

# POLITICAL ECONOMY OF LABOUR INCOME DISTRIBUTION & EXCLUSION



Christos Papatheodorou  
Savaş Çevik  
Dimitris Paitaridis  
Güneş Yılmaz

# **POLITICAL ECONOMY OF LABOUR INCOME DISTRIBUTION & EXCLUSION**

**Edited By**

Christos Papatheodorou

Savaş Çevik

Dimitris Paitaridis

Güneş Yılmaz

## **Political Economy of Labour, Income Distribution & Exclusion**

*(Edited by: Christos Papatheodorou, Savaş Çevik, Dimitris Paitaridis, Güneş Yılmaz)*



### **IJOPEC Publication Limited**

CRN:10806608  
615 7 Baltimore Wharf  
London E14 9EY  
United Kingdom

### **www.ijopec.co.uk**

E-Mail: [info@ijopoc.co.uk](mailto:info@ijopoc.co.uk)  
Phone: (+44) 73 875 2361 (UK)  
(+90) 488 217 4007 (Turkey)

## **Political Economy of Labour, Income Distribution & Exclusion**

First Edition, December 2018

IJOPEC Publication No: 2018/42

**ISBN: 978-1-912503-63-6**

No part of this book may be reproduced, stored in a retrieval system, transmitted in any form or by any means electronically without author's permission. No responsibility is accepted for the accuracy of information contained in the text, illustrations or advertisements. The opinions expressed in these chapters are not necessarily those of the editors or publisher.

A catalogue record for this book is available from Nielsen Book Data,  
British Library and Google Books.

The publishing responsibilities of the chapters in this book belong to the authors.

Printed in London.

Composer:

***IJOPEC Art Design***

*Cover Illustrators designed by Freepik*

# CONTENTS

EDITORIAL ADVISORY BOARD .....	5
LIST OF CONTRIBUTORS.....	7
INTRODUCTION.....	11
 1. THE ROLE OF MODERNIZATION THEORY IN THE RECONSTRUCTION OF INTERNATIONAL LABOUR MOVEMENT IN THE COLD WAR PERIOD: LESSONS FOR TODAY .....	15
<i>Tolga Tören</i>	
 2. THE GREEK LABOR MARKET LIBERALIZATION TRAJECTORY .....	31
<i>Myrto Tourtouri, Christos Papatheodorou, Dimitris Pavlopoulos</i>	
 3. THE CLASS CONFIGURATION OF WAGE LABOUR IN GREECE: CHANGES DURING THE RECENT ECONOMIC CRISIS.....	41
<i>Ioannis Zisimopoulos, George Economakis</i>	
 4. AN OVERVIEW OF GENDER-BASED VIOLENCE AGAINST WOMEN AND FEMINIST STRUGGLES IN TURKEY .....	55
<i>Sevgi Uçan Çubukçu</i>	
 5. CONSUMER BORROWING AND INCOME INEQUALITY IN THE NEOLIBERAL ERA.....	65
<i>Emilia G. Marsellou</i>	
 6. MEDIA AND POLITIC CLIENTELISM IN JUSTICE AND DEVELOPMENT PARTY ERA: THE CASE OF ATV-SABAH CORPORATION .....	81
<i>Özge Ercebe Ercebe</i>	
 7. ANALYZING THE EFFECT OF THE INCREASE IN CORPORATION TAX RATE ON CORPORATION TAX REVENUES VIA MULTIPLE REGRESSION WITH DUMMY VARIABLES.....	95
<i>Güneş Yılmaz, Yakup Ari</i>	
 8. THE DETERMINANTS OF INCOME INEQUALITY IN THE INTEGRATED COUNTRIES OF EUROZONE .....	111
<i>Andreas Kyriakopoulos</i>	
 9. TURKISH SOCIETY IN FREEDOM-SECURITY DILEMMA.....	127
<i>Erol Turan</i>	
 10. ECONOMIC EFFECTS OF OCCUPATIONAL ACCIDENTS AND DISEASES ON EMPLOYERS, EMPLOYEES AND STATES.....	139
<i>Altan Kayacan, Zeynep Şişli</i>	
 11. NON-STATUS MIGRANTS AND CITIZENSHIP IN THE MAKING: THE DREAMERS MOVEMENT .....	153
<i>Tuba Kanci</i>	



## EDITORIAL ADVISORY BOARD

Semih Serkant Aktuğ, Siirt Üniversitesi, Turkey

Bünyamin Ayhan, Selcuk University, Turkey

Serpil Bardakçı Tosun, Alanya Alaaddin Keykubat Üniversitesi, Turkey

Yannis Dafermos, University of the West of England, UK

Yavuz Demirel, Kastamonu University, Turkey

Sefa Çetin, Kastamonu University, Turkey

Stelios Gialis, University of the Aegean, Greece

Namık Hüseyinli, Alanya Alaaddin Keykubat Üniversitesi, Turkey

Esra Kabaklarlı, Selcuk University, Turkey

Erol Turan, Kastamonu University, Turkey

Nasos Koratzanis, National and Kapodistrian University of Athens, Greece

John Milios, National Technical University of Athens, Greece

Mehmet Mucuk, Selcuk University, Turkey

Dimitris Paitaridis, INE GSEE and University of Macedonia, Greece

Stefanos Papanastasiou, Panteion University of Social and Political Sciences, Greece

Christos Pierros, National and Kapodistrian University of Athens, Greece

Rukiye Saygılı, Selcuk University, Turkey

Alper Sönmez, Selcuk University, Turkey

Erol Turan, Kastamonu Üniversitesi, Turkey

Mehlika Özlem Ultan, Kocaeli University, Turkey

Ioannis Vardalachakis, Independent researcher, Greece

Eyyup Yaraş, Akdeniz University, Turkey



## LIST OF CONTRIBUTORS

### Editors

**Christos Papatheodorou**, Ph.D. (LSE), is Professor of Social Policy at Panteion University (Greece). He was a Researcher at the National Centre for Social Research (Athens), a postdoctoral researcher and a visiting academic at LSE-STICERD and a visiting professor at the Dept of Sociology, VU Amsterdam. His research interests and publications are in the fields of political economy of social policy, social and economic inequality, poverty, macroeconomic environment and social protection, functional and personal distribution of income.

**Savaş Çevik** is an Associate Professor in the Department of Economics at Selçuk University in Turkey. He received his M.S. and Ph.D. degrees in public finance from Marmara University. He teaches public finance, public economics, and tax law and policy. His research interests are in public economics, politics and economics of taxation, and behavioral economics. He has recently published papers and books on tax compliance, international taxation, taxation economics, and fiscal preferences.

**Dimitris Paitaridis** studied at the Public Administration Department of the Panteion University (BA in Public Economics, 2003) and at the Economics Department of the University of Macedonia (MSc in Economics, 2005 and Ph.D. in Political Economy, 2012). He is research associate at the Labor Institute of the General Confederation of Greek Workers and has delivered courses at various BA and MSc degree programs. He has published articles in academic journals, chapters in collective volumes and co-authored books. He is secretary at the board of the Greek Association of Political Economy.

**Güneş Yılmaz** is an Associate Professor in the Department of International Trade at the Alanya Alaaddin Keykubat University in Turkey. She received her M.S. and Ph.D. degrees in public finance from Marmara University. She teaches Public Finance, Turkish Tax System and Tax Law. Her research interests are in Tax Procedure Law, Turkish Taxation System and EU Taxation System, Public Finance and Economics. Yılmaz has academic studies in the fields of Tax Law, International Taxation and Finance Theory, both nationally and internationally.

### Authors

**Yakup Arı** is an Assistant Professor in the Department of Economics and Finance at Alanya Alaaddin Keykubat University. Having graduated with a bachelor's degree in Mathematics, he pursued an MBA degree in Finance and a Ph.D. degree in Financial Economics – all of which at Yeditepe University with full scholarships. He worked as a statistical consultant at several private consultancy firms in Istanbul. He teaches courses in mathematical economics, technical analysis, probability and statistics, biostatistics and econometrics. His primary research interest lies in the area of time series analysis, stochastic models driven by Lévy processes, the Bayesian approach in statistics and econometrics, in addition to statistical methods in Engineering and Social Sciences.

**Sevgi Uçan Çubukçu** is associate professor in the fields of political theory. She received her M.S. (Boğaziçi University) and Ph.D. (İstanbul University) degrees in political science. Çubukçu's main academic areas are political science, feminist theories, theories of democracy. Some of Çubukçu's publications include Social Democracy as a Hybrid Political Tradition"; "The Case of not-being Social Democrat in Turkey; "Gender in the Projection of



‘Space’: Sulukule Neighborhood and Romani People; “Contribution to the Europeanisation Process: Demands for Democracy of Second Wave Feminism in Turkey”.

**George Economakis** is Associate Professor of Political Economy at the Department of Business Administration of the University of Patras. He studied at the Economics Department of the University of Athens (BA Economics, 1984) and Panteion University (MSc in Regional Development, 1988, and Ph.D. in Political Economy, 1998). He has published in many academic journals and has co-authored several books.

**Özge Ercebe Ercebe** is an instructor in the Department of Public Relations and Advertising at the Atilim University. She graduated from Anadolu University Communication Sciences Faculty. She received her M.S. and Ph.D. degrees in political Science from Ankara University. She teaches communication theories, media and politics, political communication, production policies and communication history. Her research interests are in media economics, media and politics, media anthropology.

**Tolga Tören** received his master degree(s) from development studies at Marmara University (Istanbul) and from labour policies and globalization at University of the Witwatersrand (Johannesburg). He has Ph.D. from the same department at Marmara University. Having been one of the signatories of the peace petition declared by the Academics for Peace initiative in January 2016 in Turkey, he was dismissed from his position at Mersin University and from public works in Turkey. Since May 2017, he teaches at the International Centre for Development and Decent Work of the University of Kassel. [tolgatore@gmail.com](mailto:tolgatore@gmail.com)

**Erol Turan** is an Associate Professor in the Department of Political Science and Public Administration at the Kastamonu University in Turkey. He received his M.S. and Ph.D. degrees in public administration from Selçuk University. He teaches public administration, politics, and new public management. His research interests are in public management reforms, politics and transformation of public management, and public policy. He has recently published papers and books on public management, politics, reform in public management, and governance and public management. [eturan@kastamonu.edu.tr](mailto:eturan@kastamonu.edu.tr)

**Tuba Kanci** is associate professor of Political Science at Kocaeli University (Turkey). She received her Ph.D. from Sabancı University (İstanbul, Turkey). Her main research areas are citizenship studies, gender studies, civil society, social movements, education, political theory, and Turkish politics. She has published among others “Nationalized and Gendered Citizen in a Global World” (with M. Carlson); “A Tale of Ambiguity: Citizenship, Nationalism and Democracy in Turkey” (with E. F. Keyman); “The Reconfigurations in the Discourse of Nationalism and National Identity.”

**Altan Kayacan** is a lawyer registered at Izmir Bar Association in Turkey. He received his Bachelor’s Degree (Izmir University of Economics) in 2017 and LL.M. (Izmir University of Economics) in 2018 on Private Law Program with Thesis. During his LL.M., Kayacan wrote his Thesis on “Consequences of Occupational Accidents and Diseases in Terms of Labor Law” and he has a recent publication on “Comparison of Precautionary Costs and Compensation Costs Regarding Occupational Accidents and Diseases”.

**Andreas Kyriakopoulos** graduated from the Department of Business Administration of the University of Patras in 2011. He received his Master in “Applied Economics and Finance” from the National and Kapodistrian University of Athens in 2014. Then, he received Master in “Economics” from the postgraduate program of “Economic

Science” at the “Department of Economics” of the National and Kapodistrian University of Athens. Since 2016 he is a Ph.D. candidate at the National and Kapodistrian University of Athens.

**Emilia Marsellou** received her Ph.D. in Economics from the National and Kapodistrian University of Athens. She also holds a BSc. and MPhil. in Economics from the same university. She has worked as a research economist at the Labor Institute of the General Confederation of Greek Workers, the National Technical University of Athens and now serves as a Special Economic Advisor at the Office of the Vice President of the Government. Her research interests include macroeconomics, post-Keynesian economics, political economy and econometrics.

**Dimitris Pavlopoulos** is an Assistant Professor in Sociology and Research Methods at the Vrije Universiteit Amsterdam. In his research, he studies the socio-economic consequences of flexible employment as well as the effect of measurement error in socio-economic research. He received his Ph.D. diploma from Tilburg University – the Netherlands in 2007. Prior to his current appointment, he was employed as a Postdoc researcher at CEPS/INSTEAD (currently LISER), Luxembourg while he was also a visiting researcher at the University of Leuven, Belgium.

**Zeynep Şişli** is an associate professor of social policy at the Izmir University of Economics in Turkey. She received her Bachelor’s Degree in 1985 from Faculty of Law, M.S. in 2002 and Ph.D. in 2007 from Labor Economics and Industrial Relations Department of Dokuz Eylül University. She works on Labor Law and Industrial Relations, and Occupational Health and Safety recently, and has publications on these fields both nationally and internationally.

**Myrto Tourtouri** is a Ph.D. candidate in Sociology at Vrije University Amsterdam and her work concerns the effects of labor market deregulation on income inequality. She studied Economics at the Aristotle University of Thessaloniki and Regional Development at the University of Thessaly. She is currently working as a scientific associate to the Greek Deputy Minister of Labor, Social Security and Social Solidarity.

**Ioannis Zisimopoulos** is Teaching Fellow at the Department of Business Administration of the University of Patras and at the Department of Business Administration of the Technological Institute of West Greece. He studied at the Economics Department (BA Economics, 2004) and Department of Business Administration (Master in Business Administration, 2008, and Ph.D. in Political Economy and Industrial Relations, 2018) of the University of Patras. He has published in proceedings of international conferences and academic journals.



# INTRODUCTION

## POLITICAL ECONOMY OF LABOUR, INCOME DISTRIBUTION, AND EXCLUSION

*Christos Papatheodorou, Savaş Çevik, Dimitris Paitaridis, Güneş Yılmaz*

The 2007-8 global crisis (labeled as the Great Recession) was the fourth major global crisis of the capitalist system (after those of the 1870s, 1929 and 1974). Its consequences still rock the world economy as it was followed by a period of a rather weak economic performance. Moreover, the possibility of a new crisis still concerns governments and international organizations such as the IMF and the World Bank.

The Great Recession came up after several decades of neoliberal restructuring that boosted capital's profitability against the labour class and increased inequality and poverty even inside the developed economies. But at the same time, the crisis rebutted the official projections about a smooth and unperturbed path of capital accumulation. Furthermore, it shattered the dogmas of economic Orthodoxy about the Great Moderation; that is their belief that the neoliberal structural and institutional changes in the developed economies during the last decades of the 20th century have reduced permanently the volatility of economic fluctuations. Thus, the Great Recession not only disrupted the tranquility of capitalist reproduction but also discredited the prevailing Orthodoxy in economic theory. The latter has become increasingly dogmatic during the years of neoliberal restructuring by resorting to ultra-conservative perspectives based on extremely technical and at the same time utterly unrealistic economic models.

Usually, in such circumstances when there is a great crisis that discredits the prevailing economic theory, there is a change of scientific paradigm. This has happened, to a great extent, in all previous major global crises. Notwithstanding, it appears that this time this is not the case. After the initial shock and the implementation of hasty policy measures in order to contain the crisis, economic Orthodoxy remained at the helm. Particularly in the academia it became even more dogmatic and less tolerant to any dissenting and Heterodox voice.

From the 6<sup>th</sup> to the 9<sup>th</sup> of September 2018 was hosted at Panteion University of Social and Political Sciences (Athens, Greece) the 9<sup>th</sup> International Conference of Political Economy (ICOPEC 2018). Except for the Panteion University, the conference was co-organized by the Marmara University, the VUZF University, the University of Belgrade and the Greek Association of Political Economy and it was supported by the University of Westminster and the IJOPEC publication. The main theme of the conference was "10 years after the Great Recession: Orthodox versus Heterodox Economics" and it was actually focused on the abovementioned riddle. How a very problematic theory continues to survive and dominate both the policy and the academic scene. What are the processes in the economy and the society that sustain its dominance? Is the resolution of the Great Recession final or it entails more upheavals in the near future? What is the condition of the economic Orthodoxy (particularly under its current form of the New Macroeconomic Consensus, that is the hybrid of mild neoliberalism with conservative New Keynesianism)? What is the condition of contemporary economic Heterodoxy? Is it a unified current or it encompass diverse and possibly contradictory perspectives? What is the current state of affairs in Political Economy? Last, but not the least, how all these affect the lives and the well-being of the great labouring majority of contemporary societies?

## INTRODUCTION

*Christos Papatheodorou, Savaş Çevik, Dimitris Paitaridis, Güneş Yılmaz*

Apart from its main theme, the ICOPEC 2018 also included a variety of topics that enriched the perspective of Political Economy and expanded the ground for further discussion, such as:

- Global Economy, Economic Crises, and Recessions;
- Poverty, Inequality, and Income Distribution;
- Economic Development;
- Public Economics, Public Finance, and Public Management;
- Business Enterprises in Turbulent Environment;
- Labour Economics;
- Demography, Gender, and Migration;

This volume includes papers that were presented at the ICOPEC 2018 and focus on topics related to “Poverty, Inequality, and Income Distribution” and “Labour economics”. The papers adopt a political economy approach to discuss and analyse crucial issues linked to social and economic inequalities, poverty and deprivation as well as to labour market changes. These are issues which are greatly affected by the recent economic crisis and by the neoliberal policies for fiscal discipline, reduce of public spending and labour market deregulation that were implemented to most countries and particularly to those where the consequences of the crisis were more severe. The chapters in this volume were peer-reviewed by the editors and at least two independent experts in the field of the manuscript’s subject. The volume consists of the following parts/chapters:

In chapter 1, Tolga Tören discusses the Role of Modernization Theory in the Reconstruction of the International Labour Movement in the Cold War Period, and argues that the influence of the reconstruction of international labour movement on the post war period has been extended to the contemporary world in the form of ‘social dialogue’. This has played a significant role in the official international labour movement’s failure in challenging the globalization.

In chapter 2, Myrto Tourtouri, Christos Papatheodorou and Dimitris Pavlopoulos, question the labor market deregulation which has been the dominant approach towards the development of a single European labour market during the last two decades. They analyse Greece as a typical example of liberalization policies that favor employment and wage flexibility, as well as the abolition of labour market rigidities in Europe. The authors argue that liberalization is not a unified process but takes different forms among different states. The liberalization trajectory in Greece was mainly defined by reform in collective labour legislation, which mainly involved the dismantling of the centralization and the coverage of labour law shifting the power considerably in favor of the employers.

In chapter 3, utilising the results of a recent study by the Labour Institute of Confederation of Greek Workers (INE-GSEE), Ioannis Zisimopoulos and George Economakis investigate the class configuration of salaried classes in Greece and the changes that took place during the period of the current economic crisis. Their analysis shows that salaried social classes have been reduced in absolute terms, while the supervision of the working class in the capitalist production process has been increased.

In chapter 4, Sevgi Uçan Çubukçu discusses the gender-based violence against women that become visible in Turkey since the end of the 1980’s, and evaluate the impact of feminist struggle in transforming the law, the institutional mechanism and the state’s discourse on this matter.

In chapter 5, Emilia Marsellou examines the relation between consumer debt and income inequality employing a neo-Kaleckian model of growth and income distribution. She argues that neoliberal policies have increased income inequality, affecting working households' income directly through stagnant wages and indirectly through the cutbacks in those state expenditures that support the social wage.

In chapter 6, the relationship between media and politics is discussed by Özge Ercebe Ercebe within the framework of clientelism concept. Presenting the case of the media corporation of ATV-Sabah, the paper aims to contribute to the monitoring of the continuity and differentiation of clientelistic relations in Turkey on the basis of both media-politics relations.

In chapter 7, Güneş Yılmaz and Yakup Ari estimate and forecast the effect of the new Corporate Tax Rate on the Corporate Tax Revenue for the years 2018-2020. For the purpose of their analysis they consider a variety of indicators that are related with economic and political decisions using annual data for the period 1991-2017. Their empirical findings stress the importance of deposit interest rate, tax amnesty, Corporate Tax Rate, and the 2008 Crisis effect on Corporate Tax Revenues. Finally, they forecast the impact of the new corporate tax rate increase on the Corporate Tax Revenues for the year 2018.

In chapter 8, Andreas Kyriakopoulos uses a panel data econometric model in order to examine the determinants of income inequality on integrated economies such as the Eurozone. As determinant variables he uses a variety of economic and institutional indicators that are related to the income distribution, technical change, educational level, labour market institutions, economic openness and integration etc. The empirical findings show that the gap between the relative wage of a high educated employee and the relative wage of a basic educated employee is a strong determinant of income inequality levels in financial integrated economies such as the Eurozone.

In chapter 9, Erol Turan discusses the security-freedom dilemma in the case of Turkey. In particular Erol Turan questions the efficiency of the domestic public security policies such as the military operations and the “state of emergency” to confront several serious security problem both inside (PKK, ISIS, FETO) and outside (Syrian War) Turkey. For the purpose of the analysis, the author asked Turkish civilians and he found a positive relation between the perception of the justice of the political process and the perception of threat and danger.

In chapter 10, Altan Kayacan and Zeynep Şişli examine the economic burden that the lack of security precautions imposes to economic growth, all over the world and in Turkey particular. The authors evaluate the economic and social effects of occupational accidents on human lives by examining the precautionary and compensation costs. In addition, Altan Kayacan and Zeynep Şişli expose a real precedent to highlight the significant economic losses that are caused by the neglect of fundamental precautions at the workplaces.

In chapter 11, Tuba Kanci analyzes the DREAMERs movement-a non-status migrant youth movement that appeared in the United States. In particular, Tuba Kanci sheds light on how The DREAMERs movement has helped to politicize large segments of the non-status migrant youth in the United States, challenging at the same time the way that political community, subjectivity and citizenship is understood by societies, especially after the neoliberal turn of the 1980s.



# 1

## THE ROLE OF MODERNIZATION THEORY IN THE RECONSTRUCTION OF INTERNATIONAL LABOUR MOVEMENT IN THE COLD WAR PERIOD: LESSONS FOR TODAY

*Tolga Tören<sup>1</sup>*

### **Abstract**

*After the Second World War, capitalist system was reconstructed under the conditions of existence of the Soviet Union, the independence of former colonies, the establishment of socialist regimes in Eastern Europe, the destructive effects of the war and the increase of socialist parties in Western Europe. Through the introduction of the Marshall Plan, labour organizations were also articulated to this reconstruction. The framework for this reconstruction relied heavily upon the idea of 'modernization' together with the concepts of 'productivity', 'economic growth' and 'responsible trade unionism'. In the paper, it is argued that the influence of the reconstruction of international labour movement in the post war period upon the ground mentioned above has been extended to contemporary world in the form of 'social dialogue' and this has played a significant role in official international labour movement's failure in challenging the globalization.*

**Keywords:** *International Confederation of Free Trade Unions (ICFTU), modernization theory, international labour*

### **Introduction**

As seen from the World Labour Group's (WLG) database covering all strikes and demonstrations documented in *the New York Times* or in *the Times* within the period between 1870 and 1996, labour protests around the world rose on the eves of the two world wars, declined with the outburst of the wars and dramatically increased with upshot of the wars (Silver, 2015, p. 7). While (official / conventional) international labour movement<sup>2</sup> remained in crisis in the last decade of the twentieth century, by the turn of the century, however, there has been an upswing in the form of popular movements. On 15 February 2003, for instance, millions of people from around the world expressed their hostility to the war in Iraq with strong labour movement involvement and by constituting one of the biggest social unrest in the world history (Silver, 2015, p. 6). However, despite the involvement of some conventional labour organizations in the current popular backlash, as seen in the anti-war protests wave of 2003, and despite the attempts by some conventional international / national traditional labour organizations to come together with social movements or to take up a social movement orientation, it is still necessary to discuss the question of whether traditional international labour / trade union movement has overcome its structural and

1 University of Kassel, International Center for Development and Decent Work (ICDD), Kleine Rosenstraße 1-3, 34117 Kassel / Germany, Tel: +49 561 804-7398, Fax: +49 561 804-937390, E-mail: [tolgatoren@gmail.com](mailto:tolgatoren@gmail.com)

2 The term "conventional" labour movement refers to trade union movement. Following Robert O'Brien (2000, p. 534), by the term 'official' international labour movement, it is intended the interstate labour bodies as represented by international union organizations, such as International Confederation of Free Trade Unions (ICFTU), International Trade Secretariats (ITs) and World Federation of Trade Unions (WFTU).



political crisis to play a leading role in the popular backlash (Munck, 2010, pp. 228-229; Silver, 2015; O'Brien, 2000). In comparison with the mid-1940s, during which trade union movement was the leading figure of social unrests, today, at least the official / conventional international labor movement is inadequate in directing or shaping the popular backlash, although there has been some interesting examples or experiences, especially from the developing world, besides the popular movements discussed above (Williams, 2015). In other words, the crisis of conventional labour movement still continues, at least in the developed world.

Although trade unions and their international umbrella organizations are generally critical against 'neoliberal globalization', they have difficulties in creating a common strategic response (Bieling and Lux, 2014: 154) and remain in a deep political and ideological crisis, as discussed by Asbjørn Wahl (2004, para. 26):

(...) Most of the international trade union organizations do not, in other words, consider themselves to belong to the new movement against corporate globalization. They consider this new movement to be too politically radical. The International Confederation of Free Trade Unions (ICFTU) or the Global Unions, therefore, do not join forces with the rest of the movements when they go to the World Social Forum—they hold their own conferences and meetings on the fringe of the forums. At the same time, they send equally high-ranking delegations to the World Economic Forum. 'We have always achieved most through dialogue' is the constantly recurring refrain.

Regarding emerging social movements, consistently, while some social scientists discuss the disappearance of capitalism from social movements (Goodwin & Hetland, 2013), some others highlight the focus of emerging social movements on people as a whole rather than on a specific class, for instance working class (Bamyeh, 2012).

However, in fact, since the 1970s, there is a strong social base for class politics. First of all, after the crisis of capitalism in the early 1970s, while Keynesian macroeconomic policies were replaced with market oriented economic policies under the term of 'neoliberalism', 'class compromise' of former period was replaced with flexible labour markets. In addition, commercialization and privatization of public services, free capital movements and 'financialization' became the other dimensions of the new phase of capitalism. Regarding the development issue, state centered / planned economic development thinking of former period, 'the golden age', was replaced with market oriented economic development approaches backed by the international financial institutions. It has been a new way of articulation of the 'developing' countries to the international division of labour. From such a point of view, this paper aims to discuss the question of why official international labour movement could not produce a response against the developments mentioned above while capital succeeded to overcome its crisis through neoliberalism. The answer will rely on the argument that one of the important reasons of this situation has roots in the reconstruction of international labour movement in the post-Second World War period on the base of 'politics of productivity' and the notion of 'economic growth' under the influence of modernization theory, which played a significant role not only for the articulation of former colonies into the world capitalist order but also for the articulation of international labour movement to capital accumulation process. In the paper, it will also be argued that the idea of 'responsible unionism', the early version of the idea of 'social compact' of contemporary trade union world, went hand in hand with the reconstruction of international labour movement on the base of 'politics of productivity' and the notion of 'economic growth' in the post-war period. From such a point of view, in the paper, conventional / official international labour organizations of the post war period in Western Europe, particularly ICFTU and its affiliated trade unions, will be defined as 'modernist labour organizations', keeping in mind the sentence by Clark Kerr, one of the modernization theorists: "We speak to the intellectuals, the managers,

the government officials and labor leaders who today or tomorrow will run their countries, now in the midst of great transformation” (as cited in Gilman, 2003, p. 8).

The paper will be divided into four chapters. In the first chapter, following the introduction, the general conditions of the post Second World War period will be discussed from the point of view of accumulation of capital within international scale. The next chapter will be devoted to the emergence, main arguments and influence of modernization theory in the post war period. While in the third chapter, the reconstruction of international labour movement under the shadow of modernization theory and Marshall Plan will be dealt with. The last chapter will address the extension of the reconstruction discussed in the paper to the current period.

### **A General Framework for the Post Second World War Period**

After the Second World War, the world economy was reconstructed. The most important cause of this reconstruction was that the US accumulating massive capital during the period between the two world wars sought to have a hegemonic power within the world economy. At the end of the war, its economy had a considerable productive capacity and a strong currency. In 1950, for instance, it produced almost 60 percent of the total output of the biggest seven economies of the world. Its manufacturing sector which was two, three and nine times more productive than the manufacturing sectors in UK, Germany and Japan and all these combined with its enormous military capacity (Glyn, 2006, p. 8; Peet, 2007, p. 39; Tören, 2010).

The existence of the Soviet Union, the independence of former colonies, the formation of socialist regimes in the Eastern Europe, the catastrophic outcome of the war, including labour force shortages, the collapse of transportation and communication systems, and the increase of the radical left in Western Europe were the other factors (Block, 1978, p. 77; Tören, 2010). Additionally, before the war, trade between the two parts of Europe were very high. However, after the formation of socialist regimes in the Eastern Europe, trade between the two parts sharply decreased and this led to many economic problems in the Western Europe (Block, 1978, p. 77; Tören, 2010).

All the factors mentioned above forced the US, as the hegemonic power of capitalist system, to create mechanisms to eliminate ‘the risks’ for the capitalist world order and for its hegemony by reviving “capitalism’s globalizing tendencies”, as Leo Panitch & Sam Gindin (2012) underline, in collaboration with other capitalist states, including the Western European countries and Japan (Panitch & Gindin, 2012, p. 3). As Panitch & Gindin (2012) highlight,

(...) The mutual exhaustion of the old capitalist empires, the devastation of the European economies, and the weak political legitimacy of their ruling classes by the end of World War II created an unprecedented opportunity which the American state was now ready and willing to exploit. But the preceding thirty years had so gravely jeopardized capitalism’s future, in the face of both Soviet Communism and the strength of the Left in labor movements, that more than just American-led post-war restoration of European economies was at stake. The resumption of accumulation primarily rested on the reconstruction of capitalist states which had to find resources both for public infrastructure and private investment, while also dealing with urgent popular demands for security and consumption...(p. 89)

The first step was the formation of international financial institutions, or the Bretton Woods institutions –unholy trinity, as Richard Peet (2003) defines-, including the International Monetary Fund (IMF), the International Bank for Reconstruction and Development (IBRD) and the General Agreement for Tariffs and Trade (GATT) under

the leadership of US. Creating all necessary conditions, material and legal, for free capital movements all over the world, these institutions aimed to ensure the continuation of capital accumulation under the leadership of US (Panitch & Gindin, 2012, p. 10).

However, as Michele Alacevich (2018, p. 4) underlines, although it would change towards the developing countries in following years, in the beginning, main focus of the IBRD was to reconstruct the Western countries' productive capacity, as it will be understood from the name of the institution. While the term 'reconstruction' was referring the West, the word 'development' was pointing the 'rest'. Therefore, especially in the early period of its establishment, loans from the IBRD were devoted to the developed countries, including France, Denmark, Luxembourg and the Netherlands, to reconstruct these countries' economies (Alacevich, 2011, p. 56). Consistently, just after its establishment, the IBRD provided capital, expertise or technical assistance for the post-war reconstruction to the Western European countries and played a significant role to strengthen the relationship between US and these countries. In other words, the institution became an important element in locking these countries' capital accumulation into the US' capital accumulation as a cold war means (Berger & Beeson, 2007).

### **Emergence of Modernization Theory**

In the post-war period, another fact was the intellectual interest on the industrialization problems of 'underdeveloped countries' or 'economically backward areas', as seen from the titles of the two seminal articles (1943 and 1944) by Paul Rosenstein Rodan, who was one of the leading scholars in the field of development studies in general and development economics in particular: "Problems of Industrialization of Eastern and South-Eastern Europe" (1943) and "The International Development of Economically Backward Areas" (1944). During the period, many new departments were established by universities to conduct studies on the issue of economic development. Moreover, many studies conducted by scholars, who are interested in the issue of economic development, were supported or financed by some institutions, including the Ford Foundation and the Rockefeller Foundation. In other words, economic development issue became one of the most prevalent topics at the academy and studies carried out on economic and sociological development -progress-, and on industrialization problems of the 'less developed' or 'traditional' societies by development economists, development sociologists or development anthropologists were gathered under the same headline: modernization theory, which aimed to produce the knowledge of the articulation of former colonies – 'underdeveloped' or 'traditional societies' – into the capitalist world order (Engerman, 2004, pp. 38 - 39; Tören, 2010)<sup>3</sup>.

However, although the main focus of 'modernization theory' was 'underdeveloped countries', in the first phase, the idea of economic development or 'modernization' revolved around the recovery problem of Western European countries. In other words, during the Second World War and in the early years of the post war period, as it is understood from the title of the article by Rodan written in 1943, Europe, especially the Eastern Europe and South Eastern Europe, was seen as the main element of reconstruction with particular focus on transformation of the economies under the Nazi regime and the long-term recovery to demolish the European depression (Alacevich, 2018, pp. 10-11). As pointed out by Michele Alacevich (2018),

(...) On the contrary, the problem of underdevelopment, in its specific post-war configuration, was also very much a European problem. During and after World War II, Europe was an incubator of development thinking, and it was in Europe and with European problems in mind that many of the constitutive elements of the post-war global development discourse — both in their theoretical and practical dimensions — were initially discussed (p. 5).

---

3 For a critical evaluation of the Modernization Theory, please see: Leys (2008) and Kanbur (2001).

As Colin Leys (2008, p. 7) addresses, one of the factors behind the emergence of ‘development theory’ was the introduction of Bretton Woods regime. Therefore, the main issue for modernization theorists was firstly the safety of the world market rather than social problems of newly independent countries. Ragnar Nurkse (1952), for instance, another leading modernization theorist, would write the following sentence: “...on the international plane, these general considerations apply first of all to the problem of international investment” (p. 573). The industrialization problems of ‘less developed countries’ (LDCs) would be an issue on such a ground, as discussed by Cyrus Bina and Behzad Yaghmaian (1990).

(...) The internationalization of production resulted in the acceleration of capital’s tendency for the transformation of pre-capitalist relations of production globally. The export of productive capital and accumulation on a global scale necessitated the structural transformation of LDCs into capitalist relations of production. At this higher stage of the development of capitalism, the widespread removal of pre-capitalist obstacles in less developed countries, including the transformation of class relations, was the prerequisite for the global accumulation of capital (p. 88).

While, on the one hand, the elimination of colonialism led to the emergence of new nation states, on the other hand, political direction that these countries could choose became one of the main focus of the discussions of the period (Bina & Yaghmaian, 1990, p. 78). There was always an enthusiasm for rapid industrialization by these countries during the 1950s and 1960s. In accordance with that, many political leaders from these countries spent a significant effort to economically, politically and socially change their societies towards industrialization, which was the basic meaning of the idea of economic development or modernization during the period (Engerman, 2004, p. 31).

India and Indonesia were examples of the situation mentioned above. India, for instance, was one of the conflict fields between the agents of the cold war, namely the Soviet Union and the US, because of the fact that, as David Engerman (2004, p. 25) points out, although the Indian leaders were not interested in forming a socialist regime, regarding the industrialization, they discussed both the US and Soviet models. Indonesia had a similar story. In 1955, the conference Sukarno hosted constituted an important opportunity for the former colonies to define their own development path. Therefore, one of the messages of the conference, neutralism, was regarded as a danger by the US (Engerman, 2004, p. 35).

As Nils Gilman (2003, p. 3) underlines, during the cold war years, as the newly independent African, Asian and Latin American countries sought for a way to be industrialized or modernized, social scientists, especially cold warriors, started to deploy the term modernization by identifying a unique way of social change, including foreign aid policies and military intervention to these countries. Consistently, in 1958, Max F. Millikan and Walt Whitman Rostow (1958), two modernization theorists and cold warriors, would write “...the central objective of American policy in the transitional areas is to use whatever influence we can bring to bear to focus the local energies, talents and resources emerge on the constructive tasks of modernization” (p. 420), and add: “...there is little doubt that Moscow and Peking regard Nasser, Soekarno and the other non-Communist leaders of the new nations as the Chiang Kaisheks of the future” (p. 421). According to Millikan and Rostow (1958, p. 423), the American interest in Asia, the Middle East and Africa was basically political and assisting the new nations in having modern economic and political status, in maintaining their independence, and in assuring the possibility of a domestic evolution, were important dimensions of this political task. Similarly, regarding Burma, John Sydenham Furnival (1949), a colonial administrative in Burma and a leading Dutch development economist, would write,

(...) The troubles by which Burma is now beset are almost certain to break out in other countries of southeast Asia when they attain independence. Similar developments have appeared in Indonesia, and are not unlikely in Thailand. They might be prevented if an international police force were available, not to suppress Communism as such, but to help any government resting on popular consent against unconstitutional attempts, whether by Communists or non-Communists, to overthrow it by force of arms. Any such project is, I fear, a utopian dream, but, if it could be given substance, Burma might collaborate with Western countries without fearing to compromise its new-won freedom (p. 197).

One of the most important means of securing the continuation of capital accumulation in the European countries and of the articulation of former colonies into the capitalist world order was foreign aid policies. As pointed out by Alacevich (2018),

What characterized the post-war development discourse was the concomitant spread of the idea of development as a national (and nationalistic) goal, the establishment of foreign aid as a central element of the new system of international relations and the birth of the new (inter)disciplinary field of development economics. Foreign aid became a fundamental element of Cold War strategy, perhaps the main reason why the development question became a global challenge: besides the well-known arms and space races, the development race was another key contest for the shaping of the global politics of power (p. 2).

Therefore, modernization theorists theoretically and practically involved in the studies on the post war recovery, in the foreign aid policies of US, including the Marshall Plan and its institutional mechanisms. For instance, as Stanley Hoffman and Charles Maier (1984, p. 3) pointed out, Walt Whitman Rostow and Charles P. Kindleberger, two leading modernization theorists, involved in the preparation process of the Marshall Plan, besides their influential tasks during the period. Rosenstein Rodan was the chairman of the Economic Group at Chatham House, which would become a center for the scholars studying on post-war economic development (Alacevich, 2018, p. 15).

During the period, the terms of 'productivity' and 'economic growth' became the most important orientation in the developed and developing world as an outcome of the policy prescription by the modernization theorists, as Amartya Sen (1971) points out in his "Introduction" to the *Growth Economics*,

While the classical economists - Marx in particular - were much concerned with growth, its modern revival started with a remarkable paper of Roy Harrod published in 1939. Interest in growth revived at first slowly and then by leaps and bounds. This as to a considerable extent the result of an immense practical concern with growth after the Second World War. The war-damaged economies were trying hard to reconstruct fast, the underdeveloped countries were attempting to initiate economic development, the advanced capitalist countries being relatively free from periodic slumps were trying to concentrate on raising the long-run rate of growth, the socialist countries were determined to overtake the richer capitalist economies by fast economic expansion. Growth was everybody's concern and it is no wonder that in such a milieu growth theory was pampered by the attention of economists (p. 9).

As seen, 'economic growth' was dealt with as a common base to secure 'welfare' in the Western European countries and 'modernization' in the 'developing countries' by the modernization theorists. Another key concept of the period, as pointed out above, was 'productivity'. While 'the politics of productivity', which was defined as "*the American*

*organizing idea for the post-war economic world depended upon superseding class conflict with economic growth...*" by Charles Maier (1977, p. 629), became the guiding principle of the post war period, Charles Kindleberger, an influential figure in the US foreign aid policies, would define the function of foreign aid policies, including the Marshall Plan, as a means of "super growth" (DeLong & Eichengreen, 1991). To be sure, one of the most important complementary elements of this growth and productivity pact was the notion of 'social contract', which would secure the necessary political conditions (DeLong & Eichengreen, 1991, p. 4).

### **Reconstruction of International Labour Movement on the Base of 'Economic Growth', 'Politics of Productivity' and 'Responsible Unionism'**

As pointed out above, in the early period, the main focus of the IBRD was to reconstruct the Western countries' productive capacity. However, the efforts by the IBRD were not enough because, especially in the Western countries, besides the problems in capital accumulation process, the power of left-wing political parties as well as of militant trade unions was increasing. Since the thirties, right-wing policies had lost their credibility in the Western European countries as a result of their economic failures. However, left parties had a significant prestige and legitimacy owing to the fact that their struggles against fascism. Economic and social conditions of the post war period also strengthened the legitimacy of left policies and led left political parties to obtain popularity. As a result, strong demands for social justice were brought to the agenda by trade unions and left political parties (Block, 1978, p. 78; Tören, 2010). As underlined by Giovanni Arrighi (1996):

But even in core capitalist countries, the greatest waves of class struggle occurred towards the end and immediately after the two World Wars. The U.S. Cold War world order, and the great expansion of world trade and production that occurred under the auspices of that order, were thoroughly shaped by this joint advance of organized labor in core countries and of Communist revolution in semi-peripheral and peripheral countries (pp. 338-339).

In the post war years, as discussed above, one of the most important economic problems of the Western European countries was the deficit in dollar reserves as a result of collapsed production and export. Besides, the IBRD did not have enough financial resources to support the reconstruction of Western Europe (Alacevich, 2011, p. 56). This was also a barrier for a multilateral trade between the US and Western European countries. To be sure, this would mean that the US could lose a great market for its overproduction. Additionally, as mentioned before, the Western European countries' economic and social problems might create a legitimacy for the radical left. Therefore, the US decided to provide economic support to recover their economies. This project was achieved in two steps: (i) enhancing the Western Europe's capacity to export and (ii) expanding US private investments in Western European countries (Block, 1978, pp. 88-89; Tören, 2010).

Therefore, another attempt became the introducing of Marshall Plan, defined as the "history's most successful structural adjustment program" by Bradford J. DeLong and Barry Eichengreen (1991, p. 4), in 1947. By the introduction of the plan, while the IBRD discarded the focus on the reconstruction of the Western European countries with more interest in the developmental issues of the underdeveloped countries (Alacevich, 2018, p. 4), for the reconstruction of the Western European countries, through a kind of social engineering, a new mechanism was created under the name of the European Recovery Plan, as Giovanni Arrighi and Beverly Silver (1984) pointed out:



...The means were provided by the Marshall Plan and subsequent aid that eased the transfer of U.S. mass production technology to European industries. It provided the context by reconstructing the world market and sponsoring a unified European market that made feasible the adoption of such technology in Europe. It also provided the stimulus for their adoption in the form of what later came to be known as the “American challenge”: the expansion within the European borders of American transnational corporations producing with the most advanced techniques. As a result of these circumstances and of a highly competitive reaction on the part of Western European capital, *der Fordismus* was transplanted in Europe on an unprecedented scale that thoroughly revolutionized the technical and commodity structure of European capital (p. 21).

The theoretical framework of the plan heavily relied upon the modernization theory. First of all, as underlined by Michael Holm (2017), besides its anti-communist dimension and efforts to create a base for the US capital, which needed to expand geographically to the new investment areas, the plan, together with its role in the reconstruction of international labour movement, as discussed below, was a modernization project (Holm, 2017). While Panitch & Gindin (2012) also emphasize the ‘modernization dimension’ of the policies under the Marshall Plan with particular focus on the productivity issue, the following sentences by Holm (2017) give a clear picture on the similarities between the policies under the Marshall Plan and teleological development understanding of modernization theory:

The nations that the Marshall Plan sought to uplift, in contrast, had a recent history of extensive bureaucratic structures, modern economic productivity, and political organization that mirrored the American experience to far greater extent. In terms of intellectual rationale, however, the similarities between these programs were considerable. Both connected the traditional American mission to improve the weak and to stimulate democracy with the goal of saving countries from both Communism and their own economic and political quagmires. Both served ideological, economic and national security purposes, and both were overwhelmingly inspired by a belief in the superiority of American methods and principles (p. 89).

However, although the plan would become a model for the ideas on foreign aid in later period (Leys, 2009, p. 8), its role was not only to reconstruct capital accumulation process in Western European countries by organizing production process according to the logic of mass production and mass consumption. In contrast, within its strong anti-communist dimension, the plan played a crucial role in restructuring of international labour movement in consistence with the framework mentioned above.

Under the Marshall Plan discussions, varying institutions were created, radical left were repressed, military capacities were reinforced, private capital flows from the US to the Western European countries was promoted, and all economic policies were designed in favor of multilateral and liberal trade relations with the US (Block, 1978; O’Brien, 2000, p. 535; Cox, 1971, p. 562; Tören, 2010).

Finally, as Panitch & Gindin (2012, p. 97) underline, the plan became an important cornerstone in incorporating organized labour in Western European countries into the reconstruction of capitalist world order through the recovery of European capitalism, as it was fact for the organized labour in the US just after the Second World War despite its militancy (Panitch & Gindin, 2012, p. 10). In other words, organized labour in European countries was pushed by varying apparatus, ranging from ideological to repressive, to be a part of the mechanisms created

under the debates of Marshall Plan to promote the idea of ‘social contract’ as well as of ‘economic growth’ through the higher level of ‘productivity’, besides the struggle against the imposition of wage restraints (Panitch & Gindin, 2012, p. 97). As Arrighi & Silver (1984: 206) point out, the aim of such a transformation was to strength liberal-corporatist political orientation of the European labour movement, especially from the leadership level, in compliance with the new labor control regime that emerged in the post Second World War period and as a response by the capital and state to the labour militancy of the former period (Arrighi & Silver, 1984, p. 206). While Marshall Planners tried to create a labour movement agreeing with the idea of increasing productivity instead of income distribution, such policy prescription found its counterpart within the European labor organizations. As a result of such de-facto agreement, the Marshall Plan funds were directed to non-communist trade union organizations (DeLong & Eichengreen, 1991, p. 41).

The process of the restructuring of international labour movement within the framework mentioned above, institutionally and ideologically, began with the European Recovery Program Trade Union Conference in Paris in 1948 and continued with the formation of a labour division within the Economic Cooperation Administration (ECA) in 1949 with the duty of anti-communism and with financial resources coming from the US corporations operating in the European countries (Carew, 1987, pp. 101-102). Call for liberalized wage policies, warning against the militancy and strikes of the European working class, in France especially, support for the wage restraints and serving as a medium between the US investors and the European governments in creating an ‘investment friendly social atmosphere’ were the other duties of the labour division (Carew, 1987, pp. 101 - 110).

Another step was the introducing of the European Recovery Program Trade Union Advisory Committee (ERPTUAC). As Rhiannon Vickers (2000, p. 14) highlights, together with its discourses, policies and structures based on economic, political, security and ideological issues, main motivation in the formation of ERPTUAC was to create conditions to advance, and moreover, to institutionalize the notions of productivity and economic growth within the European labour movement. The ERPTUAC played an important role not only as a propaganda tool but also in the split of the World Federation Trade Unions (WFTU), and in the establishment process of International Confederation of Free Trade Unions (Vickers, 2000, p. 92). In other words, the Marshall Plan also led the creation of the ICFTU after the breaking up of the WFTU, which continued to be as a leftist international trade union body although it had been formed in 1945 under the leadership of Trade Union Council (TUC) from Britain (Southall, 1995; Tören, 2010). In the founding conference of the ICFTU, for instance, one of the most important issues discussed was the demand for nationalization, and this demand by especially left-wing European unions, was circumscribed (Sturmthal, 1950, p. 376).

In the conference, economic and social demands were put into words through the *World Labour Manifesto* under the motto, “Bread, Freedom and Peace”, and with the following words:

We begin our life as a community of free trade unions five years after the most devastating war in history. We have already made great progress in repairing the ravages and dislocations of war, and we shall promote all measures necessary to finish the task. To this end we give full support to the European Recovery Program, and to such other measures in all other areas of the world as are necessary successfully to complete post-war reconstruction (Sturmthal, 1952, p. 260).

Anglo American Council of Productivity (AACP) that began in Britain in 1948 was another institutional body shaping the European labour movement within the context of ‘economic growth’ and ‘the politics of productivity’ (Carew, 1987, p. 134). Comparing the mechanization levels in different European countries, anti-communist propaganda, visiting programs for managers, workers and specialists to the US, publishing reports on economic



growth and productivity were some works by the AACCP (Carew, 1987, pp. 134-140). One of the most important outcomes of the works mentioned above was the formation of the European Productivity Agency in 1952 besides the productivity teams -especially in Britain-, launching of productivity campaigns and national productivity centers in the European countries (Carew, 1987, pp. 149-162). US corporations were important partners of the AACCP (Carew, 1987, p. 184). As Vickers (2000, p. 113) points out, the AACCP operated to disseminate the policy and discourse of mass production, mass consumption and free trade through “selling the American way”. Panitch & Gindin (2012) also deal with the role played by the AACCP with the following sentences,

The productivity councils that emerged during the Marshall Plan were especially important for identifying productivity with ‘modernization’. (...) This was communicated through formal exchanges and visits by trade unionists to American factories, homes, and shopping centers, and also - and in the long run perhaps more importantly - through informal dissemination of American culture and the trans-Atlantic contacts of immigrant families, friends, and visitors. It is hardly surprising that, to workers... who had suffered through the Depression and the war, the tangible and immediate gains that appeared to be obtainable from ‘responsible’ unionism seemed more attractive than alternative that held out the prospect for more chaos in the short term and distant and uncertain promises in the longer term (p. 99).

It should be noted that the citation above from Panitch & Gindin (2012) also underlines the relationship between ‘productivity’, ‘economic growth’, ‘reconstruction of international labour movement’ and the term ‘modernization’, which is the core element of this paper. As seen, all the facts discussed above were in accordance with the general framework of modernization theory. This may also be understood from the following sentences by Kindleberger (1958), who created the notion of ‘responsible trade unionism’:

A labor movement with strong reformist goals is tolerable primarily where the mass of the workers has already acquired habits of productivity, and does not slough them off as income rises. Where productivity is not ingrained, the movement for higher welfare may end merely in inflation. The difficulty is that where workers are trained to be productive, as in Germany, they are frequently also docile and resistant to militant movements (p. 228).

The influence of modernization theory in the labour field extended to the later period. In the mid-1950s, for instance, a group of scholars from different universities from 35 countries came together under the name of “Inter-University Study of Labour Problems in Economic Development” to conduct researches in labour field. By the year of 1960, the group sponsored more than 40 research projects in 35 countries, involving 73 scholars or researchers and 11 different nationalities (Kerr et al., 1960, p. 2). The aim of these projects was to discuss the question of how persuasion, pressure, and manipulation could be replaced with the industrial conflict in the earlier stages of economic development, though the managers and the managed had different interests (Kerr et al., 1960, p. 3). According to such a framework, under the notion of ‘pluralistic industrialism’, the term ‘protest’ would be replaced with the idea of ‘structuring’ of managers and the managed within the ‘web of rules’ involving varying obligations, functions of workers, technicians in the private and governmental organizations (Kerr et al., 1960, p. 3). As pointed out by Clark Kerr, Frederick H. Harrison and John T. Dunlop (1960),

In this society conflict will persist, but, it will take the form of bureaucratic skirmishes rather than class war... Labour organizations will cease to be parts of class movement urging programs of total reform, and become more purely pressure groups representing the occupational interest of their members (p. 14).

These developments led to several critical results for international labour organizations. Firstly, the Eastern trade unions were isolated from the Western trade unions and debates on the Marshall Plan led to splits on many issues within trade unions in Western Europe (Marglin, 1990, p. 6; Tören, 2010). One of the most important issues was the idea of class compromise, according to which the main decisions about production process, labour productivity and working conditions would be taken by corporate managements unilaterally and trade unions would cooperate with management<sup>4</sup>. During the period, although the WFTU and its affiliated unions called for the socialization of key industries, labour organizations within Western side consented to delimiting the power of capital through corporatist mechanisms. In other words, they accepted the legitimacy of capitalism (Wahl, 2007; Gordon et al., 1986, pp. 48-49; Tören, 2010).

The developments mentioned above also caused a more fragmented labour power along job, gender and racial lines and the bureaucratization of production process through managerial cadres (Wahl, 2007; Gordon et al., 1987, pp. 48-49; Tören, 2010). As Robert O'Brien (2000, p. 537) discusses, dismissal of communists and sacrificing of militant trade unionists from the ranks of labour movement, and finally, the bureaucratization of trade unionism were the other results. Moreover, after the formation of the ICFTU, a new division, "class unionism" or "free unionism", emerged in international labour organizations (Southall, 1995; O'Brien, 2000, p. 536; Tören, 2010). The influence of the division mentioned above lasted for a long period of time, having important impact on labour struggles. In other words, as Marcel van der Linden (2011, p. 265) points out, 'the ideology of free trade unionism' made almost impossible to cooperate with the labour organizations that remained the outside of 'free trade unionism'.

The last result for the labour movement became remaining defensive against the attacks by capital just after the crisis of the 1970s. As known, after the crisis of the 1970s, together with the collapse of the Bretton Woods system, 'full employment capitalism' was gradually eliminated and competition between capitalists led to automation, informalization, and finally, to robotization in production process (Bremen & Linden, 2014). However, these developments did not eliminate the waged population, or, with Karl Marx's words, "the living labour". In contrast, as Benjamin Selwyn (2013, p. 50) discusses, in the last four decades, the number of waged population, the living labour, which is defined as the people who have to sell his / her labour power to reproduce her / his daily life, has increased. Moreover, as Jan Bremen and Marcel van der Linden (2014) point out, since the 1980s, precarization, which was seen as atypical in the early period, especially, in the Western countries, and the "regime of informality" have become the norm for the working relations (Bremen & Linden, 2014, pp. 924-926).

