

“Politics of Healthcare Reform in Turkey”

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Table 1: Timeline of healthcare reforms and economic & political transitions in Turkey

Political & Economic transitions	Date	Healthcare reforms
Turkish War of Liberation	1919-1923	Decentralized healthcare system; too few doctors to serve largely rural population
Establishment of the Republic of Turkey & the Cumhuriyet Halk Partisi (CHP)	1923	
Transition to state-centered economy	1920s-1930s	Government Employees Retirement Fund
	1949	
Demokrat Parti (DP) sweeps general election, encourages privatization of economy	1950	
Inflation grows exponentially, as does internal dissatisfaction with DP	1953-1959	
Military coup overthrows DP and executes leader, Adnan Menderes; State Planning Organization (SPO) established; transition to import-substitution economy (ISI)	1960	Growing in-migration of rural migrants to cities stresses urban healthcare infrastructures
New constitution established & political parties are reinstated	1961	New constitution includes mandate to establish social safety net for poor; Health Services Delivery Act passed
	1964	Social Insurance Organization (SIO)
Adalet Partisi (AP) gains control of parliament	1965	Active Civil Servants Fund (ACSF)
	1967	General Health Insurance (GHI) bill submitted to parliament, rejected
	1969	GHI bill submitted to parliament, rejected

Trade deficit and external debts increase	1966-1969	
Military coup	1971	Social Insurance Agency of Merchants, Artisans, and the Self-Employed
Military rule	1971- 1973	
CHP creates coalition government	1973	
Balance of payments, stagflation, & sharply increasing foreign debt convulse economy	1973-1979	
Coalition government, working with IMF, attempts to implement neoliberal economic reforms; military coup; all political parties are outlawed	1980	Law 2368 allows public-sector physicians to simultaneously run private practices
	1981	Military government decides to subsidize private health investments, offer full-time employment for physicians; Law 2422 introduces co-payments for some drugs
Council of capital markets created; new constitution instituted; several banks go bankrupt	1982	New constitution encourages privatization of healthcare system; also suggests GHI, but does not implement
Military government continues IMF-recommended economic shock therapy; domestic demand drops	1980-1983	Growing gecekondu population exacerbates urban healthcare infrastructure
New coalition government led by Anavatan Partisi (ANAP) established	1983	
Capital accounts de-regulated to encourage foreign investment	1984	
Turkish Lira becomes fully convertible;	1986	

Istanbul Stock Exchange (ISE) established

1987

Health Services Basic Act passed, converting state-run public hospitals into private healthcare enterprises. Law rendered largely toothless by courts

Capital accounts further de-regulated

1989

Regional targets for health suggested by World Health Organization (WHO), adopted by Turkish government; GHI proposed, but rejected

ANAP loses general elections; new coalition government established

1991

1992

Government calls for national review of healthcare system; Green Card Scheme established, offers health insurance to those making 1/3 of minimum wage

CHP and other older political are re-established; trade deficits rise to 14 billion as exports fall

1993

National Health Policy drafted; shelved after strong opposition; lack of political support; changes in coalition government; economic crisis

Reversal of capital flows causes recession; inflation skyrockets while Turkish Lira devalues

1994

Refah Partisi (RP), riding on wave of popular dissatisfaction with economy, dominates coalition government

1996

National Security Council forces resignation of RP

1997

IMF dis-inflation program implemented; RP banned by Constitutional Court for anti-secular activities	1998	
Izmit earthquake causes 18,000 deaths, leading to growing dissatisfaction with government; Turkey enters another recession; another IMF plan implemented	1999	
Criminal investigations into finance sector & insolvency of several private banks leads to another economic shockwave; unemployment rises; IMF gives Turkey 7.5 billion US dollar loan	2000	
President of Turkey accuses cabinet of corruption, sparking fears in investors and rapid withdrawal of investments; Turkey enters another recession; unemployment rises to approximately 9 percent; Adalet ve Kalkınma Partisi (AK Party) formed	2001	
AK Party sweeps general elections; promises that it will promote social justice and reduce income inequality.	2002	
Recep Tayyip Erdoğan becomes prime minister; agrees to continue IMF neoliberal economic reforms;	2003	Urgent Action Plan (UAP) announced; eventually re-packaged as Health Transformation Program (HTP)
Inflation falls, and foreign investors return in large numbers; banks re-structured to protect against foreign exchange risks	2004	Family medicine pilot program implemented; community health centers established
Foreign investments total 10 billion US dollars; Turkish Lira begins to appreciate; unemployment rises to 10 percent	2005	Green Card Scheme and SIO updated; coverage extended public hospitals not owned by universities or military placed under authority of Ministry of Health (MoH)

Foreign investments total 20.2 billion US dollars	2006	Existing social security funds are merged into the Social Security Institution (SSI); law for creation of general health insurance (GHI) considered by parliament
AK Party is re-elected to parliament with greater share of popular vote; foreign investments total 22 billion US dollars; exports decrease	2007	Pilot hospital law suggests individual boards manage hospitals, rather than MoH; also suggests doctors be de-classified as public employees and lose guarantee of lifelong employment; benefits among various social security funds further unified; Health Budget Law passed; GHI delayed by Constitutional Court
Foreign investments decrease to 18.3 billion US dollars; unemployment rises to 16 percent	2008	GHI passed by parliament
Foreign investments decrease to 8 billion US dollars; Turkish Lira depreciates; Turkey enters recession	2009	
Central Bank places restrictions on short-term capital flows and domestic credit	2010	ACSF and Green Card Scheme merged into SSI
AK Party sweeps general election for a third time; unemployment rate hovers around 9 percent; more than 16 percent of Turkish population below poverty line	2011	

Introduction

Since the 1960s, various political parties and coalitions have attempted to reform healthcare access, insurance, and delivery in Turkey. However, it wasn't until the emergence of the Adalet ve Kalkınma Partisi (AK Party) in 2001 that broad healthcare reform was finally implemented. The AK Party was able to push reforms through because of several factors, including a more stable government staffed by an AK Party majority in 2002, better fiscal management, and a demand for better healthcare from working class constituents in rapidly expanding urban areas.¹

Just as significant as the mechanics of reform, though, are the reasons why the AK Party viewed healthcare as a political priority. In my thesis, I argue that the AK Party pushed for healthcare reform primarily to court votes from the working class segment of its political base. This neopatrimonial maneuver was critically important as the AK Party had marketed itself as a political organization that would address corruption and poverty, and promote justice, democracy, and social welfare. However, after sweeping the general elections in 2002, the AK Party agreed to maintain neoliberal economic policies backed by the International Monetary Fund in order to court international investment and political support from domestic entrepreneurs.² These economic policies negatively impacted the livelihoods of the AK Party's working class supporters. Healthcare reform, then, was intended to offset this negative impact and maintain voter loyalty. This stance becomes evident when we

¹ Patton, Marcie. "The Economic Policies of Turkey's AKP Government: Rabbits from a Hat?" *Middle East Journal* 60.3 (2006): 514. Online.

² Ibid 515.

consider how the AK Party altered unpopular aspects of its healthcare reforms, such as the cumbersome referral process, right before the 2007 general elections.³

I begin my thesis with a discussion of the history of healthcare reform in Turkey. In Part 1, I analyze demographic pressures that led to the growing clamour for healthcare reform in the 1960s, and how reform efforts before 2001 were stymied by government and economic instability. Following that, in Part 2, I analyze the AK Party's stance regarding healthcare reform. I briefly describe the party's formation in 2001, examine some factors that influenced its success in the 2002 general elections, and state what healthcare changes were planned. After which, in Part 3, I evaluate how successful the party was in enacting healthcare reform during its first ten years in parliament (2002-2012) and the impacts the reforms had on the populace. Part 4 is devoted to the creation, implementation, and results of the General Health Insurance scheme. In Part 5, I analyze the effects that the IMF-backed neoliberal economic program of 2002-2012 had on working class members of the Turkish population. Then, in Part 6, I discuss how the neoliberal economic program of 2002-2012 was both a conundrum for the AK Party and a boon. The party was forced to negotiate its liberalizing economic policies and the problems it inflicted upon the working class with its socially caring persona. It has been successfully able to walk this tight rope by using aspects of its neoliberal reforms to build a broad-based coalition and create an extensive charity economy in Turkey. Included in this charity economy was a streamlined healthcare system, an expanded family medicine

³ Yildirim, Hasan Hüseyin et al. "Healthcare financing reform in Turkey: context and salient features." *Journal of European Social Policy* 21.178 (2011): 190. Online.

system, and better access to healthcare facilities for the poor and working class. I conclude with a brief analysis of the March 2014 local elections and how the AK Party's neopatrimonial maneuvers, healthcare reform in particular, helped it maintain working class support even as the party's neoliberal economic reforms negatively impacted this segment of the population.

Part 1: Background: demographics and early attempts at healthcare reform

The Republic of Turkey has undergone radical economic, political, and demographic changes since its formation in 1923.⁴ Following the breakup of the Ottoman Empire and the Turkish War of Liberation (1919-1923), the Republic was recognized and acknowledged as a sovereign state by foreign powers in the Treaty of Lausanne.⁵ However, World War I, the subsequent occupation by the Triple Entente, and the war of liberation devastated both Turkey's population and infrastructure. Some demographers estimate that as much as 20 percent of the population perished, in battle or from famine and disease, during this time period.⁶

In the late 1920s, under Mustafa Kemal Atatürk and the Cumhuriyet Halk Partisi (CHP), the Republic underwent drastic reform in an effort to modernize and to maintain economic sovereignty. The single-party state created investment banks and offered significant tax subsidies to potential investors in order to boost the private sector. This

⁴ Finkel, Andrew. *Turkey: What Everyone Needs to Know*. New York: Oxford University Press, 2012. 9 Print.

⁵ Ibid 26.

⁶ Ibid 191.

economic strategy met with limited success. The CHP shifted gears in the 1930s, giving the state control over most economic enterprises but still incorporating elements of capitalism in the economy.⁷

In terms of its demographics and health indicators, the Republic faced an uphill battle during its formative years. According to the first available census in 1927, the population of Turkey numbered 13.6 million, with 24.2 percent of the population living in province and district centers and 75.8 percent in towns and villages. The literacy rate was abysmal; in 1935, the next available census, it was reported that only 19.2 percent of the population over the age of 6 could read and write. Poverty was endemic in rural Anatolia.⁸

Few healthcare indicators are available for this time period. There is no available median age for 1927, and data on infant mortality in the 1920s is unavailable. However, in the 1935 census, the population was calculated to be 16.1 million. Approximately 6.7 million or 42% of the population were children, defined here as individuals aged 0-14, and median age was calculated at 21.2.⁹ Turkey was indeed a very young republic, with few of its members living past the age of 55.

Other healthcare indicators paint a more detailed picture of healthcare conditions in Turkey during this time. The Turkish Statistical Institute has records on the number of

⁷ Herr, Hansjörg and Zeynep M. Sonat. "The Turkish Neoliberal Unshared Growth Regime of the Post-2001 Period." World Economics Association (WEA) Conferences, No. 4. *Neoliberalism in Turkey: A Balance Sheet of Three Decades*. 28th October to 16th December, 2013. Online. 3.

⁸ Turkish Statistical Institute. "Population, annual growth rate and sex ratio," "Ratio of city-village population," "Population of Province / District Centers and Towns / Villages by Years and Sex, 1927-2013," "Population by literacy."

⁹ Ibid. "Population by age group and sex ratio," "Median age."

healthcare personnel in Turkey dating back to the 1920s. There were approximately 1,078 doctors registered in the Republic in 1928, creating a patients-per-doctor ratio of 12,841:1. This number does not include registered nurses, midwives, and other health practitioners; when those personnel are included, the ratio falls to roughly 5,000:1 patients-per-healthcare personnel.¹⁰ The data points to a woefully understaffed medical system attempting to care for a largely rural, illiterate population, in a newly wrought Republic with a rapidly-changing economy.

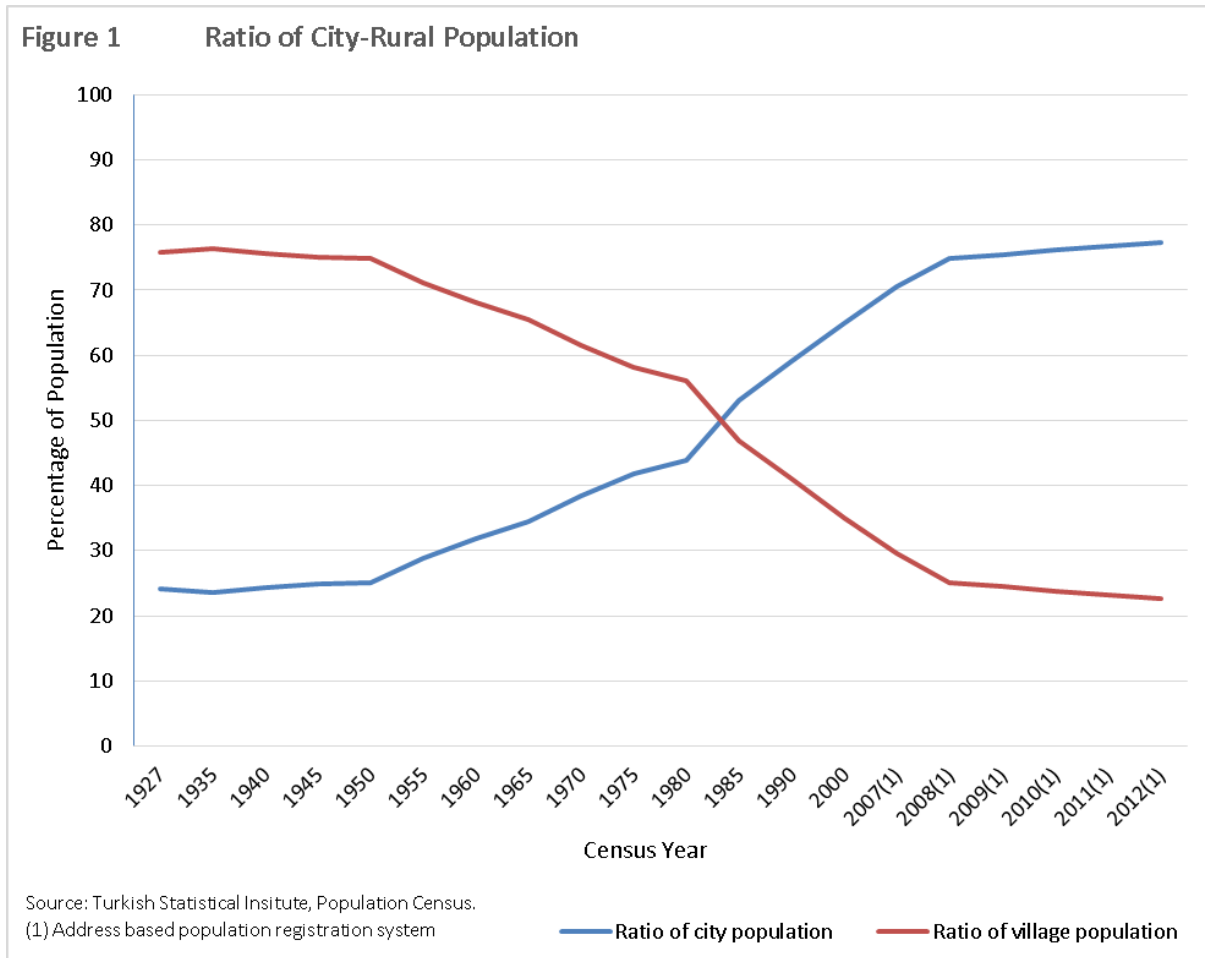
Conditions began to shift in the 1950s. By 1955, the population of Turkey had nearly doubled to 24 million. The median age fell from 21.2 in 1935 to 20.44 in 1955, but literacy rose to 41 percent of the population over the age of 6.¹¹ Gains were made in the healthcare sector as well. In 1955, there were 7,077 registered physicians in Turkey, which lowered the patients-per-doctor ratio from 12,841:1 in 1928 to 3,371:1. Nurses, health officers, dentists, and midwives also saw increases in their ranks; however, the numbers of these personnel were still inadequate to service the growing population.¹²

Most importantly, the ratio of urban-to-rural population shifted to 28.8 percent: 71.2 percent. Compared to the ratio in 1927 (24.2 percent), it is not a particularly large increase per se, but 1955 was the first census year in which the urban population made up more than 25 percent of Turkey's total population (see Figure 1). The increased internal migration to provincial and district centers began to stress urban infrastructures, a process which would

¹⁰ Ibid. "Number of health personnels and number of individuals per health personnel."

¹¹ Ibid. "Population, annual growth rate and sex ratio," "Median Age," "Population by literacy."

¹² Ibid. "Number of healthcare personnel."



accelerate in later decades.¹³ However, during the 1950s, Turkey was still a largely rural nation.

The Republic had finally managed to successfully implement a multi-party system, leading to change in power from the CHP to the newly-founded Demokrat Parti (DP). The DP differed from the CHP in its emphasis on the private rather than public sector, Islam, and the legitimization of traditional values of “the rural masses.”¹⁴ For the first time, rural values

¹³ Esmer, Yılmaz. “At the Ballot Box: Determinants of Voting Behavior.” *Politics, Parties, & Elections in Turkey*. Boulder, CA: Lynne Reinner Publishers, 2002. 93. Print.

¹⁴ Mardin, Şerif. “Center-Periphery Relations: A Key to Turkish Politics.” *Political Participation in Turkey*. Istanbul: Boğaziçi University Printing Office, 1975. 25, 29. Print.

and a sense of populism united against what was perceived as a stagnant bureaucracy beholden to Western interests. As Arnold Leder writes, “In the new cultural divide, strong peasant support was enjoyed by individuals and groups representing themselves as devout Muslims. Simultaneously, the periphery rejected Western behaviour, ideas, and life style, while the institutional apparatus of orthodox Islam became an instrument for attacks against the centre.”¹⁵ The DP, made up of younger members of the bureaucratic elite, businessmen chafing at the dominance of the public sector under the CHP, and some of the intelligentsia, who saw the single-party system as a relic of the past, rode this wave of populism to achieve electoral success in 1950 general elections.¹⁶

The DP swiftly began to weaken the state’s control the economy, implementing reforms in order to increase the private sector share. These reforms had immediate effects on the Turkish economy. Trade balances crumbled, external indebtedness rose, and the Turkish Lira (TL) appreciated.¹⁷ Inflation, a sustained increase in the price for goods and services, increased dramatically. Inflation is not always detrimental; moderate levels of inflation can erode debt and can encourage consumer spending, which boosts the economy.¹⁸ However, Turkey’s increase was anything but moderate, growing from approximately 5 percent in 1953 to 25 percent by 1958 (see Figure 2).¹⁹ The working class population, who had rallied behind

¹⁵ Leder, Arnold. “Party Competition in Rural Turkey: Agent of Change or Defender of Traditional Rule?” *Middle Eastern Studies*. 15.1 (1979): 83-84. Online.

