

# De-industrialisation and Poverty in Turkey

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# Two Distinctive Features of Some Developing Countries incl. Turkey

Rises of

- **Economic Populism**

&

- **De-industrialisation**

# What's Economic Populism?

- Being in favour of economic policies that put emphasis on **high economic growth** and **income distribution** without taking into account of **inflation, internal** and **external financial constraints** (Dornbusch and Edwards, 1990).

Also, in Turkey

- is a political discourse aiming at creating **economic rant** in favour of social and economic groups that support the prevailing political establishment in power.

**But, the relevant question now is how to do it?**

# Economic Instruments of Economic Populism

Increasing Reliance on **Non-Tradable Economic Activities** for

- High Economic Growth
- Alleviating income distribution and poverty

It is so, due to the presence of the intense pressure of international competition on other economic activities, and this leaves little room of maneuvering for policy makers to pursue **populist economic policies** in order to create benefit for the poor (or rent to distribute among the social groups supporting the government in power).

# What's De-industrialisation in This Paper?

- A Rise in the Shares of Non-Tradable Economic Activities in **Value Added** and **Employment**.

Also

- It is postulated here that **economic populism paves the way for de-industrialisation**.

# An Income Channel between Economic Populism and De-industrialisation in Turkey

- **The Main Hypothesis:** A rise in mean income of non-tradable economic activities, as a result of de-industrialisation, creates a cause of economic populism, since an increase in non-tradable income and income entities available in the Turkish economy reduces poverty.

# An Additional Contribution

Economic growth generating benefits mostly in favour of the poor is named as a **pro-poor growth** due to improvement in poverty (Datt-Ravallion, 1992).

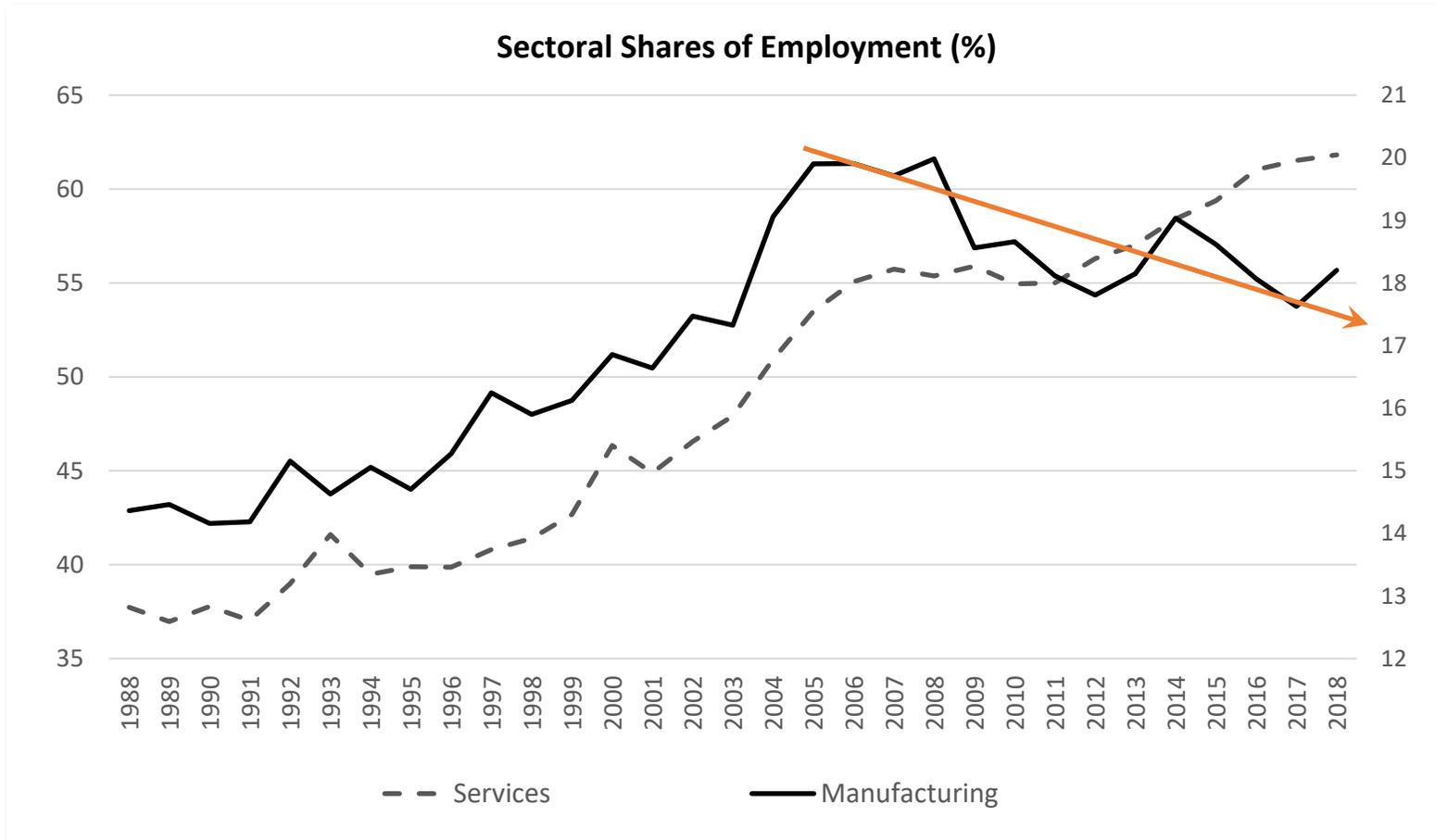
However, we postulate in this paper that economic growth is necessary, but is not sufficient to be a pro-poor one. Also **the sources of economic growth is important.**

**Non-tradable-led economic growth is more likely to be a pro-poor growth**, based upon our empirical findings from the Turkish experience.

