

POLITICALLY CONNECTED FIRMS AND CONNECTED INDIVIDUALS IN
TURKEY

by

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**POLITICALLY CONNECTED FIRMS AND CONNECTED INDIVIDUALS IN
TURKEY**

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ABSTRACT

POLITICALLY CONNECTED FIRMS AND CONNECTED INDIVIDUALS IN TURKEY

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This research provides a descriptive analysis of politically connected firms and connected individuals in Turkey from 1998 to 2015. The data of parliamentarians between the 18th and 24th legislative periods of the Grand National Assembly of Turkey and the data of boards of directors collected from the Istanbul Stock Market and Public Disclosure Platform are utilized for identifying businessman politicians, politician businessmen and politically connected firms in Turkey.

Relying on Faccio's method of direct connections, the study defines a firm as politically connected if at least one of the members of the board of directors is a parliamentarian; or at least one of the members of the board of the directors was a parliamentarian; or a former member of the board of the directors enters into the parliament. In this study, among 694 firms traded in the Stock Market İstanbul politically connected firms according to years, sectors and parties are stated. Then, politically connected individuals are displayed for understanding which parties have more businessmen individuals, which parliamentary committee these individuals are and if there are ministers among them. The thesis at the end, aims to reveal the change and continuity in the relationship between business and politics in Turkey across different political parties from the 1980s on.

ÖZET

TÜRKİYE’DE SİYASİ BAĞLANTILI FİRMALAR VE BAĞLANTILI KİŞİLER

Ezgi Şiir Kıbrıs

Bu çalışma Türkiye’de 1998 ve 2015 yılları arasındaki siyasi bağlantılı firmaların ve bağlantılı kişilerin betimsel bir analizini sunmaktadır. Politikacı iş adamları, iş adamı politikacılar ve siyasi bağlantılı şirketlerin tanımlanması için 18. ve 24. dönemler arasındaki milletvekillerine ait veriler Türkiye Büyük Millet Meclisi’nden, firmaların yönetim kurulları ile ilgili veriler ise Borsa İstanbul ve Kamu Aydınlatma Platformu’ndan elde edilmiştir.

Çalışmada, “siyasi bağlantılı firma” Faccio’nun doğrudan bağlantılar yöntemine dayanılarak tanımlanmıştır. Buna göre eğer bir şirketin halihazırdaki yönetim kurulu üyelerinden en az biri milletvekili ise ya da daha önce milletvekilliği yaptıysa veya bir şirketin eski yönetim kurulu üyelerinden en az biri daha sonra parlamentoya girmiş ise o şirket siyasi bağlantılıdır. Bu bağlantıları bulmak için Borsa İstanbul’da 1998 ve 2015 yılları arasında işlem gören 694 adet farklı firma incelenmiş; siyasi bağlantılı firmalar yıllara, sektörlere ve partilere göre gösterilmiştir. Ardından, bağlantılı kişilerin hangi partilerde oldukları, mecliste hangi komisyonlarda yer aldıkları ve hükümette görev alıp almadıkları belirtilmiştir. Tez, sonuç olarak 1980 sonrası dönemde siyaset ve iş dünyası ilişkilerinin siyasal partilerle bağlantılı olarak değişimini ve sürekliliğini göstermeyi amaçlamaktadır.

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INTRODUCTION:

Although the literature regarding politically connected firms is new, the issue of politically connected firms is not. For instance, almost one out seven firms in the Berlin Stock Exchange was politically connected with the Nazi Party in 1933.¹ A second example is about Turkish business entrepreneurs. Buğra argues that many members of the İttihat ve Terakki Fırkası were the first entrepreneurs in the Ottoman Era. The members sat on the boards of directors of the banks and joint-stock companies at that time.² Another example is from Mexico and Brazil during the period between 1890 and 1915. Through a network analysis of joint stock companies and government politicians in Brazil and Mexico, Musacchio and Read declare that there were links between politicians and firms.³

Connections between politics and business can be established through direct or indirect relations between politicians and businessmen. Direct relations between state and business can be observed when politicians enter into business or businessmen become politicians. This phenomenon is known as the “revolving door.” Revolving door cases occur when an individual who has worked in private sector enters into the public sector. Also (reverse) “revolving door” cases occur when politicians enter into business.⁴

These revolving door cases affect both business and politics. In the case of business, firms secure private gains through their political ties. They can access preferential lending, credits, lighter taxation, privileged treatment in government related contracts and less severe regulatory oversight.⁵ Therefore, political connections through businessmen in politics or politicians in business allow firms to access more value. However, being a politically connected firm can be also disadvantageous. Firms with political ties sometimes lose their value in the stock market, undergo heavier inspection by the government, may perform poorer, and become technologically underdeveloped.

