

Title

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Abstract

1 Introduction

The political power always have a strong impact on economy and political connection with the government matters for firms as well as political alignment with the government. The political power¹ could provide firms public procurement contracts, easier and cheaper financing options from public banks, policy privileges, exclusive access to subsidies, tax remissions, and many other advantages *cite here for these adv..* Being aligned with this political power has much more meaning for the firms in a world where political polarization and partisanship increases. *cite here for increasing polarization/partisanship*

Understanding the meaning of political alignment *daha broad bir sey dusun* with the government matters to predict real business effects of political events and political turnovers. *Buraya baska effect dusun* Literaturede political connectionların market valueya, inovasyona etkileri calisilmis. Ama political alignmentin investmenta etkisi calisilmamis ve clear degil. Kempf paperi foreign investmentta frictionlari azalttigini gostermis olsa da domestic investmentta etkisinin ne olacagi ambiguous.

To fill this gap in the literature with this paper, I investigate the effect of political alignment with the government on firms investment decision. I look at the firms' investment and the political affiliations around an exogenous political turnover. An election with a major political power change creates an opportunity to investigate this effect since it leads to changes in the firms political alignment with the government. This major change also affects firms investment decisions. Additionally, I try to understand if this effect is dependent on the firms position in the sector / among similar firms.

Bu paragraph: challengelari anlatmali. To identify the effect of politic yakinlik, there are several empirical challenges. To make an analysis, we need to observe firm level investment decisions, firms'

¹Or the government, going to be used interchangeably

political alignment with the government, and we need an exogenous change in the political alignment of firms. It is difficult to find these three, especially for a developing country where I expect to observe this effect more severe. It is difficult to find a data for political views. Firm level data is rare and even though it is available they do not go back as far as we wanted. In some countries political turnovers are rare.

To address these challenges, I focus on 2002 general elections in Turkey. It provides us an opportunity for a case study around the election with a major political power change.² To bring up a firm level data, I collect a novel dataset by scraping yearbooks of firms in Turkey's Stock Market (BIST) between 1998 and 2008. It provides a unique firm-level data that contains continuing and planned investment projects for each firm-year as well as firm's profile and board members. to bring up a firm-level investment data which is hard to collect otherwise. 3- Around the election to be able to make analysis where the political landscape changed dramatically. What this data include in terms of features of investments. How many firms, which years, around the election why it is important to be around the election. Why this election results are exogenous. Etc.

Bu paragraphta what are the results from the panel data analysis. Interpretation of these results. what are the results around the election and interpretation of these results.

My empirical strategy ensures no endogeneity or confounding factors through firm fixed effects in panel data, and around the election exogenous election. Nasil hangi olasi confoundingleri ve endogeneityleri kontrol etmis oluyoruz. Political affiliation hakkında neyi assume etmis oluyoruz, board memberinki static ama sirketlerinki dinamik gibi. In other words, I focus on how the behavior of the firms changes depending on whether their preferred party is in power as opposed to

Bu analizdeki onemli kritik noktalardan biri yaptigim political affiliation yontemi. Left/right wing businessman olmalarinin tespit etmenin dogrudan mumkun olmadigi ama bunu yakin olduklari BAler ile yapmanin mumkun oldugundan bahset. Bunun neye dayandigini ve bu BAlerin ne anlama geldiginden bahset. Public bir membership datasi olmadigindan ama sitelerde appear etmenin relation hk fikir verici olmasindan ve bunun da Google Search resultlari ile capture edilebilmesinden bahset. Cikan google search resultlarinin da birbirini exclude eden belki negatif correlationli oldugundan bahset. Bunun da onemli bir gosterge olmasindan aslinda aciklamada.

Still Board Memberlari colorlamis olsak da metrigimizin anlamliligini bilmedigimiz icin onu gormek adina once market returnler uzerinde test ettigimden bahset. Bu literaturdeki bir calisma ve pozitif market return etkisi bekliyoruz. Ben de time ve firm fixed effect kullandigimda government ile ortak goruse sahip olmanin significant (ve hatta baya buyuk bir) market returne sebep oldugunu goruyorum. Bu elimizdeki metrigi investment icin kullanmadan once guvenilirligini test etmek adina onemli bir

²See Appendix for the details of the election

bilgi sunuyor bize.

Our results suggest us that the board members political affiliation matters. So we wonder if the changes in board composition that increases the political alignment with the government could be explained somehow with the variables we have. After the election in 6 years, 15 of 200+ firms change their board composition such that leads to political alignment with the government according to measures I use. A significant factor of this change is new entrants in the sector previous year. Bunun interpretationinden bahset. Burada random forest etc.'den bahset eger yaparsan yoksa da duz yapistir sonuclarini.

En onemli paragraflardan biri bu. Tum bu sonuclari nasil bir hikaye ile birlestirebileceksin. Economic mechanism ne. After establishing the effects of political alignment what type of mechanisms could explain this. One thing is using political advantages to set barriers for others when at the top vs using to have more opportunity catch up the frontier and get the top position when not at the top. The other explanation could be realizing top firm losing political advantage will increase the competition in the sector and getting ready with prepararion if investment is interpreted as a tool in competition. For not top firms, they want to reach the top and set barriers later at that point. Bunlari investigate etmek icin yapilabilecek complementary projelerin hintleri verilebilir.

This study is the first to identify, bu paper gercekten neyde first neyi yokken yapio diye bi dusunup bak ve buraya onlari yaz.

