

The Gini illusion of Turkey

“The approach to inequalities on the basis of Palma ratio”

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Abstract

Without any doubt, under JDP (Justice and Development Party) era, the neoliberal policies have also specific characteristics that could be distinguished from the previous decades. After the 2001 crisis (one of the deepest crisis in the history of Turkish economy), the increase in the average growth rates and the GDP per capita has been realized. In addition to these inequalities and macroeconomic imbalances accompanies to this growth process.

Due to these, the redistributive policies and social policies during this period is among the most discussed topics especially after one of the deepest crisis of Turkish economy in order to decrease the inequality gap and poverty. New social policies came into the agenda in some cases on the basis of faith based initiatives but in general it could also be called as neoliberalism with human face.

Under these circumstances the political roots of the JDP and the phase of the neoliberal policies should be analyzed and the relation among them should be defined. Within this framework first of all the paper would try to analyze the specific characteristics of neoliberal era under AKP period. Secondly a brief summary of the redistributive policies and social policies would tried to be defined.

In doing so, the paper would discuss the approaches to inequalities on the basis of the Gini coefficient in real terms. Although there are specific improvements on the basis of the Gini coefficient of Turkey, the approaches to inequalities need to be investigated. Considering the TurkStat and OECD data related with Turkey, the Palma ratio (2011,D10/D1-D4)/approach to inequalities would tried to be applied to Turkey case. After the balance sheet of the last decade on the basis of the Palma ratio, the relationship with the related social and redistributive policies would also included to the analysis. Since the Palma ratio provides to focus on the top, the bottom and the middle income groups, the evidence suggest that it would provide to develop a deeper analysis on the basis of inequalities and neoliberal policies during the last decade.

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Introduction²

This paper focus only the last decade of Turkish economy after the 2001 crisis on the basis of income distribution by investigating the Gini datas given by TurkStat(Turkish Statistical Institute). Depending on this, firstly the main characteristics of this period would tried to be defined in order to analyze the roots of the applied economic policies. Simply two main facts characterize the last decade of Turkish economy under the given conditions of the world economy. The first is related with the 2001 crisis that is defined as one of the deepest crisis of Turkish capitalism after 1980 and the second is related with the power relations³. This period also represents the third phase in neoliberal transformation after 1980. As it is known by the Decisions of 24th January 1980 a new model of capital accumulation came into effect that was the initial phase of neoliberal policies.

Within the framework of the paper the approaches to neoliberalism⁴ would not be discussed in detail. Although it should be underlined that neoliberalism not only determines the economic policies but also the reproduction of the social and economic relations on the basis of a new set of rules with a new accumulation strategy to restore the power of the economic elites. These new set of rules strongly support free market fundamentalism, individualism and minimum state intervention mostly based on Austrian school- Hayek and Friedman thoughts. As a consequences the reproduction of the capital on international scale, differently from the past, new rules for the free mobility of capital, lead the emergence of finance capital dominance(financialization), additionally market –state relations on micro scale were redefined. Based on structural adjustment and stabilization policies lead by the IMF and the World Bank (WB), neoliberal policies materialize by the application of Washington Consensus (WC) principles. According to neoliberal policies and WC principles, countries are poor because of misconceived state intervention, corruption, inefficiency and misguided economic incentives. Development is the inevitable outcome of a set of ‘appropriate’ incentives and outward-looking neoclassical economic policies, including fiscal restraint, privatization, the abolition of government intervention on prices, labor market ‘flexibility’, and trade, financial and capital account liberalization (Saad-Filho, 2005). Hence the effect of the globalization and neoliberal policies to development economics is defined as a counterrevolution (Toye, 1993). Within this framework, related titles with development and income distribution were left to market forces and it is expected that achieved growth rates would also be functional for the elimination of the inequalities.

One of the consequences of the globalization and neoliberal policies on global scale is the polarization of the income distribution and increasing inequalities in spite of the increasing growth rates. By the end of 1990s it is observed that there is an accumulating empirical evidence related with growth and income distribution/inequality and poverty across the countries over the time that aim to define growth and inequality relation -trade off. In addition to these, starting from the findings of Cornia, Jolly and Stewart (1987, cited by Maxine: 2008) neoliberal agenda aimed to redefine policies “adjusted with human face”.

² This part of the paper is written based on my article;” The Development Strategies after the 2001 crisis”(in Turkish-“2001 Krizi Sonrasında Türkiye’de Kalkınma Stratejilerine Bakmak”, Ed., Tahsin E., "Türkel Minibaş'A Armağan Kriz Kalkınma Ve Türkiye Ekonomisi Seçme Yazılar", Derin Publishing House, Istanbul, pp.277-311, 2012.

³ Within this period, the emergence of 2008 crisis in world economy has been affecting Turkish economy in various aspects, inevitably the path of the Turkish economy in the following period would affect from the current changes in the world economy, by increasing fragility due to macroeconomic imbalances.

⁴ See Harvey(2005) , Bourdieu(1998), Saad-Filho(2005)

Increasing inequalities, the emergence of the crisis (especially the effects of the Mexico and East Asia crisis) and arising discontents from the related policies lead the emergence of new form of policies differently from the WC. At this point, PWC policies that have been also carried out as a part of comprehensive growth strategies within the WB came into fore. Although it is not a breakdown from the neoliberal policies, PWC mostly concentrate on institutional setting of economic activity, the significance of market imperfections, and the potential outcomes of differences or changes in institutions. The PWC rejects the WC for its antipathy to state intervention, and questions the conventional stabilisation policies for their adverse short- and long-term impacts (Saad Filho, 2010:15). The redefinition of the neoliberal agenda, that targets growth with equity and poverty reduction also bring about “new social policies”. Hence, rather than focusing growth, inequalities and poverty reduction became one of the main target of the policies. In other words, privatization, deregulation and liberalization discourse of the neoliberal agenda by the 2000s were restructured under proactive state policies. Accordingly deregulation of the institutions, with a given importance to the “poors” by redefining the social policies could be named as “neoliberalism adjustment with human face”.

As Molyneux(2008:780) underlines; the central features of the new social policy conform to general descriptions of neoliberal policy assumptions, containing as they do the familiar elements of targeting, privatization and pluralization of service providers, along with a greater reliance on the market for poverty relief (most evidently in microcredit programmes). New social policies that mostly concentrate on the poors consist of redistribution mechanisms; social safety nets, cash conditional transfers (that is supported by WB and the governments as a part of social transfer policies). On the other hand in case of pensions and housing policies financialization and social policy link is stronger than ever (Fine, 2009). In addition to these after privatization of the public services it is underlined that new investments in health, education and infrastructure are taken by private capital or in partnership with public-private entities.

Turkey’s neoliberal transformation and the JDP period

The JDP came into power under these given circumstances of neoliberal policies that represents the third phase in the neoliberal transformation of Turkey. As stated above, the initial phase of neoliberalism has started by the Decisions of the 24th January 1980 and after the 12 September 1980 coup the initial period of neoliberalism accompanies with” Ozal legacy” since Turgut Ozal’s leadership had a decisive impact on the neoliberal transformation of the Turkish economy. The early 1980s constituted the heyday of the “Washington Consensus”(Öniş, 2004). As Boratav(2013) states in the initial period of neoliberalism(1980-1989) the labor costs were suppressed so that the exports were pumped and the capital movements was kept under control. The second phase of neoliberalism is also the period of coalitions(1990-2000). In this period the losses of the labor were partially compensated and the distribution conflict lead to fiscal imbalances and in contrary to these capital movements was liberalized. The third period of neoliberalism (after the 2001 crisis, 2002 -2012) this time accompanies to JDP years, single party government. Within this period the fiscal imbalances was kept under control and the distribution relations were determined by the market forces.

