National elections, sub-national growth: the politics of Turkey's provincial economic dynamics under AKP rule

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Abstract

Despite a large body of work on the impacts of institutions on subnational growth and development, economic geographers have, in the last decades, frequently overlooked the role of politics and, in particular, that of national political economies. Drawing on the political science literature, the article argues that studying national political dynamics is still key to understand the cumulative process of uneven regional development. Using data from Turkey over the period 2004–2016, the article shows how national electoral politics and government actions have significantly affected provincial growth patterns. The impact is substantive and increases in election years. Results also suggest that the central government may have influenced sub-national growth trajectories in different ways, including boosting the construction sector and expanding public employment.

1. Introduction

Despite a large body of work on the impact of institutions on subnational growth and development (cf. Farole et al., 2010; Gertler, 2010; Rodríguez-Pose, 2013; Tomaney, 2014), economic geographers and cognate scholars have, in the last decades, frequently overlooked the role of politics in their analysis of how firms, workers and consumers interact in economic spaces. With few exceptions (Markusen et al., 1991; Horan and Jonas, 1998; Cumbers and MacKinnon, 2010; Wood, 2010), politics as a process of negotiating socioeconomic goals, mediating between contrasting interests, influencing regulation and deciding on the allocation of public resources has been frequently side-lined in favour of a functionalist and naturalised view of the economy as separated from political bargaining and power (Agnew, 2012). Yet, economic growth and the development process are never simply a 'technical exercise' (Tomaney, 2014).

At the same time, the global trend to decentralised governance (Rodríguez-Pose and Gill, 2003) and the transition to post-Fordist multi-scalar fixes (Brenner, 2004) have been accompanied, in economic geography and regional sciences, by a significant scalar shift in exploring institutions primarily at the regional and local levels. While this has been an

important and insightful goal, there is now a need to rejoinder the predominant focus on local and regional scales with a broader appreciation of national dynamics (MacKinnon et al., 2009; Tomaney, 2014).

The current article contributes to addressing these two issues, by bridging the geographical interest in uneven regional development with the research in political science and economics on the impacts of elections on public policy-making. The article asks: do national-level electoral politics and government actions influence sub-national economic growth patterns?

To anticipate the main argument, the article contends that the tension between the economic geographies of jobs and firms—as explored by most of the economic geography literature in the last decades (cf. Storper, 2011)—is only *one of* the tensions behind local and regional growth, and the emergence of uneven regional development (Martin, 2015). In contrast, better exploring the institutional *and political* nature of these dynamics is key to understand the historical cumulative processes of regional inequality (Pike et al., 2009). Besides, while many national states have lost part of their powers and authority with globalisation and devolution, they yet frequently remain powerful actors in shaping sub-national economies (cf. Coyle and Sensier, 2019) and—the article argues—geographers and regional scholars should not overlook this issue.

Using data from Turkey's 81 provinces over the period 2004–2016, the article measures the effect of strategic government actions (as a response to national voting outcomes) on sub-national economic growth. The context of the analysis is Turkey, a highly centralised country where, despite a partial process of devolution of powers to subnational tiers, the growingly authoritarian national government has significant leverage on economic policy-making.

The empirical analysis adopts a two-stage-least-square estimator and a shift-share instrument to identify the genuine source of causality between votes and growth. The article uncovers how provinces with the highest 'political clout' have experienced significantly faster per-capita gross value added (GVA) and employment growth rates. Results are robust against a host of alternative specifications and are economically substantive. They suggest that a hypothetical province where votes for the AK Party (*Adalet ve Kalkınma Partisi*, AKP) votes are moderately high—and where, yet, the electoral race is close—experienced almost 3 percentage points (i.e. above one-third of a standard deviation) of faster annual per-capita Gross Value Added (GVA) growth compared to a hypothetical constituency where the AKP vote share is very low (i.e. an opposition stronghold) or very high (i.e. a constituency which is already secured). Furthermore, in line with the literature on political budget cycles (Alt and Lassen, 2006), the effect is strongest in election years and decreases mid-term.

Results also show that votes for the AKP have a significant effect on the spatially heterogeneous expansion of central government expenditure in personnel and social security, as well as on the issuance of real estate construction permits—both of which, in turn, have driven provincial growth. In contrast, the highly strategic distribution of state goods to private business, such as investment certificates to firms, does not have a major impact on sub-national growth, potentially hinting to a pattern of 'wasted resources' used to favour politically aligned businesses but failing to provide a 'regional growth dividend.'

Overall, the article aims to contribute to spurring a renewed interest, among economic geographers and regional scholars, in the politics of subnational growth and development. More broadly, the analysis also adds to the literature, rooted in economics and political science, on the politics of development, which has frequently analysed the effects of

political dynamics on the economy, but mostly focusing on the national level (Gourevitch, 2008). Similarly, the article adds to the literature on distributive politics, which underlines how governments strategically target resources to specific groups of voters and localities (Golden and Min, 2013) but which, most frequently, does not explore whether these territorially heterogeneous allocations are consequential for local and regional economies. Exceptions are Levitt and Poterba (1999), who provide preliminary—although weak—US evidence of how senior Democratic congressmen representation correlates to faster State growth during the second post-war period. More recently, Luca (2016) focuses on Turkey's provinces but fails to identify significant effects, while Asher and Novosad (2017) uncover how national electoral politics have a substantial impact on local economic growth in India. Building on newly released data in comparison to what analysed by Luca (2016), the current article adds to these studies, by providing novel robust and systematic evidence from Turkey.

The article is structured as follows. Section 2 reviews the literature and develops a simple theoretical framework. Section 3 describes Turkey's institutional background and the data. Section 4 discusses the empirical strategy. Section 5 presents the results, and then explores some of the potential explanatory channels. Section 6 concludes, highlighting the implications for theory and policy.

2. The politics of subnational growth and development: a conceptual framework

In the last three decades, along with a renewed 'institutional turn' in social sciences, geographers and regional scholars have devoted significant attention to the importance of institutions for local and regional growth and development (e.g. Amin, 1999; Gertler, 2003; Farole et al., 2010; Rodríguez-Pose, 2013; Tomaney, 2014). Yet, in spite of this rich and insightful body of research, scholars have frequently overlooked the specific role of politics in their analysis of how firms, workers and consumers interact in economic spaces.

Politics as a process of negotiating socioeconomic goals, mediating between contrasting interests, adopting/implementing regulation and deciding on the allocation of societal resources has been frequently side-lined in favour of a more functionalist and naturalised view of the economy as separated from political bargaining and power (Agnew, 2012). In such a landscape, the role of 'institutional thickness' or the 'quality of institutions' is acknowledged as key to sustain effective policies, innovation and development, but the specific role of politics usually remains in the foreground.

This gap is particularly striking considering the amount of work carried out by political scientists and economists on the role of politics in influencing national economic growth and development (Gourevitch, 2008). Political economists, for example, have suggested how the presence of inclusive institutions preventing specific social groups from monopolising power and resources is important to sustain long-term economic growth (Acemoglu and Robinson, 2012). Similarly, a substantial amount of work in political economics has showed how national polity characteristics play a role in affecting national economic policy and outcomes (Persson and Tabellini, 2003). There is hence 'a strong case for geographers to pay fuller attention to this literature' (Tomaney, 2014, 135). While studying the effects of institutions on subnational growth and development has garnered significant attention, the specific focus on *political* institutions remains scarce, and this opens up significant avenues for further research.