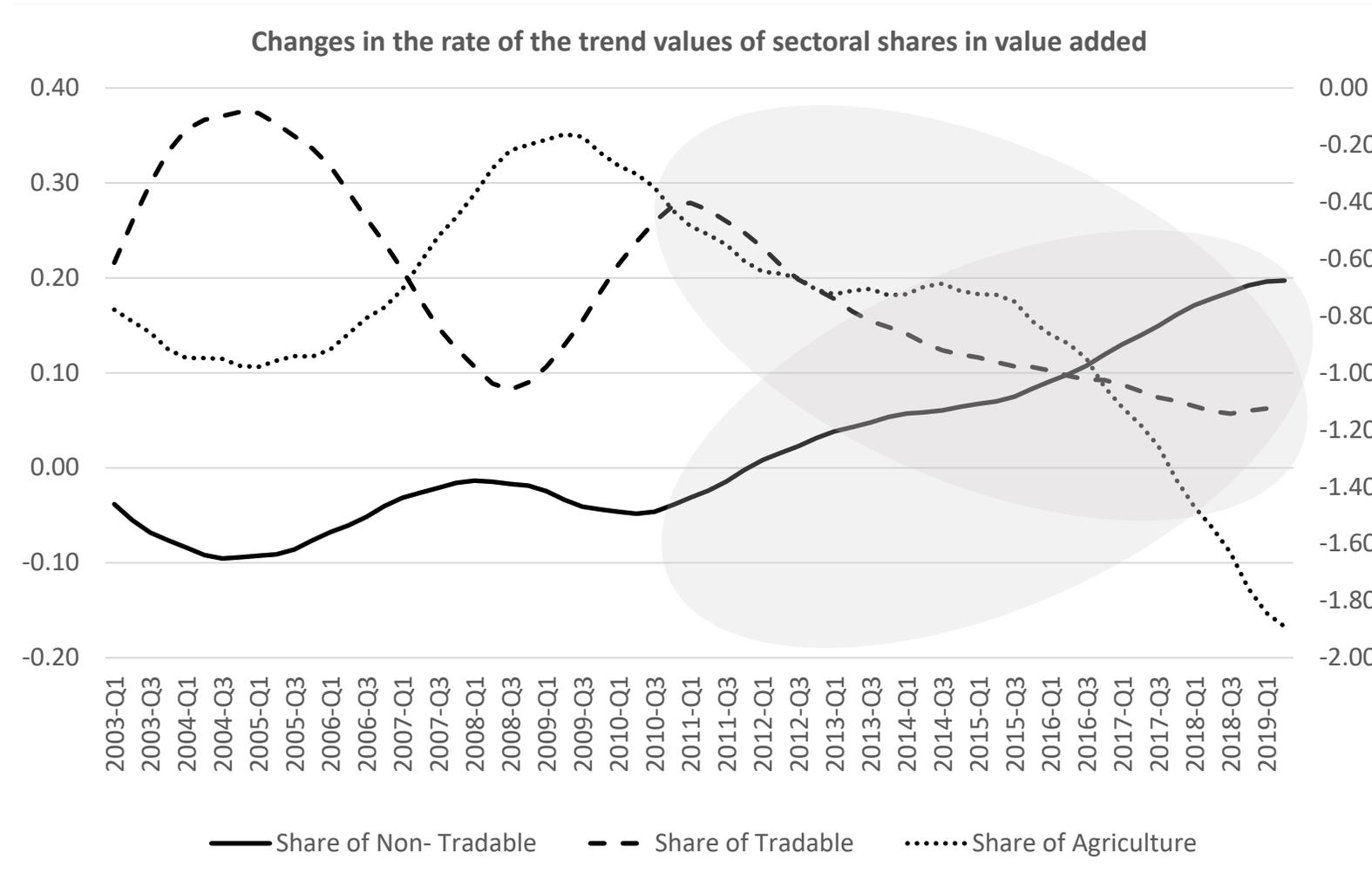
# Evidence of De-Industrialisation -1

	Differences between the entire economic growth rate and manufacturing growth rate (%)			
	1970-1980	1980-1993	1993-2003	2004-2017
<b>ASIA</b>				
China	5.3	1.5	1.9	--
India	1.2	1.1	0.8	0.8
Indonesia	6.8	6.0	1.7	-0.9
South Korea	7.6	3.2	1.7	1.6
Malaysia	3.8	4.1	1.4	-0.6
Pakistan	0.5	1.3	0.9	1.1
Philippine	0.1	-0.6	-0.3	-0.1
Sri Lanka	-2.2	2.7	1.1	-0.2
Thailand	3.4	2.6	2.1	-0.4
<b>LATIN AMERICA</b>				
Argentina	-1.2	-0.4	-1.2	-0.6
Bolivia	1.5	-	-0.1	-0.1
Brazil	0.9	-1.9	-0.3	-1.9
Chile	-2.6	-0.7	-1.6	-1.9
Colombia	0.4	-0.2	-4.3	-1.7
Equator	1.0	-2.1	-0.6	-1.0
Mexico	0.7	0.5	0.1	-0.5
Peru	-	-	-0.6	-1.4
Venezuela	2.2	-0.8	-1.1	-2.5*
<b>TURKEY</b>	1.3	1.5	0.8	-1.2