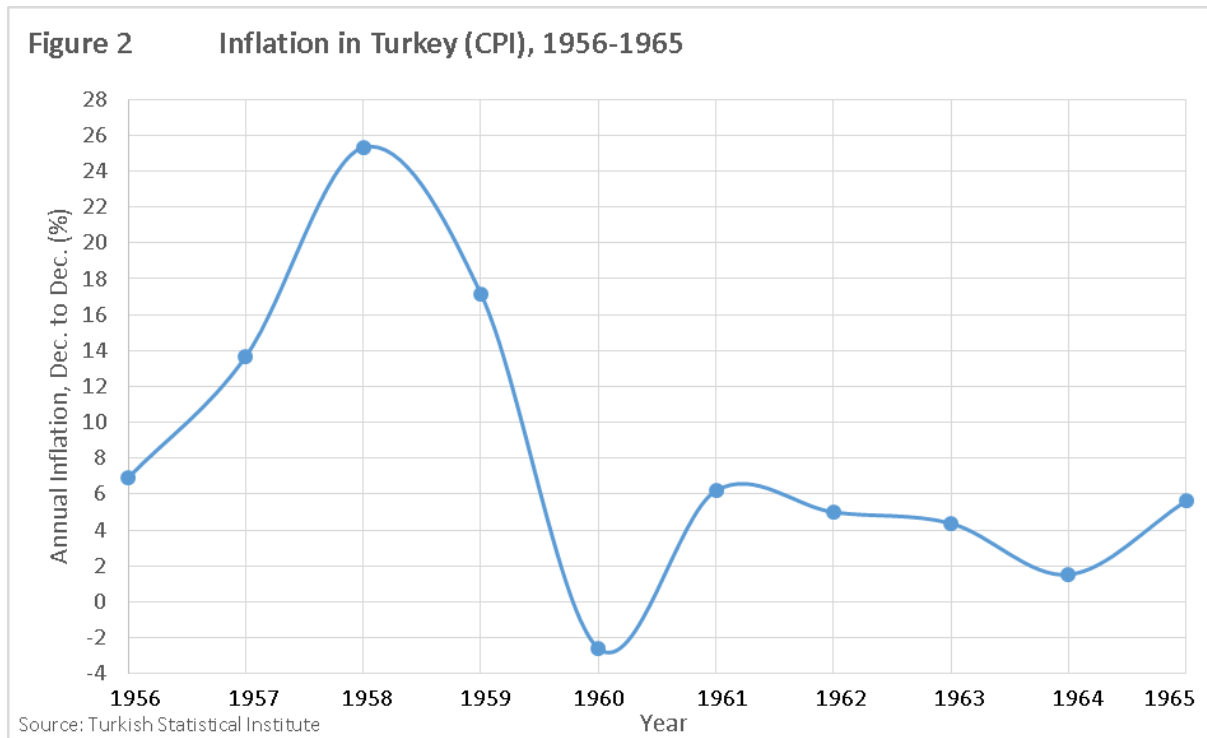
¹⁶ Mardin. “Center-Periphery Relations: A Key to Turkish Politics.” 29.

¹⁷ Herr et al. “The Turkish Neoliberal Unshared Growth Regime of the Post-2001 Period.” 3.

¹⁸ Krugman, Paul. “Oligarchs and Money.” *New York Times*. 6 April 2014. Online.

¹⁹ Kibritçioğlu, Aykut. “Chapter 3: Causes of Inflation in Turkey: A Literature Survey with Special Reference to Theories of Inflation.” *Inflation and Disinflation in Turkey* (2002): 44-45. Online.

the DP, began to suffer under the effects of these economic changes. As Şerif Mardin described it, “The workers... might not have thought that (CHP)’s earlier, progressive legislation had kept them from becoming a rootless proletariat, but then, gratefulness... is not



an element of politics.”²⁰ This pattern of working class frustration with the effects of a liberalized economy and subsequent withdrawal of support from the party in power would be repeated again in the 1980s, 1990s, and early 2000s.

Efforts were made in the late 1950s to tackle the dramatic increase in inflation.

However, the DP was unable to fully address the economic crisis. Dissatisfaction with the party grew as prices for commodities rose, Turkey’s orientation towards the West was

²⁰ Mardin, “Center-Periphery Relations: A Key to Turkish Politics.” 30.

accelerated, despite campaign promises²¹, and reports of the DP engaging in punitive measures against CHP villages emerged.²² The combination of factors led to a military coup in May 1960. The leader of the DP, Adnan Menderes, was executed by the military²³ and a new constitution based on liberal parliamentary democracy was instated in 1961. Political parties were re-established in February 1961.²⁴

Like the CHP of the 1920s, the new coalition government of the early 1960s faced an uphill battle in terms of fixing the economy, addressing population needs, and reforming healthcare. Inflation hovered between 17 and 25 percent from 1958 to 1959 (see Figure 2). The population of Turkey had swelled to 27.7 million by 1960 with approximately 32% concentrated in district and provincial centers (see Figure 1). Attracted by employment opportunities in the cities, migrants from villages descended upon Istanbul and other urban centers at an accelerated rate, putting greater stress on urban infrastructure. Kemal Karpaz recorded the startling growth of “gecekondu” or shantytowns in Istanbul in the 1960s. He writes in his article, “The Politics of Transition”:

It is true that practically the entire population of Turkey, in common with the peoples of most third world countries, experiences in varying degrees the impact of change. It seems, however, that the rural migrants, who are becoming parts of the city proletariat

²¹ Sever, Ayşegül. “The Compliant Ally? Turkey and the West in the Middle East 1954-58.” *Middle Eastern Studies* 34.2 (1998): 73.

²² Leder. “Party Competition in Rural Turkey: Agent of Change or Defender of Traditional Rule?” 92.

²³ Ibid 85-87.

²⁴ Karpaz, Kemal. “The Politics of Transition: Political Attitudes and Party Affiliation in Turkish Shantytowns.” *Political Participation in Turkey*. Istanbul: Boğaziçi University Printing Office, 1975. 95. Print.

and are rapidly acquiring new patterns of life, experience the impact of change more acutely than others. (...) They are transformed from tradition-oriented farmers toiling the land for subsistence into factory workers or small entrepreneurs... while increasingly becoming involved in local and national politics. (...) If one considers the fact that some 30-40 percent of most Turkish cities with over 100,000 people consist of shantytowns inhabited mostly by rural migrants, then, the scope and the long-range effects of the change occurring in the gecekondu communities becomes self-evident.²⁵

Coupled with a ballooning population was the growing realization that Turkey's healthcare system was in drastic need of reform. Whether one analyzes the number of physicians, number of hospital beds, life expectancy, or other healthcare indicators, Turkey in the 1960s fell short of its neighbors. In 1961, there were only 8,214 physicians nationwide, creating a patients-per-doctor ratio of 3,436:1.²⁶ In comparison, Belgium had 12,394 registered physicians for a total population of 9,178,154, creating a patients-per-doctor ratio of 740. A more analogous comparison perhaps would be Hungary, located in the southeastern corner of Europe and once part of the Ottoman Empire. In 1961, Hungary had 16,006 registered physicians serving a population of approximately 10 million, resulting in only 625 patients per doctor.²⁷ Turkey had approximately five and a half times as many patients-per-physician. This lackluster rate can partly be attributed to low tertiary education levels among the

²⁵ Ibid 90.

²⁶ Turkish Statistical Institute. "Number of Healthcare personnel."

²⁷ Eurostat. "Demographic balance and crude rates," "Health personnel (excluding nursing and caring professionals."

population. Though data is unavailable for the 1960s, in 1975 it was reported that only 1.8 percent of the population over the age of 25 had “higher education,” broadly defined.²⁸

Turkey does not fare well in other healthcare indicators. In 1967, there were only 664 registered medical institutions in Turkey, and 59,173 hospital beds, or approximately 1.81 hospital beds per 1,000 members of the population in Turkey.²⁹ This rate is comparable with Egypt’s in 1960 (2.1 hospital beds per 1,000) and better than neighbors Iran (0.9) and Syria (1.1).³⁰ However, when compared to neighboring European states, Turkey does not stack up. Greece, which only broke away from the Ottoman Empire after WWI, had 52,173 hospital beds to serve a population of 8.6 million in 1967, indicating roughly 6.03 hospital beds per 1,000 members of the population.³¹

Let us consider other healthcare indicators. In 1961, the median age in Turkey was 20.3, a value that had remained largely unchanged since 1935.³² In comparison, the median age in Greece in 1961 was 27.8; in Hungary, 32.2; in Bulgaria, 30.6.³³ Life expectancy in Turkey was predictably short, at just 45 in 1960 (see Figure 3). It is comparable to Iran’s (45) but lower than all of its neighbors. Greece, for instance, had a life expectancy of 68 in 1960. In line with Turkey’s other health indicators, in 1960, infant mortality in Turkey was 179.7 per 1,000. This rate is better than Egypt’s (199.6), is comparable with Iran’s (176.9), but is

²⁸ Turkish Statistical Institute. “Formal education completed and sex ratio.”

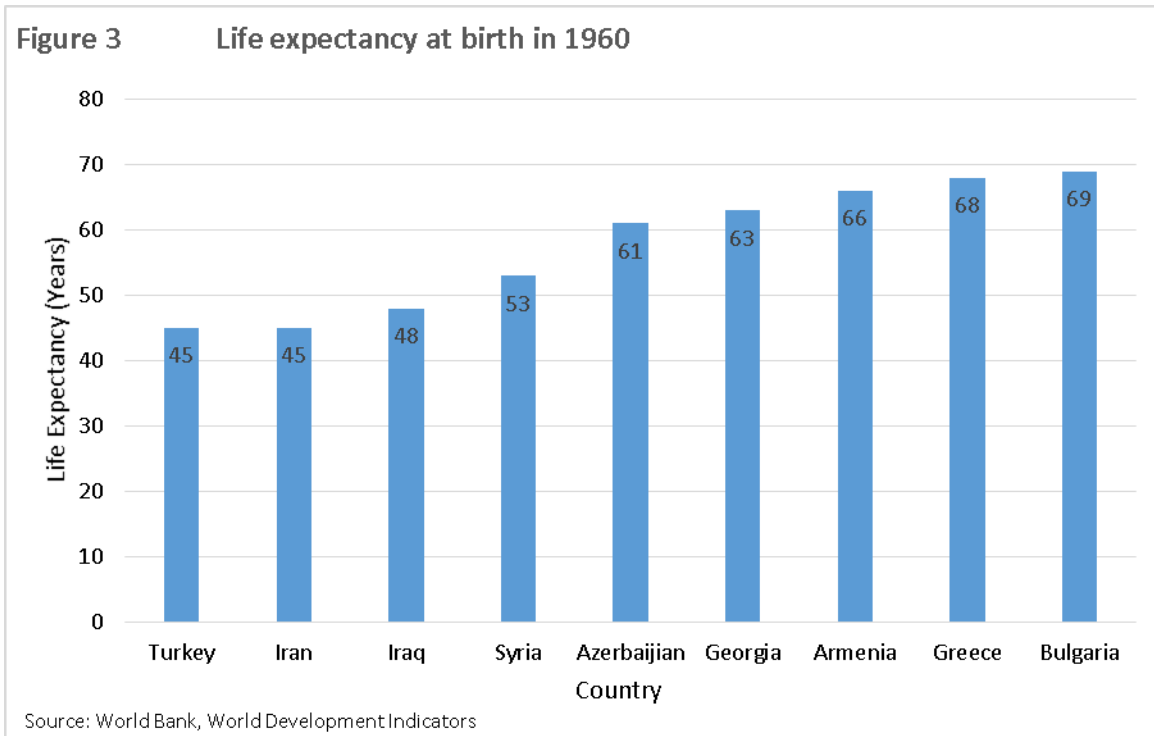
²⁹ Turkish Statistical Institute. “Number of medical institutions and total hospital beds.”

³⁰ World Bank. “Hospital Beds (per 1,000 people).”

³¹ Eurostat. “Demographic balance and crude rates,” “Hospital beds by type of care.”

³² Turkish Statistical Institute. “Median Age.”

³³ Eurostat. “Structure Indicators.”



drastically higher than Syria's (115.5), Hungary's (53.9), or Greece's (47.7).³⁴

Clearly, there was a definite need for reform in the 1960s, both in the economy and in healthcare. The new government tackled both. In 1960, the military government established the State Planning Organization, which was tasked with managing the nation's economic development. As Mehmet Döemeci describes it, "The plan was to ensure Turkish economic development based on a variant of import substitution industrialization (ISI), directing investments and resources toward the local production of goods that Turkey currently imported."³⁵ Once again, the public sector dominated over the private sector. Inflation fell to a dramatic low and hovered between -2.5 and 5 percent between 1960- 1965,³⁶ and the

³⁴ World Bank. "Mortality Rate, Infant (per 1,000 live births)."

³⁵ Döemeci, Mehmet. *Debating Turkish Modernity: Civilization, Nationalism, and the EEC*. New York: Cambridge University Press, 2013. 135. Online.

³⁶ Kibritçiöğlu, Aykut. "Chapter 3: Causes of Inflation in Turkey." 44.

implementation of ISI and the increase in state-owned enterprises helped increase the share of industry in GDP.³⁷ The average annual rate of growth of the Turkish economy was a healthy 6.5 percent during the ISI period (1962-79).³⁸

On the healthcare front, the Socialization of Health Services Delivery Act was passed in 1961. The law aimed to rectify healthcare services on a national level by simplifying the referral system and integrating preventative and curative medical services. The facelift would include a mixed financing model, combining premiums, government budgeting, and fee-for-services,³⁹ and would be financed by a general tax. Yasar writes, “It can be stated that the Act was born out of an ambition to create an egalitarian health system,”⁴⁰ one in which the entire country would be able to benefit. However, the ambitious reforms went largely unrealized. This was attributable to a lack of political willpower and opposition from entrenched interests in the healthcare sector.⁴¹

In 1964, the Social Insurance Organization (SIO) was established. It was employment-based health insurance that covered seasonal agriculture workers, employees in both the private and public sectors, as well as their dependents. In that sense, it mimicked the earlier Government Employees Retirement Fund, which was established in 1949 and offered funding for diagnosis and treatment of diseases in retired civil servant and their dependents.⁴²

³⁷ Herr et al. “The Turkish Neoliberal Unshared Growth Regime of the Post-2001 Period.” 4.

³⁸ Yeldan, Erinç. “Introduction.” World Economics Association (WEA) Conferences, No. 4. *Neoliberalism in Turkey: A Balance Sheet of Three Decades*. 28th October to 16th December, 2013. Online.

³⁹ Yildirim, Hasan Hüseyin et al, “Healthcare financing reform in Turkey.” 186.

⁴⁰ Yasar, Gulbiye Yenimahalleli. “Health Transformation Programme in Turkey: An Assessment.” *International journal of health planning and management*. 26 (2011): 111. Online.

⁴¹ Yildirim, Hasan Hüseyin et al, “Healthcare financing reform in Turkey.” 186.

⁴² Ibid 182.

Unlike the Government Employees Retirement Fund, which was overseen by the Ministry of Finance, the SIO was overseen by the Ministry of Labour and Social Security. As the population of fund subsidiaries grew, the splitting of responsibility for social funds between various ministries eventually grew into an unwieldy bureaucratic nightmare, once which would not be effectively addressed until the mid-2000s.⁴³ The SIO was primarily funded by payroll taxes, and premiums were based on workers' payroll wages. Contributions to SIO were shared between employees and employers, with employees chipping in 5 percent of their salaries and employers covering 6 percent. The state also subsidized a portion of the contributions.⁴⁴

In terms of benefits, the SIO offered “pre-paid short-term medical and maternal benefits, employment-related accident and occupational disease benefits; long-term benefits for old age, disability and survivor pensions.”⁴³ However, it did not cover preventive services. Furthermore, SIO members and their dependents were restricted in their healthcare options, only able to seek treatment from SIO-managed hospitals and pharmacies. These hospitals charged patients on a fee-for-service basis.⁴⁵

The SIO eventually covered a plurality of the population, offering benefits to 49.49 percent of the nation by 2003. In 1965, health insurance was extended to active members of the government through the Active Civil Servants Fund (ACSF). Like the Government Employees Retirement Fund, the ACSF was run by the Ministry of Finance, and covered

⁴³ Ibid 182.

⁴⁴ Ibid 185.

⁴⁵ Ibid 186.

basic diagnosis and treatment. Unlike the SIO, the ACSF did not require premiums; rather, the fund was paid for by tax revenues.⁴⁶

These insurance reforms, limited as they were to employed citizens and their dependents, still represented a huge step in addressing the healthcare needs of the population. However, as Turkey's debt and trade deficit increased in the late 1960s and acrimony grew between political parties and ministries, progress on the health insurance front faltered. As Yasar notes, "The socialized health services suffered severely from limited financial resources over time... it is impossible to claim that the proposed system achieved the state aims, i.e. an egalitarian health system."⁴⁷ A general health insurance bill was submitted in 1967 and in 1969, but discussions were swept aside in favor of focusing on the economy.⁴⁸ The State Planning Organization, which called for ISI as well as economic integration with neighboring Middle Eastern states and other developing economies, began to butt heads with the Adalet Partisi (AP). The AP was a descendent of the defunct DP, and by 1965 it controlled a majority of parliament. "By 1966, just six years into Turkey's experiment in national planning," according to Mehmet Döemeci, "Prime Minister Suleyman Demirel (AP) claimed that '...planning has no role in the development of free and democratic nations.'⁴⁹

A tug of war began between the AP and the State Planning Organization regarding Turkey's economic future. This internecine debate was further compounded by growing

⁴⁶ Ibid 182-183

⁴⁷ Yasar, Gulbiye Yenimahalleli. "Health Transformation Programme in Turkey: An Assessment." 111.

⁴⁸ Yildirim, Hasan Hüseyin et al, "Healthcare financing reform in Turkey." 186.

⁴⁹ Döemeci. *Debating Turkish Modernity*. 136, 139.

animosity between left-wing and right-wing constituents of the coalition government.⁵⁰

Finally, in 1971, the military launched another coup, ostensibly to re-establish law and order.