¹Thomas Ferguson and Voth, “Betting on Hitler: The Value of Political Connections in Nazi Germany,” *The Quarterly Journal of Economics*, Febr. 2008, p. 101.

²Ayşe Buğra and Osman Savaşkan, *Türkiye’de Yeni Kapitalizm: Siyaset, Din ve İş Dünyası*, (İstanbul: İletişim Yayınları, p. 155); Ayşe Buğra, *Devlet ve İş Adamları*, (İstanbul: İletişim Yayınları, 2015), p. 71.

³Aldo Musacchio and Ian Read, “Bankers, Industrialists and their Cliques: Elite Networks in Mexico and Brazil during Early Industrialization,” working paper, (2006), p. 1,13, <http://www.hbs.edu/faculty/Publication%20Files/06-048.pdf>.

⁴Silvia Guerra Perez, Carolina Bona Sanchez, Domingo Javier Santana Martin, “Politically Connected Firms in Spain,” *Business Research Quarterly*, (2014), p. 5; Rodrigo Bandeira-de-Mello and Rosilene Marcon, (2011), p. 3, http://www.anpad.org.br/diversos/trabalhos/3Es/3es_2011/2011_3ES324.pdf; Transparency International Georgia, “Businessmen in Politics and Politicians in Business: Problem of Revolving Door in Georgia,” (2013), <http://www.transparency.ge/en/node/3659>.

⁵Bandeira-de-Mello and Marcon, p. 1-2; Guerra Perez et al., p. 4; Mara Faccio, “Politically Connected Firms,” *The American Economic Review*, Vol. 96, No. 1, (Mar. 2006), p. 367 .

Political connections may also distort the market and the firms may become less efficient.⁶ Thus, connected firms can be affected by the politics negatively.

Moreover, businessmen candidates can manipulate politics according to their interests. Businessmen in power may influence legislation, gather privileged information and influence government expenditure in a favorable way to their firms. Apart from this, businessmen influence politics through lobbying, or through donations to election campaigns, which may lead to particularistic relations between the state and the government. Therefore, connections between state and business may lead to corruption and favoritism. In addition, political ties of the firms may even cause low media freedom through the connected politicians' effect on the media companies.⁷

Businessmen politicians and politician businessmen can be investigated through the literature of politically connected firms. One of the most relevant studies about politically connected firms was completed by Faccio. She looks at both the direct and indirect ties of companies. In her work, she investigates 47 countries, including Turkey, to show that the issue of politically connected firms is a world-wide phenomenon. Then, she compares the performance of connected and non-connected firms, arguing that firms gain value through the connections.⁸ Faccio's work, as a part of finance and management literature, uses the same method usually adopted in available literature: identifying connections and then comparing performances of connected and non-connected firms.

This thesis, however, is an attempt to provide a descriptive analysis of the reciprocal relationship between business and politics by relying on the data of parliament between the 18th and 24th legislative periods of the Grand National Assembly of Turkey and the data of boards of directors collected from Istanbul Stock Market and Public Disclosure Platform regarding the period between 1998 and 2015. The research identifies businessmen politicians, politician businessmen and politically connected firms in Turkey through "the direct political connections method" of Faccio by

⁶ Ishac Diwan, Philip Keefer and Marc Schiffbauer, "The Effect of Cronyism on Private Sector Growth in Egypt," (Dec. 2013), working paper, p. 1; Guerra Perez et al., p. 4; Gül Berna Özcan and Umut Gündüz, "Political Connectedness and Business Performance: Evidence from Turkish Industry Rankings," *Business and Politics*, Vol. 17, Issue: 1, (April 2015), p. 1.

⁷ Bandeira-de-Mello and Marcon, p. 4-5,9; Scott Gehlbach, Konstantin Sonin and Ekaterina Zhuravskaya, "Businessman Candidates," *American Journal of Political Science*, Vol. 54, No. 3, (July 2010), p.718-720; Diwan *et al.*, p. 1-2,4.

⁸ Faccio, "Differences between Politically Connected and Nonconnected Firms: A Cross-Country Analysis," *Financial Management*, (Autumn 2010), p. 907; Faccio, 2006, p. 377.

matching the members of boards of directors with data of parliament. Then, it looks at whether there are politically connected firms in Turkey. Next, politically connected firms according to years, sectors and parties are stated. After that, the research looks at the politically connected individuals more closely. Which political parties have more businessmen individuals and which firms connected to which parties is explored. Questions like whether or not businessmen continue their career as a politician once they left their firms, politicians pursue a career in private companies after their term in the office ends, which years that both types of individuals spent in the parliament and, whether or not they are in the government or parliamentary committees are answered.