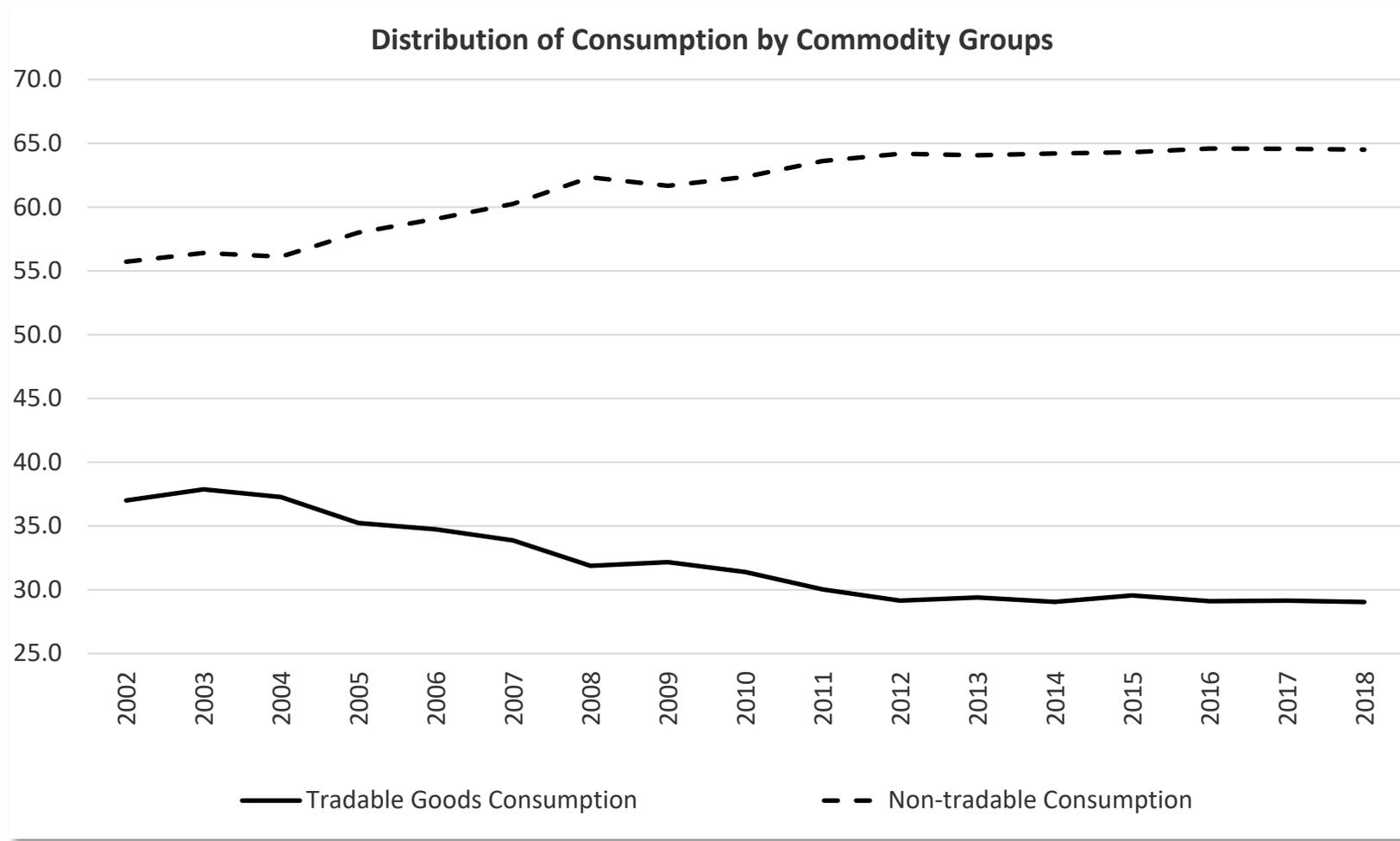
# Evidence of De-Industrialisation -2



# Evidence of De-Industrialisation -3



# Evidence of De-Industrialisation - 4

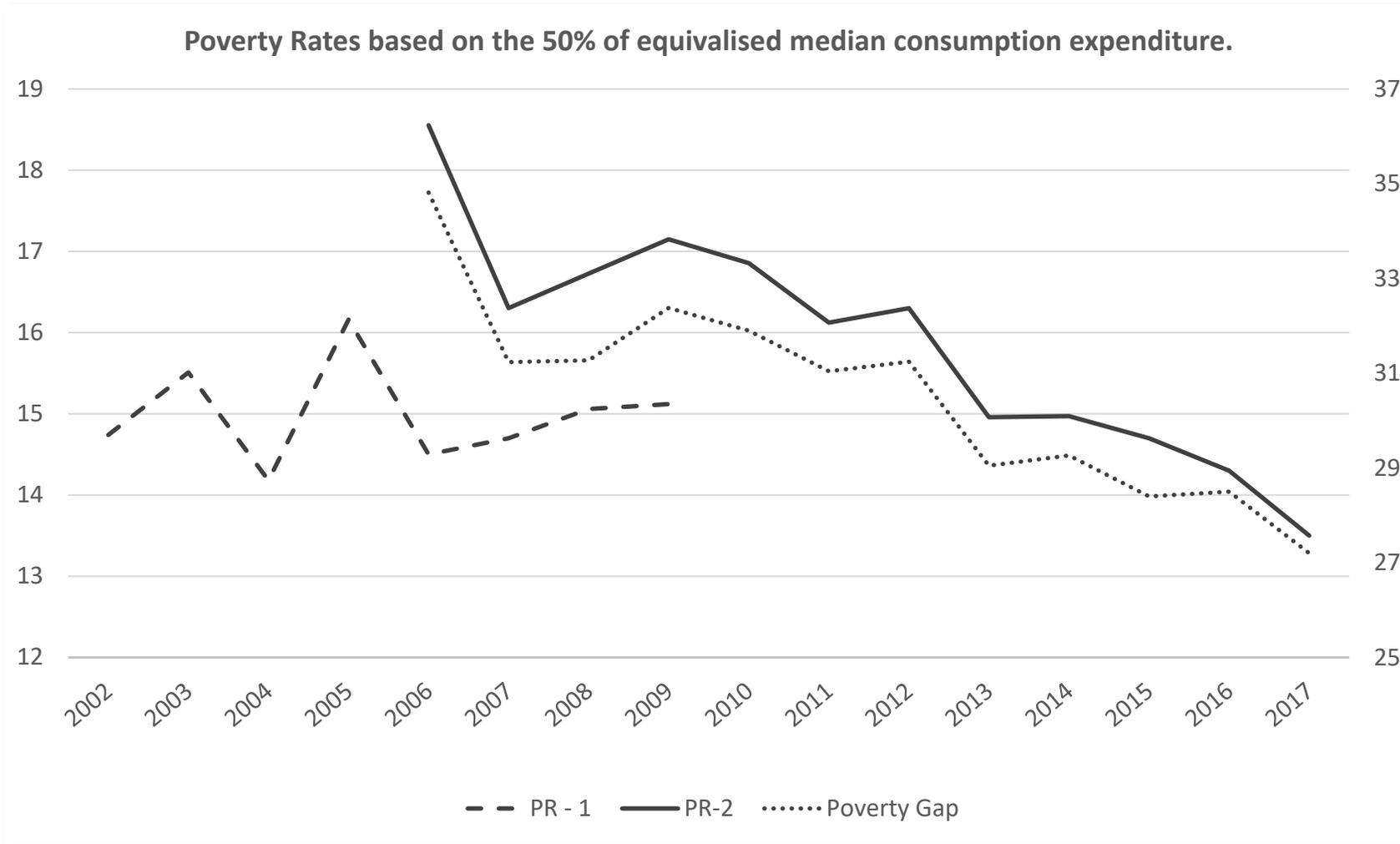


# Structural Transformation and Kuznets Hypothesis

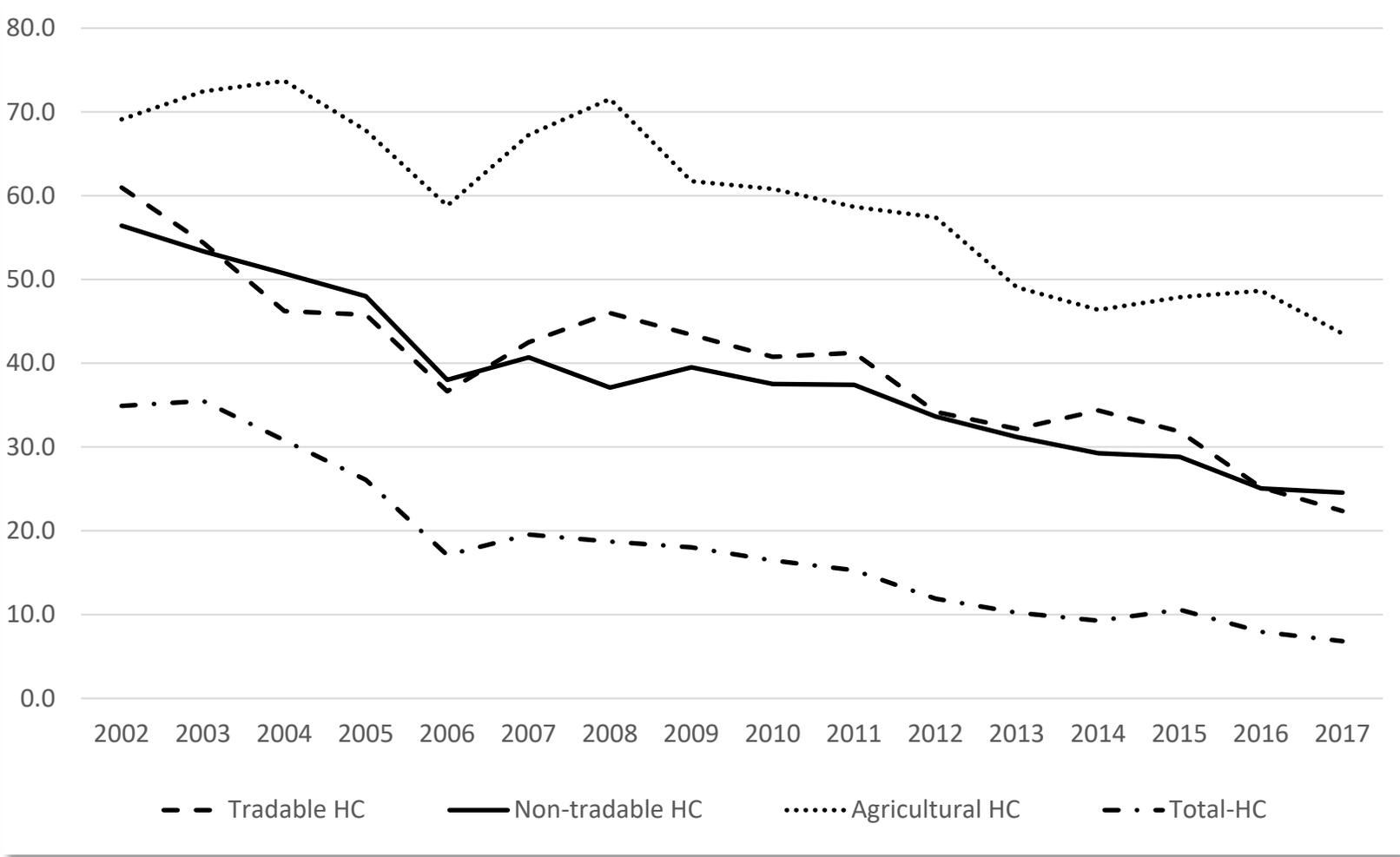
**Kuznets** argues that a structural transformation of the labour force from agriculture to manufacturing is expected to increase inequality. Income inequality in a transforming economy is the aggregation of

1. Income inequality in each sector
2. The mean income level of each sector available in the transforming economy
3. The population share of each sector and income group.

