



ECON 526: Political Economy of Turkey

Dr. Emine Deniz

Fall, 2023

Email: emine.deniz@sabanciuniv.edu

Web: eminedeniz.com

Office Hours: W: 3:00 - 5:00 or by appointment

Class Hours: W: 8:40-11:30

Office: FASS 2033

Class Room: FASS 1075

Course Description

The study of the interrelationship between politics and economics is lively. In 1755, Adam Smith wrote: "Little else is required to carry a state to the highest degree of opulence from the lowest barbarism, but peace, easy taxes, and a tolerable administration of justice, all the rest being brought about the natural course of things." he might not have expected even after 400 years that we would be in search of such a state. Yet alone, we would still be trying to understand the economic consequences of the political decisions and the political consequences of the economic decisions.

This course provides students with a broad understanding of development economics and political economy. We will explore questions such as, but not limited to: What is the effect of state capacity on development, especially in fiscal and legal capacity? On the other hand, how do sociopolitical factors such as ethnic fractionalization, polarization, and gender discrimination affect economic outcomes? What are the economic causes and consequences of political violence? What is development assistance? How should we analyze the effect of development assistance on developing nations?

One major goal of the course is to explore the cutting-edge literature emerging in these areas. As such, the topics covered will include the most recent work from economics and political

science rather than the classical ones. Given its micro focus, most of the empirical papers we examine employ a within-country in which subnational regions are the relevant unit of analysis. Whenever possible, the country of study will be Turkey.

The second objective of the course is to improve the understanding of the latest empirical methods used in the literature. This will include learning the toolkit on applying econometric techniques to particular research questions and examining the pros and cons of employing these approaches. We will cover randomized evaluation, event studies, regression discontinuity, difference-in-differences analysis, instrumental variables, and matching estimators. Topical sections will be coupled with methods-related readings that will provide either an overview of implementation or critical assessments of the limitations of these methods.

Required and Recommended Materials

Each week, we will have at least one person assigned to each reading, who will be expected to make a 20-minute informal presentation, summarizing the paper very briefly and offering key analytical points on the article. However, everyone is responsible for all readings in a given week. **You are expected to have read and critically assessed the readings before each class and contribute to the discussion.**

While reading an article, you should consider the following questions:

- What is the main research question? Do you agree with the framing?
- What is the key argument advanced in the paper? Are there other factors that should be considered?
- What is the research design used to test the theoretical argument? Does this design facilitate causal inference around the hypothesized effect?
- Does the evidence as a whole convince you of the argument? What additional tests could be done to further provide support?
- To what extent do the other readings for the week support or contradict the argument?

All readings can be downloaded from the web, and most have been hyperlinked. Note: the background readings related to the methods are marked with **.

Many of the methods readings come from: Angrist, Joshua and Angrist Pischke. *Mostly harmless Econometrics: An Empiricist's Companion*. Princeton: Princeton University Press. 2009.

Course Structure

Presentations

Each week we will cover 3 papers, and students will do a 20-minute presentation on the paper to which they have been assigned. We will have a 30-minute discussion following each presentation.

The presentation should:

1. Identify the research question and motivate the importance of this question
2. Show the empirical strategy that is being used for the analysis
 - Show the actual estimating equation and talk through each part of it
 - Also, state what the assumptions are for this empirical strategy to be valid
3. Briefly describe the data, focusing on the most novel aspects
4. Present the main findings associated with the estimating equation that you show
5. Present 1 or 2 additional results that the author uses to address potential challenges to the empirical strategy
6. State the most important substantive implication of the finding for the literature and how this relates to the findings from either other canonical papers in the literature or other papers that we are studying closely that day
7. Provide a critical assessment and suggestions for improvement
 - On the empirical strategy, examples would be: Are there other endogeneity concerns that the author did not address? Do the variables measure what the authors claim they measure? Is the sample really unbiased? Would we be concerned about external validity? Etc...
 - On whether the evidence as a whole supports the conclusion: Did the author present sufficient evidence on the channel through which the effect is posited to operate? Are there other tests that could have been carried out?