Thus, the thesis is divided into three parts. The first chapter looks at available literature throughout the world about politically connected firms. By using the collected data, the second chapter identifies politically connected firms, businessmen in politics and politicians in business. Then, it analyzes these findings of revolving door cases. To identify politically connected firms and revolving door cases the direct connections between the firms and the politicians are used. The third chapter concludes and provides ideas for the further studies.

CHAPTER I: THE LITERATURE ON POLITICALLY CONNECTED FIRMS:

1.1. Different Definitions of Politically Connected Firms:

There is a recently growing body of literature about politically connected firms. The first and foremost issue the literature has been discussing is how to define a politically connected firm. Mara Faccio, in her enlightening study in which she found out 541 politically connected firms out of 20,202 publicly traded companies in 47 countries from 1997-2001,⁹ explains political connections in two veins. Firstly, according to her, a firm is defined as politically connected if one of the top officers such as CEO, president, vice president, chairman or secretary sits in the national parliament or at least one large shareholder controlling at least 10 per cent of voting shares is a member of the parliament, a minister or is closely related to a top politician or party.¹⁰ Here, Faccio's definition concentrates on the direct relations between politicians and businessmen. Secondly, she takes indirect relationships such as friends and family into account. For discovering connections, she includes close relatives (sibling, parent, child and spouse) of ministers and heads of states. However she does not consider connections of family members of parliamentarians with business connections due to data limitations¹¹. Faccio, here, does not put these data limitations explicitly.

The close relationships between politicians and businessmen, according to Faccio, occur when companies whose top executives or large shareholders have been described as friends with the head of state, ministers or parliamentarians in the press; when there are connections with officials who had served as heads of state or prime ministers in the past; when companies whose former top executives or large shareholders entered politics; when a large shareholder or top executive has connections with foreign politicians; or when a large shareholder or a top executive is known to be associated with a political party.¹² For Faccio, one-time contributions to political campaigns or direct payments to politicians should not be considered as close relationships since they do not constitute what she calls as "more durable ties".¹³ However Goldman et al. use businessmen's donations to political campaigns as the

⁹ Although Faccio does not explicitly state the beginning year, one may assume that it is 1997, since she uses financial information of 1997 and data of politicians between 1997-2001.

¹⁰ Faccio, 2006, p. 369.

¹¹ Faccio, 2006, p. 370; Faccio 2010, p. 907.

¹² Faccio, 2006, p. 371; Faccio, 2010, p. 907.

¹³ Faccio, 2006, 369.

most powerful criterion to explore politically connected firms.¹⁴ In addition, Blau *et al.* define political connections according to lobbying expenditures.¹⁵

Moreover, the political structures of different political countries play a large role in defining what a politically connected firm is. A politically connected firm in the United States, according to Goldman *et al.*, can be defined as existing if at least one of the members of the board of the directors at any time in the past “held a position such as Senator, Member of the House of Representatives, Member of the Administration, or has been a Director of an organization such as the Central Intelligence Agency.”¹⁶ Here Goldman *et al.*’s emphasis of CIA is interesting since it reveals the importance and power of this bureaucratic institution. Bertrand *et al.* make a historical-sociological analysis and argue that a French firm is politically connected if the CEO of the company graduated from an elite school and had served as a civil servant. According to the authors, shared education and government experience backgrounds are the sources of business connections shared education and experience background source of connections.¹⁷ In the case of China, Fan *et al.* and Wu *et al.* include CEOs served in military as high ranking officers in addition to CEOs served in a local or central government.¹⁸

1.2. Data Collection in Available Literature:

Identifying connections seems to require laborious work on a variety of different sources. In order to obtain names of board of directors and shareholders, Worldscope, Extel, LexisNexis¹⁹ Thomson²⁰, Reuters²¹ and Orbis²² databases; Fortune Global 500,²³

¹⁴ Goldman Eitan, Jörg Rocholl, and Jongill So, (2006), "Does political connectedness affect firm value?", University of North Carolina at Chapel Working Paper, p.5-6,
<http://apps.olin.wustl.edu/faculty/conferences/corpgov2006/pdf/corpgov06-092.pdf>.

¹⁵ Benjamin M. Blau, Tyler J. Brough, Diana W. Thomas, “Corporate Lobbying, Political Connections and the Bailout of Banks,” *Journal of Banking and Finance*, Vol. 47, (2013), p. 3009.

¹⁶ Goldman *et al.*, 2006, p.8.

¹⁷ Marianne Bertrand, Francis Kramarz, Antoinette Schoar and David Thesmar, “Politically Connected CEOs Corporate Outcomes: Evidence from France,” (October 2014), working paper, p. 1-2.

