COUP INDUCED POLITICAL BUSINESS CYCLES IN TURKEY

By

Ali T. Akarca (*)

Department of Economics (mc 144)
University of Illinois at Chicago
601 S. Morgan Street
Chicago, Illinois 60607, USA
E-mail: akarca@uic.edu
Telephone: 1 312 996-2683
Fax: 1 312 996-3344

Abstract

During the last two-thirds of a century, Turkey got ruled by wide variety of governments: single-party governments, coalition governments partnered by two or more parties, ideologically compatible and incompatible coalitions, minority and military governments. The timing of these governments and the order in which they followed each other were not random but according to political cycles induced by coups. As economic performance differs under the types of governments listed, the coup-driven cycles in turn led to parallel economic cycles. In the paper these assertions are explained in detail, and supported using history, descriptive statistics and regression analysis. It is shown that improving democratic institutions of the country would enhance the stability and growth of the economy greatly.

Keywords: Turkey; coups; coalitions; voter behavior; political fragmentation; economic performance; political business cycles.

JEL codes: D72, E32, H11, O43, O47, O53

1.   Introduction

Since 1950, when the first fair and direct election took place and the power changed hands for the first time, Turkey got ruled by wide variety of governments: single-party governments, coalition governments partnered by two or more parties and ideologically compatible and incompatible parties, minority and military governments. Some of these were short-lived and some long-lived. In this paper it will be argued that the timing of these governments and the order in which they followed each other were not random but according to political cycles caused by *coups d'état* (or coups).[1] Furthermore, it will be shown that these cycles in turn led to parallel business cycles, because economic performance is typically not the same under different types of governments. To the best of my knowledge, this is the first study to tie business cycles to coups. Understanding this link will let us make better sense of the Turkish economic growth over the last two-thirds of a century, abandon the wrong diagnoses made about the economy and unnecessary cures prescribed for them. The paper hopes to contribute also to the literature studying how economic performance is affected by the type and tenure of governments.

The outline of the paper will be as follows. In the next section, historical evidence will be presented to show that in Turkey, various types of governments followed each other in a particular pattern and that military interventions were at the root of this. Then, to help us understand how the coup driven political cycles translated into business cycles, the literature studying economic performance under various kinds of governments will be reviewed in section 3. The applicability of the findings of this literature to the Turkish case will be established in the section following that, through descriptive statistics and regression analysis. Finally, in section 5, conclusions reached will be listed.

2.   Political and historical background

As Akarca (2018) shows, Turkish electorate exhibits a tendency to gather in four camps: left-statist, right-conservative, Turkish-nationalist and Kurdish-nationalist parties. At present, the Republican People's Party (CHP), the Justice and Development Party (AKP), the Nationalist Action Party (MHP) and the People's Democracy Party (HDP) represent these groups, respectively. Before 1946, only the first group was allowed to organize formally, except during 1924-1925 and 1930 when the Progressive Republican Party (TCF) and the Liberal Republican Party (SCF), representing the second group were permitted for about six and three months, respectively. After 1946, the second and third, and after 1995 the fourth entered the picture formally.

The right-conservative movement, is the largest of the four political tendencies and usually gets more than sufficient support from the public to form a single-party government. Since 1950, in only two elections the aggregate vote share of this bloc fell below 47 percent, a level more than sufficient to capture at least half of the seats in the parliament. However, after each time they came to power alone or got close to doing so, their government was toppled by the military, often with the help of the judiciary, because

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[1] In this paper, coups are defined as in Powell and Thyne (2011): "illegal and overt attempts by the military or other elites within the state apparatus to unseat the sitting executive." Note that this definition allows for the possibility of coups not being led by the military, and considers overthrowing governments through threats of military intervention but without use of force, as coups as well. As O'Kane (1987), a coup is considered to be to be successful if it leads to the "installation in power of a government of the conspirators' own choosing." Thus we can say that of the nine Turkish coups, the ones on 27 May 1960, 12 March 1971, 12 September 1980 and 28 February 1997 were successful, but those on 22 February 1962, 21 March 1963, 9 March 1971, 27 April 2007 and 15 July 2016 were not.

they were viewed as a threat to the secular and western orientation of the country. No doubt, fear of losing their influence and guardianship roles, pushed the armed forces and the judiciary in that direction as well.[2] Between 1950 and 2016, five such coups took place, four of which were successful. These involved military taking over for a few years, either directly or through a civilian government they impose, making some institutional changes to strengthen their privileged position in the established order, and then returning to electoral democracy. We can call this type of interventions, classical coups, since transitions from democracy to non-democracy typically occur this way.[3] As Acemoğlu and Robinson (2006) point out, the driving force behind such transitions is the realization by the elites that their de facto power is temporary. Before it slips away, they interfere to change political institutions toward those that give them more de jure power. In the Turkish case, classical coups aimed also at increasing the relative de facto power of the military and making it more durable. To this end, ruling conservative parties were fragmented after each successful coup. To dilute their power even further and check it more effectively, the pieces of the fragmented conservative parties were not allowed to form a coalition government by themselves, but forced to partner with a left-statist party aligned with the military. Consequently, the governments formed after the coups were not only fragmented size wise but also ideologically. In each case however, the conservative parties eventually managed to get together again, first in a coalition government and then under the roof of a single party, which in turn led to another coup, followed by another period of coalitions. For that reason, Turkish political history can be thought of as consisting of single party government => coup => military rule => coalition governments (first ideologically incompatible, then compatible) => single party government => coup cycles, as depicted in figure 1.[4]

The five classical coups are listed in Table 1. After the 1960 and 1980 coups, the military took over themselves. In the former the incumbent party, and in the latter all of the parties were banned. In the one in 1971, military forced the parliament, under threat of takeover, to change the composition of the government. In the 1997 case, known as the post-modern coup, using a similar threat, the prime minister was forced to resign. Although an attempt was made by the military also in 2007 to bring down the conservative government, the incumbent party thwarted it by cleverly calling a snap election and winning it handily.

Certain patterns can be discerned from Table 1. All of the five coups listed took place when right-conservative parties were in power. Only one party was ruling in all of them, except the one in 1997 when two parties were in a coalition but both were from the right-conservative segment. A chain of coalition governments followed each successful coup immediately, except the one in 1980 when coalitions appeared after a delay for the reasons which will be explained below. No coalitions appeared after the 2007 coup as it was unsuccessful.

