

# Contemporary Studies in Social Economic & Financial Analysis



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**Sadullah Çelik, Osman Küçükahmetoğlu, & Julia Dobрева**

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# **Contemporary Studies in Social, Economic & Financial Analysis**

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Contemporary Studies in Social, Economic & Financial Analysis  
(Edited by: Sadullah Çelik, Osman Küçükahmetoğlu, Julia Dobрева)



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## Introduction

# Contemporary Studies in Social, Economic & Financial Analysis

*Sadullah Çelik*  
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The recent global economic and financial crisis has questioned our understanding of not just only mainstream economics but also many social disciplines that interact heavily with economics as a social science such as sociology, psychology, management and organization. In this sense, it has been argued that the conventional thinking in economics has lacked the ideology, methodology and the intuition to offer solutions to fluctuations that are at the level of the Global Recession of 2007-2009. Brown & Spencer (2014) argued that economics and other disciplines can only be brought together for the well-being of a society through an unconventional approach such as the heterodox economics.

As a social science economics is only at its infant stage at best when compared to normative sciences. However, there was some consensus on the argument that other social disciplines like sociology, psychology and management were there to rescue economics, especially in times of broad fluctuations that affected the world economies. In a recent research, Hanfstaengl (2010) found that there has been a significant decline in the funds available for the civil society organizations during and after the global and economic crisis, pointing to the sophisticated nature of the relationship between economic activity and expectations.

On the other hand, the ultimate distinction between micro-economic and macro-economic studies has underlined the need for a coherent economic perspective in many areas of economics, causing chaos and problems rather than consensus and solutions. Unfortunately, the Global Recession has worsened this condition with macroeconomists trying to come up with solutions to save the fundamentals of economics that have been thought to reflect the real-world as much as possible. Hence, many disciplines like sociology and psychology that have been vital for economics in its ground-breaking steps were not considered at the forefront of the discussions (Baddeley, 2010).

The chapters included in this volume are composed of some selected contributions from the 8th International Conference of Political Economy (ICOPEC 2017) held in Belgrade on June 28-30, 2017 with the main theme of “Institutions, National Identity, Power, and Governance in the 21st Century”. All chapters are peer-reviewed by both the editors and independent scholars from the fields relevant to the manuscript's subject area. The purpose of the volume is to provide and enhance our understanding of the recent trends in the social, economic and financial analysis. Therefore, this volume includes chapters that focus on the importance of these three disciplines of social sciences which interact heavily with almost every other social science as well as the normative sciences. In this sense, this volume aims at providing a contemporary update to the literature from various different perspectives and tries to contribute to our knowledge in an effective manner. The chapters do not only present analysis of certain topics but also help to build the mindset for further studies that would be helpful in looking for answers to some of the remaining questions in these three crucial social sciences disciplines. Hence, we are glad to put together a volume that would be useful to a large audience rather than just the technical experts.

In the 2nd chapter, Erdoğan et al. study the public finance literature from a different perspective. They distinguish between the public sector and the private sector in terms of activities and argue that the collective needs of the individuals are met in different manners in both of these sectors. Hence, they ask whether the literature treats the collective needs as a primary topic rather than de-emphasizing it with concepts like individual utility maximization and firm cost minimization. In this sense, they investigate if the public finance literature does not really pay enough attention to the collective needs through examining the most preferred 10 Turkish Public Finance text books within the scope of their study. Their main finding is that collective benefits

remain in the shadow of private benefits in these text books, a point which needs to be studied further so that textbooks start to adapt to the changing needs of the individuals.

In the 3rd chapter, Orhan Oğuz and Nadir Eroğlu aim to test the legal, political, and economic institutional structures which have an effect on income inequality and in what direction. Their study covers 89 countries in the upper, middle-upper and middle-lower income groups, for the period 1995-2013. They employ the up-to-date and powerful dynamic panel data technique for their empirical analysis. Their main findings suggest that the institutional factors are affected in different directions and significance levels of each group. Hence, income inequality stands as a major obstacle for most of the world economies although there have been many different approaches that have underlined its disadvantages on the households and firms.

In the 4th chapter, Albeniz Tuğçe Ezme aims to show the history of rapid urbanization in Turkey as a developing nation, and the concept of “gecekondu” as a result of this rapid urbanization period. She concentrates on the gecekondu settlements as a solution of the housing problem and as a tool for development in Turkey in the 1950s and 1960s. Hence, her paper tries to explain how the solution of gecekondu was transformed into a problem in cities by political and economic situation of the country. This chapter is comprised of four parts, aside from the introduction and the conclusion; in the first two sections, after a literature review on the facts concerning gecekondu is examined, the evolution of the gecekondu settlements is described on the industrialization, urbanization and modernization period of Turkey. Following section examines the effects of gecekondu areas on physical, environmental, socio-cultural, economic, and political structure in the city of Istanbul and juridical structure of the country. Finally, the fourth section analyzes the effects of globalization and transformation project as a solution.

In the 5th chapter, Birgül Alıcı and Ömer Aydınlioğlu study the importance of animated movies in consumerist societies. They argue that children are being exposed to numerous messages from media tools, make demand for various popular culture products of animated movie characters presented by brand and licensing firms. Their results show that the animated movies help children consume through main characters, the movies approve the continuing needs that the characters express and they help the children acquire consumption habits as consumers. Accordingly, as the animated movies not only enable the child target audience acquire good consumption habits but also help them raise local or cultural values of consumption. Therefore, the animated



movie contents related with these outcomes should be produced and the number of the animated movies that are educative and didactical should be increased in order to raise awareness of child consumers.

In the 6th chapter, Savaş Çevik and Harini Mittal focus on a very selective topic that actually occupies a central role in the behavioral economics literature. They analyze the classroom cheating by using a questionnaire data collected from 321 business and economics student respondents at Faculty of Economics and Administrative Sciences at Selcuk University, a four-year public university in Turkey. Their findings regarding incidence, acceptability and justification of copying/student cheating, profile of cheating students, economic costs and benefits of copying and lastly, the social factors influencing student cheating/copying show that there are so many different reasons that lead students to cheat in the exams. Therefore, it is possible to argue that their study will have important implications for academic institutions both in developing and developed countries as it arguably is the first of its kind because it examines the social factors along with the economic factors contributing to student cheating.

In the 7th chapter, Eren Efe focuses on the struggle of the working class in early 1946 in Turkey. This part of the society is a segment that is often disregarded or not thoroughly analyzed due to many factors such as difficult to be approached, hard to have data on and rather living a social life that is depending on a daily struggle. Moreover, the process of transition to multi-party system during the mid-1940s seems to be a more significant period for the political and social history of the Turkish Republic. Thus, there are several academic studies examining the fundamental dynamics underlying the process of transition to multi-party system while considering the importance of the international conjuncture as an explanatory variable. Hence, the ignorance of the impact of the transformation on social classes stands as one of the lacking parts of the literature. However, Efe argues that the literature that ignores and excludes the struggle of several social segments during this transformation period such as the working class has been the main obstacle for the elites for not being able to understand the dynamics of this period thoroughly. Therefore, he examines the working class in the early 1946 to bridge this gap in the literature which will probably lead to many further studies to detail the fundamentals of the transformation period from different perspectives.

In the 8th chapter, Recep Kurt examines the existence and characteristics of infant mortality rate (IMR) within a historical perspective employing causality between GDP

per capita (GDPC) and cost of living index (COL) for 11 European countries employing panel data approach for the interwar period. The data set is annual and includes Belgium, Denmark, England, Finland, France, Greece, Italy, Netherlands, Norway, Sweden and Switzerland for 1921-1939. All variables are checked for stationarity and differenced when needed to have stationary series. These series are checked with CADF and Granger Causality tests for examining the IMR through the relationship between GDPC and COL. Ultimately, it is determined how IMR, GDPPC, and COL influence each other and some important conclusions are presented.

In the 9th chapter, Perihan Hazel Kaya and Mehmet Okan Taşar examine one of the most important changes in the Ottoman Empire during its decentralization, the regime of âyans, under the influence of new political and economic developments. They argue that this period is one with confusion in Anatolia and corruption of civil servants with the changes in the ground system and economic troubles. People in the provinces are miserable and usually leave their places as a result of heavy tax burdens, local rulers' persecution and the attitude of the bandits. Moreover, they argue that there have also been significant changes in the local governments. This process leads to the birth of a powerful class called the âyan in the provinces. The aim of their study is to deal with how the iltizam and malikane systems affect the emergence of the âyan class, applied as a result of mukataa process, gaining acceleration in manorial system. They present a brief but powerful historical survey of the process of âyan in the Ottoman Empire which should help to understand the strong communal factors in one of the biggest empires of all time.

In the 10th chapter, Dicle Özdemir examines out-of-sample exchange rate forecasting for U.S. dollar/Turkish lira on the basis of Meese&Rogoff's out-of-sample forecasting accuracy study in 1983. Her aim is to compare Frankel-Bilson, Hooper and Morton, and Overshooting models with random walk and some time series models based on Root Mean Squared Error (RMSE) and Mean Absolute Error (MAE) and to find some empirical results to compare random walk model and those structural models in explaining USD/TL exchange rate behavior. Her results show that it is hard to argue for the superiority of the random walk model than the monetary models based on forecasting for short-term horizons. Hence, this conclusion emphasizes the importance of the monetary model of exchange rate determination in Turkey at least in the short-run.

*Sadullah Çelik, Osman Küçükahmetoğlu, & Julia Dobрева*  
(Introduction: Contemporary Studies in Social, Economic & Financial Analysis)

In the 11th chapter, Mehmet Emin Kenanoğlu and Murat Aydın discuss the positive and negative sides of airports and airfields due their operations in general and for Turkey in particular. Their study searches the answers to the questions like whether the individual's right to live in a healthy environment is respected, the responsible way of action is considered and what can be done for the airports and airfields with eco-centric way of thinking. They conclude that the increased number of airports, airfields and planes both in the world and in Turkey increase the significance of their subject and require solutions to encourage positive sides of airports and minimize negative sides of the problems.

We would like to express our sincere thanks to all our contributors for their support. Without their contributions, the publication of this book would not have been possible.

*November 2017*

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# 1 Key Topic that Remains in the Shadow in the Public Finance Books: Collective Benefit

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## **Abstract**

*Public sector tries to meet the collective needs that social life requires through public activities. Activities undertaken by the private sector, on the other hand, are carried out to meet individual needs. While private goods and services offered by private sector meet almost only the benefit of the person or persons consuming it, services produced, provided, or financed by the public sector often meet collective needs. Interestingly, however, it was observed that the issue of collective needs tend to be treated as a secondary issue in the literature. To investigate if this is really the case, we have examined the most preferred 10 Turkish Public Finance text books within the scope of this study. The main finding of the study is that collective benefits remains in the shadow of private benefits in these text books.*

**Keywords:** *Collective benefits, public goods, externalities, merit goods, market failures*

**Jel Codes:** *C50, E27, F02, F63.*

## **1. Introduction**

The collective or social benefit is not taken into account by the market economy, since the main objective of private sector is to provide individual needs. However, consumption, production, and investment decisions of individuals, households, and firms often affect people not directly involved in the transactions. Sometimes these indirect effects, which are called as externalities, are tiny. But, when they are large, they would have very important effects on society. Without any regulatory influence, neither the firm nor an individual will take the negative effects of their activities into account, since they are not directly affected by the consequences.

Market outcomes involve underproduction of goods or services that entail positive externalities or overproduction in the case of negative externalities. The neoclassical doctrine likes to diminish the importance of externalities but they are, in reality, both significant and ubiquitous. As Helbling (2017, July 29) puts it, “[w]hen there are differences between private and social costs or private and social returns, the main problem is that market outcomes may not be efficient. To promote the well-being of all members of society, social returns should be maximized and social costs minimized.”

The chapter is structured as follows. The next section looks at the issues of collective needs, externalities, public goods, and market failures. In this section, particularly the issues of collective benefits (social benefits) and positive externalities in Public Finance are reviewed. This section also discusses possible corrective state policies. The third section investigates the weight given to the issue of “collective benefit” in the Turkish Public Finance text books. For this, first 10 most preferred Turkish Public Finance text books are identified and then these books were examined in terms of the space allocated to certain topics such as positive externalities, nationalisation, regulation, crowding in, and income distribution equality. Later, the findings were interpreted and concluded.

## **2. Collective Needs, Externalities, Public Goods, and Market Failure**

The reason for the emergence of the private sector is to meet the individual needs. The emergence of the public sector, on the other hand, is to meet the common needs of social life that can not be obtained individually. The common or collective benefits provided by governments are usually called “public goods” (Olson, 2002, p. 14). Public goods, such as clean water, clean air, sewers, parks, national defense, law enforcement etc, are generally good for most, if not all of society.

In pure forms, private goods are both excludable and rivalrous, and public goods are neither (Reddy, 2015, November 19). Whoever produces or maintains the public good, even at a cost, cannot prevent other people from enjoying its benefits and consumption by one individual does not reduce the opportunity for others to consume it (Cornes & Sandler, 1986). If the private benefits are small relative to the social benefit but private costs to provide them are large, public goods may not be supplied at all (Samuelson, 1955).

The collective (social benefit) is closely related to positive externalities. Where positive externalities exist, the good or service may be under-consumed or under-provided since the free market may fail to value them correctly or take them into account when pricing the product. If there are external benefits the market delivers an output below the quantity that maximises social welfare. The neoclassical doctrine likes to diminish the importance of externalities. But, as will be seen below, they are, in reality, both significant and ubiquitous.

## **2. 1. Central Importance of Collective Benefits and Positive Externalities in Public Finance**

Collective benefit refers to the sum of both the private and the external benefits of production or consumption activities. If something has significant external benefits, then it has greater collective benefit than the private benefit. This can be formulated as follows:

$$\text{Collective Benefit} = \text{private benefit} + \text{external benefit}.$$

An externality is defined as a benefit or cost that is imposed on a third party, such as society, other than the producer or consumer of a good or service, or, more simply, an economic side effect. When discussing externalities in general terms, positive externalities refer to the benefits and negative externalities refer to the costs associated with the production or consumption of a good or service. So-called public goods are one of the common examples of positive externalities. Most public goods are characterized by positive externalities. For example, the creation of and improvements to roads, sewers, parks, schools, rivers, airports, etc. have positive effects on the quality of life and property values.

Albert and Hahnel point out that “the traditional paradigm minimized the importance of the problem by fostering the illusion that external effects were infrequent pieces of flotsam bobbing in a vast, rolling sea of private goods” (2017, ch 3). In deed, the reality

is just the opposite. Externalities occur all the time because economic events do not occur within a vacuum. Transactions often require the use of common resources that are shared with parties are not involved with the exchange. The use of these resources in turn impacts the uninvolved parties. As Hunt reveals, “[i]n a market economy any action of one individual or enterprise which induces pleasure or pain to any other individual or enterprise and is under priced by a market constitutes an externality” (1980, p. 244).

Likewise, Hunt and Lautzenheiser remind us that “the vast majority of productive and consumptive acts are social. Our table manners in a restaurant; the general appearance of our house, our yard, or our person; our personal hygiene; the route we pick for a joy ride; the time of day we mow our lawn—all affect the pleasures or happiness of others” (2011, p. 391). As these examples imply, externalities pervasive. According to Hunt, the implicit assumption underlying traditional welfare theory that “private goods” are the rule and “public goods” the exception is exactly backward. The presumption should be that a good has social aspects until proven otherwise (1980, p. 246).

## **2. 2. Market Failure Because of Externalities and Necessary Actions**

Market failure is the failure of the market to bring about results that are in the best interests of society as a whole (Marciano & Medema, 2015). Market Failure occurs when there is an inefficient allocation of resources in a free market or when the competitive outcome of markets is not satisfactory from the point of view of society. This may come about because of (a) market imperfections (b) externalities and (c) public goods and merit goods. We will examine here only negative and positive externalities and look at shortly to some of the related issues like public goods and merit goods.

Musgrave referred to externalities as among those conditions “where the forces of the market cannot secure optimal results,” and to public goods as a condition “where the market mechanism fails altogether” (1959, pp. 6, 8). In the presence of externalities and public goods competitive market equilibria could not be expected to yield socially efficient resource allocations. Because, the costs and benefits related to externalities are not typically included as part of the decision to complete the economic activity. For instance, cycling to work cause reduction in pollution. But, you are unlikely to get a bonus for that. From a societal perspective, maximization of private instead of social returns leads to underproduction of the good or service with positive externalities (Helbling, 2017, July 29). This results in an under supply of beneficial goods or services

for society. Therefore, there is a clear economic case for government intervention in markets where some form of market failure is taking place. However, Albert and Hahnel indicate that there is an unwarranted presumption of “external effect exceptionality” buried in the traditional paradigm and this is part of the ideological leap of faith of the whole traditional paradigm. The truth is “the extent of the damage from ‘market failures’ is greater than traditional theory leads one to suspect” (2017, p. 8).

Justman and Teubal (1991, p. 1181) suggest that “over and above ‘simple’ or orthodox market failure, the growth process encounters more fundamental failures associated with discrete strategic choices among alternative development paths or types of structural change (‘strategic’ failures). These involve not only market failures, but also the possible failure of public and private decision-making mechanisms and institutions to coordinate among the infrastructure elements for new industries, at the junctures of structural change: physical infrastructure; technological capabilities; marketing infrastructure; and financial institutions.”

Normally, the state has to create or encourage the installation of activities that constitute positive externalities, and prevent or inhibit the generation of negative externalities. This can be done through instruments such as taxation and legal penalties or, conversely, tax breaks and subsidies as appropriate. Before looking at this issue, we will first look at negative and positive externalities below.

## **2. 2. 1. Negative Externalities**

Negative externalities are defined as the situation where a product costs more to society than its private costs. Negative externalities exist when individuals bear a portion of the cost associated with a good’s production without having any influence over the related production decisions. Some externalities, like waste, arise from consumption while other externalities, like carbon emissions from factories, arise from production. When certain goods are consumed, such as demerit goods, negative effects can arise on third parties. Common examples include cigarette smoking, which can create passive smoking, drinking excessive alcohol, which can spoil a night out for others, and noise pollution. For example, if an individual plays very loud music at night, his/her neighbours may not be able to sleep. Another example of a negative consumption externality is that of road congestion. As individuals “consume” road-space they reduce available road-space and deny this space to others.



One of the most common examples of negative externalities is that of air pollution from industrial manufacturing. Air pollution can cause health problems like respiratory and cardiovascular diseases and cancer and erode the quality of life. However, as long as companies are not held accountable for it, they have no incentive to reduce their impact. As a result, they produce more goods with negative externalities than is efficient, which leads to more environmental degradation than is socially desirable.

## **2. 2. 2. Positive Externalities**

Positive externalities of consumption arise whenever the benefit to society of a particular good exceeds the benefits enjoyed by the individual consumers of the good. In other words, a positive externality is a benefit transferred, or a positive "spill-over", to a party that was not a part of the original transaction or decision making process. There are many occasions when the production and/or consumption of a good or a service creates external benefits which boost social welfare. Problem is that the free market will under-produce and people will consume less of such a good.

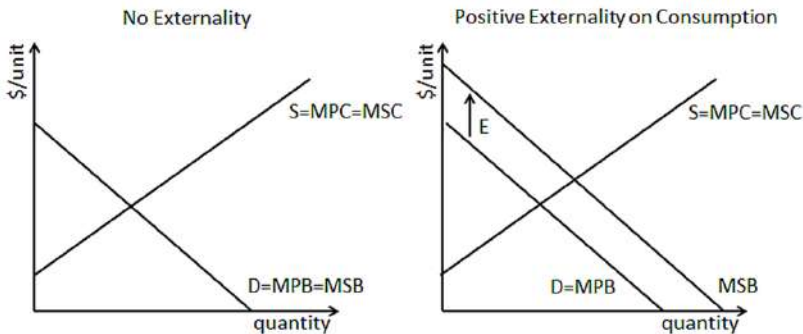
Positive externalities are associated with merit goods and services. Most merit goods generate positive consumption externalities, which beneficiaries do not pay for. For example, free universal health care can ensure everyone gets vaccinated. Being vaccinated against disease is not only a protection for the individual, but it has the positive spillover of protecting others who may become infected. In other words, immunization prevents an individual from getting a disease, but has the positive effect of the individual not being able to spread the disease to others.

Similarly, with education, the skills acquired and knowledge learnt can benefit the wider community in many ways. For example, you are able to educate other people and therefore they benefit as a result of your education. If the long-term structurally unemployed workers gain useful training and education, it enables them to find work easier. This has benefits for other people in society. For example, the government receives more tax revenue and pays less unemployment benefit. There is also a less tangible benefit of a more cohesive society.

Essentially, child care is like education. It serves an early childhood education function, and early education prepares kids for school, which sets them on a tax-paying, law-abiding path that is good for the economy and society. But that value is long-term and spills over to all of society — not just to the child and her parents. It provides massive value that does not show up in the price.

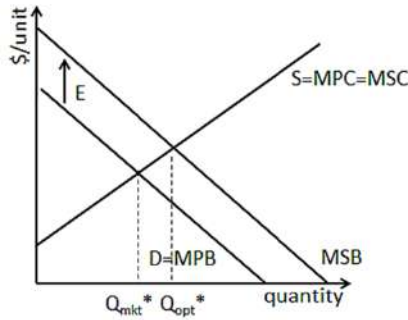
The creation of new knowledge by one firm is assumed to have a positive external effect on the production possibilities of other firms because, as Romer (1986, p. 1003) put it, “knowledge cannot be perfectly patented or kept secret.” If production decisions are left to the fortunes of the free market, investment in industries with high potential externalities may not be undertaken (Erdoğan, 1999).

A new motorway or road improvement scheme generates third party benefits including reduced transport cost for local firms and generates a regional multiplier effect. Another example could be your neighbor’s flower garden. She probably cultivates the plants solely for her own pleasure, yet you can still enjoy the beauty of the flowers whenever you walk by. Likewise, mowing your lawn has the positive externality of improving the appearance of your neighborhood. Keeping your yard well maintained helps your house’s value and also helps the value of your neighbors’ homes.



**Figure 1: Supply and Demand With a Positive Externality on Consumption**

In a competitive market, the supply curve represents the marginal private cost of producing a good for the firm (labeled MPC) and the demand curve represents the marginal private benefit to the consumer of consuming the good (labeled MPB). When no externalities are present, no one other than consumers and producers is affected by the market. In these cases, the supply curve also represents the marginal social cost of producing a good (labeled MSC) and the demand curve also represents the marginal social benefit of consuming a good (labeled MSB).



**Figure 2: Market Outcome versus Socially Optimal Outcome**

When a positive externality on consumption is present in a market, the marginal social benefit and the marginal private benefit are no longer the same. Therefore, a marginal social benefit is not represented by the demand curve and is instead higher than the demand curve by the per-unit amount of the externality.

Individuals who benefit from positive externalities without paying are considered as free-riders. Although this does not look right, it may be in the interests of society to encourage free-riders to consume goods which generate substantial external benefits.

### 2. 3. Corrective State Intervention

As a result of the spillover effects or externalities the free market may be inefficient and under-supply or over-supply the good. This provides a strong economic rationale for a good portion of state and local intervention into the free market. State may promote the well-being of all members of society, maximize social returns and minimize social costs.

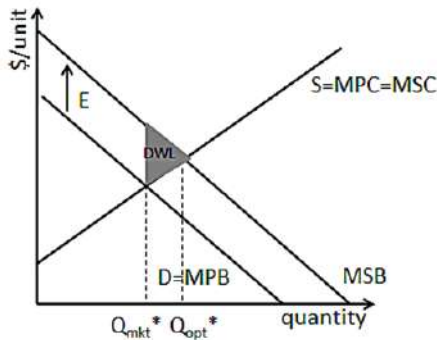
In 1920 British economist Arthur C. Pigou developed a taxation method for dealing with the goods suffering from negative externalities. His idea, now known as the Pigouvian tax, is to force producers to pay a tax equal to the external damage caused by their production decisions in order to allow the market to take into consideration the full costs associated with the taxed goods. This process is often referred to as internalizing an externality. Pigou suggested that governments tax polluters an amount equivalent to the cost of the harm to others. Such a tax would yield the market outcome that would have prevailed with adequate internalization of all costs by polluters. By the

same logic, governments should subsidize those who generate positive externalities, in the amount that others benefit (Helbling, 2017, July 29).

After Pigou's seminal work. Some economists argued that market mechanism has solution to negative externalities problem and provide efficient outcomes. For instance, Ronald Coase argued that where property rights are clearly defined, individuals will organise trades so as to bring about an efficient outcome and eliminate externalities. This result is often known as the Coase Theorem. According to the Coase theorem, the polluter and the parents could negotiate a solution to the externalities issue even without government intervention.

Because the Coase theorem's fundamental assumption of costless negotiation often falls short, the theorem is not commonly applicable as a real-world solution. Moreover, that solution may have undesirable distributional outcomes. That is why, we argue that to increase collective benefits on issues ranging from environmental protection and traffic congestion, to education and public health, it is necessary for the government to step in to introduce regulation, taxation and legal penalties or, conversely, tax breaks and subsidies as appropriate.

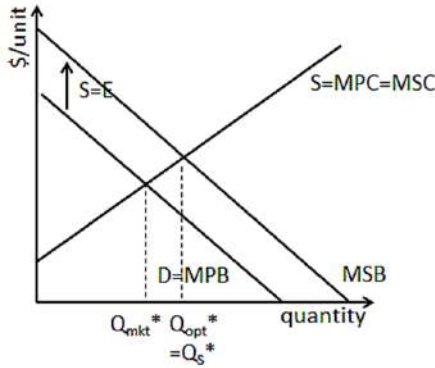
The market fails to produce units where the benefits to society outweigh the cost to society and deadweight loss arises. This deadweight loss is shown in the figure below.



**Figure 3: Unregulated Markets with Externalities Result in Deadweight Loss**

When there is a positive externality on consumption, an unregulated market fails to produce the socially optimal quantity of a good. Deadweight loss arises from units that

are greater than the market quantity but less than the socially optimal quantity. In other word, society does not capture all of the value that the market could create for society.



**Figure 4: Corrective Subsidies for Positive Externalities**

Without any regulatory influence, neither the firm nor your neighbor will take the negative effects of their activities into account. They are not directly affected by the consequences and will thus produce more than the socially efficient amount. This results in an excess supply of harmful behavior. Likewise, an unregulated market will produce and consume less of a good than is socially optimal when a positive externality on consumption is present. Government grants and subsidies to producers of goods and services that generate external benefits will reduce costs of production, and encourage more supply. This is a common remedy to encourage the supply of merit goods such as healthcare, education, and social housing. For example, spending on vaccination programmes appears to be a sound social investment for the future. Thus, an effective policy might be to provide a subsidy to those who choose to get vaccinated.

To increase consumption and production, the government can offer a subsidy to reduce the price and increase quantity. A subsidy reduces the marginal private cost of consumption and ought to lead to an expansion of demand towards social optimum. This subsidy moves the market to the socially optimal. The ultimate encouragement to consume is to make the good completely free at the point of consumption, such as with freely available hospital treatment for contagious diseases.

Government can also provide free information to consumers, to compensate for the information failure that discourages consumption. An additional option is to compel individuals to consume the good or service that generates the external benefit. For example, if suspected of having a contagious disease, an individual may be forced into hospital to receive treatment, even against their will.

### **3. How Much Importance Is Given to Collective Benefits in the Turkish Public Finance Text Books?**

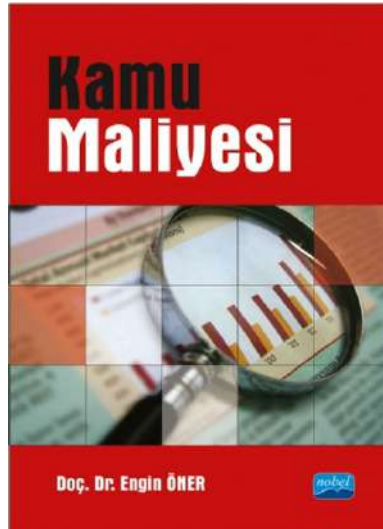
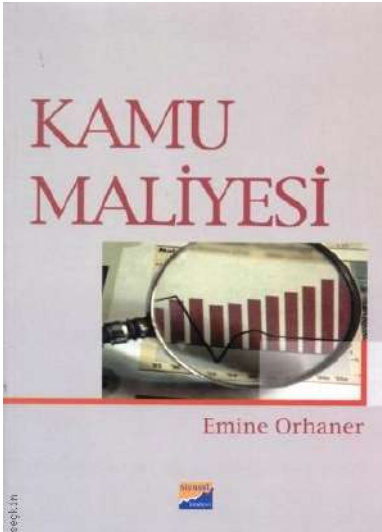
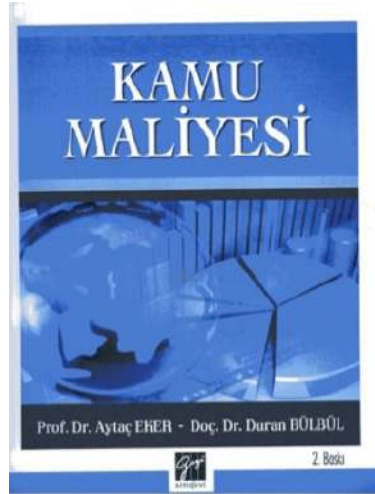
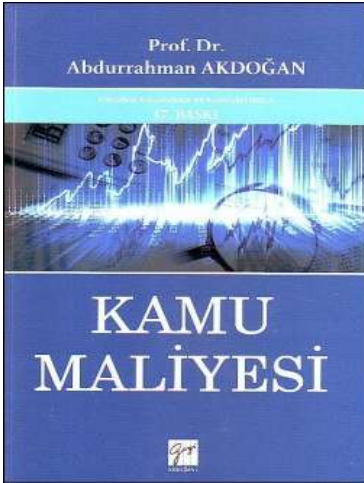
Within the scope of this study, the weight is given to the issue of “collective benefit” (social benefit) has been investigated. For this, the first thing to do was to identify the 10 most preferred Turkish public finance text books according to the sales figures.<sup>1</sup> Later, these 10 books were examined in terms of the space allocated to certain topics such as positive externalities, nationalisation, regulation, crowding in, income distribution equality etc. The reason why these topics are chosen is that authors of this chapter regard these topics as related to collective benefits since they are either related to *merit goods*<sup>2</sup>, *equality* or the role of the state in the economy. As a measurement method, number of words allocated to the each topic have been counted and their proportion to each text book are calculated. The cover pages of 10 Turkish public finance text books examined in this study can be seen below.

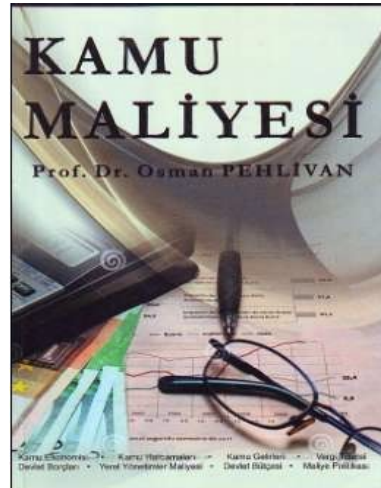
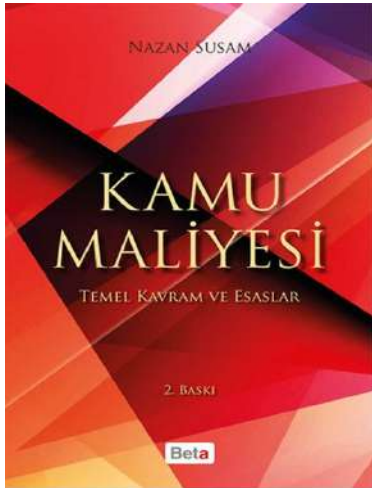
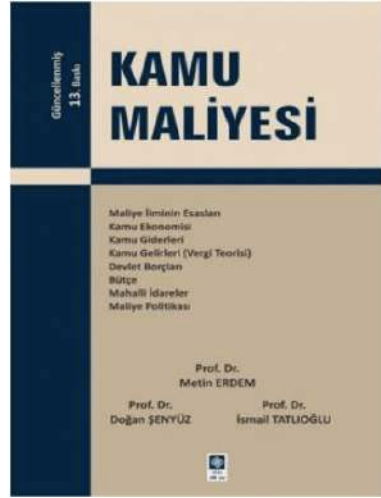
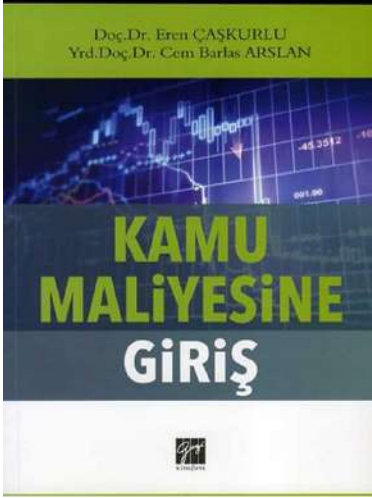
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<sup>1</sup> The best selling public finance books were determined as a result of research made on the *Kitap Yurdu*, *Idfix*, *hepsiburada.com*, *D & R*, *n11.com*, *neokur.com*, and *kitapsahaf.net* web sites.

<sup>2</sup> Merit goods are goods or services (such as education and vaccination) that may be under-supplied in proportion to their perceived value if left to private enterprise, and are sometimes provided by governments or nonprofit organizations.

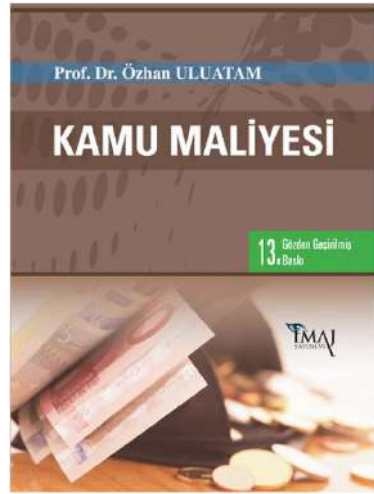
M. Mustafa Erdoğan, Dilek Akbaş Akdoğan, & Burcu Yaşar  
(Key Topic that Remains in the Shadow in the Public Finance Books: Collective Benefit)





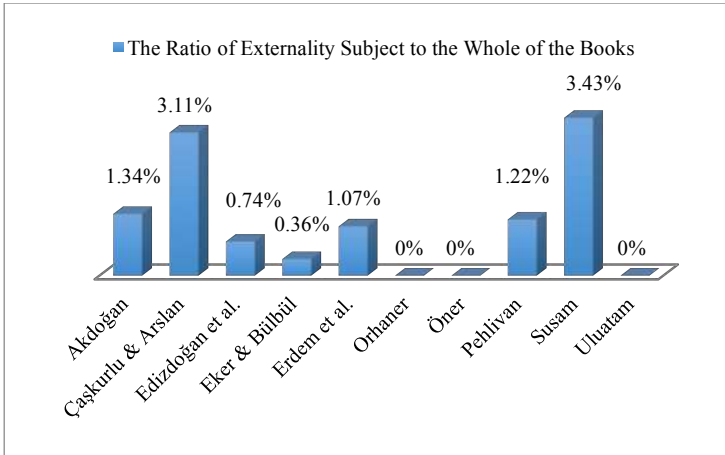


*M. Mustafa Erdoğan, Dilek Akbaş Akdoğan, & Burcu Yaşar*  
(Key Topic that Remains in the Shadow in the Public Finance Books: Collective Benefit)



### 3. 1. The Weight Given to Some Topics in the 10 Public Finance Text Books

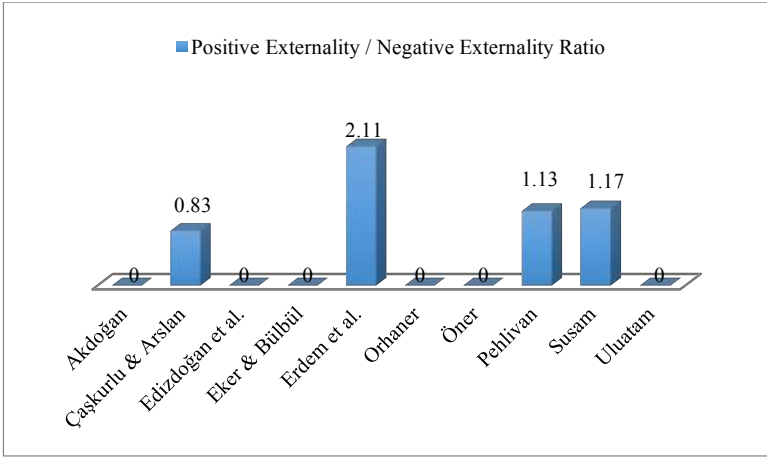
It was revealed in the study that collective benefits, which constitute the basic justification for public activities was hardly addressed in the 10 books examined. It was found that "social benefit" term used within a title only in Aytaç Eker and Duran Bülbül book. That means just 1 out of 10 books analysed. Even then, the ratio of the related part to the mentioned book was just 0.001 percent. In the other 9 books, even finding such a term was hardly possible. When it was found, the term was not under a separate heading and just used few times. In other words, collective benefit (or social benefit) issue remained in the shadow of the 10 most preferred Turkish public finance text books.



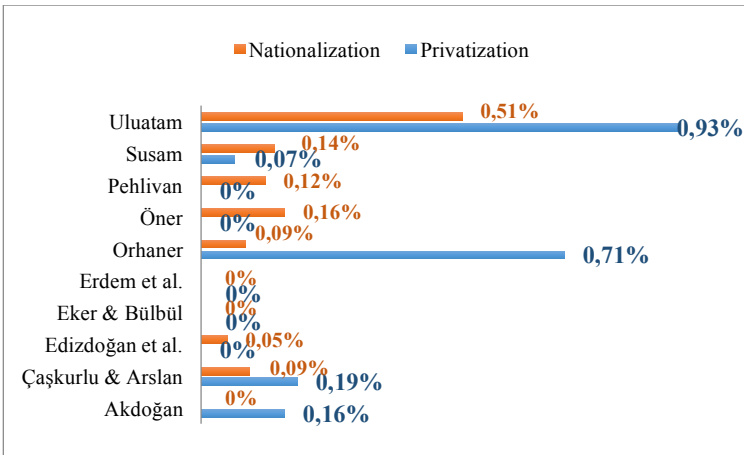
**Graph 1. The Weight of Externality Subject in the Books**

As put forward earlier, when there is a positive externality, it means collective benefit is greater than private benefits. Graph 1 shows the ratio of externality subject allocated in the 10 most preferred Turkish public finance text books. The rate varies between 3.43% and 0.36% among the 7 books. Interestingly, authors of the 3 books have not examined the externality topic under a separate title. Instead, they preferred to cover it shortly in the text. Obviously, externality has not been regarded as a central topic most of these text books and omitted almost all together in the 3 of the books. The average weight given to externalities topic in the 7 books observed calculated as 1.61 percent. It is difficult to understand why such a central topic for public finance have not received enough attention, not to mention ignored all together in the 3 books.

Graph 2 shows the ratio of positive externality to negative externality subjects in the books. In the books examined, it seems that positive externalities occupy a little bit more space than negative externalities do. However, when we look at the content, it is understood that some of the authors perceive externalities something that should be get rid of regardless of they are positive or negative. The phrases like "public solutions to externalities" or "market economy solutions for externalities" are examples that imply externalities are always negative and the best is to get rid of them. This is not logical but ideological, even if it is not conciously intended.



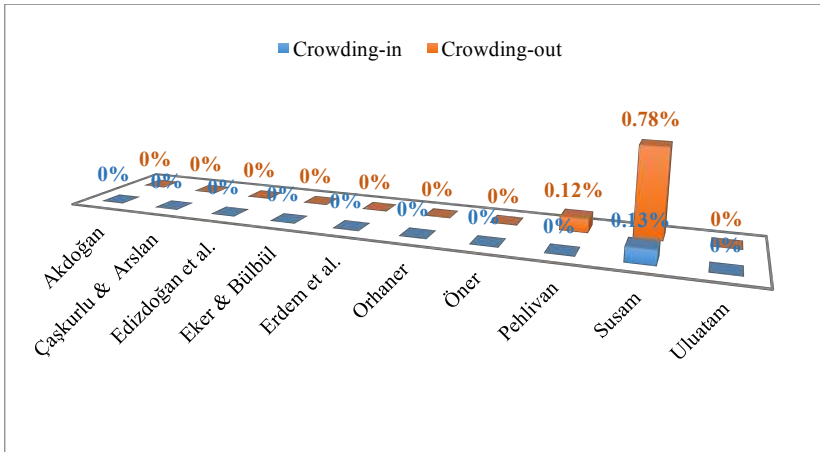
Graph 2. The Ratio of Positive Externality to Negative Externality Subjects in the Books



Graph 3. The weight of Privatization and Nationalization Subjects in the Books

As will be mentioned in the next section, governments around the world increased the scope and magnitude of their activities prior to the 1980s, taking on a variety of tasks that the private sector previously had performed. Then in the 1980s, the pendulum swung decisively away from nationalisation towards privatisation. Overriding the privatization debate has been a disagreement over the proper role of government in a capitalist economy. Proponents view government as an unnecessary and costly drag on an otherwise efficient system; critics view government as a crucial player in a system in which efficiency can be only one of many goals. What is generally ignored was the optimal level of privatization, which is Kallianiotis suggests, “the one that maximizes the social welfare (at the point, where the marginal benefits of privatization are equal to the marginal cost of socio-economic distress) and does not eliminate the wealth of the nation” (2013, p. 1).

