

# Income inequality in turkey essay

[Technology](#), [Development](#)



The distribution of income has always been a common theme, one which has caused big schisms in economic thought. The huge economic inequalities that exist between individuals are criticized by those who have more egalitarian views, and cherished by others who claim it is a needed condition for economic growth and advancement (Hawkins, 2004). Whatever effects economic inequality may imply, it is of essence to understand the causes and structure of this issue; what it is correlated with and how it is distributed among the citizens. In Turkey, the preoccupation with inflation and macroeconomic stability which dominated the last years of the twentieth century has fortunately reduced for the better part of the last ten years, leaving adequate room for the concerns about income inequality to surface (Hobsbawn, 2008). There exist heated varying comments and debates on the issue, but academic studies are published, which may shed some light on the real facts. This is especially true among the regional determinants of income inequality in Turkey. The objective of this study is therefore, to explore facts and the nature of income inequality in Turkey with the most recent data available with specific recommendations on regional effects. The outcomes will hopefully help the decision makers to analyze whether regional policies in fighting inequality are compulsory or not.

Income inequality as it has been thoroughly studied by many economists has very important effects regarding social and economic life in a country.

However, one need not to think very long on why income inequality may be considered undesirable in the presence of various statistics reflecting the huge disparities between incomes of the individuals in the world, which can easily be found in various works such as World Development Report of the

World Bank. While a considerably big fraction of the world population is living under a value of income which is necessary for them not to starve, a very minor fraction earns a disproportionately big chunk of the international income. The outcome is generally social and political tension in these particular countries, as well as a negative effect on economic advancement.

The question which has been asked time and again is that if income inequality is a necessary evil for advancement. This may be a reasonable result, given that the incentive mechanism that would motivate the more productive individuals and groups to work at an optimal level would necessarily cause some inequality, which may be justified if it serves to forming the whole society as a result (Hawkins, 2004). It was in 1950's that the view of Kuznets was very popular. Kuznets argument was that the developing countries may experience a high level of income inequality during the transition phase from an agriculture based economy to an industrialized one because of the differences in wages and income from agriculture, but in the long-run, this inequality will disappear as the country becomes fully developed. Not was only the level of great inequality sustained in many of the developing countries, but there were even many cases where inequality rises in the developed countries themselves. Nonetheless, it is understood now that the problem of income inequality is not one that will disappear automatically as a result of economic development and transition to an industrial economy, but that is an important issue that must be dealt with by governments and international organizations.

Another very important aspect of income inequality is that it will cause suboptimal allocation of skill and education expenditure in the presence of imperfect credit markets. It is seen in many countries, but mostly in Turkey, that it is very hard for individuals from poorer families to find financing for education expenditures, since investment in education makes a poor collateral. As a result of this, talented individuals from poor families receive less than optimal education, resulting in a little income for them, which in return cause the income inequality to develop between generations. One can therefore talk of an intergenerational transfer of income inequality that may preserve or worsen the initial distribution of income in the society as time goes. The resulting suboptimal allocation of skill will directly influence the productivity of the country in general, and cause a low rate of real advancement.

Starting from 1963, more studies have tirelessly dealt with the determination of income inequality, which differ broadly as a result of differences in data gathering processes and the methods used to measure the inequality measures (Hawkins, 2004). Consequently, it would not be an option to compare them, but to giving a general overview of the results is nevertheless considered to be beneficial.

It is always important to state that the last two studies that were done by TUSIAD and Gunner use disposable income per equivalent adult to measure inequality measures using adult equivalent scale, whereas the previous studies only indicate the income distribution between households and not individuals. As a result of this, it can be said that the influences of the size of

a household is assumed in these earlier studies. Despite the differences in methodology, a clear trend of reduction in income inequality can be observed throughout the last 40 years, although the change in the last 10 years is more ambiguous (Hobsbawn, 2008).

All of these findings about the state of income distribution in Turkey at various years clearly indicate that Turkey is suffering from a serious problem of income inequality in comparison to the other parts of the developing and developed countries (Hobsbawn, 2008). The table above summarizes the latest Gini indices calculated for relevant countries, which is taken from Human Development Report between 2007-2008. It should be stated once again that the method used in this studies in which the coefficients are calculated differ in methodology and timing, so strict comparisons between developing and developed countries should be avoided. But the minor changes caused by these could not possibly account for the fact that Turkey ranks as a very unequal country in comparison to EU and OECD countries (Hobsbawn, 2008).

In conclusion, the objective of this study was to better understand the structure of in come inequality in Turkey, more specifically in regional perspective (Hawkins, 2004). The calculation of the percentage of the types of income in every area has indicated that the degree of mean income and income inequality in a region can be explain by the shares of various types of income, hence by economic activities in these particular regions (Hobsbawn, 2008). This study also aimed at giving at explanatory study and

various questions worth investigations on income inequality in Turkey has increased as a result of the process.

### **References:**

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