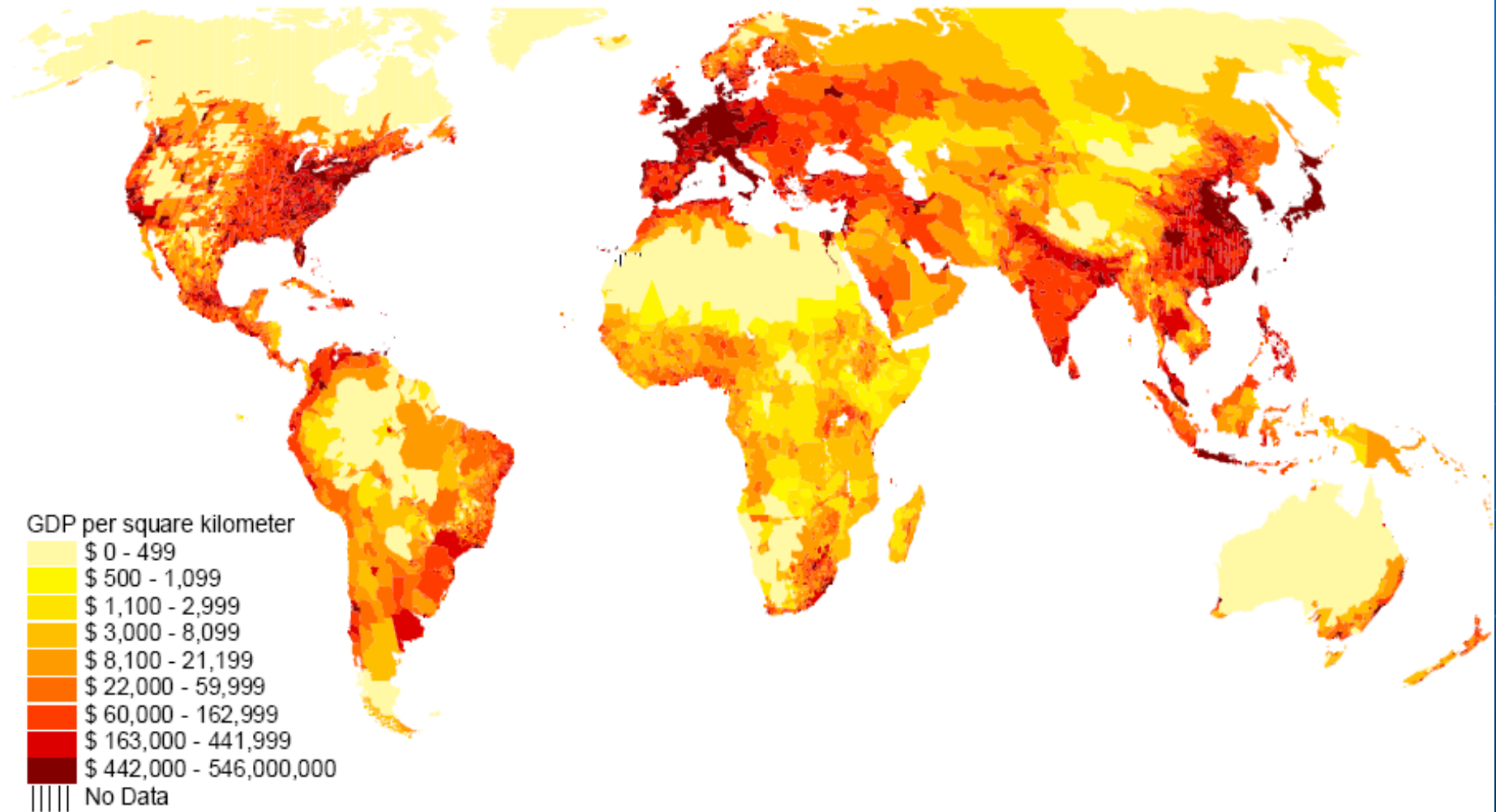


The New Global Economy & Turkey

Bilin Neyaptı
BILKENT UNIVERSITY

GDP Density

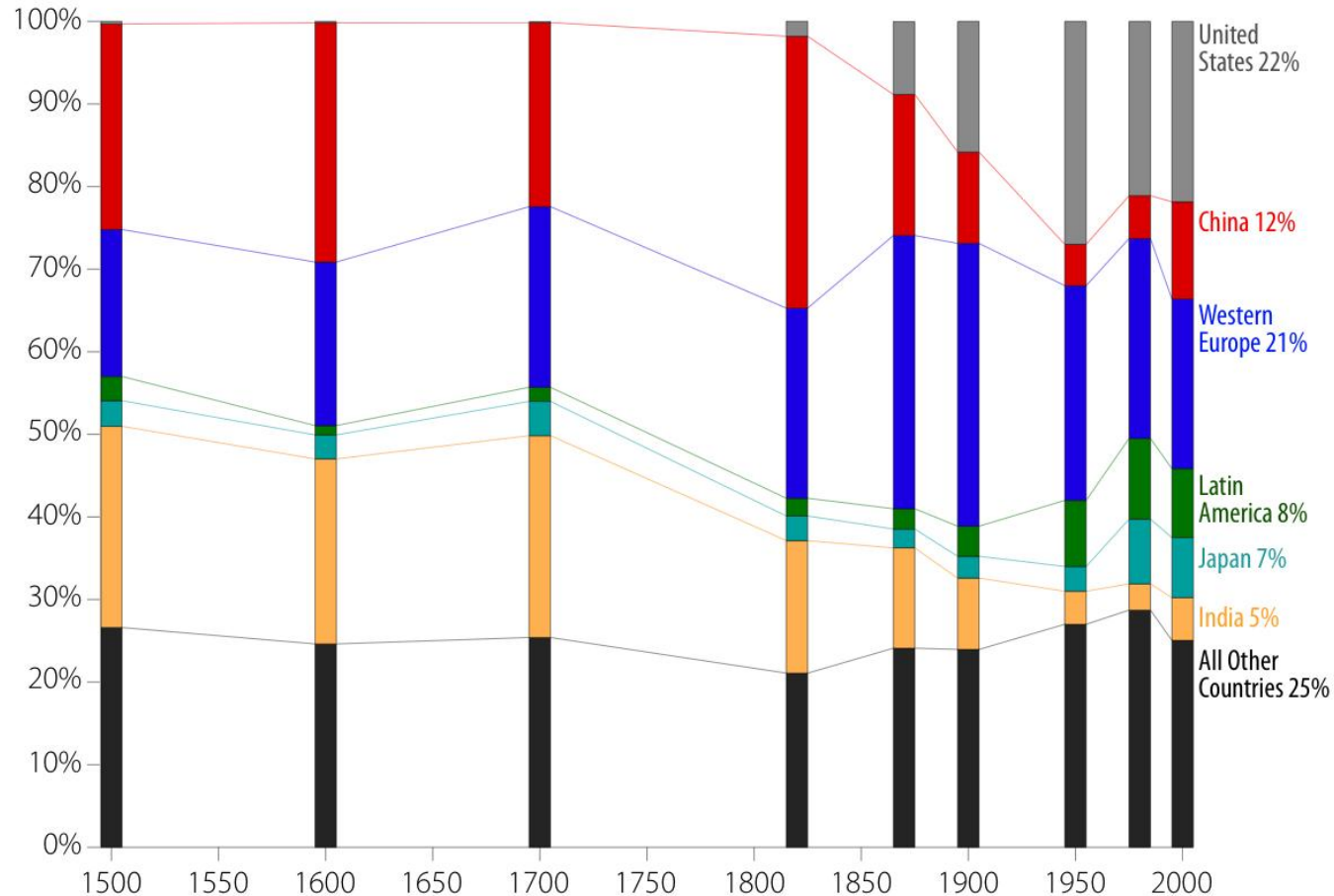


(source: www.econbrouser.com)



Percentage of World GDP (last 500 years)

China, India, Japan, Latin America, Western Europe, and United States



A Paradigm Change ?