The rest of this paper proceed as follows: Sectionlar yazilacak

2 Motivation and Related Literature

My study is motivated by nelerden motive oldu. Artan political polarization ve bunun sebep olabilecegi potantial ekonomik sonuclar denebilir. Corruption developing ulkelerde hep konusulan ve var olan bir phenomen ama dolayli olarak hukumete fikren/durus olarak yakinligin firmalarin kararlarina nasil yansiyabilecegi clear bir sey degil. My paper fills this gap and contributest to several strands of the literature

First, measuring political connection and political affiliation. Most of the literature focuses on the effect political connection and they try measure political connections of the firms. Kim burda ne olmus nasil olmus ne bulmus. I add to this literature by establishing political alignment measure with the government by utilizing google search results.

Moreover, my results contribute to studies that investigates the effects of political connection on investments

Moreover, my results contribute to studies that investigates the effects of political connection on

market returns

Moreover, my results contribute to studies that investigate the effects of political alignment with the government instead of direct connection Kempfs'

Finally, my findings Daha broad hangi literatürde karsiligi olabilir bu sonuclarin. Crony capitalism gibi ya da state-firm relations gibi. Corruption and growth gibi.

3 Data

The main dataset I used is constructed from yearbooks, google search results, and market returns. The data sources are described below and further details could be found in the appendix.

3.1 Yearbooks

Yearbooks nedir, form that firms in the stock market fill every year. They contain firms' profile as well as tangible metrics about their production / import-export / investments / shareholders etc. I collect the board members to use in identifying political affiliation. They are also ordered by their significance in the board. Sector to find competition and similar firms. Most importantly investments. In the investments section firms have a table of planned/continuing investments with their beginning-ending dates, expected costs, realized costs. This is a table is uniform across all firms even though they are in the different sectors. Extracting these investment information allow me to develop a firm level investment data over time. Fortunately, the yearbooks available are covering our interest period election in 2002. Burada bi BIST Data Store'a citation cak. Even though they are available they were not used before in a research since their format makes them hard to figure out and convert them into a usable data.

3.2 Google Search Results - Political Affiliation Measures

In Turkey, political polarization has its roots in the real business as well. There are two mainstream businessman associations, TUSIAD and MUSIAD they could be identified as left and right wing businessman associations in Turkey's political landscape ([Cokgezen, 2000](#)). Observing a person's relation with these BAs is a strong indicator about the person's political views.

On the other hand there is no data or information available for the BA memberships. To extract this relation, I utilize google search results of a board member with these BAs. Specifically, I search the board member's name with the official websites of these BAs and collect the number of results appear in the google search. A number of search results shows us how many times this board member's name appeared in the BA's website. It creates a tangible and objective metric of the strength of the

relation between the board member and the BA combined with the popularity of the board member.

I want to categorize board members as left (blue), right (red), or none (white). Using categorized board members allow me to identify a firm's political affiliation each year based on the board member list in the yearbook. Denote that even though my board member political affiliation is not changing over time, firm's political affiliation is dynamic due to changes in the board composition ³

3.3 Constructing Largest Firm Variables

Describe how I create Largest in sector and Largest among similar firms and number of competitors.

3.4 Treatment Variable

Defining political affiliation of the firms using board members first, then converting it to a treatment variable.

3.5 Summary Statistics

Table could be in the appendix. Briefly describe mean red / blue board members. Blue / red firms. Number of sectors, largest and largest among similar firms stats. Distribution of mean and sd of market returns over time maybe. Treatment Variable.

Talk about why I chose starting any investment project dummy variable instead of investment amount or number of projects. Then talk about its summary stats.

4 Empirical Strategy

One could argue that the political alignment with the central government is not randomly assigned and it could lead to endogeneity. To solve this issue, I apply firm fixed effect to capture firm specific characteristics and having an exogenous election results that changes the political power allow me to capture the effect of the political alignment with the government.

Burada Var seciminde faktor olan seyler varsa yaz. Neden diff aldigini yaz mesela diff varsa variablelarda.

4.1 Market Returns

Burada market return regressioni, neyin ne oldugu, neden calisacagi bi sikinti cikmayacagi olsun

³See the Appendix for details, belki buraya hicbir detay yazmamak da mantikli olabilir duruma gore. Coloring BMs ve Coloring Firms diye iki ayri appendix sectioni ile

4.2 Investments Over Time

Burada investments regressioni, neyin ne oldugu, neden calisacagi bi sikinti cikmayacagi olsun

Additionally, how adding interaction terms of Political Alignment \times Largest in Sector and Largest among sector could help us to capture an important question. Why they matter.

4.3 Investments After the Political Turnover

Burada after the election regressioni, neyin ne oldugu, neden calisacagi bi sikinti cikmayacagi olsun

Additionally, how adding interaction terms of Political Alignment \times Largest in Sector and Largest among sector could help us to capture an important question. Why they matter.

4.4 Changes in the Board Composition

Buraya son duruma gore random forest veya eski sonuc hk konus. Neyi neye regress ediyoruz ne anlatiyor bize.

5 Results

Burada results sectioninin strukturunu kisaca anlat, hangisi neye refer ediyor etc diye

Result tablelerini appendixe koy, burada kisaca ozetleyip interpret et.

5.1 Market Returns

5.2 Investments Over Time

5.3 Investments After the Political Turnover

5.4 Changes in the Board Composition

6 Mechanisms

So far, I documented the results of In this section, I investigate potential channels that

6.1 Channel1

6.2 Channel2

etc.

6.3 Alternative Channels

6.4

7 Conclusion

References

Cokgezen, M. (2000). New fragmentations and new cooperations in the turkish bourgeoisie. *Environment and Planning C: Government and Policy*, 18(5), 525-544. Retrieved from <https://doi.org/10.1068/c9850> doi: 10.1068/c9850

Appendix