of the well-known and debated consequences of such predominance has been the restructuring of welfare policies on a liberal basis. Such a liberal turn in the sphere of welfare has been characterised by further individualisation of risks and responsibilities. It is within this framework that relation between paid employment and social protection has been given due attention through introducing strict work-related conditionality for benefit demands (Deacon & Patrick, 2012; Gün, 2013; Daigneault, 2014). Workfare policies in the USA, welfare-to-work measures in the UK or activation policies in Scandinavia or elsewhere in Europe all well-known forms of a new welfare understanding which is assumed to be more active compared to previous passive welfare transfer programmes (Leibetseder, 2015). In all forms, to be employed in a paid work, to be available to work and actively seeking work are identified as the ways of being eligible for social protection (Deeming, 2013).

Research Aim

This study aims to understand both the possible implications of use of activation policies within the sphere of social assistance in Turkey with reference to recent official discourses on the necessity of linking the social protection to paid work as reflected on selected official documents or action plans issued by the Ministry of Labour and Social Security, Turkish Labour Institution (İŞKUR) and, Family and Social Policy Ministry. Turkey is a late comer in the emergence of active welfare discourse and the policies introduced are still limited to a few measures such as public workfare schemes. Activation measures targeting at social assistance recipients is limited in scope to a few selected pilot cities (Crnkovic-Pozaić & Feiler, 2011; Arslan, 2014). However, the justification of need for active social protection is similar to those in developed welfare states. The main reasons are stated as coping with long-term unemployment and poverty reducing welfare dependency, increasing individual responsibility and improving the skills of inactive labour force. (Coşkun et al., 2011; Arslan, 2014). The poor, women, disabled or those on social assistance are mainly targeted through policy measures enabling access to paid work. While understanding the nature and dynamics of active welfare discourse in Turkey, this study seeks to explain the ways in which activation measures are based on evidence. In fact, conditional transfers in different spheres of welfare can be seen as an influence of evidence-based policy making in social policy (Deeming, 2013).

Methodology

The question of the ways that the link between paid employment and social protection (social assistance programmes) are redefined is analysed on the basis of both the analysis of official reports, drafts and actions plans prepared by related governmental departments such as Ministry of Labour and Social Security and İŞKUR, and other secondary sources including the review of relevant literature. This is not a mere theoretical study and the question of how official debates and discourses on

activation are based on evidence requires the official analysis of official sources and relevant literature. The method used for analysis, debates informed and conclusions drawn in this study will provide framework for empirical studies. The limitations of the study should also be emphasized. Indeed, the arguments and suggestions of this study rely on the analysis of the related debates in official papers and relevant literature yet the questions of how the activation discourse in the sphere of social assistance are reflected in actual policies and how those on social assistance experience it requires empirical studies and additional methods of data collection such as qualitative interviews with relevant actors.

Main Findings

Findings of the study can be summarised as follows. This paper will underline that the although the organic link between paid employment and welfare provision in the development and institutionalization of welfare states is known (Bonoli, 2010) the basis on which this relation is defined has changed as a result of implementation of tight work-related conditionality for benefit receipt and claims. This nature of change shows the influence of liberal paradigm of flexibility of labour markets given that workfare or welfare-to-work measures basically are developed to exert influence on labour supply. As is the case in the other spheres of welfare social assistance programmes are subject to forces of cost-containment, recalibration and recommodification. Activation programmes recalibrate passive social assistance schemes in order to increase the flexibility of labour force. The same policies recommodify the social assistance recipients and claimants. Tightening the eligibility criteria for social assistance transfers seems to function as a cost-containment strategy. Debates on activation strategies in the area of welfare have recently come into the political agenda. There is need for further theoretical and empirical studies on a comparative basis. In developed countries workfare policies are shaped by a liberal turn which questioned the role of the state in the provision of welfare, and gave way to both further commercialisation of services and benefits and thus to individualisation of risks and responsibilities. The paper suggests that in Turkey the same turn serves to labour market flexibilisation through activating social assistance programmes.

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What is the Allocation and Monetary Value of Unpaid Work? New Evidence from Turkish Time Use Survey

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Keywords : Time Use, Household Production, Well-Being.

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The purpose of this study is to analyze the allocation of time assigned to home production in Turkey. For this, firstly, the determinants of the time allocated for unpaid work and childcare were examined. The time spent for unpaid work and child care in Turkey have been tried to explain with many social, economic and demographic variables. Secondly, the economic value of the time allocated to these activities is calculated by various methods. The second *Time Use Survey (TUS)* data in Turkey was published in 2016 for the period covering 2014-2015. This allows for the first time in Turkey to observe and compare changes in time use. The importance of this study that it is the first study to examine non-market work by 2014-2015 TUS data.

Time is the most important and scarce resource for both individuals and societies. Yet, for a long time, economics has been interested time spent only in market activities. It could be said that Becker (1965) is the starting point of the literature on household economics. In his pioneer work, Becker made it clear for the first time the economic importance of time outside of the market. Becker considered that the time spent by the household members as an input to produce or prepare the goods for which the individual benefit from. In addition to this, leisure time in the utility function of individuals is a choice variable. According to the classical microeconomic theory, households who try to maximize their utility, have a time constraint as well as a budget constraint. Following this classic approach, "new home economics" which developed by Gronau (1977) formalized unpaid work. Along with these developments, the economics has become interested in the whole-time allocation of individuals.

With the spread of Time Use Surveys, the economic dimensions of time spent in market and non-market have begun to be examined in different countries. Time allocation decisions of individuals give information about the society we live in. For this reason, time use researches have become an important field of sociology. Later, with the development of the field of household economics, the economic dimensions of time allocation have begun to be discussed. According to Soussa-Poza and Widmer (2000), there are three basic reasons within the economic framework of these studies: Firstly, unpaid work creates prosperity and improves public welfare. It is also known as an important indicator of well-being. Nonetheless, there is an ongoing debate about non-inclusion of unpaid housework in GDP calculations. Secondly, the monetary value of these activities is needed in litigation testimony (injury, divorce, death, etc.). A third important reason is that only monetary valuation catches the public attention.

Miranda (2011) and Evenson (1983) are two important studies for international comparison of time allocated for unpaid work. Therefore, there are studies in the literature that measure the share of GDP for many countries. For example, only caregiving has the 4,4% in Poland and 5% GDP share in Italy. (Francavilla et al., 2011) Gianneli et al. (2012) report that monetary value of total unpaid work is 31,6% of GDP in EU countries. In the other study, Dong and An (2014) state similar shares for China. They use the first Time Use Survey of China and calculate that unpaid housework has 32% GDP share.

On the other hand, women's labor force participation is an important determinant of household distribution of housework and care workload. There is a strong negative relationship between labor

force participation of women and time assigned to unpaid housework in the literature. A more balanced distribution is observed as the female participation rate increases, especially in industrialized countries. The load of home production that women undertake due to stereotyped gender roles constitutes a major obstacle to women's participation in the labor force. Also, unpaid housework is also closely related to women's poverty. From this point of view, Turkey is an important case among the developing countries. Because in Turkey not only the labor force participation of women is low, but also the gender gap in house work is significantly high. Women labor force participation rate (LFPR) is 31.5% in Turkey (OECD, 2016). Women's LFPR is higher than only India among all the OECD and EU-22 countries. More interesting, although the labor force participation rate of women in Turkey has increased in the last years, it is still 3 points lower than in 1988. On the other hand, Turkey has the highest in terms of gender gap in the home production among all the 26 OECD countries. Also, Turkey is the second country where women spend the most time on unpaid housework. While women spend 20% of their time on housework and child care on average in OECD countries, this rate is 2%5 in Turkey.

The studies related to the subject in Turkey are mainly limited to the 2006 TUS Survey data. In studies about unpaid housework, Öneş et al. (2013) emphasize that the amount of unpaid work relates to poverty. Also, Kaya Bahçe and Memiş (2013) state that unpaid work relates with a risk of income fluctuations. The first attempt to measure the monetary value of non-market activities used data from a pilot survey in 1996. This study reported that non-market activities have 34% (between 34% and 52%, depending on calculation technique) share of GDP. (Kasnakoğlu & Dayıoğlu, 2002). İlkaracan and Gündüz (2009) examined the value of total non-market activities in Turkey with the opportunity cost and minimum wage approaches using 2006 TUS data. According to this work, the economic value of these activities corresponds to 25% or 45% of the GDP of the period.

In this study, we use TUS 2014-2015 data to analyze the allocated time of unpaid work and child care. TUS is conducted by TUIK in Turkey. The survey that conducted between July 2014 and June 2015 is applied to 5070 households. There are 11,815 individuals that aged 10 years and over in the sample. The time use data of these individuals is collected at the intervals of 10 minutes for one weekday and one weekend. Also, the survey includes an information about the socio-economic and demographic structure of individuals. In this study, we use TUS data to measure unpaid work and child care. Therefore, we try to analyze the determinants of these household activities. This study focuses on the variables that education, labor force status, wage, and household structure. There are many individuals in the sample who say they do not spend any time on those activities. In other words, the dependent variable has large number of zero observations. Consequently, we prefer to use the censored TOBIT method to solve this limited dependent variable problem. Tobit estimations include wage variable. We use wage data from Turkish Labour Force Survey and estimate reservation wages with Heckman procedure. Furthermore, we calculate the monetary value of unpaid work and child care.

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Overview of New Turkish Law Number 6735 on International Labour Force

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Keywords : International, Labour Law, Foreigner, Work, Employment, Regulation.

JEL Classification Codes : K29.

Regarding to increase of international contracts, multinational projects and new investments with foreign countries, made Turkey attractive to foreigners in today. It is an undeniable fact that the number of immigrants who temporarily or permanently settled with the intention of reading, studying, and residence in our country based on many reasons. Therefore, due to the prevention of unregistered work and the increase of qualified labor force, the International Labor Force Law No. 6735 (ILF) was required and was published in the Official Gazette On Aug. 13, 2016. The new law regulates important changes to the work permit system in Turkey and outlaws the existing Law No. 4817 on Work Permits of Foreigners. From now on, the new law will be the main legislation regulating non-Turkish citizens' entry into Turkey's labor market. The new law is not as procedural as its predecessor. It provides foreigners to enter into the Turkish labor market in a more extensive way. There is no significant change in terms of work permit/visa procedures, but there are some flexibilities for specific categories of professions.

Work permits for foreigners, ILF has been issued with the aim of regulating the procedures and principles to be followed in work and transactions regarding foreigners' work permits and exemptions, authorizing and managing responsibilities and rights and obligations in the international labor force, and clarifying the entry and registration of foreigners into the Turkish labor market. It aims to be an effective, transparent and predictable legislation that reduces uncertainties in front of foreign investment. One of the purpose of this new Law is provide to foreigners's to enter into Turkey's labor market in efficient way This article will examine the main features of the new law regarding Work Permits of Foreigners and aims to overview the new law and monitor of the policies related to employment of international labor force via comparing Law No 4817 on Work Permits of Foreigner's. This method is more useful than the others, since comparing method impacts more and studies in details and readers may realise differences and new concepts of law than the outlaw.

The scope of the law includes new tools and concepts that define the concept of foreign labor force and are designed to work for foreigners working in Turkey or for foreigners entering the Turkish labor market for vocational training, internship and cross-border services. We can state that in the changing conditions of the Law no. 6735, in the changing conditions of the local citizens, the foreign labor force is included in the Turkish labor market and a more selective screening policy is applied to immigrants. In addition, the fact that the scope of the law is known is important that it can reduce the anxieties of foreign investors and that the law prepared in accordance with the changing conditions can meet the purpose of the law to respond to today's needs.

New introduced concepts and foundations by the new law include the work permit, the preliminary permit, the independent work permit, the turquoise card, the work permit exemption certificate, the foreign engineers and architects, the foreigners who will be volunteer in the foundations and associations, the arrangements for the status and work of the spouses of foreigners, Establishment of a Foreign Application and Assessment, Monitoring System, International Labor Force Policy Advisory,

Authorized Intermediary. The New Law is consisted of six sections which are Purpose, Scope and Definitions, Determining and Monitoring the International Workforce Policy, Work Permit and Exceptios, Exceptions, Appeal, Obligations, Inspection and Fines, Miscellaneous Provisions.

These basic principles are set forth under “Definitions” Article 3 of New Law. First of all, it is certain that the definition of foreigner has importance to state the scope of law. It is set forth under Art 3 that foreigner is person who does not have citizenship bond with the Republic of Turkey. According to new law, Ministry, taking account of the decisions made by International Workforce Policy Advisory Board, is authorized to determine the policy related to international workforce and to engage in activities at national and international level intended to carry out these policy. It can be seen easily how new foundations are established and effective for new policy. Foreign Application, Assessment and Monitoring System is set up by Ministry in order to accept and assess the employment claims of foreigners, and to monitor the effect of international workforce. There is significant regulation concerning public security which Ministry is to be informed about foreigners, necessity of employment and other matters. It is set forth under Art 5 as “Ministry may request information and document related to foreigners, necessity of employment of foreigners and other matters in the scope of this Law from the public institutions and agencies, and from real persons and legal entities”.

The preliminary authorization system has been introduced to assess whether foreigners have the necessary qualification for the professions they will be performing. Constitution regulates that “Work is everyone’s right and duty” and it is said that every one has freedom of working and contracting whoever wants. Freedom of work and contract guaranteed by the Constitution is also accepted to be a “duty” to work in Turkey in respect of foreigners by regulating the fundamental rights and freedoms of the fundamental rights and freedoms for foreigners, in accordance with the international law.

The new law defines three types of work permits, ordinary work permits, and independent work permits, permanent work permits. To work in healthcare and educational services that require professional competence is needed preliminary permission. Preliminary permission is compulsory on the assessment of work permit applications of foreigners. As it is mentioned above there is no significant change but there are some new concepts and foundations to provide foreigner’s enter into Turkish labor force and provide great convenience the right of residence to his/her spouse and children thanks to Turquoise Card. In line with the international workforce policy foreigners whose application accepted as appropriate with regard to their educational level, professional experience, contribution to science and technology, effect of their in-country activities or investments on Turkey’s economy and employment, and the suggestions of International Workforce Policy Advisory Board and procedures and principles determined by the Ministry shall be granted Turquoise Card. Criterias for granting turquoise card or work permit in Turkey intend to increase Turkey’s labor potential.

Considering International Labor Force Law and draft of specific regulation of International Labor Force Law can be said that the new law aims to prevent unregistered foreign employment and increase the number of qualified foreign employer by entering into Turlish labor market in efficient way. By specific regulation, the new law will be detailed and help foreign workers, investors and their family members to enter into Turkish labor force permanently in accordance with international labor force and international conventions.

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29 April 2017 Saturday

Session: V-B / 09.30-11.00

ENVIRONMENTAL STUDIES

Room: *Aden II*

Chair: **Hakki Hakan YILMAZ**

- Green Industrial Policies as a Development with Disasters Strategy
Murad TIRYAKIOGLU
- Testing the Relationship between CO2 Emissions and Agricultural Production Index in ECOWAS: A Panel ARDL Approach
Mahmut ZORTUK & Seyhat BAYRAK-GEZDIM & Semih KARACAN
- Re-Evaluation of Human Development Index' Effect on Environmental Performance Index based on Structural Equation Model
Noyan AYDIN & Elif YALCIN
- The World Bank's Credit Policies: The Sample of Turkey in the Context of Environmental Credit
Gunay GONULLU
- Growth Strategies and Value Creation in Turkish Energy Sector
Ozan GONULLU

Green Industrial Policies as a Development with Disasters Strategy

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Keywords : Green Economic Development, Green Industrial Policies, Natural Disasters, Climate Changes.

JEL Classification Codes : O14, O25, Q54.

Disasters living in the world (natural and human resources) result in very high economic and social costs. According to the 2015 World Disaster Report, 107 million people affected by 317 natural disasters in 2014. Between 2005 and 2014, 1,753 floods, 223 droughts, 1,254 earthquakes, 988 storms and 236 high temperature events have occurred and these events which affecting billions of people, have caused billions of dollars in economic damage. When the geographical distribution of the economic and social effects posed by disasters is observed, it is seen that especially the exposure in the underdeveloped and developing regions and countries is much higher and the normalization of both social life and economic activities takes too long with high costs. Industrialization policies constitute one of the policy measures that must be taken in order to understand and to some extent dispose of such important consequences of disasters and risks of climate change. The green industry policies, which are accompanied by the transformation of the development paradigm and which take place in traditional industrial policies, constitute the most important step of development with disasters. These policies, which may be an alternative to an increasingly important risk of early-industrialization, are of vital importance for developing countries, especially those with high levels of catastrophic exposure. The main emphasis of the study designed from this perspective is to address the opportunities that green industry policies can offer, especially for developing countries, and to create a debate in this respect.

Testing the Relationship between CO₂ Emissions and Agricultural Production Index in ECOWAS: A Panel ARDL Approach

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Keywords : CO₂ Emissions, Food Production, Panel ARDL Model, ECOWAS.

JEL Classification Codes : C33, O13.

Global warming is one of the most crucial environmental problems in the world. Global warming is caused by the emission of greenhouse gases. It is consisted of 72% of the totally emitted greenhouse gases is carbon dioxide (CO₂), 18% Methane and 9% Nitrous oxide (NO_x). Therefore, carbon dioxide emissions are the most important cause of global warming. In this study, we have investigated the relationship between carbon dioxide emissions, crop and livestock production index in ECOWAS (Economic Community of West Africa States) countries by using panel ARDL approach for the period of 1961-2013. The empirical results shows that there is a significantly positive effect and evidence of a long run equilibrium relationship between carbon dioxide emissions and crop production index.

Introduction

The concentration of greenhouse gases in the atmosphere has mostly increased as a result of human activity. The growth of greenhouse gases emissions may be depended to rising temperatures which is called "global warming". According to Environmental Protection Agency (EPA), carbon dioxide has a significant impact on global warming relatively because of its abundance in the atmosphere. Carbon dioxide emissions result from human activities, primarily the burning of fossil fuels like oil, natural gas and coal. Electricity and heat generation is the economic sector that produces the largest amount of man-made carbon dioxide emissions. The second largest source of anthropogenic carbon dioxide emissions are produced by the transportation sector. The industrial sector is the third largest source of human-driven carbon dioxide emissions. Like most economic sectors, agriculture contributes to greenhouse gas emissions. Based on researches of the recent years, agricultural activities are responsible for the increasing level of atmospheric carbon dioxide. Agricultural emissions are generally linked to the management of agricultural soils, livestock, rice production and biomass burning. According to the Agriculture chapter of the IPCC Fourth Assessment Report, approximately 40-50% of the Earth's surface is managed for agricultural purposes and contributes 10-12% of global greenhouse gas (GHG) emissions (Meltz et al. [Smith et al.], 2007).

Use of energy in agriculture results in carbon dioxide emissions from the combustion, and there are additional emissions associated with production and delivery of fuels to the farm. In crop production, three main types of fuels for farm operations are used: diesel oil, natural gas, and electricity. Diesel oil is related to crop production activities and the operation of farm machinery used for various cropping activities. Natural gas and electricity are used more for other farm operations such as ground water abstraction, machine maintenance and crop drying (FAO, 2015). Besides that, on a global scale, the livestock sector plays an important role in climate change. It constitutes about 18 percent of anthropogenic greenhouse gas emissions (Geber et al., 2013). The animal agriculture sector accounts for approximately 9 percent of total carbon dioxide emissions, which are primarily the result of fertilizer production for feed crops, on-farm energy expenditures, feed transport, animal product processing and transport, and land use changes. According to the FAO's estimates, CO₂ emissions from farm animal processing total several tens of millions of metric tons per year (Steinfeld et al.,

2006). Also, agriculture, which includes crops production and livestock, contribute more significantly to global climate change than other aspect of agriculture (FOE, 2007).

The Economic Community of West African States (ECOWAS) is home to 254 million people in 15 low-income countries. In this region, agriculture consists of 35 percent of gross domestic product and 65 percent of employment. Access to energy either from electricity or food plays a crucial role in socio-economic development. As majority of West Africa's population make their livelihood by depending on rain-fed agricultural activities. Especially, food consists of about 46 percent of an average households' total spending in West Africa and majority of income from households are related agricultural produce (Olayiwola et al., 2012). In the literature, there is less empirical findings based on the investigation of crop and livestock production on carbon emissions. This study fills in the literature gap. The aim of study explores the relationships between crop and livestock production on carbon dioxide emissions.

Data, Methodology and Model

The empirical analysis uses panel data sample for ECOWAS which is called a regional economic union of fifteen countries located in West Africa. To examine the relationship between carbon emissions, crop production and livestock production, we use a balanced panel data over the period 1961-2013. The linear function is expressed as:

$$CO_2 = f(CROP, LIVESTOCK)$$

The data for carbon dioxide emissions, crop production index and livestock production index were symbolized by CO₂, CROP and LIVESTOCK, respectively. The variables under study include carbon dioxide emissions (kt), crop production index (2004-2006=100) and livestock production index (2004-2006=100). The crop production index is defined agricultural production for each year relative to the base period 2004-2006 which includes all crops except fodder crops. The livestock production index is defined as an agricultural production which includes meat and milk from all sources, dairy product such as cheese, eggs, honey, raw silk, wool and hides and skins. All data expressed in the form of natural logarithms and are sourced from World Bank's World Bank Indicators.

To investigate the relations between the variables for ECOWAS countries, this study employed panel ARDL approach, which is co-integration technique and introduced by Pesaran & Shin (1999) and Pesaran et al. (2001). The panel ARDL model was used, due to having stationary mixed-order variables and in order to identify long-run relationships between dependent and independent variables. In this study, we applied the PMG (Pooled Mean Group) and MG (Mean Group) estimations. Then, Hausman Test is conducted to decide between the PMG and MG estimators. The PMG estimator developed by Pesaran et al. (2001) restricts the long-run coefficients to be equal over the cross-section units, but allows for the short-run coefficients and error variances to vary country by country. However MG estimator proposed by Pesaran & Shin (1999) derives the long-run coefficients for panel from an average of the long-run parameters from ARDL model for individual units. This estimator does not impose any restrictions. It allows for all coefficients to vary and heterogeneous in the long and short run.

The ARDL model can be described as:

$$\Delta \ln CO_{2it} = \alpha_i + \varphi_i \ln CO_{2i,t-1} + \delta_i^* \ln CROP_{it} + \theta_i^* \ln LIVESTOCK_{it} + \sum_{j=1}^{p_i} \beta_{ij}^{**} \Delta \ln CO_{2i,t-j} + \sum_{j=0}^{q_i} \delta_{ij}^{**} \ln CROP_{i,t-j} + \sum_{j=0}^{k_i} \theta_{ij}^{**} \ln LIVESTOCK_{i,t-j} + \varepsilon_{it}$$

where $\varphi_i = (1 - \sum_{j=1}^{p_i} \beta_{ij})$, $\delta_i^* = \sum_{j=1}^{q_i} \delta_{ij}$, $\theta_i^* = \sum_{j=1}^{k_i} \theta_{ij}$. The results were calculated by STATA 13.

Empirical Results

In this study the number of cross-sections is 15 and each time series comprises 53 samples for each cross-section. In this analysis, T is greater than N ($T > N$). The testing cross-sectional dependence is important in estimating panel data models for unit roots and co-integration equation. Firstly, cross-section dependency was checked via the sum of cross-section dependency tests.

Table: 1
Result of Cross-Sectional Dependence Test

	<i>lnCO₂</i>	<i>lnCROP</i>	<i>lnLIVESTOCK</i>
CD_{LMI}	539.1 (0.000)	409.1 (0.000)	370.8 (0.000)
CD_{LMI2}	14.37 (0.000)	12.03 (0.000)	3.454 (0.006)
CD_{LMIadj}	119.2 (0.000)	83.08 (0.000)	72.51 (0.000)

Note: *p*-values in parentheses.

Table 1 shows that the null hypothesis of cross-sectional independence was strongly rejected at 1% level of significance. In the presence of cross-sectional dependence, second generation unit root tests gave more efficient and consistent results.

Table: 2
Panel Unit Root Test Results

Variable	LLC(t-stat)		IPS(W-stat)		Pesaran CADF	
	Level	First Diff.	Level	First Diff.	Level	First Diff.
<i>lnCO₂</i>	-3.8152 ^b	-27.8602 ^a	-3.1767 ^b	-26.1151 ^a	-2.888 ^b	-5.259 ^a
<i>lnCROP</i>	-3.3420 ^b	-28.3086 ^a	-1.9638	-27.8871 ^a	-2.923 ^b	-5.438 ^a
<i>lnLIVESTOCK</i>	-1.8958	-28.3086 ^a	-0.2550	-27.8871 ^a	-1.877	-5.438 ^a

Note: Symbols *a* and *b* imply that significance level at 1% and 5%, respectively.