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[2] Although economic crises, social unrest, political instability, and ironically threats to democracy are often cited in the literature as causes of coups, numerous memoirs written and interviews given by Turkish junta leaders, reveal that the planning for the coups begin years before they take place, when the economy was performing well and there were no signs of social strife, political instability or authoritarianism. Furthermore, economic crises far worse than the ones experienced prior to the coups and the crises while non-conservative parties were in the government have failed to trigger military interventions. Coups often overlapped with the events cited, but only because juntas timed them that way to make them more justifiable to the public and international community. As Acemoğlu and Robinson (2006) show, opponents of democracy are more likely to attempt coups at times of political or economic crises, when the balance of de facto power temporarily tilts in their favor.

[3] Of the coups listed in footnote 1, the ones indicated as successful, together with the one in 2007 can be considered classical coups. The rest constitute a second kind, which will be discussed below.

[4] Of course, actual cycles realized did not always followed the pattern described with perfect regularity. For example, as mentioned above, a single party era was interjected between the military rule and coalitions after the 1980 coup, and after 1971 coup, coalitions began without a military rule first.

The post-coup coalitions always included a statist party. The pieces of the fragmented conservative parties were not allowed to form a government by themselves, but forced to partner with a statist party so that they can be controlled more easily. Even though in 1961 the right-wing Justice Party (AP), the New Turkey Party (YTP) and the Republican Peasant's Nation People's Party (CKMP) which captured the votes of the Democrat Party (DP) ousted by the 1960 coup, were willing and able to form a government, the military junta forced the AP to form a government with the leftist-statist Republican People's Party (CHP) instead. Nevertheless, the planned coalition got formed later, shortly before the next general election in 1965 which brought the AP to power alone. When the 12 March 1971 coup toppled the AP government, leaders of the junta demanded a cabinet composed of AP, CHP and National Reliance Party (MGP) deputies, and a number of unelected technocrats, headed by a prime minister from the CHP.[5] The latter two parties were from the leftist-statist camp. To avoid the AP from coming to power again, the leader of an Islamist party which was banned only a year earlier, shortly after its establishment, was invited by the generals to return from self-exile abroad to establish a similar party with the aim of splitting the AP supporters. That party, named the National Salvation Party (MSP), was encouraged to form and did form a coalition government with the CHP after the 1973 election, the first one following the coup. However, as will be discussed below, when the Welfare Party (RP), which succeeded the MSP and shared with it the very same leadership, formed a coalition government in 1996 but this time with the conservative True Path Party (DYP), it got toppled by the military within a year. To erect another barrier in front of the AP's path to power, the 1971 junta engineered also separation of a faction from the party by forcing the party leadership, under threat of another coup, to table a proposal granting amnesty to the banned leaders of the DP. Those opposed to the move formed the short-lived Democratic Party (DP2). This time it took two legislative terms for the AP to acquire the power alone, but it got toppled once more in less than a year by the 1980 coup.

By 1980, the military came to the realization that fragmenting conservative parties was futile and had harmful side effects, and changed tactics. They decided to control the right-conservative bloc directly, by establishing their own conservative party headed by a retired general they trust.[6] To make the party attractive also to voters from the Turkish-nationalist segment, they named it the Nationalistic Democracy Party (MDP). Because the leader of the CHP had taken strong stands against both the 1971 and 1980 coups, it was felt necessary to establish a new left-statist party as well.[7] That party was named the Populist Party (HP).[8] To give the MDP and HP a head start, the junta excluded from the 1983 election all parties which were continuation of the previous parties. However, the outcome of the election was a total shock for the military. The winner turned out to be not the MDP as planned but the conservative Motherland Party (ANAP), the only party among the three permitted to participate in the election that was not designed by the junta. The ANAP was allowed to enter the election to give it an appearance of a true contest and to avoid the MDP from over-dominating the Turkish politics. The party was not supposed to win the 1983 election, just as the DP was not supposed to win the 1950 election. The MDP could not last even until the

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[5] The prime minister resigned from his party before taking office though, to appear as an independent.

[6] Acemoğlu and Robinson (2008) explain how elites try to offset any *de jure* power they have to give up, by increasing their *de facto* power (e.g. in the form of capturing political parties).

[7] It should be noted however that the leader of the CHP in 1980 was not the leader of the party in 1971 but its secretary general, and also that he supported the 1960 coup and his party cooperated with the juntas in 1960 and 1971 and nominated one of the 1971 Junta leaders as their presidential candidate in 1980.

[8] All of the parties banned after the 1980 coup got legalized in 1994 but among them only the CHP regained prominence, and eventually reunited the fragmented left-statist segment. The Turkish-nationalist and right-conservative groups continued under the banners of their new parties.

next parliamentary election. Although the ANAP was able to form a single party government in 1983, its support dropped significantly by the entry of other parties which were excluded from the 1983 election. The party was barely able to hold on to power for another term by calling the 1987 election before other parties could organize, by capturing some of those who left the MDP, and by benefiting from its incumbency advantage and the success of its market-oriented reforms. In 1989 local elections, the party's vote share dropped below that of the True Path Party (DYP), a conservative party formed by the leader of the defunct AP. After the 1991 parliamentary election the third wave of coalition governments began.

One of those governments, formed by two conservative parties, the DYP and the RP, was forced by the military to give up power in 1997. To avoid formation of a new government under the same incumbent parties, one of them was split with the help of the president who was the former leader of that party. The other one and its leader got banned by the Constitutional Court for violating the secularism clause of the constitution. An ideologically compatible two-party government got replaced by an ideologically incompatible three-party coalition formed by the conservative ANAP and the Democrat Turkey Party (DTP), and the left-statist Democratic Left Party (DSP). The DTP was the party that was splintered from the DYP in 1997 as mentioned above. It took not the next election but the one after that in 2002 for a right-conservative party, the Justice and Development Party (AKP), to form a single party government again. The AKP managed to hold on to power ever since. A coup was attempted in 2007 to change that but as mentioned above, it failed. Ironically, the 2007 coup, rather than fragmenting, actually facilitated the consolidation of right-conservative votes under the AKP. That happened because the military inadvertently discredited the ANAP and the DYP in the eyes of their supporters by making them complicit in that coup. To stop the AKP from electing its candidate as president, the military organized a series of mass protest rallies against the party, and on 27 April 2007 posted on the Armed Forces web page a thinly veiled threat to take over if they do. A highly controversial decision was announced by the Constitutional Court two days later requiring participation of two-thirds of the deputies in the first round of the presidential balloting in the parliament, a rule not practiced in any of the earlier presidential elections. This took away the AKP's ability to elect its candidate without the aid of other parties. When the ANAP and DYP, under pressure by the military, decided not to participate in the presidential balloting so that the quorum required by the Constitutional Court could not be reached, they alienated many of their supporters who switched their allegiances to the AKP, which stood firm against the military and later took measures to dismantle the military tutelage system. The AKP's disavowal of political Islam no doubt facilitated this consolidation.