¹⁸ Fan, Joseph P. H., Wonga T. J. and Zhang Tianyu, "Politically connected CEOs, corporate governance, and Post-IPO performance of China's newly partially privatized firms" , *Journal of Financial Economics* Volume 84, Issue 2, May 2007, Pages 330–357; Wu, W. , Wu, C., and Rui, O.M. (2010), Ownership and Value of Political Connections: Evidence from China, *European Financial Management*, 18, 695-729.

¹⁹ Faccio, 2010, p. 907.

²⁰ Augustin de Coulon, Evagelos Pafilis, and İbrahim Yılmaz, “Politically Connected Banks and Employment: Evidence from Turkey,” (2014), working paper, p. 15,
http://www.econ.cam.ac.uk/eps2014/openconf/modules/request.php?module=oc_program&action=view.php&id=152.

²¹ Mara Faccio, Ronald W. Masulis and John J. McConnell, Political Connections and Corporate Bailouts, *The Journal of Finance*, Vol. 51, No.6, December 2006, p. 2624.

²² Diwan *et al.*, 2013, p. 11.

Capital 500 and Forbes 500²⁴ lists; and company websites are mostly utilized by researchers. Apart from these indicators, websites of the stock market and supervisory authorities are used for individual countries.²⁵ The Chiefs of the State directory²⁶ and official websites of each country's government and parliament are the sources from which names of politicians are collected by the available literature.²⁷ Moreover, business magazines and newspapers present abundant data to verify connections especially family and friendship ties. The authors use Forbes, The Economist and Fortune for well-known cases of friendships in global context. Another method in the literature is simply doing Google search about politicians and directors of firms.²⁸

1.3. The Effects of Political Connections on Firms and on Politics:

In general, the literature concerning politically connected firms analyzes two things. The first is the effects of political connections on the firms and the second is the effects of politically connected firms on politics. The majority of research focuses on how companies are affected by political connections. The other part of the issue about the effects of the connections on politics has not been extensively covered in current literature.

1.3.1. The Effects of Political Connections on Firms:

Although the issue of politically connected firms is related to both the politics and economics disciplines, the literature is dominated by finance and management studies. Generally, the analysis of the effects of political connections on firms has concentrated on comparing the performances of connected and non-connected firms. Another question is whether the firms gain positive and negative value from their political ties. The net effect of political connections on firms is ambiguous. Political connections present both opportunities and risks for firms.

1.3.1.1. The Positive Effects of Political Connections on Firms:

It is argued that political connections may have a positive effect on a firm's value including access to privileged lending, subsidies and preferential treatment

²³ Faccio, 2006, p. ; Özcan and Gündüz, p. 14.

²⁴ Özcan and Gündüz, p. 14.

²⁵ Faccio *et.al.*, 2006, p. 2630-2631.

²⁶ Faccio, 2010, p. 906; See <https://www.cia.gov/library/publications/world-leaders-1/>.

²⁷ Faccio *et.al.*, 2006, p. 2630-2631.

²⁸ Faccio, 2006, p. 371; Özcan and Gündüz, p. 8.

through increased access to bank financing. Dinç finds that lending from the government owned banks in emerging markets is greater than the lending from private banks in election years.²⁹ Faccio argues that as a particular form of government support, politically connected firms are significantly more likely to be bailed out³⁰ than their non-connected peers.³¹ In a study of politically connected firms in Brazil, the authors show that being politically connected adds value to firms. They find evidence from Brazilian firms showing that connected firms are able to access preferential lending. Also, if the firms are affiliated with business groups they can even reach more value.³² Sapienza argues that in Italy, the incumbent party affects the lending behavior of state-owned banks. Since they can borrow more, politically connected firms are able to make more profit.³³

Additionally, politically connected firms may have privileges that possibly increase their market power³⁴ and profitability in trade protection, access to land, more government contract awards, relaxed enforcement of rules and regulations, lower taxes, fewer tax inspections, and easier licensing procurement.³⁵ Besides, there usually happens no entrance by non-connected firms to the market and politically connected firms become more concentrated according to Diwan *et al.*'s study about Egypt.³⁶ Faccio argues that there is a causal link between political connections and a firm's value. Political connections can provide firms with value through means such as preferential access to credits and government aid for financially troubled firms. Thus, as Faccio and Boubakri *et al.* state, the net effect of being politically connected exceeds the costs.³⁷ Diwan *et al.* adds that politically connected firms under the Mubarek regime had other advantages compared to non-connected counterparts. There were fewer tax inspections, more lenient regulatory procedures and it was easier to obtain licenses for the connected firms. In China, politically connected firms receive preferential favor from the government through subsidies. Politically connected firms obtain greater subsidies than average. In addition, Qin argues that political connections could be a result of reputation

²⁹ Dinç, I. Serdar, (2005), "Politicians and banks: political influences on government-owned banks in emerging markets", *Journal of Financial Economics*, 77, p. 453.