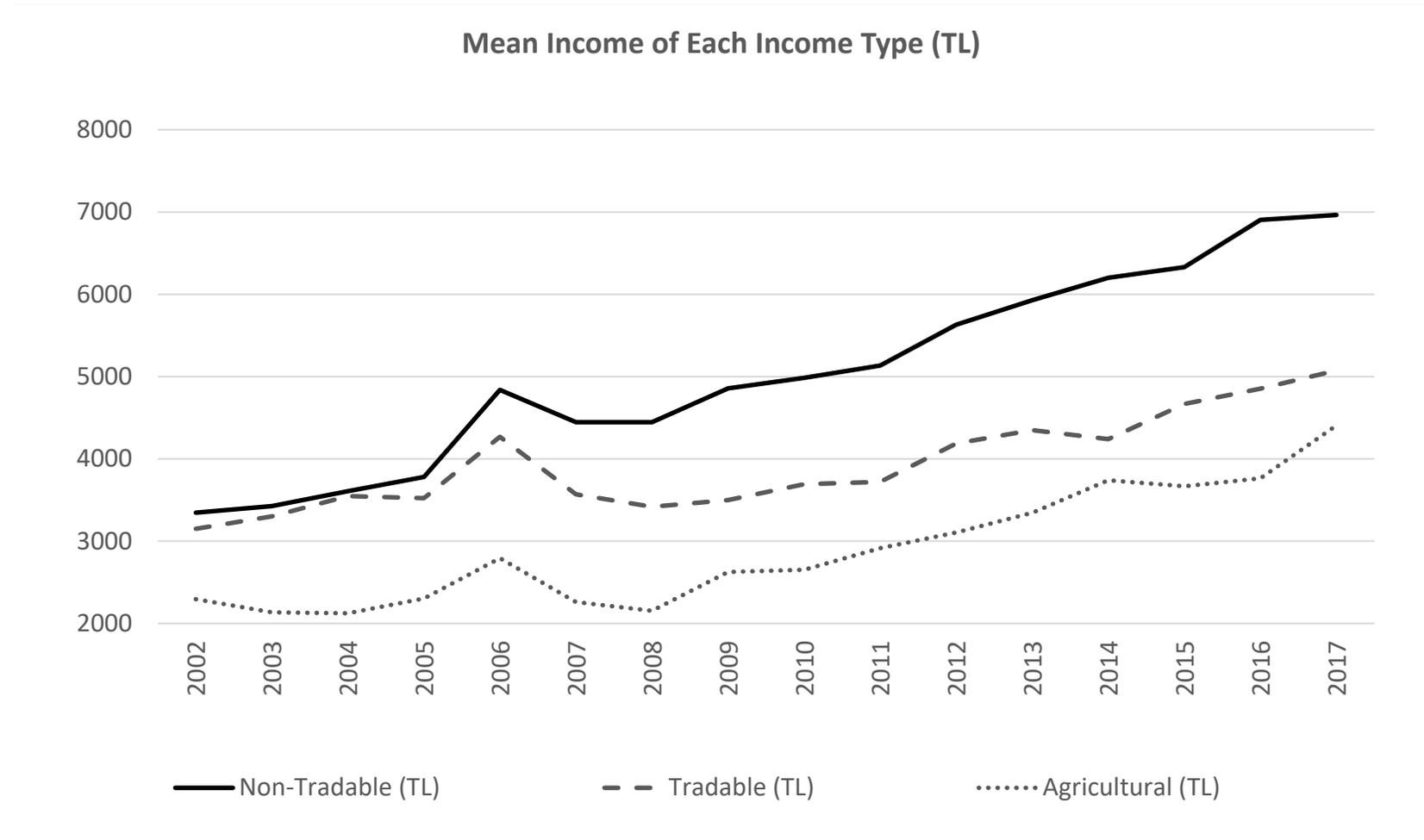
# Poverty Rates



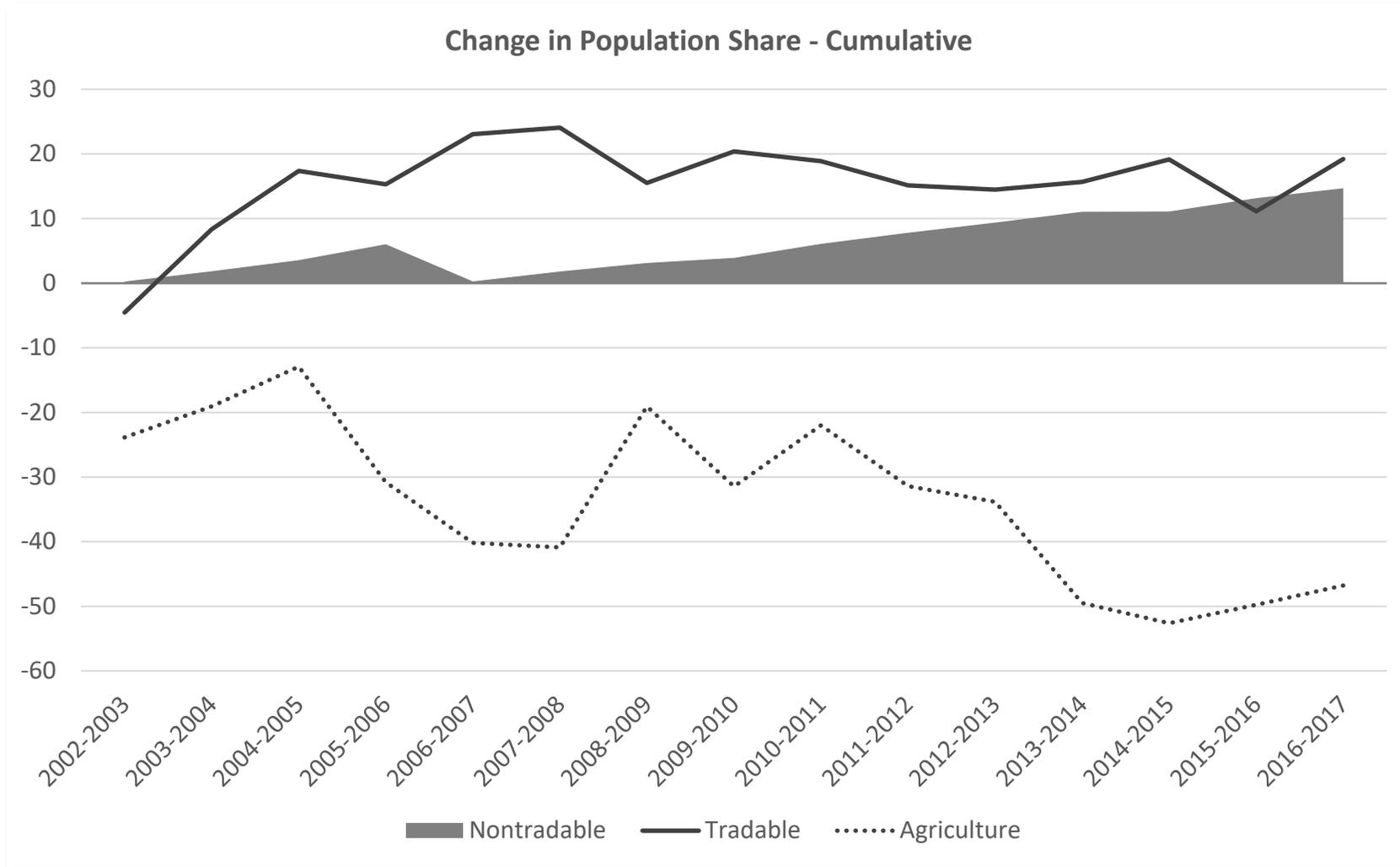
# Poverty Rates by Different Income Groups