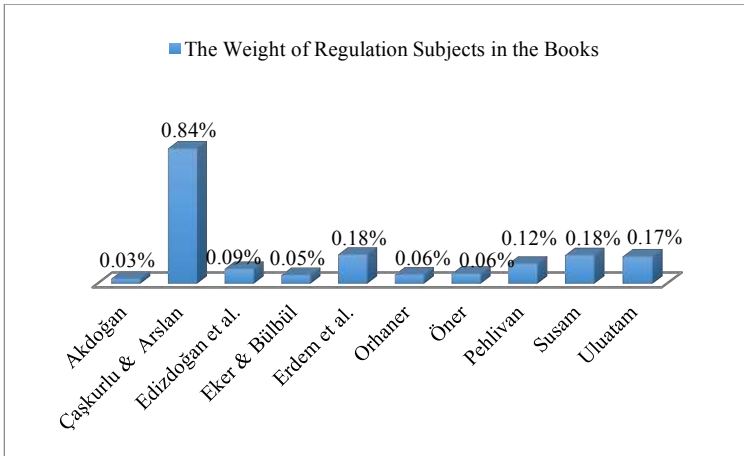
Graph 3 shows the weight of privatization and nationalization subjects in the books. It is seen in our examination that while the allocated space for privatization in the 10 books on average was 0.21 percent, it was 0.16 for nationalization. It is seen that two of the authors allocated about four times more space than the average space allocated for privatization and only one author allocated about three times more space than the average space for nationalisation. It is interesting to see that the same author allocated almost twice the space for privatization than he did for nationalisation.



**Graph 4. Weight of Crowding-in and Crowding out Subjects in the Books**

Two different views exist on the effects of increased government expenditure on investment. The traditional view argues that unless the economy produces enough additional saving, higher government expenditure increases interest rates and forces out some private borrowers, who are discouraged by the higher interest rates. This process reduces investment spending and cancels out some of the expansionary effects of higher government spending.

The non-traditional view sees government expenditure stimulating investment. The strength of the crowding-in effect depends on how much additional real GDP is stimulated by government spending and on how sensitive investment spending is to the improved profit opportunities that accompany rapid growth. The crowding in of investment occurs when the economy's resources are un- and under-employed. That may arise in many developing countries where, for example, government expenditure on infrastructure can induce private investment (Ahmed & Miller, 1999).



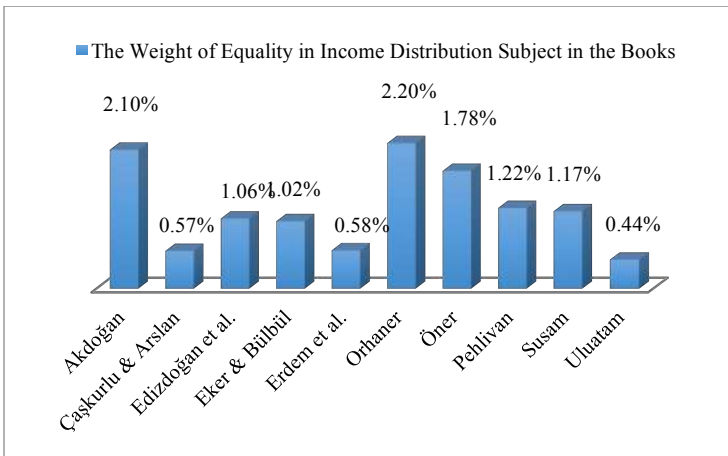
**Graph 5. The Weight of Regulation Subjects in the Books**

Graph 4 indicates the weight of crowding-in and crowding out subjects in the books. It shows that “crowding out”<sup>3</sup> topic has been covered only in 2 out of 10 books. “Crowding in” topic, on the other hand, has been covered only 1 out of 10 books

<sup>3</sup> Unless the economy produces enough additional saving, more government borrowing will force out some private borrowers, who are discouraged by the higher interest rates.

examined. It is clear in the graph that there is a big difference of weight given to these two topics that reflects enhanced ideologic hegemony of neo-liberalism since 1980s.

Graph 5 shows the weight of regulation subjects in the books. It was observed that none of the books examined covered the topic of deregulation. This might be related to already achieved extensive deregulation all over the world. Since it is overdone, regulation<sup>4</sup> topic has gained currency recently. However, we may say that this topic has still less pronounced than it deserves.

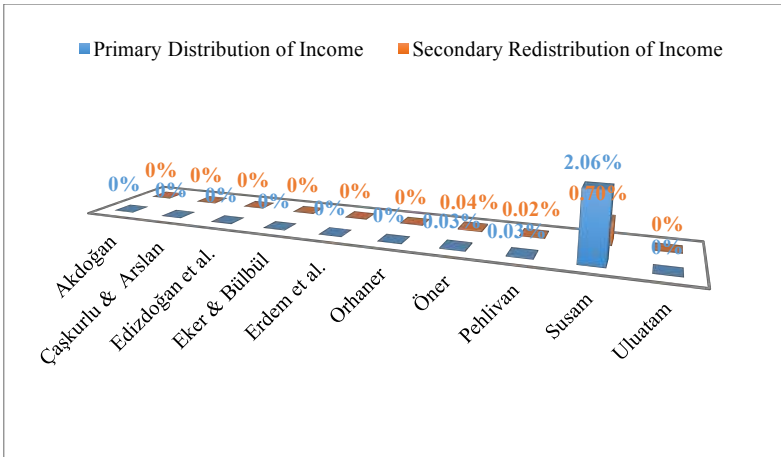


**Graph 6. The Weight of Equality in Income Distribution Subject in the Books**

Income distribution relates to social justice, which can affect harmony among different social groups. Moreover, there is growing recognition that an excessively unequal income distribution affect growth adversely. Therefore, equality of income distribution is a very important topic that reflect collective benefit issue. Graph 6 shows the weight of equality in income distribution subject in the books. Topic of equality in income distribution has been covered in all of the text books. However, the space allocated to the subject is on average only 1.21 percent.

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<sup>4</sup> A rule or order issued by an executive authority or regulatory agency of a government and having the force of law.



**Graph 7. The Weight of Primary Distribution of Income and Secondary Redistribution of Income Subjects in the Books**

Graph 7 looks at the income distribution subject more closely and shows the weight of primary distribution of income<sup>5</sup> and secondary distribution of income<sup>6</sup> subjects in the books. We see in Graph 7 that most of the authors have not covered these subject in detail. Primary distribution of income and secondary distribution of income have been covered in only 1 out of the 10 books in a decent way. This is a pity that such a very important issue like equality remains in the shallow waters of public finance text books, almost forgetting its importance for the society.

### 3. 2. Why Collective Benefits Remain in the Shadow in the Turkish Public Finance Text Books?

The predominant approach to economic policy in the 1950s and 1960s assigned the state a substantial role in repairing market failures and governments around the world increased the scope and magnitude of their activities. In the 1980s, however,

<sup>5</sup> Primary distribution of income is defined as arising from the private sector plus the allocative activities of the public sector.

<sup>6</sup> The secondary distribution of income account shows how the balance of primary incomes of an institutional unit or sector is transformed into its disposable income by the receipt and payment of current transfers excluding social transfers in kind.

privatisation was the norm with the induced “fundamental misconceptions regarding the efficiency of markets” (Albert & Hahnel, 2017) and many countries looked to private-enterprise regimes as a cure for their social and economic ills and policymakers have favoured privatisation<sup>7</sup> over nationalisation.<sup>8</sup>

As Kapoor (2015, p. 2) indicated, “privatization has exerted a stronghold over economic policy, both in developing and developed nations. Global leaders have hailed privatization as a means for economic development and democracy.” What is generally ignored however was that “the public’s interest is what counts most, not the form of ownership” (Goodman & Loveman, 1991). Privatization alone is insufficient to guarantee that providers of important services will act in the public’s interest. Although there is room for market-based corrective solutions, government intervention is often required to ensure that benefits and costs are fully internalized (Helbling, 2017, July 29).

It should be clear that when the public’s interest is not met, governmental involvement will likely be necessary. In other words, the public’s interests should be the guiding lights. The public seeks both monetary and nonmonetary value, including equal access to services. The public’s goals for private garbage collection, for example, might include serving all members of the community (no matter how inconveniently located) at equal cost and disposing of waste in environmentally sound ways.

Albert and Hahnel (2017) puts it succinctly that “the extent of the damage from ‘market failures’ is greater than traditional theory leads one to suspect.” New analysis suggests that market failure is likely to be far more pervasive than usually admitted. As Marciano and Medema underlines the point, “market failures are widespread and systemic [and] the economic crisis of the early twenty-first century provided ample ammunition for the argument that Smith’s invisible hand was faltering at best” (2015, p. 15).

What is certain is that the aim of private sector is personal benefit or profit, not collective benefit. The basic aim of public sector, on the other hand, is collective benefit. Of course, governments may fail, but unlike private sector they are made to provide

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<sup>7</sup> Privatization can be defined as transferring the ownership and management of state-owned enterprises to individuals or legal entities private firms.

<sup>8</sup> Nationalisation means the taking of control by the government over assets and over a corporation, usually by acquiring the majority or the whole stake in the corporation.



collective benefits. Thus, effective institution building is the key to make them run to satisfy collective needs.

What we observed in our examination of the 10 most preferred Turkish public finance text books is that these books are under the heavy influence of the dominant neoclassical doctrine, which has an unwarranted presumption of "external effect exceptionality." As Scitovsky underlined the point more than six decades ago, the fact is that "inherent market failures... are too great and obvious to be ignored, especially in underdeveloped countries" (1954, p. 146). Interestingly, market fundamentalist dominance further increased with the rising ideology of neo-liberalism since 1980s. Findings of this study reflects the resilience of this ideolog's hegemony, despite accumulated evidence that says otherwise. According to a very recent study of Albert and Hahnel, "[n]ew analysis suggests that 'market failure' is likely to be far more pervasive than usually admitted" (2017, p. 8). It remains to be seen how this will change the current climate.

#### 4. Concluding Remarks

It is documented in this chapter that the extent of the damage from "market failures" is greater than traditional theory leads one to suspect. New analysis suggests that market failure is likely to be far more pervasive than usually admitted and private market-based decision making fails to yield efficient outcomes from a general welfare perspective. Because, the aim of private sector is personal benefit, not collective benefit. Market outcomes involve underproduction of goods or services that entail positive externalities or overproduction in the case of negative externalities. Overproduction or underproduction reflects less-than-optimal market outcomes in terms of collective benefits. This provides a strong rationale for a good portion of state and local intervention into the free market. State may promote the well-being of all members of society, maximize social returns and minimize social costs.

We argue that the collective benefit should be the guiding light. Unlike private sector, the basic aim of public sector is collective benefit. To increase collective benefit on issues ranging from environmental protection to education and public health, it is necessary for governments to step in to introduce regulation, taxation and legal penalties or, conversely, tax breaks and subsidies as appropriate. In other words, government should discourage negative externalities while encourage positive externalities to achieve a socially efficient allocation of scarce resources. Of course, governments may fail, but unlike private sector, they have huge potential to provide collective benefits. Thus, *effective institution building* is the key to make them run to satisfy collective needs.

In this chapter, how collective or social benefit issue is addressed in the 10 most preferred Turkish public finance books is discussed. What was revealed is that the collective benefit, which constitutes the basic justification for public sector activities was not directly addressed in the 10 books examined. In other words, it remained in the shadow. Moreover, it is seen that some of the books treated externalities as if they are sources of trouble that should be get rid of as soon as possible. Indeed, there are many positive externalities, which provide substantial collective benefits that should be promoted. This seems as the heavy influence of market fundamentalist neoliberal doctrine, which has an unwarranted presumption of "external effect exceptionality." Findings of this study reflects the resilience of this ideolog's hegemony, despite accumulated evidence that says otherwise.

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# 2 Income Inequality From the View of Institutional Economics: An Empirical Analysis Using Dynamic Panel Data

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## Abstract

*The gap of income differences between and within countries is a fact and the income distribution problem is at the top of the agenda of world leaders. The study aims to test the legal, political, and economic institutional structures which have an effect on income inequality and in what direction. The study covers 89 countries in the upper, middle-upper and middle-lower income groups, for the period 1995-2013. The dynamic panel data technique was used. As a result of study the institutional factors are effected in different directions and significance levels of each group.*

**Keywords:** *Income distribution, inequality, institution*

## Introduction

Income distribution has become an important subject for almost all schools for economics during the historical process. But the approach to the issue of income distribution or the importance of the factors which activate the sharing varies within differently thought systems. The income distribution problem which was in the shadow of the growth problem for a while in the 20th century gains importance in the agenda by increasing the interest in the area of poverty.

Income is the return in monetary form or in the form of meta obtained as a result of the processes of service or production. The term *distribution of income* refers to the sharing of revenue among people, social groups and the production factors (SPO,

2001). Positive or normative examinations can be made in the analysis of income distribution as to which of the concepts of equality or justice should be positioned in the foreground. An analysis can be carried out by a positive approach to understand how equal income is (or far from equality) in an economy. But a normative approach will be more helpful if it is researched about how desired or fair income distribution is. The value judgments come into play in this second circumstance necessarily (Başoğlu, Ölmezoğulları & Parasız, 2012).

The fact that institutional economic literature is focused on growth is the cause for the problem that income distribution takes second place. As will be explained in more detail in the following section, two major axioms of the institutional view on the problem of the distribution of income are gathered. One of them is analyzing according to a very wide time frame for only one country or region. The other has comparatively short time but very variable analysis by using more sophisticated econometric methods. This study provides a literature-based contribution to the second group in terms of the number of countries covered by both variables.

This research is entirely composed of three sections. The studies done within the frame of the view of institutional economic for the distribution of income are summarized under the title literature review. In the next section the results of the analysis are abstracted by being explained in the dataset and the method. Finally, our study finishes by an overall assessment.

## **Literature Review**

From the viewpoint of economic history the functional distribution of income has been thought as the distribution problem since the 18th century. The ‘individual’ concept has gained importance with the neoclassical economics, and the distribution subject became less necessary in the economic policy being drawn into price theory. Piketty's work named “*Capital*” has an influence on this topic to gain importance in recent time. Piketty (2014) mentioned that it needs the economic mechanisms need to be considered with the political history for the issue of distribution of wealth and income. Moreover, he indicated that the main threat is the accumulation and concentration of wealth.

Within its scope institutional economics is mostly focused on the effect of institutions on growth. On the other hand, there are also studies which evaluate the problem of

distribution of income by an institutional approach without creating a complete theory. The institutional economics approach does not have an exact solution to the problem of distribution of income. The opinions of the first generation of thinkers such as Veblen, Commons, and Ayres intertwined with their studies about the nature of technology, the birth of property and the meaning of capital. There are also recent studies on the social and technological factors that may be useful for the distribution. Accordingly, it is pretty hard to determine the standard and consistent points in the institutional literature (Brown, 2005, p. 915).

The lack of a theoretical integration resulted in a variety of variables in the analyses for the institutions which affects the distribution of income. The studies can be joined together on two axes. The first of them attributes to the reasons for distribution failure of today to the religious, geographical and colonial factors and goes centuries back in time. Another one makes comparison in legal, political and economic dimensions that are relatively short termed and measured.

Samuels (1999) comments on the distribution as a function of institutions as well as evaluates the institutions as a function of distribution. Besides, he mentions that there is a cumulative causality between them. The individuals can manage their properties, create their wealth through the institutions and conduct the formal, structural and operational activities. The institutions determine which groups/people in the economy or community will be recognized, evaluated and how the division will take place as a result of forming the prices. The distribution of income and wealth effects the order by subjugating the social order via the evolution and trustworthiness of institutions.

Brown (2005) tries to explain the distribution issue by the balance of power of the society. The capacity of performing the desires which are in conflict is interpreted as power, because the goods, land, and opportunities are finite. Traditions, laws, belief systems create the institutional mentality and actualize the distribution of power within the frame of the advantages that they provide for some specific groups. Consequently, the rules are the result of the unequal distributed power.

Engerman and Sokoloff (1994) study the functional distribution of income between three different groups of old colony countries in the western hemisphere. According to this research, the factor income and the ideological backgrounds of the revenue are effective on the long termed institutional and economic development. Also, a mutual interaction between the factor income and the corporate structure also occurs.



Acemoğlu, Johnson, and Robinson (2002) approach the subject from a historical perspective. They investigate the status of the wealthy/poor regions of the world in the late 20th century which fell under the hegemony of the colonized European countries by basing their study on the year 1500. They claim that there is an impact of the institutional system, brought and applied by the colonists, on the rich regions and the past structures cannot exist in the same form. Moreover, the same authors posit that the geographical factors and industrialization affected this change to happen and they found the main reason to be the corporate structure.

Rogowski and MacRae (2004) research the relations of economic and military technology, trade and the factor income with the political institutions by comparing nine different periods from Ancient Greece to the Second World War. The conclusion they reach from the historical examples is that the distribution of the factor income went along with the political institutions at the same time or immediately before that. Inequality or the sources of exogenous change in organizations are the evolution seen in military technology, trade, migration, epidemics, and information technologies.

Besides, there are studies based on the econometric models which cover shorter periods. Chong and Calderon published the first known econometric modeling study on the relation between institutional quality and the distribution of income in 2000. It is revealed through the model that it includes 55 countries and the latest data between 1972 and 1995 shows that there is a connection in the form of inverse U between the distribution of income and institutional quality. Within this frame the increment in institutional quality for the developing countries is associated with higher income injustice (Chong & Calderon, 2000).

Li, Xu and Zou (2000) analyze the effect of corruption on the growth and the distribution of income via five-year average data of 47 Asian, Latin America, and OECD countries between the years of 1980-1992 and by using the least squares method. According to this analysis, an inverse U relation is determined by the corruption and gini coefficient. The Gini coefficient is low in cases of the corruption level being high or low. This same coefficient increases when the corruption level is in the middle.

Cogneau and Guenard (2003) specify a negative and significant relationship between the Gini coefficient and the superiority of law variable by the analysis they actualized

with 73 countries except for Europe. The impact of the geographical variables is not accepted as meaningful.

Glaeser, Scheinkman, and Shleifer (2003) analyze whether the superiority of the law indicator is valid in the relation of unfair distribution of income and growth. Hence, it can be easily seen that inequality creates a retarding effect on the growth in countries and it has reduced legal structures while it underwhelms in high legal structures.

Rigobon and Rodrik (2004) claim that the factors of the corporate structure such as the democracy and the superiority of law are effective on the economic performance.

Gradstein and Milanović (2004) investigate the effect of the political factors and the democratization and distribution of income for the transition countries. They find a significant and negatively marked link between the variables. But an active and meaningful relationship is determined between the democratization and the Gini coefficient in the 1990s. In addition to these, it is expressed that the fundamental changes in an economic system such as privatization in the Soviet Union countries makes bigger impacts on the distribution of income in comparison with democratization.

Chong and Gradstein (2007) establish a negative connection between institutional quality indicator indexes and the Gini coefficient in their analysis, which includes 121 countries and covers the period from 1960 to 2000. They observe that the countries which have unsatisfactory institutional structure experience a higher level of unfair income distribution.

Carmignani (2009) analyzes the period 1970-2000 for 120 countries through five-year average data. He finds an inverse relationship between the Gini coefficient and the economic freedom which represent institutional quality.

Davis and Hopkins (2011) remark in their study, based on the regression, that the economic institutions related to the protection of property rights are a structural determinant of the distribution of income as well.

As is seen in the studies mentioned above, different results occur between the institutional quality and the distribution of revenue regarding the countries selected, dates and methods. This situation shows that the reason for inequalities cannot be explained in just one way. The economic and noneconomic factors also impact on the

possible distribution of income of the countries, so as to be in agreement with the origin of institutional economics approach.

## Empirical Analysis

In this chapter we firstly described the datasets and methodology and then provide the results of the analysis.

### Data set

In this study the countries are classified based on income brackets by using the World Bank Atlas data set. In this context, 89 countries from high, upper-middle and lower-middle income groups are included in this analysis for the period 1995-2013. Figure 1 and 2 show the distribution of the countries analyzed according to their geographical positions and income levels. The number of countries is shown in parenthesis.

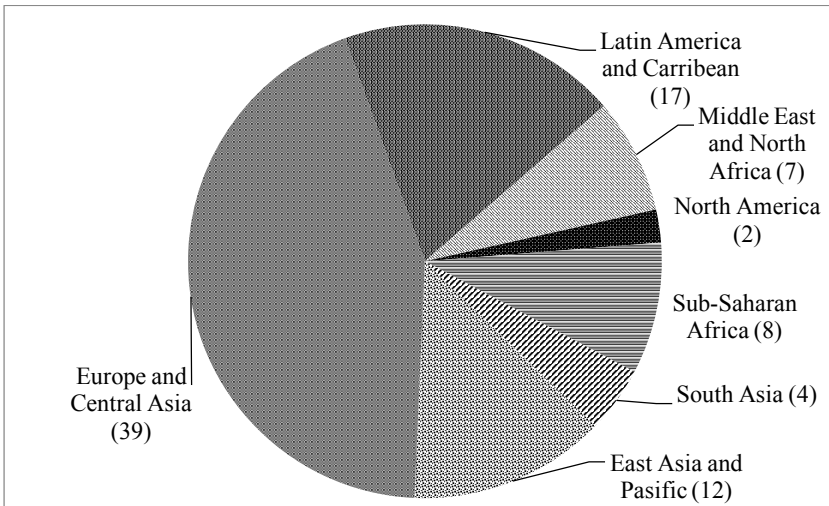
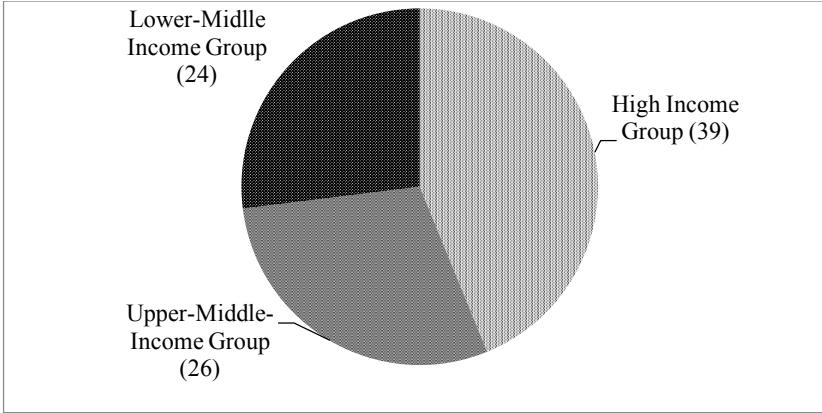


Figure 1: Distribution of the countries according to their geographical positions

Source: <http://data.worldbank.org/indicator/NY.GNP.PCAP.CD> (16.08.2016)



**Figure 2: Distribution of the countries according to their income**

Source: <http://data.worldbank.org/indicator/NY.GNP.PCAP.CD> (16.08.2016)

The dependent variable used in the econometric analysis is the Gini coefficient after taxation and the transfers under Standardized World Income Inequality Database (SWIID) (Solt, 2009). There are several data sets in the comparison of the international distribution of income arranged by different organizations or investigators. Both the number of incomplete data is reduced, and the Gini values based on different methods are standardized so as to enable for comparing by means of the statistical methods used in SWIID.

The explanatory variables are selected in parallel with the literature in this field. The legal (corruption, bureaucratic quality, the law and order), political (government stability, democratic accountability, use of political rights) and economical (socioeconomic conditions, property rights, investment conditions) corporate structures are the variables whose effect on the distribution of income will be analyzed. The source and the original scales of the data are shown in Table 1. Since the variables have different scales, they are converted to the range of 0-100 by the method shown in (1) numbered equation. According to this conversion, 0 indicates the best, 100 refers to the worst case for all the data:

$$\frac{v_{mak} - v_{it}}{v_{mak} - v_{min}} \times 100$$

$v_{\max}$  and  $v_{\min}$  in this formula show the maximum and minimum values;  $v_{it}$  shows the original value of each observation. This conversation process is also used in the literature (Helliwell, 1994; Kalaycı, 2006).

**Table 1: List of Variables**

Type of Variable	Code	Name of Variable	Data Source	Original Scale (Min / Max)
Legal	COR	Corruption	PRS Group	0 / 6
Legal	BUR	Bureaucratic Quality	PRS Group	0 / 4
Legal	LAW	Law and Order	PRS Group	0 / 6
Political	GOV	Government Stability	PRS Group	0 / 12
Political	DEM	Democratic Accountability	PRS Group	0 / 6
Political	POL	Polity IV (Political Rights)	Center for Systematic Peace	-10 / +10
Economical	SEC	Socioeconomic Conditions	PRS Group	0 / 12
Economical	PRP	Property Rights	Heritage Foundation	0 / 100
Economical	INV	Investment Conditions	PRS Group	0 / 12

## Methodology

The panel data analysis emerged by the combination of the cross section analysis and the time series analyses review the different units in a given moment. Much as its history traces to the 1950s, it is an analysis method which has made significant progress since the 1990s. It can be identified as being estimated and the cross section data includes the time dimension with the economic relations. The Dynamic and Statics Panel Data models can be generated according to whether the explanatory variables have the lagged value of the dependent variable (Tatoğlu, 2013, pp. 1-4).

About the dynamic ones, in opposition to the static models, there is the lagged value of the dependent variable among the explanatory variables. E.g. any dynamic model can

be written as  $y_{it} = \delta y_{i,t-1} + X'_{it}\beta + u_{it}$  ( $i=1,\dots,N$ ;  $t=1,\dots,T$ ). In here,  $\delta$  represents the scalar value;  $X'_{it}$   $1 \times K$  and  $\beta$   $K \times 1$  show the dimensional matrix.  $u_{it}$  that represents the error term is the sum of  $\mu_i$  and  $v_{it}$  that have the independent and homogeneous distribution (IID). The statement in the equation has two main characteristics: the autocorrelation based upon the delay of the dependent variable and the heterogeneity (Baltagi, 2014, p. 155)

The dynamic models are formed by considering three primary approaches: being benefited from the dummy variable to add the effects of the unit (and the time) to the model; first differentiates the method and then the instrumental variable is being used in models in which the first difference conversion is applied. The dummy variables method demeans the degree of freedom of the model, while the first differences method is open for the endogeneity problem. The second difference value or the difference of second and third observation values are used as the instrumental variable instead of the first difference value. Since the other explanatory variables in the model are exogenous, they are in their own instrumental variable position. The instrumental variables are also known as Anderson-Hsiao Method. The estimators obtained by this method are consistent but may not be effective because of the autocorrelation problem while some of the moment conditions are being ignored. The generalized moment's methods may be preferred in this circumstance (Akay, 2015, p. 88; p.91).

In the research of Arellano and Bond (1991) the generalized moment's method is transformed into a model that is also used in autocorrelation status between the instrumental variables and the error term (Baltagi, 2014, p. 157). The instrumental variables matrix converts the first differences model, then the generalized least squares method makes the prediction. This is because this method is called as 'Two-Stage Instrumental Variables Estimator' (Tatoğlu, 2012, p. 80). Arellano and Bond developed the identification tests to use after the predictions in dynamic panel data analyses done by generalized moments method. To that end, they offer the cross section dependence between the second-degree error terms, over-identification coefficient by the Sargan Test and Hausman identification tests (Arellano & Bond, 1991, pp. 277-278).

## **Analysis and Results**

This study has a similar primary hypothesis for three income groups. The  $H_0$  hypothesis called 'the institutional structure is generally ineffective to explain the unequal distribution of income for each income group which will be tested. The equation belongs to the main model to analyze and is given below:

$$\text{GINI}_{it} = \beta_1 \text{GINI}_{i,t-1} + \beta_2 \text{COR}_{it} + \beta_3 \text{BUR}_{it} + \beta_4 \text{LAW}_{it} + \beta_5 \text{GOV}_{it} + \beta_6 \text{DEM}_{it} + \beta_7 \text{POL}_{it} + \beta_8 \text{SEC}_{it} + \beta_9 \text{PRP}_{it} + \beta_{10} \text{INV}_{it} + u_{it} \quad (2)$$

**Table 2. Results of GMM**

Variable Code	High Income	Upper-Middle Income	Lower-Middle Income
L.GINI	Positive (1%)	Positive (1%)	Positive (1%)
COR	Positive (10%)	X	Negative (1%)
BUR	Negative (5%)	Positive (5%)	Negative (1%)
LAW	X	Positive (1%)	X
GOV	Negative (1%)	Negative (1%)	X
DEM	Positive (10%)	X	Positive (5%)
POLITY4	Negative (10%)	Negative (1%)	X
INV	Positive (5%)	Positive (5%)	X
PRO	X	Positive (5%)	X
SOEC	X	Negative (5%)	X
Arellano-Bond Test - AR(1) (p)	0.007	0.004	0.011
Arellano-Bond Test - AR(2) (p)	0.419	0.172	0.034
Sargan Test (p)	0.000	0.000	0.000
Hansen Test (p)	1.000	1.000	1.000
<b>GMM instruments for levels</b>			
Hansen Test (p)	1.000	1.000	1.000
Difference Test (p)	1.000	1.000	1.000
<b>Instrumental Variables (cor bur law gov dem pol inv prp sec)</b>			
Hansen Test (p)	1.000	1.000	1.000
Difference Test (p)	1.000	0.999	1.000

(X= statistically insignificant, p= probability)

The results of the analysis can be interpreted as follows: decrease in corruption level causes the curative results for the distribution of income in high-income countries while this same decrease creates a disruptive effect on the lower-middle income countries. The policies about corruption, particularly in lower-middle income countries, affect the undeclared low-income people. As informal firms begin to become formal, this transformation will increase the operational costs and the need for more qualified personnel (certification, etc.). The decrease in corruption level for high-income groups limits the opportunity for some specific groups to use their power socially. This condition will be able to make a degradation in the Gini coefficient by creating an obstacle for getting the further wealth of the richer. The corruption variable in upper-

middle income groups is not accepted as statistically significant for the period of this analysis.

The Bureaucratic Quality variable is an indicator for the sustainability of the public policies, independently from the governments. But it is calculated that the recovery in this indicator creates a curative effect for just the upper-middle income group. This same recovery mentioned creates the disruptive effect for the countries in high income and lower-middle income countries. This circumstance is understandable as the high-income group has an institutional background, and the lower-middle income group lives in a higher corruption environment. Changing the public policies in the high-income group is not very easy in the long term. Therefore, the policies which provide an advantage for an individual community may continue even if governments change. In the lower-middle income group, the key elements which generate the bureaucratic structure will not be quite disposed to change the policies towards redistribution in order not to lose their available power, while ignoring the benefit of the vast majority of the society. However, the amendments which interest the large society will be applied easier in upper-middle income group countries which make institutional/legal reforms relatively more frequent or update the legal background via narrower scoped regulations.

The law and order variable that is an indicator about effective operation of the judicial system is found to be significant at 1% level just in upper-middle income group countries, and the improvements in this variable make the distribution of income healthier. The increase in the implementation force of the laws will provide for punishments to be enacted for cases such as corruption, smuggling, unlawful profit based on the political rent besides the ordinary crimes. In this way, changing the distribution of income for the good of some specific groups will be avoided. The law and order indicator has a good bit complicated outputs toward upper and lower limits in itself in the lower-middle income countries. This issue can be interpreted as there is not a link in any direction between the income level of these countries and the effectiveness of the legal systems. The value remained stable as opposed to the fluctuations in the Gini coefficient during the analyzed period in the high-income group except for some transition countries. Moreover, the countries within this scope are in a better position in comparison with the other country groups.

The government stability indicator has a negative and significant relation with the Gini coefficient in the high and upper-middle income group countries while this same



indicator is not accepted as statistically significant for lower-middle income groups. Being a political party or the parties in a certain tendency in power means that the political power owners or the factors which are close to them can maintain their economic power along the same line. Additionally, the government policies (reducing the tax rate in high-income groups, incentives, etc.) for providing an advantage to the investors or the high-income groups, instead of the lower-middle income communities or the working class, have an influence on the negative relation determined.

The democratic accountability indicator is an indicator which compares the autarchic management, or the accede by free choice. The positive development in this indicator will result in the direction of recovery of the distribution of income in high income or middle-low income group countries. In other words, since the governments take more responsibility for their citizens this means that policies are being created for the benefits of people from different strata of the society, not only for the specific power groups. Thus this process of taking responsibility will generate a curative effect. The democratic accountability indicator is not specified as statistically significant for middle-high income countries.

Polity IV indicator generates the difference between two sub-indexes based on the democracy and autocracy. This indicator uniquely informs on the subjects like using the civil rights and the political participation. A negative relation is determined between the indicator for high- income group with upper-middle income group and the Gini coefficient. This means that the more there is chance to use the mentioned rights, the more increase will be observed in the Gini coefficient (or the deterioration of income distribution). When reviewing the data of Polity IV index it is observed that it remains stable during the analyzed period in high and upper-middle income groups. On the other hand, the Gini coefficient in both income group countries moves in different directions or follows a particular trend. The countries in high and upper-middle income groups are the countries where the democratic rights can be used easily. On the contrary, the distribution of income may progress as quite distorted. Democratization may cause thundering in some of the special interest groups or in the communities, organized by specific lobbies for the decisions regarding society. Under these circumstances, the decisions may result in favor of the wealthy minority in spite of being far from the autarky. This can be evaluated as a factor which deteriorates the distribution of income in these countries by increasing the level of democratic and civil rights.

The investment conditions indicator is a variable which shows the courage of the entrepreneur about starting any business. It includes the noneconomic or non-political risks such as protecting the rights and the commercial interests of the entrepreneurs. Positive changes in this variable create a curative effect on the distribution of income in both the high income and upper-middle income group countries. After the investment climate is recovered, it will be mandatory for entrepreneurs to grow their business or set up a new one; so, the unemployment level will be reduced. Moreover, timely payment or guaranteeing the validity of the contract as well as the orderly operation of payment systems will provide for developments to occur for the good of both the entrepreneurial segment as well as the capital owners, by reducing the flaws in commercial debit/credit relationships.

The positive link between the Property Rights and the Gini coefficient is determined just in upper-middle income group countries. On the contrary, due to this fact no statistically significant relation is found in high-income and lower-middle income countries. This situation confirms that increasing the level of using the property rights and being guaranteed of these rights legally create a disruptive effect on the distribution of income in upper-middle income countries. Some of these countries in this income group are captivated of the neoliberal conversion after the 1980s and put the structural adjustment programs into practice, while they already have a bad income distribution. These developments are decisive for the relation between the two variables as well. By protecting the property rights in a random order, it will be possible to create an effect of increasing this irregularity.

The indicator that is composed of subtitles supports indexes such as unemployment, poverty and consumer confidence. They are characterized as the socioeconomic circumstances and this is found as statistically insignificant in high and lower-middle income groups. This same indicator has an adverse effect in the upper-middle income group. The growth brings along the speed-up, employment, and increase in labor force activity in developing countries which are also referred to as the Newly Industrializing Countries. But, much as there occurs a recovery in socioeconomic conditions, this recovery cannot create a mitigating impact on the unfair distribution of income because of the non-increasing real wage level in contrast with other factor revenues even in cases of reducing the unemployment rates, the poverty level and the inactivity of the labor markets. The efforts of the structural adjustment programs for pressing the trade levels which close in the export-oriented growth models may be effective in this situation.

The System GMM approach established for each high and upper-middle income group is found second-degree without being auto-correlated, while first-degree auto-correlated is expected. The second-degree autocorrelation in lower-middle income group could not be determined at 5% significance level. The autocorrelation is removed at a just 4th degree in this model. Thus, we can easily say that the results of the analysis done with the lower-middle income group countries are not effective.

The tests of Sargan and Hansen show the accuracy of the variable choices and the exogeneity of the explanatory variables turn out to be compatible. This case confirms that the variable selection in the model is right and the models are generally significant.

It is observed when a general assessment is carried out for the model established that the  $H_0$  hypotheses are rejected for both the high income and upper-middle income groups, but these hypotheses could not be rejected in the model created for Middle-Low income group countries. In other words, the corporate structure is unaffected to explain the unfair distribution of income in the Middle-Low income group countries. A conclusion is made in this study that the various institutional indicators affect the unfair distribution of income from different aspects and by different densities in other income groups. Since the signs of the coefficients are not dominant in a specific way, the corporate quality indicators are valid to avoid the unfair distribution of income. But we can say that the direction of this effect cannot be clearly identified. It can also be interpreted as the political or economic institutional quality indicators cause various results so as not to be subjected to the generalizations. These indicators hide the differences between the countries when groups with a lot of countries are evaluated. The models include the years between 1995 and 2013, but the variables in the model have historical, sociological, and political roots of many years. The reasons that the indicators of the model do not have a deeply rooted history and the unachievable measurement of the unfair distribution of income may cause the lack of certain connection between the institutional quality indicators and the distribution of revenue. The deficiency of a consensus about the explanatory variable subject in the literature means that different result can be obtained by using different variables or econometric techniques.

## **Conclusion**

Our study reviews the distribution of income issue from the perspective of institutional economics. Being different from the other economics movements, the institutional

economics approach highlights the importance of organizations and the institutional structure for solving of major economic problems.

This research aims to measure the effect of the variables which represent the legal, institutional and the economic corporate structure, while the Gini coefficient represents the income inequality.

The lower-middle income group cannot meet the model condition called ‘absence of second-degree autocorrelation.’ The variables show different effects in the high and upper-middle income groups. A positive relation is found between the Gini coefficient and the democratic accountability and between investment conditions with the corruption level, while a negative relation is determined by the Gini coefficient and the bureaucratic quality, government stability with Polity IV indicators. The superiority of law, property rights, and the socioeconomic conditions cannot be accepted as statistically meaningful. A positive relationship is detected between the bureaucratic quality, superiority of law, investment conditions and property rights indicators and the Gini coefficient, while there is a negative link between this coefficient and the government stability and also between Polity IV and the socioeconomic circumstances. The indicators of corruption and democratic accountability are statistically insignificant. The alternative hypothesis called ‘the institutional quality indicators are meaningful as a whole for the high and upper-middle income groups’ and this is accepted when the models are generally evaluated. It cannot be said when looking at the variables that the institutional factors have a dominant impact on the distribution of income.

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# 3 A Reading of Gecekondu as a Tool of Rapid Urbanization and Cheap Economic Development

Albeniz Tugce Ezme

## Abstract

*Today, cities are significant to understanding human future. In the cities of developing world, many problems such as housing, unemployment, transportation, environment, poverty, spatial segregation, equality, and unbalanced population continue to increase; and they affect other regions as well. Because of this, we cannot think of them separately. When we look at the housing problem in the world, there are some different problems such as insufficient housing, low quality houses, illegal places; and some different concepts such as ghettos, shanty towns, squatters, or segregated areas. All of these problems and concepts are seen in developing areas of the Third World more than developed others. These concepts show not only housing problem, but also reflect socio-economic problems such as household inequality and spatial segregation of poverty. But these aspects of above issues are not seen as problem all the time. When we look at these issues in retrospect in the urbanization history of the developing world, we can understand how these settlements occurred and why they are there now. Since the occurrence of rapid industrialization in developing countries, squatter settlements have been a serious problem especially in big cities, but we can read it as a solution tool for development in countries like Turkey. This study aims to show the history of rapid urbanization in Turkey as a developing nation, and the concept of “gecekondu” as a result of this rapid urbanization period. This paper will focus on gecekondu settlements as a solution of the housing problem and as a tool for development in Turkey in the 1950s and 1960s. It will be seen also how these areas affected economy, transportation, environment, culture, and social structure of cities at the same time. Thus, this paper will try to explain*



*how this solution was transformed into a problem in cities by political and economic situation of the country. On the other hand, we can see how the views of government are influenced by global perspectives during changing period. The study is comprised of four parts, aside from the introduction and the conclusion; in the first two sections, after a literature review on the facts concerning gecekondu is examined, the evolution of the gecekondu settlements is described on the industrialization, urbanization and modernization period of Turkey. Following section examines the effects of gecekondu areas on physical, environmental, socio-cultural, economic, and political structure in the city of Istanbul and juridical structure of the country. Finally, the fourth section analyzes the effects of globalization and transformation project as a solution.*

**Keywords:** *Gecekondu, Turkey, costless urbanization, economic development, squatter settlements.*

## Introduction

N owadays, cities are important to estimate human future. In the developing world urban areas, many problems such as housing, unemployment, transportation, environment, poverty, spatial segregation, equality, and unbalanced population continue to increase. And, they affect other regions as well. We cannot think of them separately because they have a strong link in between. Understanding of these problems and suggesting some solutions are the missions of the urban planning profession. In the world, there are many different housing problems such as insufficient housing, low quality houses, illegal places; and some different concepts such as ghettos, shanty towns, squatters, or segregated areas. All of these problems and concepts are seen in the Third World and developing countries more than developed ones. These concepts show not only housing problem but also reflect socio-economic problems such as household inequality and spatial segregation of poverty. These problems affect the planning process and quality of the cities. But these settlements are not problems all the time. If we look at the historical period in the developing world, it is not blurred how these settlements occurred and why they are there now.

Since the occurrence of rapid industrialization in developing countries, squatter settlements have been a serious problem especially in big cities, but we can read it as a solution tool for development in countries like Turkey. This study aims to show the history of rapid urbanization in Turkey as a developing nation and the concept of

“*gecekondu*”<sup>1</sup> as a result of this rapid urbanization. The study reveals that there are some similarities between squatter areas and gecekondu settlements but it also shows many differences. Because of this, the word of gecekondu will be used in a way that is different from the general literature in this study. The reason will be deeply explained in the second section of this paper.

This study focuses on gecekondu settlements as a solution of the housing problem and as a tool for development in Turkey in the 1950s and 1960s. It also shows that how these areas affected economy, transportation, environment, culture, and social structure of cities at the same time. Thus, this study tries to explain how this solution was transformed into a problem in cities by political and economic situation of the country.

The study strives to understand the occurrence of gecekondu and show the role of government in it. The study is comprised of four parts, aside from the introduction and the conclusion. First, after a literature review on the facts concerning gecekondu is examined; a conceptual framework is defined on the idea of gecekondu and the other important terms of the study. Second, the evolution of the gecekondu settlements has been described on the industrialization, urbanization and modernization period of Turkey. Third, the effects of gecekondu areas are examined on physical, environmental, socio-cultural, economic, and political structure in the city of Istanbul and juridical structure of the country. Finally, the fourth section analyzes the effects of globalization and transformation project as a solution. Therefore, changing government policies and changing views to gecekondu areas have been understood. By examining these parts in detail, we can see how urbanization occurs in the Third World, and what kind of effects this period has on developing countries, especially in the case of Turkey. This paper can be seen as an urbanization history of a developing country.