There is a tradition of geographers interested in the politics of development. For example, the concept of power, as well as the effects of political structures, has been explored by geographers and regional scholars at least since the 1970s, when Marxist structuralist perspectives to regional development/underdevelopment gained momentum. Yet, most research in this area has been developed around the general role of the state in favouring new capital accumulation regimes (Markusen et al., 1991; Pike et al., 2009). Researchers have also expanded their understanding of power to explore post-structuralist conceptions of it, interpreting subnational growth and development as multi-scalar, relational phenomena (Allen and Cochrane, 2007). While providing important insights to appreciate modern territoriality, relational approaches have, however, tended to overlook how, at least in part, places and regions continue to be influenced by territorial fixes (for a partly similar argument, see Hudson, 2007; Cumbers and MacKinnon, 2010). For example, the overall attention of the discipline to the role of *electoral* politics—which, by definition, draws upon fixed constituency boundaries—in influencing local and regional economic dynamics has remained scarce.

Furthermore, the global trend to decentralised governance (Rodríguez-Pose and Gill, 2003) and the shift to post-Fordist multi-scalar fixes (Brenner, 2004) have been accompanied, in geography and regional sciences, by a significant focus shift in exploring institutions at the regional and local levels. Scholars have, for example, focused on state rescaling and the growing role of local governing coalitions, local governance structures and local 'regulationist regimes' in shaping subnational growth and development (cf. Horan and Jonas, 1998; Özcan, 2006; Wood, 2010; Bayirbag, 2011). While this has been a key contribution, it is time to gain a renewed 'awareness of how regions are [also] embedded in wider political-economic territorial frameworks' (Tomaney, 2014, 137). In other words, there is a need to view local and regional dynamics in the context of national political economies, 'overcoming the tendency of institutional economic geography to neglect this "missing ling"' (MacKinnon et al., 2009, 140). In fact, national states continue to represent, across many parts of the world, 'more than a set of background institutions, exerting a potentially decisive influence over economic development at lower scales' (MacKinnon et al., 2009). Coyle and Sensier (2019), for example, provide a compelling argument of how the distribution of national infrastructure expenditure in the UK, heavily skewed towards London, may have negatively affected interregional convergence.

National government actions can affect local and regional development in different ways. First, sub-national economies and regional disparities are affected by society's overall beliefs about equality and its aversion to territorial imbalances (Dixit and Londregan, 1996). Secondly, national governments can affect economic policy outputs and subnational outcomes according to non-programmatic, hidden preferences rather than public and binding rules driven by commitments to equity or development imperatives (Stokes et al., 2013).[1] The current article specifically focuses on the latter.

Over the last two decades, a significant amount literature has explored how incumbent governments and politicians influence territorial public spending patterns and the design and implementation of regulation for strategic, non-programmatic reasons (for an extensive review, cf. Golden and Min, 2013). Such forms of tactical redistribution (Dixit and

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1   In the real world, the distinction between the two ideal types may be blurred, as non-programmatic targeting may simultaneously address strategic electoral and normative principles. Besides, at times discretion may be necessary to achieve normative objectives.

Londregan, 1996), where governments have informal leeway to decide who benefits, are linked to public actors' political strategies, and the fact that political survival drives the tendency to funnel resources to those who preserve the incumbent's power (Bueno de Mesquita et al., 2003). This may be particularly true in societies showing deep cleavages and polarisation. Existing research from political science and political economy has suggested how higher polarisation may lead to stronger electoral cycles in fiscal balance (Alt and Lassen, 2006). Furthermore, the effects of political cleavages on the economy may be particularly strong in emerging markets, where state support has traditionally played a key role in the economy and, yet, it has been frequently mediated by political connections. Besides, insufficient levels of bureaucratic insulation from politics have often reduced the incentives/capacity to prevent the use of regulation and public monies for non-programmatic goals (Luca, 2017).

If geographers explored these topics as early as in the 1970s (cf. Johnston, 1977), the analysis of how government target resources and implement/adopt regulation for strategic electoral reasons has very recently gained new momentum in the discipline.[2] Yet, while there is substantial research on how governments affect the territorial allocation of developmental policy outputs beyond normative considerations of efficiency and equity, there is still limited evidence on whether these 'discretionary allocations' may be consequential for subnational economic dynamics.

Given the ample evidence on how political actors may design/implement public policies and regulation at their discretion, there is reason to suspect that politics and partisan government actions may influence not only policy outputs, but also sub-national economic outcomes. The following subsection sketches a simple conceptual framework.

2.1. A simple conceptual model

If the government is able to influence the regional economy, per-capita outputs in year t in region i will include $y^0_{i,\,t}$, that is, income in the absence of any political economic effect, and $g_{i,\,t-1}$, that is, per-capita benefits deriving from government activities in the year $t-1$.[3] Government actions may include the selective provision of public goods, access to public credit, international trade support, etc., and the heterogeneous enforcement of policy regulation.[4] The 1-year lag between y and g is included to account for the time necessary for any government activity to (potentially) impact personal income. In each region (constituency) i, actual per-capita income at time t is hence:

$$y_{i,\,t} = y^0_{i,\,t} + g_{i,\,t-1.} \tag{2.1}$$

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2   The list of contributions by geographers and regional scholars exploring the spatial implications of resource allocation in multi-party politics has recently flourished (cf. Lambrinidis et al., 2005; Luca and Rodríguez-Pose, 2015; Livert and Gainza, 2018; Pinar et al., 2021).

3   For simplicity, the bureaucracy in charge of implementing public policies is treated as a direct and fully subordinate agent of the government. This is a simplification of the more complex principal-agent relationship existing in the real world.

4   The framework assumes that at least part of the government inputs is valuable to the economy. If, by contrast, all politically direct inputs were projects exclusively implemented to get additional votes but not economically valuable—for example, either because they were 'white elephants,' or because of corruption/mismanagement in the allocation of resources—we could predict an alternative scenario where the government affects policy outputs but not local economic growth. The final part of the analysis will indeed show how, among the types of resources distributed discretionarily by the central government in Turkey, only some have translated into economic growth.

The political science literature on distributive politics underlines how government strategic behaviours are attempts by politicians to protect themselves electorally by targeting specific groups of voters (Golden and Min, 2013). In other words, incumbents attempt to influence future votes by analysing current information on political support and adjusting their policy actions accordingly. Most distributive politics models assume that politicians tune their actions depending on information at their disposal, proxied by past electoral results.[5] This can be summarised as follows:

$$g_{i, t-1} = f(P_{i, t-2}) \qquad (2.2)$$

where $P_{i, t-2}$ is past election results from time $t - 2$. A 1-year lag between g and P is again included, to allow for governments to adjust their actions based on past electoral outcomes.[6]

A longstanding debate in the distributive politics literature focuses on whether politicians target benefits to 'core' districts, in order to nurture partisan strongholds (Cox and McCubbins, 1986), or to 'swing' constituencies, where the 'marginal productivity' of redistribution is higher (Lindbeck and Weibull, 1987; Dixit and Londregan, 1996) and/or future support for the party is in doubt (Stokes, 2005). The current analysis argues that these two behaviours coexist, even in Proportional Rapresentation (PR) electoral systems. Politicians are likely to preferentially target their core supporters, while withholding from their opponents. At the same time, this distortion is magnified in battleground areas and, in contrast, reduced in very safe strongholds.

Incumbent actions shape partisan commitments (Diaz-Cayeros et al., 2016), particularly in consolidating democracies where programmatic manifestos lack credibility and material exchanges may be an important determinant of voter behaviour. In such places, as the partisan loyalty of voters is *conditional* on the history of previous spending, politicians have strong incentives to nurture their core constituencies, targeting them to prevent defections to opposing parties (Nichter, 2019). Negative inducements also serve to deter defections among core supporters (Mares and Young, 2016), so we may expect incumbents not to invest in 'hard' opposition strongholds, which they view as a waste of resources beyond spending at the bare minimum levels.