Both 1994 crisis and 2001 crisis have emerged as financial crisis within this model of capital accumulation in the neoliberal era that cause Turkish economy to be called transition from one crisis to another (Yentürk, 2005:3). On the other hand the related crisis has also lead the neoliberal transformation policies to be applied more effectively. It is possible to claim that the 2001 crisis had also a function of opening a new era in the application of neoliberal

policies. First of all the political will require for the application of neoliberal agenda was reconstructed under new power relations. Transition to “strong economy” program implemented in 2001, after the crisis, under the leadership of Kemal Derviş, the newly appointed Minister of State responsible for the economy was a major step Turkey’s encounter with “regulatory neo-liberalism” in context of the emerging post-Washington consensus(Öniş,2012). Based on this program⁵ the necessary regulations and laws for restructuring the state on the basis of neoliberal principles were taken with an increasing role and effectiveness of the independent regulatory agencies that also meant acceleration of the neoliberal transformation (Öniş and Şenses, 2007).

On the other hand it should be underlined that the letter of intent given to IMF just before the 2001 crisis represents the main breakdown in the neoliberal transformation(BSB, 2010).Aftermath of 2001 crisis, IMF and EU (the necessary reforms/laws taken for the accession to EU membership)could be defined as the main anchors determining the path of the neoliberal transformation (Yalman and Bedirhanoglu, 2010) besides WB funds projects played a critical role in the implementation of these policies.

Defining itself as a conservative democratic mass party ⁶ the JDP came into power in order to achieve strong economic growth and stability with an emphasis on being respectful to socio-economic values in a “Muslim country on the basis of conservative and liberal principles. On the other hand the JDP came into power under the conditions of worsening socio-economic conditions that hit the bottom, and without changing the implemented policies represents the strong political will for the continuity of the neoliberal agenda that is also consistent with the preferences of the big capital. Besides with the aim of creating new ruling elites, and comprehensive mass politics, neoliberalism adjustment with human face provides suitable conditions for the JDP.

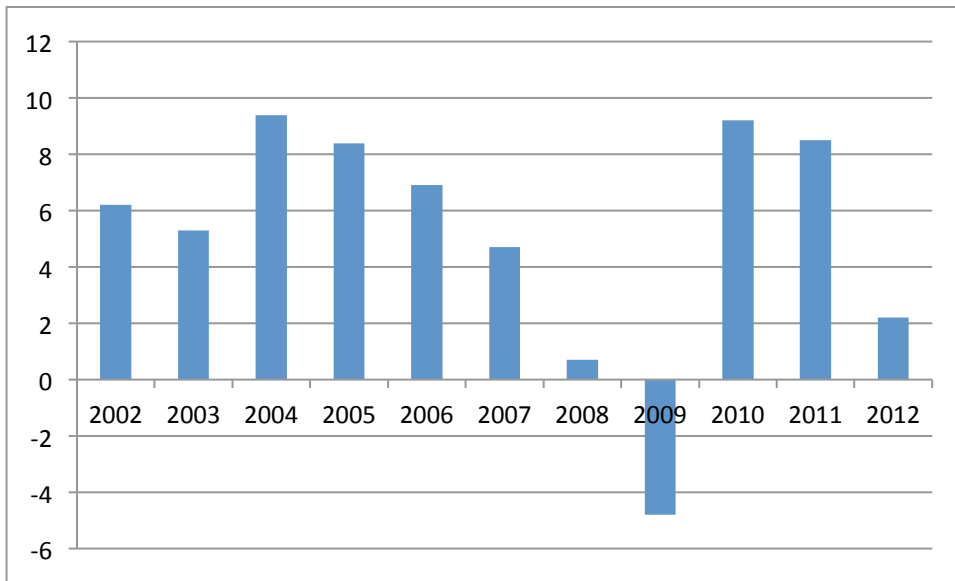
The success of the JDP, especially for the first period(2003-2006) that is also called heydays of the JDP, could be explained based on the implementation of the policies just aftermath of the 2001 crisis with strong political will and the positive conjecture in world economy (2002-2007).Under these given conditions the JDP succeed to achieve rapid growth rates. (Boratay, 2011:465). In addition to rapid growth with the help of the contractionary fiscal and monetary policies, the double digit inflation rates reduced to one digit, first time in Turkey’s history after1970 (Öniş and Güven, 2011).

Between 2002-2007 cumulative GDP growth from 2002 to 2007 was in the order of 48 percent, whereas real per capita income grew by over 35 percent (Öniş and Güven, 2011:7). As it is seen from the figure 1 in the first five year of the JDP government Turkey caught a rapid growth rate with an average 7.1%. For 2002-2012 this growth rates is given as 5.2% (Republic of Turkey Ministry of Economy, Economic Outlook, 2013).

⁵ Good governance, institutional restructuring, efficient state against corruption, transparency are among the related titles targeted by transition to strong economy under Derviş administration. These titles are also closely linked with PWC agenda.

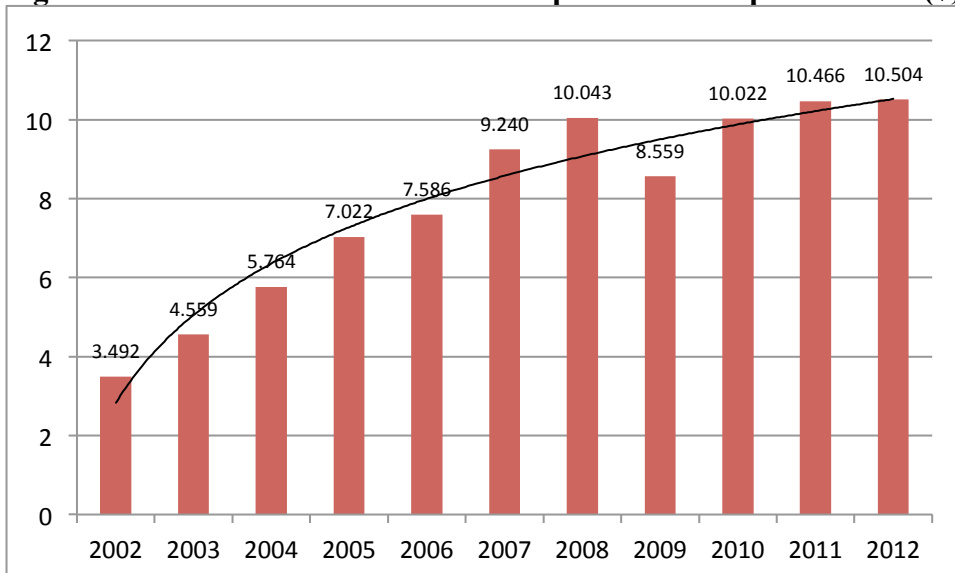
⁶ <http://www.akparti.org.tr/english/akparti/2023-political-vision>

Figure 1: Average growth rates of Turkish economy (Based on GDP production approach(TurkStat)



After 2007 the tendency of the rapid growth rate slowed down and due to the emerging crisis in world economy, in 2008 the economy grew only 0.7%. After 2008 crisis especially due to recession in EU market, first time after the 2001 crisis, the growth rates reached to negative values in 2009 (-4.7%) and later on by 2010 a quick recovery in growth rates was realized. Nonetheless following 2011 it is observed that the growth rates are lower than the values obtained before 2008 and Turkish economy has entered to a slower growth rate period. After 2008 crisis especially the recession in EU market affected production in the main exporting sectors of Turkish economy and due to this increase in unemployment rates was observed.