In short, the picture presented by Table 1 and the anecdotal evidence given show that coalition governments in Turkey were a consequence of political engineering by the military. Typically, ideologically incompatible coalitions followed coups first. Then came the compatible ones and eventually single-party governments again. This however does not imply that coups are the only way coalition governments occur, but that that was the way they occurred in Turkey. Without coups coalition governments would still exist but would be much less frequent. Economic voting literature indicates that losses typically suffered by ruling parties as a result of strategic voting to create checks and balances against them and due to depreciation in their political capital over their tenure, usually cannot be offset by incumbency advantage unless economic performance is exceptionally good and/or a political realignment takes place in their favor.[9] As will be explained and shown in the next two sections, economic performance

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[9] For surveys of the economic voting literature, see Lewis-Beck and Paldam (2000), Lewis-Beck and Stegmaier (2000, 2008, 2009, and 2015), and Stegmaier and Lewis-Beck (2013). Akarca and Tansel (2006 and 2007) and Akarca (2009, 2010, 2011a, 2011b, 2015a and 2015b) show that Turkish voters behave very similar to the patterns described in that literature.

of single party governments in Turkey and other countries deteriorates after their first term. Thus, it would not be unreasonable to expect the vote share of the ruling party to decline eventually to a level forcing it either to lose power or to form a coalition government. However, the coup plotters in Turkey either did not realize this or did not have the patience to wait for it. Indeed, after the 7 June 2015 election when the AKP lost its parliamentary majority, Turkey came very close to having its first natural coalition government. Had the opposition parties in the parliament joined forces, or at least one of them agreed to partner with the AKP, the 1 November 2015 snap election would not be called and the first Turkish coalition government not created by a coup would have happened.

Before we move to the next section, it would be useful to briefly touch upon non-classical coups that has taken place in Turkey. Effective use of coups as a tool to control the power of conservative incumbents encouraged other kind of coups. The 1960 take-over, organized by a small number of low-ranking officers and accomplished quite easily, was particularly inspiring in this regard. The leaders of that coup prepared the grounds for prospective coups also by implicitly "legitimizing" coups as a tool for removing "bad" governments, in the preamble of the 1961 constitution.[10] Marginal groups, with no hopes of achieving power through elections, tried to get it with the help of armed forces and/or the courts.[11] Also, because after each successful coup officers who were part of the junta which accomplished it got promoted while the rest of the officers were either left behind or forced into retirement, the classical coups motivated formation of competing juntas. These eventually staged their own coups to maintain their positions or enhance it.[12] Although the second type of coups caused a lot of damage through disruptions and instability they have created, since their goal was not to force coalitions but to grab power permanently, and because they were not successful in the first place, their impacts were short-lived and will be of less interest to us here.

However, another side effect of military interventions and the resulting guardianship system was long-lasting and should be emphasized. Frequent party closures and bans on political leaders hindered Turkish political parties from institutionalizing, developing democratic traditions (inter-party and intra-party), and accumulating valuable experience on good governance. It caused politicians to develop a reflex of avoiding making decisions on critical issues, passing them on to the guardianship institutions. These affected adversely performances of not only forced coalitions but single party governments as well.

3.   Economic performance under various types of government

Economic performances of governments that typically follow each other over the coup cycles described in the previous section, are likely to be different. According to the literature, economic

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[10] Londregan and Poole (1990) dub such dynamics of one coup leading to another coup as a "coup-trap."

[11] For example, the 9 March 1971 coup plot, which was prevented by the March 12 1971 coup, was planned by some socialist intellectuals and leftist officers. The political parties which espoused to the views represented by the organizers of that coup received no more than 3 percent of the vote in various elections they contested democratically. As Can (2014) explains, the Gülen religious organization, which masterminded the 15 July 2016 take-over attempt, became an asymmetrical power center by infiltrating the armed forces and the judiciary, despite having "2-3 percent support at most."

[12] For example, the failed coup attempt on 22 February 1962 was organized by officers which were about to be removed from their positions by another junta. The 21 May 1963 coup attempt on the other hand was a come-back effort by those removed after the unsuccessful 1962 attempt. The 12 March 1971 coup was implemented to some extent to counter the leftist junta which planned the 9 March 1971 coup. Similarly, the 15 July 2016 coup was timed by the Gülenists to preempt the dismissal of their members from the armed forces suspected to take place in about a month.

performance varies over the tenures of governments, and depend on the number of ruling parties and the ideological distance between them.

Bawn and Rosenbluth (2006) point out that incumbent parties undertake projects that benefit mainly their own supporters. However costs of these are born by everyone. Since parties in power consider only costs and benefits to groups supporting them, they undertake many projects for which costs to the general populace exceed benefits. Then government spending and deficits tend to be larger too, which in turn lead to higher inflation and interest rates and lower private investment. This tendency exists in every government, but to a much lesser extent in single-party governments, as larger parties encompass more interest groups and thus internalize more costs than smaller parties. Inefficient projects undertaken and investment crowding out will be more, and economic growth will be less, the more fragmented the government is. A coalition of three parties is worse than a government including two parties, and a three party coalition involving three equally sized parties is worse than one consisting of one large and two small parties. Besides fragmentation in size, fragmentation in ideology matters as well. When the incumbent parties have similar worldviews, the policies preferred by their constituencies overlap. Then more costs are internalized. Thus economic growth will be lower under coalitions involving parties from opposite ends of the political spectrum than those including politically coherent parties.