[Macartan Humphrey's notes on discussing and reviewing papers](#). Please read this carefully and keep a copy, electronic or otherwise, while preparing for the class discussions.

Assessments

You must attend classes and actively participate in class discussions, which is the key to a successful learning experience and your class participation grade.

- Class participation: 30 % of the grade will be determined by contributions to class discussions on a weekly basis.
- Referee reports & Presentations: 20 % of the grade will be based on two presentations providing a critical assessment of key papers, which should also be written as a 2 (single-spaced) page referee report. The referee reports and presentations should be emailed to me by noon the day before the presentation.
- Research Paper: The remaining 50 % of the grade will be based on a 20-30 page research paper displaying original research on a topical or methodological theme covered in the course. The paper should advance a theoretical argument that is tested empirically. It is essential to work on these papers throughout the semester and, thus, to think about potential topics for the paper, starting with the first set of readings.

A paper proposal should be submitted for approval on Wednesday, November 15. Please email your proposal to me by noon that day. This proposal should identify the key research question, summarize the theoretical argument, outline the empirical strategy that will be used to answer the question, and identify the data that will be used to test the hypothesis.

November 29th and December 6th are reserved for presentations on paper proposals, where everyone will comment on the proposed idea for the research paper and provide suggestions. The last two classes (December 27th and January 3rd) will be reserved for presentations of results.

Final papers are due on Monday, January 19th. Please email your papers, along with your data and your code, by noon.

Course Policies

During Class

I understand that the electronic recording of notes will be important for class, so computers will be allowed in class. Please refrain from using computers for anything but activities related to the class. Phones are prohibited as they are rarely useful for anything in the course. Eating and drinking are allowed in class, but please avoid affecting the course.

Grading Policy

There is no explicit, preordained curve or distribution for letter grades. Instead, I will assess to what extent you have mastered the material, given the final average you have maintained. If more people in the class show me that they have learned the material well, I will give out more A's. Importantly, this means that one person's success does not lower someone else's grade. Thus, you should view studying and working on problem sets for this class as a collaborative rather than a competitive endeavor. For borderline cases, factors such as effort, participation, and improvement are taken into account.

Attendance Policy

Attendance is **mandatory** in all lectures. Valid excuses for absence will be accepted before class. In extenuating circumstances, valid excuses with proof will be accepted after class. The participation grade will be dropped by 1 point for every missed class.

Academic Integrity and Honesty

Students are required to comply with the university policy on academic integrity: [Academic Honesty and Plagiarism](#).

Accommodations

Discrimination based on race, color, religion, creed, sex, national origin, age, disability, veteran status, or sexual orientation violates Sabanci University policy and will not be tolerated.

Harassment of any person (either in the form of quid pro quo or the creation of a hostile environment) based on race, color, religion, creed, sex, national origin, age, disability, veteran status, or sexual orientation is also a violation of Sabanci University policy and will not be tolerated. Retaliation against any person who complains about discrimination is also prohibited.

Please feel free to alert the professor about your preferred pronouns. It is also okay to change your preferred pronouns throughout the quarter. The professor's preferred pronouns are she/her.

Important Dates

First Class	Wednesday 4/10
Research Proposal Due	Wednesday 15/11
Research Proposal Presentation	Wednesday 29/11
Research Proposal Presentation	Wednesday 6/12
Last Day for Withdrawal	Friday, 8/12
Research Paper Presentation	Wednesday, 27/12
Research Paper Presentation	Wednesday, 3/1
Final Research Paper Due	January 19th

Tentative Course Outline

Week 01, 02/10 - 06/10: Introduction to the Class & What is Development

We will discuss student research interests, requirements for taking the course, and the organizational structure and topics covered in the class. I will also go over how to do assignments, including referee reports, and do sign-ups for presentations.