Figure 2: GDP per capita (\$, TurkStat)



After the 2001 crisis, during the last decade it is clear that a fast growth rate period with an increase in GDP per capita has been realized. (See figure2). On the basis of the economic growth ratios a “concrete” improvement has been achieved. Although as stated above going

beyond the sources of the growth and distribution it is possible to reach different results. The other fact is about the influences of the growth process to the development of the Turkish economy in real terms given that economic development, on the other hand, refers to that process of growth that means wide spread improvements in human conditions.⁷

When the sources of the growth process are considered, it is seen it based on consumption and foreign sources accompanied by foreign external debt increase and short-term private external debt. Parallel to these, Ekzen (2010) states that between 2000-2007, based on the fixed prices the share of the sectors in GDP, the growth is driven by external demand, without creating any value added that is mostly based on trade. (Ekzen, 2010:479). These macroeconomic conditions, also reflects the dimensions of the fragility in Turkish economy. In addition capital account deficit has reached to 14 billion dollars in 2009 and with a record to the 6.4 % of GNP (47.1 billion dollars). According to December 2011 figures, this ratio was announced as 9.8%. (TurkStat, 2011)

Furthermore the related growth process is called as growth without creating employment (BSB, 2010). The achieved growth rates is not reflected to the employment creation activities besides the increase in productivity rates is created by decreasing labor costs per unit in private sectors without any technological improvement.

During 2002-2009, the labor supply grew at an annual rate of 1.1 percent, while the labor force participation rate remained low, and was only 47.9% in 2009. The rate of female labor force participation in urban areas is only 26 %(WB). Unemployment in 2011 stood at 10.8 %, representing a considerable improvement over the 14% and 11.9 % registered in 2009 and 2010, respectively.

The increase in real wages in manufacturing sector stayed at low levels. The production index per person has increased only 4.2% between 2000-2006 and reel wage index decreased 22%. (Sönmez, 2009). By 2010 the real wages in industry is 12.5% less than averages of last 12 years and the agriculture/industry deflator has changed against the agricultural sector(Boratav,2013).

Functional income distribution is strongly tilted towards profits. For example, in 2010, real wages in manufacturing were 12.5 % below their level in 1998, while labor productivity increased by a massive 70 % during the same period due in part to labor shedding. With exports highly dependent on imports, the recent real depreciation of the Lira may entail further downward pressure on wages. (§enses,2012:25)

Some notes on methodology:

Since the value judgments implicit in inequality comparisons and there are a number of ethical and practical questions associated with the use of an inequality measure (Cowell, 2000:8) it is possible to define and measure inequality in various ways. Given that functional income distribution should not be ignored as a measurement of inequality, this study claims that using Gini coefficients gives us limited and sometimes misleading results about the

⁷ Following this vision, Adelman and Yeldan (2000) note the following five determinants of economic development, as distinct from mere economic growth: 1. self-sustaining growth; 2. structural change in patterns of production and consumption;3. technological upgrading; 4. social, political, and institutional modernization; 5. widespread improvement in the human conditions

inequalities but also going beyond the Gini coefficients with alternative measurements it is possible to reach different results.

As Atkinson states Gini coefficient is more sensitive to changes in the middle of the distribution (cited by Cowell, 2000) but it less sensitive to changes in income for the top and bottom income groups. Rather than comparing income share for the 20 % quintiles for both cross –sectional and inter-country analysis, comparing the income distribution for the decile groups (10%) enables us with new approaches to the inequalities and growth.

Using the World Bank World Development Indicators dataset that includes observations for 135⁸ countries with information on Gini coefficients and income shares, for both 1985 and 2005, Palma has reached to a result that is also similar with the title of his paper; *“Homogeneous Middles vs. Heterogeneous Tails, and the End of the ‘Inverted-U’: It’s All About the Share of the Rich”*(2011)⁸.

The middle income groups (D5 to D9)almost for every country have the tendency of sharing nearly half of GNI(Gross national income) so that it is possible to mention about more homogenous middle income groups. In addition to these, the other half part of the income is shared among the richest quintiles -D10(10%)- and the poorest 40% quintiles(D1 to D4). These two groups are more heterogeneous segments compared to middle income groups. For the bottom and the top, the share of income varies among the countries as Palma underlines this results means that there is a conflict emerging among these groups on the distribution policies(Palma, 2011). Palma (2011) claim that there are two opposite forces at work on distributions: one ‘centrifugal’, leading to an increased diversity in the shares of the top 10% and bottom 40%, the other ‘centripetal’, leading to a growing uniformity in the income share appropriated by the ‘middle’ 50% (deciles 5 to 9)(Palma, 2011).Based on these, one could argue that half of the world’s population (the middle and upper-middle classes) have acquired strong ‘property rights’ as Palma puts it, over half of their respective national incomes, while there may be more flexibility over the distribution of the other half of this income, between the ‘rich’ and the ‘extremely poor’ (Palma, 2011 and Abham and Summer, 2013).

As a result of these arguments for more equal distribution, the income share of the top 10 % quintile (D10) and the bottom income share of 40% (D1-D4) play a critical role. Focusing not only the change in Gini coefficients but also to the change in income shares among D10, D1-D4 and the D5-D9 would provide more accuracy about the income distribution effects. Palma ratio called by Abham and Sumner(2013)consist of the ratio of national income shares of the top 10% of households to the bottom 40%, reflecting Palma’s (2011) observation of the stability of the ‘middle’ 50% share of income across countries so that distribution is largely a question of the tails.

In case of Turkey for the last decade it is stated that the income inequality has been reduced significantly and in accordance with this the Gini coefficient data are being used as the proof of this recovery. From this point of view the Gini data would be investigated on the basis of Palma ratio in order to investigate whether there is a recovery in income distribution data.

⁸ Palma underlines that ; from a cross-sectional perspective, at least, recent developments in household-surveys have improved the quantity and quality of the data substantially (for example, LIS, 2010; SEDLAC, 2010;WIDER, 2008; World Bank, 2010).

Although regarding with Gini coefficients there are some specific facts that should be underlined in case of Turkey. Gini coefficient data are derived from TurkStat that are announced regularly since 2002. For the past years it is not possible to find out regular data and make a comparison for a longer time series. TurkStat started to produce statistics on income distribution with Household Income and Consumption Expenditure Survey in 1987 and carried on an independent survey on income distribution in 1994 and income distribution statistics' were produced from the household budget survey between 2002 and 2005. Since 2006, TurkStat started to conduct an "Income and Living Conditions Survey". As stated by OECD (2012) because of the change in surveys from 2007 onwards means that data between 2004 and 2007 are not strictly comparable.

Since 2006 TurkStat has been calculating income distribution data both based on household disposable income and equivalized household disposable income⁹. It should be underlined that especially for the cross-country comparisons mostly disposable household income surveys are commonly used so one should be careful about the sort of the given data by TurkStat.

As OECD underlines TurkStat is communicating on the Gini coefficients by equivalized household disposable incomes. Under these circumstances, according to OECD Turkey's reference data of OECD overlaps with equivalized household disposable income but after 2004 there is a gap among household disposable income data and Turkey's OECD reference data.

From 2004, income inequalities have been decreasing among total population. According to TurkStat, the Gini coefficient is declining from 0.44 in 2002 to 0.38 in 2011. This general trend is confirmed both by OECD database and by TurkStat Office while figures show some discrepancies. In 2004, between OECD and TurkStat, the Gini coefficient is 0.03 higher for OECD (0.43) than for TurkStat (0.40). Interestingly, the Gini coefficient of non-equivalized incomes published by TurkStat matches the OECD reference series in 1994 but is lower in all further years. In later years the Gini coefficient of equivalized incomes published by TurkStat matches the OECD series.

On the other hand relevancy of income distribution statistics for Turkey is questioned among the economists. As Sönmez(2013) and Boratav (2006) claims Gini coefficient data are misleading since they are based on "declared" household income and comparing these figures with income based approach to GDP it is found out that there is a gap among the total declared income given by the TurkStat and income based GDP.

Although for the last years the income based GDP is not calculated by Turkstat it would not possible to make a comparison for the last years' figures. Boratav(2006) has compared these figures for 2004 and highlighted the gap among the declared income and GDP based income adding that he found out that according to Forbes data the richest 100 families of Turkey income is equal to the income of the poorest 15% approximately to 2.5 million

⁹ TurkStat note the reason of calculating equivalized household income in order to achieve better data related with individual welfare according to this, the number of the households is also critical. Families with the same income level but different size might not own the same level of the welfare. The household income recalculated according to the number of the adults living in the same household given that the children consume less, according to an equivalized scale. Based on this the total household income is calculated and later on divided by to the number of equivalized household size as a result for each household the individual equivalized income is calculated(TurkStat,2008).