As seen from the conditions discussed above, capital could produce its own response to the crisis of the 1970s through the changes in production and labour process but (the official and conventional) labour movement remained in the same framework with the 1950s: Class compromise on the ground of economic growth and productivity, as underlined by Wahl (2004, para. 17):

The compromise was gradually eroded with the onset of deep economic crises in western capitalism in the early 1970s. The crises spurred capitalist forces to take the offensive—among other things to reduce costs—attacking trade union rights, wages, and public expenditures they undermined the very bases of the welfare state. The deradicalized and depoliticized trade union and labor movements were taken by surprise by this development. The employers suddenly became much more hostile at the

4 For a critical analysis of managerialism, see Braverman (1988). For a mainstream approach to the idea of managerialism, see Kerr et al. (1960).

negotiating table. Negotiations, which had previously been mainly about improvements of wages and working conditions, now began to involve attacks on previous achievements and existing regulations. As most of the trade union leadership had been steeped in the environment of class compromise and social peace, it was not prepared for these attacks. Within the framework of the ideology of the social pact, the neoliberal offensive was simply incomprehensible...

## The End of the Cold War

Even after the collapse of the socialist regimes in the beginning of the 1990s, 'the modernist trade unionism' being materialized in the ICFTU rejected to cooperate with the labour organizations affiliated to the WFTU. To be sure, such a stance was the continuation of position taken during the cold war period in the labour field (Devinatz, 2013, p. 368). Until the ICFTU formally dissolved itself to establish the International Trade Union Confederation (ITUC) by merging with the World Confederation of Labour (WCL) in 2006, its stance relied upon the notion of 'social dialogue' or 'social partnership', reminding the notion of the 'responsible unionism' of the cold war period. Moreover, during that period, the policy program of the ICFTU was to have an impact on or to shape the route of globalization instead of militant struggle against it. In such a policy, the main shareholders were the states, international financial organizations multinational corporations (MNCs) and social movements to persuade them to act in accordance with the labour rights (O'Brien, 2000, p. 542). However, although the ICFTU approached the international financial institutions as agents to cooperate to secure labour's rights, from the point of view of the international financial institutions, the IMF for instance, the issue was totally different. In other words, for the IMF, the ICFTU, as one of the biggest international labour organizations in the world, was a partner to curb corrupt governments or create a good governance environment (O'Brien, 2000, p. 542).

During the same period, another 'modernist' trade union body, European Trade Union Confederation (ETUC), which has a similar direction with the ICFTU in its trade union policies, played a significant role to extend the idea of 'social compact' to the Eastern European trade unions through consultations with employers and governments, negotiations and lobbying, leading a stronger trade union bureaucracy in these countries (Wahl, 2004). The importance of social dialogue in ETUC's policies may also be seen from its Paris Manifesto (ETUC, 2015).

Finally, in its report published in 2009, *Jobs - the Path to Recovery*, ITUC called for 'social dialogue' to avert the falling of incomes and to end the increasing inequalities (2009: 9). The other policy proposals by the ITUC were "effective and accountable global governance, "a green new deal", and "infrastructure investment programs by the governments" to prompt demand growth, to increase productivity (ITUC, 2009, p. 10). At this point, it is necessary to remind that infrastructural investments are seen as a key to promote economic growth, productivity, poverty reduction and the creation for new employment opportunities by the World Bank (World Bank, 2018; Financial Times, 2018).

## Concluding Remarks

The paper aimed to discuss the question of why official international labour movement could not strongly challenge the neoliberal offense although the world that capital has created "in its own image", as Karl Marx and Frederick Engels mentioned in their *Communist Manifesto* (1969, p. 16), means more destruction not only for the waged population but for the human being, from environmental disasters to the wars. In the paper, it is

argued that the reconstruction of official international labour movement in the post Second World War period on the base of ‘politics of productivity’, ‘economic growth’ and ‘responsible trade unionism’ under the influence of modernization theory was one of the reasons of the situation mentioned above. From such a point of view, in the paper, the official international labour movement, particularly ICFTU and its affiliated unions, which came out after the introduction of the Marshall Plan, have been defined as ‘modernist labour movement’ because of the fact that their direction relied heavily upon ‘economic growth’, ‘politics of productivity’ and ‘responsible trade unionism’, meaning ‘class compromise’.

As discussed in the paper, while such trade union direction became unsuccessful in challenging the neoliberal globalization, its effects reached up the present day, having influence in contemporary international labour organizations, as seen from the positions of ICFTU, ITUC and ETUC in different cases. As shown above, while the official discourses and policy directions of these organizations revolved around the notion of ‘social dialogue’, including the partnership with MNCs or international financial institutions, such an understanding prevent them to form meaningful ties with the emerging social movements. From such a point of view, it may be argued that the attempts by capital to subsume the organized labour in the political and economic apparatus during the cold war era was an outcome of the radical struggles of the previous period as well as of the fear of radicalizing labour movement. However, when international labour organizations agreed to be involved in such apparatus by abandoning class perspective and by going away from radicalism, it gave up the most important weapon to challenge the disaster created by the capitalist mode of production in the twenty-first century.

However, all these do not necessarily mean that the game is over! In contrast, as seen from the increasing resistance from different parts of the world, including the new labour struggle experiences from the developing world and newly alternative social movements, the masses suffering from the outcomes of the neoliberal globalization as well as the waged population still try to create alternative resistance strategies. Without doubt, in addition to an anti-capitalist stance, class perspective will be one of the most important elements of such strategies.

## Acknowledgement

During the period, in which this research was conducted, I was supported by the Heinrich Böll Foundation under the scholarship program of “Researchers living in exile”. Therefore, I would like to express my sincere gratitude to the Heinrich Böll Foundation. I would also like to express my sincere gratitude, institutionally, to the University of Kassel and International Center for Development and Decent Work (ICDD), and personally, to Prof. Christoph Scherrer for their support during my stay in Germany.

## References

- Alacevich, M. (2018). Planning peace: The European roots of the post-war global development Challenge. *Past & Present*, 239(1), 219–264.
- Alacevich M. (2011). The World Bank and the politics of productivity: The debate on economic growth, poverty and living standards in the 1950s. *Journal of Global History*, 6 (1), 53-74.
- Arrighi, G. (1996). Workers of the world at century’s end. *Review*, (19)3, 335-351.

THE ROLE OF MODERNIZATION THEORY IN THE RECONSTRUCTION OF INTERNATIONAL LABOUR MOVEMENT  
IN THE COLD WAR PERIOD: LESSONS FOR TODAY

Tolga Tören

- Arrighi, G. & B. Silver (1984). Labor movements and capital migration: The United States and Western Europe in world-historical Perspective. In C. Bergquist (Ed.), *Labor in the capitalist world-economy* (pp. 183-216.). Beverly Hills, Calif: Sage.
- Bamyeh, M. (2012). the Global culture of protest. *Context*. Retrieved from <https://contexts.org/articles/understanding-occupy/>
- Berger, M. T. & Beeson, M. (2007). Miracles of Modernization and Crisis of Capitalism: The World Bank, East Asian Development and Liberal Hegemony., In D. Moore (Ed.), *the World Bank development, poverty, hegemony* (317-343). KwaZulu Natal: University of KwaZulu-Natal.
- Bieling, H. J. & Lux, J. (2014). Crisis-induced social conflicts in the European Union – trade Union perspectives: The emergence of ‘crisis corporatism’ or the failure of corporatist arrangements? *Global Labour Journal*, 5(2), 153-175.
- Bina, C. & Yaghmaian, B. (1990). Post-war global accumulation and the transnationalization of capital. *Review of Radical Political Economics*, 22 (1), 78-97.
- Block, F. L. (1978). *The origins of international economic disorder: A study of United States international monetary policy from World War II to the present*. California: University of California.
- Braverman, H. (1988). *Labor and monopoly capital: The degradation of work in the twentieth century*. New York: Monthly Review Press.
- Breman, J. & van der Linden, M. (2014). Informalizing the economy: The return of the social question at a Global Level. *Development and Change*, 45, 920-940.
- Carew, A. (1987). *Labour under the Marshall Plan: The politics of productivity and the marketing of management science*. Manchester: Manchester University.
- Cox, R. W. (1977). Labor and hegemony. *International Organization*, 31(3), 385-424.
- DeLong J. B. & Eichengreen, B. (1991). The Marshall Plan: History’s most successful structural adjustment program. University of California at Berkeley, Department of Economics Working Paper 91-184.
- Devinat, V. G. (2013). A cold war thaw in the international working class movement? The World Federation of Trade Unions and the International Confederation of Free Trade Unions 1967-1977. *Science & Society*, 77(3), 342–371.
- Engerman, D. C. (2004). The romance of economic development and new histories of the cold war. *Diplomatic History*, 28(1), 23-54.
- ETUC (2015). Paris Manifesto. Retrieved from [https://www.etuc.org/sites/default/files/publication/files/ces-congres\\_2015-manifesto-uk-ld\\_def.pdf](https://www.etuc.org/sites/default/files/publication/files/ces-congres_2015-manifesto-uk-ld_def.pdf)
- Furnival, J. S. (1949). Communism and nationalism in Burma. *Far Eastern*, 18(17), 193-197.
- Gilman, N. (2003). *Mandarins of the future: Modernization theory in cold war America*. Baltimore: John Hopkins University.
- Glyn, A. (2006). *Capitalism unleashed: Finance, globalization and welfare*. Oxford: OUP.

- Goodwin, J. & Hetland, G. (2013). Strange disappearance of capitalism from social movement studies. In C. Barker, L. Cox, J. Krinsky & A. G. Nilsen (Eds.), *Marxism and social movements* (pp. 83-103). Boston: Brill.
- Gordon, D., Weisskopf, T. & Bowles, S. (1987). Power, accumulation, and crisis: The rise and demise of the post-war social structure of accumulation. In Cherry, R., D'Onofrio, C., Kurdas, C., Michl, T. R., Moseley, f. & Naples, M. I. (Eds.), *The Imperiled economy: Macroeconomics from a left Perspective* (43-58), New York: Union for Radical Political Economics.
- Hoffmann, S. & Maier, C. (1984). *The Marshall Plan: A retrospective*. London: Westview.
- Holm, M. (2017). *The Marshall Plan: New deal for Europe*. New York: Routledge.
- ITUC (2009). Jobs - the path to recovery: How employment is central to ending the global crisis. Retrieved from [https://www.ituc-csi.org/IMG/pdf/Finacial\\_crisis\\_EN-final.pdf](https://www.ituc-csi.org/IMG/pdf/Finacial_crisis_EN-final.pdf)
- Kanbur, R. (2001). Economics, social sciences and development. *World Development*, 30(3), 477-486.
- Kerr, C., Harbison, F. H., Dunlop, J. T. & Myers, C. A. (1960). Industrialism and industrial man. *International Labour Review*, 82(3), 1-15.
- Kindleberger, C. (1958). *Economic development*. New York: McGraw Hill.
- Kynge, J. & Ralph, O. (2018, March 14) World Bank Group helps plug infrastructure investment gap. *Financial Times*. Retrieved from <https://www.ft.com/content/fd749a72-26d9-11e8-b27e-cc62a39d57a0>
- Leys, C. (2008). *Total capitalism: Market politics, market state*. London: Merlin.
- Maier, C. S. (1977). The politics of productivity: Foundations of American international economic policy after World War II. *International Organization*, 31(4), 607-633.
- Marglin, S. (1990). Lessons of the golden age: An overview. In S. A. Marglin & J. B. Schor (Eds.), *The golden age of capitalism: Reinterpreting the postwar experience* (pp. 1-39). Oxford: Clarendon.
- Marx, K. & Engels, F. (1969). *Communist manifesto*. Retrieved from <https://www.marxists.org/archive/marx/works/download/pdf/Manifesto.pdf>
- Millikan, M. F. & Rostow, W.W. (1958). Foreign aid: Next phase. *Foreign Affairs*, 36(3), 418-436.
- Munck, R. (2010). Globalization and the labour movement: Challenges and responses. *Global Labour Journal*, 1(2), 218-232.
- Nurkse, R. (1952). Some international aspects of the problem of economic development. *American Economic Review*, 42(2), 571-583.
- O'Brien, R. (2000). Workers and world order: The tentative transformation of the international union movement. *Review of International Studies*, 26(4), 533-555.
- Panitch L. & Gindin, S. (2012). *The Making of global capitalism: The political economy of American empire*. London: Verso.
- Peet, R. (2003). *Unholy trinity: The IMF, World Bank and WTO*. London: Zed Books.
- Rosenstein-Rodan, P. N. (1943). Problems of industrialisation of Eastern and South Eastern Europe, *the Economic Journal*, 53(210-211), 202-211.

THE ROLE OF MODERNIZATION THEORY IN THE RECONSTRUCTION OF INTERNATIONAL LABOUR MOVEMENT  
IN THE COLD WAR PERIOD: LESSONS FOR TODAY

Tolga Tören

- Rosenstein-Rodan, P. N. (1944). The international development of economically backward areas. *International Affairs*, 20(2), 157-165.
- Rostow, W. W. (1959). The stages of economic growth. *The Economic History Review*, 12(1), 1-16.
- Selwyn, B. (2013). Karl Marx, class struggle and labour-centered development. *Global Labour Journal*, (4)1, 48-70.
- Sen, A. (1971). *Growth economics*. Victoria: Penguin.
- Silver, B. (2015). Labour, war and world politics: Contemporary dynamics in world-historical perspective. In K. v. d. Pilj (Ed.), *Handbook of international political economy of production* (542 - 649). Cheltenham: Edward&Elgar.
- Southall, R. (1995). *Imperialism and solidarity: International labour and South African trade unions*. Cape Town: UCT.
- Sturmthal, A. (1952). World labor manifesto. *ILR Review*, 5(2), 258-264.
- Vickers, R. (2000). *Manipulating hegemony: State power, labour and the Marshall Plan in Britain*. London: Macmillan.
- Wahl, A. (2004). European labor: The ideological legacy of the social pact. *Monthly Review*, (55)8. Retrieved from <https://monthlyreview.org/2004/01/01/european-labor-the-ideological-legacy-of-the-social-pact/>
- Wahl, A. (2007). Labour and development: What can be learned from Nordic model?. *Labour, Capital and Society*, 40(1&2), 79-105.
- Williams, M. (2015). Transformative unionism and innovative campaigns challenging inequality. *Global Labour Journal*, 2015, 6(3), 253-266.
- World Bank (2018, February 2). Infrastructure finance. Retrieved October 22, 2018, from <https://www.world-bank.org/en/topic/financialsector/brief/infrastructure-finance>



# 2

## THE GREEK LABOR MARKET LIBERALIZATION TRAJECTORY

Myrto Tourtouri<sup>1</sup> Christos Papatheodorou<sup>2</sup>, Dimitris Pavlopoulos<sup>3</sup>

### **Abstract**

*Labor market deregulation has been the dominant approach towards the development of a single European labor market for more than twenty years. We analyze Greece as the prototype example of liberalization policies that favor employment and wage flexibility as well as the abolition of labor market rigidities in Europe. Contrary to the common belief, liberalization is not a unified process but takes different forms among different states. This study aims to understand the process and the type of labor market liberalization strategy in Greece, took place from 2010 until 2016 and identify the Greek trajectory within the classification framework proposed by Thelen's (2014) "Varieties of Liberalization" From our analysis of the labor market reforms, it becomes evident that the liberalization trajectory in Greece was mainly defined by reform in collective labor legislation, which mainly involved the dismantling in the centralization and the coverage of labor law shifting the power considerably in favor of the employers.*

**Keywords:** Greek crisis, liberalization trajectory, deregulation

### **1. Introduction**

The Greek economic crisis burst in 2009 following the global financial crisis that drove banks into a credit shortage. The unwillingness of foreign banks to lend money to Greece was strengthened due to the extremely high records of the Greek sovereign debt and deficit, which exceeded 121% and 15%<sup>4</sup> of the GDP, respectively. In May 2010, the Greek government agreed with the Troika<sup>5</sup> on a program of economic and structural adjustment in exchange for financial support. The program imposed a series of austerity and structural reform measures. Labor market deregulation was a crucial component of this program, aiming at reducing the unit labor cost as well as at increasing the ability of firms to adjust to the economic fluctuations by promoting flexibility on the labor market (European Commission, 2010; Theodoropoulou & Watt, 2011).

Greece is not the first country where such policies have been implemented around the globe. Similar 'structural adjustment programs' had been already implemented in other turbulent economies, such as in Latin America, with the IMF having a leading role. Major reforms included the easing of dismissals, the facilitation of the use of atypical contracts, collective bargaining decentralization and abolishment of regulations concerning working time and union rights (Fallon & Lucas, 2002; Horton, Kanbur, & Mazumdar, 1994; Lima & Paredes, 2007). As of

1 Corresponding author, Vrije Universiteit Amsterdam, m.t.tourtouri@vu.nl

2 Panteion University of Social and Political Sciences, ch.papatheo@gmail.com

3 Vrije Universiteit Amsterdam, d.pavlopoulos@vu.nl

4 In 2009 the newly elected government predicted a budget deficit of approximately 12%. However, Eurostat expressed a reservation on the reliability of the reported data leading to upward revisions. Although there is some controversy on the exact figure, it is generally accepted that it was above 10%.

5 Troika is a political term widely used in the discussion of the Greek crisis and refers to the tripartite committee of Greek creditors constituted by the European Commission (EC), the European Central Bank (ECB) and the International Monetary Fund (IMF)



the early 1980s, under the Thatcher (UK) and Reagan (USA) administrations, pro-market policies launched an attack on protective labor market institutions legislated in the previous decades in order to facilitate competition. (Howell, 2004; Keen, 2011).

In the European territory, economic and institutional liberalization was introduced through the process of European integration. In core EU countries, such as Germany, Austria, and the Netherlands, the introduction of labor market flexibility was accompanied with some measures of promoting employment and income security. In countries of the EU-periphery - i.e., Spain, Portugal, Greece, and Ireland - where initial wages were lower and the welfare state underdeveloped, reforms promoting flexibility were implemented at a slower tempo while wages rose considerably (Lapavitsas, 2011). However, the recent crisis intensified this process.

According to mainstream economic theory,<sup>6</sup> labor market deregulation is the most appropriate policy approach for boosting economic growth, especially during economic downturns. The mainstream economic theory posits that the labor market functions in the same way as any other product market. Therefore, labor market deregulation signifies a boost in market forces that stimulate competitiveness and boosts employment (Blanchard & Wolfers, 2000; OECD, 1994). In contrast, critical economic theories suggest that deregulation may even have a negative effect on competitiveness and increase unemployment (Baccaro & Rei, 2007; Freeman, 2005; Vergeer & Kleinknecht, 2012). Moreover, they suggest that deregulation has severe adverse spill-over effects as it generates insecurity, lower earnings, and ultimately increases social inequality (ILO, 2015; Karamessini & Giakoumatos, 2018)

However, both strands of literature on labor market deregulation - mainstream and heterodox- emphasize the similarities of policies of labor market deregulation and treat them as homogenous. This ignored the differentiation of the aim and the outcomes of these policies as implemented in different time periods and different countries. Thelen's "Varieties of Liberalization" identifies several distinct types of institutional change that allow for "puzzling combinations that break with the continuum model" (Thelen, 2014). This paper aims to identify the type of trajectory that fits best to the labor market reforms that the Greek government pursued in the period 2010-2016. To achieve this, we analyze the reforms themselves as well as their relevance to Thelen's trajectories.

The outline of the paper is as follows. Section 2 discusses the theoretical approaches concerning neoliberal labor market reforms in times of economic crisis and gives a short introduction of the different reform trajectories and policy responses based on different theoretical frameworks. Section 3 contains the main analysis of the labor market reforms adopted since 2010 and the discussion of the process of labor market deregulation, by exploring the labor market milieu before and during the crisis. Finally, the conclusions of our study are discussed in section 4.

## 2. Labor market policy responses in time of an economic crisis

From a theoretical perspective, Clasen Clegg, & Kvist (2012) propose a crisis interpretation frame with three broad types of labor market reforms: (a) Crisis as a demand shock, (b) Crisis as a structural challenge and (c) Crisis as a fiscal emergency. Type (a) derives from Keynesian economic theory and suggests that periodic crises are inherent to capitalistic economies as they are triggered by insufficient aggregate demand and lead to imbalances in the labor market. In this case, the policy response can vary from the expansion of unemployment benefits to programs of the Employer of Last Resort in order to support core workforce (insiders) to sustain demand (Antonopoulos, 2009;

<sup>6</sup> Mainstream economic theory refers to the body of language influenced by the neoclassical economics tradition. Mainstream economic theory is also opposed to the so-called heterodox theories, which are skeptical of the restrained role of government as well as of rational choice theories.

Wray, 2007). Types (b) and (c) are in line with the neoliberal conceptual framework and consider labor market imbalances as the cause of the crisis. The policy response that these types imply is liberalization using greater flexibility to enhance adaptability to unfavorable economic conditions (b) or the implementation of harsh austerity policies (c) that affect both insiders and outsiders in the labor market (Clasen, Clegg, & Kvist, 2012). Structural adjustment programs that were implemented in various countries followed the framework of types (b) and (c).

The theoretical framework of Thelen (2014) on the Varieties of Liberalization builds on the Varieties of Capitalism approach (Hall & Soskice, 2001; Amable, 2003) and elaborates on policy perspectives that see the crisis as a structural challenge for the labor market. Thelen suggests that the main dimensions of labor market liberalization are coordination as well as coverage<sup>7</sup> of employment protection. Deregulation refers to a retrenchment of both dimensions, coordination, and coverage - and it is typically the approach of liberal market economies. According to this theoretical framework, there are three archetypical trajectories of institutional change: - *deregulation*, *dualization* and *embedded flexibilization*. Dualization involves a decrease in coverage while coordination remains unchanged. This path typically identifies with Central European economies, such as Germany. Finally, embedded flexibilization impels more flexibility in coordination while coverage remains stable. This is typically a feature of Scandinavian countries. Picot & Tassinari (2017) add yet another trajectory, the *embedding flexibilization*, that involve a decrease in coordination with a simultaneous increase in coverage. This trajectory is the path that Italy followed in the recent crisis.

Similar to other Southern European countries, which implemented programs of labor market liberalization as a response to the economic crisis, Greece was subject to a violent adjustment, which fundamentally transformed both the regulatory framework and the social norms in the Greek labor market. Similarities between southern European countries also arise in the structural developments before the crisis when the European south was precariously integrated into the Eurozone under the pressure and the growing engagement with financial markets (Lapavistas et al., 2010). The simultaneous relative decrease in the weight of production and the increased weight of financial assets in the total economy led to an analogous devaluation of labor. In Greece, this process coincides with the economy's modernization in the 1990s which aimed to create favorable conditions for the accession to Eurozone (Koukiadaki & Kretsos, 2012). At the same time, unit labor costs increased faster than productivity, making Greece the least productive -in these terms- the European economy (Lapavistas et al., 2010).

Following the approach above, we will analyze the liberalization program implemented in Greece, which has been in the spotlight of both the public and the academic debate since 2010. Based on the most significant reforms promoted in Greece, we will assess the type of the given policy response.

### 3. Results

The Greek program of economic adjustment and structural reforms consists of three separate agreements, known in the public discussion as Memoranda of Understanding (MoU), each one eliciting a loan provided by the Troika.<sup>8</sup> Even though all of the three programs are governed by the principles of dominant economic perspectives, each one of them has distinct prioritizations. In this section, we discuss all the major labor market reforms in chronological order. Specifically, we distinguish between 4 periods: before the implementation of the first memorandum of

<sup>7</sup> Coordination refers to the degree of corporatism, met at VoC literature, dichotomous model. Coverage refers to the degree of expansion of working arrangements among working population.

<sup>8</sup> In the third memorandum, agreed in July 2015, IMF is not participating as a creditor, but as an advisor with regard to the progress of structural reforms

understanding (MoU) in 2010, after the implementation of the first MoU 2010-2012, after the implementation of the second MoU 2012-2015 and after the agreement on the third MoU (2015 and onwards).

### **3.1 The protection in the Greek labor market before the outburst of the crisis**

The dominant rhetoric in the public discourse before the crisis was that Greece's strong employment protection hindered employment growth and fostered labor market segmentation with the vulnerable groups, such as female and young workers, bearing the costs for this (European Commission, 2010). Moreover, strong employment protection prevented wage moderation that would be advantageous for adjustment in economic downturns, while it intensified further labor market segmentation, with civil servants enjoying the privileges of insiders and workers in the private sector facing less favorable employment conditions (IMF, 2010). The domestic mainstream media and the political elite employed the dominant neoliberal narratives and discourses to blame these labor market "rigidities" as the principal source of the escalating crisis. The zest of the media to establish the need for a "shared sacrifice" is summarized in the popular expression "Greece is the last Soviet republic of the EU" (Malouchos, 2010; Mavridis, 2009) that was used to highlight the excess rigidities in the Greek labor market.

The narrative presented above is questioned by empirical evidence. Specifically, temporary contracts were almost as popular as to the rest of the EU-15 (Dedoussopoulos, Aranitou, Koutentakis, & Maropoulou, 2013). In 2005 and 2010 one out of five employment relationships involved a temporary contract. Moreover, those working with a temporary contract were very likely to remain employed with such a contract a year later (Pavlopoulos, 2013). Part-time employment was popular in the public sector, as the private sector was hesitant in using such forms of employment until 2008 (Dedoussopoulos et al., 2013).

Moreover, shortly before 2010, the officially recorded undeclared work was 29.7% rising to 40.5% by the end of 2013, to be limited to 25% at the end of 2014 (ILO, 2014). On top of that, unionization rates in Greece were relatively low. OECD unionization index shows that union density was steadily declining from 39% in 1980 to 23.8% in 2008, right before the burst of the crisis. However, union density was higher in the public sector and industries under state control and much lower in the private sector (Kouzis, 2011). Moreover, self-employment rate in Greece has been the highest among all European Union member states, which implied that a large part of the working population was excluded from labor law and any form of employment protection. Overall, evidence suggests that, in the pre-crisis period, the Greek labor market was ambiguously regulated rather than overprotected.

### **3.2 The first memorandum, 2010-2012**

The first memorandum focused mainly on fiscal consolidation, by implementing large adjustments of direct labor costs in the public sector. Consequently, in the framework of Classen et al. (2012), this program treated the crisis as a fiscal emergency. Wages were decreased on average by 8%, while benefits – that due to previous collective employment agreements made a large proportion of monthly salaries – were restricted to 250-500 euros (Law 3845, 2010). Annual salary raise was frozen according to the new national collective employment agreement (Law 3871, 2010).

A further consequence of the implementation of the first memorandum was the reduction in the share of public sector employment. Specifically, the rule of "one hire for every ten retirements" was implemented (Law 3845, 2010) along with a 50% reduction in the number of fixed-term contracts in the public sector (Law 3986, 2011). At the same time, the pension cuts that these wage cuts would imply (i.e., pension at that time was calculated as

a percentage of the pre-retirement wage) led to a wave of early retirement of public sector employees that wanted to receive the pre-reform pensions. All these resulted in severe personnel shortages to most public institutions that together with the direct cuts in the budget of public institutions led to the depreciation of the quality of their services.

Although the main focus of the first memorandum was on fiscal consolidation, the reforms also had some structural effects. In the public sector, these effects refer to the increase of some of the worst forms of labor market flexibility. Specifically, since public institutions were faced with personnel shortages and reduced budgets, they turned to cheap outsourcing and the even cheaper use of employment under cover of Active Labor Market Programs (ALMPs)<sup>9</sup> to cover their needs. The increase of outsourcing was sometimes a side effect of budget cuts in public institutions but in other cases, an explicit aim of the reforms. For example, according to the 3979/2011 law, it became mandatory for public institutions to transfer cleaning services to private contractors.

The first memorandum also initiated the first steps towards a neoliberal reform of employment protection: this concerned the regulation of collective dismissals, the probation period for new hires, the youth subminimum wage and the liberalization of services. In more detail, the maximum number of dismissals was increased to 6 workers for firms with less than 150 workers and 5% (previously 2%) for larger firms (Law 3863, 2010). The probation period for new hires increased from 2 to 12 months (Law 3899, 2010). The abolition of the binding nature of collective employment agreements was a crucial reform (Law 4024, 2011). Finally, a subminimum wage equal to 70% of the national minimum wage for young workers up to the age of 24 was introduced (Law 3853, 2010).

### 3.3 The second memorandum, 2012-2015: Crisis as a structural challenge

The second memorandum was agreed on January of 2012. Contrary to the first memorandum, it mainly focused on structural reforms and privatizations, while retaining the fiscal targets agreed at the beginning of the program. Until that point, the performance of the Greek economy provided mixed outcomes (see table 1) “towards the ambitious objectives of the first adjustment program” (European Commission, 2012). During the first program, the deficit was remarkably decreased, due to striking cuts in public expenses. However, most of the other objectives were only partially met.

Objective	Assessment
Fiscal policy	Partially observed
Privatization and structural fiscal reforms	Partially observed
Growth-enhancing structural (labor) reforms	Partially observed
Financial sector policy	Largely observed

*Table 1: First adjustment program failures and achievements*

The second memorandum depicts an advanced version of the first one, adjusted to the renewed projections and especially by introducing additional challenges which mainly had to do with removing rigidities in the labor market. The reforms in the public sector that were implemented by the first memorandum created favorable conditions for extending deregulation in the private sector by further enhancing flexible and precarious work, easing dismissals

<sup>9</sup> Active Labor Market Policies (ALMPs) concern government programs of vocational education and training (VET), direct job creation and inclusion of vulnerable social groups. ALMPs are provided as an alternative to the traditional (passive) measures against unemployment, such as unemployment benefit, which are considered to be unsuccessful regarding the mobilization of the unemployed.

and dismantling the system of collective bargaining (Kouzis, 2015). Following the classification of Clasen et al. (2012), the second memorandum shifted from treating the crisis mainly as a fiscal emergency to treating the crisis predominantly as a structural challenge.

A further blow to collective bargaining was inflicted by the abolition of collective agreements after-effect from 6 to 3 months and their restriction to the wage-related conditions, which further hampered bargaining procedures. Moreover, labor law was further deregulated by severely restricting the right of employers' associations and trade unions to unilaterally initiate a mediation and arbitration process in case of a conflict (Cabinet Decision n.6, 2012). However, this reform was later retracted due to constitutional issues (Law 4303, 2014)<sup>10</sup>.

Following the directives of the second memorandum, the national minimum wage in the private sector was reduced by 22% (Law 4046, 2012) - from €751 to €586 and €511 euros for workers under 24 years. It is important to mention that the decision for the minimum wage decrease was taken using a ministerial decree without consulting the social partners. The overall outspoken aim of this wage decrease was to align marginal labor cost with countries that underwent similar programs of fiscal consolidation and structural reforms, mainly in Southern and Eastern Europe.

Despite the focus of the second memorandum on the private sector, important reforms were implemented for the public sector as well (European Commission, 2012). Specifically, the permanency of employment contracts for civil servants was abolished (Cabinet Decision n.6, 2012) as the government renewed its commitment to the reduction of the volume of civil servants by 150.000 until 2015. This further contraction of the public sector was facilitated by the abolition of many positions and the expansion of the so-called 'labor reserve.' Labor reserve refers to a condition where the position of a civil servant is abolished, while the employee occupying this position remains in the payroll of the government. The civil servant continues to be paid 60% of his salary for up to 12 months until they could be moved in another job. If no vacancy is found for him, he is dismissed after these 12 months.

### **3.4 The third memorandum, 2015-2018: Structural challenge focused on unionism and labor rights**

The first two agreements successfully managed to drastically reform the Greek labor market, accelerating the process of deregulation that started in the 1990s' (Kouzis, 2015). Therefore, also taking into account the frontloaded nature of the first two programs (European Commission, 2012), in the third memorandum of 2015, there was little room for radical changes. However, some important additional interventions were put forward by this agreement as well. These were significant for the nature of labor relations, exploiting the already liberalized environment in the labor market. Specifically, the Ministry of Labor lost its veto-right about collective dismissals. This veto-right was remitted to the Supreme Council of Labor<sup>11</sup> (Law 4472/2017).

The 3<sup>rd</sup> memorandum also aimed at severely restricting trade union power, particularly through changes in the process of strike declaration and the institutionalization of the 'lockout.' In more detail, an establishment-level trade union will be able to call a strike only if 50% of its members vote in favor of it, while during a strike, employers will have the right to apply a lockout and discontinue the payment of wages to non-strikers. Moreover, trade union representatives will be allowed to take less paid leave days to carry out their trade union tasks.

<sup>10</sup> However, Law 4303/2014, which re-regulated mediation, formed the criteria for the initiation of the process on the ground of firm's financial capacity and competitiveness, favoring employers.

<sup>11</sup> The Supreme Council of Labor consists of seven regular members, five of them are appointed by the government and the other two represent the employers' association and workers' confederations.

### 3.5 An assessment of the overall program

When evaluating the structural effects of labor market reforms under the first memorandum in Greece, we can conclude that they involved a reduction of coordination, mainly by deregulating pay schemes of public sector and protection against dismissals in standard employment. On the dimension of coverage, the implications concerned the mandatory expansion of outsourcing in certain services of the public sector, the introduction of a subminimum wage for youth under the age of 24, the extension of the probation period, and the establishment of ALMPs with limited working rights. Hence, those reforms led to a moderate retrenchment in coordination and a large decline in coverage. However, this is in line with Thelen's (2014) deregulation-type of liberalization as it combines a reduction in both dimensions.

The core of the labor market reforms in the second memorandum focused on the deregulation of collective bargaining and the reform in minimum wage setting mechanism. Moreover, the abolition of permanency in public sector employment corresponds to a reduction of coverage. In Thelen's (2014) conceptual framework, this also corresponds to a step towards deregulation regarding both coordination and coverage, although the retrenchment of coordination prevails. The third memorandum also fits the deregulation trajectory. The major reforms focused on the dimension of coordination using interventions in union law, while the ease of collective dismissals through the abolition of the ministerial veto had implications on coverage.

Program	Reform	Dimension of liberalization	
		coverage	coordination
1 <sup>st</sup> MoU	Public sector wage and benefits decrease		(-)
	Expansion of ALMP's	(-)	
	Expansion of the probation period	(-)	
	Liberalization of dismissals		(-)
	Introduction of a subminimum wage for the youth	(-)	
	Mandatory expansion of outsourcing in certain services of the public sector	(-)	
	Abolition of the binding nature of collective agreements		(-)
2 <sup>nd</sup> MoU	Unilateral recourse to mediation		(-)
	Minimum wage set up by a ministerial order		(-)
	Restriction of the collective agreements after-effect		(-)
	Abolition of permanency in the public sector's employment contracts through "labor reserve."	(-)	
3 <sup>rd</sup> MoU	Remittance of collective dismissals veto right to the Supreme Council of Labor	(-)	
	50%+1 rule to call a strike		(-)
	Restriction of leave days for trade union representatives		(-)

*Table 2: Dimensions of liberalization by reform*

### **Unlawfulness as a means for further liberalization**

Besides the legislative interventions that liberalized the Greek labor market, non-compliance to labor law is yet another feature of the Greek labor market's institutional change. SEPE is the Greek Labor Inspectorate, which reports to the Ministry of Labor and is the responsible body for monitoring the implementation of labor legislation, investigating undeclared or underdeclared work, and providing information in order to evaluate the relevant policies. Although the adjustment programs did not explicitly address the issue of unlawfulness in the labor market, the reforms did enhance the prevalence of unlawful practices. It is quite typical of the depreciation of labor law and lawfulness that in the organization chart adopted in 2014 by SEPE (PD 113/14), 209 job positions and 26 units (9 directories and 17 departments) were abolished. Among those -abolished- departments were the Legal Support and Information Systems departments.

Moreover, it was not until 2013 that SEPE launched the operational system "Artemis," that introduced stricter fines and mandatory reporting of hiring and dismissals through ERGANI in order to better monitor labor market practices (European Commission, 2015). The results of SEPE inspections indicate that uninsured work in sectors with high delinquency rates (garment industry, personal services, sports and leisure/entertainment, catering services) accounted for 31,61% in 2013. However, since 2015 SEPE has been reorganized and enhanced with the legislation of a new organizational chart that anticipated additional staff and the creation of new departments. According to recent data, published in the "Artemis" report on uninsured and undeclared work, the delinquency rate dropped to 12,48% in 2017 (SEPE, 2017).

### **4. Discussion**

Since 2010, Greece underwent a series of fiscal and structural adjustment programs. Labor market reforms inspired by the neoliberal economic paradigm were central in these adjustment programs. Using the classifications of Classen et al. (2012) and Thelen (2014), we tried to position the reforms in Greece in the spectrum of the varieties of liberalization in times of a crisis. This approach allows us to gain a better understanding of the Greek crisis and provide new insights in the way that it is usually discussed in academic literature.

Neoliberal labor market reforms by the Troika and the Greek government with three subsequent Memoranda of Understanding suggest the Greek labor market followed a clear path of direct deregulation. However, the first memorandum was more oriented towards the liberalization of coverage while the second agreement was mostly a liberalization of regulations regarding coordination. The third memorandum had fewer reforms and a more balanced approach between these two dimensions – coverage and coordination. Moreover, we highlighted the fact that non-compliance with the labor law is a crucial aspect in the labor market deregulation, which might influence the degree of flexibility and the type of the followed liberalization trajectory.

The new milieu in the Greek labor market underlines an absolute commodification of labor according to the mainstream economic policy imperatives, which is conceptualized in an utter deregulation-reform trajectory according to Thelen's (2014) theoretical framework. Crisis in Greece occurred a large step towards deregulation, and in this sense, the followed structural reform diverged from the "European best practices" which are achieved through much more moderate strategies that keep one of the two dimensions -coverage or coordination- unchanged.



## References

- Amable, B. (2003), *The Diversity of Modern Capitalism*, Oxford, Oxford University Press.
- Antonopoulos, R. (2009). *The Current Economic and Financial Crisis : A Gender Perspective by* (Working Paper). New York.
- Baccaro, L., & Rei, D. (2007). Institutional determinants of unemployment in OECD countries: Does the de-regulatory view hold water? *International Organization*, 61(3), 527–569. <https://doi.org/10.1017/S0020818307070221>
- Blanchard, O., & Wolfers, J. (2000). The Role of Shocks and Institution's in the Rise of European Unemployment: The Aggregate Evidence. *Economic Journal*, 110(462), 1–33. <https://doi.org/10.1111/1468-0297.00518>
- Clasen, J., Clegg, D., & Kvist, J. (2012). *European labour market policies in ( the ) crisis* (No. 2012.12). Brussels.
- Dedoussopoulos, A., Aranitou, V., Koutentakis, F., & Maropoulou, M. (2013). *Assessing the impact of the memoranda on Greek labour market and labour relations*. Geneva.
- European Commission. (2010). *Economic Adjustment Program for Greece*. Brussels. <https://doi.org/10.2765/46750>
- European Commission. (2012). *The Second Economic Adjustment Programme for Greece*. (European Commission, Ed.), March. Brussels. <https://doi.org/10.2765/20231>
- European Commission. (2015). *Factsheet on Undeclared Work – GREECE*.
- Fallon, P. R., & Lucas, R. E. B. (2002). The Impact of Financial Crises on Labor Markets , Household Incomes , and Poverty : A Review of Evidence, 17(1), 21–45.
- Freeman, R. B. (2005). *Labour Market Institutions Without Blinders: The Debate over Flexibility and Labour Market Performance*. Cambridge, MA 02138. <https://doi.org/10.1057/9780230226203.0916>
- Horton, S., Kanbur, R., & Mazumdar, D. (1994). *Labor Markets in an Era of Adjustment*. (S. Horton, R. Kanbur, & D. Mazumdar, Eds.). Washington, D.C. 20433, U.S.A.: The World Bank.
- ILO. (2015). *Employment protection legislation : summary indicators in the area of terminating regular contracts (individual dismissals)*.
- IMF. (2010). *Greece : Staff Report on Request for Stand-By Arrangement International Monetary Fund Washington , D . C . Director*.
- Koukiadaki, A., & Kretsos, L. (2012). Opening Pandora ' s Box : The Sovereign Debt Crisis and Labour Market Regulation in Greece, 41(3), 276–304. <https://doi.org/10.1093/indlaw/dws031>
- Kouzis, Y. (2011). The impact of the crisis on labour relations and collective agreements in Greece. Towards a sustainable recovery: The case for wage-led policies. *International Journal of Labour Research*, 3(2), 245–257.
- Kouzis, Y. (2015). Το εργασιακό περιβάλλον μετά από το μνημόνιο.
- Lapavistas, C. (2011). Theorizing financialization. <https://doi.org/10.1177/0950017011419708>



- Lapavitsas, C., Kaltenbrunner, A., Lindo, D., Michell, J., Paineira, J. P., Pires, E., ... Teles, N. (2010). Euro-zone crisis: Beggar thyself and thy neighbour. *Journal of Balkan and Near Eastern Studies*, 12(4), 321–373. <https://doi.org/10.1080/19448953.2010.510012>
- Lima, V. O., & Paredes, R. D. (2007). The Dynamics of the Labor Markets in Chile. *Estudios de Economía*, 34(2), 163–183. Retrieved from <http://ideas.repec.org/a/udc/esteco/v34y2007i2p163-183.html>
- OECD. (1994). *THE OECD JOBS STUDY Facts , Analysis , Strategies (1994)*.
- Pavlopoulos, D. (2013). Starting Your Career With a Fixed-Term Job: Stepping-Stone or “Dead End”? *Review of Social Economy*. Taylor & Francis. <https://doi.org/10.1080/00346764.2013.799970>
- Picot, G., & Tassinari, A. (2017). All of one kind? Labour market reforms under austerity in Italy and Spain. *Socio-Economic Review*, 15(2), 461–482. <https://doi.org/10.1093/ser/mww042>
- SEPE. (2017). *Organizational plan for insecured and undeclared work [Επιχειρησιακό σχέδιο για την καταπολέμηση της ανασφάλιστης και αδήλωτης εργασίας]*.
- Theodoropoulou, S., & Watt, a. (2011). Withdrawal symptoms: an assessment of the austerity packages in Europe. *Working Papers, Working Pa*, 40 pages. Retrieved from <http://www.etui.org/Publications2/Working-Papers/Withdrawal-symptoms-an-assessment-of-the-austerity-packages-in-Europe>
- Vergeer, R., & Kleinknecht, A. (2012). Do Flexible Labor Markets Indeed Reduce Unemployment? A Robustness Check. *Review of Social Economy*, 70(4), 451–467. <https://doi.org/10.1080/00346764.2012.681113>
- Wray, R. (2007). *The employer of last resort programme: could it work for developing countries?* (Economic and Labour Market Papers No. 2007 / 5). Geneva.

# 3

## THE CLASS CONFIGURATION OF WAGE LABOUR IN GREECE: CHANGES DURING THE RECENT ECONOMIC CRISIS

Ioannis Zisimopoulos<sup>1</sup>, George Economakis<sup>2</sup>

### **Abstract**

*In a recent study of the Labour Institute of General Confederation of Greek Workers (INE-GSEE), the class configuration of the Greek social formation during the period 2006-2014 has been identified on the basis of the Marxist theory of modes of production. Taking advantage of the results of that study, the purpose of the present paper is to investigate in particular the class configuration of salaried classes in Greece, as well as the changes that occurred in the period of the recent economic crisis. Data analysis shows that salaried social classes as a whole have been shrunk in absolute terms, while the supervision of the working class in the capitalist production process has been increased.*

**Keywords:** social classes, wage labour, Greece, Greek economic crisis

### **1. Introduction**

The purpose of this paper is to investigate the class configuration of wage labour in Greece. The latter constitutes the social subject of the trade union movement. More precisely, we attempt to focus on the changes that have occurred in the structure of wage labour during the current economic crisis.

This investigation could contribute to the shaping (or re-shaping) of the trade union movement strategy and specifically to a strategy that is oriented towards the defense of working class' interests, identifying the presence of social classes that could be potential allies to the working class in the trade union movement.

In order to carry out this investigation and for the determination of social classes, we have followed the Marxist theory of modes of production. The empirical part of our paper has been based on secondary data derived from labour force surveys and especially from the results of a recent study titled *The Class Structure of Greek Society and the Position of the Working Class* (Economakis, Zisimopoulos, Katsoridas, Kollias, & Kritikidis, 2015; see also Economakis, Zisimopoulos, Katsoridas, Kollias, & Kritikidis, 2016a, 2016b).

The structure of the paper is as follows. Section 2 presents the criteria according to which the social classes are defined. In section 3 the social classes within the modes of production are defined, i.e. within the capitalist mode of production (CMP), the simple commodity mode of production (SCMP) and the hybrid mode of production (HMP). In section 4 the social classes that are formulated within the state mechanism (general government) and the state capitalist enterprises are defined. In section 5 we attempt to sum up the social classes that are formulated in a

---

1 Correspondence concerning this article should be addressed to Ioannis Zisimopoulos, Department of Business Administration, University of Patras, Greece, University Campus, 265504, Rio Achaia. Tel: +302610969833., Contact: jozisimo@upatras.gr

2 Department of Business Administration, University of Patras.

social formation and to present the (quantitative) limits that in practice could delimitate the modes of production. In the 6<sup>th</sup> section the social classes that are formed within the wage labour are determined and in section 7 the methodology adopted for the empirical investigation of class configuration is presented. The 8<sup>th</sup> section is dedicated to the presentation of the results of the investigation, while in the 9<sup>th</sup> section there are some concluding remarks.

## 2. Mode of production, production relations, social classes: the economic and the political-ideological criterion of class determination

Our analysis is based on three preconditions. The first is that the basic criterion of class determination is economic: the position in production relations. The second precondition is that social classes may be also formed as a part of the functional exercise of social (economic, political, ideological) power of the ruling class. The third precondition is that there can be no class definition at the political and ideological level which is inconsistent with the definition at the economic level (Milios & Economakis, 2011, p. 228).

Based on the above preconditions, social classes are distinguished into “fundamental” and “non-fundamental” or “intermediate” social classes.

“[T]here are three relations, which together constitute the relations of production: *ownership, possession* and the *use* of the means of production”. The particular combination of the relations of production constitutes the “matrix” of (every) mode of production. It is necessary to note that “[u]se of the means of production is defined as the exclusive performance of the function of labour,..., [o]wnership...consists in the control of the means, objects and results of the productive process”, and possession of the means of production is “the management (direction) of the production process and the power to put the means of production to use...[O]wnership as an economic relation exists in a relation of homology (coincidence-correspondence) with possession” (Economakis, 2005, p. 13). The “fundamental” social classes are formed within the modes of production, as the “carriers” of the relations of production. Non-fundamental social classes consist of those social classes that are not “carriers” of production relations in a mode of production, or those social classes that are not formed within the modes of production –and thus cannot be defined on the basis of the economic criterion– but are constituted within the framework of the state’s function. (Economakis, 2005, p. 14; Milios & Economakis, 2011, p. 228).

## 3. The social classes within the modes of production: CMP, SCMP, HMP

There are two preconditions for the emergence of the CMP, one “elementary” and one “specifically capitalist” feature.

The “elementary feature” of the matrix of the capitalist mode of production is the “homology of the relation of ownership and possession in the class ‘carrier’ of ownership (real ownership) by separation of free-immediate-producers<sup>3</sup> from possession of the means of production. Real ownership connotes that the free workers work to the benefit of the class ‘carrier’ of ownership” (exploitation relationship, surplus-value production and extraction, remuneration from variable capital, i.e. “productive labour”<sup>4</sup>) (Economakis, 2005, p. 14).

3 The “free-immediate-producer” is the free worker (producer) “in the double sense”: the free expropriated individual (Marx, 1990, pp. 272-273). On the one hand, “free” producers as individuals means “emancipation of producers from feudal or Asiatic relations”, and on the other hand, “expropriated” producers means “separation [of producers] from the means of production (and subsistence) that they possessed under... [feudal or Asiatic] historical conditions” (Milios & Economakis, 2011, pp. 228-229).

4 “Productive labour” from the standpoint of the capitalist production process is the labour paid from variable capital, that is the labour that produces surplus value – the exploited labour under capitalism (see Marx 1969, 1981, 1990; for a review of the

The “specifically capitalist” feature of the matrix of the capitalist mode of production is the total disengagement of the real owner of the means of production from the need to work directly (or to exert the function of labour), or in other words the total disengagement from the use relation. The “specifically capitalist” feature results from the change in the quantitative scale of production, and thus from the change of the volume of capital employed by an individual employer. The volume of capital determines thus the volume of wage labour (number of wage-earners employed) (Economakis, 2005, pp. 14-15).

On the basis of the above analysis, we can conclude that the two fundamental social classes that are formed within the CMP are the “capitalist class” (the owners of the means of production and the top managers), as the exploiting class “carrier” of the real ownership relation, and the “working class”, as the exploited class “carrier” of the use relation (see Economakis, 1999).

Within the CMP, the “new petty bourgeoisie” is formed as a non-fundamental social class. This social class consists of a special kind of wage earners (lower level managers, supervisors) who, despite the fact that they are also exploited as the working class, are neither “carriers” of the use relation nor “carriers” of the real ownership relation, but, nevertheless, they exert power that is assigned by the capitalist class (Milios & Economakis, 2011; see also Poulantzas, 1976).

Under conditions of total engagement or under conditions of non-total (partial) engagement of the real owner in the labour process, two distinct non-capitalist modes of production are formed. The first one (total engagement of the real owner in the labour process) is the SCMP and the second one (partial engagement of the real owner in the labour process) is the HMP (Economakis, 2000, 2005).

Within the SCMP, only one social class is formed, the “traditional petty bourgeoisie”, which belongs to the fundamental social classes of the social formation. The simple commodity producer (self-employed) is the exclusive “carrier” of the relations of production (real ownership and use relation). Apart from the owner of the production unit, the (non-salaried) contributing family workers belong to the traditional petty bourgeoisie, too. It must be noted that there is no exploitation relationship within the SCMP.

Within the HMP, two fundamental social classes are formed, which are both “carriers” of production relations: the “middle bourgeoisie” and the “spurious working class”. The middle bourgeoisie consists of the “small employers” and contributing family workers. The middle bourgeoisie is the “carrier” of the real ownership and of the partial use. The salaried class of HMP, which is only “carrier” of the use relation (i.e. it is subjected to surplus-value extraction), is called spurious working class, in order to be distinguished from the working class which is exclusively formed within the CMP (see Economakis, 2000, 2005).

#### **4. The social classes within the state mechanism and the state capitalist enterprises**

Within the state mechanism (general government), three non-fundamental social classes are formed, which cannot be defined according to the economic criterion, i.e. as the “carriers” of production relations. These classes are: “the new petty bourgeoisie of the state mechanism”, the “upper state bureaucracy” and the “lower ranking civil-servants”

---

contradictions among Marxists in relation to the concept of productive labour see the literature presented in Milios & Economakis, 2011. As seen in the following analysis, the exploited labour under capitalism (i.e. the labour that produces surplus value) is not identical with the working class, although the exploitation is a precondition for the identification in the working class (for a detailed discussion of the issue see Economakis *et al.*, 2015).

(see Economakis *et al.*, 2015). Within the general government, capitalist exploitation relations do not exist, i.e. production and extraction of surplus value.

“[T]he new petty bourgeoisie [of the state mechanism]... comprises all those wage earners who staff the apparatuses of the capitalist state, hence exercise power in the name of the capitalist system in the process of its social reproduction” (Milios & Economakis, 2011, p. 231). It consists of civil servants that ensure “the cohesion of capitalist political power (state bureaucracy, the judicial apparatus, the military, etc.) and the systematization and dissemination of the ruling ideology, such as education” (*ibid.*, p. 232). These employees are salaried from the general government revenues (see Kappos, 1987). The relationship of the new petty bourgeoisie of the state mechanism with the state is internal, as correspondingly internal is the relation between the new petty bourgeoisie of the CMP with the large capitalist enterprise (see Milios & Economakis, 2011).

The lower hierarchical levels of civil servants (e.g. artisans, public service cleaners), who do not perform functions that ensure the consistency of state power or the systematization and dissemination of the dominant ideology, constitute the class of the lower ranking civil-servants.

The senior civil servants, the “heads” of the state mechanism, exercise directly (i.e. non-delegated by others) authority for the reproduction of the capitalist system within the framework of the “relative autonomy” of the state (Economakis *et al.*, 2015; see also Poulantzas, 1976, pp. 183 ff.; Economakis & Bouras, 2007). We will call these “heads” of the mechanism of the capitalist state upper state bureaucracy.

We consider the state capitalist enterprises (state-owned industries, public enterprises etc.) as a special form of the capitalist enterprise. Therefore, all our basic determinations on the CMP and therefore on the social classes that are formed within CMP, are applied in state capitalist enterprises. The most important difference of these enterprises, compared to the private sector capitalist enterprises, is that the legal ownership belongs to the state, i.e. to the “collective capitalist”, and not to the individual capitalists (Economakis, 2000; Carchedi, 1977), and therefore the salaried classes are paid by “state capital” (Kappos, 1987). The social classes that are formed within the state capitalist enterprises are: the capitalist class which consists of the top managers, the new petty bourgeoisie of CMP and the working class (see Economakis, 1999, 2000; Economakis *et al.*, 2015).

## 5. Digression: new petty bourgeoisie and working class, some clarifications

We must clarify at this point two questions that emerge from our analysis. The first one is the following: “Why do different social groups and agents belong to the same social class despite the fact that they undertake different roles in the capitalist division of labour (capitalist production vis-a`-vis state apparatuses)?” (Milios & Economakis, 2011, p. 231). Following Milios & Economakis (*ibid.*, p. 232) “The answer is that these groups exercise the same type of social functions within capitalist production-social-reproduction despite the different social levels. ... These functions converge at reproduction of capitalist power at any social level”.

