

THE EFFECTS OF POLITICIANS ON BUDGET AND PUBLIC SPENDING

Mehmet Sena Ekici, page 95-107

ABSTRACT

When political economy is mentioned, the intervention of the state with the economy comes to mind as either discretionary or informal. The function of the state in the economy, the role it will play and how it can be more effective are the problems that remain. When the insufficiency of economics alone is determined in answering these problems, the need for political science emerges. In this case, the insufficiency of only one discipline in the solution of these problems evolves in the need to include the two sciences together. Because, while it is up to the economists to reveal the alternatives to the problems in the economic life, the politicians fall into the implementation of the alternatives and to bear the risks. There is a chain of responsibilities for them, including the accountability and the cost. The applicability of the decisions in the economy and the dominance of trust in social life cannot be achieved with the economy-policy pair. It is necessary to take into account the effects of events, socio-psychological, even religion and traditions. While the main field of economic science is the endless need for profit with scarce resources, it focuses on how the science of politics is directed towards legislative and executive execution to achieve the goals of the state. The effects of politicians on the regional, personal and sectoral distribution of resources in the country and the degree of realization of the concept of justice do not go unnoticed. Determining the type and amount of public revenues, determining the resources and services and allocating the appropriations according to the budgetary rules is another requirement. The political institution is also effective here. The expenditures (appropriation) to be allocated for the supply of goods and services are tried to be determined accordingly. The direct income transfer to the lower income group is what is expected from the state expenditures that we call transfer expenditures, which are distributed free of charge by the state. On the other hand, while making investments and current expenditures, it does not stay away from the influence of politicians. As an example of health expenditures, city hospitals were examined and some concrete information was revealed. From the results of a survey, it is possible to see the characteristics of the social state and the location of Turkey. Compared to the place of transfer expenditures in GDP between 2000 and 2016, Italy was 27%, while the US was 18% and Turkey was 13%.

Keywords: Economics, Political Economy, Public Expenditure, Health Expenditure, Transfer Spending



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Introduction

In addition to the political institution, which we can accept as the determination of the purpose and method of state activities, economics is also accepted as the branch of science that aims to meet the human needs that are infinite with a limited number of resources and examines the relationship of production distribution.

Depending on the economic, social and cultural conditions of the countries, the relationship between the economy and politics can be observed in different dimensions in each country, but the importance of this relation in terms of economic analysis is explained as the determination of the economic policy targets and the fact that the economy by using politics out of the ordinary course and causes different economic problems. Although the effects of politics on the economy are seen more during the election period, it is especially observed in developing countries that experience the election process frequently. If you need to observe from this frame, It would not be wrong to say that politics tends to steer the economy significantly in developing countries¹ such as Turkey. This study aims to investigate and explain the impact of politicians on budget and public spending.

Political Economy

Political economy, a new discipline in which economics and political science are effective in decision and practice, is based on theoretical and methodological basis. Political economy, in addition to international uses Turkey are also often used in academic and other fields.²

There are two main opinions about the place of the state in economic life. The first of these basic views is the liberal thought that started with Adam Smith and had an impact until the 1929 economic crisis. According to this view, free market economy is accepted as the most basic tool of economic success and growth and believes that the decisions in this system should be determined by the market without the

¹ Nuredin, A. (2016). A Jus Cogens Rules in the International Treaty Law. *International Scientific Journal Vision*, 1(1), 17-28.

² Davut Ateş, Gülizar Samur Gökmen, (2013). Bir Akademik Disiplin Olarak Uluslararası Politik Ekonominin Sınırları, *Afyon Kocatepe Üniversitesi Sosyal Bilimler Dergisi*, C.XV, S.1.

intervention of the state. The second known view was put forward by Keynes after the Second World War and carried its effect until the 1970 Stagflation crisis. According to this view put forward by Keynes, the private sector of the state after the Second World War came to the fore especially in underdeveloped and developing countries with its regulatory role. The stagflation crisis in 1970's brought liberal thought to the fore again.³

Politics-Economics Relationship

Sometimes, the theories we see universally lose their value over time and are replaced by other theories. In economics, it can be viewed from this perspective. It can be considered as an attempt to guide or explain new emerging situations.