Military rule lingered until the end of 1973, after which the CHP formed a new coalition government.⁵¹

Chronic inflation and severe foreign debt dogged the coalition government of the 1970s. Inflation soared to 23 percent in 1971 and nearly hit 30 percent during 1974 (see

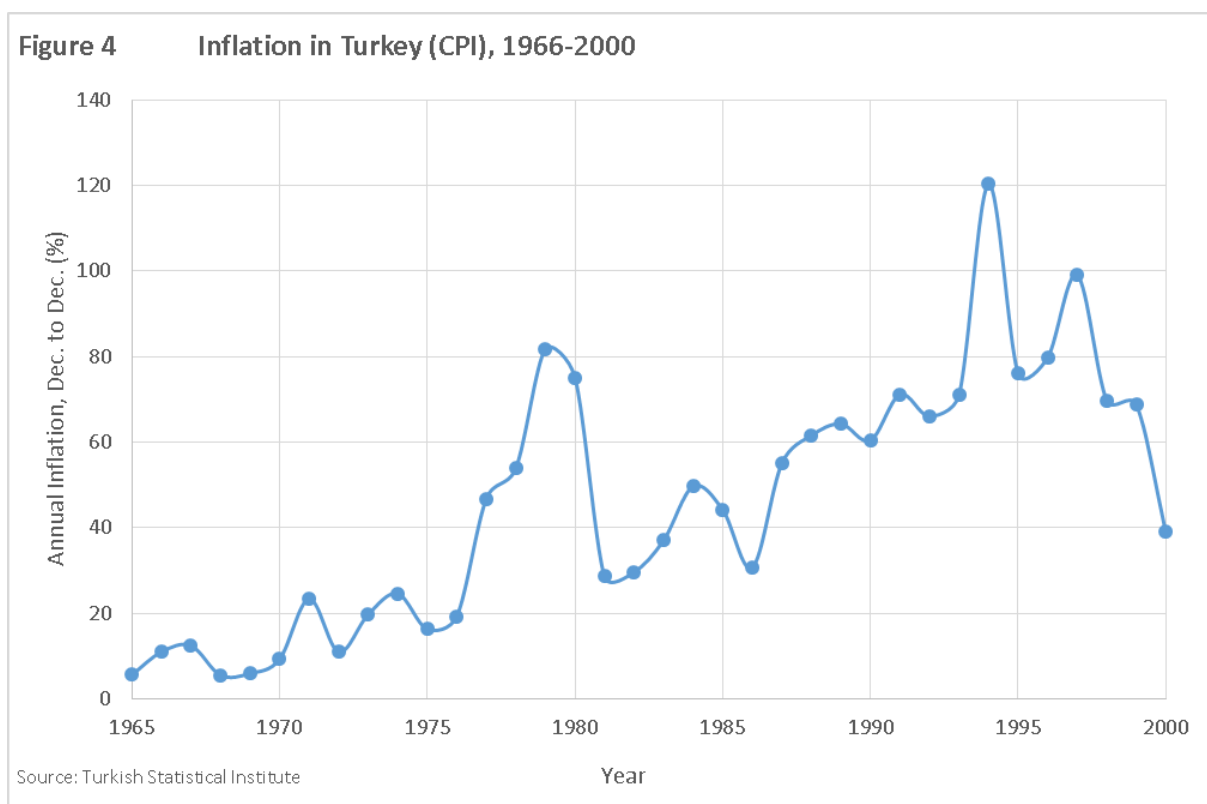


Figure 4). The 1970s were also marked by several devaluations of the Turkish lira, as well as stagflation, defined as when slow economic growth is paired with a rise in prices.⁵² These

⁵⁰ Herr et al. "The Turkish Neoliberal Unshared Growth Regime of the Post-2001 Period." 4.

⁵¹ Ibid 4.

⁵² "Stagflation." *Investopedia*, 2014. Online.

conditions were due in part to the dramatic rise in oil prices in 1973-1974 and 1978-1979, and were largely outside of the control of the Turkish government.⁵³

Faced with a balance of payments problem, stagflation, and sharply increasing foreign debt, the coalition government of the mid-1970s paid little, if any, attention to reforming healthcare in Turkey.^{54, 55, 56} In 1971, during military rule, insurance was extended to artisans and the self-employed through the Social Insurance Agency of Merchants, Artisans, and the Self-Employed. Similar to the SIO, this fund was run through the Ministry of Labour and Social Security; however, it did not offer health insurance until the late 1980s. Even then, the fund only covered diagnosis and treatment. While the Social Insurance Agency of Merchants, Artisans, and the Self-Employed, in contrast to the SIO, allowed its members to seek medical care from a wide range of facilities, it did not offer members anything in the way of preventative care.⁵⁷

From the 1960s through the 1980s, health insurance in Turkey was primarily available for the employed, retired civil servants, and their dependents. The un-employed and impoverished, especially those concentrated in the *gecekondu*, were largely excluded from this infrastructure.⁵⁸ Their lack of access to affordable healthcare became more pressing in a rapidly-expanding Istanbul, which was adding 300,000 individuals annually at the turn of the

⁵³ Kibritçiöğlu, Aykut. "Chapter 3: Causes of Inflation in Turkey." 58.

⁵⁴ Herr et al. "The Turkish Neoliberal Unshared Growth Regime of the Post-2001 Period." 4.

⁵⁵ Subaşat, Turan. "The Political Economy of Turkey's Economic Miracle." World Economics Association (WEA) Conferences, No. 4. *Neoliberalism in Turkey: A Balance Sheet of Three Decades*. 28th October to 16th December, 2013. Online. 2.

⁵⁶ Finkel. *Turkey*. 5.

⁵⁷ Yildirim, Hasan Hüseyin et al, "Healthcare financing reform in Turkey." 182-183, 186.

⁵⁸ Ibid. 182-183, 186.

1970s.⁵⁹

In the late 1970s, massive expansion in domestic credit to public sector enterprises and a recession induced by the oil crisis of 1978-1979 sent inflation spiraling over 82 percent by 1979 (see Figure 4). ISI, while it helped Turkey's domestic industry, created a situation in which, as Finkel puts it, "the Turkish consumer (was) paying over the odds for toothpaste, cars, or margarine."⁶⁰ Policymakers noted that because of the oil crisis, "Turkey's terms of trade can be expected to deteriorate further."⁶¹ Unable to handle its foreign debt crisis and rising inflation, the Turkish government capitulated to pressure from the IMF and sought assistance. However, the government was initially unable to meet IMF conditions.⁶²

Beginning in January 1980, the coalition government, working with the IMF, implemented neoliberal economic reforms.⁶³ Neoliberalism, as defined by Dag Einar Thorsen and Amund Lie, is "a loosely demarcated set of political beliefs which most prominently and prototypically include the conviction that the only legitimate purpose of the state is to safeguard individual, especially commercial, liberty, as well as strong private property rights."⁶⁴ In terms of the international political economy, neoliberalism implies relaxation of international capital controls and de-regulation of a nation's financial system. Nations that adhere to neoliberalism generally agree with the notion that a state-managed economy will not be as efficient or productive as a free market governed by free trade. Power is transferred

⁵⁹ Finkel. *Turkey*. 2.

⁶⁰ Ibid. 51.

⁶¹ Kibritçioğlu. "Chapter 3: Causes of Inflation in Turkey." 44, 59.

⁶² Herr et al. "The Turkish Neoliberal Unshared Growth Regime of the Post-2001 Period." 4.

⁶³ Ibid 4.

⁶⁴ Thorsen, Dag Einar and Amund Lie. "What is Neoliberalism?" Department of Political Science, University of Oslo. 14. Online.

from the state and the political sphere to the markets.⁶⁵ In short, neoliberalism is the triumph of the private sector over the public. The coalition government's decision in January 1980 represented a drastic about-face from Turkey's state-managed economy of 1930-1950, and the ISI regime of 1960-1979.

The Turkish government began Turkey's integration within the global economy under the guidance of the IMF. The government started a structural-adjustment program that switched the Turkish Lira to a "managed floating status," meaning that the TL's value was dependent on the foreign exchange market, with only limited influence from Turkey's central bank. This change in the TL's status resulted in a devaluation, encouraging an increase in exports.⁶⁶ During this stage, international capital controls were slightly relaxed in a bid to encourage foreign investment.⁶⁷

However, Turkey's integration was not all smooth sailing. According to Aykut Ozturk, "For an inward-oriented economy, this was a very tough and uneven process in which forward steps, backward steps, crises and political struggles followed each other."⁶⁸ Inflation remained at a staggeringly-high 75 percent (see Figure 4). There was growing dissatisfaction with the economy and much political instability, exacerbated by violence between left-wing and right-wing organizations fighting for control of urban *gecekond* and neighborhoods.

⁶⁵ Ibid 14-15.

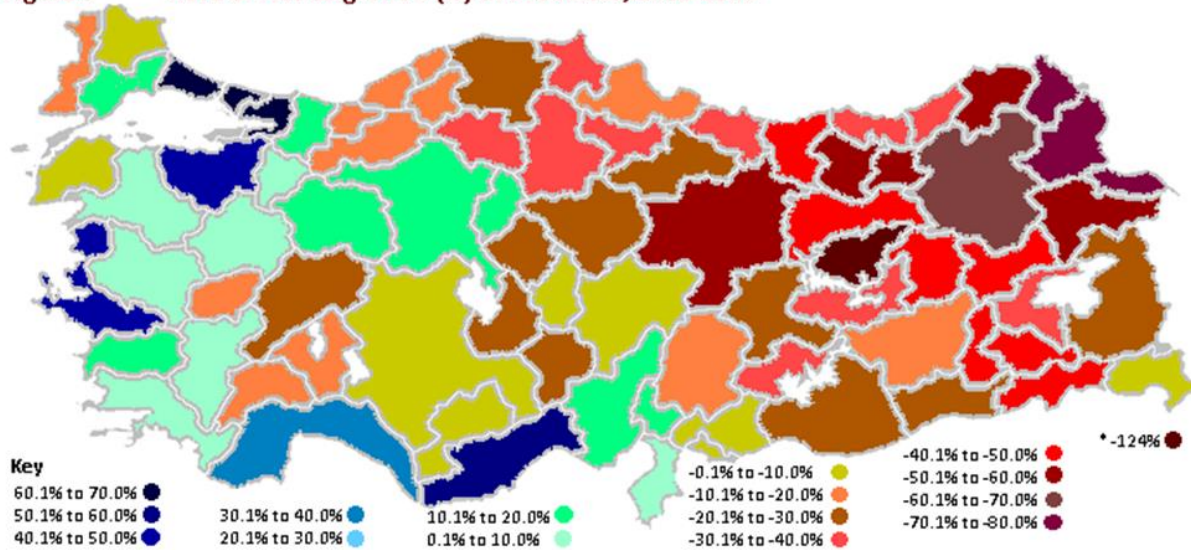
⁶⁶ Herr et al. "The Turkish Neoliberal Unshared Growth Regime of the Post-2001 Period." 7.

⁶⁷ Ibid 4.

⁶⁸ Ozturk, Aykut. "Distribution Relations During the Transition of Turkish Economy to Neoliberalism." World Economics Association (WEA) Conferences, No. 4. *Neoliberalism in Turkey: A Balance Sheet of Three Decades*. 28th October to 16th December, 2013. Online. 1.

These gecekondu, we recall, were already a source of concern in the 1960s. By 1980, almost half of the Turkish population, 43.9 percent, resided within cities,⁶⁹ and between 1975-1980, more than 600,000 migrants moved from villages to cities,⁷⁰ expanding these shantytowns and stressing urban infrastructure. Istanbul alone recorded a positive net migration of

Figure 5 Rate of Net Migration (%) in Provinces, 1980-1985



Note: Provinces reflect 1983 administrative divisions

Source: Turkish Statistical Institute; U.S. Central Intelligence Agency

approximately 288,000 as recorded in the 1980 census (see Figure 5). These factors translated into a third military coup by the autumn of 1980.⁷¹

In a break from the military coups of 1960 and 1971, the military government of 1980-1983 did *not* re-instate a public-sector dominated, state-run economy. Rather, they actually supported the neoliberalist changes.⁷² After outlawing political parties, the military continued

⁶⁹ Turkish Statistical Institute. "Ratio of city-village population."

⁷⁰ Ibid "Migrated population by places of residence & ratio."

⁷¹ Herr et al. "The Turkish Neoliberal Unshared Growth Regime of the Post-2001 Period." 4.

⁷² Ibid 4.

with the structural-adjustment shock-therapy program, hoping that a speedy opening of Turkey's economy, "would lead markets to stabilise spontaneously."⁷³ A council of capital markets was created in 1982,⁷⁴ and a new constitution was put in place. The constitution in 1982, among other things, dramatically limited the rights of workers and unions. Under "Provisions Relating to Labour," Article 52, the constitution states that labour unions are forbidden from engaging in politics:

Labour unions, in addition to being under the general restrictions set forth in Article 13, also shall not pursue a political cause, engage in political activity, receive support from political parties or give support to them, and shall not act jointly for these purposes with associations, public professional organisations, and foundations. The fact of engaging in labour union activities in a workplace shall not justify failure to perform one's work.⁷⁵

The 1982 constitution did suggest improvements to the healthcare system and floated the idea of general health insurance.⁷⁶ The healthcare promises included in the 1982 constitution differed slightly from the 1961 constitution. The latter included a mandate to provide a social

⁷³ Ülgen, Faruk. "Shaky emerging economies in view of the global financial crisis: The Turkish economy after three decades of liberal reforms." World Economics Association (WEA) Conferences, No. 4. *Neoliberalism in Turkey: A Balance Sheet of Three Decades*. 28th October to 16th December, 2013. Online. 5.

⁷⁴ Ibid 5.

⁷⁵ Constitution of the Republic of Turkey. "V. Provisions Relating to Labour, D. Activities of Labour Unions, ARTICLE 52." 1982. Online.

⁷⁶ Ibid "VIII. Health, the Environment, and Housing, A. Health Services and Conservation of the Environment, ARTICLE 56."

safety net for the poor, reflecting the state-centered economy at the time. The 1982 constitution, in contrast, stated that it would *regulate* health services, representing the shift towards privatization and the private sector that marked the 1980s. Healthcare privatization was furthered by the introduction of co-payments for prescriptions, as well as a new rule that enabled physicians employed at public, state-run facilities to open private clinics, allowing these physicians to make more money on the side.⁷⁷

Even if broad-scale healthcare changes were implemented in the early 1980s, they would not have been able to offset the negative impact Turkey's rapid neoliberalization had on its working class. The new economic policies put in place during 1980-1983 led to a severe drop in domestic demand and a hollowing out of the real sector. Lack of financial regulations in the domestic market resulted in speculative banking practices. Several banks went bankrupt by 1982.⁷⁸

The military relinquished political control in 1983. The new coalition government, led by the newly-created Anavatan Partisi (ANAP), the ideological successor of the DP, and its head, Turgut Özal, continued this trend of market liberalization and erosion of the social safety net.⁷⁹ It declared that it would extend healthcare privatization, de-emphasizing the state-run public hospital system and allowing private physicians to charge whatever they liked for services. The 1985-1989 Development Plan stated:

⁷⁷ Yasar. "Health Transformation Programme in Turkey: An Assessment." 112.

⁷⁸ Ülgen. "Shaky emerging economies in view of the global financial crisis." 5.

⁷⁹ Çınar, Menderes. "Explaining the popular appeal and durability of the Justice and Development Party in Turkey." *Negotiating Political Power in Turkey*. New York: Routledge, 2013. 41. Print.

- I. For efficiency public facilities will operate like business enterprises;
- ii. Private enterprises and hospitals will be subsidized;
- iii. Prices of services provided by the private health sector will be unregulated;
- iv. Contracts will be made for private physicians;
- v. Both public and insurance organizations will no longer provide health services
- vi. A General Health Insurance system will be introduced⁸⁰

In terms of market liberalization, the Turkish Lira became fully convertible and the Istanbul Stock-Exchange (ISE) was established by 1986. Capital accounts, the “net result of public and private international investments flowing in and out of a country,”⁸¹ were de-regulated in 1984. This was done in an effort to address the public sector deficit and to encourage more private investments. It was, in hindsight, a mistake. Large, unregulated capital flows can destabilize an emerging economy and overwhelm domestic banks. As noted by Turan Subaşat,

The capital account liberalization aimed at financing the public sector deficit without crowding-out private investment, but an increase in real interest rates resulted in a rapid accumulation of public debt towards the end of the 1980s. Interest payments replaced the primary deficit as the most important component of the public sector

⁸⁰ Yasar. “Health Transformation Programme in Turkey: An Assessment.” 112.

⁸¹ “Capital accounts.” *Investopedia*, 2014. Online. <<http://www.investopedia.com/terms/c/capitalaccount.asp>>

deficit. Increases in the public debt led the government to engage in “Ponzi financing” where mounting interest payments could only be paid by new borrowing.⁸²

Though it was believed that neoliberal reforms aided economic growth and increased investor confidence in the mid-1980s,⁸³ things took a drastic turn for the worse in the late 1980s.

Turkey was unable to export as much as needed to in order to support its export-led economy.

The growth rate of the Gross National Product GNP contracted from 9.8 percent in 1987 to

1.6 percent in 1989.⁸⁴ Despite banking reforms, Turkey’s economy became remarkably

unstable. As Finkel describes it, “...(The Turkish economy) became notorious for being the

best-performing emerging market one year and the worst-performing the next.”⁸⁵ Further de-

regulation of the capital account in 1989 induced more financial instability and unsustainable

growth rates. By 1990, the current account deficit had risen to more than 2.6 billion US

dollars.⁸⁶ It was clear that the Turkish economy was resting on a house of cards.

During this economic and political instability, large-scale healthcare reform stagnated.

The Health Services Basic Act, passed in 1987, formally converted state-run public hospitals

into private healthcare enterprises. It also changed employment of healthcare personnel so

that employees would be hired on a contract basis. But the Health Services Basic Act was

⁸² Subaşat. “The Political Economy of Turkey’s Economic Miracle.” 3.

⁸³ Hale, William et al. “Introduction: Islam, democracy, and the Turkish experience.” *Islamism, Democracy, and Liberalism in Turkey: The Case of the AKP*. New York: Routledge, 2010. xx. Print.

⁸⁴ Ülgen. “Shaky emerging economies in view of the global financial crisis.” 5.

⁸⁵ Finkel. *Turkey*. 52.

⁸⁶ Ülgen. “Shaky emerging economies in view of the global financial crisis.” 5.

swiftly rendered toothless after important element were repealed by the courts.⁸⁷ The Ministry of Health attempted to work with the World Bank in 1987 and 1988 to address Turkey's dismal health indicators and lack of efficient primary care.⁸⁸ Coordinated efforts were also made with the World Health Organization, and regional targets for health were adopted in 1989. However, once the final report was drawn up, the Ministry of Health concluded that these regional targets were unlikely to be reached within the limits of Turkey's current healthcare system.⁸⁹ General health insurance was once again proposed in 1989, but was crushed, largely due to a lack of political will and opposition from entrenched interests.⁹⁰

By 1990, Turkey had a population of 56.5 million, 80.5 percent of which were able to read and write,⁹¹ and approximately 59 percent concentrated in urban areas. The nation had more than quadrupled its population and transformed from an illiterate rural-majority to a literate urban-majority country in less than 70 years.⁹² Between 1985 and 1990, more than 995,000 people migrated to Istanbul alone.⁹³

Median age was still low at 22.22,⁹⁴ especially compared with neighbors Greece (36.0) and Bulgaria (36.5).⁹⁵ Turkey's high fertility rate probably played a part in this low

⁸⁷ Yasar. "Health Transformation Programme in Turkey: An Assessment." 113.

⁸⁸ Ibid 112.

⁸⁹ Ibid 114.

⁹⁰ Yildirim et al. "Healthcare financing reform in Turkey." 186.

⁹¹ Turkish Statistical Institute. "Population by Literacy."

⁹² Ibid "Population, annual growth rate and sex ratio," "Ratio of city-village population."