The second question concerns some implications that come up from the definition of “productive labour”. More precisely: Inclusion in the working class presupposes the exertion of productive labour, but productive labour and working class are not identical. According to the Marxian analysis (see among other Marx’s works, Marx, 1969, p. 157), the distinction between productive and non-productive labour has as a result the same kinds of concrete labour (production of the same use values) to be included in different class contexts. This is particularly

true for specific kinds of concrete labour carried out by certain parts of the working class (productive labour) and certain parts of the new petty bourgeoisie of the state mechanism (non-productive labour). A typical, and politically charged, example is the case of the ideological functions of the educational process (reproduction and dissemination of the dominant ideology). In the case of private education these functions are produced as a commodity, while in the case of public education they are produced as a public good free of charge. In the first case, productive labour is exerted by a teaching staff that belongs to the working class (inasmuch as they do not perform management/supervising functions and, as it mentioned earlier, under the precondition that class definition at the economic level prevails over ideological and political criteria); in the second case non-productive labour is exerted by a teaching staff that belongs to the new petty bourgeoisie of the state mechanism. At this point a theoretical question arises. There are parts of the working class that basically exert mental and scientific work without exercising management-supervision functions (as in the case of teaching staff in the private education). However, “the capitalist division between mental and manual labour,<sup>5</sup> corresponding to the specifically capitalist division between science and experience, is merely a distinctive (capitalist) form of the management-supervision function”,<sup>6</sup> in distinction to the use relation (Economakis, 2005, p. 18). Therefore, it emerges a specific content of use relation and correspondingly a specific category of working class. This category expresses “a process of ‘proletarianization of intellectual tasks’” (see in Milios & Economakis, 2011, p. 230). This issue requires further investigation that is beyond the scope of this paper.

## 6. The social classes of the social formation and the practical limits for the separation of modes of production

In accordance with the previous analysis, we summary the social classes of the social formation in the table below.

**Table 1.** *Determination of the social classes within the capitalist system*

Social Classes	Social division of labour	Real ownership on the means of production	Use of the means of production
<b>Fundamental social classes</b>			
<b>Capitalist class and Top Managers of the private and state capitalist enterprises</b>	CMP (private and state capitalist enterprises)	Yes	No
<b>Middle bourgeoisie</b>	HMP	Use	Partial use
<b>Traditional petty bourgeoisie</b>	SCMP	Yes	Yes
<b>Working class</b>	CMP (private and state capitalist enterprises)	No	Yes/exploitation relations
<b>Spurious working class</b>	HMP	No	Yes/exploitation relations

5 It should be noted that, “the distinctions between mental and manual labour, and science and experience, are relative. These terms are comprehensible only in their contrariety, comparativity and historicity” (Economakis, 2005, p. 24).

6 From this point of view it also follows that: “Engineers and technicians (technologists)... belong to... [the new petty bourgeoisie of CMP], performing specific forms of management supervision labor, which emanates from the specifically capitalist division between science and experience” (Milios & Economakis, 2011, p. 230).

Non-fundamental or intermediate social classes			
<b>Upper state bureaucracy</b>	General government	No – direct (non-delegated by others) authority for the reproduction of the capitalist system	No
<b>New petty bourgeoisie</b> New petty bourgeoisie of the CMP  New petty bourgeoisie of the state mechanism			
	CMP (private and state capitalist enterprises)	No	No / exploitation relations – delegated power by the capitalist class
	General government	No	No – delegated power by the state
<b>Lower ranking civil-servants</b>	General government	No	No

Source: Economakis *et al.*, 2015, p. 55 (Table 8.1).

The separation of social classes at the level of production modes is the result of the separation-determination of the different modes of production (Economakis, 2000). The determination of separation limits of the different modes of production, and consequently of the different social classes, depends on the “degree” to which the “carriers” of real ownership simultaneously constitute (or not) “carriers” of the use relation. This “degree” is directly linked to the number of salaried employees or to the non-existence of salaried employment. Thus, the criterion for the practical separation of the social classes (within the modes of production) is the number of salaried employees who are employed per production unit.

In accordance with the relative literature review (see Economakis *et al.* 2015, pp. 57 ff.) and given that in every production process where exploitation relations exist (production and extraction of surplus value) there is at least one employer and one salaried employee, the numerical limits of the modes of production can be summarized in the following table.

**Table 2.** *Modes of production: numerical limits*

Mode of production	Employed/salaried employees
SCMP	1 employed / 0 salaried employees
HMP	2-5 employed / 1-4 salaried employees
“Grey area” between HMP and CMP (private capitalist enterprises)	6-9 employed / 5-8 salaried employees
CMP	10 ≤ employed / 9 ≤ salaried employees

## 7. The salaried social classes and the displayed as salaried social classes

Based on the above analysis, we can define the social classes that are formed within the wage labour. This determination takes place within those modes of production in which wage employment exists, as well as within the state mechanism.

Both the top managers of the private and the state capitalist enterprises are displayed as salaried social classes in the bourgeois statistical taxonomies. However, salaried relation is a social relation, i.e. an expression of the exploiting production relations, and as such it concerns the exploited classes of the CMP (working class and new petty bourgeoisie) and not the “carrier” of real ownership (capitalist class) (see Economakis, 2018; Zisimopoulos, 2018).

More precisely, the wage labour exists within the CMP (private capitalist enterprises), the HMP and within the “grey area” between HMP and CMP. Within CMP, the top managers are displayed as salaried social class, however their revenue derives mainly from profits (Economakis, 1999, 2000, 2018). Both the working class and the new petty bourgeoisie are the hired classes of the CMP, and both are paid by variable capital (productive labour), that is, they are both exploited classes. Within the HMP, one salaried social class, the spurious working class, is exclusively formed, which is paid by variable capital (productive labour - exploited class). Within the “grey area” between the CMP and the HMP, the working class or the spurious working class, and the new petty bourgeoisie are formed. Both are exploited classes paid by variable capital (productive labour) (Zisimopoulos, 2018).

All the social classes which are formed within the state capitalist enterprises and the state mechanism are (or displayed as) salaried social classes. In the state capitalist enterprises (CMP of state capitalist enterprises) they are paid either by profits (the top managers) or they are exploited classes paid by variable capital, i.e. they exert productive labour (the working class and the new petty bourgeoisie). In the state mechanism all the salaried social classes are paid by the state revenue (*ibid.*).

We summary the social classes within the wage labour in the table below.

**Table 3.** *The salaried social classes and the displayed as salaried social classes according to the social division of labour*

Social division of labour	Salaried social classes
<b>Fundamental social classes</b>	
<b>CMP-private capitalist enterprises</b>	Capitalist class: top managers
	Working class
<b>HMP</b>	Spurious working class
<b>“Grey area” between HMP and CMP (private capitalist enterprises)</b>	Spurious working class or working class
<b>CMP-state capitalist enterprises</b>	Capitalist class: top managers
	Working class
<b>Non-fundamental or intermediate social classes</b>	
<b>CMP-private capitalist enterprises</b>	New petty bourgeoisie of the CMP
<b>“Grey area” between HMP and CMP (private capitalist enterprises)</b>	New petty bourgeoisie of the CMP
<b>General government</b>	Upper state bureaucracy
	New petty bourgeoisie of the state mechanism
	Lower ranking civil-servants
<b>CMP-state capitalist enterprises</b>	New petty bourgeoisie of the CMP



## 8. The class configuration of the Greek social formation and of the wage labour

The empirical investigation of the class configuration is based on the recent study *The Class Structure of Greek Society and the Position of the Working Class* (Economakis *et al.*, 2015) and on the secondary data derived from it. These secondary data concern the total labour force for the period 2006-2014 (second quarter).

The social classes are determined from the combination of six specific questions of the labour force questionnaires concerning the distribution of labour force. The combination of these six questions can define the “carriers” and the “non-carriers” of production relations, i.e. fundamental and non-fundamental social classes within the modes of production, as well as the non-fundamental classes within the state mechanism. More precisely, these questions concern: a) the employment status, b) the ownership status of the enterprise/organization (private or public sector), c) the one-digit groups of individual occupations, d) the occupational status, e) the managerial status (i.e. the supervision-coordination or the non-supervision-coordination of other employees) and f) the number of employees at workplace.

In Table 4 the class structure of the Greek social formation during the period 2006-2014 is presented. Based on Table 4, we extract Table 5, in which the class configuration of the wage labour in terms of absolute numbers for the same period is depicted. One interesting finding derived from Table 5, is the change of ratio between the new petty bourgeoisie (supervisor) and the working class (supervised) of the CMP in private capitalist enterprises. While in 2006 one supervisor corresponded to seven supervised workers, in 2014 the ratio change to one supervisor for six supervised workers. This change in the span (i.e. the range) of control stresses the increase of the control processes by the capitalist class at the workplace.

Table 6 depicts the sub-categories of the salaried social classes as a percentage of the total wage labour. According to Table 6, the fundamental social classes represent approximately 65% of the total wage labour and the non-fundamental represent 35% of the total wage labour. The larger portions of the wage labour are the working class of the CMP of private capitalist enterprises (26.88% in 2006, 28.26% in 2014), the new petty bourgeoisie of the state mechanism (25.18% in 2006, 27.44% in 2014), the spurious working class that is formed within the HMP (21.01% in 2006, 20.01% in 2014) and the spurious working class or working class that is formed in the “grey area” between HMP and CMP of private capitalist enterprises (12.38% in 2006, 10.95% in 2014). The rest portions of the social classes are all below 5% of the total wage labour.

Following Poulantzas (1976, pp. 314-315), we consider that the working class, the spurious working class and the lower ranking civil-servants form an ensemble of potential class alliance (the “working-popular classes”) since they display “an objective proletarian polarization” (for a detailed argumentation on this issue see Economakis *et al.*, 2015, pp. 35, 56, 183, 2016a, p. 120, 2016b, p. 105). This ensemble of class alliance, although exhibits a reduction between 2006 and 2014 (from 68.96% to 65.68% of wage labour), is the vast majority of wage labour in Greece.

**Table 4.** The social classes according to the social division of labour, 2006-2014 (second quarter)

Social division of labour	Social classes					
	Fundamental social classes					
CMP-Private capitalist enterprises	Capitalist class: employers (1)	41,298	39,308	27,435	27,375	20,586
	Capitalist class: contributing family workers (2)	8,307	8,126	3,695	3,046	2,994
	Capitalist class: top managers of the private capitalist enterprises (3)	5,232	8,586	7,068	9,488	8,160
	Working class (4)	780,433	823,620	733,608	619,802	645,930
SCMP	Traditional petty bourgeoisie: self-employed without employees (5)	968,005	957,205	965,885	910,113	876,563
HMP	Middle bourgeoisie: employers (6)	277,806	292,001	280,149	208,877	175,276
	Spurious working class (7)	610,061	647,368	654,329	479,647	457,378
	Traditional petty bourgeoisie and Middle bourgeoisie: contributing family workers (8)	268,176	245,655	229,739	172,350	152,716
	Middle bourgeoisie or Capitalist class: employers (9)	47,655	48,922	42,161	31,062	19,974
“Grey area” between HMP and CMP (private capitalist enterprises)	Middle bourgeoisie or Capitalist class: contributing family workers (10)	17,103	17,598	10,356	10,534	5,695
	Spurious working class or Working class (grey area) (11)	359,302	379,049	350,088	265,898	250,319
	Capitalist class: top managers of the state capitalist enterprises (12)	5,109	7,336	6,180	4,178	1,591
	Working class (13)	129,430	125,976	99,737	75,135	69,555
	<b>Total fundamental social classes</b>	<b>3,517,917</b>	<b>3,600,750</b>	<b>3,410,430</b>	<b>2,817,505</b>	<b>2,686,737</b>
<b>Non-fundamental or intermediate social classes</b>						
CMP-Private capitalist enterprises “Grey area” between HMP and CMP (private capitalist enterprises)	New petty bourgeoisie of the CMP (private capitalist enterprises) (14)	111,540	118,678	119,977	127,587	111,459
	New petty bourgeoisie of the CMP (grey area) (15)	17,803	22,367	25,150	24,530	15,648
	Upper state bureaucracy (16)	12,893	12,853	10,690	7,843	9,574
	New petty bourgeoisie of the state mechanism (17)	731,025	753,101	747,003	654,461	627,084
General government	Lower ranking civil-servants (18)	122,846	109,592	109,880	86,882	78,061
	New petty bourgeoisie of the CMP (19)	17,520	19,918	13,385	11,113	10,523
	<b>Total non-fundamental social classes</b>	<b>1,013,627</b>	<b>1,036,509</b>	<b>1,026,085</b>	<b>912,416</b>	<b>852,349</b>
	<b>Total employment</b>	<b>4,531,544</b>	<b>4,637,259</b>	<b>4,436,515</b>	<b>3,729,921</b>	<b>3,539,086</b>
CMP-State capitalist enterprises	Unemployed	440,676	366,685	604,594	1,163,028	1,280,101
	<b>Total labour force</b>	<b>4,972,220</b>	<b>5,003,944</b>	<b>5,041,109</b>	<b>4,892,949</b>	<b>4,819,187</b>

Source: Economakis *et al.*, 2015, p. 137-161; Zisimopoulos, 2018, p. 147, adapted by the authors.

**Table 5.** The salaried social classes and the displayed as salaried social classes according to the social division of labour, 2006-2014 (second quarter)

Social division of labour	Salaried social classes	2006	2008	2010	2012	2014
	<b>Fundamental social classes</b>					
CMP-Private capitalist enterprises	Capitalist class: top managers of the private capitalist enterprises (3)	5,232	8,586	7,068	9,488	8,160
	Working class (4)	780,433	823,620	733,608	619,802	645,930
HMP	Spurious working class (7)	610,061	647,368	654,329	479,647	457,378
“Grey area” between HMP and CMP (private capitalist enterprises)	Spurious working class or Working class (grey area) (11)	359,302	379,049	350,088	265,898	250,319
CMP-State capitalist enterprises	Capitalist class: top managers of the state capitalist enterprises (12)	5,109	7,336	6,180	4,178	1,591
	Working class (13)	129,430	125,976	99,737	75,135	69,555
	<b>Total salaried fundamental social classes</b>	<b>1,889,567</b>	<b>1,991,935</b>	<b>1,851,010</b>	<b>1,454,148</b>	<b>1,432,933</b>
	<b>Non-fundamental or intermediate social classes</b>					
CMP-Private capitalist enterprises	New petty bourgeoisie of the CMP (14)	111,540	118,678	119,977	127,587	111,459
“Grey area” between HMP and CMP (private capitalist enterprises)	New petty bourgeoisie of the CMP (private capitalist enterprises) (grey area) (15)	17,803	22,367	25,150	24,530	15,648
General government	Upper state bureaucracy (16)	12,893	12,853	10,690	7,843	9,574
	New petty bourgeoisie of the state mechanism (17)	731,025	753,101	747,003	654,461	627,084
	Lower ranking civil-servants (18)	122,846	109,592	109,880	86,882	78,061
CMP-State capitalist enterprises	New petty bourgeoisie of the CMP (19)	17,520	19,918	13,385	11,113	10,523
	<b>Total salaried non-fundamental social classes</b>	<b>1,013,627</b>	<b>1,036,509</b>	<b>1,026,085</b>	<b>912,416</b>	<b>852,349</b>
	<b>Total salaried social classes</b>	<b>2,903,194</b>	<b>3,028,444</b>	<b>2,877,095</b>	<b>2,366,564</b>	<b>2,285,282</b>

Source: Zisimopoulos, 2018, p. 175.

**Table 6.** The salaried social classes and the displayed as salaried social classes according to the social division of labour as % of wage employment 2006-2014 (second quarter)

Social division of labour	Salaried social classes	2006	2008	2010	2012	2014
	<b>Fundamental social classes</b>					
<b>CMP-Private capitalist enterprises</b>	Capitalist class: top managers of the private capitalist enterprises (3)	0.18	0.28	0.25	0.40	0.36
	Working class (4)	26.88	27.20	25.50	26.19	28.26
<b>HMP</b>	Spurious working class (7)	21.01	21.38	22.74	20.27	20.01
<b>“Grey area” between HMP and CMP (private capitalist enterprises)</b>	Spurious working class or Working class (grey area) (11)	12.38	12.52	12.17	11.24	10.95
<b>CMP-State capitalist enterprises</b>	Capitalist class: top managers of the state capitalist enterprises (12)	0.18	0.24	0.21	0.18	0.07
	Working class (13)	4.46	4.16	3.47	3.17	3.04
	<b>Total salaried fundamental social classes</b>	<b>65.09</b>	<b>65.77</b>	<b>64.34</b>	<b>61.45</b>	<b>62.70</b>
	<b>Non-fundamental or intermediate social classes</b>					
<b>CMP-Private capitalist enterprises</b>	New petty bourgeoisie of the CMP (14)	3.84	3.92	4.17	5.39	4.88
<b>“Grey area” between HMP and CMP (private capitalist enterprises)</b>	New petty bourgeoisie of the CMP (private capitalist enterprises) (grey area) (15)	0.61	0.74	0.87	1.04	0.68
<b>General government</b>	Upper state bureaucracy (16)	0.44	0.42	0.37	0.33	0.42
	New petty bourgeoisie of the state mechanism (17)	25.18	24.87	25.96	27.65	27.44
	Lower ranking civil-servants (18)	4.23	3.62	3.82	3.67	3.42
<b>CMP-State capitalist enterprises</b>	New petty bourgeoisie of the CMP (19)	0.60	0.66	0.47	0.47	0.46
	<b>Total salaried non-fundamental social classes</b>	<b>34.91</b>	<b>34.23</b>	<b>35.66</b>	<b>38.55</b>	<b>37.30</b>
	<b>Total salaried social classes</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>

Source: Zisimopoulos, 2018, p. 176.

According to Table 7, the salaried social classes as a whole were reduced during the examined period (percentage change 21.28%). The social class that faced the greatest reduction in terms of absolute numbers is the spurious working class. The working class of the CMP of private capitalist enterprises also faced a great reduction in terms of absolute numbers during the examined period. The reduction of the new petty bourgeoisie of the state mechanism was also oversized.

**Table 7.** *The salaried social classes and the displayed as salaried social classes, changes 2006-2014 (second quarter)*

Social division of labour	Salaried social classes	Change 2006-2014	Percentage change 2006-2014
<b>Fundamental social classes</b>			
<b>CMP-Private capitalist enterprises</b>	Capitalist class: top managers of the private capitalist enterprises (3)	2,928	55.96%
	Working class (4)	-134,503	-17.23%
<b>HMP</b>	Spurious working class (7)	-152,683	-25.03%
<b>“Grey area” between HMP and CMP (private capitalist enterprises)</b>	Spurious working class or Working class (grey area) (11)	-108,983	-30.33%
<b>CMP-State capitalist enterprises</b>	Capitalist class: top managers of the state capitalist enterprises (12)	-3,518	-68.86%
	Working class (13)	-59,875	-46.26%
<b>Total salaried fundamental social classes</b>		<b>-456,634</b>	<b>-24.17%</b>
<b>Non-fundamental or intermediate social classes</b>			
<b>CMP-Private capitalist enterprises</b>	New petty bourgeoisie of the CMP (14)	-81	-0.07%
<b>“Grey area” between HMP and CMP (private capitalist enterprises)</b>	New petty bourgeoisie of the CMP (private capitalist enterprises) (grey area) (15)	-2,155	-12.10%
<b>General government</b>	Upper state bureaucracy (16)	-3,319	-25.74%
	New petty bourgeoisie of the state mechanism (17)	-103,941	-14.22%
	Lower ranking civil-servants (18)	-44,785	-36.46%
<b>CMP-State capitalist enterprises</b>	New petty bourgeoisie of the CMP (19)	-6,997	-39.94%
<b>Total salaried non-fundamental social classes</b>		<b>-161,278</b>	<b>-15.91%</b>
<b>Total salaried social classes</b>		<b>-617,912</b>	<b>-21.28%</b>

Source: Zisimopoulos, 2018, p. 175, adapted by the authors.

## 9. Conclusion and further discussion

The total reduction of the salaried social classes was the result of the deep recession that the Greek economy has been facing since 2008.

As regards the spurious working class, one explanation for its reduction during the current crisis could be the mass closure of the small enterprises in which spurious working class is employed. Such explanation is also supported by the reduction of the middle bourgeoisie of the HMP (see Table 4). The great reduction of the working class formed within the CMP could be potentially explained by the closure of private capitalist enterprises. Such explanation is also supported by the huge reduction of the capitalist class of the CMP of private capitalist enterprises (see Table 4). In any case, this explanation also needs further research. The reduction of the new petty bourgeoisie of the state mechanism is related to the restrictive economic policy during the current crisis period. Under the pressure of troika for public sector restriction through –among others– the downsizing of public sector employment, many public servants preferred retirement in order to avoid redundancy.

The significant increase of unemployment and the radical transformation “of the Greek industrial relations system and especially collective bargaining towards decentralization” during economic crisis (Economakis, Frunzaru & Zisimopoulos, 2016, p. 62) have weakened working class trade union potentials, while the spurious working class faces limited trade union power in the workplace – because of the very nature of HMP, i.e. the extremely limited concentration of wage labour in the workplace. The new petty bourgeoisie of the state mechanism, which faces job security and stronger trade union movement (higher trade union density) (see Economakis *et al.*, 2015, pp. 131, 160, 2016b, p. 88; Zisimopoulos, 2018, pp. 210, 237, 359-360) is the most powerful part of the trade union movement (although a minority in wage labour: 25.18% in 2006 and 27.44% in 2014). Given that “the new petty bourgeoisie is to a great extent oriented towards trade-union activity and reformist political parties” (Milios & Economakis, 2011, p. 240), the reformist political trade union strategy acquires an objectively established position in the core of the trade union movement. However, as noted, the working-popular classes with “an objective proletarian polarization” are the vast majority of wage labour in Greece during the examined period. Consequently, the classes with “an objective proletarian polarization”, although not politically dominant, are numerical dominant in the *potential* class base of the trade union movement. The conjuncture of class struggle will determine whether or not the vast majority of wage labour in Greece would express its “objective proletarian polarization” as a hegemonic class stance in the trade union movement. Nevertheless, this issue needs further elaboration that exceeds the aims of the present paper.

## References

- Carchedi, G. (1977). *On the economic identification of social classes*. London: Routledge & Kegan Paul.
- Economakis, G. (1999). Καπιταλιστικό Τρόπος Παραγωγής και Μάνατζερς [Capitalist Mode of Production and Managers]. *Utopia*, 37, 145-166 [in Greek].
- Economakis, G. (2000). *Ιστορικοί Τρόποι Παραγωγής, Καπιταλιστικό Σύστημα και Γεωργία* [Historical Modes of Production, Capitalist System and Agriculture]. Athens: Ellinika Grammata [in Greek].
- Economakis, G. (2005). Definition of the capitalist mode of production: a re-examination (with application to non-capitalist modes of production). *History of Economics Review*, 42, 12-28. doi: 10.1080/18386318.2005.11681210.
- Economakis, G. (2018). Ο καπιταλιστής ως εργαζόμενος επιχειρηματίας στον 3<sup>ο</sup> τόμο του Κεφαλαίου [The capitalist as a worker-entrepreneur in the 3rd volume of Capital]. *Theseis*, 144, 59-67 [in Greek].

- Economakis, G., & Bouras, F. (2007). Ο κοινωνικοοικονομικός και πολιτικός ρόλος των μικροϊδιοκτητών αγροτών στη Γαλλία των μέσων του 19ου αιώνα: Σημείωμα πάνω στη μαρξική ανάλυση και πλευρές της θεωρητικής της αξιοποίησης από τον Νίκο Πουλαντζά [The socioeconomic and political role of the small farmers in France in the middle of the 19<sup>th</sup> Century: A note on the Marxist analysis and aspects of its theoretical use by Nicos Poulantzas]. *Theseis*, 99, 57-89 [in Greek].
- Economakis, G., Zisimopoulos, J., Katsoridas, J., Kollias, G., & Kritikidis, G. (2015). *Η ταξική διάρθρωση και η θέση της εργατικής τάξης στην ελληνική κοινωνία* [The Class Structure of Greek Society and the Position of the Working Class], Athens: INE-GSEE [in Greek]. Retrieved from <https://www.inegsee.gr/wp-content/uploads/2016/07/MELETH-41.pdf>.
- Economakis, G., Zisimopoulos, I., Katsoridas, D., Kollias, G., & Kritikidis, G. (2016a). Κοινωνικές τάξεις: Θεωρία και εμπειρική διερεύνηση στην Ελληνική κοινωνία – Μέρος πρώτο: Θεωρητικό πλαίσιο [Social Classes: Theoretical and empirical investigation in Greek Society – Part I: Theoretical context], *Theseis*, 135, 105-142 [in Greek].
- Economakis, G., Zisimopoulos, I., Katsoridas, D., Kollias, G., & Kritikidis, G. (2016b), Κοινωνικές τάξεις: Θεωρία και εμπειρική διερεύνηση στην Ελληνική κοινωνία – Μέρος δεύτερο: Εμπειρική διερεύνηση [Social Classes: Theoretical and empirical investigation in Greek Society – Part II: Empirical investigation], *Theseis*, 136, 69-109 [in Greek].
- Economakis, G. Frunzar, V & Zisimopoulos, I. (2016). The economic crisis and industrial relations: Greece and Romania in comparison. *East-West: Journal of Economics and Business*, Vol. XIX, No 1, 51-77.
- Kappos, K. (1987). *Κοινωνικοπολιτικά Ζητήματα του Εργατικού Κινήματος* [Sociopolitical Issues of the Labour Movement]. Athens: Sygchroni Epoxi Publications [in Greek].
- Marx, K. (1969). *Theories of Surplus-Value*, Part I. Moscow: Progress Publishers.
- Marx, K. (1981). *Grundrisse*. London: New Left Review.
- Marx, K. (1990). *Capital*. Vol. 1. London: Penguin Classics.
- Milios, J., & Economakis, G. (2011). The Middle Classes, Class Places, and Class Positions: A Critical Approach to Nicos Poulantzas's Theory. *Rethinking Marxism*, 23(2), 226-245. doi:10.1080/08935696.2011.558758.
- Poulantzas, N. (1976). *Classes in contemporary capitalism*. London: NLB.
- Zisimopoulos, I. (2018). *Ταξική σύνθεση των συνδικάτων και προσδιοριστικοί παράγοντες της συνδικαλιστικής πυκνότητας* [The class composition of trade unions and the factors that determine union density in Greece]. (Doctoral dissertation) [in Greek]. University of Patras, Dept. of Business Administration. Retrieved October, 15, 2017, from: <http://hdl.handle.net/10442/hedi/43332>.



# 4

## AN OVERVIEW OF GENDER-BASED VIOLENCE AGAINST WOMEN AND FEMINIST STRUGGLES IN TURKEY

Sevgi Uçan Çubukçu<sup>1</sup>

### **Abstract**

*Gender based violence against women have been visible in the the public sphere at the end of the 1980s in Turkey. The feminist movement also appeared as a social and political movement on the same dates. While feminists put forward their objections to all kinds of patriarchal power relations, they also gave particular importance to fighting against violence against women. The feminist struggle, developed strategies that affect and transform the law, institutional mechanisms and the state's discourse; so, the issue of gender basaed violence against women has become an important issue of politics and accepted as one of the main responsibilities of the state. This study is aimed at rethinking and evaluating the political context, strategies, achievements and problems, of this process in Turkey.*

**Key words:** *gender, violence against women, feminism, Turkey*

### **Introduction**

From the 1980s to the present, the feminist movement in Turkey has made violence against women an issue in politics while exposing it. Feminism, with its significant content of objection, also allowed different types of violence to be recognized, in an environment, where all types of violence were considered natural.

Feminism, which has begun to be heard in the public sphere as a political movement in the 1980s, has started to establish its organizations in the 1990s. Within this period, feminists took a critical position on all kinds of patriarchal power relations, while at the same time trying to influence and transform the legal or institutional mechanisms of the state and trying to reflect them to practice in the process of fighting violence against women. While some women or women's groups and organizations of feminism has created an approach and policy to uncover sexist system's all levels, such as social, political, economic and cultural as standing aloof from the state-centered combat practices; some have developed practices and policies to fight violence against women either by using state institutions and mechanisms or having an approach to external intervention.

The purpose of this paper is not to make an assessment of the causes, manifestations or forms of male violence, which are discussed in various ways in feminist theory, neither is it to make a conceptual discussion on the types of male violence in social sciences, say behaviourist theory, psychoanalytic theory, biologism, or the changing types of violence according to the patriarchal system. Our purpose is to point out the relationship between violence against women with the agenda of the feminist movement – an approach that considers it as a patriarchal power relation. This paper aims to reevaluate the political context of this phenomenon, brought especially by the feminist

---

<sup>1</sup> Associate Professor of Political Science and Gender Studies, e-mail: sevgiucan@gmail.com



movement of Turkey into one of the central themes of politics since the 1980s. In this context, while dealing with patriarchy in the historical sense established within the relations of power in the social sphere; we use violence against women regarding a relationship established to control the woman's fertility, body, and labour.

### Visibility and Recognition: 'Creating Political Spaces'

In the 1980s, the feminist revolt tried to resist violence against women, mostly limited to small groups or circles, and these oppositions were mostly focused on İstanbul and Ankara. An example of the threshold of institutionalization of this process was the petition started by feminists in 1986 to ensure the implementation of The Convention on the Elimination of all Forms of Discrimination Against Women. Within the framework of this campaign, 'Solidarity March Against Domestic Violence', which was held on 17 May 1987 with the participation of approximately 2500 women has been a threshold. (Çubukçu, 2004 p.64) This march organized by feminist women. According to Işık (2002), They brought up domestic violence, the need of the state to take measures on the issue and to open shelters so that women suffering from violence could take refuge (p. 46).

Today, we can see that this march is loaded with multilayered meanings: This march was a significant event in the history of Turkey, because the women dared to eat the 'forbidden fruit' they loudly said 'no' in the public sphere to the violence in the private sphere, carried out a political action as women, which was only focused on their problems, revealed that violence is not a personal issue, but it is a common one of womanhood (*The private is political*) and so on.

Was it just a coincidence that women built feminist struggle practices by saying 'no' to the systematic male violence they were exposed to in the private sphere? It is possible to say that we encountered a similar picture in the examples of feminist practices in the world. Many actions by feminists, such as Kariye Museum (Kariye Müzesi) Temporary Women's Museum (Geçici Kadın Müzesi) "*Shout, Let Everybody Hear*" Booklet, consciousness-raising groups of women on this issue, "*Our Body is Ours, No More Sexual Trouble*" Campaign (Ankara, 1989), *Purple Needle* Campaign have the characteristics of a rebellion against all forms of violence and control over women's bodies and women's identity.(Tekeli, 2008 p.3) These actions, which provided permanent and concrete gains on violence against women, have enabled them to develop solidarity practices beyond being a protest for women. The methods, discourse, and tools that they used in these actions were also unconventional. For instance, 'the needle', which was a significant tool for the works that reinforce the secondary position of women in the private sphere, had been transformed into a means/weapon of stance against the division of labor. (Altınay& Arat, 2008 p.19) Also, when we consider the difficulties, such as naming and expressing concepts like sexual harassment and violence against women, what is sensed by them etc. in historical context, even the fact that the given terms are now in Turkish Penal Code and count as crime shows the greatness of the progress.

### Feminist Strategies to End Gender-Based Violence Against Women

Another significant campaign took place in the matter of the demand for amendment of Article 438 of the Turkish Penal Code. This article brought a penalty reduction to the offender in case of rape of prostitutes. In 1989 and 1990, after the decision of the Constitutional Court, that this article was not contrary to the equal protection of the law, women carried out protest actions that rejected "*virtuous and non-virtuous women*" distinction. Thus, the feminist movement once again opposed constitutional and legal codes and regulations, that divide women as

“virtuous and non-virtuous” by touching a nerve ending of the patriarchal system and its acceptances (Çubukçu, 2004 p.71).

We need to emphasize, that the meaning of this discussion for women in today’s Turkey has even greater and more importance: Today, this prude, chaste, ideological, cultural, and economic discourse imposed by conservative-Islamist patriarchal family structure, has connotations that controls women and close them to their homes. It’s impossible, not to see, that threats to women such as, “*Stay inside, I will kill, harass, attack or hurt you if you leave etc.*” has legitimized, even legalized violence against women. It is also possible to find the reasons for why the incidents of violence against women have become common and widespread, such as attacking the woman wearing short shorts (Diken, 2017); killing the woman, who wants a divorce, in front of their children; killing the young woman who rejected the proposal, raping or wounding her.

The diversity of the inventory of this period, where feminist women have expanded the area of struggle against violence against women with many creative actions, is quite striking: In events, publications, organizations and activities, such as; Women’s Rights Against Discrimination Association in 1987, Kadın Çevresi (Women’s Circle) in 1984, Perşembe Grubu (The Thursday Group) in Ankara, Feminist Dergi (Feminist Magazine) in 1987, Sosyalist Feminist Kaktüs Dergisi (Kaktüs Magazine) in 1988, First Women’s Congress; different groups of women discussed and wrote the same agendas in creative and effective ways. The most important agenda of almost all of these actions was ‘violence against women’. Thus, the struggle against violence against women, which began in the 1980s and gained a good visibility from the 1990s, has helped to spread feminism and opened the door to important and new institutionalization experiences in the struggle against violence.

This process has also impact on the change of state mechanisms. During this period, when the internal dynamics were quite active, the feminist movement was gaining support and power at the level of funding or discourse through international dynamics. The international funds did not only stimulate the feminist movement, but also the state’s incentive to develop mechanisms for the fight against violence against women. Within the feminist movement, it would not be an exaggeration to state that the use of national or international funds, which led to discussions as “*project feminism*”, created significant opportunities for women’s fight against violence in particular. For example, violence against women sensitivity training courses of organizations, such as police and army, or activation of cumbersome state institutions like The Social Services and Child Protection Agency (the SHÇEK) (Civan İnce, 2018) or the development of new units to combat violence against women in local governments, the processes of cooperation with the state has widened and deepened the legitimacy of combat against violence against women (Bora&Üstün, 2005 p. 72).

### **Institutionalization: The Concept and Experience of ‘Women’s Shelter’**

During this period when the number of women’s organizations increased rapidly, it was seen that most of the organizations were working against the different manifestations of violence against women. Undoubtedly, the two most important institutions of this period were Ankara Women’s Solidarity Foundation established in 1991 and Mor Çatı Women’s Shelter Foundation established in 1990. (Mor Çatı, 2018) This process was a resort in an atmosphere, where the acceleration of the feminist struggle was rising, that included the shelters as an expression of a new, concrete search against violence to the agenda of Turkey. Both foundations were established and opened shelters to question and decipher the violence experienced in the private sphere and to be in solidarity with women. Mor Çatı, (Çubukçu, 2004 pp.110-113) which had a very persistent and careful approach to issues such as the

shelter being independent and that it would be managed by feminist women, had survived its shelter, which had opened in 1995, only for three years. Then, the shelter has opened again in 2007. (Akay, Gökberg, Özavar & Güvenç, 1996 p. 179).

Although this experience, which was a first in Turkey is interrupted, they have a great meaning, because they are the first shelter examples established with the demands, follow-ups, and combat of the feminist movement. These experiences have served as basic references to the acceptance and dissemination of the concept of violence against women, and to remind the responsibility of the state and society to prevent it. Because the shelter idea and experience was an urgent precaution and an empowering mechanism for women subjected to violence, this has led to a countrywide awareness in Turkey. This experience forced most particularly the patriarchal state mechanisms and institutions to make significant changes on at least the discourse level gender-blind content. The word and practice of shelter enabled the approval of the idea of protection of women subjected to male violence while keeping them off from domestic abusers in the private sphere, which considered to be the most untouchable area. Thus, a new perspective had been developed by making arrangements that put women in the center.

According to Arın (1996), with their ‘volunteering training courses’, Mor Çatı Women’s Shelter Foundation, which has been dealing with financial problems for years could be counted almost a school, providing psychological and legal consultancy services for women who are subjected to violence. (pp. 145-151) From Mor Çatı, other women’s organizations working in different regions of Turkey, such as KAMER, Van Women’s Association and Women Association of Muş, have learned which methods they will use in their work on women subjected to violence (Altınay&Arat, 2008 pp. 22-23).

From the 1980s until the late 1990s was a period of feminism’s fight against violence against women, that brought about this relationship around the organization examples, policies, protests, interference in regulations, campaigns, which was functioning as the most important mechanism of patriarchal power relations, while reproducing and deepen them. While the influence and concrete results of this struggle both in the state and in the social sphere was emerging, another important development was the creation of an invitation for the gathering of the existing accumulation.

### **Policies Against Male Violence: ‘Women’s Shelters Congress’**

Because of 25th of November was the “International Day for the Elimination of Violence against Women” in 1998, “*Women’s Shelters Congress*” was gathered in Istanbul by the Mor Çatı Women’s Shelter Foundation invitation. The participants of the first conference held with the participation of over 100 women from Turkey and Cyprus consisted of the following: Women’s organizations that attempted to open or had opened women’s shelters being in the first place, representatives of independent women groups, activists, experts and academics working on this subject, representatives of municipalities, representatives of the Women’s Guesthouses of the SHÇEK, representatives of the Directorate General on Status and Problems of Women, women’s commissions, etc. (Conventions of Women’s Shelters, 2000, pp.17, 125).

In the 2000s, the conclusions of the Women’s Shelters Councils convened in different cities in November every year were defining the state’s policies on women and most importantly, they were directing, even determining the agenda of the independent women’s movement on the development of the methods of struggle against violence. (Ekal, 2012 pp.8-12) Not only the opening of shelters, how they should be and how they should be managed,

but also to all kinds of operations and mechanisms that are the source of violence against women have been drawn attention and the social state approach to the adoption of a stimulating and even supervisory role to change it was emphasized. (Conventions of Women's Shelters ,2003 p.36) Undoubtedly, the international sources and reports showing the responsibility of the state contributed greatly in defeating, in Yakın Ertürk's words (2015), 'violence against women without borders' (p. 99).

This struggle has a wide range of reflections, such as building mechanisms for empowering women in public institutions and directly in the state, changing laws, raising awareness in local governments, conducting academic studies and research on violence etc. For example, many shelters of governorships, municipalities or the SHÇEK have opened. Hence, the demand for "*We want at least 3,000 shelters*" in the 3rd Convention of Women's Shelters in 2000 occurred thanks to the accumulation of such a struggle. (Conventions of Women's Shelters, 2003 pp. 36-37) Another important reference in this accumulation is international and even transnational texts and institutionalization. The most important of these is *The Beijing Declaration and Action Plan* signed by 189 countries at The Fourth World Conference on Women in 1995. While Article 23 of this Declaration, which has been signed by Turkey without hesitation, was regulating the protection of women's human rights violations, Article 9 decided to prevent and eliminate all forms of violence against women. (Convention on the Elimination of All Forms of Discrimination Against Women,1990.) Another achievement of feminism in ending to violence against women is the establishment of The General Directorate on the Status and Problems of Women (Kadının Statüsü ve Sorunları Genel Müdürlüğü- KSSB) in 1990. The fact that these intermediate areas, whose name was changed later as the Directorate General for Status and Problems of Women (the KSGM), has been constituted had a transformative effect on the relations between the state and civil society organizations in favour of women (Domestic Violence Against Women in Turkey, 2009).

### **Feminist Contributions to Law Reforms**

The first legal achievement of feminism in Turkey was the abolition of Article 438 of the Turkish Penal Code, which reduced punishment for crimes against prostitutes and the revocation of Article 159 of the former Civil Code by the Constitutional Court, which subjects women's work outside the home to permission of the husband, in 1990. Many legal acquisitions such as decriminalization of adultery for men in 1996 and for women in 1998, having the right to keep their surname from birth in addition to their husband's surnames in 1997, helped the mechanisms of violence that keep women under control have been partially interfered, while supported women being regarded as an 'individual' in their issues that concern their lives.

One of the most significant gains of the combat of the feminist movement against domestic violence was the enactment of "*The Family Protection Law*". Reports on Turkey prepared in the framework of "*The Convention on the Elimination of All Forms of Discrimination against Women*" (CEDAW) by the UN, which criticized the feminist movement as having developed inadequate mechanisms had an impact and with the Law no. 4320, and sanctions imposed on men who commit domestic violence, such as to remove them from the house, or imprisonment. (T.R. Prime Ministry Directorate General on the Status of Women, pp.21-25)

The Civil and Criminal Code was rearranged by removing gender-based discrimination and violent substances. The reference source of these regulations is the principle of equality between women and men as stipulated by Article 10 of the Constitution. (T.R. Prime Ministry Directorate General on the Status of Women, pp.26-33) The New Civil Code, adopted in 2001, entered into force in 2002. "*Husband is the head of marriage*" expression

has been removed and new marital property, which gives women the right to participate in property acquired during marriage has been accepted. The remarkable point in here is, that feminism in Turkey had interfered not only physical but also economic, political, cultural, emotional exclusion and violence interactions which women exposed to. In almost all of the acts that provided these changes, especially in the demands of the Civil Code amendment, many different women groups acted as a big coalition and made protests.

Another significant intervention is attempting to remove violence against women from the Penal Code amended in 2004. With the gathering of many feminist lawyers, activists, women's organizations, academics and The Working Group on the Turkish Penal Code (TPC) in cooperation with Women for Women's Human Rights, a very effective study was carried out by following the changes made and by making direct suggestions on the issuance of the new Penal Code. This working group was a large women's coalition; the effect of the TPC Women's Group, which includes women's groups from the Republican Women's Association to the Women's Commission of the Diyarbakir Bar Association, from KAOS GL to women's organizations in Izmir and Van, is very evident in the new Turkish Penal Code. The meaning of this change was so: the TPC had an approach based on accepting crimes related to violence against women as crimes related to "public morality and family order". For protecting the unity of the family, for instance, that the marriage of the woman with her rapist and a reduced sentence for the perpetrator was envisaged. According to this, the mistake of the man was atoned for and the woman married off to a man for a lifetime and punished in marriage in a way that she would be subjected to sexual assault and rape. For this reason, the abolition of the penalty reduction was very important as it was a domestic law arrangement that accepted women as subjects, and that the women's human rights were brought in compliance with the universal norms. Similarly, with the adoption of "aggravated murder" in honour-killings, severe sentences were imposed on domestic violence.

## In Conclusion

There is no doubt that we are now in an irreversible point in perceptions and acceptances of the fact of violence against women and the necessity of the struggle against it, from the 1980s to the present. While in 1987, Solidarity Against Violence was an extremely radical, marginal discourse, today it has become a state policy, has become so widespread, that it is now a discourse and subject, which its legitimacy is indisputable. Reforms in Civil and Criminal Laws, the process of institutionalization, which is becoming more and more common in the public sphere, education of power structures in many units of the state, the fact that the feminist demands of women's organizations have been partially in part to the policies and regulations of the state, that many different actors such as capital, media, and other non-governmental organizations have taken the basic discourse of feminism about violence against women and that that women's organizations have their own political independence in their experiences of cooperation with these structures, have brought us to this day.

At present, in another historical context, what do this accumulation, which seems to be very close but also far away, and these important gains in the field of violence against women mean? In Turkey, the question of how we can read the deepening dimensions of gender inequality and the paradoxical meaning of statistics on violence against women that revealed by feminism is gaining importance in our effort to re-evaluate the inventory of political and institutional achievements.

For example, Turkey is the first state, which signed the *Istanbul Convention*, that was put into force by the European Council on August 1, 2014. (İnsan Hakları Merkezi, 2018) This convention contains a wide range of explanatory

provisions concerning the prevention, prohibition, and punishment of all kinds of violence, such as sexual violence, harassment, and rape. Its power in terms of feminist thought and movement can be summarized as the following:

The setting up of GREVIO consisting of members expert on violence towards women, that will monitor the implementation of the convention. (Caniklioğlu, 2015 pp. 355-378) “GREVIO is an action group of specialists against domestic violence and violence towards women and it detects and reports on the commitment of the signatory states to the standards of the agreement. Thanks to the hard, decisive and conscious lobbying work of the feminist activists, the candidate for Turkey Prof. Feride Acar is the head of GREVIO (2015). The convention brings responsibilities primarily to the states. Therefore, it is state’s responsibility to prevent, investigate, punish and compensate cases of violence, no matter who the perpetrator is; boyfriend, husband, father or boss... In case of failure, state is again responsible from the violence.” (Çubukçu, 2018) For the first time with this convention, various sanctions are envisaged for the Contracting States that do not comply with the articles of the contract. First signer state Turkey’s statistics on gender inequality and the patriarchal male violence which shows and deepens it is underwhelming: According to the report prepared by Kaos GL, there are 9 hate crimes and 16 hate attacks that were reflected in the media in 2016. (T24, 2018) Another example, according to the September 2017 Report of the ‘Kadın Cinayetlerini Durduracağız Platformu’ (We Will Stop Femicide Platform) (2018), 37 women were killed, 33 children were abused, 24 women were subjected to sexual violence; men killed 211 women and girls, raped 64 women, harassed 190 women, sexually abused 258 girls, and used violence on 306 women in the first 9 months of 2017.

When we consider these statistics, according to the 2017 data of the Global Gender Gap Report prepared by the World Economic Forum every year, it could be understood why Turkey was ranked 131st among 144 countries by falling 26 places, since the report’s first publication in 2006 to this day. (Global Gender Gap Report, 2017) Is this process, where there are significant changes and breakdowns in the roles of femininity and masculinity in power relations and social spheres, refers to the ‘masculinity crisis’ in the relations and codes of the patriarchal system? (Berktaş, 2018) This crisis is almost transforming into a ‘*gendercide*’, where the intensity of male violence increases day by day as well as general violence. In this context, it is clear that the traditional structure of patriarchal system does not work with its old role and relationship forms; we see a picture of encountering, negotiation and struggle of the new femininity and masculinity roles in every aspect, such as political, social, economic and cultural. However, there is still a women’s movement that is conscious of the fact, that micro and macro power structures, relationships, norms and roles are not going to change and transform easily is a historical data.

## References

- Altınay, Ayşe Gül & Arat, Yeşim (2008). *Türkiye’de Kadına Yönelik Şiddet. (Violence Against Women in Turkey)* ISBN:978-975-01103-2-0, İstanbul.
- Akay, Birgül, Kaşker, Birsan, Gökberk, Figen, Özavar, Saadet & Güvenç, Siper (1996). “VE SİĞİNAK AÇILDI...”, *Evdeki Terör: Kadına Yönelik Şiddet, (The Terror at Home: Violence Against Women)* İstanbul: Mor Çatı Publishing.
- Arın, Canan (1996). Mor Çatı’nın Kuruluş Öyküsü. *Evdeki Terör: Kadına Yönelik Şiddet*, “The Story of Mor Çatı’s Founding”, *The Terror at Home: Violence Against Women*. İstanbul: Mor Çatı Publishing, İstanbul,



- Berktaş, Fatmagül (2018). Gender and Violence: An Overview. *www.academia.edu.tr*.
- Bora, Aksu-Üstün, İlknur (2005). *Algılar ve Zihniyet Yapıları: Cinsiyet Rejimi Ekseni, "Sıcak Aile Ortamı": Demokratikleşme Sürecinde Kadın ve Erkekler, (Perceptions and Mentality: Gender Regime, Warm Family Environment and Women and Men in the Process of Democratization)*, İstanbul: TESEV Publishing.
- Caniklioğlu, Seher Kırbas (2015). Kadınlara Yönelik Şiddetin ve Ev İçi Şiddetin Önlenmesine Dair Ulusal ve Uluslararası Mevzuat (National or International Legislation Regarding the Prevention of Domestic Violence and Violence towards Women) (İstanbul Sözleşmesi ve 6284 Sayılı Kanun). *Ankara Barosu Dergisi* (3) Ankara.
- Civan İnce, Müge (2018). *Kadın ve Toplumsal Cinsiyet Eşitliği Perspektifinden Sosyal Hizmet Politikaları: SHÇEK Örneği, (Social Work Policies on the Perspective of Women and Gender Equality: The Case of SHÇEK)*, Unfinished Master's Thesis, İstanbul: İstanbul University- KSAUM.
- 1<sup>st</sup> and 2<sup>nd</sup> *Conventions of Women's Shelters* .(2000). İstanbul: Mor Çatı Publishing.
- 3<sup>rd</sup> and 4<sup>th</sup> *Conventions of Women's Shelters*.(2003). İstanbul: Mor Çatı Publishing.
- Çubukçu, Sevgi Uçan (2004). Post-1980s Women's Movement in Turkey: A Challenge to Patriarchy. *The Position of Women in Turkey and in The European Union: Achievements, Problems, Prospects* (Ed.) İstanbul: KA-DER Publishing.
- Çubukçu, Sevgi Uçan (2004). Contribution to Substantial Democracy: Women's Non-Governmental Organizations. *The Position of Women in Turkey and in The European Union: Achievements, Problems, Prospects* (Ed.) İstanbul: KA-DER Publishing.
- Çubukçu, Sevgi Uçan (2018). *An Overview of Feminism in Turkey: Parameters of Change*.
- Ekal, Berna (2012). Giriş (Introduction). *Sığınaksız bir Dünya: Sığınaklar ve Dayanışma/Danışma Merkezleri Kurultayı, (A World Without Shelters: The Conventions of Shelters and Centers of Solidarity)* İstanbul: Mor Çatı Publishing.
- Ertürk, Yakın (2015). *Sınır Tanımayan Şiddet: Paradigma, Politika ve Pratikteki Yönleriyle Kadına Yönelik Şiddet Olgusu, (Violence Without Borders: Paradigm, Politics and Violence Against Women in Practice)*, İstanbul: Metis Publishing.
- Işık, Nazik (2002).1990larda Kadına Yönelik Şiddetle Mücadele Hareketi İçinde Oluşmuş Bazı Gözlem ve Düşünceler”(Some Observations and Thoughts that have formed within the Movement Against Domestic Violence in 1990s” (Aksu Bora - Asena Günel ) (Ed), *90'lerde Türkiye'de Feminizm, (Feminism in Turkey in 90s)* İstanbul: İletişim Publishing.
- İstanbul University Women's Studies Research and Application Center. (1990). *Convention on the Elimination of All Forms of Discrimination Against Women*. İstanbul: Publishing No:1.
- Tekeli, Şirin (2008). Sunuş. *Şiddete Karşı Anlatılar: Ayakta Kalma ve Dayanışma Deneyimleri, (Presentation, The Narratives of Violence Against Women: The Experiences of Solidarity)*. İstanbul: Mor Çatı Publishing.
- T.R. Prime Ministry Directorate General on the Status of Women (2009) *Domestic Violence Against Women in Turkey*.Ankara: KSGM Publication.

T.R. Prime Ministry Directorate General on the Status of Women (a.d) *Aile İçi Şiddetle Mücadele El Kitabı*,  
(*Handbook on Struggle Against Domestic Violence*) Ankara: KSGM Publication.

<http://www.diken.com.tr/>- 21 June 2017.

<https://www.morcati.org.tr/en/about-us/our-story>

<http://insanhaklarimerkezi.bilgi.edu.tr/tr/blog/feride-acar-ile-istanbul-sözleşmesi-ve-grevio-uzerl>.

<http://t24.com.tr/haber/turiye-trans-cinayetlerinde-avrupa-birincisi>

<https://kadincinayetlerinidurduracağız.net/kategori/veriler>

<https://www.weforum.org/reports/the-global-gender-gap-report-2017>.





# 5

## CONSUMER BORROWING AND INCOME INEQUALITY IN THE NEOLIBERAL ERA.

Emilia G. Marsellou<sup>1</sup>

### **Abstract**

*Consumer debt and income inequality are examined in a neo-Kaleckian model of growth and income distribution. Neoliberal policies have increased income inequality by deteriorating working households living-standards both directly (stagnant wages) and indirectly (cutbacks in welfare state, imposition of user-fees). Working households attempt to sustain their living-standard (captured by the conventional wage) through borrowing. In the short-run, the economy is wage-led, borrowing parameters are expansionary, debt parameters are contractionary while the paradox of costs does not always apply. In the long-run, two equilibrium points arise (a stable and a saddle). Strong capital accumulation and low debt-to-capital ratios ensure macroeconomic stability. The growth regime may be wage-led or profit-led. A more equal income distribution creates a trade-off between growth and macroeconomic stability.*

**Keywords:** *consumer debt, inequality, conventional wage, growth regime, macroeconomic stability, stagnation, simulations*

### **1. Introduction**

The collapse of the US sub-prime mortgage market in the summer of 2007 and the “Great Recession” that followed brought to the forefront of the macroeconomic analysis the phenomenon of household indebtedness. Household indebtedness has shown a remarkable increase over the past two and a half decades in both absolute and relative to household income terms. This trend in household debt has been evolving in the US as well as in most of the highly industrialized economies. The fundamental question that guides this paper is why households and in particular working class households have massively increased borrowing and the way the underlying motive affects economic performance growth and macroeconomic stability.

An ongoing multidisciplinary literature addresses the potential causes of household indebtedness and classifies them into those which are supply or demand driven. The supply side explanations mostly concern the competition between banks that led to lower interest rates, the relaxation of credit rationing processes, the removal of the debt burden ceilings and the proliferation of the securitization processes, namely the transformation of the loans issued to households into investment products. However, cheap credit and easy access might be some of the factors affecting households’ attitude towards debt yet it cannot explain the mounting levels of borrowing that have led hundreds of thousands of people filing for bankruptcy every year even before the economic crisis.

The demand side approaches investigate why households borrow. The most prominent demand side interpretations are three. The Minskyan approach considers that during periods of prosperity households form optimistic expectations and gradually borrow recklessly (i.e. Palley, 1994; Ryoo, 2016). The second approach, influenced by the work of

---

<sup>1</sup> National and Kapodistrian University of Athens, Department of Economics, E-mail: marsellou.emilia@gmail.com

Veblen (1899), argues that as the American society has become more unequal it is involved into a process where each income class emulates the consumption patterns of the higher classes (i.e. Kapeller & Schuz, 2014; Ryoo & Kim, 2014; Setterfield & Kim, 2016). The third approach links household indebtedness with the rising income inequality attributed to the neoliberal policies that came into effect in early 1980s, namely the roll back of the welfare state and the deregulation of the labor, capital and financial markets. This approach implies that middle and lower income class households borrow in order to maintain their living standard. These classes and especially the lower income class are already more financially vulnerable and indebtedness increases the potential of financial failure under adverse consequences such as loss of job or income.