### **Identification of the Issue**

Under globalization, Turkey is experiencing a shift from industrial economy to a provision-of-services economy, in accordance with the ideals of modernization and capital investment. Reorganization of the urban form is taking place where there is an evident struggle concerning the distribution of resources and the maximization of assets attempted though the redevelopment of urban land. Of late, the gecekondu areas are

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<sup>1</sup> “*Gecekondu*” is a Turkish term which means a house built in a night. Some articles use the word squatter for gecekondu but this word does not mean the same thing. Therefore, the word of gecekondu will be used in this study and it will be discussed why it is different from squatter.

replaced with this reorganization and the government prepares urban transformation or urban renewal projects for these areas. The government usually shows the squatter people no place else or some new areas which are very far from the city, and this action creates a big issue for gecekondu people. How these people feel and worries taken place during this transformation process emphasize more on the importance of this identification stage. After this realization, it can be seen why gecekondu people are against these transformation projects and why the government's projects are not impartial.

### Hypothesis

The primary question of this study was determined by the aforementioned rapid urbanization, which is, *"Has there been any help of squatter settlements in the development of the Third World?"* We can ask the same question in another way: *Did the working class help the development of the gecekondu areas?* If the answer is yes, then why are we trying to send them back? Could the reason be globalization and modernization targets? For the answer of this question, the study will try to explain the effects of gecekondu areas in the cities. This paper argues that three significant relationships have occurred in the past, between gecekondu-industrialization, gecekondu-modernization, and gecekondu-urbanization. Thus, today there is a hegemonic effect of globalization on gecekondu settlements.

### Research Questions:

The study aims to answer two main questions as an important economic development period which occurred in unplanned period, in Turkey: "How and why did the government not see gecekondu people while they were building their houses – was it a development strategy?" and "How did the gecekondu houses affect the cities?" The paper wants to explain the government policy and its role in this period. Also, it talks about the informal housing areas' effects on the cities.

#### 1. Concept of Gecekondu

In this part, the concept of gecekondu is described. This subheading targets explain similarities and differences between gecekondu and other similar terms such as ghetto, slum, and shanty town. Despite their omission from the guide books, the gecekondu are an integral part of modern Turkey's economic, social, historical and cultural heritage (Iossifidis, 2006). Gecekondu means "built overnight" in Turkish. In Turkish

dictionaries, it is explained as informal housing that is built before authorities arrived. When we look at the Turkish-English dictionaries, they give some different meanings such as slum, squatter house, shanty house or shack.

Social scientists tried to create gecekondu profile for literature. Yalcintan and Erbas (2003) summarize this profile with eight characteristics in particular: (1) particularity to developing countries' metropolitan areas; (2) construction in a very short period of time with jerrybuilt and collected materials; (3) a lack of all or most urban infrastructure; (4) insufficient or lack of transportation and communication services; (5) construction by recent migrants from rural areas; (6) a transitional environment from rural to urban life; (7) a reflection of the segregation and cultural difference in the city; and (8) a predominance of informal economic activity. These characteristics can draw a picture of gecekondu. They help to see a significant difference between self-survival efforts and unauthorized commercial developments.

The first gecekondu houses were small and made from second-hand materials. They were built in areas where there were no urban services or infrastructure. The first gecekondu settlement in Istanbul was observed in Zeytinburnu<sup>2</sup> district in the late 1940s. This district was a very reasonable place for new urban citizens who emigrated from Balkan countries because of the Second World War, primarily because there was a manufacturing center of the city on the periphery. In the 1960s, the number of gecekondu areas started to increase rapidly with rural-urban migrants who came to big cities to find jobs because of unemployment. In those years, the only new labor class created by rapid industrialization was living in the gecekondu areas. Because of this situation, gecekondu settlements were described as leftist areas for a long time.

On the other hand, cultural structure of gecekondu settlement is different from squatter areas although their economic situations are similar. These cultural differences will be detailed in the fourth part, named "Aspects of Gecekondu Settlement in Istanbul." Briefly, gecekondu settlements could be seen as political areas for the working class in those years when they were built the first time.

Ghetto is another word which is used for gecekondu areas by some researchers, but ghetto does not mention gecekondu concept. Although there are some similarities

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<sup>2</sup> The first gecekondu neighborhood's name was Taslitarla whose name was changed to Zeytinburnu after its population had increased. Today, Zeytinburnu is one of the largest municipalities in Istanbul metropolitan area.

between ghetto and first squatter settlement, they are totally different. Urban dictionary<sup>3</sup> explains ghetto as an impoverished, neglected, or otherwise disadvantaged residential area of a city, usually troubled by a disproportionately large amount of crime. Generally, people use the word of ghetto for poor or criminal areas in the daily language. Gecekondu areas can be seen as poor settlements but cannot be seen as a criminal area in Istanbul. People usually remember illegality when they hear gecekondu word in Turkey.

Slum may be the closest meaning to gecekondu concept within these words. We can use “slum” for the first gecekondu settlements in Istanbul, but today, Turkish gecekondu areas are in a better physical condition than squatter settlements and slum areas in many Third World countries. And, most Turks do not think that gecekondu people are poor or gecekondu areas are very low quality from the other buildings in Istanbul.

When we compare illegal houses and gecekondu houses, we cannot say that all of gecekondu areas are illegal or that all illegal areas consist of gecekondu settlements, although there is a relationship between them. According to Habitat II conference in Istanbul, informal settlements are residential areas where people have built their self-help houses on land to which the occupants do not have legal claims. These areas are unplanned settlements and also where houses are not proper with current planning and building regulations (UN Habitat II, 1996). Yes, generally, first gecekondu areas in Turkey were built on land where people did not have a legal title or any documents. As differently from illegal housing area, in this period, gecekondu dwellers were allowed by the government, as well as, some of these gecekondu lands were recommended to gecekondu people by government to industrialize the country, because they did not have sufficient labor force in big cities. This process is explained in the “Rapid Industrialization” part of this report.

In the case of Turkey, gecekondu areas can be seen as an important factor of development in the history of Turkish urbanization. In the developing world, there are some similar examples that could be seen like gecekondu houses such as ‘*favelas*’ of Brazil, ‘*callampas*’ of Chile and ‘*township*’ of South Africa. When we look at the effects of these areas, they are not only economic but also political, social, environmental and cultural. Also, when we look at the history of gecekondu in Turkey, we notice that views

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<sup>3</sup> Online Urban Dictionary has been used for some simple definitions in this study.  
<http://www.urbandictionary.com>

have changed over the years due to industrialization, urbanization, modernization, and globalization. These periods and experiences of Turkey significantly effected gecekondu settlements and changed the view of government settlements influenced by global perspectives during changing period.

Gecekondu has been a concept which was changed by the break points of Turkey. These territorial break points can be determined as industrialization process, urbanization period, and modernization targets in the past and globalization politics in the recent years. The rapid industrialization, unplanned urbanization and costless modernization have collaterally occurred and rapidly affected urban areas of Turkey. Erman (2001) explains and names these changes in his study: “the rural Other(s)” in the 1950s and 1960s; “the disadvantaged Other(s)” in the 1970s and early 1980s; “the urban poor Other(s)” versus “the undeserving Other(s)” and “the culturally inferior Other(s) as sub-culture” in the mid 1980s and mid 1990s; and “the threatening Other(s)” in the late 1990s.” These changes namely occurred because of the political, cultural and economic perspectives and occurred in different periods of the country but only the concept of “others” has not changed, old urban citizens and government have always seen gecekondu settlements as others. And, they have not understood that gecekondu settlements have helped to develop the country.

## **2. Evolution of the Gecekondu Settlements**

Under the title of Evolution of Gecekondu Settlements, gecekondu phenomenon is examined historically based on three successive break points of Turkish Republic history: industrialization, urbanization and modernization. In the first part, the relationship between gecekondu settlements and industrialization period of the country is summarized. Second, urbanization period which was shaped by industrial investments and its connect to gecekondu houses is underlined. In the third part, as the last flow before globalization period, modernization process and its link to gecekondu settlements is explicated.

### **2.1. Rapid Industrialization**

Industrialization is a really significant breaking point in world history. We use the term of developed nations for countries where industrialization occurred early and within a planning process. This important break point separates countries by their economic situations and, because of this, the industrialization period plays an important role for all countries in the world.

In the big cities of the developing world, industrialization has occurred very fast without planning. Therefore, many problems have occurred in developing countries by rapid industrialization such as housing problem for new labors and illegal houses as a result of this situation, unbalanced urban growth by new industries, mass rural-urban migration, etc. These issues can be defined as direct effects of rapid industrialization. On the other hand, there are some indirect effects occurred by this period such as inadequate transportation system, services sector for new urban dwellers, and demolished environments.

Due to the new industrialization targets, many rural people have migrated to big cities to find jobs and to achieve better life standards in Turkey during 1950s and 1960s. The Turkish Government had different aims for economic development in those years. One of the decisions they made was the creation of new factories which would support and improve country's economy over time. With this purpose, new industrial areas were built in the surrounding areas of big cities, but the labor force was not large enough to support these new factories. So this gradually caused a great deal of rural-urban migration in developing Turkey. The number of new urban citizens has rapidly increased day by day. However, there were no cheap houses for new poor workers; and the Turkish Government did not have money to build new houses for new citizens of the big cities. "Furthermore, due to high rates of inflation in developing countries there are no long-term credits to make housing more accessible to the poor" (Yalcintan and Erbas, 2003). Moreover, nobody, including central and local government, has any interest in the housing problem. As a housing solution, the new workers of the big cities started to build their own self-help houses to live in, resulting in the gecekondu settlements. The World Bank (2005) explains this situation: With little money at their disposal to buy residential units in the urban areas, the new urban poor have no choice other than living in a shanty settlement characterized by congestion and unhealthy conditions.

While we talk about gecekondu areas in Turkey, we need to start with Istanbul which is the biggest and the most important city in the country. The other big cities have gecekondu areas too, but Istanbul has the largest gecekondu population in the country. At the same time, Istanbul has an important role in Turkish industrialization, modernization and urbanization history. All these historical times affected the view of government to gecekondu areas. Istanbul had two significant migration periods in the

past: urban-rural migration and south-eastern migration<sup>4</sup>. Urban-rural migration caused first informal settlements, such as gecekondu areas, because of the unplanned and spontaneous industrialization process. This process has occurred very similarly in many other Third World countries. And the second immigrants which came to the cities by southeastern migration followed the same process in 1990s.

The governments of the Third World countries have tried to develop industrialization very fast, and they have not had a successful planning system for this. Then, societies in developing world have found their own solution for their housing problem such as favelas, gecekondu, etc., because of these rapid industrialization periods. Industrialization has become to the unplanned urbanization period in Turkey at the same time.

## **2.2. Unplanned Urbanization**

In the most general sense, urbanization is a process where cities grow bigger and people go to live there. In the 18<sup>th</sup> century, people wanted to live in the cities because of the agricultural mechanization in rural areas and new growing industrialization in cities, though the cities were not ready for this act. The economic income level in the cities is more uneven than in rural areas. Cavusoglu (2004) says that the cities are not only places that generate social inequality but also they display it. By the industrialization in the cities, this inequality was revealed more than it was in the past and the unplanned urbanization increased instead of solving such inequality.

Gecekondu settlements have been the dominant form of urbanization in the major cities of Turkey especially in Istanbul, just as it has been in most developing countries (Yancintan and Erbas, 2003). The industrialization processes, the high rate of rural-urban migrants and new self-help housing areas built by these emigrants have begun to build unplanned urbanization in the 1960s. This urbanization affected economic situation of the country for the better, but the urban life was affected badly in this period because the services in the big cities were not enough for the new urban citizens. Because of the economic effects, the Turkish Government allowed these areas in those years.

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<sup>4</sup> Southeastern migration occurred by the civil war in southeast Turkey. The Turkish Government evacuated many villages in 1990s. And, many of southeastern population came to big cities.



When we look at the gecekondu map of Istanbul, the large rate of the city is gecekondu areas. This rate of illegal houses (government says like this now) could not been occurred in a city without the government's knowledge. Almost half of the urban area in Istanbul is gecekondu settlements.

In the urbanization of Turkey, the government has seen the gecekondu society when they were building their self-help houses of course, and everything was observed by government but the gecekondu settlements were seen as a costless part of urbanization by authorities. They let them build the houses because of this reason. First, they declared these settlements as neighborhoods in urban hierarchy, after ten years, old gecekondu neighborhoods have become municipalities in Istanbul. These were political decisions which determined by government because the government needed votes to win elections (Senyapili T., 2004). This situation will be detailed in the part named "Political Effects of Gecekondu."

On the other hand, the government was not ready to prepare new plans or implement them in the big cities. Authorities were thinking only about development with new industrial areas but they had not thought about the effects of these new industrial complexes. When they started to think about new housing areas and new urban services for labor immigrants, it was too late because the investments had already been done. So the unplanned urbanization occurred. It had many advantages such as free housing areas and urban services which were built by new gecekondu dwellers or new cheap workforce around the new industrial areas. These advantages were enough reason not to see this illegal development. On the other hand, the government was thinking that these new urban dwellers would become urban citizens by the process and at the same time the country would be modernized.

### **2.3. Costless Modernization**

Generally, Third World countries think that urbanization is modernization at the same time. This idea is not totally incorrect but we can add that if there is a planned urbanization, modernization can be a result of this process. But normally, if there is an unplanned and rapid urbanization in a country, modernization cannot occur at the same time. Turkey is a good example for this situation.

Erman explains the modernization in Turkey an elitist view. "When people started migrating from villages to cities in the late 1940s and began to build their gecekondu in Turkey, their presence in the city and their makeshift houses were perceived as highly

alarming both by the state and by the urban elites.” The elites look at gecekondu settlements as a series of obstacles to modernization of urban areas and promotion of the modern (Western) way of life in them (Erman, 2001). In the 1950s, Turkish society especially urban culture experienced structural and political transformations in the process of its integration into the capitalist world economy. In this period, urban society and new urban population were transformed together. They had a two-way interaction. Some of the elite communities did not like this situation and they used the word “others” for new urban population which lived in gecekondu settlements. However, we can say that “others” were more active than old urban citizen in urbanization process.

In the urbanization period, modernization did not occur in the country because new dwellers were not ready to become urban citizens. They could not adapt to city life easily and they were still living like in the rural areas. Some of the old urban citizens were not satisfied with this situation and their dissatisfaction separated the city into two parts: gecekondu citizens and old urban citizens. These spatial and socio-cultural segregated areas affected not only the first generation of new urban citizens but the later generations too. The new urban dwellers neither adapted to city culture nor forgot the rural culture. This division created a new arabesque culture in the big cities. Senyapili (1978) explains this situation as “urbanized villagers, un-urbanized country.”

### **3. Different Aspects of Gecekondu Areas**

Gecekondu areas have affected the cities on many aspects such as economic, politic, socio-cultural, physical and environmental. In this part, these effects on Istanbul will be explained. By looking at these aspects, we can see how gecekondu affected the city: negatively or positively.

#### **3.1. Physical and Environmental Aspects**

First gecekondu neighborhoods have settled on land which is close to new industrial areas because location was an important factor for the new poor urban class (Tumertekin, 1992). Senyapili (1977) has summarized this situation as, “gecekondu settlements appeared in Turkey following World War II as the result of rapid urbanization of the country, which entailed large numbers of villagers migrating to cities. Because the cities were not ready, either physically or economically, to receive them, migrants built their own houses--first in the geographically undesirable areas (steep slopes, river beds) and later on in increasing numbers on the peripheries of the cities.”

An excessive speculation has been distinguished in the city center and this speculation had a negative influence on urban planning. The plans were blocked, especially in big cities like Istanbul. An intensive growth has been occurred, this growth was without plan and without any control. Nevertheless, the price increase did not exist only in the city center, as Granotier (1980) said about the case of Third World countries; in cities of Turkey "speculation in downtown contaminated the rest of the urban fabric."

First gecekondu areas were built for really poor immigrants. Over time, they lost their functions. Then, between late 1970s and early 1980s, gecekondu construction intended to become for sale or lease. These years were characterized as a permanent phenomenon by transforming the gecekondu. In 1980s, the number of floors in gecekondu buildings had increased and gecekondu had changed its nature. It had become a commodity, an object of gecekondu speculation.

On the other hand, gecekondu settlements have affected the urban environment positively. They have never built housing in the forest or an environmental resource. Also, they changed the city's green area with their own garden. First gecekondu society has had a garden to grow plants to help to feed households. Generally, women were interested in these and they have had green gecekondu areas with this economic policy. With the second generation gecekondu settlements which were accepted to have second houses by planning amnesties, the density of gecekondu areas started to increase but they never used these green areas to build houses. Today, when we look at the gecekondu settlements, they have more green and environmental values than most of the other built-up settlements in Istanbul.

### **3.2. Socio-Cultural Aspects**

We must note gecekondu as a large urban phenomenon, and also as a way of urbanization, because a large population lives in gecekondu areas for many years. Already in 1948 in major cities of Turkey, there were 25,000-30,000 gecekondu. This number reached nearly a quarter million in following ten years and took its place in the urban metropolis. For example, in the 1980s, the gecekondu contained 26.5% of urban population.

In gecekondu areas, there are also immigrants with different ethnic groups from rural districts, Alevis (Shi'ites/Shias), Sunnis, Kurds, Turks, Lazs, etc. We affirm that people can eliminate divisions in urgent cases and work together.

In gecekondu districts, we see various types of solidarity relations and social networks. Religious relations, neighborhood relations, family relations and also political relations are seen in gecekondu areas. Each type of network provides a different kind of identity and sentimental belonging to each inhabitant. These networks can connect and also separate people. The relationship between residents is very close and they claim that they are “like family” (Aksumer, 2010). Because of this situation, they could have lived in the cities easily.

### **3.3. Economic Aspects**

Gecekondu literature shows us that gecekondu areas are considered as informal and illegal places. But how can you even name a phenomenon that includes approximately a quarter of the urban fabric as 'illegal'? “Gecekondu may be designated as an informal mechanism that allows underprivileged classes to stay in the city. It is also related to the process of dissociation of agricultural production and economic situation of the whole country. However, this urbanization style is not unique in Turkey; in all Third World countries the same phenomenon occurred and the concerned municipal and government authorities of the countries are fully overwhelmed by the brutality and speed of the phenomenon” (Granotier, 1980).

Thus, we can say that in this period urban area has become a kind of mechanism serving to accumulate the capital. So that urbanization by the help of gecekondu, immigrants who had no insurance and living in cities, can unite with the overall system without any additional capital that must be provided by the State. Consequently, gecekondu could be considered as a hidden agreement having economical and political aspects, recognized between immigrants and the public authority.

### **3.4. Politic Aspects**

In Turkey, even politicians assumed that the gecekondu was a temporary phenomenon, and the political power and public would resolve this phenomenon. This policy has started a new period for the relationship between the authorities and people in Turkey. Later the cancellation policy has changed, and public authority began to take an opportunistic approach to this phenomenon. In 1948, we have seen two reconstruction

amnesties, the first was for gecekondu established in Ankara<sup>5</sup>, and the second was for all gecekondu areas of Turkey.

The purpose of these amnesties was to improve the living conditions of gecekondu, but in reality the purpose was to get votes from inhabitants. In 1949, we issued an amnesty law for the first gecekondu which was located in Zeytinburnu. According to these amnesties, gecekondu buildings that were strong enough could be used legally. These were the first laws which transformed the phenomenon to a chronic category.

Until 1990, 14 laws were published that could be considered as amnesties of reconstruction, yet the situation of gecekondu areas as informal and illegal places has not changed much. None of these laws promised a total solution for the situation. All of them offered partial and provisional solutions. Bediz Yılmaz (2006) said in her PhD thesis which focused on Tarlabası neighborhood: "The government plays the most important role not only as regulator and protector of the internal market, but also as a distributor of created wealth."

With reference to Cavusoglu, the amnesties were a concealment of government faults and public administration. He adds that reconstruction amnesties are powerful state instruments creating a kind of hegemony in Gramscian meaning (Cavusoglu, 2004).

#### **4. Changed View on Gecekondu Areas**

Until this part, this paper tried to explain an urbanization period of a developing country and its results on gecekondu settlements in Turkey. In the fifth part, recent processes on urban areas will be determined. By globalization and neoliberal politics, changed government views will be explained. Therefore, how these changes affect the urban areas and what the tools of this new idea will be defined. In the developing world, cities are transformed to adapt the global economy by international investments, new entrepreneurship. In this period, urban transformation and renewal projects are used as a tool by governments.

##### **4.1. Effects of Globalization**

Globalization can be defined as the integration which supports international investments or exchange of ideas, services and goods across national boundaries. Castells

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<sup>5</sup> *Ankara* is the second larger city which is capital of Turkey, and it has the second larger gecekondu population in the country.

(1993) argues that globalization and results of economic restructuring have eventuated in the disappearance of the Third World and the emergence of a “fourth world”. These fourth world regions are increasingly excluded and structurally irrelevant to the current process of global capital accumulation.

On the other hand, according to the World Bank Report in 2001, globalization helps to reduce poverty in most developing countries in the entire world, but the report argues that globalization should help the world’s poorest. It means that globalization affects positively to high income groups but not low-income population in the Third World countries. The World Bank argues that developing countries can benefit from financial globalization, and countries should take advantage of it. Financial liberalization has a tendency to improve the financial system, enhancing the financing opportunities, reducing the cost of capital, and increasing investment and liquidity (World Bank, 2001).

Globalization view is another turning point in urbanization history of Turkey and Istanbul. In the 1980s, Istanbul started to transform with neoliberal policies by the government. “Istanbul already had been by far Turkey’s leading metropolis, but with the introduction of a radical neoliberal regime, it strengthened its dominant role in the Turkish economy and in the broader international area” (Erbaş and Yalcintan, 2003).

Sectoral restructure is another significant point in the globalization period. Service sectors and financial centers came to play an important role in this reorganization. The financial sector of Turkey was built in Istanbul since the liberalization of trade and financial market. Some service sectors such as finance, insurance and real estate began to develop increasingly in the economy.

“Increasingly, high rents in the city of Istanbul, as well as the pressure of finance and service groups to be based in central locations, became strong reasons for the movement of the manufacturing industry out of the city. In the wake of real estate reforms during the 1980s, Istanbul experienced a rental boom for housing and office space. Investments in industry have thus shifted towards land and building speculation. The growth of the service sector, accompanied by deindustrialization, affected the migrants most. With less manufacturing in the city, their unskilled labor was no longer as necessary as it had been. Furthermore, the service sector created many new jobs, but squatter’s rural roots most often presented an obstacle to getting these jobs. Thus, informal economic activities increased dramatically, and began to include criminality” (Yalcintan and Erbaş, 2003).

Participation to global economy is another significant point because it is unequal among nations. Globalization affects the Third World by believing in a dream. It shows international investments by the IMF and the World Bank, economic growth by services sectors, replace of cities by transformation and renewal projects; but it does not show how the poverty increases in this period, what people will do after transformation projects, how many people will lose their jobs with decentralization and sectoral transformation. When we look at globalization, we only see the good side, we cannot see the other side of the coin or we do not want to see it.

Seeing “fourth world” countries as non-participants in global economy, and their citizens as marginalized and excluded, many commentators regard the impact of globalization on cities in least developed countries as largely confined to the psychological impact of perceived relative deprivation among the citizens of such cities. This had led some to predict widespread social unrest, motive largely by desperation and anger over the phenomenon of exclusion, in cities of the least developed countries (Shatkin, 1998). Castells argues that there are three reactions to globalization in the fourth world: relationship with criminal economy, widespread violence, ideological or religious fundamentalism. Thus, there are many factors that countries integrated into globalization such as link of information, telecommunications, transportation technologies, foreign investments, and influence of the transnational organizations (Shatkin, 1998).

#### **4.2. Changed Policies of Government**

Since the 1980s, the concept of gecekondu began to seem different by globalization view. Gecekondu was closed to a capitalist system and urban rent by new rules and planning permissions. After the 1980, gecekondu neighborhoods’ physical situation became to change. Between 1983 and 1988, Turkish government declared six planning permissions for gecekondu areas (Cavusoglu, 2004). After these permissions, most of the gecekondu people had second or more floors and rented them to new poor migrants. New emigrants came to these gecekondu neighborhoods because they did not have another choice. In the city, the cheapest houses were in these areas. This urban rent let some of the old gecekondu people to change their location in the city (Isik and Pinarcioglu, 2001).

Pinarcioglu and Isik explain this change with a new term “taken turns poverty” in their study. They use this term because of the new immigrants started to live in gecekondu

areas where old migrants built, lived and left. Its meaning that there are still poor people although people changed and new dwellers came, but the poverty did not change.

In 1990s, the second migration started in Turkey because of the war in the southeastern side of country. People who lost their villages and lands in the civil war came to cities. They did not want to come to big cities but they were obligated to do this. They did not have the advantage like old gecekondu people. Most of the new migrants could not find a land to build their own house. A small group could do their self-help houses which were the last gecekondu neighborhoods in Istanbul. The others rented houses in the old gecekondu settlements. With these rentals, some of the old gecekondu people increased their income and they had a chance to change their neighborhoods. People who changed their houses sold the old ones to another migrant group which came to city in the 1990s.

Of course government played a significant role in the gecekondu period by these absolved planning permits. During those years, the government did not anticipate this picture in Istanbul. They were thinking that when they finished their job, they could say “go back” to the gecekondu people. But gecekondu society drew a new picture for Turkish Government.

Today, the government tries to change these areas with global forces and urban transformation projects as a tool, but the government not only wants to change the physical structure but also social structure. Many urban transformation projects have displacement policies because of this intention.

#### **4.3. Renewal and Transformation Projects as a Solution**

Since the 1980s, neoliberal programs have been implemented in Turkey. Urban transformation projects have become popular in this period. In the last twenty years, many transformation processes have occurred because of this reason but they have not been successful. On the contrary, the income injustice in the city, social and spatial segregation, urban poverty, and urban tension have increased by these transformation projects and urban reorganization (Oktem, 2006).

In the book *Planet of Slums*, Mike Davis explains the effects of neoliberal politics in the cities and details these effects on urban poverty and unbalanced distribution of urban income. Davis criticizes IMF and the World Bank and their effects on developing countries. He determines on urban transformation projects which displaces usually poor communities and labor class in the cities by neoliberal politics (Davis, 2006).



Historically, urban transformation began to be implemented after World War II in European Countries. This process' target was to change the physical areas in the cities which were destroyed in the war. Then, transformation projects started to be used to change functionality in the old industrial areas by the deindustrialization period. Nowadays, in globalization period, urban transformation and renewal projects are used as a way to pull rich investors or foreign enterprisers into developing countries although, this situation affects the low-income groups living in the transformation areas. Today, urban transformation projects not only refer to a physical transformation of urban areas but they also support socio-economic structural transformation.

By Turkish experiences, we can say that government sees transformation projects as a development tool. We cannot say this is wrong but the process is not correct in Turkey. Urban transformation projects do not work without public participation and community attendance. In recent years, Turks have had many transformation experiences in Istanbul and the other big cities but we cannot show any successfully project within them. Generally, urban poor areas and gecekondu settlements have chosen as transformation areas in these processes because the government showed the poverty and illegality as a reason. But, we experienced that urban transformation projects which displace residents cannot solve the problems, it can only move the issues to another place out of the cities. If the governments continue thinking of gecekondu only as an area but with no people, these projects are obligated to fail.

We need to have more participation to solve poverty problem and other urban issues in Turkey just like the other developing nations. Therefore, we need to understand the importance of the community development and participation which can lead us to successful experiences.

## **Conclusion**

This study tried to answer two main questions on gecekondu settlements which played a significant role in the development of Turkey: "How and why did the government not see gecekondu people while they were building their houses – was it a development strategy?" and "How did the gecekondu houses affect the cities?" And, the paper showed that the Turkish Government like the other developing country governments was aware of the structural gecekondu areas in the industrialization period but just ignored it because of its advantages.

Today, the Turkish Government sees that gecekondu areas can be used as investment areas by transformation projects. By the year 2000 almost sixty-five percent of the total housing in Istanbul was categorized as informal construction, and all their residents were labeled as gecekondu (Yalcintan and Erbas, 2003). And each year, 500,000 new migrants continue to come Istanbul. By looking at these statistics, Istanbul can be explained as an ecumenopolis which grows everyday. The city exceeds its limits. Everyday living in the city becomes harder than the day before. And, transformation projects are not enough to solve these problems if they are used as an investment tool. According to Jane Jacobs (1961), one of the greatest assets of a city is its wholeness in bringing together an unpredictable mix of people with communities of interests. Urban transformation projects can be used for this purpose.

The main question was asked by David Harvey (2008) in the article named as “Right to the City”:

*“... What kind of city we want cannot be divorced from the question of what kind of people we want to be, what kinds of social relations we seek, what relations to nature we cherish, what style of daily life we desire, what kinds of technologies we deem appropriate, what aesthetic values we hold. The right to the city is far more than the individual liberty to access urban resources: it is a right to change ourselves by changing the city. The freedom to make and remake our cities and ourselves is one of the most precious yet most neglected of our human rights...”*

If we find the answer, we can live in Istanbul, otherwise we will have to go together not only poors or gecekondu.

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# 4

## Animated Movies and Child in the context of Consumerist Society

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Ömer Aydınlioğlu

### Abstract

*In consumerist societies, like cartoons, animated movies that come to theaters can draw children's attention as well. Children being exposed to numerous messages from media tools, make demand for various popular culture products of animated movie characters presented by brand and licencing firms. At the end of the study, following results are expected to be obtained: The animated movies help children consume through main characters, the movies approve the continuing needs that the characters express and they help the children acquire consumption habits as consumers. Accordingly, as the animated movies not only enable the child target audience acquire good consumption habits but also help them raise local or cultural values of consumption. The animated movie contents related with these outcomes can be produced. The number of the animated movies that are educative and didactical can be increased in order to raise awareness of child consumers.*

**Keywords:** *Animated Movies, Child Consumer, Consumption Culture, Consumerist Society.*

### Introduction

Childhood is a period that plays a crucial role in human life. What is so important in this time of period is that children are easily manipulated and prone to adopt attitudes and behaviours about anything. Various researchers suggest different methods that children use in order to adopt an attitude. For instance, Bandura suggests



that learning happens by observing and watching the parents' or friends' behaviours or actions. Apart from parents or with a broader frame social environment, children of today spend too much time in front of mass communication tools. Therefore, they are vulnerable to be affected by the products placed in the programs. Among these programs, animated movies can be said to be the soft belly of children because they open door to a fantastic world full of fantastic creatures and places. Children of all ages find something magical in these movies and have great fun while watching them.

Product placement is not a new phenomenon. It dates back to 1890s in the USA but for most countries it has just settled. Emerged as a marketing tool, it has widely accepted by the whole world. It is a popular marketing strategy that companies compete with eachother in order to place their product in a famous movie.

It is known that cinema has a great impact on its target groups. Movies are resembled to a magical mirror that enchants the ones looking at it. Great leaders have used the cinema movies as a propaganda tool to manipulate the masses. The reason lies on its capability to reach so many people. Today, the cinema industry has gained strength in economy of countries. Aware of this fact, many countries invest in cinema and movie industries.

Animated movies which are popular among children and teens are drawing attention of marketers. In addition to the sponsorship, companies can place their product into the animated movies in return for commercial profit. Children of today are the potential customers of tomorrow. They may not have cash to buy the product by themselves; however they have the power to persuade their parents to buy the product. It can be said that the new decision makers at home are the children.

There are many factors making children to be more aware and sensible consumers today. Called as Z generation, children of today know how to use computers, tablets, smart phones in short all sort of technological devices. They can even shop online platforms. Their purchasing decision is mostly formed by the ads or product placements in the programs they watch. They are exposed to numerous contents all day long so that they adopt purchasing behaviours by themselves. They don't need any help or advice by an adult to decide on what to purchase. Integrated with the scenario, products are displayed like a part of the scene. Unaware of what lies beneath, children and teens are trapped by the marketers. Children and teens hypnotised by the animated movie characters like Barbie, Ken or Princess Sophia insist on having the same clothes,

accessories or furniture. Briefly, animated movies are much more effective on the children and teens than their parents.

This study mainly focuses on what is product placement term and its impact on child consumers and how the child is turned into a consumer with the animated movies. As for the conceptual framework of the study, literature review was used and for the research comparative content analysis was preferred. For the sampling, among the Turkish and American animated movies produced between 2000-2016, Evliya Çelebi and Adam's Ale, RGG Ayas, Barbie A Fashion Fairytale and Toy Story III were chosen. The sample animated movies were analyzed comparatively according to the product placement.

In the study, the headings are child as consumer, the impact of parents on purchasing behaviour of child, a comparative evaluation of animation cinema, the child as consumption object in animated movies, product placement, types of product placement, history of product placement, product placement regulations, product placement regulations in Turkey, product placement practices in evaluated animated films, conclusion and evaluation part.

### **Child as Consumer**

Consumption has become the cornerstone of most people's daily lives - it is a social institution, defining daily patterns of living. Due to the structure of the global economy and the consumer marketplace (product and service development, packaging, marketing, advertising, distribution chains, retailing), it is almost impossible to buy a product without harming others, other species and/or the environment. The ideology of consumerism provokes this untenable situation because people believe they are defined by what they buy and own (McGregor, 2013, p. 3). In short, consuming has become a way of expressing one's self recently.

At the end of the 20th century, as a result of globalization movements caused by capitalism and neo-liberal policies, child consumer image appeared. Now it is possible to mention about a globalized child consumption culture except from industry of child games and toys. Besides, globalization presents us everything both national and international aspects (Yüksel, 2012, p. 996).

In an age called as Millennium age, children are grown up with the speed of technology. They love acting free so any platform or product price is unimportant for them. They make their decision according to the value they place for the product and content

(Savitt, 2012: 65). Today, as the human consume more and more, childhood has become a consumption object. Postman (1995) claims that as the children of today have the knowledge about everything like adults, it is meaningless to be an adult. As the consumption gets important day by day, the characteristics of childhood like purity, innocence have all deteriorated. Postman names it the disappearance of the childhood since the children act like little adults and consume many products for adults.

Popular culture products manufactured in accordance with market strategies, take place in countless designs or patterns. The children not only meet new products but also get accustomed to new pleasures. Therefore, children find themselves in a popular culture environment while playing games and consuming various products. All around the world, even if their contents and designs change in time and place, the children are meant to gather on a common cultural platform (Önür, 2005, p. 241).

Although children buy nothing in cash, they can not be ignored as consumers. They are consumers in fact but their parents are customers. Therefore, children of today called generation Z should be carefully analysed. Children of Z generation are unique, instead of being guided by their elders, they make their own choices and decisions (Savitt, 2012: 64).

Şahin and Hatungil (2008, p. 93) state that the consumption identity of the children begin developing from 3 to 6 ages and influences all their life. The life heavily depending on consumption destroys the cognition difference between the childhood and the adulthood. The children of modern age are experts on consumption of many products such as automobiles, television, computers, cell phones, bank accounts and even bleachers (Kar, 2008, p. 192). Hill (2011, p. 347), on the other hand, claims that children who are between the ages of 4 and 12 have increasingly been defined and viewed by their spending capacity. Marketers especially target girls to sell them different products which they need to emulate a feminine ideal. It is crystal clear that the structure of childhood is eroding and children are suffering from serious physical, emotional and social deficits in terms of consumerism.

### **The Impact of Parents on Purchasing Behaviour of Child**

Family is one of the most imminent socialization agents in children development. However, family members are not chosen by children, the key attributes and values are formed within this framework, which have a great effect on their future decisions and attitudes (Pap, 2015, p. 93). Parents who have certain purchasing behaviours can guide

their children. If a parent gives a child an allowance to be spent at will, then that parent is allowing their children make their own purchase decisions (Cook, 2004, p. 14).

Apart from the family, friends, mass communication tools, brands are other vital agents for the children to socialize. Friends help the others to be aware of the products and brands, learning what is new, how to use it and which store sells it. Advertisements and tv commercials not only give information about new products of brands which help the children to socialize but also encourage them to consume unhealthy and unnecessary products. Teachers, classmates, lessons etc. can influence the children's purchasing behaviour by giving advice, sharing experience of the brand (Ateşoğlu & Türkkahraman, 2009, pp. 225-226).

Young consumers of today have several sources of funds, can spend their money on their own and are encouraged by their parents to become economically responsible as soon as possible. Most parents regard their children as consumers as a natural role to be assumed (McNeal, 1990). So that, the marketers carry out researches studying the children's purchasing behaviours every year. The aim of these studies is to find out whether the children's purchasing behaviours influence parents' expenditure (Zengingönül, 2012, p. 98).

The role of children on purchasing decision has dramatically gain an great momentum. The influence of children on parental or family purchasing decisions is considerably difficult to quantify, although many marketers allege that it is highly important, and actually much more than the children's market per se. Buckingham et al. (2009, pp. 66-67) point to the following tentative findings in this area. These findings are:

- Children seem to have more impact over the purchase of food, holidays, hardware (such as electrical goods) and gifts for friends and family. They are less effective regarding to larger investments such as cars and property.
- Girls have more impact in the purchasing of gifts, while boys play a more crucial role in choices of electrical goods, music and games.
- The most of children seem to admit that parents will act fairly in making purchasing decisions, and only a minority feel they are not given sufficient say (Buckingham et al., 2009, pp. 66-67). These findings show us that the children are regarded as decision makers by their parents.

According to Sandra Calvert (2008, p. 205), although marketers have targeted children for decades, two recent trends have increased their interest in child consumers. First,

both the discretionary income of children and their power to influence parent purchases have increased over time. Second, as the immense increase in the number of available television channels has led to smaller audiences for each channel, digital interactive technologies have simultaneously opened new routes to narrow cast to children, thereby creating a growing media space just for children and children's products.

### **A Comparative Evaluation of Animation Cinema**

While some researchers allege that the first animated movie is *Fantasmagorie* (1908) by French Emile Cohl, some others claim that *Humorous of Funny Faces* (1906) by J. Stewart Blackton is the first animated movie (Madsen, 1969: 7-8). However it is the USA where the animated movie was born and flourished. Walter Elias Disney is the name who established the first animation studio in Hollywood in 1923. Producing *Alice in Cartoonland* as the first movie serie in 1925 (Hünerli, 2005:17-19), Walt Disney is the most well-known among DreamWorks, Blue Sky etc.

Established before the Walt Disney, Warner Bros. (Warner Brothers) Company started to produce animations in 1930s. In the same years, Hanna-Barbara animation studios produced so many cartoon characters (Türker, 2011: 232). The animated movies produced during the World War II were used as propaganda tool. After the war, some countries produce entertaining and didactic animated movies whereas some countries produced experimental and cultural animated movies. The artists in UPA especially made productions as a reaction to the Walt Disney which is criticised as being imperialist. Today the USA is the pioneer country in animation industry among the other companies such as Walt Disney, Blue Sky.

In the developed western countries various and qualified animated productions can be seen although there are challenges and competitions. The expenses of animated movies are paid by the cinema and television screenings (Halas, 1979: 264). The USA and Japan are the two countries leading the animated movie market. In these countries, animated movies are produced in return for commercial profits and technology is used as much as they can. However, in European countries animated movie industry is more original and independent in terms of topic and technic (Türker, 2011:232-233).

While in developed countries like Japan and the USA, animation cinema industry has huge investments and great profits, in developing countries there is not such an industrial purpose or structure. Developed countries make use of technology while producing animated movie content in accordance with their cultural and ideological

purposes and make huge profits distributing them to so many countries. Developing countries like Turkey, Bulgaria and China are not able to produce high quality movies in terms of content and form because of cultural imperialism. For this reason, famous animating artist of countries like Turkey, Yugoslavia keeps on working abroad in projects of global companies.

### **The Child As Consumption Object in the Animated Movies**

Global world has rapidly and drastically changed not only the consumer profile but also the target audience. Marketers target children at a younger and younger age; and they are caught up in a powerful, highly manipulative form of consumer culture. The critics regard this culture as actively opposed to children's well-being and their best interests (Buckingham, 2007, p. 15).

We are living in such a modern world that various kind of toys, stuffs are constantly redesigned with modern and popular styles. The children are attracted by so many drivers of marketing world. As a marketing channel of the modern world, television both introduces the world through different kind of programs and produces its content related with these programs.

As known, technology drags the mankind into a lonely and monotonous life. Media which leads masses through ads and movies (Bayhan, 1997, p. 50) aims at persuading target audiences to purchase. However, the main purpose is not to sell, to supply the demand of the masses properly. In other words, rather than selling people what they actually need, they sell false identities with which they identified themselves with values and pleasures of consumption culture products (Dağtaş & Dağtaş, 2006, p. 23).

Media culture which can be described as a culture formed by mass communication tools suggests consumers propositions that reflect the ways of ideal consumption and sells them problem solutions, product satisfaction, new technologies and stunning models (Kellner, 2010). "Ideal and new technology" is a key element in marketing strategies of the animated movies the target audience of which is children.

Children of this generation know how to use computer and they have social media accounts. According to Çevik (2012: 65) Z generation make everything quick and get bored easily so brands must use the technology for sure. For instance, children of Z generation prefer games and challenges rather than raffling and campaigning. Competitions or challenges lure children but they have limited patience. That is why brands should keep the excitement high and keep them away from too many questions,

knowledge etc. Here animated movies provide them a good reason to have fun and spend time together. Still they spend most of their time alone. % 56 of children surf on the internet, % 30 of them plays alone on computer and % 5 stroll around alone (Jack, 2012: 66-67).

In the past, the parents used to decide what to buy for their children, but now children decide what to buy on their own (Behar, 2012: 69) What makes their mind is the brands they see on tv or movies. For the last 10 years the contents of the tv programs, movies have changed dramatically. Thanks to the improvements in the technology cartoons or animated movies are produced in 3D and real human characters (Akkaya, 2012: 71). Unlike the children in the past, Z generation plays active roles on purchasing decisions at home. As they are exposed to so many products and brands in ads, animated movies or tv programs, they are aware of these brands.