³⁰ Bail-out is a transfer payment from the government to avoid failure of the firm. (See Faccio et al., 2006)

³¹ Faccio *et al.*, 2006, p. 2597, 2627

³² Bandeira-de-Mello and Marcon, p. 1-3

³³ Sapienza, Paola, (2004) "The effects of Government Ownership on Bank Lending, *Journal of Financial Economics*, 72(2), p. 357-384.

³⁴ Faccio, 2010, p. 906

³⁵ Diwan *et al.*, p. 1.

³⁶ Diwan *et al.*, p. 30.

³⁷ Faccio, 2010, p.906, Boubakri *et. al.*, 2012, p. 541-559.

build up both for the firms and individuals.³⁸ Also, former politicians sitting on the boards of firms have superior knowledge about executive processes and superior access to reach key political figures.³⁹ In this context, Buğra thinks that the boards of directors of firms include politicians to build up networks with the government and create an image of the firm before the public. The general belief among businessmen is that having good relations with the bureaucracy is beneficial for their firms. Having political connections can be advantageous for firms in Turkey where there are many political and economic inconsistencies. Buğra also argues that Turkey's leading business families such as Sabancı family gave importance to building networks with bureaucracy, politicians and military personnel.⁴⁰

Furthermore, politically connected firms can obtain higher returns on the stock market, lower costs of equity capital and higher profit than non-connected counterparts.⁴¹ Goldman *et al.* demonstrate that politically connected firms to the winning party in the United States, make positive abnormal stock return.⁴² Moreover, Ferguson and Voth show that parties connected with the Nazi party in 1933, had higher returns in Berlin Stock market.⁴³ In another study about Turkey, Özcan and Gündüz look at connected firms on the ISO⁴⁴ top 1000 firms list. According to this study, the firms with political connections have shown abnormal performance over non-connected firms in sales, value added and profit rate. Although they cannot perform as well as top the 100 firms, the fastest growing 50 firms in the list have 26 politically connected firms, and connected firms are less likely to drop rank in the list.⁴⁵ In the case of Malaysia, there are lower costs of equity capital in connected firms as Boubakri *et al.* research shows.⁴⁶ Over the period of 2003-2012, political connections in non-financial firms positively influence the valuation of the firms in the Spanish Stock Exchange over the period of 2003- 2012 according to Perez *et al.*⁴⁷

³⁸ Qin Bei, Political Connection and Government Patronage: "Evidence from Chinese Manufacturing Firms", 2011, http://www.econ.yale.edu/conference/neudc11/papers/paper_201.pdf

³⁹ Guerra Perez *et al.*, p. 1.

⁴⁰ Buğra, p.127.

⁴¹ Faccio, 2010, p. 906

⁴² Goldman *et al.*, 2006, p.1

⁴³ Ferguson and Voth, p.101

⁴⁴ ISO: Istanbul Sanayi Odası: Istanbul Chamber of Industry

⁴⁵ Özcan and Gündüz, p.24-25

⁴⁶ Boubakri *et al.*, 2012, p. 541-559.

⁴⁷ Guerra Perez *et al.*, p. 1

1.3.1.2. The Negative Effects of Political Connections on Firms:

One negative effect of political connections on firms is that being politically connected does not mean connected firms will perform better than non-connected firms. According to Faccio, evidence from 47 countries shows that companies with political connection have higher leverage⁴⁸ and poorer accounting performance in terms of lower return on assets⁴⁹ and market valuation.⁵⁰ Thus, politically connected firms are under more risks because they possess higher debts and fewer revenues. Boubakri *et al.* argue that politically connected newly privatized firms perform poorer in sales growth, change in sales and earnings growth compared to their non-connected counterparts.⁵¹ Additionally, politically connected firms suffer from asymmetric information problem since they have lower quality reported earnings and less accurate analyst earnings forecasts.⁵² However, these findings may point out a selection problem; firms with inclination of low transparency may be looking for political connections.