- Transition from a bi-polar system (since 1950s) to a *multipolar* one (*decoupling?*) – coinciding with the phase of possibly increased protectionism and rule-based policies (→ political/institutional implications?)
- Parallelism with the idea of the spread of the gains of growth to equality projected by the *unbalanced growth theory* (*)
- Factors in the emergence of the new poles:
 - Growth
 - Stability

(*) Boeke (1953), Lewis (1955), Hirschman (1958)

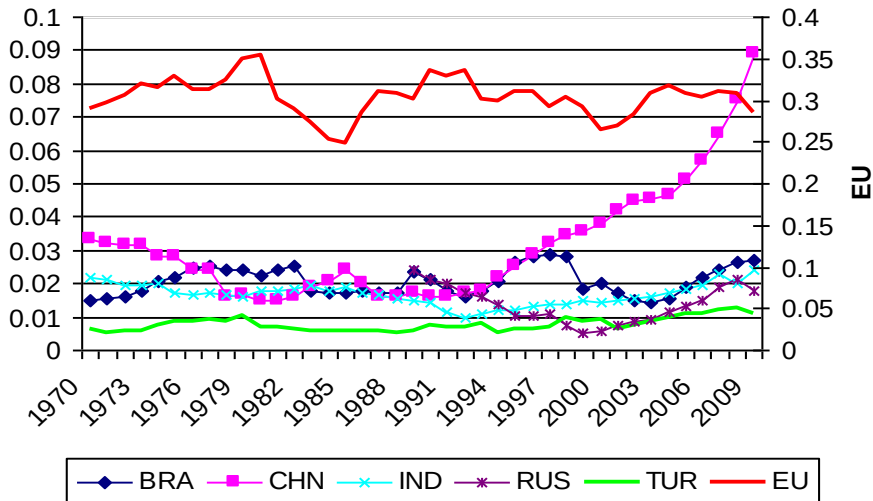
- Crises are likely to lead to substantive institutional reforms and structural changes.
 - They help reveal the underlying mechanisms of excessive gains and inequality inherent in the circumstances that lead to the crises.
 - Realization of the determinants of the crises lead to reform attempts/redesigning institutions (macroprudentials in case of the recent global financial crises)

What will multipolarity bring?

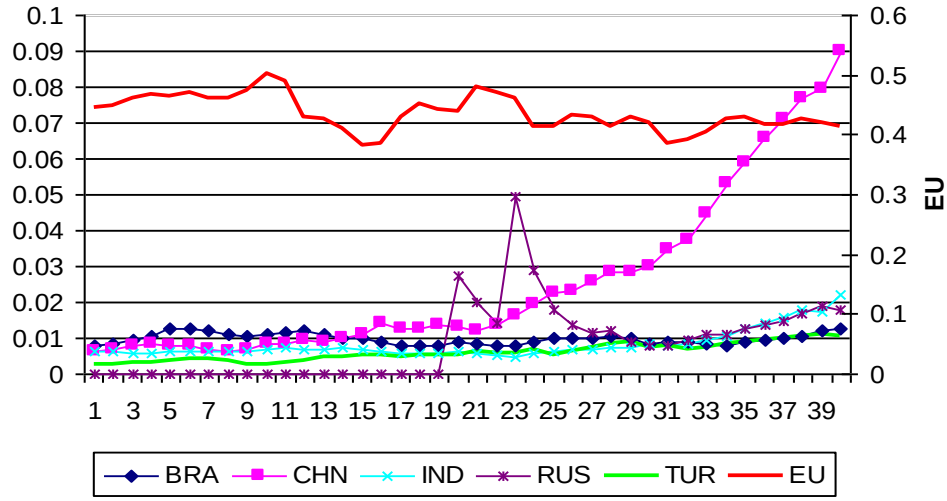
- Reduced transaction costs?
 - Increased bilateral/regional trade and investment treaties
 - Multiple reserve currency/international currency mechanism? (risk of moral hazard ?)
- Regional (*relative vs absolute*) convergence?
(initially growing regional disparities –tot disadvantage and immiserising growth?)
- Greater economic policy coordination at the global level ?
- Institutional isomorphisim or diversification ?

Economic Convergence? BRIC, Turkey

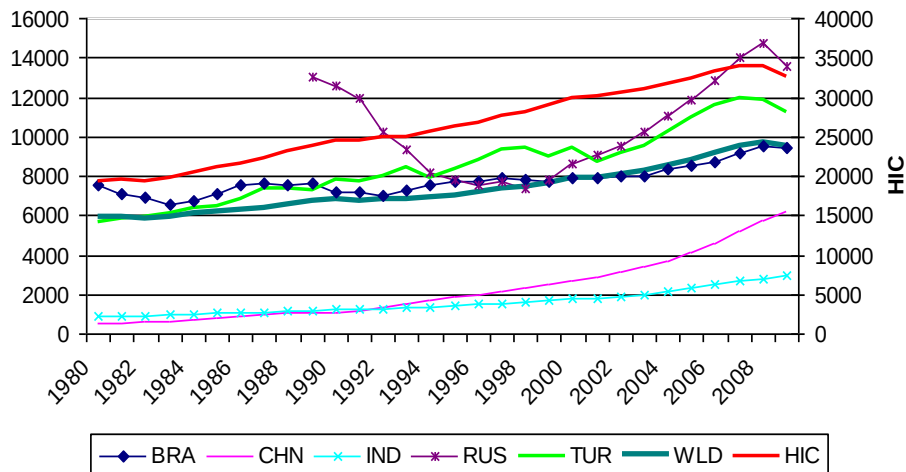
Shares of World Output



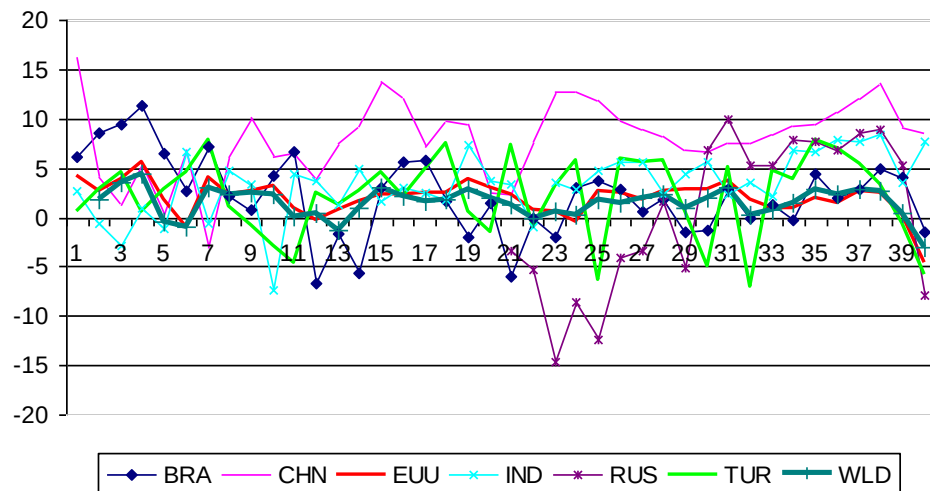
Shares of World Trade



GDP per capita (PPP, 2005 \$)