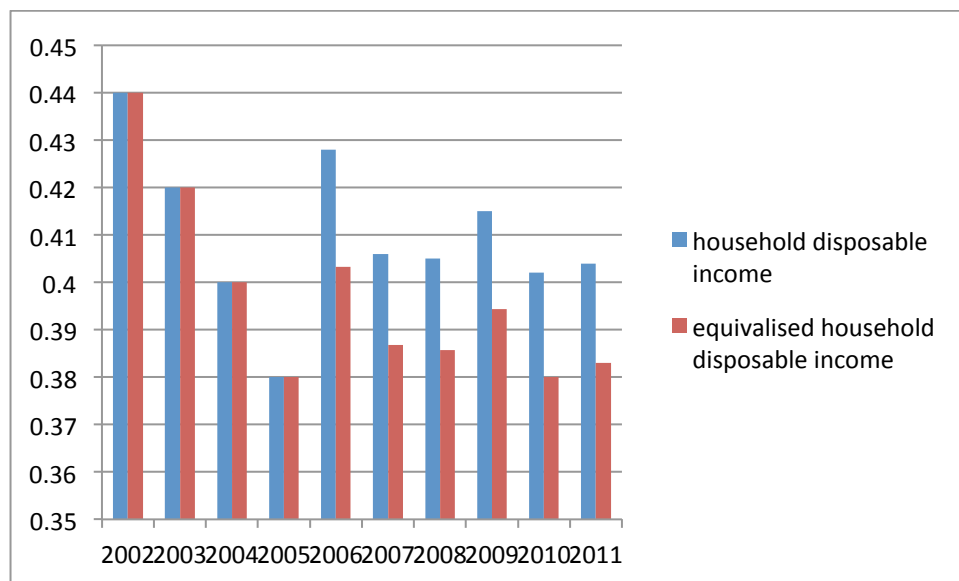
families(Boratav,2006). So the gap among the richest and the poorest income groups is still huge and such comparisons lead the Gini data to be accepted as an “illusion”.

Palma ratio of Turkey

Given these methodological problems of Gini data calculated by Turkstat in order to calculate the Palma ratio for Turkey both equalized and disposable household incomes data would be considered(for after 2005).

As it is seen from the Figure 3, the Gini coefficient is shown for both income groups, in spite of tendency of recovery there is also gap among two different Gini coefficients. Household disposable income Gini of Turkey is higher than the equalized household income.

Figure 3: Gini coefficient (TurkStat)

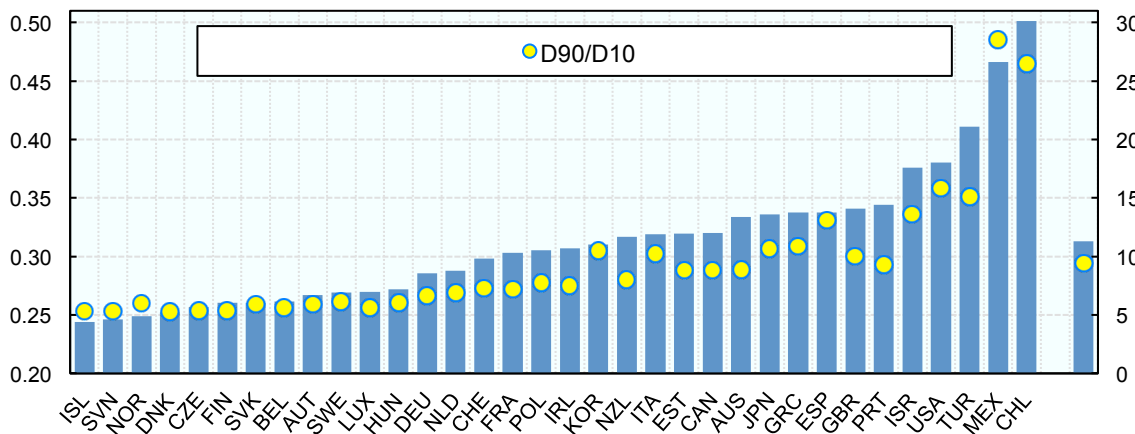


In accordance with given Gini data overall result is the tendency of reduction in Gini coefficient. In 2011 according to disposable household income Gini coefficient is 0.404 and it is 0.308 for equalized household disposable income.

Comparing the position of Turkey with other OECD countries in spite of the recovery in Gini coefficients, the achieved improvement is not satisfactory. Turkey is still one of the most unequal country among the OECD countries (see fig.4).According to OECD data the Gini coefficient of Turkey in the mid of 1980s was 0.434 and by the 1990s it is calculated as 0.490 and the average of 2000s is given as 0.430. (OECD Factbook 2011: Economic, Environmental and Social Statistics, 2011). Between 1994 and 2007 the % change in Gini coefficient is calculated as(-0.0081).

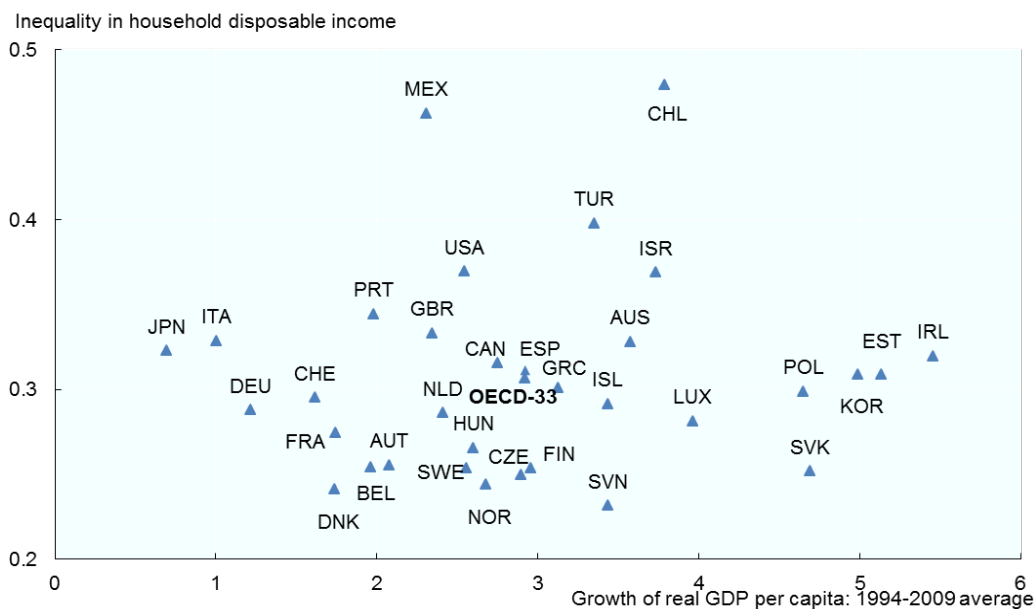
Whereas the OECD average for the ratio incomes at the top of the distribution (the 90th percentile) and at the bottom (the 10th percentile) is 9.4, this ratio for Turkey is given as 15.1 (2009). In case of this ratio Turkey is at the fourth rank among the OECD countries.