Bejar, et al. (2011) give another reason why policy making and economic performance is likely to be poorer under multi-party governments. They point out that coalition governments have shorter life spans than single party governments, and consequently have shorter time horizons and lower discount factors in office. They are less concerned with future ramifications of their actions. They engage in log-rolling and pork barrel legislation to appease their constituents with more government money, and shift the burden of higher expenditures to the future. By favoring inefficient projects, with future costs far exceeding current benefits, and by bloating budget deficits which crowd out private investment, this effects growth adversely. As Bawn and Rosenbluth (2006) suggest, large parties can be thought of as coalitions too, but one in which the commitment among groups in it is much stronger and goes way beyond the next election. Thus, single-party governments have longer time horizons. Indeed in Turkey, single-party governments all lasted two or more legislative terms. One is currently in its fourth term. One was in its third and another in its second term when they were toppled by coups and could have lasted longer in the absence of military interventions. On the other hand, of the fourteen coalition governments listed in Table 1, only two (DYP+SHP/CHP and DSP+MHP+ANAP) were able to last as long as one legislative term.

Hall and Nishikawa (2014) approach the issue from the veto-player framework introduced by Tsebelis (1995, 1999 and 2002). 'Veto players' are defined as "individuals or institutions whose agreement is required for a change of the status quo." For example, each political party in a government can be considered a veto player. Hall and Nishikawa suggest that ruling party duration has an inverted U-shaped relationship with economic growth, when the number of veto players is low, as in the case of single-party governments. New governments typically make substantial changes in macroeconomic policies, which by creating uncertainty dampens investment and growth. However this uncertainty gradually dissipates as investors observe government's policy behavior. Existence of some veto players with divergent preferences makes the policy unlikely to change. Since the largest gains in the reduction of uncertainty come with the initial observation of behavior, economic performance should improve most in the initial phases of a government's tenure. However, the marginal returns from the stabilization of policy expectations diminish over time, but pressure by special interest groups to redistribute resources

rise. Market interventions to create rents for these groups distort incentives, drawing resources from efficient uses. Also, resources that can go to productive uses are diverted to lobbying efforts. Furthermore, beneficiaries of reforms instituted earlier try to lock them in and resist any attempt to alter them. This reduces government's ability to reverse policy mistakes and to respond to macroeconomic shocks in a timely fashion. Thus, extended duration in power of ruling parties eventually lead to institutional sclerosis and deteriorating economic performance.

According to Hall and Nishikawa (2014), as the number veto players and the ideological distance among them increase, the effects which give rise to the inverted U-shaped curve relating economic growth to tenure gets moderated. Additional constraints placed on the executive enhances the credibility of policy reforms undertaken and diminishes the likelihood of large deviations from the status quo. Although this makes the parties in the government less able to reverse good policies and institute harmful ones, it also reduces their ability to respond to economic shocks and to reverse prior policy mistakes. However, Hall and Nishikawa suggest that large numbers of veto players can achieve productive policy cooperation over time and can forestall rent-seeking activity by ruling parties, thwarting the institutional sclerosis in later phases of duration. Then the inverted U-shaped curve in question gets flattened, and may even become regular U-shaped. On the other hand, if the cooperation among the members of government come too late or take the form of log-rolling due to the reasons given by Bawn and Rosenbluth (2006) and Bejar, et. al. (2011), the rising portion of the regular U-curve may not be realized. In Turkey this seems to be the case. As mentioned above, only two out of the fourteen coalition governments managed to last one legislative term but both came to an end following one of the worst economic crises the country has experienced since 1950. Only one coalition government (AP+MSP+MHP) was able to continue after an election, serving parts of two terms, but the partners in it were ideologically close. The growth-duration relationship under that government was shaped as an inverted U.

Too few veto players can be a problem as well. So far, we have only considered political parties as veto players and assumed that the number of veto players remain the same during a government's tenure. However individuals and various organs of the ruling parties can act as veto players as well. Initially there are reasonable number of veto players in single-party governments in Turkey but many of them get eliminated over their time in power. All such governments were formed by political parties which were established only a few years before taking office. The DP and the AP came to power in fourth year of their existence, the AKP in its second, and the ANAP in its first. At that stage, the ruling party's leader is really in a position of being first among equals. Other prominent politicians in the party are integral part of decision making too. The party's members of parliament and provincial officials are able to give their input as well. Much needed and long delayed structural changes and policy actions are undertaken during this period in a credible manner and economic performance improves. However, in emerging countries like Turkey, lacking strong tradition and legal framework for intra-party democracy, the power rapidly gets concentrated in the center and in the hands of the party leader as the party ages. Even meaningful discussion is halted. Chandra and Rudra (2015) show that higher levels of public deliberation lead to better economic performance not only in democracies but even in authoritarian regimes. With no effective veto players and critical discussion, policy mistakes are not noticed, and even when they are, they go uncorrected, creative ideas diminish, policies change abruptly and arbitrarily and often not in response to changing conditions. Rent-seeking increases which impedes dynamism and causes real resources to be shifted away from investment and toward seeking government benefits. Concerns over losing the subsequent election and fear of providing an excuse for the military to conduct a coup, restrain the ruling party, but only until it consolidates its position. Sharma (2017) argues that markets can sense the approach

of the turning point. Examining stock market performance under thirty-three leaders in the emerging world which reigned more than five years, he found that the median market return for this group tended to rise faster than the emerging world average during the first forty-one months of the leaders' tenures. Ninety percent of that gain came in the first twenty-four months of the new regime. After three and a half years, the markets started to move sideways.[13] This implies that in countries with weak institutions, economic performance under single-party governments begin to sour after their first terms. Documenting this process in the case of the AKP rule in Turkey, Acemoğlu and Üçer (2015) also pinpointed the turning point to the end of the party's first term.

Yet another reason why economic performance is not the same under various types of governments may have to do with the incentives given to them by the electorate not being similar. According to the economic voting literature, voters assess economic performance of governments and reward or punish them through their ballots.[14] However they base their evaluations only on the recent past, providing the politicians with an incentive to create electoral business cycles with economy expanding right before the elections and contracting right after. Some studies, such as Powell and Whitten (1993), Whitten and Palmer (1999), Anderson (2000), Nadeau, Niemi, and Yoshinaka (2002), Hellwig, and Samuels (2008) and Hobolt, Tilley and Banducci, (2013), argue that the strength of economic voting depends on the 'clarity of responsibility' for economic outcomes. Under coalition governments, especially under those fragmented in size and ideology, it becomes more difficult for voters to assign responsibility and sanction incumbent parties for their performance. Then the impact of the economy on election outcomes tends to be smaller. Fisher and Hobolt (2010), Debus, Stegmaier and Tosun (2014), Duch, Przepiorka and Stevenson (2015), Williams, Stegmaier and Debus (2016) and Angelova, Konig, and Proksch (2016) find further that economic voting is not only weaker in multi-party governments, but it is also not the same for all of the ruling parties. It appears that voters hold the junior members of a coalition less responsible for economic conditions than the primary incumbent party and sometimes not responsible at all. Akarca (2017) verifies these conclusions for the Turkish case and shows further that in coalition governments which include ideologically distant parties, incentives turn into disincentives for junior members. Then it becomes beneficial for the latter to resist or delay even policies with which they agree, just to deny the lead party a success or to have it blamed for a failure.