The panel unit root test results shows that the variables have mixed- structure stationarity properties. CO₂ and LIVESTOCK series are not stationarity, but CROP series stationarity at level. In the other words, CO₂ and LIVESTOCK are I(1) while CROP is I(0).

Table: 3
Results for Panel-ARDL Approach

	Variables	PMG estimation	MG estimation	Hausman Test
Long-run coefficients	<i>lnCROP</i> _{<i>t</i>-1}	0.622 (0.164)***	0.564(0.352)	Prob> chi ² =0.4517
	<i>lnLIVESTOCK</i> _{<i>t</i>-1}	0.298 (0.186)	0.634 (0.431)	
Short-run coefficients	Δ <i>lnCROP</i> _{<i>t</i>-1}	0.127 (0.078)	0.099 (0.087)	
	Δ <i>lnLIVESTOCK</i> _{<i>t</i>-1}	-0.049 (0.142)	-0.097 (0.091)	
Error correction term		-0.139 (0.019)***	-0.246 (0.036)***	

Note: *p*-values in parentheses and symbols *** shows that significance level at 1%.

The empirical results of MG and PMG are shown in table 3. The results of Hausman Test conducted in order to test the hypothesis of the long-run elasticity. Here we conclude that a null hypothesis is not rejected and the PMG estimator is preferred. MG estimator seems not to be valid but only error correction term is statistically significant. According to PMG in long run while the crop index coefficient is statistically significant, and the short term coefficients are not significant. Base on the result it shows that a 1 per cent increases in crop production index will increase 0.62% CO₂ emissions.

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Re-Evaluation of Human Development Index' Effect on Environmental Performance Index based on Structural Equation Model

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JEL Classification Codes : C38, C39.

The Environmental Performance Index (EPI) ranks the performance of countries in environmental issues, based on two main areas: protection of human health and the ecosystems. EPI constituted of the calculation of 19 indicators for nine different areas constituting these two main areas. Human Development Index consisted of five different indicators, ranks the countries' human developments prepared by United Nations Development Programme (UNDP).

In this study, we re-evaluated relationship between human development index and environmental performance index which was examined in literature based on structural equation model. We used 179 countries' recent data used prepare to HDI (2015) and EPI (2016) reports. We found human development index has positive and significant effect on environmental health and ecosystem vitality environmental performance index which are indicators of environmental performance index. The increase in the human development index improves environmental performance. Also we found, among the human development indicators, life expectancy at birth has the most impact on the environmental performance index.

Data and Method

In this study, recent data used in EPI (2016) and HDI (2015) reports was taken from (<www.epi.yale.com>; <<http://hdr.undp.org>>, 28.01.2017) addresses.

Environmental performance index, consists of two components including environmental health and ecosystem vitality prepared by Yale University. Environmental health determining half of EPI consist of health impacts, air quality and water & sanitation, other half consist of climate and energy, biodiversity & habitat, fisheries, forests, agriculture and water resources. Human Development Index, consist of Life expectancy at birth, Schooling, and gross national income indexes" geometric mean. This indexes has total five indicator which are life expectancy at birth, expected years of schooling, mean years of schooling, gross national income (GNI) per capita and GNI per capita rank minus HDI rank.

Data evaluated with structural equation model which is determine direct and indirect effects between variables. Structural equation model similar to simple linear regression analysis provides modeling a complex relationship of many dependent and independent variables. Also, since doing many analyzes at the same time, recommending new modifications for the model, and for dealing with measurement errors, it is used development of new models and testing of theories (Dursun & Kocagöz: 2010).

Empirical Results and Discussions

We investigate literature about relationship between human development index and environmental performance index. We saw human development index has positive effect on environmental performance index. Abeline (2012) found that, HDI is positively and significantly related with EPI through multivariate linear regression analysis on cross-country data. Samimi et al. evaluated the relationship between HDI and EPI in 114 countries composed of developed and developing countries. During 2006-2010. They used panel data regression model and found that positive and significant relationship between HDI and EPI in all countries and developed countries. But they found, for higher human development didn't necessary to improve the environmental performance in developing countries. Also they said that, if the human development index mean increase, it will improve the environmental performance.

We build structural model with HDI and EPI' indicators shown in Table 1 Hypotheses established according to related literature given down and the model' fit indices shown Table 1.

Hypothesis 1: Human Development Index has positive effects on environmental health,

Hypothesis 2: Human Development Index has positive effects on ecosystem vitality.

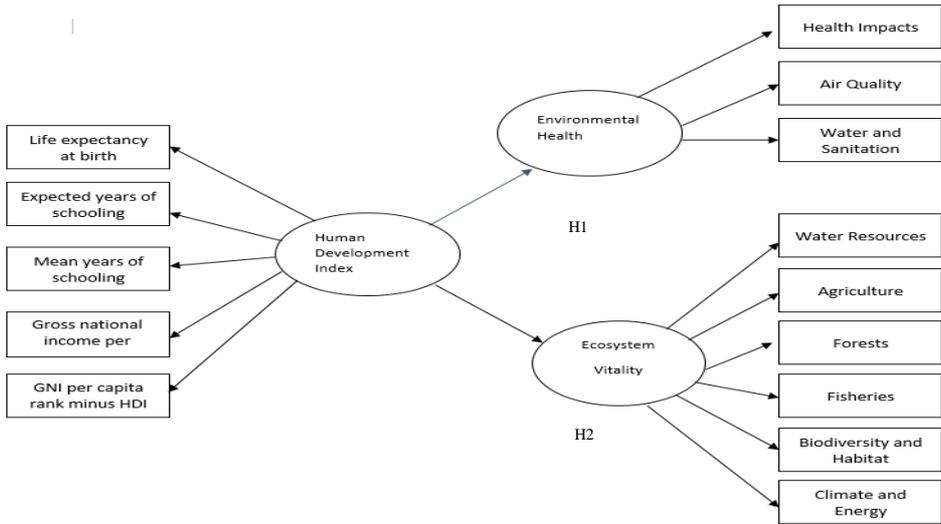
We found t values of the relative hypotheses 14.15 and 12.57. H1 and H2 hypotheses are accepted at the level of 5% significance.

Table: 1
Goodness of Fit Indices for the Structural Equation Modeling

Criterion for Fit	Value	Result
χ^2 / sd	2,801	Acceptable Fit
GFI	0,949	Acceptable Fit
CFI	0,908	Acceptable Fit
AGFI	0,922	Good Fit

In this study we found human development index has positive and significant effect on environmental health and ecosystem vitality environmental performance index which are indicators of environmental performance index. It indicated that, if countries improve their economy, education or life expectancy, they will have better living conditions with increase environmental performance.

Figure: 1
Structural Equation Model (SEM)



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The World Bank's Credit Policies: The Sample of Turkey in the Context of Environmental Credit

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Keywords : World Bank, Environment, Development, Structural Adjustment, Credit Policies.

JEL Classification Codes : G2, O2, Q5.

The World Bank which was found in 1944 to provide loan opportunity for development was only supplying loan for investment projects which would contribute the development targets of the developing countries initially, however in due course the Organization began to show importance to the programs which would change the social structures within the development model set forth by itself increasingly. As of early 1980s, it is observed that the World Bank has been defending the structural adaptation theme. Dissemination of neoliberal thoughts had impact on this change. Upon the implementation of structural adaptation and stability policy in the developing countries and due to the impact of the strengthening of neoliberal point of view, World Bank has changed its policies. This is obviously seen in the Bank's relation with various countries. The World Bank's loan relations with Turkey has been accomplished within the context of the conversion which the Bank experienced.

Relations between Turkey and World Bank are hereby discussed within the scope of the sectoral distribution of the loans which were used from World Bank by Turkey between 1980-2015. 1980 was emphasized as the year of commencement particularly. The reason of this was that; the content of the loans provided by the World Bank during 1980s has changed and the Bank began to provide loans under the name of structural adaptation loans. During this structural adaptation period, the aim of the development policies applied for under developed countries was to accomplish a rapid and continuous economic growth. Within this context, considering Turkey's rates of growth primarily, it should be checked whether a change has occurred in the development rates or not along with the loans used. Therefore, the rate of the loans provided for environment can be determined within the scope of the sectoral distribution of the loans used within this period and an assessment may be made as to whether the loans served for the protection of the environment or not.

Two environment analyses were utilized for the analysis for environmental dimension. These are; Environmental Performance Index - EPI which is accepted as world environment index and Environmental Rating Agency - ERA which supports the works.

EPI is an important environment - related study made by Yale University since 2006 in every two years which assess the environmental health and ecosystem vitality of the countries according to various performance indicators such that 16 in 2006, 25 in 2008 and 2010, 22 in 2012 and 20 in 2014. These indicators show how much the countries came closer to their political targets regarding the environment.

EPI has a dual assessment for environmental areas, which are; environmental health and ecosystem vitality. Environmental indicators are combined around nine basic categories according to EPI data for 2014, namely; health, air quality, water and sanitation, water sources, agriculture, forestry, fishery, bio-diversity and habitat and climate and energy.

The ERA index is based on the G20 countries. Because the G20's 19 member countries and the European Union represent 90% of global GDP, approximately 80% of anthropogenic carbon emissions, over 65% of the world's population and roughly 50% of all tropical deforestation.

For each environmental indicator, the best performing nations have been used to calibrate the relative environmental performance of other G20 nations. The best receives an AAA rating and countries are downgraded one rating for every 5% decline in performance, with the worst receiving a DDD rating.

Approximately 30 different environmental indicators were considered for inclusion in this assessment. However, due to the lack of adequate and robust international data it has been decided to rely on the 12 environmental indicators that offered the best combination of environmental insights and high quality data. The environmental indicators used to assess the relative performance of countries include the following: economic efficiency, energy efficiency, infrastructure investment, atmospheric emissions, environmental protection, land management, water resource use, corruption, social development, threats to endemic mammals, birds and amphibians, marine protected areas and air particulates.

Because of the examination of the environmental projects supported by World Bank, it was seen that; a distinction exists periodically for the environment loans provided for Turkey. Accordingly, loans; within the framework of structural adaptation or sectoral adaptation after 1980, were given within the scope of country cooperation strategies with 2000s. During period between 1980- 2000, some part of the loans was based on 'urban development' theme whereas the other part was based on various sectoral basis such as water supply, waste water and environmental health.

During the primary period, while loans were supported by the World Bank, some procedures were applied. One of them is İSKİ model. İSKİ model occurred in 1981 within the scope of the Law No. 2560 as a prerequisite of the loans provided by the World Bank. This model was applied in drinking water and sewage sector which is included within the sectoral basis- loans and which is an absolute public service. Application brought along the concept of commercialization of the service as well. In terms of the second half of 1990s, a new model occurred. This model; under the discourse of the "protection of the environment" of the Bank's "drinking water and environmental health" themed sectoral loans, as a loan prerequisite, was applied in such a manner that this time multinational capital has prepared appropriate conditions and legal arrangements to render services within the scope of its own rules. These projects which are known as; 'Antalya Water Supply and Environmental Health' and 'Bursa Water Supply and Environmental Health' were not limited with big cities only but revealed itself as 'Çeşme-Alaçatı Water Supply and Sewerage Project" (Güler, 1999: 130-131).

Shortly, the World Bank, reveal in its own policies why urban services are required to be rendered by the private sector and how much responsibility should be undertaken by the local administrations in this respect. The process began primarily upon the transfer of the public services to the local administrations and reached a level in due course in which some important sectors in terms of social health and environmental health such as drinking water supply, disposal of solid wastes and sewerage system were transferred to the private sector and these actions were entirely commercialized accordingly (Görer, 2001: 24). This may be comprehended as a direction towards infrastructural works.

In the second period including post 2000s loans used from the World Bank were rendered in the basis of the themes of 'environmental sustainability', 'power efficiency' and 'sustainable cities'.

If it is required to assess generally the process of examination as to whether these loans were provided to the sectors which Turkey needs for its environment aspects or not; it is seen that Turkey has utilized 156 loans from the World Bank since 1980, of which 133 of these loans are still active whereas 23 of them are closed. In terms of the sectoral analysis of the loans used; loans are grouped under 10 separate headlines, namely; water, sanitation and protection from flood, small and medium

scaled finance supports, health, banking, finance, industry and trade sector, other social services, central government administration, power and sub- nation government administration. The highest number of loans provided to Turkey is within the area of ‘central government administration’ (44 loans - %26). Despite the loan rates used from the World Bank are at medium level, no important increase has been observed in Turkey’s development rates. The development level which was very low in 1980, such as; -2.45 reached 9.27, 6.77 and 9.16 levels in 1990, 2000 and 2010 respectively. Turkey’s development level values prior to 90s are below than the values of 90s. However, development rate has not continued with an ever-increasing trend after the important descent in 80s.

In terms of environmental assessment dimension, according to ERA’s data, the most important problem of Turkey is that it has the lowest continental protected area within G20. Besides, in relation with the coastline protection, protection rate for the sea is low as well. When EPI data are evaluated, it is seen that the most successful category for Turkey seems to be “forestry” (38th) and the weakest one seems to be ‘bio-diversity and habitat’ (133th). But, within the scope of the loans provided to Turkey by the World Bank, neither “continental and sea related protected area” nor “bio-diversity” themes were included which are the country’s main environmental problems.

In line with these data, in this survey, sample based research procedure was applied. As the Bank’s environmental loans were examined in terms of Turkey only, no regional consequences were considered within the country’s borders. However, regional data may be analyzed by utilizing from the general data of the country in the surveys to be made thereafter.

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Growth Strategies and Value Creation in Turkish Energy Sector

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Keywords : Growth, Merger and Acquisitions, Energy Sector, Abnormal Return.

JEL Classification Codes : G10, G12, G14.

Increasing consumption of energy since the 19th century has led to the emergence of a constantly growing sector. In the globalizing world, primary energy and electricity consumption rates in our country have significantly improved in the last 40 years in parallel with growing economy and improving and diversifying industrial activities. The high growth rate and strategic importance of the energy sector along with the dependence of many sectors on energy have resulted in a fiercer competition among countries and companies in the sector. Under increasingly competitive conditions, companies have resorted to implementing different growth strategies to have a say in the sector.

Today, mergers and acquisitions are the most frequently used growth strategies in Turkey as in all around the world. To reap the benefits of economies of scale, companies prefer taking over other companies as the fastest way of increasing capacity. Although the first choice of enterprises is organic growth, there are times when organic growth fails to satisfy companies of certain scale. This way, they not only increase the market share quickly but also erase one competitor from the sector.

Investors who invest in energy sector also keep tabs on merger and acquisition news. The mobility in stock prices following merger and acquisition news has significant effect on stakeholder value. This study will examine the value increase or erosion triggered by Mergers and Takeovers in the wealth of stakeholders.

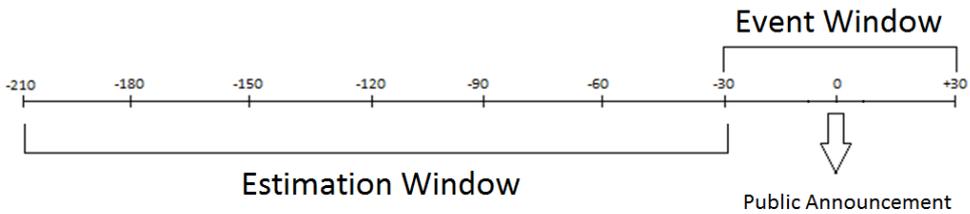
The study will consider the mergers that took place in the Turkish Energy Sector during the decade between 2006 and 2015 and in which at least one party was quoted on the stock market (BIST/ISE). Using event study method, it will be investigated whether mergers and acquisitions created anomalies and influenced stock performance. The method will be based on the statistical testing of whether there was a significant change in the stock yields of a certain company before and after its merger or acquisition news.

In this study, 36 events of merger and acquisition which were completed in energy sector and its sub sectors; petroleum, chemistry and plastic sectors are being discussed. Estimation window for the subject sectors was determined as 180 days prior to event window. Estimation window was used for both cases and an expected return was anticipated.

Three different methods were used for the calculating estimated returns. These are; Return According to The Market (BIST100), Average Expected Return and Capital Assets Pricing Model (CAPM).

3 separate abnormal return was calculated for 3 different expected return in the estimation window. For the calculation of the abnormal return, event window was used. Event window has been determined as before and after 30 days of the merger and acquisition announcements.

Figure: 1
Event Window and Estimation Window



Abnormal returns calculated herein were being assessed cumulatively, thus cumulative abnormal returns were reached. To realize whether a meaningful differentiation exists or not in the cumulative abnormal returns either after or before merger and acquisition announcements; below given hypotheses were tested. As the previous works reveal that the target companies have considerably higher returns compared to the purchased companies; buyer and target companies were tested separately in the facts examined herein.

Hypotheses for the buyer companies;

- $H_{1,0}$ = On Announcement date of the merger/acquisition and during ± 30 days period; cumulative abnormal return (CAR) provided by the buyer companies is; 0.

$$CAR = 0$$

- $H_{1,1}$ = On Announcement date of the merger/acquisition and during ± 30 days period; cumulative abnormal return (CAR) provided by the buyer companies is varying from 0.

$$CAR \neq 0$$

Hypotheses for the target companies;

- $H_{2,0}$ = On Announcement date of the merger/acquisition and during ± 30 days period; cumulative abnormal return (CAR) provided by the target companies is; 0.

$$CAR = 0$$

- $H_{2,1}$ = On Announcement date of the merger/acquisition and during ± 30 days period; cumulative abnormal return (CAR) provided by the target companies is varying from 0.

$$CAR \neq 0$$

Hypotheses for all companies;

- $H_{3,0}$ = On Announcement date of the merger/acquisition and during ± 30 days period; cumulative abnormal return (CAR) provided by the all companies is; 0.

$$CAR = 0$$

- $H_{3,1}$ = On Announcement date of the merger/acquisition and during ± 30 days period; cumulative abnormal return (CAR) provided by the all companies is varying from 0.

$$CAR \neq 0$$

According to the test results, after merger and acquisitions are announced public, it is revealed that they caused a meaningful abnormal return statistically. This is interpreted in such a manner that; merger and acquisition activities which is the most extensive growth strategy applied in the energy

sector created significant changes in the shareholders' wealth and merger and acquisition decisions affected the stakeholder value importantly.

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Chair: **Mustafa KIZILTAN**

- Comparison the Contributions of Foreign Direct Investments and Portfolio Investments to Economic Growth in Emerging Market Economies

Harun BAL & Mehmet DEMIRAL & Emrah Eray AKCA

- A Causality Analysis of the Impact of Banking Sector on Economic Growth: Evidence from Turkey

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Findik Ozlem ALPER

Comparison the Contributions of Foreign Direct Investments and Portfolio Investments to Economic Growth in Emerging Market Economies

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Keywords : Foreign Direct Investments, Foreign Portfolio Investments, Economic Growth, Emerging Market Economies, Panel Data Analysis.

JEL Classification Codes : F21, F32, C33.

The term foreign direct investment (FDI) usually suggests a significant contribution to economic growth from different channels. However, there has been a lot of skepticism concerning the effects of foreign portfolio investment (FPI) inflows. In this study, we empirically compare the effects of inward FDIs and FPIs on economic growth performances of 28 host countries that have emerging markets and involve in attracting global investments. Analysis results based on the panel data of two decades (1995-2014) support the theoretical expectations and the general conclusion of previous studies that FDIs seem to promote the growth while excessive FPI inflows tend to hinder countries to have higher growth performances. Consequently, the study suggests that emerging economies need to create a pro-investor and strong environment attracting the global FDIs and stabilizing the FPI fluctuations.

Introduction and Study Motivation

International capital flows have become the main feature of the recent globalization of capital markets since the 1970s and dramatically increased after the 1990s in both developing and developed countries. Given the prediction the neoclassical theory makes that as the global capital keeps moving to developing countries from developed countries, the differences in investment returns are intuitively expected to be equalized in the world. This suggestion consequently implies that the countries with relatively scarce capital can get benefits of global investments coming from capital-rich countries providing relatively a low capital return.

The contents of global investments matter for countries and can be distinguished between foreign direct investment (FDI) and foreign portfolio investment (FPI) for their purposes and effects. In a broad definition, FDI refers to an investment made to acquire lasting interest in enterprises operating outside of the economy of the investor who also purposes to gain an effective voice in the management of the enterprise. In a more specific approach, International Monetary Fund (IMF) defines FDI as an incorporated or unincorporated enterprise in which a foreign investor owns 10 per cent or more of the ordinary shares or voting power. In general, portfolio investment is defined as cross-border transactions and positions involving equity or debt securities.

The connection between capital flows and economic growth is ambiguous that although capital flows have been associated with higher growth in some countries, they have also been blamed for causing crises in others. The latter one with an adverse effect is commonly associated with the FPIs. On the one hand, scholars discuss the contribution of foreign investments to economic growth and the differences between the impacts of FDIs and FPIs, on the other hand, there is a stylized fact that developing countries need foreign capital to finance their growth. There is a so-called homogeneous group in developing countries named emerging markets for their relatively higher openness and growth rates. Even the emerging market economies seem to have been getting benefits of both FDIs and FPIs inflows in their growth trajectories, they have had some challenges originated from especially FPIs

and resulted in even crises in the long-run. The ambiguity on the foreign investments-growth linkage makes it necessary to examine the impacts of foreign investment on economic growth in emerging markets and more importantly the variations over the influences of FDIs and FPIs in these countries. This study empirically compares the influences of FDI and FPI inflows on economic growth performances using a 20-year (1995-2014) panel data set of 28 emerging market economies. In the remainder of the paper, the next section explains the model specification, variables, and data. After presenting estimation approach and results, the study concludes with a short discussion on findings.

Model Specification, Variables, and Data

Findings in the related literature indicate that FDIs transfer the technology, knowledge, modern business operations, and quality that all consequently increase the overall productivity in host countries (Gholami *et al.*, 2005; Girma *et al.*, 2008). These transfers become more significant when the home countries are developed countries that some empirical literature focuses on the dissemination of advanced technologies as follows (Durham, 2004).

$$FDI \Rightarrow \uparrow \text{Productive Technologies} \Rightarrow \uparrow \text{Output} \quad (1)$$

In the 1990s, some developing countries experienced financial crises at the same time they increased their shares in global investment. The high correlations between macroeconomic instability and capital inflows, specifically FPIs, raised doubts about the ability of such flows to stimulate long-run growth in developing economies. These two strands of negative and positive externalities of foreign investments on the growth promotions have made it necessary to distinguish between foreign investments while investigating the relationship. Starting from this necessity, this study aims to determine how FDIs and FPIs affect the growth performances in emerging market economies. To this end, two separate models establish relationships between economic growth and two kinds of foreign investments together with the other factors expected to have influences on growth trends of countries as follows.

$$GDPPC_{it} = a_0 + \beta_1 FDI_{it} + \beta_2 GC_{it} + \beta_3 INF_{it} + \beta_4 LE_{it} + \beta_5 PG_{it} + \beta_6 TO_{it} + \beta_7 HC_{it} + e_{it} \quad (2)$$

$$GDPPC_{it} = b_0 + \theta_1 FPI_{it} + \theta_2 GC_{it} + \theta_3 INF_{it} + \theta_4 LE_{it} + \theta_5 PG_{it} + \theta_6 TO_{it} + \theta_7 HC_{it} + u_{it} \quad (3)$$

In the equations, i and t refer to the countries and years, respectively, while a_0 and b_0 are regression constants. The error terms, e_{it} and u_{it} embody cross-sectional and temporal influences of all other factors not included in the model. β_i and θ_i ($i=1, \dots, 7$) are the coefficients to be estimated. The V -variables in the model, their descriptions and sources are shown in Table 1.

Table: 1
Variables, Descriptions, and Sources

Indicator	Variable	Description	Source
GDP per capita	GDPPC	GDP per capita, PPP (current international dollar)	WB WDI, 2017
Foreign direct investment	FDI	Foreign direct investment, net inflows (% of GDP)	
Foreign portfolio investment	FPI	Portfolio investment, net (% of GDP)	
Government consumption	GC	General government final consumption expenditure (% of GDP)	
Inflation	INF	Inflation, GDP deflator (annual %)	
Life expectancy	LE	Life expectancy at birth, total (years)	
Population growth	PG	Population growth (annual %)	
Trade openness	TO	Total trade (% of GDP)	
Human capital	HC	Human capital index, based on years of schooling and returns to education	

The study uses an annual balanced panel data set of 28 countries over a 20-year period spanning from 1995-2014. The countries are Argentina, Brazil, Bulgaria, Chile, China, Colombia, Czech Republic, Ecuador, Egypt, Hungary, India, Indonesia, South Korea, Malaysia, Mexico, Morocco, Peru, Philippines, Poland, Romania, Russia, Slovakia, South Africa, Thailand, Tunisia, Turkey, Uruguay

and Venezuela. Much of the literature considers these emerging markets as a homogenous sample because they have become main hosts of both FDIs and FPIs (Durham, 2004).