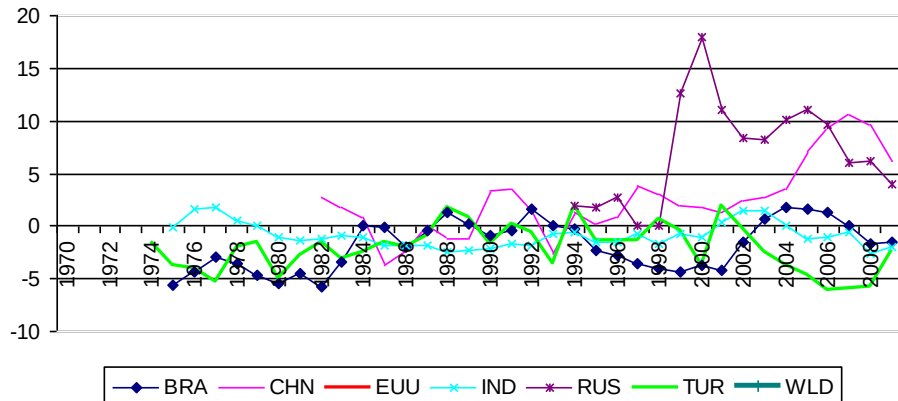


Per Capita GDP Growth

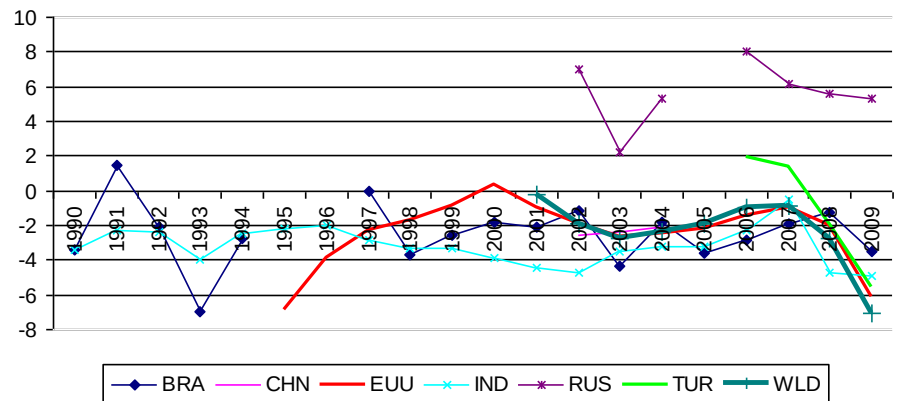


Economic Stability: BRIC & Turkey

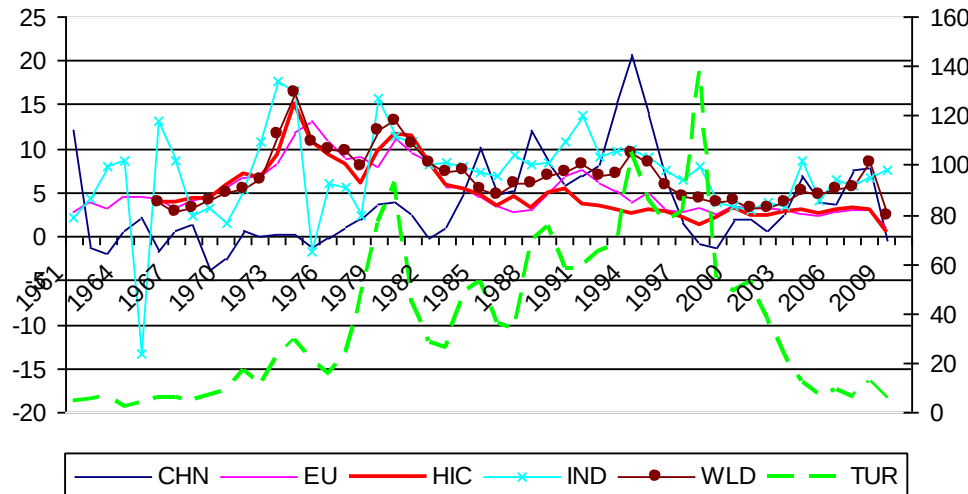
Current Account Balance (%GDP)



Budget Balance (%GDP)

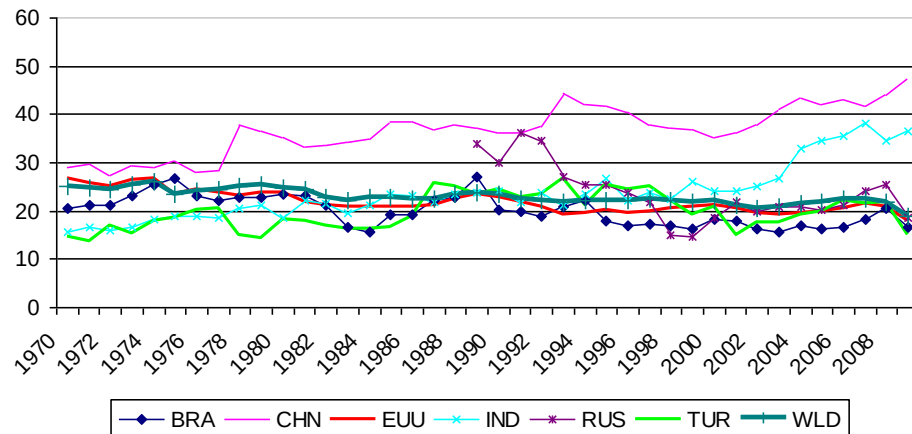


Inflation (GDP Deflator)