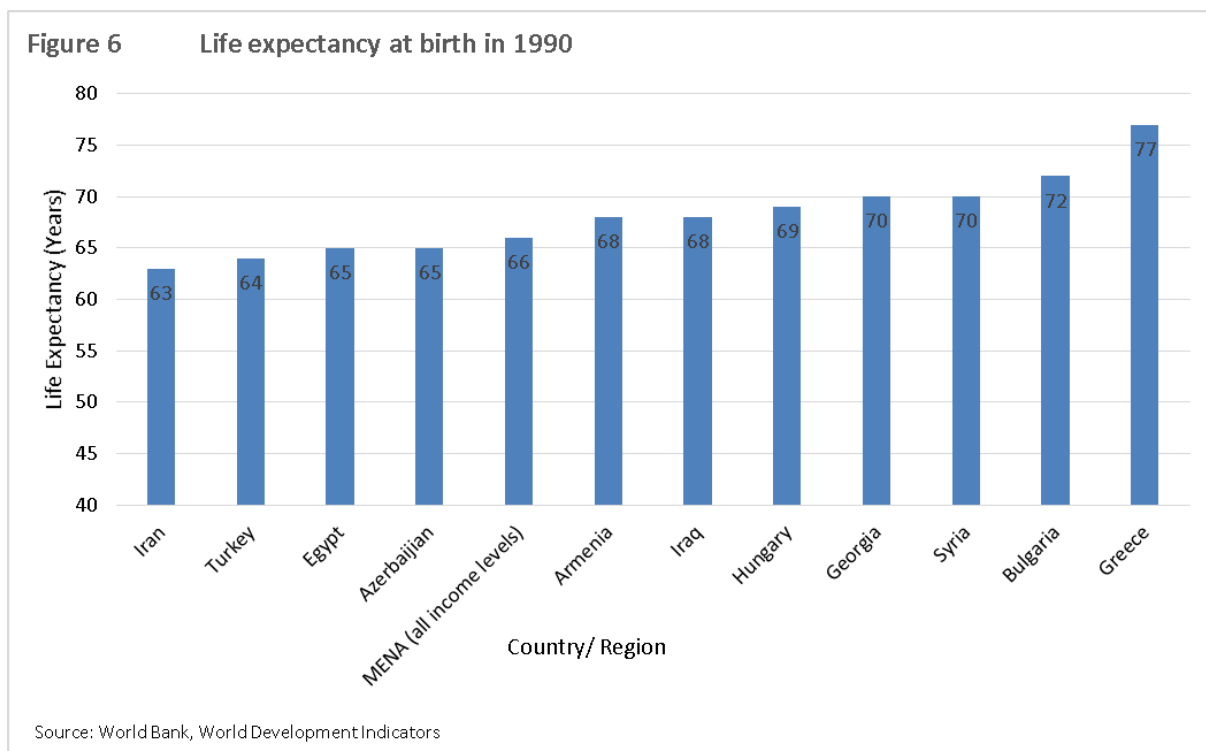
⁹³ Ibid "Provincial In-Migration, Out Migration, Net Migration, Rate of Net Migration, 1980-2013."

⁹⁴ Ibid "Median Age."

⁹⁵ Eurostat. "Population Structure Indicators."

median age, with Turkish women having on average 3 children,⁹⁶ compared to Greece's 1.4.⁹⁷

Life expectancy in Turkey had risen from 45 in 1960 (see Figure 3) to 64 by 1990 (see Figure 6). While this represents a huge leap in life expectancy for the average Turk, it was slightly below average for the Middle East and North Africa (66), and more than slightly below Armenia (68) and Iraq (68), and significantly below Georgia (70), Bulgaria (72), and Greece (77).



In addition, the mortality rate for infants decreased from 171 per 1,000 live births in 1960 to 55.2. This represented huge leaps and gains in Turkish healthcare and health status.

But Turkey still came up short against its neighbors, behind Iran (43.9), Syria (30.7), and

⁹⁶ World Bank. "Fertility Rate, total (births per women)."

⁹⁷ Eurostat. "Fertility rates."

Bulgaria (18.4).⁹⁸ In terms of the healthcare system itself, in 1990, Turkey had 50,639 registered physicians, creating a patients-per-doctor ratio of 1,088:1.⁹⁹ This was a huge increase from roughly 3,500 patients-per-doctor in 1961, but the ratio was still fairly bad when compared to peers. After all, Hungary had a 625:1 ratio in 1961. And Bulgaria in 1990 had 28,497 practicing physicians, creating a patients-per-doctor ratio of 306:1.¹⁰⁰

In 1990, there were 857 registered medical institutions and more than 120,000 hospital beds in Turkey to service the population, translating into 2.19 hospital beds per 1,000 members of the population.¹⁰¹ In comparison, Bulgaria had roughly 88,000 hospital beds to serve a population of less than 9 million, meaning more than 10 hospital beds per 1,000 members of the population, five times the rate of Turkey. Greece, at 51,329 hospital beds and a population of roughly 10 million, had 5 hospital beds per 1,000 members of the population, more than twice Turkey's rate.^{102, 103}

Perhaps more significantly, because of the economic instability of the 1980s, Turkey's overall unemployment rate rose from 3.6 percent in 1980 to 5.4 percent in 1990.¹⁰⁴ For the youth, individuals aged 15-24, in urban areas, the unemployment rate was a staggering 25 percent.¹⁰⁵ These unemployment rates are significant for at the time one could only receive government-sponsored health insurance if one was employed, a retired civil servant, or a

⁹⁸ World Bank. "Mortality rate, infant (per 1,000 live births)."

⁹⁹ Turkish Statistical Institute. "Number of healthcare personnel."

¹⁰⁰ Eurostat. "Demographic balance and crude rates," "Health personnel (excluding nursing and caring professionals)."

¹⁰¹ Turkish Statistical Institute. "Number of medical institutions and total hospital beds."

¹⁰² World Bank. "Hospital Beds (per 1,000 people)."

¹⁰³ Eurostat. "Demographic balance and crude rates," "Hospital beds by type of care."

¹⁰⁴ Turkish Statistical Institute. "Labor force by sex."

¹⁰⁵ Ibid "Labour Force Status of 15-24 age group."

dependent of either. If we take the nationwide unemployment rate, 5.6 percent, or 1.3 million members of the labour force unable to find work, that meant that at least 1.3 million individuals, as well as their dependents, were unable to receive government-sponsored healthcare in 1990. In fact, in October 1990, 10.5 million individuals over the age of 15 were not registered in any social security institution. Half were unpaid family members working in agriculture, while more than 2 million were unemployed urban residents.¹⁰⁶ Being unemployed or an unpaid family worker would make it difficult to afford out-of-pocket costs for medical care.

Recognizing this gap in coverage, in 1992, the coalition government, now made up of the Doğru Yol Partisi (DYP), a party with a similar ideology to the now defunct DP and AP, and the Sosyaldemokrat Halkçı Parti (SHP), a leftist party, called for a national review of the healthcare system. A new national health policy was drafted by the Ministry of Health.¹⁰⁷ In 1992, the Ministry of Health established the Green Card Scheme. The Green Card offered free access to medical services to low-income individuals unable to get healthcare coverage through any other social security fund and who only made one-third of the minimum wage. This coverage was funded through general taxes. Co-payments were required for medications and some medical devices, such as prescription glasses.¹⁰⁸ Through the Green Card, these unemployed individuals were able to access public health services run by the Ministry of

¹⁰⁶ Ibid “Employment Status of Persons Not Registered to any Social Security Institution.”

¹⁰⁷ Yasar. “Health Transformation Programme in Turkey: An Assessment.” 114.

¹⁰⁸ Akkan, Başak Ekim et al. *Poverty and Social Exclusion of Roma in Turkey*. Istanbul: Punto Print Solutions, 2011. 73-74. Print.

Health.¹⁰⁹

The immediate beneficiaries of the Green Card were unemployed residents of the gecekondu, including members of the Roma community. In their book, *Poverty and Social Exclusion of Roma in Turkey*, Başak Ekim Akkan, Mehmet Baki Deniz, and Mehmet Ertan interviewed dozens of Roma families across the country. They found almost unanimous approval of the Green Card Scheme:

Almost all Roma interviewed expressed their appreciation of the Green Card. Ekrem from Konya said, 'May God bless the state. They gave us Green Cards. You go and get all the services for free.' Ismail from Antakya pointed to the functionality of Green Card, saying: 'There is this Green Card. I had an operation that lasted more than five hours and my Green Card covered the expenses. When we go to a doctor, the examination is free, the medicines are free. God forbid! If you have surgery, it is also free.'¹¹⁰

The authors' field research also found that members of the Roma community were more likely to seek medical help at primary health centers, or sağlık ocağı, if they had Green Cards.¹¹¹ If a person made too much money to qualify for the Green Card but still was unable to adequately afford healthcare, they were able to have their health expenditures covered

¹⁰⁹ Yildirim et al. "Healthcare financing reform in Turkey." 182-186.

¹¹⁰ Akkan et al. *Poverty and Social Exclusion of Roma in Turkey*. 73.

¹¹¹ Ibid 74-75.

through the Fund for the Encouragement of Social Cooperation and Solidarity.¹¹²

The Green Card was the only type of large-scale social-insurance scheme to be implemented in the 1990s. A national congress called together in 1993 by the Ministry of Health produced a draft of a national health policy for Turkey. The NHP called for decentralized health management schemes, a general health insurance system, better family medicine services, and more competition between healthcare providers. However, strong opposition from the Turkish Medical Association (TMA), lack of political support, and the arrival of a new coalition government in 1993 shelved the NHP. The healthcare system continued to privatize, with many private hospitals being built in the 1990s. Another development plan proposed by the SPO suggested some healthcare reforms as well as more subsidization of the private healthcare sector.¹¹³

Economic troubles once again put healthcare reforms on the shelf, however. By 1993, trade account deficits ran up to 14 billion. Additionally, the exports-to-imports ratio had fallen from 81.4 percent to 52.1 percent. Such a decrease in exports put a crunch on Turkey's export-led economy. In 1994, the house of cards finally tumbled. The de-regulation of capital accounts in the 1980s put Turkey's growing national debt at the mercy of global markets and foreign investors.¹¹⁴ When investors suddenly pulled out, spooked by Turkey's decreasing export rate, they reversed capital account flows and created a massive economic crisis. The TL sharply devalued and inflation skyrocketed to 120 percent (see Figure 4).

¹¹² Yildirim et al. "Healthcare financing reform in Turkey." 181.

¹¹³ Yasar. "Health Transformation Programme in Turkey: An Assessment." 114-115.

¹¹⁴ Ülgen. "Shaky emerging economies in view of the global financial crisis." 5.

“Throughout the 1990s,” Finkel recalls, “prices rose on average 72 percent per year, enough to require a 20 million lira note.”¹¹⁵ The Turkish government, crippled by high internal debt, was hard-pressed to effectively address the foreign exchange and banking crises.¹¹⁶ Inflation averaged 79 percent from 1995-1999 (see Figure 4). Attempts at dis-inflation were made through a program with the IMF starting in 1998, but were largely unsuccessful.¹¹⁷

The national government in Turkey was swept up in its own turbulence during this time. In 1996, parliament was dominated by the Refah Partisi (RP), an Islamist party that encouraged a greater emphasis on religion in governmental affairs. Its members included Abdullah Gül and Recep Tayyip Erdoğan, the popular mayor of Istanbul (1994-1998).¹¹⁸ The RP saw much popular support from the people hoping for a greater role of Islam in government as well as individuals struggling in the economic climate of the 1990s, exacerbated by the relentless internal migration to the cities and the expansion of the *gecekondu*. Esmer describes it thusly:

Those who felt deprived, powerless, and oppressed had turned to this radical movement after having lost all hope with the mainstream parties. A particularly important factor was the rapid growth in the populations of major cities caused by internal migration and the resulting increase in the number of squatter settlements.

¹¹⁵ Finkel. *Turkey*. 5.

¹¹⁶ Ozturk. “Distribution Relations During the Transition of Turkish Economy to Neoliberalism.” 3.

¹¹⁷ Ülgen. “Shaky emerging economies in view of the global financial crisis.” 6.

¹¹⁸ Aydın, Ertan et al. “The Social Bases of the Justice and Development Party.” *Secular and Islamic Politics in Turkey: The Making of the Justice and Development Party*. New York: Routledge, 2008. 202. Print.

Serious adjustment and adaptation problems, coupled with poverty, provided fertile grounds... Thus, the RP supporters were mainly protesting the “system” and its representatives.¹¹⁹

However, tensions between the military in the National Security Council (NSC) and the RP grew in 1996. The NSC declared that the RP was promoting its own brand of religion to the detriment of Turkey’s state-sanctioned secularism as established by Atatürk in the 1920s.¹²⁰ Accusing it of “creeping Islamization” and “the irresponsible use of Islam for partisan purposes,” The NSC forced the resignation of the coalition government in 1997, to the dismay of its supporters.¹²¹ The Constitutional Court took this a step further by outlawing the RP in 1998 for what it deemed anti-secular activities.¹²² This understandably caused much frustration among the supporters of the RP. Their protest votes against the Turkish political establishment would appear again in the 2002 elections. Abdullah Gül and Recep Tayyip Erdoğan, too, would reappear on the national stage as the leaders of the AK Party.¹²³

Public confidence in the government took another hit in 1999 when more than 18,000 people were killed in an earthquake in August 1999, in the densely populated town of Izmit, near Istanbul. The high death toll was attributed to poorly constructed housing. The citizens blamed the disaster on “skewed urban development and municipal graft” and lambasted the

¹¹⁹ Esmer. “At the Ballot Box: Determinants of Voting Behavior.” 93.

¹²⁰ Constitution of the Republic of Turkey. “III. Prohibition of Abuse of Fundamental Rights and Freedoms, ARTICLE 14.”

¹²¹ Cizre, Ümit. “Introduction: The Justice and Development Party: making choices, revisions, and reversals interactively.” *Secular and Islamic Politics in Turkey*. 5.

¹²² Hale et al. “The History of Islamist Parties in Turkey.” *Islamism, Democracy, and Liberalism in Turkey*. 5.

¹²³ Ibid 6.

coalition government's inadequate response.¹²⁴ The earthquake, coupled with international economic crises in East Asia and Mexico, plus the instability of its domestic economy, threw Turkey into a recession.¹²⁵ Growth slowed from 3.9 percent in 1998 to -6.1 percent in 1999.¹²⁶

The coalition government launched another IMF-backed program to tackle its inflation and national debt issues at the end of 1999.¹²⁵ But inflation only fell from 69 percent to 39 percent, not nearly enough to create relief for the economy (see Figure 4). Criminal investigations into the banking practices of several financial institutions, the declaration of insolvency of five private banks,¹²⁶ as well as increases in world oil prices sent another shockwave through the Turkish economy in the autumn of 2000.¹²⁵ Its competitiveness in the global market tumbled, and capital outflows totaled more than 5 billion US dollars.¹²⁷ The unemployment rate rose from 5.4 percent in 1990 to 8.6 percent in 2000, translating into 2.5 million unemployed members of the labour force.¹²⁸

In order to reassure investors and keep the Turkish economy afloat, the IMF gave a 7.5 billion US dollar loan to Turkey in December 2000. But investors were still jittery and were beginning to see the Turkish economy as a bad bet.¹²⁹ Their fears were confirmed when, on February 21, President Ahmet Necdet Sezer accused his cabinet of corruption. The dispute

¹²⁴ Finkel. *Turkey*. 72.

¹²⁵ Subaşat. "The Political Economy of Turkey's Economic Miracle." 3.

¹²⁶ Ülgen. "Shaky emerging economies in view of the global financial crisis." 6.

¹²⁷ Ibid 7.

¹²⁸ Turkish Statistical Institute. "Labour Force by Sex."

¹²⁹ Ülgen. "Shaky emerging economies in view of the global financial crisis." 7.

was publicized widely by the media and helped create a loss of confidence in the markets.¹³⁰

Capital account surged out once more, sending interest rates up into the thousands. The withdrawal by foreign investors imploded more than 20 banks and shot debt-to-GDP up to 57.7 percent.^{131,132} The currency depreciated by 60 percent.¹³¹ It was easily the worst economic crisis in the history of the Republic.¹³³ Finkel somberly recalls in his book, “The cost to the nation of meeting insured deposits and propping up state-owned banks was almost a third of Gross Domestic Product (GDP).”¹³² Unemployment rates soared, reaching their highest levels in more than two decades. Poverty rates rose, as some 95 percent of the population saw their savings and incomes wiped out by the currency crash.¹³⁴ By 2002, Turkey had borrowed more than \$31 billion US dollars from the IMF in an effort to stave off debt default.¹³³ The recession of 2001 created much social unrest within the country.¹³⁵ With the economy in shambles, public trust in current political parties shattered, and growing dissatisfaction with Turkey’s rising economic inequality and subpar healthcare system, the scene was set for the arrival of a new political party.

Part 2: The Adalet ve Kalkınma Partisi (AK Party)

The AK Party was formed towards the end of 2001, with the popular former mayor of Istanbul, Recep Tayyip Erdoğan as its head.¹³⁶ Though it was a new party, the AK Party built

¹³⁰ Finkel. *Turkey*. 72.

¹³¹ Subaşat. “The Political Economy of Turkey’s Economic Miracle.” 3.

¹³² Finkel. *Turkey*. 53.

¹³³ Patton. “The Economic Policies of Turkey’s AKP Government.” 513.

¹³⁴ Ibid 513, 516.

¹³⁵ Herr et al. “The Turkish Neoliberal Unshared Growth Regime of the Post-2001 Period.” 4.

¹³⁶ Aydın, Ertan et al. “The Social Bases of the Justice and Development Party.” 202-203.

off a strong foundation. It marketed itself as a pragmatic, center-right organization that championed traditional values, democracy, social justice, financial prudence, greater rights for religious observers, and a break from the corruption and chaos of the 1990s.^{137,138} In that sense, it was the ideological successor of the DP of the 1950s, the AP of the 1960s, the ANAP of the 1980s, and the RP of the 1990s. It was also composed of several established politicians from another Islamist party, the Fazilet Partisi, FP, of the late 1990s.¹³⁹

Erdoğan was in all respects the heart and soul of the AK Party and the source of much of its appeal. A self-made man born in one the poorer neighborhoods of Istanbul, who in his younger years “sold lemonade and sesame buns on the streets of Istanbul's rougher districts to earn extra cash,”¹⁴⁰ he had earned much goodwill from the population of Istanbul for his modernization efforts during his four-year tenure as mayor. A July 2000 poll, conducted before the AK Party even existed, found that 30.8 percent of the individuals surveyed would vote for a party founded by Erdoğan and his associates.¹⁴¹

In November 2002, the AK Party swept the general elections. They won 10.8 million votes, 34.3 percent of the total, and 363 seats out of 550 in Parliament, the first time that a single party had an outright majority in parliament since the 1980s.¹⁴² The frustration of the Turkish citizens with the political status quo was evident in the election results: “No political party which had won seats in the 1998 general election managed to win any seats at all in the

¹³⁷ Finkel. *Turkey*. 73

¹³⁸ Hale et al. “AKP’s ideology.” *Islamism, Democracy, and Liberalism in Turkey*. 20.

¹³⁹ Aydın et al. “The Social Bases of the Justice and Development Party.” 202.

¹⁴⁰ “Turkey’s charismatic pro-Islamic leader.” *BBC News*. 4 November 2002. Online.

¹⁴¹ Aydın et al. “The Social Bases of the Justice and Development Party.” 201.