Yet, even within 'core-support' models, utility-maximising politicians may decide to comparatively reduce their support to core constituencies above very high vote thresholds. Although in PR systems votes in the whole country matter and governments have fewer incentives than in majoritarian settings to focus on specific battleground districts, incumbents may still be tempted to provide less rewards to places where partisan support is very strong and where loyalty is rooted in deep ideological cleavages, and hence less conditional on material benefits. In such places, the government may be less worried about preventing defections, and hence divert resources to other provinces with 'moderate opposers' (Stokes, 2005) where they aim to boost or cement the party reputation. Anecdotal evidence for the Turkish context is offered by a 2012 Parliamentary speech delivered by a legislator from the province of Kütahya, an AK Party stronghold. In such occasion, the

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5 Voters could reward or punish politicians based on their past actions (retrospective voting) but also on their promises about the future (prospective voting). While the two may not be mutually exclusive, the majority of research in distributive politics focuses on retrospective voting, since such behaviour seems more rational in environments where politicians may not keep their pledges (Diaz-Cayeros et al., 2016).

6 This is a simplification. One may also expect politicians to use not only past ballot results, but also contemporary sources of information such as opinion polls.

Member of Parliament argued that the province had been 'forgotten' in the distribution of state resources,[7] in spite of its exceptionally high support given to the AKP—which exceeded 60% in both the 2007 and 2011 elections (and which placed the province among the top 90th percentile in terms of AKP support).

Besides, research on portfolio diversification shows that governments may simultaneously target core and swing constituencies, by strategically balancing between the provision of different types of private and public goods. In equilibrium, party machines may comparatively deploy more reversible goods to retain core partisan loyalties while simultaneously investing in irreversible benefits that credibly signal a party's commitment in swing/battleground districts (Albertus, 2013; Diaz-Cayeros et al., 2016).

Drawing on these intuitions, P is assumed to be the sum of two components which capture the combined effects of the 'core' and 'battleground' hypotheses:

$$P_{i,\,t-2} = \boldsymbol{p}_{i,\,t-2} - \, p^2_{i,\,t-2} \tag{2.3}$$

where the effect of votes on policy output and outcomes is a function of votes for the incumbent party but, at the same time, the effect is not linear. The quadratic term in Equation (2.3) replaces more 'traditional' measures of electoral competitiveness—such as the absolute vote difference between the first and the second party in each province (cf. Besley et al., 2010). (If widely adopted in majoritarian electoral systems, more 'traditional' measures of close race have a more limited relevance in PR ones).

Overall, we can test for any potential effects of national electoral politics on per-capita income y at time t in region i by adopting the following regional economic growth model:

$$y_{i,\,t} = \, \beta_0 y_{i,\,t-1} + \, \beta_1 p_{i,\,t-2} - \beta_2 p^2_{\,i,\,t-2} + \, \sum_{j}^{J} \beta_j X_{i,\,t-1} \tag{2.4}$$

where $y_{i,\,t-1}$ is the yearly lagged provincial per-capita GVA level, included to test for Solow-style convergence of income. $p_{i,\,t-2}$ and $p^2_{i,\,t-2}$ are the key variables of interest. Combining Equations (2.1) and (2.2), the framework assumes a lag of two time periods between votes and any economic dynamic, since time is needed to translate votes into policy outputs and, then into real outcomes. In particular, the hypothesis is that $\beta_1 > 0$, i.e. that higher votes for the central government drive higher growth rates of provincial personal income, while $\beta_2 < 0$, i.e. that such relationship is nonlinear and, possibly, bell-shaped. $X_{i,\,t-1,}$ consists in a vector of socioeconomic factors also affecting economic performance.

Subtracting $y_{i,\,t-1}$ on both sides, yields:

$$\Delta y_{i,\,t} = \, (\beta_0 - 1)y_{i,\,t-1} + \, \beta_1 p_{i,\,t-2} - \beta_2 p^2_{\,i,\,t-2} + \, \sum_{j}^{J} \beta_j X_{i,\,t-1} \tag{2.5}$$

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7 'Kütahya Milletvekili Alim Işık'ın, Kütahya İline Yapılan Kamu Yatırımlarına İlişkin Gündem Dışı,' *Parliamentary Reports of the Republic of Turkey*, year 2012. Available at: http://www.tbmm.gov.tr, accessed in December 2020.

Drawing on this simple framework, the rest of the article will test the following empirical hypotheses:

H1. Based on information from past voting outcomes, governments strategically implement policies with the goal of influencing subnational growth patterns.

H2. Such strategic manipulations of local and regional development dynamics are highest in areas with the highest 'political clout', that is, areas with moderate levels of core support and, at the same time, significant electoral competition.

H3. Incumbent parties may attempt to influence territorial economic dynamics through the selective distribution of monies and services, as well as through regulation.

3. Institutional background and data

3.1. The Turkish political system

Turkey is an appropriate case to test the research hypotheses set above. Until 2017, the country was a parliamentary democracy featuring a closed-list, proportional-representation electoral system. The D'Hondt method[8] and a national threshold of 10% are used to translate votes into parliamentary seats. The country features a multiparty system where parties have distinguishable ideological positions. Parties act as important 'gatekeepers' for access to the resources of the State, and thus play a key role in the political distribution of public resources.

Similarly to the case of Britain analysed by Coyle and Sensier (2019), Turkey has one of the most centralised financial systems among OECD members, and the central government has significant power in deciding the allocation of public resources across the country. Many contributions show how incumbents have frequently targeted public monies and other preferential policy treatments to individuals and constituencies with a similar political affiliation, and punished those who do not share the same orientation (e.g. Çarkoğlu and Aytaç, 2015; Luca and Rodríguez-Pose, 2015; Pinar et al., 2021). Parties have also been strongly aligned with other types of organisations considered key societal fault-line markers, such as business associations (Bugra and Savaskan, 2014).

In the last decades, the Turkish political landscape has been divided along two sociopolitical cleavages: religiosity versus laicism represents the main one, while a secondary one is that separating Turkish versus ethnic Kurdish nationalisms (Gunes-Ayata and Ayata, 2002; Çarkoğlu and Hinich, 2006). The current article focuses on the first cleavage, which is captured by the contraposition between the pro-Islamic ruling party and the main, secular opposition one.[9]

The 2002 parliamentary elections are widely seen as a milestone in the political history of Turkey. For the first time since 1991, a party—the AKP, founded in 2001 just months before the elections and led by R.T. Erdoğan—garnered more than 34% of the votes, winning an absolute majority of seats in parliament and forming a single-party government.

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8 The D'Hondt formula is a highest-averages method for allocating seats from votes in PR voting systems. It is iterative: at each iteration, the number of votes each party received in a specific constituency is divided by a divisor, that is, a function of the number of seats already allocated to that party, initially 0, then 1, 2, 3, etc. (up to the number of seats available in that constituency). At each iteration, the seat is allocated to the party whose resulting ratio is largest.

9 Including a second cleavage in the analysis would pose identification challenges. Future research specifically focused on the Kurdish vote should assess the extent to which this second cleavage has affected local economic growth patterns, especially in the South-eastern part of the country.

The incumbents have remained in power ever since, winning most of the subsequent local and national elections. In the next national polls, they increased their vote share, first to 46.7% in 2007, and then to almost 49.8% in 2011 and, again, to 49.5% in 2015.[10]

Overall, by the late 2000s, the AKP increasingly resembled a 'proto-dominant' party, with the country moving towards 'competitive authoritarianism.' Within this climate of strong political and ideological polarisation, Bugra and Savaskan (2014) report the fear of local and regional actors about feeling penalised by the central government for systematically voting for the *Cumhuriet Halk Partisi* (Republican People's Party, CHP), as opposed to the AKP in both local and national elections. The remainder of the paper will test whether such fears find empirical confirmation.