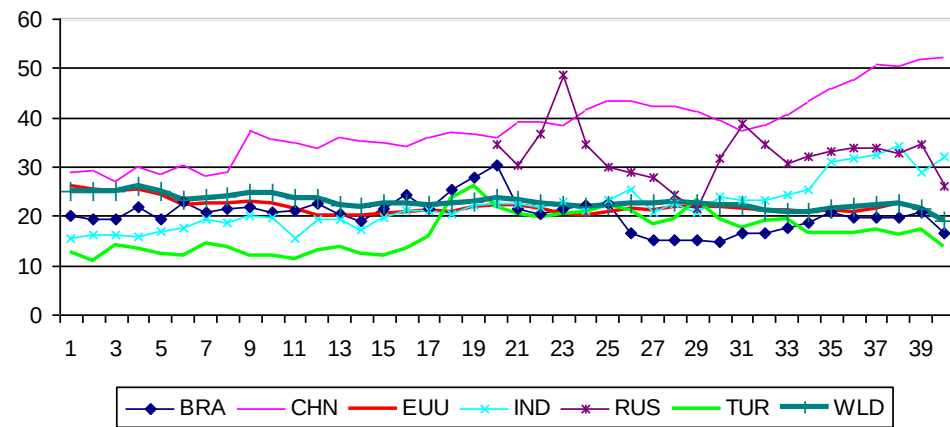


Saving, Investment & R&D: BRIC & Turkey

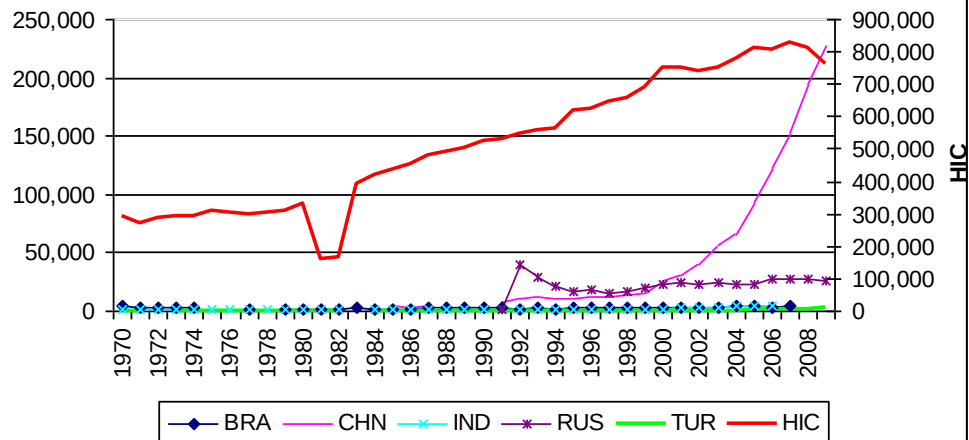
Gross Fixed Capital Formation (%GDP)



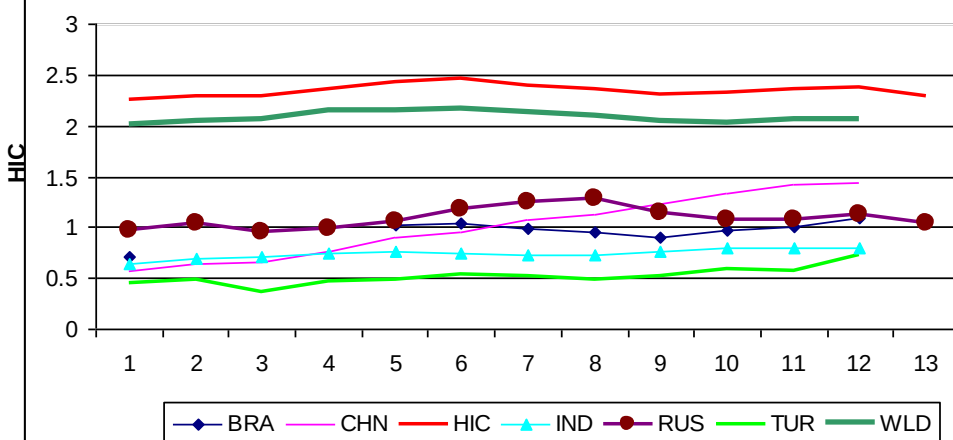
Gross National Saving (%GDP)



Patent Applications

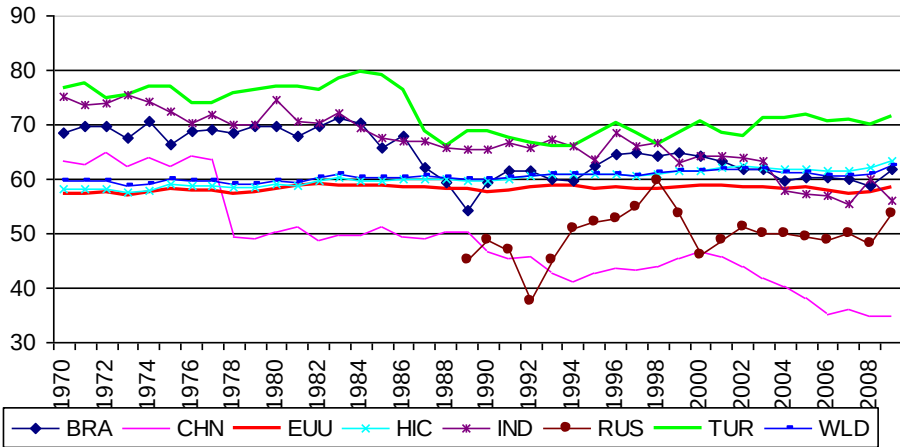


R&D (%GDP)