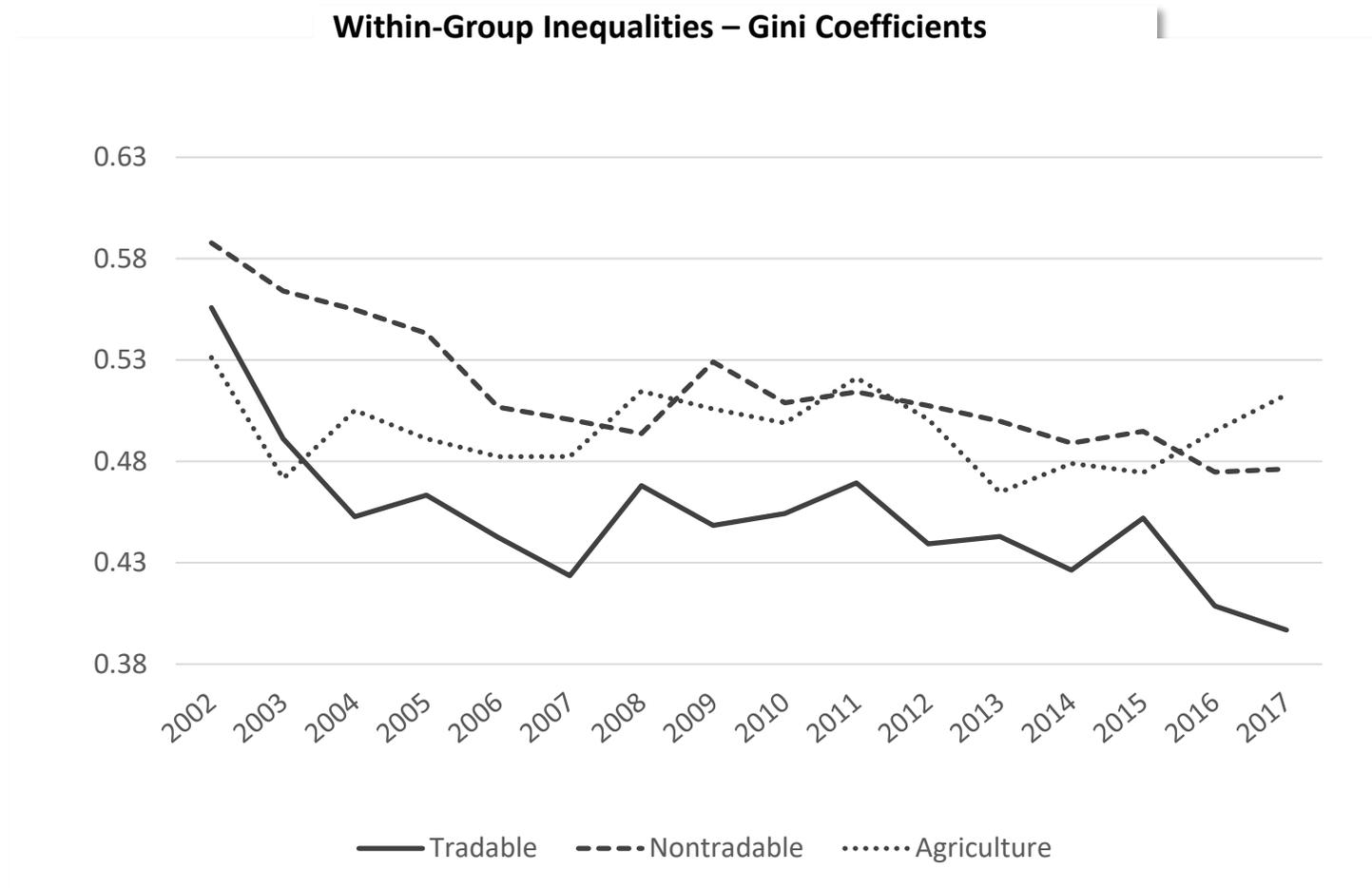
# A Sign of De-industrialisation in Micro Level Data



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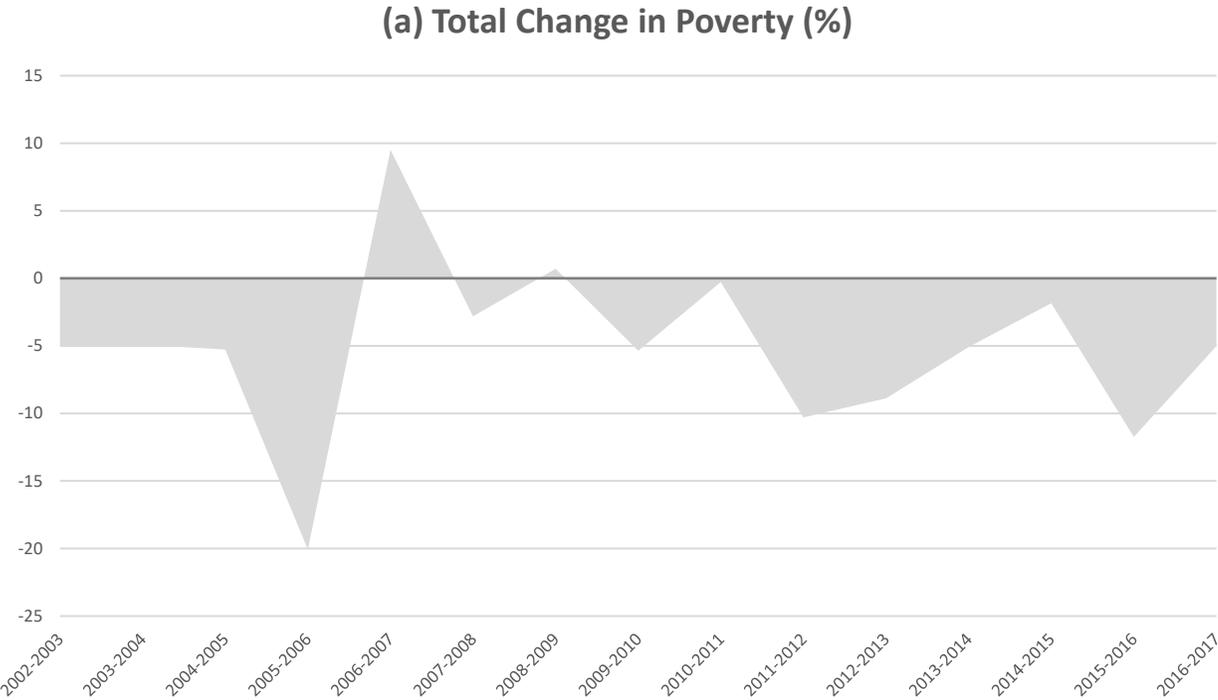


