

## The Impact of Economic and Political Factors on the 2010 Turkish Referendum

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### **Abstract**

*The referendum held on September 12, 2010 included fundamental changes in Turkish constitution related with the social, judicial and economic aspects. We are of the opinion that the referendum offered a general view on the reflections of government policies, since the incumbent party, Justice and Development Party (AKP), officially supported the proposed changes and the main opposition parties, Republican People's Party (CHP) and Nationalist Action Party (MHP), were opposed. We tested the effects of political tendencies on the referendum results using provincial data. The results show that the "yes" votes are higher in the provinces where AKP has a stronger base, and lower in the provinces where the opposition parties, especially CHP, have stronger bases. Moreover, our analyses imply that referendum votes are higher where economic conditions are getting relatively better in the last year. However, we could not find a positive effect of public spending on the patterns of voting.*

**Keywords:** 2010 Referendum; Turkey; Voting Patterns.

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## 1. Introduction

A Plebiscite, more commonly known as a referendum, is a means of making decisions within the boundaries of representational democracy, though the frequency of consulting this varies in each country. According to Türköne (2003) and (Dursun, 1990), referendum, as one of the prominent features of a plebiscitary democracy, is the right of the people to introduce their choice directly in a specific issue and to have a determining feature. It can be considered as a form of direct or participatory democracy. Andrew Heywood (1999) defined the reasons and areas for the application of a referendum: A plebiscite or referendum provides an opportunity for the electorate to make a decision directly on a specific issue, and it is out of the representational democracy, since it is a different application from empowering politicians and allowing them to make decisions on behalf of the electorate. While a referendum can be held on every level of every issue in Switzerland, it can only be held for constitutional regulations in Ireland, and can be held for exclusive and important decisions like EU membership in England and in many other countries.

The referendum held in Turkey on 12 September, 2010 was for the purpose of inviting the opinion of the public on a subject which was not compromised in the Parliament. Regardless of the concreteness of the subject, referendums in countries like Turkey frequently set the scene for a showdown between the government and the opposition. It gives necessary space for the discussion of fundamental problems, and provides the opposition with grounds to criticize all government activities.

There are some theories, such as the directional theory of electoral choice, proximity model (Westholm, 1997) or the spatial theory (Blazer and Dreier, 1999) which analyze choices in elections. The theories and models used in analyzing the elections' or referendums' results are important to obtain effective evaluation. The results of the September 12 referendum were expected to be affected significantly by economic conditions, regardless of socio-political situations. Thus, whether economic factors have influenced the referendum results and whether they had a positive or negative effect will be studied in this article. We are of the opinion that the referendum offered a general review of government policies and the return of government investments to the public with their many consequences. Although considering the referendum result as data for the general elections is not quite accurate, still it is important enough to be considered.

The referendum on September 12 included constitutional changes with the claim of reforming the judiciary extensively and constructing a more democratic judicial system. Moreover, it promised to bring appropriate regulations for EU standards while extending and developing fundamental human rights and freedoms. The following are the amended or reconstituted constitution articles included in the constitutional reform package: the article on equality before the law (article 10),

the privacy of special life (article 20), freedoms of travel and settlement (article 23), the right to establish a trade union (article 51), collective bargaining, right to strike and lockout (articles 53 and 54), and restructuring the Supreme Council of Judges and Prosecutors and increasing the number of its members (article 159). Similarly twenty- six articles of the Constitution were changed.

The referendum presented a different picture, since people with very different political ideologies compromised in the same direction. Thus, it can be deduced that political tendencies are not the only agent in determining the direction of a referendum. Moreover, it is claimed that the opposition did not support the reform package due to some disagreements commonly known; they did not oppose many of the amendments.

The voter turnout in the referendum was 73.71 %, which is a high percentage for a Western democracy. Generally, the percentage of people voting “Yes” for constitutional reform for democratization is 57.88 %; while it is 42.12 % for “no” (ysk.gov.tr, 2011). Hence, constitutional changes are agreed upon and applied. Naturally, many deductions beyond the main reason of holding the referendum can be inferred on the basis of the referendum result. Even issues that are not included in the reform package are somehow related and used for political campaigns. It is partly because it is accepted as a vote of confidence for the approval of the government policies by both the government and the opposition. Although government parties are not usually content with such an early vote of confidence, it is understood that Justice and Development Party (AKP) used this referendum as an opportunity to seek approval by the public for its policies. It is clearly indicated by the fact that both the government party and the opposition held nation-wide meetings, etc. It was openly demonstrated that almost all the party organizations as well as the electorate conceived this as if it was a general election result.