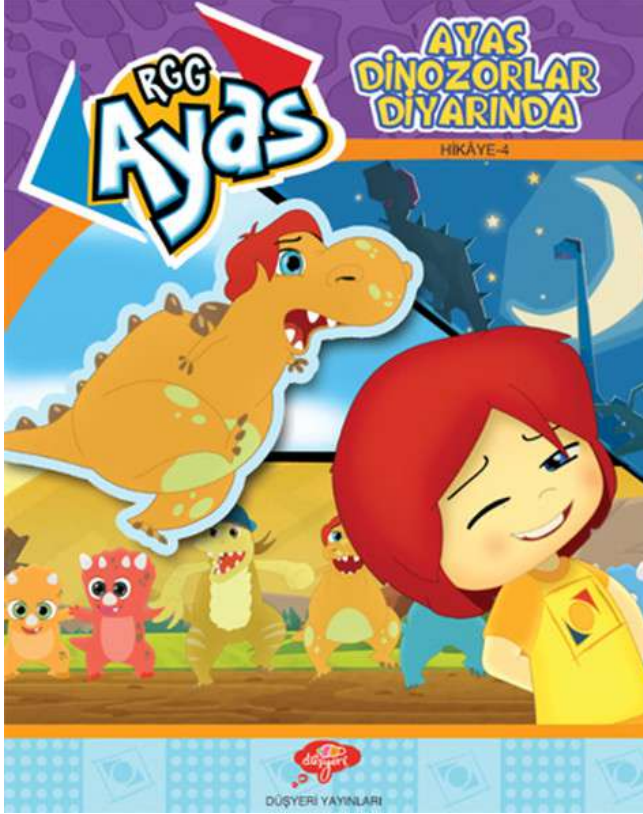
While cartoon characters supply the market, they also boost the sales of new consumption products. Similarly films, books and various toys for children create a virtual reality in a popular culture (Önür, 2005, p. 239). Therefore, the children living in a fictional world turn out to be consumers who can't stand consuming.

The effects of the animated movies on child products and toy industry draw attention of the firms. Seeing the animation characters use the product throughout the movie, the children want to have the very same product (Yalvak & Karacan, 2012, p. 3). Particularly the visual media make it easier for children to see new consumption products. The budget which the parents spend on these products may exceed the budget they allocate for education. For instance, it is no good buying a hamburger menu which gives animated movie character toys instead of buying a book or educational toys (Lindberg, 2013, p. 7).

Commercialization can harm to some aspects of children's physical and mental health, as well as generating concerns about issues such as sexualization and materialism. Such campaigning publications normally regard children not as empowered, but rather as powerless victims of commercial manipulation and exploitation (Buckingham, 2011, p. 1). Children are to some extent the powerless victims of the animated movies. In the content of the animated movies, specific needs are created and particular solutions are offered as well. The firms do this as to earn trading profit. Thanks to these movies, the children consciously or not develop buying habits. In this respect, the animated movies

either on tv or on cinema, have great impact over the sales of consumption products like comic books, magazines, costumes, toys etc.

I



**Image 1. One of the Story Book Published After the Release of RGG Ayas Film**

The animated movies actually can be said to have positive impacts on the children to acquire right consumption habits. Choosing the right animated movie is important at this point. According to Türkmen (2012, pp. 148-152) the animated movie Pepee is one of the films produced to develop Turkish culture in the children. Pepee is a Turkish boy who wears traditional costumes and dances traditionally with folk music. Pepee



unlike other cartoons, doesn't have cereal at breakfast, but he has traditional Turkish food instead. Pepee not only consumes these foods, but also give information about them. Pepee is a real representative of Turkish culture and helps Turkish children foster Turkish culture.

Local cultural elements in the Turkish animated movies have been seen increasingly and the number of local productions have increased recently. Hence, it is almost impossible to prevent the children from becoming a part of consumption society. Children are the main target audience of the animated movies so they have the potential to influence their parents' purchasing decisions. Except for the famous foreign characters like Barbie, Superman, Batman etc. there are already some local movie characters such as Pepee, Niloya, Keloğlan etc.

The fundamental moral message to be found in most shows -Good conquers Evil- are related with commercial messages: For example, Teenage Mutant Ninja Turtles is both a program whose plots often turn on saving the Earth from evil and a marketing venue; there are turtle toys, food, clothes and movies (Kiron & Bellin, 1997, p. 84).

### **Product Placement**

The variety in the marketing media tools has tremendously gained momentum recently. Firms pay attention to these kinds of marketing strategies rather than sticking to the old ones. It is because the profile that today's consumers have are far more different than the one in the past. Tv advertisements are able to reach at far and far countries but they are getting boring and boring as well. That is, factors in the media environment which have sent marketers searching for alternatives to advertising include avoidance of television ads by zipping and zapping (cited by Gupta and Kenneth, 1998: 47).

Through the product placement, firms aim at rising the sales, creating brand awareness, supporting the use of product and drawing the audiences' attention (Gürel and Alem, 2015: 8). Product placement is "a paid product message aimed at influencing movie (or television) audiences via the planned and unobtrusive entry of a branded product into a movie (or television program)" (Balasubramanian, 1994: 31). Steertz (1987: 22) defines the term as the inclusion of a brand name, product package, signage or other trademark merchandise within a motion Picture, television Show or music video. According to Baker and Crawford (1995: 2) "product placement is the inclusion of commercial products or services in any form in television of the film productions in return for some sort of payment from the advertiser". Russell and Belch (2005: 74)

made a short but general definition. According to Russell and Belch, the product placement is the purposeful incorporation of a brand into an entertainment vehicle.

Product placement has many other forms which involved video games, music videos, Broadway shows, cartoons, books and novels. These mass media tools are varied as the technology today is developing so rapidly. Therefore, marketers and the film producers are coming up with new ideas about presenting their products.

Manufacturers' increased interest in product placement has led to the establishment of agencies that specialize in product placements. Some of the companies that provide product placement services are: Creative Film production, Creative artist, Krown Entertainment, Norm Marshall & associates, Robert Kovologg's Associated Film Promotions, Unique Product Placement, Creative Entertainment Services (Gupta and Kenneth, 1998: 48).

### **Types of Product Placement**

Branded products are no longer just "placed", they are woven into entertainment content making a stronger emotional connection with the consumer (Hudson and Hudson, 2006: 489). Hence, the strategy that is preferred by the parties is investigated and evaluated. Even the prices of each type of product placement are different. Product placement strategies can be categorized into three modes: These modes are:

1. Visual Only (VIS): This mode involves showing a product, logo, billboard and other visual brand identifier without any relevant message or sounds on the audiotrack which draw attention to the product.
2. Audio Only (AUD): This mode involves the mention of a brand name or a character conveying brand related messages in audio form without showing the product on the screen.
3. Audiovisual (AV) This mode involves showing a brand and at the same time mentioning the brand name or conveying a brand relevant message in audio form (Gupta and Kenneth, 1998: 48-49).

Placements in any form of the 3 modes may be relatively prominent or subtle.

Prominent placements are those in which the product (or other brand identifier) is made highly visible by virtue of size and/or position on the screen or its centrality to the action in the scene. Subtle placements on the other hand, can be incorporated into

a scene as background and do not require a plausible basis for the overt integration of the product into the action (Gupta and Kenneth, 1998: 49).

According to D'Astous and Sequin (1999) there are 2 types of product placement: Implicit product placement and integrated product placement.

1. Implicit Product Placement: The brand, the firm or the product is present within the program without being formally expressed; it plays a passive role.
2. Integrated Product Placement: The brand or the firm is formally expressed within the program, it plays an active role.

### **History of Product Placement**

Although product placement is considered to begin with the movie E.T. in 1982, Newell and Salmon (2005: 575) claimed that product placement in mass media began with the birth of motion picture projection in the mid 1890s. The first example of product placement was filmed by Lumiere brothers for Lever brothers soap in 1896. In the film named "Washing Day in Switzerland", two cases of Lever Brothers soap were placed in front of the tubs. Edison was the person who turned product placement into an ongoing business that provided not only reducing out of pocket production expenses but also providing promotional services for customers of his industrial business (Newell and Salmon, 2005: 580).

Before the product placement term, there were exploitation till 1920. Exploitation is the on screen use of products and from 1920s to 1970s, it was called as tie-ups and more recently it has been called tie-ins (Newell and Salmon, 2005: 576-577).

In 1920s, cooperative promotional arrangements between outside manufacturers and movie makers in which on-screen product appearances or star endorsements were traded for advertising and promotions paid by the manufacturer (Newell and Salmon, 2005: 580).

By 1931, tie-ups were a common industry practice. Metro Goldwyn Mayer's Dinner at Eight was promoted at thousands of Coca-Cola outlets with posters that featured Sean Harlow and other cast members drinking Coca-Cola during breaks in filming (Newell and Salmon, 2005: 582).

Certainly from the 1930s onwards film producers and brand owners actively engaged in product placement deals. Buick had a 10 picture deal with Warner Brothers in the 1930s and US Tobacco companies often paid movie stars to endorse their brands. With the advent of television in the 1950s tv programs were often sponsored and named after brands, like The Colgate Comedy Hour and Kraft Television Theatre. From the 1930s until the 1980s, barter-system arrangements were in operation, whereby the brand owner would provide free props to the production set and often lend advertising support to promoting the film (Hudson and Hudson, 2006: 490).

### **Product Placement Regulations**

Product placement is a favourable marketing component all around the world. With regards to product placement regulation it is evident that policies vary across nations. While some states have very strict product placement regulations, others have liberal or non-existing ones (Al- Kadi, 2013: 8). Likewise, some states are on behalf of audiences, others are on behalf of commercial interests.

Product placement in Europe has a strict structure. The main objective of the recent product placement policy in Europe is to adequately forewarn audiences of the promotional content of the broadcast material and prohibit the indirect promotion of certain products (Al-Kadi, 2013: 8). All broadcasters in the European Union are forced to obey with the European Commissions Tv without Frontiers Legislation.

European states tend to apply more strict regulations and are more socially-oriented. For example, product placement of tobacco, tobacco related product and prescription only medicines in all programs (Al-Kadi, 2013: 8). Unlike European laws, US policies allow placement of tobacco and alcohol. In France, for instance brand placement on tv is illegal. In the United Kingdom, producers and broadcasters can't take inducements as regulars attempt to enforce clear distinctions between programming and advertising. In Italy, laws that ban surreptitious advertising look unkindly on product placement.

### **Product Placement Regulations of Turkey**

Product Placement is a new phenomenon in Turkey. It traces back till 1990s and has become a legal activity in 2011. In 1990, after public monopoly in radio and television came to an end, product placement started to be appear on commercial tv channels. Although the product placement is banned legally on tv and radio till 2011, it was used surreptitiously (Tüzün Ateşalp and Babacan, 2014: 58).

The Product Placement practices in Turkey are consistent with the European Union Audiovisual Media Services. The product placement is a legal act as long as it is done overtly not surreptitiously. If it is done surreptitiously, it has to be banned (Tüzün Ateşalp and Babacan, 2014: 62).

Similar to the Product Placement Regulation in Europe, the products can be placed in merely entertainment and sport programs, soap opera and cinema movies. Except for these programs, other programs like religious or news programs are not allowed to be placed. In an one-hour program, maximum 4 products are allowed to be placed. Besides, there must be a scrolling text which informs the audience about the product placement. The product placement should be natural but not hyperbolic. As in Europe, the products, advertisements of which are banned must not be placed. Both the product placement and strip advertising must not be done at the same time. Also, the program or movie must display the statement that is “this program or movie includes product placement”. This statement must be given before and after the program or movie and also after the ad break ([www.connectedvivaki.com/rtuk-yonetmeligi/](http://www.connectedvivaki.com/rtuk-yonetmeligi/), 19.10.2017). Product placement has to be banned if it hinders or threatens the editorial independence and responsibility of Media Service Supplier and its program content (Tüzün Ateşalp and Babacan, 2014: 62).

As the product placement has become a prominent income for the corporations, public authorities have started to take action against the product placement. In Turkey especially, the ministries of Economy and Trade and public authorities support the legislation and proliferation of practices (Tüzün Ateşalp and Babacan, 2014: 59). The product placement is gradually getting more popular nowadays.

### **Product Placement Practices in Selected Animated Movies**

#### **The Animated Movie: RGG Ayas**

RGG Ayas is an animated movie which came into theater in 2013. Ayas is 5 and half years old boy who recorded his five days in his tablet computer via a software. There are seven product placements in the movie. Düşyeri which is the producer company of the movie and RGG which is the name of the tablet computer are two products that the audience sees throughout the movie. As in Evliya Çelebi and Adam’s Ale, this movie solely places Turkish brands but not any product of a foreign company.

**Table 1. The Product Placements Seen in the Animated Movie named RGG Ayas**

Products/Brands	Visual Only (VIS)	Audio Only (AUD)	Audiovisual (AV)
Story Book of Düşyeri Production Company	×		
Pisi (an animated movie character of Düşyeri Production Company)	×		
Pepee (an animated movie character of Düşyeri Production Company)	×	×	×
Leliko (an animated movie character of Düşyeri Production Company)	×		
Saybek (an animated movie character of Düşyeri Production Company)	×		
RGG Tablet Computer	×	×	×
TRT Turk TV Channel	×		

Cross promotion is a marketing technique which involves promotion of other product(s) targeted to the customers of a related product ([www.feedough.comcom/cross-promotion-definition-benefits-examples-ideas/amp/](http://www.feedough.comcom/cross-promotion-definition-benefits-examples-ideas/amp/))

In this movie, the manufacturer company Düşyeri gives information about some of their products while the audience is watching the movie.

Düşyeri which is the producer of RGG Ayas animated movie placed its story book visually on a billboard in the movie. Moreover, animated movie characters of the same company like Pepee, Leliko, Pisi and Saybek are placed in Ayas's tablet computer as cartoons that Ayas watches. Among these characters, Pepee is placed via every type of placement (visual, audio and audiovisual placement) in the movie. Pepee since it is loved as a cartoon serie in Turkish channels was later turned into an animated movie in 2017 and got all the credits.

RGG Ayas tablet computer is the most frequently placed product in the movie. It is placed in every type of placement throughout the movie. RGG Ayas tablet computer is taken its place on the shelves of the markets after the movie. In the movie, the children fights for the possession of the RGG Ayas tablet computer because it is a tablet computer which can operate so many functions from recording diary to playing games.



**Image 2. Ayas and His Family**

Turkish Radio and Television Channel is the channel in which Ayas is broadcasted as a cartoon. TRT Turk is a sub-channel of TRT and a program in this channel named “Sokakta Hayat Var” is placed on a billboard displaying the date and the hour of the program.

#### **The Animated Movie: Evliya Çelebi and Adam’s Ale**

Evliya Çelebi is a Turkish animated movie produced in 2014. It is a full length movie that takes 1 hour and 22 minutes. The movie is about a famous Turkish wanderer Evliya Çelebi who is trying to find the adam’s ale. His ultimate goal is to find the ale, drink it and prolong his life in order to see all the places on the earth.

**Table 2. The Product Placements Seen in the Animated Movie  
named Evliya Çelebi and Adam's Ale**

Products/Brands	Visual Only (VIS)	Audio Only (AUD)	Audiovisual (AV)
Turkcell T 50	×		
Doğa College	×		
Folkart Building Trade	×		
LC Waikiki	×		
Lidyana	×		
Tura Tourism	×		
Simit Sarayı	×		
Turkish Airlines	×		
Wingo	×	×	×

Çelebi and his beloved goose are the main characters of the animated movie. As for the antagonist, there is the wicked queen of the Egypt. As seen on the table, we have nine product placements most of them are placed surreptitiously. The audience is aimed to be exposed to the products many times.



**Image 3. Evliya Çelebi and Wingo**



Most of the products or the brands are neither familiar with children nor suitable for children. For example, Folkart is a company that builds and sells houses, flats etc. Lidyana or the travelling agencies are not directly related with the target group. This seems to be disadvantage at first but children can memorize and keep the brand in mind long years. This will affect the brand awareness of the children so they will remember the brands for a long time.

The products or the brands are displayed by using only visual product placement type. Only the goose named Wingo which is the brand mascot of Turkish Airlines is placed visual, audio and audio-visual placement types. It is displayed like a human being and like a human it can speak. It is known that brand mascots have positive impacts on children. Finally, both the movie producers and product owners are Turkish companies. This is an important turning point for both the Turkish animation and product placement industries.

### **The Animated Movie: Barbie: A Fashion Fairytale**

Barbie: Fashion Tale is an animated movie produced in the USA in 2010. The movie is about Barbie and his friends' (Alice and Millicent) struggles to stop the sale of her aunt's fashion house in Paris. There are 13 product placements throughout the movie. In addition, as the story happens in Paris, some real or fictional brand names draw the attention. As an example, Wally's can be given. Also, Le Paris, a newspaper brand is seen in the movie as well.

**Table 3. The Product Placements Seen in the Animated Movie Named Barbie: A Fashion Fairytale**

Products/Brands	Visual Only (VIS)	Audio Only (AUD)	Audiovisual (AV)
Google		×	
Barbie in A Mermaid Tale movie poster	×		
The Movie Gossip website	×		
Yakity Yak (A publication)		×	
Melrose (Cafe)		×	
Wally's (Cafe)	×		
Jacqueline's Moda Evi			×
Millicent's fashion house			×
Vogue		×	
Barbie and the Three Musketeers animated movie		×	
A Fashion Fairytale	×		
Le Paris (Newspaper)	×		
Barbie record	×		

Cross Promotion is used widely in this movie as well. In this movie, Barbie mentions about one of the other movie, Barbie and three Musketeers (2009). Besides, on the Wall, the audience sees the poster of another serie, Barbie and



**Image 4. Barbie and Sequin**

Mermaid Tale. Furthermore, the audience sees the visual of the movie on the screen of Barbie's mobile phone and in the fashion show the audience hears the Barbie record. This movie reminds its former productions to the audience successfully.

In the movie, Yakity Yak, Vogue, Melrose, Google and Barbie and Three Musketeers are the products placed verbally. Any character in the movie speaks of these products or brands. As audiovisual placement case, some fictional brands draw our attention. For instance, Jacqueline's and Millicent's fashion houses are the names of the brands that are fictitiously produced. The Movie Gossip a website that gives news about the movies is also placed in the movie. The audience sees the website on Barbie's laptop computer.

### **The Animated Movie: Toy Story III.**

Toy Story III is produced by Pixar Animation Studio and released by Walt Disney Pictures in 2010. The proficiency and competency of Pixar Animation and Walt Disney in the animated movie industry is globally well-known. The Pixar Studio and Walt Disney Pictures used a marketing technique known as cross promotion. Thanks to this marketing technique, Pixar and Walt Disney get the chance to remind the audience their other products. In the Toy Story III, the audience can see the logo of Lightning McQueen the star car of the animated movie "Cars".

**Table 4: The Product Placements Seen in the Animated Movie named Toy Story III**

Product/Brand	Visual Only (VIS)	Audio Only (AUD)	Audiovisual (AV)
Corvette	×	×	
E-Bay		×	
Tween Zine	×		
Woody	×	×	×
Barbie	×	×	×
Sunny Side-Day Care	×	×	×
Young Classics	×		
Palmy Pam	×		
Dog Island	×		
Tropicaltia	×		
Ukelele Una	×		
Tigers	×		
Ironsides (Trash Bag)	×		
Yoga Studio Parking	×		
Ken	×	×	×
G.I. Joe		×	
Bulls Eye	×	×	×
Grow'n Go	×		
Play&Spell	×		
Number Fun	×		
Fisher Price (Chatter Telephone)	×		
Buzz Light Year	×	×	×
Jessie	×	×	×
Slinky Dog	×	×	×
Rex	×	×	×
Piggy Bank	×	×	×
Rover	×		
“Mr. and Mrs. Potato Head	×	×	×
Lots-o-Huggin Bear	×	×	×
Lightning Mcqueen	×		

Toy Story III is really rich in different products or brands. There are 30 products placed throughout the movie. This number is more than the total number of product placement in Turkish animated movies taken as sample. As seen on the table, various kinds of product placement are used in Toy Story III. Throughout the movie, 17 products were placed using one type. 12 products were placed using 3 types and only one product were placed using 2 types of placement.



**Image 5. Woody, Buzz Lightyear and Jessie**

Since the movie is about the Toys and their adventures, most of the products placed throughout the movie are toys or an something related with children. As seen on the table, many toys placed in the movie is produced in the same name and sold both in stores or online websites. For instance, Woody, Buzz Light Year, Bulls Eye, Jessie, Slinky Dog, Rex, Piggy Bank, Mr. And Mrs. Potato Head and Lots-o-Huggin Bear. Apart from these toys, there are two globally well-known toys, Barbie and Ken in the movie. There are so many books placed in the movie. These books are generally from children literature.

The only target group of animated movies is not children. The parents are also the target group for the companies. In the movie, we can see a trash bag name, two automobile names, an online shopping site and a company name (Fisher Price) which produces toys for different age groups of children.

### **Conclusion and Evaluation**

It is all known that the only goal of marketing is to sell. In order to realize this, it tries to turn the target audience into a consumer. Throughout the marketing history, a great deal of marketing techniques have been adopted or abandoned. With every single technique, marketers have learned something new about the consumers.

A famous motto “there is nothing money can not buy.” There is nothing a company can not do in order to sell more. Therefore, with the help of technology, companies find new ways to induce the consumers. Conventional advertisements are not enough to attract and raise the sales.

Seen as a new and popular advertising technique, product placement is getting important day by day. Being original and compatible with the scenario, product placement is preferred by so many companies nowadays. In order to place a product, first we need a program or movie that can convey the product to the consumers. Apart from tv programs, cinema movies are another popular and indispensable tool for the marketers. The relationship between the cinema and the product placement has began in 1890s in the USA but in 1980s they meant to be serious. Today they are so frequently used that marketers are seeking new ways of advertising.

Under the umbrella of the cinema, animated movies are another channel for the companies to address the consumers. Being especially popular among children and teens, animated movies are favourable for different age groups. The animated movies are eye catching and mostly entertaining contents that consumers can not refuse. A normal tv ad can be got rid of by zapping but in a movie saloon no audience has a privilege to get rid of the product placements.

The younger a child is exposed to something, the longer it remains in mind. That is why the marketers jump into animated movies from the cinema movies. Also, children are defenseless and vulnerable to be manipulated by characters in the animated movies. Staying in front of tv for long hours and watching animated movies, the children consciously or not keep the products displayed in the movie in mind. When they are out for shopping with their parents, they recognize or recall these products.

The success of the placement depends on the compliance between the product and the script play. The professionals of this industry are abundant in the USA or European countries where product placement has been launched for a long time. These developed countries are competent and proficient to place the right product in the movie but still developing or undeveloped countries are struggling to place the idea of product placement into the society or industry.

Consumerist society can be seen in every country and every age groups. The children are even accepted as consumers by the companies and their reactions, choices or habits are all subjects of researches. Parents of today are keen on their children and do whatever their children want them to do. So, children are accepted as potential customers although they have no money.

The animated movies can be used to seed and foster new habits or attitudes. For example, we can see the usage of the latest technological devices like smart phones, tablet or laptop computers. If animated character uses the device, it will be more meaningful for the children to have it. In addition to having the product, the children use the product to be a representation of a group.

What can be or should be placed? is another question to be answered. In the USA where the product placement practices are more flexible and the product options are countless, this is beyond imagination. The professionals of this industry can place whatever you imagine into the movie. However, in European countries this is not the case. They have stricter and limited set of rules for the product placement.

The product placement practices in a developed country like the USA and in a developing country like Turkey are compared and analyzed. As sample cases, two animated movies from the USA and two animated movies from Turkey are selected. According to results of analysis, it is concluded that while the US animated movies use many more products in various ways to place, Turkish animated movies have less product placement and placement types. Also, in the US animated movies, the products are all famous and globally known whereas in the Turkish animated movies, the products are all local company products and the congruence and conformability of Turkish products and the movie are not as professional as the US movies.

In both country, the cross promotion is used as marketing technique in the animated movies. In the United States animated movies, the other works of the main character may be placed. In the Turkish animated movies the other productions of the product

company are placed. RGG Ayas and Barbie:A Fashion Tale Story can be given as examples of cross promotion.

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# 5 Classroom Cheating in the Context of Crime Economics: An Application on Economics and Business Students

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## Abstract

*Classroom cheating is a scarcely researched topic in developing countries. Most studies focused on economic factors in terms of expected benefits and costs to analyze classroom cheating. Are there social factors contributing to classroom cheating as well? We analyzed questionnaire data collected from 321 business and economics student respondents at Faculty of Economics and Administrative Sciences at Selcuk University which is a four-year public university in Turkey. We found important findings regarding incidence, acceptability and justification of copying/student cheating, profile of cheating students, economic costs and benefits of copying and lastly, the social factors influencing student cheating/copying. This study will have important implications for academic institutions both in developing and developed countries as this is the first study that has examined the social factors along with the economic factors contributing to student cheating.*

## 1. Introduction

Academic dishonesty is a common and important problem. Moreover, some forms of academic cheating have increased dramatically over the years (McCabe, et al. 2001). It affects the quality of education and undermines the objectives of education institutions. Moreover, future business and social ethics is also expected to be affected since today's students will participate in real life economic activities. Beyond its effect on future business and classroom environment, academic dishonesty is related with students'

themselves lower life satisfaction and lower psychological well-being (Muñoz-García and Aviles-Herrera, 2014)

In this study, our objective is to examine the economic factors - as explained by expected benefits and costs, and social influence, to explain the classroom cheating. Our study contributes the existent literature in two ways. First, it extends the literature on economic analysis of cheating behavior and the incidence of cheating behavior in social environment. Second, we use a sample from a university in a developing country that is independently examined for the first time to the best of our knowledge. Most studies on student cheating are based on samples from the North America and Europe (Bernardi et al. 2008). International comparisons are rather limited to a few studies such as Salter et al. (2001), Bernardi et al. (2008), and Teixeira and Rocha (2010).

The paper is organized as follows. Section 2 surveys studies on economic analysis and social influence of student cheating. In Section 3, we introduce survey administrated and present a descriptive analysis of survey results to reveal the relationship between possible determinants and cheating behavior. Section 4 presents the results from econometric analysis estimating the determinants of copying behavior.

## 2. To Explain Classroom Cheating: Crime Economics and Social Context

Since Becker (1968), economic approach to crime behavior has gained great attention. In this approach, criminals are seen as rational actors who decide their actions based on benefits and costs of their actions, similar to consumers and producers. In this framework, the expected utility of individual  $j$  from committing a crime ( $EU$ ) is a function of income from the criminal act ( $Y$ ), of the expected value of punishment ( $f$ ) and of the subjective probability of apprehension and conviction ( $p$ ).

$$E[U]_j = p_j U_j(Y_j - f_j) + (1 - p_j) U_j(Y_j)$$

If the expected utility from an offense is positive, it is expected that person would commit an offense. Thus, the supply of criminal acts can be seen as a function of conviction probability ( $p$ ), the amount of punishment ( $f$ ), monetary/psychic value from offense ( $Y$ ), and other factors ( $X$ ).

$$Q_{1j} = f(p_j, f_j, Y_j, X_j)$$

Undoubtedly, there are certain differences between standard criminal activities such as theft and classroom cheating. Bunn et al. (1992) point out two important disparities:

First of all, classroom cheating has a public good dimension contrary to the crime of theft for example. Cheating student is actually a free rider and he/she does not steal answers, simply copies while other students still have their own answers. In the case of helping a friend, copying does not create any cost to the person who helps, even can create a benefit in terms of pleasure. Secondly, classroom cheating can easily be controlled with relatively low costs such as changes in classroom and examination conditions unlike crimes related to public order. Despite these differences, classroom cheating has benefits and costs, thus it can be examined in the context of crime economics. The expected utility associated with cheating can be seen to depend on the perceived benefits and costs of cheating, weighted by the probability of detection and punishment (Kerkvliet, 1994:124). The main benefits of classroom cheating are a higher exam score with less effort and getting job upon graduation. Costs are the penalties which possibly affect graduation and grade, possible losses in grants and future career goals.

Application of economic theory to student cheating is not novel. Cloninger and Hodgins (1986) examined classroom crime in the context of reporting of grading errors and obtained findings consistent to economic approach. Bunn et al. (1992) exclusively examined copying behavior through survey data and failed to find statistically significant effect of the expected punishments. However, they found evidence on effect of the perception of others' cheating behavior. Similar results were found by Mixon and Mixon (1996). They found that the perception of the degree of punishment is negatively related to cheating behavior, but the coefficient was not statistically significant. They also found evidences on positive effect of student's observation of others' copying behavior. The observing others who cheat, the knowing others who routinely copying, and the perception of prevalence of copying were positively related to the copying behavior. In an international survey study, Teixeira and Rocha (2010) found evidences on the positive effect of expected benefits and the negative effect of expected sanction. They also found that the perception of others' cheating behavior had positive impact on individual cheating behavior. Lucifora and Tonello (2015) found that the monitoring effort by teacher affects the cheating behavior.

These findings reveal that not only economic factors as expected benefits and costs but also social influence and interaction in classroom environment are important to explain cheating behavior among students. A recent tendency in crime economics has been to add social interaction and psychological gains and losses into the expected utility model. For instance, in tax compliance literature which is an important application area of

crime economics, the deficiencies of explanatory power of basic model led to researchers to consider cognitive biases, social norms and social interactions (Çevik 2016). Similarly, social context and interactions in social environment can be seen important to explain classroom cheating, as well as economic factors.

Majority of studies consider the effect of students' observation of other's behaviors. As found by McCabe and Trevino (1997), the peer influence is an important factor affecting cheating behavior among students. McCabe et al. (2001) found that students' perceptions of peers' behavior are the most powerful influence on cheating behavior. Premeaux (2005) found that there are differences in cheating behavior and acceptance of copying among schools which represents different institutional setting and cheating climate. Social context, peer effect and prevalence of copying can affect individual students' involving in copying behavior. Peer behavior and classroom environment encourages individual cheating behavior (Peterson 2002; Sierra and Hyman 2008; Shrader et al. 2012). Shrader et al. (2012) found that ethical climate in the classroom has impact on the frequency of actual cheating. Carrell et al. (2008) and Lucifora and Tonello (2015) indicated that there is a social multiplier that shows incidence of cheating among classmates. A cheater is likely to induce other students to copy.

### **3. Application on Students from Economics and Administrative Sciences**

In order to examine the determinants and prevalence of classroom cheating in the exams, we conducted a survey among economics and business students at Faculty of Economics and Administrative Sciences at Selcuk University which is a four-year public university in Turkey. In the Faculty, there are approximately 6000 registered students, although students who attend classes are a half of this figure.

Although the questionnaire was distributed to 400 students from four academic programs, only 321 responses (63% females and 37% males) were proper for analysis. The questionnaires collected data about the demographic characteristics of the students and the programs that they were enrolled in. Student participants came from four academic programs: economics (38%), business (30%), public management (17%) and international relations (13%). Participants' age ranged from 18-26 with an average age of 22.4 years.

The questionnaire consisted of four sections: In the first section, we asked a series of questions on students' general views copying/cheating behavior in their department. The second section contained the questions about their own and other's

copying/cheating behavior as well as questions that intend to measure attributed benefits and costs from copying. The third section contained questions on personal values and norms. The final section focused on demographic variables of participants.

In the following sections, we examine the main determinants of copying among students through cross-tables with ANOVA and figures. We then present the basic relationships, description of the data and the sample characteristics.

### **3.1. An Overview of Cheating Behavior**

In the questionnaire, the “copying” was defined as “partially or completely answering the questions of the exam with an external help such as through using notes on paper, books, electronic devices, looking at answers from other students etc. by breaking the rules of the exam ”.

We asked three questions to measure the cheating behavior and attitudes of participants:

1. Binary cheating: “*Have you ever copied during the exams you attended?*” with “*yes*” and “*no*” responses.
2. Frequency of copying: “*If you did copy, how many times (in numbers) have you copied during your education in this school?*” with responses never, 1 time, 1-5 times, 5-10 times, 10-20 times and more than 20.
3. Copying morale: “*Given the current conditions of your classes and college, how acceptable is it to copy according to your personal opinion?* (0: completely not acceptable; 10: completely acceptable)



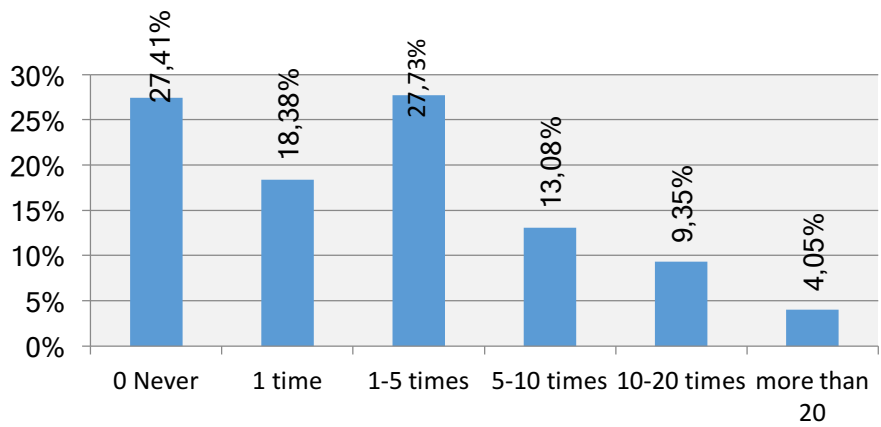


Figure 1. Copying Frequency

Figure 1 presents the extent of copying/cheating by students. More than one fourth of students declare that they have never copied during their university education. Three fourth of students have copied at least once. 13% of total students have cheated 10 or more times and hence are classified as “routine cheaters”.

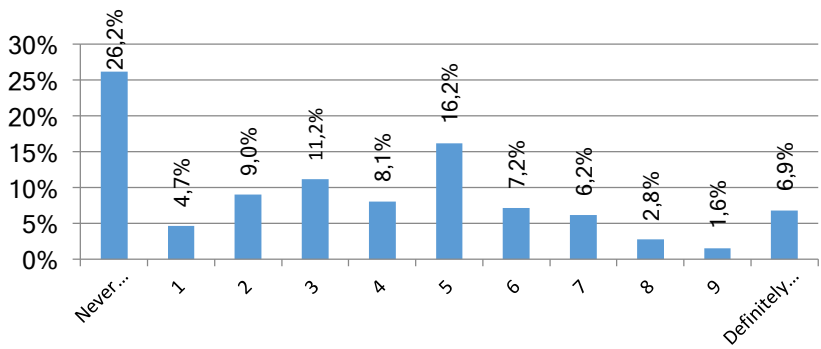


Figure 2. Copying Morale

Figure 2 shows the responses to students' attitudes toward copying behavior termed in this paper as "copying morale". Responses seem similar to distribution of self-declared copying behavior. A fourth of students declared copying behavior as not acceptable.

Table 1 examines formal relationship between copying behavior and copying frequency through variance analysis (ANOVA). Those who have copied at least once before have on an average a low moral attitude toward copying behavior than those who have not copied before<sup>1</sup>. Same pattern is seen for copying frequency as well. As copying frequency increases, copying morale decreases. There is statistically significant and negative association between copying frequency and copying morale.

**Table 1. Copying Morale and Copying Behavior**

	Mean of Morale	SS	n
<i>Ever copied</i>			
No	2.645	2.777	124
Yes	4.223	3.056	197
<i>Prob &gt; F = 0.0000</i>			
<i>Copying frequency</i>			
Never	2.727	2.997	88
1 time	2.576	2.647	59
1-5 times	3.618	2.661	89
5-10 times	4.738	2.922	42
10-20 times	6.067	3.118	30
more than 20	5.000	3.342	13
<i>Prob &gt; F = 0.0000</i>			

We also asked participants why students do copy. We gave them some important reasons and asked them to evaluate the importance of those reasons. Table 2 shows differences between those who copied and those who have not copied in their justification of students' cheating behavior. As can be seen in Table 2, there are some

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<sup>1</sup> For copying morale, a higher value indicates a lower level of morale.

differences between students who copied and those who have not copied. Three reasons produce statistically significant differences between two groups. Students who not copied give more weight to student-related reasons than those students who have copied.

**Table 2. Justification of Copying**

	Mean		<i>P</i>
	Not Copied	Copied	
Students do not want to work	<b>3.62</b>	<b>3.4</b>	<b><i>Prob &gt; F=0.0884</i></b>
Lessons and exams are required to learn by heart	3.94	4.09	<i>Prob &gt; F=0.2694</i>
Lessons are difficult	3.33	3.37	<i>Prob &gt; F=0.7207</i>
There are too many lessons	<b>3.13</b>	<b>3.65</b>	<b><i>Prob &gt; F= 0.0001</i></b>
Instructors' unfair attitudes	3.05	3.21	<i>Prob &gt; F= 0.3062</i>
Because copying is too common	2.88	2.87	<i>Prob &gt; F= 0.9419</i>
The moral weaknesses of students	<b>3.41</b>	<b>2.62</b>	<b><i>Prob &gt; F= 0.0000</i></b>

Literature suggests that student's academic performance (as GPA – Grade Point Average), workload and gender may be important to explain cheating behavior. Thus, we evaluate these three factors by ANOVA in Table 3.

Students who are employed are more likely to cheat than full-time students because of workload (Teixeira and Rocha, 2010). Nowell and Laufer (1997) found evidence to support this. However, we found that although copying frequency of working-students is higher, the relation is not statistically significant.

Another interesting factor explaining student cheating is the gender. Some research reports (Bushway and Nash, 1997; Rocha and Teixeira, 2005; Teixeira and Rocha, 2010) that females are less likely to cheat than males. Some researchers assumes that there are differences in motivation and moral reasoning between two genders (Newstead, et al, 1996). ANOVA indicates statistically significant result that females were on an average less likely to admit to cheating than males.

**Table 3. Working Situation, Academic Success and Gender**

	Mean of Copying Frequency	SS	n
<b>Working Situation</b>			
Not Working	1.66667	1.44026	270
Working	1.92157	1.42609	51
<i>Prob &gt; F= 0.2465</i>			
<b>Gender</b>			
Female	1.52941	1.36606	204
Male	2.01724	1.52077	116
<i>Prob &gt; F= 0.0035</i>			
<b>GPA</b>			
.. < 1.00	1	1.414	2
1.00 - 1.99	1.44	1.325	25
2.00 - 2.99	1.829	1.454	205
3.00 < ...	1.517	1.423	89
<i>Prob &gt; F= 0.2238</i>			

One of the most interesting issues in research has been the relationship between cheating and academic performance of students. There are studies that did not find statistically significant association between cheating and school achievement such as course average or GPA (e.g. Kerkvliet 1994; Nowell and Laufer 1997; Kerkvliet and Sigmun 1999). However, majority of studies have found a significant negative relationship between both variables (e.g. Bushway and Nash 1977; Crown and Spiller 1998; Bunn et al., 1992; Rocha and Teixeira, 2005; Klein, et al., 2007; Teixeira and Rocha, 2010).

Students who have higher academic performance may not be willing to take risk on small gains. Thus, as explained by Teixeira and Rocha (2010), “the higher ‘opportunity cost’ or a higher ‘economic opportunity loss’ as result of taking a decision to cheat – a

student with a high GPA has more to loose if caught cheating than a student with low GPA...”. ANOVA did not provide statistically significant differences on the relationship GPA and copying frequency in our data. But Figure 3 suggest that the relationship may not be linear. The most successful and the least successful students have lower frequency of copying, while the average students have the highest frequency of copying/cheating. It is likely that the most succesful students do not want to take risk for small gains, while the least succesfull students may not be adequately interested in success. Whereas, average students are likely to have course success at stake and hence have a higher motivation to cheat.

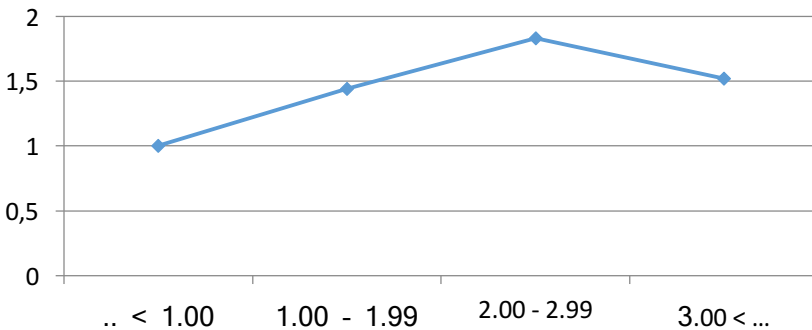


Figure 3. Average GPA and Copying Frequency

**Summary:** There is high incidence of copying (73.8%) out of which 13% are routine cheaters. A fourth of students declared copying behavior as not acceptable. Those who have copied at least once before have on an average a low moral attitude toward copying behavior than those who have not copied before<sup>2</sup>. Same pattern is seen for copying frequency as well. As copying frequency increases, copying morale decreases. There is statistically significant and negative association between copying frequency and copying morale.

The following three reasons given by students to justify copying have been found to be statistically significant:

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<sup>2</sup> For copying morale, a higher value indicates a lower level of morale.

- a. Students do not want to work
- b. There are too many lessons
- c. The moral weaknesses of students.

We also found that although copying frequency of working-students is higher, the relation is not statistically significant. According to the ANOVA tests, the result that females were on an average less likely to admit to cheating than males was statistically significant.

The most successful and the least successful students have lower frequency of copying, while the average students have the highest frequency of copying/cheating. It is likely that the most successful students do not want to take risk for small gains, while the least successful students may not be adequately interested in success. Whereas, average students are likely to have course success at stake and hence have a higher motivation to cheat. This finding is based on aggregation of responses and was not found to be statistically significant.

### **3.2. Economic Factors: Benefits and Costs of Student Cheating**

As explained above, we assume that the expected costs and the expected benefits from copying is important to explain cheating behavior. As the expected sanctions and the perceived probability of getting caught increase, the probability of copying decreases. On the other hand, if a student expects more benefit from copying, the likelihood of copying would be greater.

In the study, we assume that the expected costs are determined by probability of getting caught and the expected penalty if student would cheat. Probability of getting caught was mainly measured by perceived probability of getting caught. On the other hand, we expect that perception and experience on prevalence of copying, witnessing someone getting caught while copying and the experience of being caught while copying would affect the perceived probability of getting caught. We measure the expected penalty by a question on participant's expectation of penalty if he/she would be caught. Besides, we assume that social experience also affects expectation of penalty. We also considered losses in grants and future career goals as future costs of cheating.

