

Factors affecting the success of the election economy in developed and developing countries (Some examples about Turkey)

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Abstract

Despite the risk of deterioration of the balance of budget and economy during election periods, the parties can go to election economy applications in order to remain in power depending on competition between themselves. Especially the incumbent uses fiscal policies for reelection purposes. Here the incumbent intends to secure reelection by maximizing his expected vote share at the next election and follow expansionary policies just before the elections and reverse the trend after the elections in order to smooth the negative effects of pre-election budget deficit. All these applications may cause deterioration of budget balances, budget deficit and economic instability leading to an increase in debt with a significant increase of public spending relative to tax revenues.

But in terms of election economy not only the public policies but also the other factors (level of development, institutional quality and media access, level of democracy, political and economic crisis, constitutional rules, transparency etc.) play a key role which focus on the idea of heterogeneity across countries. In this study, factors affecting the success of the election economy in developed and developing countries are evaluated and some examples are given about Turkey's 30-year period of elections from 1983 to 2015.

Keywords: Election Economy, Ruling Party, Budget Deficit, Turkey

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1. Introduction

Political budget cycle (PBC) research examines election cycles in public spending, taxes and budget deficits. One line of research poses that the incumbent uses fiscal policy for re-election purposes. Older theoretical PBC models emphasize the incumbent's intention to secure re-election by maximizing his expected vote share at the next election. Hence, the PBC models assume that the incumbent follow expansionary policies just before the elections and reverse the trend after the elections in order to smooth the negative effects of pre-election budget deficit (Karakas, 2013). Until recently, most research on political budget cycles was based on the (often implicit) presumption that these cycles do not differ across countries. However, more recent studies focus on heterogeneity (Haan & Klomp, 2013).

The methodology of the study is formed as follows: First, short information about factors affecting the success of the election economy in developed and developing countries is given. Then election economy in Turkey is classified in two parts a) Short information about Turkish government regime and Turkish administrative structure, b) Factors affecting the election economy in Turkey.

2. Factors Affecting the Success of the Election Economy in Developed and Developing Countries

The policies applied by the ruling party to be elected again for the next period are basically called election economy and for it are used usually tax, public expenditures and loan politics. All of these politics build also an extra burden on economy (Kusat & Dolmaci, 2011).

These factors are; level of development, institutional quality and media access, level of democracy, political and economic crisis, constitutional rules, transparency, checks and balances, fiscal rules.

2.1. Level of Development

The fact that there are political budget cycles in industrial countries does not imply that the likelihood that such cycles occur is the same in developing and industrial countries. But according to some recent papers political budget cycles are large in developing countries but small or nonexistent in industrial countries. the short-run election effect is much stronger in developing countries than in industrial countries. In addition, they report for industrial countries a small but significant negative long-run election effect on government spending and a positive effect on the budget balance. First, there is substantial evidence that election-induced fiscal policy is not confined to developing countries. At the same time, several studies conclude that political budget cycles are more likely to occur in developing countries than in industrial countries, while the strength of this distortion of fiscal policy is also stronger in developing countries than in industrial countries (Haan & Klomp, 2013).

2.2. Institutional Quality and Media Access

Voters need both to have access to information and to have confidence in media-provided information. Media freedom plays an important role on voter turnout either in developing or in developed countries. For example, if mass media are freer, the voters also participate politically and vote more (Vergne, 2011). On the other hand, the uses and impacts of mass media (television, computer, radio, newspaper etc.) can be different in developing and developed countries. Hence, the applicability and conditions of election economy will be different in these countries.

2.3. Level of Democracy

Political budget cycles are not confined to young democracies, substantial evidence also exists that the strength of the cycle depends on a country's experience with democracy: in younger democracies the political budget cycle is more likely to occur and is more likely to be stronger than in more mature democracies (Haan & Klomp, 2013). In their papers Hotunluoglu and Tekeli suggest that Turkey's level of democracy has effects on budget deficit. They also suggest that the ruling party applies expansionary fiscal policies before the urban elections in order to increase the reelection possibilities (Hotunluoglu & Tekeli, 2013).

2.4. Political and Economic Crisis

Democratic factors and political/economic crisis have significant effects on election economy in many countries. Also they both have significant relations to each other. On the other hand, it can be also said that there is a strong association between major economic crises and political crises.

2.5. Other Factors

Other factors affecting the election economy among the countries are: Constitutional rules, transparency, checks and balances, fiscal rules.

These factors are more or less valid for Turkey. Many of them are directly or indirectly related to the democracy; that's why two basic classifications are made for Turkey: Democratic Factors and Political and Economic Crisis.