3.2. Data

The analysis employs a dataset covering Turkey's 81 provinces over the period 2004–2016. It takes advantage of new data on provincial GVA released by the Turkish Statistical Institute (TÜİK) in 2016.[11] The socio-economic and electoral data also come from TÜİK. The analysis extends electoral results for 2002, 2007 and 2011 elections over each legislature's single year.

The article focuses on provinces since they constitute one of the most important tiers of political representation and a key power base of political parties, as well as the only administrative tier between municipalities/metropolitan municipalities and the central state. Provincial boundaries exactly coincide with both electoral constituencies and the statistical units used to measure subnational economic performance. It is also important to stress that, while provinces possess relevant socio-political boundaries, they mostly lack strong administrative powers autonomous from the central state. As a matter of fact, elections for the provincial assemblies play a minor role in Turkey's politics.[12] Taking these factors into account, the analysis focuses on national ballots. Furthermore, despite a series of decentralisation reforms implemented in the early 2000s, the country remains one with a highly centralised public finance and decision-making system. As an example, between 2010 and 2014, local governments were responsible for less than 30% of the total amount of public fixed-capital investment (Ministry of Development, 2014), with the lion's share still managed by the national government and its local decentred branches. Savaşkan (2021) indeed argues that, while the AKP sought to transfer some of the central government's responsibilities to the local level, it never pursued a comprehensive decentralisation agenda. In his words, 'the AKP evaluated local governments as mechanisms for delivering services without necessary providing them with political and fiscal autonomy. Local governments continued to depend on the central government for funding and decision making' (Savaşkan, 2021, 206).[13]

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10 The AKP's only decline occurred in the June 2015 elections, when its national vote share dropped to 40.9%, to re-bounce back to 49.5% in the November 2015 snap elections.
11 TÜİK used to publish provincially-disaggregated GVA panel data, but had stopped in 2001. Data are hence missing for 2002 and 2003. I also exclude the years post-2016, since the country went under emergency rule following the attempted military coup of July 2016.
12 An exception is metropolitan municipalities which, during the AKP incumbency, have gained increasing importance and, since 2004, correspond to provincial boundaries.
13 I test the robustness of the analysis to replacing information from national ballots with local election outcomes. The results, not presented but available on request, show a negative association between provincial growth rates and vote shares for the main opposition (the CHP), but no effect for AKP votes. While the coefficient for CHP is in line with the work of Bugra and Savaskan (2014), my interpretation for the AKP is that, although local
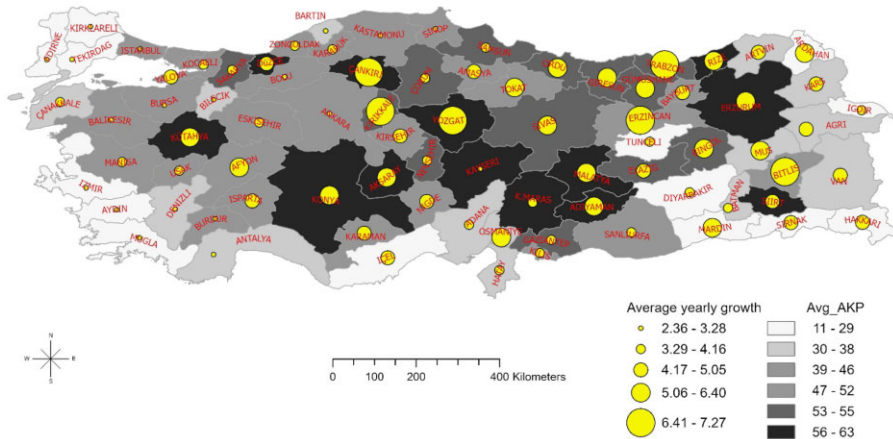
Figure 1. Average AKP vote share and average yearly per-capita GVA growth rate over 2004–2016. *Notes*: own elaboration.

[Figure 1](#) maps the average AKP vote shares and yearly GVA growth rates over the period 2004–2016.[14] (A detailed description of variables, their key summary statistics, and their pairwise correlation coefficients are, respectively, reported in [Supplementary Appendix Tables A1–A.3](#)).

4. Empirical strategy

The research follows two steps. It first assesses whether there is a reduced-form link between partisan politics and provincial economic growth. It then provides an exploration of some key potential channels which may drive the reduced-form results.

4.1. Empirical estimation

In line with [Equation (2.5)](#), the empirical model adopted for estimation is:

$$\Delta y_{i,\,t} = (\beta_0 - 1)y_{i,\,t-1} + \beta_1 p_{i,\,t-2} - \beta_2 p^2_{i,\,t-2} + \sum_{j}^{J} \beta_j X_{i,\,t-1} + \alpha_i + d_t + \varepsilon_{i,\,t} \qquad (4.1)$$

where

$\Delta y_{i,\,t}$ is the rate of per-capita economic growth, expressed in logarithmic terms, of province i at time t, and $y_{i,\,t-1}$ is the yearly lagged provincial per-capita GVA level (expressed again in Ln), included to test for Solow-style convergence of income, with $\beta_0 < 0$ indicating convergence. $p_{i,\,t-2}$ and $p^2_{i,\,t-2}$ are the key variables of interest, as discussed in Section 2. It is important to remind that the analysis tests whether $\beta_1 > 0$, i.e. if higher votes for

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elections may play a non-marginal role (especially elections in metropolitan municipalities), their impact on the economy may be more circumscribed.

14 A map combining per-capita GVA levels in 2004 and yearly growth rates in the following years is provided in Figure B.1, [online appendix](#). The map shows a complex pattern. For example, while 17 of the provinces growing fastest over the period 2004–16 started from low per-capita GVA levels, nine provinces experiencing fastest growth rates were in the highest per-capita GVA tercile in 2004.

the central government drive higher growth rates of provincial personal income, and if $\beta_2 < 0$, i.e. whether such relationship is non-linear and magnified in electoral battle-ground areas.[15]

$X_{i,t-1}$, consists in a vector of controls. Baseline estimates include provincial population, voter turnout, votes for the main opposition party (the CHP) and a measure of private sector development, proxied by the yearly growth in the number of private economic establishments.[16]

α_i and d_t, respectively, consist in province and year fixed-effects (FEs). As a robustness check, I will also include province-specific time trends to account for potential trend heterogeneity across provinces. $\varepsilon_{i,t}$ is the error term.

4.2. Identification

The estimation of Equation (4.1) may suffer from two main potential sources of bias. First, while the two-way FEs estimator with province-specific time trends should attenuate the risk of omitted variable bias, there might still be spurious factors simultaneously affecting voting patterns and economic dynamics. Secondly, and most importantly, ballot results may suffer from reverse causality.[17]

To minimise the possibility of reverse causation between higher AKP vote shares and faster economic growth after 2002, which would plausibly bias the main estimates upwards, I exploit a shift-share instrument. The intuition behind the instrument is that national vote pattern changes that are party-specific but external to an individual province i reflect a 'synthetic' exogenous political 'shock' for that sub-national unit (Adão et al., 2019; Goldsmith-Pinkham et al., 2020). For each province i in year t, the instrument $p_{IV_{i,t}}$ is constructed by weighting $p_{i,b}$, which represents the initial vote share for the incumbent party in province i in the base year b, for the national shift Δn between time t and the base year b:

$$p_{IV_{i,t}} = p_{i,b} * \left(1 + \frac{n_t - n_b}{n_b}\right). \tag{4.2}$$

The rationale is that combining provincial composition shares with aggregate level shifts can help predicting exogenous variation in an endogenous variable of interest. In other words, the instrument assumes that changes in national voting pattern that are party-specific but external to an individual province reflect an exogenous local exposure to the aggregate 'shock.'