The expected benefits from copying were measured "in terms of grade" and "in terms of time gains" in the case of student's involving in copying behavior.

### 3.2.1. Expected Costs

Table 4 indicates the mean of copying frequency given the perceived probability of getting caught. ANOVA test shows statistically significant differences in copying frequency among categories.

**Table 4. Perceived Probability of Being Caught and Copying Frequency**

	Mean of Copying Frequency	SS	n
Less than 1%	1.388889	1.577	18
1-15%	1.984127	1.475521	63
15-30%	2.1375	1.338275	80
30-50%	1.931507	1.530512	73
More than 50%	0.97619	1.108306	84
<i>Prob &gt; F= 0.0000</i>			

**Table 5. Expected Penalty and Copying Frequency**

	Mean of Copying Frequency	SS	n
I don't think there will be anything beyond warning by the supervisor.	1.78313	1.44010	166
Legal action will be taken against me and I will get a written warning or a reprimand or a penalty	1.7	1.44814	70
I will fail the course	1.59322	1.47520	59
Legal action will be taken against me and I will be sentenced to a certain period of suspension	1.43478	1.40861	23
<i>Prob &gt; F= 0.6506</i>			

Table 5 examines the relationship between the expected sanction and copying frequency. Despite nonsignificant results, a heavier penalty expectation is related to lower frequency of copying.

Two more costs could be associated with participants' being punished; the potential of losing scholarship income and not being employed in public office. Table 6 considers these costs in the relationship with copying frequency. Students who receive grants or scholarship are less likely to cheat than those who do not have any grants or scholarship. This may also be related to academic success. The differences in the mean are statistically significant.

**Table 6. Receiving Grand / Scholarship and Career Goals**

	Mean of Copying Frequency	SS	n
<b>Receiving Grand / Scholarship</b>			
No	1.89506	1.50613	162
Yes	1.51572	1.34473	159
<i>Prob &gt; F= 0.0180</i>			
<b>Career Goals and Copying</b>			
Be an academician	1.48438	1.30921	64
Working in public institutions	1.60494	1.44617	162
Working in the private sector	2.11111	1.44926	63
Do your own business	1.86957	1.54638	23
Other	1.88889	1.53659	9
<i>Prob &gt; F= 0.1001</i>			

Among future career goals, students who want to be academicians, or take up jobs in public institution have clearly lower frequency of copying than other students. Those who work or want to work in private sector firms cheat more frequently.

### 3.2.2. Expected Benefits

We measured benefits from copying in two ways:



- (1) We asked students what their grade would have been if they had copied or not copied in the last exam they attended. We counted the difference between their expectation of grades in the case of copying or not copying as “benefit in type of grade”.
- (2) We asked students if they would study less if there were no supervisors in the exam and there was no punishment or penalty. In a second question, we asked how much their study/preparation would be reduced, if their answer is “yes”. We assume that this measurement indicates “benefits in the type of time allocation”.

Table 7 presents relations between copying and benefit in terms of grade. Accordingly, those have copied at least once before expect more grade points from the copying.

**Table 7. Expected Benefit: Grade**

Copied	Mean of Expected Grade	SS	n
No	0.74	2.86	120
Yes	1.68	1.97	197
<i>Prob &gt; F= 0.007</i>			

According to Table 8 that present the relationship between average copying frequency and benefit in terms of study time, those who declare that they will less study if there are no supervisors in the exam and sanction for copying have more frequency of copying.

**Table 8. Copying Frequency and Reduction in Study Time**

	Mean of Copying Frequency	SS	n
I will study same way	1.26	1.24	106
I will study less	1.93	1.48	215
<i>Prob &gt; F= 0.0001</i>			

Table 9 considers the benefit in terms of study time with relation to being copied or not being copied. Again, those who have copied at least once tend to reduce study time.

**Table 9. Reduction in Study Time and Being Copied**

Copied	Mean of Reduction in Study Time	SS	n
No	2.47	2.03	124
Yes	2.94	2.02	197
<i>Prob &gt; F= 0.0430</i>			

**Summary:** As for the economic costs, although not statistically significant, it has been found that heavier the penalty lowers the copying frequency. Statistically significant results show that students who receive grants or scholarship are less likely to cheat than those who do not have any grants or scholarship. Students who want to be academicians, or take up jobs in public institution have clearly lower frequency of copying than other students due to the regulatory requirements. Those who work or want to work in private sector firms cheat more frequently.

The economic benefits of copying that have been found to be statistically significant are:

- a. Higher GPA is a motivator for those who have copied at least once before.
- b. Higher frequency of copying evidenced when there are no supervisors in the exam and no sanctions for copying.
- c. those who have copied at least once tend to reduce study time

### **3.3. Cheating Behavior in Social Context**

Literature suggests that not only economic factors, but also social environment and interaction are important in explaining cheating behavior. If there is a copying-enabling environment, a perception on prevalence of copying and close interaction with cheaters, copying behavior would increase, and thus students' probability to cheat would tend to be higher.

Crime can also be regarded as a product of social environment and social interactions. It is expected that the perception of the crime behavior and possibility of being punished would depend on the interaction with offenders and socially acceptability of criminal behavior. Personal behaviors would be affected by social interactions and social norms.

The perception and the experience of the prevalence of copying may indicate following:

- (1) It signals that it is a socially accepted behavior, thereby reduces psychological costs like exclusion and shame.
- (2) It signals that the probability of punishment (the probability of detection and the expected penalty if caught) is low, thereby it reduces actual costs.
- (3) It creates the motivation to restore justice. If a person thinks that everybody cheats and gains benefits in grades and study times, he/she may want to copy to eliminate his/her disadvantaged situation in terms of equality.

We asked students if they know someone who is constantly copying. As can be seen in Table 10, those who know routine cheaters cheat more frequently.

**Table 10. Knowing Serial Cheaters and Copying Frequency**

	Mean of Copying Frequency	SS	n
No	1.27	1.26	110
Yes	1.939	1.48	211
<i>Prob &gt; F= 0.0001</i>			

We also asked students their general assessment of incidence of student copying in the school, based on their personal experiences. Table 11 shows that as the perceived prevalence of copying increases, student's frequency of copying increases.

**Table 11. Perceived Prevalence of Copying and Copying Frequency**

	Mean of Copying Frequency	SS	n
Less than 1%	1.30	1.22	20
1%-15%	1.20	1.09	74
15%-30%	1.93	1.40	85
30%-50%	1.780	1.58	98
more than 50%	2.11	1.57	44
<i>Prob &gt; F= 0.0020</i>			

In order to measure their experience with copying, we asked students how often they have witnessed students in their school copying during exams, and if they have ever witnessed someone caught by supervisors while copying during the exams.

According to Table 12, those who more often witnessed others cheating are more likely to copy.

**Table 12. Witnessing Copying Behavior and Copying Frequency**

	Mean of Copying Frequency	SS	n
Never	0.50	0.67	12
Rarely	1.25	1.12	73
Sometimes	1.65	1.47	107
Man times	2.13	1.45	102
Always	2.11	1.67	27
<i>Prob &gt; F= 0.0000</i>			

Again, if a student has ever witnessed someone caught by supervisors while copying during the exams, it is more likely that the student herself/himself would be a cheater according to Table 13.

**Table 13. Witnessing Someone Being Caught and Copying Frequency**

	Mean of Copying Frequency	SS	n
No	1.32	1.41	100
Yes	1.89	1.42	220
<i>Prob &gt; F= 0.0010</i>			

**Summary:** Those who know routine cheaters cheat more frequently. As the perceived prevalence of copying increases, student's frequency of copying increases. If a student has ever witnessed someone caught by supervisors while copying during the exams, it is more likely that the student herself/himself would be a cheater

#### 4. Determinants of Copying: Econometric Estimations

We assume that copying behavior depends on economic factors (benefits and costs), social interactions, individual values and demographic factors. Thus, the main functional relationship we would like to estimate is follows:

*Copying* = *f*(*Economic Factors, Social Interaction, Individual Values, Demography*)

In estimations, we employ three dependent variables: copying frequency, copying dummy (=1 if person has ever copied) and copying morale. Copying morale is a variable that takes a value between 0 (never acceptable) and 10 (definitely acceptable) on responses to the question “*given the conditions of your classes and school, how acceptable do you think is copying in your school?*”

Given the characteristics of dependent variables, we employ three different estimation techniques: OLS, logistic regression and ordered logistic regression. For copying frequency and copying morale, we use both of OLS and ordered logistic regressions. For copying dummy, we use logistic regression to estimate odd ratios of belonging to binary categories.

We first estimated a basic model dependent only on economic factors for three dependent variables (Table-14). Later, we added interaction term of being caught and expected penalty in the basic model (Table-15). Subsequently, we estimate a full model that includes variables on social interaction, individual values and demographic properties as well as economic variables (Table-16). Finally, we tested if there was an impact on the experience of the perceived probability of being caught through interaction terms (Table-17).

According to Table 14, the expected benefit in terms of grade is statistically significant for all columns except Column 1. The expected benefit in terms of study time has also been found to be statistically significant for all columns except Column 3. As expected, the copying behavior (in terms of existence of copying and frequency of copying) and copying morale are positively associated with the expected benefit. Those who attribute more value to copying are more likely to be cheaters.

**Table 14. Estimations on Determinants of Classroom  
Cheating: Economic Factors**

		(1)	(2)	(3)	(4)	(5)
Dependent variable	→ Copying Frequency	Copying Frequency	Copying Frequency	Copying Dummy	Copying Morale	Copying Morale
Estimation method	→ OLS	OLS	ORD. LOGIT <sup>(1)</sup>	LOGIT	OLS	ORD. LOGIT <sup>(1)</sup>
Expected benefit – grade		0.0525	1.088**	1.171***	0.311***	1.213***
Expected benefit – study time		0.162***	1.230***	1.101	0.277***	1.210***
Probability of getting caught		-0.166**	0.805**	0.783**	-0.221	0.863*
Expected penalty (base: warning by supervisor)						
	Failing the course	-0.169	0.773	0.733	0.790*	1.694*
	Written warning/reprimand	0.0794	1.081	0.849	0.222	1.105
	Sentenced to suspension	-0.196	0.839	0.663	0.22	1.237
c		1.799***			3.000***	
N		313	313	313	313	313
R2		0.101			0.128	
*** p<0.01, ** p<0.05, * p<0.1						

We also found significant and negative coefficients on the expected probability of getting caught, except in the case of OLS estimation on copying morale. As the expected probability of getting caught increases, the copying behavior and morale decrease.

In first estimation depending on only economic factors, we could not find significant coefficients for expected penalty except for estimations of copying morale. Thereupon, in Table 15, we added some interaction terms in equations.

**Table 15. Estimations on Determinants of Classroom Cheating:  
 Interactions with Experience**

	(6)	(7)	(8)	(9)	(10)
Dependent variable	Copying Frequency	Copying Frequency	Copying Dummy	Copying Morale	Copying Morale
Estimation method	OLS	ORD. LOGIT <sup>(1)</sup>	LOGIT	OLS	ORD. LOGIT <sup>(1)</sup>
Expected benefit - grade*GPA	0.0201**	1.031**	1.066***	0.0929***	1.061***
Expected benefit – study time	0.170***	1.254***	1.138**	0.270***	1.211***
Probability of getting caught	-0.196***	0.760***	0.717***	-0.236	0.867
Expected penalty*Getting caught (base: Warning by supervisor*No)					
Warning by supervisor*Yes	1.056***	4.084***	14.24**	0.337	1.025
Failing the course*No	-0.393*	0.548*	0.548	0.765	1.6
Failing the course*Yes	1.365***	5.236***		1.107	2.115
Written warning*No	0.165	1.174	0.855	0.2	1.023
Written warning*Yes	0.691	2.444		0.784	1.736
Suspension*No	-0.0908	0.9	0.678	0.236	1.126
Suspension*Yes	0.734	3.216		0.0905	1.6
c	1.746***			3.092***	
N	310	310	290	310	310
R2	0.179			0.125	
(1) Indicates odd ratios. *** p<0.01, ** p<0.05, * p<0.1					

First interaction we try is between the expected benefit in terms of grade and actual grades of students. It is likely that students with different level of grade can attribute different value to copying. This interaction is found statistically significant. Second interaction we added is between the expected penalty and the incidence of having got caught in the act. It is likely that those who have experience of getting caught attribute different meaning to penalties than others, since they have actually experienced the process after getting caught. This time, we found statistically significant and coefficients. For those who got caught while copying compared to those who do not have the experience of getting caught, the expected penalty – measured by warning by supervisor and failing the course - has positive impact on copying behavior. Warning by supervisor and failing the course are not deterrent penalties for those who got caught;

they are even encouraging compared to those who do not have the experience on getting caught.

In Table 16, we added variables of social experience/interactions, personal values and demography into equations. Coefficients of economic factors are pretty much similar to estimations above.

Career goal as a kind of representative of future benefits<sup>3</sup> has found statistically significant variable. Compared to those who want to be academicians, those who prefer to work in private sector firms are more likely to cheat.

As indicators of social interaction, we employed the following variables:

- a. if the person knows someone who constantly cheats,
- b. If the person has witnessed someone getting caught in the act, and
- c. If the person has witnessed someone while copying in the exams.

These three variables have been found to be statistically significant in most of the equations. Those who know serial cheaters, who have witnessed someone getting caught cheating, and who have witnessed someone copying, copy more frequently and are more likely to be cheaters.

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<sup>3</sup> In Turkish public personnel management system, a disciplinary record in student's file may prevent him/her from being employed in the government. In this case, career goal can be seen as an expected penalty in terms of the loss in future benefits. This benefit loss may especially be important for those who have goals on career in academies and public institutions.



**Table 16. Estimations on Determinants of Classroom Cheating: Full Model**

		(11)	(12)	(13)	(14)	(15)
Dependent variable →		Copying Frequency	Copying Frequency	Copying Dummy	Copying Morale	Copying Morale
Estimation method →		OLS	ORD. LOGIT <sup>(1)</sup>	LOGIT	OLS	ORD. LOGIT <sup>(1)</sup>
Expected benefit - grade*GPA		0.0121	1.02	1.077***	0.0797***	1.062***
Expected benefit – study time		0.162***	1.285***	1.081	0.200**	1.184***
Probability of getting caught		-0.187***	0.736***	0.655***	-0.195	0.856*
Expected penalty*Getting caught (base: Warning by supervisor*No)						
	Warning by supervisor*Yes	0.991***	4.083***	49.57***	0.0655	0.838
	Failing the course*No	-0.434**	0.448**	0.375**	0.761	1.743*
	Failing the course*Yes	1.011**	4.058**		0.761	1.623
	Written warning*No	0.164	1.229	0.732	0.251	1.047
	Written warning*Yes	0.453	1.712		-0.0821	1.123
	Suspension*No	-0.231	0.687	0.589	0.452	1.56
	Suspension*Yes	0.52	2.582		0.0797	1.597
Career goal(base: be an academician)						
	public sector	0.218	1.377	1.498	-0.597	0.699
	private sector	0.486**	2.298**	3.848***	0.136	1.133
	own business	0.139	1.284	1.301	-0.26	0.905
	other	0.237	1.506	0.445	-0.947	0.521
Knowing Serial Cheater		0.340*	1.761**	1.775	0.334	1.253
Witnessing someone caught		0.329**	1.791**	3.419***	0.297	1.403
Witnessing copying		0.179**	1.314**	1.001	0.595***	1.470***
Obey		-0.095	0.874	0.778*	-0.363**	0.773***
Altruism		-0.175***	0.777***	0.801*	-0.147	0.881
Major (base: public adm.)						

	economics	0.339	1.666	1.561	-0.639	0.735
	business	0.258	1.407	1.783	-0.0488	1.007
	international relations	0.941***	3.696***	2.149	0.936	2.341**
<b>Gender (=male)</b>		0.371**	1.706**	1.606	0.0994	1.014
<b>c</b>		0.753			3.099**	
<b>N</b>		308	308	288	308	308
<b>R2</b>		0.344			0.244	
(1) Indicates odd ratios. *** p<0.01, ** p<0.05, * p<0.1						

Two important individual values could be importance of motivation of copying. One is the tendency of obeying the law; the second is the altruism tendency. We have found altruism to have negative impact on copying behavior, while the results for impact of tendency to obey the law on copying behavior were conflicting for different estimation methods

Finally, the department and gender also found significance in most of the estimations. Being male increases probability of being a cheater according to equations presented in Column 11 and Column 12.

Our final objective is to test certain interaction terms of social experience in the full model. For this, we re-estimate the equation presented in Colum 11 through interaction terms - getting caught copying (in Colum 11A) and witnessing someone getting caught (in Colum 11BA) affects perceived probability of getting caught. For person who has an experience on his own or someone else's getting caught by supervisor, probability of getting caught may have a different impact on cheating behavior. Table 17 presents results. In the Table 17, we only present results regarding interactions although we estimated full model.

According to the results, for those who were caught in the act of copying the probability of getting caught has a greater negative impact on copying behavior as compared to other students. Higher the probability of getting caught, lower the copying frequency for those who have been caught earlier in the act as compared to those who do not have such experience.

**Table 17. Estimations on Determinants of Classroom Cheating:  
Interactions in Full Model**

		11A	11B
		Copying Frequency	Copying Frequency
		OLS	OLS
<b>Probability of getting caught * Getting caught</b>			
	Probability of getting caught*No	-0.159**	
	Probability of getting caught*Yes	-0.493**	
<b>Probability of getting caught * Witnessing someone caught</b>			
	Probability of getting caught*No		0.00124
	Probability of getting caught*Yes		-0.298***
<i>Other variables were included in estimations</i>			
N		308	308
R2		0.35	0.36
(1) Indicates odd ratios. *** p<0.01, ** p<0.05, * p<0.1			

For Column 11B, the impact of probability of getting caught copying on copying frequency is significant only for those who have witnessed someone caught in the exams. Its effect is negative, as can be expected. However, for those who have no experience of witnessing someone getting caught copying, the probability of getting caught copying does not affect significantly and meaningfully the copying behavior.

**Summary:** Grades and reduced study time are the expected benefits from copying. Those who attribute more value to copying are more likely to be cheaters. As the expected probability of getting caught increases, the copying behavior and morale decrease. Students with different level of grade can attribute different value to copying. For those who got caught while copying compared to those who do not have the experience of getting caught, the expected penalty – measured by warning by supervisor and failing the course - has positive impact on copying behavior. Warning by supervisor and failing the course are not deterrent penalties for those who got caught; they are even encouraging compared to those who do not have the experience on getting caught. Compared to those who want to be academicians, those who prefer to work in private sector firms are more likely to cheat. Those who know serial cheaters, who have witnessed someone getting caught cheating, and who have witnessed someone copying, copy more frequently and are more likely to be cheaters.

We have found altruism to have negative impact on copying behavior. Higher the probability of getting caught, lower the copying frequency for those who have been caught earlier in the act as compared to those who do not have such experience. However, for those who have no experience of witnessing someone getting caught copying, the probability of getting caught copying does not affect significantly and meaningfully the copying behavior.

## **Conclusions**

In this section, we present the findings of the study in four parts: incidence, acceptability and justification of copying/student cheating, profile of cheating students, economic costs and benefits of copying and lastly, the social factors influencing student cheating/copying. This study has made important contributions to the field of classroom cheating in crime economics by adding a social dimension to study. This study is also the first of its kind to have been conducted in a developing country setting. The findings of this study have important implications for universities and colleges in developing and developed countries to prevent student cheating.

### **Incidence, acceptability and justification for copying/cheating:**

There is high incidence of copying (73.8% out of which 13% are routine cheaters). Cheating/copying is also an acceptable behavior. Only a fourth of students declared copying behavior as not acceptable. Those who have copied at least once before have on an average a low moral attitude toward copying behavior and copying frequency, than those who have not copied before<sup>4</sup>. Those who have copied at least once find copying/cheating acceptable.

It has been found that students copy because they do not want to work and/or overwhelmed by the number of lessons to be studied, and are morally weak.

### **Profile of cheating students:**

Students, who also have a job along with their study, copy more frequently. Female students are less likely to admit to cheating than male students. Average students are more likely to cheat than most successful or least successful students. Students with altruistic tendencies are less likely to cheat.

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<sup>4</sup> For copying morale, a higher value indicates a lower level of morale.

**Economic costs and benefits of copying/cheating:** Penalty, probability of losing grants and scholarships are deterrents from copying. Heavier the penalty, lower the copying frequency. Interestingly however, for those who got caught while copying compared to those who do not have the experience of getting caught, the expected penalty – measured by warning by supervisor and failing the course - has positive impact on copying behavior. Warning by supervisor and failing the course are not deterrent penalties for those who got caught; they are even encouraging compared to those who do not have the experience on getting caught.

Career focus also plays a role in cheating. Students who want to be academicians, or take up jobs in public institution have clearly lower frequency of copying than other students due to the regulatory requirements. Those who work or want to work in private sector firms cheat more frequently. Those who attribute more value to copying are more likely to be cheaters. Grades and reduced study time are the expected benefits from copying.

#### **Social factors influencing student cheating:**

Peer influence in terms of knowing routine cheaters, perception and the experience of the prevalence of copying signals that it is a socially accepted behavior. It reduces psychological costs like exclusion and shame. It also signals that the probability of punishment (the probability of detection and the expected penalty if caught) is low, thereby it reduces actual costs. Higher frequency of copying is evidenced when there are no supervisors in the exam and no sanctions for copying.

Thirdly, it creates the motivation to restore justice. If a person thinks that everybody cheats and gains benefits in grades and study times, he/she may want to copy to eliminate his/her disadvantaged situation in terms of equality.

As the expected probability of getting caught increases, the copying behavior and morale decreases. Higher the probability of getting caught, lower the copying frequency for those who have been caught earlier in the act as compared to those who do not have such experience. However, for those who have no experience of witnessing someone getting caught copying, the probability of getting caught copying does not affect significantly and meaningfully the copying behavior.

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# 6 The Assessment of Unionisation through “Sendika” Newspaper in the Process of Transition to Multi-Party System

Eren Efe

## Abstract

*It is obvious that the process of transition to multi-party system is a significant period for the political/social history of Turkish Republic; therefore, it is constantly subject to numerous academic studies. However, the majority of these studies examine the fundamental dynamics underlying the process of transition to multi-party system while they predominantly focus on the international conjuncture as an explanatory frame and ignore the impact of deep-rooted social transformations on this process. Yet the historical narrative that ignores and excludes the struggle of other social segments and establish itself only upon political/economic elites has posed an obstacle to understanding dynamics of this period thoroughly. This work focuses on the struggle of the working class, which is one of the mentioned segments, in early 1946.*

**Keywords:** Union, Democratization, Press, Working Class

## Introduction

One of the most important stages of this process of transition was Extraordinary Meeting of Republican People’s Party (RPP) dated on 10<sup>th</sup> May 1946. In this meeting, the party decided to abolish the ban on the foundation of parties or associations based on social classes. In the opening speech of this meeting, İsmet İnönü stated that there was no place to class struggle in the RPP program and the party would continue to observe harmony between classes; yet he informed that they would not legally prevent people from establishing associations or parties based on social classes (Akkaya 2002, p. 154). In accordance with this decision, government changed Law of



Associations on 5<sup>th</sup> June 1946. In this way, it abolished the requirement of getting permission before founding any associations or political parties and allowed for the establishment of political associations or parties based on social classes (Cemiyetler Kanunu'nun Bazı, 1946).

During its single-party rule, the element that shaped RPP's approach towards social classes and inter-class relations was the principle of populism and its social foundation, namely solidarism. Through this framework, Turkish state effectively rejected the presence of social classes and the struggle between each other. Instead it emphasized a monolithic and organic structure in which all professional groups live in harmony (Makal, 2015, pp. 50-51). Briefly the amendment of the Law of Associations enabled social classes with their own private agenda and interests to organize; therefore, it paved the way for the foundation of legal socialist parties and labor unions.

It was inevitable to have positive expectations from this process of democratization for Turkish socialist movement that had been subject to the state's constant repression and attempts of liquidation and that had no opportunity to do politics in legal terms since 1920's. Particularly legal regulations in fields of organization and press led Turkish socialists to expect that they could take advantage of these amendments and they might establish their own political/economic organizations as well as their own press organs. Indeed, following the amendment of the Law of Associations, political cadres of illegal Turkish Communist Party (TCP) directly or indirectly founded two legal socialist parties in 1946. While Esat Adil Müstecaplıoğlu founded Turkish Socialist Party (TSP) on 15<sup>th</sup> May 1946, Dr. Şefik Hüsnü Değmer established Turkish Socialist Worker and Peasant Party (TSWPP) on 19<sup>th</sup> June 1946 (İleri, 1976, p. 73).

This work discusses a significant period of unionism called as "1946 Unionism" and used to define the newly organized unions (organized by TSP and TSWPP cadres) and their perspectives in the aftermath of the transition to multi-party system by focusing on the newspaper of this periodic struggle, namely Sendika. All issues of Sendika newspaper that was utilized in this study was reached from periodicals collection of National Library of Turkey.

### **The Labor Unionism of 1946**

Although the process called as the labor unionism of 1946 last a short time (only six months), it has a quite significant place in the history of Turkish labor, unionism and

leftist movement due to the impact and organization level of unions established in this period. In addition the same period also represents an important milestone for Turkish labor movement (Çelik, 2010, p. 86). This period includes not only the process of transition to multi-party system but also the phase in which Turkish left carried out its activities in the most comprehensive way from the declaration of the Republic to 1960's (Akkaya, 2010, p. 189). Yıldırım Koç identifies the labor unionism of 1946 as the unionism of socialist-communist cadres at a time when anti-fascist fronts had not dissolved due to Cold War conjuncture (Koç, 1998, pp. 52-53). In fact, as Timur indicates, the social mobilization in this period was quite interesting even if the regime with fascistic tendencies did not disappear entirely (Timur, 2003, p. 101). At this point, it is possible to interpret the labor unionism of 1946 as a kind of unionism with a strong class identity and leftist tendencies formed after 1945 (Toprak, 1996, p. 19).

The lack of unions during a 20-year single-party rule is the result of partly the quantitative weakness of Turkish working class and partly the authoritarian nature of the government as well as its reluctance to share its power with other social segments. In this period Turkish working class was not able to organize itself as a mass movement due to the late industrialization and its organizational/ideological incompetency. According to M. Rosen, the abolishment of the ban on class-based associations did not openly exceed the boundaries of idealist reformism; it opened a wide space for leftist organizations ranging from reformist to communist ones. For Rosen the most crucial problem was the lack of experienced leadership though past thirty years with the ban on class-based organization created a strong dissidence among workers. Necessary leadership for the organization of labor unions came from journalists, lawyers and communist cadres of TSP and TSWPP (Çelik, 2010, pp. 87-116). As Rosen indicates, another important aspect of the Labor Unionism of 1946 is that regions and industrial sectors in which unions were organized are the same ones where socialists traditionally carry out their activities (Öztürk, 1996, p. 175). Rasih Nuri İleri, one of the key actors in the unionist activities of TSWPP, also emphasized the influence of communists in this process. As İleri quoted, Seyfi Demirsoy said '*We seized those unions from communists by force,*' in the 6<sup>th</sup> Plenum of Türk-İş [Confederation of Turkish Trade Unions] in 1966 (İleri, 1978, p. 11). Karpat argued that among 100 new labor unions established in 1946, at least dozen of them were dominated by leftist activists (Karpat, 2011, p. 62). There was an organic and ideological, if not legal, connection between the unions of 1946 and TSWPP-TSP. Aziz Çelik strongly underlines the dynamic socialist milieu as a factor that contributed the labor unionism of 1946, drawing attention to the fact

that those unions were established through external intervention. In the West, firstly a massive class-based movement came into being and it was followed by socialist parties. Yet in Turkey the situation was the exact opposite: Socialist parties founded labor unions (Çelik, 2010, p. 87).

Rasih Nuri İleri states that thanks to the 25-year struggle of TCP, unions '*spring up like mushrooms*' as soon as the Law of Associations changed. As İleri indicates, TSWPP established Istanbul Workers' Club, 5 union federations and under those body 25 corporate unions; however, this figure was incomplete and he could not detect some unions. TSP founded 6 industrial unions and the Confederation of Turkish Trade Unions (İleri, 1978, p. 11). In his biography Kazım Alöç, the prosecutor of the lawsuit against TCP established after two socialist parties were closed down in 1947, wrote that more than 10 thousand workers joined to TSWPP. Yet İleri argues that these workers were not members of the party but of Istanbul Union Confederation founded by TSWPP (İleri, 2006, p. 26-37). At that time Minister of Internal Affairs Şükrü Sökmensüer, in his evaluation regarding closed parties, unions and newspapers on 16<sup>th</sup> December 1946, said that 'unions pop up like mushrooms' in various cities of the country in a very short time and that almost all of them were under communist leadership (Sökmensüer, 1947, p. 14).

While there is no exact information regarding the number of union membership in this period, it is not to wrong to assume that unions attracted intensive attention from workers. For instance take this report from the newspaper **Ulus**: "*The Union of Tobacco Workers established few days ago conducted its first Plenum in Taksim on 4<sup>th</sup> of August at 10 o'clock. The union that organized up to 600 workers in a very short time relieved its temporary executive board from duty and selected a new board. Then it decided to join with Istanbul Union Confederation.*" (Ulus, 5<sup>th</sup> August 1946) In TSP's journal **Gün**, one can find The Union of Turkish Textile Workers organized 400 while The Union of Turkish Maritime Workers organized 1000 less than a month since they were founded (Kabacıoğlu, 1946, p. 9).

The main actors of 1946 unionism, TSP and TSWPP, advocated two different models of unionism. It divided union organizations while created an important controversy about the nature of unionism and economic organization. The model of unionism embraced by TSP was based on industrial unions. According to Esat Adil, TSP's chairman, it was necessary to determine all kinds of productions and industries and

then establish nation-scaled unions that would represent workers from the same industrial segment (like The Union of Turkish Textile Workers, The Union of Turkish Maritime Workers). Adil argued that workers in the same department or industrial segment should be organized under industrial unions even if they were from different professions. For example, a carpenter working in a textile factory should also join to a textile union. After they detect industrial segments in Turkey and establish unions in preferably half of them, they should be united under the Federation of Turkish Unions. Having explained the union model of TSP, Esat Adil criticized TSWPP's model of unionism. For Adil, TSWPP's approach to unionism made the organization of working class difficult and divided it. Adil found its model complex, even a fool's errand as they supported corporate unions based on individual workplaces and corporations, arguing that they should be unified under general unions and federations on the basis of cities and industries respectively (Müstecaplıoğlu, 1946).

TSP, in accordance with its model of unionism, established six different industrial unions all of whose names starts with "Turkish". These were Turkish Tekel Workers' Union, Turkish Maritime Workers' Union, Turkish Textile Workers' Union, Turkish Iron and Steel Workers' Union, Turkish Press and Printing House Workers' Union, Tram Workers' Union and Istanbul Drivers and Automobile Workers' Union (Güzel, 1996, p. 148). TSP's media organ **Gün** announced the establishment of Turkish Federation of Unions (head organization of all industrial unions) on 16<sup>th</sup> December 1946, two days before the state abolished all unions and socialist parties (Gün, 1946).

On the other hand TSWPP determined 16 provinces and 16 sectors and then supported a model by which workplace and corporate unions are gathered under general unions in regional/provincial model and under federations in industrial level. These federations would unite and form the Confederation of Turkish Trade Unions (Sendikacı, 1946a). Under the guidance of this model, TSWPP established numerous unions and federations. The first federation was the Congress of Istanbul Worker Unions (CIWU). On 23<sup>rd</sup> June 1946, **Ulus** reported that "*The application was submitted to the Provincial Administration for the official consent to the activities of recently organized CIWU.*" Considering the foundation date of this organization (four days before the establishment of the party), TSWPP had already started its preparation for organizing unions before its own structure. In the pamphlet published by CIWU, 'Our Opinions', it is stated that "*The Congress of Worker Unions will never fail to guide working class and allow any principle exploiters...*" The pamphlet also highlights the importance of central organization, pointing that "*if labor unions are the essence of working class, the Congress*

*of Unions is the heart and mind of this essence*" (Erişçi, 1997, p. 28). Güzel wrote that Ferit Kalmuk, one of the founders of CIWU, played a key role in the participation of unionist workers into TSWPP (Güzel, 2016, p. 314).

The expansion of labor unions organized by socialists and the revitalization of Turkish labor movement forced the government to take measure against it. As a precaution against the unions organized by TSP and TSWPP, RPP quickly put an alternative worker organization on its agenda and founded Turkish Workers' Associations on 9<sup>th</sup> July 1946. However, these associations could not succeed in organizing workers. After this failure and given the experience of 1946 unionism (it is possible to identify this process as workers' will to extend their economic struggles to political spheres) government began working on the draft of a new union law that would ban strikes, attempts to strike, cooperation between unions and political parties (Timur, 2003, p. 102).

This resolution was opened for the discussion both inside and outside of Turkish Assembly before its legislation. In the justification of the resolution, it is stated that a special kind of law is necessary in Turkey after the law allowed the establishment of class-based unions. The underlying reason behind this necessity was the lack of official dominance upon labor unions and it was considered that "*labor unions are also nationalist institutions and they would operate according to this principle due to their nationalist character.*" The discussions in the Assembly reveal this official approach more indisputably. Minister of Labor Sadi Irmak divided unions into two categories, namely "*unions against the state, those in alliance with state and those at the state's command.*" Then he declared that the labor unions operating in alliance with the state are "*the most suitable type of union for Turkey and the libertarian ideology of Turkish regime.*" No doubt these unions should be "nationalistic" and "non-political" or not politicized. Thus the regime viewed labor unions as corporatist organizations subject to strict control in their activities on behalf of the class that they represent and it actively attempted to force them to become as those (Akkaya, 2002, pp. 155-156). The majority of Democrat Party (DP) representatives also supported the resolution as minutes of the discussion indicate. DP objected only to the ban on strikes. The spokesman of DP, Fuat Köprülü criticized the government for forbidding right to strike and this right is recognized by Western countries that Turkey strived to become one of their members. In response to this critique, Sadi Irmak stated that this ban is based on the Labor Law and argued that statism in Turkey protected workers in a different way compared to the practices of

Western liberalism (Doğan, 2014, p. 64).

It is aimed to deploy a state-oriented unions taken under the guidance of RPP against class-based and transnationalist<sup>1</sup> unionism developed through the process of 1946 unionism (Toprak, 1996, p. 19). The main purpose of the resolution was to maintain the policy of class harmony traditionally supported by RPP. The dominance of the concept of adjudicator state in this law draft demonstrates that although RPP indirectly admitted the presence of social classes with the transition to multi-party system, did not stop envisioning labor movement in the framework of peculiar concepts such as national solidarity and social harmony, and rejected class conflicts (Güzel, 2016, p. 575). The resolution also prohibited union membership for non-workers. It is the direct result of the influence of socialist cadres on 1946 unionism.

During this process, TSP and TSWPP kept following the Law of Unions very closely. With their warnings and critiques, they struggled to force to imply some amendments on behalf of workers. These circles were concerned about the possibility of abolishment of all existing labor unions and the establishment of a strict control of the state upon unions with the legislation of this draft. However, on 16<sup>th</sup> 1946 government took action against those circles before the legislation and closed TSP, TSWPP and all unions and media organs founded by these two parties. The leadership of these parties and labor unions were taken into custody forcefully (Güzel, 2016, p. 337). The main reason that led to political power to take this action on 16<sup>th</sup> December 1946 was to sever ties between labor movement and socialist circles. After six months following the establishment of labor unions, the counter-measure of government on 16<sup>th</sup> December reminded people the freedom of unions in legal terms do not refer to the actual freedom of unions.

### **Sendika [Union] Newspaper**

The newspaper **Sendika** started to be published on 31<sup>st</sup> August 1946. It used to have four pages and its price was 10 kurus. The subtitle of the newspaper read as “The Champion of Intellectual and Manuel Laborers in Economic and Social Life.” In the first issues of **Sendika** Adil Yağcı was referred as the owner and chief editor of the newspaper. The de facto chief editor and owner of the newspaper was Mithat Kemal Akkanat as from the 9<sup>th</sup> issue. Its circulation was roughly two thousand (Aralat, 1978,

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<sup>1</sup> Both TSWPP and TSP aimed to make their unions to be members of World Federation of Trade Unions.

pp. 293-294).

The lead articles were often written by Şefik Hüsni Değmer, Ferit Kalmuk and Muvaffak Şeref yet they all used pseudonym "Unionist" (Bayram, 1978, p. 292). Ferit Kalmuk sometimes signed as "Unionist F.K." Ferit Kalmuk, together with Hadi Malkoç, was the leading figures of unionist struggle of TSWPP. The Congress of Istanbul Worker Unions was founded under their leadership on 22<sup>nd</sup> June 1946 and Hadi Malkoç was chosen as the chairman while Kalmuk as the general secretary of the union. CIWU also acquired the printing house of the newspaper, "F.K Matbaası [Printing House]". In fact, the money used for this acquisition came from donations given to TSWPP. In case of legal actions against the party, they decided to buy this printing house in the name of the union. It was bought from Cemal Kutay for 700 liras (Akbulut, 2008, pp. 33-34).

Other writers of the newspaper are as follows: Faruk Atay, Kemal Sönmezler, Nuri İyem, Cemalettin Bozalp, M.H.D. (pseudonym of Doctor Hulusi Dosdoğru), Sefa M. Yurdanur, İlhan Sarpkaya, Armağan Kerimol, Neriman Hikmet (one of the first women unionists), İlhan Berkin, Dr. Hayk Açıkgoz, İbrahim Atılal, Altan Dağlı, Ali Altan, Yusuf Etik (National Intelligence Service agent in TSP and TSWPP – responsible for the correspondence in İzmir (Güzel, 2016, p. 344)). Some reports were published with pseudonyms like "special correspondent" or "Worker." For Güzel it is highly likely that these pseudonyms were used by workers, sympathizer or members of TSWPP (Güzel, 1993, p. 290).

Among other media organs of TSWPP<sup>2</sup>, **Sendika** is one of the significant examples of worker newspaper. Yüksek Akkaya identifies **Sendika** newspaper as the direct successor of previous union media organs like **Aydınlık** and **Orak-Çekiç**<sup>3</sup> in late Ottoman Empire and early Turkish Republic in terms of its functionality if not its overall characteristic (Akkaya, 2010, p. 148). In addition to this assessment, it would be correct to note that there is an ideological continuity between **Aydınlık**, **Orak-Çekiç** and **Sendika**. Each of these media organs started their operations according to the political line of TCP. In **Sendika**, readers could find references to the political background of the founders of

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<sup>2</sup> In addition to **Sendika**, TSWPP also released other publications like **Yığın** [Masses], **Ses** [Voice] and **Söz** [Word].

<sup>3</sup> **Aydınlık** started its publications in 1919, **Orak Çekiç** in 1925.

unions and publishers of newspaper. These statements are quite significant in this context: “*We unionists are honorable heirs of a conscious movement with its 25-year old background;*” and “*lessons that we learned as the result of long struggles and 25-year experience...*” Zafer Toprak also identifies this newspaper as the representative of class-based unionism and argues that it was one of the main pillars of 1946 Unionism. He asserts that the newspaper itself represented an intermediary period of unionism between Amale Teali Cemiyeti (The Association of Rising Workers) of 1920’s and Türk-İş that established after 1947 and gained its form in 1952 (Toprak, 1996, p. 19).

On the other hand, the journal **Gün**, the media organ of TSP began operating as a cultural journal and the developments of leftist political movement forced it to become a political-unionist medium. On the contrary **Sendika** was established as a union/worker newspaper in the first place. TSWPP started to organize unions before it established this newspaper; so **Sendika** came into being based on the requirements and experiences of its unions. It enabled **Sendika** to communicate vividly the problems/demands of unions and working class movement as well as workers’ daily life and working conditions. Occupational accidents, working life, labor laws and resolution, problems of female workers<sup>4</sup> and industrial issues frequently occupied pages of **Sendika**. Even articles on worker health brought into discussion. The column named “Worker Health” was regularly published in the newspaper and it informed workers about occupational hazards and diseases. In a period when a unionist movement had recently developed, the emphasis on worker health is quite significant with respect to the integrative approach of union structure. **Sendika** also made interviews with shoe, cellulose, leather, tobacco and transportation workers. These interviews demonstrate the scope of relationship established between workers, the newspaper and TSWPP.

**Sendika** also became a guide for new unions through publishing charters of already founded unions. Yet the actual influence the newspaper had, for Yüksel Akkaya, came from its success in making unions founded in separate firms and cities to rank-and-file workers. Thanks to these reports, workers who previously organized themselves by means of cooperatives and provident funds realized that they could establish unions and turned their organizations into formal unions (Akkaya, 2010, p. 162). Another function of the newspaper is teaching union chairmen who recently organized unions in their given workplaces how to take action in certain situations. Therefore, it is possible to

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<sup>4</sup> **Sendika** published four articles on women workers. This number is relatively high when compared to other contemporary media organs.



identify **Sendika** as a kind of school for union organization (Sendikacı, 1946b).

It should not be forgotten to note that **Sendika** began its publishing life in a critical period when the Labor Unionism of 1946 reached its peak, workers continued to organize numerous unions, TSP and TSWPP could operate legally and the rivalry between these parties intensified the development of media organs and unions. This period was quite influential over contents of the newspaper. The lead article in the first issue explains the union model TSWPP advocated and the purpose of the newspaper. Additionally, it consists of critiques against TSP and its approach towards unions. This article clearly put forward how **Sendika** would function in current political conjuncture. It starts with an analysis on the relation between the party and unions, which would occupy a prominent place in newspaper pages. In the article, it is argued that party-union relations in Turkey had been formed in wrong ways up to that date. For example, İştirakçi Hilmi's political party was actually a union of transportation workers. The exact opposite of this example is Türkiye Amele Birliği (The Union of Turkish Workers). This organization never became a union but instead it functioned as the sub-organization of RPP. Then it argues that a new era began for unionism after 20-year immobility. As the article indicates, the most decisive characteristic of this period was "*the dominant understanding regarding the necessity of close and direct relations both with rank-and-file workers and workplaces.*" These statements are also very cornerstones of TSWPP unionism. TSWPP, unlike TSP, advocated for the organization of unions based on industries and workplaces instead on national boundaries. TSWPP viewed TSP's attempts to found unions as an enthusiastic temerity, even a disease for its claim to represent massive working class that it could not build solid relations. At this point it criticizes TSP, saying that they "*do not start to build the house from scratch, but try to build roofs.*" Then it highlights this attitude peculiar to bourgeoisie parties. For that time, the alternative model was the establishment of workplace or occupation-based unions. For them, these unions should unite under urban congresses of unions and these congresses should form the Confederation of Turkish Unions on national level. In conclusion, it argues that unions must be independent from political parties but working class should make use of revolutionary parties and support them in elections (Sendikacı, 1946c).