# The Sources of Poverty – Decomposing changes in poverty over Time

Son (2003):

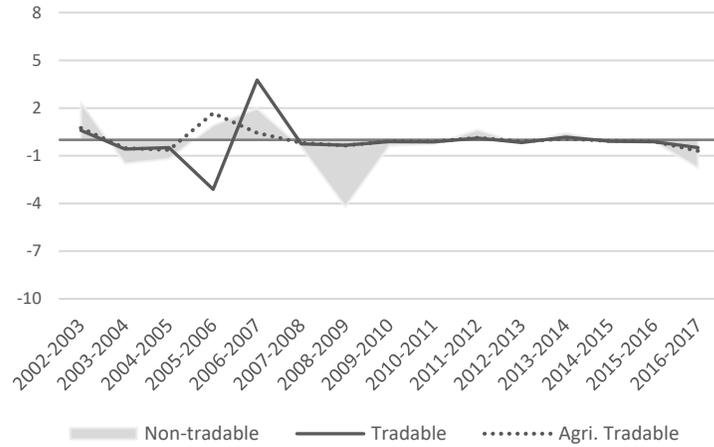
- Overall growth,
- Sectoral growth,
- Within-group inequality,
- Population shift.

# The effects on the change in Overall Poverty

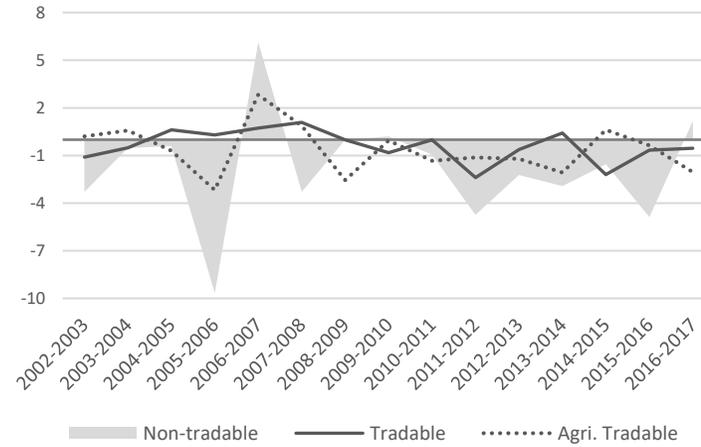


# The effects on the change in Overall Poverty

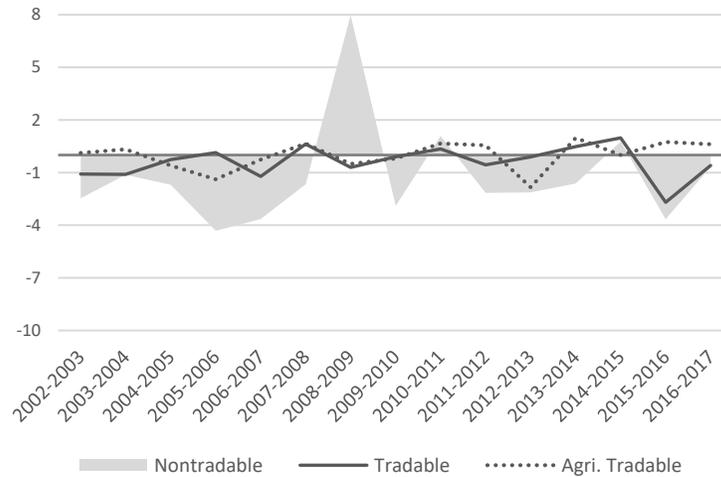
**(b) Overall Growth Effects - All Grow at the Same Pace (%)**



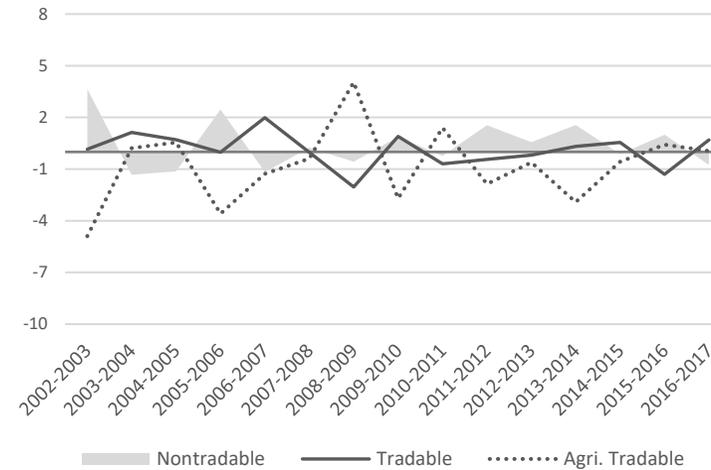
**(c) Growth Effects - Each Grow at Different Pace (%)**