## **2. Economic Policies and their Effects on the Referendum Results**

We will focus on economic factors of the referendum results as well as considering some of the other factors. It is known that social and economic changes of the kind are thought to sustain the development of instrumental political competence (Krause and Marcus, 1984). We might posit that this would affect levels of electoral misconduct in the general level of economic development in a country (Birch, 2007). It is appropriate to begin by stating that there are many arguments that can answer the excess of the “Yes” votes in the referendum. While some of the arguments constitute the subject of this article, some other important part of the arguments, even if worthy of analyzing, appear to be thematically inappropriate for this article. We choose to restrict the subject of this study to the explanation of the correlation between the electorate behavior and rational economic behavior within the context of referendum results.

The nation-wide “Yes” decision as being that the general electorate probably considers the policies and performance of AKP, who was in favor of the “yes” votes, are successful. The prevalent positive effects of the government policies create support for the choices and decisions of the government in favor of its citizens. Similar to general elections, referendum is considered as a political activity to display that support by the electorate. Thus, a referendum becomes a mechanism to test the policies of a government that promotes a policy of growing its economy (Carlsen, 1999).

The referendum results will have a long-lasting influence on the Turkish economy which is closely related to the interpretation, comprehension and execution of the policies of the government and the opposition, and are significantly tied to these. It can be determined that certain data regarding the economic policies of the government and to what extent national and local investments contribute, can be deduced through the referendum result. We will attempt to examine whether short term (populist) investments made before the 12 September 2010 referendum affected the referendum result substantially. In the absence of strong political and ideological consciousness and especially in the absence of interactions, voters tend to respond to the myriad of short-term forces that abound in election campaigns (Zuckerman, Valentino, and Zuckerman, 1994). Is there a direct proportion when the current referendum result details are compared to the percentage of state investments per person in a specific constituency? Our inquiry indicates that there is not a direct proportion. In other words, the electorate not only makes a choice according to the abundance of state facilities that s/he benefits from, but the electorate makes choices under the influence of other factors, as well. As commonly accepted, it was predicted to see a higher percentage of “yes” votes indicated more support for the government party in economically fast growing cities. However a deep analysis of the referendum results presents a different picture.

### **3. Data and Methodology**

We propose several hypotheses about the political and economical explanations of the referendum results and statistically test them. In the referendum, incumbent party, AKP, officially supported the proposed changes and the main opposition parties, Republican People’s Party (CHP) and Nationalist Action Party (MHP), opposed to those changes. We hypothesize that in the provinces where AKP has a strong base, the “Yes” votes would be relatively more than “No” votes. Similarly we hypothesize that in the provinces where CHP and MHP have a strong base, “no” votes would be relatively more than “Yes” votes. In order to test these hypotheses, we obtained the statistics of the votes cast in favor of AKP, CHP and MHP in the 2009 local elections at the provincial level. It can be argued that since 2009 local elections might not represent the true tendencies of voters in provinces because many other factors were effective on the 2009 local election results, including the

personalities of local candidates. However, many commentators claimed that 2009 elections were rather like general elections than local elections, it was kind of referendum for the approval of AKP's policies on many issues. We therefore believe that using parties' vote shares in the 2009 elections is a valid way to measure political tendencies in each province<sup>1</sup>. However, we used the vote shares of parties in the provincial assembly (il Genel Meclisi) rather than the votes for mayor. We consider that provincial assembly votes are representing party preferences more than inclination towards particular mayor candidates.

Next we turn to economic explanations of referendum voting patterns<sup>2</sup>. Our hypothesis is that those individuals who are happy about the economic performance of the government would vote "Yes" in referendum. So we argue that individuals who are living in neighborhoods where the economy is growing relatively faster, and where inflation and unemployment rates are relatively lower, would be satisfied by the economic performance of the incumbent AKP, and would vote "yes" in the referendum. In order to measure the economic success of the incumbent party, we need data about the income growth rate, inflation rate and unemployment rate at the provincial level. Unfortunately, none of those indicators are available at the provincial level for recent years. However, tax revenues can be used as proxies for income levels. Normally tax revenues are not ideal proxies for income levels especially in countries like Turkey in which tax evasion rates are substantial. However, we are interested in changes in the income levels of each province rather than levels. Assuming there is not a substantial variation in the changes in the tax evasion rates between provinces in the relevant period; we do expect that changes in tax revenues to be a good proxy for the changes in the income levels of provinces. An examination of the data from the periods (1990-2001) in which both income levels and tax revenues are available supports this conjecture. The correlation coefficient between provincial income growth rates and provincial tax revenue growth rates is greater than 95%. Therefore; we have used monthly cumulative general budget tax revenues obtained from the website of the General Directorate of Public Accounts<sup>3</sup>.