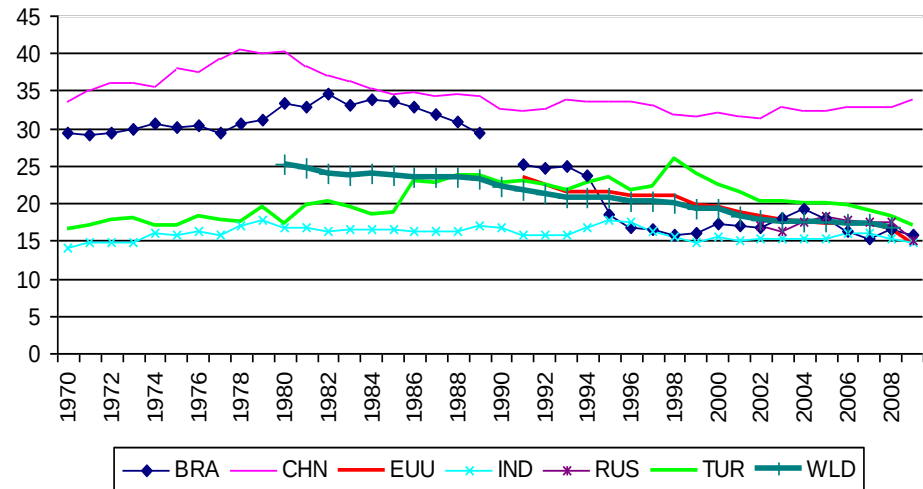


Structural Indicators: BRIC & Turkey

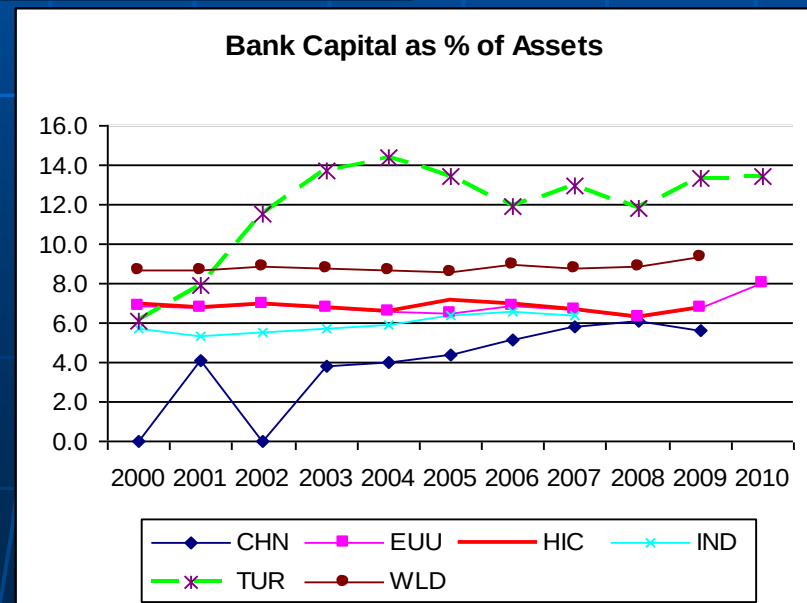
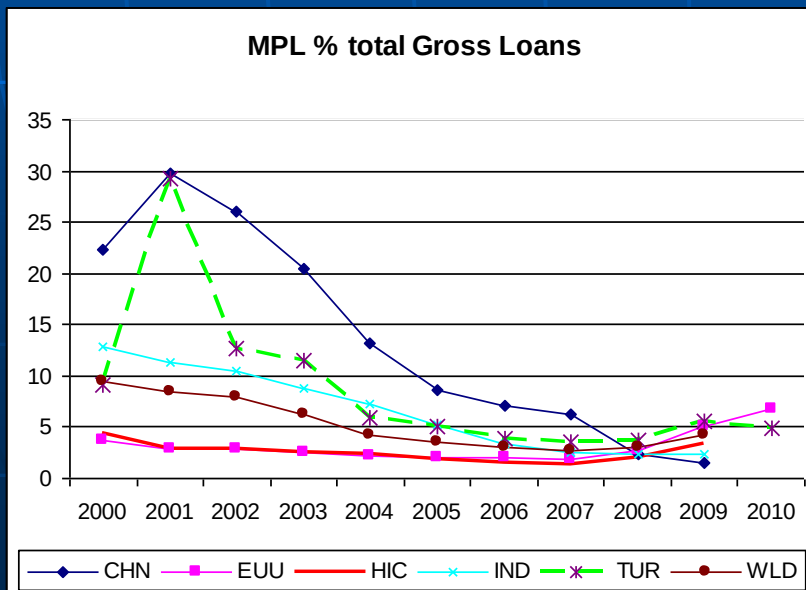
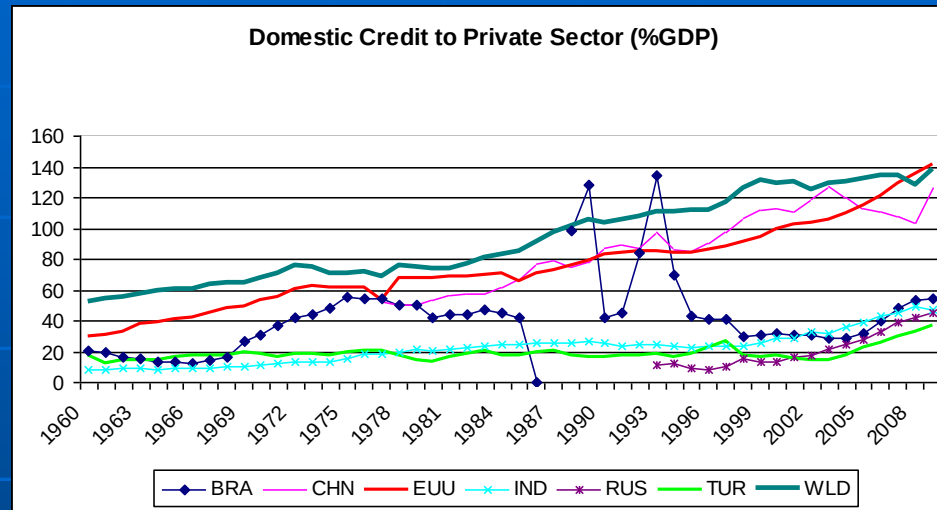
Consumption (% GDP)



Manufacturing Value Added (% GDP)

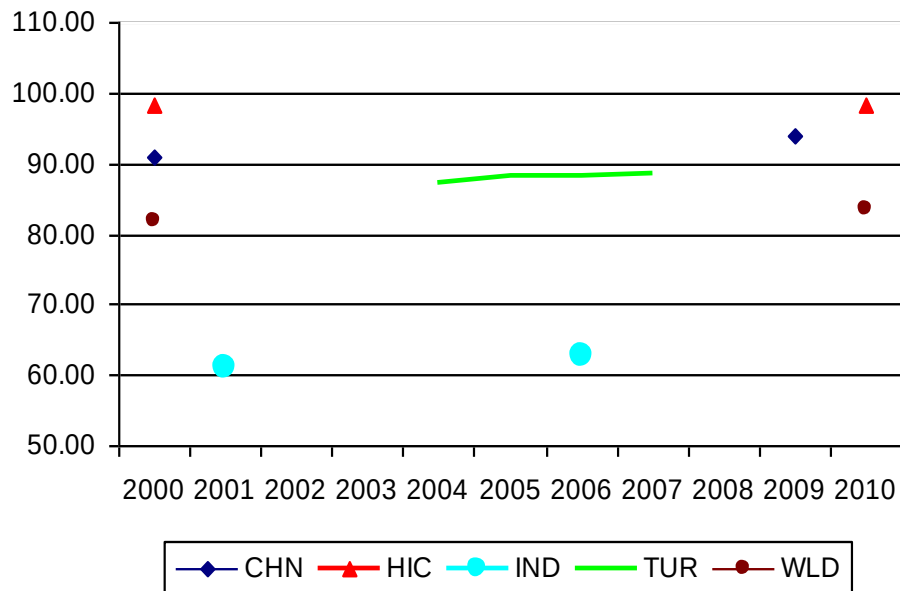


Financial Market Development: BRIC & Turkey

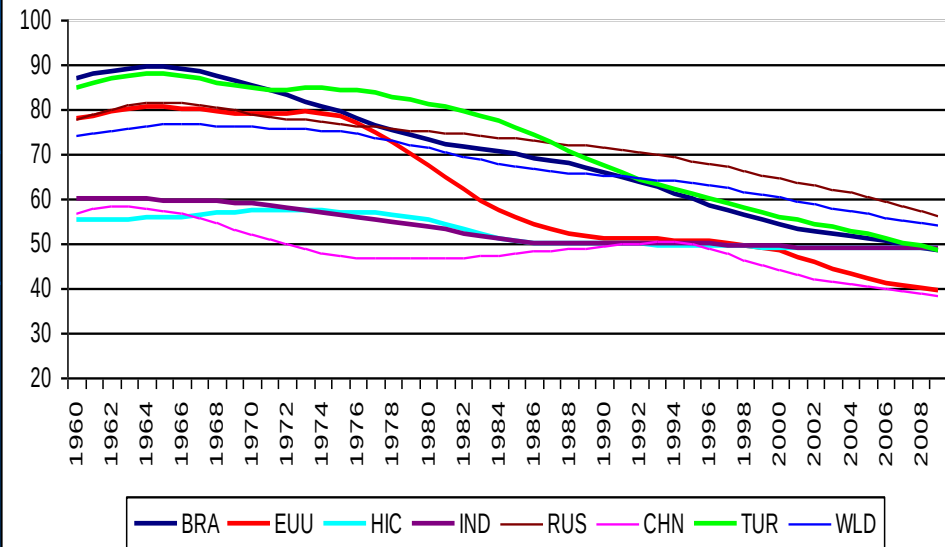


Convergence in Social Indicators ?