Politically connected firms can make more profits by reducing the costs. However there is “a trade off between the short-run benefits of enjoying low production prices by keeping status quo and long-run costs of postponing and blocking technological upgrade.”⁵³ An opportunity cost of being connected is that time is spent on to creating connections rather than on technological advancements.⁵⁴ Politically connected entrepreneurs are not innovative entrepreneurs; rather, they have to adapt themselves to the changing atmosphere of politics to survive.⁵⁵ In this context, a similar situation could be interpreted from the ISO top 1000 firm rankings in Turkey. There is only one fastest growing politically connected firm in the ISO list. Therefore, the politically connected firms are not able to weaken the positions of old business

⁴⁸ Leverage ratio is total debt/total assets. It evaluates the debts of the firms. High leverage ratio is risky for firms. See: <http://www.investinganswers.com/financial-dictionary/debt-bankruptcy/leverage-ratio-5287>

⁴⁹ Return on Assets (ROA): ratio of a company's net income prior to financing costs to total assets. See Faccio (2010).

⁵⁰ Ratio of market value is market to book ratio which is equity plus the book value of debt, divided by sum of book value of equity plus book value of debt. See: Faccio (2010)

⁵¹ Narjess Boubakri, Jean-Claude Cosset and Walid Saffar, “Political Connections of Newly Privatized Firms,” *Le Cahiers du CEF*, (January 2007), p. 30.

⁵² Chen C.J.P., Li Z., Sun Z. (2011) Rent-seeking incentives, corporate political connections and control structure of private firms: Chinese evidence, *Journal of Corporate Finance*, 17, p. 229-243; Chaney P. K, Faccio M., Parsley, D. (2011), “The quality of accounting information in politically connected firms” *Journal of Accounting and Economics*, 51, p. 58-76.

⁵³ Giorgio Belletini, Carlotta Berti Ceroni and Giovanni Prarolo, “Knowing the Right Person in the Right Place: Political Connections and Resistance to Change,” working paper, (January 2012), p. 24

⁵⁴ *ibid*, p. 3

⁵⁵ Buğra, p. ; Buğra and Savaşkan, p. 299.

groups,⁵⁶ which already have incorporated technological developments into their operations.

Apart from these factors, being politically connected could be burdensome for firms because of three reasons. Firstly, there could be reciprocity in being connected. In the French case of politically connected CEOs, Bertrand *et al.* find that economic favors such as subsidies are reciprocated by firms through creating more jobs especially in election years although it leads to lower profitability rates for the firms.⁵⁷ Shleifer and Vishny observe that politicians extract rents from connected firms and expropriate part of the shareholder's wealth.⁵⁸ Also Qian *et al.* believe that expropriation activities of controlling owners through self-dealing and tunneling are more likely to be seen in politically connected firms because connected firms can secure bank financing and evade capital market punishment.⁵⁹ Secondly, political connections can be detrimental in terms of the qualifications of managers and directors who are appointed to politically connected firms. Because of the fact that these individuals have a political rather than professional background, their incentives are more likely guided by political considerations.⁶⁰

In addition, being politically connected makes firms vulnerable to political events⁶¹ and shocks. Fisman argues that there was a downturn in Indonesian economy in 1995-1997, during the Asian crisis, which caused speculations about the reasons behind it. According to Fisman, political connections were a driving force for investments and determinants of profits in Indonesia. Fisman identified times when there were rumors about the President Suharto's health and compared returns of firms. The findings show that returns on the shares of politically dependent firms were considerably lower than the returns of less dependent firms. Thus, well connected firms suffered more than less connected firms in reaction to rumors. Politically dependent firms lost more value

⁵⁶ Old business groups mentioned in Buğra 2015: Akkök Holding, Koç Holding, Sabancı Holding, Eczacıbaşı Holding,

⁵⁷ Bertrand *et al.*, p. 1

⁵⁸ Andrei Shleifer and Robert W. Vishny, "Politicians and Firms," *The Quarterly Journal of Economics*, Vol. 109, No. 4, (November 1994), p.995, 1019.

⁵⁹ Qian *et al.*, 2011

⁶⁰ Narjess Boubakri, Omrane Guedhami, Dev Mishra and Walid Saffar, "Political Connections and the Cost of Equity Capital," *Journal of Corporate Finance*, Vol. 18, (2012), p. 544.

⁶¹ Politically connected firms can be even affected from election results: Katmerciler Holding, producer of TOMA (Toplumsal Olaylara Müdahale Aracı: Intervention Vehicle to Social Events), which have board of the directors and owners are deputies in 24th period of AKP, lost their value in Stock Market İstanbul the day after June 7 2015 elections. According to election results there will be a coalition government in Turkey, after 13 years of majoritarian government AKP. See: <http://www.hurriyet.com.tr/ekonomi/29229123.asp>.

during the episodes about rumors of Suharto's health.⁶² Therefore, companies linked to Suharto and his family received value from these connections. However, the death of Suharto caused firms to lose their value in the stock market. In this context, Faccio and Parsley argue that there is significant decrease in firm value at the times of deaths of politicians.⁶³