Week 02, 09/10 - 13/10: Institutions

- Pande, Rohini, and Christopher Udry. "Institutions and development: A view from below." Yale University Economic Growth Center Discussion Paper 928 (2005). [Link to article](#)
- Altug, Sumru, Alpay Filiztekin, and Şevket Pamuk. "Sources of long-term economic growth for Turkey, 1880–2005." *European Review of Economic History* 12, no. 3 (2008): 393-430. [Link to article](#)
- Acemoglu, Daron, and Murat Ucer. The ups and downs of Turkish growth, 2002-2015: Political dynamics, the European Union and the institutional slide. No. w21608. National Bureau of Economic Research, 2015. [Link to article](#)
- Lowes, Sara, and Eduardo Montero. "Concessions, violence, and indirect rule: evidence from the Congo Free State." *The quarterly journal of economics* 136, no. 4 (2021): 2047-2091. * [Link to article](#)
- Field, Erica. "Entitled to work: Urban property rights and labor supply in Peru." *The Quarterly Journal of Economics* 122, no. 4 (2007): 1561-1602. * [Link to article](#)
- Huillery, Elise. "History matters: The long-term impact of colonial public investments in French West Africa." *American economic journal: applied economics* 1, no. 2 (2009): 176-215.* [Link to article](#)
- ** Angrist, Joshua D., and Jörn-Steffen Pischke. "Getting a little jumpy: Regression discontinuity designs." *Mostly harmless econometrics* (2008): 251-268. **

Week 03, 16/10 - 20/10: State

- Scott, James C. *Seeing like a state: How certain schemes to improve the human condition have failed.* Yale University Press, 2020. 1-83
- Geloso, Vincent J., and Alexander W. Salter. "State capacity and economic development: Causal mechanism or correlative filter?." *Journal of Economic Behavior & Organization* 170 (2020): 372-385. [Link to article](#)
- Dell, Melissa, Nathan Lane, and Pablo Querubin. "The historical state, local collective action, and economic development in Vietnam." *Econometrica* 86, no. 6 (2018): 2083-2121. * [Link to article](#)
- Paler, Laura. "Keeping the public purse: An experiment in windfalls, taxes, and the incentives to restrain government." *American Political Science Review* 107, no. 4 (2013): 706-725. * [Link to article](#)

- Cansunar, Asli. "Distributional Consequences of Philanthropic Contributions to Public Goods: Self-Serving Elite in Ottoman Istanbul." *The Journal of Politics* 84, no. 2 (2022): 889-907. * [Link to article](#)
- ** Angrist, Joshua D., and Jörn-Steffen Pischke. "The Experimental Ideal." *Mostly harmless econometrics* (2008): 9-18. **
- ** Ravallion, Martin. Should the randomistas (continue to) rule?. No. w27554. National Bureau of Economic Research, 2020. [Link to article](#)**
- ** Pritchett, Lant, and Justin Sandefur. "Context matters for size: why external validity claims and development practice do not mix." *Journal of Globalization and Development* 4, no. 2 (2014): 161-197. [Link to article](#)**

Week 04, 23/10 - 27/10: Politicians, Bureaucrats, and Elections

- Gulzar, Saad. "Who enters politics and why?." *Annual Review of Political Science* 24 (2021): 253-275.
- Pepinsky, Thomas B., Jan H. Pierskalla, and Audrey Sacks. "Bureaucracy and service delivery." *Annual Review of Political Science* 20 (2017): 249-268.
- George, Siddharth Eapen, and Dominic Ponattu. "Like father, like son? The effect of political dynasties on economic development." *Work. Pap., Harvard Univ., Cambridge, MA Google Scholar Article Location* 4 (2019). [Link to article](#)
- Heper, Metin. "State, democracy, and bureaucracy in Turkey." *The State and Public Bureaucracies. A comparative perspective* (1987): 131-145.
- Carreri, Maria. "Can good politicians compensate for bad institutions? Evidence from an original survey of Italian mayors." *The Journal of Politics* 83, no. 4 (2021): 1229-1245. * [Link to article](#)
- Gulzar, Saad, and Benjamin J. Pasquale. "Politicians, bureaucrats, and development: Evidence from India." *American Political Science Review* 111, no. 1 (2017): 162-183. * [Link to article](#)
- Aytac, Selim Erdem, and David Steinberg. "Economic Insecurity and Voter Attitudes about Currency Crises." *Studies in Comparative International Development* (2023): 1-29. * [Link to article](#)
- ** Angrist and Pischke. Chapter 5: "Parallel Worlds: Fixed Effects, Difference in Differences and Panel Data." P. 221-243. **