Governments that are rewarded less for a good economy and punished less for a bad one, have less incentive to perform well, and are more likely to sacrifice economic goals for other considerations. When voters do not hold the parties in coalition governments equally accountable, this creates conflict of interest and friction between the partners, delaying critical decisions and reducing the expected lives of the governments, which in turn generates uncertainty and instability. Parties with less or nothing to lose can drag their feet even on reforms they approve of just to deny their main coalition partner a vote gain. Furthermore, incumbent parties that cannot get votes through good economic performance are likely to seek it through populist means such as distributing cheap credit, patronage, and transfers. Thus, governance is expected to worsen as the number of parties in the government increase and their political cohesion decrease.

In short, we should expect the coup related political cycles discussed in the previous section to generate parallel business cycles.

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[13] Interestingly, running the same analysis for developed countries, Sharma (2017) finds no clear connection between stock market returns and aging political leadership.

[14] Studies surveying this literature are listed in footnote 9.

4. Empirical results

Applicability of the assertions made in the previous section can be ascertained from Tables 2 through 4. The rate of change in per capita real GDP (henceforth, the growth rate) during the 1950-2015 period was higher under single-party governments than under coalitions. Economic performance was worst under minority governments, followed by military regimes. However, a clearer picture emerges when different terms of single-party governments and different types of coalitions are distinguished. As can be seen from Table 3, growth is substantially higher during the first terms of single-party governments than their later terms, consistent with an inverted U-shaped relationship between economic growth and tenure. The second term growth was only one-fifth to one-third of the first term, and the third and fourth terms one-fifth to one half. This pattern appears to be quite robust, as it occurs (although at different levels) under all single-party governments which ruled decades apart.

No coalition government lasted more than the equivalent of one legislative term which can be taken as a sign that none of them were able to achieve a productive policy cooperation over their tenure to thwart institutional sclerosis. Table 4 shows that performances of coalition governments depend on the number of parties in them and the ideological distance between them. The table examines periods before and after the 1983 election separately. This enables us to check the robustness of the patterns observed. However, there are other reasons for doing this. All two-party coalitions before 1983 and all three-party coalitions after 1983 were ideologically incompatible ones (defined as at least one half of the junior parties being from the opposite wing of the political spectrum than the primary incumbent party). Also, the size fragmentation implied by the number of parties in the government was not the same in the two periods. As indicated in section 2, by closing all the parties, the 1980 coup caused much greater fragmentation in governments. This manifested itself more so in coalitions involving more than two parties. Whereas, coalitions involving three or more parties consisted of one large and a few smaller parties before 1983, the vote shares of coalition partners differed by only few percentage points after 1983. Average number of effective parties, measured as suggested by Laakso and Taagepera (1979), for two-party incompatible coalitions during the two periods was quite close: 1.8 in the former and 1.9 in the latter.[15] The corresponding figures in the case of governments involving three or more parties on the other hand was 1.8 and 2.3, respectively.

For ideologically incompatible coalitions involving two parties, during both the first and second half of the 1950-2015 period and those involving three or more parties during 1950-1983, when effective number of parties in the government were identical, average growth rates were essentially the same as well. However, the growth rate was substantially lower under ideologically incompatible governments formed after 1983, when fragmentation was substantially higher. We can compare performances of ideologically compatible and incompatible two-party governments only for the pre-1983 period, and three or more party governments only for the post-1983 period. In both cases growth under compatible coalitions is far higher than under incompatible ones. In short, economic performance is adversely effected by fragmentation of the government, both ideologically and size wise.

Using the information given in Tables 3 and 4, we can rank various types of governments formed

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[15]This index, used heavily by political scientists, is really the reciprocal of the well-known Herfindahl index of industrial concentration used by the economist, but applied to the vote shares of the parties rather than the market shares of the companies. Herfindahl index sums the squared shares and varies between zero and one. Its reciprocal on the other hand can vary between one and infinity and it is easier to interpret.

over a typical coup cycle, according to their growth performances as follows: 1) Single-party governments in their first terms, 2) ideologically compatible coalition governments, 3) single-party governments in their later terms, 4) ideologically incompatible coalition governments, and 5) military governments. This shows that coup cycles created parallel economic cycles, as demonstrated in Figure 2, with economic performance going from very good, to below average, then to really bad, to closer to average, then to good and very good again.[16]

Although the descriptive tables presented provide compelling information, they do not control for other factors. Three omitted but important factors come to mind. First, the growth rate tends to revert to a mean. It is expected to recover after a sharp drop and return to a normal level after a spurt. Unless taken into account, these will show as effects of the type of government ruling at those times. Second, as explained in the previous section, governments have an incentive to stimulate the economy before elections and switch to contractionary policies afterwards to offset the inflationary effects of the initial policies, unless another election is looming in the horizon. Such electoral cycles need to be separated from coup related cycles. Third, external shocks can affect the economy as well, and unless accounted for, may be credited to the government in power at that time. Of course, the impact of a shock originating abroad depends on how open the economy is. As openness of the Turkish economy varied over the period analyzed in this study, external shocks need to be evaluated jointly with this dimension of the issue.

Effects of these three factors and others discussed above can be measured by regressing the growth rate (G_t) on subsection of the following variables and/or their interactions:[17]

G_{t-1} :   Growth rate lagged one year,

T_{it} :   0.25 times the number of quarters in year t which was ruled by a single-party government in its ith term (i=1 during government's first term, i=2 in its second term, and i=3 in its third and fourth terms),

DP_{it} :   0.25 times the number of quarters in year t which was ruled by a single-party DP government in its ith term (i=1 during government's first term and i=2 during its second and third terms),

AP_{it} :   0.25 times the number of quarters in year t which was ruled by a single-party AP government in its ith term (i=1 during government's first term and i=2 during its second term),

$ANAP_{it}$:   0.25 times the number of quarters in year t which was ruled by a single-party ANAP government in its ith term (i=1 during government's first term and i=2 during its second term),

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[16] Of course the cycle following each coup was not exactly the same because coups occurred at different terms of the single-party governments, sometimes coalitions began immediately after the coup without a direct military rule first, one time a single-party government got inserted inadvertently between the coup and the coalitions, and it took increasingly longer for the conservative block to reconsolidate after a coup.