The inequality argument is increasingly gaining ground in the public and academic debate as more recent empirical research has revealed a connection between household borrowing and income inequality (for instance Barba & Pivetti, 2009; Montgomerie, 2006). In this paper a neo-Kaleckian model of growth and income distribution is developed to address the link between consumer borrowing and income inequality. In particular, a non - linear borrowing function is developed to deal with the income inequality argument where working households borrow in order to sustain their living standard the cost of which increases more than their actual wages do. To my knowledge, this is the first model to address the income inequality interpretation on consumer borrowing in terms of living standards captured by the concept of the conventional wage. The analysis that follows shows that household borrowing motivated by income inequality has macroeconomic implications both in the short and the long-run that differentiate from earlier works.

The rest of the paper is structured as follows. Section 2 includes an overview of the literature. Section 3 presents the model in the short-run and section 4 its long-run dynamic analysis. Section 5 presents the results of the numerical analysis and Section 6 provides concluding comments.

## **2. Literature Review**

Consumer debt and its impact on the business cycle and growth is much less investigated in formal models than corporate debt is. Prior to the crisis most models examined the macroeconomic and macro-dynamic implications of household borrowing and debt. Below I focus on a subset of the relevant literature that provides a different perspective regarding the reasons behind household borrowing.

For instance, Palley (1994) developed a multiplier-accelerator business cycle model and showed that while initially an increase in household borrowing stimulates aggregate demand, subsequently interest payments on debt become a burden on aggregate demand. He then extended the model to incorporate Minskyan ‘tranquility’ effects in order to capture borrowers’ optimism when their income increases.

Dutt (2005, 2006) within a Steindlian model of growth and income distribution, also finds the stimulating effect of consumer borrowing on effective demand and growth in the short run, and the contractionary impact of interest payments in the long run. Moreover, finds that the latter may overcome the expansionary effects on long-run growth under certain conditions. However, with low interest rates, high levels of autonomous investment and a low profit share, the long-run expansionary effects of workers’ debt may prevail. These models assume a simple motivation for consumer borrowing that is determined by workers’ net of interest payments income.

Bhaduri/Laski/Riese (2006) and Bhaduri's (2011a, 2011b) associate households' willingness to consume with rising financial wealth which because it is "virtual" consumption has to be financed by credit. In this models too, rising interest payments in the long-run may exceed the expansive effects of consumer borrowing. So it is possible that a debt-led consumption boom will then turn into a debt-burdened recession.

Hein (2012) in a Kaleckian distribution and growth model assumes that workers' borrowing is determined by the level of the rentiers' class savings while the proportion depends on workers' willingness to borrow or rentiers to save. The main focus of the paper is on the potential circumstances that may cause systemic stability.

More recently a series of formal models with Veblenian insights have been developed. All three of them suggest that working households borrow in order to emulate upper classes consumption standards (Kapeller & Schuz, 2014; Ryoo & Kim, 2014; Setterfield & Kim, 2016). Setterfield & Kim, 2016 developed a neo-Kaleckian growth model where workers first make consumption decisions based on their gross income and then treat debt servicing commitments as a substitute for saving. The authors attempt to relate consumer borrowing with income inequality through a Veblenian approach by assuming that workers' borrowing is induced by their desire to keep up with the upper classes consumption patterns. Their results show that the way working households manage their debt servicing obligations and who working households emulate when forming their consumption aspirations affects the characteristics of the growth regime and its financial sustainability.

Kapeller & Schuz (2014) integrate the Veblenian concept of conspicuous consumption into a typical Bhaduri-Marglin model by assuming that relative consumption concerns matter primarily within the working class. They find that a redistribution of income towards profits may trigger borrowing by workers in order to "keep up with the Joneses", yet this process may result to a profit led regime. This possibility arises also in the model developed in this paper under the assumption of intense income inequality.

Ryoo & Kim (2014) develop a Kaldorian stock flow consistent model with households, firms and banks where workers' accumulate debt in order to emulate rentiers' consumption. This model may produce cycles when worker's indebtedness is low, workers borrow in order to emulate the rentiers while banks are more willing to provide these loans, but when workers become heavily indebted they cannot afford to borrow more and banks set borrowing constraints.

### **3. The short-run model**

A closed economy without public sector is considered. Hence, National Income (Y) equals Consumption (C), comprising from workers' consumption ( $C_w$ ) and industrial capitalists' consumption ( $C_c$ ), and Investment (I).

$$Y = C + I = C_w + C_c + I \quad (1)$$

The economy produces a single good with two factors of production, homogeneous labor (L) and capital (K) and the production function has fixed coefficients. That is the labor output ratio (L/Y) as well as the capital-output ratio (K/Y) is fixed, i.e. there is no technical progress. There is no overhead labor. The supply of labor is exogenously given at any point in time and grows over time at an exogenous rate. Firms function with excess capacity. The capital stock is assumed fixed in the short run and, for simplicity, there is no depreciation of capital. There is no corporate debt and the banking sector makes no profits. Prices are held constant and a typical mark-up pricing equation derived from the work of Kalecki (1971) is assumed.

National income is distributed between wages,  $wL$ , and gross profits,  $\Pi$ . To count for the interest payments working households pay out of their income to the banks, we have

$$Y = wL + \Pi = iD_w + (wL)_n + \Pi \quad (2)$$

where  $(wL)_n$  the net wage-income,  $iD_w$  workers' interest payments and  $i$  the rate of interest. The gross profit share ( $\pi = \Pi/Y$ ) is an exogenous to the model variable.

Workers' consumption ( $C_w$ ) equals the sum of their net wage and the amount of new borrowing ( $B_w$ ).

$$C_w = Y(1 - \pi) - iD_w + B_w \quad (3)$$

This consumption equation departs from the standard Kaleckian and classical assumption that workers consume only their whole wage income in each period. Note that for as long as the interest payments do not exceed the amount of new borrowing,  $B_w$ , (that is,  $B_w > iD_w$ ) the propensity of workers' consumption (out of their available financial resources) is larger than one. Eq. 3 also represents workers' budget constraint.

Workers' debt,  $D_w$ , is assumed to adjust to new borrowing,  $B_w$ , according to the following relation:

$$B_w = dD / dt \quad (4)$$

Workers' borrowing behavior is determined by the following double adjustment mechanism relation:

$$B_w = \beta_1 [w^t L - (1 - \pi)Y] + \beta_2 [\lambda(1 - \pi)Y - iD_w] \quad (5)$$

where,  $\beta_1$  and  $\beta_2$  are adjustment coefficients with  $0 < \beta_1, \beta_2 < 1$ . These coefficients are determined by workers' borrowing norms and reflect the adjustment of borrowing to changes in the gap between the wage target,  $w^t$ , and the actual wage,  $Y(1 - \pi)$  (i.e.  $wL$ ), and the maximum affordable interest payment,  $\lambda(1 - \pi)Y$ , and the actual interest payments,  $iD_w$ . The wage target,  $w^t$ , represents the socially determined standard of living.  $\lambda$  is the maximum workers' debt service-to-income ratio which is assumed constant and  $0 < \lambda < 1$  and determines workers' maximum affordable interest payments as a percentage of their income. This parameter reflects the standards in the lending practices.<sup>2</sup>

The first part of Eq. 5 says that whenever actual wage is less than the conventional wage which represents a certain standard of living, workers will fill this income gap through borrowing in order to sustain their living standard. This part of Eq. 5 provides the link between rising income inequality and worker's borrowing as it will be explained in details below.

The second part of Eq. 5 implies that workers whose interest payments stand below the maximum affordable interest payments will increase borrowing, while those who stand above will deleverage.

It is assumed that the conventional wage,  $w^t$ , increases with capacity utilization.

$$w^t = \alpha_0 + \alpha_1 u \quad (6)$$

2 Because the present model is focused on the link between income inequality and household borrowing a conservative  $\lambda$  of 30% is used for the numerical analysis that follows.

where  $\alpha_i > 0$  for  $i = 0; 1$  are fixed parameters and  $u$  the ratio of output to capital stock,  $Y/K$ , which is a measure of the rate of capacity utilization. The wage target or “conventional wage”,  $w^t$ , represents the socially determined standard of living. The real wage may be higher or lower than the conventional wage. During periods of intense income inequality actual wages are stagnant (the wage growth is low) despite economic growth and tend to be lower than the wage target,  $w^t$ . In this specific way, income inequality is linked to household’s decision to borrow reflecting what was termed by Pollin (1988, 1990) “necessitous demand for credit” to finance the consumption losses due to increasing income inequality.

Since the 1980s and the rise of the neoliberal era, the economic content of the standard of living has changed in relation to the Golden Age of Capitalism. Workers militancy has been significantly reduced and the implementation of wage moderation policies together with cuts in the welfare state expenditures (health care insurance, pension plans, descent schools and university education, just to name a few.) has resulted to a considerable fall in working households’ standard of living. The consumption gap produced by this fall in the living standard was closed by easier access to borrowing. This economic strategy led to the restoration of economic growth and the profitability. Therefore, in the neoliberal era the rationale for Eq.6, is that rising economic activity, captured by capacity utilization, feeds borrowing and hence an unequal and unbalanced growth.

Part of gross profits is consumed by industrial capitalists and part is saved.

$$\Pi = s\text{IndPr} + (1 - s)\text{IndPr} \quad (7)$$

Industrial capitalists’ consumption function  $C_c$  is:

$$C_c = (1 - s)\pi Y \quad (8)$$

The gross profit rate ( $r$ ) is defined as the product of the profit share and the capacity utilization rate. The technical capital-potential output ratio is neglected since there is no technological change and thus the capacity utilization rate is defined by the output-capital ratio.

$$r = \Pi / K \quad (9)$$

In the short-run investment demand is assumed fixed and the investment rate is denoted by:

$$I / K = g \quad (10)$$

In the long-run desired investment demand depends on capitalists’ internal funds,

$$I_t = \gamma_0 + s\gamma_r\pi Y, 0 < \gamma_0, \gamma_r < 1 \quad (11)$$

where  $\gamma_0$  and  $\gamma_r$  are positive investment parameters with  $\gamma_0$  standing for the animal spirits of the private sector which derive from the competition of firms independently from the developments in income distribution, effective demand and monetary or financial variables (Hein, 2006) or the “the state of business confidence”, while  $\gamma_r$  captures the sensitivity of desired investment to the profits of enterprise and it is assumed to be positive and less than unity.

In the long-run, we assume that industrial capitalists adjust their actual investment rate to their desired rate of investment:

$$\frac{dg}{dt} = \Lambda(g^t - g), 0 < \Lambda \leq 1 \quad (12)$$

where  $g^t$  is the desired accumulation rate and  $\Lambda$  is the speed of adjustment. Eq. 12 implies that whenever the desired rate of accumulation is above the actual rate, the latter will rise<sup>3</sup>.

As the economy is a mature monetary economy, credit is generated endogenously. The model deals only with consumer loans and any other source of external finance (stocks, bonds etc.) is assumed away. Those workers that borrow do not have deposits so they do not consume out of wealth. The only institution that intervenes is the Central Bank (CB) in the “passive” sense implied often by post-Keynesian authors of all persuasions (Lavoie, 1995), those of the horizontalist monetary view in particular. As it is commonly assumed in the relevant literature, the CB sets the interest rate and provides the necessary reserves for the financial sector when needed in pursuing its ultimate responsibility of ensuring the liquidity of the system. These considerations imply that the rate of interest is an exogenous variable. Given that prices are held constant there is no difference between nominal and real interest rate. Finally, for simplicity it is assumed that there are no other banking costs in borrowing and that the mark-up rate in banking is zero. For reasons of convenience I assume away the interest payments on deposits as they are of minor importance.

### Short-run Equilibrium

In the short-run, firms function with excess capacity so that the level of output adjusts in response to aggregate demand. It is assumed that the level of corporate debt and the physical stock of capital are given. Hence, investment demand is exogenously fixed at a point in time. The short-run goods market equilibrium condition requires that output,  $Y$ , is equal to aggregate demand, which is the sum of worker's consumption  $C_w$ , industrial capitalist's consumption,  $C_c$ , and investment,  $I$ , which is predetermined:

$$Y = C_w + C_c + I \quad (12')$$

Assuming that  $B_w = dD_w/dt$  holds, inserting (3), (5), (8) and (10) into (12'), then normalizing by  $K$  and solving for  $u$ , we obtain the short-run equilibrium value of capacity utilization  $u^*$ :

$$u^* = \frac{g + a_0\beta_1\ell - (1 + \beta_2)i\delta_w}{\pi s + (1 - \pi)(\beta_1 - \lambda\beta_2) - \alpha_1\beta_1\ell} \quad (13)$$

where  $\delta_w$  is the ratio of workers' debt to capital stock. The stability condition of the short-run equilibrium requires that the denominator in (13) which is a standard multiplier is positive. This stability condition implies that saving increases with total income and in particular that the increase in saving by profit earners more than offsets the increase in consumption due to borrowing by workers. To ensure that we always have a positive  $u^*$  we also require that the numerator in (13) is positive. The short-run equilibrium value of the rate of profit is obtained by the following:

$$r^* = \pi u^* = \pi \left( \frac{g + a_0\beta_1\ell - (1 + \beta_2)i\delta_w}{\pi s + (1 - \pi)(\beta_1 - \lambda\beta_2) - \alpha_1\beta_1\ell} \right) \quad (14)$$

3 This formulation used in Dutt (2006, 1995) is a simplification of Steindl's method to capture Kalecki's assumption that current variables affect investment several periods later. By that Dutt (2006, 1995) produces a pure differential equation system that allows the economy's dynamics to be portrayed in phase diagrams instead of a complex mixed difference-differential equation.

## Comparative Statics Analysis

Table 1 reports the comparative statics results for  $u^*$  and  $r^*$  derived from the temporary equilibria (13 and 14) with respect to  $g$ ;  $\alpha_0$ ;  $\alpha_1$ ;  $\beta_1$ ;  $\beta_2$ ;  $i$ ;  $\delta_w$ ;  $s$ ;  $\lambda$ ;  $\pi$  and  $\ell$ .

**Table 1:** Short-run comparative statics (increases in parameters assumed)

Parameters	$u^*$	$r^*$	Properties
$g$	+	+	
$\alpha_0$	+	+	
$\alpha_1$	+	+	
$\beta_1$	+/-	+/-	Depending on $(\alpha_0 + \alpha_1 u)\ell - (1 - \pi)u > < 0$
$\beta_2$	+/-	+/-	Depending on $\lambda(1 - \pi)u > < i\delta_w$
$i$	-	-	
$\delta_w$	-	-	Debt-burdened
$s$	-	-	Paradox of thrift
$\lambda$	+	+	
$\pi$	+/-	+/-	If $s > \beta_1 - \lambda\beta_2$ (-) wage-led, if $s < \beta_1 - \lambda\beta_2$ (+) profit-led. If $\alpha_1\beta_1\ell > (\beta_1 - \lambda\beta_2)$ (-) Paradox of Costs holds, if $\alpha_1\beta_1\ell < (\beta_1 - \lambda\beta_2)$ (+) Paradox of Costs doesn't hold.
$\ell$	+	+	

The paradox of costs holds when  $\frac{\partial r^*}{\partial \pi} = -\frac{\alpha_1\beta_1\ell - \beta_1 + \lambda\beta_2}{\pi s + (1-\pi)(\beta_1 - \lambda\beta_2) - \alpha_1\beta_1\ell} < 0$  and the paradox of thrift when  $\frac{\partial u^*}{\partial s} = -\frac{\pi u}{\pi s + (1-\pi)(\beta_1 - \lambda\beta_2) - \alpha_1\beta_1\ell} < 0$ .

As the effects of the parameters on both the equilibrium values of capacity utilization and the profit rate are always of the same sign the following discussion focuses on capacity utilization. As expected for a demand-driven model the investment rate,  $g$ , has a positive effect on capacity utilization. Also, the parameters involved in the wage target equation (i.e. the fixed coefficient of the wage target,  $\alpha_0$ , the coefficient of the effect of capacity utilization on the wage target,  $\alpha_1$  and the labor-capital ratio  $\ell$ ) increase the wage target and hence workers borrowing that fuels consumption aggregate demand and hence capacity utilization. Moreover, the maximum debt service-to-income ratio,  $\lambda$ , has a positive effect on capacity utilization. On the other hand, the debt related parameters (the rate of interest,  $i$ , the ratio of workers' debt  $\delta_w$ ) and the retention rate,  $s$ , have a negative impact on capacity utilization. The rest of the parameters i.e. the workers' borrowing related parameters (the adjustment coefficient of borrowing  $\beta_1$  and  $\beta_2$ ) and the profit share,  $\pi$ , may have positive or negative impact on  $u^*$  depending on the parameter constellation under consideration.



## Numerical Analysis

The crucial relation for the parameter scenario formation appears in the denominator of the short-run goods market equilibrium i.e.  $\frac{\partial B_w}{\partial u} = \alpha_1 \beta_1 \ell - (1 - \pi)(\beta_1 - \lambda \beta_2)$  and represents the additional consumption (dis-saving) due to workers' borrowing. Hence, the sign of this relation, representing various borrowing behaviors, determine whether each borrowing behavior is contractionary or expansionary for the goods market equilibrium.

On the other hand, as regards the effect of the profit share on  $u^*$ , it is the relation  $s - (\beta_1 - \lambda \beta_2)$  that determines whether the economy is wage-led or profit-led. All possible parameter scenarios correspond to a wage-led economy ( $s - (\beta_1 - \lambda \beta_2) > 0$ , as the propensity to consume out of wages must be higher than that out of profits). This paper deals only with the scenario where there is intense income inequality due to neoliberal policies and workers borrow to sustain their living standard. Hence it is assumed that  $\beta_1 > \beta_2$  and  $\beta_1 - \lambda \beta_2 > 0$  implying that workers prioritize their standard of living. Given there is intense income inequality which is reflected by high values of the term  $\beta_1 \alpha_1 \ell$  we have that  $\frac{\partial B_w}{\partial u} = \alpha_1 \beta_1 \ell - (1 - \pi)(\beta_1 - \lambda \beta_2) > 0$ .

I perform simulations for the basic macroeconomic stability conditions, the basic behavioral borrowing relations that set the base for the scenario building and the comparative statics. For the calibration of the model data for the US economy are used and some behavioral parameters are set to satisfy the Keynesian stability condition. The numerical simulations are performed using the Mathematica program. Table 2 reports the calibration of the model and Table 3 and 4 the simulation results.

**Table 2:** *Calibration of the short-run model.*

Parameter	Values	Source
$\alpha_0$	0.40	Author's calculations*
$\alpha_1$	1.00	Author's calculations*
$\beta_1$	0.30	Author's calculations*
$\beta_2$	0.06	Author's calculations*
$\ell$	0.55	Author's calculations*
$i$	0.05	(av. 1995-2010) OECD
$s$	0.75	Lavoie and Godley (2002)
$\lambda$	0.30	According to bank practices
$\pi$	0.43	Gross operating surplus as % GDP, average 1995-2010, AMECO.
$g$	0.26	Set according to the solution of the 2D long run model.
$\delta_w$	0.21	Set according to the solution of the 2D long run model.

\* Set to satisfy the Keynesian stability condition and to yield capacity utilization rate less than unity.

**Table 3:** *Simulation Results Properties*

Condition	Description
$\beta_1 - \lambda\beta_2 = 0.28 > 0$	
$\beta_1\alpha_1\ell - (\beta_1 - \lambda\beta_2)(1 - \pi) = 0.004 > 0$	Borrowing sustains consumption under inequality
$s\pi + (\beta_1 - \lambda\beta_2)(1 - \pi) - \alpha_1\beta_1\ell = 0.32 > 0$	Macroeconomic Stability Condition
$g + \alpha_0\beta_1\ell - (1 + \beta_2)i\delta_w = 0.31 > 0$	Positive goods market equilibrium Assumption
$s - (\beta_1 - \lambda\beta_2) = 0.47 > 0$	Class differential propensities to save

**Table 4:** *Simulation results: comparative statics*

	$g$	$\alpha_1$	$i$	$\delta_w$	$s$	$\pi$	$\lambda$
$u^*$	3.14	0.51	-0.82	-0.17	-1.31	-1.45	0.11
$r^*$	1.35	0.22	-0.35	-0.07	-0.56	0.36	0.05

Obviously, the investment rate,  $g$ , has a positive effect on equilibrium value of capacity utilization and profit rate. As expected,  $\alpha_1$  captures the sensitivity of borrowing with respect to conventional wage this effect drives borrowing by working households and hence increases capacity utilization. A higher interest rate and accumulated debt to capital ratio as expected has a negative impact on capacity utilization as there is a transfer of income from workers who have a high propensity to consume to financial capitalists, who neither consume nor invest. An increase in  $s$  reduces capacity utilization (paradox of thrift) as less capitalist consumption fuels aggregate demand while savings are held to finance investment in the long-run<sup>4</sup>.  $\lambda$  (workers' maximum debt-service-to-income ratio) affects positively capacity utilization as the higher the interest payments workers can afford, in the short-run, the higher is borrowing, consumption and demand. Finally, a higher profit share reduces capacity utilization as it transfers income from workers with a higher propensity to consume to industrial capitalists with a lower propensity to consume. Hence the economy is wage-led. However, the paradox of costs may or may not hold depending on how intense is the impact of conventional wage on borrowing compared to the impact of the actual wage. If income inequality is not sufficiently intense it is possible that the paradox of costs does not apply and vice versa. In this parameter constellation obviously the paradox of costs does not apply although income inequality is assumed.

#### 4. The long-run model

In this section, we explore the long-run dynamics of the model. We begin with the deferential equation describing the path of  $\delta_w$  (over-hats denote growth rates):

$$\widehat{\delta_w} = \widehat{D_w} - \widehat{R} \quad (14)$$

By proper substitutions (Eq. 4, 5, 10 and 13 into 14) we obtain the growth rate of  $\delta_w$ .

<sup>4</sup> As mentioned before investment is predetermined in the long-run.

$$\frac{d\delta_w}{dt} = a_0\beta_1\ell + [a_1\beta_1\ell - (1-\pi)(\beta_1-\lambda\beta_2)] \left[ \frac{g+a_0\beta_1\ell-(1+\beta_2)i\delta_w}{\pi s+(1-\pi)(\beta_1-\lambda\beta_2)-\alpha_1\beta_1\ell} \right] - \beta_2 i\delta_w - g\delta_w \quad (15)$$

The term  $g\delta_w$  in Eq. 15 implies the presence of non-linearity and hence its investigation will be performed through a phase portrait analysis. The dynamic path of the rate of accumulation is specified by inserting Eq. 11 and 13 into Eq. 12 and then by normalizing we obtain:

$$\frac{dg}{dt} = \Lambda \left( \gamma_0 + s\gamma_r \pi \left[ \frac{g+a_0\beta_1\ell-(1+\beta_2)i\delta_w}{\pi s+(1-\pi)(\beta_1-\lambda\beta_2)-\alpha_1\beta_1\ell} \right] - g \right) \quad (16)$$

For simplicity, we henceforth use the following notation: the denominator of  $u^*$ , i.e.

$$\pi s + (1-\pi)(\beta_1-\lambda\beta_2)-\alpha_1\beta_1\ell = \Gamma.$$

By setting  $\frac{d\delta_w}{dt} = 0$  and solving for  $g$  we take the isocline of Eq. 15:

$$g = \frac{a_0\beta_1\ell\pi s - i\delta_w[(1+\beta_2)\pi s - \Gamma]}{-(\pi s - \Gamma) + \delta_w\Gamma} \quad (17)$$

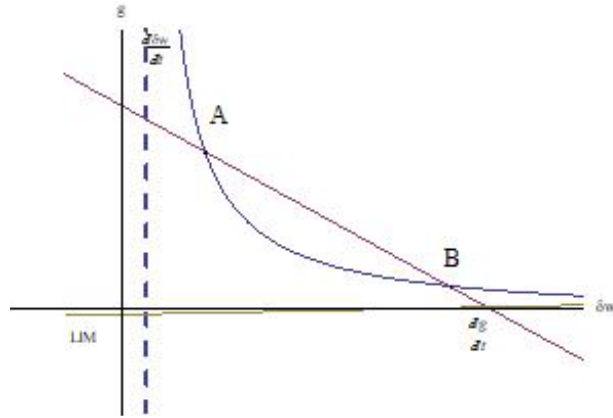
Isocline 17 reflects a convex hyperbola. The economic implications of the above considerations are two. First, there is a negative relation between  $\delta_w$  and  $g$ . As debt accumulates, a larger part of income and additional borrowing finance the accumulated debt commitments thus contracting aggregate demand and growth. Second, initially an increase in  $\delta_w$  causes a stronger negative effect on  $g$  while when the levels of  $\delta_w$  are already high  $g$  becomes less responsive. This is because the higher  $\delta_w$  is, consumptions' contribution to changes in aggregate demand are less leaving  $g$  almost intact.

Setting  $\frac{dg}{dt} = 0$  and solving for  $g$  we take the isocline of Eq. 16:

$$g = \frac{\gamma_0\Gamma + \alpha_0\beta_1\ell s\pi\gamma_r}{\Gamma - s\pi\gamma_r} - \frac{(1+\beta_2)i\delta_w s\pi\gamma_r}{\Gamma - s\pi\gamma_r} \quad (18)$$

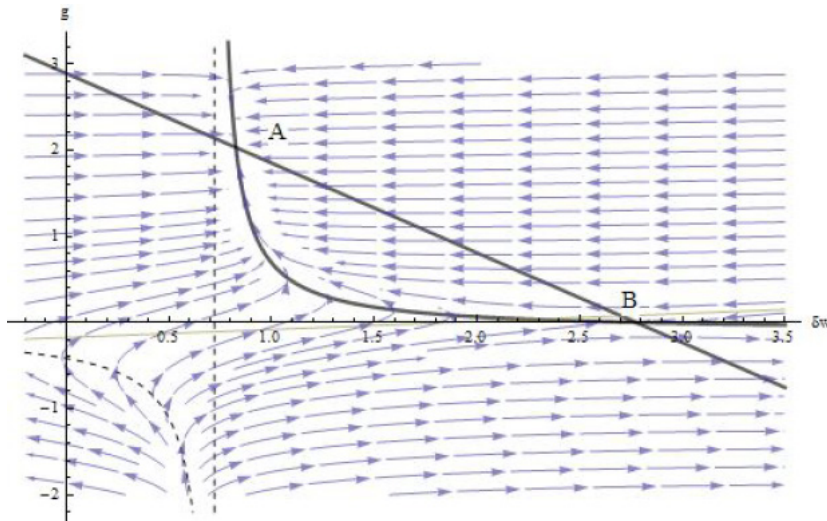
Isocline 18 is a downward sloping line with a positive intercept and denominator (by assumption). The denominator is positive because it represents the standard Keynesian macroeconomic stability condition in the goods market which requires the savings rate to respond more to changes in capacity utilization than the investment rate. Solving the system of the above two differential equations yields two equilibrium points, A and B.<sup>5</sup>

<sup>5</sup> These operations are reported in the Appendix.

**Figure 1:** Dynamics of  $\delta_w$  and  $g$ 

In what follows we deduce the stability properties of the dynamic system. The stability requires that the Jacobian Matrix gives a positive Determinant and a negative Trace. The determinant of the Jacobian Matrix at point A has a positive sing and the trace a negative hence equilibrium point A is locally asymptotically stable. B on the other hand is saddle as the determinant at B is negative.<sup>6</sup>

Consequently, if the initial position of the economy is in the neighborhood of A all the forces (in this neighborhood) will push the system towards A, while if the initial position of the system is in the neighborhood of B then the economy will be dragged to negative values of  $g$  and infinite values of the  $\delta_w$ . Instability mostly appears at the point in which the rate of growth is low. This structural instability (related to equilibrium point B) doesn't change by different parameter constellations. This conclusion is also found in Jarsulic (1990).

**Figure 2:** Phase diagram  $\delta_w$  and  $g$ 

<sup>6</sup> Ibid.

### Simulation Results of the long-run comparative statics

Although the analytical stability analysis of the dynamic model is clear and reported in the Appendix, the comparative statics analysis does not provide a clear picture of the dynamic movements of the isoclines let alone the stability analysis that compares the new equilibrium points with the initial. In some cases, the conclusions are intuitive and allow for several possibilities. Therefore, numerical analysis is performed and reported in what follows.

The parameters under consideration are: the “animal spirits”,  $\gamma_0$ , the sensitivity of investment to internal funds,  $\gamma_r$ , the interest rate,  $i$ , the adjustment parameters,  $\beta_1$  and  $\beta_2$ , the retention rate,  $s$ , the profit share,  $\pi$ , the maximum debt-service income ratio,  $\lambda$ , the sensitivity of wages to capacity utilization,  $\alpha_1$ , the constant term  $\alpha_0$  and the labor-capital ratio,  $\ell$ . The macroeconomic stability analysis applied here follows the work of Jarsulic (1990). Any change in the parameter values of the model that makes the two equilibrium points (one locally stable and one saddle) to move closer decreases the stability of the system, while if it makes them more distant increases the stability of the system. That happens because a potential shock that generates local oscillations around the stable point may cause a shift from the stable to the unstable path if the two points have come closer.

The numerical analysis follows the same structure developed in the short run model. For the calibration of the long-run model we use the same data-set as in the short-run model, with some necessary minor changes in order to be in line with the different mathematical structure of the long-run model and its underlying macroeconomic stability conditions.

### Comparative statics results

The adjustment parameters involved into the workers borrowing function ( $\beta_1$  and  $\beta_2$ ) tend to stimulate long-run growth,  $\delta_w$ , capacity utilization and the profit rate. However, their impact on macroeconomic stability differs.

The parameters involved into the desired rate of accumulation, such as  $\gamma_0$  and  $\gamma_r$  tend to raise long run growth and reduce  $\delta_w$  and hence increase capacity utilization and the profit rate. An increase in the “animal spirits” of the firm sector is the only case that doesn’t create a trade-off between long-run growth and macroeconomic stability. This is because it is a pure stimulation to growth without affecting any other distributional or behavioral parameter.

Loose financing conditions (higher  $\lambda$ ) as expected fuel long run growth and capacity utilization as workers increase borrowing and hence  $\delta_w$ . However, this happens at the expense of macroeconomic stability. Tighter credit standards (except for interest rate rises) may have a depressing effect on growth and aggregate demand but workers would be in a sounder financial position and macroeconomic stability would improve.

An increase in the related to the conventional wage parameters ( $\alpha_0$ ,  $\alpha_1$  and  $\ell$ ) causes a positive impact on long run growth and capacity utilization yet at the expense of higher workers debt. Yet, higher  $\alpha_0$  and  $\ell$  tend to improve macroeconomic stability while  $\alpha_1$  tends to reduce it. This may happen because a higher sensitivity of conventional wage to changes in capacity utilization triggers workers’ debt in the stable region but it reduces workers’ debt in the unstable region reducing the distance between the two equilibrium points. Therefore, an increase in income inequality reflected on the increased impact of conventional wage (intensification of neoliberal policies) destabilizes the economy.

A higher  $s$  reduces capacity utilization (paradox of thrift) and in consequence the impact on workers borrowing will be negative (recall  $\frac{\partial B_w}{\partial u} > 0$ ). The impact on the rate of accumulation is also negative because the indirect impact on capacity utilization overwhelms the direct impact of the higher  $s$ . The trade-off between long-run growth and macroeconomic stability occurs here, too.

A higher rate of interest causes a fall in long-run growth and an increase in  $\delta_w$ . The increase in  $\delta_w$  however happens although workers borrowing and debt tends to fall (due to both direct and indirect negative impact) because the fall in the desired rate of accumulation is more intense. Equilibrium values of the rate of capacity utilization and the profit rate are falling as well, and so does macroeconomic stability.

**Table 6:** *Simulation results, comparative statics*

Par.	Equilibrium point A'				Equilibrium point B'				Stability
	$\delta_w$	$g$	$u^*$	$r^*$	$\delta_w$	$g$	$u^*$	$r^*$	
$\alpha_0$	Increase	Increase	Increase	Increase	Increase	Increase	Increase	Increase	Increase
$\alpha_1$	Increase	Increase	Increase	Increase	Fall	Fall	Fall	Fall	Fall
$\beta_1$	Increase	Increase	Increase	Increase	Increase	Increase	Increase	Increase	Increase
$\beta_2$	Increase	Increase	Increase	Increase	Fall	Fall	Fall	Fall	Fall
$\lambda$	Increase	Increase	Increase	Increase	Fall	Fall	Fall	Fall	Fall
$\ell$	Increase	Increase	Increase	Increase	Increase	Increase	Increase	Increase	Increase
$i$	Increase	Fall	Fall	Fall	Fall	Increase	Increase	Increase	Fall
$s$	Fall	Fall	Fall	Fall	Increase	Increase	Increase	Increase	Increase
$\pi$	Fall	Fall	Fall	Fall	Increase	Increase	Increase	Increase	Increase
$\gamma_f$	Fall	Increase	Increase	Increase	Fall	Increase	Increase	Increase	Fall
$\gamma_o$	Fall	Increase	Increase	Increase	Increase	Fall	Fall	Fall	Increase

A redistribution of income in favor of capitalists' income has a stagnationist effect in long run growth as demand tends to fall. A higher  $\pi$  has a positive impact on workers borrowing but it is offset by the indirect negative impact on  $u$  (workers borrowing moves to same direction with  $u$ ). Hence, workers borrowing and debt tend to fall. Macroeconomic stability, on the other hand, tends to increase. Clearly (as this is the case for the other parameters) there is a trade-off between growth and macroeconomic stability. In terms of policy, this result implies that an attempt to reduce income inequality by reducing the profit share would imply and increase in long-run growth on the one hand but an increase in workers' debt to capital ratio and a fall in macroeconomic stability. This is because, a fall in the profit share affects directly the actual wages (reducing borrowing) but because we assume that the conventional wage increases faster (due to neoliberal policies that affect indirectly workers' standard of living) borrowing will tend to increase reducing macroeconomic stability. A reverse of neoliberal policies in the realm of the welfare state could help reduce the trade-off between long-run growth and macroeconomic stability.

## Conclusions

This paper investigates the relation between working household's debt and income inequality within a framework of a neo-Kaleckian model of growth and income distribution. Neoliberal policies have increased income inequality as they have affected working households' income directly through stagnant wages (by weakening labor unions and employment protection legislation) and indirectly through the cutbacks in those state expenditures that support the social wage (health, education, social security, housing policy). This fall in working households' income reduced consumption and led to anemic economic growth. Loose financing practices provided credit (initially cheap) to households who struggle to sustain their living standard that have acquired during the post-war era.

This model attempts to capture some of the stylized facts that seem to have played a role in the emergence of the crisis in US sub-prime mortgage market in the summer of 2007; Household borrowing for consumer purposes, income inequality and low rates of capital accumulation. In particular, the analysis shows that macroeconomic stability is achieved in the area where the rate of capital accumulation is strong, as well as the rate of capacity utilization and the rate of profit. Even in a neoliberal regime these conditions ensure macroeconomic stability and keep the ratio of working households' debt to capital ratio at relatively low levels or in other words keep workers debt at sustainable levels. The economy is unstable, however, when the rate of capital accumulation is low and workers' debt to capital ratio is high, i.e. workers' debt is not sustainable. At this area capacity utilization and the profit rate become extremely low.

The analysis also shows that household borrowing creates a trade-off between the rate of capital accumulation and the macroeconomic stability. The only exception is the case of higher animal spirits where the economy can achieve improvements at the same time in both the long-run growth and the stability of the system. Moreover, income distribution policies that attempt to raise the wage share and reduce income inequality, on one hand will have a positive impact on long-run growth, yet workers borrowing and debt will increase as the overall neoliberal policies remain (according to the models' terms, the impact of the conventional wage on borrowing is still high) and macroeconomic stability falls. So, it turns out that a reverse of neoliberal policies in the realm of the welfare state could help reduce the trade-off between long-run growth and macroeconomic stability.

## References

- Barba, A., & Pivetti, M. (2009). Rising household debt: Its causes and macroeconomic implications-a long-period analysis. *Cambridge Journal of Economics*, 33, 113-137.
- Bhaduri, A. (2011a). Financialisation in the light of Keynesian theory. *PSL Quarterly Review*, 64 (256), 7-21.
- Bhaduri, A. (2011b). A contribution to the theory of financial fragility and crisis. *Cambridge Journal of Economics*, 35(6), 995-1014.
- Bhaduri, A., Laski, K., & Riese, M. (2006). A model of interaction between the virtual and the real economy. *Metroeconomica*, 57(4), 412-427.
- Dutt, A.K. (2005). Conspicuous consumption, consumer debt and economic growth. In M. Setterfield (Ed.), *Interactions in Analytical Political Economy. Theory, Policy and Applications*. Armonk, New York: M.E. Sharpe.



- Dutt, A.K. (1995). Internal finance and monopoly power in capitalist economies: A reformulation of Steindl's growth model. *Metroeconomica*, 46(1), 16-34.
- Dutt, A.K. (2006). Maturity, stagnation and consumer debt: A Steindlian approach. *Metroeconomica*, 57(3), 339-364.
- Hein, E. (2006). Interest, debt and capital accumulation - a Kaleckian approach. *International Review of Applied Economics*, 20(3), 337-352.
- Hein, E. (2012). Finance-dominated capitalism, re-distribution, household debt and financial fragility in a Kaleckian distribution and growth model. *PSL Quarterly Review*, 65(260), 11-51.
- Jarsulic, M. (1990). Debt and macro stability. *Eastern Economic Journal*, 15(3), 91-100.
- Kalecki, M. (1971). Class Struggle and the Distribution of National Income. *Kyklos*, 24(1), 1-9.
- Kapeller, J., & Schutz, B. (2014). Debt, boom, bust: a theory of Minsky-Veblen cycles. *Journal of Post Keynesian Economics*, 36(4), 781-813.
- Lavoie, M. (1995). Interest rates in post-Keynesian models of growth and distribution. *Metroeconomica*, 46(2), 146-177.
- Lavoie, M., & Godley, W. (2002). Kaleckian Models of Growth in a Coherent Stock-Flow Monetary Framework: A Kaldorian View. *Journal of Post Keynesian Economics*, 24(2), 277-311.
- Montgomerie, J. (2006). Giving Credit where it's Due: Public Policy and Household Debt in the United States, the United Kingdom and Canada. *Policy and Society*, 25(3), 109-141.
- Palley, T. (1994). Debt, aggregate demand, and the business cycle: An analysis in the spirit of Kaldor and Minsky. *Journal of Post Keynesian Economics*, 16(3), 371-390.
- Pollin, R. (1988). The Growth of U.S. Household Debt Demand Side Influences. *Journal of Macroeconomics*, 10(2), 231-248.
- Pollin, R. (1990). Deeper in Debt. The Changing Financial conditions of U.S. Households. *Economic Policy Institute*.
- Ryoo, S., & Kim, Y. (2014). Income distribution, consumer debt and keeping up with the Joneses. *Metroeconomica*, 65(4), 585-618.
- Ryoo, S. (2016). Household debt and housing bubble: A Minskian approach to boom-bust cycles. *Journal of Evolutionary Economics*, 26(5), 971-1006.
- Setterfield M., & Kim Y.K. (2016). Debt servicing, aggregate consumption, and growth. *Structural Change and Economic Dynamics*, 36, 22-33.
- Veblen, T. (1899). *The Theory of the Leisure Class*, Fairfield NJ, August M. Kelley, 1991.

## Appendix

The solution of the system of the two differential equations (Eq. 15 and 16) yields two equilibrium points, A and B, with the steady state values of  $\delta_w$  and  $g$ , i.e.



**Equilibrium Point A**

$$\delta_{wA} = \frac{\gamma_0 \Gamma - \sqrt{\Delta} + (\alpha_0 \beta_1 \ell - i \beta_2) s \gamma_r \pi - i [\Gamma - s \pi (1 + \beta_2)]}{2 i s \gamma_r \pi (1 + \beta_2)}$$

$$g_A = \frac{\gamma_0 \Gamma + \sqrt{\Delta} + (\alpha_0 \beta_1 \ell + i \beta_2) s \gamma_r \pi + i [\Gamma - s \pi (1 + \beta_2)]}{2 (\Gamma - s \gamma_r \pi)}$$

**Equilibrium Point B**

$$\delta_{wB} = \frac{\gamma_0 \Gamma + \sqrt{\Delta} + (\alpha_0 \beta_1 \ell - i \beta_2) s \gamma_r \pi - i [\Gamma - s \pi (1 + \beta_2)]}{2 i s \gamma_r \pi (1 + \beta_2)}$$

$$g_B = \frac{\gamma_0 \Gamma - \sqrt{\Delta} + (\alpha_0 \beta_1 \ell + i \beta_2) s \gamma_r \pi + i [\Gamma - s \pi (1 + \beta_2)]}{2 (\Gamma - s \gamma_r \pi)}$$

Where

$$\Delta = -4 \pi i (1 + \beta_2) [(s \pi - \Gamma) \gamma_0 + \pi \beta_0 (s - \gamma_r)] \gamma_r + [i (s \pi - \Gamma) + \Gamma \gamma_0 + i \pi \beta_2 (s - \gamma_r + \pi \beta_0 \gamma_r)]^2$$

In what follows we deduce the stability properties of the dynamic system. The stability requires that the Jacobian Matrix gives a positive Determinant and a negative Trace. The Jacobian Matrix is the following:

$$J = \begin{vmatrix} -g + \frac{i[\Gamma - s \pi (1 + \beta_2)]}{\Gamma} & -\delta_w - \frac{\Gamma - s \pi}{\Gamma} \\ \frac{-\Lambda \pi i (1 + \beta_2) s \gamma_r}{\Gamma} & -\frac{\Lambda (\Gamma - s \gamma_r \pi)}{\Gamma} \end{vmatrix} \quad (18)$$

Evaluating the determinant of the Jacobian Matrix at equilibrium point A we obtain:

$$\text{Det}[\delta_{wA}, g_A] = \frac{\Lambda \sqrt{\Delta}}{\Gamma} > 0 \quad (19)$$

which is always positive since  $\sqrt{\Delta}$ ,  $\Lambda$  and  $\Gamma$  are always positive.

If one of the following conditions is satisfied i)  $\beta_1 < \lambda \beta_2$ , or ii)  $\beta_1 > \lambda \beta_2$  and  $\alpha_1 \beta_1 \ell > (1 - \pi)(\beta_1 - \lambda \beta_2)$  or iii)  $\beta_1 > \lambda \beta_2$  and  $\frac{i(s \pi - \Gamma)(1 + \beta_2)}{\Gamma} < g_A + i \beta_2 + \Lambda \left[ \frac{\Gamma - s \pi \gamma_r}{\Gamma} \right]$  then equilibrium point A is locally asymptotically stable. To prove that we obtain the trace at equilibrium point A:

$$\text{tr}[\delta_{wA}, g_A] = -g_A - i \beta_2 - \Lambda \left[ \frac{\Gamma - s \pi \gamma_r}{\Gamma} \right] - \frac{i(s \pi - \Gamma)(1 + \beta_2)}{\Gamma} \quad (20)$$

At point A  $g$  is always positive and  $\Gamma - s \pi \gamma_r > 0$  is the assumed standard Keynesian macroeconomic stability condition in the goods market. Under the previous assumptions the Trace is always negative and the equilibrium point is locally asymptotically stable.

Evaluating the Determinant at the equilibrium point B we obtain a negative sign (because  $\sqrt{\Delta}$ ,  $\Lambda$  and  $\Gamma$  are always positive) which makes equilibrium point B a saddle:

$$\text{Det}[\delta_{wB}, g_B] = -\frac{\Lambda \sqrt{\Delta}}{\Gamma} < 0 \quad (21)$$

# 6

## MEDIA AND POLITIC CLIENTELISM IN JUSTICE AND DEVELOPMENT PARTY ERA: THE CASE OF ATV-SABAH CORPORATION

Özge Ercebe Ercebe<sup>1</sup>

### **Abstract**

*In this study, the relationship between media and politics will be discussed within the framework of clientelism concept. Clientelism is one of the less noticed topics on the analysis of media systems but as a form of political and social organization and one of the influential factors in shaping both political and media systems. Clientelism, has an effective role in the restructuring of media post 1980 period, but after 2002, it became more systematic in Turkey's socio-economic and political system. This study intends to contribute to monitoring the continuity and differentiation of clientelistic relations on the basis of both media-politics relations. This contribution will be presenting the case of the media corporation of ATV-Sabah. Through this example, it will be possible to monitor continuity and differentiation in clientelistic relations in Turkey.*

**Keywords:** *Political Clientelism, Media Economics, Media Systems.*

### **Introduction**

This study, will evaluate the relationship between media and politics in Turkey by focusing on the concept of clientelism as well as discuss the impact of clientelistic relations in shaping Turkey's media system. The main reason for clientelism being the focus of the study is the decisive role of the concept in the relations between media and politics of non-Western countries. The concept of clientelism has been discussed in anthropology and subsequently in political science since the 1960s, but it has recently been included in media studies by Hallin and Papathanassopoulos (2002) and Hallin and Mancini (2004). In these studies, the existence of clientelism in social and political organizations is considered to be a determinant feature in the differentiation of media systems. These studies were based on the first normative approach to media systems that studied by Fred Siebert, Theodore Peterson and Wilbur Schramm "Four Theories of the Press" (1956/1963) which addressed mass communication in the general social and political context. The basic thesis of the *Four Theories* is that "the press is always shaped by the social and political structure in which it exists" provides a basis for Hallin and Mancini. Beyond the normative tradition before them (Altschull, 1995; Hachten, 1996; Mundt 1991; Picard, 1985; McQuail, 1994, pp. 131–2), they approached this thesis with the emphasis that the media reflects the social control system if the relationship between individuals and institutions is equalized and that the media should be understood systematically in order to reveal this reflection. The empirical data they used revealed that the media and political institutions in different countries were shaped through different processes in relation to their specific conditions (Hallin & Mancini, 2004, p. 26).

1 Atilim University, Department of Public Relations and Advertising, Kızılcaşar Mahallesi, İncek, Gölbaşı, Ankara, TURKEY, Phone: +90 312 586 86 18, e-mail: ozge.ercebe@gmail.com

Comparative Media Systems (2004) by Hallin and Mancini analyzed, eighteen Western democratic countries by looking at the characteristics of the political system under the categories of (i) the regulatory role of the state in media policy and media field; (ii) the political system and the nature of democratic governance; (iii) the role of interest groups and cooperation with the political structure; (iv) existence in terms of rational legal authority or clientelistic social and political organization; (v) functioning of the moderate or polarized pluralistic political system. They evaluated these political and social factors which are effective in the development of the media system together with the four components of the media system. These four components are (1) Historical development of the media market; (2) Political parallelism that determines the level and nature of the relationship between the media and political parties, or the reflection of the main political divisions in society on the larger scale; (3) Development of professional journalism; and (4) The level and quality of state intervention in the media system (Hallin and Mancini, 2004. p. 21). These components, each of which can be considered as a qualitative indicator alone, provide a favorable framework for analyzing the relationship between media and politics in non-Western media systems. The authors claim that these criteria cluster together into distinct types indicating a three-fold typology of media systems, namely, the Liberal Model that prevails in Anglo-American countries, the Democratic Corporatist Model that prevails in the consensus democracies in northern Europe and the Polarized Pluralist Model that typifies the countries in Mediterranean Europe. The Polarized Pluralist Model has five major characteristics: low levels of newspaper circulation, a tradition of advocacy reporting, instrumentalization of privately-owned media, politicization of public broadcasting and broadcast regulation, and limited development of journalism as an autonomous profession. These characteristics can be used quite adequately to typify the Turkish media system (Kaya & Çakmur, 2010, p.522, Ercebe, 2016).

To explain the social, a political and economic development during the last fifteen years in Turkey, in this study focuses mainly on the concept of political clientelism, which is one of the features of the Polarized Pluralist Model, to explain Turkey's media intuitions. The remarkable example of Turkey's media corporation ATV-Sabah is selected as a case study. The company, both in its establishment and growth, as well as in its transfer to TMSF (Saving Deposit Insurance Fund) and selling and re-selling processes, has been representing the reflections of the clientelistic relations in political and economic fields of Turkey. In this study, the concepts of clientelism and politic clientelism will be briefly discussed and the importance of the concept in terms of media studies will be explained. Then, historically analyzing the case of ATV-Sabah company the continuities and differences will be discussed in the context of clientelistic relations before 2002 and during the Adalet ve Kalkınma Partisi (Justice and Development Party, AKP) governments that prevailed in the past fifteen years.

### **Clientelism and Politic Clientelism**

The patron-client relationship and the relationship that is at the root of the concept of clientelism which is important in terms of political analysis are based on studies in anthropology (Pitt-Rivers, 1954; Campell, 1964; Wolf, 1966; Foster, 1977, Wolf, 1977). During the first wave of the clientelism studies, in the late 1960s and early 1970s (Schmidt, Steffen W. et.all.1979; Paine, 1971; Graziano, 1976; Gellner & John Waterbury, 1977), anthropologists and political scientists signified the clientelism as a specific type of interpersonal, dyadic relationship based on a reciprocal exchange between individuals of unequal power, wealth and status. In the first period researches, the concept of clientelism analyzed with empirical evidence based on ethnographic case studies, as well as new analytical structures and theoretical perspectives were introduced, especially through the traditional patron-client pattern. Because of their perception of clientelism as an archaic phenomenon, they assumed that clientelism and

patron-client relationships eventually disappear with the development or democratization (Roniger, 1994, p.3). Anthropologists and political scientists have long seen societies depicted with a patron-client relation as deviated from the universal bureaucracy and market frameworks, and they considered the examples of the countries which are regarded as “modernity and rationality” as marginal phenomena (Eisenstadt and Roniger, 1984, p.3).

The second wave of studies in the 1980's and early 1990's tried to systemize the field and range the studies expanded, in which attempt early modern or even antiquated studies were carried out (Clapham, 1982; Kettering, 1986; Wallace-Hadrill, 1989). Second wave studies were differentiated from the earlier studies in identifying clientelism as a model of social exchange and a specific strategy of political mobilization and control<sup>4</sup>. In these researches clientelism evaluated as complex networks of patron brokerage selectively reaching different strata, sectors, and groups and pervading political parties, factions, and administrations (Roninger, 2010, p.356). Political scientist uses the concept of clientelism as “the ways in which party politicians distribute public jobs or special favors in change for electoral support”. In political science clientelism considered with a feature of government and the political parties were the major units of analysis. In party-oriented studies, customers are no longer individuals, but social or regional groups that can vote for the goods and services provided by the party machine (Tarkowski, 1981, p.174). Nevertheless, “a patronage system cannot be reduced to a number of patron-client ties and a political party is much more than a series of dyadic contracts” (Weingrod, 1977, p. 324). In this period, categorization is defined as a specific political mobilization and control strategy, coalition strategies, center-periphery relations, and interactions are included in the scope of research (Eisenstadt and Roniger, 1990, pp. 43-165).

In periods of sociopolitical transformation, the complexity of civil society comes to the fore and clientelism studies therefore concentrate on civil society, informal institutions, democracy and the state-citizen relations (Roniger, 2004, p.356). The current political science literature, definitions of clientelism is differentiated. According to Stokes (2013, p.605) clientelism is “proffering of material goods in return for electoral support, where the criterion of distribution that the patron uses is simply: did you (or will you) support me?” For Hopkin (2006, p.406), clientelism “describes the distribution of selective benefits to individuals or clearly defined groups in exchange for political support.” Mainwaring (1999, p.179) defines clientelism as a process in which “professional politicians and political brokers secure a wide range of public goods for citizens”. These definitions show that political clientelism is considered as a part of the cultural structure of the mutual exchange between politicians and voters. Also, in recent studies especially in post-communist countries in Central and Eastern Europe, the intersection between clientelism, corruption and informality are also discussed (Örnebrick, 2012). These studies emphasize that informal clientelistic networks are not only involving in election times, but they can also be involved in many different types of exchanges. Informal clientelistic networks extended over politics, business, and other sectors to provide favors or support. Taking these studies into account, it will be possible to understand, a definition of clientelism beyond the relationship between political parties and the voters. As Örnebrick suggests, informality and corruption can be useful terms understanding the state of the media and politics within the clientelistic networks.

### **Political Clientelism and Media**

Media is in a central position in contemporary societies due to scientific and technological developments. The functions of the media have expanded significantly compared to the past. In this context, the transmission of news and information to the society has become a secondary function, as well as other symbolic productions carried out by these instruments. Another characteristic of this development is the fact that profitability and financial benefit

have become the main objectives of the media institutions. In the studies on political clientelism, the media is considered as an institution, on the basis of its impact on the audiences, which provides for the politician-citizen accountability (Kitschelt, 2007, p.307). The importance attributed to the media in clientelism studies interpreted the perspective of mainstream media theories. But the relationship between clientelism and media is evaluated as an analytical category in the study of Daniel Hallin and Paolo Mancini's study of *Comparing Media Systems: Three Models of Media and Politics* (2004), and in the study of Hallin and Papathanassopoulos (2002).