Social transfer programs and other government expenditures can also affect the satisfaction of the voters' from the incumbent party policies. During the referendum campaign, it has been argued that government institutions were spending extraordinary amount of resources in order to sway constituents' votes. Many concrete examples of social transfer programs were discussed in the mass

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<sup>1</sup> See Köksal, Civan and Genç (2010) for more discussion on that.

<sup>2</sup> See the Lewis and Steigmaier (2000) for a review of influence of economic conditions on voters. Also see Akarca and Tansel (2006,2007), Baslevent et al (2005), Baslevent et al (2009), Carkoglu (1997,2008) and Köksal, Civan and Genç (2010) for the applications of these theories on Turkish Elections.

<sup>3</sup> See Köksal, Civan and Genç (2010) for more on the use of tax revenues as proxy for incomes.

media.<sup>4</sup> Consequently, we collected the government spending data at the provincial level. In the same way that we obtained the tax revenue data, the government spending data was obtained from the website of the General Directorate of Public Accounts.

Based on those hypotheses, we estimated the following regression:

$$YES_i = \beta_0 + \beta_1 AKP2009_i + \beta_2 CHP2009_i + \beta_3 MHP2009_i + \beta_4 Growth_i + \beta_5 PubSpending_i + \varepsilon_i$$

Where:

*YES<sub>i</sub>*: The ratio of yes votes to total votes in province i.

*AKP2009<sub>i</sub>*: The vote share of AKP in the 2009 election in province i.

*CHP2009<sub>i</sub>*: The vote share of CHP in the 2009 election in province i.

*MHP2009<sub>i</sub>*: The vote share of MHP in the 2009 election in province i.

*Growth<sub>i</sub>*: The increase in the average income level of residents of province i between the 2009 election and the referendum.

*Pubspending<sub>i</sub>*: The increase in public spending in province i between the 2009 election and the referendum.

Below are the expected signs of the coefficients of the variables used in the regressions.

Variable	Expected sign of the coefficient	Correlation Coefficient between Referendum “yes” votes
<i>AKP2009</i>	+	0,36
<i>CHP2009</i>	-	-0,84
<i>MHP2009</i>	-	-0,35
<i>Growth</i>	+	0,12
<i>Pubspending</i>	+	0,10

The correlation coefficient between the relevant variable and the ratio of “Yes” votes on the referendum is provided in the third column. All of these coefficients have the expected signs. We also conducted multivariable regression techniques to test our hypothesis more robustly. In the regression analysis standard Ordinary Least Squares (OLS) technique is used. Standard errors are adjusted for heterocedasticity.

It can be argued that referendum votes are left censored since the “Yes” votes cannot be negative; so instead of OLS techniques, Tobit should be used. However minimum ratio of “yes” votes is in Tunceli (19%). So left censoring does not pose a problem. In any case Tobit estimates give very similar results.

<sup>4</sup> For example, in many provinces government officials distributed coal, food and durable household items to the needy. Many claimed these were part of political campaign while government officials defended those as part of regular social transfer programs.

#### 4. Results and Discussion

Descriptive statistics of the variables used in the empirical analysis of our study are reported in Table 1. In the referendum, the percentage of “Yes” votes was 57.8, however the results of the descriptive statistics present that the mean of the provinces’ “Yes” votes is about 64 percent. The underlying reason for this difference is the demographic structure of the provinces. If we use a population weight in the calculation of mean, we can reach 57.8%, the overall “Yes” votes in the referendum. Mainly this statistics shows that, the mean of the “Yes” votes of the provinces, with a lower population, are higher than that of the provinces with a higher population. This also shows that the distribution of votes of in the larger provinces is more homogenous than in smaller provinces.

Another statistic we can interpret from the below table is that, while the AKP share of the votes in the provincial assembly in the 2009 local elections changed from 20% to 55%, there are some provinces where the opposition parties almost have no vote for provincial assembly. For example, the main opposition party, CHP, was unable to have any of its members elected in the provincial assembly in Hakkari.