3. Factors Affecting the Election Economy in Turkey

The Turkish Republic is a secular, democratic and pluralistic parliamentary system. Grand National Assembly is elected by popular vote and the country is governed by the Council of Ministers headed by the Prime Minister. Over the period of our investigation, 9 national parliamentary elections took place in Turkey, in the years 1983, 1987, 1991, 1995, 1999, 2002, 2007, 2011 and 2015.

In particular, the pre-1980 period is considered as a period of a planned economy, and the post-1980 period represents a transition towards a free-market economy. There is also an important distinction between the election system before and after the 1980 coup (Baum, Caglayan & Talavera, 2010).

During the 32-year period, from 1983 to 2015, governments were formed in Turkey respectively as follows: Single-Party Governments from 1983 to 1991, Coalition Governments from 1991 to 2002, also again Single-Party Governments period after 2002. As of the year 2015, the political party that won the election in 2002 has been ruling nearly for 13 years as a Single-Party Government.

3.1. Public Expenditures

It was commonly applied to the public expenditures for the election economy in the period between 1983 and 2015. Public expenditures were used as selective during the period of election. Personnel expenditures and transfer expenditures except interest payments for the election economy

were applied as public expenditures and they were used in an expansionary way. The most important reason of using the public expenditures in a selective way was that both expenditures were about a significant portion of the electorate in Turkey (in other words; about farmers and state officials).

3.1.1. Personnel Expenditures

It is obvious that starting from 1987, there is an increase in personnel expenditures in every election cycle. In other words, personnel expenditures were applied in an expansionary way of the budget during the period of 1987-2011. In all elections of 1987, 1991, 1995, 2002, 2007 and 2011, the personnel expenditures increased above the rate of inflation.

[Example-1991]: Before the 1991 elections, salaries of the public labour and officers were raised by 142. Public housing compensation were begun to be given to public officers. Wage brackets of approximately 400 thousand public officers were increased (Oz & Hepaksaz, 2008).

[Example-2007]: 218 thousand temporary public employees are given permanent staff. Just before the elections, almost all subsidy payments for the subsidized agricultural products were made by the government from the budget. It was decided to be compensated by the Treasury for the loss of nut crops purchased by Soil Products Office (SPO). To that end, the "Duty Losses" application that was removed in 2000 in agricultural products was started being implemented again seven years later (Ekber, 2007).

3.1.2. Transfer Expenditures

Expansionary effect of increase in transfer expenditures except interest expenditures on the budget has been more obvious since 1987. Only in the election of 2011, there was a partial decrease. Except from the election of 2011, there has been a significant increase in all the election periods.

[Example -1991]: The number of agricultural products that are subsidized by the government was raised from 10 to 23 just before the 1991 elections. On the other hand, the interest of loans of Farmers was deleted by "Ziraat (Agricultural) Bank". All of these applications significantly increased the budget deficit (ITO, 1999).

3.1.3. Budget Deficit

There was significant increase in the budget deficit because of the expansionary policies that was applied in election period between 1987 and 2007. There was a significant decrease only during the 2011 election. There was the effect of global crisis of 2008 on this result. The recession on Turkey's economy caused by global crisis in 2008 was tried to be overcome with the expansionary fiscal policies. Thus, the budget deficit considerably increased in 2009 and 2010. There was the effect of tax-incentives on the increase in the budget deficit in addition to the public expenditure. With the resumption of economic revival in 2011, the increase in tax revenue reduced budget deficit.

3.2. Central Government and Local Authorities Collaboration

Turkey is a unitary state. In addition to central government, there are municipalities. Mostly, municipalities are also managed by the same party during the management of ruling party in Turkey. Because of this, during election periods municipalities help the central government with populist

policies terms, or they help for expenditures. For example, policies such as road construction, park and garden arrangement, sports fields opening, electricity and water networks establishment to low-income areas are followed mostly.

[Example -1984]: In the period after 1984, municipalities began to be managed by the significant proportion of the ruling party (ANAP-Motherland Party) leaders. These municipalities implemented populist policies in favor of the ruling party before 1987 elections such as registration of title deeds to squatters, zoning amnesties, establishment of electricity and water networks to low-income areas and construction of roads

3.3. Democratic Factors, Political/Economical Crises

Democratic factors and political/economic crisis have significant effects on election economy in Turkey. Also they both have significant relations to each other. Major economic crises in Turkey had significant political consequences. Major policy shifts in Turkey are typically associated with deep economic and political crises. From a longer term perspective, the military intervention of 1980 left a deep effect on the subsequent political process of Turkey in undermining the country's "democratic capital" (Onis, 2010).