In a recent study, Özcan and Gündüz argue that connected firms face the threats of losing their benefits when key agents leave their positions as it happened in Turkey. The breaking down of the alliance between AKP and Fethullah Gülen on 17 December 2013 negatively influenced the previously favored firms of AKP. For instance, Bank Asya faced liquidity problems and large companies like Turkish Airlines withdrew their deposits. Zaman newspapers were removed from Turkish Airline in-flight services, and also dropped from government linked advertisements and promotions. Also, TUSKON⁶⁴ affiliated firms were faced with tax evasion investigations.⁶⁵ Thus, being politically connected can be hazardous sometimes and "previously favored firms can fall from grace and lose their fortune entirely" as Özcan and Gündüz argue.⁶⁶

1.3.2 The Effects of Politically Connected Firms on Politics

There are relatively fewer studies about the political side of politically connected firms. One of the ways politically connected firms can affect politics is through the donations to electoral campaigns. These may affect election results. Hacker and Aberbach argue that in the United States, large corporations and small businessmen make substantial contributions on the national and local levels, respectively to election campaign funds. Although money alone is not enough to elect anyone to office, it is an important means of bringing a candidate's name and personality before the public.⁶⁷

Moreover, Gehlbach *et al.* state that businessmen can influence policy by lobbying the election winner for favorable treatments and running for elections. Businessmen in power may be able to influence legislation, gather privileged

⁶² Raymond Fisman, "Estimating the Value of Political Connections, *The American Economic Review*, Vol. 91, No. 4, (September 2001), p. 1095-1102.

⁶³ Faccio Mara and Parsley David, "Sudden Deaths: Taking Stock of Geographic Ties, *Journal of Financial and Quantitative Analysis*" Volume 44, Issue 03, June 2009, pp 683-718.

⁶⁴ a pro Islamist business association close to Fethullah Gülen

⁶⁵ It is very interesting that according to Özcan and Gündüz TUSKON closed its website "to block information and to remove sensitive data". The website is still closed on July, 2015. "Try to see": tuskontrade.com.tr

⁶⁶ Özcan and Gündüz, p. 22,26

⁶⁷ Andrew Hacker and Joel D. Aberbach, "Businessman in Politics," *Law and Contemporary Problems*, (Spring 1962), p. 276.

information, and even influence government expenditures.⁶⁸ Businessman politicians would have agenda setting power in the parliament. Client-business networks and lobby groups lead to selective and pro-business agendas in law making procedures. For example, in Turkey the parliament was affected from business incentives of jewelers and diamond sector were exempted from tax. According to allegations, the related law was passed thanks to the close relations between jeweler Cihan Kamer and the prime minister.⁶⁹ Here, on the one hand politics is influenced by business and on the other hand, the politics of law-making is influenced by business connections.

Another discussion is about the transfer of benefits from politically connected firms to politicians through employment creation. Coulon et al. in their research suggest that politically connected banks in Turkey have 10% higher employment growth rates compared to their non-connected counterparts, especially in parliamentary election years.⁷⁰ Moreover, Bertrand et al. show that politically connected CEOs hire more employees during the election cycle. Interestingly, especially left wing connected CEOs are more likely to answer to the needs of left-wing political incumbents in France.⁷¹

Politically connected firms in the media sector appear to be influential in politics. If politicians own the media, they can exercise power to manipulate the news.⁷² According to Buğra, in the media sector, the owners do favors for politicians rather than the politicians doing favors for the owners. Therefore, politicians can build or reinforce their positive image in front of the public through using politically connected media.⁷³

1.4.The relationship between business-politics connections and country indicators:

One of the things that the current literature fails to create a monolithic body of ideas is about the direction of causality between politics and business. Whether the politically connected firms constitute dependent or independent variables cannot be easily discovered. Therefore, the existing literature predominantly emphasizes correlations instead of the direction of causality.

⁶⁸ Gehlbach *et al.*, 2010, p.3.

⁶⁹ Buğra, p. 147

⁷⁰ Coulon et. al, p.15

⁷¹ Bertrand et al., p. 1

⁷² Djankov, Simeon, Caralee McLiesh, Tatiana Nenova, and Andrei Shleifer. 2003. "Who owns the media?", *Journal of Law and Economics* 46(2): 341-381.

⁷³ Buğra, p. 161.