Analysis and Results

The ordinary least squares (OLS) estimation within a panel framework requires an appropriate regression model determined from the pooled, fixed effect and random effect alternatives. To this end, we conduct the effects test (the F-test), Lagrange multiplier (*LM*) tests (Breusch-Pagan and Honda), and the Hausman tests. Results are presented in Table 2.

Table: 2
Tests to Determine the Best-Fitting Model

<i>Model alternatives</i>	<i>t-statistics</i>	
	<i>FDIs</i>	<i>FPIs</i>
<i>F</i> -group (cross-section)_fixed effects	252.45***	251.39***
<i>F</i> -time fixed effects	36.543***	36.571***
<i>F</i> -two way fixed effects	191.98***	191.37***
<i>LM</i> (Breusch-Pagan) group random effects	2637.58***	2638.16***
<i>LM</i> (Breusch-Pagan) time random effects	183.983***	184.97***
<i>LM</i> (Breusch-Pagan) two way random effects	2821.56***	2823.14***
<i>LM</i> (Honda) group random effects	51.357***	51.363***
<i>LM</i> (Honda) time random effects	13.564***	13.601***
<i>LM</i> (Honda) two way random effects	45.906***	45.936***
Hausman's χ^2	44.635***	45.217***

Note: ***, ** and * indicate statistical significance at 1%, 5% and 10% levels, respectively.

The F-test compares fixed effects with pooled OLS while the LM tests (*Breusch-Pagan and Honda*) compare random effects and pooled OLS models. When there is no consistency between them, the best-fitting model can be determined by *Hausman* test. The *F* and *LM* tests in Table 2 indicate that two-way fixed effects and two-way fixed effects models are appropriate, respectively. Finally, the Hausman test indicates that two-way fixed effects model is more appropriate in our case.

There are some regular controls for estimation robustness. Heteroscedasticity, autocorrelation, and multicollinearity are the main problems breaking the assumptions of the linear regression model (Hsiao, 2003; Baltagi, 2005). Even unreported test results detected heteroscedasticity and autocorrelation problems in the regression model chosen, the method, panel-corrected standard errors (PCSE), can still work well (Beck and Katz, 1995). Finally, multicollinearity was checked by the variance inflation factors of coefficients and found no serious deviation causing multicollinearity. Consequently, the regression models in the equations (2) and (3) are estimated through PCSE-adjusted two-way fixed effects models and the results are presented in Table 3 and Table 4.

Table: 3
Determinants of the Economic Growth and the Impact of FDIs in Emerging Market Economies (Dependent variable: *GDPPC*, Independent variable: *FDI*)

Variables	Coefficient	Std. error	t-statistic	Probability (p)
<i>FDI</i>	0.0007	0.0001	4.9658***	0.0000
<i>GC</i>	-0.1886	0.0481	-3.9203***	0.0000
<i>HC</i>	0.4845	0.0306	15.825***	0.0000
<i>INF</i>	-0.0001	0.0002	-1.6535*	0.0988
<i>LE</i>	0.6812	0.0928	7.3352***	0.0000
<i>PG</i>	0.0142	0.0069	2.044**	0.0414
<i>TO</i>	0.0237	0.0382	0.6208*	0.5350
<i>C</i>	-9.7422	1.6055	-6.0676***	0.0000

$R^2 = 0.979$; Adjusted $R^2 = 0.978$ | F-statistics = 748.431; p (F-stat.) = 0.000

Note: ***, ** and * indicate statistical significance at 1%, 5% and 10% levels, respectively.

Table 4. Determinants of the Economic Growth and the Impact of FPIs in Emerging Market Economies (Dependent variable: *GDPPC*, Independent variable: *FPI*)

Variables	Coefficient	Std. error	t-statistic	Probability (p)
<i>PI</i>	-0,0084	0,0015	-5,7876***	0,0000
<i>GC</i>	-0,1694	0,0507	-3,3424***	0,0009
<i>HC</i>	0,4831	0,0316	15,255***	0,0000
<i>INF</i>	-0,0001	0,0002	-2,2279**	0,0263
<i>LE</i>	0,6671	0,0879	7,5879***	0,0000
<i>PG</i>	0,0142	0,0066	2,1317**	0,0335
<i>TO</i>	0,0481	0,0371	1,2951	0,1958
<i>C</i>	-9,5398	1,5207	-6,2730***	0,0000
$R^2 = 0,981$; Adjusted $R^2 = 0,979$			F-statistic = 779,089; p (F-stat.) = 0,0000	

Note: ***, ** and * indicate statistical significance at 1%, 5% and 10% levels, respectively.

Conclusion

Because of a lack of consensus regarding the contributions of foreign investments to the economic growth, there are two strands of literature on the relationship that some empirical studies conclude with the contribution of FDIs on one hand while the other strand highlights the negative impacts of FPIs obstructing growth performance on the other hand. The evidence in the related literature underlines the volatility and sudden stop effects in especially emerging countries where financial or institutional quality is relatively weaker that can cause even financial crises.

In this study, we empirically compare the effects of FDI and FPI inflows on economic growth performances of 28 emerging markets economies that involve in attracting global investments, especially since the 1990s. Results of linear regressions with panel-corrected standard errors based on the panel data of the period covering 1995-2014 support the theoretical expectations and the general evidence of previous studies that FDI seem to promote the growth while excessive FPI inflows exhibit a negative relation. Consequently, the study suggests that emerging market economies need to create a pro-investor environment attractive to the global FDIs that are important for their growth paths. Moreover, they need to improve the strength of domestic financial markets and the quality of institutions to hinder the adverse effect of FPIs and to increase the contribution of FDIs.

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A Causality Analysis of the Impact of Banking Sector on Economic Growth: Evidence from Turkey

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Keywords : Banking Sector, Economic Growth, Toda-Yamamoto Causality, Cointegration.

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The realization of the economic growth as one the main objectives of the countries' economies and its sustainability is quite difficult to maintain as much as it is necessary. There are many economic factors that can affect growth, and one can say that one of these factors is the banking sector. Banks, as well as being a conduit for monetary policy and monetary control, are effective entities in restructuring the economy as a whole and ensuring long-run sustainable macroeconomic stability. Therefore, this study particularly aims to reveal the relationship between the banking sector and economic growth in the Turkish economy. Contribution to the literature is aimed by examining the relationship between the banking sector and growth with Toda and Yamamoto (1995) causality and cointegration models in the study. Findings reveal causality relations from the banking sector to economic growth. These empirical results show that the banking sector may be the determinant of economic growth and that the banking sector can be used as an effective tool for economic growth.

This study utilizes asymmetric causality test on the basis of Toda and Yamamoto (1995) causality approach to explicate the causality between the banking sector and economic growth in Turkey. The critical values on the basis of leverage bootstrapping and asymmetric causality tests are simulated. Upon application of the conventional Granger test approach, size distortion and nuisance parameter estimates are proved to exist due to conflictions in findings. The asymmetric causality test based on Toda-Yamamoto reveals that Granger causality from the banking sector to economic growth exists.

Introduction

The realization and sustainability of economic growth are of vital importance for all countries. The essential point here is to know the reasons for the growth and to act accordingly. Although there are many economic factors that may affect the growth, the banking sector finds itself in the financial system quite widely. Financial markets are so crucial for all the national economies today that they are thought to account for the main differences between developed and developing countries. In addition, the financial systems of developing countries such as Turkey are largely based on the banking sector, and the rapid technological development of communication networks in the modern world provides the markets with almost an unlimited accessibility. The banking sector enables the accumulation of funds and savings required for growth by encouraging many projects to be passed on.

However, the relationship between the banking sector and economic performance does not always continue in a positive sense. In particular, the financial crises that countries have been experiencing lately have become frightful dreams of the countries, and as a result of the development of technology and inter-country economic relations, crises have begun to spread at a great speed. The financial crisis in 2008 would be the best example. The crisis has shown how important financial markets are for both countries and international markets so that almost all countries increased their supervision of the banking sector and deployed new measures. Therefore, the relationship between the banking sector and economic growth looms large for all countries.

The impact of the banking sector on economic performance varies from one country to another. There have been various disagreements among researchers in explaining the reasons for these differential features. Some opinions suggest that improvements in the banking sector lead to economic growth; while others claim that economic growth per se cause developments of the banking sector. There are also suggestions that growth and the banking sector have mutual interaction or that growth and the banking sector do not interfere with each other, and that the banking sector constrains economic growth.

Econometric Methodology

Toda and Yamamoto (1995) proposed an applicable method regardless of the variables' order of integration (Hacker and Hatemi, 2006). Nevertheless, determining the proper order of integration is pre-required in order for Toda-Yamamoto causality to be estimated. Although most studies perform the conventional augmented Dickey-Fuller (ADF) test in order to detect the unit root properties of the series; its deficiency, biasness and impotence in rejecting the null hypothesis in the presence of an existing structural break (Perron, 1989; Zivot and Andrews, 1992). As a better alternative, Lee and Strazicich (LS) (2013) minimum Lagrange multiplier (LM) test with the structural break is utilized in this study in order to test the unit root properties of the series in to detect the maximum integration order for the series. LS test, being impervious to spurious rejection, is not affected by size and miscalculation regardless of whether or not structural breaks are present.

Toda and Yamamoto (1995) procedure on the basis of the augmented VAR (p+dmax) model is utilized in this study for the causal relationship between the banking sector and economic growth to be investigated in Turkey. With no omission of essential variable bias, with proper lag lengths and with a moderate sample size; the model would be expected to perform better (Zapata and Rambaldi, 1997). For testing the null hypothesis claiming that the banking sector does not Granger cause economic growth, the restricted lag coefficient banking sector is specified as follows: $H_0 = 0$.

Likewise, the alternative hypothesis claiming that economic growth does not Granger cause banking sector is tested by implementing the restriction on the restricted lag coefficient of economic growth as follows: $H_0 = 0$. The MWALD statistics in the both hypotheses show that H_0 of non-Granger causality from the banking sector to economic growth is rejected, respectively. This implies that Granger causality between the variables exists. The proper lag length is detected by testing the significance levels of the lags fulfilling $p > k$ condition and by minimizing the Hatemi (2003) information criterion denoted as follows:

$$HJC = \ln(|\rho_z|) + z \cdot v^2 \left(\frac{\ln N + 2 \ln(\ln N)}{2N} \right), z = 0, \dots, \dots, \dots, p. \quad (1)$$

where HJC denotes Hatemi-J criterion, $|\rho_z|$ stands for the lag order of determinant z of the calculated white noise variance-covariance matrix, v shows the number of variables and N indicates number of observations (Hatemi, 2003).

Data and Empirical Results

The quarterly data are used between 1998:01 and 2016:04 (76 observations) in the model. The variables used in the model are "Gross Domestic Product (GDP)" and "Medium and Long-Term Total Credits (MLTC)". In the empirical study, medium and long-term total credits (MLTC) is used as the indicator of the banking sector. GDP is used as the indicator of economic growth at fixed prices (1998 prices). Real GDP data are obtained from the Electronic Data Distribution System of the Central Bank of the Republic of Turkey; medium and long-term total credits (MLTC) representing the banking sector are taken from the Turkish Banking Sector Interactive Monthly Bulletin of the Banking Regulation and Supervision Agency.

Natural logarithms of real GDP and Medium and Long-term Total Credits (MLTC) are taken. In addition, the seasonal correction is applied to the required variables.

Unit Root Test Results

Firstly, it should be determined whether or not the variables are stationary. For this purpose, the stationarity of the variables prior to the application is investigated according to the LS unit root test. LS minimum Lagrange Multiplier test with a 1-structural break to detect the possible existence of the data's unit roots is utilized in the study which is one of the conditions of calculating Toda and Yamamoto (1995) models with potency. The test indicates the maximum integration order utilized in the VAR lag length as shown in Table 1.

Table: 1
Lee and Strazicich (LS) Minimum LM Unit Root Test with 1-Break

Variables	\hat{k}	\hat{T}_B	$\hat{\tau}_{jj}$	Test Statistic	λ
LGDP	4	2008:03	1.501	-1.973	.01
LMLTC	4	2008:02	-1.742	-3.267	-.01

\hat{k} : the optimal number of lagged 1st diff. terms, \hat{T}_B : the estimated break points, $\hat{\tau}_{jj}$: t value of DT_jt , for $j=1, \lambda$: critical value break point.

The LS test results given in Table 1 shows that one variable is detected to be I(0) with structural break although the other one is determined to be non-stationary at level. Nonetheless, the test rejects H0 claiming that series are I(2) at all significance levels. Due to this reason, the maximum integration order of both variables is determined to be I(1). Hence, (dmax) in calculating Toda and Yamamoto (1995) VAR model is found to be 1. Table 2 illustrates the ARCH effect test, besides normality and optimal lag length in the VAR model. H0 of normality of residuals in the VAR model should be rejected for Turkey. Furthermore, H0 of the non-existence of multivariate ARCH effect should also be rejected. The optimal lag length is found to be 1. As the result of a multivariate ARCH effect, the applicability of the conventional Granger causality diminishes on the basis of asymptotic distribution theory (Hatemi and Irandoust, 2006). Therefore, alternatively, more trustworthy tests (leverage bootstrap distribution theory and asymmetric causality) are performed (Hatemi, 2012).

Table: 2
ARCH Effect, Normality and Optimal Lag Length in the VAR model

ARCH Effect	.000 (at 1% significance level)
Normality	.000 (at 1% significance level)
Optimal Lag Length	2

The Granger non-causality MWALD test results, the leverage bootstrap and asymmetric causality critical values on the basis of the empirical data utilized are shown in Table 3. The Granger non-causality test indicates that H0 of Granger non-causality should be rejected. Nonetheless, H0 of the conventional Granger causality test at level calculation is deteriorated (Toda & Philips, 1993).

Table: 3
The Results of Toda-Yamamoto, Granger, Bootstrap and Asymmetric Causality Simulation

H0	Non-Granger Causality	MWALD Test sta.	Leverage Bootstrap		
			1%	5%	
LMLTC → LGDP	9.80 (.004)	4.821	5.983	3.027	2.568
LGDP → LMLTC	0.735 (.527)	0.684	5.861	4.045	2.267

Nevertheless, the MWALD test results on the basis of leverage bootstrap distribution bring out divergent evidence. The results establish a unilateral causality from the banking sector to economic growth in Turkey without any backlash from the economic growth rate. Nonetheless, the asymmetric

Granger non-causality test constitutes that Granger causality from GDP to MLTC in the banking sector exists.

Results and Discussion

Economic growth is a very important factor in the development of all countries' economic stature. The reason for this is the necessity of economic growth regarding economic development. Especially for countries like Turkey that have not completed their development, this is an inevitable event. Hence, one of the medium and long-term goals of each country is the stable economic growth. It is imperative for countries to be able to bring inputs such as physical capital, human capital, labor and natural resources together within different technological know-how and at different rates in order for them to produce outputs, to create value-added and thus to increase real GDP. The quantities of these production factors can be improved, and the qualities can be increased only in the long-term. Therefore, the importance of human capital increases the availability of capital and human capital.

Inadequate level of capital is a major problem for economic growth. To solve this problem, the banking sector contributes to the activities carried out and fulfills numerous functions that affect economic growth. Many of studies have been conducted in the literature to test this relationship which, in general, concluded that the banking sector has been affecting economic growth. However, some studies have also come to the conclusion that economic growth has developed the banking sector. These two conclusions are named as supply-leading and demand-following hypotheses in the literature, respectively.

Studies conducted in the literature are generally focused on the relationship between financial development and economic growth. However, the limited number of studies conducted in the banking sector and the fact that only a few of them are conducted for Turkey is decisive factors in the selection of the topic. Findings from the causality test reveal a unilateral causality from the banking sector to economic growth. This causal relationship towards GDP from MLTC implies that the developments in the banking sector are the reasons for the economic growth. The causality relationship obtained in the study supports supply-leading views. According to these results, it is possible to assert that economic growth is positively affected by the increase in investments and value-added due to the use of medium and long-term credits extended in the developing countries.

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Turkish Central Bank's Foreign Exchange Controls

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Keywords : Central Bank of the Republic of Turkey (CBRT), Foreign Exchange Control.

JEL Classification Codes : D51, F3, 024.

The upturn in the USD-TRY exchange rate, which has been aggressive since September of 2016, put a heavy pressure on the Turkish economy. This was an obstacle for the Central Bank of the Republic of Turkey (CBRT) to maintain price stability. Turkey is a country that gives a current account deficit. In our industry, which uses up to 80% of imported intermediate goods including exported products, costs are rising and these reflections are likely to create inflationary effects. In order to prevent this rise, the CBRT started to make a push to lower the TL rate by lowering the FX required reserves by 50 basis points, starting from January 10, 2017, thereby loosening the foreign currency liquidity. The second move he made against the rising exchange was on weekly repo tender. With this move he made on January 12th, he canceled his weekly repo tender. The purpose here is to shorten the debt. With this move; The late liquidity window became a more important indicator of interest. The CBRT has been the first bank to actively use the Late Liquidity window as a means of monetary policy.

Average Funding Cost (AFC) of the Central Bank at the beginning of 2017:

Date	USD TRY	AFC*
02.01.2017	3,54	8,28

On January 10, the Central Bank reduced its reserve requirements by 50 basis points:

Date	USD TRY	AFC*
11.01.2017	3,86	8,31

The Central Bank announced on January 12th that it canceled the weekly repo auction:

Date	USD TRY	AFC*
11.01.2017	3,86	8,34

On January 12, the Central Bank reduced the borrowing limit in the interbank money market from 22 billion TL to 11 billion TL.

Date	USD TRY	AFC*
11.01.2017	3,86	8,39

As you can see from the above data, the bank has not seen any interest increase. Despite lowering the exchange rate, the Central Bank's policy increased the weighted average funding cost.

As it is known, foreign exchange reserves held by the CBRT are not enough to solve the problem of the market. It was clear that direct interventions made from previous experiences were simply the loss of foreign exchange reserves. Therefore, CBRT provided the currency required by the market in 2017 by swapping the market. The result of these transactions was that the exchange rate showed some relief but still could not come to the desired levels. One of the biggest reasons for this was even the largest FED. Everyone expected the Fed to increase interest by 25 basis points. But how many times was the decisive interest increase decision here? After the Fed decisions, there was a decline in the exchange rate.

Following the last meeting, it is clear that CBRT interest policy will continue on Late Liquidity in light of the decisions taken. Because at the two meetings, the policy rate did not change in any way.

As it can be seen, CBRT interest rate lower band “overnight lending rate” - But now the upper band is late liquidity window facility.

Date	USD TRY	AFC*
16.03.2017	3,67	10,78

Taking all these details into account, the weighted average funding cost of the CBRT rose by 2.5 percentage points compared to the first days of the year.

As a result, we can show that the general reason for the decline in the exchange rate is tightening the TL and the funding costs are rising. In this context, the study focuses on the Central Bank exchange policies. Since the mentioned policies have a temporary effect, implementing the structural reforms as the final solution of the Turkish economy is the focus of the work.

The Employees' Perceptions On Job Insecurity: Does Becoming A Parent Matter?

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Keywords : Job Insecurity, Parenthood, Job Demand-Control, Work Outcomes.

JEL Classification Codes : J13, J28, J62.

Job insecurity is defined as people's perceptions on the continued existence of their job in the future (Witte, 1999). Although there are some objective measures, such as transition from job to unemployment, interpersonal differences represents the subjective experience of job insecurity (Dekker & Schaufeli, 1995). Individually reported perceptions on overall concern of job existence in future may be effected by many individual and environmental factors. Despite these factors important, job insecurity has generally investigated with its consequences. While some researchers have reported its positive impact on employees' effort and job involvement, some others have indicated increased stress, turnover rate and decreased job satisfaction, performance and health as consequences (Sverke, Hellgren & Näswall, 2002). The examination of the job insecurity with variables that shaping up individuals' perceptions is particularly important for organizational and economic scholars in order to establish more comprehensive evaluations.

Perceptions are shaped by both family and work related factors, which are interrelated. Becoming a parent is as a major life event in individuals' family lives. This transition may lead several changes on individuals' identity, values, referents or perceptions (Perales & Baxter & Tai, 2015). The impact of job stability on the decision of transition to parenthood (having a first child) is studied in many studies (Salvini & Ferro, 2007; Vignoli & Drefahl & De Santis, 2012). Having parenting responsibility may have impacts on perceptions and may lead different consequences regarding to job insecurity, which however was not studied. Individuals may feel more insecure regarding to their job when they are parents and may like to have more stable job in order to provide better life for her/his child. On the other hand, being a parent may result in more positive and optimistic feelings about the future and individuals may feel less insecurity regarding to their job existence. Furthermore, the transition to parenthood and its impacts on individuals should be studied by considering gender. Although, there are many studies on labor force change and parenthood with gender-based viewpoint (Salvini & Ferro, 2007; Schober, 2014), to the best of my knowledge, there is not any study related to job insecurity perceptions after becoming a mother/father. In that manner, the present paper investigates the differences between individuals' perceptions regarding to job insecurity by considering their parenthood responsibilities and gender. More specifically, this research aims to answer the research question of "What are the impacts of being a parent on individuals' perceptions of job insecurity, and what the consequences of these perceptions are individually?"

The data were obtained from forty-two employees of a private energy company in Turkey. The twenty participants have parenting responsibilities and twenty-two don't have. The semi-structured interview questions were used. The questions were adapted from job demand-control scales and 'Job Security and Job Security Satisfaction Scale' that developed by Probst (1998). After the interviews the data was coded and analyzed by using qualitative content analysis. NVivo software was used as a qualitative data analysis tool. NVivo helps researchers in managing data, but needs developing themes or categories before analysis. Therefore, it generally considers as appropriate content analysis tool when there is a priori model or conceptual backgrounds (Sotiriadou & Brouwers & Le, 2014). In this paper job insecurity and its possible consequences were categorized according to theoretical

backgrounds, developed by Greenhalgh and Rosenblatt (1984) and Blau et al., (2004), and previous researches findings. The analyses were conducted separately for employees who are parents and who are not and findings interpreted accordingly.

The obtained results demonstrated differences on themes cover between employees who are parents and who are not. While the first part of the analysis indicated the conceptual differences in job insecurity, the second part revealed differences in possible consequences (such as burnout, dissatisfaction, intention to leave or absenteeism). The findings indicated that in the same organization/department and in same status, employees had different descriptions and feelings of importance on job features and different doubts on the possibility of losing those features and job. While the employees with parenting responsibilities more emphasized the job features such as flexibility in working hours, salaries and promotions, others, without parenting responsibilities, were more on skill variation or insecurity on improving their human capital. Moreover, when the same analysis were done for the possible actions that individuals may have taken over next year, employees without parenting responsibilities showed more intention to leave the job or absenteeism, while parents, employees had a mind to stay and hope job conditions to improve.

This study contributes to the literature in several ways. First, this is the first research that considered parenthood as an influential variable on job insecurity perceptions. Second, it is important for both academia and the industry to understand how family-related roles and responsibilities shape the employees decisions related to job. Last but not the least, the obtained findings are important as they reveal the differences both in employees' perceptions and employees' possible actions related to these perceptions.

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Azerbaijan Industry Diversification: The Need and the Basic Directions of its Implementation

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Keywords : Structural Changes, Industry, Institutional Reforms, Natural Resources, State Policy.

JEL Classification Codes : O140, O170, L780.

One of the most pressing problems at the present stage of development of Azerbaijan is the need to diversify its economy, especially its leading sector - industry. Currently, the emphasis on diversification of industry is one of the main targets of the strategic development of the country. It is known that the current structure of the industry is characterized by a low level of diversification. This is primarily due to the fact that export-oriented commodity sectors had been most developed during the period of transition to a market economy. One of the main results of the diversification of the industrial sector of the economy should be its more balanced structure.

The purpose of the study is to uncover the state's role in the diversification of Azerbaijan's industry, to develop evidence-based recommendations on the possibilities of economic diversification of the state. The scientific novelty of the research lies in the fact that the benefits of the diversification for Azerbaijan have been revealed, the measures to overcome the 'natural resource curse' in relation to conditions of Azerbaijan and to withdraw from the raw materials' development of the country have been studied, and the directions of industry diversification have been offered. The results of the study are to justify state regulation of diversification process, to determine perspective directions for development non-oil sectors of the manufacturing industry of the country.

Introduction

In modern conditions of development of post-oil economy of Azerbaijan there is still the urgent of the further implementation of structural reforms in industry, the diversification of the economy, a departure from the oil sector. As a result of reforms of modernization in certain sectors of the mining and processing industries, as well as in the production of information the more modern technology have been used. Through the introduction of innovative processes the sectoral structure of industry began to change, and the non-oil sector of the economy started to develop.

The implementation of an effective policy of the industry diversification is greatly affected by the development of institutional relations. At this stage of development of the Azerbaijani economy the institutional relations are considered more important. Factors such as the transformation of property rights and the associated privatization of industrial facilities, restructuring of individual enterprises, the increasing complexity of the economic performance of the process cause the relevance of the institutional arrangements. The further diversification of the economy is closely bind with the reforms in the institutional sphere. The efficiency and stability of the state functioning ultimately depends on that how well the existing institutions operate.