[1994 Crisis]: With "April 5, 1994 Decisions" that were the result of the 1994 crisis; it was aimed to reduce public deficit and implement structural reforms. For this contractionary policies were applied. In order to get rid of vicious cycle of debt and trade imbalances, stand-by agreement with the IMF on July 8, 1994 invoked (Yıldırım &Yıldırım, 2001). Policy was initially successful. For example, salary of public employees were raised under the inflation rate, the number of supported agricultural products was reduced from 26 to 3 (Sakal, 1998). Also revenue-enhancing measures were introduced. For example, real estate taxes, vehicle tax and income taxes were collected from tax payers as one-off additional tax; SOE marked its products up (Tecer, 2003). However, these policies were last until the second half of 1995. Because early election was decided and therefore re-election economy and expansionary fiscal policy were introduced. A choice was made here between the prevention of economic instability and implementation of election economy. The ruling party chose to implement election economy.

[2001 Crisis]: The crisis process effectively started with the Customs Union in the mid-1990s and gathered further momentum in 1999 with the EU's Helsinki decision recognizing Turkey as a candidate country. The economic crisis had a deep political impact by penalizing the three parties in the incumbent coalition government in the 2002 elections (Onis, 2010). It is seen that economic crisis in November 2000 and February 2001 were effective on the election of 2002. In this election, election economy was limited.

[2008 Crisis]: Turkey found itself in a unusual situation following the onset of the global financial crisis in September 2008. The 2008 crisis was a "global crisis of the center". The crisis, originating from the United States, was rapidly transmitted to Europe and the rest of the world. Turkey suffered from a fall in capital inflows as well as a dramatic loss in export revenues, the latter being the result mainly of a demand shock from the European Union. Turkey was among the most affected group in the emerging markets category, with a collapse of growth and a parallel increase in unemployment in 2009 (Onis, 2010).

The 2008-2009 crisis was quite different from the previous crises experienced by Turkey. The previous crises were typically domestically generated crises, although external shocks and dynamics had a magnifying impact. They were the products of the expansionary phase of the "populist cycles". A combination of large fiscal and current account deficits were at the heart of each major crisis. Typically, the crises manifested themselves as balance of payments crises; however, underlying each crisis was a deeper problem of the "fiscal crisis of the state".

3.4. Early Elections and Frequent Incumbent Changes

Democratic life in Turkey began in 1950. There have been numerous changes in power since then. During 1983-2015, there were 17 times changes in incumbent in total. Some of them were single parties; some of them were the coalition government. All elections in Turkey during the period 1987-2015 were early elections. So all of the changes of incumbent took place as a result of early elections. The most important reason for the early elections being so often in Turkey is the desire of ruling party to convert the early election into advantage. Because of this situation gives possibility the ruling party to practice populist policies and election economy.

[Example -1987]: The referendum was hold to overturn the ban that was put forward after the military coup in 1983 to prevent the politicians from doing politics. Results of referendum reached 51% of votes for the abolition of political ban. Ruling party (ANAP- Motherland Party) made a decision of early elections, about 1 year prior to 1987 election, to prevent the strengthening of the political leaders whose political ban was abolished. It implemented election economy and again became the first party. In this example, it is observed that ruling party made a decision of early elections to prevent the strengthening of the other party.

However, there are also other reasons of early elections, which are generally because of necessities such as political and economic crisis, frequent interruption of democracy (eg: by a military coup), frequent early election decision. Briefly, early elections and frequent government changes cause the deterioration of not only economic and political stability but also the good functioning of democracy.

3.5. Coalition Governments

Turkey has the experience of a record number of coalition governments. These governments correspond to three relatively short periods: namely the early 1960s, the second half of the 1970s and throughout the 1990s. After 1983, between the years 1991-2002, three elections (1991, 1995 and 1999) were made. Coalition government was formed totally nine times.

[Example- 1999]: The experience of the most recent coalition government, involving the Democratic Left Party (DSP), the Nationalist Action Party (MHP) and the Motherland Party (ANAP), is interesting and raises difficult questions for interpretation. Certainly, it is the longest coalition government in office with a period of three and a half years. During its early phase, the government failed to undertake the drastic measures needed and failed to prevent the dual crises of 2000 and 2001 (Onis, 2010).

The fact that coalition governments in Turkey have been largely unsuccessful should not necessarily imply that coalition governments are always prone to economic and political instability. The problem lies not with coalition governments per se but with the quality of democracy or the level of democratization. Turkey's democratic deficits in terms of the weakness of democratic institutions and checks and balance mechanisms as well as the weakness of democratic culture are at the heart of the problem.