¹⁴² Turkish Statistical Institute. “Results of the general election of representatives, 1983-2011.”

following election in 2002.”¹⁴¹ Erdoğan was unable to take the position of prime minister at the time, partially because of his involvement in the RP but mostly due to his public recitation of a religious poem in 1997 that resulted in a short stint in jail. Abdullah Gül became prime minister of the new government, but after some alterations to the constitution, Erdoğan was allowed to assume the position of prime minister in 2003.¹⁴³

Part 3: Healthcare Reforms under the AK Party

Like the coalition and military-led governments before it, the AK Party needed to address Turkey’s subpar healthcare system. Thanks to reforms in the 1960s and 1992, the situation was not too bleak. In fact, many improvements had been made. In 2000, Turkey’s population was 67.8 million, with 64.9 percent concentrated in cities.¹⁴⁴ The median age had increased from 22.21 in 1990 to 24.83 in 2000,¹⁴⁵ and life expectancy increased from 64 to 70. This increase in life span put Turkey above Iran (69.6) and the average for Middle East & North Africa (69.7), and more in line with neighboring countries Iraq (70.8), Armenia (71.3), Bulgaria (71.7), and Syria (73.3). However, it was still below the European Union average (77.1) and Greece (77.9).¹⁴⁶ Women, with a fertility rate of 2.45, were having less children, and the infant mortality rate in Turkey fell from 55.2 per 1,000 live births in 1990 to 30.5 per

¹⁴³ Hale et al. “Democratising reforms and constitutional issues.” *Islamism, Democracy, and Liberalism in Turkey*. 55.

¹⁴⁴ Turkish Statistical Institute. “City and village population.”

¹⁴⁵ Ibid “Median Age.”

¹⁴⁶ World Bank. “Life Expectancy at birth, total (years).”

1,000 in 2000. But this rate was still more than 4 times higher than Greece's (6.9), almost twice as much as Bulgaria's (17.9), and higher than Syria's (20.0) and Iran's (28.4).¹⁴⁷

There were more than 85,000 registered physicians in Turkey in 2000, up from 50,639 in 1990. The patients-per-doctor ratio decreased from 1,088:1 in 1990 to 754:1, with 1,241 patient hospital visits per physician. The number of nurses increased from approximately 45,000 in 1990 to 69,550, with 924 patients-per-nurse, and the number of midwives also increased, from 30,415 to 41,594.¹⁴⁸ As great as the improvements were, once again, Turkey could not compete with its European neighbors. Bulgaria, for example, had 27,526 practicing physicians for a population of 8.2 million, making a patients-per-doctor ratio of 296:1.¹⁴⁹

The number of medical institutions skyrocketed in Turkey, from 857 in 1990 to 10,747 in 2000. 1,183 were in-patient institutions, while the vast majority, 9,564, were out-patient institutions. The number of hospital beds also increased, to 134,950, translating to 2.10 hospital beds per 1,000 members of the population.¹⁵⁰ This was an improvement, but still only half the rate of Greece, who had 51,500 hospital beds to service a population of 10.9 million for a rate of 4.72 hospital beds per 1,000 members of the population.¹⁵¹

Health expenditures amounted to 8.2 million Turkish Lira in 2000, or 4.9 percent of GDP.¹⁵² Turkey's expenditures on healthcare were lower than Greece's, whose health

¹⁴⁷ Ibid "Mortality rate, infant (per 1,000 live births)."

¹⁴⁸ Turkish Statistical Institute. "Number of healthcare personnel."

¹⁴⁹ Eurostat. "Health personnel (excluding nursing and caring professionals)."

¹⁵⁰ Turkish Statistical Institute. "Number of medical institutions and total hospital beds."

¹⁵¹ World Bank. "Hospital Beds (per 1,000 people)."

¹⁵² Turkish Statistical Institute. "Indicators of Health Expenditures."

expenditures were 7.9 percent of GDP in 2000.¹⁵³ Despite the privatization efforts of the 1980s, public sector healthcare expenditures remained the majority of total health expenditures, at 62.9 percent.¹⁵⁴

In terms of health insurance, in 2003, 58.5 percent of the Turkish population received health insurance through their place of employment, 4.2 percent through the Green Card Scheme, and 1.0 through private insurance. A third of the population, 32.1 percent, paid for health insurance on their own.¹⁵⁵ However, overall health insurance coverage estimates vary widely between different databases, from 67.2 percent to 101.15 percent, as many citizens were registered with multiple social security institutions.¹⁵⁶ Along with this social security overlap, there were differences between health insurance options in contributions, benefits, and access. Many individuals, unless they had a Green Card, paid steep out-of-pocket fees for medical services. It is fair to conclude that the 2000-era health insurance scheme was not doing the Turkish population many favors.¹⁵⁷

This dissatisfaction with healthcare access and costs was reflected in several surveys taken in 2003. More than two-thirds of respondents reported that prices of medicine were a problem at state hospitals, private hospitals, as well as at state health centers. Slightly more than half reported that costs of exams were an issue at these facilities, with 65.3 percent

¹⁵³ World Bank. "Health expenditure, total (% of GDP)."

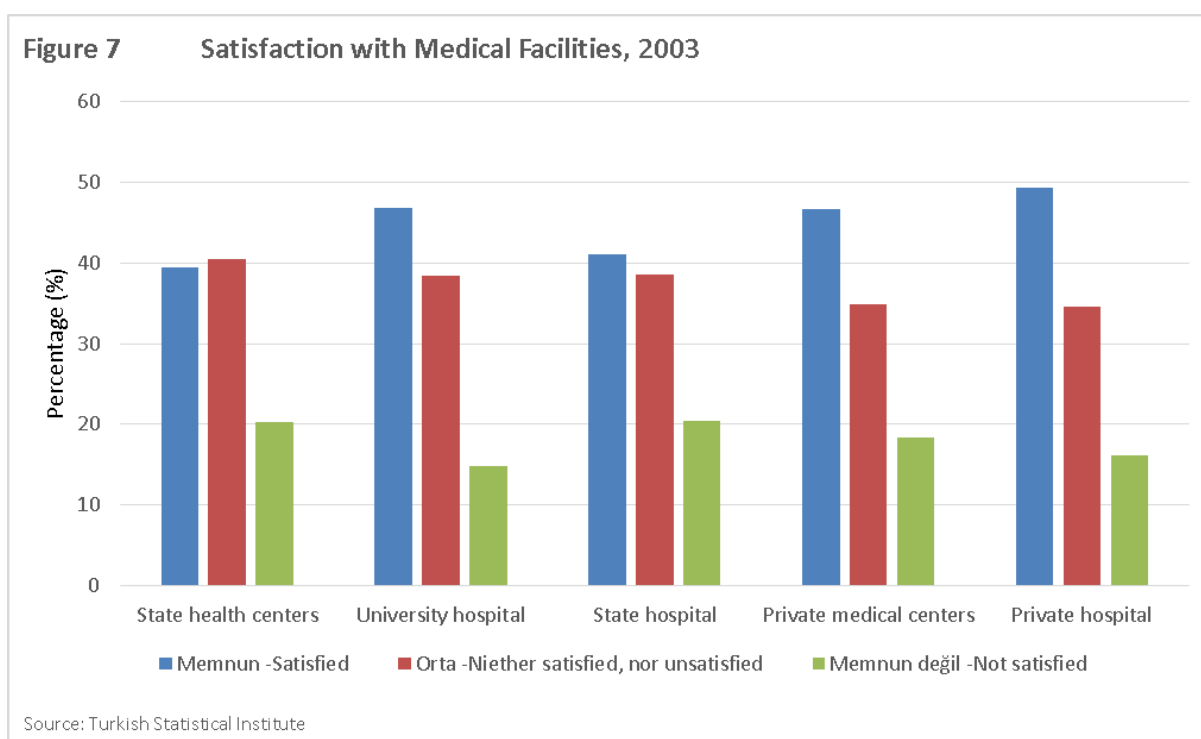
¹⁵⁴ Yildirim et al. "Healthcare financing reform in Turkey." 180.

¹⁵⁵ Turkish Statistical Institute. "Channels to meet the medicine and therapy costs

¹⁵⁶ Yildirim et al. "Healthcare financing reform in Turkey." 185.

¹⁵⁷ Ibid 182.

stating that this was a real problem at state health centers. 41.8 percent of respondents said that quality of diagnosis and therapy was an issue at state-run hospitals, versus 27.0 at private hospitals. However, most Turks, as mentioned earlier, were only able to seek medical care at state-run facilities because they received health insurance through the Social Insurance Organization or Green Cards. This trend of private hospitals being regarded as superior to state-run facilities continued through the survey. A third of respondents stated that physician attitudes towards patients was a problem at university-run and state-run hospitals, with slightly less, 22.3 percent, reporting that physicians needed an attitude-adjustment in private hospitals. 26.5 percent stated that hygiene was an issue at state health centers, compared to 29.5 at state-run hospitals and 18.4 percent for private hospitals.¹⁵⁸



¹⁵⁸ Turkish Statistical Institute. "Problems related to health services."

In another survey, participants were asked to rate their overall satisfaction with various medical facilities. Only 39.4 percent responded satisfaction with state health centers, compared with 46.8 for university hospitals and 49.3 for private hospitals. Approximately 20.4 percent reported dissatisfaction with state-run hospitals, compared with 16.2 for private hospitals and 14.9 percent for university hospitals (see Figure 7).

When the AK Party took office in 2003, then, the goal of healthcare reform was to improve medical services and condense a fragmented health insurance system into a single-payer system that would cover the entire population.¹⁵⁹ To that aim, the government announced the Urgent Action Plan (UAP). The UAP proposed revamping the Ministry of Health as well as providing basic health services to all citizens by working with the private healthcare sector to establish an effective, high-quality healthcare system. It also proposed covering all citizens through a general health insurance plan. Additionally, it suggested placing a greater emphasis on preventative care, as well as redistributing healthcare personnel to address the dearth of physicians and nurses in the more rural provinces.¹⁶⁰ Essentially, the UAP re-packaged many of the suggestions made by the World Health Organization and the World Bank in the 1980s-1990s. The reforms contained within the UAP were intended to be implemented by the end of the year. However, roadblocks delayed the roll-out.¹⁵⁹ The AK Party changed tactics by changing the name of the UAP to Sağlık Bakanlığı, or the Health Transformation Program (HTP). The HTP contained many of the suggestions of the UAP,

¹⁵⁹ Yildirim et al. "Healthcare financing reform in Turkey." 178.

¹⁶⁰ Yasar. "Health Transformation Programme in Turkey: An Assessment." 116.

including consolidating the various social security funds into a single program and creating a unified health insurance system.¹⁶¹ It also planned to improve healthcare access and improve Turkey's inferior health indicators so that they would be in line with other middle-income countries.¹⁶²

Reactions to the proposed HTP were varied. The Turkish Medical Association, in conjunction with various professional unions, opposed the HTP on the basis that it did not intend to provide free healthcare to the population; rather, it would just streamline and improve existing structures. The HTP was decried as “a neoliberal policy that removes the right to health care.”¹⁶² This assertion was somewhat supported by the fact that the Turkish Industrialists and Businessmen's Association was a strong proponent of the HTP. However, the World Bank supported the initiatives, and gave the AK Party a substantial loan to fund the reform.¹⁶²

Enactment of the HTP was bumpy and drawn-out. Improvements to primary care were made through a pilot program starting in 2004.¹⁶³ Under the family physician model, a general practitioner would be allowed to temporarily leave their public sector jobs and attend a 10-day orientation on family medicine. Afterwards, the physicians would be able to practice as independent family physicians in primary health centers run by the Ministry of Health on a capitation basis. Capitation, in this case, meant that the newly-trained family physicians, along with receiving a salary, would be paid extra each month based on the

¹⁶¹ Yildirim et al. “Healthcare financing reform in Turkey.” 187.

¹⁶² Ibid 178.

¹⁶³ Ibid 181.

number of patients they attended to. These capitation payments were also intended to cover the costs of running their practice. In rural areas, patients were limited in their choice of family physicians; however, patients in urban areas could choose who to seek care from. The family physicians would be responsible for addressing the basic health concerns of his or her patients. Patients presenting with health concerns outside the scope of the family physician's expertise, for instance, would be referred to the appropriate specialist.¹⁶⁴ By 2010, the pilot program was active in half of Turkey's provinces.¹⁶⁵

Current physicians immediately spotted a potential problem: by paying family physicians on a capitation basis, the new family medicine program encouraged these doctors to squeeze in as many patients as possible within a month to maximize payments. "(Patients) could only see their doctor's faces," reported one physician during a June 2013 interview. Time with each patient and the quality of care had decreased.¹⁶⁶ In order to offset the decrease in quality and time spent with each patient in family medicine practices, community health centers were established in provinces running the pilot program. These community health centers were intended to act as preventative care distributors. They ran vaccination campaigns as well as offered reproductive health services and diagnostic services.¹⁶⁷

The Green Card Scheme also received a face-lift. Low-income individuals who qualified for a Green Card could receive coverage for treatment at out-patient facilities

¹⁶⁴ Yasar. "Health Transformation Programme in Turkey: An Assessment." 118.

¹⁶⁵ Yildirim et al. "Healthcare financing reform in Turkey." 181.

¹⁶⁶ Dr. Selma Karabey, in discussion with author, June 2013.

¹⁶⁷ Yasar. "Health Transformation Programme in Turkey: An Assessment." 121.

starting in 2005. That same year, individuals who received benefits from the Social Insurance Organization (SIO) were allowed to seek treatment at all public hospitals, not just ones run by the Ministry of Health.¹⁶⁸ These measures immediately improved access to healthcare. However, they put pressure on physicians in public hospitals in urban areas, which experienced a greater glut of patients.

In 2005, physicians were hit again when public hospitals not owned by universities or the military were placed under the auspices of the Ministry of Health. The AK Party stated that this transition was necessary to make sure public hospitals were providing the same quality and level of care and to unify payment mechanisms. After this transition, the Ministry of Health became the sole provider of preventative care, as well as the largest provider of primary care and secondary care in the country.¹⁶⁹ A 2007 pilot hospital law suggested an alteration in hospital management and hiring practices. Hospitals would be governed by individual boards instead of the Ministry of Health, though the boards would remain affiliated with the Ministry. Physicians in pilot hospitals would no longer be classified as public employees and would no longer qualify for life-long employment through their unions.¹⁷⁰ Skilled physicians who were dissatisfied with the changing conditions in state-run hospitals began to make an exodus to private hospitals.¹⁷¹

In 2006, the Turkish government tackled the existing social security funds and health

¹⁶⁸ Yildirim et al. "Healthcare financing reform in Turkey." 187.

¹⁶⁹ Ibid 181.

¹⁷⁰ Yasar. "Health Transformation Programme in Turkey: An Assessment." 122.

¹⁷¹ Dr. Selma Karabey, in discussion with author, June 2013.

insurance models. It merged the Government Employees Retirement Fund; the SIO; and the Social Insurance Agency of Merchants, Artisans, and the Self-Employed into the Social Security Institution (SSI). The SSI, a public corporation, had relative administrative and fiscal autonomy, but was overseen by the Ministry of Labour and Social Security rather than the Ministry of Health. In 2007, benefits among the various social security funds were further unified, while in 2010, the Active Civil Servant Fund (ACSF) and the Green Card Scheme were merged into the SSI.¹⁷² The merger of Turkey's existing social security organizations into one institution was a huge step in Turkey's pursuit of overall healthcare reform. It resolved the fragmentation issues identified by the World Bank and made it easier for the government to determine how many of its constituents were receiving some type of social security.

Also in 2007, parliament passed the Health Budget Law. Before this, payment to providers by insurance organizations was on a fee-for-service basis. Through the Health Budget Law, the new SSI was able to create a bundled price for both in-patient and out-patient services. Hospitals under SSI auspices were required to provide in-patients medicine and medical devices free of charge. Furthermore, patients diagnosed with chronic conditions would be able to refill their prescriptions without needing to schedule a prior appointment with their providers. Also, a cumbersome referral requirement to receive care from a university hospital was removed from the HTP.¹⁷³ The effects of this removal on the AK

¹⁷² Yildirim et al. "Healthcare financing reform in Turkey." 182.

¹⁷³ Yasar. "Health Transformation Programme in Turkey: An Assessment." 124.

Party's 2007 victory in the general elections will be discussed later in the paper.

Part 4: General Health Insurance for all

General health insurance was the goal of the Turkish government since the 1960s, and was proposed multiple times since 1967. However, progress on general health insurance through the 2003 HTP was slow-going. A law for the creation of general health insurance (GHI) was proposed in the original 2003 reforms and considered by parliament in 2006. It was scheduled to be implemented at the start of 2007; however political opposition stalled the effort. The CHP, working with trade unions and President Ahmet Necdet Sezer, declared the notion of general health insurance unconstitutional. Medical unions along with some academics argued that the GHI as outlined by the AK Party would weaken social security and the medical unions' bargaining positions.¹⁷⁴

In truth, the opposition to the HTP and GHI was born out of a desire to protect the status quo of Turkey's medical establishment and health insurance schemes, "which serve only a handful of privileged formal sector employees and among them civil servants most."¹⁷⁵ The CHP piggybacked on their complaints most likely because they were terrified by the prospect of GHI succeeding and the AK Party securing another electoral victory in 2007.¹⁷⁶ The Constitutional Court agreed to hear the matter and requested that several aspects of the GHI be amended.¹⁷⁷

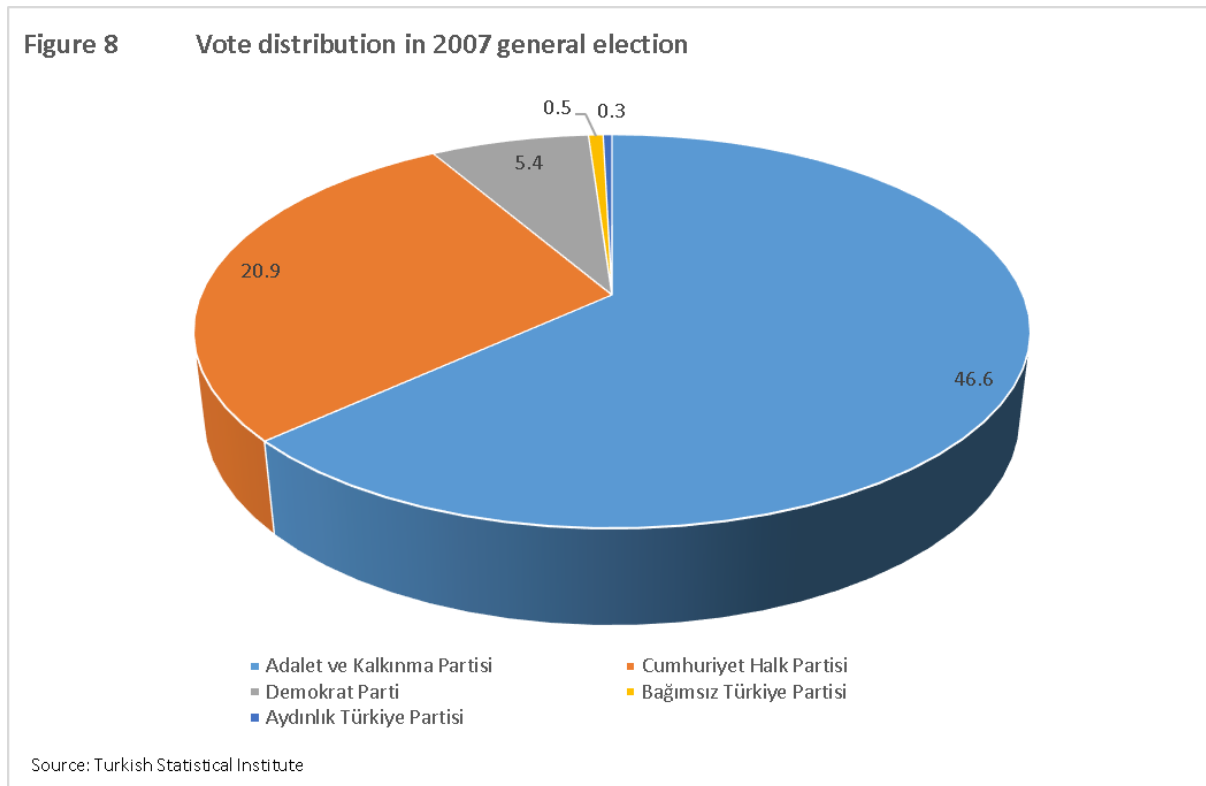
¹⁷⁴ Ibid 122.