The Benefits of Diversification

Diversification of industry supposing the reducing dependence on raw materials, the development of industries with high added value, the creation of high-tech industries is a key priority for the development of the economy of Azerbaijan. According to most scholars, the implementation of

industrial diversification policy is firstly required for the countries with rich natural, especially fuel and energy resources. This is particularly necessary in the case of the predominance of raw materials in the GDP of the country with a weak development of agriculture, tourism, services, low level of development of social consumer goods production.

The benefits of a diversified industrial sector include the following:

- The diversified industry is not strongly affected by the different variations in the development of other industries, as well as the possible sudden changes in the external market. This is due to the fact that upon the diversified industry in the event of even a downturn in a particular sector, the decline is able to compensate the growth in other sectors, thereby providing the overall sustainable development of the economy;
- The diversified production provides the great opportunities and contributes to a more efficient labor market. This is due to the outflow of labor from one industry to another, which is characteristic of the diversification process;
- Due to the diversified industry a country shows less dependence on environmental factors, it becomes less dependent on imported products. This is caused by the fact that, due to more sustainable inter-sectoral linkages occurring as a result of the diversification the domestic demand for the products is formed and developed (Shediak & Abouchakra & Moujaes & Najjar, 2008: 5-6).

The main advantage of the diversification of the industry is the independence on one industry. If there are problems in the sector or on a particular market, the result is not to lead to a decline in the economy in general.

The Need for Diversification

In general, the necessity of diversification can be summarized as follows:

- Its prospectively is in the long term plan. The main feature of the diversification of the industry lies in the fact that despite the fact that a number of large-scale reforms is implemented at the moment, but the result, the impact of the reform does not take place immediately but rather distant future. However, despite the time lag between the conduct of the diversification and efficiency of this process, the impact of diversification will cover a long period of time. Direct public investment in various sectors and industries lead to the stimulation of entrepreneurship, activation of this process. The result is stronger and interbranch relations, providing the conditions to increase the export potential, the access to international markets. All of the above may result in improvement of the social welfare of the population in the future.
- In resource-rich countries, the rate of extraction of natural resources is lower than the population growth rate. Thus, in such countries, the capita income is gradually reduced, the life level falls down. Also, it should be noted that the specificity of the oil industry lies in the fact that it does not contribute to an increase in employment, the discovery of a large number of jobs. This, in turn, contributes to the emergence of the threat of violation of social stability, which ultimately can lead to economic and social crisis.
- The world prices in the international market cause the dependence of the exporting countries with the rich natural resources. The volatility factor comes into force here (the price fluctuations). This is due to the fact that high commodity prices generate a temporary economic growth, a fall in prices as a sharp downturn in the economy. Azerbaijan, as an exporter of natural resources, is highly dependent on oil price fluctuations on the world market. Pricing policy changed dramatically, despite the fact that very often there are agreements on prices between oil-exporting countries. An example is a situation occurred in Azerbaijan in 2015: as

a result of the avalanche of falling prices on the world market the price for the Azeri Light crude oil fell down more than 3 times. Subject to having a developed financial system, such risks may be insured against.

- It shouldn't be forgotten that the possession of abundant natural resources is a plus for any country, an important competitive advantage over other countries, despite the concept of a "resource curse". Such important competitive advantage shouldn't be given up, it should be used correctly by diversifying the economy.

The Analysis of the Diversification Level of Economy of Azerbaijan

The degree of diversification of economy of Azerbaijan may be estimated by analysing the structure of the gross domestic product (GDP) and commodity exports (see Table 1).

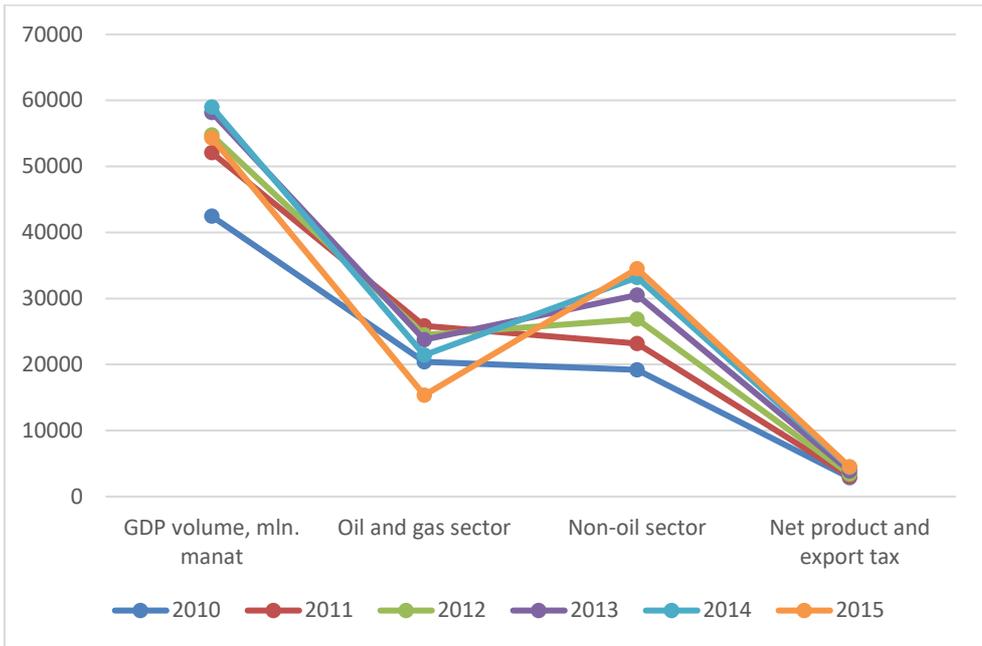
Table: 1
The GDP Structure in the Oil and Non-Oil Sector of the Economy

	2010	2011	2012	2013	2014	2015
GDP volume, mln. manat	42465,0	52082,0	54743,7	58182,0	59014,1	54352,1
GDP growth rates, %	105,0	100,1	102,2	105,8	102,8	101,1
Including:						
Oil and gas sector	20409,5	25829,9	24487,3	23778,1	21405,2	15346,2
Growth rates, %	101,8	90,7	95,0	101,0	97,1	101,2
Non-oil sector	19179,0	23196,1	26864,4	30525,9	33195,9	34500,9
Growth rates, %	107,9	109,4	109,7	110,0	107,0	101,1
Net product and export tax	2876,5	3056,0	3392,0	3878,0	4413,0	4505,0
Growth rates, %	108,2	108,3	106,9	108,5	104,9	103,6

Source: *State Statistical Committee of The Republic of Azerbaijan (2016), National Accounts of Azerbaijan, Statistical yearbook, 17.*

The following table shows the analysis of the GDP structure in oil and non-oil sectors of economy of Azerbaijan in 2010-2015. The data show that the GDP rate is growing from year to year. During the study period, the maximum value of the oil and gas sector in the total GDP was achieved in 2011 and amounted to 25 829.9 mln. manats, thereafter the share of the oil sector began to decline gradually and reached 15346.2 mln. manats in 2015. The share of non-oil sector in the analysed period is gradually increasing. Thus, in 2010-2015, the share of non-oil sector in GDP increased by 1.8 times. The table data can be represented as a graph:

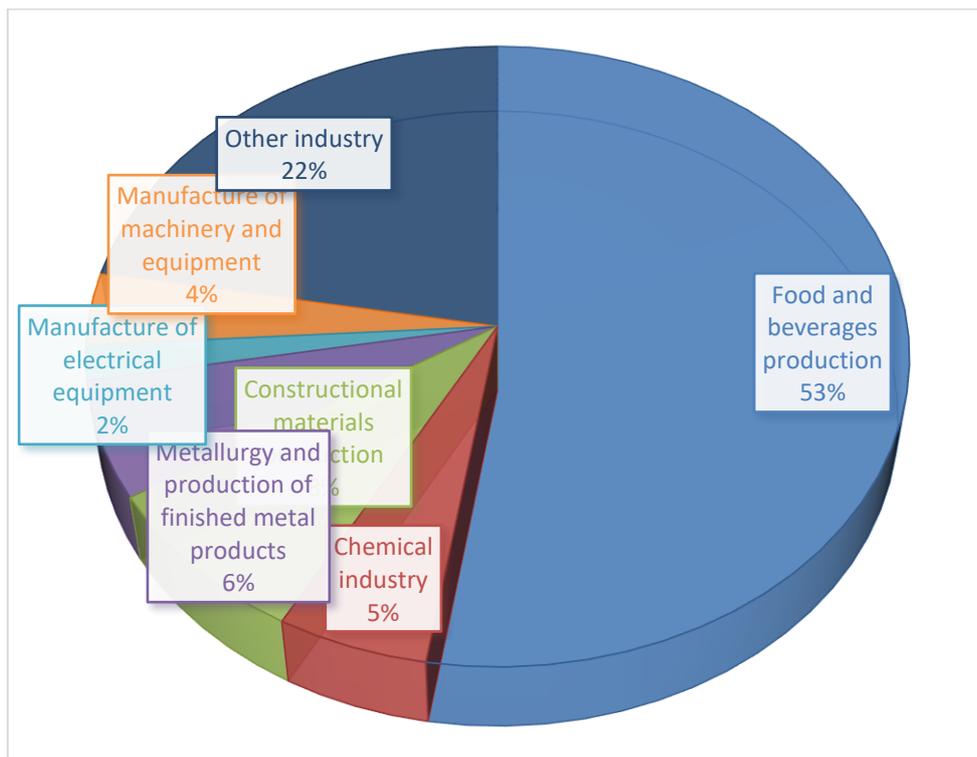
Figure: 1
Dynamics of GDP in Oil and Non-Oil Sector



The diagram shows the GDP growth in the country during the period under review, and a parallel increase of the non-oil sector share. Based on the data, it can be argued about the positive changes in the diversification of economy of Azerbaijan: since 2012 there is a decline in the share of the oil and gas sector in GDP and a continuous increase in the share of non-oil sector.

Let's review the structure of the non-oil manufacturing industry in 2015, presented in the Graph 1.

Graph: 1
The Structure of the Non-Oil Industry in Azerbaijan in 2015

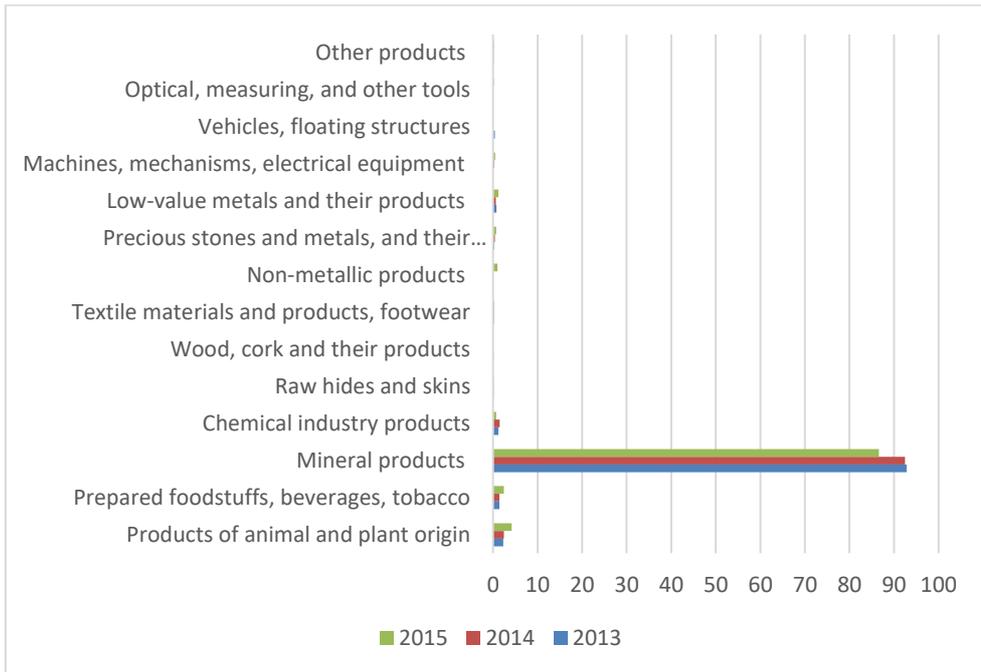


Source: Ministry of Economy of Azerbaijan Republic, (2015), *Non-oil industry*,
http://economy.gov.az/index.php?option=com_content&view=article&id=3241:qeyri-neft-senayesi-2015&catid=121:eig2015&lang=en, 07.02.2017.

The structure of the non-oil manufacturing industry, as shown below, reflects the degree of diversification of industry in Azerbaijan. According to the figure, the prevailing part of the manufacturing industry falls to the share of the food industry - the manufacture of food products, beverages and tobacco. The share of this sector is greater than the percentage of a set of specific weights of all other industries of the manufacturing sector and the non-oil sector of industry, and it was 53.0% in 2015. Of course, the development of such socially significant industries as food industry is a plus for the economy of any country. But along with this industry it is necessary to develop high-tech industries such as the manufacture of machinery and equipment, manufacture of electrical equipment, with the total specific weight in the total non-oil sector of industry counting to 4.0% and 2.0%, respectively, in 2015.

The analysis of commodity exports on the basis of comparable international data allows to better identify the level of competitiveness as countries export the goods produced in sectors where they have a comparative advantage (see Figure 2). The prices for the exported products are set in world markets and less prone to distortion.

Figure: 2
The Structure of Commodity Export of Azerbaijan in 2013-2015



Source: *State Statistical Committee of The Republic of Azerbaijan (2016), The foreign trade of Azerbaijan, Statistical yearbook, 41-68.*

Overall, the data indicate a strengthening dependence of Azerbaijan on oil and gas revenues as a result of rising oil prices in recent years. In 2015, 86.6% of the total exports of goods falls to the mineral products. However, the share of manufacturing exports and agriculture remains low. It may partly reflect the temporary impact of the global economic crisis, which led to a decrease in the volume of the world trade and industrial production. But, unfortunately, the figures show that in recent years Azerbaijan has not made great strides in diversifying industry in terms of the development of processing industries.

The Fight against the “Resource Curse”

In general, the availability of raw materials provides significant opportunities for development - it is the influx of foreign investments into the country, and the growth of foreign exchange reserves. However, over the longer term the economic growth weakens in the resource dependent countries.

In the countries with rich natural resources, academic economists found a negative relationship between the abundance of natural resources and rapid economic development. They coined the term “natural resource curse” in order to explain this situation. That is, the presence of rich natural resources is not good for the country, and turns into a “curse” - the reduced rates of economic growth, there is macroeconomic instability, rising unemployment in the country. In the economic literature there are two ways to deal with “the curse of natural resources”. Firstly, it is the accumulation of oil revenues coming in the form of foreign exchange reserves, or in other words, in the form of sovereign wealth

fund. Secondly, it is to create favorable conditions for the implementation of institutional policies (Gelb, 2010: 7-13).

The first method of dealing with the “resource curse” is successfully implemented in Azerbaijan through state oil strategy being implemented since 1994. In order to develop the rational use of the mechanism of income received from oil and gas production there was established the State Oil Fund of the Azerbaijan Republic in 1999. The State Oil Fund of the Republic of Azerbaijan accumulates the funds from the sale of oil and gas, which is released in the future to address the vital economic and social problems of the country.

As for the second instrument - the creation of institutions, the most progressive of the institutional system (here it means the modern system of social control, the achieve of transparency of public authorities, the development of economic infrastructure, related to the protection of property rights, improvement of fiscal policy and the creation of conditions for the development of market relations, free enterprise), it is still in the formative stage (Esanov, 2008: 7-8). For the purpose of diversification and competitiveness of the economy in the country has been approved and successfully implemented by the State program on development of the industry in the years 2015-2020, the Concept “Azerbaijan 2020: vision for the future.”

The Directions of Diversification

Currently, the economic diversification is a priority for the economic policy of Azerbaijan. The announcement of 2014 as the Industry Year by the President of Azerbaijan also shows the revision of the economic policy, the transition from raw materials to a diversified model of development. In one of speeches the President of the Republic, Ilham Aliyev, noted that in order to ensure comprehensive development of the economy, to reduce the country’s dependence on oil it is expedient to “create strong industrial potential to make the industry the multi-vector one... it is important to continue the development of non-oil sector in order to reduce the dependence of the economy on the oil factor” (Vyshka, 2008).

It should be noted that the simultaneous implementation of a policy of diversification of industry, on the one hand, and reducing the country’s dependence on raw materials, on the other, is a difficult task. The oil sector is very weakly linked to other export sectors in terms of technology and the skills used. In addition, the implementation of the diversification of the economy is quite a long time process that requires considerable financial investments. But in general, the world experience confirms that despite of difficulties the resource-dependent countries are able to diversify the economy by investing primarily in human capital (health and education) and infrastructure, supporting financial institutions, supervising the proper distribution of revenues from oil to other sectors and providing transparency of the stabilization funds. These measures help to raise living standards and to support the development of the private business sector.

The great importance is given to the successful diversification of institutions. The foreign experience shows that the quality of institutions is one of the fundamental factors in increasing the exports of the processing industry with high added value goods and foodstuffs. The institutional reform in the country can be contributed by the growth of the middle class and unfolded in the world of competition between the major new markets. The successful implementation of the diversification policy needs innovative, the so-called “creative” modernization, based on the creative innovative developments not only in economics but also in politics, science and education, in the social sphere, culture, and the introduction of such developments in the social practice. In addition, there are external stimulations to improve the quality of institutions. These include EITI, an international organization - Extractive Industry Transparency Initiative, as well as anti-corruption legislation of foreign firms, regulating their activities in the countries receiving the direct foreign investments (Aslanli & Ismayil & Aghayev & Mehtiyev, 2013: 43-44).

In general, the diversification of the economy of Azerbaijan should be focused on the development of high performance industries, and include the following:

- The direct investments in education, including science and technology, technical and vocational education;
- The development of certain sectors and non-extractive industries;
- The investments in infrastructure and strengthen institutions in order to reduce the cost of doing business (including business through free trade zones);
- Supporting entrepreneurship and innovation through improved access to information and communication technologies, the increase of charges for scientific researches (Callen & Cherif & Hasanov & Hegazy & Khandelwal, 2014: 25-28).

Conclusion

For the implementation of further structural reforms in the economy, an effective diversification of the corresponding industrial policy, existing financial institutions, as well as the achievement of greater transparency and accountability in public expenses is required.

The industry branches elected by the government for the purpose of diversification policies should have an attractive structure. This indicates that the “attractive” structure should provide a competitive advantage. As long as this condition is not satisfied, diversification will not lead to the achievement of high profits.

The world experience shows that it is difficult to diversify the economy in the countries with natural resources. The main directions of diversification are: focus on investments in human capital, the creation of the creative class, investment in infrastructure, development of financial institutions, the establishment of stabilization funds for the effective distribution of income from the export of raw materials in all branches of the economy. The process of creating institutions in resource-rich countries is long and difficult, but this is the only way to succeed in diversifying process.

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Are Unemployment Rates Stationary in Turkey? New Findings from Fourier KPSS Unit Root Test

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Keywords : Hysteresis Effect, Unemployment Rate, Structural Breaks, Fourier Unit Root Test.

JEL Classification Codes : C22, E24, J64.

This study investigates whether or not the unemployment hysteresis exists in Turkey by using unemployment rates for 11 different age groups between the years 1988-2015. For this purpose, the stationarity of the unemployment series for different age groups is tested using the Fourier-augmented Kwiatkowski, Phillips, Schmidt, and Shin (KPSS) unit root test. The obtained results indicate that some age groups are under the hysteresis influence of the unemployment series due to the effects of structural breaks, while others are not. In other words, the unemployment rates for the age groups exhibit stationary structures.

Introduction

Unemployment, an important macroeconomic problem for all economies from past to present day, has always been one of the leading issues for which precautions need to be taken by the policy-makers. The theoretical and empirical studies towards the comprehension of the unemployment dynamics, especially during stagflation experienced throughout the 1970s, have also increased.

From a theoretical point of view, there are three basic approaches concerning unemployment and shocks. The first one is the natural rate (non-accelerating inflation rate of unemployment (NAIRU)) hypothesis developed by Phelps (1967, 1968) and Friedman (1968). This hypothesis considers the dynamics of unemployment as a static process. Thus, the impacts of the economic crises or similar shocks on the unemployment rate are not considered as permanent, and the long-term unemployment rate approximates an equilibrium value, namely, the natural rate of unemployment. The second approach, the structural approach, considers the natural rate to change constantly and that many shocks to unemployment are temporary. The unemployment hysteresis approach, which is first coined by Blanchard and Summers (1986), points out that economic shocks have permanent impacts on the unemployment rates due to labour market rigidity. In other words, it is emphasized that the unemployment rates depend strongly on the past level and do not have any tendencies of returning to the natural rate.

The validity of these competing theories is determined by the stationary characteristics of the unemployment rate series. Accordingly, the stationary characteristics of the unemployment series support the validity of the natural rate hypothesis and the acceptance of the structuralist hypothesis if the structural breaks are included in the definition, while the non-stationary characteristics support the existence of the unemployment hysteresis in the absence of unit root hysteresis (Romero-Avila, Usabiaga, 2007, 457). There are many studies in the literature that examine the structure of unemployment. When the studies conducted in Turkey are examined, it is seen that the studies carried out by taking different age groups into consideration are very few and Fourier KPSS method is not used in any of these studies. As far as the studies that test the unemployment hysteresis in Turkey are considered, it is seen that some studies (Barış & Çevik (2008), Yılancı (2009), Koçyiğit *et al.* (2011)) found that the hysteresis hypothesis is valid, and some (Güloğlu & İspir (2011)) did not.

Econometric Methodology

Perron (1989) initiated a new era in unit root literature by asserting that structural breaks which are excluded from the analysis reduce the power of conventional unit root tests (such as the Augmented Dickey-Fuller Test (ADF)). A variety of unit root tests which include structural breaks internally and externally (Lee & Strazicich, 2003; Lumsdaine & Papell, 1997; Zivot & Andrews, 1992) are introduced into the literature following the study of Perron (1989). Nevertheless, the numbers, shapes, and places of structural breaks (sharp or smooth) must be predetermined in all these tests. Beckers, Enders, and Lee (2006) developed KPSS test with a Fourier function to eliminate the shortcomings mentioned above.

$$y_t = \alpha_0 + \beta_1 \sin\left(\frac{2\pi kt}{T}\right) + \beta_2 \cos\left(\frac{2\pi kt}{T}\right) + e_t \quad (1)$$

In Equation (1); π , k , T , and t stand for the number pi, the number of frequencies obtained by the minimum sum of squared residuals, the number of observations, and the trend value, respectively. Being the coefficients of trigonometric terms, β_1 and β_2 are used to determine whether or not Fourier KPSS test is applicable in a stationary series. The Fourier KPSS test is performed to test the following hypotheses using the model in Equation (1):

$H_0 =$ The variable is stationary around a broken deterministic function.

$H_a =$ Variable is not stationary.

The main reason for adopting the Fourier approach is that the unknown behaviours of the function can be included in the analysis. This test attains some advantages. The first advantage is the ability to detect both sharp and smooth breaks. Therefore, the dates, numbers, and forms of breaks do not reduce the power of the test. Secondly, the breaks in the series do not need to be known exogenously beforehand.

Data and Empirical Results

In the study, the age data of 11 different intervals obtained from the Turkish Statistical Institute (TUIK) for the period between 1988-2015 and the annual data set of the unemployment rates for these age groups are utilized. The classified age variables of individuals are represented by the following intervals: 1st class: 15-19 years of age, 2nd class: 20-24 years of age, 3rd class: 25-29 years of age, 4th class: 30-34 years of age, 5th class: 35-39 years of age, 6th class: 40-44 years of age, 7th class: 45-49 years of age, 8th class: 50-54 years of age, 9th class: 55-59 years of age, 10th class: 60-64 years of age, and 11th class: 65+ years of age. The unit root test results of the unemployment rates for the age groups between the period 1988-2015 are as shown in Table 1.

Table: 1
Fourier KPSS Unit Root Test Results

Variables	SSR	k	t_h	F_{sta}
15-19 years of age	72.23304	1	0.1045	20.4048
20-24 years of age	78.95183	1	0.0696	17.7749
25-29 years of age	55.99863	1	0.1489	23.8836
30-34 years of age	30.53699	1	0.1318	33.4768
35-39 years of age	27.23849	1	0.1603	35.5658
40-44 years of age	23.34118	1	0.1728	
45-49 years of age	14.11403	1	0.1386	56.0425
50-54 years of age	12.60816	1	0.1949	
55-59 years of age	9.616729	1	0.1407	66.6430
60-64 years of age	4.017169	1	0.2031	
65+	2.039492	1	0.1527	8.9748

Note: The critical values of t_h and F_{sta} at levels %1, %5, and %10 are 0.2699, 0.1720, 0.1388 and 6.730, 4.929, 4.133; respectively.

