

K İ T A P L A R :

B O O K R E V I E W S :

LITERATURE ON INCOME DISTRIBUTION
IN TURKEY

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It is a general feeling among experts that the scarcity of information on income distribution in a country is a sure sign of a disturbingly unequal distribution of income. If this is so, there is reason to wonder whether or not Turkey has broken away from this pattern since the early 1960's.

It is not that the "Planned Period" has seen the research on income distribution flourishing and that anything comparable to, for example, India has been achieved, but still the last decade has been full of a lively debate on the subject and a number of valuable works have seen daylight. This represents a sharp contrast to the preceding decades for which we are in an almost complete darkness.¹

We must note from the outset that the study of income distribution in Turkey is made difficult to a large extent by the inadequacy of income tax data. Although the income tax system is established legally in the early fifties, its sectoral coverage (total exclusion of agricultural incomes until 1964 and since then their virtual exemption), its heterogenous treatment of different categories of incomes (lump sum taxation of small business, wage incomes subject to withholding, most of other incomes subject to declaration) and its weak management leading to widespread understatement of the taxable income and considerable tax evasion and avoidance, made its use for income distribution study impossible except for *ad hoc*, piecemeal and incidental use.

The first attempt was made by J. L. Enos (from M. I. T.) in 1962 who was commissioned for this work by the U. S. A. I. D. This work

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¹ One notable exception is the work of Dr. Eva Hirsch, *Poverty and Plenty on the Turkish Farm*, Columbia University Press, New York, 1970, reviewed in the present issue of METU. STUDIES IN DEVELOPMENT.

was never to be published but from the lectures delivered by prof. Enos and from various tables published (without due authorization it would seem) by some Turkish weekly magazines, it appears that Enos estimated per capita income and tax incidence for 6 different socio-economic groups: low, middle and high income agriculture, wage and salary earners, civil servants and entrepreneurs. Enos' study was for Turkey as a whole, without any regional basis. It used whatever information was available: national income, population, production and tax statistics etc. For 1962, it would show that yearly average income per active individual in the "entrepreneur" group would be about 120 times the average income in the "low income agriculture" group, before tax, and after tax the difference would come down to 90 times approximately. Otherwise there is no attempt to estimate the distribution by size groups. After 10 years one cannot help regretting that this study was not published, for although it is no more than a rough estimate—it could not be otherwise—its attempt to a socio-economic classification of incomes is most interesting in many respects. Fortunately further attempts were to be made by Turkish authors to study the behavior of incomes of socio-economic classes and these are in print.

But to remain in chronological order we must mention an important study made in the State Planning Organisation (SPO) in 1966 by Tolgay Çavuşoğlu and Yusuf Hamurdan: "1963 Yılı Gelir Dağılımı Araştırması" (Study on Income Distribution in Turkey in 1963). The study was not officially printed and made public by the SPO but it was widely used by the Press for quotation and by the scholars for criticism, comment and further elaboration.

The SPO Study was essentially based on 1963 Industrial and Agricultural Censuses and 1960 Population Census but it also used published or unpublished, official or non official information on taxes, wages available to the SPO. The aim of it was to give the income distribution by income size groups. But detailed information is also given on various income groups: retired, employers and self-employed, liberal professions, wage earners etc. Also for the size distribution of agricultural incomes (not rural incomes) and for size distribution of land holdings *regional* figures are provided on the basis of 9 geographical regions. Some comparisons are also made between the latter figures

and the figures resulting from 1952 Agricultural Census data with the help of Lorenz concentration curves, in spite of tremendous methodological difficulties of this comparison. To give an idea of the difficulties involved let us mention that the 1963 Census is based on landholdings but 1952 census on land ownership.

One specially nice thing about the SPO Study, beside the fact that it was more or less the first massive attempt on the subject was that it provided a wealth of details about its methodology and sources. And if figures on income distribution constituted the mainstay of the politician and publicist for a number of years, the details about the methodology made the main starting point of a considerable number of research and criticism.

Prof. Ömer Celâl Sarç of Istanbul University produced the first and most determined criticisms of the Study² and hinted that it tended to overstate the concentration of income. This hint cannot be pinned down to any particular page of the study, but results logically from the observations that, although the agricultural incomes estimates constitute an acceptable approximation, non-agricultural income estimates are plagued by various defects: wages do not include payments in kind (p. 24), and undistributed profits of the firms are not deducted from the incomes of the owners of the firm (p. 14). Prof. Sarç also criticizes the assumptions on occupational distribution of population, on number of earners per family, etc.

In 1968, Dr. Uğur Korum published his estimates of the distribution of National Income between wages and salaries in the public sector and wages in private non-agricultural sectors for the period 1950 - 1965³. The paper is not very rich in methodological detail, its purpose not being directly related to the problem of distribution, but one can gather that he used budget figures and the statistics of the Workers' Insurance Institute, on wages and population census figures for the estimation of the working population. Censuses being taken every five years, non-

² Ord. Prof. Dr. Ömer Celâl Sarç, *Devlet Plânlama Teşkilâtının Gelir Dağılımı Araştırması* (Income Distribution Study of the S.P.O), İktisadi Araştırmalar Tesisi No. 16, İstanbul 1967.