When the importance of economics is taken into consideration in the problem solving feature in social life, it can be seen that it is not the only authority and responsible in this regard. So much so that with the science of politics, the politician; economics and economists complement each other in guiding society towards specific goals. Here, an inseparable form of economics and politics emerges. The use of political economy belongs to the last period. The name of the science of economics two centuries ago is "political economy"⁴

Political economics is obligatory in the relationship of the state with the economy. Because the intervention or avoidance of intervention in the state-economy relationship are covered. The state realizes these relationships through legal regulations. While trying to determine these relations, the state includes its functions not only with economic rules but also with political science. Political economics is a branch of science that not only examines the rules of economics-policy sciences in two ways but combines this in determining and regulating the economic functions of the state.⁵

Economics-politics relationship in developed and developing countries can be determined by the degree of affecting the stability of the

³Linda Weiss and J.M. Hobson, (1999), *Devletler ve Ekonomik Kalkınma*, Çev: Kivanç Dündar, Dost Kitabevi Yayınları, Ankara, p.5.

⁴ Vural Savaş, (1994), *Politik İktisat*, Beta Yayınları, İstanbul, 2. Baskı

⁵ Vural Savaş, a.g.e., p.2.

problems. Developed countries, which have gained an institutional judgment, are more stable in this regard. While making arrangements, it is not insensitive to rent-seeking activities in the society, and making arrangements escapes public attention. Thus, the economy-politics relationship does not escape the attention of the citizens and the economic problems turn into political problems. In addition to the situations in which the institutional structure is directly effective, it is made open to the suggestions and criticisms of the business community and professional organizations with the policy suggestion. Implementation results also affect citizens positively or negatively.

The reflection of implementation results to the politician appears in the elections. The politician is a decision maker within the policy recommendations. No matter which policy the politician made his choice, he agreed to bear the cost of it. However, here, due to the importance of the economy, the risk of leaving decisions and alternatives to the decision of the politician-economist requires consideration.

Because, considering the cost and benefit dimensions of an economic rule as a political choice, it is true that it is affected by other variables considering the cost and benefit dimensions of an economic rule as a political choice.

The state cannot limit its decision to reduce and increase income and expenses and to eliminate an economic problem only with the political and economic dimensions in question. How the participation or reactions of individuals with these decisions will develop can be predicted with the help of other disciplines.

It turns out that even the economic policy relationship will not be sufficient alone without the help of other disciplines. In democracies aiming at individual freedoms, political economy has become the art as well as being a positive-normative branch of science.⁶

Effective Distribution of Income

Tax system, free or supported goods and services provided by the state and transfer expenditures can be listed as ways to achieve effective redistribution of income in developed and Developing Societies. These

⁶ Vural Savaş, a.g.e., p.9.

expenditures, which we call transfer expenditures, are essentially the equivalent of services for the purpose of justice in income distribution and can be explained as having a direct effect on income distribution.⁷

Any change in the state's sphere of influence will directly affect the people and the economy within the country. If it is necessary to evaluate from another point of view, the change in the area of influence of the market also affects the distribution and allocation of the power of the state. The relationship that exists between states and markets may differ between societies, as well as may differ in the same society over time. This explains why the relationship between states and Markets is dynamic, not static. It is possible to summarize this situation, which we can explain as a bilateral relationship, as both states affect markets and markets affect states. Therefore, this situation also appears in policy designs.

To summarize from a broad framework, states distribute and allocate existing power. Therefore, the choice of who will use the power and where to use it is done by the state, and the state decides on the distribution and allocation of the power. This reveals that politicians' effects on budget and public spending should be investigated.