As shown in Table 1, the results of the research study conducted on the unemployment data on the basis of age groups via the Fourier KPSS unit root test point out the existence of hysteria effects on only a few (40-44, 50-54 and 60-64) age groups out of 11. The significance of the trigonometric terms is examined with the help of the F-test in the series without the hysteria effect, proving that the Fourier KPSS test is applicable for the age series.

Conclusion

In the study, the existence of hysteria effect is investigated by using unemployment data for 11 different age groups between the years 1988-2015. Although different studies have been carried out on this issue in Turkey, utilization of the Fourier-augmented KPSS test, which has not been used in any study that previously examined hysteria effects in Turkey, renders this study unprecedented. According to research findings; it is observed that crises and shocks experienced in Turkey mostly affected three age groups with intervals of 5-years such as 40-44, 50-54 and 60-64 regarding the age factor in the labour market.

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29 April 2017 Saturday

Session: VI-A / 11.30-13.00

EMPLOYMENT & MANAGEMENT & GOVERNANCE

Room: *Aden I*

Chair: **Asli Ceren SARAL**

- Borrowing within the Financial Sources of Municipalities in Turkey
Haluk TANDIRCIOGLU & Fatma YAPICI
- Socio-Economic Differentiation in Cross-Border Interaction: West and East Border Regions of Turkey
Cigdem VAROL & Emrah SOYLEMEZ
- Employment Dimension of Social Capital: Evaluation of Job Search Channels
Inci PARLAKTUNA & Tugba SARAC & Oytun MECIK & Eren Can AYBEK
- The Effect of Organizational Citizens Behaviour on Transformational and Ethical Leadership
Ilkim AKAR APLADI & Osman YILDIRIM
- Corporate Governance Principles in the Light of Ethical Rules and Social Responsibility
Yeliz MOHAN BURSALI & Ibrahim AKSEL

Borrowing within the Financial Sources of Municipalities in Turkey

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Keywords : Local Governments, Borrowing Processes of Municipalities, Borrowing Instruments.

JEL Classification Codes : H72, H74.

Financial sources of public services which provided by local governments and financial balances of local governments constitute an important part of public financial management in Turkey. Local governments aim to generate the most social benefit by least amount of resources while meeting the public needs at the local level. The primary problem they face in reaching this goal is the inadequacy of their resources. Local governments have their self-incomes and income sources transferred from the central government. However, these revenues are never reached at the level that central government has. As their responsibilities and duties are increasing, local governments are rapidly in need of financial sources. Today, one of the financial sources of contemporary local governments is borrowing. The purpose of this study is to examine the borrowing income in the point of municipalities in Turkey. Firstly, in the study information on the legal basis of municipal borrowing, borrowing instruments and lending by municipalities will be given. Finally, developments of borrowings of the municipalities will be evaluated in terms of quality and quantity. Then solutions to the emerging problems of borrowing will be suggested.

Introduction

Public services provided by local governments, financial resources of these services and financial balances of local governments are among the important topics of public financial management in Turkey. Increasing in the roles and responsibilities of local governments in the context of good governance also leads to increase in income requirements of these administrative units. Services and revenue sources are shared between central and local governments according to financial distribution. Local governments have both their self-income resources and transferred revenue sources by central government. Nevertheless, the increase in the roles and responsibilities of contemporary local governments causes income shortfalls. The inadequacy of the sources of income has made borrowing a regular source of income for local governments.

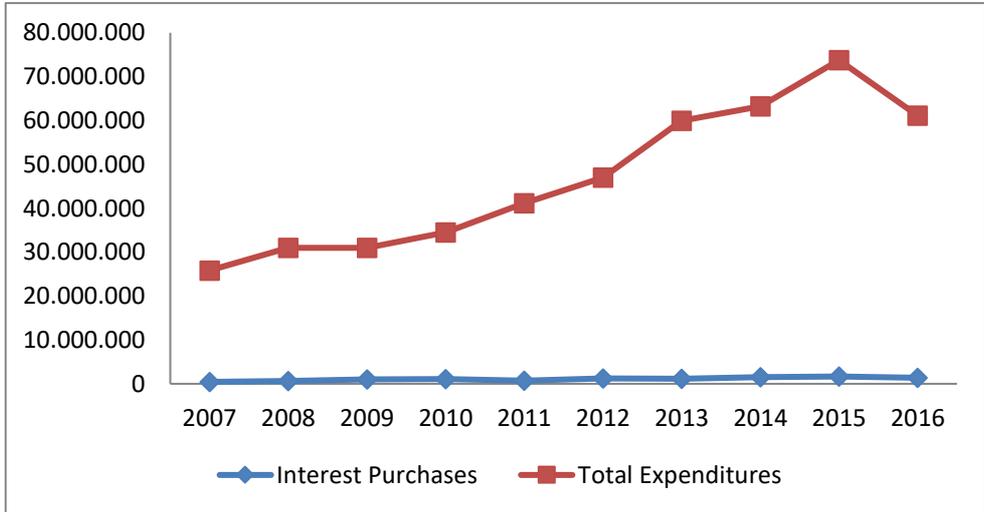
Local service units in Turkey consist of provincial special administrations, municipalities, villages and local government unions. However, these units are the municipal service units that come into the foreground. The purpose of this study is to examine the reasons for the borrowing of the municipal services, the legal basis, the composition of the borrowing, and to propose solutions for the problems that arise in the borrowing process.

The legal basis of the debt is much diversified when we argue about borrowing by municipalities in Turkey. This diversity is valid in terms of the units that make up the debt. This leads to increase at complication of the borrowing process.

The administrative and legal complexity that arises in the borrowing process naturally affects the service delivery and production of local governments. As most effective local governmental unit, almost all municipalities have experienced income shortcomes. Meanwhile, most of them could not enjoy the borrowing opportunities at the same level unfortunality. Because of that, borrowing such a method to create income for municipalities relatively applied by a few of metropolitan municipalities

in Turkey. However, when borrowing in the form of program and project credits begins to be actively used by other municipalities, the services provided at the local level may increase significantly in terms of quality and quantity. But the positive outlook that emerges with the help of borrowing should not turn into uncontrolled borrowing. Uncontrolled borrowing by municipalities may push those municipalities have to allocate a significant portion of their incomes to interest payments. The graph 1 is placed below shows how much interest payments are in the borrowing funds' budgets.

Graph: 1
Total Expenditures of Municipalities and Interest Expenses, 2007-2016* (1.000 TL)



*January- September 2016.

Source: Republic of Turkey, Ministry of Finance, Directorate General of Public Accounts, <www.muhasabat.gov.tr>, 23.12.2016.

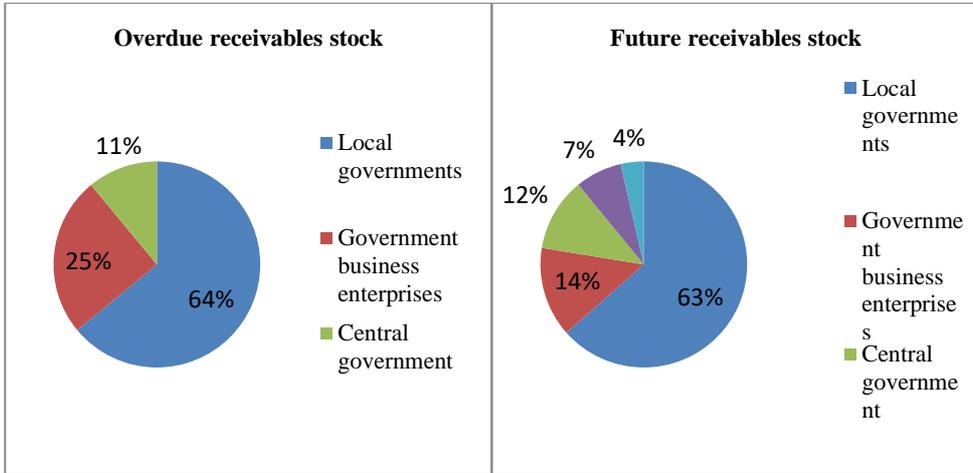
As it's seen at the graph 1 total expenditures of municipalities have been always increased except of 2016 year. While total expenditures sharply have began to increase just after 2012 year, it can be observed that interest purchases have been more among the total expenditures made by municipalities in 2010' compared to 2000's.

Resources of Borrowing by Municipalities

Local governments may not only borrow internally through Treasury, İbank, public banks and private banks but also externally within or without Treasury guarantee.

Internal Borrowings

Graph: 2
Receivables Stocks of Undersecretariat of Treasury by 31.12.2015



*31.12.2015.

Source: Republic of Turkey Prime Ministry, Undersecretariat of Treasury.

As it's seen at the graph local governments are the most borrowers (Local governments totally borrowed 12,2 billion Turkish Liras over years) in content of both overdue and future receivables stock for Undersecretariat of Treasury (Undersecretariat of Treasury, 2016: 20).

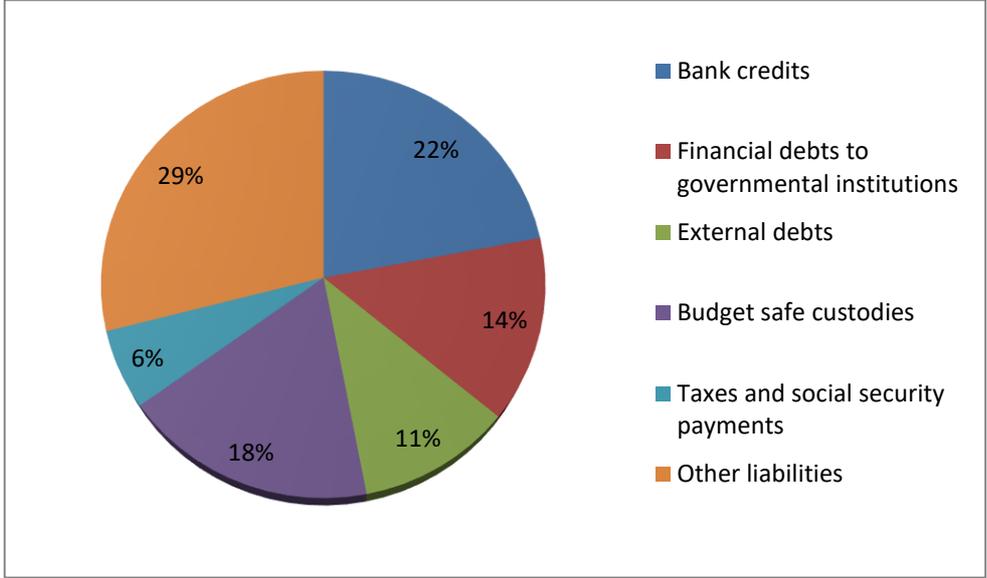
External Borrowings

Today, some of municipalities prefer to external borrowing in providing resources for services and investments which are advanced technology requires large financing such as subway, light subway, environmental and waste management, ship and firefighting. Municipalities as other governmental institutions and units can borrow from abroad in the framework drawn by according to Article 2 of Law No. 4749 (Law on Public Funding and Reorganization of Debt). But it is not only enough for projects and investments intended for external borrowing that state and municipalities to be included in investment programs of the. In order to apply for external debt for these projects or investments, Debt recording must be made to the debt stock by the Directorate General of Public Finance of the Undersecretariat of Treasury, after the preliminary approval of the Undersecretariat of Treasury and the signing of the external debt credit contracts (Doğan & Baş, 2013: 301-2).

Composition of Borrowing Municipalities and Borrowing Instruments

Graph 3 shows the composition of borrowings by municipalities by 2015.

Graph: 3
Debt Distribution of Local Administrations, 2015 (1.000 TL)



Source: Republic of Turkey, Ministry of Interior, *2015 Yılı Mahalli İdareler Genel Faaliyet Raporu*.

Conclusion

At this study, methods of internal and external borrowings by municipalities will be examined within the framework of legislative and implementing units. Also, potential obstacles those municipalities face when they need to borrow will be given. Then our study will come to end with our suggestions to handle those obstacles and problems faced by municipalities while borrowing. Legislative framework about borrowing and implemenation of borrowings should be reviewed and get laws simplified. Because unless the legislation is simplified, the process of borrowing is carried out and the sustainability of the debt is difficult.

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Socio-Economic Differentiation in Cross-Border Interaction: West and East Border Regions of Turkey

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Keywords : Border Region, Cross-Border Interaction, Socio-Economic Differentiation.

JEL Classification Codes : F5, R1, R58.

The interaction in the social, economic and political dimension caused by the effects of globalization leads the change of nation state's border structure (Newman, 2003; Nevins, 2010), which has been marginalized by staying in the periphery. There is a need for a new direction for border studies that traditionally has been treated as a center-periphery representation and faces the reality of gradually disappearing clear divisions between central and peripheral regions in the EU. The linear 'boundaries' that emerged in the historical process have been transforming into 'border regions' of regional, national and transnational scales, with the effects of increased interaction, cultural and institutional changes, economic growth, movements of goods and people, competition and technological developments (Heyman, 2010). Changing relationships and flows at the nation-state boundaries bring about structural and functional changes, leading to differentiation of social relations dynamics, economic development and institutionalization processes on both sides of the border.

Recently, with globalization and economic integration, the transformation of the border line to a more flexible and permeable structure has led to different debates on border regions. Theoretical explanations on the economies of border regions have developed through classical location theories and the new economic geography approach (Leick, 2012). Classical location theories assume that economic integration will directly affect the actors near the border (Hansen, 1975). Actors of the cross-border territories, which have previously been politically and economically separated by national borders then integrated into territories, will benefit from the spatial proximity to the new foreign markets in the new stage (Niebuhr & Stiller, 2004a). On the other side, the new economic geography discusses how spatial proximity will bring about the rise of Marshallian agglomeration economies in these regions. It is emphasized that with the decline in transportation costs, the formerly marginalized but after the integration centralized regions will lead to the accumulation of new investments and labor power, and that economic integration will enhance cluster-like structures and relationships (Niebuhr & Stiller, 2004b).

It is clear that actors living in the border regions are the ones that will be affected by the change and transformation process at the border. In the border regions of nation states, social, economic and cultural characteristics and dynamics specific to the region lead to differentiation of cross border interaction of the local actors/inhabitants, and this changes the content of regional socio-economic development. The content of cross-border interaction varies depending on regional dynamics, ranging from everyday shopping relations to informal trade; kinship relations to cultural and tourism relationship, institutional public relations to civil society relations.

The aim of the study is to reveal the differentiation of social, economic and spatial relationship levels of the actors interacting with the cross-border region. In this context, it is aimed to obtain explanatory information about the socio-economic characteristics and behavioral approaches of the inhabitants of the region interacting with the cross-border. In this framework, a questionnaire was applied to inhabitants who had relationships with the cross-border in Turkey's Western (Greece-Bulgaria) and Eastern (Georgia) borders. Implementing a questionnaire directly on the study area helps to obtain original data which contributes to the explanatory information.

Questionnaires were applied to 800 inhabitants, who live on both sides of the border within a 100 km area and have contact with the other side of the border, at Trace (Greece-Bulgaria) and Georgia border gates. With this questionnaire, it was aimed to collect not only formal relations but also information about informal relations. The sampling details of the questionnaires are given in Table 1.

Table: 1
Sampling Distribution

Country	Border Gates	Turkish Side	Other side
Western Region (Greece-Bulgaria)	Pazarkule, İpsala, Kapıkule	200	200
Eastern Region Georgia	Sarpi	200	200
Total		400	400

Socio-Economic Characteristics and Differences in Cross-Border Interaction in Western and Eastern Border Regions

When interviews and field surveys are evaluated, it is seen that the political and administrative organization of the border is the main driver of cross-border relations. Political and administrative organizations of Turkey-Greece, Turkey-Bulgaria and Turkey-Georgia borders show significant differences in cultural, social, economic, historical and similar issues. According to this;

- Turkey and Greece (Nation state - nation state / supranational structure)
- Turkey and Bulgaria (Nation state - nation state / supranational structure)
- Turkey and Georgia (Nation state - autonomous state / nation state)

This structure causes actors, interrelations of actors and relationships across the boundaries to vary at every scale. These structural differences also affect the types of cross-border relationships and the level of relationships of actors with each other. As a result, they reveal different relationship typologies, although the two borders have the same supranational structure (i.e. EU).

Table 2 summarizes the socio-economic characteristics of the inhabitant of the region having cross-border interaction and the differences between the Western and Eastern border regions. In addition, Table 3 summarizes the differences between the content and the reasons of interaction with the cross-border in the Western and Eastern border regions.

Table: 2
Socio-Economic Characteristics of Cross-Border Interaction in Western and Eastern Border Regions (%)

		Greece -Turkey		Bulgaria-Turkey		Georgia-Turkey	
		GR-TR	TR-GR	BG-TR	TR-BG	GE-TR	TR-GE
Female-male ratio	Female	34,3	20,0	68,3	20,0	70,8	9,5
	Male	65,7	80,0	31,7	80,0	29,2	90,5
	30 and under	27,5	16,0	4,8	22,0	32,2	33,3
Age Groups	31-40	28,4	34,0	24,0	39,0	23,3	24,9
	41-50	23,5	27,0	39,4	27,0	17,8	20,9
	50 and above	20,6	23,0	31,7	12,0	26,7	20,9
Education Level	Primary	26,0	17,0	12,7	11,0	11,9	31,5
	High School	27,0	37,0	58,3	41,0	23,8	42,0
	University	47,0	46,0	29,1	47,0	64,4	26,5

Table: 3
Content of Cross-Border Interaction in Western and Eastern Border Regions

		Greece -Turkey		Bulgaria-Turkey		Georgia-Turkey		
		GR-TR	TR-GR	BG-TR	TR-BG	GE-TR	TR-GE	
The reason for crossing the border	Tourism	85,3	78,0	74,0	74,0	31,7	79,6	
	Business, economic (buying / selling goods)	3,9	9,0	7,7	7,0	72,8	54,7	
	Social (relatives/friends)	9,8	21,0	9,6	34,0	13,4	33,3	
	Cultural (sightseeing)	11,8	16,0	4,8	7,0	3,0	41,3	
	Education	5,9	1,0	0,0	1,0	0,5	0,5	
	Health	1,0	2,0	18,3	1,0	0,0	1,5	
	Other	0,0	2,0	24,0	0,0	0,0	3,0	
	Everyday	1,0	0,0	1,9	1,0	10,9	9,5	
	Frequency of crossing	1-2 times a week	40,0	10,0	18,3	28,0	31,7	31,8
		1-2 times a month	44,1	43,0	31,7	39,0	33,2	38,8
1-2 times a year		12,7	34,0	37,5	30,0	19,8	18,4	
Rarely		2,0	13,0	10,6	2,0	4,5	1,5	
Duration of stay	Daily Trip	49,0	46,0	48,1	31,0	45,7	70,4	
	1 Night	8,8	26,0	22,1	20,0	12,1	20,6	
	1 Week	7,8	20,0	19,2	30,0	22,1	6,5	
	1 Month	2,0	1,0	2,9	7,0	15,1	0,5	
	Others	32,4	5,0	7,7	11,0	1,0	2,0	
	0-49 Euro	21,8	30,0	9,6	15,0	22,0	19,0	
	50-99 Euro	26,7	31,0	22,1	25,0	37,0	38,0	
Average spending cross the border	100-499 Euro	37,6	34,0	49,0	34,0	35,0	34,0	
	500-999 Euro	12,9	4,0	14,4	18,0	5,5	6,5	
	1000 Euro and above	1,0	1,0	4,8	8,0	0,5	2,5	
	Yes	24,5	40,0	13,5	22,0	26,8	26,9	
Prefer to live on the other side	Maybe	53,9	41,0	25	48,0	14,6	10,0	
	No	21,6	19,0	61,5	30,0	58,6	63,2	
	Administrative/Customs	54,1	60,6	75,0	65,0	37,0	55,4	
Most important barrier for interaction	Religion	8,2	1,0	3,8	0,0	17,0	3,8	
	Language	1,0	0,0	20,2	2,5	23,0	2,5	
	Cultural Differences	2,0	7,1	1,0	2,5	17,0	17,8	
	Government Policies	32,7	31,3	0,0	30,0	4,4	15,9	

Both of the Tables give important clues about the socio-economic structures of cross-border actors and the dimension of interaction in the Western and Eastern border regions. According to the survey results, there is quite a high level of relations in the border region. Although transnational policies play a decisive role in cross-border relations, central governments and local governments of nation states should take into consideration of socio-economic structures and the content of interaction in regional decision-making.

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Employment Dimension of Social Capital: Evaluation of Job Search Channels

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Keywords : Social Capital, Human Capital, Higher Education Studies, Employment, Job Search Channels.

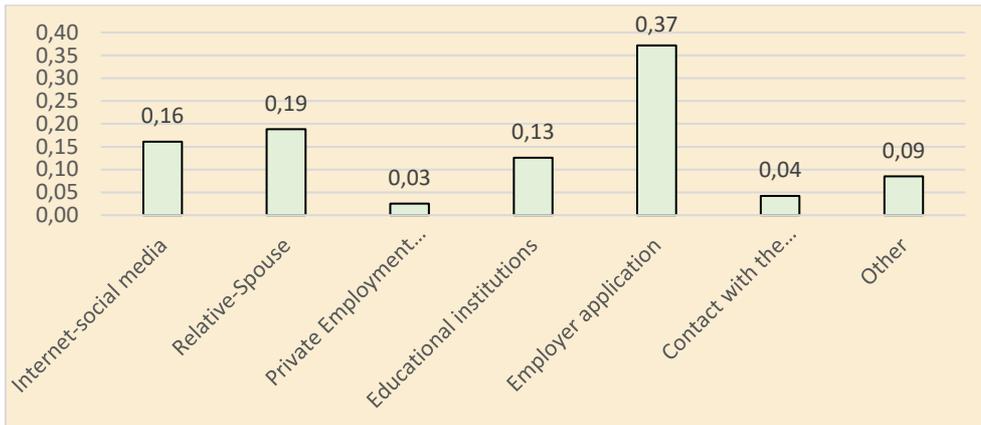
JEL Classification Codes : M41, O40, I23, J21, J6.

Social capital can be established through many channels within the framework of University-Industry cooperation. These social channels can be established by developing a new product or to solving some the problems of the companies through long-term internship or graduation project. This study has been carried out within the scope of the BAP project which deals with university-industry cooperation in terms of employment. The aim of the project is determining a roadmap for the departments of Eskisehir Osmangazi University Faculty of Engineering and Architecture so that graduates of these departments can easily participate in the labor market. In this study, the questionnaires applied to the students and firms within the scope of the project were evaluated within the framework of job search channels and the importance of social capital in universities was tried to be revealed.

Job searching and finding is a complicated process that involves many variables and costs. The ineffectiveness of job search channels can be expressed as the structural problems of the labor market (Amount, 2015). In the labor market institutions / organizations offer multiple job opportunities. However, jobseekers do not know about these jobs, and employers do not know about the qualifications of jobseekers. For this reason it takes time to choose the right job or to employ the right person (Borjars, 2010: 507). Studies emphasize that the length of job seeking time extended and at the same time young people have to be willing to work below their quality or outside their field (in terms of productivity) (Sözen & Ark, 2012). The social capital ties that are established between the students and the industrialists during university education and training could be useful in minimizing such problems in the labor market.

Young unemployment is one of the most important problems that Turkey is waiting for solution. According to year 2016 second quarterly (April-June) data, the labor force participation rate (LFPR) of young people in Turkey (15-34 years old) is 56.4% and the youth unemployment rate is 13.2%. 4 years of higher education and youth participation rate is 84.9% and unemployment rate is 13.3%. In Figure 1, among the methods used to find a job by the young people with 4-year university education and/or graduate education, the direct application to the employer is in the first place while the second place is relative or friend recommendation, the third is the internet and the education institutions are in the fourth place. In this context, the social capital channels that universities provide to their students during education and training play an important role. In this study, the role of job search channels created through social capital is evaluated by the student and firm (applied survey studies).

Figure: 1
Youth Transition Channels to the Labor Market



Source: TUIK Young Labor Market Year 2016, II. Quarter.

Educational institutions; if they have found employment through the career counseling centers of universities, this option is considered,

Employer application; if the person is placed in the job due to examinations such as KPSS, this option is evaluated,

Other; Direct appointments of graduates of medical faculties and faculties of education to relevant ministries have been assessed within this option.