Literacy Rate (15+)

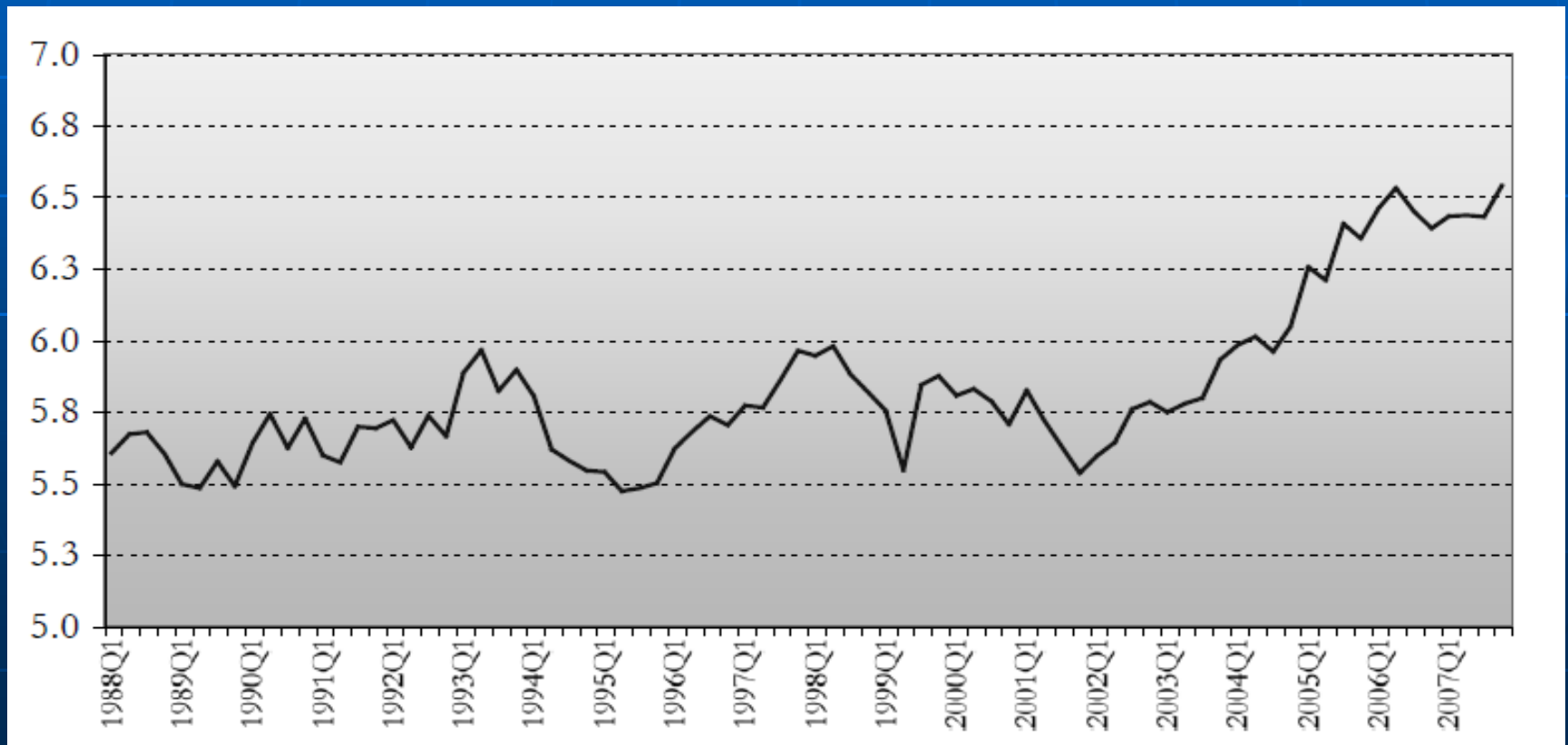


Dependency Ratio



TFP in Turkey (Cihan and Saygili, 2008)

- Main determinants: *imports; public infrastructure investment; macroeconomic stability* (Ismihan and Metin, 2009)



Any relationship with growth poles and business cycles sincronization?

- Determinants of growth polarity:
 - Physical and human capital, dependency ratio, health, institutional quality
- Determinants of business cycle sincronization:
 - Trade intensity, ***institutional*** and geographic proximity and the size of GDP (Altug, Emin and Neyapti, 2011)
- Determinants of business cycle characteristics:
(expansions are longer and more amplified in developed economies than LDCs, while recessions are more longer and amplified in the latter *)
 - Inflation, monetary institutions and governance

(* Turkey seems to be an exception with only 3 quarters of average recession)

Institutional Isomorphism or Institutional multipolarity?

- Is there Institutional Convergence?
 - Exogenous/Best-practice institutions
 - Endogenous Institutional Evolution

							<i>FD</i>	
	<u>Governance(1)</u>	<u>RuleofLaw-%Rank</u>	<u>CBI (2)</u>	<u>IT</u>	<u>RS</u>	<u>IFD(3)</u>	<u>Exp</u>	<u>Rev</u>
Brazil	0,52	43	0,63	yes	0.21 (1974)	8,95	34,2	25,5
China	0,4	42	0,56	no			54,8	51,5
India	0,48	56	0,5	no			45,5	33,1
Russia	0,36	17	0,44	no	0,1		38,1	39,1
Turkey	0,49	53	0,81	yes	0,49	6,42		

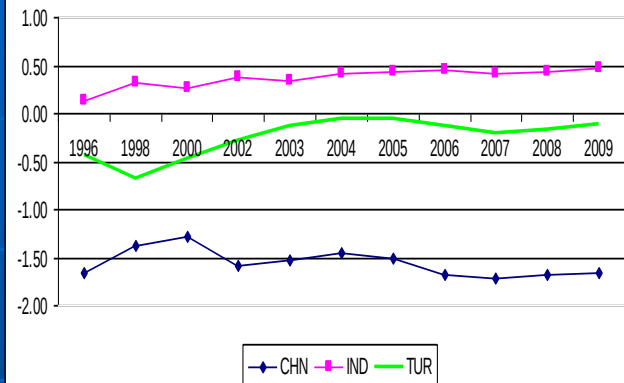
(1) Kaufman et al. (2007), normalized

(2) Arnone and Laurens (2005)

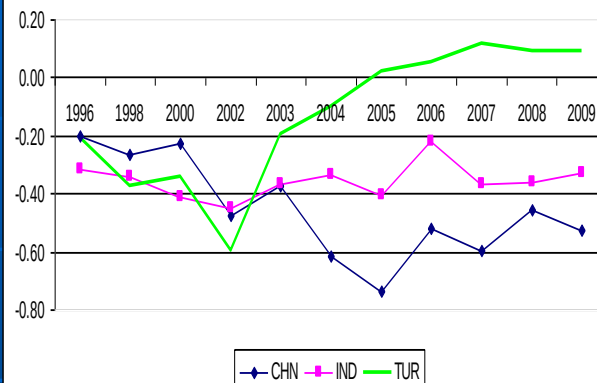
(3) Index of Fiscal Discipline, Alesina et al. (2003)

Convergence in Institutions: Governance (Kaufman et al.)