[17] Because economic performance effects election results, one can think that an endogeneity bias would exist in the proposed regressions. However, vote share changes do not necessarily result in government changes, and not all government changes are due to elections. This can be seen from many single-party governments lasting several terms and coming to an end not due to vote losses but due to coups, and many coalition government changes occurring between two elections.

AKP$_{it}$: 0.25 times the number of quarters in year t which was ruled by a single-party AKP government in its ith term (i=1 during government's first term and i=2 during its second, third and fourth terms)

MIXED$_t$: 0.25 times the number of quarters in year t which was ruled by an ideologically incompatible coalition government,

MIXED2$_t$: 0.25 times the number of quarters in year t which was ruled by an ideologically incompatible coalition government consisting of two parties,

MIXED3$_t$: 0.25 times the number of quarters in year t which was ruled by an ideologically incompatible coalition government consisting of three or more parties,

NMIXED$_t$: 0.25 times the number of quarters in year t which was ruled by an ideologically compatible coalition government,

MIN$_t$: 0.25 times the number of quarters in year t which was ruled by a minority government,

MIL$_t$: 0.25 times the number of quarters in year t which was ruled by a military government,

PRE83$_t$: equals one during 1950-1983, and zero otherwise,

POST83$_t$: equals one during 1984-2015, and zero otherwise,

ELEC$_t$: $\sum_{k=1}^{4} B_{kt}$ minus $\sum_{k=1}^{4} D_{kt}$

where B_k takes on the value of 0.25 if a future parliamentary general election is within one year of quarter k of year t, and zero otherwise; D_k takes on the value of 0.25 if quarter k of year t is within one year of the last parliamentary general election unless it is also within one year of a future election, and zero otherwise,

USG$_t$: growth rate of U.S.per capita real GDP in year t.[18]

OPEN$_t$: ratio of exports plus imports to GDP in Turkey in year t.

In all of the regressions presented in Tables 5 and 6, coefficients of ELEC and USG*OPEN are positive and that of the lagged growth rate is negative. They are all statistically and numerically significant. Thus existence of external factors, election cycles and mean reversion in the growth rate are established. However, even after controlling for these, the effects suggested in Tables 2-4 remain. In Table 5 regressions, the constant represents growth under first terms' of single-party governments. Performance under ideologically compatible coalitions is not significantly different from that. On the other hand

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[18] The reason for choosing the U.S. growth rate fluctuations as a proxy for external conditions is not due to U.S. being the most important trading partner of Turkey. It is not. However American economy constitutes a large chunk of the world economy and has links to wide variety of countries including major trading partners of Turkey. Thus most shocks to the international economy effect other countries either directly or through shared trade partners with the U.S. Indeed, for example trying British and Greek growth rates instead proved to be unsatisfactory.

economic growth during single-party governments' later terms is significantly lower. There appears to be no difference between second and subsequent terms of such governments. Performances of ideologically incompatible two-party coalitions is about the same as that of single-party governments in their second and third terms, but growth under incompatible coalitions involving three or more parties is somewhat worse. Military governments do as bad as the latter. Minority governments perform the worst.

Table 6 regressions allow economic performance to differ under different single-party governments. They show that performances of the DP, AP, ANAP and AKP governments were not the same. However, the pattern of first term growth far exceeding that of later terms holds true for each of these governments. The DP's first term record (given by the constants in the regressions) was best. The second regression in Table 6 permits performances of incompatible governments to be different before and after 1983. It appears that such governments did considerably better in the pre-1983 period than in the post-1983 period. However, the main conclusions obtained from Table 5, namely that compatible coalitions do better than incompatible ones and two-party coalitions do better than coalitions including three or more parties, remain unaltered.

5.   Conclusion

Economic performances of governments deteriorate as the number of parties in them and the ideological distance between them rise. Such fragmentations in Turkey were often caused by military interventions. Because political fragmentations were always followed by gradual reconsolidation of the fractured movements, coups not only caused growth to be lower but also to fluctuate in a cyclical manner. Interestingly, in Turkey, episodes of coalitions are viewed as natural phenomena. Often electoral and governmental systems are tinkered with to avoid coalitions and to cure the instability and poor growth under them. For example, the unusually high ten-percent national vote threshold for a party to gain representation in the Turkish parliament was instituted to reduce the effective number of parties and the likelihood of coalition governments. Putting an end to coalition governments was the main justification used for the replacement of the parliamentary system with a presidential one recently. Actually, if the coups could be avoided coalitions would be much less frequent, and when they occur, would be formed by ideologically compatible parties under which economic growth is reasonably good.

As there is a tendency towards a single-party government in Turkey, for good governance it is essential to have effective checks and balances to it not only from opposition parties but from within the ruling party itself. However, coups and the military guardianship system, through frequent party closures and bans on political leaders, have hindered political parties from institutionalizing, developing democratic traditions, and accumulating valuable experience on good governance. In particular, lack of an effective opposition and of intra-party democracy caused all parties, in particular those which rule alone, to become gradually more centralized and more authoritarian. Consequently a wide gap has developed between economic performances of single-party governments during their first and later terms.

In short, coups have long lasting consequences politically as well as economically. Their adverse impacts in Turkey were not restricted to the periods of direct military rule but continued way into the future through the types of governments they instigated. Curtailing coups will produce better economic outcomes. In that regard, failure of the last two coup attempts in 2007 and 2016 can be taken as a good sign. Especially the way the last attempt was quashed, with immediate resistance from all political parties,

mainstream media, business associations, most members of the armed forces, police, judiciary, and other state institutions, and most importantly, the active involvement of ordinary people of all backgrounds, a first in Turkish history, is promising. However, to rule out coups completely, that is using the terminology of Acemoğlu and Robinson (2006), to move from a semi-consolidated to a fully consolidated democracy, it is necessary to fill the vacuum created by the dismantling of the military-judiciary guardianship system with new political institutions that provide strong checks and balances.[19] Improving the quality of the country's democracy is of paramount importance. Had the average growth rate of per capita real GDP during 1950-2015 been the same as the rate achieved during the fist terms of single party governments, Turkey's per capita real GDP today would be 5.5 times higher.