Methodology

The project consists of three phases. The first stage is the “student situation analysis” phase. At this stage, current knowledge and expectations of students about job search, social and human capital is determined. Also approach of the departments from students’ perspectives is questioned. A questionnaire consisting of 70 multiple choice-fill-likert type questions was applied to 1171 engineering students by face-to-face method. The second stage is the “company workshop” phase. A questionnaire consisting of 30 questions was made face to face with the company to determine the current knowledge about the social and human capital of Eskişehir firms, the university and engineering faculty relations and expectations, and the methods they used while employing new workers. The third stage is the “Department Workshop” phase. In the workshop, it is required that the departments of Engineering Faculty should determine the road map which will provide social capital adequacy to the students and the criteria that play a role in forming social scores of the students. This study evaluates the methods used in job search in the context of social capital, both by the student and the employer. IBM SPSS Statistics v21 was used to analyze the data. Data from both student and firm surveys were examined using descriptive statistics. Descriptive statistics used include cross tabulation, frequency and percentage calculations. Chi-square analysis was used in cases where the assumption that the number of cells smaller than the expected value is not more than 20% of all cells is assumed.

Results

The lack of adequate information flow in the labor market distorts the structure of the job search channels, causing prolonged job search times and inefficient operation of labor markets. Some of the responsibilities in this regard fall to universities. Purpose of the universities should be not to find jobs

to their graduates but to develop programs to open social capital channels so that the graduates can find jobs easier.

The questionnaires applied to students and firms were evaluated in social capital perspective of the departments. Figure-2 shows the rates of job search methods used. Graduates of Faculty of Engineering of Eskişehir Osmangazi University seek jobs using mostly professional channels (46.5%), then close circle (36%). Internship firm is in the third place (10.5%). The methods used by the companies are: professional channels (75.3%) were in the first place, close circle is the second choice (41%) followed by İş-Kur (34.9%). ESOGU institutional identity (29.3%) and reference of department teachers (28.5%) follow. This conclusion suggests that departments need to communicate information about the ways in which students can use in job search. For example, although İş-Kur is not considered for job search by students, firms prefer İş-Kur as the third preferred source to hire new workers.

Figure: 2
Job Search-Methods used to Hire Workers (Student-Company)

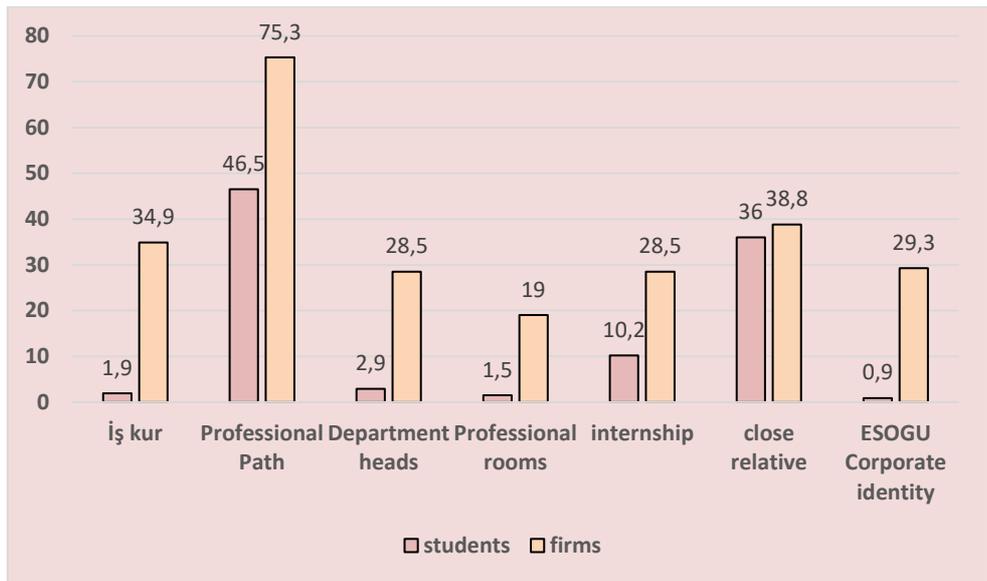


Table-1 shows the results when students and firms were asked to evaluate the expressions that facilitates job finding. According to the results obtained, students think that reference letter and participating abroad programs make finding a job easier. Firms stated that the internship made in practice makes it easier to hire the person if the finishing duties prepared in practice are done at the firm.

Table: 1
Expressions Facilitating Job Search

Expressions	Students	Number of firms
Internships done by the student	76,3	85
Internship done in the firm		112
Practical graduation project	76,8	99
Completion of graduation project in the firm		98
Being a part of research projects	76,9	81
Relations with professional institutions, organizations and NGOs	73,2	33
Participation in student exchange programs abroad	81,6	45
Participation in technical trips	75,4	28
Participation in conferences and conferences related to the field	51,7	40
Part-time work related to the profession during the student life	79,2	98
ESOGU graduation	63,9	51
Orientation of faculty members in ESOGU	75,4	62
Reference letter	88,7	79

Note: the number of companies is 127.

Providing students job search techniques and channels in the context of social capital during the period of education may shorten job search period. It will also be useful for employment in the right places in the labor market. It is possible to plan and implement social capital relations (to have an internship, to make graduation homework, to participate in technical trips) and to equip students with social capital.

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The Effect of Organizational Citizens Behaviour on Transformational and Ethical Leadership

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Keywords : Ethical Leadership, Transformational Leadership, Organizational Citizenship Behavior.

JEL Classification Codes : M14, M540.

In today's business, leadership is considered as a very important issue. In this study, organizational citizenship behaviors of workers with transformational and ethical leadership types are taken as variables. The transformation of the transformational leadership (TL) with ethical codes and the organizational citizenship behaviors (OCB) of employees were chosen as important variables in this transformation process. In this research, ethical leadership and transformational leadership were examined and the effect of ethical and transformational leadership on organizational citizenship was investigated. The relationship between ethical and transformational leadership and organizational citizenship behavior has been investigated. For this purpose, a survey of 305 employees working in the service sector was conducted (a survey of 305 people working in the service sector). The factor loadings of the expressions were analyzed by confirmatory factor analysis of the SPSS 23.0 program and the scales used in the questionnaire. In addition, the effects between the variables in the questionnaire were tested by analytical hierarchy method.

Corporate Governance Principles in the Light of Ethical Rules and Social Responsibility

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Keywords : Corporate Governance Principles, Ethical Rules, Social Responsibility, Content Analysis.

JEL Classification Codes : G3, G30, G34, G38.

In recent years the concept of corporate governance which is closely concerned for businesses and all stakeholders, is important both literature and also practice. It is widely accepted that bad management practices have triggered the financial crises and company scandals that broke out in the recent years. This has clarified the importance of the concept of sound corporate management practices. Corporate governance may be defined as a set of systems, processes and principles which ensure that a company is governed in the best interest of all stakeholders. The most comprehensive information on this subject is available from the report of Organization for Economic Co-operation and Development (OECD) Corporate Governance Principles. The OECD Principles of Corporate Governance were endorsed by OECD Ministers in 1999 and have since become an international benchmark for policy makers, investors, corporations and other stakeholders worldwide. They have advanced the corporate governance agenda and provided specific guidance for legislative and regulatory initiatives in both OECD and non OECD countries. After the report is published by OECD, many countries have published their corporate governance principles and many countries have re-structured and published their current legislation within the framework of the best corporate governance Principles.

In parallel with the current practices worldwide, the Capital Markets Board of Turkey (CMBT) has established the corporate governance Principles (the Principles) in Turkey. Businesses that do not have to comply with some of the principles are obliged to comply with another part. Within the Principles, “comply or explain” approach is valid. However, some of the Principles are recommendations only. With respect to non-conformity with these Principles, which are only recommendations, no disclosure is required. Additionally, the Principles, marked as recommendations, may be subject to of “comply or explain” approach in medium and long term. ‘Ethical Rules and Social Responsibility’ are located between the groups of corporate governance principles are not obliged to follow the businesses. The ethical rules of the company should be prepared by the board of directors, submitted to the general shareholders’ meeting for information and disclosed to the public. The operations of the company should be carried out in accordance with the company’s ethical rules. Corporate social responsibility refers to business practices involving initiatives that benefit society. The company should be considerate of its social responsibilities; should act in accordance with the company’s ethical rules and rules with respect to the environment, the consumers and the public health.

The purpose of the study is to examine the compatibility through the content analysis of Ethical Rules and Social Responsibility activities in Compliance with the Corporate Governance Principles for Businesses in Turkey Public Disclosure Platform. In this context, the data obtained will be evaluated by content analysis and results will be appreciated.

29 April 2017 Saturday

Session: VI-B / 11.30-13.00

BUSINESS & TAX LAW

Room: *Aden II*

Chair: **Recep KAHRAMAN**

- Problem Solving With Failure Mode and Effect Analysis (FMEA) Method: An Application in Automotive Parts Industry

Mehmet Selami YILDIZ & Nesimi KOK

- Assessment of Public Hospital Unions Hospitals in Turkey by Comparative Table Analysis

Ahmet KAR & Cuma SONGUR & Mehmet TOP

- The Scope of the Occupational Health and Safety Act No. 6331

Merda Elvan TUNCA & Senem ERMUMCU

- Information Exchange and Turkey-United States Tax Information Exchange Agreement

Fevzi Rifat ORTAC & Isil Fulya ORKUNOGLU-SAHIN

- Liquidated Damages Clauses as Standardized Terms of Contract

Tuba BIRINCI UZUN

- Conflict of Natural Law with Positive Law: Example of the Wealth Tax

Ali Gokhan GOLCEK & Altug Murat KOKTAS & Ahmet Burcin YERELI

Problem Solving With Failure Mode and Effect Analysis (FMEA) Method: An Application in Automotive Parts Industry

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Keywords : FMEA, PFMEA, FMEA in Automotive Industry, Risk Management, RPN.

JEL Classification Codes : M11, M10, M00.

Recently, products are becoming more complex depending on customer requests. In the meantime the design and production of complex products are made possible by a combination of many factors. Especially; in the automotive industry, it is achieved target that many of parts could run be in harmony without failure. The Automotive companies, which are called OEM (Original Equipment Manufacturer) are requested there is no failure in the products which are supplied primarily from supplier company. Risk analysis should be done to avoid failures mistakes. Failure Mode and Effects Analysis (FMEA) from risk analysis applications which is strong method to identifying and managing of the risks of potential failures occurring from system, product, process and service.

In this study, Process FMEA study was prepared for coating preparation process of an automotive supplier industry. Corrective actions were defined and prepared after P-FMEA study according to result of risk analysis. Subsequently, the risks were minimized making with necessary investments by the company. By this investment, an innovative and technological application has been integrated by ensuring the transition of the process from human factor to automation. In addition, the differences and updated information according to FMEA from automotive industry are provided to literature as an application.

Introduction

FMEA can be described as a systematic group of activities intended to recognize and evaluate the potential failure of a product/process and the effects and causes of that failure, identify actions that could eliminate or reduce the chance of the potential failure occurring, and document the process. It is complementary to the process of defining what a design or process must do to satisfy the customer (SAE_J1739, 2008).

The FMEA was first developed in the US Army and started to be implemented in 1949 with the military standard MILSTD-1629A (Procedures for Performing A Failure Mode, Effects And Criticality Analysis) (Narayanagounder and Gurusami, 2009). First application in the automotive sector In 1977 Ford Motor Company implemented the method followed by the other two major groups of the automotive industry; Used by General Motors and Chrysler (Gilchrist, 1993).

In the FMEA methodology, there are mainly types of FMEA, which are Design and Process FMEA. Process FMEA was preferred because this study contributes to the ongoing process in the current mass production.

Purpose of this study to collect the FMEA processes that OEMs, which expect from their suppliers and to give substantiality to the literature and application by defining FMEA management processes of different OEMs. In addition, a company operating in the supplier industry has implemented the P-FMEA and defined the risks that could result from the company's production process. With the

removal of these risks, the study was presented to the business to reduce costs and increase productivity.

Failure Mode and Effect Analysis (FMEA)

Customer: The next process, or the end user.

Functions, Requirements, Steps: These are the expected purposes of a process or product.

Potential Failure Modes: All failures that may occur during the use and production of the product must be identified. It is not expected that failures have occurred. Failure can also be considered.

Effects of Failure: It is the stage where it was investigated that what will be the effects/results of failure on product when failure modes are not prevented or eliminated. It is the determination of what the client will recognize or which happens to client.

Potential Root Causes: All potential causes of the failure should be investigated. There is a direct correlation between failure and root cause. The fact that a root cause has emerged means that the failure mode has occurred.

Controls: Including preventive and detection controls. The controls should be accessible to the product design and process. Controls should be focused on preventive controls to prevent failure from returning (Stamatis, 2003).

Risk Assessment: The most important step of the FMEA is risk assessment. This is evaluated in three ways; severity, occurrence and detection:

- **Severity:** Assessing the effect of the failure on the customer,
- **Occurrence:** How often the root cause of the failure and failure may be visible,
- **Detection:** Comprise preventive and detection controls that detect root cause or failure mode (Chao & Ishii, 2007).

Scoring is utilized according to the evaluation tables¹ used in which sector;

Severity x Occurrence x Detection = RPN - Risk Priority Number

Recommended Actions and Results

The tendency of actions should be to reduce all risks and reduce the likelihood of a failure. Actions should be determined in such a way as to reduce severity, occurrence and detection. In addition, evaluating should be updated and reviewed after actions.

An example of the PFMEA study form is given in Table 1.

¹ *Automotive Industry Action Group (AIAG). (2008) see: Evaluating Criteria Tables.*

Table: 1
Process FMEA Study Form

PFMEA Number: System: Subsystem:			OEM: Department: Group: Supplier:			PFMEA Prepared by: PFMEA Key Date: PFMEA Original Date: PFMEA Last Revised:																
Process Number	Process	Process Function/Requirement/Step	Potential Failure Modes	Max Sev	Potential Effect(s) of Failure	Sev	Class	Potential Cause / Mechanism of Failure	Occ	Current Process Controls (Prevention)	Current Process Controls (Detection)	Det	RPN	Recommendations	Responsibility	Target Date	Comments	Sev	Occ	Det	RPN	% Reduction
1.		1.	1.															After Actions Taken				

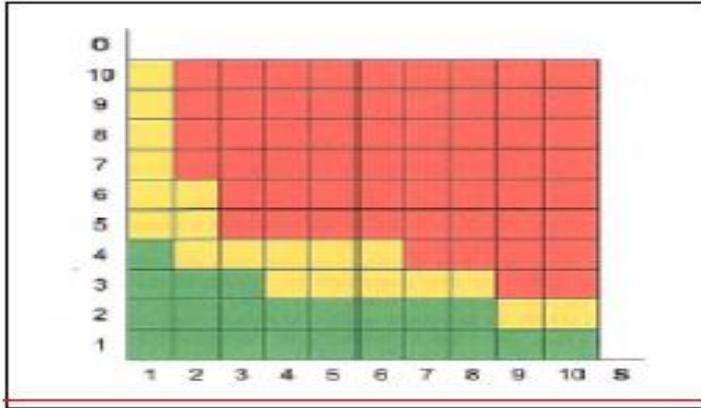
(Pro8, IHS Software)

FMEA in Automotive

According to the conventional RPN evaluation, if $RPN > 100$, the action is required. But in recent years, determining that RPN is not appropriate in this way, RPN is not used alone when the actions are specified. In particular, automotive manufacturers have set out their own risk assessment criteria from suppliers. Within the scope of this study, evaluation criteria according to automotive manufacturers summed up.

Automotive manufacturers utilizing VDA (Verband der Automobilindustrie which means that standard rules for supplier company) such as BMW, Audi, VW, Mercedes, Daimler. RPN value consist of the severity and occurrence scores are in FMEA study.

Table: 2
Severity-Occurrence Evaluating Matrix



(VDA 4, 2012).

1. Green zone: There is no need to take action
2. Yellow zone: In existing methods, improvement should be taken and risk should not be reduced. It is not necessary to take action
3. Red zone: It is necessary to take action.

For the FIAT automotive manufacturer, the need to prioritize and take action at the risks is stated in Figure .1. The risks are prioritized taking into account the RPN values together with the severity value.

Figure: 1
FIAT Risk Priority Evaluated Criteria

Severity	RPN
9-10	≥40
7-8	≥100
4-6	≥120
1-3	≥150

(Fiat Norms, 00270, 2012)

Risk prioritization criteria for GENERAL MOTORS (GM);

- If the RPN 0-40, No action may be taken
- If the RPN 40-100, Improvement is possible, but there is no obligation
- If RPN: 100, Action is obligatory (General Motors Company, 2015)

According to RENAULT automotive manufacturer risk prioritization criteria. It is absolutely necessary to take action if the following criteria are identified by assessing the severity and RPN values.

Figure: 2
Renault Risk Priority Evaluated Criteria

Siddet	RPN
9-10	>36
5-8	>50
1-4	>100

(Renault Standart, 2011)

Method

XYZ is a supplier company operating in the automotive industry and producing sealing equipment. There is a coating on the product surface due to the sealing of the sealing equipment and the minimization of the energy that may be generated in the interaction of the part with the body.

The coating preparation is managed mainly by manual and operator relying on the current process. The internal customer and the final customer complain about the coating scratches, peeling and the coating thicknesses that the OEMs have specified. There are scraps of production in the mix due to inadequate performance and both the production and quality costs of the company are increasing.

In this study, FMEA methodology was used for coating preparation process. Identified countermeasures to avoid failure, all risks. In addition, FMEA-Pro8 software has been used, which developed specifically by IHS for risk analysis. All studies are contained in Table 4.

Table: 4
PFMEA Study

PFMEA Number: 0001	Develop PFMEA	PFMEA Prepared by: Nesimi KÖK
System:	OEM:	PFMEA Key Date: 17.11.2016
Subsystem:	Department:	PFMEA Original Date: 02.02.2017
	Group:	PFMEA Last Revised: 11.03.2017
	Supplier:	

Core Team Members:

Title: FMEA Coordinator; Laboratory Responsible; Process Engineer; Quality Engineer; Production Responsible

1. Measuring		Process	
1. Improper receipt		Process Function/Requirement/Step	
1. Wrong Material		Potential Failure Modes	
7		Max Sev	
Customer Effect: Functional Problem	Internal Effect: % 100 Scrapped	Potential Effect(s) of Failure	
7	7	Sev	
Class			
Wrong labeling for returning material		Potential Cause / Mechanism of Failure	
2	Wrong label on raw-material	Occ	
	3	Current Process Controls (Prevention)	
	None	Current Process Controls (Detection)	
None	None	Det	
8	10	RPN	
112	210	Recommendations	
Returning method was defined	Using tracker system	Responsibility	
Production Department	Informatin Technology	Sev	After Actions Taken
7	7	Occ	
2	3	Det	
6	5	RPN	
84	105	% Reduction	
25 %	50 %		

Conclusion

In the beginning, relying on the operators, the manually operated coating was converted to a system for automatic process. With this applications, company will reduce both operating costs and contribute to the country's economy in the context of continuous improvement. In addition, such studies within the scope of innovation will provide competitive advantage to businesses by providing serious positive contributions to the future point of industrial systems.

According to the potential failures that occur in the process, First RPNs totally were 10823 scores, after actions RPNs 3268 scores. With the completion of the actions determined by the FMEA team, the risk ratio of the process will be reduced by 69.8%. The FMEA studies show that 69.8% of the coatings will have a coating problem and that a 69.8% improvement in the quality costs due to the coating process will be achieved.

A resource has been provided to identify the point at which FMEA studies in the automotive sector have come into being up-date, and to collect customers required in the FMEA.

As a result; The Failure Mode and Effects Analysis (FMEA) has a structure that can include many methods. Its application is based on the advantages and benefits provided by its outputs although it requires a certain amount of experience and knowledge. For maximum benefit from FMEA studies, It is necessary to make the time plan to determine the scope of the work, to follow the recommended actions and to support the management. Companies that systematically implement FMEA; high-reliability and quality products with the low costs, by designing and producing in the short time, will provide competitive advantage in the sector.

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Assessment of Public Hospital Unions Hospitals in Turkey by Comparative Table Analysis

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Keywords : Public Hospital Unions, Financial Statement Analysis, Financial Performance.

JEL Classification Codes : E6, M41.

Quantitative outcomes of the organizations' financial activities are demonstrated in financial statements. Financial statements are the result of the accounting process and have a role in decision-making. It is possible to assess the financial status, profitability and efficiency of the organizations through the analysis of financial statements (Ağırbaş, 2014). Financial planning and financial auditing can not conduct without financial analysis (Savcı, 2013).

In Turkey, all the hospitals that previously served as public hospitals were all included in public hospital unions with the Decree Law No. 663 in 2011. Thus, in the context of the Health Transformation Program, the public has adopted a concept of public health care, which has been a constructive planner, supervisor and guiding structure that provides services. In this process, the state adopted to pass from a public structure that is customer-focused, entrepreneurial, competitive, and results-oriented, with a decentralized service mentality that the owner is a citizen, to a structure based on successful practices in the private sector that are thought to be inefficient and cumbersome. While the main purpose of these health institutions was to provide cost minimization before they switched to public hospital associations, it has been to provide profitability with transition to public hospital associations. With the transition to public hospital associations, examining the changes in the financial situation of public hospitals is crucial for performance management and strategic planning. By doing comparative table analysis with this study, it was aimed to reveal the progress of financial status of hospitals affiliated to public hospitals in Turkey. The data needed for this has been withdrawn through the Public Hospitals Association's Uniform Accounting System (TDMS). The yearly balance sheet and income tables related to the total of 849 public hospital unions' hospitals in total were obtained through TDMS. From 2008 to 2015, the balance sheet and income table for all these hospitals were consolidated on a single balance sheet and income table. The comparative table analysis for the years 2008-2009, 2010-2011, 2011-2012, 2012-2013, 2013-2014 and 2014-2015 has been carried out by the previous period method. The changes taking place in the financial statement items of the comparative years are calculated and interpreted as both the amount and the percentage. In the analysis of the data, Microsoft Excel program was used. The amounts included in the balance sheet and income statement are adjusted to the price of the following year itself with 3% reduction rate. The desire to put the real difference in financial items before and after 2011, the year of transition to public hospital associations when 2008 was selected as the start year for the necessary analysis, was effective. Within the scope of this study, various findings were reached with the analyzes made on the balance sheet and income tables of the console. When the changes occurring in the public assets of the public hospitals are examined, it is seen that the highest increase is experienced between 2014-2015, the highest decrease is between 2008-2009. When stocks are analyzed within the current assets, a significant increase of 45% is observed between 2014 and 2015. It is seen that the highest decrease experienced in stocks during the period examined is between 2012-2013.

Commercial receivables and tangible assets have a significant place in the assets of public hospital associations' hospitals. There has been a steady increase in trade receipts between 2008 and 2012

compared to the previous year. With the collection of long-term trade receivables, this item decreased by 52% between 2012-13 and by 23% between 2014-15. The tangible fixed assets show a declining trend from 2008 to 2014. With the increase in the years 2014 and 2015, the amount of fixed assets in consoles of public hospital unions' hospitals rose again to the 2008 level. It is observed that the public hospitals' surveys of the active assets of the consulate in the course of years show a fluctuating course but overall there is a decrease. The highest decline in asset size occurred between 2012 and 2013. It is noteworthy that there was an increase of 28% between 2014-2015. Term short-term liabilities of hospitals affiliated to public hospital associations increased steadily in the period between 2008-2015. The highest increase was 43% between 2014 and 2015. It is seen that trade debt, which has a significant place in short-term debt, has the highest decline in 2012-2013 and the rise in 2014-2013. There seems to be no long-term debts of the hospitals of public hospital from the consoles. When the change in the equity sources is monitored, it is observed that the equity decrease in all years during the period examined. When public hospital union hospitals' income table for 2008-2015 is analyzed, it is seen that every year there is an increase in gross sales. The highest increase in gross sales was realized between 16% and 2010-2011. Similar changes occurred during the period examined in the net sales account. The gross sales profit was achieved between 2012 and 2015, when the public hospital association encountered gross sales loss in the period between 2008-2011. Between 2008 and 2009, there was a 100% increase in gross sales loss. Between 2011 and 2012, with the change of more than 1000% in the gross profit/loss account, the hospitals have switched to gross sales loss as consolidated. During these years, operating expenses decreased by 40%. Profit-free public hospital unions are seeing a fluctuating course of net profit/loss for the years analyzed for their hospitals. In this period, the hospitals consoled the net loss in the period. While this loss increased significantly between 2008 and 2009, the most significant decline in net loss for the period was realized between 2010 and 2009. When a comparison is made between 2008 and 2015, it is possible to see the change in the long run. In this context, the 2008 prices are adjusted to the 2015 prices with a 3% reduction rate and the financial statements are compared. During this period, there was a 33% decrease in current assets and a 30% decrease in stocks. Total assets decreased by 29.5% during the period from 2008 to 2015, with a 15% change in fixed assets.

Comparing the changes experienced on the passive side of the balance sheets in 2008-2015, it is seen that the short-term liabilities have doubled, commercial debts have increased by 94%, and hospitals have decreased by 142%. Between 2008 and 2015, gross sales of public hospital union hospitals increased by 71%. During the same period, the cost of sales increased by 37% while operating expenses decreased by 65%. From 2008 to 2015, a net loss of 92% was achieved in the period.