Hallin and Mancini (2004: pp. 58-9) and Hallin and Papathanassopoulos (2002: pp. 184-5), following the comparative politics studies, considered clientelism as a form of political and social organization and considered it as one of the influential factors in shaping both political and media systems. The authors emphasized that social structure affects the relationship between politics-media and media-democracy, and they make an evaluation on the basis of rational-legal authority, a Weberian concept. In this context, the development of rational-legal authority illuminates the determination of media models and as well as being an important assessment point in the understanding of the media systems (Hallin & Mancini 2004, pp.55-56). However, in countries located in the Polarized Pluralist Model, where the level of development of rational legal authority is low, clientelism is effective in shaping the social structure. (Hallin an& Mancini 2004, p.57; Hallin & Papathanassopoulos 2002, pp. 184–5). Although it is one of the most important factors of instrumentalization in both public broadcasting and private media ownership, it is surprising that clientelism is one of the less noticed topics on the analysis of media systems. While instrumentalization in public media is reflected in political assignments instead of professional criteria in the appointments and broadcasting of these institutions, in the private ownership structure, the political links in the success of the company, especially in obtaining the license of contracts and the granting of contracts, are effective. In these systems, it is seen that the owners of the company use the media as a tool to negotiate with the other elites and to intervene in the political sphere (Hallin& Macini 2008, 58; Hallin & Papathanassopoulos 2002, p. 184). Clientelism also affects the professionalization of journalism. Journalists have a tendency to become involved in the clientelistic networks created by political party leaders, media owners and the other patrons.

This tendency adversely affects professional solidarity (Hallin & Mancini 2004, p.59). According to Natalia Roudakova (2008), as a result of such forms of relations, “public opinion” has become a field of struggle in which the “bosses” (politicians, administrators, oligarchs and financial patrons) try to maintain and the increase their impacts. Within the clientelistic network “bosses” assumed control over the editorial policies of media outlets according to their own expectations and interests. Expectations of bosses and other members of the network become the basic principles of broadcasting. Journalists involved in instrumentalized media prefer biased journalism instead of objective journalism principles to take part in customer-oriented orbit. Dissent journalists are excluded by politicians and other members of the network. (Roudakova, 2008, p.43).

It is possible to follow the traces of the effect of clientelism on social and political culture in the historical process. Clientelistic network and forms of mutual relations however are changing with the developments that occur in the economic, social and political spheres. Almost half a century of technological development, differentiated and increased effects of the media in the social and political spheres. The concept of clientelism within the frame work of media studies should be considered as a structural feature that shapes society and legitimates the actions of the power beyond being an element of the relations established between voters and politicians. At this stage Örnebrig (2012, p.499) stated that integration of the concepts of clientelism, corruption, and informality can provide a

better framework for explaining how and why the media are used by clientelistic networks for purposes unrelated to or only indirectly related to electoral communication.

### **Political Clientelism and Media in Turkey**

The first systematic research on political clientelism in Turkey was extended over the mid-1970s and early 1980s (Kutad, 1975; Güneş-Ayata, 1994; Sayarı, 1977; Özbudun, 1981, Sayarı, 2014). These early studies reflected the influence of the conceptual and theoretical frames of clientelism of the North American and Western European scholars'. Earlier researches of clientelism focused on the historical roots and social structure of the Ottoman Empire and the effects of Turkish politics in the 1950s that witness a transition from single party politics to multiparty politics. These studies also concentrated on the less developed Eastern and Southern regions of Turkey, on the basis of center- periphery relations.

As a consequence of the hyper-urbanization Turkey experienced after the 1960s, the focus of clientelism studies shifted from the large cities to small town and villages, because the gradual increase in urban poor populations has provided a suitable ground for clientelistic relations. During the 1980s and 1990s, political parties expanded their political support to the low-income urban poor and empirical studies showed that the pro-Islamist AKP achieved greater success in elections by using impressive clientelistic techniques (Gümüşçü & Aykaç, 2014; Kemahlioğlu & Bayer, 2014; Aytaç & Çarkoğlu 2014; Akdağ, 2014). In a recent study, Kalaycıoğlu (2001) criticized the political clientelism and patronage for its perceived negative effect on the democratic process. According to Kalaycıoğlu (2001, p.62), "the popular image of democracy in Turkey has been tilted toward an understanding that democracy allows people greater access to the State through the help of political parties". During AKP's political rule after 2002, the political clientelism became an important tool by which urban poor people were able to cope with everyday life. AKP used clientelistic methods that were significantly influential in providing partisan tendencies and electoral support. While ensuring its popular support with clientelistic-based social policy tools, it has also supported the legitimacy of its institutions with its media organizations that have changed hands with institutions such as the TMSF and concessions to businessmen close to the ruling party.

Briefly, the studies mentioned above indicate that clientelism is an important component of the social-political life in Turkey. In addition to these evaluations, the clientelism concept -which is one of the Hallin and Mancini's analysis tools used in the analysis of Western Media Systems- stands out as a favorable one for analyzing media capital and politics in Turkey in the post-1980 era as well.

The neo-liberal economic structure, starting with the January 24 decisions abolishing subsidies on newspaper raw materials together with an increase in paper prices of up to 300 percent in this period, has created trouble for the press. The rapid development of technology has made newspaper publishing dependent largely on capital requirements and this situation has become a part of the government's financial control efforts on the media. In this process, traditional media owners such as Dinç Bilgin were able to stay in the sector by spreading their own investments in the non-press area, while the capital owners have developed their media investments from the outside sectors. In this period, the loans and financial support needed in the media sector have been provided through face-to-face relations with political authorities.

In the period between 1980-2000, Turkey can be said to have characteristics of the basic components of the *polarized pluralist model* within the framework of Hallin and Mancini's decomposition of media systems (Kaya &

Çakmur, 2010; Ercebe, 2016). The characteristics of a clientelistic type of relations in a polarized pluralist system are also valid in Turkey's media system.

On January 24, 1980, a “stabilization program” opted for a market-based and outward-oriented economic modernization strategy. However, this strategy was implemented by government decisions without legal and institutional reforms. During the 1990s, Turkey has been governed by some coalition governments, in less than nine years, Turkey ruled by six coalition governments with varying compositions and five different prime ministers. In this period of intense competition between parties, clientelism became an important component of Turkish politics. The 1990s were also the years when the first private broadcasting began. Despite the legal framework that protected the state monopoly on TV/radio programming, private companies entered the market in the early 1990s. The first private TV channel *Star1*, which was owned by Cem Uzan and Ahmet Özal, the son of President Turgut Özal and started broadcasting without the preparation of an initial judicial basis. This situation paved the way for businessman in the media sector to maintaining good relations with the governments. In this period, it can be said that the new order has been settled in the media sector. Although they do not represent different ideological discourses, media bosses have supported political parties for their own interest. Throughout the 1990s, clientelistic relations have become prominent corresponding to the demands of the coalition governments for the support of the media and demands of media owners for favoritism from the governments<sup>7</sup> (Kaya&Çakmur, 2010; Sönmez 2003, Bek 2004, Adakli 2006, Sözeri 2015). In the 1990s, the reflection of competition among the groups on the political sphere reached to the claims that “they have a say in the determination of the council of ministers” and “they establish or demolish governments” (2012 Investigation of Coups Commission Report).

### **Structuring of Turkey and Media after the 2001 Crisis Period**

Relations between politicians and businessmen investing in the media field during the post-1980 period reveal some of the most prominent examples of political clientelism. In the period after 1980 due to rapidly developing technology the media has become an economic sector that requires large amounts of capital; the credit and support needed by the investors were provided by the clientelistic relations established with the political power. Policies mentioned above in this period, defined by Şahin Alpay (2010, p.378) called as “the façade triangle”, and Kaya called as (2010) “media, finance and politics fusion” defining the relations between media owners, politicians, and finance sector, paved the way for the 2001 economic crisis. Because of the media companies operating in the banking sector at the same time, the economic crisis experienced in 2001 significantly affected the media industry. As a matter of fact, during this crisis 25 banks went bankrupt; ten of which were also owners in the media sector (Ertürk, 2012).

TMSF became one of the most important players in the media sector with the transfer of bankrupt banks together with media companies belonged to the former owners of these banks. These developments indicate significant changes in the structuring of media ownership. In the process of selling the TMSF's media companies after the 2001 crisis, the AKP played a role in supporting the entry of businessmen close to the government into the media sector. Since 2002, the TMSF has confiscated 219 companies from Uzan Holding, 63 from Dinç Bilgin's Medya Holding, nine from Mehmet Emin Karamehmet's Çukurova Holding, and 38 from Aksoy Holding.

Esen and Gümüşçü (2018, p.351) argue that the AKP government has aimed at building a loyal business class and to accomplish this aim consolidated its constituency within business circles. AKP politicized the state institutions



and weakened of the Independent Regulatory Agencies for transferring the capital from its opponents to its cronies, and to discipline dissidents in business circles.

### **The Case of Clientelism: ATV-Sabah Group**

During the period of AKP rule, there have been exchanges in the media capital, new groups have entered the sector, and the groups in the sector who are close to the political stance of the government have increased their effects. Amongst those that have newly entered the sector are the *ES Media* of Ethem Sancak, Koza İpek Holding, (which was transferred to the TMSF after 15 July 2016), Star TV and Star Newspaper Partner Fettah Tamince, (owner of Rixos Hotels), Ciner Group, which entered the sector as a partner in 2000 and then bought HaberTürk Tv from Ufuk Güldemir and the Demirören Group who bought Milliyet from Aydın Doğan.

ATV-Sabah group can be considered to be one of the most striking examples of media and political clientelism due to both its establishment in the 1980's, growth during the 1990s, and also 2001 crisis process and the role of TMSF and the discussions in the period of its sale and acquisition.

One of the most striking features of the ATV-Sabah group in terms of the media sector is that Dinç Bilgin as the first owner of the group is the last journalist originated boss in the press sector. Dinç Bilgin continued to publish the *Yeni Asır* newspaper whose first issue was published in İzmir on September 6, 1924, has implemented many innovations since the mid-1960s in order to be the only one in the local market and has passed ahead of its competitors in İzmir. An attempt to establish a newspaper in İstanbul with Kemal Uzan in 1982 resulted in a dispute. At the same time, he started to publish his economical newspaper *Rapor* which he carried from İzmir to İstanbul. Then, he started to publish *Sabah*, which he bought with bank loans on 22 April 1985.

Bilgin Group, which entered the magazine market with 1 Numara publishing corporation in the following years, moved to İkitelli in 1990 and started to publish newspapers such as *Bugün*, *Yeni Yüzyıl*, *Fotomaç* and *Sabah Yıldızı*. On 12 July 1993, ATV started test broadcasting and the group entered the field of television. On December 24, 1994, he founded MEPAŞ as an advertising marketing company in partnership with Erol Aksoy. Dinç Bilgin acquired Etibank Banking, which was included in privatization in 1989, with the establishment of Medya-İpek Holding which was established with Nergis Holding on March 2, 1998. The year 2000 is the year of shake and destruction for Dinç Bilgin. The Group's financial engine, Etibank, was seized by the TMSF. Dinç Bilgin went to prison in a case against Etibank. On October 20, 2000, he transferred the majority share of Sabah Group to Turgay Ciner. Hence, Ciner has got Sabah publishing corporation, Birleşik Basın Dağıtım, ATV, 1 Numara Publishing ve Sabah Marketing. The rest of the shares were transferred to Mehmet Emin Karamehmet. On November 30th, 2000, Dinç Bilgin announced in his article titled 'I have been leaving just a jacket with me' that he had left all of the assets of ATV, Yeni Asır and Kanal 6 to Ciner and Karamehmet and left the media world. However, with the support of Aydın Doğan for a while, he tried to stay on the market. On 2 April 2001 he was arrested by the State Security Court on the charges of fraud, embezzlement and misdemeanor.



**MEDIA AND POLITIC CLIENTELISM IN JUSTICE AND DEVELOPMENT PARTY ERA:  
THE CASE OF ATV-SABAH CORPORATION**

Özge Ercebe Ercebe

*Table 1. Bilgin Group 1998*

Media Operations	Financial Operations	Other Operations
ATV (Çukurova ile ortak) , ATV Avrupa, Kiss TV, Yeni TV, RADYO- Kiss FM, Radio Sport, Şık FM, Sabah Gazetesi, Takvim, Fotomaç - DERGİ- 27 Derginin Yayıncılığı, YAYIN- Sabah Yayıncılık, Binyıl Yayıncılık, Sabah D'Agostini, Medya- Ofset Yayıncılık, Sabah Kitapçılık, IPR Uluslararası TV Video Yapım AŞ, Satel AŞ, Bilgin İletişim AŞ. DAĞITIM- Birleşik Basın Dağıtım AŞ, AJANS- Sabah Haber Ajansı	Etibank	MEPAŞ
<b>Source:</b> <i>Compiled from Kültür ve İletişim Dergisi, "Medya -Demokrasi-Siyasal İktidar İlişkisi", 2003, December, s.123; Adaklı, 2006' Kuyucu, 2012.</i>		

On October 27, 2000, Etibank, owned by Dinç Bilgin, was confiscated and in return for the bank's debt of 880 million TL, the media companies were transferred to the TMSF. On 17 November 2003, Turgay Ciner signed a license agreement with Dinç Bilgin for 15 years. He rented ATV and Sabah brand and name rights for \$ 10 million. In 2005, he sat down with the TMSF and paid \$ 18.5 million in down payment for Satel Sabah Television (ATV) and Nilgün Publishing (Sabah) newspaper and he paid the remaining debt in 6 month installments for 10 years with a total of \$ 433 million in installments of 19.5 million dollars. However, the total payable amount of USD 433 million was not sufficient to cover Bilgin's debts arising from Etibank. In March 2007, Dinç Bilgin who lost his media group to Ciner and could not pay his debts applied to the Savings Deposit Insurance Fund (TMSF) and announced that they made a secret partnership protocol with Ciner without a real sale. Upon this circumstance, TSMF confiscated Ciner's 63 companies together with Sabah and ATV (Adaklı, 2010, Mavioglu, 2012, Yüksel ve Çam, 2015).

**Table 2. Çalık Group 2013**

Media Operations	Other Operations
Newspaper: Turkuvaz Medya Grubu (Sabah, Sabah Avrupa, Yeni Asır, Takvim, Fotomaç) Magazine: Turkuvaz Magazine Publishing TV: ATV, ATV Avrupa Radio: Turkuvaz TV and Radio (Radyo Turkuvaz, Radyo Romantik) Distribution: Turkuvaz Dağıtım Pazarlama A.Ş. Book Publishing: Turkuvaz Kitapçılık Yayıncılık Sanayi ve Ticaret A.Ş., Turkuvaz Matbaacılık Yayıncılık Sanayi ve Ticaret A.Ş. Production: Turkuvaz Prodüksiyon ve Tanıtım A.Ş. News Agency: Turkuvaz Haber Ajansı Dijital Medya ve Mobil Sevices: Turkuvaz Medya Digital, Turkuvaz Mobile Sevices	Textile: Gap Güneydoğu Tekstil, Türkmenbaşı Tekstil Kompleksi, Türkmenbaşı Jeans Kompleksi, Balkan Dokuma, Serdar Pamuk Eğrici, Serdar Altın Asır Tekstil Kompleksi, Çalık Alexandria Energy: Çalık Enerji, Bursagaz, Kayserigaz, Naturelgaz Instruction: Gap İnşaat Finance: Aktif Bank, Banka Kombetare Tregtare (BKT) Telekomunicaiton: Alb Telecom
<b>Source:</b> <i>Sözeri and Kurban 2013</i>	

While Dinç Bilgin was completely out of the media sector by announcing his secret agreement with Ciner Group, Ciner was also pushed out of the process. This situation mobilized the government on the selling of ATV and Sabah and pro-government Çalık Group became the owner of ATV and Sabah. Çalık Group grew with the textile and construction sectors in the 1990s (Mavioglu, 2012, p.28), purchased ATV and Sabah with a loan of

\$ 700 million from two public banks Halkbank and Vakıfbank for the price of 1.1 billion dollars. Çalık Group, which paid in cash with these bank loans, became the owner of several newspapers and magazines as well as ATV and Sabah. The way which this amount of credit was received from the State banks and the five-minute bid was criticized extensively (Mavioglu, 2012). Çalık Holding appointed Tayyip Erdoğan's son-in-law Berat Albayrak as the general manager of the company, and his brother Sedat Albayrak, who was also the Board Member of Turkuvaz Media, as the general manager of Star newspaper. Allegations about sales made by a pool of money created by many investors as revealed on the internet from hidden recorded audio 'tapes' have coined the phrase "pool media" to the media history.

It was claimed that the sales price of ATV-Sabah Group, which has joined Zirve Holding founded with the participation of many investors right after December 17, was 630 million dollars. It has attracted attention that Kalyon Construction, a subsidiary of Zirve Holding that bought the media group together with businessmen in tape records won bids on major infrastructures such as Çanakkale-Ezine-Ayvacak Road, especially the third airport, as well as numerous infrastructure and motorway tenders. These illegally recorded audio tapes on the sale of Sabah-ATV show the importance that Tayyip Erdoğan and the AKP give to the media. International media companies such as Time Warner and NewsCorp have been in charge of the ATV-Sabah group, which Çalık Holding has been considering to sell for some time now but as stated by illegal the voice recordings that Erdoğan wanted AKP supporting businessmen to create a capital pool. Even though ATV did not make any profits, the promises given to businessmen who placed money in the pool were fulfilled (Sözeri, 2015:12; Çam & Şanlıer-Yüksel, 2015; 75; Yesil, 2016: 118; Ercebe 2015; Ercebe, 2016).

## **Conclusion**

Clientelism is always been an effective dynamic in Turkey's politic and socio-economic structure. Especially, Turkish media landscape has considerably changed post 1980 period with the implementation of market-based economic modernization strategy, and also the influence of technological developments. During this period, privatization of communication infrastructure and deregulation did not function to increase diversity in broadcast content, nor to promote social pluralism, improve expression and freedom of the press, but to instrumentalize the media. In this process, political clientelism is a useful concept for the evaluation of Turkey's media system after 1980. During this period, the media sector became primarily an economic sector and the new actors, who played an effective role in reorganizing the social structure of the period, also became the media actors. Relations between politicians and businessmen investing in the media field during the post-1980 period reveal the most prominent examples of political clientelism. From the 1980s to the present ATV-Sabah Group, one of the most striking examples of clientelism both in first the founding period and during the course of the relationship between media, business and political actors in the 1990s. In the first period when the AKP came to power, it has continued the economic policies implemented in the previous period. However, following the 2007 elections, when consolidated its power, followed the policies to establish a pro-government capital. While public procurement and privatization and public resources are allocated to private entrepreneurs during the AKP period, the Savings Deposit Insurance Fund (TMSF) has been an important tool for debt collection and capital transfer. The TMSF's activities played an important role in increasing the control of pro-government entrepreneurs in the media sector. Even though, it was considered the continuity of the informal and personal clientelistic network, which was effective in earlier periods, the AKP's long-standing single party ruling of the country caused the clientelism to be seen on a more

systematic and larger scale due to its unprecedented level of electoral hegemony and political dominance. The case of AVT-Sabah Media Company is a remarkable example of this clientelistic network.

## References

- Adaklı, G. (2006). *Türkiye’de Medya Endüstrisi Neoliberalizm Çağında Mülkiyet ve Kontrol İlişkileri*, Ütopya Yayınevi, Ankara.
- Adaklı, G. (2010). 2002-2008: Türk Medyasında AKP Etkisi. In. Uzgel & B. Duru (Eds.), *AKP Kitabı: Bir Dönüşümün Bilançosu* (ss. 559-613). Ankara: Phoenix.
- Adaklı, G. (2014). Medya Sermayesi ve Ultra-Çapraz Bütünleşmeler, *Perspectives*, 8, pp.18-23.
- Akdağ, G. (2014). *Ethnicity and Elections in Turkey: Party Politics and the Mobilization of the Swing Voters*, London: Routledge.
- Akser, M. & B. Baybars-Hawks (2012). Media and Democracy in Turkey: Toward a Model of Neoliberal Media Autocracy, *Middle East Journal of Culture and Communication*, 5, pp.302-321.
- Altschull, H. J. (1984). *Agents of Power: The Role of the News Media in Human Affairs*, New York: Longman.
- Alpay Ş. (2010). Two Faces of the Press in Turkey: The Role of the Media in Turkey’s Modernisation and Democracy, In. Kerslake C., Öktem K., Robins P. (eds) *Turkey’s Engagement with Modernity*. St Antony’s Series, Palgrave Macmillan, London.
- Ark, C. (2014). “From Metropolitan Projects to Local Politics: The Local Elections of 2009 and 2014 in an Informal Neighborhood of İstanbul.” Presented at the Conference on Local Elections and Clientelism in Turkey, İstanbul: İstanbul Policy Center.
- Aytaç, E.S. (2014). “Distributive Politics in a Multiparty System: The Conditional Cash Transfer Program in Turkey”, *Comparative Political Studies*, 47, no. 9, p.1211–1237.
- Cemaat’ten ‘havuz’a: KHK’larla kapatılan kanal ve radyolar kapış kapış. (2017, Mayıs 4). 8 Haziran 2018 tarihinde <http://www.diken.com.tr/cemaatten-havuz-a-khklarla-kapatilan-kanal-ve-radyolar-kapis-kapis/> adresinden erişildi.
- Clapham, C.(eds) (1982). *Private Patronage and Public Power*, New York: St. Martin’s Press.
- Çam, A. & Şanlıer-Yüksel, İ. (2015). Türkiye’de Medyanın 2002 Sonrası Dönüşümü: Ekonomi-Politik Bir Yaklaşım, In. U. U. Aydın (Der.), *Neoliberal Muhafazakâr Medya* (pp. 66-102). İstanbul: Ayrıntı.
- Davis, A. (2002). *Public Relations Democracy: Public Relations, Political Communications and the Mass Media in Britain*, Manchester: Manchester University Press.
- Davis, A. (2003). “Whither Mass Media and Power? Evidence for a Critical Elite Theory Alternative”, *Media, Culture & Society*, 25 (5): 669-90.
- Davis, A. (2007). *The Mediation of Power*, London: Routledge
- Eisenstadt, S.N., & René Lemarchand. (eds.) (1981). *Political Clientelism, Patronage, and Development*, Beverly Hills, CA: Sage.

- Eisenstadt, S. N. & Luis Roniger. (1984). *Patrons, Clients, and Friends: Interpersonal Relations and the Structure of Trust in Society*, Cambridge, UK: Cambridge University Press.
- Ercebe, Ö. (2015). “The News Media as a Political Instrument: The Turkish Case”, Athens: *ATINER’S Conference Paper Series*, No:Med 2015-1580.
- Ercebe, Ö. (2016). “Türkiye’nin Medya Sistemi ve Otoriterleşme Eğiliminin Yapısal Temelleri”, *Atılım Sosyal Bilimler Dergisi*, 6 (1), pp.51.88.
- Ercebe, Ö. (2016). “Türkiye’nin Medya Sistemi Tarihsel Bir Değerlendirme ve Otoriterleşmeye Yönelten Yapısal Temel Özellikler”, Ankara Üniversitesi Sosyal Bilimler Enstitüsü, *Yayınlanmamış Doktora Tezi*.
- Gellner, E. & John Waterbury (eds.).(1977). *Patrons and Clients in Mediterranean Societies*, London: Duckworth.
- Graziano, L. (1976). “Conceptual Framework for the Study of Clientelistic Behavior”, *European Journal of Political Research*, no.4, pp. 149-74.
- Hallin, D. & Paolo Mancini (2004). *Comparing Media Systems: Three Models of Media and Politics*, Cambridge: Cambridge University Press.
- Hallin, D. & Paolo Mancini (2008). “Press Theories”, *The Encyclopedia of Political Communication Vol. I*. Lynda Lee Kaid ve Christina Holtz-Bacha (eds.). Londra: Sage. pp. 647–651.
- Hanioğlu, Ş. (2008). *Brief History of the Late Ottoman Empire*, Princeton: Princeton University Press.
- Hacten, W.A. 1983. *The World News Prism: Changing Media, Clashing Ideologies*, Iowa State University Press.
- Hopkin, J. (2006). “Clientelism and Party Politics”, In *Party Politics*, ed. Richard Katz and William Crotty, 406–412. London: Sage.
- Kalaycıoğlu, E. (2001). “Turkish Democracy: Patronage versus Governance”, *Turkish Studies* 2, no. 1, pp. 54–70.
- Kaya, R. (1985). *Kitle İletişim Sistemleri*, Ankara: Teori Yayınları.
- Kaya, R. (1999). “Medya, Toplum ve Siyaset”, *Medya Gücü ve Demokratik Kurumlar*, Eds.Korkmaz Alemdar, Afa Yayıncılık ve Tüses Vakfı.
- Kaya, R. & Çakmur, B. (2010). Politics and the Mass Media in Turkey, *Turkish Studies*, 11 (4), 521-537.
- Kemahlioğlu Ö. & Reşat Bayer (2014). “Intergovernmental Partisan Ties as Incumbency Advantage: The Use of Central Government Resources”, Presented at the *Conference on Local Elections and Clientelism in Turkey*. İstanbul: İstanbul Policy Center.
- Kettering, S. (1986). *Patrons, Clients and Brokers in Seventeenth Century France*, Oxford: Oxford University Press.
- Kitschelt, H. (2007). “The Demise of Clientelism in Affluent Capitalist Democracies”, In *Patrons, Clients, and Policies*, eds. Herbert Kitschelt and Steven I. Wilkinson, 298-343. Cambridge, UK: Cambridge University Press.

- Kitschelt, H. and Steven I. Wilkinson (2007). "Citizen-Politician Linkages: An Introduction." In *Patrons, Clients, and Policies*, ed. Herbert Kitschelt and Steven I. Wilkinson, 1-49. Cambridge, UK: Cambridge University Press.
- Koltsova, O. (2006). *News Media and Power in Russia*, Abingdon, UK: Routledge
- Koloğlu, O. (1992). *Osmanlı'dan Günümüze Türkiye'de Basın*, İletişim Yayınları.
- Kudat, A. (1975) "Patron-Client Relations: The State of the Art and Research in Eastern Turkey." In *Political Participation in Turkey*, eds. Engin Deniz Akarlı and Gabriel Ben-Dor, 61-87. İstanbul: Boğaziçi University Press.
- Kurban, E. & Ceren Sözeri (2012). İktidarın Çarkında Medya: Türkiye'de Medya Bağımsızlığı ve Özgürlüğü Önündeki Siyasi, Yasal ve Ekonomik Engeller, TESEV.
- Kuyucu, M. (2012). *Türkiye'de Medya Ekonomisi*, Esen Kitap, İstanbul.
- Landé, Carl H. (1977). "Introduction: The Dyadic Basis of Clientelism." In *Friends, Followers and Factions: A Reader in Political Clientelism*, edited by Steffen W. Schmidt, Laura Guasti, Carl H. Landé, and James C. Scott, xii-xxxvii. Berkeley: University of California Press.
- Lowenstein, R. & John Merrill. (1971). *Media, Messages and Men*, Michigan: D. McKay Co.
- Mavioğlu, E. (2012). *Cenderedeki Medya Tenceredeki Gazeteci*, İthaki Yayınları, İstanbul.
- Mainwaring, S.P. (1999). *Rethinking Party Systems in the Third Wave of Democratization: The Case of Brazil*, Stanford: Stanford University Press.
- Merrill, J. & John Nerone. (2008). "The Four Theories of the Press: Four and a Half Decades Later." der. Howard Tumber. *Journalism: Critical Concepts in Media and Cultural Studies* Vol II. Londra&New York: Routledge. 9-13
- Nerone, J. (1995). *Last Rights: Revisiting Four Theories of the Press*. Urbana: University of Illinois Press.
- Örnebrig, H. (2012). "Clientelism, Elites, and the Media in Central and Eastern Europe", *The International Journal of Press/Politics* 17(4) 497 -515.
- Özbudun, E. (1981). "Turkey: The Politics of Political Clientelism." In *Political Clientelism, Patronage, and Development*, edited by S. N. Eisenstadt and Rene Lemarchand, 249-268. Beverly Hills: Sage.
- Paine, R. (eds). (1971). *Patrons and Brokers in the East Arctic*, Saint John's: Memorial University of Newfoundland.
- Piattoni, S. (2001). "Clientelism in Historical and Comparative Perspective", In *Clientelism, Interests, and Democratic Representation: The European Experience in Historical and Comparative Perspective*, edited by Simona Piattoni, 1-30, Cambridge, UK: Cambridge University Press.
- Picard, R. C. (1985). *The Press and the Decline of Democracy: The Democratic Socialist Response to Public Policy*, Westport: Greenwood.

- Roniger, L. (1994). "The Comparative Study of Clientelism and the Changing Nature of Civil Society in the Contemporary World", In *Democracy, Clientelism, and Civil Society*, edited by Luis Roniger and Ayşe Güneş-Ayata, 1-18. Boulder, CO: Lynne Rienner.
- Roniger, L. (2004). "Political Clientelism, Democracy, and Market Economy", *Comparative Politics* 36, no. 3, pp. 353-375.
- Roudakova, N. (2008). "Media-Political Clientelism: Lessons from Anthropology", *Media, Culture & Society*, 30 (1). pp.41-59.
- Sayarı, S. (1975). "Some Notes on the Beginnings of Mass Political Participation", In *Political Participation in Turkey*, (eds.) Engin Deniz Akarlı & Gabriel Ben-Dor, 121-133. İstanbul: Boğaziçi University Press.
- Sayarı, S. (1977). "Political Patronage in Turkey." in *Patrons and Clients in Mediterranean Societies*, (eds) Ernest Gellner & John Waterbury, 103-113. London: Duckworth.
- Sayarı, S. (2011). "Clientelism and Patronage in Turkish Politics and Society", In *The Post-Modern Abyss and the New Politics of Islam: Assabiyah Revisited - Essays in Honor of Şerif Mardin*, (eds). Faruk Birtek & Binnaz Toprak, pp. 81-94. İstanbul: Bilgi University Press.
- Sayarı, S.(2014) Interdisciplinary Approaches to Political Clientelism and Patronage in Turkey, *Turkish Studies*, 15:4, pp.655-670, DOI: 10.1080/14683849.2014.985809.
- Siebert, Fred S., Theodore Peterson & Wilbur Schramm (1956/1963). *Four Theories of the Press: The Authoritarian, Libertarian, Social Responsibility and Soviet Communist Concepts of What the Press Should Be and Do*, Urbana ve Chicago: University of Illinois Press.
- Schmidt, S.W., Laura Guasti, Carl H. Lande, & James C. Scott (eds.). (1979) *Friends, Followers, and Factions: A Reader in Political Clientelism*, Berkeley: University of California Press.
- Stokes, S.C. (2013). *Thad Dunning, Marcelo Nazareno, and Valeria Brusco. Brokers, Voters, and Clientelism*, New York: Cambridge University Press.
- Sönmez, M. (2010). Medyada İstanbul İktidarı, *Mülkiye*, XXXIV (269), 85-99.
- Sözeri, C. & Zeynep Güney (2011). "Türkiye'de Medyanın Ekonomi Politikası: Sektör Analizi, TESEV Yayınları, Haziran.
- Sözeri, C.& Dilek Kurban (2011). *Türkiye'de Medya: Mevzuat, Politikalar ve Aktörler*, TESEV Yayınları.
- Sözeri, C. & Dilek Kurban (2012). *İktidarın Çarkında Medya*, TESEV Yayınları.
- Sözeri, C. & Dilek Kurban (2013). *Türkiye'de Özgür ve Bağımsız Bir Basın için Siyasa Önerileri*, TESEV Yayınları.
- Sözeri, C. (2015). *Türkiye'de Medya-İktidar İlişkileri: Sorunlar ve Öneriler*. İstanbul: İstanbul Enstitüsü.
- Voltmer, K. & Alina Dobrev (2009). "Friends or Foes? Conflict and Cooperation between Journalists and Politicians in Post-communist Bulgaria", Paper presented at the *Political Studies Association conference*, Manchester, UK, April 7-9.
- Wallace-Hadrill,A.( eds).(1989). *Patronage in Ancient Society*, London: Routledge and Kegan Paul.

MEDIA AND POLITIC CLIENTELISM IN JUSTICE AND DEVELOPMENT PARTY ERA:  
THE CASE OF ATV-SABAH CORPORATION

Özge Ercebe Ercebe

- Weingrod, A. (1968). "Patrons, Patronage and Political Parties", *Comparative Studies in Society and History* 10: 377-400.
- Wolf, E.R. (1966). "Kinship, Friendship, and Patron–Client Relationships in Complex Societies", In *The Social Anthropology of Complex Societies*, ASA Monographs, 4 edited by Michael Banton, 1–22. London: Tavistock.
- Yesil, B. (2016). *Media in New Turkey: The Origins of an Authoritarian Neoliberal State*. Urbana: University of Illinois Press.



## ANALYZING THE EFFECT OF THE INCREASE IN CORPORATION TAX RATE ON CORPORATION TAX REVENUES VIA MULTIPLE REGRESSION WITH DUMMY VARIABLES

Güneş Yılmaz<sup>1</sup>, Yakup Arı<sup>2</sup>

### Abstract

*The purpose of our study is to estimate and forecast the effect of the new Corporate Tax Rate to be applied for the years 2018-2020 on the Corporate Tax Revenues. In doing so, in addition to the increase in the rate of corporation tax, some of the economic indicators of Turkey and political decisions were also included in the study to examine the effect on revenues. In this context, Corporate Tax Revenues, Corporate Tax Rate, Deposits Interest Rate, Tax Amnesty, Elections, Producer Price Index (PPI), 2008 Global Financial Crisis, by the regression model with dummy variables were analyzed using annual data for the period 1991-2017. As a result of the study, it was observed that the deposit interest rate, the tax amnesty, Corporate Tax Rate, and the 2008 Crisis had a statistically significant effect on Corporate Tax Revenues; despite the fact that the PPI and elections had a negative effect, it turned out to be not statistically significant. Moreover, variables used in the model and on the basis of important fundamental problems and/or indicators of the Turkish economy were used to forecast the Corporate Tax Revenues for the year 2018 that will be the first result of the new corporate tax rate increase.*

**Keywords:** *Corporate Tax Revenues, Corporate Tax Rate, Interest Rate on Deposits, Tax Amnesty, Elections, Producer Price Index (PPI), 2008 Global Financial Crisis*

### I. Introduction

Considering the average share of taxes in revenues in OECD countries is around 80%, and the share of tax revenues in the GNP is approximately 34%, the importance of economic, political and financial factors affecting tax revenues is increasing. In this respect, especially in times of economic distress and contraction, tax revenues studies and efforts to increase these revenues are becoming more important. As a result, efforts and works to increase the revenues bring economic and political and even financial decisions, which in turn affect the overall economy. This situation, which is valid in OECD countries, is similar in terms of Turkey. The data, which are proof of all this, are included in the country-based reports published by the OECD. According to these reports, the share of total tax revenues in the GNP in our country is 25.1% in 2015 and 25.5% in 2016. This means that a quarter of our national income is composed of tax revenues. The importance of the mentioned income can be explained as the number of active taxpayers, and as of 2017, it is seen that all taxpayers in our country are around 10 million, of which 1.8 million are from income taxpayers and 760 thousand are corporate taxpayers. As of 2017, the sum of taxes collected from taxpayers is TL 625.5 billion. Almost one-third of the total tax revenues are taxes on income

1 Alanya Alaaddiın Keykubat University, Business Faculty, Antalya, TURKEY, Email: gunes.yilmaz@alanya.edu.tr

2 Alanya Alaaddiın Keykubat University, Business Faculty, Antalya, TURKEY, Email: yakup.ari@alanya.edu.tr



and earnings (2017 million TL as of 2017). Again, 23% of our total tax revenues are from income taxpayers (TL 143.9 billion as of 2017); 9% is collected from corporate taxpayers (TL 57.8 billion as of 2017). While the share and contribution of the corporate tax are in this way in total tax revenues, it is beneficial to reveal the situation in terms of the total of our budget revenues. Accordingly, 6,84% of 2017 budget revenues are composed of corporate tax collection (Revenue Administration, 2018). Therefore, the significance of the factors affecting the corporate tax system and collection in terms of tax collection and budget revenues is undeniable. Regarding this situation, with the Law No. 7061 published in Turkey in December 2017, the Corporate Tax rate that was increased from 20% to 22% will be applied first time in 2018. It is necessary to analyze and evaluate the effect of this decision, namely increasing of the corporation tax rate, on the economic and financial events in our country.

The purpose of our study is to estimate how certain economic decisions taken and applied in the light of Turkish economic, politic structure and their indicators will create a change on the corporation tax revenues. From this point of view, the data related to economic, financial and political decisions and practices are used. In the search for the context of our data, not only economic but also some administrative and politic data and practices are utilized. The frequency of both general, local elections and referendums, global and local crisis, continuous discussions and problems on deposit rate and inflation through media, and our country's popularity on tax amnesties have determined our data decision process. In addition to circumstances mentioned above, with Law No. 2761 published at December 2017 currently, 20% of corporation tax rate will be increased to 22% corporation tax rate for 3 years starting from 2018. Our study focuses to estimate how data based on this economic and politic circumstances and decisions will affect the trend of corporation tax revenue- increasing or decreasing.

## II. Literature Review

In this context, before presenting our results and/or estimations about data and/or variables it will be useful to mention about the relationship and interaction between mentioned factors and general tax revenues and corporation tax revenues. It must be specified that on the contrary to our study there has been no research in the literature examining the effect of all variables mentioned above.

Empirical studies on tax amnesties generally analyze the effect of amnesties on total tax revenues. In this point, it must be specified that our study focuses on how amnesties affect corporation tax revenues, which is our starting point, rather than total tax revenues. Nevertheless, we found useful to give a general point of view about how tax amnesties may affect total tax revenues. Most researches on this perspective are based on developed countries with high tax revenues and incomes. A research examining the effect of tax amnesties on tax revenues, conducted by Kaya (2014), studied a general perspective of literature and concluded that need for public funding increases the possibility of tax amnesty and while in a short period tax amnesties increases tax revenues, in the long run there is no apparent effect on tax revenues. On the contrary, he indicated that it decreases taxpayers' obligation to taxes. By using Structural VAR (SVAR) model, Kaya (2014) draw a conclusion that the tax amnesties at Turkey will generally affect tax revenues in a negative way.

A study by Alm *et al.* (2007) evaluating the effect of tax amnesties on tax revenues shows that tax amnesties causes a spontaneous increase in tax revenues and reduces administrative cost and juridical responsibilities. Moreover, a study conducted by Villalba (2017) draw a conclusion that tax amnesties increase the tax revenues and tax collection in a short period.

Empirical studies about the effects of elections on tax revenues seem to draw different conclusions. A study by Yogo and Njib (2018) tries to expose the relationship between political competition<sup>3</sup> and tax revenues. By using Dynamic Panel Data Model, they found out that political competition had a positive effect on total tax revenues. However, for countries applying the strict fiscal rules, political competition negatively affects the tax revenues, especially in terms of direct and trade taxes. Another study in the literature conducted by Ebeke and Ölçer (2013) concluded that financial regulation within two years following an election increase the revenue performance in low-income countries. On the other hand, although this study shows the increase on public spending and consequently the fiscal gap during elections, there is no evidence about the revenues. A study by Demir and Berksoy (2017), using a Vector Error Correction Model (VECM), found that there is no significant effect of general election between 1945 and 2014 at Turkey on tax revenues.

In a correlation analysis using data from EU members, Liliana and Carmen (2014) studies the relationship between tax revenues and economic variables. In short, they showed that there was no relationship between tax revenues and the deposit interest rate. Another study, including 8 countries outside of Europe, found out that if the money supply is accepted as a fundamental factor of interest, there is no relationship between money supply and public revenue, but this may change from one country to another (Bunesce *et al.*, 2011).

In the literature the relationship between inflation and tax revenues are often explained in the terms of data related to the budget deficits. In that respect studies are covered in two categories; first, the effect of budget deficits on inflation, later how inflation will influence the budget deficits and indirectly tax revenues which is related to our subject. The second category underlying theoretical perspective of our study is called a “Tanzi effect”. In this context, Tanzi’s studies (1977 and 1978) states that the delay in the process of collecting and accrument in developing countries with an high inflation (with the case of Argentina) will lead to decrease in reel tax revenues. Similarly, Hondroyiannis and Papapetrou’s study (1997) in Greece by using Granger Causality Test draw a conclusion that although it is revealed that the budget deficits have no direct effect on the inflation rate, the increase in inflation has increased the budget deficits and in other terms decreased tax revenues.

It can be assumed that the most important theory analyzing the relationship between tax rates and tax revenues is put forward by A. Laffer. In the 1970’s, the Laffer explained his theory with the help of a curve. According to the fact that tax revenues will be zero if the tax rates are zero or one hundred, the increase in tax rates will lead to a decrease in tax revenues. In this context, the Laffer curve explains that increasing tax rate above a certain level will cause tax revenues to decrease, even though this can change from one country to another. It is useful to point out that there is a plenty of research about this subject in the literature. One of the studies focusing on the relationship between corporate tax rates and corporate tax revenue is based on data set belonging to OECD countries during the period of 1980 and 2014. This study shows that the relationship between corporate tax rate and corporate tax revenue is weak, but again the increase in the corporate tax rate reduces the corporate tax revenues (Kawano and Slemrod, 2012). We would like to emphasize that the distinguishing feature of this study is to include an analysis of the changes in the corporate tax rate as a variable.

In addition to all basic data and indicators, 2018 Global Financial Crisis is added to our study as a dummy variable. The main reason for this inclusion is that this crisis is the first crisis causing the deepest and widespread

<sup>3</sup> In this study, political competition is defined as how many representatives does government and opposition parties have in a parliament after an election. This definition is related our subject in terms of the expressing the political competition based on elections.

consequences all over the world. 2008 financial crisis occurred during the world of economy and in general all world has been integrated; precisely because of that it has created a very deep and widespread impact in a global sense such that it was observed that EU member's public revenues decreased to 9% from 2008 to 2009 and this reduction was sharper than decrease in a nominal GNP (Wahrig and Vallina, 2011). In specific to Turkey and Corporate Tax Revenues, it was observed that while there was a 23% increase in revenues from 2007 to 2008, it was increased by 7% from 2008 to 2009. This indicates that the increase in revenues has been decreased by 71%. From another angle, while the increase in corporate tax revenues is approximately 47% during the period of 1991-2007, the average growth in corporate tax revenues during the period of 2008-2017 is about 16% (Revenue Administration, 2018).

In our study, the relationship between corporate tax revenues and corporate tax rate, deposit interest rate, tax amnesty, elections, Producer Price Index (PPI), 2008 Global Financial Crisis is investigated through semi-logarithmic multiple regression model including dummy variables. Our study includes respectively the analysis of method and model, data and variables, findings and lastly interpretation of the results.

### III. Method and Model

Transforming the variables by taking the logarithm is a common way in a regression model if there exists a non-linear relationship between the independent and dependent variables. Using this transformation on the variable(s) makes the effective relationship non-linear, while still preserving the linear model. Logarithmic transformations are also a convenient means of transforming a highly skewed variable into one that is more approximately normal.

In our study, considering the dependent variable was affected by more than one independent variable and while some of the independent variables did not show continuity for the research period, the dependent variable had an exponential increase, the semi-log multiple regression model including dummy variables was applied. During the research period, dummy variables were used as an indicator of immeasurable applications in order to see the effect of different politic and economic practices on the dependent variable Regression model, in short, is as follows:

$$\ln Y_i = \beta_0 + \sum_{j=1}^n (\beta_j X_{ji} + \delta_j D_{ji}) + u_i, \quad j = 1, 2, \dots, n \quad (1)$$

In equation 1  $D_{ji}$  is defined as a dummy variable that can only take values of 0 and 1, whereas  $\beta_0$  is a constant coefficient,  $\beta_j$  and  $\delta_j$  are defined as coefficients of independent variables. Expected values are founded as  $E[\ln Y_i | D_{ji} = 0] = \beta_0 + \beta_j \sum_{j=1}^n E[X_{ji}]$  and  $E[\ln Y_i | D_{ji} = 1] = \beta_0 + \beta_j \sum_{j=1}^n (E[X_{ji}] + \delta_j)$

The interpretation of coefficients in a semi-logarithmic form is different from its interpretation in a linear regression model. The coefficient of slope in semi-log models, where the dependent variable is logarithmic and the independent variable is linear, measures the proportional change in a dependent variable in respect to the absolute change in a dependent variable. These coefficients show the percentage change in the dependent variable for the unit change in the dependent variable, which is called semi-elasticity. In the same time, for the log-linear model semi-elasticity values of dummy variables are calculated with  $(e^{\delta_j} - 1) * 100$ .

The assumptions of regression model- such as errors having a normal distribution, error term has zero mean and constant variance, and assumption of absence of high intercorrelations or inter-associations among the independent variables (multicollinearity)- should be also taken into consideration for the model used and the necessary assumptions checks should be done.

#### IV. Data and Variables

The data set includes annual data taken from the period of 1991-2007. In addition to ratio scale variables like annual changes in Corporate Tax Rate (CTRa), Deposit Interest Rate (DIR), Producer Price Index (PPI), categorical variables such as tax amnesties (TA), elections in Turkey and 2008 Global Financial Crisis are defined as dummy variables. Other economic and financial crises between 1991 and 2007 are not included in order to understand better the effect of the 2008 Global Financial Crisis. While creating the data set, the reports and data banks published by Turkish Statistical Institute (TSI), Central Bank of the Republic of Turkey (CBRT), Revenue Administration (RA) and Supreme Electoral Council (SEC) are used. Semi-log multiple regression model with dummy variables is used in order to investigate the effect of these variables on Corporation Tax Revenues (CTRe) between 1991-2017.

#### V. Findings for Model 1

Because Corporate Tax Revenue does not show normal distribution according to Jarque-Bera normality test, log-values are used in order to establish regression assumptions and found log-CTRe (  $JBS = 4.18$ ,  $p\text{-value} = 0.213$ ) normality assumptions. This is the reason why semi-log multiple regression model is chosen. The Augmented Dickey-Fuller unit root test shows that log-CTRe, Corporate Tax Rate, Deposit Interest Rate and the first difference of the PPI (dPPI) are stationary. To prevent data loss the first difference of annual exchange rate of PPI is added to the data set and this inclusion does not affect the data stability. Whether there is tax amnesty and elections, the period before and after 2008 are defined as dummy variables. Semi-log multiple regression model with dummy variables is :

$$\log CTRe_i = \beta_0 + \beta_1 CTRa_i + \beta_2 DIR + \beta_3 \Delta(dPPI_i) + \beta_4 D_{1i} + \beta_5 D_{2i} + \beta_6 D_{3i} + \varepsilon \quad (2)$$

Dummy variables defined as:

$$D_{1i} = \begin{cases} 1, \text{yes tax amnesty} \\ 0, \text{no tax amnesty} \end{cases}, D_{2i} = \begin{cases} 1, \text{yes election} \\ 0, \text{no election} \end{cases}, D_{3i} = \begin{cases} 1, \text{after 2008} \\ 0, \text{before 2008} \end{cases}$$

# ANALYZING THE EFFECT OF THE INCREASE IN CORPORATION TAX RATE ON CORPORATION TAX REVENUES VIA MULTIPLE REGRESSION WITH DUMMY VARIABLES

Güneş Yılmaz, Yakup Arı

**Table 1. Model-1 Parameter Estimation**

<b>Model-1: OLS, Using observations 1991-2017 (T = 27) Dependent Variable: logCTRe</b>					
	<i>Coefficient</i>	<i>Std. Error</i>	<i>t-ratio</i>	<i>p-value</i>	
const	22.3172	0.731613	30.50	<0.0001	***
CTRa	-17.5608	2.07192	-8.476	<0.0001	***
DIR	-6.30586	0.610723	-10.33	<0.0001	***
dPPI	-1.25250	0.844274	-1.484	0.1535	
$D_{1i}$ :TA	0.933637	0.281468	3.317	0.0034	***
$D_{2i}$ : Election	-0.267940	0.275774	-0.9716	0.3429	
$D_{3i}$ : 2008Crisis	-0.921821	0.436778	-2.111	0.0476	**

**Table 2. Model Fit Measures for Model-1**

<b>Model Fit Measures</b>			
Dependent variable mean	14.84303	S.D. Dependent variable	2.763258
Residual sum of squares	9.306498	S.E. Regression	0.682147
R-square	0.953122	Adjusted R-square	0.939058
F(6, 20)	67.77307	P-value(F)	3.10e-12
Log-likelihood	-23.93217	Akaike criterion	61.86433
Schwarz criterion	70.93519	Hannan-Quinn	64.56157
rho	0.198124	Durbin-Watson	1.565400

In Model-1, when the significance test is applied to all regression parameters, *p-value* corresponding to the value of  $F(6, 20) = 67.77370$  is  $3.10e-12$  and the regression model is statistically significant. Also, the value of the model's R-square (94%) indicates that the model can explain changes in corporate tax revenues. However if the parameters are separately taken into consideration, the first difference of annual changes in PPI and the coefficients of elections in Turkey is *not* significant. Nevertheless as Model-1 shows, an increase in PPI and elections decrease corporate tax revenues. For other variables, it can be seen that period after 2008 and an increase in corporate tax rate decreases CTRe, while amnesties increases CTRe.

When the regression assumptions are checked for Model-1, White heteroscedasticity test found no heteroscedasticity, errors have a normal distribution according to Jarque-Bera Normality Test, Breusch-Godfrey test with using Lagrange multiplier method results in no autocorrelation between error terms and according to variance inflation factors (VIF) there is no multiple linear connection (multicollinearity). By testing coefficient stability with CUSUM, there is no change in parameters within a time; that is, the parameters did not face any structural change and any fracture in the tendency. The results of assumption testings are given in Appendix 1.

## VI. Findings for Model 2

In Model-1, because the ratio of annual change in PPI and election as dummy variables are not statistically significant and to understand better the effect of other variables on CTRe, we created a new model by extracting these variables. According to the result of omitting variable test, omitting the annual ratio change in PPI and election are found to be significant.

**Table 3.** *Omitting Variable Test for Model-1*

<b>Variable Extracting Test</b>			
<i>Testing</i>	<i>Null Hypothesis</i>	<i>Test Statistics</i>	<i>p-value</i>
<b>Omitting variables</b>	The regression parameters are zero for the variables dPPI and election.	F(2, 20) = 1.69852	0.208

After extracting these variables, Model-2 follows as:

$$\log CTRe_i = \beta_0 + \beta_1 CTRa_i + \beta_2 DIR_i + \beta_3 D_{1i} + \beta_4 D_{3i} + \varepsilon \quad (3)$$

Table 4 and 5 show the parameter assumptions and model fit measures for Model-2.

*Table 4. Model-2 Parameter Assumptions*

<b>Model-2: SEK (OLS), Used Observations 1991-2017 (T = 27)</b>					
<b>Dependent Variable: logCTRevenue</b>					
	<i>Coefficient</i>	<i>Error</i>	<i>t-ratio</i>	<i>p-value</i>	
const	22.3082	0.724168	30.81	<0.0001	***
CTRa	-17.4200	2.13521	-8.158	<0.0001	***
DIR	-6.52154	0.605199	-10.78	<0.0001	***
TA	0.986807	0.283330	3.483	0.0021	***
Crisis2008	-1.10590	0.437968	-2.525	0.0193	**

**Table 5.** *Model Fit Measures for Model-2*

<b>Model Fit Measures</b>			
Dependent variable mean.	14.84303	S.D. Dependent Variable	2.763258
Residual sum of squares	10.88723	S.E. Regression	0.703473
R-square	0.945160	Adjusted R-square	0.935189
F(6, 20)	94.79091	P-value(F)	1.54e-13
Log-likelihood	-26.05001	Akaike criterion	62.10003
Schwarz criterion	68.57921	Hannan-Quinn	64.02663
rho	0.232814	Durbin-Watson	1.490696

When the significance test is applied to the variables in Model-2,  $p$ -value corresponding to  $F(4,22) = 94.79091$  is  $1.52e-13$  and regression is statistically significant. Even though two variables were extracted from the model, by the value of adjusted R-square (93.5%) the model has still explained the variability in CTRe in a high rate. It is evident that extracting the annual changes in PPI and election has a little influence on explaining this variability. The parameters individually are statistically significant. The only changes is observed for the coefficient values of the variables. In return, it caused CTRe changes its elasticity and expected values according to CTRa, DIR, tax amnesty and election variables.

When the regression assumption tests in Model-1 are applied to Model-2, it is observed that all assumptions are satisfied. The results are given in Appendix-2. In the analysis of the model it is apparent that an increase in CTRa and DIR decreases CTRe and the period after the 2008 Crisis has a negative influence. In the light of these results, while the flexibilities of CTRa, DIR and tax amnesty did not present significant results, the semi-flexibility value of 2008 crisis is 0.67 which is consistent with variables. After 2008, the average rate of increase in CTRe is decreased by 75.3%.

When we look into the model's forecasting performance, mean error is found to be  $-1.4474e-015$ , mean error square is 0.635 and mean absolute error is 0.54029. Corresponding to these values, the value of Theil U is 1.3496. Appendix 6 presents the values of predictions driven from using the model.

## V. Conclusion

From 1991 to 2017 it has been observed that the change in corporation tax revenues is approximately 48% in a positive direction. After 2018 the tax amnesties result in an average revenue increase of 25% in corporation tax revenues. As stated in our study, the increasing effect of tax amnesties on corporation tax revenues decreasingly continues after each amnesty act is applied. Continuous repetition of amnesties and high expectations of taxpayers in regard to the amnesty every year not only change the taxpayers' perception about the tax but also show that amnesty will not have a long-term revenue-increasing effect. Another statistically significant finding, "as the corporate tax ratio increases, corporate tax revenues decreases and/or decrease in corporate tax ratio results in an increase in corporate tax revenues", can be explained by the help of past experiences and applications like:

The reduction of the corporate tax rate from 46% to 25% in previous years has resulted in a 130% increase in corporate tax revenues. But in 2004, when the corporate tax rate was increased from 30% to 33%, corporate tax revenues increased by only 0.8%. The rate of change in the corporate tax rate in 2018 is the same as in 2004. From the results, it can be inferred that while a large scale decrease in the corporation taxes caused a huge increase in revenues, an increase of 10% leads to an increase less than 1%. Therefore it is expected that in our model using independent variables like tax amnesties, deposit interest rate, 2018 global financial crisis and the corporate tax rate, the corporate tax revenues as a dependent variable will decrease.