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15 The quadratic term has a high correlation with a more 'traditional' measure of electoral competitiveness such as the absolute vote difference between the first and the second party in each province. The pairwise correlation coefficient between the two variables is above 0.72 and significant at the 0.01 confidence level. By including $p_{i,t-2}^2$, the analysis hence controls for electoral competitiveness. Robustness checks will anyway show that results do not change when using the more established measure. Similarly, the analysis does not include generic measures of party competition such as the Herfindahl index, because of it is highly collinearity with AKP. The pairwise correlation coefficient between the two is 0.76, significant at the 0.01 confidence level.

16 Other drivers commonly included in growth regressions—for example, public capital investment—might constitute channels through which politics may affect economic dynamics. Such variables hence constitute 'bad controls' and are excluded from the reduced-form model. By contrast, measures such private capital investment are not available for the full panel. A robustness check will show that their inclusion in the sub-set of the panel where they are available does not affect the results (cf. Section 5.2).

17 A further concern is linked to the so called 'Nickel bias' in FE dynamic models (Nickell, 1981). Robustness checks will show that this does not affect the results.

A key assumption for the instrument to comply with the exclusion restriction is that the initial shares must be exogenous (Goldsmith-Pinkham et al., 2020).[18] The year 2002 is selected as the base year because the 2002 ballot results are considered as an unpredicted 'tectonic shift' in Turkey's politics, with the AKP unexpectedly winning an absolute majority. As a matter of fact, the 2002 elections witnessed the highest turnover rate of Members of Parliament (MPs) in the entire Turkish democratic history (a plot is provided in Supplementary Appendix Figure B2). I also run a battery of tests confirming how there is no evidence of a structural 'pre-treatment' association between provincial economic dynamics and initial support for the AKP, suggesting that AK Party votes in 2002 can be confidently considered exogenous to pre-2002 subnational growth (these results are reported and discussed in Supplementary Appendix Tables A4–A6).[19]

Since I include the quadratic term of the endogenous variable, I instrument it by the quadratic term of the linear instrument. This second instrument is constructed as:

$$p_{IV_{i,\ t}}^2 = \left(p_{IV_{i,\ t}} \right)^2. \tag{4.3}$$

To test the overidentifying restrictions, in some specifications, I will also use two additional sets of instruments (sets 'b' and 'c') calculated using, as base year b, the 1999 and 1995 national elections. Since the AKP did not exist back then, I use the 1999 results for the Fazilet Partisi (FP) and the 1995 vote shares for Anavatan Partisi (ANAP), two religious conservative parties whose electorates converged into the AKP after 2002.[20]

5. Results

5.1. Baseline estimates

Table 1 presents the main results.[21] Columns 1 and 2 feature an Ordinary Least Square estimator. Columns 2 and 3, respectively, add controls and year/province FEs. Results confirm the conceptual framework, and uncover a positive link between votes for the national incumbent party and faster per-capital provincial GVA growth rates. The linear term for AKP votes is positive and significant across all specifications, while its quadratic term is negative (and again significant), suggesting that the relationship between dependent and explanatory variables is nonlinear as predicted.

Coefficients for models four are estimated by means of two-stage-least-square (2SLS) (whose first-stage outputs are reported in Supplementary Appendix Table A8). Model 4 exploits only one set of instruments (this will be the main 2SLS specification adopted in the rest of the article). Column 5 adds the two other instrument sets 'b' and 'c', to test the

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18 Under such light, whether the *aggregate shifts* are exogenous or not becomes secondary (Goldsmith-Pinkham et al., 2020).

19 As stressed by Goldsmith-Pinkham et al. (2020), testing for the absence of 'pre-treatment' association between outcome and regressors is akin to testing the parallel-trend assumption in a standard difference-in-differences setting.

20 A formal test showing how vote shares for ANAP in 1995 and for the FP in 1999 are significant predictors of the 2002 AKP results is provided in Table A7, online appendix. Furthermore, models eight and nine of Table A5, online appendix, also confirm how vote shares for ANAP in 1995 and FP in 1999 are exogenous to pre-2002 provincial economic growth patterns, providing evidence in support of the exclusion restriction for these two additional parties.

21 For reason of space, I do not report the coefficients for the controls. The full results for Table 1's models three and four are reported in columns one and two of Table A10, online appendix.

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Table 1. Votes for the incumbent party and provincial per-capita GVA growth: robust Ordinary Least Square (OLS), FE and 2SLS estimates (2004–2016)

	(1) OLS	(2) OLS	(3) FE	(4) 2SLS	(5) 2SLS	(6) FE	(7) 2SLS
AKP	0.145***	0.160***	0.248**	0.257**	0.321***	0.410*	0.589***
	(0.045)	(0.051)	(0.106)	(0.114)	(0.111)	(0.210)	(0.181)
AKP^2	−0.002***	−0.002***	−0.002**	−0.003***	−0.003***	−0.005**	−0.007***
	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.002)	(0.002)
Observations	972	972	972	972	972	972	972
R^2	0.054	0.060	0.674	0.659	0.661	0.731	0.297
Controls	–	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	–	–	Yes	Yes	Yes	Yes	Yes
Prov FE	–	–	Yes	Yes	Yes	Yes	Yes
Prov*yr trends	–	–	–	–	–	Yes	Yes
Instrument sets	–	–	–	a	a, b, c	–	a, b, c
First-stage K-P F	–	–	–	26.032	27.783	–	10.557
S-W F (AKP)	–	–	–	105.58	31.20	–	52.30
S-W F (AKP^2)	–	–	–	151.22	99.83	–	29.75
Hansen J P-value	–	–	–	NA	0.222	–	0.274

Notes: robust standard errors clustered at province level in parentheses ***$p < 0.01$, **$p < 0.05$, *$p < 0.1$. Constant, lagged GVA, controls and FEs not reported. AKP and AKP^2 are lagged by 2 years as described in Equation (4.1). Controls include turnout at elections, CHP vote share, population and private sector size. The shift-share instrument set 'a' is constructed using the 2002 AKP vote shares as base year, while the sets 'b' and 'c', respectively, use the 1995 ANAP vote shares, and the 1999 FP vote shares. For 2SLS regressions, the table reports an 'overall' test of weak identification (one-stage Kleibergen-Paap rk Wald F-test), as well as individual weak identification tests (Sanderson–Windmeijer F) for each of the two endogenous regressors AKP and AKP^2.

overidentifying restrictions (the Hansen J statistic is insignificant as required, although the two additional sets have a weak first-stage). Models 6 and 7 additionally control for province-specific time trends, to further limit any risk of omitted variable bias. While the size of the AKP and AKP^2 coefficients partly changes, their combined effect remains similar.

Figure 2 shows the fitted lines for the regression coefficients of Table 1's columns 3 and 4, which are my preferred specifications as they strike the best balance between completeness and parsimony. As expected, the 2SLS coefficients are smaller than the FE ones, suggesting that the latter were biased upwards due to endogeneity. Nevertheless, the effect remains substantial.