The next lead article deals with the mode of organization in a much more detailed way. As it is argued, the most appropriate mode of organization is firm or production industry-based unions and this model of union is identified as "*firm or production*

*industry-based union.*” According to this model, it is possible to form more than one union in the same location or industrial sector. For example, the formation of a union for Bakırköy Fabric Factory and the organization of another independent union for other factory specialized in textile. All of these unions should join to the congress of unions located in the same city. At the same time, it is possible to form occupation-based unions rather than firm or industry-based ones in some dispersed sectors such as tobacco, shoemaking, mining and tricotage. These unions should establish branch offices in various parts of the city (which their industries are located in) and join to the union federations. The incorporation on a national scale should be provided by the organization of confederations gathering all unions from the same industry. For instance firstly tobacco workers from Istanbul, Bursa and Samsun have to form unions and then they have to incorporate them into The Federation of Turkish Tobacco Workers’ Unions. Then these federations have to form a comprehensive confederation (Sendikacı, 1946a). In the fourth issue of the newspaper, a schematic was provided to elaborately explain this afore-mentioned mode of organization. In this analysis, roughly 200-300 workers are considered as an adequate number to form a union in a branch of a company or production facility. According to the scheme, it is necessary to organize the congress of unions in 16 large cities of Turkey and 16 industry-based union federations on national level. The article argues that organizing unions “*individually*” is preferable for the “*industrial and cultural level*” of Turkey and this mode of organization is the direct result of national conditions (Sendika, 1946a).

The reason they elaborated this mode of organization with a detailed schematic could be attributed to Esat Adil’s critiques in the journal **Gün**, arguing that this model is over complicated and inefficient. In fact, the newspaper admitted the complexity regarding unions and their mode of operation and had to come up with additional explanations. For the newspaper, the problem lies in the misunderstanding regarding the relation between unions and political parties. The article highlights the fact that a union is not a kind of organization by which workers form just for their economic interests and it is mistaken to confer these organs with a socialist party. According to its definition, unions are organizations that attempt to improve the economic condition of workers under capitalism and their cultural level. It also struggles to improve their workplace conditions and to defend their social security and rights (Sendika, 1946d).

TSWPP and its newspaper **Sendika** also formed an additional structure named Workers’ Club in accordance with afore-mentioned union model. The club which was opened in first weeks of October started its operation under the protection of the

Congress of Istanbul Workers’ Unions. The Club was a school “*in which workers do exercises, improve their physical skills, keep themselves healthy by strengthening their bodies, develop themselves morally and intellectually.*” Therefore, each worker could go to this club in free time, strengthen their physical condition and improve their skills, deal with various fine arts with their friends, read, participate in various conferences and theatrical performances, produce artistic works in painting, sculpture or music. Whether they are workers or not, all citizens could go to workers’ clubs and benefit from their opportunities and facilities (Sağlıkçı, 1946). For TSWPP, another reason behind the establishment of Workers’ Club is to keep worker organizations intact in case of any ban on unions by the state. In the newspaper, there is an article that highlighted the importance of laying claim to the term of “union”, stating as follows:

*“...in case of the lack of alternative solutions due to the intolerance of masses or administrative courts, the union is able to claim the names of associations. Essentially, even the congress of unions considered these possibilities when it wrote out its charter three-four months ago and inscribed that all labor organizations could join as long as they accept the principle of class struggle and take the responsibility of protecting labor interests and rights.”* (Sendikacı, 1946c)

At this point, given that Workers’ Clubs are affiliated with the CIWU, it is the other purpose of these clubs.

**Sendika** and TSWPP circles identified unions as independent and apolitical organizations. In early as the second issue, it is stated that there are rumors regarding the attempts to impose control over labor organizations and make them dependable to the state and that it would violate the right of organization given to workers by the constitution (MHD, 1946). As mentioned above, the relation between unions and political parties had been a controversial issue in **Sendika** and the newspaper adopted the approach of First International in this subject. Having reminded that the program of International was written down by Marx himself, it highlighted the nature of this organization as an alliance between economic and political labor organizations (unions and parties). In this context, the essential function of a revolutionary party is to guide workers as it shows the destination for worker masses and teach them the class struggle does not only consist of struggles for wage but also political struggles. However, without the daily struggles of unions, revolutionary parties become irrelevant. Marxism bridged the gap between revolutionary tradition and unionism. In the struggle against

bourgeoisie, both political parties and unions have to be in alliance as long as they keep their independent status (Sendikacı, 1946f). This assessment reveals that the ideal relationship between unions and political parties must be autonomous in organization terms, but incorporated in ideological terms. Accordingly, TSWPP identified itself as a political party aiming to free workers from waged slavery, struggling to protect collective interests of working class and leading their struggle in order to establish socialism (Sendikacı, 1946d).

In another article dealing with the relation between political parties and unions, there are detailed analysis on the relation of TSWPP with unions and working class in general. This article discussed this relation, departing from the pamphlet “Our Opinions” published by the Congress of Istanbul Workers’ Unions. The pamphlet identified the measure for the extent the impact of political parties upon unions as *“their positive influence for the interests of working class with their concrete actions.”* Political parties cannot be conceived without social classes and in this context, unions *“are obliged to aligned with and support the labour party”* that protects the collective interest of their class and struggles to establish socialism. In the article, it is important to note the presence of the term *“labor party”* and the phrase stating that there could not be two or more labor parties. Here, the second and unnecessary party is obviously TSP and it is said that *“the designation they adapted is nothing but a mask to conceal their ulterior motives.”* After a four or five-month period;

*“...it becomes evident that a revolutionary party that would protect and politically guide working class with its genuine program of socialism is rapidly developing and it persistently strives to gain working masses’ trust and admiration through its systematic and deliberate endeavors after surprising incorporations and suspicious attempts. As long as the Socialist Workers and Peasants’ Party maintain its role in the guidance of intellectual and manual workers for the political line in their class conflict and honour the duty it undertook, it will increasingly become the party of unionists. Moreover, the economic struggles of unions and political struggles of the party (in compliance with the ideas of the great socialist theoretician which we made comments on it last week) will complete each other and facilitate to free labor from exploitation and the exploitative system.”* (Kalmuk, 1946, p.1)

In the article, the emphasis on *“the necessity to support and align with”* political parties advancing the interests of unions and the bringing TSWPP into the forefront for the organization of workers refers to a kind of union-party relations in compliance with

Marxist tradition. As Aziz Çelik indicates, the articulation of this relation by the CIWU general secretary Ferit Kalmuk implies a challenge to RPP in terms of unionization on the one hand, and a definite judgment among TSWPP circles regarding the impossibility of the ban on unions on the other (Çelik, 2010, pp. 104-105). On 11<sup>th</sup> November 1946, RPP Istanbul Province Chairman Faruk Dereli, in his telegraph sent to RPP General Secretariat clearly manifests to the extent the party took this challenge seriously. In this telegraph Dereli states that Kalmuk's article is an extraordinary and striking one. Therefore, he "presented" the mentioned issue of *Sendika* newspaper "to the office respectfully in the attachment." In the attachment, it is seen that some sentences or phrases of Kalmuk's article were highlighted (BCA, 1946).

The number of articles about Marxism is quite limited in *Sendika*. Certainly, it is the direct result of the position that *Sendika* positioned itself. The newspaper aimed to appeal to broader masses of workers; therefore, it focuses on daily problems of workers instead of ideological disputes. With the exception of afore-mentioned article in which it dealt with the relation between union and political party, Marxism is taken into consideration in another article dealing with the economic struggle of unions. According to this piece of work, the economic struggle of unions has two purposes, firstly the issue of wage and working hours and secondly Karl Marx's assessment indicating "*wage is the value given to the work.*" The value of labor force commodified under capitalist society is determined according to the amount of commodities necessary to sustain workers' survival. As the article indicates, for capitalism it is not "structurally" possible to bring any solution on behalf of workers in terms of wages and working hours and all kinds of economic struggles must evolve into political ones. The issue of wages and working hours would arrive at a decisive solution only with the establishment of socialism (Sendikacı, 1946g). Although Marxism was occasionally dealt in some issues of the newspaper, the argumentative essays regarding union-class-party relations in Marxist theory have a strong theoretical perspective. These essays mostly focused on working class movement (which is also the major problem of *Sendika*) and clearly elaborated the relation between Marxism and working class movement for TCP/TSWPP.

The critiques directed against TSP in *Sendika* claims that this party caused confusion among workers yet it disappeared after a short time. The underlying reason behind this confusion is the fact that TSP was established previously and it started to from unions before TSWPP did. *Sendika* made these following comments about the unionization

attempts of TSP: “*On national level, the desire (or to say, a disease) to form unions has begun withering down if not completely disappeared... those who take their projects seriously and find these fanciful attempts beneficial went so few to call them ‘disappeared’*” (Sendikacı, 1946c). As it asserts, due to the abolishment of ban on class-based associations and unions, people staggered in confusion in first weeks but this situation is now over (Sendikacı, 1946b). **Sendika** equates TSP with “*Amele Teali Cemiyeti having a more or less revolutionary character despite its occasional opportunist activities.*” Hence, it is articulated as follows:

*“Regrettably we have been encountering these kinds of ventures recently. While these formations arising from superficial or malevolent intentions do not serve any purpose but confusions, staggering and waste of time on behalf of hostile capitalist class, they are relatively too weak and ineffective to worth mentioning about. Today workers no longer pay heed to crude and scrappy suggestions; they give heed to nobody unless those who claim to guide them do not prove their capabilities and honesty in workplaces.”* (Sendikacı, 1946c)

However, at the time **Sendika** started its publishing life, TSWPP removed the disadvantageous situation arising from the establishment of itself relatively later. Moreover, it became a more effective party with its political organization and affiliated unions. In some instances, TSWPP even influenced the unions formed by TSP. Behçet Atılğan from TSP admitted that TSWPP got ahead of themselves with its “*advance in unionism*” (Akar, 1989, pp. 88-89). No doubt, it was also influenced by the direct connection between rank-and-file workers from various locals and TSWPP’s model of unionization. Yet it is inadequate to explain the impact of TSWPP upon unionization to the full extent. In the field of trade unions, TSWPP was able to break the influence of TSP probably due to the efficiency of political cadres from former TCP. In the related part of this work, it is already mentioned that trade unions established after 1946 were formed in the locations in which communist cadres had great influence.<sup>5</sup> It is possible to argue that, the rapid unionization occurred as the result of the culmination of long-term experiences of TCP cadres even though they were scattered and fragmented to a great extent. In this fragmentation, the remnant social circles favoured TCP/TSWPP and played a very important role in their attempts to establish trade

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<sup>5</sup> For instance, the struggle of tobacco workers (constituting the major part of Turkish working class) in 1930s was organized exclusively TCP cadres. Koçak, “Türkiye İşçi Sınıfı Oluşumunun Sessiz Yılları: 1950’ler”, p. 100

unions.

The critique of **Sendika** against the Democrat party aimed to reveal its class characteristics. The texts on which the newspaper grounded its critique are public declarations of DP founders and directors regarding class and working class movement. In the sixth issue of the newspaper, Samet Ağaoğlu's article 'Class-Based Occupational Organizations' (published in **Vatan**) was heavily criticized. According to the critique, Ağaoğlu tried to transform independent unions to '*fascist occupational organizations*', supporting the class enemy of workers. In addition, it reminds of the fact that Ağaoğlu was the person who struggled to form a fascist and corporative formation in Turkey before the Second World War. The cooperative form of union, which was identified as '*union under state authority*' by Ağaoğlu, is found equal with corporations facilitating the exploitations of workers under fascist practices. Ağaoğlu identifies "*unions against state authority*," as "*organizations representing occupational groups and their interests, thus constantly creating disharmony and chaos*." The newspaper, in response to Ağaoğlu, declares as follows: "... a union is not a political organization. In capitalist democracies, labor unions are formed and operate in order to free workers from the domination of their employers, prevent the decline in wages and increase in working hours, support their members with solidarity and improve their level both culturally and physically" (Sendikacı, 1946h). As Akkaya indicates, this discussion reflects the perspectives of both sides regarding the upcoming Law of Unions. One side demands a union dependent to the state while the other one demands an independent union (Akkaya, 2010, p. 170).

The seventh issue deals with Fuat Köprülü's following statement: "*There is no class matter in our country. We are like Anglo-Saxons, we are calm and coldblooded ... There is no place here for external ideologies. Socialist and communist ideas, in other words ideas imported from foreign countries do not take root among our peasants and farmers. There is no capital and capitalist in Turkey*." The article states that DP began denying class in the country and Köprülü, with his statements announced DP as the enemy of working class. Furthermore, in response to the question Köprülü asked, "*Is the misery of farmers due to the lack of land?*" it says that big landlords as prominent DP members "*made heard their ungrounded complaints and outcries in the assembly*," during the negotiation of the Land Law. As the article points out, these statements do not reflect only Fuat Köprülü's ideas but also the ideological stand of DP that he represents. The newspaper evokes Adnan Menderes' following statement as the proof of this claim: "*The condition necessitating class conflicts in our country is not present*" (Sendika, 1946b).

The attitude of DP against working class movements and unions are put under heavy critiques. The newspaper interprets Celal Bayar's following comments on labor unions as "*longing for a dependent union, the reappearance of associationalism*" and implies that DP and RPP approach the subject of unionization similarly: "*We wish you well and believe that it is possible with unions or associations. We desire to see a labor organization formed by workers themselves but governed under the guidance of Democrat Party.*" DP is in fundamentally sharp contrast to peasants and workers whom it represents and the only connection between the party and working class is the vote it would get on election days. DP would '*protect rich traders, bankers and landlords,*' instead of workers who gave their votes to the party. At the end of the article, it is argued that there is a wide gap between the statements of DP leaders and poor masses as the social basis of the party. Moreover, it indicates that this gap occasionally triggers tensions particularly in the conferences organized by local party members (Altan, 1946a).

With the critique regarding the union model of DP ("*the reappearance of associationalism*"), the article refers to RPP's attempt to form Turkish Workers' Association (TWA) in response to the organizational activities of two socialist parties among workers. The purpose of this association (established in July 1946) is to get trade unions that predominantly organized by socialists under the influence of RPP once again (Çelik, 2010: 194). **Sendika's** assessment of TWA is as follows (Sendikacı, 1946c):

*"...it is an example for yellow unions or titular, so-called workers' associations. What's more, all workers' associations collaborating with capitalists and employers one way or another are alien and harmful organizations that would likely betray fine, young workers' interests. Workers should immediately label them, saying 'They are not our side!' They should avoid participating of them and never trust what they say or offer. By the decision that their unions make, they should resist or be indifferent to their any kind of attempts..."*

Some articles published in the newspaper reveals that TSWPP and affiliated labor unions contended with TWA not just intellectually but also practically. For instance, TWA tried to "*seduce*" workers from Bakery Products Workers' Union that was about to be established in Ankara, as it was reported in the newspaper (Sendika, 1946c). Similarly, the issue published on 9<sup>th</sup> November 1946 reports that EKI Basin Miners' Association in Zonguldak "*was taken under RPP's protection as soon as it was established.*" According to the same report, this association "*wanted to include the association of Miner*



*Sergeants that was recently established and carries out its operations humbly and to acquire approximately 800 lira accumulated in the account of the association."* Yet some notable people from the association notified that they did not favor this decision and responded this report "*with indignance*" (Sendika, 1946d).

In **Sendika**, the critiques against RPP were not directly political in accordance with the nature of medium and rather about the economic condition of working class. Especially it criticized the government on the policies its economy policies determined on 7<sup>th</sup> September.<sup>6</sup> There are lots of reports and articles regarding the harmful effect of these policies since they triggered increases in prices and decrease in the purchasing power of workers. It was argued that after September 7 decisions, RPP appeased some traders from DP (Sendikacı, 1946j). **Sendika** also observed following discussion in the Assembly and concluded that RPP and DP were in consensus, they tried to decide which side would enforce these policies better, and the opposition of DP was ineffective and far from defending workers' interests. September 7 decisions were to commercial capital (also the major basis of DP), importer and exporter capitalists. Therefore if DP had been in power, it would have followed the same line with RPP. Economically DP was criticized due to its lack of an alternative program but the real problem was that the economic program was under the dominance of RPP rather than its characteristic to the detriment of working poor masses (Sendikacı, 1946k). Nevertheless, **Sendika** appealed to DP as follows: "*Turkish workers could approve the democrat character of Democrat Party (not some of their members who revealed their true identities) under only this condition. Otherwise, like workers all around the world, Turkish workers are also indifferent to bromides saying that 'we are not a class party, we are party of the nation'*" (Sendikacı, 1946l).

Probably the success of DP in July 21 elections forced RPP to make these decisions. RPP viewed the vote given to DP as the public approval for free competition and

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<sup>6</sup> On 7th September 1946, with a sharp and the first big deregulation of the country Turkish currency lost its value against US dollar (one us dollar rose to 2.80 lira from 1.28). It was enforced together with other measures seeking to integrate Turkey to world economy and it was followed by foreign aids. As the current minister of finance stated, there were 3 reasons behind this large-scaled deregulation: Stimulating imports, increasing the purchasing power of producers through increasing the prices of exportable commodities and integrating the value of TL with free markets. It is possible to argue that the real purpose behind this decision was the third one.

decided to play this role instead of DP. The newspaper also interpreted the permit given to foreign investors for exporting their profits in form of foreign currency in public corporations with foreign partners or facilities established directly by foreign capital in similar vein (Timur, 2003: 74).<sup>7</sup> According the newspaper the government renounced Atatürk's principle embraced in 1923 İzmir Economic Congress, saying "*for independence the national sovereignty must be supported with economic sovereignty.*" The newspaper stated that it does not go against the foreign capital for industrialization but resist the dominance of "*international monopoly-capital*" over Turkish economy (Sendika, 1946e).

Another important issue in **Sendika** was the draft of a new labor law. While it was known that the government had been preparing a law draft about labor unions since August 1946, there was no clear and exact information. The report of **Ankara** newspaper stating "*the government decided to take control of labor unions through an urgent measure to prevent them from becoming tools of other political ideologies,*" was harshly criticized in **Sendika**. Having reminded of the recent democratization in the country, it stated as follows: "*It is inappropriate to establish the official control of the state over independent and apolitical organizations like trade unions. It would mean nothing but the denial of reformist attempts, the rejection of promises for democratization, making democratic rights an instrument for specific classes or political parties*" (Sendika, 1946f).

At this point it directly links democracy with worker rights and argues that any ban on these rights would hinder the development of democracy and even destroy that. Ali Altan suggests that democracy includes rights to vote and freedom of thought yet these rights could not guarantee the presence of democracy in a country by themselves. Altan supports his argument by pointing out Hitler's rise to power by means of democracy. Altan argues that it is impossible to maintain the democracy through excluding oppressed classes, stating that "*it is erroneous to call a regime in which working people are suffering as a democracy. What's worse is ridiculing their suffering. As long as there are people who have no voice, crushing under heavy burdens and desperately continue their lives throughout the world, talking about the presence of democracy is the mockery of misery...*"

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<sup>7</sup> The official program of Peker's cabinet, as it was released on 14th August 1946, principally consisted of trade liberalization, the transition of commodities produced by public enterprises to private traders without wholesale margins, the promotion of free shipping, the dissolution of Trade and Import Associations. Timur, p. 74. These policies, as **Sendika** quite rightly interpreted, reflected RPP's aims to form alliance with economically dominant classes.

(Altan, 1946b).

In fact the attitude and first impression of **Sendika** at the time when the uncertainty about the upcoming law was not lifted is quite positive. The newspaper actually expected that *"the government would accept the law of unions in a very short time just like other civilized countries did"* (Sendika, 1946a). The newspaper argued that political elites in power viewed this situation as a *"fait accompli"* though they did not openly oppose the proliferation of labor unions and observe all proceedings with a discontented silence. For the newspaper the real issue was not whether they would show tolerance or not but the recognition of labor unions and establishment of a legal foundation for their organizations just like in other democratic countries. Regarding the upcoming legislation, the request of information from The Directorate of Labor in İstanbul was considered as *"a promising development even if it is a very slight one"* (Sendikacı, 1946m). However, in despite to the request of labor unions for consultancy, the consignment of the legislation to the Assembly without taking their opinions into consideration was criticized with this reproachful statement: *"We do not trust them anymore."* However, **Sendika** maintained its positive attitude towards the upcoming legislation. In its response to the news published by **Cumhuriyet** under the title of "ban on labor unions", it rejected the claim that the legislation would abolish all trade unions. According to **Sendika**, the purpose of **Cumhuriyet** was to create dissent and concern among working class. It even pointed the fact that the CIWU was in preparation for opening a legal case to the newspaper. **Sendika** expected that the legislation would openly recognized labor unions (Sendikacı, 1946n). However, after a while **Sendika** and TSWPP realized the main purpose behind the legislation and began a political struggle to prevent the approval of this law that would probably close all unions. In the issue dated December 7, it signified that they recently read the whole text of the law and that the legislation would hinder and undermine trade unions. Especially, it criticized the fourth article of the law, stating *"associations of employers and employees cannot engage in any political activity, propaganda and political publishing and they cannot be affiliated with any kind of political enterprise."* As the newspaper interpreted, this article is vulnerable to get abused and it would create conditions by which all kinds of union activities could be considered illegal through labeling them as political activities. The legislation would eliminate the preconditions of the presence of trade unions;

*"...when read the entire text of the legislation, one may ask this question: Could labor unions stand against employers and negotiate working conditions and wages*

*for the name of workers? Maybe but this negotiation will not be concluded by means of the independent will of union, since when parties cannot reach an agreement, the issue will be brought to other authorities... Will unions able to demand an increase in wages or improvement of working conditions? Even if they want to, it won't have any tools to fulfill this demand. However, these are main duties, responsibilities and freedom of labor unions. When they are not recognized, there could be no union."*  
(Sendikacı, 1946o)

One could find additional assessments on the upcoming draft of law in next issues. In the last issue of **Sendika** that could be released without a restriction, the lead article points out the negative aspects of the law, criticizes its articles and offers a range of suggestions:

*"As all workers must point out, the law would guarantee for the right to stop working in response to 'firms and enterprises' reject workers most of the time and being reluctant to talk about their righteous arguments, the vote of the majority of workers in general meetings would be enough and stubborn employers would be responsible in case of any negative occurrences. Workers of this nation demand that."* (Sendikacı, 1946p)

When compared with regulations in the legislation, these demands reflect an aspiration regarding the democratization of working life as well as the imperative for the emergence of working class as a political subject. In fact the legislation and the discussion surrendering it is about to what extent people would demand democracy and the degree of its limits (Akkaya, 2010, p. 95). In the same issue, the opposing and reaction against the draft remain intact: *"Why are you silent? If this legislation became the law without any amendments, wouldn't you be restricted when they try to suggest human rights and freedoms which you constantly talk about in your books and lecterns? Even if the imam has his own way, isn't the denial and disapproval of this law a badge of honor? Where are you Doctors, Professors, Distinguished Professors?"* With these words, they urged academicians to do something against this "anti-democratic" draft of law (Sendika, 1946g).

In another article published in the same issue, it highlights some recent publishing that would cause suspicion among society regarding the struggle of workers and states as follows:

*"Some recent publications started to obtain a quality that could raise suspicions and hesitations in the public for Turkish workers' righteous and indispensable struggle... One of the most grieving matters for working class is the publication of articles written by Turkey Socialist Party pretending to be a leftist and leading party of working class in such publications. We regret to feel obliged to contempt such practices." (Sendika, 1946h, p.1)*

Probably other publication beside media organs of TSP is the journal named **Türk İşçisi** (Turkish Worker). This journal started its publications on 23<sup>rd</sup> November 1946 under the control of government and with the support of Public Employment Office in order to break **Sendika**'s influence and create a state-controlled union. On 7<sup>th</sup> December, Nazmi Sevgen wrote an article titled as 'Associations and Unions' in this newspaper;

*"...Lately Turkey also have experienced the foundation of numerous labor unions and there is a newspaper with this name. So this situation has forced us to write this article with the concern that we should prevent them to operate in malevolent and anti-social manners, ensure that they would not become instruments of other political agendas and tell people what Turkish public should expect from labor agencies..."*

These sentences are aimed at **Sendika** (Akkaya, 2010, p. 150). RPP Diyarbakır representative Vedat Dicleli's telegraph to General Secretary of the party is an important document with respect to demonstrate the position **Türk İşçisi** embraced against **Sendika**. In his telegraph Dicleli says;

*"The newspaper Sendika tries to spread suspicious ideological ideas among tobacco workers. I request you to send 100 copies of the journal Türk İşçisi released by the ministry of labor with purpose to counteract this development in the next post."*

The General Secretariat of RPP stated that they sent 100 copies of **Türk İşçisi** to Samsun in its response to the telegraph dated 14<sup>th</sup> December 1946 (BCA, 1946). With the operation on 16<sup>th</sup> December 1946, just two days after the release of this respond, **Sendika**, labor unions, other political parties and their media organs were closed down.

## Conclusion

In 1946 labor unions were organized in a period when there was no labor law and they complied with general legislations of the Constitution, the Law of Associations and Civil Code. The main purpose of 1946 unionism was to make authorities recognize the

social legitimacy of labor unions. With this purpose, their media organs predominantly focused on the process of democratization and labor unions as its necessary precondition.

In terms of the political history of Turkey, the period between 1945 and 1950 is generally designated as a “transition process”. It represented the will to democratize the country and create necessary conditions for the transition to multi-party system, the participation of Turkish people from different social segments to the political life through separate political organizations and the maintenance of freedom of press and organization. There is a strong correlation between democracy and working conditions. Moreover, workers’ struggle for their right to establish unions contributes to the development of democracy. The labor unionism of 1946 reflects the struggle of Turkish working class for democratization. However, the hostile attitude against the Unionist Movement in 1946 demonstrated that the political regime during the initial steps of multi-party system excluded leftist policies and class-based activities except those of bourgeoisie.

After the purge of the unionist movement of 1946, the government passed the Law no. 5018 regarding Workers’ and Employer’s Associations and Trade Unions on 20<sup>th</sup> February 1947. RPP aimed to contain working class and unionist movement that would develop in the future and regulate this field in a strict way. This law prevented unions from engaging in political activities on the one hand and laid the foundation for Labor Bureaus under the control of RPP in order to organize workers in a way that they could establish authority on the other. Nevertheless, RPP could not get workers’ support in despite to the liquidation of labor unions formed in 1946 and the law legislated in 1947. The inadequacy of party politics regarding Turkish working class, unemployment and the attitude of DP towards right to strike directed Turkish workers to DP. The foundation of DP-oriented The Congress of Free Trade Unions in the wake of 1950 elections was the direct result of this tendency among workers.

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# 7 Economic Factors Affecting the Infant Mortality Rate in Europe in The Interwar Period

*Recep Kurt*

## Abstract

*Infant mortality rate is an absolutely momentous well-being indicator to determine the development level of countries and has not only economic but also social impacts on societies. This paper explores the existence and characteristics of infant mortality rate (IMR) within a historical perspective, causality between GDP per capita (GDPC), cost of living index (COL) in eleven European countries with panel data approach in the interwar period. All data were collected yearly for Belgium, Denmark, England, Finland, France, Greece, Italy, Netherland, Norway, Sweden and Switzerland between 1921 and 1939. All variables are made stationary and applied unit root, CADF and Granger Causality test. Ultimately, it is determined how IMR, GDPPC, and COL influence each other and interpret according to findings which obtain from the results of tests.*

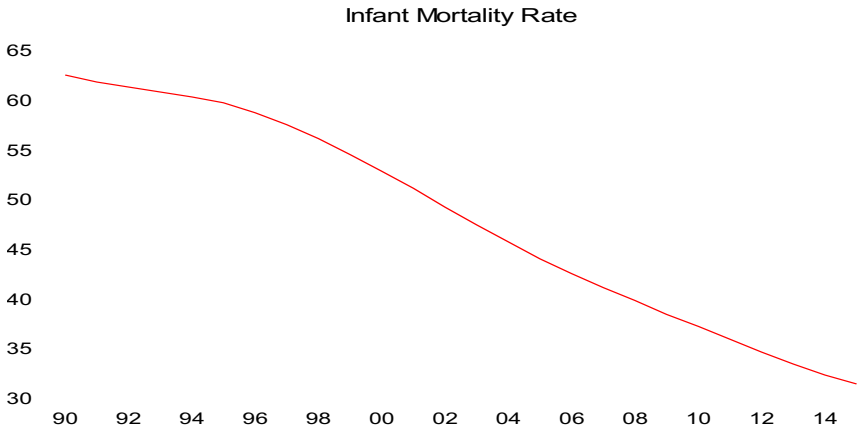
**Keywords:** *Infant Mortality Rate, Europe, Economic Factors, Panel Data Analysis, History of Economics*

## Introduction

The infant mortality rate (IMR) is the number of deaths of the infant under one-year-old per 1,000 live births and tremendously momentous indicator for the health level of the country. Infant mortality consists of neonatal (deaths existing less than 28 days after birth) and postneonatal (deaths existing from 28 to 364 days after birth) deaths. In other words, it is the sum of neonatal and postneonatal deaths.

It symbolizes the economic development of the countries and the accessible health care institutions or systems. Another impact of infant mortality rate is on the demography of the countries. It causes remarkable demographic changes.

**Graph 1: Infant Mortality Rate (IMR) in the World between 1990 and 2015**



**Source:** <http://apps.who.int/gho/data/view.main.GSWCAH10WB?lang=en>

According to the data of World Health Organization (WHO), Global IMR was over 60 per live 1000 births from 1990 to 1995 all over the world. In 2002, it was under 50 per live 1000 births firstly. Particularly, it decreased dramatically after this year. Eventually, it was approximately 32 in 2015. Overall, this eminently significant indicator declined considerably. One of the aims of United Nations is diminishing the infant mortality rate. The Millennium Development Goals (MDGs) attempt to fight against the infant mortality rate.

What about in the past, especially in the interwar period in Europe? This paper concentrates accurately on the infant mortality rate and how economic factors influenced the infant deaths by exploring the selected European countries in the period 1921-1939. Why are these countries chosen? Especially, these countries are higher income countries now and I tried to explain how they achieved the decrease in IMR. Fundamentally, economic conditions in this period in Europe are focused on. IMR is an absolutely sensitive indicator for the economic and social conditions of the countries. If people have more income, they can spend on health care. In addition, the high cost

of living causes the adverse impacts on living conditions for individuals. For this reason, I utilized GDP per capita (GDPPC) and cost of living (COL) as indicators for the circumstances of economies in European countries. I estimated Panel Vector Auto Regressive (PVAR) with three variables model. In addition, the impact response functions and the analysis of variance decomposition were done in order to determine the effect of the shocks between the variables.

The paper is organized as follows: Section 2 presents a historical brief of IMR in Europe. Section 3 reveals review of the related literature. Section 4 provides a description of the data and discusses the empirical results and Section 5 concludes the paper.

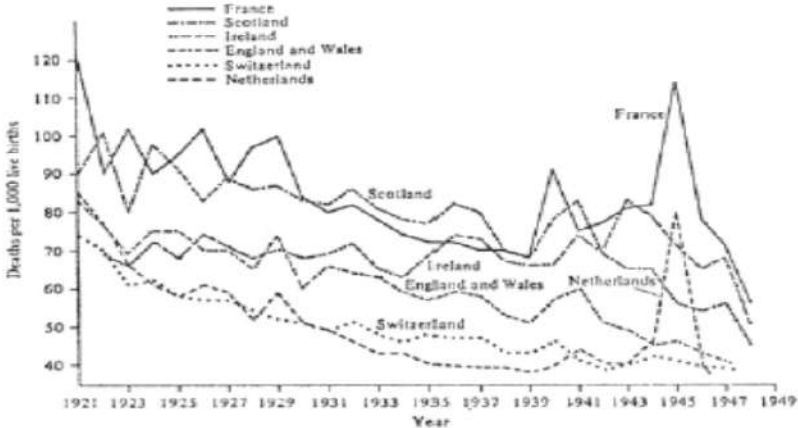
### **1. The Historical Brief of Infant Mortality in Europe**

IMR was decreasing in the latest period of the 19<sup>th</sup> century in Western Europe. Moreover, medicine and drugs developed in this century, better food supplies and nutrition circumstances could explain the reason (McKowen, 1976, Frisbie, 2005). The cities of the USA from 1911 to 1916 and Stockholm from 1918 to 1922 were examined to explain the reason of the decrease in IMR in the study of Woodbury (1925). The income level of fathers and many social factors affected IMR.

Baird (2011) examined the relationship between the social level and IMR in 1939. Society was divided five job levels such as professional, managerial, skilled, partially skilled and unskilled. The result of this study is that IMR in unskilled level was more 2.2 times than IMR in the professional level. The neonatal infant mortality rate in England and Wales in 1911-1950 period decreased from 39.1 to 18.2 per live 1000 births and postneonatal infant mortality rate also dropped. (Morris and Heady, 1955). A similar decline was in Scotland for IMR.

This figure demonstrates IMR from 1921 to 1948 in selected European countries. According to this figure, France had the highest IMR. In addition, Switzerland had the lowest IMR. There were four peak points in this period. They are 1929, 1932, 1935-36, 1940-41 and 1947 respectively. The main reasons for the increase in IMR in this period were Great Depression and Second World War period. Privately, France and Netherlands had the highest IMR in the Second World War period. However, IMR diminished regularly in this period in Europe (Winter, 1983)

**Figure 1: Infant Mortality Rates in Selected European Nations 1921-1948**



**Source:** Jay M. Winter , (1983), *Unemployment, Nutrition, and Infant Mortality in Britain 1920-1950*, Influence of Economic Instability on Health, Springer-Verlag Berlin Heidelberg, pp.173

In the First World War period in Austria, there was a dramatic increase. After this pivotal increase, in the 1920-1939 period in Austria, IMR dropped from 157 to 73 per 1000 live births. Moreover, there was a fluctuation for IMR in this period. The peak points of IMR from 1920 to 1939 in Austria were the peak of interwar inflation in 1922 and also the impacts of Great Depression and the peak of interwar unemployment in 1926, 1927, 1932 and 1935. In Austria, IMR had declined an average of 1.3% per year from 1871 to 1919. In contrast; there was decrease in average of 3.7% yearly from 1920 to 1939 (Kytir et al., 1995)

After the First World War, IMR in Germany started to decline until 1930 and decreased sharply after 1923. IMR in Bavaria, which was a city of Germany, was more than Berlin, Hamburg, Cologne, and Germany. However, IMR in Berlin from 1920 to 1923 had the highest value. Until 1930, Bavaria, Berlin, Hamburg, and Cologne had similar IMRs.

In the interwar period, the number of institutions for mother and child care began to increase in many countries. Furthermore, some countries supported the family for better alimentative nourishment such as milk (Masuy-Stroobant, 1983). The

discovering of vaccination, personal and public hygiene, water purification, sterilization and pasteurization of milk, food resources, housing, accessible health system and other innovative developments in the medical area could help to decrease in IMR.

## **2. Literature Review**

Industrialism theory explains that structural change begins when a country transforms from lower development level to upper development level. When a country has a higher development level, it has the upper standard of living, better nourishment, higher medical technology and improvements (Kerr et al., 1960; Wilensky and Lebeaux, 1965). For this reason, some variables are used such as GNP per capita etc. (Tolnay and Christenson, 1984; Brazzell and Gillespie, 1981; Van de Walle and Knodel, 1980; Chandler, 1985).

Robert Morse Woodbury (1925) explained that the income of father influenced IMR. If the parental income is lower, housing and feeding conditions, as well as healthcare expenditure, may not be enough to afford.

Higher income countries have low infant mortality rates (Tresserras et al. 1992). This situation cause to reach education and healthcare system easily and increase the well-educated population.

Gbesemete and Jonsson (1993) pointed that infant mortality has a negative link with the level of income. The economic crises periods generally leads to diminishing the income level. Cruces et al. (2012) found that IMR boosted in the period 2001-2002 in Argentina. Foxley and Raczynski (1984) also pointed to infant mortality rate raised in Chile during a period of economic stagnation (1974--1982). Additionally, Paxson and Schady (2005) found akin results in Peru between 1988 and 1992. Alves and Belluzzo (2004), Hakobyan et al. (2006), Baird et al (2011), Renton et al. (2012) proved the association between income per capita and IMR.

Income per capita is an important indicator to explain IMR. However, some studies found that there was a negative connection between income per capita and IMR. For instance, Kunitz et al. (1987) found that there was not sharp influence on IMR in the economic crisis period in 1979 in Yugoslavia.

Haines (2011) emphasized that the parental education level is really pivotal to understand infant mortality in households in the United States (US). Ko et al. (2014) also stated that low father employment level is associated with infant mortality.

- Hyun-Hoon Lee (2016) found that increasing food prices have a significant detrimental effect on nourishment and consequently IMR rose in developing countries. In addition, they proved that economic downturn influence IMR in an inverse way
- According to the related literature, GDPPC is the main impact on IMR. Especially, living conditions in higher income countries were better than middle and lower income countries. Its costs also affect IMR.

### 3. Empirical Analysis

#### 3.1. Data and Variables

In this study, the impact of the cost of living and gross domestic product per capita on infant mortality rate is handled in terms of empirical analysis. Therefore, the data set exists as a panel data with 11 European countries between 1921 and 1939 annually. Cost of living (COL), Gross Domestic Product Per Capita (GDPPC) and Infant Mortality Rate (IMR) are utilized for variables in this study. In addition, Belgium, Denmark, England, Finland, France, Greece, Italy, Netherland, Norway, Sweden and Switzerland consist of cross-section data. The base year for the index of the cost of living is 1914 and the index of the cost of living for the base year equals to 100. All data reached from Statistical Yearbooks of Belgium, Denmark, England, Finland, France, Greece, Italy, Netherland, Norway, Sweden and Switzerland between 1921 and 1939, and the books of Angus Maddison.

**Table 1: Variables and Definitions**

Variables	Abbreviation	Definition
Infant Mortality Rate	IMR	The number of deaths of infants under one year old per 1,000 live births.
Cost of Living Index	COL	The amount of money needed to sustain a certain level of living
Gross Domestic Product Per Capita	GDPPC	A measure of a country's economic output that accounts for population.

The descriptive statistics of the variables are demonstrated in Table 1.

**Table 2: The Descriptive Statistics of the Variables**

Variables	Mean	Std. Deviation	Min.	Max.	Observation
IMR	74.832	24.240	34	134	209
COL	461.246	539.636	90	2516	209
LnGDPPC	8.284	0.32	7.541	8.762	209

Table 2 indicates the mean, standard deviation, minimum and maximum values for each variable. T=19, N= 11 and total panel observation is 209. The highest and lowest infant mortality rates are respectively 134 and 34.

### 3.2. Findings

Firstly, whether cross-section dependence among the cross-section data (countries) exists or not was tested in this study. Therefore, Breusch-Pagan LM test (1980), Pesaran 2004 CD LM, Pesaran 2004 CD, LMadj (Pesaran et al. 2008) tests were utilized for cross -section dependence. If cross-section dependence exists in data, the results of analysis influenced and this causes wrong results. Cross-section dependence is a pivotal step to begin panel unit root tests. According to its results, first or second generation panel unit root should be chosen.

To control the existence of cross section dependence among series; time dimension is greater than cross-section dimension ( $T > N$ ) by using Berusch-Pagan (1980) CDLM1 test, cross-section dimension is equal to cross-section dimension ( $T = N$ ) by using Pesaran (2004) CDLM2 test, cross-section dimension is greater than cross-section dimension ( $N > T$ ) by using Pesaran (2004) CDLM test. In this study, there are 11 counties ( $N=11$ ) and 19 years ( $T=19$ ).In addition, the time dimension is greater than cross-section dimension ( $T > N$ ).For this reason, Berusch-Pagan (1980) CDLM1 test was utilized. Moreover, LMadj7 (Pesaran et al. 2008) is also utilized. Pesaran and others added variance and average to this test for correcting deviation. The hypothesis of this test as follows:

$H_0$ : No cross-section dependence

$H_1$ : Cross-section dependence



If probability value is lesser than 0.05, the null hypothesis is rejected and the existence of cross-section dependence in panel data is taken a decision.

**Table 3: Cross-Section Dependence Test Results**

Test	Variables		
	IMR	COL	LnGDPPC
	Test Sta.and Prob.	Test Sta.and Prob.	Test Sta.and Prob.
<b>CDLM1 (Breusch,Pagan 1980)</b>	608.368 (0.00)	455.679(0.00)	718.388(0.00)
<b>CDLM2 (Pesaran 2004 CDLM)</b>	51.712(0.00)	36.963(0.00)	62.202(0.00)
<b>CDLM (Pesaran 2004 CD)</b>	17.362(0.00)	5.551(0.00)	26.441(0.00)
<b>LMadj (Pesaran vd. 2008)</b>	51.407(0.00)	36.658(0.00)	61.897(0.00)

Table 3 shows the cross-section dependence test results. According to cross-section dependence test results, the probability values of all variables are lower than 0.05. For this reason,  $H_0$  is rejected and these series have cross-section dependence. Moreover, there is cross-section dependence among the countries. Second generation panel unit root test must be used to continue the panel unit root test.

Some tests have developed for panel unit root test and they are divided two generation. Levin, Lin and Chu (2002), Im, Pesaran and Shin (2003), Maddala and Wu (1999) and Choi (2001) have developed for first generation panel unit root tests. Moreover, MADF (Taylor and Sarno, 1998), SURADF (Breuer, et al, 2002), Bai and Ng (2004), CADF (Pesaran, 2006) and PANKPSS (Carrion-I Silvestre et al, 2005) have developed for second generation panel unit root tests.