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[19] For example, it would be desirable to couple the presidential system, which will take effect in 2019, with single-member parliamentary districts for which party candidates are chosen through primaries rather than picked by the party leaders, and winning candidates chosen through two-round elections just as will be the case with the president. This will empower the legislature and help them check and balance the powers of the executive which are being increased and concentrated. Reforms are needed to make the judiciary independent and impartial so that it neither controls the government nor controlled by the government.

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Table 1: Political parties in power before and after coups

Coups	Ruling parties			
	Immediately before the coup	Immediately after the coup	Elections	Following post-coup general elections
27 May 1960	**DP**	Military	1961	CHP + **AP** CHP + **YTP** + CKMP CHP + Ind. **AP** + **YTP** + CKMP + MP
			1965	**AP**
			1969	**AP**
12 March 1971	**AP**	CHP + **AP** + MGP **AP** + CGP	1973	CHP + **MSP** **AP** + **MSP** + CGP + MHP
			1977	**AP** + **MSP** + MHP CHP +CGP + **DP2** + Ind. **AP**
12 September 1980	**AP**	Military	1983	**ANAP**
			1987	**ANAP**
			1991	**DYP** + SHP/CHP
			1995	**ANAP** + **DYP** **RP** + **DYP**
28 February 1997	**RP** + **DYP**	**ANAP**+DSP+**DTP**	1999	DSP + MHP + **ANAP**
			2002	**AKP**
27 April 2007	**AKP**	**AKP**	2007	**AKP**
			2011	**AKP**
			2015	**AKP**
			2015	**AKP**

Notes:

The right-conservative parties are bold and underlined. The largest coalition partner is listed first. The governments are listed in chronological order. Governments which failed to receive a vote of confidence are ignored.

The Turkish acronyms used in the table and the parties they represent are as follows:

AKP: Justice and Development Party
ANAP: Motherland Party
AP: Justice Party
CGP: Republican Reliance Party
CHP: Republican People's Party
CKMP: Republican Peasant's Nation Party
DP: Democrat Party (1946-1960)
DP2:   Democratic Party
DSP: Democratic Left Party
DTP: Democrat Turkey Party
DYP: True Path Party
FP: Virtue Party
MHP: Nationalist Action Party
MSP: National Salvation Party
RP: Welfare Party
SHP: Social Democratic People's Party
YTP: New Turkey Party

Of these parties, AKP, ANAP, AP, DP, DP2, DTP, DYP, FP, MSP, RP and YTP are right-conservative; CKMP and MHP are Turkish-nationalist; and CGP, CHP, DSP, SHP are left-statist. The first two groups constitute the Turkish right wing and thus considered ideologically close. Even though its leading parties cannot be considered left, the left-statist group is labeled as such because they label themselves as left at least since late sixties, and occasionally small leftist parties have emerged from them. Also left-leaning people vote for them. The Kurdish-nationalist parties represent the fourth tendency in Turkish politics. Since they never came to power however, they do not appear in the table. The parties representing the third and fourth tendencies are usually placed in the left wing of the political spectrum. The SHP merged with the CHP shortly before the 1995 election.

Sources:

Tuncer (2002, 2007, 2011b, 2012b), Tuncer, Kasapbaş and Tuncer (2003), Tuncer and Tuncer (2016), and Tuncer, Yurtseven and Tuncer (2015).

Table 2: Average growth rate of per capita real GDP under different types of governments (1950-2015)

Single-party (*36.5 years*)	3.4
Coalition (*21.25 years*)	2.6
Minority (*3 years*)	-1.2
Military (*4.75 years*)	0.8
All (*65.5 years*)	2.7

Notes:

Figures reported are in percentage points and are obtained from annual data, as quarterly data is available only since 1987. In computing the averages, years in which more than one type of government prevailed are given a weight of 0.25, 0.50 or 0.75, depending on whether the regime in question ruled one, two or three quarters. A quarter is assumed to be under the type of government which prevailed during majority of that period. First half of 1950 is treated as if it is not part of the analysis.

A coalition government is considered ideologically incompatible if at least one half of the junior parties in it are from the opposite side of the political spectrum than the primary incumbent party.

Sources of data:

The growth rates are computed using the data provided by TurkStat for all years except 1948 and 1968. For latter two years, growth rates for the GNP, provided by the State Planning Organization are substituted for the missing GDP-related figures. The GDP series, from which growth rates are obtained, is 1968 based for years prior to 1968, 1987 based for the years between 1969 and 1998, and 1998 based for years after 1999. The new 2009-based GDP series announced by TurkStat on 12 December 2016 is not used because it goes back only as far as 1998, and for the period after 2010 it differs from the old series substantially, not only in level but growth as well. For example, for the years 2012-2015, the growth rate according to the latter series was 1.5 to 2.3 times of the former. Sources listed in Table 1 are used to determine what periods each type of government was ruling.

Table 3: Average growth rate of per capita real GDP under various single-party governments (1950-2015)

Ruling Party	Terms			
	1st (16 years)	2nd (13.5 years)	3rd & 4th (7 years)	All (36.5 years)
DP (10 years)	6.9	2.2	1.3	3.9
AP (5.5 years)	4.4	1.3	-	3.2
ANAP (8 years)	4.4	0.9	-	2.7
AKP (13 years)	5.9	1.5	2.7	3.4
All (36.5 years)	5.4	1.5	2.2	3.4

Notes:
Same as Table 2.

Sources of data:
Same as Table 2.

Table 4: Average growth rate of per capita real GDP under various coalition governments (1950-2015)

Number of parties in government	Period	Ideological composition of government		
		Compatible (4.5 years)	Incompatible (16.75 years)	All (21.25 years)
Two (7.75 years)	1950-1983	-	2.3	**2.3**
	1984-2015	6.3	2.3	**3.2**
Three or more (13.5 years)	1950-1983	4.0	2.5	**3.1**
	1984-2015	-	1.2	**1.2**
All (21.25 years)	1950-2015	**4.6**	**2.0**	**2.6**

Notes:
Same as Table 2.

Sources of data:
Same as Table 2.

