The political economics of agricultural price support in Turkey: An empirical assessment*

A.A. GURKAN
Economics Department, Texas Tech University, Lubbock, TX 79409 and Department of Economics, Middle East Technical University, Ankara, Turkey

H. KASNAKOGLU
Department of Economics, Middle East Technical University, Ankara, Turkey

Submitted 27 March 1989; accepted 4 May 1989

Abstract. The present study is an attempt to explain the variations in the extent of protection provided to the producers of four selected agricultural crops in Turkey by a set of independent variables representing various economic and political events of the 1962–1983 period. The economic variables were selected in order to assess the divergence between the intentions of the policy makers and their actions as reflected in the level of support actually provided; while the political variables were chosen to assess the impact of elections, military takeovers and noticeable shifts in the underlying philosophy of the policy makers on the support provided. The regression analysis suggested that the political power of the agricultural producers was an important determinant of the policies implemented, especially during times of democratic practices; that during times of military regimes, the agricultural sector tends to be less protected; that there is indirect evidence for the existence of political business cycles synchronized to political elections; and, that general conditions in the economy can influence the behavioral rule of the policy makers.

1. Introduction

Government involvement in the operations of agricultural commodity markets has a long history in Turkey, reaching back to the World Depression of the late-1920s and early-1930s. That involvement has been sufficiently extensive, in terms not only of the number of crops involved but also of the diversity of the forms of intervention undertaken, to deserve being called “monolithic and pervasive” (Somel, 1979:276). The problems created by the inherent characteristics of the agricultural commodity markets and the relative importance of the agricultural sector in the national economy (Kasnakoglu and Gurkan,

* This study was inspired during the time the authors were conducting research for the World Bank comparative study of the political economy of agricultural pricing policies. The authors would like to thank Professor Anne O. Krueger, Maurice Schiff and Alberto Valdes, the codirectors, for providing the guidelines for the present paper, and Professor Gordon Tullock for his comments on an earlier version. Apart from the guidelines and the data used, which were generated specifically for the purposes of the World Bank project, however, the study reflects the endeavors of the authors and, as such, errors or omissions are their sole responsibility.
1987), perhaps warrant the implementation of such policies for both economic and political reasons. However, taking into consideration recent developments in the field of public choice concerning special interest groups and rent seeking activities (Rowley et al., 1987), political business cycles (Soh, 1986) and vote and popularity functions (Schneider, 1984), it should not be too unreasonable to postulate that the “behavior” of the agricultural policy makers in Turkey, as reflected in their choice of policy instruments and the level at which they are applied, is essentially guided by political expediency and the outcomes of “competitive” behavior in the political “market.”

This issue has already been addressed in various studies analyzing agricultural price policies in Turkey, though in a form that posits the issue as essentially a problem of determining the central motif underlying the implementation of the policies (Somel, 1979): Is it the economic or the political considerations that have been more important in influencing the agricultural support policies? Most of the empirical analyses conducted to support one or the other of the alternative hypotheses, however, have fallen far short of resolving the issue in a satisfactory manner.

Those studies emphasizing the political aspects of the policies, for example, tend to confuse the motivational force behind the behavior of the policy makers (i.e., their decision criterion) with, what are essentially external, political events. Including only political event variables in policy response functions, the significance or otherwise of the estimated regression coefficients is brought to bear on hypotheses regarding the behavioral motivations of the policy makers (Erguder, 1980; Kasnakoglu, 1986). Although policy responses to changes in exogenous factors do reflect motivational considerations, policy response functions elicit them only indirectly. Since an inaccurate or an incomplete model can seriously distort the empirical estimates of the underlying relationships, making accurate inferences about the underlying motivations in such situations may be difficult, if not impossible. The fact that economic events are not considered explicitly in these models is a sure sign not only of the confusion stated above but also of possible mis-specification of the estimation model. There is no a priori reason to expect that only political events will be important when the policies are guided by political considerations; economic events can be just as important.

Studies emphasizing the economic aspects of policies (Somel, 1979; Gurkan, 1986), on the other hand, tend to confuse the motivational force behind the behavior of the policy makers with the consequences of the specific policies implemented. Although it is to be expected that the policies have economic consequences, which may even be explicitly recognized as such by the policy makers, it is still possible for the motivational force behind the policies to be influenced by political considerations. Thus, the policies designed to “monetize the peasantry” (Somel, 1979) or to “integrate regional markets in order to emulate