When the tax amnesty- with The Law of No. 7143 Regarding Amendment of Certain Laws and Reconstructing Tax and Other Certain Receivables, dated 11.05.2018,- 22% increase in the corporate tax rate, 16.94 % of the maximum interest ratio applied by the banks over 1 and more than 1 year through Turkish Lira (CBRT, 2018) and being in the post-2018 Global Financial Crisis are taken into consideration, it is predicted that the corporate tax revenues will decrease. This decline is estimated to be approximately 53.94 billion TL at 95% confidence level.

According to 2018 Central Government Budget presented by the Law of 2018 Central Government Budget, corporate tax revenue for 2018 is estimated at 65.8 billion TL (Official Gazette, 2017). This estimation shows an increase in the corporate tax revenues. The difference between this estimation and our prediction is apparent. However, Turkey's financial situation during the preparation for Central Government Budget is different from the present time. Increase in the corporate tax ratio, along with an increase in deposit interests, certainly will have a negative impact on corporate tax revenues. Moreover, after 10 years from the 2008 crisis, in the year 2018, the depreciation of Turkish Lira has created fluctuation and currency risk in the market. This ambiguity will also have a significant negative impact on the incomes of banks, which are the most important and largest corporate taxpayers.

## Appendix 1. Assumption Checks for Model-1

**Table 6. Model-1 Assumption Checks**

<b>Assumption Checks</b>			
<i>Test</i>	<i>Null Hypothesis</i>	<i>Test Statistic</i>	<i>p-value</i>
<b>White test</b>	No heteroscedasticity	LM = 26.241	0.289
<b>Residual normality</b>	Normal distribution of errors	Chi-square(2) = 0.079	0.961
<b>LM test</b>	No autocorrelation	LMF = 1.251	0.350
<b>ARCH effect test</b>	No ARCH effect	LM = 8.192	0.414
<b>CUSUM test</b>	No change in parameters	Harvey-Collier t(19) = -0.219	0.828

**Table 7. Model-1 Multicollinearity Statistics**

<b>Multicollinearity Statistic</b>		
<i>Variable</i>	<i>VIF</i>	<i>Tolerance</i>
CTRatio	1.64	0.611
DIRatio	2.10	0.475
Election	1.10	0.908
VAF	1.11	0.901
Crisis2008	2.58	0.387
dPPI	1.10	0.907

Variance Inflation Factor (VIF), the values bigger than 10.00 show multicollinearity problems.



# ANALYZING THE EFFECT OF THE INCREASE IN CORPORATION TAX RATE ON CORPORATION TAX REVENUES VIA MULTIPLE REGRESSION WITH DUMMY VARIABLES

Güneş Yılmaz, Yakup Arı

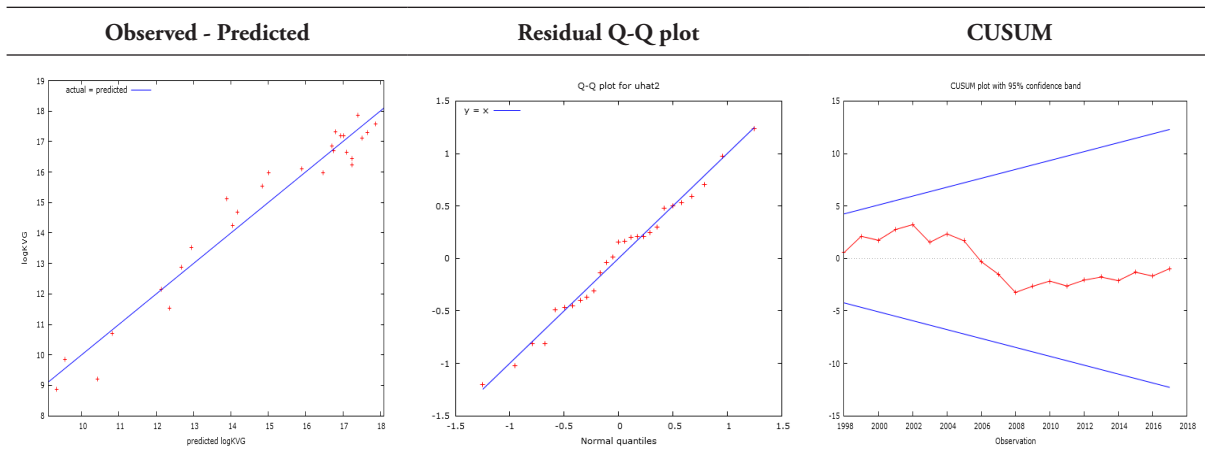


Figure 1. Model-1

## Appendix 2. Assumption Checks for Model-2

Table 8. Model-2 Assumption Checks

Assumption Checks			
Test	Null Hypothesis	Test statistic	p-value
White test	No heteroscedasticity	LM = 15.9667	0.142
Residual normality	Normal distribution of errors	Chi-square(2) = 1.60903	0.447
LM test	No autocorrelation	LMF = 1.20666	0.362
ARCH effect test	No ARCH effect	LM = 4.649	0.794
CUSUM test	No change in parameters	Harvey-Collier t(21) = 0.149	0.882

Table 9. Model-2 Multicollinearity Statistic

Multicollinearity Statistic		
Variable	VIF	Tolerance
CTRa	1.64	0.612
DIR	1.94	0.515
TA	1.06	0.946
Crisis2008	2.44	0.410

Variance Inflation Factors, Minimum possible value = 1.0, Values > 10.0 may indicate a collinearity problem.

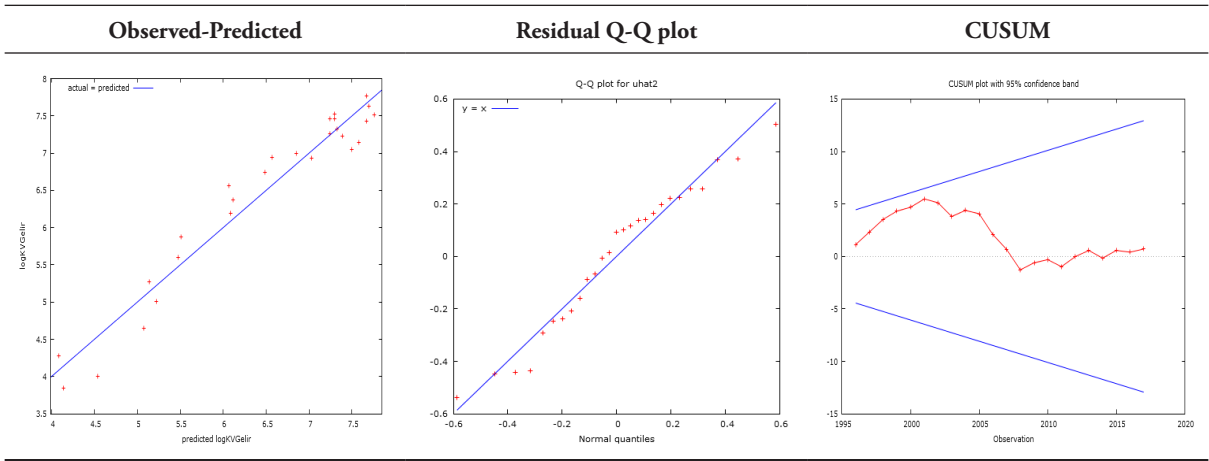


Figure 2. Model-2

### Appendix 3. Tax Amnesties in Turkey During 1991-2017

Table 10. Tax amnesties in Turkey from 1991 to 2017

No	Date	Law No and Name
1	21.02.1992	No. 3787 Law
2	05.09.1997	No. 400 General Communiqué of collection
3	22.07.1998	No. 4369 Law
4	06.02.2001	No. 414 General Communiqué of collection
5	07.03.2002	No. 4746 Law on Property Tax Regulation (provisional article no.21 of Property Tax Law)
6	27.02.2003	No. 4811 Tax Peace Law
7	22.11.2008	No. 5811 Law on the Acquisition of Some Assets into the National Economy (Repatriation Law “Varlık Barışı”)
8	13.02.2011	No. 6111 Law on Social Securities and General Health Insurance Law with restructuring some receivables and Law Amending some Laws and Decree Laws
9	10.09.2014	No.6552 Law Amending Certain Labour Laws and Regulations and Restructuring Tax Debts
10	19.08.2016	No. 6736 Law on the Structuring of Some Receivables.
11	27.05.2017	No. 7020 Law on the Restructuring of Certain Receivables and Amendment of Certain-Laws and Decree-Laws

Resource: Şanver, 2018.

#### Appendix 4. Elections in Turkey between 1991 and 2017

Table 11. Elections in Turkey between 1991 and 2017

No	Election date	The type of election
1	20 October 1991	Parliamentary election
2	27 March 1994	General election of local administrations
3	24 December 1995	Parliamentary election
4	18 April 1999	Parliamentary election
5	18 April 1999	General election of local administrations
6	3 November 2002	Parliamentary election
7	28 March 2004	General election of local administrations
8	22 July 2007	Parliamentary election
9	21 October 2007	Constitutional Amendments Referendum
10	29 March 2009	General election of local administrations
11	12 September 2010	Constitutional Amendment Referendum
12	12 June 2011	Parliamentary election
13	30 March 2014	General election of local administrations
14	10 August 2014	Presidential election
15	7 June 2015	Parliamentary election
16	1 November 2015	Parliamentary election
17	16 April 2017	Constitutional Amendment Referendum

Resource: T.R. Supreme Electoral Council, [www.ysk.gov.tr](http://www.ysk.gov.tr) Note: Intermediate elections are not included.

#### Appendix 5. Data set used in the study

Table 12. Data set

Date	CTRe	CTRa	PPI	DIR
1991	7061	0.46	0.553	0.73
1992	10069	0.46	0.621	0.74
1993	19101	0.46	0.584	0.75
1994	43955	0.25	1.207	0.96
1995	102736	0.25	0.860	0.91
1996	187069	0.25	0.760	0.94
1997	393150	0.25	0.818	0.97
1998	748383	0.25	0.718	0.96
1999	1549525	0.30	0.531	0.47

2000	2356787	0.30	0.514	0.46
2001	3675665	0.30	0.616	0.63
2002	5575495	0.30	0.501	0.48
2003	8645345	0.30	0.256	0.29
2004	8714752	0.33	0.146	0.22
2005	9866396	0.30	0.059	0.2
2006	11157710	0.20	0.093	0.24
2007	13750876	0.20	0.063	0.21
2008	16905045	0.20	0.127	0.26
2009	18022830	0.20	0.012	0.16
2010	20924891	0.20	0.085	0.13
2011	26992793	0.20	0.110	0.16
2012	29017423	0.20	0.061	0.16
2013	28987758	0.20	0.045	0.14
2014	32305111	0.20	0.102	0.13
2015	33388149	0.20	0.053	0.14
2016	42969665	0.20	0.043	0.15
2017	57867855	0.20	0.158	0.16

Resource: TSI 1923-2013 Statistics, CBRT EDDS, RA, SEC

## Appendix 6. Predictions with Model-2

**Table 13.** *The prediction data*

For 95% confidence interval, $t(22, 0.025) = 2.074$				
Obs	logCTRevenue	prediction	std. error	95% interval
1991	8.86234	9.53427	0.806878	(7.86090, 11.2076)
1992	9.21722	10.4559	0.813446	(8.76888, 12.1428)
1993	9.85750	9.40384	0.807913	(7.72833, 11.0793)
1994	10.6909	11.6925	0.779511	(10.0759, 13.3091)
1995	11.5399	12.0186	0.770371	(10.4209, 13.6162)
1996	12.1392	11.8229	0.775726	(10.2142, 13.4317)
1997	12.8819	12.6141	0.783050	(10.9902, 14.2381)
1998	13.5257	12.6793	0.781491	(11.0586, 14.3000)
1999	14.2535	14.0171	0.732858	(12.4972, 15.5369)
2000	14.6728	14.0823	0.733367	(12.5614, 15.6032)
2001	15.1172	13.9604	0.746227	(12.4129, 15.5080)

# ANALYZING THE EFFECT OF THE INCREASE IN CORPORATION TAX RATE ON CORPORATION TAX REVENUES VIA MULTIPLE REGRESSION WITH DUMMY VARIABLES

Güneş Yılmaz, Yakup Arı

2002	15.5339	14.9387	0.753229	(13.3766, 16.5008)
2003	15.9725	16.1778	0.777377	(14.5656, 17.7899)
2004	15.9805	15.1249	0.764358	(13.5397, 16.7100)
2005	16.1046	15.7779	0.763493	(14.1945, 17.3613)
2006	16.2276	17.2590	0.781501	(15.6383, 18.8798)
2007	16.4366	17.4547	0.785775	(15.8251, 19.0843)
2008	16.6431	17.0095	0.751710	(15.4505, 18.5684)
2009	16.7071	16.6748	0.751307	(15.1167, 18.2330)
2010	16.8564	16.8705	0.750899	(15.3132, 18.4278)
2011	17.1111	17.6617	0.751266	(16.1036, 19.2197)
2012	17.1834	16.6748	0.751307	(15.1167, 18.2330)
2013	17.1824	16.8053	0.750986	(15.2478, 18.3627)
2014	17.2907	17.8573	0.752083	(16.2976, 19.4170)
2015	17.3237	16.8053	0.750986	(15.2478, 18.3627)
2016	17.5760	17.7269	0.751489	(16.1684, 19.2854)
2017	17.8737	17.6617	0.751266	(16.1036, 19.2197)

Predictions – Real Values – Confidence Interval

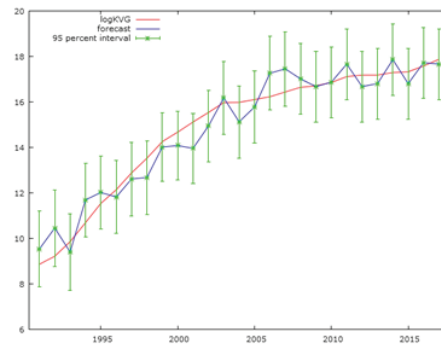


Figure 3. Predictions based on Model-2

## References

- Alm, J., Martinez-Vazquez, J., & Wallace, S. (2009). "Do tax amnesties work? The revenue effects of tax amnesties during the transition in the Russian federation". *Economic Analysis & Policy* 39(2), pp.235-253.
- Bunescu L., Comaniciu C. & Mihaie D., (2011). "There is a correlation between government expenditures, population, money supply and government revenues". *International Journal of Arts and Sciences* 4(12), pp.241-254.

- Demir, İ. & Berksoy, T. (2017). “Politik vergi çevrimleri: Türkiye’de vergi gelirleri ve vergi yükü üzerinde politik etkiler (1945-2014)”, *Journal of Life Economics* 4(2), pp.103-124.
- Ebeke, C. & Ölçer, D. (2013). “Fiscal policy over the election cycle in low-income countries”, *IMF Working Paper* WP/13/153, pp.1-23.
- Hondroyannis, G. & Papapetrou, E. (1997). “Are budget deficits inflationary? A cointegration approach”. *Applied Economics Letters* 4(8), pp.493-496.
- Kawano, L. & Slemrod, J. (2012). “The Effect of tax rates and tax bases on corporate tax revenues: Estimates with new measures of the corporate tax base”. *Oxford University Centre for Business Taxation Said Business School*, Park End Street, Oxford, Ox1 1HP, WP 12/19, pp.1-61.
- Kaya, A. (2014). “Vergi aflarının vergi gelirlerine etkisi: Türkiye üzerine ampirik bir analiz”. *Maliye Dergisi* (167), July-December 2014, 184-199.
- Liliana, B & Carmen, C. (2014). “Analysis of correlation between tax revenues and other economic indicators in European Union member states”. *Studies in Business and Economics* 9(1), pp.24-35.
- Şanver, C. (2018). “Türkiye’de 1980 sonrası vergi afları ve kamu gelirleri açısından etkinliği”, *AİBÜ Sosyal Bilimler Enstitüsü Dergisi* 18(2), pp.35-63
- Tanzi, V. (1977). “Inflation, lags in collection, and the real value of tax revenue”. *IMF Staff Papers* 24(1) (Mar., 1977), pp.154-167.
- Tanzi, V. (1978). “Inflation, real tax revenue, and the case for inflationary finance: Theory with an application to Argentina”, *IMF Staff Papers* 25, pp.417-451.
- TSI Reports: Statistical Indicators 1923-2013, ISSN:1300-0535, pp.1-718.
- Revenue Administration (RA). *General Budget Revenues 1923-2017*, [http://www.gib.gov.tr/fileadmin/user\\_upload/VI/GBG1.htm](http://www.gib.gov.tr/fileadmin/user_upload/VI/GBG1.htm).
- Villalba, M.A.S. (2017). “On the effects of repeated tax amnesties”, *Munich Personal RePEc Archive*. MPRA Paper No. 80936, posted 25 August 2017 17:32 UTC.
- Wahrig, L. & Gancedo Vallina, I. (2011). “The effect of the economic and financial crisis on government revenue and expenditure”, *Eurostat Statistics in Focus*, 45/2011, pp.1-12.
- Yogo, U.T. & Ngo Njib, M.M. (2018). “Political competition and tax revenues in developing countries”, *Journal of International Development*, (wileyonlinelibrary.com) DOI: 10.1002/jid.3349, pp.302-322.
- 2018 Central Government Budget Law, No. 30287 T.R. Official Gazette, 31.12.2017



# 8

## THE DETERMINANTS OF INCOME INEQUALITY IN THE INTEGRATED COUNTRIES OF EUROZONE

Andreas Kyriakopoulos<sup>1</sup>

### **Abstract**

*The purpose of this paper is to find some evidence on the determinants of income inequality on integrated economies like Eurozone. According to the theoretical considerations that have been presented in this paper, income inequality is related to income distribution and the relative income of individuals. Special attention has been given on differences on wage income that emerge from the education level of employees. Relative wage premium, the gap between the relative wage of a high educated employee and the relative wage of a basic educated employee, has been set as a strong determinant of income inequality. In addition, many exogenous factors like technological change, financial services, bargaining power, and forces that emerge due to globalization seems to be related with inequality levels. The impact of the determinants of inequality is likely to be affected by financial integration. The empirical results of this paper provide evidence that relative wage premium seems to be a main determinant of income inequality levels in financial integrated economies.*

**Keywords:** *inequality, distribution, wage premium, integration*

### **1. Introduction**

Income inequality has been an issue of special attention among economists during the last decades. High levels of income inequality combined with the negative impacts on economic and social outputs obligated economic and social scientists to investigate the sources that generate income inequality. Initially, income inequality can be detected through the differences of income among individuals since income classes have always been set through the process of income distribution. In addition, it can be easily observed that levels and drivers of inequality usually differ among time periods, societies and economic structures. Thus, living in a world that has been increasingly integrated during the last decades, changes to economic environment and social structures should be taken under consideration.

This paper tries to set the theoretical background and investigate the factors that determine income inequality giving a special attention to the integrated structure of the Eurozone. Organizing the paper, in the second section, the theoretical background is being presented. Considering that income inequality rises from income distribution, relative income of individuals has been defined taking under consideration the differences in wage levels that emerge from different education levels. In the third section, the main determinants of inequality are presented, as they have been set by theoretical consideration and literature. Our interest can be focused on the impact of the returns on skilled and unskilled labor. In the fourth section, data and methodology is being described. The

---

<sup>1</sup> National and Kapodistrian University of Athens, (akyriako@econ.uoa.gr)



empirical results and the main evidence are presented in the same section. Finally, the last section presents the conclusion that emerge from the evidence.

## 2. Theoretical considerations

### 2.1. Distribution of personal incomes

Initially, it is considered that total output,  $Y = f(K, L)$ , grows over time as the capital stock,  $K$ , and the labour force,  $L$ , of the economy increase. Accordingly, population,  $P$ , is divided by the group of employees that consist the labor force,  $L$ , and the group of capitalists,  $C$ , that possess the capital stock.

$$P = L + C \quad (1)$$

As it has been mentioned (Atkinson, 2009), in contrast to the past, people nowadays tend to have multiple sources of income. As a consequence, an individual's income is depended on his factor endowments and the returns to those endowments. Hence, it is assumed that employees' main income comes from wages and salaries, although they may have supplementary income from capital. Respectively the main income of capitalists comes from profits, although they may have supplementary income from wages. Thus, the income,  $y_i$ , that individual "i" receives, is the sum of his wage  $w_i$ , and his profits  $\pi_i$ .

$$y_i = w_i + \pi_i \quad (2)$$

Focusing on the distribution of income, relative income,  $RI$ , is considered to be the personal income of individual "i" related to the average income  $y$ . Hence, relative income can be expressed by the following relation:

$$RI = \frac{y_i}{y} = \frac{(w_i + \pi_i)}{y} \quad (3)$$

Setting average wage income as  $w = W/L$ , and average capital income as  $\pi = \Pi/C$ , we define  $\omega_i = \frac{w_i}{w}$  as the relative wage income, and  $\xi_i = \frac{\pi_i}{\pi}$  as the relative profit income. Then, relative income can be expressed by relation (4), (see also Appendix A.1., part 1).

$$\text{Relative Income} \rightarrow \frac{y_i}{y} = \omega_i \frac{WS}{LS} + \xi_i \frac{\Pi S}{CS} \quad (4)$$

In relation (4), wage share,  $WS$ , is the share of aggregate wages  $W$  to total income,  $Y$ , ( $WS = W/Y$ ), and profit share,  $\Pi S$ , is the share of aggregate profits  $\Pi$  to total income,  $Y$ , ( $\Pi S = \Pi/Y$ ). Respectively, labor share,  $LS$ , is the amount of workers as a share of population,  $P$ , ( $LS = L/P$ ), and capitalists share  $CS$  is the amount of capitalists as a share of population  $P$ , ( $CS = C/P$ ). *From equation (4), emerges that the distribution of personal income depends on relative incomes of the factor endowments,  $\omega_i$  and  $\xi_i$ , on factor shares,  $WS$  and  $\Pi S$ , and on the proportion of employees and capitalists,  $LS$  and  $CS$ . On the one hand, the amounts of factor endowments define the relative income from wages or profits. On the other hand, the level of factor shares and the way they are distributed are set by the labor market and bargaining power.*

Consequently, relative profit income can be expressed by relation (5), where  $k_i$  is the amount of capital that individual "i" possess and  $r$  is the return on capital.

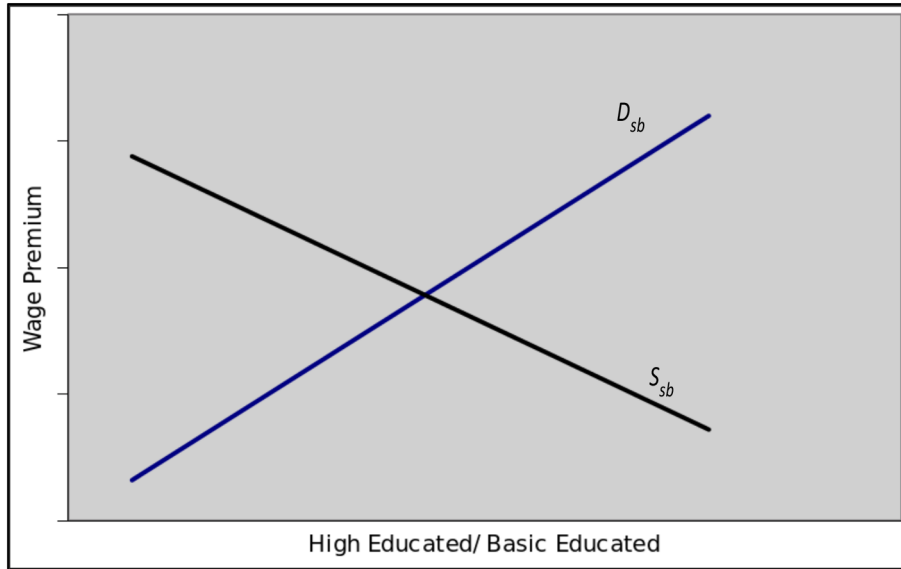
$$\xi_i = rk_i / \pi \quad (5)$$

Respectively, given that high educated workers receive higher wages and salaries than those with basic education, relative wage income is depended on skills and education. The difference between the average wage of highly educated employees,  $w_s$ , and the average wage of employees with basic education,  $w_b$ , can be defined as a wage premium denoted by  $q$ , as presented in equation (6).

$$q = w_s - w_b \quad (6)$$

Consequently, it is assumed that wage premium is defined negatively by the relative supply and positively by the relative demand, as it is presented in figure (1).

**Figure 1. Wage Premium**



Relative supply of skilled labor,  $S_{sb}$ , is defined by the supply of high educated labor  $S_s$ , related to basic educated labor supply  $S_b$ , ( $S_{sb} = \frac{S_s}{S_b}$ ). Correspondingly, relative demand of skilled labor,  $D_{sb}$ , is set by the demand of high educated labor,  $D_s$ , related to basic educated labor  $D_b$ , ( $D_{sb} = \frac{D_s}{D_b}$ ). In addition, we should expect that wage premium can be also affected by exogenous factors like technical change, globalization and bargaining power.

Therefore, the relative wage income can be distinguished between the relative wage of a basic educated employee,  $\omega_{bi}$ , as presented in relation (7) and the relative wage of a high educated employee,  $\omega_{si}$ , as presented in relation (8).

$$\omega_{bi} = \frac{w_{bi}}{w} \quad (7)$$

$$\omega_{si} = \frac{w_{si}}{w} \rightarrow \omega_{si} = \frac{(w_{bi} + q)}{w} \rightarrow \omega_{si} = \omega_{bi} + \frac{q}{w} \quad (8)$$

The relative wage income of a highly educated employee is higher than one,  $\omega_{si} > 1$ , given the fact that her/his income should be higher than the average income, while the relative income of the workers with basic education is smaller than one,  $\omega_{bi} < 1$ .

As a consequence, combining relations (5), (7) and (8), Relative Income of relation (4) can also be distinguished into Basic Relative Income of relation (9a) and Skilled Relative Income of relation (9b).

$$\text{Basic Relative Income} \rightarrow \frac{y_i}{y} = \omega_{bi} \frac{WS}{LS} + \left( \frac{rk_i}{\pi} \right) \frac{\Pi S}{CS} \quad (9a)$$

$$\text{Skilled Relative Income} \rightarrow \frac{y_i}{y} = \omega_{si} \frac{WS}{LS} + \left( \frac{rk_i}{\pi} \right) \frac{\Pi S}{CS} \quad (9b)$$

Therefore, distribution of personal income depends on the education level due to the relative wage income,  $\omega_{bi}$  or  $\omega_{si}$ , on the relative capital endowments  $k_i$  and their returns  $r$  on the wage and profit shares,  $WS$  and  $LS$ , and on the proportion of employees and capitalists,  $LS$  and  $CS$ .

## 2.2. Determinants of inequality

According to Atkinson (2015) “credit should be given to the economists who have focused on rising inequality and identified a number of contributing factors, including: globalization, technological change (information and communications technology), growth of financial services, changing by norms, reduced role of trade unions, scaling back of the redistributive tax-and-transfer policy.” The purpose of this section is to present the most important factors according to the literature and the way they interact with inequality.

### *Functional distribution*

Special attention has been given to the role of the factor shares as their level seems to be related with personal distribution of income and inequality (Glynn, 2011). During the last decades inequality seems to increase in most of the developed countries while wage shares decrease in contrast with the post war period where there was a reduction in inequality simultaneously with a rise in the share of wage income (Atkinson, 2015). According to the literature, there is evidence that wage shares are negatively related with inequality (Daudey and García-Peñalosa, 2007; Adler and Schmid, 2012; Schlenker and Schmid, 2013), while profit shares are associated with higher levels of inequality (Giovannoni, 2010; Wolff, 2015).

Therefore, assuming that returns to capital are higher than returns to labor,  $\pi > w$ , so that profit earners are higher income group than wage earners, according to relation (4) *an increase of wage share or/and a decrease of profit share will increase the relative income of the lower income classes. Respectively, a decrease of the proportion of the salary earners or/and an increase of the proportion of the profit earners will increase the relative income of the lower income classes. Thus, the level of wage share and the proportion of profit earners are negatively related to inequality while the level of profit share and the proportion of employees is positively related with inequality.*

### *Skilled labor-Human capital*

Investing in human capital through education can lead to higher returns on labor affecting income distribution, as it was presented in the previous section. On the one hand, we have evidence that countries with higher education tend to have lower levels of inequality (Checchi, 2004; Checchi and Garcia-Penalosa, 2004). On the other hand, according to the previous section, higher education could lead to a higher income class. The tendency of more and more people to invest in their human capital reduces the wage premium which in turn affects negatively inequality in the distribution of labour incomes (Li et al., 1998).

Therefore, lower levels of inequality are associated with small differences between incomes of higher and incomes of basic educated employees. Relative wage premium is defined by the gap between the Skilled Relative Income, relation (9b), and the Basic Relative Income (9a), as it is presented in relation (10).

$$\text{Relative Wage Premium} = \text{Skilled Relative Income} - \text{Basic Relative Income} = \omega_{si} \frac{WS}{LS} + \left(\frac{rk_i}{\pi}\right) \frac{HS}{CS} - \omega_{bi} \frac{WS}{LS} - \left(\frac{rk_i}{\pi}\right) \frac{HS}{CS} = (\omega_{si} - \omega_{bi}) \frac{WS}{LS} \quad (10)$$

We assume that relative premium is always positive and negatively related with inequality. If relative premium could be zero then there would be no inequality due to differences between skilled and unskilled labor. Relation (11) has been derived from equations (8) and (10) (see Appendix A.1., part 2).

$$\text{Relative Wage Premium} = \frac{q}{w} \frac{WS}{LS} = \frac{q}{y} \quad (11)$$

According to the relation (11), relative wage premium is positively related with wage premium and negatively related with average income. Therefore, inequality is expected to be negatively related to wage premium and positively related to average income. In addition, in line with the previous section, inequality is expected to be negatively related to relative supply of skilled labor and positively related to relative demand of skilled labor, as they are the factors that set the wage premium.

#### Globalization – Integration

The benefits of trade openness and the changes that have accompanied globalization during the last decades can be related with a decrease in both poverty and inequality due to a raise on average income. However, the benefits of globalization may not be equally distributed, leading to higher levels of inequality, both within and between countries. For instance, openness may weaken labor's bargaining position, leading to a lower wage share, while lower income classes have not equal access to financial services as higher income classes.

According to the Heckscher-Ohlin theory, sectors with plenty of skilled labor and physical capital produce advanced manufacturing goods or services that use intensively skilled labor. In contrary, sectors with lack of capital and unskilled labor mainly produce simple goods or services that use intensively unskilled labor. The two sectors or countries can interact through the features of globalization like outsourcing and immigration. Therefore, supply and demand of skilled and unskilled labor and their products can be related with openness depending on the endowments of each country. *A decreasing wage premium is expected to lead to lower levels of inequality in countries with unskilled labor while the opposite is expected in skill-intensive countries.* The evidence from the literature is mixed, a number of authors report no effect of openness on inequality (Li et al., 1998; Higgins and Williamson, 1999; Dollar and Kray, 2002), while, evidence presented by others, report a positive effect especially in poorer countries (Barro, 2000; Ravallion, 2001; Lundberg and Squire, 2003; Milanovic, 2005).

Furthermore, *financial integration*, as a main feature of globalization, improves the access to financial resources which, as a consequence, may increase the income of the poorest faster than average GDP growth, leading to reduction of inequality (Beck et al., 2007). In addition, considering that relatively high-skill intensive inward FDI for the less advanced country may be the relatively low-skill-intensive outward FDI for the advanced economy, demand should increase for skilled labor to poor countries while demand for unskilled labor should decrease. Hence, *inequality is expected to rise in both developing and developed countries due to the skill-biased FDI* (Acharyya, 2011).

The impact of openness and financial integration is expected to be stronger in the case of a *monetary integration* like Eurozone. A monetary integration, as a deeper form of integration, could open the way to new market forces and new sources of shocks, widening the gap across educational and skill levels. Additionally, income distribution is expected to be affected by the capital mobility which is assumed to be fostered by *monetary integration*. Moreover, inequality may also be affected by monetary integration due to the removal of macroeconomic policy tools on member countries. There is evidence that the ability of applying redistribution policies can be restricted by integration (Facchini and Mayda, 2006; Bertola, 2006). *Redistribution* policies have always been used in order to reduce ex-ante inequality, and prevent the perpetuation of inequality by helping the poorer to go up to higher income classes. As it appears, Eurozone, despite the better aggregate economic performance, is associated with higher inequality and lower social spending within countries joining the Eurozone (Bertola, 2007).

### *Technology*

The Schumpeterian nature of capitalism implies that a part of the “old” gives its place to the “new” through creative destruction (Schumpeter, 1942). Considering that technology is a main component of production, technological changes could lead to radical changes on economy, mainly through changes in production techniques and quality of labour. Additionally, globalization is considered to enforce tendencies for technological change, it is also argued that can be the main reason of technological changes in poorer countries (Asteriou, D. et al., 2013).

It is assumed that investing in new technology sectors is usually accompanied with increases in demand for skilled labor, while unskilled labor may be substituted by technological innovations. Thus, as technology is skilled-biased, investing in new technologies increases relative demand of skilled labor to basic skilled labor (Brown and Cambell, 2002). According to the previous section, this should increase the wage premium and consequently, inequality will be increased. Thus, *technological change can affect inequality through wage premium*. In addition as it has been argued, a process, which is characterized by constant technological changes and adjustments in the demand for labor, is expected to have a negative impact on the coexistence of high incomes and less inequality (Korzeniewicz & Patrick, 2005).

### *Kuznets - Income level*

As Kuznets (1955) has been argued in his paper “Economic growth and income inequality”, the levels of inequality can be related with output levels as the economy grows through time. *Kuznets hypothesis indicates a positive nonlinear relation of inequality and total output in the early stages of growth which becomes negative as the economy grows through time*. In fact as it seems Kuznets believes that, at the end, growth would benefit everyone as long as everyone is patient until the emergence of the positive effects of growth. We can notice the same optimism in Solow’s analysis (Solow 1956), where he sets the requirements that an economy needs in order to achieve a balanced growth path, where all variables would grow at the same rate, so every social group could equally benefit from growth (Piketty, 2014).

Although the validity of the Kuznets hypothesis has been questioned through the literature (Acemoglu & Robinson, 2000; Berman, et al., 1994; Autor, et al., 2008), Kuznets provides two essential insights that can set the relation between income inequality and capitalism. First of all, economic growth has a significant impact on inequality due to the transitions between old and new processes of production, which transitions manage to expose the effects on

income distribution. The second insight is that the characteristics of the distribution of any arrangement that may emerge are shaped by the impact of institutions and collective social forces on power arrangements (Galbraith, 2012).

### *Bargaining power*

In the landscape of modern capitalism, firms seem to act into a monopolistic competitive environment, where apart from market forces, the monopolistic power of the firms and the bargaining power of wage earners set the size of the mark-up, thus the level of wages. It seems that, “supply and demand do not fully determine the market wage; they only place bounds on the wage, allowing scope for bargaining about division of the surplus” (Atkinson, 2015). Therefore, it is expected that “the more powerful the trade unions are the more they will be able to restrain the mark-ups and thereby to increase the share of wages in national income” (Kalecki, 1971). As a consequence, bargaining power seems to be negatively related with income inequality.

### *Unemployment*

High levels of unemployment indicate less income for some households, hence increases in inequality. In addition, the fear of being unemployed is able to weaken the bargaining power of working people leading to lower wages and higher inequality.

## **3. Empirical data analysis**

Data related to the 19 Eurozone countries for the period 1995-2015 have been used in order to find evidence about the determinants of income inequality. The data have been mainly derived from the European Study on Income and Living Conditions (EU-SILC), European Union Labour Force Survey (EU-LFS), annual macro-economic database of the European Commission (AMECO database), United Nations Conference on Trade and Development (UNCTAD), World Bank and OECD.

Inequality has been measured by the GINI index, derived from the EU-SILC database. Representing distribution, the variables that have been used, are the wage share, given by the compensation of employees as a share of total output, and the proportion of employees derived from the AMECO database. In order to detect the effects of relative wage premium on inequality, relative demand of skilled labor, relative supply of skilled labor and GDP per capita have been used. Relative supply of skilled labor has been measured as the population of tertiary education graduates related to the population of secondary education graduates. Respectively, the ratio of tertiary educated employees related to the secondary educated employees has been used as a measurement of the relative demand for skilled labor. For both measurements EU-LFS database has been used. GDP per capita has been derived from the AMECO database. Questioning the nonlinear hypothesis of Kuznets, GDP per capita and the square of GDP per capita have been used. A variable for openness measured by the share of the sum of total imports and total exports to GDP, have been used, derived from the AMECO database, in order to measure the impact of integration. Additionally, the amount of the FDI flows, measured by the sum of inward and outward foreign direct investment (FDI) flows has been used as an explanatory variable for financial integration, derived from UNCTAD. Trying to measure the technological change effect, the share of the expenditure on research and development has been derived from the World Bank database. The share of total subsidies, measuring government's contribution, including subsidies payable per unit of a good or service produced or imported and subsidies on production like instance payments on the employment of persons who have been unemployed for long periods have been derived

from AMECO database. Trade union density data derived from the OECD databank have been used in order to measure bargaining power, and the rate of unemployment has been taken from the AMECO database. Finally, a dummy variable indicating the membership in Eurozone was used to detect for further monetary integration effects. The data that have been used are presented in table 1.

**Table 1.** *Data source*

		Variable		Source
<b>Inequality</b>		Gini	index	Eurostat - EU-SILC
<b>Distribution</b>	<b>Wage Share</b>	Compensation of employees as a share of GDP	rate	AMECO
	<b>Workers Proportion</b>	Employees/Population	rate	AMECO
<b>Wage Premium</b>	<b>Skilled Relative Supply</b>	Tertiary education population/ Upper secondary and post- secondary non-tertiary education population	rate	Eurostat - EU-LFS
	<b>Skilled Relative Demand</b>	Tertiary education Employees/ Upper secondary and post- secondary non-tertiary education employees	rate	Eurostat - EU-LFS
<b>Kuznets</b>	<b>Ln GDP per capita</b>	Logarithm of GDP per capita	logarithm	AMECO
	<b>Sq_Ln GDP per capita</b>	Square logarithm of GDP per capita	logarithm	AMECO
<b>Globalization - Integration</b>	<b>Openness</b>	Sum of total imports and exports as a share of GDP	rate	AMECO
	<b>FDI Flow Share</b>	Sum of inward and outward FDI flow as a share of GDP	rate	UNCTAD
<b>Technological change</b>	<b>Expenditure on RnD share</b>	Total expenditure on Research and Development as a share of GDP	rate	World Bank
<b>Bargaining</b>	<b>Trade Density</b>	Share of employees that participate in trade unions	rate	OECD
<b>Redistribution</b>	<b>Subsidies Share</b>	Total subsidies as a share of GDP	rate	AMECO
<b>Monetary union</b>	<b>Euro dummy</b>	1 for year participating in Eurozone, 0 otherwise	dummy	AMECO

The model that has been selected in order to investigate for empirical evidence is presented in relation (12).

$$\begin{aligned} \text{Inequality}_{it} = & \beta_1 + \beta_2 \text{Distribution}_{it} + \\ & \beta_3 \text{RelativePremium}_{it} + \beta_4 \text{KuznetsHypothesis}_{it} + \beta_5 \text{Globalization}_{it} + \beta_6 \text{X}_{it} + \mu_i + t + \varepsilon_{it} \end{aligned} \quad (12)$$

The method of fixed and random effects for panel data has been applied controlling for heterogeneity issues that may hold due to special social and institutional determinants of inequality that could not be measured. Furthermore, trying to deal with endogeneity issues and possible dynamic effect, Generalized Method of Moments (GMM) method has been applied (Arellano and Bond, 1991), using the first differences of the variables denoted by  $D$  as it is presented in relation (13).

$$\text{Inequality}_{it} = \beta_1 + \beta_2 \text{Inequality}_{it-1} + \beta_3 D\text{Distribution}_{it} + \beta_4 D\text{WagePremium}_{it} + \beta_5 D\text{KuznetsHypothesis}_{it} + \beta_6 D\text{Globalization}_{it} + u_{it} \quad (13)$$

The significance of the results is corrected for heteroskedasticity and autocorrelation using a VCE model, while the more appropriate model seems to be the fixed effect according to Hausman test. All tests are presented in the Appendix A.2. In addition, there is evidence of multicollinearity as we can see from the collinearity matrix of coefficients that is presented in the Appendix A.3.

**Table 2.** Panel regressions results

Dependent variable: Gini	A	B	C	D	E	F	G	H	J
Estimation method	Fixed Effects	Random effects	GMM	Fixed Effects	Random effects	GMM	Fixed Effects	Random effects	GMM
Wage Share	-0.0648 (0.0409)	-0.0728** (0.0366)	-0.0376 (0.0263)	-0.0542 (0.0545)	-0.0592 (0.0449)	-0.0168 (0.0319)	-0.0532 (0.0528)	-0.0559 (0.0427)	-0.0304 (0.0316)
Workers Proportion	0.2611** (0.1049)	0.2322** (0.1018)	0.0525 (0.0711)	0.2495** (0.1098)	0.1301* (0.0771)	0.0620 (0.0921)	0.2477** (0.1067)	0.1347* (0.0720)	0.0317668 (0.0911)
Skilled Relative Demand	0.1377*** (0.0316)	0.1392*** (0.0321)	0.1033*** (0.0341)	0.1375*** (0.0333)	0.1362*** (0.0331)	0.0846** (0.0370)	0.1467*** (0.0298)	0.1463*** (0.0313)	0.0967*** (0.0366)
Skilled Relative Supply	-0.1548*** (0.0445)	-0.1483*** (0.0428)	-0.1295*** (0.0450)	-0.1472*** (0.0407)	-0.1303*** (0.0367)	-0.0843* (0.047)	-0.1605*** (0.0352)	-0.1459*** (0.0333)	-0.1125** (0.0470)
Ln GDP PerCapita	-0.5057 (2.7225)	-0.2905 (2.6033)	-3.0055 (1.8856)	-7.6351** (2.8849)	-8.5596*** (3.0032)	-8.0020*** (2.2603)	-7.6096** (2.9225)	-8.7168*** (2.9812)	-8.1505*** (2.2284)
Sq. Ln GDP PerCapita	-0.2456 (0.6660)	-0.3741 (0.5996)	0.3704 (0.4753)	0.8334 (0.7319)	0.9380 (0.6033)	0.9303** (0.4836)	0.7657 (0.7260)	0.9093 (0.5930)	0.8936* (0.4769)
Openness	0.6853 (0.5870)	0.0082 (0.6189)	-0.8006 (0.5452)	-0.6148 (0.5478)	-1.2859*** (0.4402)	-0.9623 (0.7066)	-0.7767 (0.5449)	-1.4371*** (0.4460)	-1.1673* (0.6991)
FDI flow Share	-0.0015* (0.0008)	-0.002** (0.0008)	-0.0008 (0.0011)	-0.0012 (0.0010)	-0.0017 (0.0011)	-0.0011 (0.0012)	-0.0008 (0.0011)	-0.0013 (0.0011)	-0.0005 (0.0012)
Expenditure on RnD				-0.0350 (0.5853)	-0.3286 (0.3649)	-0.6091 (0.4383)	-0.1413 (0.6273)	-0.4515 (0.3818)	-0.7186* (0.4329)
Trade Union Density				-0.0212 (0.0553)	-0.0373 (0.0267)	-0.0971** (0.0468)	-0.0046 (0.0519)	-0.0284 (0.0265)	-0.0605 (0.0471)
Subsidies				-1.1456*** (0.3068)	-1.1773*** (0.2799)	-0.4113 (0.2969)	-1.1889*** (0.3033)	-1.1906*** (0.2787)	-0.4409 (0.2926)
Unemployment				0.0196 (0.0694)	-0.0343 (0.0686)	0.0054 (0.0479)	0.0233 (0.0691)	-0.0286 (0.0676)	0.0001 (0.0472)



Dependent variable: Gini	A	B	C	D	E	F	G	H	J
Estimation method	Fixed Effects	Random effects	GMM	Fixed Effects	Random effects	GMM	Fixed Effects	Random effects	GMM
Eurodummy							0.5663 (0.3982)	0.5602 (0.3766)	0.9303*** (0.2623)
Constant	24.9849*** (5.809)	27.2776*** (5.6038)	26.2035*** (3.9589)	39.2769*** (7.2919)	47.3842*** (7.0932)	41.3705 (6.9160)	39.4511*** (7.5939)	47.6586*** (6.9945)	43.4029 (6.8292)
Gini (-1)			0.3330*** (0.0610)			0.2151 (0.0673)			0.2161*** (0.0661)
Obs	343	343	288	310	310	250	310	310	250
Countries	19	19	19	19	19	18	19	19	18
R <sup>2</sup>	0.1218			0.2407			0.2512		
adj R <sup>2</sup>	0.1008			0.2100			0.2183		

\*\*\* Indicates statistical significance at the 1% level; \*\* Indicates statistical significance at the 5% level; \* Indicates statistical significance at the 10% level; standard error values in parentheses-values in parentheses.

The results of the estimates are presented in table 2. Although our data might suffer from endogeneity and multicollinearity issues, evidence can be detected, combining the outcomes of the all methods that have been applied. Initially, wage share is not statistically significant, while the proportion of salary earners is statistically significant in fixed and random effects models but not when GMM method is applied, although the sign of the impact is the one expected. This implies a weak impact of distribution on inequality. Furthermore, as we can observe due to the signs of skilled relative demand and supply, wage premium has a clear positive and statistically significant impact on inequality levels in all methods applied, denoting a strong evidence of wage premium determining income inequality. Combining this with the statistically significant negative sign of GDP per capita ( $y$ ) that has been estimated for all models, we have evidence that the relative wage premium, as it is described in relation (11), has a positive impact on income inequality. This also implies that Kuznets's hypothesis is rejected. Additionally, there is no significant evidence that trade openness and foreign direct investment affects inequality due to globalization and integration, although there is a negative sign. Expenditure on research and development, representing technological change, and bargaining power seems to have the expected sign according to our hypothesis, although their impact is not significant. Subsidies seems to have a negative impact on inequality, although it is not statistically significant when GMM method is applied. The impact of unemployment is not statistically significant, while the dummy that has been used for participation in Eurozone has a positive but not significant effect on inequality.

#### 4. Conclusion

This paper attempts to examine the determinants of income inequality in Eurozone countries for the period 1995-2015. As it seems, the most interesting finding is that the gap between the relative income of the highly educated employees and the relative income of the employees with basic education can determine income inequality. Due to the empirical test there is evidence that relative demand and relative supply of skilled to unskilled labor is positively related with inequality. Assuming that relative demand and relative supply of skilled to unskilled labor are, not the only but, the main components of wage premium, we can imply that wage premium is positively related with income inequality. Thus, given the fact that the impact of GDP per capita is negative, relative wage premium, as it

is presented in relation (11), should be positively related with income inequality. Therefore, relative wage premium is an issue that needs to be seriously considered in order to control inequality levels, especially in financial integrated economies, as it can be related with exogenous factors like technological changes and globalization. So, despite the fact that the effect of globalization and technological changes are not statistically significant, we could expect that there is an impact due to the effect of wage premium. Furthermore, integration may react differently with the more developed European countries than with the less developed leading to opposite effects on inequality among members. This could lead some economies to lower levels of inequality due to integration, while some others to higher inequality for the same reason. In addition, as the empirical analysis reveals, we have weak evidence that distribution affects income inequality mainly due to the proportion of population that gets wages and salaries. This evidence can make us assume that migration of labor could be a factor that should also be considered. Our evidence rejects Kuznets hypothesis, since, as it seems, GDP per capita is negatively related to income inequality. Furthermore, in Eurozone countries, although it has been assumed that integration constraints the ability of countries to apply several policies, government's contribution through subsidies seems to be an effective policy instrument for controlling inequality levels.

## References

- Acharyya, R. (2011). A note on quantitative trade restrictions, income effects and wage inequality. *Economic Modelling*, 28(6), 2628-2633. doi:10.1016/j.econmod.2011.07.020
- Adler, M. and Schmid, K. D. (2012). Factor Shares and Income Inequality: Empirical Evidence from Germany, 2002–2008, *IAW Discussion Papers*, 82
- Acemoglu, D., & Robinson, J. A. (2000). Why Did the West Extend the Franchise? Inequality and Growth in Historical Perspective. *SSRN Electronic Journal*. doi:10.2139/ssrn.55157
- Arellano, M., Bond, S. (1991). Some tests of specification for panel data: Monte Carlo evidence and an application to employment equations. *Rev. Econ. Stud.* 58, 277–297.
- Asteriou, D., Dimelis, S., & Moudatsou, A. (2014). Globalization and income inequality: A panel data econometric approach for the EU27 countries. *Economic Modelling*, 36, 592-599. doi:10.1016/j.econmod.2013.09.051
- Atkinson, A. B. (2009). Factor shares: the principal problem of political economy?, *Oxford Review of Economic Policy*, 25 (1), 3–16.
- Aktinson, A. B. (2016). Inequality - what can be done? doi:10.31235/osf.io/x2ryr
- Autor, D. H., Katz, L. F. & Kearney, M. S., (2008). Trends in U.S. wage inequality: revising the revisionists. *The Review of Economics and Statistics*, 90(2), 300-323.
- Barro, R.J. (2000). Inequality and growth in a panel of countries. *Journal of Economic Growth*, 5(1), 5–32.
- Beck, T., Demirgüç-Kunt, A., Levine, R. (2007). Finance, inequality, and the poor. *Journal of Economic Growth*, 12, 27–49.
- Berman, E., Bound, J., and Griliches, Z. (1994) Changes in the Demand for Skilled Labor Within U.S. Manufacturing: Evidence from the Annual Survey of Manufacturers. *Quarterly Journal of Economics*, 109, 367–397.

- Bertola, G., Foellmi, R., & Zweimüller, J. (2006). *Income distribution in macroeconomic models*. Princeton: Princeton University Press.
- Bertola, G. (2007). *Growth and income distribution in an integrated Europe does EMU make a difference?. 4th Annual Research Conference, 11-12 October 2007*. Brussels: European Commission.
- Brown, C., Cambell, B.A. (2002). The impact of technological change on work and wages. *Industrial Relations*, 41, 1–33.
- Checchi, D. (2004). Does educational achievement help to explain income inequality?, in: A. Cornia (ed.) *Inequality, Growth and Poverty in an Era of Liberalisation and Globalisation*, Oxford: Oxford University Press.
- Checchi, D. and Garcia-Penalosa, C. (2004). Risk and the distribution of human capital, *Economics Letters*, 82(1), 53–61.
- Daudey, E., & García-Peñalosa, C. (2007). The personal and the factor distributions of income in a cross-section of countries. *The Journal of Development Studies*, 43(5), 812–829. doi:10.1080/00220380701384406
- Dollar, D. & Kraay, A. (2002). Growth is good for the poor. *Journal of Economic Growth*, 7(3), 195–225.
- Facchini, G., & Mayda, A. M. (2006). Does the Welfare State Affect Individual Attitudes Towards Immigrants? Evidence Across Countries. *SSRN Electronic Journal*. doi:10.2139/ssrn.1002641
- Galbraith, J. K. (2012). *Inequality and Instability: A Study of the World Economy Just Before the Great Crisis*. New York: Oxford University Press.
- Giovannoni, O. (2010). Functional Distribution of Income, Inequality and the Incidence of Poverty: Stylized Facts and the Role of Macroeconomic Policy, *Inequality Project Working Paper*, 58, University of Texas
- Glyn, A. (2009). “Functional distribution and inequality”, in Salvedra, W., Nolan, B. and Smeeding, T. M. (eds.), *The Oxford Handbook of Economic Inequality*, pp. 101–26, Oxford: Oxford University Press
- Higgins, M., & Williamson, J. (1999). Explaining inequality the world round: cohort size, Kuznets curve and openness, *NBER working papers*, No. 7224.
- Kalecki, M. (1971). Class Struggle And The Distribution Of National Income. *Kyklos*, 24(1), 1-9. doi:10.1111/j.1467-6435.1971.tb00148.x
- Korzeniewicz, R. P. & Patrick, M. T. (2005). Theorizing the relationship between inequality and economic growth. *Theory and Society*, 34, 277–316.
- Kuznets, S. (1955). Economic growth and income inequality, *American Economic Review*, XLV (1), 1-28.
- Li, H., Squire, L. & Zou, H. (1998). Explaining international and intertemporal variations in income inequality, *Economic Journal*, 108 (446), 26–43.
- Lundberg, M. & Squire, L. (2003). The simultaneous evolution of growth and inequality. *Economic Journal*, 113 (487), 326–344.
- Milanovic, B. (2005). Can we discern the effect of globalisation on income distribution? Evidence from household budget surveys. *World Bank Economic Review*, 19(1), 21–44.