Finally, it is thought that while there is a decline in the current assets of the hospitals connected to the public hospital associations over the years and the increase in the short term debts, the liquidity problem may be encountered. In this process, the serious decline in equity has been the result of the decline in the passive size of hospitals. As a result of the healthcare reforms and the ease of access to healthcare services, there has been a significant increase in the gross sales of public hospitals and a decline in operating expenses has led to a decline in hospital net loss. The findings of this research are expected to provide useful information to healthcare planners, financial analysts and health care managers, in particular.

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Appendix

Comparative Financial Statement Analysis of Public Hospital Unions' Balance Sheet and Income Statement

Balance Sheet*	Increase/ Decrease (2009- 2008)	% of Increase/ Decrease (2009-2008)	Increase/ Decrease (2010- 2009)	% of Increase/ Decrease (2010- 2009)	Increase/ Decrease (2011- 2010)	% of Increase/ Decrease (2011- 2010)	Increase/ Decrease (2012- 2011)	% of Increase/ Decrease (2012- 2011)	Increase/ Decrease (2013- 2012)	% of Increase/ Decrease (2013- 2012)	Increase/ Decrease (2014- 2013)	% of Increase/ Decrease (2014- 2013)	Increase/ Decrease (2015- 2014)	% of Increase/ Decrease (2015- 2014)
1 Current Assets	-735023	-18	-294225	-9	277617	9	-107868	-3	-855531	-27	213057	9	783476	31
10 Cash and Cash Equivalents	199528	69	-235853	-48	-84936	-34	469	0	178914	107	105366	31	229718	51
11 Stocks and Bonds	0	0	0	0	0	0	0	0	0	0	1501	0	-1500	0
12 Trade Receivables	-844522	-31	69395	4	213732	11	-261349	-12	-892484	-47	126219	12	314018	27
13 Other Receivables	13625	72	18550	57	55627	109	67502	63	-10820	-6	40238	25	-32952	-16
15 Inventories	-108969	-11	-139870	-17	72150	10	5155	1	-158338	-20	-55392	-9	251971	45
18 Prepayments and Accrued Income	8395	58	18392	81	27421	67	79350	116	34441	23	-3345	-2	22121	12
19 Other Current Assets	-3080	-7	-24840	-63	-6376	-44	1005	13	-7245	-80	-1531	-87	101	43
2 Non-Current Assets	-57322	-5	-7512	-1	-2566	0	-144258	-15	-94152	-11	153336	21	187865	21
22 Commercial Receivables	179	38	268	41	366	40	1233	96	-1317	-52	368	31	-367	-23
25 Property Plant and Equipment	-65626	-6	-6229	-1	-10991	-1	-161081	-17	-92327	-12	196455	29	187222	21
26 Intangible Assets	1813	5	2263	6	4798	12	7111	16	3320	6	-51258	-93	1976	49
28 Prepayments and Accrued Income	148	23	2256	284	-3050	-100	4217	0	-4217	-100	0	0	4	0
29 Other Intangible Assets	6163	548	-6069	-83	6355	521	4262	56	389	3	7771	64	-971	-5
Total Assets	-792346	-16	-301737	-7	275051	7	-252126	-6	-949683	-24	366393	12	971341	28

	Increase/ Decrease (2009- 2008)	% of Increase/Decrease (2009-2008)	Increase/ Decrease (2010- 2009)	% of Increase/ Decrease (2010- 2009)	Increase/ Decrease (2011- 2010)	% of Increase/ Decrease (2011- 2010)	Increase/ Decrease (2012- 2011)	% of Increase/ Decrease (2012- 2011)	Increase/ Decrease (2013- 2012)	% of Increase/ Decrease (2013- 2012)	Increase/ Decrease (2014- 2013)	% of Increase/ Decrease (2014- 2013)	Increase/ Decrease (2015- 2014)	% of Increase/ Decrease (2015- 2014)
3 Current Liabilities	74802	4	55139	3	602647	32	908414	37	14148	0.4	907562	27	1864004	43
30 Financial Debt	625	46	-1975	-100	0	0	8078	0	8692	108	7918	47	6264	25
32 Trade Payables	-81929	-8	111609	11	485668	43	651266	41	-834010	-37	542636	38	648529	33
33 Other Payables	6776	12	-2230	-3	4953	8	84868	126	-23318	-15	101185	78	316915	138
34 Provisions	34195	181	-31090	-59	3829	17	243247	943	758656	282	165210	16	1306800	110
36 Other Liabilities	104735	20	26727	4	112902	17	-80136	-10	104459	15	93314	12	-422955	-48
4 Non-Current Liabilities	51	241	-73	-100	0	0	0	0	0	0	0	0	0	0
5 Equity	-867199	-26	-356804	-14	-327596	-15	-1160676	-64	-963695	-147	-541169	-175	-893273	-105
59 Period Net Income/Loss	-997068	-904	542468	49	-30851	-5	-787475	-132	413842	30	430561	44	-356197	-66
Total Liabilities and Equity	-792346	-16	-301737	-7	275051	7	-252263	-6	-949546	-24	366393	12	970731	28

Income Statement	Increase /Decrease (2009-2008)	% of Increase/Decrease (2009-2008)	Increase /Decrease (2010-2009)	% of Increase/Decrease (2010-2009)	Increase /Decrease (2011-2010)	% of Increase/Decrease (2011-2010)	Increase /Decrease (2012-2011)	% of Increase/Decrease (2012-2011)	Increase /Decrease (2013-2012)	% of Increase/Decrease (2013-2012)	Increase /Decrease (2014-2013)	% of Increase/Decrease (2014-2013)	Increase /Decrease (2015-2014)	% of Increase/Decrease (2015-2014)
Gross Sales	1239467	11	853717	7	2264010	16	1679471	10	2065891	12	2306393	12	1008890	5
Sales Deductions	31388	-18	57176	-40	6379	-7	-21662	27	1627	-2	-75782	75	-24648	14
Net Sales	1270855	11	910892	7	2270389	17	1657809	10	2067518	12	2230612	11	984242	4
Cost of Goods Sold (-)	-2053220	17	-270649	2	-2059597	14	7459092	-45	-7221448	78	-1936134	12	-1145343	6
Gross Sales Income/Loss	-782365	102	640243	-40	210792	-22	9116901	-1222	-5153929	-62	294478	9	-161101	-5
Operating Expenses (-)	-828825	10	-1763103	18	-2026942	18	5431313	-40	4914004	-61	-291582	9	-64628	2
Operating Income/Loss	-1611190	17	-1122861	10	-1816150	15	14548215	-102	-239926	-87	2896	8	-225729	-597
Income and Profit From Other Ordinary Operations	-8729	-41	6834	53	25402	128	43536	96	37884	43	42772	34	48853	29
Expenses And Losses From Other Ordinary Operations (-)	-772378	82	523354	-30	-412247	33	-265907	16	287262	-15	831159	-51	29151	-4
Ordinary Profit or Loss	-2392298	23	-592672	5	-2202996	16	14325844	-90	85220	-5	876827	-59	-147725	25
Extraordinary Incomes And Profits	35307	26	102719	58	363719	130	-334875	-52	352286	114	-360003	-55	-101387	-34
Extraordinary Expenses And Losses (-)	-77792	44	48916	-19	-200522	93	285048	-69	-23664	18	-86263	56	-136825	57
Period Net Income/Loss	-2434782	24	-441037	3	-2039799	15	14276017	-91	413842	-30	430561	-44	-385937	72

The Scope of the Occupational Health and Safety Act No. 6331

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Provisions relating to occupational health and safety had a disorganized appearance within labour legislation until Occupational Health and Safety Act No. 6331 was enacted. The Occupational Health and Safety Act aims to collect the provisions related to occupational health and safety in a single and separate special act. This act was accepted as to be applied to all government and private sector workers, and according to the people included in the scope of the act, the occupational health and safety is not seen as an issue for only the “employee”, but for all workers.

The Act No. 6331 includes all workers except of some certain exceptions. The second Article of the Act states that “This Act is applicable to all employees and their workplaces of all the public and private sectors, including the employers and employer’s representatives, apprentices and trainees regardless of their activities”. Employees subject to the Labour Act, Maritime Labour Act, Press Labour Act, Law of Obligations, and even officers and contracted personnel with public official status are included in the mentioned Act. In the scope of the Act No: 6331, along with all labourers and the public sector employees, apprentices and the trainees are also included. In this act, the definitions of the apprentice and the trainee are not given. Apprentice is a person who is present at the workplace in order to learn a profession or an art. However, trainee is defined as a person who has theoretical knowledge about a profession and trying to develop practical knowledge at the workplace. Apprentices and trainees are not considered as labourers under the Labour Act; but they are also under risk according to the occupational health and safety.

In addition to that, some types of work types and jobs are excluded. The operations of Turkish Armed Forces, the general law enforcement agencies and the National Intelligence Agency are excluded from the scope of the act according to the article (a) of the second subparagraph of the second Article of the Act except for the factories, maintenance centers, sewing houses and similar establishments. In the following subparagraph of article 2, disaster and emergency units’ intervention operations, home services, self-employed goods manufacturers and service providers, training, security and vocational rehabilitation operations carried out within the scope of the improvement of execution services for convicts and detainees have also been excluded from the scope of the Act.

There is a dual distinction in the Act for the operations of Turkish Armed Forces, general law enforcement units and the Undersecretariat of the National Intelligence Agency. Provisions of the Act shall apply to factories, maintenance centers, tailoring workshops and similar other workplaces of these organizations. However, provisions of the Law No. 6331 shall not be applied to workplaces where fundamental operations of these organizations are conducted. This is because the operations done at these units are *sui generis*; they are subject to specific regulations, and legal liability associated with work accidents and work diseases is regulated under the context of administrative law. Thus, it is expedient for the Act not including these operations.

People employed as home workers, who are not covered by the Act No. 6331, are handled differently in the labour legislation, especially in terms of social security. Home services mean daily tasks of a house such as cleaning, laundry, ironing and child care. People who are occupied with these

tasks are under the occupational health and safety risk for the tasks that they perform; yet, they are not protected by the occupational health and safety provisions of the Act.

The provisions of the Act are not also applicable to people who are producing goods and services under their own name and behalf, without being attached to any employer. These are defined as independent workers, and are out of the protection of the Act No.6331 if they carry on working independently. However, if these individuals have employees at workplaces as defined by the Act, and produce goods and services on their name and behalf, the Act No.6331 is applicable.

Those who perform work and services such as work dormitory, training, security and vocational education for the purpose of improving the execution services for convicts and detainees are under the occupational health and safety risk. These people are protected by the social security law but are deprived of the protection of the Act in terms of occupational health and safety.

The Act No: 6331 takes the “workplace” term in a wide scope for the public and the private sector. In the act, “workplace” is defined as “ any organization in which material and non-material elements and workers are organised together to produce goods and services, where the employer is linked in qualitative terms to the goods or services produced and which includes locations linked to the workplace organised under the same management and other premises and equipment such as rest rooms, nursing rooms, canteens, sleeping, washing, examination and maintenance facilities as well as physical and vocational training locations and courtyards”. All workers, trainees and apprentices working at workplaces which are defined in this definition are all in the scope of this act.

The Act No.6331 has *sui generis* provisions in the general Turkish labour legislation. It aims to establish a single legislation in occupational health and safety area by covering almost all private and public sector employees. In the study, we will try to interpret the scope and the exceptions of the recent Occupational Health and Safety Act in the principles of Labour Law in Turkey and to ascertain the application of the Act.

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Information Exchange and Turkey-United States Tax Information Exchange Agreement

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Exchange of information is one of the methods of international investigation that can be used to prevent tax evasion and tax evasion attempts. Information exchange agreements, which are a type of international tax treaties; can be regulated within the scope of other types of international tax treaties which are double taxation agreements and multilateral assistance and cooperation agreements or can be realized separately. The exchange of information, brought up with the Action Plan on Base Erosion and Profit Shifting (BEPS) which carried out in the struggle with double taxation primarily under the OECD framework at the international level, followed up by automatic information Exchange agreements between the countries. The Convention on Mutual Administrative Assistance in Tax Matters, a multilateral agreement developed by the OECD and the Council of Europe, signed by Turkey on November 3, 2011 with all G-20 countries including more than 90 countries. The establishment of a legal basis consist of the implementation of mutual administrative assistance instruments in the fields of automatic information exchange between these countries and Turkey, assistance in collection, notification and foreign tax reviews. However, the legal process concerning the entry into force of this Agreement in Turkey continues. The draft law on the approval of the Mutual Administrative Assistance Agreement on Tax Issues” Although it has already been reached to the Parliamentary Planning and Budget Commission by November 2012, the final state of the draft is still on the agenda of the parliament since it has not yet entered into force. In April 2013, the FATCA (Foreign Account Tax Compliance Act Agreement) was signed between the United States and the 5 EU member states. Then, the OECD published the Standards for Automatic Exchange of Financial Information in Tax Matters in July 2014. At the Global Forum on Transparency and Exchange of Information for Tax Purposes which was held on 28-29 October 2014, Turkey has committed itself to mutual Exchange of financial information by 2018. As a result, although, there are 82 double tax contracts that Turkey becoming a party to, in force in January 2016, the information Exchange agreement in force are two pieces and quite limited. “Enhancing International Tax Compliance through Extended Information Exchange”, published in the “Enhancing International Tax Compliance through Extended Information Exchange, Agreement”, published in the Official Gazette dated 05.10.2016 and numbered 29848, has been signed between the Turkey and United States of America. Therefore, cause of the topicality of the subject and the exchange of information agreement between the United States and Turkey, which is one of the agreements that provide additional arrangements different from the OECD Model Agreement, found to be worth examine in the study.

However, some preparations have to be made by the financial institutions and the revenue administration in Turkey before the automatic information exchange. Identification of individual and institutional accounts, inclusion of existing customers into the system and reporting infrastructure studies should be prepared for automatic information exchange by financial institutions. A system which will implement automatic information exchange in terms of revenue administration, should be established to monitor the correctness of the reporting of financial institutions, automatic information sharing system should be established with secure networks, some measures should be taken in the protection of information privacy using cryptographic and follow-up programs in the system. But, in

order to be able to have equal conditions in countries where there is a possibility of denying the automatic information exchange agreement in the OECD and sharing information in the provisions of the agreements signed with countries such as the USA, which establish their own standards with FACTA derivation agreements, in the provision of articles of information exchange agreements in matters related to privacy, with the intend of foreseen the situations which be included in the scope of the provision that will cause disrupt public order, some mechanisms should be developed by the revenue administration to protect the advantage of Turkey in automatic information sharing with other countries. Nevertheless, it is considered that an important factor that should be taken into consideration when arranging tax information exchange agreements is the selection of the country where tax information exchange agreement will be made for Turkey. As a matter of fact, according to the results of the Financial Secrecy Index (FSI) 2015, published by Tax Justice Network which is a British company, Turkey ranks 19th. Turkey has signed the tax information exchange agreement even though them, Jersey is ranked 16th in the FSI, America 3rd, Bermuda ranks 34th. In this context, it is considered that the agreements of the EU, such as Switzerland, Hong Kong, Singapore and Luxembourg, which will be signed by the countries ranked in the FSI, will play a very important role in reducing the level of tax revenue losses that can be realized through our residents in these countries. On the other hand, Germany with the most commercial relations with Turkey among the EU countries and where most of the Turkish citizens reside, a tax information exchange agreement between the two countries is not required, as the exchange of information is detailed in Article 25 of the double taxation agreement recently signed with this country.

Consequently, tax information exchange agreements should be made after the selection of countries with higher priority in the FSI. Like Turkey has done, instead of tax exchange agreements with islands such as Jersey and Bermuda, it is necessary to choose the countries of critical importance. It will be useful to select the countries that rank higher in the FSI, especially in countries where tax information exchange agreements are to be made, and especially in countries where double taxation agreements are not wanted and countries where Turkish citizens are most resident. However, since the number of Turkish citizens living and working abroad cannot be obtained from the databases of the Ministry of Foreign Affairs and the Ministry of Labor and Social Security, no calculations can be made in this regard.

As a result, one of the regulations introduced in Turkey in Law No. 6737, "Restructuring of Certain Receivables" published in the Official Gazette No. 29806 dated 19.08.2016, is the cash repatriation of 2016. With this arrangement, in foreign countries real and legal entities' gold, money, bonds, stocks and etc. It has been determined that no tax will be levied on the assets, if they bring their assets to Turkey until 31.12.2016. Therefore, it is thought that the automatic exchange of information will positively affect the declaration of foreign assets. Especially before the signing of an automatic information exchange agreement, which provides administrative assistance on international tax matters, since the Turks who have hidden financial accounts in the tax haven countries will declare the revenues they have obtained here because the automatic tax information exchange will come into effect in many countries. So this is a very timely and appropriate application. Moreover, it is estimated that Turkish citizens would prefer to use this application which provides cash repatriation without any examination and taxation to those who declared their assets abroad with the cash repatriation of 2016, unlike the tax asset and peaceful implementations introduced in 2008, 2010 and 2013.

Liquidated Damages Clauses as Standardized Terms of Contract

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Keywords : Law and Economics, Contract Law, Standard Contracts, Liquidated Damages, Standardized Terms and Conditions.

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Due to the difficulty in calculation of damages and the broad judicial discretion available to completely remove the compensation in accordance with the general principles of damages, it is uncertain whether the performing party will have a compensation payment in case of breach of contract. Within the framework of freedom of contract, parties, through making an agreement, can specify the sum that will be paid on the failure of a party to perform or comply with one of the contractual obligations. At this point, liquidated damages can be stipulated to eliminate the uncertainty in calculation of damages and exclude the broad judicial discretion available to completely remove the compensation. Liquidated damages are defined as specified sums agreed to be paid in case of breach of contract by the debtor to recover the loss of the creditor. The transaction where the liquidated damages stipulated is called liquidated damages agreement. In the strict sense, the concept of liquidated damages only refers to specified sums agreed to be paid in case of breach of contract by the debtor. However, in broad terms, the concept of liquidated damages not only refers to specified sums agreed to be paid in case of breach of contract by the debtor but also refers to liquidated damages agreements where the liquidated damages stipulated.

Standardized terms of contract are terms and conditions of a contract set by only one of the parties with the intention of using in many similar future contracts. Liquidated damages clauses are commonly used in the contracts including standardized terms and conditions. The contracts including standardized terms and conditions are especially used by banks, insurance companies, travel agencies, tour operators and commercial enterprises selling durable consumer goods. Additionally, standardized terms and conditions are used in sales contracts set in advance by the seller for installment, distant or doorstep sales. Standardized terms and conditions are based on the knowledge and the experience gained from such transactions. Liquidated damages agreements are for legal certainty and transparency in a contractual relationship between the parties. While making a liquidated damages agreement or stipulating a liquidated damages clause, the parties of the contract try to make a risk assessment, which gives them an opportunity of analyzing profit and loss account. The reason why liquidated damages clauses are commonly used in the contracts including standardized terms and conditions is that considering the knowledge and the experience gained from previous transactions and considering the probability calculations and the statistical information, liquidated damages produce a uniform solution to frequently encountered disputes.

Standardized terms of contract are subject to several compulsory legal rules stipulated in the Code of Obligations numbered 6098 and the Law on Consumer Protection numbered 6502. The purpose of this study is to examine the status of liquidated damages clauses under these compulsory legal rules since liquidated damages clauses are commonly used in the contracts including standardized terms and conditions. The method used in this study is the argumentative analysis method. Through the research, the validity of liquidated damages clauses under the compulsory legal rules related to standardized terms of contract which are stipulated in the Code of Obligations numbered 6098 and the Law on Consumer Protection numbered 6502 have been argued.

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Conflict of Natural Law with Positive Law: Example of the Wealth Tax

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Keywords : Philosophy of Law, Positive Law, Natural Law, Human Rights, Wealth Tax.

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Natural law is used to represent the ideal legal order. Natural law is a teaching that holds fundamental rights acquired from being human. The concept of positive law refers to the law in force. In other words, the understanding of positive law reveals the single and real law, which is in force. From ancient Greece to today ideal philosophy of law has been in conflict with the existing legal system. Sometimes natural law was dominant, but sometimes the positive law has lead mainstream philosophy. In essence, there is often a dilemma or contention between these two law philosophies.

The natural law and positive law had different opinions about concept of justice, equality and freedom. According to the understanding of natural law, human rights have been regarded as ideal rights and they have been a common idea that all mankind possesses and must have. In this context, it is not a matter of whether a right belonging to the ideal rights is included in the positive law. On the other hand, according to the concept of positive law, human rights can be defined as rights created in writing by a competent agent in a certain place and at time, nationally or internationally. As seen, both approaches to human rights provide different views.

The superiority of positive law until the twentieth century has left its place under natural law with the influence of changing socioeconomic structures. Natural law in particular, keeping human rights above all, even from the state, can be seen as a sufficient example to reflect the new philosophy of law. In this context, Wealth Tax, which was applied in Turkey for a short period of time in 1942-43 and which has been removed from the reactions, is only one of the cases where natural law lost its superiority over positive law. With the Wealth Tax law concept of equality, justice and freedom has been ignored. The reason for the taxation of wealth tax is shown as taxing high profitability arising from war and has not targeted any group of people, ethnic group. Except for the official reason and written statement of the law, in practice, the tax has made the taxpayers of ethnic groups accountable to certain groups living in the country.

In the study examination of the Wealth Tax in the context of natural law and positive law is aimed. In addition, the socioeconomic aspects of the Wealth Tax have been discussed and tried to put forward the effect created in the legal perspective. The original aspect of the work was the application of the Asset Tax in the context of positive law and the opinions and recommendations of the natural law philosophy against this law.

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29 April 2017 Saturday

Session: VI-C / 11.30-13.00

ECONOMIC ANALYZES ON TURKEY

Room: *Symyrna I*

Chair: **Hakan AY**

- Impacts of Labor Union Activities on Job Quality: Evidence from Waged Workers in OECD Countries

Ozge DEMIRAL

- Sustainability in Logistics Industry

Gul SENIR & Rabia EFEGLU

- The Role of State Economic Enterprises in the Provision of Regular Labour Force in Turkey: Case of SEKA Paper Factory in the Early Republican Period

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- The Validity of EKC Hypothesis for Turkey: Fourier Cointegration Test Results

Ali Eren ALPER

Impacts of Labor Union Activities on Job Quality: Evidence from Waged Workers in OECD Countries

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Keywords : Union Density, Job Quality, Waged Workers, Panel Data Analysis, OECD.

JEL Classification Codes : C33, J51, J80.

This paper aims to identify whether dense labor union activities of waged workers contribute to the overall job quality in countries using a sample covering 23 OECD countries' 9-year (2005-2013) panel data. The union density is the ratio of wage and salary earners that are union members, divided by the total number of wage and salary earners while job quality is measured in three dimensions: earnings quality, labor market insecurity and quality of working environment. Results from panel data analysis do not strongly support the evidence predicting that dense union activities improve overall working conditions. This finding keeps the door open to the debates on the real benefits of union membership and union premiums.

Introduction

Labor unions are groups of employees who come together to maintain and/or improve their terms and conditions, through collective bargaining with employers. Unions negotiate for not only their members but also for the non-members that develop externalities for the overall working environment. In practice, main bargains and negotiation processes between union and employers are about national minimum wage, worker safety, shorter working hours, paid parental/maternity leave, reduction in exploitation, minimum holiday and excuse entitlements, the absence of gender discrimination, unemployment insurance, *etc.* for everyone. Moreover, unions make many local agreements and organize activities on issues affecting general workplaces in societies (Verma, 2005; Dawkins, 2010; Visser, 2015). Beyond these benefits, union protection becomes more important especially in crises times, where employees can lose many interests, even their jobs (Leschke *et al.*, 2012).

Consequently, it is expected that dense union activities in a country somehow improve employees' conditions and protects them in many ways. Starting from this intuitive premise, this study purposes to identify whether labor union density affects job quality using a country-level panel data set covering 23 OECD countries and the period of 2005-2013 depending on the data availability. Labor union density corresponds to the ratio of wage and salary earners that are labor union members, divided by the total number of wage and salary earners. In OECD framework, the density is calculated using OECD's survey data, wherever possible. Where such data are not available, union membership and density were calculated using administrative data adjusted for non-active and self-employed members. Job quality has many aspects that the OECD (2017) arranges into three main groups: earnings quality, labor market security and quality of the working environment. In the organization of the study, the next section summarizes the conceptual framework and directions together with the hypothesis based on the evidence in the existing empirical literature on the topic. Then, the following section briefly explains the variables and presents the model and the data. After the analysis procedure is summarized, the study concludes with the presentation and a short discussion of the estimated results in the final section.

Conceptual Framework and Hypothesis

The main indicators of working environments are hiring and firing processes, working hours, and job quality. Measuring and assessing job quality is a hard challenge for business scholars. Moreover, evaluating the contribution of unionization on job quality is more difficult since there is no consensus and internationally comparable data. Recently, OECD (2017)'s data sets on the job quality and the labor union (trade union) have filled this gap and enabled researchers to examine the nexus empirically.