Table 5: Regression results I

Variables	Regressions	
	1	2
Constant	4.985 (4.14)	4.956 (4.08)
G_{t-1}	-0.236 (2.19)	-0.236 (2.18)
T_{2t}	-3.483 (2.34)	-3.452 (2.30)
T_{3t}	-3.313 (2.15)	-3.307 (2.13)
$MIXED_t$	-3.987 (3.16)	
$MIXED2_t$		-3.480 (2.07)
$MIXED3_t$		-4.321 (2.95)
$NMIXED_t$	0.284 (0.15)	0.274 (0.14)
MIN_t	-8.602 (3.38)	-8.508 (3.31)
MIL_t	-4.373 (2.21)	-4.348 (2.19)
$ELEC_t$	1.480 (1.85)	1.521 (1.88)
$USG_t * OPEN_t$	2.071 (2.60)	2.100 (2.61)
F (Prob > F)	4.62 (0.00)	4.12 (0.00)
Durbin-h Prob > h	0.14 (0.44)	-0.00 (0.50)
R-square Adj. R-square	0.43 (0.33)	0.43 0.32

Notes:
Dependent variable is the growth rate in per capita real GDP (G_t). For definitions of independent variables, see Section 3. Estimates are obtained using the Ordinary Least Squares method. The numbers in parantheses, next to the parameter estimates, are the t-values. The dark-gray shaded cells indicate significance of the parameter estimates at one percent level, medium-gray shaded cells at five percent level and the light-gray shaded cells, at ten percent level, in one-tailed tests.

Sources of data:
Sources listed in Table 2, for all variables except the last two, U.S. Bureau of Economic Analysis, for USG, and TurkStat for OPEN. However for the years 2006-2015, ratio of exports plus imports to GDP, multiplied by 1.3, is taken as the ratio of exports plus imports to GNP (the latter ratio was 1.3 times the former ratio in 2006).

Table 6: Regression results II

Variables	Regressions	
	1	2
Constant	7.154 (3.97)	7.033 (3.87)
G_{t-1}	-0.254 (2.34)	-0.262 (2.38)
AP_{1t}	-2.894 (1.16)	-2.855 (1.13)
$ANAP_{1t}$	-4.394 (1.89)	-4.499 (1.92)
AKP_{1t}	-2.110 (0.92)	-2.213 (0.96)
DP_{2t}	-5.120 (2.25)	-5.001 (2.18)
AP_{2t}	-5.149 (1.65)	-5.085 (1.61)
$ANAP_{2t}$	-6.636 (2.84)	-6.593 (2.80)
AKP_{2t}	-5.585 (2.75)	-5.535 (2.70)
$MIXED_t$	-6.280 (3.34)	
$MIXED2_t * PRE83_t$		-4.629 (1.53)
$MIXED3_t * PRE83_t$		-5.378 (2.29)
$MIXED2_t * POST83_t$		-6.348 (2.68)
$MIXED3_t * POST83_t$		-8.082 (3.47)
$NMIXED_t$	-1.928 (0.81)	-1.805 (0.75)
MIN_t	-10.782 (3.74)	-10.606 (3.64)
MIL_t	-6.589 (2.76)	-6.506 (2.70)
$ELEC_t$	1.665 (2.03)	1.724 (2.06)
$USG_t * OPEN_t$	2.269 (2.84)	2.506 (3.05)
F (Prob > F)	3.24 (0.00)	2.74 (0.00)
Durbin-h (Prob > h)	-0.11 (0.46)	-0.81 (0.21)
R-square Adj. R-square	0.47 0.33	0.49 0.31

Notes:
Same as Table 5.

Sources of data:
Same as Table 5.
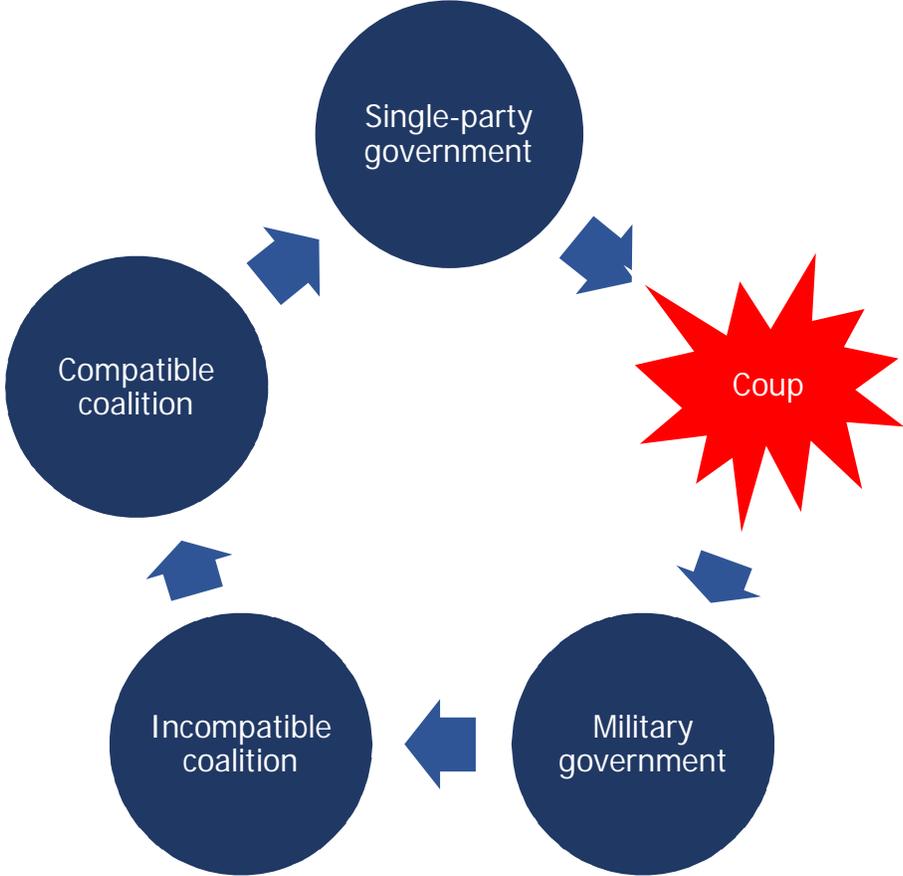
Figure 1: Political cycle

Figure 2: Average growth rate of per capita real GDP over the economic cycle

Single-party government first term
5.4 %

Single-party government later terms
1.7 %

Military government
0.8 %

Incompatible coalitions
2.0 %

Compatible coalitions
4.6 %