- Ravallion, M. (2001). Growth, inequality and poverty: looking beyond averages. *World Development*, 29(11), 1803–1815
- Schlenker, E., & Schmid, K. D. (2013). Capital income shares and income inequality in 16 EU member countries. *Empirica*, 42(2), 241–268. doi:10.1007/s10663-015-9282-6
- Schumpeter, J. A. (1942). *Capitalism, socialism, and democracy*. New York: Harper Perennial Modern Thought.
- Solow, R. M. (1956). A contribution to the theory of economic growth. *Quarterly Journal of Economics*, 70 (1), 65–94.
- Wolff, E. N. (2014). Inequality and rising profitability in the United States, 1947–2012. *International Review of Applied Economics*, 29(6), 741–769. doi:10.1080/02692171.2014.956704

## Appendix

### A.1 Supplementary relations

#### Part 1. Relative Income

$$\begin{aligned}
 RI &= \frac{y_i}{y} = \frac{(w_i + \pi_i)}{y} \Rightarrow \frac{y_i}{y} = \frac{w_i}{y} + \frac{\pi_i}{y} \Rightarrow \frac{y_i}{y} = \frac{w_i}{Y} + \frac{\pi_i}{Y} \Rightarrow \frac{y_i}{y} = P \left( \frac{w_i}{Y} \right) + P \left( \frac{\pi_i}{Y} \right) \Rightarrow \frac{y_i}{y} \\
 &= (L+C) \frac{w_i}{Y} \frac{w}{w} + (L+C) \frac{\pi_i}{Y} \frac{\pi}{\pi} \Rightarrow \frac{y_i}{y} = L \left( \frac{w_i}{Y} \frac{w}{w} \right) + C \left( \frac{w_i}{Y} \frac{w}{w} \right) + L \left( \frac{\pi_i}{Y} \frac{\pi}{\pi} \right) + C \left( \frac{\pi_i}{Y} \frac{\pi}{\pi} \right) \\
 &\Rightarrow \frac{y_i}{y} = \frac{W}{Y} \frac{w_i}{w} + C \left( \frac{w_i}{Y} \frac{w}{w} \right) + L \left( \frac{\pi_i}{Y} \frac{\pi}{\pi} \right) + \frac{C}{Y} \frac{\pi_i}{\pi} \Rightarrow \frac{y_i}{y} = WS\omega_i + \frac{CW}{Y} \omega_i + \frac{L\pi}{Y} \xi_i + \frac{C\pi}{Y} \xi_i \\
 &\Rightarrow \frac{y_i}{y} = WS\omega_i + \frac{WC}{L} \omega_i + \frac{\pi L}{C} \xi_i + \frac{\pi L}{C} \xi_i \Rightarrow \frac{y_i}{y} = WS\omega_i + WS \frac{C}{L} \omega_i + \frac{L\pi}{C} \xi_i + \frac{C\pi}{C} \xi_i \Rightarrow \\
 &\Rightarrow \frac{y_i}{y} = WS\omega_i \left( 1 + \frac{C}{L} \right) + \frac{L\pi}{C} \xi_i \left( 1 + \frac{L}{C} \right) \Rightarrow \frac{y_i}{y} = WS\omega_i \frac{(L+C)}{L} + \frac{L\pi}{C} \xi_i \frac{(C+L)}{C} \\
 &\Rightarrow \frac{y_i}{y} = WS\omega_i \frac{P}{L} + \frac{L\pi}{C} \xi_i \frac{P}{C} \Rightarrow \frac{y_i}{y} = WS\omega_i \frac{P}{L} + \frac{L\pi}{C} \xi_i \frac{P}{C} \Rightarrow \frac{y_i}{y} = \frac{WS}{\left( \frac{L}{P} \right)} \omega_i + \frac{L\pi}{\left( \frac{C}{P} \right)} \xi_i \Rightarrow \frac{y_i}{y} \\
 &= \frac{WS}{LS} \omega_i + \frac{L\pi}{CS} \xi_i \\
 &y = \frac{Y}{P} w = \frac{W}{L} \pi = \frac{\pi}{C}
 \end{aligned}$$

#### Part 2. Relative Wage Income

$$\omega_{si} \frac{WS}{LS} + \left( \frac{rk_i}{\pi} \right) \frac{L\pi}{CS} - \omega_{bi} \frac{WS}{LS} - \left( \frac{rk_i}{\pi} \right) \frac{L\pi}{CS} = (\omega_{si} - \omega_{bi}) \frac{WS}{LS} \quad (10)$$

$$\omega_{si} = \frac{w_{si}}{w} \rightarrow \omega_{si} = \frac{(w_{bi} + q)}{w} \rightarrow \omega_{si} = \omega_{bi} + \frac{q}{w} \quad (8)$$

$$\text{Relative Wage Premium} = (\omega_{si} - \omega_{bi}) \frac{WS}{LS} = (\omega_{bi} + \frac{q}{w} - \omega_{bi}) \frac{WS}{LS} = \frac{q}{w} \frac{WS}{LS} = \frac{q}{w} \frac{\left( \frac{W}{L} \right)}{\left( \frac{P}{P} \right)} = \frac{q}{(Y/P)} = \frac{q}{y} \quad (11)$$

## A.2. Diagnostic tests

	Column A, B	Column D, E	Column G, H
<b>Breusch and Pagan Lagrangian multiplier test for random effects</b>	GINI[ <i>cou,t</i> ] = $Xb + u[cou] + e[cou,t]$ Test: $Var(u) = 0$ $chibar2(01) = 1488.31$ $Prob > chibar2 = 0.0000$ <i>We should not use pooled method</i>	GINI[ <i>cou,t</i> ] = $Xb + u[cou] + e[cou,t]$ Test: $Var(u) = 0$ $chibar2(01) = 934.21$ $Prob > chibar2 = 0.0000$ <i>We should not use pooled method</i>	GINI[ <i>cou,t</i> ] = $Xb + u[cou] + e[cou,t]$ Test: $Var(u) = 0$ $chibar2(01) = 922.12$ $Prob > chibar2 = 0.0000$ <i>We should not use pooled method</i>
<b>Wooldridge test for autocorrelation in panel data</b>	H0: no first-order autocorrelation $F(1,18) = 14.693$ , $Prob > F = 0.0012$ <i>There is no autocorrelation</i>	H0: no first-order autocorrelation $F(1,17) = 10.12$ , $Prob > F = 0.0055$ <i>There is no autocorrelation</i>	H0: no first-order autocorrelation $F(1, 17) = 8.851$ , $Prob > F = 0.0085$ <i>There is no autocorrelation</i>
<b>Modified Wald test for groupwise heteroskedasticity in fixed effect regression model</b>	H0: $\sigma(i)^2 = \sigma^2$ for all <i>i</i> $\chi^2 = 296.75$ $Prob > \chi^2 = 0.0000$ <i>There is no heteroskedasticity</i>	H0: $\sigma(i)^2 = \sigma^2$ for all <i>i</i> $\chi^2 = 340.69$ $Prob > \chi^2 = 0.0000$ <i>There is no heteroskedasticity</i>	H0: $\sigma(i)^2 = \sigma^2$ for all <i>i</i> $\chi^2 = 261.74$ $Prob > \chi^2 = 0.0000$ <i>There is no heteroskedasticity</i>
<b>Hausman test</b>	$\chi^2 = 16.21$ $Prob > \chi^2 = 0.0394$ <i>Fixed effects model should be preferred</i>	$\chi^2 = 33.16$ $Prob > \chi^2 = 0.0009$ <i>Fixed effects model should be preferred</i>	$\chi^2 = 40.67$ $Prob > \chi^2 = 0.0001$ <i>Fixed effects model should be preferred</i>

## A.3. Correlation matrix of coefficients

	Wage Share	Workers Proportion	Skilled Relative Demand	Skilled Relative Supply	LnGDP per Capita	Sq_InGDP per Capita	Openness	FDI flow Share	Constant
Wage Share	1.000								
Workers Proportion	-0.150	1.000							
Skilled Relative Demand	-0.651	0.206	1.000						
Skilled Relative Supply	0.684	-0.098	-0.932	1.000					
Ln GDP per Capita	0.094	0.380	-0.245	0.468	1.000				
Sq_In GDP per Capita	0.046	-0.463	0.172	-0.397	-0.975	1.000			
Openness	-0.430	0.158	0.373	-0.471	-0.279	0.236	1.000		
FDI flow Share	-0.366	-0.005	0.321	-0.209	0.179	-0.180	0.395	1.000	
Constant	-0.394	-0.731	0.200	-0.399	-0.720	0.672	0.101	-0.020	1.000

	Wage Share	Workers Proportion	Skilled Relative Demand	Skilled Relative Supply	LnGDP per Capita	Sq_LnGDP per Capita	Openness	FDI flow Share	Expenditure on RnD	Trade Union Density	Subsidies	Unemployment	Constant
Wage Share	1.000												
Workers Proportion	-0.131	1.000											
Skilled Relative Demand	-0.577	0.345	1.000										
Skilled Relative Supply	0.547	-0.234	-0.867	1.000									
Ln GDP per Capita	-0.038	0.358	-0.078	0.217	1.000								
Sq_Ln GDP per Capita	0.293	-0.511	-0.033	-0.211	-0.892	1.000							
Openness	-0.037	-0.148	-0.265	0.024	-0.294	0.304	1.000						
FDI flow Share	-0.062	0.175	0.169	-0.196	-0.138	0.122	0.069	1.000					
Expenditure on RnD	-0.024	-0.150	0.265	-0.253	0.069	0.034	-0.636	-0.221	1.000				
Trade Union Density	0.284	-0.344	0.045	-0.197	-0.035	0.387	-0.041	-0.183	0.288	1.000			
Subsidies	-0.323	-0.094	0.291	-0.134	0.422	-0.426	-0.389	0.116	0.286	-0.184	1.000		
Unemployment	0.338	0.222	-0.344	0.122	0.047	0.105	0.230	0.272	-0.455	0.153	-0.471	1.000	
Constant	-0.566	-0.407	0.076	-0.081	-0.585	0.276	0.240	0.010	-0.141	-0.446	0.043	-0.389	1.000

	Wage Share	Workers Proportion	Skilled Relative Demand	Skilled Relative Supply	LnGDP per Capita	Sq_LnGDP per Capita	Openness	FDI flow Share	Expenditure on RnD	Trade Union Density	Subsidies	Unemployment	Euro-dummy	Constant
Wage Share	1.000													
Workers Proportion	-0.032	1.000												
Skilled Relative Demand	-0.565	0.318	1.000											
Skilled Relative Supply	0.553	-0.217	-0.843	1.000										

# THE DETERMINANTS OF INCOME INEQUALITY IN THE INTEGRATED COUNTRIES OF EUROZONE

*Andreas Kyriakopoulos*

<b>Ln GDP per Capita</b>	0.003	0.320	-0.059	0.247	1.000									
<b>Sq_Ln GDP per Capita</b>	0.234	-0.440	-0.053	-0.245	-0.891	1.000								
<b>Openness</b>	-0.044	-0.051	-0.198	-0.079	-0.212	0.237	1.000							
<b>FDI flow Share</b>	-0.019	0.152	0.030	-0.047	-0.082	0.074	0.126	1.000						
<b>Expend-iture on RnD</b>	-0.033	-0.215	0.245	-0.221	0.007	0.128	-0.632	-0.265	1.000					
<b>Trade Union Density</b>	0.320	-0.255	-0.053	-0.083	0.071	0.249	-0.047	-0.166	0.196	1.000				
<b>Subsidies</b>	-0.319	-0.212	0.366	-0.213	0.357	-0.344	-0.428	0.154	0.349	-0.149	1.000			
<b>Unemp-loyment</b>	0.344	0.266	-0.415	0.163	0.049	0.113	0.298	0.219	-0.451	0.233	-0.502	1.000		
<b>Euro-dummy</b>	0.136	0.010	-0.203	0.321	0.163	-0.289	0.139	-0.046	-0.475	0.132	-0.031	-0.011	1.000	
<b>constant</b>	-0.588	-0.453	0.096	-0.121	-0.603	0.298	0.148	-0.010	-0.091	-0.485	0.079	-0.413	-0.015	1.000

# 9

## TURKISH SOCIETY IN FREEDOM-SECURITY DILEMMA

Erol Turan<sup>1</sup>

### **Abstract**

*States are claimed to be the products of security-freedom dilemma. Post 1980 era can especially be portrayed as the tension between these two phenomena. Some call this era securitization, others call neoliberalism. No matter how it's called it is certain that there is a zero game between them. As for Turkey, it has been dealing with several serious security problem both inside (PKK, ISIS, FETO) and outside (Syrian War) at the present day, so public security policies are felt by everyone. The ruling government has been responding these security issues with different policies ranging from military operations to state of emergency. At this point, how these policies are taken by citizens, what kind of threats they posed in the context of freedom are the questions addressed in this study. Questionnaires aiming to find the answers of these questions were carried out in Turkey representative sample and results were evaluated in the light of the collected data. It is found using survey method that the more perception of the justice of the political process increases, the more the perception of threat and danger increases.*

**Keywords:** Public security, security- freedom, Turkey

### **1. Introduction**

Public security stands out as a problematic issue in constitutional states in which freedom is essential and restrictions are tolerated in theory for the sake of some exceptional and significant freedoms. Public security is a phenomenon which takes place in many areas of law and can be decisive in some settings (Arslan, 2006, pp. 121-136). However, the problem is that the measure that determines this decisiveness shows historical, geographical and even conjunctural changes. One of the causes of the worrisome consequences of this situation in constitutional applications is that there might exist a phenomenon that the public safety is completely left to the initiative of either the government or the judicial body, which would restrict the fundamental rights. In this case the following question arises: On what criteria is freedom regulated, registered and would sanctions be imposed when that freedom gets abused? To satisfy this question it can be said that the primary measure is to ensure that the relevant freedom is used in accordance with its purpose (Tomz and Van Houweling, 2008, pp. 303-318). The use of freedom (direct or indirect) may lead to different purposes such as contributing to social development by guaranteeing fundamental rights and contributing to public development in order to serve the public interest. Whichever comes out, it is essential to take a “balance” between personal expectation and public interest (Güzelsarı, 2003, pp. 17-34). Freedoms are organized according their limitation and enforcement. Therefore, a sanction is predicted according to the violated value after a freedom gets abused. In this respect, “public security” can be taken as a criterion (Çetindağ, 2004, pp. 7-9).

---

1 Kastamonu University, Faculty of Economics and Administrative Sciences, Department of Political Science and Public Administration, Campus, Kastamonu, TURKEY, E-mail: eturan@kastamonu.edu.tr, Phone (Office): +90-366-280-2134



Undoubtedly, governments have the authority to restrain certain freedoms in order to ensure public safety, but this authority should not be at a level that limits the fundamental rights and freedoms such as unfairly detaining the individuals or creating common anxiety (Polat, 2010, p. 32). Security and freedom are concepts that are independent of each other, but they are complementary elements. At this point, the most rational choice for societies is not to choose security over freedoms, but to provide a continuous balance between the two concepts (Yılmaz et al., 2016, pp. 132-146).

At this point, this study investigates the impact of individuals' perceptions of public security on fundamental rights and freedoms in Turkey. This study also examines the psychological factors shaping the perception of security-freedom and the effects of the public order relations between the individuals and the government on the perception of freedom. In this context, the reflections of public security regulations on individuals are analyzed.

## **2. The Transformation of States in Terms of Public Security**

The rapid changes felt all over the world at the realms of technology, politics and social spheres in the last quarter of the 20<sup>th</sup> century brought the change into question for administration field (Çevik, 2013, p. 1). In this regard, governance and new public administration have come at the heart of discussions since then. A lot of issues ranging from the role taken by states in economy, security etc. to what states should and shouldn't do have been revisited from this new perspective (Arslan, 2010, p. 23).

In this period (after 1980s / so called neoliberal period) the crime was depicted as a nightmare that surrounded the society, almost like a plague, and a common feeling of insecurity was pumped accordingly. The image of society in the minds of every human being affected by this exaggerated crime climate pumped by the written and visual media is the state of nature, that is "a man is a wolf to another man" (Boukalas, 2014, pp. 112-130). In this new state of nature, where the threat may come from anywhere and at any place, life is based on complete insecurity (Schmitt, 1996, p. 23). However, it is not possible to make an observation to prove this situation. On the contrary, crime rates have been declining since 16-17th century. In the 13th century, for example, homicide rates in the United Kingdom were twice that of the 16th and 17th centuries, and ten times of the rates of the 20th century. In this context, in the last 20-30 years, a set of security measures that contains the rise of private security forces and insurance companies, the number of prisons and police forces have been questioned (Buzan, 1997, pp. 11-23).

What is the reason why the climate of insecurity appears to be the only factor that cuts all social classes and strata horizontally? The answer is hidden under the last three decades of the international reproduction process of capitalism that is called neoliberalism and its unsafe social and individual circumstances. Haspolat (2010) claims that in almost every country governed by capitalist policies, the world of the post-1980 period is diametrically opposed to the pre-1980 times of reassuring and protective against accidents order because the neo-liberal policies shaping the aftermath of the 1980s have been marketing and privatizing many duties undertaken by the state. In this way, basic public services, such as security, are no longer the responsibility of the state (pp. 97-111). Thus, the neo-liberal approach left an insecure relationship between the state and society by ignoring the social contract in the foundation of the nation-state and the whole institutional order built throughout the 20th century (Waltz, 1986, p. 89).

That being the case, the security- freedom dilemma has recently been discussed in countries that have existed since the birth of the state contract and have become similar units that resemble each other in globalization (Neocleous,

2008, p. 122). It is a dilemma because a game of zero sum between security and freedom occurs when someone chooses one to the other and the gain of one is regarded as the loss of the other (Küçüksoğak, 2012, pp. 15-31).

According to the statist approach that favors the idea that public order can often be achieved at the expense of freedom, everything concerning the daily life of individuals has now become an object of the government. The most important function of this type of governments is to encompass all aspects of life, and their primary duty is to manage citizen's life (Hardt and Negri, 2003, p. 48). Neocleous (2000) describes this as the construction of social order. He defines the utterance of public order as an element which is often resorted in the use of power and as a method of obtaining power. Public order is a legitimating ammunition used by the government to both ease the construction of a liberal order and constantly reshape the politics and society. In this way, the government shapes our lives and our thinking by making public order the main justification and creates subjects- citizens who are always ready to support the use of violence for the sake of protecting the current regime. The result of this is to create a "wall of security" against even the smallest request of freedom (p. 15).

With this in mind, "State of exception" is an example of a statist approach for maintaining public order. The state of exception, which expresses extraordinary situations, has been a method that governments have applied to protect themselves since the Roman Republic (Erdoğan, 2013, pp. 21-29). The state of emergency and similar practices, which can be defined as exceptional forms of administration are cases in which the state encounters an extraordinary situation that does not allow it to deal with ordinary judiciary rules and practices (Tekinsoy, 2011, pp. 66-79). Even in such unusual circumstances, it is not possible to take and implement any measures that the legislative and executive authorities want in the face of a threat or danger to the existence of a democratic regime. That is why in modern democracies there are regimes, which are founded by constitution and laws, under the state of emergency (Neocleous 2003, p. 151). Just like commodities, the US exported its stance against freedom and security balance after the September 11 attacks. "War on Terrorism" strategy that enables states to prioritize security over freedom has been employed by most governments as an excuse for suppressing freedoms. It is also easy to observe that the tendency towards the "security state" has increased in the neo-liberal period after 2000.

### **3. The Transformation of the State and Public Order in Turkey**

Since 1980s, Turkey, under the new understanding of the state and globalization, has been trying to adapt to the new world order featured with the disappearance of national borders and embracing of competition and free market mechanisms. (Güzelsarı, 2003, pp. 17-34). The new right-wing governments have adopted a neo-liberal understanding that puts the economy at the center of the system (Özkazanç 2005, p. 26). The main problem of the state then in Turkey was that the state was not an entire tool. The relations between public institutions were chaotic, incompatible and inconsistent. There were many social groups and power elites such as "Army", "Capitalist Elites", "Islamic Elites", "Nationalist Elites" and "Secular Civil Bureaucracy". Some social scientists criticize the fact that these groups were considered a threat for the regime, and therefore they were excluded and that no hegemony could be established. The core of the power bloc was composed of the liberal and the new right-wing and the military bureaucracy and capitalist elites. The peasants, labors in the cities and the large masses were excluded from the power on one hand. On the other hand, the nationalist-conservative parties of the new right-wing also isolated the Alevis and the Kurds in the political-cultural-economic fields and suppressed them (Özkazanç, 2005, pp. 21-30). Other prominent developments of the 1980-1999 period were the labors protests (opposing liberalization) that took place between 1989 and 1991, making benefits of public institutions to like-

mafia private enterprises through privatizations and the rise of Islamic Welfare Party and Justice and Development Party (JDP) (Bayramoğlu, 2005, pp. 290-291).

The 1980s were the period when the state's intervention in society and economy increased or transformed, and pluralistic parliamentarism was replaced by a favorist, populist and informal structure (can be called as political corruption). In this context, the state's orientation in the post-1980 period can be listed as: strengthening the executive, increasing centralization and personalization, political parties moving off from society, the diminishing of institutionalism and efficiency of the parliament, or becoming the focus of the favorist relations, increasing of military tutelage over civil democracy, the loss of neutrality in bureaucracy, the empowerment of the state's authoritarian, arbitrary, illegal and confidential structure (Odyakmaz et al., p. 78). Embracing the paradigm that citizens exist for the state instead of state exists for citizens, the bureaucracy's unstoppable strengthening and the deterioration of the social structure are the criticized issues. These anti-democratic practices actually damaged the legitimacy of the state as opposed to the fact that the state appeared to be stronger. The distance between state and society increased and no coherence was achieved in the relations (Özkazanç, 2005, pp. 22-24).

Turkey, as a part of the capitalist system, strengthened its execution against legislation when applying neo-liberal policies as a requisite for the aforementioned structure of the state. Thus, the power became more centralized and authoritarian. Also, the institutional structures of the state changed during the process. The institutions such as the Prime Ministry, the Central Bank and the Treasury became the focus of power in the economy management and policy-making processes, while the independent administrative supreme councils became a focus of power under the control of the market (Güzelsarı, 2003, pp. 71).

2002 parliamentary elections is an important turning point in terms of Turkish politics and the transformation of the state. In the process of neo-liberal transformation, the Islamist groups, which had been striving to fill the gap created by the withdrawal of the state from the economy, formed the foundation of the JDP, which would mark Turkish political life. In this period, Islamic educational institutions, newspapers, magazines and media were formed. The business world of Anatolia started to take off and it gained the opportunity to protect its interests institutionally by taking side as MUSIAD (in fact this civil society organization established in 1990 started increase its influence from the period of the Welfare Party, it would gain considerable power in the JDP period). The fact that the Welfare Party's policies that went beyond moderation disturbed Kemalist and elitist groups in the country and caused a postmodern coup led to the adoption of the idea that the Islamist bourgeoisie should now be involved in the transformation process of a more moderate political party. Both Islamic bourgeoisie and the capitalists were seeking for a political movement that would be integrated into the global system, less problematic with the state apparatus in Turkey and not against the Western system and this was one of the most important factors for the rise of the JDP (Uzgel, 2006, pp. 7-18).

The conjuncture of the period when the party was established and came to power revealed the JDP as the new representative of Islamist / conservative politics and the transformative actor of Turkish politics. The 2001 crisis and the absence of the will to overcome the transformation of the current political parties inside, and the outbreak of the Iraq War, the dominance of Islam and anti-Westernism in the region were the periodical developments that increased the importance of the JDP (Uzgel, 2006, pp. 7-18). In such a process, the JDP, which found a breath to live, entered into a process of transformation in its own ideology and then in the state in order to show that it moved away from its Islamist roots. It also avoided depicting the party identity with Islamism and defined itself as a "Conservative Democrat" center right party. It can be claimed that this ideology aimed at the integration of the

globalization process with the protection of traditional values in which religious elements were included. In this context, the party tried to change the traditional norms and rules of politics, and used the concept of civil society frequently instead of statism and tried to make these policies sympathetic with the discourses such as “normalization”, “civilization” and “democratization” and to realize it within the social acceptance (Uzgel, 2006, pp. 7-18).

Admittedly, not all governments of the JDP government tend to have the same quality of policy and behavior. It can be said that there is a serious differentiation and disengagement from roots between the first periods of the power and the last periods. Even the content of criticism against the government has changed from year to year. For example, in the early years of criticism such as “anti-secularism” and “reactionarism” for the JDP, changed into corruption and authoritarianism. The final reflection of the critical views is the implementation of the state of emergency declared in July 2016 on the military coup attempt and its extension seven times. The importance of the study is to measure the reflections of the exception state on the social space and citizens.

Turkey has been dealing with both internal security issues and chronic security problems in its region since its emergence as a nation state (Haspolat, 2010, p. 78). The dominant paradigm that determines its security policies in recent years is the same paradigm that emerged after 9/11, which removes the internal/ external distinction in the issue of security. In other words, “the war against terrorism strategy” has stopped to be an internal issue of the state and has begun to be evaluated on the international scale (Özkazanç, 2005, p. 132). Hence, while the dilemma of security- freedom is being discussed, the effect of this paradigm on Turkey should be taken into consideration.

The government’s security policy was agreed upon and carried out by a single source up until the multiparty era (Uzgel, 2006, pp. 7-18). However, after the transition to the multiparty era, political parties have been differed by their security policies and included these policies in their party programs (Bayramoğlu, 2005: 102). Therefore, every party’s approach to the government’s security policy have been differed from each other because of these factors: Their position on the political level, mass of voters, and ideological background. Besides, security issues of Turkey have changed and diversified over time, and therefore, the area allocated for freedom has been affected by this change. Recently (the internal issues have been internationalized), Turkey has faced some security issues such as PKK, ISIS, Syrian civil war and events of July 15. At this point, methods like military operations, security measures and the state of emergency are used to protect the security of the country. In particular, the state of emergency is a policy which directly affects the individuals and inevitably the freedom. It is important to know the reflection of this situation on individuals in terms of determining the relation between freedom and policies that concern security.

#### **4. Methodology**

This field study analyzes the effect of individuals’ perceptions of public security policies to their fundamental rights and freedoms in Turkey. It also examines the psychological factors that shape the perception of security-freedom, and the effects of public order relations between the individuals and the government on the perception of freedom. In this context, this study aims to reveal the reflections of public safety applications on individuals.

The following questions will be answered for these aims:

1. Is there a relationship between socio-demographic/socio-economic variables of citizens and public security perceptions?

2. Is there a relationship between the perception of the justice of the political process and the perception of freedom feeling?

3. Is there a relationship between the perception of the justice of public order and the view of individual freedoms?

By answering these questions, firstly, effects of policies implemented to establish public order in Turkey on different social layers from different socio economic and socio demographic backgrounds, and secondly, effects of the justice of political process and public order on individual freedoms will be revealed. At this point, it is considered that this study will contribute both empirically and qualitatively to the literature of sociology, political science and security studies.

First of all, the research population is Turkey in general. The main axis for this empirical study made on this population has been selected as the Statistical Region Units Classification (IBBS) made by TUIK (Turkish Statistical Institute). Based on Level 1 and Level 2, a total of 12 regions, 26 provinces and the sample selected from people aged 18 years or older for each province according to the number of registered voters in these provinces were examined. In this framework, a comprehensive literature search for the purpose and scope of the empirical application of the first study was made and a conceptual infrastructure for empirical research was prepared in a detailed way and the research was put into practice in the context of the study. The following method has been employed to reach the subjects in all regions: The all city and town centers included in the survey are divided into two general groups according to their socio-economic status and population structure as “business districts” and “dwellings”. According to the same criteria, the dwellings are divided into three sub-categories: low, middle and high-income groups. A neighborhood was selected from both the high and low- income groups and two neighborhoods were selected from the middle- income group, and a questionnaire was conducted on these neighborhoods. Approximately 30% of the sample of the research were made up of workplaces and 70% were made up of dwellings. Both in workplaces and in dwellings the questionnaire was applied by using systematic random sampling method.

The research has also some limitations, though. Above all, the research is explorative and is likely not to include all variables that determine the perception of security-freedom. Secondly, the research handles the problem from “psychological attitude” between “security-freedom perception” and focuses on the perception of citizens. Doubtlessly, objective perception variables are effective on mutual adjustment, but this aspect of the relationship has only been addressed with the perceptions of the individual regarding public security factors.

Data was collected by using face to face survey technique (the collection process took place between March 1, 2018 and March 31, 2018). The questionnaire used in the interviews covers convictions related to freedom and security phenomenon of society, meanings they attach to these concepts and topics such as political identity they identify themselves.

*Table 1. Socio- Demographic Characteristics of the Sample*

Gender	Frequency	%	Education	Frequency	%
Male	5481	55.5	Only literate	403	4.1
			Primary School	1317	13.3
Female	4389	44.5	Secondary School	1377	14
			High School	2940	29.8
			University +	3833	38.8
Marital Status			Level of Income		
Married	4775	48.4	100-1000 TL	1858	18.8
Single	4334	43.9	1001-3000 TL	5278	53.5
Widow/er	411	4.2	3001-5000 TL	1477	15
Divorced	350	3.5	5001 +	401	4.1
			No income	856	8.7
Age			Occupation		
18-24	3411	34.6	State official	1737	17.6
			Self- employment	1099	11,1
25-34	2363	23.9	Farmer	964	9,8
			Tradesmen	1513	15.3
35-44	2084	21.1	Worker	1505	15.2
			Employer	265	2.7
45-54	1303	13.2	Retired	398	4
			Housewife	1145	11.6
55+	709	7.2	Student	712	7.2
			Unemployed	532	5.4
Total	9870	100	Total	9870	100

## 5. Analysis and Findings

This study has been conducted to detect what factors are influencing individuals' (older than 18 years -voters) perceptions on freedom and security, and to analyze the relationship between these factors. The analysis of the data and the findings obtained are as follows.

### 5.1. Thoughts on the Balance of Public Security and Freedom

Public security is a standardized justification for the restriction of rights and freedoms (Held, 1987: 89). Even the European Convention of Human Rights allows the contracting countries to temporarily violate the certain provisions of the contract during an emergency that threatens public safety. However, the definition of public security can be abused when put under the responsibility of public authorities (Ergül, 2012: 20-45). In fact, Turkish society does not consider public security as a threat to their freedom.

The following tables contain levels of participation towards the public security-freedom balance.

*Table 2. Which concept is more important for you?*

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Freedom	4064	41.2	41.2	41.2
	Equality	1839	18.6	18.6	59.8
	Solidarity	1204	12.2	12.2	72.0
	Welfare	484	4.9	4.9	76.9
	Security	2113	21.4	21.4	98.3
	No idea	166	1.7	1.7	100.0
	Total	9870	100.0	100.0	

There is common perception among Turkish society for giving more importance to the values that serve the common interest of the community, however the results show that the society cares more about the value of **personal freedom**.

*Table 3. Should People Express Their Thoughts Freely, Though They Are Opposite to Your Beliefs and Values?*

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	7252	73.5	73.5	73.5
	No	1443	14.6	14.6	88.1
	No idea	1175	11.9	11.9	100.0
	Total	9870	100.0	100.0	

The great majority (73.5%) support for the freedom of expression even if the opinions expressed are opposite to their beliefs and values. This shows that there is an overwhelming support for the principle of freedom of expression, which reflects the power and legitimacy of the idea of freedom.

*Table 4. Do you think the freedom of press is important?*

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes, it's important	6528	66.0	66.0	66.0
	No, it isn't important	2645	26.8	26.8	92.8
	No idea	697	7.2	7.2	100.0
	Total	9870	100.0	100.0	

The participants find the freedom of the press important. This opinion is supported by 66 %. There is a consensus among political parties and identity groups on the importance of press freedom.

*Table 5. Which of the following is the government's top priority task?*

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	To maintain public order of the country	4054	41.4	41.4	41.4
	To ensure the freedom and rights of the individuals	4275	43.8	43.8	85.2
	No idea	1541	14.8	14.8	100.0
	Total	9870	100.0	100.0	

The participants seem to be divided between the search for security or freedom. According to 43.8% of the participants, the main duty of the government is to protect the rights and freedoms of its citizens. The safety and order are considered as the main duty of the government by 41.4% of the subjects.

## 5.2. Attitudes Towards the Balance of Freedom-Security

Table 6 below provides questions about the relationship between freedom and security. In this table, the attitudes of the participants towards the freedom and security balance are measured. In the survey applied to the research sample, various judgments were presented to measure freedom and security attitudes and they were asked to indicate their degree of participation. According to this ,rating 1 means strongly disagree; 5 means strongly agree. The average of these scales from 1 to 5 is 2.50. Under this average, the level of agreement on the relevant statement is low; above of it points at the high level of agreement.

*Table 6. Attitudes Towards the Balance of Freedom-Security*

	N	Min.	Max.	Mean
Democracy may have deficiencies / problems but better than other forms of government	9870	1	5	3.51
Human rights are universal values that everyone should enjoy	9870	1	5	3.97
The state can restrict freedom of thought for the sake of public security	9870	1	5	<b>2.57</b>
There may be a news ban on various incidents for public security	9870	1	5	<b>2.85</b>
The state can be criticized freely	9870	1	5	3.77
People may have to give up some of their basic rights and freedoms to struggle security and terrorism	9870	1	5	3.60
Security forces must remain within the law to fight terrorism	9870	1	5	3.40
The judiciary must be independent from the execution	9870	1	5	<b>4.02</b>
The state may collect people's private information only for security reasons	9870	1	5	3.80
The state may confiscate private property only for the sake of public interest	9870	1	5	3.58



Table 6 shows the degree of agreements of participants on some statements that are aimed at measuring the balance of freedom and security in terms of public institutions. One of the most prominent issues in this table is the low level of agreement on the statement that “*The state can restrict freedom of thought for the sake of public security*” (2.57). This average shows that individuals do not care about freedom of thought which is one of the important values of democracy in recent years. Similarly, it is noteworthy that there is a slightly higher than average participation rate (2.85) in the statement that “*There may be a news ban on various incidents for public security*”. Another important finding that stands out in the table is the high average of the statement “*The judiciary must be independent from the execution*” (4.02). It can be concluded from the table that the attitudes of participants towards freedom are parallel to their perceptions of security.

## 6. Conclusion

The security- freedom dilemma is examined from the view point of the individuals in Turkey. The individuals’ ideas about this dilemma has been uncovered especially in these times when the diversification of Turkey’s security problems have been rising both internally and regionally. It is important to analyze public safety policies to assess security and freedom at a time when there are shocking events in the region and in the country. At the same time, to find out what is wrong with the measures taken for these problems holds a crucial importance.

The findings of the study primarily reveals that there is no significant difference between gender variable and the participants’ public security perceptions. In other words, at the point of forgoing the freedom of speech for public safety in Turkey, there is no difference in individuals’ attitudes whether they are male or female. The same applies to the marital status variable. The marital status is not a determinant factor for the public security perception. Singles mostly support the fact that freedom of thought should not be restricted for the sake of public security. However, it should be noted that the number of the “yes” do not outnumber the number of the answer “no” in any subgroup of this variable.

Another remarkable point is that there is a significant relationship between age variable and the public security perception. While young people tend to not give up their freedom of thought for the sake of public security, the importance given to the freedom of thought falls as the age average exceeds 35. It can be stated that while young people see their future in their freedom of thought, people above the age 35 see their future in their safety. While young people are not afraid of freedom of thought, people over 35 develop a more conservative and security-based attitude as their age increases. At this point it is worth investigating the perspective differences of those aged between 18-25 and over 35 years in Turkey. Understanding what these differences are and what are the factors that influence these different attitudes of these two groups, will serve to understand the gap between generations in terms of political and freedom attitudes.

The finding that should also be noted is that the education levels should be viewed as another variable that affects view of public safety. As the education level increases, the importance given to the freedom of thought increases and it is not considered as an obstacle to public security. The majority of those who are literate and primary school graduates think that freedom of thought can be restricted for the sake of public safety. As the level of education increases, the importance attributed to freedom of thought increases.

Income status variable, which supports the data of education and occupation variables, also plays a role in public security perception. The connection between income status and the view of public security is that people tend to

not think of freedom of thought as a threat to public security as their income level increases. Participants of the highest income group shows an attitude that the state should not restrict freedom of thought with highest average. Here, that higher average of no of those with no income for the same question doesn't show a contradiction between income status and public security perception when considered that there are students in this group. In the light of these results, in terms of socio-demographic and socio-economic variables, it can be said that there is no significant relationship between gender and marital status and public security perception but there is a significant relationship between age, education, occupation and income status and public security perception.

The perception of the justice of the political process is directly related to the country's democracy. It can be said that the confidence in democracy in a country and the democratic process of the political process are directly proportional. Given this, attitude towards Turkey's democracy will be enlightening us about the attitudes to justice the political process. On the other hand, individuals' perceptions of freedom feeling can be understood by how people consider the concept of freedom as equality, solidarity, prosperity and security together with other premises. The findings of the field research clearly showed the relationship between the freedom security dilemma and the justice of the political process. Accordingly, there is a clear contrast between those who attach importance to the concept of freedom and those who attach importance to the concept of security. Only 6.5% of those who prefer the concept of freedom do not trust the justice of the political process by defining Turkey fully democratic. On the contrary, those who prefer the security concept by 56,6% state that they trust the justice of the political process seeing Turkey as a fully democratic. Freedom security dilemma in this context is met in Turkey. Those who prefer the concept of the welfare to freedom also refer Turkey fully democratic by 47.5%.

Last but not least, the answers given to the questions of "*Do you believe in the justice of the political process?*" and "*Will you give up your freedom for the sake of security threats and dangers?*" were compared for the relationship between the justice of the political process and individual freedoms. The findings indicate that those who believe in the justice of the political process are fonder of their freedom than those who don't believe. This means that security hazards are directly related to their belief in the justice of the political process in giving up their freedoms. Clearly, as the perception of the justice of the political process increases, the perception of threat and danger increases.

In conclusion, governments legitimize the laws that restrict freedoms in order to control the social structure and win the electorate ranks. As for our case, it is understandable that security and freedom have been portrayed as two opposed poles in this study due to the fact that Turkey have been through harsh and still continuing security problems at the time of the research.

## References

- Arslan, Z. (2006). 11 Eylül Sonrasında Yeni Güvenlik Anlayışı, İnsan Hakları ve Demokratik Kolluk. *Polis Bilimleri Dergisi*, 8 (2), 121-136.
- Bayramoğlu, S. (2005). *Yönetişim Zihniyeti: Türkiye'de Üst Kurullar ve Siyasal İktidarın Dönüşümü*. İstanbul: İletişim Yayınları.
- Boukalas, C. (2014). No Exceptions: Authoritarian Statism. Agamben, Poulantzas and Homeland Security. *Critical Studies on Terrorism: Practice, Limits and Experience*, 7(1), 112-130.
- Buzan, B. (1997). Rethinking Security after the Cold War. *Cooperation and Conflict*, 32 (1), 11-23.

- Çetindağ, A. F. (2004). Türk Anayasal Sisteminde Temel Hak ve Özgürlüklerin Sınırlanması Bağlamında Kamu Düzeni. Yüksek Lisans Tezi, *Ankara Üniversitesi Sosyal Bilimler Enstitüsü*.
- Çevik, S. (2013). *Küresel Ekonomide Uluslararası Vergileme: Yapısı, Ekonomi Politikası ve Ülkeler Arası İşbirliği*. Konya: Palet Yayınları.
- Erdoğan, M. (2013). Anayasal-Demokratik Bir Rejimde Özgürlük ve Güvenlik. *İstanbul Ticaret Üniversitesi Sosyal Bilimler Dergisi*, 24, 21-29.
- Ergül, N. (2012). Yeni Güvenlik Anlayışı Kapsamında Birleşmiş Milletlerin Rolü ve Uygulamaları, In Atilla Sandıklı (ed.), *Teoriler Işığında Güvenlik, Savaş, Barış ve Çatışma Çözümleri*, İstanbul: Bilgesam.
- Güzelsarı, S. (2003). Neo-Liberal Politikalar ve Yönetişim Modeli. *Amme İdaresi Dergisi*, 36 (2), 17-34.
- Hardt, M. and A. Negri (2000). *Empire*. Cambridge: Harvard University Press.
- Haspolat, E. (2010). Türkiye’de Neoliberal Devlet Anlayışı Bağlamında Devlet-Güvenlik İlişisinin Değişen İçeriği ve Özel Güvenlik Olgusu. Doktora Tezi. *Ankara Üniversitesi Sosyal Bilimler Enstitüsü*.
- Held, D. (1987). *Models of Democracy*. Cambridge: Polity Press.
- Küçüksoğak, Ö. K. (2012). Güvenlik Kavramının Realizm, Neorealizm ve Kopenhag Okulu Çerçevesinde Tartışılması, *Turan Stratejik Araştırmalar Merkezi Dergisi*, 4 (14), 15-31.
- Neocleous, M. (2000). *The Fabrication of Social Order: A Critical Theory of Police Power*. London: Pluto.
- Neocleous, M. (2003). *Imagining the State*. Berkshire: McGraw-Hill House
- Neocleous, M. (2008). *Critique of Security*. Edinburgh: Edinburgh University Press.
- Odyakmaz, Z., Ü. Kaymak and İ. Ercan (2009). *Anayasa Hukuku- İdare Hukuku*. İstanbul: İkinci Sayfa.
- Özkazanç, A. (2005). Türkiye’nin Neo-Liberal Dönüşümü ve Liberal Düşünce. *Tartışma Metinleri*, No: 85.
- Polat, F. (2010). *Din Siyaset Seçmen*. Konya: Çizgi Kitabevi.
- Schmitt, C. (1996). *Politische Theologie*. Berlin: Duncker and Humblot GmbH.
- Tekinsoy, Ö. O. (2011). Avrupa Kamu Düzeni Kavramı. *Hacettepe Hukuk Fakültesi Dergisi*, 1 (1), 66-79.
- Tomz, M. and Van Houweling, R. P. (2008). Candidate Positioning and Voter Choice. *American Political Science Review*, 102, 303-318.
- Uzgel, İ. (2006). AKP: Neo-liberal Dönüşümün Yeni Aktörü. *Mülkiye*, 30(252), 7-18.
- Waltz, K. N. (1986). Political Structures, In Robert O. Keohane (Ed.), *Neorealism and its Critics*. New York: Colombia University Press.
- Yılmaz, E. A., H. C. Özic and A. Akbulut (2016). Güvenlik Özgürlük Dengesi Bağlamında Türkiye’de ki “İç Güvenlik Paketi” Tartışmaları. *Dumlupınar Üniversitesi Sosyal Bilimler Dergisi*, Afro-Avrasya Özel Sayısı, Aralık, 132-146.

# 10

## ECONOMIC EFFECTS OF OCCUPATIONAL ACCIDENTS AND DISEASES ON EMPLOYERS, EMPLOYEES AND STATES<sup>1</sup>

Altan Kayacan<sup>2</sup> and Zeynep Şişli<sup>3</sup>

### **Abstract**

*Occupational accidents and diseases are mainly occurred due to neglecting obligations regulated by labor law. Employers neglect to take security precautions by considering their costs and prefer not to endure these costs without thinking economic consequences and compensation costs for workers or their relatives. However, ILO studies show that about 4% of the gross domestic product of developing countries is the economic loss that estimated to be suffered from occupational accidents and diseases. In this study, produced from a master's thesis, the economic and social effects of occupational accidents on human lives are evaluated by examining the precautionary and compensation costs, in addition, it is shown through a precedent that significant economic losses are caused by neglect of simple precautions.*

**Key-Words:** *Occupational Health and Safety Law; Occupational Accidents; Occupational Diseases; Precautionary Costs; Compensation Costs; Responsibilities of Parties; Economic Effects*

### **Introduction**

Occupational health and safety issues are gaining importance in the world and according to ILO data, hundreds of people die or become incapacitated as a result of occupational accidents or occupational diseases. Today, occupational accidents and diseases, which become one of the bleeding wounds of both our country and the world, cause deep spiritual consequences and heavy financial burdens on all the social parties. Furthermore, statistical data show that the burden of occupational accidents and diseases which occurs more frequently every passing year increases exponentially. An ILO report estimated that 270 million fatal and non-fatal occupational accidents occur every year (ILO Facts). Also recently, it has shown that daily 5.000 and annually over 2.3 million work related deaths happen, out of which over 350,000 are caused by occupational accidents and close to 2 million by work related diseases (ILO,2014)

With international and national legal regulations, important liabilities are given to employers, states and employees in order to prevent or minimize occupational accidents and diseases which takes away one of the fundamental human rights of employees, to live and to have body integrity.

1 This article is based on a masters's thesis and produced from the conference paper published in "Proceedings Of ICOPEC 2018: 10 Years After The Great Recession: Orthodox Versus Heterodox Economics 9. International Conference On Political Economy".

2 LLM, Intern Lawyer at Izmir Bar Association, Kahramandere Mahallesi 753 Sok. No: 2/A Güzelbahçe, İzmir/ Turkey, +90 (555) 8645634

3 Assoc. Professor, Dr., Izmir University of Economics, Faculty of Law, Fevzi Çakmak Mahallesi, Sakarya Cd. No:156, 35330 Balçova, İzmir/ Turkey, 0 (232) 2792525

It is seen that the rules determined by all these regulations are unfortunately not very much in practice and that the obligations imposed on the parties are violated and the responsibilities are neglected.

In this study, produced from the conference paper of ICOPEC 2018 and based on a master's thesis, we aimed to draw attention to the economic effects of occupational accidents and diseases and to do so, first we indicated essential terms, legal liabilities of parties, international and Turkish national legal resources and then we observed and interpreted a sample case regarding and occupational accident.

We also argue that the cost of measures to prevent occupational accidents or diseases is much less than the costs arising from an accident or a disease. We used the method of reviewing written resources and content analysis.

## **1. Essential Terms**

### **1.A. Occupational Accidents:**

One of the things intended to be avoided with occupational health and safety precautions is the danger and risk of occupational accidents to happen. While WHO's definition of occupational accident is "an event that has not been planned in advance, which often leads to personal injury, damage to machinery and equipment, and production to stop for a while" and the definition made by ILO is "An unplanned, unexpected event that causes a specific harm or injury". (ÇSGB, <https://www.csgb.gov.tr/media/6101/isg04.pdf>; Kılıç, 2014, p. 10; Stölz, 2013, pp. 55-56; Baloğlu, 2014, p. 108). Prevention philosophy of the Occupational Health and Safety Law, No.6331 of Turkey is explained by basing on the avoiding the risks of work in the reasoning by following European Union Occupational Safety and Health Framework Directive 89/391 (Özver,2015, pp.74-78).

Occupational accidents are evaluated from different perspectives in Turkish Labor Law and Social Security Law. In Turkish Social Security Law, the individual-related disorders such as suicide attempts and alcoholism are kept within the scope of the occupational accident concept in the light of both the doctrine and the Turkish Supreme Court decisions so as to expand social security coverage. However, it should be kept in mind that in order to be covered by such person-related disorders, the presumption of accident will be required.

In other words, if there is not an existence of one of the listed situations in the Act No: 5510 then it is not possible to mention the existence of an occupational accident in cases such as suicide and alcoholism.

The Act No: 5510 Article No: 13, describing five situations to be considered as occupational accidents as follows:

“- Occupational accident is the accident which happens;

- a) When the insured is at work,
  - b) Due to the work being carried out by the employer if the insured works independently for his own name and account,
  - c) Due to free times of an insured, working under an employer and dispatched on a different location,
  - d) Due to Breastfeeding female insurance holder in the time allocated to give milk to the child,
  - e) During the arrival of the insured to the workplace of employer,
- and makes the insured immediately or later physically or spiritually disabled.”

Description of occupational accident within the context of Turkish Labor Law is made within “Act No: 6331 Article No: 3” for pointing out the harmful result avoided which could be a basement for legal liability of employer. According to this, occupational accident means “... An event that causes death or causes the body to be mentally or physically impaired...” (Özen, 2015, p. 216).

The elements of occupational accidents in this context –also with regard to employer- are; working by contract, an accident to occur, suitable causal connection between work and accident -act of employer which is contrary to agreement should cause accident-, liability due to a danger brought on by the conduct of business, damage related to accident and suitable causal connection between accident and damage. (Sözer, 2001, p. 1894)

*“Table 1, Elements of Occupational Accidents”*

	Social Security Law	Labor Law
<b>Elements of Occupational Accidents</b>	1) Social insurant	1) Employee
	2) Accident	2) Accident
	3) Presumption of Accident	3) Liability of Risk
	4) Damage	4) Damage
	5) Causal Connection	5) Causal Connection

The definition made by the Act No: 5510 is the legal source of the payments made by the Turkish SSI to insurants in case of an occupational accident. On the other hand, the definition of Act No: 6331 has a great importance regarding the employer’s liability of indemnification for the material and moral losses of employee due to occupational accidents.

#### 1.B. Occupational Disease:

WHO’s definition of occupational disease is “a *disease caused by the work and which is measurable, identifiable, controllable and ones that the relationship between the special factors and the disease can be established in full*”. (Çalışma ve Sosyal Güvenlik Bakanlığı, <https://www.csgeb.gov.tr/media/6101/isg04.pdf>) On the other hand, ILO’s definition of occupational disease is “*getting to any disease as a result of exposure to risk factors arising from business activity*.” (Eser, 2016, p. 8)

Same differences about the definitions of occupational diseases could be seen due to the different perspectives basing on the different aims in Labor Law and Social Security Law as mentioned for occupational accidents. Occupational disease is defined in Turkish Social Security Law as temporary or permanent diseases or physical and mental disabilities that insurants have due to a repetitive reason or due to the nature of the business. However, the definition of occupational disease in terms of Turkish Labor Law is “disease caused by exposure to occupational risks”. The existence of a causal connection between the elements in the two definitions is mandatory for the occurrence of occupational disease.

The cases of occupational diseases will be referred to health care providers authorized by Turkish SSI. So in the doctrine it is considered that it would be appropriate to use the definition in the Act No: 5510 both for the Turkish

Social Security Law and for Turkish Labor Law. (Aydınlı, 2015, p. 60) In fifth section of By-Law No: 27021, Dated: 11.10.2008, occupational diseases were listed in five groups with Article No: 18. This disease grouping created by occupation-related occurrence is as follows:

- Group A: Diseases due to chemical substances,
- Group B: Skin diseases,
- Group C: Pneumoconiosis and other respiratory-related diseases,
- Group D: Infectious diseases,
- Group E: Diseases caused by physical factors.

If the employee is working under the order and instructions of the employer and the workplace's condition is suitable for the disease, the disease is regarded as occupational disease. (Güzel, Okur, & Caniklioglu, 2014, p. 442) For both Act No: 6331 and Act No: 5510, the existence of occupational disease will be evaluated according to the above-mentioned list and basis.

Occupational diseases are separated from work accidents in terms of formation rates and occurrence times. These differences cause difficulty for diagnosis of occupational diseases, as symptoms may appear 20-40 years after exposure to harmful working conditions (Akkurt, 2014, p.30).

In our country, there are appropriate and adequate legal regulations on the subject of collecting data on occupational diseases. However, it is seen that data records of occupational diseases are not sufficient as a result of above mentioned difficulties and the absence of a registration and notification system for protection that ILO has recommended. (Hüseyinli & Koç, 2018, p. 481)

## **2. Liabilities of Employers and Employees Regarding Occupational Health and Safety**

### **2.A. Liabilities of Employers**

Employers have many responsibilities in Turkish law, which are subject to supervision and protection obligation. Protecting the health of the employee does not only include protection against physical hazards, but also includes protection against psychosocial hazards and risks. (Çelik, Caniklioglu, & Canbolat, 2017, p. 321; Tiftik & Adigüzel, 2016, p. 330) In other words, within the above mentioned obligation of employers regarding occupational accidents and diseases; personality, life, material body integrity and health of employee are included. (Aktay, Arıcı, & Kaplan, 2013, pp. 146-151) In view of the changing and developing living standards and technology, the employer's protection debt also varies. (Limon, 2012, p. 219). Employer is under the debt of providing a healthy work environment for worker in order to protect her/his basic right to live which covers to be prevented against to all kind of dangers. This is a reflection of working dependently according to employers' order and instructions (Özveri, 2015, p.112)

In our national law teaching, the responsibility of the employer is assessed in two different ways, namely liability at fault and strict liability (Baloğlu, 2014, p. 113). The statement of liability at fault in Turkish Law is the liability which occurs when there is a presence of a person's defective behavior or action in the occurrence of a damage. Conditions of liability at fault are; i) unlawful act, ii) damage to a person with this act, iii) default of the perpetrator. (Oğuzman & Öz, 2013, pp. 11-12) In order for the existence of strict liability, the existence of



causal connection between damage and the situations determined by laws is enough. (Eren, 2017, p. 515) So if the situations determined by laws are the cause of the damage arisen, then strict liability occurs.

Those who believe that the responsibility of the employer arising from occupational accident and disease is liability at fault (e.g. Süzek, Okur), links the source of this liability to “responsibility to protect and surveillance”. Those who believe that the employer has strict liability for occupational accidents and diseases (e.g. Seratlı, Eren, Tunçomağ) argue that the source of this liability is “risk principle”. This principle means even if the employer has no defect, he will be responsible regarding any damages arises in connection with occupational accidents or diseases because of the workplace conditions or risks arising from the nature of the work.

The most important international resources for the topic are the European Convention on Human Rights, international conventions resulting from the work of the ILO, the European Social Charter, the European Union Directives and the Universal Declaration of Human Rights.

The main source of employers’ obligations in the constitutional framework is Constitution of the Republic of Turkey, Article No: 17. According to this: “everyone has the right to live and to protect and develop their material and spiritual existence”. With this provision, Article 49 regarding right to work and Article 50 regarding right to rest and working conditions are also important. With all these regulations, employers are obliged to bear various liabilities. Turkish Constitutional Court evaluated that legal obligations for taking precautions in occupational health and safety law are mainly related with these two provisions of Turkish Constitution in one of its decisions (Özveri, 2015,p.73). In general, these liabilities are listed under the Act No: 6331, Article No: 4 as follows:

- Prevention of occupational risks,
- To take all kinds of measures including educating and giving information to employees,
- To become organized,
- Providing necessary tools and equipments,
- Making health and safety measures compatible with changing conditions,
- Improving current situation at the work place,
- To monitor and supervise whether occupational health and safety measures are complied with,
- To eliminate disconformity,
- To perform or have performed risk assessment,
- While assigning duty to employees, to consider the suitability of them for health and safety,
- Taking necessary precautions to ensure that employees who are not adequately informed and instructed do not enter vital and special dangerous places.