3.6. Election Threshold

Election Threshold system is applied in the elections of Turkey. Currently "Country Threshold System" is applied. According to this system, parties voted less than 10% remain outside the parliament. Due to this system, the parties represented in parliament in the election period of 1987-2015 in Turkey remain limited. Except for the 1991 elections, this situation is clearly seen in other elections.

[Example-1999, 2002, 2007, 2011, 2015]: For example, 20 parties participated in the elections of 1999 and only five parties were able to exceed the threshold. 18 parties participated in the elections of 2002; the two parties exceeded the threshold. 14 parties participated in the elections of 2007 and three parties exceeded the threshold. 15 parties participated in the elections of 2011 and three parties exceeded the threshold. 20 parties participated in the elections of 2015 and four parties exceeded the threshold. This is a negative situation in terms of democracy.

There are reasons for not to reduce the country's threshold. First important reason is that ruling party increase its vote using advantage of the election economy in a best way. Other reason is that the ruling party is able to convince its voters by implementing populist policies with the local authorities. Political parties are making electoral alliance to exceed the threshold in Turkey

[Example-1991]: In the 1991 elections, there was an electoral alliance. Election alliances were used as a way to overcome double threshold election system. For example, SHP (Social Democrat Populist Party) and (People's Labour Party) HEP were in electoral alliance, RP (Welfare Party) and the MCP (Nationalist Work Party) were in electoral alliance (Oz & Hepaksaz, 2008).

3.7. Populist Politics and Election Promises

The promises of the ruling party for post-election are also another important factor in winning elections in Turkey. These promises should be evaluated in terms of two aspects; whether these promises will be fulfilled after the election or not. Also fulfilled promises of ruling party should be considered, if ruling party wins the elections. In this case, reflections of these promises to the budget figures in the following years are a matter of question. The other consideration should be about the unfulfilled promises. In fact it is an ethical or moral issue of politics. Unfulfilled election promises have negative effects on the accuracy and reliability of politicians in the eyes of the electorate. Election promises are not just only for the ruling party but also for the opposition parties. It is observed that election promises of opposition parties in Turkey are also important effect on winning elections

[Example-Unfulfilled Promises -1991]: In the 1991 elections, opposition party DYP (True Path Party) became the ruling party in the elections. In this result there was significant impact of the promises of DYP to be fulfilled after election such as two keys (a house and a car) for everybody, at least one university in each province, social security for housewives, free health services for everyone. However after the elections, these promises were unfulfilled.

[Example-Fulfilled the Promises-1987]: The ruling party (Motherland Party-ANAP) fulfilled immediately its election promise about increase in salary on 14 November 1987. After the election, ruling power increased in salary. In the following years, personnel expenses were a significant burden on the budget.

[1991]: Promises are fulfilled before the election of 1991. "Age" obligation in retirement was removed immediately after the elections in February/1992. When women are 38 and men are 43 years old, they acquired right to a pension. On the other hand, with the arrangement made in June 1992, "Yesil Kart" (The Turkish Green Card Health Program) was launched to meet the health expenditures of citizens having not social security. These promises, making the opposition parties access to power at that time, showed its impact in the long-term. A class including about 2 million young retirees emerged in Turkey and there had been a devastating impact on budget figures over many years. From the perspective of the year 2012, it is counted that Turkey lost \$ 1 trillion because of the young retirees. Election promises are very effective in Turkey because of the factors like voters ignorance, low levels of income, imbalance in the distribution of income.

3.8. Changes in the Constitution and the Electoral Law

Turkey is a parliamentary democratic country. The ruling party that wins the elections has the power in the legislation, so the ruling party can make arrangement in the constitution and the laws in its favor during election periods.

[Example-1987]: To get more votes, the ruling party made some changes in the constitution and the electoral law before the 1987 elections. For example, the voting age was lowered from 21 to 20. Electoral district was restricted. The number of members in Parliament was increased to 450 from 400. Preferential voting was introduced (Buran, 2005).

[Example-1995]: Double threshold system was given up in the 1995 elections and 10% threshold system was implemented. On the other hand, constitutional amendment lowered the voting age to 18, the number of deputies in the parliament was raised to 550.

4. Conclusion

It is observed that budget deficits increases in times of general elections in Turkey. For this reason, it can be said that expansionary policies, followed by opportunist political power to increase the possibility of re-election, create cyclical fluctuations on budget deficit variable.

Budget cycle and hence the choice of election economy applications are heterogeneous across countries. In this study, heterogeneous factors unique to Turkey are made the subject of study. Economy Policy, in the years 1983-2015 elections, is focused on personal expenditures and transfers expenditures. Besides, election cooperation between the ruling party and local governments is frequent. Basic factors affecting the election economy in Turkey are the democratic factors and political and economic crisis come first.

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