Fitted value estimates, which are most precise for the central values of AKP vote shares, suggest that a hypothetical province where AKP votes are just below the national average experienced almost 3 percentage points (i.e. above one-third of a standard deviation) of faster per-capita GVA growth compared to hypothetical constituencies where AKP vote shares are lowest/highest. In other words, the government may have tried to strategically favour core constituencies but, at the same time, this effect is magnified in areas where the electoral race is tighter. Based on the results of Model 3, I also estimate the predicted per-capita GVA growth rates in 2007 (a legislative election year) at different AKP vote shares in 2005 for four provinces: Izmir (an opposition stronghold); Isparta (a more competitive province); Konya (an AKP stronghold); and Siirt (a province with very
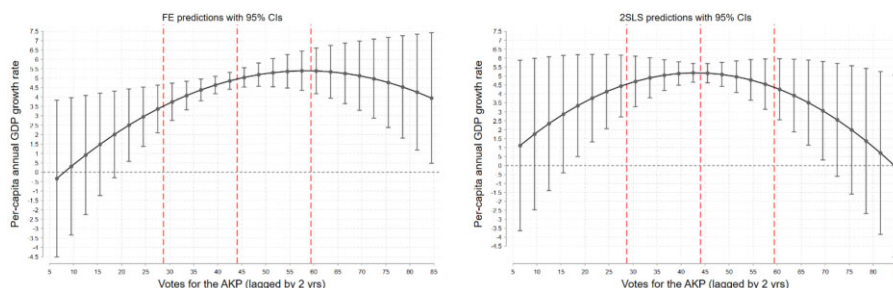
Figure 2. Votes for the incumbent party and provincial per-capita GVA growth: fitted estimates.
Notes: The fitted lines are, respectively, based on the FE and 2SLS results of Table 1, columns 3 (plot on the left) and 4 (plot on the right). The plots report fitted estimates for per-capita GVA growth at different levels of AKP vote shares, holding other variables constant at their means. The vertical lines indicate the national AKP vote share average ±1 SD.

high AKP volatility). While growth rates are highly heterogeneous across the four cases, the predictions, whose plots are reported in Supplementary Appendix Figure B3, confirm how the marginal effect of AKP votes is bell-shaped and reduces at high levels of support for the incumbent party.

The impact of AKP votes on local economic growth is confirmed when replacing per-capita GVA with total employment dynamics (cf. Supplementary Appendix Table A9). Again, the linear term for AKP votes is positive and significant across most specifications (an exception is the FE specification with province-specific trends, where the coefficient becomes imprecise), while its quadratic term is negative and always significant.[22]

5.2. Robustness checks

The following section presents a battery of robustness tests. First, the baseline specification does not control for a host of variables commonly included in growth regressions, on the ground that they might constitute channels through which party politics may affect growth (this issue will be explored in Section 5.4). While the inclusion of province and year FEs, as well as province-specific time-trends, should attenuate potential risks of omitted-variable biases, I re-run the main regressions controlling for two key additional covariates, namely educational attainments, and manufacturing employment. Coefficients are overall robust against the change in specification (cf. Supplementary Appendix Table A10).

Secondly, if the conceptual framework is correct, votes should only affect future economic performance, because time is needed to translate strategic political decisions into policy actions, which may then influence regional growth. I hence run a battery of 'placebo' specifications excluding the time lag between regressors and outcome. The results confirm how regressing current economic performance on current vote shares yields no results. In contrast, reducing the time lag between AKP vote shares and growth to 1 year leads to coefficients which are still with the expected signs, but smaller in magnitude and more imprecise (cf. Supplementary Appendix Table A11).

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22   Figure B4 in the online appendix plots the fitted lines for models three and four of Table A9.

Thirdly, in dynamic models, i.e. where the lagged dependent variable is included among the regressors, panel estimates are biased in the order of 1/T (Nickell, 1981). I re-run the main specifications excluding lagged per-capita GVA. Similarly, I check the sensitivity of the analysis to the exclusion of outlier values in the dependent and main explanatory variables. The outputs are similar to the baseline specifications (cf. Supplementary Appendix Table A12).

Fourthly, results might be sensitive to the inclusion of Ankara, Istanbul and Izmir, Turkey's main economic hubs. Combined, in 2014, these three cities accounted for 45.84% of the country's Gross Domestic Product (GDP), slightly down from 46.15% in 2004. I hence re-estimate the main models excluding such cities. Provincial economic growth patterns in areas close to the Syrian and Iraqi borders may have also been affected by armed conflicts in the two neighbouring countries, and such potential effects may be correlated to the AKP vote share. While the inclusion of province-specific time-trends should already control for this, I include an additional interaction term between year dummies and a categorical variable for the seven provinces along the South-eastern border.[23] Results across all these alternative specifications are again stable (cf. Supplementary Appendix Table A13). I equally check for the presence of spatial autocorrelation in economic performance and AKP votes. Moran's I tests fail to detect any spatial autocorrelation (cf. Supplementary Appendix Figure B5).

Fifthly, AKP and AKP^2 are mechanically highly correlated, which may cast doubts on the reliability of their coefficients. I hence re-estimates the main specifications replacing AKP^2 with Close race, an alternative and more 'traditional' measure of electoral competitiveness.[24] Results are very similar, confirming how growth is higher in AKP strongholds while, at the same time, the effect is particularly acute in areas where the race is tighter (cf. Supplementary Appendix Table A14).

5.3. Interregional convergence and electoral economic cycle

This section first explores the extent to which the effect of AKP vote shares on growth may have contributed to a 'positive' process of inter-regional convergence. To do so, I expand the baseline model to include two interaction terms between initial per-capita GVA levels in 2004 and, respectively, AKP and AKP^2 vote shares in the following years. The results (reported in Supplementary Appendix Table A15) indeed suggest that, ceteris paribus, political economic effects are weaker in provinces with initially higher income levels and, hence, the government may have particularly favoured convergence in areas which were initially poorer.

Secondly, the baseline analysis assumed that the effect of votes on provincial economic performance is constant across the electoral cycle. Yet, a significant amount of research suggests that politicians tend to tailor strategic targeting decisions depending on the electoral cycle (Alt and Lassen, 2006). I test for the existence of an electoral cycle in provincial economic performance, by expanding Equation (4.1) to the following:

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23   These provinces are: Hatay, Kilis, Gaziantep, Sanliurfa, Mardin, Sirnak and Hakkari.
24   Close race is calculated as the absolute value of the vote difference between the main party and its first challenger. I take the negative of the value, and hence a positive sign indicates that per-capita GVA growth rate is more intense in provinces where the difference in vote shares is lower (i.e., the electoral race is tighter).

$$\Delta y_{i,\,t} = (\beta_0 - 1)y_{i,\,t-1} + \left(\beta_1 p_{i,\,t-2} + \beta_2 p^2_{\,i,\,t-2}\right) * C_k + \sum_{j}^{J} \beta_j X_{i,\,t-1} + \alpha_i + \gamma_j + d_t + \varepsilon_{i,\,t}$$

(5.1)

where C_k is a categorical variable equal to 0 in election years and then taking value 1 in post-election years, 2 in mid-term years and 3 in the last year of an election cycle (i.e. pre-election). Studies suggest that governments increase spending prior to ballots, so that the economy is strongest when people cast their votes. The expectation is hence that the impact of votes on provincial growth is strongest around the election year.[25] The results confirm such intuition and suggest that, conditioning on covariates, local economic performance in provinces with a high 'political clout' peaks in the election year, slows down post-election and mid-term, and then speeds-up again in the year before the next ballot (cf. Supplementary Appendix Table A16 and Figure B6). The main assumption for the identification of Equation (5.1) is that, in absence of political economy dynamics, all provinces would follow similar growth patterns over the election cycle. To test this assumption, I estimate an additional specification interacting the electoral cycle dummies with the vote shares for the main opposition party, the CHP. The outputs confirm that, for strongholds of the main opposition, there is no electoral cycle effect: the coefficient for CHP votes is always negative, but its interaction with the electoral cycle dummies is insignificant (cf. column 3 of Supplementary Appendix Table A16).