Even if the employer proves that he has taken all kinds of measures and gives the necessary training, he will not be free from responsibility if he does not inspect whether they are complied with or not. Within Act No: 6331 Article No: 4 employers’ “responsibility for taking all measures” regulated and this also means that employers must follow the scientific and technological developments and take appropriate measures in connection with these developments. As a matter of fact, employer has to take the measures which are required due to technological and scientific developments even if it has not been stipulated by laws. (Özdemir, 2014, p. 102) In addition, the employer has been given the duty to perform a “risk assessment” which is the first step of the preventive approach



which was developed in the Anglo-Saxon countries. Having a risk assessment or having an external expert body does not completely eliminate the occupational health and safety obligation for the employer. Evidence that only an assessment has been fulfilled and that appropriate measures have been taken can create a situation where the employer is less defective. (Aydınlı, 2015, p. 122) Many other obligations have been given to the employer with other articles of the Act No: 6331.

To sum up, the main responsibilities of employers regarding occupational health and safety are counted within the first law in order to ensure occupational health and safety (Tiftik & Adıgüzel, 2016, p. 319), which is Act No: 6331, Article No: 4. Besides these employers have many other obligations that are separately regulated, such as determination of the degree of hazard as a result of the risk assessment arising from the same law, preparation of contingency plans, firefighting, first aid and evacuation places.

## 2.B. Liabilities of Employees

Among the basic responsibilities of the employee arising from the employment contract and Act No: 6098, those that important in terms of prevention of occupational accidents and occupational diseases are the obligation to care, diligence and comply with regulations and instructions.

Taking occupational health and safety measures is a responsibility given to the employer. However, the worker has a duty to pay attention to the rules of occupational health and safety towards the employer. Employees must appropriately use machinery, tools and equipment, technical systems, etc. which are owned by employer. (Narmanlıoğlu, 2014, p. 270) Again, employee who has a loyalty obligation should prevent or inform the employer regarding incidents that harm or give damage to employer and follow employers' orders and instructions regarding health and safety. (Çelik, Caniklioğlu, & Canbolat, 2017, p. 277) The obligations of the employee to prevent the occurrence of occupational accidents and occupational diseases are stated in Act No: 6331, Article No: 19 as follows:

- Not to jeopardize the health and safety of both self and other employees in line with the health and safety training and the employer's instructions,
- To use the machinery and other production tools in the workplace in accordance with the rules, not to arbitrarily remove or modify these equipment, taking care to use their safety equipment,
- To appropriately use and keep personal protective equipments (helmet, gloves, etc.)
- To notify the employer or employee representative immediately when they see any health and safety hazards or danger in the workplace,
- To be coordinated with the employer and employee representative in eliminating the deficiencies and legislative incompatibilities found in the workplace,
- To cooperate with the employer and employee representatives in ensuring occupational health and safety within the scope of his / her duties.

According to ILO's researches 88% of work accidents have been found to be dangerous behaviors and as the causes of these dangerous behaviors; boredom, the distraction of physically and mentally exhausted workers, lack of knowledge and training, and stress are shown. For this reason, it is indisputable that a major step will be taken to prevent the occurrence of occupational accidents by ensuring that workers are properly fulfilled their responsibilities. However it is also clear that it should be examined if the working hour regulations are complied with by employer

when the worker's dangerous behavior is a result of exhausting or stress, or if the training obligation of employer fulfilled when there is a lack of knowledge as a reason. That is why focusing on employer's responsibilities instead of looking for faults of workers is much more fair many times since creating a healthy workplace is an employer liability according to law (Özveri, 2015, p.108)

In our country, the Court of Appeals finds that it is enough for liability of employees if they are jeopardizing the occupational health and safety of workplace. So existence of an accident which born due to non-compliance with occupational health and safety measures is not necessary for employee to be liable. (Demir, 2017, p. 228) It is very important that workers are aware of their responsibilities under this heading and act accordingly in working environments.

### **3. Economic and Social Effects of Occupational Accidents and Diseases**

#### **3.A. Effects on Employers**

According to ILO data, 10% of occupational accidents occur because of dangerous working conditions. Employers neglect to take security precautions for occupational accidents or diseases by considering their costs and prefer not to endure these costs to compensation costs for workers or their relatives, contributing to the creation of a “murder economy” in the sense of economists (Çetin & Göğül, 2015, p. 23). However, occupational health and safety expenditure activity analyzes reveal that the costs of prevention are considerably lower than the costs incurred after the occurrence of occupational accidents or occupational diseases. (Koç & Akbıyık, 2015 p. 130) For employers, the economic consequences of occupational accidents and diseases are:

- To indemnify pecuniary damage of the employee,
- In case of the death of the employee, compensation for deprivation of support for their relatives (Demircioğlu & Balsever, 2016, p. 1172),
- Liability of employer arises from revenues and payments made to the employee or his/her relatives by Turkish Social Security Institution, (Baycık, 2013, p. 138; Tatar, 2017, p. 2154)
- Compensation for the moral hazard of employees and their relatives,

Liability for both the material and moral compensation of the employer, particularly in cases of violation of the obligation to take measures according to Act No: 6098 Article No: 417, is a “consequence liability” arises from breach of contract. In the event that the employer is in breach of the before mentioned obligations, if the physical harm, violation of personal rights or death of an employee is the result, both the employee and the relatives of the employee will be entitled to material and moral damages. In addition to these burdens, employers will also have to pay administrative fines for their actions against Act No: 6331 (Aydın & Ezer, 2014, p. 11).

In calculating the amount of the pecuniary damages, in the period between the date of the work accident and the expiration date of the life span, any loss of income in the assets resulting from the accident or disease is taken as basis in the context of the appropriate causal connection.

With the provisions of the Law and the principles drawn up for the determination of pecuniary compensation, as well as the specific characteristics of each event, and the amount of loss which cannot be known -because the damages that constitute the result of occupational accidents and diseases are realized over time- is displayed by

the Supreme Court of Appeals (Süzek, 2016, p. 470). The principles taken into account in these practices can be considered as the rate of disability, the age of work and the determination of the life expectancy, the determination of the wage, the flaws of the parties and the effect of equity.

The financial loss is calculated by dividing into two periods. The first of these periods, called as “active period” -which is until the end of the working age- and the second period is the period from the end of the working age to the end of the life, which is called as “passive period”. (Özcan, 2016, p.1099) The end of life is calculated by, PMF 1931, life table created in France which shows the average lifetime of a person according to age.

The purpose of non-pecuniary damage is to relieve the pain which have been suffered and will be suffered. (Zararsız, 1985, pp. 307-308) In case of physical damages or deaths resulting from occupational accidents or diseases, the employee or his / her relatives has been given the opportunity to file a non-pecuniary action for damages against the employer and other parties who are at fault. If the death does not occur as a result of an occupational accident or disease, as he / she was the person who subjected to accidents or illnesses and encounter any moral damage, it is the employee himself / herself, who is the plaintiff party. However, in case of serious physical harm, the relatives of the employee who has suffered damage may also be on the plaintiff side with the employee in case of non-pecuniary damage. (Baycık, 2013, p. 153)

If the incident in question resulted in the death of the employee who suffered from an occupational accident or disease, the plaintiff party of the case is the relatives of the deceased employee who encounter moral damages such as pain and suffering. Employers are liable to indemnify them in the event of any moral damage to the employee and / or their relatives due to occupational accidents or diseases.

Researches show that the cost of measures to prevent occupational accidents or diseases is much less than the costs arising from the accident or disease. (Durdu, 2014, p. 70) However, employers often violate the obligation to take the measures in question, and pay themselves to face with the compensation we are examining in this section, so they face more than they are willing to avoid.

According to Act No: 4857's article related to definitions, the persons acting on the behalf of the employer and the persons involved in the management of the workplace and the employer are the employer's agents. Employer's agents do not have any specific legal responsibility for workers against their actions in the capacity of employers on behalf of employers in this capacity. (Süzek, 2016, p. 200) However, if there is a fault of the employer's agent, the employer will be able to retract to his Proxy and in addition, if the employer's agent performs an unfair act against the workers in a position other than the competent person known to him by this title, he / she will of course be liable for the damages resulting therefrom. (Süzek, 2016, p. 201; Yılmaz, 2012, p. 72)

### 3.B. Effects on Employees

Employees are the mostly injured parties as a result of occupational accidents and diseases. Among the main aims of all legal norms of the subject are the assurance of employees' right to live and right to have body integrity.

Physical harm, which is the subject of the employee's suffering are; temporary or permanent incapacity for work, invalidity and death. Temporary incapacity is defined as the temporary absence of work during the rest period specified in the authorized physician or health board reports of the victim or the illiterate employee.

The fact that the worker is temporarily or permanently incapacitated as a result of an occupational accident or disease means there is a decrease in the physical integrity of the employee, in other words there will be a “violation of body integrity”. Compensation for these damages is not fully possible in many cases. Especially for occupational diseases, it is mostly impossible due to the difficulties them to be diagnosed as occupational, and also after a long time passed the work, even after being retired (Akkurt, 2014, p. 30). Even if the pecuniary and non-pecuniary damages are compensated, the health and physical integrity of the worker can never be the same. Such occupational accidents and diseases resulting with the death or above mentioned disabilities of employee are frequently occurring in daily life. In all these cases, result is the material and moral loss of employees and their relatives.

### 3.C. Effects on States and Society

It is indisputable that occupational accidents and occupational diseases that cause millions of people to lose their lives every year in the world have had huge consequences in human and socio-economic terms. (Öçal & Çiçek, 2017, p. 618) ILO studies show that about 4% of the gross domestic product of developing countries, according to the results obtained, is the economic loss that they are estimated to suffer from occupational accidents and diseases. (Akkurt, 2014, p. 30; Hüseyinli & Koç, 2018, p. 457; ILO, <https://www.ilo.org/global/topics/safety-and-health-at-work/lang-en/index.htm>)

It is pointed out that the global cost of not taking occupational precautions is at least 2.8 trillion dollars to the world (Akkurt, 2014, p. 31). Again, according to ILO data, hundreds of people are dying every day or becoming unable to work because of occupational accidents or occupational diseases.

As a matter of fact, the occupational problems that arise during this century lead to death of more and more people than alcohol, drugs and wars lead. (Öçal & Çiçek, 2017, p. 619) The average cost of business accidents alone is around 1.25 trillion dollars annually worldwide. (Öçal & Çiçek, 2017, p. 619) The economic cost of occupational accidents and diseases in Turkey is thought to be about 38 billion TL per annum.

The rate of fatal occupational accidents, Turkey is the third in the world and first in the Europe. (Çetin & Göğül, 2015, p. 4; Öçal & Çiçek, 2017, p. 628) According to the information provided by Turkish Social Security Institution's Statistics Yearbook, 286,068 work accidents and 597 occupational diseases reported in total in 2016 resulting in the death of 1,405 insured persons in Turkey. Yet it is known that many of the occupational diseases cannot be diagnosed due to insufficient systems in more than half of the all countries in the world including Turkey (Akkurt, 2014, p. 32). So reported occupational diseases are only a small part of the real numbers, and real damage given to the workers and the society is much more than the reported ones.

Particularly in respect of pecuniary damage, influence of those workers whose death has occurred or become incapacitated, cannot work and contribute to the national economy with labor power and the influence of them to not be able to take a role in production and switch to consumer position are greatly important.

In our country, as a result of occupational accidents and diseases, which are one of the most important socio-economic problems, deaths occur with rates quite above the world and European Union averages. In 2015, countries in the European Union, which are similar to Turkey in the terms of labor force data, in France 595, in Italy 543 and in Germany 450 employees lost their lives while in Turkey 1,252 employees died in occupational accidents. (Öçal & Çiçek, 2017, p. 633) This of course affects Turkey's international reputation and dignity. The fact that we are among the countries where occupational accidents and occupational diseases occur most intensively in the

world can create a perception that we are in a quite remote position in terms of civilization and development level in the eyes of other countries.

Social Security Institution's benefits, which are insured as a result of occupational accidents or diseases, are directly assessed in terms of economic costs for the government and these benefits negatively affect the income and expense balance in the economy. (Durdu, 2014, p. 68) As an example of indirect costs, adversely affected productivity of workplaces due to occupational accidents or diseases can be shown. (Koç & Akbıyık, 2015, p. 137) In fact, this would be regarded as a cost for employers. However, the deterioration of productivity in workplaces will mean a large decrease in production in our country, where occupational accidents or occupational diseases occur intensively. Mining, construction and metal sectors are the sectors that have the highest impact on the economy in Turkey in cases of such occupational accidents or diseases. Aside from the economic side, all families and individuals affected by occupational accidents and occupational diseases show the deep wounds in the society.

There are more than five thousand deaths per day in the world due to occupational accidents only, and it is estimated that over three hundred million occupational accidents a year are happening. (Koç & Akbıyık, 2015, p. 148) In order to solve this problem, each country has made efforts to enforce legislations by making various arrangements in their national law and international organizations such as ILO have started to carry out various studies around the world. (Durdu, 2014, p. 68)

#### **4. Precedent Regarding Effects of Occupational Accidents and Diseases**

Under this section, it is shown through a precedent that significant economic losses are caused by the absence of simple precautions and the efficiency of preferring precautionary costs to compensation costs regarding occupational health and safety is emphasized.

##### **4.A. Facts and Legal Procedure**

In the lawsuit for material and moral damages which is the result of the work accident with the degree of nearly 40% permanently incapacitation of the sufferer, plaintiff party is the employee who faced with this accident and the defendant is the employer.

At 11.20 pm on the date of 24.02.2012 the employee who is working as a farmer in the farm was plowing between the cherry trees with a tractor. After that an accident occurred by a moment of carelessness of the farmer when he couldn't realize the branch of a cherry tree and fell of the tractor by crashing it. As a result of the findings on the expert report it is learnt that:

- The farmer knew how to drive a tractor, he received instructions from the employer for the work to be done in the farm, he was working in that farm for seven years and he has not been insured by the employer,
- The employer had not fulfilled his obligations, he didn't know if the employee was acting properly regarding the work safety rules while working, he didn't have an idea about whether or not the tractor and the rotovator had been used properly by the employer and he has not provided any training on work safety and security to the employee,
- During the operation the plaintiff employee did not show the necessary attention and care while the tractor was moving,

- The worker was careless and not precautionary during the incident as described, so he was found 25% defective in the occurrence of the occupational accident,
- The employer did not fulfill the requirements of the relevant legal regulations and was found 75% defective in the occurrence of the occupational accident.

The employee was paid a temporary incapacity payment of approximately 1.600,00 TL and 40.000,00 TL in cash for the period of permanent disability by the Turkish SSI. In addition, as a result of the calculations, the total loss of the worker found about 136.000,00 TL and because of his %25 default, this amount found to be accepted as 102.000,00 TL. Accordingly, the amount of compensation to be incurred -as a result of the discounts made at the rate of the employer's fault- was found to be approximately 70.000,00 TL.

At the end of the case at the İzmir 13th Court of Labor, with the case no: 2014/279-2016/327 the court partially accepted the case by assessing the non-pecuniary damage and decide fort pecuniary damage based on the expert report. In the light of the instructions above, the court partially accepted the case filed by the employee and decided for 70.000,00 TL pecuniary damages with interest and 35.000,00 TL non-pecuniary damage by considering the incidence, the defect status of the parties and the economic conditions of the day. In addition, for the employer, the cost of legal fees of about 7.000,00 TL and the cost of advocacy fee of the counterparty, about 12.000,00 TL have been generated.

#### 4.B. Interpretation of Case

The incident is an occupational accident that resulted in a 40.2% disability of the employee, who was plowing between the cherry trees and crashed to the cherry tree branch while looking at the rotovator. The effect of the carelessness of the employee appears to be significant. However, as stated in the expert report, because of the employer has not provided any occupational safety and security training and because of the lack of supervision regarding the work to be done properly, the employer was found defective.

The rates of parties' fault were determined as 25% for the worker and 75% for the employer by the expert reports. In this case, because of the fact that the employee did not die, a real damage amount was calculated by applying a discount in connection with the disability rate which is 40,2% on the total amount of damages and damage based on temporary incapacity after accident added. Finally, due to the fact that the plaintiff employee had its own defect, a reduction made and the payments made by SSI deducted to discover the amount of compensation which employer has the liability to indemnify.

In the evaluation made by the court of first instance, the amount of pecuniary compensation determined by the expert report was found appropriate and the facts such as the occurrence of the incident, the economic conditions of the parties were taken into consideration and 35.000,00 TL non-pecuniary damages were decided. At the end of the trial, the financial burden on the employer is more than 100.000,00 TL considering the expenses of the court and the attorney fees, and more importantly, it was seen that the employee was not insured and the administrative fines were added due to the fact that the occupational accident was not notified to SSI.

From the point of employee, due to his careless and dangerous practices, he faced with the heavy consequences of both physical and moral harms in rest of his life as a result of the decrease in his body functions with the rate of disability.

This case is a great example of a major impact on both an employer and an employee should face with after an occurrence of occupational accident. If the employer had provided the necessary trainings and found a way to supervise the activities of the employee during the work hours, it is clear that it would cost him less than the compensation costs and legal fees. On the other hand, if the employee be more careful and act safely while working, he wouldn't have to deal with a disability until the end of his life.

## Conclusion

The aim of our article is to reveal the economic and social effects of occupational accidents and diseases and to put forth the material and moral burden on the social parties in such incidents. In this context, a sample case has been reviewed in order to be an example of the compensation costs. Also the liabilities of the parties have been addressed in relation to occupational health and safety, and national and international resources have been demonstrated. As it is seen with legal resources, employer has to protect workers' basic right to live by providing healthy workplaces for physical and psychological bodily integrity of them. Also, the employer should to maintain this healthy environment with the participation of employees by necessary training and organization. But the increase of the death numbers due to occupational accidents and diseases all over the world and Turkey by time, shows that the preventive legal rules are not applied, in other words the employers do not fulfill these legal obligations. Despite the fact that dangerous behaviors of the workers are also determined as the reasons for occupational accidents, since physical and mental exhausting, stress and lack of knowledge cause to those, it is clear that they are mainly because of nonfulfillment of employers' legal obligations for creating a healthy work environment. Employers may face with much more serious pecuniary burdens as a result of occupational accidents and diseases compared to the costs for precautions.

A description of the pecuniary burdens to be incurred by the employers in contradicting their obligations for financial reasons have been made and consequences is referred due to the material and moral loss of the employees and their relatives, and finally, it is explained what kind of economic consequences are caused by occupational accidents and diseases in our country and in the world. In this study, which is produced from the published conference paper in "*Proceedings Of ICOPEC 2018*" basing on master's thesis, it has been concluded that economic consequences of occupational accidents and diseases are much heavier than the prevention costs in terms of the regulations on occupational health and safety and in both our national law and the international law, the legal bases are sufficient but some steps must be taken in order to ensure compliance with these rules in practice.

It is understood that "occupational health and safety awareness" should be generated to the parties and this idea has to be exercised effectively in working environments for the purpose of preventing occupational accidents and diseases and providing the social parties to act in compliance with both national and international regulations. It would be beneficial for governments or national and international organizations to arrange and oversee competent educational seminars and activities that could draw the interest of employers and employees on the problems in connection with occupational health and safety. Also, workplaces should be monitored by governments by allocating enough resources for investigations to ensure the legal precautions fulfilled at workplaces, and for training of the employers who may ignore many of the legal obligations by considering only the production costs without thinking the serious negative effects of occupational accidents and diseases.



## References

- Akkurt, İbrahim (2014). *Dünyada ve Ülkemizde Meslek Hastalıkları Tanı Sistemleri, Yeni Bir Model Önerisi*. TTB Meslek Sağlık ve Güvenlik Dergisi, Ocak-Haziran 2014, 30-38. Ankara: TTB Yayınları
- Aktay A. Nizamettin, ARICI Kadir, & SENYEN/KAPLAN E. Tuncay (2013). *İş Hukuku*, Ankara: Gazi
- Aydın Ufuk & Ezer Burcu (2014). *İş Sağlığı ve Güvenliği Mevzuatına Aykırılık Sebebiyle Uygulanan İdari Para Cezalarına İlişkin Sorunlar*, Çalışma ve Toplum Dergisi, Issue: 4, 11-32
- Aydinli İbrahim (2015). *İş Sağlığı ve Güvenliğinden Doğan Hukuki ve Cezai Sorumluluk*, Ankara: Seçkin
- Baloğlu Cem (2014). *İşverenlerin İş Kazalarından Doğan Hukuki Sorumluluğu*, Kamu-İş Dergisi, 13(3), 107-123
- Çalışma ve Sosyal Güvenlik Bakanlığı, *İş Kazaları ve Meslek Hastalıkları, Hukuki ve Cezai Sorumluluklar*, <https://www.csgb.gov.tr/media/6101/isg04.pdf>, (Data Accesed: 10/03/2018)
- Çelik Nuri, Caniklioğlu Nurşen, & Canbolat Talat (2017). *İş Hukuku Dersleri*, İstanbul: Beta
- Çetin Murat, & Karatay Göğül Pelin (2015). *Türkiye'deki İş Kazaları ve İşçi Ölümünün Ekonomik Boyutu ve Politika Önerisi*, Sosyoloji Konferansları, Issue: 51, 1-29
- Demir Fevzi (2017). *En Son Yargıtay Kararları Işığında İş Hukuku ve Uygulaması*, İzmir: Albi
- Demircioğlu Murat & Balsever Sergül (2016), *İş Kazası ve Meslek Hastalığı Sonrası Ölüm Nedeniyle Destekten Yoksun Kalma Tazminatı*, İstanbul Üniversitesi Hukuk Fakültesi Mecmuası, Volume: 74, 1168-1187
- Durdu Halil İbrahim (2014). *İş Kazalarının Ekonomik Analizi ve Bazı Sektörler Bazında Değerlendirilmesi*, Sosyal Güvence Dergisi, Issue: 5, 67-91
- Eren Fikret (2017). *Borçlar Hukuku Genel Hükümler*, Ankara: Yetkin
- Eser Dilek (2016). *İş Sağlığı ve Güvenliğinde İşçi ve İşveren Dışındaki Aktörlerin Rolü*, Bursa: Ekin
- Güzel Ali, Okur Ali Rıza, & Caniklioğlu Nurşen (2014). *Sosyal Güvenlik Hukuku*, İstanbul: Beta
- Hüseyinli Namık & Koç Tayfur Süleyman (2018). *Avrupa Birliği ve Türk Hukukunda Meslek Hastalıklarının Kayıt Altına Alınmasına İlişkin Yasal Düzenlemeler*, İş Hukuku ve Sosyal Güvenlik Hukuku Dergisi, 15(58), 453-492
- ILO(2014) Safety and Health at Work: A Vision for Sustainable Prevention [https://www.ilo.org/safework/info/publications/WCMS\\_301214/lang--en/index.htm](https://www.ilo.org/safework/info/publications/WCMS_301214/lang--en/index.htm) (Data Accessed, 18.11.2018)
- ILO Facts, Facts on safe work, [https://www.ilo.org/legacy/english/protection/safework/worldday/facts\\_eng.pdf](https://www.ilo.org/legacy/english/protection/safework/worldday/facts_eng.pdf), (Data Accessed, 18.11.2018)
- International Labor Organization, <http://ilo.org/global/topics/safety-and-health-at-work/lang--en/index.htm>, (Data Accessed: 16.11.2018).
- Kilkiş İlknur (2014). *İş Sağlığı ve Güvenliği*, Bursa: Dora
- Koç Muzaffer, & Akbiyik Nihat (2015). *Türkiye'de İş Kazalarının Maliyetleri ve Çözüm Önerileri*, Akademik Yaklaşımlar Derneği, 2(2), 129-175



- Limon Aslıhan (2012). *Türk Hukuk Sisteminde İş Sağlığı ve Güvenliği*, Uyuşmazlık Mahkemesi Dergisi, Issue: 1, 209-242
- NARMANLIOĞLU Ünal (2014). *İş Hukuku Ferdi İş İlişkileri I*, İstanbul: Beta
- Oğuzman M. Kemal, & Öz M. Turgut (2013). *Borçlar Hukuku Genel Hükümler Cilt-2*, İstanbul: Vedat
- Öçal Mehmet, & Çiçek Özal (2017). *Türkiye ve Avrupa Birliği'nde İş Kazası Verilerinin Karşılaştırmalı Analizi*, Hak İş Uluslararası Emek ve Toplum Dergisi, 6(16), 616-637
- Özcan Durmuş (2016). *Uygulamalı İş Davaları*, Ankara: Adalet Yayınevi
- Özdemir Erdem (2014). *İş Sağlığı ve Güvenliği Hukuku*, İstanbul: Vedat
- Özen Mustafa (2015). *İş Kazalarında Hukuki, Cezai ve İdari Sorumluluk*, Ankara Barosu Dergisi, Issue: 2, 215-253
- Özveri Murat (2015). *İşçi Sağlığı, İş Güvenliği ve İş Cinayetleri*, İstanbul: Birleşim Metal İş Yayınları
- Seyhan Stölb Güneş (2013). *İş Sağlığı ve Güvenliği Yönetimi*, İzmir: İlya
- Sözer Ali Nazım (2001). "Türk Sosyal Sigortalar Hukukunda İş Kazası Kavramı ve Unsurları", Marmara Üniversitesi Hukuk Fakültesi, Prof. Dr. Nuri Çelik'e Armağan, İstanbul: Beta, Volume: II, 1894-1917
- Süzek Sarper (2016). *İş Hukuku*, İstanbul: Beta
- Tatar Gülsüm (2017). *Sosyal Güvenlik Hukukunda Müteselsil Sorumluluk*, Çalışma ve Toplum Dergisi, Issue: 4, 2133-2170
- Tiftik Mustafa & Adigüzel Ayşe (2016). *İş Sağlığı ve Güvenliği Kanunu'na Göre Genel Hizmet Sözleşmesinde İşverenin İşçiyi Koruma Borcu*, Yıldırım Beyazıt Hukuk Dergisi, Issue: 1, 319-356
- Yılmaz Halil (2012). *Türk İş Hukukunda Bireysel İş İlişkileri Açısından İşveren Vekilliği*, Ankara: Seçkin
- Zararsız M. Emin (1985). *İşverenin İş Kazası ve Meslek Hastalığından Doğan Manevi Tazminat Ödeme Sorumluluğu*, Dicle Üniversitesi Hukuk Fakültesi Dergisi, 3(3), 287-325

## NON-STATUS MIGRANTS AND CITIZENSHIP IN THE MAKING: THE DREAMERS MOVEMENT <sup>1</sup>

Tuba Kancı<sup>2</sup>

### **Abstract**

*The neoliberal turn of 1980s and the reactions to it, brought the death of the citizen as we know -the worker citizen, the welfare-state citizen- and new concepts like the market citizen, consumer citizen, cosmopolitan citizen have been introduced. This article analyzes the concept of citizenship and its transformation focusing on the DREAMERS movement -a non-status migrant youth movement in the United States. The DREAMERS movement has helped to politicize large segments of the non-status migrant youth in the United States, challenging how we understand political community, subjectivity and citizenship. Through social mobilization, the youth enacted themselves as the activist citizens of the communities they live in; asking for and succeeding in getting recognition, and social, political and economic rights despite the lack of legal membership to the community.*

*Keywords: Non-status migrants, immigrant, undocumented, DREAMER, citizenship, civil society, youth*

### **Introduction**

This article focuses on a migrant youth movement, the *DREAMERS*, which has helped to politicize the non-status migrant youth population in the United States. The movement, in fact, challenged how we understand political community and political subjectivity. Through social mobilization and social movements, large segments of the non-status migrant youth enacted themselves as the activist citizens of the communities they live in, asking for and succeeding in getting recognition, and social, political and economic rights despite the lack of legal membership to the community.

The DREAMERS movement took its name from the federal Development, Relief, and Education for Alien Minors (DREAM) Act, which was first introduced to the US Senate in 2001. Since then, it has been reintroduced a number of times, yet it repeatedly failed to pass. The act offers conditional permanent resident status to children and youth who came to the US at the age of fifteen or younger, and who has been living in the US continuously for at least five years before the enactment of the act (The White House, 2010; 112<sup>th</sup> Congress, 2011-2012). The supporters of the DREAM Act formed campaigns to gather public support and created the public image of the DREAMER in order to cleanse the youth from the stigma attributed to them: a young non-status migrant having lack of agency in her/his unauthorized status, and with a successful student identity, “deserving” the right to stay in the country -the US- with her/his American character (Allard, 2015, p. 480).

1 This article is based on the project “The changing nature of citizenship: A comparative approach to citizenship and its relation to democracy in late-modern times” financed by the Scientific and Technological Research Council of Turkey (TÜBİTAK).

2 Assoc. Prof. Tuba KANCI DOĞAN, Kocaeli University, Department of Political Science and Public Administration, Faculty of Economics and Administrative Sciences, Umuttepe Campus 41380 İzmit, Kocaeli, Turkey, E-mail: tubakanci@gmail.com - tuba.kanci@kocaeli.edu.tr

What follows will first discuss the concept of citizenship and its transformation, then analyze this transformation in relation with the non-status migrant youth movement -“undocumented” youth movement, the DREAMERS- and their acts of citizenship by focusing on their civil society activism and social movements.

### Transformations of the Concept of Citizenship

With its roots going back to the ancient Greek times, modern citizenship was shaped in Europe by 17th and 18th centuries along civic rights. According to Aristotle, citizenship designated virtue which is gained through participation to the public sphere. Yet, modern citizenship was perceived as nation-state membership, and used in this context as synonymous with national identity. Formulation of such a relationship can be traced back to the times of French Revolution. Citizenship policies differed from one nation to another as part of the concept of nationhood (Brubaker 1990, 1992). Although migration caused changes in the nature of citizenship throughout the course of the 20th century, it was the growing influence of the processes of globalization from the 1980s onwards that led to the questioning of this perception of equating citizenship with national identity. The study of citizenship emerged, in the 1990s, as one of the important areas of social sciences. The struggles for native languages, recognition, and gender equality can be read as the signals of transformations of the concept of citizenship.

In relation to these developments, citizenship has been defined not only as being synonymous with national identity, or as a legal status, but as a condition that involves rights, political and social recognition, and/or economic (re) distribution (Isin and Turner 2002; Fraser 1997). Citizenship studies have increasingly associated the concept with participation and democracy rather than belonging (e.g. Habermas 1998; Benhabib 2004), with inclusion of economic and social rights demands (e.g. Fernandez Kelly 1993), and with claims to identity/difference and multiculturalism (e.g. Taylor 1994; Kymlicka 1995), as well as gender-related claims (e.g. Dietz 1992; Lister 1997). Feminist studies have brought further insights to the analysis of citizenship, and questioned its prospects with respect to political, economic and social rights, participation and democracy.

An important debate in the citizenship literature, the debate between Mann (1987) and Turner (1990, 1993) on citizenship, centers on whether citizenship involves ruling class strategies via the state or whether it is an expression of social movements. As Isin insightfully argues citizenship can be both domination and empowerment separately or simultaneously (2002). It can interplay with power and democracy in various ways. Thus it can be theorized as being embedded in the social and political struggles that constitute it (Isin, 2009, p. 370).

Using these insights, it is argued here that citizenship can be analyzed with regard to (i) the institution of citizenship, and (ii) acts of citizenship. In the first one, citizenship is the consequence of a status that is gained *jus soli* and/or *jus sanguinis*, and involves the right to claim rights through membership to a state. In the second one, citizenship is constituted by acts, which signals the transformations in the concept of citizenship. Thinking about citizenship through acts is defining citizenship through performative claims of demands as apart from the former definition which merely referred to citizenship as a status with legal rights gained through membership to the state.

Citizenship in this context can be studied as a dynamic concept, open to challenges, modifications and transformations through the practices of political subjectivities who are constructed by the very power-relations that they enact upon. Acts of citizenship are those acts that produce citizens and their others (Isin & Nielson, 2008, p. 37). They can be examined through their grounds and consequences. These grounds and consequences are created by the activist citizens who also become activist through scenes -which involves both performance and disturbance.

Consequently, activist citizenship is looking for rights that have never been written, with acts of citizenship being performative claims of demands for rights.

For research purposes, a distinction is made here between the active citizen and the activist citizen. In the first one, citizenship is the consequence of a status, and therefore pre-political. The active citizen engages in the invited spaces of participatory governance. S/he acts on the grounds that are already produced and follows already written scripts. The activist citizen, on the other hand, creates scenes through which it also creates itself, and can write new scripts through social mobilization and social movements (Thompson & Tapscott, 2010). Citizenship is enacted as claims rather than as only membership (see also, Sassen, 1996; Flores & Benmayor, 1997; Soysal, 1997; Isin & Siemiatycki, 2002; Scholtz, 2006). Building upon this theoretical work, the following pages analyze the DREAMERs movement and the acts of citizenship by this youth focusing upon their civil society activism and social mobilization.

### **The DREAMERs Movement, Grassroots Organizations and the Acts of Citizenship**

The youth movement in the US can be traced back to the 1930s to the foundation of the National Student League and organization of American Youth Congress. The movement became prominent again in the 1960s, coinciding with and in relation to the anti-war movement and the civil rights movement. Although the youth movement seemed to decline afterwards, less militant forms of campus activism have nevertheless continued (Winston, 2013).

The DREAMERs movement, and the involved youth indeed recreated themselves as the activist citizens of the communities they live in, looking for rights that have never been written, through their performative claims of demands for rights. They succeeded in getting recognition, and social, political and economic rights despite the lack of legal membership to the community. As the supporters of the DREAM Act formed campaigns to gather public support, national and regional level migrant rights organizations created new organizations focusing specifically on the non-status migrant youth. *United We Dream*, for instance, is one of these new organizations founded in 2007 with the help of the National Immigration Law Center (NILC), and it became a place where the messages of the DREAM Act campaign have been produced. The regional level migrant rights organizations like the *Center for Humane Immigrant Rights of Los Angeles* (CHIRLA) also created their own organizations for the non-status migrant youth; i.e. the *California Dream Network*. (Nicholls & Fiorito, 2015, p. 88). The *California DREAM Network* (CDN) was founded in 2003, and it became an important part of the “undocumented” youth movement in the US. It is a statewide organization made up of various college campus organizations. The organization focuses primarily on the non-status migrant students’ issues. As such it provides legal help, tries to create consciousness, public debate and action, as well as immigration reform. Within time, these youth organizations challenged the campaign’s non-status migrant youth image; they went beyond the scripts written for them, and wrote new scripts through social mobilization. They took on confrontational forms of direct action, such as occupations, hunger strikes, long marches. They (re)created their identities; they organized “coming out of the shadows” events and presented their identities as “undocumented and unafraid”, and “undocuqueers” (Nicholls & Fiorito, 2015, p. 89).

Apart from the non-status migrant youth organizations founded by the national and regional immigrant rights organizations, other independent grassroots organizations have also been founded by the migrant youth. The *Orange County Immigrant Youth United* (OCIYU) is one of these grassroots organizations. The OCIYU is established in 2004 as the *Orange County Dream Team* by a group of high school, college and university students. The OCIYU defines itself as “an undocumented immigrant youth-led organization that advocates for the rights

of undocumented immigrants to live lives free from exploitation and persecution” (Orange County Immigrant Youth United, 2015a). The following focuses specifically on this organization as an example of grassroots activism of the non-status migrant youth.

Since its foundation, the OCIYU has organized and participated numerous migrant rights campaigns and activities. The organization arranged educational workshops on the existing policies affecting the non-status migrant community, and the possibilities for getting higher education, as well as identity issues like the intersectional identities. It has worked extensively to create consciousness, public debate, and activism on such issues. It has tried to mobilize the “undocumented” youth as well as the broader migrant community for immigration reform. The OCIYU has also provided legal help, and scholarships through grassroots fundraising events. Its members believe that against criminalization, deportations, and racism, a strong organizing strategy needs to be built up (Servin 2017; De Anda 2017). The OCIYU has been using both institutionalized channels of participation and deliberation, and civil disobedience acts, and demonstrations. However, using the institutionalized channels of participation and deliberation is rather hard -if not completely blocked- for them since their presence in the country is considered illegal. They argue that it is the undocumented immigrant organizing, mobilization and activism that brought the community the biggest victories such as the extension of *Deferred Action for Childhood Arrivals* (DACA) and the introduction of *Deferred Action for Parents of Americans* (DAPA), tuition equity, drivers’ licenses, healthcare for non-status migrants.

DACA is a prosecutorial discretion that provides temporary residency for DREAM Act eligible youth. It defers their removal from the US for a period of two years with a chance to renew this temporary residency. The OCIYU helped to pressure the Obama Administration to pass DACA in 2012. In November 2014, the Obama Administration expanded DACA to all the non-status migrant children and youth that have been living in the US since 2010. The Administration also introduced *Deferred Action for Parents of Americans* (DAPA) covering the parents of these children and youth, and providing temporary residency for them (Department of Homeland Security, 2015). DACA and DAPA do not confer lawful status to non-status migrant population; however, they made it possible to receive employment authorization for the period of deferred action.

Since 2010, the OCIYU has been organizing annual “Coming Out of the Shadows” events. In these events, the non-status migrant youth openly declared themselves as “undocumented.” “Coming Out of the Shadows” events helped the youth to state their existence as a member of the society, to build confidence in themselves, to organize and undertake action with a view to better their conditions (Orange County Immigrant Youth United, 2015a).

The OCIYU has also been an active participant of the *Not One More Deportation Campaign* (#Not1More) that started in 2013. This was a national campaign which aimed to end detention and deportation of all migrants in the US by “pressuring the President to use administrative powers to provide relief and terminate deportation programs.” The OCIYU took the lead in California and helped to organize the first action taking place in Santa Monica in May 2013. They were also present in “shut down ICE (*Immigration and Customs Enforcement Agency*)” events, taking place through protest and peaceful civil disobedience (Not1More Deportation Campaign, 2015). In the Spring of 2014, they focused their activities on the Congressional representatives, publicly asking and challenging them. They asked the Congressional Hispanic Caucus (CHC) members to call out for the President. They organized a press conference at the office of the Congresswoman Loretta Sanchez; the representative for California’s 46<sup>th</sup> congressional district, Orange County. In its aftermath, three OCIYU members staged a sit-in at the Washington D.C. office of the Congresswoman. What they demanded from her was to “publicly” support the expansion of DACA to all non-status migrants (San Roman, 2014). The DACA expansion and DAPA came at

November 2014, and as Hairo Cortes, the program coordinator of OCIYU, stated “This was a very hard-fought thing to win”, and “it wouldn’t have happened in the first place if it had not been for [us] acknowledging that we do have power in organizing and advocating for ourselves.” Cortes added: “As long as we don’t forget that, we’ll always be in a position to take that next step and win more protections for the rest of our community members. That’s the way to move forward” (Gerda, 2014).

At the state level, the OCIYU has been a part of the *Health for All Campaign* (#Health4All) that took place in 2015. The campaign aimed to make healthcare accessible to the non-status migrants in California. For instance, on May 2015, the members of OCIYU participated in a “die-in protest” in Sacramento to highlight the importance of comprehensive healthcare act (Orange County Immigrant Youth United, 2015b). As a result, a bill passed the California Senate that would allow the non-status migrants to get healthcare coverage (MCGreevy, 2015).

The OCIYU has been undertaking protest acts using both traditional methods and social media. It has used both traditional media and social media very effectively in its acts. It is through these acts that the non-status migrant individuals and communities, who reside within the polity but lack voice, is able to gain voice and empowerment; i.e. as the recent *#MyOwnAdvocate* Campaign (2014). With the *#MyOwnAdvocate* Campaign, the non-status migrants asked for self-representation, that is a seat at the table in the negotiation meetings with the President that relate to immigrant issues, arguing that “equality demands that people have a voice in policy discussions affecting their lives” (Mr. President, No More Meetings About Us Without Us, 2014).

The OCIYU has been demanding the expansion of existing citizenship rights, and citizenship status to migrants. The migrant’s rights organizations in fact argue that the migrants had done enough to “earn citizenship” (Hincapie, 2015). They are also asking for the improvement of social and political aspects of currently existing citizenship rights for the society as a whole. As discussed above, certain social rights and benefits have been forthcoming for the non-status migrants, but whether these in-between statuses can be considered as a path to citizenship is questionable.

Although the DREAMERS movement did not succeed in passing the DREAM Act bill, it nevertheless gained local, state-level and national victories. At the national level the introduction and extension of DACA, and the introduction of DAPA are the most important of ones. States like California, Illinois, Kansas, Maryland, Nebraska, New Mexico, New York, Texas, Utah, Washington, and Wisconsin passed laws that provide non-status migrant students with the opportunity to go to the university. In various states, the “undocumented” students who graduated from the state’s primary and secondary schools became able to receive in-state tuition as other state residents (American Immigration Council, 2011). Although the Welfare Reform Act of 1996 barred documented and “undocumented” immigrants from getting social benefits, the scene has changed in the last decade to accommodate pro-immigrant measures, such as California Senate approving the healthcare coverage for the non-status migrants (MCGreevy, 2015).

As Glover argues, referring to Benhabib, “the ‘irony’ of current citizenship practices in the US is that while certain social rights and benefits have been forthcoming for aliens, ‘the transition to political rights and the privileges of membership remains blocked or is made extremely difficult’ (2003, p. 422)” (as cited in Glover, 2011, p. 210). Nevertheless, it is possible to see various significant efforts in the last decade to couple certain social rights with political rights. One of these novel efforts is the “New York is Home” Act (Markowitz, 2015, p. 902). The act can be considered as the “first modern bill to advance a concept of state citizenship” beyond constitutional guarantee. The proposed bill extends state citizenship beyond national citizenship as it aims to give the non-status migrants



state citizenship which would involve the extension of political voice through political rights such as the right to vote and hold public office, as well as the right to access to state's public programs and benefits such as public healthcare, and the right of protection against mistreatment (Markowitz, 2015, p. 905). Although it has not been possible to realize the "New York is Home" Act, even the fact that it was introduced and discussed widely and publicly is important in the redefinition of political subjectivity and citizenship.

### **The DREAMERs Movement and Activism in the Face of Growing Anti-Immigrant Feeling**

The developments in favor of improving the social, economic and political rights and conditions of non-status migrant youth seem to come to a halt with the change of presidency and administration in the US since 2017, as the US administration has officially changed its stance towards immigration. The new administration adopted a negative perspective with respect to non-status migrants; aimed to build a wall at the southern border between the US and Mexico, increased the funding of ICE, increased detentions and deportations of non-status migrants, and revoked DACA and DAPA (Kopan, 2018; Sacchetti, 2018). The image of non-status migrants has again become stigmatized, and criminalization of the migrants seems to be in place.

In the face of these developments, the non-status migrant youth movement continues to organize and mobilize in order to hold onto the legal improvements they gained in the past and to prevent disintegration of the movement. The civil society organizations undertake a range of acts and actions. They try to create consciousness in the migrant community for the immediate extension of DACA on the individual basis -before it is totally terminated by the government- to secure deferral of the removal of non-status migrants for another two years. To this aim, civil society organizations like OCIYU started holding "DACA renewal clinics" and "Know Your Rights" forums in different cities and raising money to fund DACA renewals (De Anda, 2017).

In order to fight back the detention of non-status migrant children and youth, and increased deportations which culminated to 226,000 immigrants in 2017, the civil society organizations of non-status migrants carried on "deportation defense campaigns" (Sacchetti, 2018). The deportation defense campaigns have aimed at liberating the non-status migrants from detention, and providing them with legal representation to fight their cases. Public campaigns are undertaken to "pressure ICE officials to use prosecutorial discretion" to free the detainees, and "allow them to fight their legal cases outside of detention." Besides accompanying the non-status migrants throughout their legal cases, these immigrant organizations also tried to provide the migrants with resources to enable them to carry on their livelihood and reintegrate them into the society (California Immigrant Youth Justice Alliance, 2018). They also restarted "Abolish ICE campaign" which continues to gain support also from other segments of the society besides migrants (McElwee, 2018; Waxman, 2018).

### **Conclusion**

As the above discussion and analysis show, the non-status migrant youth who took part in the civil society organizations have indeed made collective action possible. Through their acts, they (re)created themselves. They created solidarity amongst the non-status migrant youth and with the larger parts of society. Especially in the last decade, through their citizenship acts, they increasingly involved different segments of the population in their mobilization. Despite the rising anti-immigrant sentiment, they continue to realize their performative demands along this perspective.

Depending on this analysis, it can be argued that the non-status migrant youth movement in the US have deconstructed the conceptual and ideological packages of citizenship. The non-status migrant youth recreated themselves as the activist citizens of the communities they live in by their performative claims of demands for rights. Through their acts and activism, they have challenged how we understand political subjectivity and community.

## References

- 112<sup>th</sup> Congress. (2011-2012). *S.952- Dream Act of 2011*. Retrieved August 5, 2015 from <https://www.congress.gov/bill/112th-congress/senate-bill/952>
- Allard, E. C. (2015). Undocumented status and schooling for newcomer teens. *Harvard Educational Review*, 85(3), 478-501.
- American Immigration Council. (2011, May 18). *The DREAM act*. Retrieved August 10, 2015 from <http://immigrationpolicy.org/just-facts/dream-act>
- Benhabib, S. (2004). *The Rights of Others: Aliens, Residents and Citizens*. Cambridge: Cambridge University Press.
- Brubaker, W. R. (1992). *Citizenship and Nationhood in Germany and France*. Columbia University Press.
- Brubaker, W. R. (1990). Immigration, citizenship and nation-state in France and Germany: A comparative historical analysis. *International Sociology*, 5(4), 379-407.
- California Immigrant Youth Justice Alliance. (2018, July 2). *First we abolish ICE: A manifesto for immigrant liberation*. Retrieved from <https://ciyja.org/first-we-abolish-ice/>
- De Anda, S. (2017, September 12). DACA's demise kicks off new immigrant rights movement for all in OC. *OC Weekly*. Retrieved from <https://www.ocweekly.com/ocs-new-immigrant-rights-movement-kicks-off-after-daca-8418311/>
- Department of Homeland Security. 2015. *Deferred Action for Childhood Arrivals*. Retrieved August 10, 2015 from <https://www.dhs.gov/deferred-action-childhood-arrivals#0>
- Dietz, M. G. (1992). Context Is All: Feminism and Theories of Citizenship. In C. Mouffe (Eds.) *Dimensions of Radical Democracy: Pluralism, Citizenship and Community* (pp. 63-85). London, New York: Verso.
- Flores, W.V., & Benmayor, R. (1997). *Latino cultural citizenship: Claiming identity, space, and rights*. Boston, MA: Beacon Press.
- Fraser, N. (1997). *Justice Interrupts: Critical reflections on the "post-socialist" condition*. London: Routledge.
- Gerda, N. (2014, November 21). Immigration activists vow to press on after President's decision. *Voice of OC*. Retrieved from <http://voiceofoc.org/2014/11/immigration-activists-vow-to-press-on-after-presidents-decision/>
- Glover, R. W. (2011). Radically rethinking citizenship. *Political Studies*, 59, 209-229.
- Habermas, J. (1998) *The Inclusion of the Other: Studies in Political Theory*. Cambridge. MA: MIT Press.
- Hincapie, M. (2015, October 9). The Politics of Citizenship [presentation]. Speech presented at *Transforming migrations: Beyond the 1965 immigration act conference* in University of California Irvine, Irvine.



- Isin, E. F. (2009). Citizenship in flux: The figure of the activist citizen, *Subjectivity*, 29, 367-388.
- Isin, E. F. (2002). *Being Political: Genealogies of Citizenship*. Minneapolis, MN: University of Minnesota Press.
- Isin, E. F., & Nielsen, G. M. (Eds.). (2008). *Acts of citizenship*. Zed Books.
- Isin, E. F., & Siemiatycki, M. (2002). Making space for mosques: Claiming urban citizenship. In S. Razack (Eds.) *Race, space and the law: The making of a white settler society* (pp. 185-209). Toronto, Canada.
- Isin, E. F., & Turner, B. S. (2002). *Handbook of citizenship studies*. Sage Publications.
- Kopan, T. (2018, September 12). It's not just FEMA: ICE quietly got an extra \$200 million. *CNN Politics*. Retrieved from <https://edition.cnn.com/2018/09/12/politics/ice-more-money-fema-dhs/index.html>
- Kymlicka, W. (1995) *Multicultural Citizenship: A Liberal Theory of Minority Rights*. Oxford: Clarendon Press.
- Lister, R. (1997). *Citizenship: Feminist Perspectives*. Basingstoke: Macmillan Press.
- Mann, M. (1987). Ruling class strategies and citizenship, *Sociology*, 21(3), 339-354.
- Markowitz, P. L. (2015). Undocumented no more. *Stanford Law Review*, 67, 869-915.
- Marshall, T. H. (1950). *Citizenship and Social Class and Other Essays*. Cambridge: Cambridge University Press.
- McGreevy, P. (2015, June 2). State Senate OKs health coverage for many immigrants here illegally. *Los Angeles Times*. Retrieved from <http://www.latimes.com>.
- McElwee, S. (2018, August 4). The Power of 'Abolish ICE.' *The New York Times*. Retrieved from <https://www.nytimes.com/2018/08/04/opinion/sunday/abolish-ice-ocasio-cortez-democrats.html>
- Mr. President, no more meetings about us without us. (2014, July 25). In *#Not1More*. Retrieved from <http://www.notonemoredeportation.com/2014/07/25/mr-president-no-more-meetings-about-us-without-us/>
- Nyers, Peter. (2010). No one is illegal between city and nation. *Studies in Social Justice*, 4(2), 127-143.
- Nicholls, W. J., & Fiorito, T. (2015). Dreamers unbound. *New Labor Forum*, 24(1), 86-92.
- Not1More deportation campaign. (2015). *Orange County Immigrant Youth United*. Retrieved from <http://www.ociyu.org/campaigns/not1more-deportation/>
- Orange County Immigrant Youth United. (2015a). Retrieved from <http://www.ociyu.org>
- Orange County Immigrant Youth United. (2015b, May 6). *OCIYU joins die-in state capital in support of comprehensive health for all legislation* [Press release]. Retrieved from <http://www.ociyu.org/2015/05/oc-immigrant-youth-join-die-in-in-state-capital-to-in-support-ofcomprehensive-health-for-all-legislation/>
- Sacchetti, M. (2018, September 13). ICE says it needs a \$1 billion funding boost to meet Trump's aggressive deportation goals. *The Washington Post*. Retrieved from [https://www.washingtonpost.com/local/immigration/ice-says-it-needs-a-1-billion-funding-boost-to-meet-trumps-aggressive-deportation-goals/2018/09/13/179819b2-b6c0-11e8-94eb-3bd52dfe917b\\_story.html?noredirect=on&utm\\_term=.413af7980546](https://www.washingtonpost.com/local/immigration/ice-says-it-needs-a-1-billion-funding-boost-to-meet-trumps-aggressive-deportation-goals/2018/09/13/179819b2-b6c0-11e8-94eb-3bd52dfe917b_story.html?noredirect=on&utm_term=.413af7980546)

- San Roman, G. (2014, April 8). OC Dreamers to Loretta Sanchez: Tell Obama “Not One More Deportation!” Update. *OC Weekly*. Retrieved from <http://www.ocweekly.com/news/oc-dreamers-to-loretta-sanchez-tell-obama-not-one-more-deportation-update-6473130>
- Sassen, S. (1996). Whose city is it? Globalization and the formation of new claims. *Public Culture*, 8, 205-223.
- Scholtz, C. S. (2006). *Negotiating claims: The emergence of indigenous land claim negotiation policies in Australia, Canada, New Zealand, and the United States*. New York, London: Routledge.
- Servin, J. (2017, September 5). OCIYU 9/5 OC march in response to DACA [personal communication].
- Soysal, Y. (1997). Changing parameters of citizenship and claims-making: Organized Islam in European public spheres. *Theory and Society*, 26(4), 509-527.
- Taylor, C. (1994). The Politics of Recognition. In A. Gutmann (Eds.) *Multiculturalism: Examining the Politics of Recognition*, (pp. 25–75). Princeton: Princeton University Press.
- The White House. (2010). *The DREAM act: Good for our security, good for our economy, good for our nation*. Retrieved August 15, 2015 from <https://www.whitehouse.gov/sites/default/files/DREAM-Act-WhiteHouse-FactSheet.pdf>.
- Thompson, L., & Tapscott, C. (Eds.). (2010). *Citizenship and social movements*. London, New York: Zed Books.
- Turner, B. S. (Ed.). (1993). *Citizenship and Social Theory*. London: Sage Publications.
- Turner, B. S. (1990). Outline of a theory of citizenship, *Sociology*, 24(2), 189-217.
- Waxman, O. (2018, June 29). The ‘Abolish ICE’ Movement Is Growing. Here’s Why the U.S. Immigration and Customs Enforcement Agency Was Created. *Time*. Retrieved from <http://time.com/5325492/abolish-ice-history/>
- Winston, F. (2013). Decision to Make a Difference, *Social Movement Studies*, 12(4), 414-428.

# POLITICAL ECONOMY OF LABOUR INCOME DISTRIBUTION & EXCLUSION

This volume includes 11 chapters based on papers presented at the 9th International Conference of Political Economy (ICOPEC 2018) that was co-organised by the Greek Association for Political Economy, the Department of Social Policy of Panteion University, and the Faculty of Economics of Marmara University. Chapters adopt a political economy approach to discuss and analyse crucial issues linked to social and economic inequalities, poverty and deprivation as well as to labour market changes. These are issues which are greatly affected by the recent economic crisis and by the neoliberal policies for fiscal discipline, reduce of public spending and labour market deregulation that were implemented to most countries, and particularly to those where the consequences of the crisis were more severe.

Christos Papatheodorou  
Savaş Çevik  
Dimitris Paitaridis  
Güneş Yılmaz

# Political Economy of Labour Income Distribution & Exclusion