Figure 4: Gini coefficient of household disposable income and gap between richest and poorest 10% for OECD countries, 2010 (OECD)



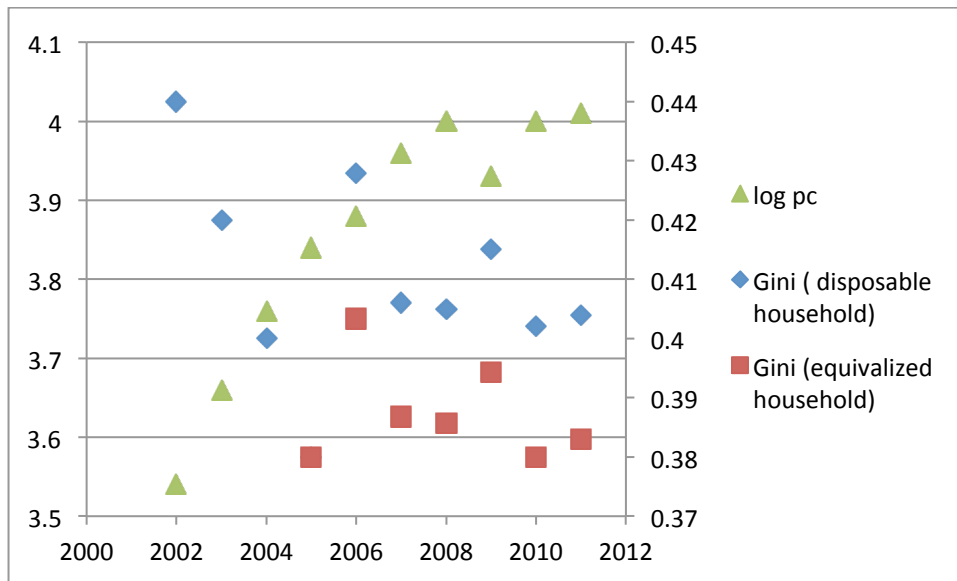
In addition to this as it is seen from figure 5; Gini coefficient data are more volatile compared with the growth of the real GDP per capita noting that the inequalities varies despite the growth in the GDP. In this case Turkey is also among the most unequal countries. Although increase in the real GDP per capita even above the average of the OECD, the Gini coefficient still remains high below the OECD average.

Figure 5: OECD countries growth of real GDP growth and Gini coefficient (OECD,2011)



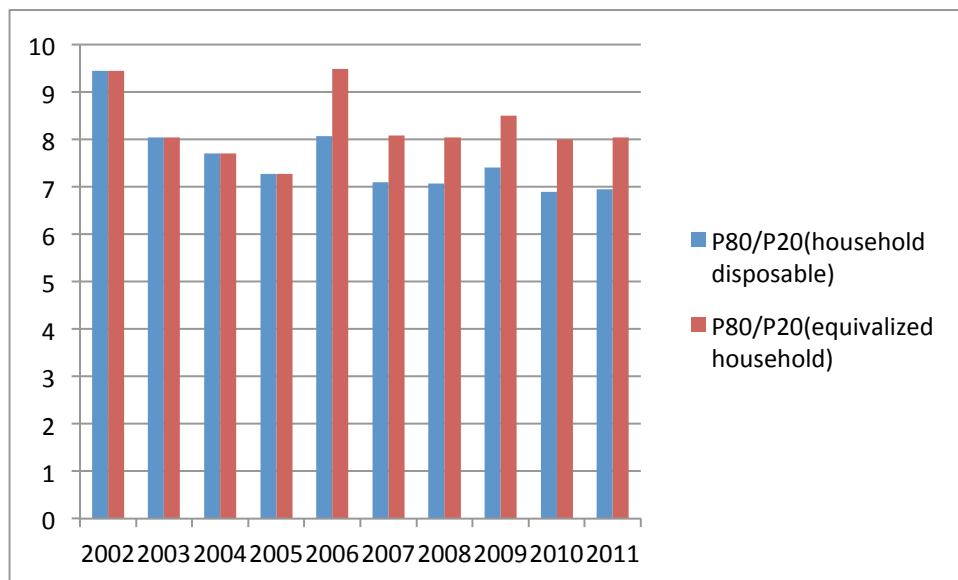
It is also possible to see this specific fact for Turkey for the 2002-2011 period(after 1994 and 2001 crisis) in figure 6 in which the change in log pc and the Gini coefficient data is considered. Although the change in Gini coefficient is more volatile, it is seen that GDP per capita growth is increasing more linearly for 2012-2012 period.

Figure 6: GDP per capita (\$) log and Gini coefficient (TurkStat)



Under these given conditions one more step would be taken and the ratios of incomes for the quintiles and deciles, for the bottom, the top and the middle income groups would be considered.

Figure 7: The poorest 20% ratio to the richest 20%(P80/P20) (TurkStat)

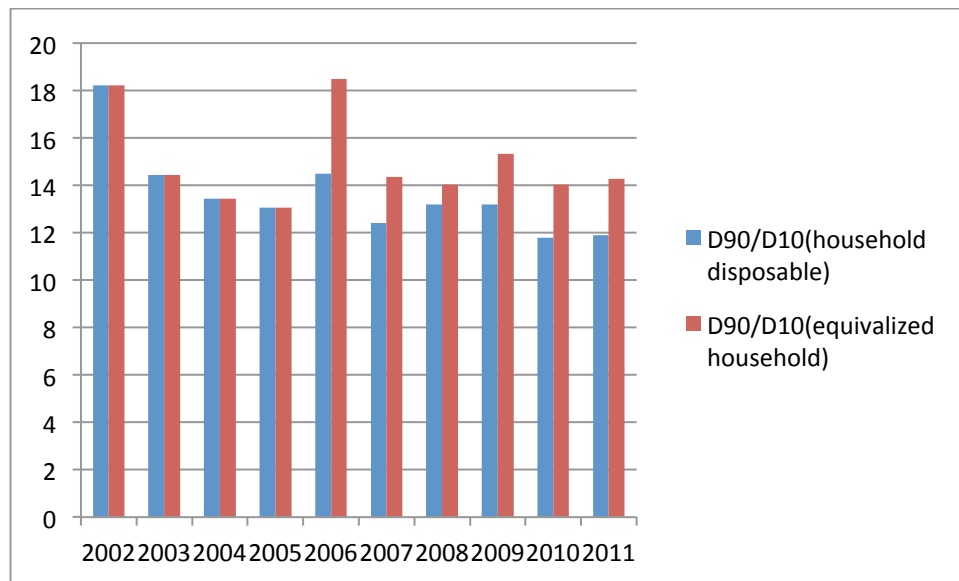


As it seen from Figure 7 the P80/P20 ratio(the poorest 20% to the richest 20%) is decreasing by the time. Whereas this ratio is 9.45 in 2002, it has decreased to 8.05 (for equivalized household disposable income) in 2011 and for disposable household income it is 6.95. As OECD states from 2004 onwards, the P80/P20 ratio is steadily declining from 9.13 in 2004 down to 8.14 in 2007. The TurkStat figures are more volatile but we can identify a similar trend with declining figures from 2004 onwards. It may be important to note that TurkStat

figures on income quintile share ratio are lower than OECD figures in 2004 (9.12 versus 7.7) while being similar in 2007 (8.1 in both surveys)(OECD,2011).

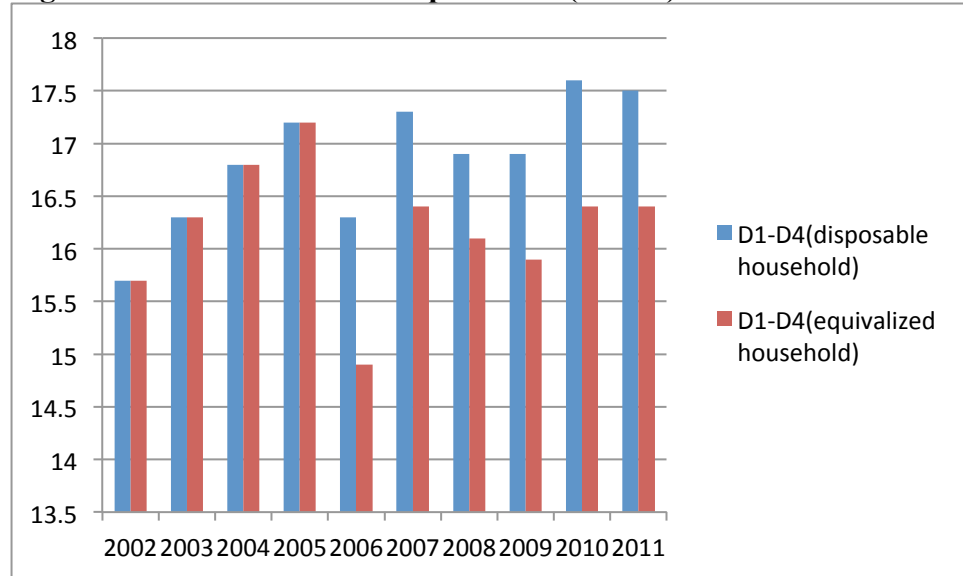
The percentage change of income share for the bottom 20% is higher than the percentage change of income share for the top 20%.The poorest 20% had income share 5.3% in 2002 whereas this ratio has increased to 5.8%(increase by 0.5 %). For the top 20% the income share was given as 50.1% in 2002 and then it has decreased to 46.7%. According to these the top richest 20% share has decreased by the time and the percentage change is higher than the percentage change of income share for the poorest 20%.