¹⁷⁵ Çınar. "Explaining the popular appeal and durability of the Justice and Development Party in Turkey." 50.

¹⁷⁶ Patton. "The Economic Policies of Turkey's AKP Government." 533.

¹⁷⁷ Yildirim et al. "Healthcare financing reform in Turkey." 187.

The CHP's stalling tactic worked, in the sense that GHI was postponed and the AK Party were forced to draft another law; however, it was not enough to cut into the AK Party's substantial popularity. In the general elections of 2007, the AK Party received more than 16 million votes, 46.6 of the popular vote. It was an increase from their initial victory of 34.3



percent in 2002. The CHP, in contrast, received only 7.3 million votes, 20.9 percent, and only 112 seats in parliament compared to the AK Party's 341 (see Figure 8). Some analysts contend that delay in the GHI roll-out worked to the AK Party's favor.¹⁷⁸ More will be discussed about that later in the paper

The GHI law, the focal point of the AK Party's healthcare reforms, was passed by

¹⁷⁸ Ibid 190.

parliament in the spring of 2008 and was implemented by autumn of that year. It combined all existing health insurance models into one scheme.¹⁷⁹ Run by the Ministry of Labour and Social Security via the new Social Security Institution (SSI),¹⁸⁰ GHI was a compulsory form of universal insurance that functioned by splitting health insurance owners into 8 different categories based on employment status: “employed, self-employed, voluntarily insured, insured whose premiums will be paid by the government, foreigners, unemployed under the umbrella of unemployment fund, insured with income or pension, and others.”¹⁸¹ By splitting up subscribers in this manner, GHI would be able to effectively identify individuals with long-term health risks versus individuals with more short-term liabilities.

GHI aimed to standardize contributions, coverage, and benefits for its subscribers. It tried to cover all members of Turkish society, including refugees and foreigners living in the country for longer than a year, so long as they did not have health insurance from another country. Conscripts, diplomats, and foreigners with pre-existing conditions were excluded.¹⁸² However, an eligible individual would not be automatically entitled to GHI coverage. Foreigners and the voluntarily insured could not have any medical debt due to failure to pay premiums. The self-employed and those that fell under the category of “others” were limited to 60 days’ worth of premium debt. Furthermore, general subscribers were required to make at least a month’s worth of premium contributions to GHI during the previous one-year period

¹⁷⁹ Ibid 188, 179.

¹⁸⁰ Ibid 182.

¹⁸¹ Yasar. “Health Transformation Programme in Turkey: An Assessment.” 123.

¹⁸² Yildirim et al. “Healthcare financing reform in Turkey.” 182, 188.

in order to continue qualifying for care.¹⁸³

Benefits included preventative care; rehabilitation for drug addiction; primary care; lab services; ambulance delivery; maternal care, including two in-vitro treatments; medical devices and equipment; vaccination; tissue, organ, and stem cell transplants; blood transfusions and other blood products; and some dental coverage. Under GHI, cosmetic services were not included. But many of the benefits were unprecedented. They came at a cost, however: 12.5 percent of the subscriber's gross income, to be exact. This was split between employers and employees, which each chipping in 7.5 percent and 5 percent, respectively.¹⁸⁴ In order not to unduly penalize the wealthy segments of Turkish society, a premium ceiling was placed at 6.5 times the daily base of the minimum wage.¹⁸⁵ The state also contributed, adding 3 percent of its tax revenue to premiums. Individuals who were retired, dependents, adults under the age of 25 attending university whose legal guardians were enrolled, and those unable to afford the premiums would be covered by the state through tax revenue.¹⁸⁴

Subscribers were required to pay a small co-payment of 2-15 Turkish Lira for out-patient medical treatment; 10 to 20 percent of the cost of medications from out-patient facilities; and 10 to 20 percent of the cost of prosthetic and orthodontic devices.¹⁸⁵ Subscribers were also required to foot the bill should their medical providers from private hospitals bill more than GHI was willing to pay. Additionally, subscribers had to pay a fixed

¹⁸³ Yasar. "Health Transformation Programme in Turkey: An Assessment." 123.

¹⁸⁴ Yildirim et al. "Healthcare financing reform in Turkey." 182-184, 188.

¹⁸⁵ Ibid 182-184.

proportion of the total cost of some medical services. This latter payment mechanism was called co-insurance. For instance, subscribers seeking in-vitro fertilization were required to contribute 30 percent of the total costs of the first trial.¹⁸⁶ Subscribers faced no charges if their medical treatments were for occupational injuries or disease; military incidents; or chronic conditions. Subscribers also faced no fees for check-ups and examinations through their family physicians; emergency medical services; transplants; or follow-ups.¹⁸⁷

In sum, GHI, in conjunction with SSI, created an entirely new healthcare infrastructure in which “a single purchasing agency finances healthcare for the whole population via a single social health insurance fund.”¹⁸⁸ These healthcare reforms had a positive impact on Turkey’s healthcare indicators. Life expectancy rose from 70 years in 2000 to 74.5 years by 2011, bringing Turkey in line with neighbors Bulgaria (74.1), Armenia (74.3), and Syria (74.8) and beating the average for the Middle East and North Africa (71.98).¹⁸⁹ The fertility rate in Turkey fell to from 2.37 in 2001 to 2.02 in 2011, and the mean age of mothers rose from 26.2 in 2001 to 27.3 in 2011.¹⁹⁰

In addition, the infant mortality rate was cut more than half, dropping from 30.5 per 1,000 live births in 2000 to 12.9 per 1,000 live births in 2011.¹⁹¹ However, infant mortality still varied widely depending on the region. In Istanbul, for example, the infant mortality rate

¹⁸⁶ Ibid 190.

¹⁸⁷ Ibid 189.

¹⁸⁸ Ibid 179.

¹⁸⁹ World Bank. “Life Expectancy at birth, total (years).”

¹⁹⁰ Turkish Statistical Institute. “Basic fertility indicators.”

¹⁹¹ World Bank. “Mortality rate, infant (per 1,000 live births).”

was only 8.6 per 1,000 live births in 2012. On the other hand, it was 15.7 per 1,000 in Southeast Anatolia, one of the poorer regions of Turkey. Differences between regions also presented in the crude death rate, with West Black Sea registering 7.0 per 1,000 people, compared with the country average of 5.7 per 1,000 and Istanbul's rate of 4.0 per 1,000 in 2011.¹⁹²

Provincial differences were also apparent in the number of physicians and hospital beds. There were 129,772 total physicians to serve a total population of 75.6 million in 2012, creating a patients-per-doctor ratio of 583:1.¹⁹³ In Istanbul alone, there were 26,587 physicians treating a population of 13.8 million, resulting in only 521:1 patients-per-physician. In Tunceli, on the other hand, there were only 114 physicians in 2012 to treat a population of 86,276, meaning 757:1 patients-per-physician.¹⁹⁴

In terms of hospitals, there were 29,960 registered hospitals in 2012 with over 200,000 hospital beds, meaning a rate of 2.65 hospital beds per 1,000 members of the population.¹⁹⁵ Within the province of Istanbul, there were 223 hospitals in total: 52 Ministry of Health hospitals, 9 university hospitals, 158 private hospitals, and 4 other public hospitals. Hospital beds totaled 32,235, meaning 2.33 hospital beds per 1,000 members of the population in 2012. This was slightly below country average, but still respectable, given that Istanbul alone contains more than 18 percent of the country's total population. In contrast, the province of

¹⁹² Turkish Statistical Institute. "Crude Death Rate and infant mortality by statistical regions."

¹⁹³ Ibid "Number of healthcare personnel."

¹⁹⁴ Ibid "Distribution of health personnel by provinces, 2012," "Population of provinces by years."

¹⁹⁵ Ibid "Number of medical institutions and total hospital beds."

Tunceli had 4 Ministry of Health hospitals and only 182 hospital beds to service a population of 86,276, translating to just 2.1 hospital beds per 1,000 members of the population.¹⁹⁵ Still, the countrywide rates represented an improvement over pre-GHI levels.

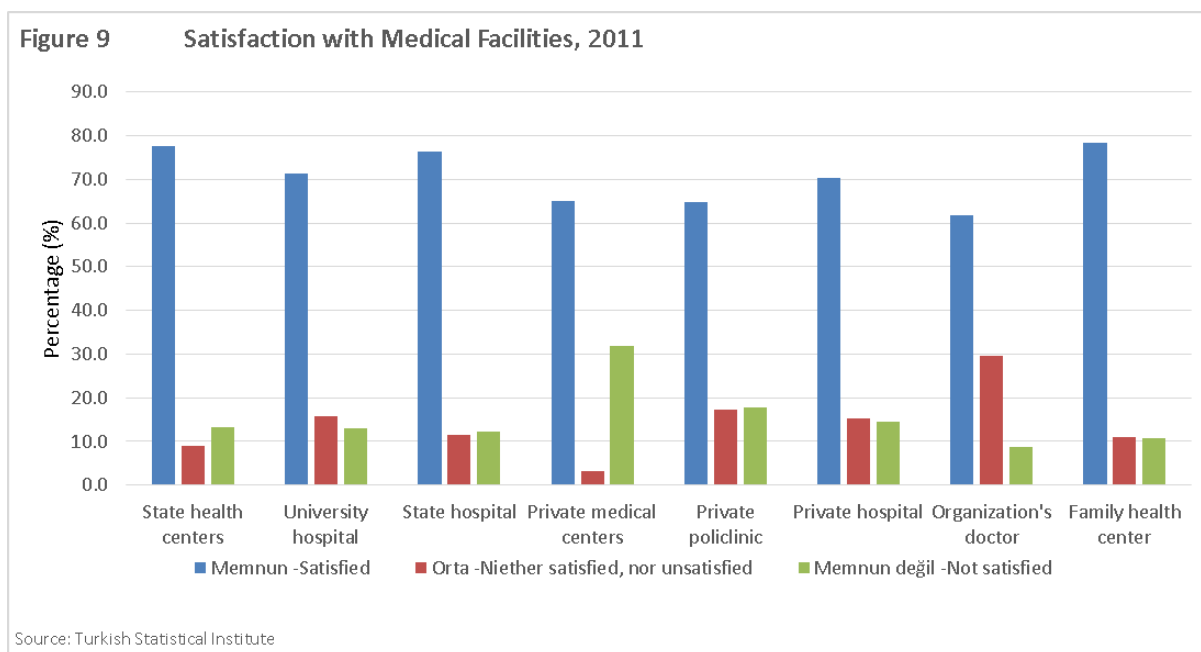
Nationwide immunization rates for diphtheria, pertussis, and tetanus rose from 85 percent of children aged 12-23 months in 2000 to 97 percent by 2011. Measles immunizations also rose, from 87 percent in 2000 to 98 percent by 2011.¹⁹⁶ Total health expenses rose to 76 million Turkish Lira, making up 5.4 percent of GDP, with public sector expenditures making up the vast majority. This was an almost 8-fold increase from 12 million Turkish Lira in 2001.¹⁹⁷

Most dramatically, reported satisfaction with all medical facilities skyrocketed. In 2003, patient satisfaction ranged from 39.4 to 49.3 percent, with state health centers registering the lowest levels of patient satisfaction and private hospitals receiving the highest. The situation reversed in 2011: 77.7 percent of respondents reported that they were satisfied with the care they received at state health centers, compared with only 70.4 percent for private hospitals and 65.1 percent for private clinics. Family centers received the highest ratings, with more than 78 percent of those surveyed responding that they were satisfied with the care they received. Patients were happier with all types of medical facilities after the AK Party's healthcare reforms, and dissatisfaction was remarkably low for state-run facilities compared

¹⁹⁶ World Bank. "Immunization, DDT (% of children ages 12-23 months)," "Immunization, measles (% of children ages 12-23 months)."

¹⁹⁷ Turkish Statistical Institute. "Indicators of Health Expenditures."

to private clinics (see Figure 9).



In line with these improved patient satisfaction rates, less problems were reported with Turkey's various medical facilities. Improvements in the attitude of physicians towards patients were noted. Only 23.2 percent of respondents reported an issue with their physician's attitude in state hospitals, down from 41.6 percent in 2003. Furthermore, patients also noted improvements in the cleanliness of all types of medical facilities, with only 19.4 percent stating that hygiene was an issue at state hospitals and only 10.5 percent at private hospitals. This was a remarkable improvement from 29.5 percent and 18.4 percent of respondents complaining about the respective facilities in 2003.¹⁹⁸ Furthermore, according to Yasar, wait times in hospitals and community centers decreased significantly. In 2004,

¹⁹⁸ Turkish Statistical Institute. "Problems related to health services."

patients waited nearly two hours before they were examined by staff in outpatient hospital facilities. Worse, once staff finally got around to seeing patients, average length of examinations was no longer than 8 minutes.¹⁹⁹ Wait times at primary care centers were just as egregious, with one 2004 study reporting that patients would often stand in line for hours to see their physicians. Since the wide-scale implementation of the family medicine pilot, however, these wait times have dropped somewhat.²⁰⁰

Problems still exist, however. While roughly half of respondents reported that co-payments for examinations were an issue at all medical facilities in 2012, only 41.6 reported that the costs of exams and analyses were an issue at state hospitals. The rate was significantly higher at private hospitals, with more than 61.8 percent of respondents reporting that exam costs were an issue. Approximately half of respondents also reported that the number of available physicians and other healthcare personnel was an issue at all medical facilities. 42.9 percent stated that state hospitals did not have enough physicians, while 55.8 percent that private medical centers did not have enough staff. Relatively few respondents reported a problem obtaining an appointment. Only 9.9 percent of those surveyed said this was an issue at with their organization's physician, compared with 29.1 percent at university hospitals and 21.2 percent at state hospitals.²⁰¹

It is clear from the available databases and surveys that the AK Party-initiated

¹⁹⁹ Yasar 130.

²⁰⁰ Ibid 131.

²⁰¹ Turkish Statistical Institute. "Problems related to health services."

healthcare reforms had a beneficial impact on the society at large. Whether the party's neoliberal economic reforms had a positive impact on the economy and the working class is less certain.

Part 5: Economic Reforms under the AK Party

As detailed earlier in Part 1, the AK Party inherited a shambled economy when it came to power in 2002. The Turkish Lira had been more than halved in value, inflation was in the thousands of percentage points, and several banks had shuttered. Foreign debt, at 16.2 percent of GDP, was also hampering the government's response to the crisis.²⁰² External and domestic debt was a staggering 206 billion US dollars in 2002. Turkey was at a very real risk of defaulting on its debts, which would have annihilated its credit rating and made it difficult for businesses to succeed in the country and the government to secure loans, to say the least.²⁰³ The AK Party's was able to dominate the 2002 election partly because it promised to address the crisis, reduce crony corruption, and put Turkey's economy back on track.

While its healthcare reform plan was detailed and implemented fairly rapidly after the AK Party assumed office, its plans for economic reform were more muddled. An Emergency Action Plan was published after the party's 2002 electoral victory but the document mentioned very little in the way of pragmatic steps.²⁰⁴ Likewise, Erdoğan declared during the 2002 campaign that his party would promote social justice and reduce income inequality;

²⁰² Herr et al. "The Turkish Neoliberal Unshared Growth Regime of the Post-2001 Period." 17.

²⁰³ Patton. "The Economic Policies of Turkey's AKP Government." 516.

²⁰⁴ Ibid 531.

however, he gave no specific details on how these social reforms would be achieved.

Furthermore, such socially-minded goals would be difficult to achieve if the party followed IMF prescriptions, which limited redistributive economic policies and public sector investments, and further liberalized the economy, as it was urged to do by outsider observers and foreign investors.²⁰⁵ As Patton put it, “The most distinctive feature of the AKP's decision-making in the economic policy domain has been its failure to come up with an economic strategy for which it can claim ownership and that can achieve the party's twin objectives of promoting economic growth and distributive justice.”²⁰⁵

Erdoğan and the AK Party were backed into a corner of their own creation. They could not outright reject the IMF-plan for fear of frightening off more investors and worsening Turkey's economic tailspin. The AK Party was warned by Standard and Poor that the country's credit rating would depend on how well Turkey followed IMF-prescribed reforms. Deepening economic ties with Europe and the pursuit of EU membership were also a great concern, as foreign investment was largely dependent on how well Turkey integrated with existing European markets.²⁰⁶ This pressure also extended to the domestic sphere, as Anatolian and Istanbul-based entrepreneurs had significant economic relationships with EU partners and thus also wanted better integration into EU markets.²⁰⁵

But neither could the AK Party appear to be whole-heartedly embracing neoliberal economic reforms. Such a position would anger many of its working class and rural

²⁰⁵ Ibid 513-515, 535.

²⁰⁶ Ibid 528.

constituents, who resented Western influence in Turkey's affairs. In order to satisfy all parties, the AK Party began playing the field. It agreed to continue the IMF's prescribed neoliberal economic reforms and insisted to foreign investors and domestic business elites that it was the only political organization in Turkey capable of convincing the reluctant Turkish populace to embrace the IMF and possible entry into the EU.²⁰⁷ To its other constituents, however, the AK Party promised that it would not be a slave to the IMF's whims and that Turkey would retain her economic sovereignty. The party also promised that it would revise the prior agreement with the IMF to include more funding for social reforms. According to Patton, "By means of a double discourse, Erdogan attempted to balance the alarmist fears of investors and international lenders with the welfare concerns of Turkish voters."²⁰⁸

For a time, it appeared the double-talk worked. Voters continued to lend popular support to the AK Party as it continued to follow the IMF's prescribed stabilization program.²⁰⁹ The government worked with the Turkish Central Bank to reduce inflation, aiming for a rate of 35 percent.²¹⁰ It was able to reduce the inflation rate to 25.3 percent by 2003 and kept it at approximately 10 percent from 2004 through 2008.²¹¹

In addition, the AK Party instituted a public-debt reduction policy. It also de-regulated the country's capital accounts once again, though, as well as encouraged the

²⁰⁷ Finkel. *Turkey*. 74.