**Table 1: Descriptive Statistics**

Variable	Obs.	Mean	Std. Dev.	Min	Max
<i>Yes</i>	81	64.41	18.70	18.98	95.75
<i>AKP2009</i>	81	38.29	8.23	19.7	54.7
<i>CHP2009</i>	81	16.48	10.90	0	48.3
<i>MHP2009</i>	81	16.71	9.26	0.5	42.5
<i>Growth</i>	81	0.13	0.13	-0.48	0.50
<i>PubSpending</i>	81	0.20	0.06	0.10	0.37

Empirical results of the study are reported in Table 2 in detail. The following equations represent the estimated regressions of our study. As these estimations present the purpose of the empirical analysis, we chose to analyze the portion of the variation in the “Yes” votes of referendum across the provinces that can be attributed to variations in provincial political and economic changes. In order to examine the political and economic effects of the provinces on the “Yes” votes at the referendum separately, the following three regressions were estimated. Equation 1 represents the political effect only while the other two equations include the economic effects of the provinces as well as political effects.

$$YES_i = 70.80 + 0.67 AKP2009_i + 1.24CHP2009_i + 0.69MHP2009_i + \varepsilon_i \quad (1)$$

$$YES_i = 73.48 + 0.66AKP2009_i + 1.25CHP2009_i + 0.69MHP2009_i + 11.48PubSpending_i + \varepsilon_i \quad (2)$$

$$YES_i = 73.53 + 0.64AKP2009_i + 1.26CHP2009_i + 0.67MHP2009_i + 13.21PubSpending_i + 7.30Growth_i + \varepsilon_i \quad (3)$$

The results for equation 1 indicate that political explanatory variables (vote shares of the political parties in the 2009 local elections) affect the “Yes” votes in the referendum significantly. The results further show that there is a positive relationship between the vote shares of AKP in local election at provincial level and the “Yes” votes in the referendum and it is significant at 1% level of significance. Likewise, the opposition parties’ vote shares have a negative effect on the “Yes” votes as expected, and both coefficients are significant at 1% level of significance. According to the estimation results, elasticities of coefficients which are reported in the marginal effects column indicate that the percentage change that will occur in one variable (y) when another variable changes one percent. That is, a one percent change in AKP vote shares increases the “Yes” votes 0.40 percent. On the other hand, a one percent increase in the CHP and MHP vote shares decreases the “Yes” votes 0.32 and 0.18 percent respectively.

The empirical results also imply that, according to the estimated coefficients of the opposition parties, as the estimated coefficient of the main opposition party, CHP, is greater than MHP, the proportion of “Yes” votes is lower than in the provinces where CHP has a strong voter base than in the provinces where MHP has a strong voter base. This also indicates that the proportion of MHP supporters who voted “Yes” is greater than CHP supporters.

As indicated in the data and methodology above, we took the increase in the provinces’ public spending and the average income level of residents to explain the economical effects on the “Yes” votes in the referendum. The estimation results report that there is a negative relationship between public spending and the “Yes” votes in the referendum. While the coefficient is not significant, the expected sign is also incorrect. This result implies that incumbent party policies such as social transfer programs and other government expenditures do not affect the satisfaction of the voters. Also another explanation can be made according to this result. This is that the incumbent party’s social transfer programs and other government expenditures are realized in the provinces, where the ruling party’s vote performance is average. The extraordinary spending was not made in the provinces where AKP and the opposition parties have a voting base. Thus, we cannot explain a significant effect of *PubSpending* on the “Yes” votes in referendum.<sup>5</sup> The other estimated coefficients are significant at 1% level of significance and affect the “Yes” votes as expected. The detailed results can be seen in Table 2 from the equation 2 estimation results.

According to equation 3, while the *PubSpending* variable is insignificant for all the significance levels, we included the *Growth* variable for the regression to explain the economic effects on the “Yes” votes in the referendum. As mentioned above, growth implies the economic performance of the incumbent party (AKP) at the

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<sup>5</sup> AKP’s maximum vote share was 54.7% at Konya and minimum at Tunceli with 19.7% in the 2009 local elections. Public spending growth between the 2009 local election and the referendum for both provinces were below the average provincial public spending growth.

provincial level, and thus it is expected that it increased the votes for the incumbent party. The estimated coefficient of the provinces' economic growth is significantly positive, indicating a percent increase in the economic growth of provinces increasing the "Yes" votes 0.01 percent. This result also implies that the economic success of the incumbent party (AKP) at the provincial level has positive significant effect on the "Yes" votes. The estimated coefficient signs suggest that the incumbent party ("Yes" votes) would benefit from higher economic growth, whereas the opposition parties would be influenced negatively.<sup>6</sup>