Week 05, 30/10 - 03/11: Economic and Political Inequality

- Pande, Rohini. "Can Mandated Political Representation Increase Policy Influence for Disadvantaged Minorities? Theory and Evidence from India." *The American Economic Review* 93, no. 4 (2003): 1132-51. * [Link to article](#)
- Lupu, Noam, and Jonas Pontusson. "The structure of inequality and the politics of redistribution." *American Political Science Review* 105, no. 2 (2011): 316-336. * [Link to article](#)
- Acemoglu, Daron, Tristan Reed, and James A. Robinson. "Chiefs: Economic development and elite control of civil society in Sierra Leone." *Journal of Political Economy*, 122, no. 2 (2014): 319-368. * [Link to article](#)

Week 06, 06/11 - 10/11: Gender and Development

- Duflo, Esther. "Women Empowerment and Economic Development." *Journal of Economic Literature* 50, no. 4 (2012): 1051-79. <http://www.jstor.org/stable/23644911>. [Link to article](#)
- Sen, Amartya. "More than 100 million women are missing." In *Gender and Justice*, pp. 219-222. Routledge, 2017.
- Cooper, Jasper. "State capacity and gender inequality: experimental evidence from Papua new Guinea." *Columbia University, New York, NY* (2018). * [Link to article](#)
- Erten, Bilge, and Pinar Keskin. "Female employment and intimate partner violence: evidence from Syrian refugee inflows to Turkey." *Journal of Development Economics* 150 (2021): 102607. * [Link to article](#)
- Field, Erica, Rohini Pande, Natalia Rigol, Simone Schaner, and Charity Troyer Moore. "On her account: Can strengthening women's financial control boost female labor supply?." *Growth and labour markets in low income countries programme: Working. Paper 32* (2016). * [Link to article](#)

Week 07, 13/11 - 17/11: Ethnic and Religious Politics

- Shayo, Moses. "A model of social identity with an application to political economy: Nation, class, and redistribution." *American Political Science Review* 103, no. 2 (2009): 147-174. [Link to article](#)
- Alesina, Alberto, and Eliana La Ferrara. "Ethnic diversity and economic performance." *Journal of Economic Literature* 43, no. 3 (2005): 762-800. [Link to article](#)
- Michelitch, Kristin. "Does Electoral Competition Exacerbate Interethnic or Interpartisan Economic Discrimination? Evidence from a Field Experiment in Market Price Bargaining." *American Political Science Review* 109, no. 1 (2015): 43-61. * [Link to article](#)
- Meyersson, Erik. "Pious populists at the gate: A case study of economic development in Turkey under AKP." *Economics of Transition* 25, no. 2 (2017): 271-312. * [Link to article](#)
- Bozçaga, Tugba, and Fotini Christia. "Imams and businessmen: Islamist service provision in Turkey." (2020). * [Link to article](#)
- ** Abadie, Alberto. "Using synthetic controls: Feasibility, data requirements, and methodological aspects." *Journal of Economic Literature* 59, no. 2 (2021): 391-425. [Link to article](#)**

RESEARCH PROPOSAL DUE**Week 08, 20/11 - 24/11:** Conflict

- Blattman, Christopher, and Edward Miguel. "Civil war." *Journal of Economic Literature* 48, no. 1 (2010): 3-57. [Link to article](#)
- Kalyvas, Stathis N. *The logic of violence in civil war*. Cambridge University Press, 2006. Chapters 1 & 2
- Ray, Debraj, and Joan Esteban. "Conflict and development." *Annual Review of Economics* 9 (2017): 263-293. [Link to article](#)
- Bozçağa, Tuğba, and Asli Cansunar. *The Education Backlash: How assimilative primary school education affects insurgency in areas of ethnic conflict*. United Nations University World Institute for Development Economics Research, 2023. * [Link to article](#)
- Tezcür, Güneş Murat. "When democratization radicalizes: The Kurdish nationalist movement in Turkey." *Journal of Peace Research* 47, no. 6 (2010): 775-789. * [Link to article](#)
- De Roux, Nicolás, and Luis R. Martínez. "Forgone Investment Amid Conflict: Evidence from Credit Microdata in Colombia." Available at SSRN 3725231 (2021). * [Link to article](#)