³ Doç. Dr. Uğur Korum, "1950-1965 Döneminde Türk Ekonomisindeki Değişmelerin Oranlar Yardımıyla Analizi" (An Analysis of Changes in the Turkish Economy between 1950-1965) *İstatistik*, June 1968, p. 6.

census years' figures are the author's estimates using compound interest formula. The use of budget figures or Workers' Insurance data pose impossible problems in Turkey; it is regrettable that the author does not indicate the way in which he solved these problems.

Using mainly the data published by Dr. Korum, another member of the Faculty of Political Sciences (Ankara University), Dr. Korkut Boratav⁴, estimated the changes in the share of the different categories of wage earners between 1950 and 1965 (Table 1). Dr. Boratav also estimated the shares of wage and non-wage incomes in the non-agricultural sector and for all these categories he computed the "parity ratios" defined as the ratio of relative share in national income to the relative place of the relevant group's active population to the total active population (p. 206). The changes in these ratios indicate the relative improvement or worsening in the distributive shares of different groups. Dr. Boratav can point out for instance that during the 16 years of the period wage earners' relative position worsened but non-agriculture wage earners' position improved over all, due to improvements in the earlier phase of the period (p. 222).

Dr. Boratav is one of the Turkish economists who put considerable effort in the problem of income distribution in Turkey. Already in 1965 he published a book on the subject with the title "Public Finance and Income Distribution"⁵ where he made a meticulous analysis and description of the mechanisms of public finance affecting the distribution of income with emphasis on the problems of methodology and definitions of concepts. In 1969 another book by this author "Income Distribution - in Capitalist System, in Turkey and in Socialist System"⁶ was published. This is a book intended for a large audience as a popular reading, in the form of questions and answers (100 questions), but as quite a number of other books in this series it is composed with considerable skill. Apart from subjects not directly related to the purpose

⁴ Dr. Korkut Boratav, "1950-1965 Döneminde Tarım Dışındaki Emekçiler açısından Gelir Dağılımındaki Değişiklikler" (Changes in Income Distribution Related to Wage Earners in the 1950-1965 Period), *Siyasal Bilgiler Fakültesi Dergisi*, March 1969.

⁵ Dr. Korkut Boratav, *Kamu Maliyesi ve Gelir Dağılımı, Kavramlar ve Metod Meseleleri*, S.B.F., Ankara, 1965.

⁶ Dr. Korkut Boratav, *Gelir Dağılımı - Kapitalist Sistemde, Türkiye'de ve Sosyalist Sistemde*, Gerçek Yayınevi, "100 Soruda" Series, İstanbul, 1969.

of the present survey, the book constitutes a most comprehensive compilation of the available knowledge on the income distribution in Turkey plus an original presentation of the findings of his previously published articles.⁷

The material discussed so far is aiming at the discovery of income distribution among income sizes or socio-economic groups; regional or geographical distribution is either not attempted or is handled incidentally and partially as it was the case in the S.P.O. Study cited above. An unpublished work was done in the Ministry of Reconstruction and Settlement, Regional Plans Division, by E. Jurkat which gave the value added by Provinces for 1963.

Apart from the fact that this work is not easily available and that its methodological weaknesses have not been really evaluated, it is now updated by a new study by Dr. Tuncer Bulutay and Hasan Ersel, from the Faculty of Political Sciences⁸ published in 1970. This study uses the statistics published by the State Institute of Statistics, specially 1965 Population Census, National Income data, and the data made available by certain specialized government agencies such as Agricultural Bank, Forestry Department, etc. The authors also use the unpublished Industry and Establishments Survey of the S.I.S. for 1965 after adjusting it with population census data (occupational distribution by Provinces) or after "blowing it up" here and there. The output of the effort is offered on Table I, for each of the 68 Provinces, with a 13 sector breakdown of the Domestic Income as well as income per capita for every Province.

The same article makes also an attempt to estimate the shares of wages and non-wage incomes in manufacturing industries in 1965, on the basis of S.I.S. Survey (Table IV). This time there is no geographical distribution of the shares, but a break-down between Public and Private Sectors is provided.

⁷ In addition to his 1969 article, see his "Türkiye'de Kişisel Gelir Dağılımı ve Plânlama Teşkilâtının Araştırması" (Individual Income Distribution in Turkey and the S. P. O. Study), *Siyasal Bilgiler Fakültesi Dergisi*, December 1966.

⁸ Doç. Dr. Tuncer Bulutay ve Hasan Ersel, "Türkiye Milli Gelirinin İller, İmalât Sanayi'i Gelirinin Ücret ve Kâr Arasında Bölünüşü üzerine bir Deneme" (An Essay on the Distribution of National Income by Provinces and Distribution of Manufacturing Income between Wages and Profits in Turkey), *Siyasal Bilgiler Fakültesi Dergisi*, December 1970.