**Table 2: Estimation Results**

Dependent Variable: "Yes" votes			Method: Ordinary Least Squares			
Variables	Equation 1		Equation 2		Equation 3	
	Coefficients	Marginal Effects	Coefficients	Marginal Effects	Coefficients	Marginal Effects
<i>c</i>	70.80 (8.80)*		73.48 (11.74)*		73.54 (11.56)*	
<i>AKP2009</i>	0.67 (4.23)*	0.40	0.66 (4.55)*	0.39	0.64 (4.29)*	0.38
<i>CHP2009</i>	-1.24 (-15.52)*	-0.32	-1.25 (-14.49)*	-0.32	-1.26 (-14.59)*	-0.32
<i>MHP2009</i>	-0.69 (-7.82)*	-0.18	-0.69 (-7.40)*	-0.18	-0.67 (-7.27)*	-0.17
<i>PubSpending</i>			-11.48 (-0.44)	-0.03	-13.21 (-0.51)	-0.04
<i>Growth</i>					7.31 (1.71)**	0.01
R-squared	0.83		0.84		0.84	
F-statistics	223.82		174.03		161.32	
Prob(F-statistics)	0.00		0.00		0.00	
Number of Obs.	81		81		81	

Note: Values in parenthesis are t-statistics. \*\*\*, \*\* and \* denote significance levels at the 1%, 5% and 10% levels, respectively.

We would like to also emphasize that the coefficients of the equations and marginal effects of the coefficients do not alter when adding a new variable to the regression. This result improves the reliability of estimation results in our empirical analysis.

The R<sup>2</sup> value of the model indicates that the explanatory variables we use in our analysis are able to explain 84% of the variation in the "Yes" votes of the referendum. Almost 16% of the variation in the "Yes" votes cannot be explained by the parties' vote shares in local elections and economical changes at the provincial

<sup>6</sup> Bingöl was one of the fastest growing province between the 2009 local elections and the referendum, therefore the "Yes" votes were about 95% in the referendum 2010. On the contrary, Hatay had relatively less growth rate than the other provinces, the "No" votes were higher than the "Yes" votes in Hatay.

level. There must be other differences between the 2009 elections and the referendum which influenced the “Yes” votes. As the  $R^2$  values indicate, although the explanatory variables are able to explain 83%, 84% and 84% of the variation in the “Yes” votes for the three equations respectively, the economic explanations seem to have no remarkable effect on the “Yes” votes. In the main, this can be explained the profile of the country’s voters. In our country, political partisanship has come into prominence in the present than rational economic behavior. In some provinces of our country, voters’ behaviors do not change to corroborate the incumbent party’s success.

## 5. Conclusion

The September 12, 2010 referendum made substantial changes to the Turkish Constitution. The incumbent party, AKP, supported the proposed changes while the opposition parties opposed them. At the end of the referendum, 26 articles of the Constitution were amended. Relatively significant changes were made in the fields of the composition of higher courts including the Constitutional Court, fundamental human rights and labor market conditions. In this study we have proposed several hypotheses regarding the political and economic explanations of the referendum results and test them statistically.

Our opinion is that even though the referendum was about on specific issues and most of the proposed changes were supported by a wide variety of political and social groups, the result is a reflection of government policies. We hypothesize that the individuals who are happy about the government polices voted yes in the referendum. First we examined at the political explanation for the results. We analyzed the relationship between the referendum results and the votes received by the main parties (AKP, CHP and MHP) in the previous election (2009). We found that in the provinces where AKP had relatively higher votes, the referendum yes votes were also higher. On the other hand, in the provinces where CHP and MHP had relatively higher votes, in the referendum no votes were higher. However this effect was more pronounced for CHP. That might imply that CHP was more successful than MHP on convincing its party sympathizers to follow its official policy on the referendum.

We also studied the effects of economic variables on the referendum results. By using provincial level data, we tested whether the economic conditions had any influence over voting patterns. Indeed, the data supports the assertion that in the provinces where economic conditions were relatively improved more in the last year, the referendum votes were higher. Finally, we analyzed the impact of government spending on the referendum results. It has been argued that populist spending and transfers by the government institutions were aiming to increase the support for the proposed changes. However, we could not find any effect of government spending on voting patterns.

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