²⁰⁸ Patton. "The Economic Policies of Turkey's AKP Government." 516.

²⁰⁹ Herr et al. "The Turkish Neoliberal Unshared Growth Regime of the Post-2001 Period." 17.

²¹⁰ Ibid 14.

²¹¹ World Bank. "Inflation, consumer prices (annual %).

privatization of banks. Thankfully the latter were restructured such that they were more protected from foreign exchange risks. The number of overall banks was reduced and investment shares were concentrated in the five largest banks.²¹² Other financialization processes were implemented. Foreign investors, encouraged by the AK Party's insistence of fiscal responsibility and liberalization via the IMF, returned to Turkey in significant numbers. Capital flows were once again positive, and soon the Central Bank had to intervene to prevent the Turkish Lira from appreciating again.²¹³

At first glance, it appeared that the AK Party's continued pursuit of neoliberal reforms had benefits on the overall health and stability of the economy.²¹⁴ Turkey's economy grew from 2003 and 2007, and its share in the world economy increased from 0.69 percent to 1.1 percent. Exports and per capita GDP tripled between 2002 and 2012.²¹⁵ Deposits-to-GDP ratios increased to 50 percent. Turkish banks increased their profits, and foreign currency deposits decreased in relation to total deposits from 40 percent in the 1990s to around 33 percent by 2009. As a result, Turkey's banks were more insulated from the 2007-2008 global financial crisis than its European neighbors'.²¹⁶ Before the end of the decade, Turkey paid off its debts to the IMF. Economists were declaring Turkey an economic miracle.²¹⁷ As Herr et al reports, "in 2011 a CEO of one of the largest conglomerates in Turkey characterized the

²¹² Ülgen. "Shaky emerging economies in view of the global financial crisis." 10.

²¹³ Herr et al. "The Turkish Neoliberal Unshared Growth Regime of the Post-2001 Period." 15.

²¹⁴ Ibid 17.

²¹⁵ Subaşat. "The Political Economy of Turkey's Economic Miracle." 4.

²¹⁶ Ülgen. "Shaky emerging economies in view of the global financial crisis." 10.

²¹⁷ Subaşat. "The Political Economy of Turkey's Economic Miracle." 18.

country as the “China of Europe.”²¹⁸

However, the picture was not as rosy as it seemed. Scratch below the surface, and one finds that once again Turkey’s economy was balanced on a fragile house of cards. The claim that Turkey’s per capita GDP had tripled was based on nominal GDP, a misleading statistic. Based on real GDP, Turkey’s economy was not growing faster under the AK Party.²¹⁹ In truth, the average annual rate of growth during Turkey’s neoliberal era, beginning in 1980, was only 4.3 percent. In comparison, growth was 6.5 percent during Turkey’s ISI period in the 1960s and 1970s.²²⁰ Compared to other middle-income countries’ GDP growth rates, Turkey’s GDP actually grew fairly slowly during 2002-2012.²²¹ Furthermore, any measurable gains in GDP were not a result of any AK Party reforms but rather the “global speculative boom in the world during 2003-2007.”²²²

The 10 percent inflation rate of 2004 to 2008, though low compared to the extreme levels of the 1990s and early 2000s, did not reach the target level of five percent despite Central Bank efforts. Disinflation the economy did improve purchasing power;²²³ however, these inflation-targeting efforts distracted the Central Bank from addressing the growing current account deficit or the growing instability of the financial sector. The Central bank recognized this in late 2010, and set out to stabilize the economy by putting restrictions on

²¹⁸ Herr et al. “The Turkish Neoliberal Unshared Growth Regime of the Post-2001 Period.” 2.

²¹⁹ Ibid 5.

²²⁰ Yeldan. “Introduction.” World Economics Association (WEA) Conferences, No. 4. *Neoliberalism in Turkey: A Balance Sheet of Three Decades*. 28th October to 16th December, 2013. Online.

²²¹ Subaşat. “The Political Economy of Turkey’s Economic Miracle.” 10.

²²² Ülgen. “Shaky emerging economies in view of the global financial crisis.” 11.

²²³ Patton 519.

short-term capital flows and domestic credit, which had expanded by leaps and bounds since 2002.²²⁴

However, the effort was too little, too late. Domestic savings decreased, while real interest rates and capital inflows soared again. By 2005, foreign investments in Turkey totaled 10 billion. They doubled to 20.2 billion in 2006, and continued to increase in 2007 to 22 billion.²²⁵ The increase in real interest rates and capital inflows caused the Turkish Lira to appreciate, which subsequently led to a reduction in exports. The appreciated Turkish Lira actually made it cheaper to import inputs than produce them, increasing Turkey's trade deficit.²²¹

External debt rose with current account deficits, threatening to once again destabilize the economy. Foreign investments decreased from 22 billion in 2007 to 18.3 billion in 2008 and to 8 billion in 2009, a reduction of more than 70 percent in only 2 years. In response, the Turkish Lira depreciated again. Turkey once again stumbled into a recession. The Istanbul Stock Exchange (ISE) also was see-sawing at neck-break speeds, providing further evidence of a boom-and-bust cycle reminiscent of the 1980s and 1990s.²²⁵ After the global recession of 2008 to 2009, capital inflows began to increase in Turkey once again, and the Turkish Lira saw an uptick in value by mid-2009. However, this was not all good news, as high interest rates and an appreciated TL made it hard for Turkey's exports to compete on a global stage.

More significantly, these economic booms and busts of the 2000s testify to the

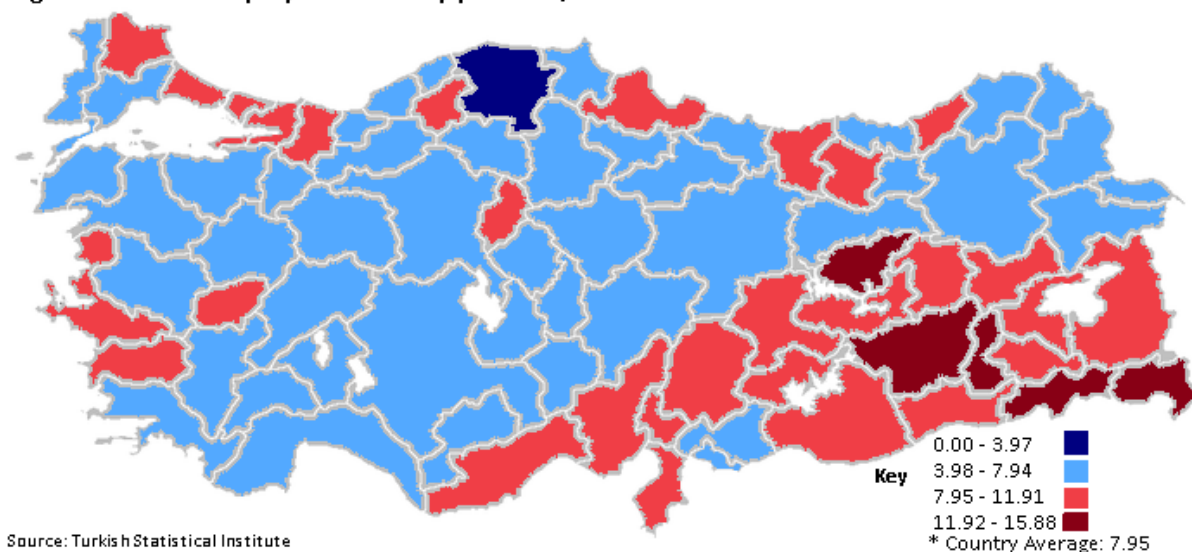
²²⁴ Herr et al. "The Turkish Neoliberal Unshared Growth Regime of the Post-2001 Period." 17.

²²⁵ Ülgen. "Shaky emerging economies in view of the global financial crisis." 11.

Turkish economy's extreme vulnerability to external influences. In 2013, *The Economist* reported that Turkey was extremely vulnerable to capital flow reversals and stops, far more so than the other 26 countries it examined.²²⁶ This warning was critically important because, as described in Part 1, deficits in the current account have led to economic crises multiple times in Turkey's history.

Also, the better economy that the AK Party promised did not reach the working class.²²⁷ The Gini coefficient, a measure of income inequality, has hovered around 0.406 between 2007 and 2012. As a refresher, a Gini coefficient of 0 indicates perfect equality, while a value of 1 indicates total inequality. A value of 0.406, then, indicates fairly substantial income inequality.²²⁸ The unemployment rate, which hovered around 8.9 percent in 2000, rose to 10 percent in 2005. In 2008, the unemployment increased again to 16

Figure 10 **Unemployment rate by province, 2012**



²²⁶ Subaşat. "The Political Economy of Turkey's Economic Miracle." 12.

²²⁷ Ibid 4-5.

²²⁸ Turkish Statistical Institute. "Gini coefficient by equivalised household disposable income."

percent.²²⁹ Furthermore, in 2011, 13.4 percent of all workers were calculated to be in only temporary employment²³⁰, and nationwide real unemployment was estimated at 30 percent.²³¹ Though the countrywide unemployment rate decreased again to 7.9 percent by 2012, provincial differences in unemployment were apparent (see Figure 10). Generally, provinces in the under-developed southeast of the country had above-average levels of unemployment. Şırnak, for example, had a 15.3 percent unemployment rate in 2012, almost double the national rate.

What is somewhat surprising are the relatively low levels of unemployment in the central Anatolian provinces. Ankara, location of Turkey's capital and a nexus of AK Party support, saw a below-average unemployment rate of 7.1 percent in 2012. Istanbul, in contrast, registered an 8.4 percent unemployment rate, which was slightly above average. The difference between these municipalities can be partly attributed to the sheer volume of migrants entering Istanbul. A net number of 152,243 migrants arrived in Istanbul between 2010 and 2012. Ankara, in contrast, only registered 76,880 net migrants during those years. In general, migration trends suggest a large exodus of people moving from the southeast and central regions of the country to the west, overwhelming cities such as Istanbul.²³²

Industry-level analysis of Turkey's employment trends and unemployment levels

²²⁹ Ibid "Labour Force by Sex."

²³⁰ Herr et al. "The Turkish Neoliberal Unshared Growth Regime of the Post-2001 Period." 5.

²³¹ Yasar 128.

²³² Turkish Statistical Institute. "Provincial In-Migration, Out Migration, Net Migration, Rate of Net Migration, 1980-2013," "Basic labour force indicators by provinces and sex, 2012."

supports this narrative of an economically-stressed working class. The number of people employed in agriculture decreased by almost 3 million, dropping from 7.8 million in 2000 to 4.9 million in 2007. During that same time period, the number of people working in the service and industry sectors increased by 1.6 million and 0.5 million, respectively. Assuming that the individuals who left the agricultural sector did so in order to pursue work in service sector or industry, these numbers suggest that approximately 800,000 rural migrants were unable to find employment.²³³ To explain Turkey's lack of employment opportunities, one must consider its increase in productivity. Between 2001 and 2011, industrial productivity rose in Turkey by 72.9 percent. This productivity level is among the highest in Organization for Economic Cooperation & Development (OECD) countries. In contrast to this large growth in productivity, employment in the industrial sector has been very weak, increasing by just 24.6 percent between 2001 and 2011.²³⁴

This increase in productivity was not accomplished solely by privatization or technological advancements in industrial processes; rather, productivity in the 2000s rose largely because the average factory worker was forced to work more hours. In 2011, 86.5 percent of the population reported that they were unable to take so much as a week off from work.²³⁵ As Herr et al summed up, "It seems that a big part of the productivity increase is based on intensifying work and eroding working conditions and not on technological

²³³ Herr et al. "The Turkish Neoliberal Unshared Growth Regime of the Post-2001 Period." 5.

²³⁴ Ibid 6.

²³⁵ Ibid 19.

improvements.”²³⁶ Coupled with Turkey’s increase in productivity rates and high unemployment rates was a measurable failure of real wages to rise between 2002 to 2008.²³⁷ Though the AK Party increased payments to government workers and retirees, who were hit especially hard during the 2001 economic crisis, indirect tax hikes on cigarettes, alcohol, and other goods nullified these gains.²³⁸ Additionally, nationwide minimum wages in 2012 were fairly low compared to European peers.²³⁹ Weakened trade unions and low membership rates, at just 5.8 percent of the working population in 2008, compounded these troubles. What all this translates to is that the average Turk was working harder and for longer hours in 2002-2008 but did not receive better wages, if he or she was lucky to work at all.²⁴⁰

Other indicators also paint a difficult picture for the Turkish working class. In 2009, more than 17 percent of the population was below the permanent poverty line, defined as households whose disposable incomes were 60 percent below median disposable income. By 2010, it rose to 18.5 percent of the population.²⁴¹ When stacked up against other OECD countries, Turkey’s poverty rate was only second to Mexico’s.²⁴² Also, homeownership rates declined by more than 10 percent during the AK Party’s reign, from 65 percent at the beginning of the decade to 54 percent by 2011.²⁴³ The decline indicates a greater proportion

²³⁶ Ibid 5.

²³⁷ Ülgen. “Shaky emerging economies in view of the global financial crisis.” 12.

²³⁸ Patton 519.

²³⁹ Herr et al. 13.

²⁴⁰ Ozturk. “Distribution Relations During the Transition of Turkish Economy to Neoliberalism.” 3.

²⁴¹ Herr et al. 18.

²⁴² Ibid 19.

²⁴³ Duman, Alper and Anıl Duman. “Financial Fragility on the Road: Rising consumer credit and declining home ownership in Turkey.” World Economics Association (WEA) Conferences, No. 4. *Neoliberalism in Turkey: A Balance Sheet of Three Decades*. 28th October to 16th December, 2013. Online. 9.

of families remained in rent-based housing or the *gecekondu* during this time period rather than graduating to owning their own home. The situation was starker in urban areas. Alper Duman et al calculated that only 22 percent of newcomer urban households could afford a house during this decade.²⁴⁴ In 2011, of those living in homes, 41.6 percent reported housing deprivation in the form of repairs.²⁴⁵

Also observed during the 2000s was a sharp increase in household debt. Between 2004 and 2012, household debt for all income levels increased by 43 percent, far out-pacing the 16 percent growth in disposable income.²⁴⁶ Total consumer credit, which includes mortgages and credit card debt, more than doubled from 111 billion Turkish Lira to 250 billion Turkish Lira between 2008 and 2012. Most of the new debt was taken on to make interest payments on already-existing loans. A survey in 2011 found that more than two-thirds of all households in Turkey felt that debt payment were a significant burden on their incomes and had trouble paying bills.²⁴⁷ Poor households were especially squeezed, with debt burdens as a share of disposable income almost doubling to 45.8 percent in five years (2002-2007).²⁴⁴

Dissatisfaction with the AK Party's handling of the economy was reflected in popular opinion polls. In 2005, as the Turkish Lira appreciated and unemployment rose to approximately 10 percent, satisfaction with the AK Party declined from around 40 percent to

²⁴⁴ Ibid 10.

²⁴⁵ Herr et al. 19.

²⁴⁶ Ibid 5.

²⁴⁷ Ibid 4, 19.

around 30 percent. Popular approval fell another 5 percentage points by autumn 2006.²⁴⁸

Looking at Turkey's economic indicators, it appeared that the AK Party would experience at least a slight decline in its share of the popular vote. However, that was most assuredly not the case.

Part 6: The AK Party's Neo- Patrimonialism

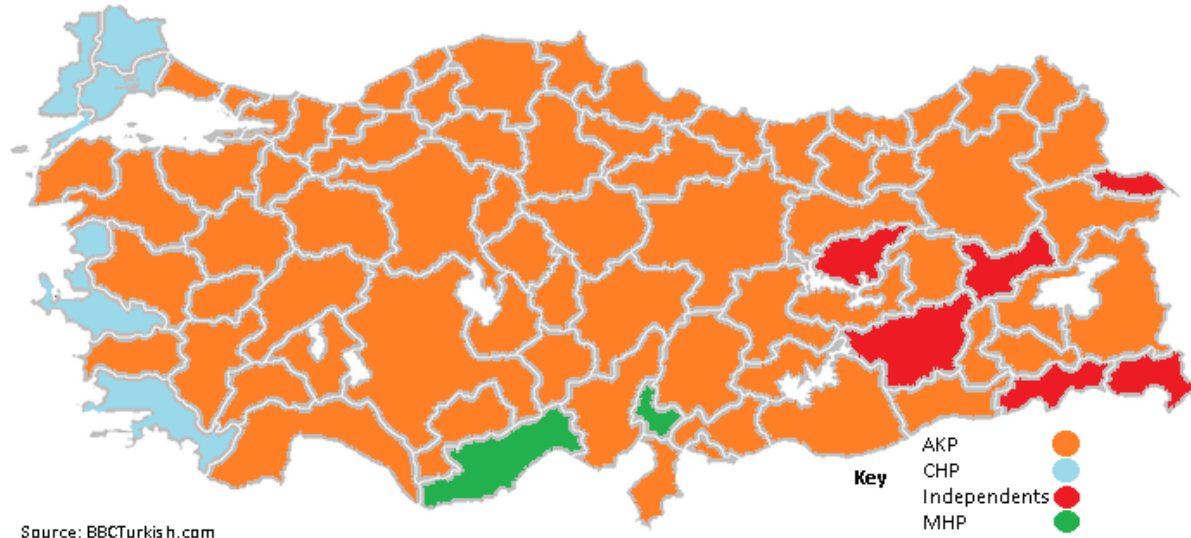
Analysis of the AK Party through the lens of its neoliberal economic reforms reveals a paradox. It is difficult to understand how the AK Party was able to capture the popular vote in 2007 and again in 2011 as Turkey's economy faltered, unemployment remained stubbornly high, and the quality of life for the working class diminished.²⁴⁹ By all rights, the working class in Turkey should have been up in arms. The election of 2002, we recall, demonstrated that the population was more than capable of punishing political parties for mismanaging the economy. Not a single party that was part of Parliament in 1999 was re-elected in 2002, after all. Yet not only did the AK Party remain in power from 2002 to, at present, 2014, it received a greater percentage of the overall vote in 2007 (46.6 percent) and again in 2011 (49.8).²⁵⁰ In 2007 the AK Party won 68 provinces out of a possible 81. Not only that, the AK Party secured provinces that had suffered unemployment levels well above the national average, such as Adana, Bitlis, and Batman (see Figure 11).²⁵¹ In 2011, the AK Party won 66 out of 81

²⁴⁸ Aydın et al. "The Social Bases of the Justice and Development Party." 218.

²⁴⁹ Çınar. "Explaining the popular appeal and durability of the Justice and Development Party in Turkey." 49.

²⁵⁰ Turkish Statistical Institute. "Results of the general election of representatives, 1983-2011."

²⁵¹ "Turkey: 22 July 2007 - Election Results." *BBC Turkish*. 22 July 2007. Online.

Figure 11 Results of General Election by province, 2007**Figure 12 Results of General Election by province, 2011**

provinces, consolidating its hold on the Black Sea and Central Anatolia regions but slightly losing ground in Eastern and Southeastern Anatolia (see Figure 12).²⁵²

If neoliberal economic reforms ought to have damaged the AK Party's popularity among the working class, a significant portion of Turkey's population, what, then, was

²⁵² Esen, Berk and Sinan Ciddi. "Turkey's 2011 Elections: An Emerging Dominant Party System?" *Gloria Center*. 27 October 2011. Online.

responsible for the AK Party's victories in 2007 and 2011?