Today, the changes seen in the direction of human life and the development of the society cause significant changes in the structure of the services provided by the state and the expenses made accordingly. These changes, in a sense, increase public expenditures in both quantity and proportion, on the other hand, lead to the emergence of new needs and expenses. Transfer expenditures that we can examine from this framework, in the liberal system, which existed until the first half of the twentieth century, the state undertakes the production of only certain goods and services, while the production of a large part of social needs is carried out by the private sector.⁸

⁷ Richard A. Musgrave ve Peggy B. Musgrave, (1989), Public Finance In Theory and Practice, McGraw-Hill Book Company, Singapore, p.24

⁸ Nihat Edizdođan, Özhan Çetinkaya, Erhan Gümüş, (2012), Kamu Maliyesi, 4.Baskı, Ekin Basım Yayın Dağıtım, Bursa..

What is Transfer Spending?

The concept of transfer expenditure has been accepted by Pigou (1947) as the type of expenditure to regain state reliability.⁹ R. Musgrave (1987), on the other hand, explained the transfer expenditures not as the goods and services being produced, but as the payments used in the purchase of existing economic values.¹⁰

While classifying public expenditures, it is done by considering several criteria. One of these classifications is the economic classification. Transfer expenditures in the economic classification are one of the three classification elements. This group includes elderly, widowed salaries, unemployment benefits and pensions. The characteristic of transfer expenditures is that the government does not pursue any response when making for social, economic and social purposes. The resources of the public sector are re-distributed among the individuals through transfer expenditures.

The state pays unrequitedly to some segments of society rather than directly consuming its goods and services. In this action, it is accepted as a requirement of being a social state. In scope, social, economic and financial transfer expenditures consist of debt interest payments.

Within the scope of social transfers, there are student scholarships, aids to the elderly and the poor. These social transfers are important for ensuring justice in income distribution. In addition to social transfers, it is given to individuals and companies that meet certain criteria in order to ensure the development of backward regions in the economic field and to increase investment and export. Thanks to these expenditures, they cause increases in total supply in the areas of incentives. In addition, social supports and subsidies can be evaluated in this category.¹¹

Another factor accepted in transfer expenditures is the interest paid on domestic and foreign debts. Considering the structural situation of state

⁹ A.C. Pigou, (1947), *A study in Public Finance*, Third Edition, Macmillan and Co. Ltd., p.19.

¹⁰ Richards A. Musgrave, (1987), *Kamu Maliyesi Teorisi 1*, Çev. Orhan Şener, Fatih Yayınevi Maatbaası, İstanbul, p.269.

¹¹ Nazım Öztürk, (2020), *Kamu Maliyesi*, Ekin Yayınları, 5.Baskı, Bursa, p.131.

lenders, high income can be mentioned as an income transfer from other segments. In addition, with interest payments, there is an income transfer from domestic to foreign private sector to public sector.

In addition to the effect of transfer expenditures, it is possible to say the following. Transfer expenditures have no role as they are not flexible in terms of short-term policies. In the long term, it is accepted as a means of improving income distribution. Because tax revenues are taken from high incomes and transferred to the poor and the elderly. With this feature, especially through " redistribution of income ", there is an improvement or regulation in income distribution in the economy. Unemployment benefits automatically increase demand during periods of unemployment, and ensure that the demand remains alive and stagnation is prevented. When unemployment decreases and the economy comes to life, the transfers decrease automatically, thus preventing excessive demand.¹²

Transfer expenditures do not create additional demand for goods and services in a certain period, their effects vary depending on the quality of the transfer. Social transfers are aimed at raising people's standard of living, reflecting disposable income on the purchase of goods and services. It is a demand related to consumption. Transfers are in the form of subsidies, as well as production and investment incentives. While it does not generate demand as it exits from the budget, it creates demand for goods and services according to the tendency of the companies and individuals who receive the transfer.¹³

Transfer spending and purchasing power shift between social strata. Direct payments made in social strata without provision have an indirect effect on production and consumption.