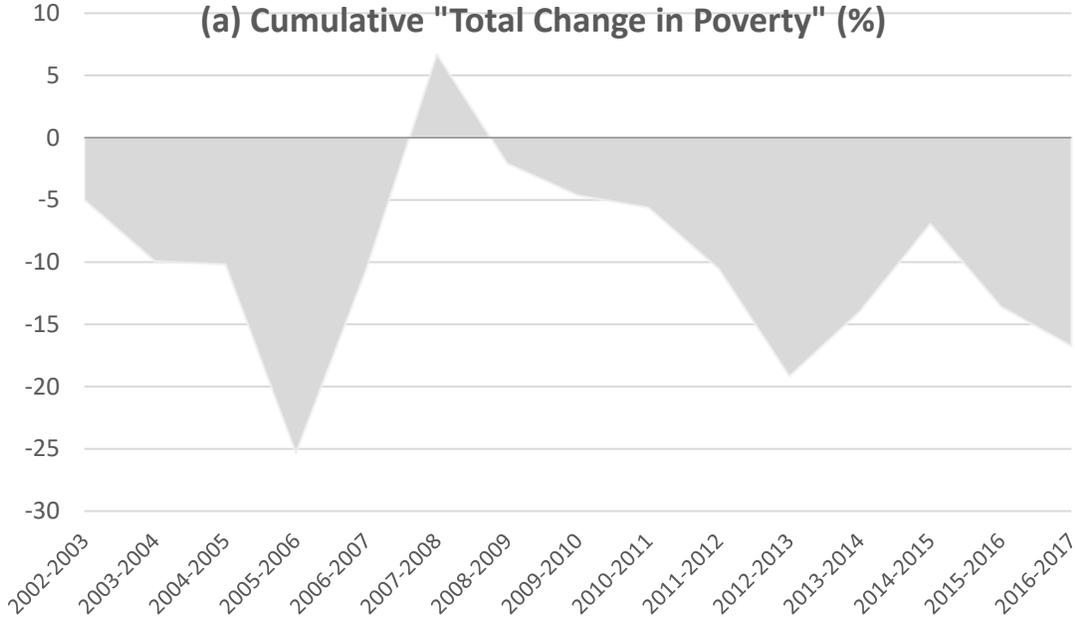
**(d) Within Group Inequality Effects (%)**



**(e) Population Shift Effects (%)**

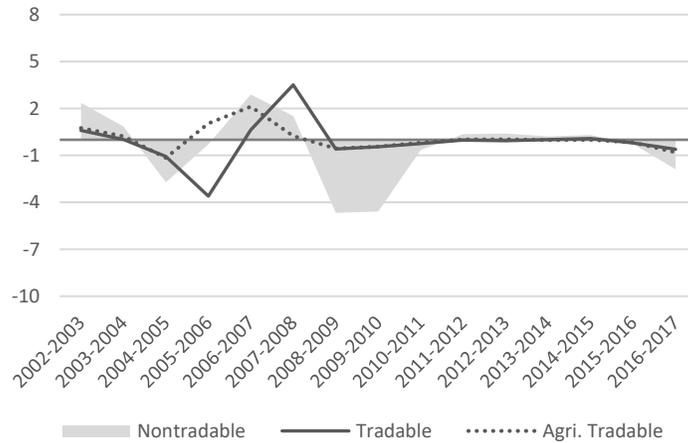


# The cumulative effects on the change in Overall Poverty

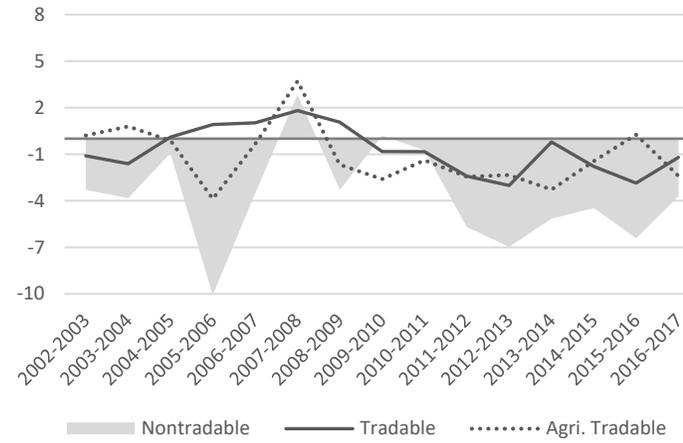


# The cumulative effects on the change in Overall Poverty

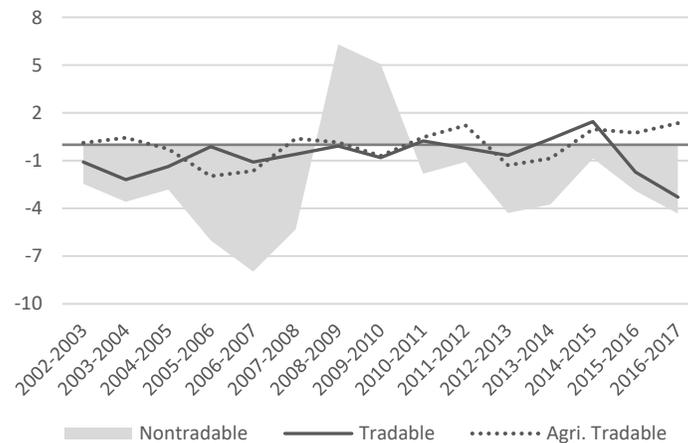
**(b) Cumulative "Overall Growth Effects" - All Grow at the Same Pace (%)**



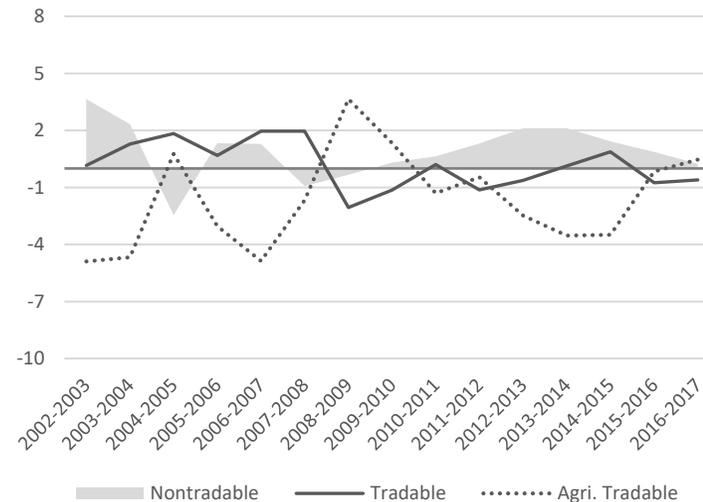
**(c) Cumulative "Growth Effects" - Each Grow at Different Pace (%)**



**(d) Cumulative "Within Group Inequality Effects" (%)**



**(e) Cumulative "Population Shift Effects" (%)**



# Conclusion

- **Economic populism** has been in association with **de-industrialisation** in Turkey due to a rise in non-tradable economic activities.
- The empirical finding in this paper is not able to reject the hypothesis that **non-tradable-led economic growth is more likely to be pro-poor**. Therefore, this likely positive effect on an improvement in poverty paves the way for a recent rise in the populist discourse in Turkey.