Figure 8: The ratio of the richest 10% to the poorest 10%(D90/D10) (TurkStat)



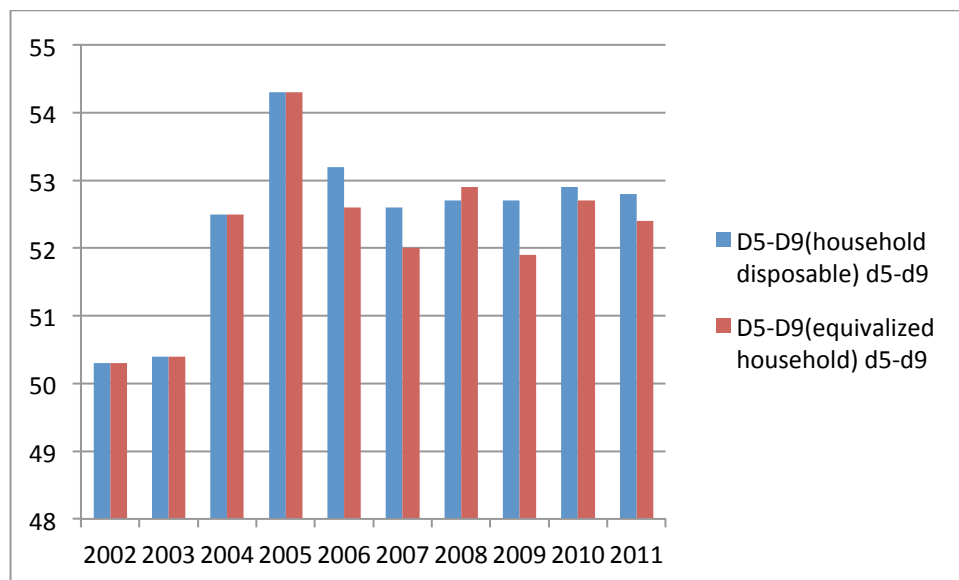
In figure 8 the ratio of the richest 10% to the poorest 10% is calculated. According to this, D10/D90 ratio is higher compared with the ratio P80/20. In addition the tendency of reduction for this ratio D10/90 is also relevant. In 2011 the ratio of D10/D90 is 11.9 for disposable household income and 14.27 for equivalized household income. The change from 2006 to 2007 could be explained as the income share of the poorest 10% that is reflected to equivalized household income more.

Figure 9: The bottom poorest (D1-D4) share in income (TurkStat)



Apart from focusing the ratio among the top and the bottom 10% this time the income share for the bottom 40%(D1-D4) income groups is calculated. In 2011 this ratio is 17.5 for household disposable income and 16.4 for equivalized household disposable income. It is also critical that the bottom 40% receives only 16.4 % of income whereas this ratio was 15.7 in 2001. So comparing the change in ratio from 2002 till 2011, it is seen that the recovery for the bottom 40% is not so satisfactory. From 2002 till 2011 the change in this ratio for disposable household income data is only 0.7 and for equivalized household disposable income is 1.5.

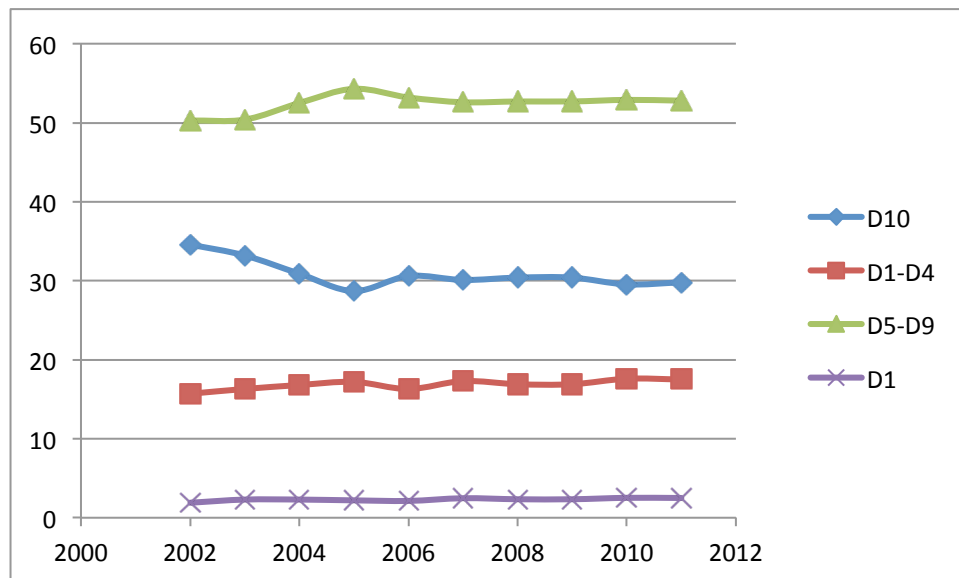
Figure 10: The middle income groups (D5-D9) (TurkStat)



For the middle income groups that is from D5 to D9 according to calculations the ratios is similar with the cross-sectional data analysis of Palma that the middle income groups have the highest share of the total income and are more homogenous. In this case it should be underlined that the share of the D9 is also critical and its ratio with the other income groups could be compared. In 2002, D5-D9 ratio was 50.3 % and later on it has increased to %52.4 for disposable household income group and %52.8 for equivalized income share in 2011. The ratio of the change between this period is 2.5(for household disposable income).When the

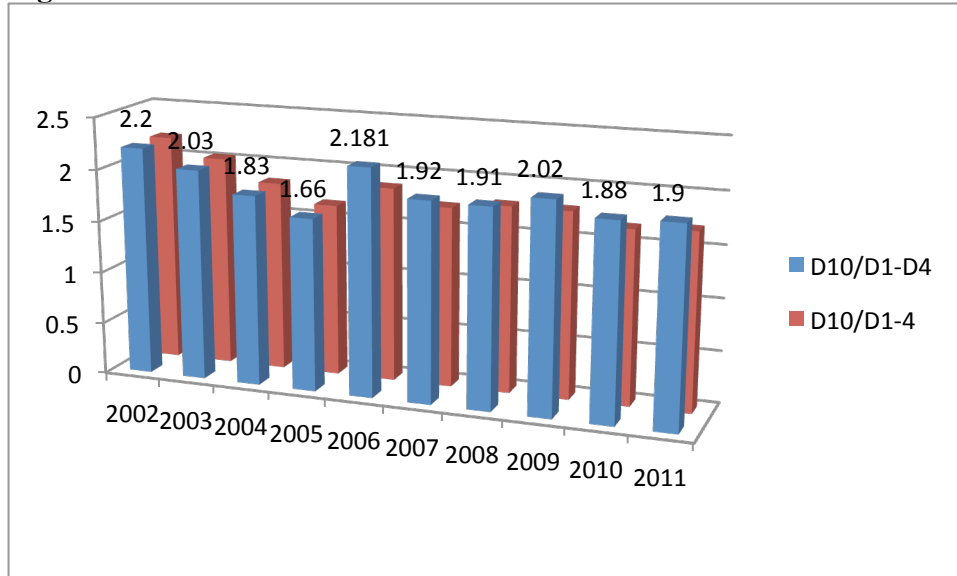
change in bottom income group share is compared with the middle income groups, a higher ratio of change in this case is observed. At this point it is possible to claim that welfare increase has been realized during the JDP period among these groups.

