

Corruption and Macroeconomic Indicators of Turkey: A Comparison of 2011-2012-2013 and 2014-2015-2016

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Abstract: The corruption perception index has been announced by Transparency International since 1995 and it is highly considered by most of the countries. Turkey showed a success in terms of corruption index in years 2011, 2012, and 2013 but the following three years Turkey's scores declined. This paper compared macroeconomic indicators of Turkey between 2011 to 2013 which are success periods for Turkey in terms of corruption index and 2014 to 2016 which are failure periods. Interesting results are observed after comparing these two periods. Inflation and unemployment rose in failure periods. Export value and import value indices were also lower in these periods. Industrial Production Index (IPI) was worse than the success periods. However more houses were sold and moreover number of poor people and poverty rate were decreased when Turkey showed poor performance in terms of corruption index. Foreign Direct Investment (FDI) and total share of tax in GDP did not show any significant changes in these two periods.

Key Words: Corruption Index, Turkey, Macroeconomic Indicators of Turkey

1. Introduction

There is a huge literature about corruption in terms of political science, psychology, history, and economics. There are different theories concerning corruption and its effect on economic growth. The effect of corruption on economic growth can be different in short-term and long-term (Ahmad, Ullah, & Arfeen, 2012). This study is a comparison of macroeconomic indicators of Turkey between 2011 to 2013 and 2014 to 2016. The corruption index of Turkey and its macroeconomic indicators are compared to examine the nexus between corruption and its effect in terms of economics. The corruption perception index has been announced by Transparency International since 1995. The corruption index is considered a serious and powerful message that forces countries to take necessary actions.

Turkey has been governed by Justice and Development Party or AK Party since 2002. This politic situation enables the study to examine better the nexus between corruption and economic indicators. Turkey faced a serious economic crisis. Justice and Development Party won the election that was done just after this economic crisis. Although 2001 financial crisis devastated Turkey, Turkey overcame the financial crisis and showed an outstanding performance that is solid and high in terms of economic growth (Acemoglu & Ucer, 2015). Turkish economy grew more than 6% during this period. The share of the private sector in GDP became two times more post-crisis period. This economic growth would be the major reason why people are supporting AK Party. Gurkaynak and Sayek-Boke (2012) published in their article that economy is the answer of 85% of people for the question why they voted for AK Party. AK Party has governed Turkey for 16 years. This 16-year period can be examined period by period since

policies and attitudes of AK Party changed period by period. The researcher chooses 2011-2012-2013 and 2014-2015-2016 since we observe rises and falls consecutively in terms corruption index scores during these periods. This gives a unique chance to compare corruption and economic indicators.

2. Corruption and Economic Growth

There are plenty of research about corruption and its effects on the economy. There are even studies that measure the effect of corruption on economy. Ma (2001) claimed that one unit decrease in corruption index results a 0.545 percent fall in economic growth. He also claimed that corruption shows different effects on countries having political stability and countries having political instability. Podobnik, Shao, Njavro, Ivanov and Stanley (2008) similarly found that one unit increase in corruption index causes 1.7% increase in GDP when they include all countries in the study. Podobnik et al. (2008) showed that the increase in GDP after a unit increase in corruption index results 2.4% increase in GDP when they include only European countries. Gyimah-Brempong (2002) examined the African countries and found that economic growth is changing between 0.75% and 0.9% due to the one unit change in corruption index. Anoruo and Braha (2005) studied on 18 different African countries to analyze the effect of corruption on economic growth. They concluded that corruption affects the economic growth directly by means of productivity and indirectly by means of investments. Ugur and Dasgupta (2011) studied on 43 low-income countries to search the possible nexus between corruption and economic growth. They finalized that corruption has a negative effect on GDP. Farooq, Shahbaz, Arouri, and Teulon (2013) studied on a specific country which is Pakistan. Farooq et al. (2013) included also financial development and trade openness in their model. They concluded that corruption is preventing Pakistan in terms of economic growth. The corruption perception index has been announced by Transparency International since 1995. When Mauro (1995) published his article he did not have a chance to use corruption index to measure its effect on economy. He used a set consisting of subjective indices of corruption. He concluded that corruption causes a decline in economic growth due to the decline in investments. Bose (2010) argued that the relationship between corruption and economic growth can be nonlinear. He argued also direction of the causality. He believes that the direction of the nexus between corruption and economic growth can be in both ways in the long run.