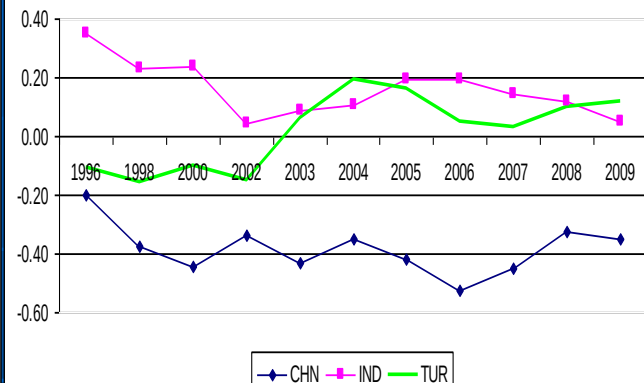
Voice and Accountability



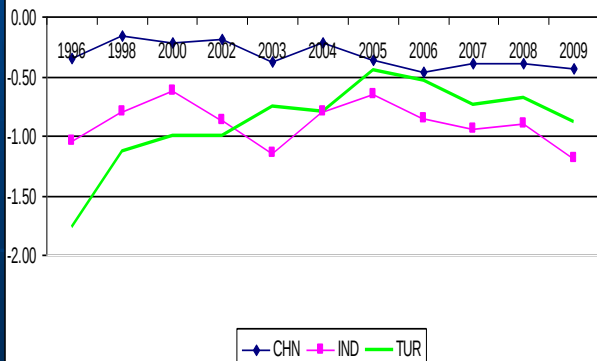
Control of Corruption



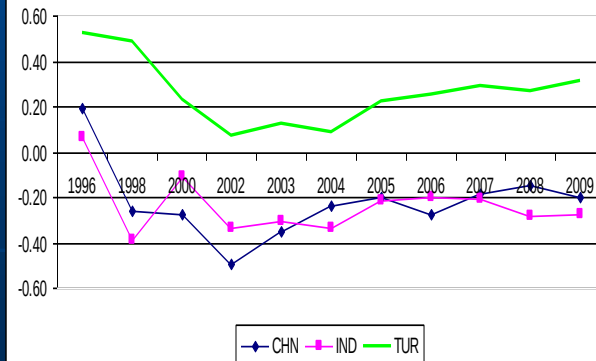
Rule of Law



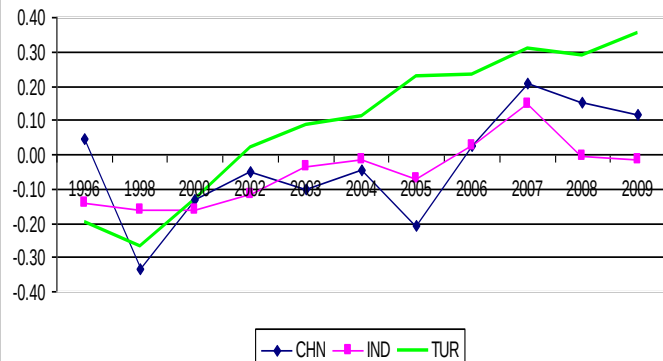
Political Stability



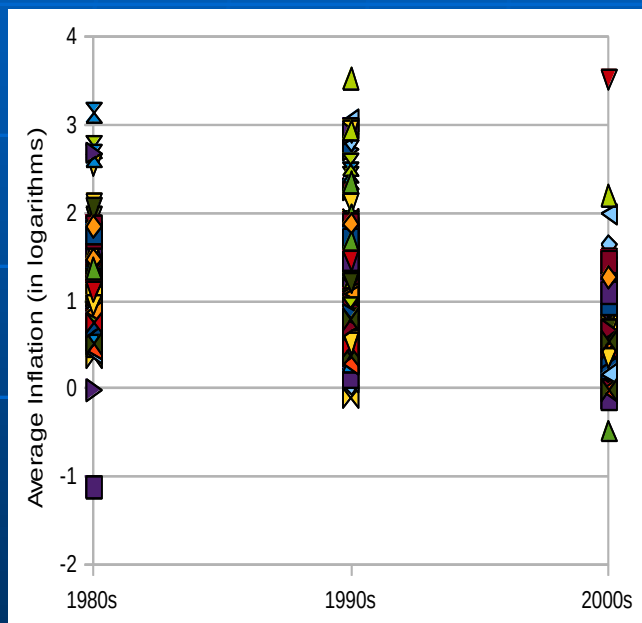
Regulatory Quality



Government Effectiveness



2000s: Global Disinflation & Institutions

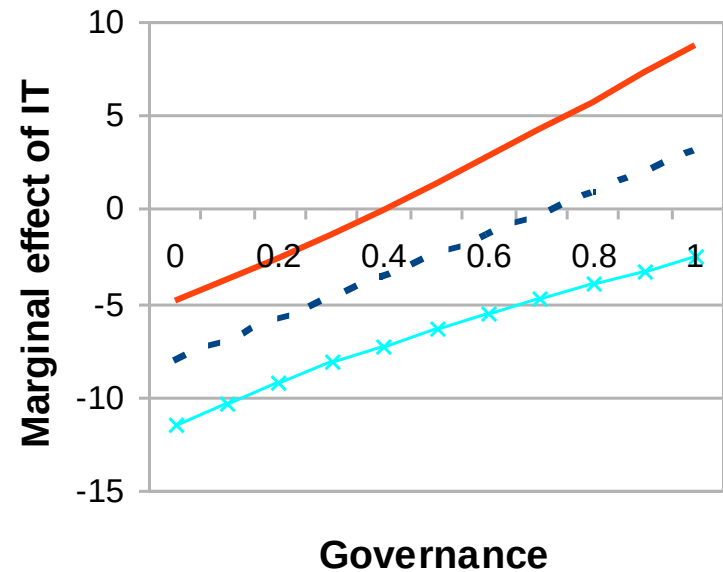
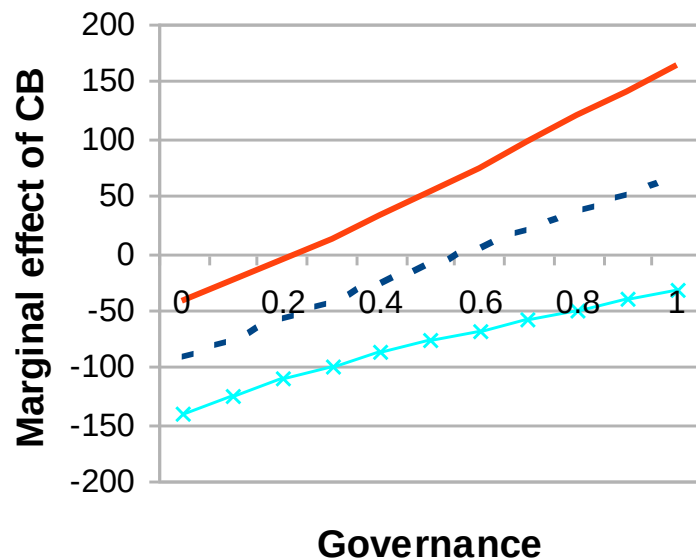


Dependent Variable: D

Method: OLS with robust errors

	I	II	III	IV	V	VI
Constant	5.84 (14.38)***	5.54 (15.39)***	6.74 (5.78)***	5.82 (14.29)***	5.51 (4.75)***	6.23 (5.12)***
MU	-2.77 (-5.34)***				-1.24 (-1.30)	-0.54 (-0.55)
CB		-3.45 (-5.45)***			-4.27 (-4.07)***	-3.89 (-3.43)***
CBI			-1.95 (-1.06)		1.2 (0.98)	2.08 (1.03)
IT				-2.21 (-3.30)***	-2.89 (-3.27)***	-2.1 (-2.39)**
S (<5 million)						-1.98 (-2.88)***
DC						-2.13 (-1.89)*
De.of Freedom:	164	164	137	164	134	132
R-bar-Squared	0.055	0.03	0.0005	0.038	0.09	0.13

Marginal Effects of *CB* and *IT* on Inflation (D) (Neyapti, 2010)