5.4. An exploration into mechanisms

The two previous sections provide evidence of a robust link between electoral support for the government and provincial economic growth. The next paragraphs aim to shed light on the channels driving the reduced-form results. One of the hypotheses is that the government may affect subnational economies through the heterogeneous allocation of key government inputs and through regulatory activities. To this aim, the analysis estimates the following equation:

$$G^k_{i,\,t} = \beta_1 p_{i,\,t-1} - \beta_2 p^2_{\,i,\,t-1} + \beta_3 X_{i,\,t} + \alpha_i + d_t + \varepsilon_{i,\,t}$$

(5.2)

where (*i* and *t* again denote provinces and years, respectively): $G^k_{i,\,t}$ is a vector indicating different government goods and regulatory outputs *k* on which the central state may have an influence. In particular, I analyse the four following outputs: per-capita public fixed-capital investment, investment subsidies to private firms, public employment expansion and real estate construction permits; $p_{i,\,t-1}$, $p^2_{\,i,\,t-1}$ and $X_{i,\,t}$ represent the same variables accounted for in Equation (4.1); α_i and d_t are province and year FEs; and $\varepsilon_{i,\,t}$ is the error term. In line with the conceptual framework, the time-lag between electoral regressors and dependent variables is now 1 year, assuming that budget outlays/regulatory outputs in year *t* will be appropriated/decided in the previous fiscal year.[26]

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25   It is important to stress that, while incumbents may try to entice voters by increased expenditure, we still expect the direction of causality running from lagged voting outcomes to higher spending, to economic growth. Causality may also likely run the other way, with higher expenditure and growth positively affecting votes. The 2SLS strategy should 'neat out' such potential reverse impact.

26   Central budget lines for year *t* are usually approved in the final quarter of the previous calendar year. In the case of construction permits, identifying the correct time structure is more complex. The 1-year lag between votes and construction permits must hence be considered an approximation.

A comparison of these policy outputs is insightful considering the key role each of them has played during the AKP incumbency. First, the AK Party has embarked into a significant public infrastructure expansion (cf. Luca and Rodríguez-Pose, 2015, 2019). The analysis hence explores public capital investment.[27] Secondly, a growing amount of research on state–business relations has stressed how firms connected to the AKP cadre have received substantial preferential policy treatment (Özcan and Gündüz, 2015a, 2015b). I proxy this potential business channel by analysing investment subsidies to private firms, which represent Turkey's main investment promotion scheme.[28] Thirdly, the vector G includes the annual expansion of per-capita central budget's public expenditure in personnel and social security (at 2012 constant prices) which, during the period of analysis, grew sizeably and—yet—in a highly heterogeneous way across provinces (cf. Supplementary Appendix Figure B7).[29] Last but not the least, the construction boom played a key role in the AKP's economic growth model. The incumbent party may have hence selectively pushed local governments to approve more construction projects in electorally strategic areas, especially vis-à-vis the prime ministerial direct involvement in real estate projects through the Mass Housing Administration (TOKİ), which has experienced substantially enhanced authority under AKP ruling. I include the number of construction permits granted in each province per year (expressed as Ln m^2 approved every 1000 persons).

Table 2 reports the results. Confirming previous research on distributive politics in Turkey, Models 1–4 show that AKP vote shares have a strong influence over the territorial allocation of budget outlays and real estate regulatory outputs. Additional tests also suggest that provinces with a high 'political clout' experience an increase in central government outlays/regulatory outputs in the years before elections, compared to mid-term years (cf. Supplementary Appendix Figure B8). This is consistent with the conceptual framework and the GVA growth patterns observed when testing for the presence of an 'electoral economic cycle.'

The second part of Table 2 then tests the link between public resources and growth. Out of the four governmental inputs, only two are robust predictors of GVA growth: expansion in public employment and social security expenditure, and real estate construction permits (cf. column 9 of Table 2). In contrast, fixed capital investment expenditure and investment subsidies to firms are not.[30]

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27 This includes the total amount of public fixed-capital investments recorded into the annual National Investment Plans and directly linkable to individual provincial units. It covers the following areas: agriculture, mining, state manufacturing, energy, transport and telecommunications, tourism, housing, education, health and other unclassified sectors.

28 The scheme is managed by Turkey's Ministry of the Economy. Incentives are available to both domestic and foreign investors, and are awarded to investment proposals after an evaluation by the central government bureaucrats. Awarded certificates include details about the proposed capital investment amount and number of jobs involved by the investment. I focus on the total number of jobs involved by the certificates awarded every 1000 persons.

29 In 2012, out of a total public budget of TRY 533 billion (or around US$300 billion), the share of the central government was 61%, while the shares of sub-national administrations and social security institutions were 12% and 27% respectively (Ministry of Finance, 2013). Out of the 61% of central government budget's total, 44% can be linked to accounting units within provincial boundaries (while the remaining 56% cannot be linked to specific provinces). Expenditure in personnel and social security constitutes around 60% of that 44%.

30 While exploring issues of corruption and mismanagement in the use of public resources is beyond the scope of this paper, the findings may potentially hint to a pattern of 'wasted resources' in the case of capital investment and business subsidies, possibly used to favour politically-aligned businesses but not bringing about any measurable economic dividend. Future work may explore in more depth this key area.

Table 2. Votes for the incumbent party, the territorial allocation of central state goods (2SLS estimates), per-capita GVA growth: robust FE and 2SLS estimates (2004–2016)

Outcome:	(1) 2SLS Cap. inv.	(2) 2SLS Firm subs.	(3) 2SLS Δ publ. empl.	(4) 2SLS Constr. perm.	(5) FE	(6) FE	(7) FE	(8) FE	(9) FE
						Per-capita GVA growth			
AKP	0.049***	0.109***	0.284***	0.028**	–	–	–	–	–
	(0.016)	(0.028)	(0.089)	(0.013)	–	–	–	–	–
AKP^2	−0.000***	−0.001***	−0.003***	−0.000**					
	(0.000)	(0.000)	(0.001)	(0.000)	–	–	–	–	–
Capital inv.	–	–	–	–	0.472*	–	–	–	0.295
	–	–	–	–	(0.269)	–	–	–	(0.273)
Firm subsidies	–	–	–	–	–	0.365**	–	–	0.072
	–	–	–	–	–	(0.180)	–	–	(0.191)
Δ publ. empl.	–	–	–	–	–	–	0.163***	–	0.152***
	–	–	–	–	–	–	(0.036)	–	(0.034)
Constr. permits	–	–	–	–	–	–	–	2.518***	2.448***
	–	–	–	–	–	–	–	(0.420)	(0.427)
Observations	972	972	972	971[a]	972	972	891[†]	971[a]	890[a,b]
R^2	0.312	0.370	0.552	0.577	0.666	0.666	0.744	0.679	0.760
Prov FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Lagged GVA	–	–	–	–	Yes	Yes	Yes	Yes	Yes
Instrument sets	a	a	a	a	–	–	–	–	–
First K-P F	25.122	25.122	25.122	25.605	–	–	–	–	–
First S-W F AKP	106.60	106.60	106.60	106.72	–	–	–	–	–
1 S-W F AKP2	151.27	151.27	151.27	149.22	–	–	–	–	–

Notes: [a]Construction permits data are missing for one observation. [b]Data on public employment growth are only available from 2005. Robust standard errors clustered at province level in parentheses ***$p < 0.01$, **$p < 0.05$, *$p < 0.1$. Constant, controls and FEs not reported. AKP and AKP^2 are lagged by 1 year as described in Equation (5.2). Models 1–4 are estimated via 2SLS, and control include turnout at elections, CHP vote shares, population and private sector size. Models 5–9 are estimated via FE, and control include population and private sector size, along with lagged GVA. For the 2SLS regressions of columns 1–4, the table reports an 'overall' test of weak identification (one-stage Kleibergen-Paap rk Wald F-test), as well as individual weak identification tests (Sanderson–Windmeijer F) for each of the two endogenous regressors AKP and AKP^2.