As it is seen there is a plenty of study about corruption and its possible effects on economic growth. This paper will deal with corruption and its effects in Turkey. It is observed that there is a success in terms of corruption in years 2011, 2012, and 2013 consecutively and a failure in the next three following years. Macroeconomic indicators will be compared in this success as well as failure periods.

2.1 Macroeconomic Indicators of Turkey between 2011-2013 and 2014-2016

The following graph shows the corruption perception index of Turkey from 2008 and 2017. The progress can be seen from 2011 and 2013. The following three years this time there is decline.



Figure 1: Turkey Corruption Index

Inflation is the first indicator to be compared. Data for macroeconomic indicators for Turkey is taken from Turkish Statistical Institute. Since all data is from the same source the researcher preferred not to indicate sources of tables. Growth of annual rate of change of inflation calculated. The following table gives the growth rates.

Table 1: Growth of Annual Rate of Change of Inflation

Years	Growth	Years	Growth
2011	4.05	2014	8.49
2012	11.33	2015	7.31
2013	7.05	2016	8.09

When the average of growth is calculated it is 7.48 and 7.96 for the periods of 2011-2013 and 2014-2016 respectively. It is seen that the period of 2014-2016 is slightly higher than 2011-2013.

The table below gives the unemployment rates of Turkey by years. As it can be seen the highest rates are 11.9 and 10.9 in years 2014 and 2016 respectively. The average unemployment between the periods of 2011-2013 and 2014-2016 are 9.43 and 10.67 respectively. Both inflation and unemployment rates are higher in Turkey when it has lower ranks.

Table 2: Unemployment Rates by Years

Years	2011	2012	2013	2014	2015	2016
Turkey	9.8	9.2	9.3	11.9	9.2	10.9

Average export value indices (assumed 2010=100) are 111.5, 108.4, 108.5, 107.0, 96.7, 92.3 are in years 2011, 2012, 2013, 2014, 2015, and 2016 respectively. Average export value indices are higher in the period of 2011-2013 than periods of 2014-2016. The same pattern is observed for average import value indices (assumed 2010=100). These indices are 114.9, 111.9, 110.1, 107.0, 90.3, and 82.0 are in years 2011, 2012, 2013, 2014, 2015, and 2016 respectively.

Table 3: House Sales (total) by Years

Years	House Sales (total)	Years	House Sales (total)
2011	708,275	2014	1,165,381
2012	701,621	2015	1,289,320
2013	1,157,190	2016	1,341,453

Although there is a poor performance in terms of inflation, unemployment, and export in the period of 2014-2016 there were more houses sold in the same period.

The following table gives the values of Industrial Production Index with assumption 2015=100. If geometric mean of the changes are calculated it is found that the period of 2011-2013 outperformed the period of 2014-2016 with values of 8% and 5%.

Table 4: Industrial Production Index (IPI) [assumed 2015=100]

Year	Annual Average
2011	80.1
2012	83.5
2013	89.0
2014	94.2
2015	100.0
2016	103.4

The table shows below the number of poor people in thousands and poverty rate. These results are not expected since most of the indicators mentioned above are negative. When corruption index of Turkey is high there is more poverty.

Table 5: Number of Poor People and Poverty Rates

Years	2011	2012	2013	2014	2015	2016
Number of Poor People-in thousands	7288.18	7344.14	6788.45	6572.24	6652.00	6482.00
Poverty Rate (%)	10.07	9.98	9.12	8.68	8.70	8.40

Another interesting statistics is about foreign direct investment (FDI). Total FDI between the periods of 2011-2013 and 2014-2016 is almost same. Total FDI in years 2011-2013 is 41.92 billion USD and it is 41.85 billion USD in years 2014-2016. It seems that FDI was not influenced by corruption index. Similar case is observed for tax on personal income. The total share of tax on personal income in GDP is similar between the periods under interest. If the average percentage is calculated then it is seen that the results are 3.54% and 3.67% for the periods of 2011-2013 and 2014-2016.

3. Conclusion

Turkey corruption indices were 42, 49, and 50 in years 2011, 2012, and 2013. The next three years, these indices were 4, 42, and 41. So there is a success trend and then failure trend. This study compared these two periods based on the macroeconomic indicators. FDI and total share of tax in GDP were close in these periods. Surprisingly the number of poor people and poverty rate were lower in years 2014, 2015, and 2016 where we observed a negative trend in corruption index. However inflation, unemployment, IPI, import value, and export value indices were all lower in the same period. This paper shows that the corruption index of Turkey and macroeconomic indicators of Turkey differentiates in the short-term.

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