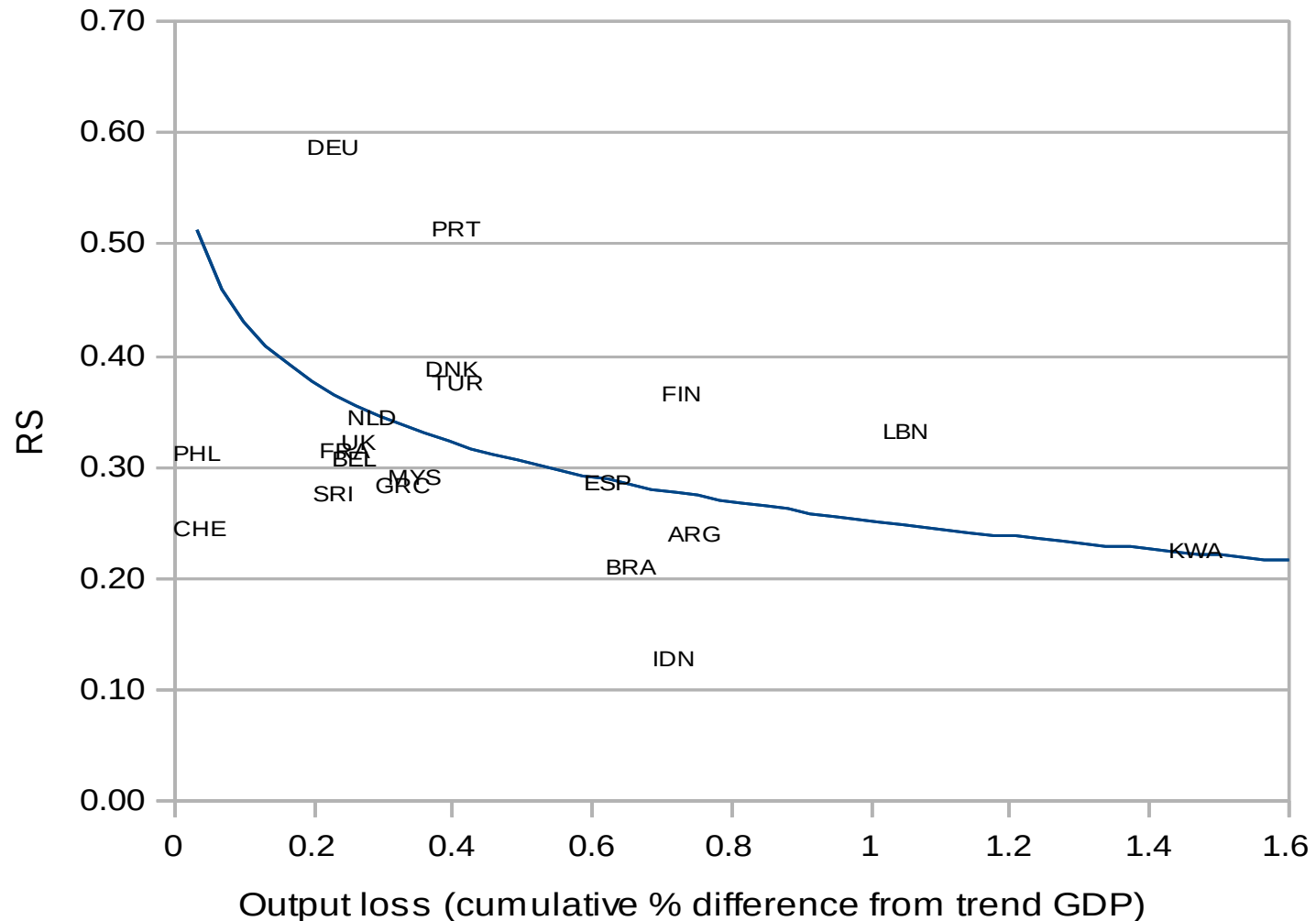


Legal Quality of Bank Regulation

(RS, Neyapti and Dincer, 2005)

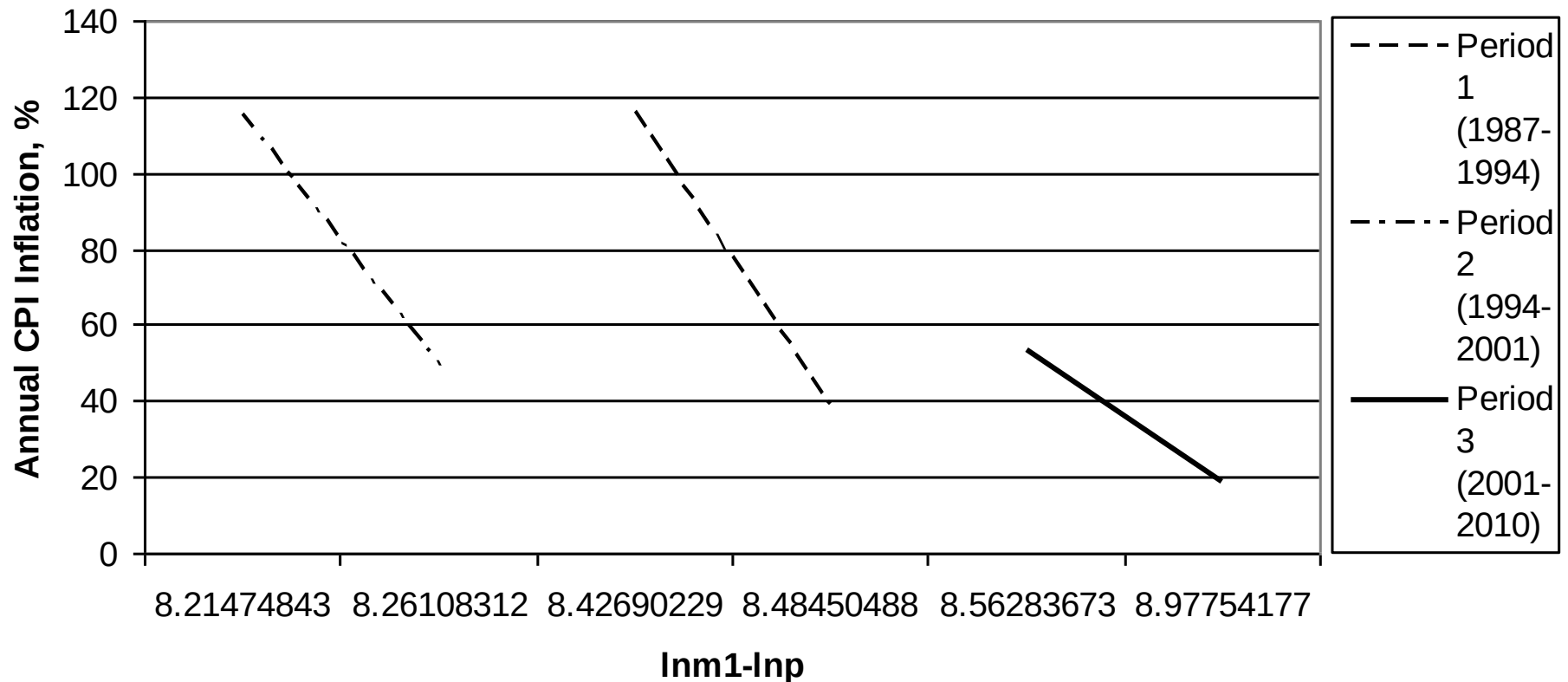
& Output loss at crises

(various dates, source: IMF Bank Crises Database)



Welfare Gains from Disinflation: Turkey

(Neyapti and Kiraci, 2011, Based on Bailey, 1956)



Further Questions :

- *Does multipolarity confirm regional convergence or contribute to the potential for absolute convergence?*
- *Is institutional convergence to best practice a precondition for the new poles to emerge or will the new poles will generate the new best practice institutions themselves (new institutional mechanisms emerging?)*

Potential for international policy