Week 09, 27/11 - 01/12: Research Proposal Presentations**Week 10, 04/12 - 08/12:** Market Reforms

- Sönmez, Ümit. "The political economy of market and regulatory reforms in Turkey: the logic and unintended consequences of ad-hoc strategies." *New Political Economy* 16, no. 1 (2011): 101-130. [Link to article](#)
- Przeworski, Adam, and James Raymond Vreeland. "The effect of IMF programs on economic growth." *Journal of Development Economics* 62, no. 2 (2000): 385-421. * [Link to article](#)
- Demir, Firat. "IMF conditionality, export structure and economic complexity: The ineffectiveness of structural adjustment programs." *Journal of Comparative Economics* 50, no. 3 (2022): 750-767. * [Link to article](#)
- Gürakar, Esra Çeviker, and Esra Çeviker Gürakar. "Political economy of reform and retrogression in the public procurement system: third party enforcement versus the political settlement in Turkey." *Politics of Favoritism in Public Procurement in Turkey: Reconfigurations of Dependency Networks in the AKP Era* (2016): 23-66. *
- ** Angrist and Pischke. Chapter 5: "Instrumental Variables in Action: Sometimes You Get What You Need." P. 83-165. **

Week 11, 11/12 - 15/12: State-Business Relationships

- Buğra, Ayşe. 1998. "Class, Culture, and State: An Analysis of Interest Representation by Two Turkish Business Associations." *International Journal of Middle East Studies* 30 (4). Cambridge University Press: 521–39.
- Fisman, Raymond. "Estimating the value of political connections." *American economic review* 91, no. 4 (2001): 1095-1102. [Link to article](#)
- Faccio, Mara. "Politically connected firms." *American economic review* 96, no. 1 (2006): 369-386. [Link to article](#)
- Deniz, Emine. "Markets, Conflict, and Incumbent Tenure: Evidence from Turkey's Kurdish Insurgency." (2020). [* Link to article](#)
- Göktepe, Gökçe, and Shanker Satyanath. "The economic value of military connections in Turkey." *Public Choice* 155 (2013): 531-552. [* Link to article](#)
- Bertrand, Marianne, Francis Kramarz, Antoinette Schoar, and David Thesmar. "The cost of political connections." *Review of Finance* 22, no. 3 (2018): 849-876. [* Link to article](#)
- **MacKinlay, A. Craig. "Event studies in economics and finance." *Journal of economic literature* 35, no. 1 (1997): 13-39. [Link to article](#)

Week 12, 18/12 - 22/12: Political Economy of Climate Crisis

- Grossman, Gene M., and Alan B. Krueger. "Economic growth and the environment." *The quarterly journal of economics* 110, no. 2 (1995): 353-377. [Link to article](#)
- Jayachandran, Seema. "How economic development influences the environment." *Annual Review of Economics* 14 (2022): 229-252. [Link to article](#)
- Hess, Simon, Dany Jaimovich, and Matthias Schündeln. "Environmental effects of development programs: Experimental evidence from West African dryland forests." *Journal of Development Economics* 153 (2021): 102737. [Link to article](#)
- Burgess, Robin, Matthew Hansen, Benjamin A. Olken, Peter Potapov, and Stefanie Sieber. "The political economy of deforestation in the tropics." *The Quarterly journal of economics* 127, no. 4 (2012): 1707-1754. [* Link to article](#)
- Adiguzel, Fatih Serkant. "Correlates of deforestation in Turkey: evidence from high-resolution satellite data." *New Perspectives on Turkey* 68 (2023): 30-48. [* Link to article](#)
- Malerba, Daniele. "Poverty alleviation and local environmental degradation: An empirical analysis in Colombia." *World development* 127 (2020): 104776. [* Link to article](#)

Week 13, 25/12 - 29/12: Research Presentations**Week 14, 01/01 - 05/01:** Research Presentations