Figure 11: A comparison of different income groups share (household disposable income, TurkStat)



In figure 11 based on household disposable income ratios, it is possible to observe the change in the income share ratios for different decile groups –the richest 10%, the bottom, the middle and the poorest 10%. Summing up all these ratios for the four main decile groups, the dimensions of the change for these groups could be observed. For the bottom income groups the ratio of the change is less compared with the upper income groups share. The middle income groups are among the most benefited groups from the income increase where as there is also decrease in the income share of the top 10% that is also greater ratio for the other income groups. For the bottom the share of the income has increased less than the other groups. The effects of the 2008-2009 crisis, is reflected as the increase to the ratios of the P80/P20 and D90/D10. During the crisis period it is seen that the Gini figures have changed against the bottom income groups that is another critical point to be considered. So it is also possible to claim that apart from the heydays of the JDP the welfare increase are mostly reflected to the upper income groups.

Figure 12: The richest 10% ratio to the bottom 40% -the Palma ratio(D10/D1-D4)



In figure 11 the Palma ratio calculated for the both income data is seen. In 2002 this ratio was 2.2 and it is calculated as 1.9 for household income groups and 1.7 for household income groups for 2011.

The related results obtained from the calculation of the Palma ratio and comparisons of the income share ratios according to deciles simply provides a different approach to the inequalities on the basis of the Gini coefficients for Turkey. In case of the Palma ratio for Turkey, the gap between the top and bottom still exists and it is possible to mention about a relative recovery. Adding that with these results a comparison of the distribution of annual incomes by types of income would be useful to include to the analysis. Regarding with the quintiles ordered by equivalized household disposable income and distribution of annual incomes by types of income it is seen that for the top 20% the received income has increased more than the income received by the bottom 20%.

It is possible to claim and discuss the given results with the study of Köse and Bahçe(2010) in which they aim to analyze the household income distribution on the basis of the class approach. According to their calculations, for the 2002-2006 period it is observed that a higher proportion of the society is “proletarianized” (2010:498). The proportion of the urban and rural laborers to the whole working household was 57.2% in 2001 and that has increased to 64.3% in 2006. One of the specific result is the increase in the wealth of the property income of the urban household from 13.4% to 17%, adding that the agricultural /rural sector laborers are among the groups that decrease in their income has been realized. These results are also consistent with the studies that emphasize that the rent and the interest related income has increased while the inequalities among the urban and rural areas could not be eliminated for this period(Boratav,2010: 470, Sönmez, 2009).

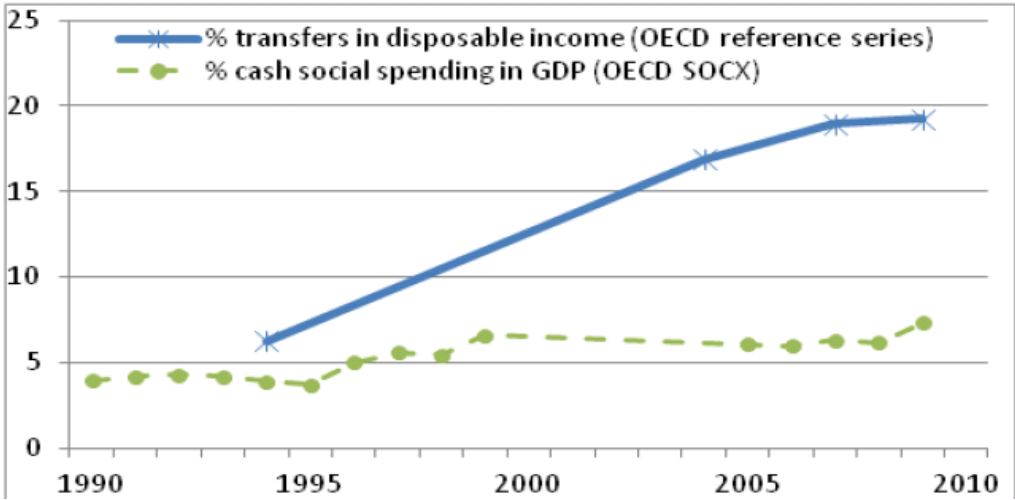
The effects of the redistributive policies to inequalities

Under these circumstances the effects of the redistributive policies need to be included to the analysis given that new forms of social policy has been applied during that period, that also reputed as the one of the specific success of . In doing so it would be questioned if they had been really effective in the elimination of the inequalities. For the bottom income groups do

these policies really work? Is there any progressive tax policy in order to eliminate the inequalities? Who are really benefiting from these social policies? It is possible to increase the number of such questions and analysis the effects of the redistributive policies. Unfortunately under the conditions of the misleading data it is possible to have limited predictions. Noting that Turkey is one of the few OECD countries which report all incomes net of taxes which disallows analysis of the redistributive impact of taxes and benefits and is one of the few countries which report all incomes net of taxes(OECD,2011). On the other hand Turkey has not a progressive tax policy during this period either. In order to decrease the budget deficit after 2001 crisis, the direct taxes has been increased whereas consumption based tax system covers the 70% of the tax revenues. This system mostly effects the bottom income groups that they pay a higher share of their income to the taxes adding that the corporate taxes in Turkey is rather low.

In general as it is seen from the figure 13 and reflected in OECD reference series the public transfers to disposable income has increased rapidly by the 2000s. In 1990s these expenditures was only at the averages of the 10% whereas it has increased to 20% by the 2000s. Within these public transfers especially the old age pension funds has a higher share¹⁰. Besides the funds distributed by the social Assistance and Solidarity Encouragement Fund which was identified as the main coordinator of the poverty reduction programs during this period. In addition to these the social spending remained stable that is around 6% by the end of the 2000s.

Figure 13: Social spending and public transfers (OECD,2011)



As noted by UNDP (2013), GDP devoted to poverty assistance and related social services nearly tripled, to 1.2% by the end of the 2000s which was only 0.5 % before the 2000s. Within this framework the main policy change, is strengthening of social assistance programs, conditional cash transfers, social security reforms and the transformation of the national public health system¹¹.

In order to provide credit for the poverty reduction programs, Social Risk Mitigation Project was approved in 11 September 2001 (before the JDP government) and the Social Assistance and Solidarity Encouragement Fund (that was established in 1986) were defined as the main

¹⁰ Social assistance funds, family supports, scholars for the students are among the other public transfers.
¹¹ This transformation in health system is defined as “ambitious” in UNDP Human Development report, 2013.

coordinator. Under the Social Risk Mitigation Project WB supplied credit Turkey for 500 billion dollars on the condition of pay back payment in 15 years without any back payment in the first 5 years. This credit was especially given for the families who affected from the 2001 crisis. Family funds, education, food and fuel, health allowances are among the titles that are covered under this project. (Zabcı, 2002, 2009).

As a part of the Social Risk Mitigation Project, Cash Conditional Transfers (CCT) program was implemented which is a social assistance system targeted to the poorest 6% of the population conditional on the participation in basic health and education services (Ahmad et al. 2007 cited by WB, 2009). Under the CCT programme alone, launched in 2003, more than 1 million children have received health care support, and about 2.2 million have benefited from education aid¹². In Turkey, finally, the CCT program had an impact on secondary school enrollment(especially to girls), but not on the enrollment of children in primary school (Ahmad et.al WB 2009). CCT program increased vaccination coverage significantly: the fraction of children under the age of 6 who have all required immunizations is 14 % points higher among those who participated in the CCT program. supplied credit for this programme until 2007 and later on it is held by the JDP government. (Zabcı, 2009, Alp, 2012).