This brings us to the latest and probably most important contribution made to the literature on income distribution in Turkey; the book by Drs. Bulutay, Timur and Ersel: *Income Distribution in Turkey, 1968*.⁹ This time Drs. Bulutay and Ersel from the Faculty of Political Sciences have joined efforts with Dr. Serim Timur from the Hacettepe University to produce an estimate of income distribution by size of incomes, by socio-economic groups and by geographical regions. For this reason alone this work would be a candidate to an extensive use and citation for a long time to come.

The merit of the book does not consist of this global approach alone; its basic source is entirely new and original. Unlike all the studies so far made using whatever "existing" data which could be unearthed, it is based on a sample survey made in the summer months of 1968, by the Population Studies Institute of the Hacettepe University. The random sample is 4,505 urban and rural *households*, stratified by 5 geographical regions and by the urban-rural distinction. The details about the definitions and the sampling, and surveying methodologies are given in the 4 Appendices to the book. Also 112 pages out of 218 pages of the book reproduce some of the original data-sheets of the study, making thus the study very handy and fertile for further research and experimentation.

The aggregate income concept behind the distribution figures is "disposable income" (p. 3). This is only natural since the survey is applied through questionnaires filled by the surveyors of the project on a household basis. The aggregate Disposable Income resulting from the sample survey is about 68 billion TL. with current prices. The authors compare this with the "official" S.I.S. figure of 88 billion TL. for the same year and conclude that this difference is due to the under-statement of incomes by the households in their sample survey.

It may be appropriate to note at this point that in Turkey we are blessed with having not one single but two sets of "official" National Income figures; one by the S.I.S. used by Bulutay, Timur and Ersel. The other by the State Planning Organization that is used in the Five-Year Plans and Annual Programmes, in the Budget Preambles, i.e. in all "official analysis". The reason for the existence of two series is

⁹ Doç. Dr. Tuncer Bulutay, Dr. Serim Timur, Dr. Hasan Ersel, *Türkiye'de Gelir Dağılımı - 1968-*, S.B.F. Yayını, Ankara, 1971.

precisely the fact that, the S.P.O. consider the S.I.S. series as over-estimates, starting from 1958 on. Of course, the difference between two series gets inflated throughout the years, and for 1968 the difference is 8.6 billion TL.¹⁰ In fact, according to the S.P.O. and S.I.S. experts who work on the unification of the two series, the difference for the year 1968 would be close to ¹⁰ billion TL. Therefore, and even if the "true" figure is somewhere between the two series, the under-reporting of incomes encountered by Bulutay and associates would be less than what they seem to think it is. However, no one could quarrel with their conclusion that their figures are more meaningful for the income distribution than for the comparison of absolute figures.

Some minor disturbances may have distorted the results; understatement may have been smaller for wage and salary earners than for others or the fact that average income for Izmir turns out to be higher than for Istanbul may be due to a relatively great number of high income holiday makers falling within the sample because the survey was carried out in summer, etc. (pp. 4-5). But according to the authors these do not seriously reduce the overall validity of the findings.

The book concentrates mostly on reporting the results of the survey but here are also some attempts to evaluation and comparison. Lorenz curves for regions (p. 173) or for different countries etc. permit immediate visual perception of the differences. But tables of distributions as well as coefficients of concentration are also supplied for readers interested in numerical values. We are told that already a group of researchers in the S.I.S. are using the findings of this study for the purpose of estimating income elasticities for consumption goods. Clearly this study will bring a considerable impetus to research in income distribution as well as economic research in general in this country.

Some comparisons with the previous studies on 1963 distribution are given (e.g., p. 16) and they point to a considerable increase in the concentration of incomes (by size) between 1963-68. It is a pity that one cannot tell exactly how much of it is due to real "worsening" of the income distribution and how much to differences in the statistics used.

¹⁰ Compare, D.P.T. (S.P.O), *1970 Yılı Programı*, p. 20, and S.I.S., *National Income, Total Expenditure and Investment of Turkey*, Ankara, 1969, p. 11.,

One conclusion that emerges from this rapid survey of the literature on income distribution in Turkey is that the interest in this matter is quite recent: Most of the weaknesses in the studies, and their small number can be explained by this. After all, not more than a dozen people have at one time or another, been working, on the subject during the last 10 years or so.* This may be better than many other fields of research in this country, but it is clearly not very much by international standards.

Official interest in the subject has also been clearly lacking. The First Five-Year Plan shows some awareness of the problem and attempts to bring some light to the variations of different categories of incomes with the help of some rough indicators¹¹, such as land prices as an indicator of land rents etc. We must realize that by the time the First Five-Year Plan was being prepared there was absolutely no study available. One may think that the S.P.O. Study was the outcome of this basic shortcoming. But it is true to say the official interest in the advancement of knowledge in this area has not remained very keen and it is reflected in the fact that the Second Five-Year Plan does not treat the subject as an independent issue or the fact that no official effort whatsoever was visible towards the improvement of basic statistics on income distribution.

* It is clear that the present survey has no pretention to be exhaustive; a great number of newspaper articles, pamphlets and other publications have been omitted or gone unnoticed by the present writer. The assumption is that the material included here represents the original contributions which constitute a source for others.

¹¹ D.P.T., *Kalkınma Planı, Birinci Beş Yıl, 1963-1967*. Ankara 1963, pp. 48-58.