Related to the job quality indicators, both employees and employers especially in the developed countries as most OECD-members are, adhere to prescribed labor standards that are regulated either by law or collective bargaining agreements. Admittedly, the unions have important functions in these benefits depending on their negotiation powers. Therefore, the theoretical frameworks established by some empirical studies point to the premise that the density of union leads to a higher job quality proxied by various indicators (Verma, 2005; Simms, 2017). However, the evidence in the related literature that unionization can cause dissatisfaction with job and therefore organizational commitment (Borjas, 1979; Hammer & Avgar, 2005; Bryson *et al.*, 2010) points to members' higher expectations of union premium and underlines the importance of exploring the linkages between unionization and job quality.

Since the term of job quality has many aspects that can be grouped into three as i) earnings quality, ii) labor market security, and iii) quality of the working environment, we establish the hypothesis capturing the variations over these three dimensions as '*the density of trade union improves job quality measured by earnings quality, labor market security, and quality of the working environment*'.

Model, Variable, and Analysis

Establishing the hypothesis in panel data framework, we have three regression models as follows:

$$\begin{aligned}
 i) \quad \ln(\text{earnq})_{it} &= \alpha_1 + \beta_1 \ln(\text{tud})_{it} + \varepsilon_{1it} \\
 ii) \quad \ln(\text{labmsec})_{it} &= \alpha_2 + \beta_2 \ln(\text{tud})_{it} + \varepsilon_{2it} \\
 iii) \quad \ln(\text{workenq})_{it} &= \alpha_3 + \beta_3 \ln(\text{tud})_{it} + \varepsilon_{3it} \\
 (i = 1, \dots, 23; \quad t = 2005, \dots, 2013)
 \end{aligned} \tag{1}$$

Where, all variables are transformed into the natural logarithmic forms (*ln*) and *earnq*, *labmsec* and *workenq* are earnings quality, labor market security, and quality of the working environment, respectively; *i* and *t* denote the countries and years while α_1 , α_2 , and α_3 are country-specific intercepts. The error terms, ε_{1it} , ε_{2it} , and ε_{3it} comprise cross-sectional and temporal influences of all other factors not included in the model. Finally, β_1 , β_2 , and β_3 are the parameters to be estimated.

In the analysis procedure followed, we first present the descriptive statistics on and correlation matrices among the variables. In the choosing the best-fitting estimation model from pooled, fixed effect and random effect regression models, we perform various tests such as the F-test, Lagrange multiplier (LM) tests and Hausman test. Consequently, following these test statistics, the regression models in equation (1) are separately estimated using the cross-section fixed effect model.

Results and Conclusion

Beyond just having a job, what kind of jobs that employees have matters for their job satisfaction which is also strongly related to their life satisfaction. Starting from the importance of what affect the job quality, this study tried to explore the relationship between the density of trade union activities and job quality for OECD countries. The global and country-specific data characteristics and main findings obtained from different analysis techniques can be summarized as follows: i) job quality and trade

union density levels in OECD countries remain highly diverse that there are significant changes over time, countries, and employees' demographics (age, education, and gender). ii) In general, the trade union density has decreased in OECD average. This tendency indirectly reveal that trade unions seem to be neutral and inactive in the interchange between job quantity and job quality. iii) Historical trends also indicate that even the employees have not been worse off in general, they seem to have faced some losses in labor market insecurity and quality of working environment. iv) Overall results contribute to the discussions on the politicization of unions, real benefits of union membership and union premiums.

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Sustainability in Logistics Industry

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JEL Classification Codes : L91, Q56, Q00.

According to the United Nations, sustainability is defined as the ability to meet the needs of today's generation without compromising the ability of future generations to meet their needs and to meet human standards of living. Sustainability focuses mainly on the areas of environmental, economic and social needs and sustainability studies are integrated with many aspects of social performance such as pollution of natural resources such as water, air, land, energy consumption, waste and water management, economic data and business risks, employee health and work safety and develop solutions and suggestions for possible improvements.

Today, with the globalization of trade, the importance of international trade has also increased. Transportation methods used to transport a commodity or an object from one point to another cause the release of gases that adversely affect the nature, and these gases cause global warming. When the distribution of greenhouse gas emissions in the logistics sector in the world is examined, 89% are transported and 11% are from installations and warehouses. It seems that the logistics activities are due to the circulation and business functions that can directly affect climate change. For this reason, it is necessary to establish better transportation systems without creating more pollution and it is possible to reduce the negative effects on the environment with effective logistics management. Logistics service providers are especially interested in using new technologies related to clean vehicles and fuels, establishing green buildings, providing training to suppliers, customers and employees, recycling and waste management, should be active in the contexts. They are also responsible for monitoring sustainability in non-renewable energy sources, in the use of materials and in logistical activities such as how to use and process the products when their life cycle comes to an end.

Turkey signed the UN Framework Convention on Climate Change (UNFCCC) on 24 May 2004 and the Kyoto Protocol on 26 August 2009. Companies in Turkey need to implement more environmentally friendly policies under both the UNFCCC, the Kyoto protocol and the EU harmonization laws. Leading companies operating in the logistics sector in Turkey publish sustainability reports based on the Global Reporting Initiative (GRI) standards, which are widely accepted throughout the world for sustainability reporting. Companies can share the environmental, social and economic results of its activities and products-services with sustainability reports.

In this study, it is aimed to examine the environmental performances of leading logistics companies in the logistics sector which published the sustainability report. From the sustainability reports of the companies surveyed, the topics such as the amount of water recycled as environmental performance indicators, the amount of energy savings and the amount of emission reduction obtained by efficiency studies, and the amount of hazardous and non-hazardous waste were selected. In this context, the concept of environmental sustainability in terms of the logistics sector, the necessity of ensuring the sustainability of sustainability concept for the sector is addressed.

The Role of State Economic Enterprises in the Provision of Regular Labour Force in Turkey: Case of SEKA Paper Factory in the Early Republican Period

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JEL Classification Codes : J21, J81, J82, L32, N30.

The developments in the economics in the Republican period have led to remarkable changes in the workforce. Some differences have emerged in the sectoral distribution and the structure of the employment. Numerous Public Economic Enterprises were started in the 1930s, when statist-economic policies were pursued. Thus, proletariat was born and developed in a modern way.

These large-scaled public-economic enterprises, which were formed with modern production techniques, had a great effect on labour relations. Numerous problems regarding labour force occurred while there was a great increase in the public employment volume.

Serious steps have been taken in time to deal with these problems and to provide regular labour force. During this period, it is difficult to define those who work in the industrial areas as “the industrial worker” because of their education, work experience, working habits, and social behaviour patterns.

This group was formed by people who used to work as workers at certain times of the year to get an extra income so they kept their ties with agricultural sector. Not only do these people fall behind the necessary qualifications required by the industrial world in terms of work experience or vocational education, they also showed socially different behaviours from an industrial worker’s behaviours.

This ‘worker’ profile was not appropriate for the interlocutory industrial foundations which had modern technologies, so he caused problems for the industry which was desired to be developed in the Republican Period. The most important of these problems was that labour turnover rate was high.

The fact that there was not a regular labour force was one of the biggest handicaps to train qualified personnel. Thus, it was needed to take some precautions which would maintain the labour force and make the factory work more desirable. In this research, the working conditions of the workers in the first years at Izmit SEKA factory, one of the first industrial foundations in Turkey, will be evaluated together with the applications and precautions that were taken to provide regular work power. The evaluations will be enlightened by the reports from the State Supervisory Council. These reports, which have been annually released since the foundation of the factory, contain important knowledge and evaluations regarding the labour force issue at the factory. Problems in the first decade that are mostly mentioned in those reports are the frequent change of the civil servants or the workers, the lower wages and not having qualified workers. When the term ‘industrial worker’ was not used in today’s concept, some steps were needed to be taken to encourage these workers that were not suitable for the factory discipline to work at the factory. In the 1939 State Supervisory Council report, it was stated that the labour force needed to be taken under strict control and some ways were urgently needed to be found to satisfy the workers both financially and morally. By regulating the wages and the working conditions of these people, it would be possible to have a regular work power and thus a qualified worker would be trained; thus, the productivity would be higher.

In the year, 1936, when the factory started to operate for the first time, the number of the employees was just a little over 500. When the factory was 5 years old, this number had reached to 1000 and when

the foundation finished its tenth year, the number of the employees was over 2000. These people had several problems including the working conditions, wages, education or accommodation. In a non-industrial society, these problems were needed to be overcome by more trial-and-error methods in time. The problem that concerned all the employees was the fact that turnover of civil servants and labourers was high, specifically in the first years. For instance, the rates of those who left their jobs and were re-employed in the year 1940 sometimes reached up to 50% and even exceeded this rate. The reasons of this were respectively as the follows: being conscripted, the employees keeping their ties with the agricultural sector, lower wages and the lack of social security and insurance system. It would only be possible to decrease the labour turnover after several years. The high rate of the labour turnover and the labourers' not having required skills used to be observed in the quality and quantity of the product, the use of machines and the materials by inexperienced workers used to be abrasive and so the management used to be forced to employ more workers in order not to cause a crisis in the productivity.

According to a calculation which was made in 1947, the rate of workers who worked in the foundation for 10 or more years was 7%; yet, the rate of those with 5 years or less service records was approximately 83%. It can be said that the situation was the same for the civil servants to some extent. According to another calculation made in 1944, while the rate of the workers employed in the last three years reached over the total civil servants, the rate of all the employees could not reach up to 15% after the year 1937. Another basic problem was that both workers and civil servant staff was over the capacity.

This was caused mainly by the attempts to solve the quality problem of the employees with the quantity approach. The number of worker-foreman-master that was foreseen by the founder of the factory, Voith Company, could not reach to 700 in 1943. However, this number was almost twofold in Izmit. It cannot be said that the wages were sufficient for the majority of the employees during the years in question.

This situation got much worse during the years of war, however, some progress was observed after the war. The average payment per hour was 25 kurus in 1946 and the average daily wage was 2 liras. In the same year, approximately 71% of the staff was in the group in which the daily payment was 200-500 kurus and 27% of them were received 48-176 kurus. Only 1 % of the staff received 520-800 kurus. It can be said that this situation was a bit better for the civil servants than the workers. For instance, while the average salary for the civil servant was 181 liras in 1946, it was 84 liras for workers.

The issue of training the workers is one of the most effective ways to provide regular and qualified labour force. It is necessary to say that education plays an undeniable, significant role at the very beginning of the factory. However, in-service training had a more regular form in 1941 and 5 different courses were opened. Those were called Assistant worker course, Nominee Apprentice Course, Supply Hall Worker Course, Foreman Course, Mastering Course. Besides this, 13 young people were sent to Germany and Finland and trained there between 1934 and 1944; in addition, 5 students were sent to Sweden between 1944 and 1945.

Solving the accommodation problem of the workers and helping them to own a house are the issues that hold a critical importance to encourage the worker to stay at the factory. Public housing, called *mission houses*, were started to be built while Izmit paper factory was being established. Yet, these houses hosted the factory managers, some officers, the drivers, the doormen and telephone operators who needed to be inside the factory due to their jobs. In 1943, for example, 23% of the officers used to stay in the factory houses, others stayed in the city centre. The workers didn't use to have such an opportunity. Even though it was decided to build houses for the workers, the construction could only start in 1943 and only a few of the houses were completed because of the lack of cement. No more than 35 workers could only have benefitted from these houses apart from some officers, foremen, apprentices, some of the cleaners, drivers and telephone operators. Only 51 houses for the officers and

44 houses for the workers were completed by the end of 1946. Under these circumstances, 10% of the officers and only 2% of the workers used to stay in factory houses.

After the year 1940, the workers started to be provided with some necessary clothes such as uniforms or shoes. The total expenditure for this task was over 50.000 in 1945. The factory helped the workers to have a social and cultural life with some social activities. And by doing this, it helped them to have strong feeling towards the factory.

Another activity area to which the factory gave great importance was sports. Kagitsport Club, which was founded in 1937, took part in a lot of sport branches such as football, basketball, wrestling, boxing, sailing, athletics, volleyball and rhythmic gymnastics.

In the early 1950s, the club was especially successful in boxing and wrestling. Turkey, Balkans, Olympics and World Champions came from this club. As well as these sport activities, the factory also started cultural and artistic activities from the first years of the construction. There used to be a cinema hall in the 1940s and a film was shown twice a week.

Not only conferences but some other ceremonies such as family reunions or wedding ceremonies were also held in this hall.

Izmit SEKA Paper Factory is one of the first attempts in the industrialisation in Turkey to set the factory regime. As one of the first State Economic Enterprise, SEKA holds a great importance because it experienced all the problems and the solutions to these problems while changing from agricultural labour to factory labour. For these reasons, it is of great importance for the history of labour in Turkey.

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Openness to International Trade, Human Capital and Economic Growth in Turkey

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Keywords : Bounds Testing Procedure, Economic Growth, Human Capital Accumulation, Openness to International Trade, Turkey.

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Generally, it is argued that a positive relationship is found between a more open economy, a higher level of human capital accumulation and economic growth. In the field of macroeconomics, both neoclassical growth models of Solow (1956) and endogenous growth models of Romer (1990) and Lucas (1988) argues that human capital accumulation has a positive impact on economic growth. According to the endogenous growth theory, either human capital or trade is the primary driving force of economic growth, progress, and a better life. Barro (1999) suggests that human capital accumulation (strong secondary and higher schooling) plays an important role in the diffusion of technology. Human capital theories advocated by Schultz (1961) and Becker (1964) state that human capital investment, by means of education, enables increased labour productivity. Thus human capital accumulation (high-qualified labour) promotes the use of technology and production and exports of high value-added goods and an overall increase in economic growth.

The relationship between international trade and economic growth has been studied since Adam Smith's concept of absolute advantage and David Ricardo's notion of comparative advantage. After specialization and free trade, all countries will benefit and they will be better off. Trade liberalization and increased openness can affect economic growth by reallocating resources among sectors and industries, encouraged capital accumulation, knowledge spill overs and the trade-mediated technology. A more open economy enables to learn and transfer new technologies and inputs from abroad and thus allows to increase domestic productivity and efficiency. Chuang (2000) and Tsen (2006) argues that opening up trade also allows domestic production to achieve a higher level of economies of scale through exports to international markets. In this context, openness to international trade creates opportunities and increases the return on human capital, and hence stimulates the accumulation of human capital. Adaptation and the diffusion of technological knowledge (management, marketing, and production skills) lead to promote accumulation of human capital. Moreover, by considering the two opposite effects of openness to international trade, capital flows on human capital accumulation in developing countries, which is the substitutability between physical capital and unskilled labour and the complementarity between physical capital and skilled labour, Stokey (1996) states that openness leads to increase wage rates and skill premium, and thus accelerates investment in human capital. Furthermore, a bilateral relationship could be found between economic growth and openness to international trade and human capital accumulation. Economic growth both stimulates openness to international trade and human capital accumulation. An increasing economic achievement enables to increase investment (physical and human) and socio-economic expenditures. Thus the increase of economic productivity/efficiency stimulates economic growth and creates the comparative advantage for exports.

Turkey is a large country with a significant stock of human resources. While the educational attainment in Turkey has increased over the period and the educational opportunities have expanded significantly, the educational level of population and employment are still at their lower level. Population trends and projections indicate that while Turkey's demographic transition is almost over

Turkey is considered under a 15-year window of demographic opportunity. Especially, in order to benefit from the demographic window of opportunity Turkey needs to create employment and to increase its human capital stock. The Turkish economy started to made changes in the economic policy and ensured liberalization and pursued an export-led growth policy in 1980, thus human capital accumulation becomes a necessity for sustainable economic growth and international competitiveness for Turkey.

In this context, the main objective of this study was to examine the short-run and long-run causality among openness to international trade, human capital, and economic growth in Turkey over the period of 1980-2013. Considering the data availability and the sample size, this study employed the longest available series of the data and comprises the openness period of Turkey. Once cointegration between the variables is confirmed by using the autoregressive distributed lag (ARDL) approach, the Toda-Yamamoto causality tests are also conducted to identify the relationship among openness to international trade, human capital and economic growth. This research differs from prior work in that it considers an application of the different economic techniques both ARDL cointegration approach and Toda-Yamamoto causality tests. Second, while the prior work for Turkey focuses on the export-led growth hypothesis (only the contribution of exports to economic growth), this study focuses on the contribution of openness of an economy to international trade on its economic growth.

In this study, instead of real GDP (to avoid country size and scale effects), economic growth is measured by the real gross domestic product (GDP) per capita. Real GDP per capita in Turkish Lira (TL) is deflated by the consumer price index (CPI) (2000= 100) of Turkey. Openness to international trade is computed as $(\text{exports}+\text{imports})/\text{GDP}$. Gross schooling rate for total higher education is used as a proxy of human capital formation. All data are collected from TurkStat (Turkish Statistical Institute).

The main findings indicate that openness to international trade and human capital accumulation have a significant and positive long-run impact on economic growth. The findings of the bounds testing approach to cointegration also suggest a co-movement among those variables. Therefore, to determine the causal direction between variables, a modified version of the Granger causality test due to Toda & Yamamoto (1995) is applied. Toda-Yamamoto test result suggests a significant unidirectional causality running from human capital accumulation to economic growth. In line with the previous studies, the accumulation of skilled labour is an important source of Turkey's economic growth. Moreover, a significant unidirectional causality found from human capital accumulation to openness to international trade. Skilled labour reinforces the openness to international trade in Turkey. However, no causality was found between openness to international trade and economic growth, although there was a channel, namely through the human capital accumulation of skilled labour affects openness and thus economic growth. Through the increase of education, the structural shift of Turkish economy and labour markets can be favoured the openness to international trade. Skilled labour which reinforces the competitiveness in the international market and boosts the country's long-run growth. The results from Turkey's developmental experience thus supports human-capital-based endogenous growth theory. In addition, human capital accumulation stimulates openness to international trade.

The Validity of EKC Hypothesis for Turkey: Fourier Cointegration Test Results

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Keywords : EKC Hypothesis, Fourier Cointegration, CO₂.

JEL Classification Codes : Q50, C32, O44.

The main purpose of this study is to test the Environmental Kuznets Curve (EKC) hypothesis in Turkey using the annual data obtained from the World Bank between the years of 1970 and 2015. To this end, the Fourier Cointegration Test and dynamic ordinary least squares method is employed. Estimated coefficients of *GDP* and *GDP*² variables are found positive and negative, respectively. These results prove the existence of the EKC hypothesis in Turkey in the long-term.

Introduction

Nowadays, the quality of living conditions especially within environmental life along with rapid economic development assumes even greater importance for the people. Therefore, the relationship between economic growth and environmental change is one of the leading issues on which economists have been conducting studies extensively.

As a result of these studies, climate change and global warming have been identified as two of the most important problems that the world has ever encountered in the 21st Century. According to the Intergovernmental Panel on Climate Change (IPCC) Report, the 12-year period between 1995 and 2006 has been the hottest since 1850. By 2100, the global sea level is projected to rise by about 16.5 - 53.8 cm should global warming continue on its current path (IPCC, 2007). The consequences of these environmental threats and the achievement of sustainable development while challenging them have become the core research subjects for economists. Although global warming is caused by gasses such as carbon dioxide (CO₂), sulfur dioxide (SO₂), methane (CH₄), nitrous oxide (N₂O), CO₂ has the largest percentage share in greenhouse gas emissions, according to the IPCC (2007) Report.

Economists began to examine the systematic relationship between income and environmental changes by the early 1990s with the study conducted by Grossman and Krueger (1991). The *Environmental Kuznets Curve* (EKC) is first coined by the study. The EKC hypothesis constitutes a relationship between environmental pollution indicators such as CO₂ or SO₂ emissions and per capita income levels. The EKC hypothesis, having a reverse U shape, claims that environmental pollution first rises and then will decrease along with the rise in income after a certain level of income per capita.

Data and Econometric Methodology

The main purpose of this study is to test the EKC hypothesis in Turkey by using the annual data obtained from the World Bank between the years 1970 - 2015. To this end, the model given in Equation (1) is estimated by Fourier Cointegration Test using Eviews 9.5 econometric software program.

$$CO2_t = \beta_0 + \beta_1 GDP_t + \beta_2 GDP_t^2 + \beta_3 EC_t + \varepsilon_t \quad (1)$$

CO₂ emissions in the model are in metric tons per capita, per capita income (GDP) 2010 is in USD, and the energy consumption (EC) is in kilograms of oil equivalent per capita. If the coefficient β_1 is found to be greater than zero and if the coefficient β_2 is found to be equal to zero, a uniformly

increasing linear relationship would be detected along with the fact that the increase in the emission volume is accompanied by the increase. If β_1 is to be found negative, and β_2 to be found positive; the existence of a U-shaped relationship would be detected. If β_1 is to be found positive, and β_2 to be found negative; the existence of a reverse U-shaped relationship would be detected as a proof of EKC hypothesis.

The applied Fourier Cointegration Test has two advantages over other cointegration tests. The first advantage pertains to the method's ability to detect both sharp and smooth breaks. The second advantage is that it is not necessary to determine the numbers and dates of the breaks. This provides the use of the method with flexibility in various empirical applications (Banerjee, 2016).

The analysis is carried out in three phases. Firstly, the unit root test is performed on the series included in the analysis. In the second phase, the Fourier Cointegration Test is performed on the series. The existence of the cointegrated relationship is tested in the null hypothesis, while the non-existence of the cointegrated relationship is tested in the alternative hypothesis. If the existence of a long-term relationship between the series is detected, the coefficients will be estimated with the Dynamic Least Squares Method (DOLS) at the end of the analysis.

The procedure of the DOLS method is to include the lags and the leads of the independent variable in the equation of cointegration. The DOLS method, as a result of performed Monte Carlo simulations, gives more reliable results in the case of small samples compared to alternative estimators, (Irffi *et al.*, 2008). According to Stock and Watson (1993), the existence of the leads and lags of different variables in the equation also overcomes the problems of coherence and small sampling.

Empirical Results

Prior to the application of the Cointegration Test, it is necessary to determine the degree of integration of the series in the first phase. Because the Fourier Cointegration test functions under the assumption that the series are I (1). For this reason, unit root analysis is to be performed initially on the series with the help of ADF and KPSS tests. The test results are shown in Table 1.

Table: 1
ADF and KPSS Unit Root Test Results

At Level	ADF		KPSS	
	Intercept	Intercept and Trend	Intercept	Intercept and Trend
CO2	.9950	.1231	.8658	.8231
GDP	.9994	.7126	.8528	.1969
<i>GDP</i> ²	.9993	.9421	.8178	.2129
EC	.9999	.2611	.8655	.1451
1 st Difference	ADF		KPSS	
	Intercept	Intercept and Trend	Intercept	Intercept and Trend
CO2	.0089	.0487	.0817	.0826
GDP	.0000	.0026	.2574	.0905
<i>GDP</i> ²	.0000	.0000	.4398	.1213
EC	.0000	.0126	.0736	.0748

The results indicate that all variables are non-stationary at the trend and trend & intercept models in both unit root tests. The series are determined to be stationary once the first differences of the series have been taken. Therefore, all series are determined to be I (1).

In the second phase, Fourier Cointegration Test is applied to the series. The null hypothesis cannot be rejected if the test statistic is less than the critical values, i.e., the existence of a long-term relationship between the series is accepted. The test statistic calculated in accordance with the Fourier Cointegration Test results is found as .042. Since the estimated test statistic is smaller than the critical value at 10% significance level, the basic hypothesis cannot be rejected, and the existence of a long-term relationship among the series is determined.

In the third phase, the coefficients regarding the series among which a long-term relationship exists are estimated using the DOLS method. In Table 2, the long-term coefficients are shown.

Table: 2
DOLS Estimate Results

	Coefficient	Standard Error	Probability Value
GDP	.019	6.44E-05	.004
GDP^2	-1.12E-08	1.63E-09	.000
EC	.029	.003	.000

Conclusion

This study tests the EKC hypothesis between per capita income level and per capita CO₂ emissions by utilizing the annual data obtained during 1970-2015 in Turkey. Therefore, the Fourier cointegration test and the DOLS estimation method which take the breaks into consideration are used in the study. The coefficients of *GDP* and *GDP*² variables are rendered positive and negative, respectively; and both coefficients are found to be statistically significant. These results prove the existence of the EKC hypothesis in Turkey in the long-term.

The most important policy outcome stemming from the results would be that the increase in economic growth is necessary to reduce environmental pollution, and environmental pollution tends to diminish as economic development continues. The economic development supported by incentives would reduce CO₂ emissions in Turkey. The high growth figures would lead to the increase in environmental quality by the exclusion of polluted and inefficient technologies from the production chain, as well as by the inclusion of environmental- friendly technologies.

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