The other specific transformation has been observed in the health system - social security system that is funded by WB credits.¹³ Under the Health Transformation Programme launched in 2003, family practitioners were assigned to families to strengthen basic health services, with primary and emergency health care provided free of charge. Green card holders benefited from all health-related services without having to make any payments and family practitioners provides free public services to the households.

According to WB Turkey has achieved near universal health insurance coverage, increasing financial protection and improving equity in access to health care nationwide. It is stated that for the first time, almost all children are getting free regular vaccinations. Seven million schoolchildren get free milk every day. Iron and vitamin D supplements are provided without charge to mothers and children. Infant mortality rates have fallen sharply, to 10 per 1,000 live births in 2010, down from 29 in 2003, according to government figures. (WB,2011). Turkey has considerably reduced maternal mortality, which fell from 28.5 deaths per 100,000 live births in 2005 to 16.4 deaths in 2010. Although comparing with the countries that have the same income level and health expenditures these figures still stays at low levels. (BSB, 2011:216)

It is observed the health expenditures ratios have increased whereas the individuals mostly finance their health expenditures by their own funds and the ratio of the private health institutions among the total has increased. In addition to these it is seen that the health expenditures are mostly transferred to private drug companies on the other hand the coverage and the financing conditions of the system creates new problems. Supplying conditions of the health services, accession costs to these services that are mostly covered by the individuals' expenditures (BSB, 2011: 205, 212-213) leads financialization of the health services.

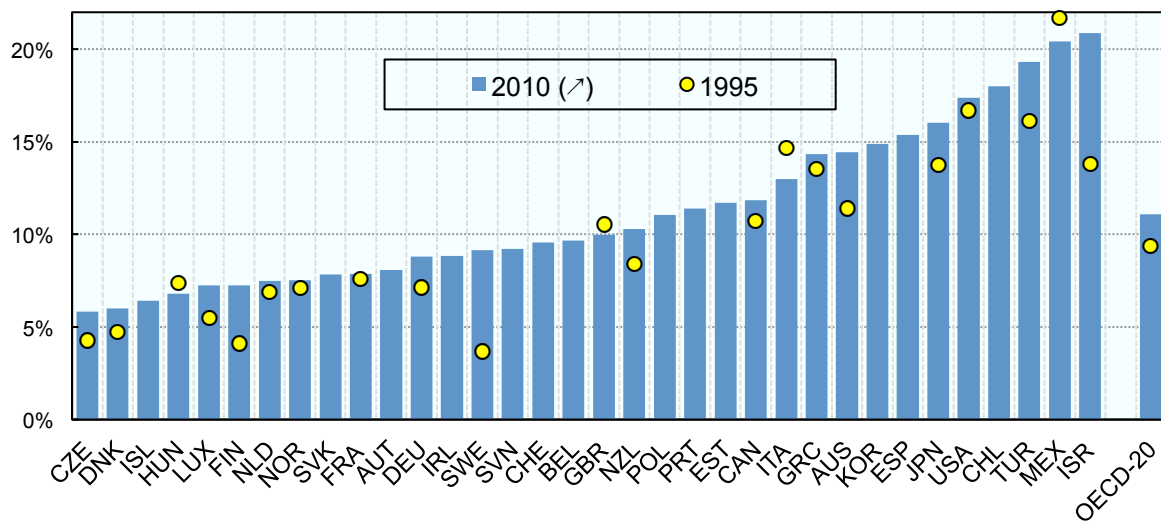
¹² School children have received more than 1.3 billion textbooks since 2003 under a new free schoolbook programme, and nearly 1 million now get free transportation to school.

¹³ Turkey's Health Transformation Program is an inspiration and example to others of how poor health performance can be turned around quickly.

This development contradicts with the targets of the General Health Insurance (GHI) scheme that has been operated since 2008 in order to provide health insurance for whole population. According to Turkey’s SGK (Social Security Institution) figures by the end of 2010 the 96% of the population is covered by the insurance system although 63% of Bağ-Kur(Social Insurance for the Self-employed) members because of their debts could not access to these services. Besides the coverage of the poorest income groups still stays unresolved.

Lastly the given “plain” poverty figures would be considered in order to complete the framework of the Gini illusion case for Turkey. Since a recovery is mentioned it is expected that the poverty rates would decrease.

Figure 14:OECD countries relative poverty figures ¹⁴(OECD,2011)



According to the OECD income distribution database, the share of the Turkish population living with less than 50% or 60% of the median equivalized income has remained stable from 1994 to 2007. Over this period, around 16%-17% of the population was living in relative poverty. According to OECD in 2011 the relative poverty ratio in Turkey is 19.86% that is above the OECD average(11.1%).

According to TurkStat figures on poverty in 2012 “16.1% of total population is at-risk-of poverty according to poverty threshold calculated by 50% of equivalized household disposal median income”. This rate is estimated at 13.9% for urban areas and at 15.7% for rural ones by using poverty thresholds calculated separately for urban and rural areas. As stated by OECD, poverty threshold calculated by 50% of equivalized household disposal median income in 2009 was 15.12% that also reflects a higher value from 2002 that was 14.74%.

On the other hand, the number of the people living under 4.3 dollars a day declined to 3.7% in 2010 which was 30% in 2001. In addition to these figures in 2011 1/6th of the people is defined under poverty line (total population is 72.5 billion in 2009).The gap between urban

¹⁴ OECD calculates relative poverty figures according to 50% of median equivalized household income.

and rural area poverty rates still exists and rural poverty rates has increased especially after the 2008 crisis.¹⁵

Regarding with poverty data and mostly for the bottom 10% - the effects of the redistributive policies still stays weak since the mentioned social policies coverage is limited without any employment creation in real terms. The content of these policies, targeting poors, are directly shaped by the WB oriented poverty strategies that is neoliberalism adjusted with human face. Without any doubt these programs, also defined as “faith based” (Köse and Bahçe,2011)state policies provide a popular support that also determine the voting behaviours of the poors for the JDP.

Conclusion

According to Forbes (2013) by 2013 the number of the dollar billionaires has increased to 44 which were 35 in 2012. This current change and increasing numbers in the dollar billionaires reflects that there is a real background for the debate of the new riches –new wealth creation- during the JDP period. The results of the Palma ratio for Turkey also provide us to see that the D5-D9 groups are those who have increased their welfare comparing to the others. In this case D9 income group could be investigated in more detail in order to compare the rate of change among D10 and D9. The related Gini coefficients made us to focus on the inequalities, and compare the income share relatively with each other.

For the bottom income groups it is seen that new social policy tools has worked out with temporary results especially targeting a portion of the D1. Less people are living in poverty line(etc.4.3 dollars a day) should not mean a real reduction in poverty ratios adding that the political influences of these policies should not be ignored. Poverty reduction became and would continue to be one of the specific development strategy under the third phase of the neoliberalism.

In addition to these regressive transfer policies related with tax was applied and on the other hand progressive but limited transfer policies related with social policies was observed. The Palma ratio also could be used as a tool to focus these policies.

The JDP period focused on the transfers policies for the bottom (D10) and on the other transfer policies for the top income groups as well. Although considering the increasing debt ratios of households it seen that the consumption is driven by the debt. This also increases the vulnerability of the households themselves.

Besides the social policies have limited effect, the growth process without creation employment is one of the specific characteristics of this period. Distribution left to the market forces and social policies adjustment with human face represents only the dimensions of the proactive state policies. High unemployment data under the poverty conditions would be one of the fragility in the future.

Shortly the growth process has deepened the macroeconomic fragility of the economy by creating inequalities and the overall focus to the Gini coefficient clearly has an illusion effect. Going beyond by using the Palma ratio and the deciles turns this effect to be different.

¹⁵ After 2001 one of the funded policy by the world bank the direct income supports in agriculture and in general as one of the consequences of the transformation of agriculture, the agriculture laborers is among the most affected groups.

Briefly, inequality and growth relation means different for different income groups and income policies are driven by different transfer policies.

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