In this study, cross-section dependence occurs among the countries. Thus, the stationary of series tested with CADF (Cross Section Augmented Dickey-Fuller) which is developed by Pesaran and one of the second generation panel unit root test.

The results of CADF panel unit root test are indicated in Table 4.

**Table 4: CADF Panel Unit Root Test Results**

	Variables	Test Statistic	Prob.	Critical Values		
				1%	5%	10%
<b>Level</b>	IMR	-2.984	0.021	-2.470	-2.260	-2.140
	COL	-1.652	0.981	-3.010	-2.780	-2.670
	LnGDPPC	-3.148	0.002	-3.010	-2.780	-2.670
<b>1st Difference</b>	$\Delta$ IMR	-4.452	0.000	-3.010	-2.780	-2.670
	$\Delta$ COL	-4.180	0.000	-3.010	-2.780	-2.670
	$\Delta$ LnGDPPC	-3.531	0.000	-3.010	-2.780	-2.670

**Note:** Significant level is 5%.  $\Delta$  means the first difference of variable. Models with constant and trend are chosen.

The test results show that IMR is stationary at level; LnGDPPC is also stationary at level. However, COL is not stationary at level. Hence, the first difference of COL is taken and then the existence of unit root is controlled. After taking the first difference of COL, it is stationary at first difference. Consequently, IMR and LnGDPPC are stationary at level [I (0)] as well as COL is stationary at first difference [I (1)]

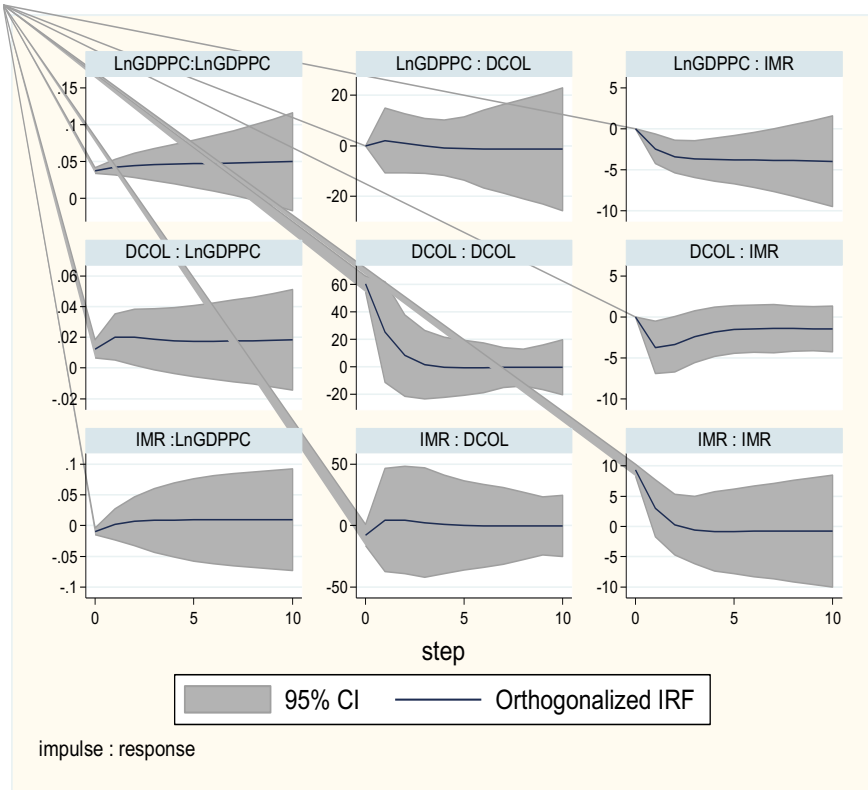
**Table 5: Panel Granger Causality Test Results**

Causality Direction	Chi 2	Prob.	Result
DCOL $\rightarrow$ IMR	8.034	0.005	Granger Casualty
LnGDPPC $\rightarrow$ IMR	30.538	0.000	Granger Casualty

Table 5 shows the result of panel Granger causality test results. This result reveals that there is one direction causality from DCOL and LnGDPPC to IMR ( DCOL  $\rightarrow$  IMR and LnGDPPC  $\rightarrow$  IMR).

Impulse response function determines the response of an endogenous variable over time to a shock in another variable in the model. Figure 1 shows the results of impulse response functions.

**Figure 2: Impulse Response Functions for Infant Mortality Rate**



According to Figure 1, the response of IMR to itself for the existence of one standard deviation shock in the first period is 0,215, the response of IMR to DCOL and LnGDPPC is respectively 0.882 and 0.0014 for the first period. However the response of IMR to itself for the first period is positive, it is negative for the second period and other periods. The response of IMR to DCOL is positive from the first period to the

fourth period and then it is negative. In addition, there is a decrease in a negative way. The response of IMR to LnGDPPC is always positive and it is increasing until the last period.

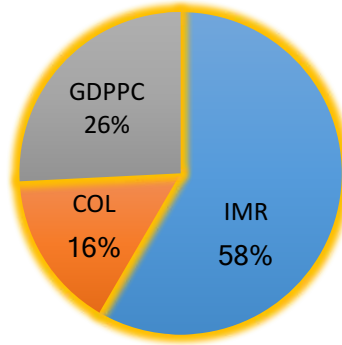
Variance decompositions measure the contributions of each source of shock to the (forecast error) variance of each endogenous variable, at a given forecast horizon. It shows that how many percentages the variables in model explain each other.

**Table 6: Variance Composition of Infant Mortality Rate**

	IMR	COL	GDPPC
<b>1</b>	100	0	0
<b>2</b>	82.72718	12.01473	5.25809
<b>3</b>	69.08799	18.10295	12.80906
<b>4</b>	60.58582	19.52915	19.88503
<b>5</b>	54.68456	19.37671	25.93873
<b>6</b>	50.09155	18.83794	31.07051
<b>7</b>	46.27127	18.26345	35.46528
<b>8</b>	42.98456	17.74122	39.27422
<b>9</b>	40.10736	17.28312	42.60951
<b>10</b>	37.56311	16.88162	45.55527
<b>Average</b>	58.41034	15.80309	25.78657

Table 6 demonstrates the variance decomposition of IMR. For the second period, change of IMR is explained 82.73 % of by itself, 12.01 % of COL and 5.26 % of GDPPC. For the last period, change of IMR is explained 37.56 % of by itself, 16.88 % of COL and 45.56 % of GDPPC. However, the percentage of IMR decreases the percentage of GDPPC increases.

## Variance Decomposition of IMR



**Graph 2: Variance Composition of Infant Mortality Rate**

According to the average of all period for IMR, its change is clarified 58.41 % of by itself, approximately 16 % of COL and 25.79 % of GDPPC. The change of IMR is explained respectively by itself, GDPPC and COL.

### 4. Conclusion

In this study, I examined the link between infant mortality, GDP per capita and cost of living for eleven countries which are located in Europe (Belgium, Denmark, England, Finland, France, Greece, Italy, Netherland, Norway, Sweden and Switzerland) in the 1921-1939 period. In this paper, time series methods are utilized for panel data. There is cross-section dependence in this analysis so second generation panel unit root tests are applied. Then, Panel Vector Auto Regressive (PVAR) and Panel Granger Causality are applied for exploring the relationship between the variables.

According to the result of Panel Granger Causality test, one direction causality occurs from DCOL to IMR and from LnGDPPC to IMR. In other words, DCOL and LnGDPPC are the causalities of IMR. This result is appropriate for the results of literature. When all results are evaluated, IMR is the key determiner of itself and other determiners LnGDPPC and DCOL respectively for the period and countries in which are studied.

Infant mortality rate is a really pivotal indicator for the social and economic development of the countries. There are many reasons about infant mortality rate but I focused on the only economical side. It is an extremely complex way to achieve decreasing IMR. For this reason, policy makers should pay attention about economic, social, and educational aspects of infant mortality rate while they are fighting against the infant mortality rate.

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# 8

## Birth of a Powerful Class Economically in the Province As a Result of Transformation in Manorial System: Âyan

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### Abstract

*The Ottoman state decentralized structure began to slowly disappear beginning from the 17th century and left its place regime of âyan under the influence of new political and economic developments. In this period on the one hand while there are confusion in Anatolia, on the other hand corruption of civil servants, change in the ground system and economic troubles were experienced. All in all, disorder shave begun to emerge both in administrative administration and in the military system. People in the province are miserable and has left the place as a result of heavy tax burdens, local rulers' persecution and the attitude of the bandits. The taxes were put on the remaining public. There have also been significant changes in local governments. This process led to the birth of a powerful class called the [âyan](#) in the province. The aim of this study is to deal with how the iltizam and malikane systems affected the emergence of âyan class, applied as a result of that becoming mukataa process, gains acceleration in manorial system. In this direction, firstly, the development of âyanlık in historical process and factors affecting this development are attracted attention. Secondly, the development of manorial system in Ottomans and transformation experienced are discussed. Lastly, how the transformation in manorial system affected the rise of âyanlık is attempted to be introduced.*

**Key Words:** manorial system, centralist structure, âyan, province, the Ottoman empire

## Introduction

While out break of Austria War in 1683 and other wars included in the early 18<sup>th</sup> century and loss of these wars led central fiscal administration to weaken, in the same time, activities realized by brigands and tribes in the back country, heavy tax loads ruined the people and led them to leave their locations and homes. Due to the fact they are all related to each other in sequence, a negativity experienced in one of them also affected the other directly or indirectly. This state made it difficult the government to cope with this kind of events from the center and led it to receive help from the local powers.

In order to deliver solution to the financial depression the government experienced and as a result of disturbance of demesne (mirî) system, a transformation was experienced from manorial system to iltizam, malikane, and in turn, bonds (esham) systems. This transformation, on the one hand, accelerated the process, in which the effectiveness of state solders, recruited without any expenditures at the expense of treasury, in Ottoman army declines, on the other hand, the process, in which manors and fees (zeamet) are slowly added to central treasury. However, in 18<sup>th</sup> century, all of those experienced led central authority to attenuate in the back country, the economic and political power to shift to the back country, and whereby a class called âyan, strengthened in Anatolia financial point of view, to emerge. Âyans, prospered and strengthened in administrative meaning in the back country, owe this privilege to the systems of iltizam and malikâne. In this process, âyans, as representatives of government in the back country, undertaking the duties of taxman (mültezim) and voivodship, also acquired authority to levy. In the emergence of âyan in Anatolia, social events as well as changes in demesne were also effective.

The aim of this study is to deal with how the iltizam and malikane systems affected the emergence of âyan class, applied as a result of that becoming mukataa process, gains acceleration in manorial system. In this direction, firstly, the development of âyanlık in historical process and factors affecting this development are attracted attention. Secondly, the development of manorial system in Ottomans and transformation experienced are discussed. Lastly, how the transformation in manorial system affected the rise of âyanlık is attempted to be introduced.

## 1. The Emergence and Development of Âyanlık

The term âyan, an expression in Arabic, used for the people of rank of the cities and villages in both before Ottomans and during the period of Ottoman, was used for several people of rank and weight of the cities and towns until 18<sup>th</sup> century (Köprülü & Uzunçarşılı, 1983, p.41). It is especially a term used for the people, who are remarkable in terms of relations and credibility in the public eye. In historical documents, the local dynasties such as voivode, mütesellim, and governor was also mentioned with the word âyan.

Âyans were the people, who were engaged in administration of that location in the province and district; who administered the affairs belonging to both sides as a mediator in the processes between people and government; and who were elected by the people (Uzunçarşılı, 1942, p.5).

Beginning from the mid -16<sup>th</sup> century, other than sultan's household troops, taxmen, mukataa administrators, governor, flag officer, kadis, and âyan and gentry class began to increase (Akdağ, 1979, pp.343-344). In 16<sup>th</sup> century, those taking place among the duties of âyans are (Mert,1991, p.195):

- meeting the various needs of the location, where they live
- determining the prices of goods sold
- giving information to central administration about dismissing the best administrators etc.

Beginning from the second half of 16<sup>th</sup> century, as a result of long standing wars, when the lands of timar holders remained idle, these lands were begun to be delivered to iltizam. Âyan coterie, also utilizing this case, began to strengthen and increase its influence. The second factor, which increased the power of âyan in this factor, was that they lent to the villagers being crushed under tax load in the economic depression emerging as a result of decrease of gold and silver. These people later began to acquire the duty of official âyanlık mediating between public and government. In view of this, in the late 16<sup>th</sup> century, âyans, whose numbers were less, became widespread 18<sup>th</sup> century.

The term âyan, together with 18<sup>th</sup> century, was used in a narrow sense to qualify the people who defend local interests against taxman, and also became taxman in time. Together with that the disturbance of classical system of Ottoman State, central power weakened and power vacuum revealed the class âyan incorporating feudal features in

back country. Among the duties of âyans, which increased their powers in 18<sup>th</sup> century are (Mert,1991, p.196; Ergenç, 1982, pp.107-115):

- supplying the necessary goods for the city and craftsmen
- collecting solder for army
- collecting the incomes of tax and mukataa
- getting built and repaired public buildings
- protecting the city
- securing the justice
- catching and punishing brigands

Âyan's another important service for the local population was moneylending. Although this could results in financial gain for the lenders, the main goal in offering this service was create the bonds between the âyan and the debtors (Zens, 2011, p.446).

Âyan –origin local administrators expanding their positions in back country administration not only made the authorities of back country attendants such as alaybeyi dysfunctional either supplying soldier forming the people of military or gathering paramilitary forces but also began to perform the services such as range, public order, and law-enforcement activities (Khoury, 2011, pp.171-193).

The reason for the rise of âyan in back country is reconciliation that emerges between local elements and central government and is based on mutual interests. Âyanlık organization was viewed as an institute whose importance is less and about which there are hardly complaints. Âyans were also qualified in respect with their duties as mediator, between government and people, who help to be carried out the tasks given by the government. Government sometimes failed in straggling against âyans and preferred to come to agreement with them as a remedy. On the other hand, it is put forward that the way government overlook these feudal lords is neither the requirement of a system that is newly tested nor a deliberate policy, and suggested that these are accepted due to obligations of time and conditions. That provincial chamberlains who were previously assigned via election were assigned by from among their own proponents of powerful âyans after 18<sup>th</sup> century became effective in emergence of âyanlık as a power. Although provincial chamberlains inclined to tyranny are charged with levying and carrying out the other affairs related to the town, they also levy from the people for themselves.

The other reason for the rise of âyan is the commercial revolution of 17<sup>th</sup> and 18<sup>th</sup> centuries created severe socioeconomic disequilibrium and efforts to assimilate and adapt to the external world induced a crisis in values thought Ottoman (especially Balkan) society. By the end of the century, new patterns of social organization had evolved, patterns very similar to those developing elsewhere in eastern Europe (Sadat, 1972, p.346).

**Table-1: Some of The Âyan Families Being Effective in Ottoman State**

Caparoğulları (Bozok-Yeniil)	Zenneci-zâdes (Kayseri)	Gaffar-zâdes (Konya)
Kara Osmanogulları (Manisa)	Yılanlıogulları (Isparta)	Turunç-zâdes (Karahisar-ı Sahip)
İlyas-zâdes, Katipoğulları (İzmir)	Cizyeci-zâdes (Hüdavendigâr)	Tuzcuogulları (Rize)
Nakkaş-zâdes, Müderris-zâdes (Ankara)	Kalyancuogulları (Bilecik)	Tekelioğulları (Antalya)
Dağdevirenöğlü (Edirne)	Kozanoğulları (Çukurova)	Canıklı- zâdes (Trabzon)
Çapanoğlu (Çorum-Yozgat)	Tirsinikliöğlü (Ruşçuk)	

**Source:** Uzunçarşılı, Osmanlı tarihi, 1983, p.436-37

In the Balkans the certain areas, where were definitely under the control of the âyans, were Bosnia, the Black Sea Coast and hinterland from the Dobruja to Edirne, westward along to the Danube to Vidin, the Maritza, Vardar, the northern slopes of the Balkan Mountains, the north coast of the Aegean from Gümülcüne and Struma River valleys. The âyan identified their interests with the maintenance of agricultural exports, thus using their power to confirm the increasing economic dependence of the Empire on Europe (Sadat, 1972, p.351).

Âyans who increase their economic and administrative effectiveness in back country, undertaking the duties such as muhassal, voivode, and mütesellin assigned by the government to them, remained in institutional structures and, on the other hand, changed the structure, performing the duties such as military mobilization and levying the government increasingly became needy. In return to this, center recognizing the case, in which administration worn away in silence for long time faced, but holding out, to be able to survive in back country, investing the local elites with large power, preferred the way of reconciliation.



## 2. The Factors Influencing the Emergence and Development of Âyanlık

How an individual became officially recognized as an âyan at all? There are a variety of reasons for the emergence and gaining power of âyanlık in Anatolia. One of the most important ones of these reasons is the transformation experienced in manorial system. Since this case will be discussed in the study in detailed way, in this part, the other factors affecting the development of âyanlık will be shortly mentioned about.

Some factors in the development of âyanlık are:

- *Mediating between central administration and public:* Âyan coterie, called persons of rank of the city, increased its influence due to the military, administrative, and economic disturbance the government experienced beginning from the late 14<sup>th</sup> and the early 15<sup>th</sup> centuries. Âyanlık, considered as a public institute in the earl times, watch after public interests and defense its dependence against central governments and pashas. So, central administration does not directly face to public and, before executing certain works related to the town, the public consult to âyans, due to the fact that they know very well the structure of public and physical structure of the city (Bay, 2007, pp.49-50).
- *Collapse of devshirmeh system:* As a result of the collapse of devshirneh method in dispersion period of empire, in 18<sup>th</sup> century, in sanjaks, a status change was experienced. Âyans became so self- confident that they had an eye on the administration of province and sanjak.
- *Economic Problems:* In the passing period that began with 1683Wien defeat until1699 Karloff Treaty, as a result of increase of the need for the soldiers equipped with firearms and expiration of power of central treasury to meet these expenditures, government, bestowing mukataas to or local dynasties or other person of rank of the government as malikanes, began to demand help from the local rich dynasties and tried to attenuate its financial problem (Özkaya, 1994, p.95).This case led âyan to more strengthen from financial point of view.
- *Increase of social uneasiness:* Uneasiness that began in Anatolia beginning from the late 16<sup>th</sup> century shook the trust of public to central administration. That the attendants, assigned to states and sanjaks, pressed to public made âyans shelter for public. In âyans' increasing owers in 18<sup>th</sup>century, there is an important effect of this case.

- *Increase of brigandage activities:* Due to the difficulties experienced in the late 16<sup>th</sup> century and 17<sup>th</sup> century, Celali revolts, and pressure of administrators, some part of the public attempted the brig and age activities. As a result of these activities, public was obliged to leave its location and home. Some part of those immigrating sheltered to âyans. The government was obliged to demand help in the places, brigandage actions began from local âyans. This also increased the power of âyans (Abacı,2001, pp.92-93).

## **2.1.Transformation in Manorial System**

Beginning from the early 18<sup>th</sup> century, one of the most important factors in economically strengthening of âyans can be shown as âyans' prospering, collecting iltizams at their hands. Therefore, that manorial system was disturbed, and that manors transforms into iltizam is perhaps the most important factor affecting the emergence and development of âyanlık. Before dealing with disturbance in manorial system, it will be useful to describe the run of this system.

Beginning from the emergence of Islamism, giving bare ownership of lands conquered to government and right of usage to rayah, it was aimed that public made agricultural production on these lands (Berki, 1967, p.66). In Ottomans, this kind of lands are called demesne. Three are a triad relationship in demesne. There is government in one part of this relationship that has bare ownership; in the other part, villager having the right of usage and cavalryman as a person making relation between two parts (Cin & Akylmaz, 2000, p.254). The person, to whom central government allocates tax incomes it will obtain from the villagers in exchange of certain services, is called cavalryman. Demesne is shaped by dirlik system. Dirliks are called“manor”for those having annual income of between mite0-20,000 according to their sizes; “zeamet, for those having annual income of between mite 20,000 -100,000; and “has”, for those having annual income over mite 100,000. This system represents the power of sultan in the back country from governor to cavalryman (İnalçık, 2000, p.121).

Manorial system is a *method, according to which the lands under government ownership are managed by villagers having the right of usage under supervision of cavalrymen, who are public servants and receive their salaries from incomes of manors* (Tabakoğlu,2009, p.227). By means of manorial system, government, allocating the taxes, which it cannot collect due to their being real, to cavalrymen, both enables them to earn a livelihood and has a central army without making expense. Ottoman state, developing manorial system,

chose an easy and practical way instead of taking all incomes to center and, then, distributing salary to soldiers (İnalçık, 2003, p.760).

While manorial system, as continuation of Seljukian ikta system, had an important place and function until the late 16<sup>th</sup> century, disintegration and transformation process after this period. In the early 17<sup>th</sup> century, Austria and Iran Wars that was continuing, development of war technology, the fact that soldiery became a profession, and Celali revolts that appeared in Anatolia entrained government to depression. That timar holders loss their influences made it necessary the increase of the number of sultan's household troops equipped with military weapons and this necessity increased the burden of treasury due to increase in ulûfe payments (service pay in Ottoman Empire) to the soldiers (Ergenç,1999, pp.35-36).

The results of economic crisis experienced forced the government to directly engage in fiscal issues. For providing income flow to treasury, it was necessary to levy the previous taxes more effectively and impose the new taxes and this became a current issue to reorganize the administrative positions. Instead of indirect taxing methods such as manor (timar), it was necessary to impose direct taxes. Therefore, for being able to collect jizya (poll tax) and avarız taxes becoming continuously collected due to heavy war conditions more and more effectively, a radical regulation was made. Upon that levying affairs are given to the people from sultan's household troops, courtiers and other attendants, new elites got on the stage in back country. Later, toward the late 17<sup>th</sup> century, tax farming (iltizam) was gone toward as a solution (Barkey, 1999, p.75).

Mukataa is to rent a revenue belonging to government in exchange of annual cash (Uzunçarşılı, 1988, p.383). The process of becoming mukataa was not only limited to manorial lands but also, in time, "has"es of the governors, flag officers, and pashas were also included in this application (Çakır, 2003,p.44). Ottoman State, while managing mukataas, applied the methods of iltizam in providing in come to central treasury and, in time, of malikane as a result of more cash need.

In the method of iltizam, a revenue resource was put up for auction for a time of 3 years and transferred to the person who offered the highest price. The person who won this tender is called mültezim (taxman).In iltizam system, taxman, dividing mukataa into three to five parts, could solve each of these to sub-taxmen. However, this case both led tax areas to be destructed and rayah to suffer. Beside this, since the primary target of

taxmen is to obtain profit as high as possible, they were not interested in the expiration of tax resource (Akdağ,1979, p. 235;İnalcık,1980, p.328).

Flexibility of Ottoman tax farming system was a facilitating factor tax collection processes of taxmen. Taxmen could divide the work they take on the spatial basis and sell the emerging shares to the local sub-taxmen who will be responsible to them to be able to better collect this kind of incomes. On the top of tax farming hierarchy, bankers of capital who has large fortune took place. The rich moneychanger undertaking this role of brokerage, opening a credit and sponsor to taxmen, enabled them to fulfill their contractual obligations to treasury (İnalcık, 2000, p.105).

Until the late 17<sup>th</sup> century, Ottoman State used tax farming system for levying and short term domestic borrowing. However, beginning from the late 16<sup>th</sup> century, when budgetary deficits became chronic, government went toward using tax farming system for borrowing rather than levying. In addition, the times of tax farming contracts were extended and thus, it was begun to be demanded advance tax from the people or corporations winning public auctions and collecting tax on the name of government (Pamuk, 2000, p. 206).

Long and wearing wars that began in the second half of 17<sup>th</sup> century increased the cash need of Ottoman state much more together with 18<sup>th</sup> century and new resources for the budget were began to be searched. For this aim, some mukataas were begun to be given to iltizam with self-perpetuating such that its annual incomes were paid for treasury. This system, implemented in 1695 and called “method of malikane”, is the most important development that affected Ottoman finance system in 18<sup>th</sup> century. With this system, while on the one hand, government realized salary payments of the attending without incurring to any income loss, on the otherhand, in similar to manorial system, since the person receiving mukataa will lifelong income, would also protect the interest of public and would not forcibly demand heavy taxes (Genç,1975, p.235)

In 1697, those buying mansions awarded these to unofficial taxmen. Even the second and third hand tax farming was under consideration. Transition of this lifelong tax farming via legacy was accepted after a short time (Tezel, 1994, p.56). In the area of public finance, with transformation from tax farming system toward mansion, first of all, long term borrowing of government was foreseen.

### **3. Effect of Transformation in Manorial System on Âyanlık**

In Ottoman state, the largest unit of back country administration are the states. The states are divided into sanjaks; sanjaks, into towns, and towns, into villages (Boztepe,2013,p.2).In the classical period, the borders of sanjak unit were drawn from military point of view and dirlik structure is divided into has, zeamet, and manors according to their sizes. The process to change dirliks in sort of manor into mukataa, which began 17<sup>th</sup> century, in order to be able to create new resources from financial point of view, gained prevalence, as also stated above, including the “has”es of flag officer and governor in application in 18<sup>th</sup> century.

In the classical period, the most important item of military expenditures of government consisted of the salaries of sultan’s household troops (İnalçık, 1980, p. 312). The increasing number of sultan’s household troops revealed the need for Ottoman state, which is in difficulty in competing against the central armies of Europe, to have a central army. This case also reduced the importance of manor for Ottoman state. Since the soldiers of regular army will be employed in exchange of money, in response to the increasing need for income, the task to collect tax were retaken from timar holders sand transferred to taxmen by iltizam method (McGowan,2004, p.766).

When the manors remaining idle, as a result of the collapse of manorial system, are given to iltizam, âyans building a large dominance on the villagers via taxmen gained important power, because the farmers leaving their lands shelter to them, also controlling the working and waging war population in 17<sup>th</sup> century.

Âyans, who were in the position of leaders of local defending militia, also approved by central government, which could not sustain its central authority, and lost its supervision power depending on that manor system in rural area degenerates and weakens, in view of civil rebellions arising as a consequence of either this vacuum or population increase and unemployment; who were economically strengthened in time thanks to tax farming system, were almost unofficial representative of government. The problematic economic situation that plagued the Ottoman Empire off and on since 16<sup>th</sup> century and the increase in banditry, forced the central government to seek the assistance of the increasingly powerful local notables the other words âyans in the provinces (Zens, 2011, p.436).

In order to remove negativities Ottoman-Austria wars that began in 1683 brought, that government gave mukataas in self-perpetuating to the persons of rank of city and âyans

for iltizam as malikane is one of the most important reasons for âyans to strengthen (Özkaya,1978, pp.667-668). Âyans, due to the financial depression government experienced, increased their authorities much more,collecting taxand lending treasury (Mert, 2000, p.175). On the other hand, as a result of uneasiness experienced in the back country, public left locations and homes. Due to immigrations, when the tax burden of the remaining public became heavy, they tried to get rid of tax burden, taking support from the powerful âyans. This also became another factor enabling âyans to strengthen. That âyan emerges as a class and strengthens is reported as follows: Âyans, who were in the position of leaders of local defending militia, also approved by central government, which could not sustain its central authority, and lost its supervision power depending on that manor system in rural area degenerates and weakens, in view of civil rebellions arising as a consequence of either this vacuum or population increase and unemployment; who were economically strengthened in time thanks to tax farming system, were almost unofficial representative of government (Özkaya, 1978, p.672).

In iltizam method, the aim was to collect the real incomes and send it to center after exchanging cash via mültezims(Genç,2012, p.103). Âyan earlier had an iltizam from second hand via becoming taxman and, later, buying malikane shares, began to strengthen.

When generally regarded, political power in back country seemed to be in more autonomous structure than capital in its activities. Almost everywhere, while in daily life of many people the importance of central government showed a visible decrease, on the contrary, an increase was observed from the aspect of effect of local non-muslim. Very large regions of Ottoman State came under domination of the families belonging to âyans in back country (Quataert, 2002, p.85).

In 18<sup>th</sup> century, âyans, strengthened in back country administration politically and socially, making partnerships with high public servants in Istanbul, began to control mukataas and, thus, with their controlling the process of collecting tax belonging to the government, the rise of âyanlık accelerated(Bay, 2007, p.90). In 1734, while 65% of malikane owners lived in Istanbul, this rate rose to 87% until 1789 ( McGowan, 2004, p. 710). In other word, malikane owners stayed in the center and transferred their authorities to collect tax to âyan in the region. This state causes âyans to strengthen both economically and politically. For example, in 1762, a person called Ahmet, malikane owner in the town Kürekciyan of Bursa, transferred his authority to collect tax to Mustafa Ağa, taxman, Bursa âyan. another method they applied was also to divide

iltizam to several parts and transfer these contracts to the person from local people. Thus, a hierarchy occurred between the classes of taxman and âyan(Akdağ, 1979, p.339).

In Ottoman state, any increase was not seen tax incomes in 16<sup>th</sup> to 18<sup>th</sup> centuries. Among the reasons for this case, that population is less is shown but the primary reason was stated to be the costs of intermediary. About two-thirds of a total of taxes remained in âyans in back country and administrators in center, etc. (Pamuk & Kahraman, 2009, pp.29-32). The share malikane owners received from total taxes was at the level of 30-50%.

Âyans also continued to mostly play the role they played in iltizam system. Malikane holders, who acquired malikanes, selected the rich and influential âyans living in the region of malikane as mültezim for themselves (Genç, p. 244). Although malikane system was brought to remove the destructive effects beside search for new resource, that malikane owner not present in back country assign the second-hand and even third hand taxmen caused losses for treasury and rayah (Genç, 2000, p.157). In the second half of 18<sup>th</sup> century, the immigrations of âyans in Anatolia increased. Especially, 1768-1774 Ottoman –Russian war led government to demand help from âyans and they increased their powers much more (Uzunçarşılı,1988, p.436).

Âyanlık institute in Ottoman Empire expanded in time and âyans began to apply oppression and severity to people. In addition, âyans struggled between themselves to be able to have tax farming. Those lasting the most between these were the struggle between Tirsinikli oğlu İsmail Agha and Yılık oğlu Süleyman Agha. This case lasted until abolition of tax farming system (Aktan, 1991).

The physical distance of an âyan's landholdings from İstanbul, the center of the state, allowed them to disregard the central government. Among the provincial notables who frequently operated independently of the central government are the Ottoman Maghreb, Balkan frontiers along the Adriatic and Danube, eastern Anatolia and the Arab lands of Baghdad and Egypt. Included among them are the janissary commanders of Tunis and Algiers, Tepedelenli Ali Pasha of Janina, Pasvanoğlu Osman Pasha of Vidin, Caniklizade family in eastern Anatolia, Süleyman Pasha in Baghdad and Tirsiniklizade İsmail Agha of Ruscuk from the late 18<sup>th</sup> into the 19<sup>th</sup> centuries ( Zens, 2011, p.440).

Âyans were trying to consciously become dominant on the lands, in which they were taxman. However, in case that some complaints come from rayah, taxman could be replaced. While Konya İhtisab mukataa was processed by malikane method in 1730, during collecting tax and tithe income, the public was deceived and government was damaged of mite 67,539. Upon this, public made a complaint and demanded the taxmen to be replaced the taxman who received iltizam (A.E.III. AHMED,565, p.1). In 1782, upon that Hacı Ataullah Ağa, Keşan âyan, made irregularity on taxing, it was decided not to be given iltizam to âyans from Keşan once more (Mert, 2003, p.163). For example, in Kayseri, in 1733, a warrant was issued for Zennecioğulları but a few later, the same family acquired mütesellimlik (Özkaya, 1978, p.679). In the late 18<sup>th</sup> century, Sarıcaoğlu Osman Ağa who executed âyanlık in Bursa realized activities such as making actions against government and receiving almost 10 times more tax from the public in iltizam and he was executed (Küpeli, 2011, p.245).

The âyan oftentimes vocalized their community's opposition to new and unpopular reforms enacted by the central government in İstanbul. For example, The âyan's opposition to the Sultan Selim III's Nizam-ı Cedid was clearly due to the sultans' attempt to centralize his power expense of the âyan. However the âyan championed the reaya's opposition to the new tax burden that was needed to support the new unit. While the âyan opposition was depicted in many sources, such as Ahmed Cevdet Pasha, the Ottoman chronicler of the late 18<sup>th</sup> and 19<sup>th</sup> centuries was an ingenious attempt to increase their legitimacy in the eyes of the local community and strengthen their position against the central government (Zens, 2011, p.446).

With Sened-i İttifak, Sultan Mahmut II. accepted this weight of âyans but managed to discipline them. With the attempt of Alemdar Mustafa Pasha, âyans met in İstanbul made a contract with Sultan Mahmut, which specifies their mutual rights and duties. With this contract both parts will comply with, while âyans promise to support central authority on condition of administration in compliance with law and order, they enabled their rights and presence to be accepted (Sencer,1984, p.37). Although Sultan Mahmut II. seemed to be first accepting the constraint of a group from people on his authorities, he managed to weaken âyans by means of this agreement after a short time. When decrees of âyans were the subject of corruption, institute of âyan was abolished in 1786 and institute of chamberlain was replaced with it. However, after a short time, âyanlık was returned.



The threat that the âyan posed to the central government was a great enough that it led to their eventual eradication. Ottoman State, especially beginning from Mahmut II, bestowing civil service to the people belonging to âyan families, broke their effects and after tanzimat reform era, government began to execute the administration of province through governors directly sent from the center and, thus, “âyans period”, seen in Ottoman State, was closed. With mansion system being effective in strengthening of âyans, that mütesellimlik was ended in tanzimat reforms period led âyans to lose their powers (Zens, 2011, p.447).

## **Conclusion**

The aim of this study is to deal with how iltizam and malikane systems, applied with gaining acceleration of becoming mukataa in manorial system, affected the emergence of âyan class. Austria war that began in 1683 and the other wars, included in the early 18<sup>th</sup> century, and defeats experienced caused central treasury to weaken and government to search for new income resources. In order to find a solution for the financial depression the government experienced, a transformation was experienced from manorial system to iltizam and malikane and, in turn, to bonds systems. While these were experienced from economic point of view, activities realized by brigands and tribes in the back country heavy tax burdens ruined the people and led them to leave their locations and homes. Due to the fact they are all related to each other in sequence, a negativity experienced in one of them also affected the other directly or indirectly. This state made it difficult the government to copewith this kind of events from the center and led it to receive help from the local powers. All of those experienced led a class called âyan to emerge.

In order to remove negativities Ottoman-Austria wars that began in 1683 brought, that government gave mukataas to the persons of rank of city and âyans for iltizam as malikane is one of the most important reasons for âyans to strengthen Âyans, due to the financial depression government experienced, in time, increased their authorities much more, collecting tax and lending treasury. On the other hand, as a result of uneasiness experienced in the back country, public left locations and homes. Due to immigrations, when the tax burden of the remaining public became heavy, they demanded help from âyans. All of these events experienced affected the development of âyanlık. When reached, 18<sup>th</sup> century, âyans became one of the most important classes in the back country from social aspects.

Before 17<sup>th</sup> century, âyanlık, which has an honorable place in many other Islamic society before Ottomans in the sight of society and government, while arriving to this century and within this century, emerged as institutes government individually recognized and local power even not civil service, with the effect and driving force of the administrative, military, financial, and social depressions Ottoman State experienced. These local dynasties served government in many issues that are military in war times, control large tracts of land generally at the peripheris of the Empire economic such as tax collecting in peace times, act as an intermediary between the central government and local community. However, âyans, who are increasingly strengthening and to whom government experiences difficulty in influencing, gradually led to the new problems. Therefore, âyanlık seriously annoyed the government for a time and, finally, the power of âyans could be broken thanks to centralist policies of Sultan Mahmut II.

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# 9 Testing Random Walk Hypothesis in Pre-crisis Period: The Case of the USD/TL Exchange Rate

*Dicle Ozdemir*

## Abstract

*Our study evaluates out-of-sample exchange rate forecasting for U.S. dollar/Turkish lira on the basis of Meese&Rogoff's out-of-sample forecasting accuracy study in 1983. Our aim is to compare Frankel-Bilson, Hooper and Morton, and Overshooting models with random walk and some time series models based on Root Mean Squared Error (RMSE) and Mean Absolute Error (MAE) and to find some empirical results to compare random walk model and those structural models in explaining USD/TL exchange rate behavior. We examined the structural and monetary models for Turkey and compared the predictability power of random walk forecast model, a traditional model of exchange rate determination. The results indicate that it is hard to say that the random walk model has a superiority performance than the monetary models based forecasting for short-term horizons. This conclusion shows that the monetary model of exchange rate determination in Turkey can be superior to random walk model at least in the short-run.*

**Keywords:** *Exchange Rate; Random Walk; Monetary Models; Forecasting*

## Introduction

Since 1981, there has been considerable interest to monitor developments in forecasting exchange rate movements since the collapse of Bretton Woods system. Many of the financial literature suggest that exchange rates follow a random walk process such as Mussa (1979) and Cornell and Dietrich (1978). Due to the reason that

empirical results from many of the exchange rate forecasting models in the literature, based on the economic fundamentals or enhanced statistical construction, we have not led to provide convincing results (Lam, Fung and Yu, 2008). Mussa (1979) shows that the spot exchange rate approximately follows a random-walk process and has unexpectedly changes in value. These findings were also supported by the seminal work of Meese and Rogoff (1983 a,b).

In 1983, Richard A. Meese and Kenneth Rogoff wrote their seminal paper and analyzed the out-of-sample short-term forecasting performance of structural models, like the monetarist model, the expectations hypothesis, time series models and the random walk model with monthly observations for different currency rates and noted that none of the structural exchange rate models could significantly outperform a simple random-walk model in both short- and medium-terms<sup>1</sup>.

On the other hand, according to Mark (1995) and Chinn and Meese (1995), the random walk model does not yield the minimum forecast errors when the forecast horizon is extended to periods beyond twelve months. Moreover, Anaraki (2007) replicates Meese and Rogoff's study and concludes that Meese and Rogoff covers too short time span to include the sharp movements oil shocks in the mid 1980s, the high productivity growth of the Japanese economy in the mid-1980s and late 1990s, and finally the recession...etc.

There has been extensive research done on studying whether the exchange rate follows a random walk or not. There are two opposite conclusions; one is that the exchange rate follows a random walk and the other is that the exchange rate does not follow a random walk process in long run time span. The random walk hypothesis predicts that the exchange rate has a 1/2 chance of going up or down. In other words, within short time horizons less than six months, the hypothesis tries to find strong evidence towards the random walk hypothesis is problematical (Pantusson, 2005).

The main aim of this paper is to examine the empirical validity monetary fundamental-based exchange rate models for the Turkish economy for the pre sub-prime mortgage crisis period. We analysed a random walk model and compare it with the predictability power of different models based on the out-of-sample forecasting accuracy criteria. In

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<sup>1</sup> Random walk process is a time series model that explains determination of a variable using its own pasts.

other words, we try to estimate a random walk model and fundamental (or structural) models of exchange rates based on Meese and Rogoff's approach.

### Theoretical Background

A significant amount of literature has focused on exchange rate forecasting by emphasizing random walk model. In particular, Cheung, Chinn and Pascual (2005) has argued that exchange rate fundamentals have no predictive power in forecasting the variations in Canadian/U.S. Dollar exchange rate. They conclude that none of the standard models could systematically forecast better than random walk at short time horizons. However, the majority of existing empirical studies seem to be mixed, depending on the country, data period, forecast horizon etc. such as Frankel & Ross (1995), Della Corte & Tsiakas (2012) and Rossi (2013). There have been empirical studies that have evidence in favor of the predictive ability of linear combinations of macroeconomic fundamentals for larger horizons as demonstrated by Cheung, Chinn and Pascual (2005), Engel, Mark and West (2007), Rossi (2005). On the other hand, there are also a number of empirical studies such as Molodtsova et al. (2008, 2011), Ince (2014), Rossi (2013) found that Taylor rule models, compared with random walk model, may have some predictive ability. More recently, Moosa (2013) and Moosa and Burns (2014) examined the alternative measures of forecasting accuracy and found that the random walk in out-of-sample forecasting can be outperformed if forecasting accuracy is measured by taking into account more than the magnitude of the forecasting errors.

Monetary approach to exchange rate determination is one of the main theories of exchange rate dynamics in the present decade. Three main types of monetary models of systematic behaviour can be performed over time. These are the flexible price monetary (Frenkel-Bilson) model, the sticky-price monetary (Dornbusch-Frankel) model, and the sticky-price asset (Hooper-Morton) model Bilson (1978, 1979), Frenkel (1976), Dornbusch (1976), Frankel (1979, 1981), Hooper and Meron (1982).

Meese and Rogoff demonstrated the structural model as follows:

$$s = a_0 + a_1(m-m^*) + a_2(y-y^*) + a_3(r_s-r_s^*) + a_4(\pi_c-\pi_c^*) + a_5 \Sigma TB + a_6 \Sigma TB^* + u \quad (1)$$

where \* indicates a foreign variable, and where,

$s$  = logarithm of U.S. dollar price of foreign currency

$m$  = money supply



$m-m^* = \log$  of ratio of U.S. money supply to foreign money supply

$y$  = industrial production

$y-y^* = \log$  of ratio of U.S. to foreign real income

$r$  = short term interest rate

$rs-rs^* = \text{short-term interest differential}$

$\pi e-\pi e^* = \text{expected long-run inflation differential}$

TB = cumulative trade balance

$\Sigma TB$  = cumulative U.S. trade balance

$\Sigma TB^* = \text{cumulative foreign trade balance}$

$u$  = disturbance term which may be serially correlated.

All three cases reflect the assumption that the exchange rate exhibits first-degree homogeneity in the relative money supply. Secondly, the Frenkel-Bilson model, assumes purchasing power parity, constrains  $a_4=a_5= a_6=0$ . The Dornbusch-Frankel model gives a way for slow domestic price adjustment and, therefore, deviation from purchasing power parity, assumes  $a_5$  and  $a_6$  are constrained to zero. In the Hooper-Morton model, none of the coefficients are constrained to be zero. This model, based on both monetary and portfolio balance theories, extends the Dornbusch- Frankel model in that it allows for changes in the long-term real exchange rate.