It is possible to summarize the concept of transfer expenditures as the expenditures that the state distributes to the people, without using any production factor. These transfers are sometimes made to individuals, sometimes to companies.¹⁴ These transfer expenditures directly affect the country's economy. When transfer expenditures are

¹² Vural Savaş, a.g.e, p.60.

¹³ Abuzer Pınar, (2010), Maliye Politikası Teori ve Uygulama, Naturel Yayınları. 3. Baskı p.38

¹⁴ T.C. Başbakanlık Hazine Müsteşarlığı, (1997), Ekonomik Kavramlar ve Göstergeler Kamu Maliyesi, Ankara, Ağustos, p5, p.69

analyzed, it is seen that the effects of politicians on budget and public expenditures are quite high.

Public Spending and the Role of Government Relations in Budget

Public spending by the state mainly refers to the common spending of the society. Financing of the services provided by the state is also realized by collecting some income from the society, especially taxes. This explains that the public budget, which is the legitimate instrument of the state's authority to make joint expenditures and collect joint revenues, is in fact the share of all citizens living in that country. The main basis of this idea is that the expenses made to cover the expenses of the citizens living in that country are made from the public budget. This means that the public budget, as well as the individual's personal budgets, is actually the common budget of the society. Public budget, with the effects of differences in state understandings and also politicians, it is a concept that is perceived differently by the social layers under and therefore needs to be discussed and emphasized.¹⁵

An Example: Health Expenditures

Health services in Turkey constitute an important part of welfare measures and it also constitutes an important proportion of social policy expenditures. Health services are provided either by public and private insurances or national health services. In the first case that can be accepted, working, day, premium conditions can be put in order to be insured; the second case aims to provide a universal health service and health services are provided free of charge. The Bismarker system, also known as the insurance system, largely covers the financing of health services with insurance funds; In the national health system, also known as the AngloSaxon system, financing is provided through national taxes.¹⁶

Parliament is considered a policy-making body at the national level. The main body responsible for the distribution of health services

¹⁵ Mehmet Selim Bağlı, (2012). Teorik ve tarihsel açıdan bütçe hakkı. *Yasama Dergisi*, 20, 39-77: 46-52

¹⁶ Süleyman Özdemir, (2006). Başlangıcından Günümüze Refah Devletlerinde Sosyal Harcamaların Analizi. *Sosyal Siyaset Konferansları* (Prof. Dr. Nevzat YALÇINTAŞ'a Armağan Özel Sayısı). 50, 153-204.: 108, 109)

should be considered as the Ministry of Health. For example, while there were many institutions and a complex structure before 2005, but with the reforms made after 2005, their duties were transferred to the Ministry of Health. The institutions as SSK, Bağ-kur and Emekli Sandığı are gathered under the frame of SGK and currently only hospitals belonging to universities and the Ministry of National Defense are still in service except the Ministry of Health. In addition, there are private hospitals and hospitals owned by non-profit organizations.¹⁷ The financing of health services in the current situation in Turkey has four basic sources: premiums paid by employees and employers, taxes (premiums for those who cannot pay their premiums, education expenses, Protective Services and GSS contribution etc.), direct out-of-pocket payments (contributions), and pay private health insurance.¹⁸

An Example: City Hospitals

Because of the increase in health expenditures in Turkey and the current burden of health expenditures in the budget, cooperation with the private sector in the field of health services, such as highway, bridge, tunnel, airport construction, comes to the agenda. Within the scope of health transformation, financing models in health services have been developed and in this context, with the addition of an Additional Article to the Law No. 3359 in 2005, various models have been applied with the regulation regarding the possibility of leasing private law persons for the provision of health services.¹⁹

Ministry of Health has signed a contract for 21 city hospitals as of 19.07.2019 and in other words, PPP, also used as “Public and Private Partnerships” model for 21 city hospitals implementation has actually started (sygm.saglik.gov.tr). The health risk is shared between the state and the private sector by encouraging the private sector investor to invest in the health sector with the establishment of health facilities integrated

¹⁷ Fahreddin Tatar, Mehtap Tatar, İsmet Şahin (1997), Hastane Hizmet İhaleleri: Teori Ve Türkiye’deki Uygulamaları. *Amme İdaresi Dergisi* 30(3):77-96.