Finally, I expand Equation (4.1) to additionally control for the vector $G_{i,\,t-1}$:

$$\Delta y_{i,\,t} = (\beta_0 - 1)y_{i,\,t-1} + \beta_1 p_{i,\,t-2} - \beta_2 p^2_{i,\,t-2} + \sum_{k}^{K} \beta_k G_{i,\,t-1} + \sum_{j}^{J} \beta_j X_{i,\,t-1}$$
$$+ \alpha_i + d_t + \varepsilon_{i,\,t}. \tag{5.3}$$

Table 3 presents the results. Controlling for public employment expansion and construction permits, the AKP coefficients lose magnitude and significance, becoming completely insignificant in Model 6. This suggests that public employment/social security expansion and construction permits 'absorb,' or mediate, the effect of AKP on growth.

The government may have also used broader regulation to influence the structural transformation of local economies. The degree to which the institutional environment is conducive to fast structural change is a key determinant of economic performance. While it is

Table 3. Votes for the incumbent party and provincial per-capita GVA growth: robust 2SLS estimates (2004–2016) adding channels into the main regression

	(1)	(2)	(3)	(4)	(5)	(6)
AKP	0.257[**]	0.247[**]	0.252[**]	0.124	0.183[*]	0.004
	(0.114)	(0.113)	(0.114)	(0.131)	(0.101)	(0.109)
AKP^2	−0.003[***]	−0.003[***]	−0.003[***]	−0.002[*]	−0.002[**]	−0.001
	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)
Capital investment	–	0.249	–	–	–	0.161
	–	(0.263)	–	–	–	(0.275)
Firm subsidies	–	–	0.158	–	–	0.040
	–	–	(0.149)	–	–	(0.160)
Δ publ. empl.	–	–	–	0.144[***]	–	0.139[***]
	–	–	–	(0.036)	–	(0.034)
Constr. permits	–	–	–	–	2.409[***]	2.630[***]
	–	–	–	–	(0.430)	(0.446)
Observations	972	972	972	891[b]	971[a]	890[a,b]
R^2	0.659	0.659	0.659	0.732	0.672	0.747
Lagged GVA	Yes	Yes	Yes	Yes	Yes	Yes
Prov FE	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes
Controls	Yes	Yes	Yes	Yes	Yes	Yes
Instrument sets	a	a	a	a	a	a
First K-P F	24.785	24.833	24.502	24.498	27.255	26.749
First S-W F AKP	106.60	106.57	106.84	110.46	115.30	121.00
First S-W F AKP2	151.91	148.38	151.07	163.13	144.19	157.46

Notes: [a]Construction permits data are missing for one observation. [b]Data on public employment growth are only available from 2005. Robust standard errors clustered at province level in parentheses [***]$p < 0.01$, [**]$p < 0.05$, [*]$p < 0.1$. Constant, lagged GVA, controls and FEs not reported. AKP and AKP^2 are lagged by 2 years as described in Equation (4.1). Controls include turnout at elections, CHP vote shares, population and private sector size. The table reports an 'overall' test of weak identification (first-stage Kleibergen-Paap rk Wald F-test), as well as individual weak identification tests (Sanderson–Windmeijer F) for each of the two endogenous regressors AKP and AKP^2.

not possible to establish a direct link, analysing the effect of votes on economic sub-sectors can yet provide exploratory evidence on local structural change associated to political dynamics. Particularly during the first years of the AKP incumbency, Turkey experienced a significant growth in labour productivity due to labour movement into more productive areas of the economy (Rodrik, 2010). Consistently with this depiction, empirical results uncover a robust link between AKP vote shares and GVA growth in the tertiary sector as well as employment expansion in the secondary sector (cf. Supplementary Appendix Tables A17 and A18).[31]

6. Conclusion

The article draws on the case of Turkey to argue that national party politics can have substantial effects on local and regional economic dynamics. While nation states have lost part of

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31 For reason of space, the tables only report the 2SLS results.

their powers and authority with processes of rescaling linked to globalisation and devolution, they yet frequently remain powerful actors in shaping sub-national economies (Agnew, 2013).

Empirically, the analysis shows how votes for the incumbent AK Party in national elections have a substantial effect on the economic performance of Turkey's provinces, measured as per-capita GVA and employment growth. 2SLS estimates featuring a shift-share instrumental variable strategy suggest that a hypothetical province where AKP votes are just below the national average experienced almost 3 percentage points (i.e. above one-third of a standard deviations) of faster annual per-capita GVA growth compared to a constituency where the vote share is lowest. Furthermore, the positive effect starts fading away above a threshold coinciding with the national average share of votes. Findings are in line with a distributive politics framework combining, in a proportional-representation electoral system, 'core' and 'battleground' targeting hypotheses. According to such framework, the government may favour their partisan supporters but, at the same time, try to particularly pick 'winners' among provinces where chances to win new support is highest, while overlooking 'hard' opposition strongholds as well as places where it has already secured a solid backing less prone to defections. Results also suggest that the effect of votes on provincial growth is strongest in election years, decreases mid-term, and then increases again in the year prior to the following ballots.

The results have implications for theory and policy. First, while in economic geography, there is a tradition of research interested in the politics of development (Markusen et al., 1991; Horan and Jonas, 1998; Pike et al., 2009), the discipline has so far largely overlooked the role of electoral politics in influencing regional economic dynamics. Even radical political economy approaches, which have focused on issues such as regulation and governance, have frequently reduced the workings of the state as if 'abstracted from serious consideration of the actual politics going on within it and totally innocent of the political processes that operate within the wider economy beyond the purview of the state per se' (Agnew, 2012, 571). To address this gap, the article has drawn on the research carried out by political scientists. The potential for cross-breeding these disciplines is significant. Many political institutions remain primarily territorial in scope and—although adopting different conceptual lenses—subfields of political science such as comparative political economy are frequently interested in very similar topics as those explored by institutionalist economic geographers (Agnew, 2012). Hence, if the objective is to fully understand local and regional economic growth and territorial inequality, economic geographers should engage more with the political economy of policy-making and its economic consequences.

Secondly, throughout the 2000s, Turkey was internationally seen as an economic and institutional 'success story' due to its records of fast growth—especially among poorer areas—and structural economic/institutional change. Yet, in recent years, critics have significantly challenged the extent of the reforms through which the country underwent, and questioned the lessons to be drawn from the country (Somer, 2016). The current analysis contributes to such assessment, by showing how the AK Party's economic growth model has indeed helped some of the poorer provinces catch up but, at the same time, has been marked by strong and significant partisan dynamics. Besides, questions can be raised about the economic sustainability of the AKP growth model, which has heavily relied on the construction sector boom and on cheap international borrowing, following a 'classic' recipe of macroeconomic populism (Kuran and Rodrik, 2018). More broadly, the findings may inform the literature on 'electoral authoritarian regimes', i.e. systems such as contemporary Russia, Hungary or Venezuela, where elections are still relatively free, but deeply unfair (Morse, 2012). While numerous gaps remain in understanding why such regimes arise, the current analysis suggest that the new AKP incumbents have exploited their

control of the state to strategically foster economic growth in provinces with key 'political clout' while, ceteris paribus, disregarding constituencies with less electoral appeal, plausibly with the aim of further cementing their electoral support.

The analysis also points to areas for further research. Future work should explore in more depth the 'micro-mechanisms' of policy-making through which politics shape developmental policy decisions. Such work could benefit from qualitative or mixed-method approaches, and build on the local-level research already carried out by earlier scholars (e.g. Özcan, 2006). Besides, future research should also explore whether short-term provincial economic growth will translate into patterns of long-term development or if, conversely, government-led economic dynamism will have no long-run effect.

Supplementary material

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