The answer, I believe, lies in a combination of factors: the modernization efforts made by the AK Party in key municipalities, such as Ankara and Istanbul; the fact that, as a fiscally-minded conservative party, the AK Party had the ideological support of the rural periphery as well as the center-business elites; the personal popularity of Erdoğan; the political and economic stability that the AK Party appeared to represent; journalistic restrictions and a stranglehold on popular media, preventing dissenting views from reaching isolated, rural constituents; and finally, the AK Party's indulgence in neopatrimonialism.^{253,254,255} It is this last factor that my thesis will focus on.

Neopatrimonialism is defined by Gero Erdmann and Ulf Engel as “a mixture of two, partly interwoven, types of domination that co-exist: namely, patrimonial and legal-rational bureaucratic domination.”²⁵⁶ In patrimonialism, governance is based on personal relations and there is no distinction between a governing bureaucracy and the public. Rather, there is only the ruler, those he or she doles out benefits to, and those left out in the cold. Legal-rational bureaucratic domination is exactly as it sounds: a system in which heavily regulated bureaucracy governs the action of politics leaders. Little is left to chance or whim of the leader. Elements of both systems of domination are combined under neopatrimonialism. Put more simply, then, neopatrimonialism occurs when “informal politics invade formal institutions.”²⁵⁶

²⁵³ Ozturk. “Distribution Relations During the Transition of Turkish Economy to Neoliberalism.” 9-10.

²⁵⁴ Finkel. *Turkey*. 74-75, 134.

²⁵⁵ Çınar. “Explaining the popular appeal and durability of the Justice and Development Party in Turkey.” 49.

²⁵⁶ Erdmann, Gero and Ulf Engel. “Neopatrimonialism Revisited – Beyond a Catch-All Concept.” *GIGA Research Program*. February 2006: 18. Online.

Turkish governments have a long history of indulging in neopatrimonialism and crony capitalism, and have often directed government resources to favored districts and political supporters.²⁵⁷ In this respect, the AK Party was no different than its predecessors. A cursory glance at the AK Party's reign in Turkey reveals multiple instances of neopatrimonial actions. As Menderes Çınar explains, the AK Party's pursuit of neoliberalism demanded that it prioritize international financial investment and simultaneously defer social justice reforms.²⁵⁸ This was the corner that the AK Party was back into when it came into power in 2002, as described in Part 5. However, according to Çınar, the AK Party's commitment to neoliberalism was somewhat beneficial to the party's interests. Neoliberalist reform "enables the AKP to restrict the domains of state control, dismantle the power structures associated with it, and thereby favor the thus-far underprivileged sectors."²⁵⁹ Here, the AK Party's pursuit of neoliberal economic policies becomes less of an albatross and more of an asset. The AK Party was able to build a broad-based coalition in Turkey by up-ending traditional limits on state power and redistributing the wealth they had amassed through its neoliberal economic policies to select supporters, usually the poor and the Anatolian business elite.²⁶⁰

Examples of AK Party neopatrimonialism abound. From 2002 to 2010, for example, the AK Party capitalized on a growing housing demand from their urban supporters. It had the state housing authority, TOKI, build approximately 500,000 homes, "literally constructing

²⁵⁷ Patton 516.

²⁵⁸ Çınar. "Explaining the popular appeal and durability of the Justice and Development Party in Turkey." 40.

²⁵⁹ Ibid 39-40.

²⁶⁰ Ibid 37-38.

its own constituency.”²⁶¹ Furthermore, the AK Party has infamously doled out gifts to AK Party supporters, including coal, food, washing machines and refrigerators. Predictably the amount of gifts surges during election campaigns. These donations have become so extensive over the years that political analysts have identified it as a new “charity economy,”²⁶² one that enables the AK Party to portray itself as a socially caring party, despite its hollowing out of the working class through neoliberalist economic reforms. As Çınar describes, “These charity activities help the AKP claim solidarity with the poor, to ease the social distress caused by the increasing marketization of the last decade, and constitute an important source of the AKP’s popular appeal.”²⁶³ This charity economy was poor compensation for an actual, robust social security net, though. According to the OECD, Turkey’s benefits system was among the worst across OECD countries in the late 2000s.²⁶⁴

Most importantly, the AK Party gave the working class two things it had been desiring for decades: a functional, streamlined healthcare system as well as better health insurance. Healthcare reform in the 2000s, as described in Part 4, led to the creation of a preventative care program in Turkey with a greater emphasis on family medicine and access. The creation of the Social Security Institution (SSI), as described in Part 4, consolidated a fragmented network of different social funds and types of health insurance into one, uniform program. By making the SSI, the AK Party lessened some of the privileges of the government workers,

²⁶¹ Finkel. *Turkey*. 75.

²⁶² Çınar. “Explaining the popular appeal and durability of the Justice and Development Party in Turkey.” 50-51.

²⁶³ Ibid 51.

²⁶⁴ Herr et al. 19.

but overall improved access to basic health services for everyone in Turkey, as neoliberalized as it was.²⁶⁵ This social protection program and improved medical system was looked upon favourably by Turkey's working class constituents, who greatly benefited from the increased access to improved, more efficient medical facilities (see Part 4).

The AK Party's reform of the healthcare sector and social security funds was done largely with a mind on increasing voter support. This stance is evidenced by the AK Party's willingness to undercut key portions of its own healthcare reforms in order to guarantee more votes. The original GHI bill envisioned a referral system in which individuals would first seek care at the lowest tertiary healthcare centers; from there, patients would be referred to secondary or tertiary medical establishments. This is in contrast to patients' habits of seeking care initially at tertiary medical establishments, such as university hospitals. Its importance cannot be understated; the referral system was "the core component of primary healthcare services in all of Turkey under the HTP."²⁶⁶

However, patients viewed the mandated referral process as cumbersome and unnecessary. They wanted to be able to seek care at tertiary establishments without going to their family physicians first. Had the AK Party truly had improvement of Turkey's healthcare system as its end goal, the party would have dismissed these fairly trivial complaints in favor of maintaining the overall strength of the healthcare reforms. Instead, in 2007, it removed the referral requirement from the GHI bill through the 2007 Health Implementation Decree.

²⁶⁵ Çınar. 50.

²⁶⁶ Yildirim, et al. "Healthcare financing reform in Turkey." 190.

Even more suspicious, it did so right before the 2007 general elections. As Yildirim note, “it has been reported anecdotally that abolishing the referral system has increased the Justice and Development Party’s electoral votes by about 5 percent” in the 2007 elections.²⁶⁶

It is clear from the AK Party’s actions, then, that one of its major motivations in pursuing either healthcare or economic reforms has been to maintain voter support and thus its grip on power in Turkey.

Conclusion

Throughout my thesis, I aimed to demonstrate that the AK Party’s current political dominance is based upon its ability to court voter support through neopatrimonial efforts as well as its skill at marketing itself as a stable, socially caring alternative to the political and economic instability of the 1960s-1990s. A key part of this strategy was the institution of broad-scale healthcare reform, which included improved medical facilities; expanded access to medical facilities for the impoverished and working class; a new family medicine scheme; consolidated social funds; and, more than 50 years after it was first proposed, a General Health Insurance bill. This healthcare victory was only managed after many decades of trial and effort and several interventions by the World Bank and the World Health Organization.

While important gains have been made in Turkey’s pursuit of better healthcare for its citizens, several hurdles remain. Turkey’s human development is low: it only ranked 83rd in the 2010 United Nations Development Program.²⁶⁷ Life expectancy is still slightly below

²⁶⁷ Finkel. *Turkey*. 47.

target levels and is below average for a middle-income country.²⁶⁸ Infant mortality rates are still high compared to other middle-income countries and are well above the average of OECD countries. Though maternal mortality rates have decreased, Turkey still has one of the highest rates of all OECD countries.²⁶⁹ Healthcare expenditures as a share of GDP are among the lowest of OECD countries, and despite its reform efforts, Turkey has entrenched healthcare inequality, as healthcare infrastructure, access, and outcomes still vary widely by province. Infant mortality rates, for example, differ greatly between the western segment of the country (16 per 1,000 live births) and the more rural east (39).²⁶⁸ This is largely attributable to differences in industrialization. As Finkel notes, “Western Turkey and the Mediterranean coastal cities account for the lion's share of the country's economy – some 80 percent of value added.”²⁷⁰

Furthermore, while more than 86 percent of the country is now covered by some sort of health insurance, Turkey has been unable to make its target goal of 100 percent coverage nor match OECD insurance coverage rates of approximately 95 percent.²⁷¹ This is due to a myriad of factors, including the fact that Turkey has a large informal sector of self-employed individuals. It was estimated that two-thirds of the self-employed were not able to afford their premiums in 2009.²⁷² The 2009 global economic crisis also hurt Turkish health insurance coverage rates, as many members of Turkish society were unable to make payments

²⁶⁸ Yasar 127.

²⁶⁹ Ibid 126.

²⁷⁰ Finkel. *Turkey*. 48.

²⁷¹ Yasar 128.

²⁷² Ibid 139

on their premiums and were thus excluded from enrolling in GHI the subsequent year.²⁶⁹

Additionally, though the various social funds have been supposedly consolidated, there remains issues with the Green Card Scheme in particular. There is entrenched discrimination within the hospital system against holders of Green Cards. These impoverished recipients, a significant portion of which are members of the Roma population, report worse treatment by physicians and targeted discriminatory tactics by other healthcare staff. “Although Turkey has taken an important step with the initiation of General Health Insurance,” Akkan et al writes, “it is possible to observe the distinction in practice between people with employment-based social insurance and people with Green Cards.”²⁷³ The Green Card Scheme’s coverage rates are also problematic. According to reports, a significant proportion of Green Card recipients, some 21 percent, earn above the qualification threshold. This indicates a widespread level of fraud in the system. At the same time, the Green Card is failing to reach the poorest of the poor: an estimated third of the 30 percent poorest members of Turkish society reported having no health coverage at all.²⁷⁴

Issues with Green Card coverage are exacerbated by the existence of co-payments and other user charges. While user charges help offset the growing cost of SSI to the Turkish government, it deters low income recipients from seeking healthcare treatments. Yasar states that, “some health centres have up to 30 percent fewer patients following the introduction of

²⁷³ Akkan et al. 92.

²⁷⁴ Finkel. *Turkey*. 48.

user charges in Ankara.”²⁷⁵ More than 90 percent of Green Card holders reported that they stopped seeking treatment for a health issue because of a lack of funds for co-payments and other user charges.²⁷⁶

Many of the issues highlighted above could be addressed through the introduction of a universal health care system funded by taxes rather than premiums.²⁷⁷ However, it is unlikely that the AK Party will take the steps necessary to implement such a system in the near future. For one, it is still struggling to manage the nation’s economy, as detailed in Part 5. Another reason is that the AK Party would most likely be unwilling to place a greater tax burden on its constituents for fear of losing popular support. Such worries dictated several aspects of the HTP roll-out and some of the economic reforms of 2002-2012, after all.

The more pressing reason, however, is that the AK Party is currently enmeshed in an existential crisis. Growing dissatisfaction with the economy, crony capitalism, and the steadily evolving authoritarian tendencies of Erdoğan’s administration punctuated 2012 and 2013. The faltering economy was detailed extensively in Part 5. Crony capitalism, a hallmark of Turkish politics, made a resurgence under the AK Party regime despite 2002 campaign promises. “(T)he prime minister’s friends in the private sector—often pious businessmen from the interior of the country who bankrolled his election victories—” write Christopher de Bellaigue, “were rewarded with contracts for building, improving

²⁷⁵ Yasar 129.

²⁷⁶ Ibid 130.

²⁷⁷ Akkan et al. 92.

infrastructure, and producing energy.”²⁷⁸

As for authoritarian tendencies, the AK Party government had enacted some pro-democracy reforms and decreased the country’s rate of extrajudicial executions and torture, mostly by making steps towards conciliation with Kurdish separatists in the east and stripping the military of most of its political authority.²⁷⁹ At the same time, it increased journalistic censorship and rates of incarceration of political activists. Approximately 60 journalists were incarcerated in Turkey as of 2013.²⁸⁰ More than 9,000 websites have been blocked, most recently popular sites like Twitter and Youtube^{281,282}. Self-censorship in mainstream media outlets is rampant as Prime Minister Erdoğan has taken to filing libel charges against journalists and cartoonists.²⁸⁰ Journalist Yavuz Baydar writes: “When it comes to particular topics, such as criticism of the government, corruption or abuse of power, news stories are either filtered or unpublished; direct censorship – the actual blacking out of text – is exercised when material is found to be ‘too sensitive’ for the government’s or newspaper owners’ interests.”²⁸³

Buoyed by his electoral victories, Prime Minister Erdoğan developed a sort of high-handed abrasiveness and vindictive attitude towards opponents. He also began to establish a chokehold on dissent. Many members of the Turkish intelligentsia and other liberal elements

²⁷⁸ De Bellaigue, Christopher. “Turkey: Surreal, Menacing... Pompous.”

²⁷⁹ Ibid.

²⁸⁰ Ibid.

²⁸¹ Tuysuz, Gul and Ivan Watson. “Turkey blocks Youtube days after Twitter crackdown.” *CNN*. 28 March 2014. Online.

²⁸² Baydar, Yavuz. “Turkey’s media: a polluted landscape.” *Index on Censorship Magazine*. Online.

²⁸³ Ibid

grew increasingly displeased with his manner of leadership. “The government creates an aura that is surreal, menacing, and insufferably pompous,” writes de Bellaigue.²⁸⁴ Events came to a head in May 2013 when a small cadre of environmentalists were forcibly removed from Gezi Park, a small patch of green space only 9 acres large in the heart of the Beyoğlu district of Istanbul. The environmentalists, who numbered no more than 50 in the early days of their occupation, were protesting the proposed destruction of Gezi Park and its replacement with a shopping center – a symbol of Erdoğan’s rampant reconstruction of Istanbul and his tendency to ignore opposition. The environmentalists were attacked by the police in the early dawn hours of May 31st. The police, under Erdoğan’s orders, forcibly evicted the protesters from the park, shooting tear gas canisters directly at civilians and cornering bystanders in subway stations. The violence of the police response sparked outrage in Istanbul, and by midday on June 1st, tens of thousands of people had descended upon the park. I happened to arrive in Istanbul on June 1st and recorded the early days of the movement. Before the week was out, the protests had spread to dozens of cities, including Ankara, the capital. Two weeks after the environmentalists first occupied Gezi Park, “some 3.5 million people had taken part in almost five thousand demonstrations across Turkey, five had lost their lives, and more than eight thousand had been injured.”²⁸⁵

In the months since Gezi Park, the AK Party has doubled down. Erdoğan has decried his opponents as seditious foreign agitators and has insisted that he will not bow to their

²⁸⁴ De Bellaigue, Christopher. “Turkey: Surreal, Menacing... Pompous.”

²⁸⁵ Ibid

demands for greater transparency. As Suzy Hansen wrote in February 2014,

It is still a marvel to behold Recep Tayyip Erdogan's self-confidence, even after 11 years of his rule. In recent weeks, a new poster featuring Turkey's prime minister has appeared throughout Istanbul, on highway billboards and mass transit. Wearing his usual dark suit, Erdogan looks to be in purposeful motion, like an action hero. Two large words in block letters, SAGLAM IRADE, Turkish for "Iron Will," accompany him. Surely some of his supporters appreciate this evocation of 1930s-era masculinity, but for others, it must feel like an invasion of personal space.²⁸⁶

It has been a busy year for Erdoğan. Along with cracking down on the myriad of smaller protests since Gezi Park, he has been enmeshed in a corruption scandal that forced the resignation of several members of his cabinet and threatened to involve his son. In response to several police raids on AK Party homes and offices, Erdoğan fired or reassigned several hundred police officers, passed harsh laws restricting the independence of the judiciary, and cracked down even harder on media.²⁸⁷

Through it all, the Prime Minister has maintained that he has support of a silent majority of Turks, who have appreciated AK Party stability and leadership over the last 12 years. Erdoğan insisted that his harsh crackdown on the protestors in Gezi would be rewarded

²⁸⁶ Hansen, Suzy. "Whose Turkey is it anyway?" *New York Times*. 5 February 2014. Online.

²⁸⁷ "The battle for Turkey's future." *The Economist*. 29 March 2014. Online.

at the ballot box come the March 2014 local elections. Though Erdoğan himself would not be running, plenty of AK Party candidates would be vying for mayor-ships and positions on city councils. The election was anticipated as a referendum on Erdoğan's policies and leadership.^{288,289}

For members of the intelligentsia and the opposition hoping to take Erdoğan down a few pegs, the March 30th 2014 local election was a disaster. The AK Party saw only a 5 percent decrease in popular support and registered 45 percent of the overall votes, winning major municipalities across the country. Its main opponent, the CHP, only secured 27 percent of the votes. Even taking into account allegations of media blackouts and vote-rigging - which are numerous and varied, including power cuts to swing provinces and accusations of ballot burning - it is clear that the AK Party still received a substantial amount of voter support from its constituents. This flummoxed some analysts; why, after the protest crackdown, the faltering economy, the corruption scandal, and the growing authoritarianism, did the Turkish people re-elect Erdoğan and the AK Party?²⁹⁰

It may be too soon to tell. My conjecture is that, simply put, a substantial proportion of people in Turkey continue to regard the AK Party as a safe, stable bet that has rewarded them with neopatrimonial favors in the past. These neopatrimonial favors include housing and washing machines, of course, but also better healthcare and improved health insurance coverage - for not only the working classes, but also the Anatolian businessmen and Turkey's

²⁸⁸ "Is Erdogan unbeatable?" *Al Jazeera*. 9 April 2014. Online.

²⁸⁹ De Bellaigue, Christopher. "Turkey: Surreal, Menacing... Pompous."

²⁹⁰ "Is Erdogan unbeatable?" *Al Jazeera*. 9 April 2014. Online.

growing middle class. Yes, the AK party's enforced media silence and questionable ballot tactics certainly played a role in its victory on March 30th, 2014. Having the CHP, an incompetent relic of the past, as one of the few opposition parties certainly did not help. But despite all that, I hazard a guess that the AK Party would have won anyway. Stability and a sure bet are tempting prospects for any voter. For a citizen that has experienced the political lurches and economic instability of the 1960s-1990s, the AK Party must appear like a bastion of calm, authoritarian as its policies may be.²⁹¹ Çınar summarizes it best:

“In the absence of a viable opposition that might appeal to a broader section of society than the waning Kemalists, the AKP is practically alone in representing various societal dynamics. These range from consumerist aspirations of the rising middle classes to liberalization and democratization demands of the urban intelligentsia and the redistributive demands of the lower classes.”²⁹²

Unless an alternative party develops out of Gezi protests and is able to offer the same benefits and stability to people, or Erdoğan oversteps and cuts neopatrimonial benefits, or living conditions drastically worsen and the economy sours, the AK Party will remain in power for the time being. One wonders whether to fear or hope.

²⁹¹ Ibid.

²⁹² Çınar. “Explaining the popular appeal and durability of the Justice and Development Party in Turkey.” 51

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