The random-walk model for an exchange rate, suggested by Meese and Rogoff (1983), is specified as,

$$e_{t+h} = e_t + \epsilon_t \quad (2)$$

We use the driftless random walk model, as Moosa (2013) suggested. According to him, driftless random walk is more powerful in predicting exchange rates than the random walk with drift. On the other hand, root means squared error (RMSE) and mean absolute error (MAE) are two of most common measures to examine the out-of-sample accuracy and defined as follows:

$$\text{Mean absolute error} = \sum_{s=0}^{N-1} \left| F(t+s+k) - A(t+s+k) \right| / N_k \quad (3)$$

$$\text{Root mean square error} = \left[ \sum_{s=0}^{N-1} \left[ F(t+s+k) - A(t+s+k) \right]^2 / N_k \right]^{1/2} \quad (4)$$

Ideally if the ratio is significantly less than 1, the model in general predicts the actual value with a smaller error than the benchmark. For example, the smaller the RMSE ratio is, the better is the forecast.

The ARIMA model allows us to test the hypothesis of autocorrelation and remove it from the data. ARIMA models predict a variable's present values from its past values. The methodology of building ARIMA model is divided into three stages, described by Box and Jenkins: 1- Identification stage or model selection (autocorrelations and partial autocorrelations); 2- Estimation Stage or Parameter Estimation. Estimate the unknown autoregressive and moving average parameters (Estimation of the p (auto-regressive) and q (moving average) components to see whether they contribute significantly to the model or not); and 3- Diagnosis Checking (whether they are random and normally distributed. The Box-Ljung test analyze the significance of autocorrelation at each lag; therefore, different series appearing in the forecasting equations are called "Auto-Regressive" process and the basic autoregressive process makes it easy to see where the correlation of the error terms can be a problem. The ARIMA models are generally denoted by ARIMA (p,d,q), where p is the order of the auto regressive process, d is the order of the data stationary and q is the order of the moving average process. In ARIMA model, we do not have a forecasting model a priori before model Identification takes place. ARIMA helps us to choose "right model" to fit the time series. With the Box-Ljung test, the best model will be determined for our model.

As a first step, we will check the time series properties of the variables. First of all, by using the augmented Dickey-Fuller (ADF) unit root tests of Dickey and Fuller (Dickey&Fuller, 1979) under the null hypothesis, generally defined as the presence of a unit root, against the stationary alternative trend stationary, we examine for the stationarity conditions of our variables ((Dickey&Fuller, 1979). The general formula for an ADF test is presented in equation below:

$$y_t = \alpha_0 + \alpha_1 t + \sum_{i=1}^p \alpha_i y_{t-i} + \varepsilon_t \quad (5)$$

where  $y_t = y_t - y_{t-1} = \Delta y_t$

$\alpha_0$  = a constant term

$\alpha_1$  = a trend term

$\alpha_i$  = the parameter tested in the null hypothesis

For the case of stationarity, the series should be proved to be stationary when the absolute value of the test values of the variables is greater than MacKinnon critical value and that they have a minus sign. The number of lags used for the ADF stationarity test is up to 12 lags and the lag length of the ADF unit root test was chosen on the basis of minimizing the Schwarz Information Criterion (SC).

## Data

To analyze the out-of-sample forecasting performance the TL/USD for the Turkish economy, we used data for the investigation period of (2003/01) using (2009/09) observations.<sup>2</sup> All the data are in monthly period and taken in the form of not seasonally adjusted values. All the variables, except interest rate, are in logarithms. The Central Bank of the Republic of Turkey is the source of our data for the internal variables and the St. Louis Federal Reserve Bank electronic data delivery system for the external variables. The narrow measure of money supply (M1) is taken from OECD Stat.Extracts (2005=100), and production index data for Turkey and US are used for real income variables. The consumer price indices, trade balance and interest rate (monthly averages of the 3-month Treasury bill secondary market rate for U.S. and Turkey) are the other data we included for the model.<sup>3</sup>

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<sup>2</sup> We focus primarily on the pre-crisis period to avoid volatility period. As Moosa (2013) shows that as exchange volatility rise, the forecasting error of any model rises faster than the forecast error of random walk model.

<sup>3</sup> The exchange rate variable is identified as "v1"

## Empirical Results

A Dickey-Fuller test of the exchange rate cannot reject the hypothesis that the series has a unit root. If the null hypothesis is not rejected, then we may conclude that the data is non-stationary (unit root). If the null hypothesis is rejected, there is no unit root but a shift in the variance is possible. Test results shows that the null hypothesis of stationary of levels for exchange rate variable cannot be rejected. The test statistic for the stationarity of the TL/USD rate is -3.191 which has a p-value of 0.0205. On the other hand, we need to identify p and q with the Box-Ljung test.<sup>4</sup>

We tried to estimate the best ARIMA model for a time series. After trying different types of models, as seen in table 1, ARIMA (1,0,1;0,0,1) model seems plausible. However, whether this specification is really a good one depends on the residual analysis, which requires looking at the residual correlogram containing the Box-Pierce Q-statistics. The results show that at no single lag the null hypothesis that there is no correlation among the residuals can be rejected. Thus, ARIMA (1, 0, 1 ; 0, 0, 1) is an adequate model.<sup>5</sup>

Table I

LAG	ACF	PACF	Q-stat. [p-value]
1	-0.0391	-0.0391	0.1284 [0.720]
2	0.0485	0.0470	0.3285 [0.849]
3	-0.0275	-0.0240	0.3937 [0.942]
4	-0.0576	-0.0620	0.6833 [0.953]
5	-0.0077	-0.0098	0.6885 [0.984]
6	-0.0439	-0.0397	0.8611 [0.990]
7	0.1181	0.1137	2.1284 [0.952]
8	-0.0539	-0.0466	2.3956 [0.966]
9	0.0851	0.0693	3.0712 [0.961]
10	-0.0641	-0.0560	3.4600 [0.968]
11	0.0411	0.0433	3.6221 [0.980]
12	-0.0587	-0.0557	3.9576 [0.984]

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<sup>4</sup> The Dickey Fuller and the Augmented Dickey Fuller test results are not reported here although they are *available upon request*

<sup>5</sup> These *results* are *available upon request* from the authors.

Table II shows detailed results of the accuracy of the forecasts for the TL/USD, respectively, using MAE, MAPE and RMSE as forecast evaluation criteria. Forecast accuracy is evaluated using absolute and square error criteria, namely the mean absolute error (MAE), the mean absolute percentage error (MAPE), and the root mean square error (RMSE). The results indicate the predictive superiority of the Frenkel-Bilson model against the other models for 1 month and Dornbusch-Frankel Model for 3 months horizon; but for the 6 months horizon, the random walk model's performance dominates the others. In other words, the superiority of Frenkel-Bilson model rather than a random walk, ARIMA, or the other structural models, is relatively high and statistically significant at the short horizon, but this advantage decreases with the longer horizons.

**Table II**

Forecasting Models	RMSE	MAE	MAPE
1 month			
Random Walk	0.014	0.013	3.3744
ARIMA(1,0,1)	0.023	0.022	5.701
Frenkel-Bilson model	0.011	0.009	2.4563
Dornbusch-Frankel model	0.020	0.018	4.5951
Hooper-Morton model	0.016	0.015	3.9458
3 months			
Random Walk	0.019	0.017	4.1564
ARIMA(1,0,1)	0.017	0.014	3.6179
Frenkel-Bilson model	0.024	0.019	4.6502
Dornbusch-Frankel model	0.016	0.013	3.3827
Hooper-Morton model	0.019	0.016	3.9835
6 months			
Random Walk	0.028	0.022	4.9625
ARIMA(1,0,1)	0.029	0.024	5.3238
Frenkel-Bilson model	0.049	0.038	8.6764
Dornbusch-Frankel model	0.036	0.026	5.6618
Hooper-Morton model	0.034	0.029	6.4299

To sum up, the data from Turkey and US indicates that, at least for short horizons, structural models performs better than the random walk model and autoregressive model up to a certain confidence level. That is, as the forecast horizon decrease in

lengths, the structural and time series models' accuracy improve and perform better than random walk models to forecast exchange rates in Turkey. Further research can also be conducted such as adding dummy variables and exogeneity restrictions to determine the forecasting performance of the reduced form a VAR model with a cointegrated VAR model.

## Conclusion

There has been extensive research done on studying whether the exchange rate follows a random walk or not. There are two opposite conclusions; one is that the exchange rate follows a random walk and the other is that the exchange rate follows a random walk results unacceptable in the long run. With this study, our intention is to analyze the monetary and time series models of exchange rate determination empirically for the Turkish economy for the pre-crisis period. We examined the structural and monetary models for Turkey and used structural models to compare the predictability power of random walk model. The results show that it is hard to say that the random walk model has a superiority performance than the monetary models based forecasting for short-term horizons. This conclusion shows that the monetary model of exchange rate determination in Turkey can be superior to random walk model at least in the short-run. The empirical literature shows that for some countries we can reject the hypothesis that exchange rates are random walks because the fundamentals are completely unrelated to exchange rate fluctuations. Interestingly, for the longer forecasting horizon (6 month) of our study, the random walk model's performance dominates the other models.

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# 10 Economic and Social Effects of Airfields: The Case of Turkey

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## **Abstract**

*The purpose of this study is to discuss positive and negative sides of airports and airfields due their operations in general and for Turkey in particular. The study seeks to find answers to the questions whether individual's right to live in a healthy environment is respected, responsible way of action is considered and what can be done for the airports and airfields with eco-centric way of thinking. Increased number of airports, airfields and planes both in the world and in Turkey increase the significance of the subject and require solutions to encourage positive sides of airports and minimize negative sides of problem.*

**Key Words:** Airports, Economic Effects, Social Effects, Turkey

## **1. Introduction**

Airline transportation has become a safe, fast and comfortable means of transportation as a technological development. The need for airfields has also risen due to increased transportation and passenger demand in the world and in Turkey. The airfields forming the connection point of air transportation are the crucial point of air transportation and affect the communities in which they exist from both economic and social aspects.

The aviation industry is also a supporter of many other economic activities, especially domestic and foreign tourism. It creates many positive effects such as creating new jobs and employment opportunities, diversifying demands for services and providing cultural interaction. Airfields, increased in parallel with the development of the aviation industry, contribute to the prosperity of communities on urban, regional, territorial and global basis. However, airfields leading to the aforementioned positive economic and social impacts also inevitably bring about some problems. This is because the living and non-living forms of life in their settlements are primarily threatened from many dimensions such as noise, water pollution, visual pollution, light pollution, and air pollution at the same time. Thus it causes global pollution.

The purpose of the study is to reveal how to improve the positive aspects of airfields and how to minimize the negative aspects of them both in general and in the reality of Turkey within the context of the literature review. Every day, the increasing need for living in healthy environment points towards the importance of the topic. Therefore, the study will approach the question of what can be done for the right of living in a healthy environment on the basis of airfields.

## **2. The Concept of Airfield**

In the glossary of aviation terms, airfield is defined as “defined area on land or water (equipped with building, facility and equipment) intended to be used either wholly or partially for the landing, taking-off and surface movements of aircraft”. Airport is defined as “an airfield, established to serve to international air traffic arrivals and departures, and at the same time in which custom, immigration, public health, animal and plant quarantine transactions and similar transactions are carried out without delay” (DHMI, 2011, pp. 58,63). As mentioned in the definitions above, although airfields and airports have same duties, airports differ from airfields in terms of being subject to international transactions. In the study, the notion of airfield is used as a basis instead of airports, because airports are basically the airfields. Since airport is regarded as airfield, the concept of airfield is used instead of airport in the study.

As is known, the human being has always wanted to fly like birds (Grant, 2002, p. 10). In the medieval period there were some flying experiments of Abbas Ibn-i Firnas in Andalusia, Ismail Jewel in Nishapur and Pastor Oliver in London. Then, Hezarfen Ahmet Çelebi attempted to fly in the period of Sultan Murad IV, but the experiments demonstrated that the flying of people like birds was not possible. However, Leonardo Da Vinci examined the structure of the birds and stated that one day people will benefit

from this similarity, and even if they do not fly like birds, they will give life to wings (Yalçın, 2016, pp. 183-186).

With the realization of the inability of people to fly using their muscular power, flying attempts with balloons and heavy machines started. Firstly, the human beings succeeded in flying with balloons, then flew with the glider, and finally with the success of Wilbur and Orville Wright brothers' flying experiments with heavy-motored plane in 1903, a milestone in the history of aviation was achieved.

The need for an airfield emerged shortly after the Wright brothers' successful flight experience. It is known that civil airfields in the United States of America (USA) were in existence in 1909, and there were 20 privately owned airfields in 1912. Aviation first developed in Europe. Thanks to this progress, planes were used primarily to break the resistance of the trench warfare in Europe during World War I (WWI). In the subsequent process, military and war needs were decisive in the development of civilian airfields. The USA closely followed the developments in Europe. In the USA, only 67 new airfields were built during WWI (Raymond, 1997, p. 6).

After WWI communities came to realize the need for airfields that connect them to the rest of the country. As a result of this need, 145 airfields existed by 1920 (Raymond, 1997, p. 6). The period between WWI and World War II (WWII) was described as the golden age of aviation (Grant, 2002, p. 108). As the war progressed during the WWII, the number of funded airfields increased. In 1941, when the USA entered the war, the number of existing airfields worldwide was 668 and in 1944 the number increased to 986 (Raymond, 1997, pp. 7-8).

Aviation activities were mostly used for military purposes during WWI and WWII. The development of civil aviation was materialized through the use of old military aircrafts in the transportation of people and goods after WWII. Within a few years, many companies were established making flights to North America, Europe and other parts of the world. International aviation organizations and associations established in the 1950s added to the development of necessary standards for air transportation. These standards ensured a safer aviation and placed aviation on the agenda in the globalizing world (Karatay et al., 2014, p. 6).

### **3. Economic and Social Impacts of Airfields**

The existence of airfields depends on load and passenger transportation, that is to say, the development of the aviation industry. Due to being fast, safe and secure, the aviation

industry has an important place in the transportation sector (SHGM, 2017, p. 25). The aviation industry, gradually transforming into a vital part of the globalizing world economy, makes the growth of international trade, tourism and international investment easier and connects people to each other between continents (ATAG, 2012, p. 6). Moreover, the aviation industry undergoes a continuous improvement in terms of increasing capacity via technological developments on a global level and consequently, increases the number of passengers (SHGM, 2016a, p. 24).

Airfields, forming a connection point of the aviation industry, serve to the aviation industry for long-distance and international travel (Ernst & Young, 2012, p. 52). Aviation not only provides worldwide transportation networks, essential for the business world and tourism, but it also plays a vital role in economic development, particularly in developing countries (ATAG, 2005, p. 2). Many factors from location to structure and capacity lead airfields to affect significantly the lives of people that live there (Young, 2015, p. 38). Airfields enhance the movement of people, goods, and services throughout the country and the world and help the economy work more effectively and efficiently (ACI, 2012, p. 1). For this reason, various economic and social impacts of airfields are inevitable.

It is also possible to express the negative and positive economic and social effects of airfields on a general basis. The positive effects of airfields are summarized below (Turan and Turan, 2008, p. 162). Airfields:

- Contribute to the development of both domestic and international tourist sector,
- Provide strategic support to the development of many economic areas,
- Facilitate and encourage domestic and international transportation,
- Increase employment and employment opportunities,
- Improve cultural relations by enabling the mobility of population,
- Cause change and increase in demand for services,
- Lead to differentiation and change in the economic environment.

In addition to these positive effects, airfields lead to some negative effects at the same time. Air pollution, noise pollution, water pollution, traffic congestion, light pollution, image pollution and some social problems are among the negative effects in question. The positive and negative effects stemming from airfields can be handled separately under the headings of economic and social impacts.

### 3.1. Economic Impacts

Economic impact generally refers to the effect of a subject over employment, spending and similar economic activities, related to any sector of the economy. In other words, when final product - service impacts are assessed, it is based on an assessment taking into consideration all stakeholders who contribute to the value chain. Employment, income and value added variables are widely used in the calculation of economic impact. In airfields, for example, many activities such as supply chain, ground handling services, air traffic control, and intra-terminal retailing activities should be considered together (EDAM, 2016, p. 7). The economic impacts associated with airfields are generally given under four general headings. These impacts are direct, indirect, induced and catalytic impacts. The impacts are shown in Table 1 in detail.

**Table 1: Economic Impact Associated with Airfields**

Direct	Indirect	Induced	Catalytic
<ul style="list-style-type: none"> <li>• Airfield and Relevant Activities</li> </ul>	<ul style="list-style-type: none"> <li>• Supportive Lines of Work and Activities</li> </ul>	<ul style="list-style-type: none"> <li>• Employees' Consumption within the National Economy</li> </ul>	<ul style="list-style-type: none"> <li>• Tourism</li> <li>• Investment</li> <li>• Foreign Trade</li> <li>• Efficiency Facilitating Connection</li> </ul>
			Enhancing/ Airline

Source: (EDAM, 2016, p. 49).

As it can be seen in Table 1, while airfield and related activities have direct economic impacts, supportive lines of work and activities have indirect impacts on employees' consumption within the national economy (i.e. induced impact), and tourism, investment, foreign trade, and efficiency enhancing/facilitating airline connection have catalytic impacts.

In general, the aviation industry itself is a major generator of employment and economic activity in the activities directly serve the air passengers such as airline and airfield operations, aircraft maintenance, air traffic management and control, check-in in head offices and direct check-in, baggage-handling and on-site retail and catering facilities (ATAG, 2012, p. 6). Furthermore, the economic expenditures created by the airfield construction process, the goods and services purchased on the airfield and the expenditure made by the passengers coming to the region (accommodation, eating and drinking, car rental, etc.) should also be noted here (ACI, 2012, p. 25). In the

meantime, most of the expenditure usually takes place outside the airfield (MassDOT, 2011, p. 4).

There are indirect effects as well as direct effects associated with airfields. Due to the fact that in the aviation sector, especially in an airfield, there is a need for not only the services of airfield operator, ground handling and airfield but also locally produced goods and services supplied by firms outside the aviation sector. Therefore, the aviation sector generates indirect benefits by supporting jobs and economic activity throughout the supply chain (Oxford Economics, 2011, p. 13). Indirect benefits also include employment, income and value added created in connection with the production of goods and services that must be provided in order to carry out a passenger flight (EDAM, 2016, p. 7). The scope of indirect impacts is enormous and it includes aviation fuel suppliers, construction companies building airfield facilities, suppliers of subcomponents used in aircrafts, suppliers of goods sold in airfield retail outlets, and a wide variety of activities in the business services sector (call centers, information technology, accountancy, etc.) (ATAG, 2012, p. 6). In addition, the activities of travel agents reserving flights can be given as an example. Indirect effects in detail consist of the following: aircraft maintenance and repair, aircraft flight preparation, the organization of landing and take-off, cleaning, maintenance and service, passenger safety, aircraft crew material, catering, passenger comfort (Digital Video Disc - DVD, newspaper, headphone, blanket, sleep mask, duty-free products) (EDAM, 2016, pp. 7; 51).

In addition to direct and indirect effects associated with airfields, there are also some induced effects. Induced effects are the consequences of re-spending and re-circulation of direct economic gains. Expenditures made by airfield employees' salaries to meet their needs (ACI, 2012, p. 26), or re-spending of some of the gains of the aviation industry are examples of induced impacts. These emerging induced benefits are felt by retail companies, restaurants, entertainment services, car rentals and many other local businesses in the economy (Oxford Economics, 2011, p. 14).

Catalytic impacts associated with airfields often state the value added stemming from airline transport. The increase of airline transportation networks leads to many induced effects such as the increase of the country's tourism and productivity increase. The widespread impact on the economy is the creation of fluctuations via economy originating from increasing airline activity. Air transport has a vital importance for international trade and plays a crucial role in facilitating tourism. The reduction of

transportation costs and improvement of connections increase trade flows further by globalizing supply chains and associated investments (IATA, 2016, p. 14).

The overall economic impact is the combination of direct, indirect, induced and catalytic impacts linked to the aviation sector in general and airfields in particular. This economic impact is initially felt in employment and Gross Domestic Product (GDP), then spreads to many areas of the economy. The economic effects of airfields in numbers on employment and GDP around the world are shown in Table 2.

**Table 2: Economic Impacts of the Aviation Industry on Employment and GDP, 2014**

<b>Economic Impacts</b>	<b>Number of Employees (Million People)</b>	<b>GDP (Billion USD)</b>
<b>Direct</b>	9,9	664,4
<b>Indirect</b>	11,2	761,4
<b>Induced</b>	5,2	355
<b>Catalytic</b>	36,3	892,4
<b>Total</b>	62,7	2,700

**Source:** (ATAG, 2016, p. 13).

As seen in Table 2, the direct impact of airfields on employment approximately equals to 10 million; the indirect impact is 11.2 million, the induced effect is 5.2 million and the catalytic impact is around 36.3 million people. The overall impact of airfields on employment equals to an employment level of 62.7 million by the year of 2014. When the amount of GDP is considered, it is seen that the direct economic impact of the airfields is 664.4 million, the indirect economic impact is 761.4 million, the induced impact effect is 355 million and the catalytic economic impact is 892.4 million US dollars. The impact of airfields on GDP is about 2.7 trillion US dollars. When we look at the data in Table 2, it is clear that the induced economic impacts on the numbers of employment and GDP are high. The main reason for this is that the biggest subcomponent of induced economic impacts is the tourism sector. The economic impacts of the aviation industry by country groups on geographical basis are roughly shown in Table 3.



**Table 3: Economic Impacts of Airfields on Country Groups  
by Geographical Region, 2014**

Country Groups by Geographical Region	Number of Employees (Million People)	Amount of Endorsement (Billion USD)	Numbers of Commercial Airfields
Africa	6,8	72,5	369
Asia-Pacific	28,8	626	1.197
Europe	11,9	860	667
Latin America and the Caribbean	5,2	167	370
Middle East	2,4	157,2	118
North America	7,6	791	1.080

Source: (ATAG, 2016, pp. 40-51).

As seen in Table 3, while the highest employment level based on the number of employees is in the Asia-Pacific region with close to 29 million employees, the region with the least number of personnel is the Middle East region with 2.4 million people. While the country group with the highest amount of endorsement of the aviation industry is Europe with 860 billion US dollars, in parallel with the number of employment, the lowest amount of endorsement with 160 billion US dollars is in the Middle East region. One of the most important factors determining the number of employees and endorsement is the number of commercial airfields in country groups. When the number of commercial airfields of country groups is examined, it is seen that the number of employees and the amount of endorsements on the basis of country groups are directly proportionate to the number of commercially operated airfields.

It is seen that aviation is in continuous development. As a result of this fact, the economic impacts of aviation on employment and GDP has reached very high levels. Over the next 20 years, this growth trend is expected to reach from 2.7 trillion dollars to 5.9 trillion dollars in the context of economic impact and from 62.7 million people to 99.1 million people in the context of employment (ATAG, 2016, p. 68). With the realization of these expectations, the economic impact of aviation on the world economy will increase even more.

### 3.2. Social Impacts

Social influence refers to the change as a result of activity. In other words, social impact includes the impacts on different people stemming from action, an activity, a project, or a program. As stated by Vanclay "social impact includes changes in people's lifestyles,

cultures and common beliefs, their societies, their environment, their health and well-being, their personal and property rights, and their fears and desires" (Yalçın and Güner, 2015, p. 17). In other words, airfields as in every action and activity have economic and social impacts on cities, regions, countries, and the world in which they are located.

Air transport can contribute to the reduction of poverty and improvement of living standards by such means as tourism (ATAG, 2005, p. 2). At the same time, it can positively affect many sectors by facilitating cargo and passenger transport as a result of the development of airfield. New job and employment opportunities can be created. While these are the positive effects of airfields, at the same time, airfield related water pollution, noise pollution, image pollution, air pollution, loss of productive space, and damage to biological diversity are the negative effects of airfields (AEF, 2017, p. 22).

As pointed out by Vanclay, airfields bring out social influences in many areas. For example, airfields can create negative effects on the health of people in their natural environment and locations by leading to water, air and noise pollution. Although researchers do not attribute specific health problems to aircraft related pollution, case studies show that prolonged exposure to air and noise pollution caused by expansion activities can lead to health problems (Corpuz et al., 2012, p. 9). It is also stated that the development of aviation activities causes the pollution of the existing water resources. The main reasons for this are as follows (Korul, 2003, p. 114):

- Increasing use of anti-icing and defroster compounds applied to aircraft and runway surfaces;
- Widespread use of underground and surface fuel tanks;
- Oil and fuel spillage related pollution during filling of oil and fuel;
- Chemicals mixing in groundwater during the wash, maintenance and repair of aircraft and ground service vehicles;
- Pollutants generated during emergency services such as fire extinction trainings and disinfection.

It is also emphasized that the pollution of underground and surface waters is caused by various reasons related to wastes (Bhada-Tata and Hornweg, 2016, p. 291).

The widespread use of airfields (increase in the number of passengers) increases air pollution by increasing the number of flights. Air pollution negatively affects not only human health but also the life of plants and animals. There are many factors that cause

air pollution to emerge (Korul, 2003, p. 115). These are aircraft engine exhaust, aircraft fuel supply systems, ground handling vehicles, airfield heating and cooling systems, construction works, the widespread use of motor vehicles by passengers, employees and visitors. Compared to the aircrafts of 40 years ago, it is stated that today's aircrafts are 70% more efficient in terms of fuel saving (ATAG, 2005, p. 3). However, despite the improvements made in aircrafts, the rapid growth of aviation increases air pollution (AEF, 2016, p. 4).

Another negative externality emerging with airfields is noise pollution. Noise is most commonly caused by road traffic, railways and aviation (Airport Commission, 2013, p. 7). For this reason, the considerable size of the aviation sector, level of its growth potential, and increasing flight traffic have increased air pollution on airfields and the pollution around airfields. Noise pollution can have some negative effects on health, the quality of life and productivity. The disorders caused by noise pollution can be seen in Table 4.

**Table 4: Potential Disorders in Individuals Exposed to Noise**

Health Effects	Amenity/Quality of Life Effects	Productivity and Learning Effects
<ul style="list-style-type: none"><li>• Hearing loss</li><li>• Hypertension</li><li>• Mental disease</li></ul>	<ul style="list-style-type: none"><li>• Stress</li><li>• Sleep disorder</li><li>• Distress</li></ul>	<ul style="list-style-type: none"><li>• Productivity loss</li><li>• Cognitive inefficiency in children</li></ul>

**Source:** (Airports Commission, 2013, p. 10).

As seen in Table 4 noise brings many disturbances together such as hearing loss, stress, sleep disturbance and even loss of productivity to sanity. When considering expected rise on the airway traffic and airfield operations, the noise problem seems as a disagreement issue (Brueckner and Girvin, 2008, p. 19). However, even so as the noise that consists from airfields and airway traffic, water and air pollution primarily respiratory and cardiac disorders, hearing loss, cancer risk and psychological problems continue to show themselves (Corpuz et al., 2012, p. 9).

Apart from these adverse impacts caused by airfield related problems on human health, there are many environmental effects that can be listed as climate change caused by the use of fossil fuels by aircrafts, the use of fertile land originating from the big area coverage of airfields, damage to biological diversity and visual effects. For example, it is stated that airfields and aviation activities have adverse effect on climate change in three ways (AEF, 2017, p. 9). These are flight activity (by far the biggest effect factor), ground

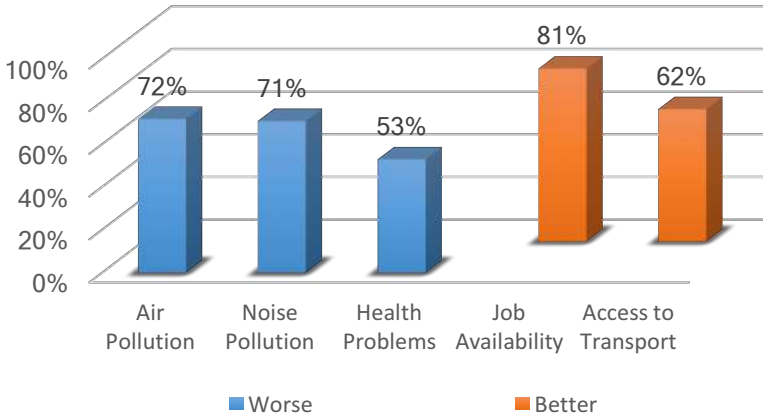
traffic (the second biggest effect factor), and airfield buildings requiring electricity and heating.

These problems emerging on the basis of airfields are also known by the aviation industry and solutions are tried to be produced. The aviation industry in 2009 committed to three key points on emission reduction (IATA, 2016, p. 36). These are increasing fuel efficiency with an average of 1.5% annually in aircrafts by 2020, achieving carbon-neutral growth and limiting net emissions in half by 2050 (compared to 2005 levels).

Airfields also require the use of fertile land rather than the use of idle land. Although there is no need for very large land for airfield construction, an average of 7 square kilometers (km<sup>2</sup>) is required for an international airfield. When the points of departure and arrival are taken into consideration reciprocally, the space requirement per km<sup>2</sup> is much lower than other transport systems. However, during the land arrangement, a series of sustainability problems beginning with the deterioration of flora and fauna may occur (Torum and Yılmaz, 2009, p. 50). In addition to the reduction of the kind and range of habitats, birds strike aircrafts during landing and departure, deadly runway accidents happen, deterioration occurs due to aircraft / vehicle movements, noise, light and air pollution are stated as other negative effects. Airfield related developments in particular also affect the landscape by replacing existing landscape features such as trees and fences with buildings and asphalt. In addition, at nights, the lights of the runways, aircrafts and terminals increase light pollution (AEF, 2017, p. 15).

In order to form a general opinion on airfields the results of a questionnaire on the potential effects of an additional runway are given in Graph 1. Graph 1 gives an evaluation of a questionnaire with 200 people on the increase of the number of Hong Kong international airport runways from 2 to 3.

**Graphic 1: Respondents Overall Views of Impacts After a Potential 3rd Runway Expansion**



**Source:** (Corpuz et al., 2012, p. 33).

Airfields have some responsibilities that they basically have to obey in order to eliminate the negative externalities arising from airfields. These responsibilities are as follows (Torum and Yılmaz, 2009, p. 50);

- To show respect not only for the rights of individuals but also for the right of plants and animals to live in a healthy and good environment;
- To use and protect environmental and natural resources in the context of a sustainable understanding;
- To conduct the necessary studies to ensure the preservation and continuity of biodiversity including all living and nonliving life forms;
- To develop standards within the context of an ecocentric approach, complying with these standards and legal regulations, ensuring compliance with necessary rewarding or punitive measures,
- To be transparent and accountable, within this scope, to publish the information on resource use and environmental quality and to share with the public.

#### **4. Economic and Social Impacts of Airfields in Turkey**

The institutional foundations of Turkish civil aviation were laid down with the Turkish Aircraft Community (TAC) in 1925. The first civil air transport was actually imitated in 1933 under the name of Turkish Air Mails. State Airlines Operation Authority was founded at the 10th anniversary of the Republic in order to develop civil aviation and contribute to the development of civil airways. This institution was reorganized by the Civil Aviation Department Presidency in 1987 and renamed as Directorate General of Civil Aviation (DGCA) (Servantie, 2015, p. 7). The governing rules of civil aviation institution in Turkey are the regulations of international civil aviation organizations. Civil aviation organizations in which Turkey holds a membership are outlined in Table 5.

As seen in Table 5, the numbers of international civil aviation organizations of which Turkey is a member of and the legal regulations as a result of being affiliated to them have constantly increased. This has actually played a crucial role at least as much as the time factor is taken into account with regard to the reliability of preference of the aviation sector. In this context, while by the end of 2002 the number of airfields providing ground handling service in Turkey with Working License A was 8, their number reached 33 by 2008 (SHGM, 2009, p. 107). As of April 2017, this number is 58 (Çanakkale-DHMI, n.d.).

**Table 5: International civil aviation organizations in which Turkey is a member**

Name of Organization	Place and date of Organization	Purpose of Organization	Explanation
International Civil Aviation Organization (ICAO)	Montreal 1944	To ensure the development and maintenance of international civil aviation in a safe and orderly manner all over the world	Turkey became a member of the organization in 1945; it currently has 191 members
European Civil Aviation Conference (ECAC)	France 1955	To develop legislation in the field of aviation safety and conduct safety inspections in member countries	This organization, which has 44 members, is a regional (European) organization of ICAO.
Europe-North Atlantic Regional Aviation Safety Group (EUR-NAT RSAG)	Paris 1947	To monitor the practices of the ICAO's decisions in the European region regarding safety	This organization has 57 members.
European Organization for the Safety of Air Navigation (EUROCONTROL)	Brussels 1960	To develop European air traffic management and safety	Turkey carries out the Presidency of the Provisional Council Coordination Committee and Vice Presidency of the Safety Regulation Commission of the organization, which has 40 member countries
D8 Civil Aviation Commission	Istanbul 2007	To develop coordination and cooperation between the civil aviation authorities Of D8 countries	D8-Civil Aviation Commission is a commission established within the organization of D8-countries.
Joint Aviation Authorities Training Organization (JAATO)	France 1955	To meet the need for training necessary for European aviation safety	A sub-organization of the ECAC, this organization has 44 member countries, which are also members of the ECAC

Source: (SHGM, 2017, p. 56).

Due to its strategic importance, the aviation sector with its advanced and new technologies also provides great advantages in commercial, cultural and military fields

in Turkey (UDHB, 2016, p. 288). The comparative situation of the aviation sector in Turkey between 2003-2016 can be seen in Table 6.

**Table 6: The Aviation Industry in Turkey, 2003-2016**

Aviation Industry	2003	2016*
Number of Passenger Aircrafts	162	542
Total Number of Aircrafts	626	1422
Total Number of Individuals Using Airline (Thousand)	34.443	133.183
Capacity of Cargo(kg)	302.737	1.866.175
Number of Air Transport Companies	103	157
Number of Employees in the Industry (Individuals)	65.000	191.716
Endorsement in the Industry (Billion dollars)	2.2	23.4
Number of Sectoral Controls	568	3.105
Numbers of Published Regulations	6	402
Number of Airfields Named as Green Airfield Establishment	-	137

Source: (SHGM, 2016b, p. 53). \*As of September

With the development of aviation technology and the increasing number of airfields, the aviation sector has made significant progress. As seen in Table 6, the aviation sector showed a significant development in Turkey from 2003 to 2016. Both the number of passengers and the number of aircrafts increased continuously. As a result of this, many economic indicators such as employment and endorsement were positively affected. The most important contribution of sectoral developments to the country's economy is undoubtedly the number of endorsement and employment created by the sector. The change in the sectoral endorsement from 2003 to 2016 was more than 10 times and the number of employment in the sector increased by nearly 3 times. The aviation sector in Turkey is growing faster than the world. While, the aviation sector grew by an average of 5.7% between 2003 and 2015 in the world, this rate was 13,7% in Turkey (SHGM, 2016b, p. 53). In addition to this growth, it is projected that İstanbul's 3rd airport project, which is under construction and covers Eyüp and Arnavutköy districts, will gradually provide employment to a total of 80,000 people during the construction phase and will provide employment to a total of 120,000 people during the operation phase. It is anticipated that significant economic effects will be revealed in favor of Turkey with the operation of İstanbul's 3rd Airport (UDHB, 2013, p. 278). In



addition, the increase in aircraft traffic in the Turkish airspace has also contributed a lot to the development of the aviation sector in Turkey. Table 7 shows the figures for aircraft traffic.

**Table 7: Aircraft Traffic in Turkey**

<b>Aircraft Traffic</b>	<b>Domestic Line</b>	<b>Foreign Line</b>	<b>Transit</b>	<b>Total</b>
<b>2003</b>	156.582	218.405	154.218	529.205
<b>2016</b>	888.215	563.885	376.928	1.829.028

Source: (SHGM, 2017, p. 28).

As seen in Table 7, the increase in aircraft traffic in Turkey has increased connectivity with other countries. This has positively influenced the tourist sector as well as many other sectors. For example, health tourism is one of the most benefited sector from this development. 359.668 people preferred Turkey for health tourism in 2016 (TCSB, 2017, p. 7). When the tourists coming to Turkey spend on health, looking at generated income, a per capita income of 2000 dollars in public hospitals and a per capita income of 4000 dollars in private hospitals are calculated (TURSAB, 2014, p. 4). For this reason, it is inevitable that the number of airfields in Turkey and the development in the aviation sector affect many sectors economically and socially because the aviation sector plays an important role in raising the socio-economic prosperity of the states, with cultural and commercial bridges established between countries (UDHB, 2016, p. 288).

Airfields create social effects as well as economic impacts. For example, they help citizens, living or working abroad, to sustain their links with the homeland. This is due to the fact that the difficulty of land transportation is easily overcome with air travel. This situation allows to maintain connections both with Turkey and the neighboring countries and attain economic gains. In addition, airfields by their locations attract residential, commercial and tourist companies by creating attractiveness and are able to be transformed into "Airfield Cities" (Türk, 2015, pp. 111-117).

The land needed for airfield construction is bought from the citizens residing in the region through expropriation. This situation has negative effects on social structure. Due to the provision of employment opportunities, migration increases towards the airfield region. This situation brings about many problems such as traffic density, time loss and stress. In addition, noise pollution, air pollution, light pollution and water pollution emerge during the construction and operation of airfields. Also, underground

and above ground some cultural assets, parks, historical and archaeological sites can be damaged during the aircraft related vibration and phase of space assignment for airfields. Airfields during the construction and operation period can have negative effects on plant cover and quality, animal species and habitats. For all these reasons, airfields bring about economic, social and environmental impacts by changing the urban fabric of the environment in which they live and penetrating every aspect of the living space. The negative environmental effects of airfields affect people in many ways. Some measures must be taken to remove these effects or at least minimize them if removal is not possible. In this context, the state needs to make various legal arrangements to overcome such negative effects caused by airfields.

The Green Airport Project is a very important step towards reducing the environmental effects of airfields. The Green Airport Project raises the level of quality for airfields in Turkey and increases the environmental awareness of airline and airfield industry (Servantie, 2015, p. 10). The Green Airport Project is considered to be an important initiative for the dissemination of environmentally friendly practices at airports. The project aims to eliminate the damages which are done or will be done to the environment and human health by the companies operating at the airfields (SHGM 2017, p. 78). As a result of the incentives provided by the Green Airport Project, organizations get the Green Company Certificate. TAV İstanbul Atatürk Airport Operations Co, İstanbul Sabiha Gökçen International Airport Investment, Construction and Operation Inc., TGS, HAVAŞ and ÇELEBİ Ground Handling Service Companies and Pegasus Airlines are examples of this situation. Some other airports (Ankara, İzmir, Antalya) have continued their activities to complete their projects with the goal of earning Green Company Certificate (Servantie, 2015, p. 10).

The airfields with economic and social effects originating from them lead to both positive and negative externalities. For this reason, it is necessary to minimize or eliminate the damages that will be done to the living and non-living life during the selection of the establishment place and operation. Therefore, all stakeholders including airfield operators, terminal operators and ground handling service operators, government, citizens, non-governmental organizations should take responsibility for this issue. Undoubtedly, the main responsibility for this subject belongs to the state due to its regulatory function, because the main responsibility of every democratic state is to develop its society economically and socially. For this reason, it is necessary to develop the quality of regulatory agencies and rules to a great extent to perform their "regulatory

task", providing effectiveness in the decisions related to airfields (Tepe and Ardiyok, 2004, pp. 107-108).

## **Conclusion**

The airfields cause ecological effects both during their construction and also during their operation. The ecological effects which begin during the construction work continue to increase during the operation of the airfields. Therefore, airfields in their environment lead to vegetation change, animal migration (or the change of their migration routes), the residential area change of people, the creation of a rent economy, airfield related wastes, traffic problem (parking place, stress, loss of time) and some pollution such as air pollution, water pollution, image pollution and light pollution. At the stage of producing solutions to these problems, airfields, terminal, and ground service handling operators are required to behave in a responsible manner. The responsibility here is not only limited to the aviation sector; the surrounding community and government should also have their share in these responsibilities. In particular, the government should fulfill its responsibilities (legal, infrastructural, economic) with regard to decisions on the approval of places for the airfields, the operation of airfields and the establishment of necessary standards.

In order to increase the positive externalities arising from airfields, many regulations, such as subsidies and tax incentives, should be made to ensure the sector's own development. Meanwhile, some aspects should be paid attention to and legal and economic precautions should be taken in account to reduce the various problems caused by airfields:

- Care should be taken to protect natural life during the selection, construction or operation of airfields. Especially land use planning should be done.
- The need for new airfields should be decreased by increasing the efficiency of airfields and the traffic load of land transportation should be reduced by ensuring the appropriate scale operations of airfields.
- Time adjustments should be made to reduce noise by creating noise maps (stemming from ground and air services) which include every hour of the day. Silent technology should be used. Noise control management should be implemented with an eco-centric approach.
- In the context of negative externalities due to noise, economic support should be provided (such as insulation of buildings) to those exposed to externalities by creating market-based solutions at least for the airfield environment.

Adverse effects on environmental health should be tried to be minimized with a proper environmental public health management.

- Airfield related waste problems (solid, liquid, hazardous) should be minimized or removed by implementing a waste management hierarchy within the scope of airfields.
- Environmentally friendly products should be selected during the applications for runway and ground. Therefore, water pollution control management should be established at airfields.
- Transportation planning should be done very well not only within airfield but also outside airfield in the areas where airfields are located.
- The use of environmentally friendly vehicles in airfields and the aviation sector should be preferred and air pollution control management should be implemented correctly. In this regard, the task of administration is to encourage both research and development (R&D) investments and the use of environmentally friendly vehicles on the basis of taxation.

As Korul (2003) posits, environmental management techniques need to be designed, which will have an eco-centric understanding that will enhance the quality of life at many points, such as regional and global health, security, energy, air, water, waste, noise and resource use.

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