¹⁸ A. Erdal Sargutan, (2010). 84 Ülke ve Türkiye'nin Karşılaştırmalı Sağlık Sistemleri. Sayı 3030).

¹⁹ T.C. Resmi Gazete, Tarih: 22.07.2006, Sayı: 26236.

with PPP model application in health services, that is, the establishment of city hospitals.²⁰

Conclusion

If we look at the broad framework of a city hospital in Turkey, airports, Kanal Istanbul Project, budget expenditures, foreign aid, earthquake tax, unemployment fund usage, management of the masses, saving power in privatizations, how much public budgets have been collected in the last 20 years and how they have been spent are just a few of the topics that need to be investigated. Considering the relationship of budget and transfer expenditures with government policies, the types of taxes collected from the public, loss leakage in electricity bills, TRT deduction, Tubitak, KOSGEB, Development Agencies, Use of incentives and funds provided by the ministries, budgets allocated to universities require this research. Such that, military expenditures, education expenditures and state transit commitment and bridges that are seen during the planned periods are also expected to be investigated and explained.

Research shows that transfer expenditures such as unemployment benefits and pensions for fair income distribution are higher in developed countries compared to other countries. Developed countries keep their social aid to retirees, elderly people, needy citizens and unemployed high, which is important in terms of showing the level of development. This leads to an increase in the proportion of transfer expenditures in the total public expenditures in developed countries. While transfer expenditures are used as a means of providing justice and improving quality of life in developed countries, this situation in developing countries can also turn into a situation against the country due to lack of supervision. In this case it explains that there is a disproportionate improvement on the budget and spending.

When the economic data of our country is evaluated, one of the most important problems in the country is the employment problem. New job opportunities cannot be created. The main reason for this is that production is extremely limited and production planning and investments / expenditures are not made. When the history of the Republic of Turkey's

²⁰ E. Acartürk ve S. Keskin (2012), Türkiye’de Sağlık Sektöründe Kamu Özel Ortaklığı Modeli. Süleyman Demirel Üniversitesi İktisadi ve İdari Bilimler Dergisi, 17(3); 25-51.

largest investment is examined, the construction of Istanbul Airport, which is stated to be built with a figure of approximately 40 billion euro, is the result of the government's political preference, ideology and a state / human model that it wants to create. In other words, it is a political economic decision whose results are political. Passenger guaranteed highways, airports, hospitals, etc. investments are ideological reflections of the model the government wants to create. Where and how public budgets are spent are among the most basic parameters that reveal the identity of the government. In addition, minimum wage policies and a minimum wage model applied throughout Turkey and taxes within the framework of which ideological attitudes and perspectives are determined and collected issues are among the main agenda items in the field of political economy and are important in our country.

On the other hand, when the social developments realized as a result of economic data are examined, it is expected that the importance of human development will be given and qualified developments will be achieved in order to overcome this threshold in our country. This reveals the fact that social developments are accelerated.

Social developments begin primarily with the provision of material resources. Afterwards, these opportunities / opportunities should be filled. When we evaluate from this point of view, it is necessary to conduct quality oriented studies rather than quantity.

When we start from the idea that economics and politics affect each other in every field today, it is worth reminding that the political reasons for solving a problem related to economics and the economic reasons for solving problems related to politics should be investigated. The impact of politicians on budget spending needs to be examined and the economy needs to be resolved in the context of these relationships. In the context of this relationality, to reveal the relationship between economy and politics and solve problems related to both issues will be of great importance when examining budget and public expenditures.

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