Faccio argues that there is a correlation between corruption and connections. According to her, high corruption level is positively correlated with politically connected firms. In both developed and developing countries, the value of the firm increases when an entrepreneur is elected as a top political position especially in highly corrupted countries. To obtain significant benefits, businessmen need personally involved in to the politics to “squeeze the state.” To put it in the opposite way, it might be that corruption emerges as a result of political connections since companies without political connections need to bribe politicians to obtain minimum benefits for survival of their firms.⁷⁴ Guerra Perez et al., in their study about Spain, put this relation very clearly. Spain is one of the largest countries in Europe with highest levels of corruption in Corruption Perceptions Index of Transparency International. The authors argue that between 2003 and 2012 around half of the non-financial firms in the stock market Spain are politically connected. This indicates a correlation between the number of connected firms and high level of corruption according to Guerra Perez et al.⁷⁵

Another correlation is between connections and institutions. Business-politics connections may stem from institutional environments of countries or political connections may lead to institutional arrangements. According to Gehlbach *et al.* in weak institutional structures, businessmen are less likely to keep their promises. In fact, businessmen usually run for public office when commitment mechanisms such as political parties enable candidates to make weak campaign promises. In addition, if a country’s property rights and institutions are weak and if there is clientelism and patronage, political connections are established to overcome these institutional deficiencies.⁷⁶ With uneven distribution of property rights⁷⁷, new sources of patronage may be leading to long-lasting electoral success and possibility of the emergence of authoritarian tendencies. Thus, deepening business and politics ties could be negative for the firms as well as for the political institutions.⁷⁸

In countries with low freedom of press levels, politics-business connections are more likely to be seen. Gehlbach *et al.* state that in Russian gubernatorial elections,

⁷⁴ Faccio, 2006, p. 380

⁷⁵ Guerra Perez *et al.*, 2014, p. 1

⁷⁶ Gehlbach *et al.*, p 5

⁷⁷ According to “Family Companies Report” by Adrian Wooldridge in the Economist in 2015, political connections between the politicians and businessmen is very common in Latin American countries as a result of weak property rights. For example in Brazil JBS meat company, which expanded with the credits from a national development bank, was the bigger donor in Brazilian elections in 2014. See: The Economist, April 18th-24th 2015 p. 3-16

⁷⁸ Özcan and Gündüz, p. 27

businessmen candidates are more likely to be seen in areas with low media freedom, low government transparency and weak institutions.⁷⁹ Also, Boukbari *et al.* argue that politically connected firms enjoy lower costs of equity capital in countries with less democratic systems and less press freedom.⁸⁰

In addition, there is a correlation between business-politics connections and economic growth. In his analysis of political connections in Poland, Hasan *et al.* argue that significance of political connections is some degree conditional on the macroeconomic situation. According to the authors, political instability in Poland reinforces the impact of political connections on access to long term financing. During the economic crisis in 2007, political connections have shown more powerful impact on to access long term funds in Poland.⁸¹ Moreover, political connections of the firms as micro events can also leads to macro results. In Egypt, connections as a micro events cause macroeconomic results mainly because of the fact that politically connected firms decrease firm entry and cause less competitive economy. Thus, economic growth is reduced due to stagnation by group of firms with higher concentration in the market. As a result, political connections cause crony capitalism and sectors with few, large, and moderately performed firms.⁸² In addition, networking is a time consuming activity which leads managers of the firm spend time on connections rather than innovation. These technologically backward firms lead the countries to end up with low income trap.⁸³

Apart from that, politically connected firms may also produce positive effects of on the level of economic development on countries. According to Buğra close relations between state and firms contributed to county's economy in Asian countries. For example in South Korea the close relationship between state and family owned firms called as "chaebol" were substantial for country's economic development⁸⁴.

⁷⁹Gehlbach *et al.*, p 1

⁸⁰ Boukbari *et al.*, 2012, p. 555

⁸¹ Iffekhar Hasan, Krzysztof Jackowicz, Oskar Kowalewski and Lukasz Kozlowski, "Politically Connected Firms in Poland and their Access to Bank Financing," BOFIT Discussion Paper, No. 2, (2014), p. 22.

⁸² Diwan *et al.*, p. 1.

⁸³ Belletini *et al.*, 2012, p. 24

⁸⁴ Buğra and Osman, p. 171-172.

1.5. The Literature on Political Elites and Their career backgrounds

Revolving door cases and Politically connected firms can also be extracted from career paths of the politicians through studying their biographies. According to Sayarı and Dikici Bilgin, there are social pathways to cabinet in Turkey. Therefore, occupational background is an important factor to be recruited in the executive body of the government. In Turkey, mostly seen occupations of the executive body are legal professions, civil servants and business professionals.⁸⁵ In another study, Öniş examines biography and career background of Turgut Özal, 8th President of Turkey, in a detailed manner to understand neo-liberalism in Turkey. Öniş presents that Turgut Özal worked at both private sector and bureaucracy, at State Planning Institute, before being president⁸⁶. Therefore, Özal was one of the examples of revolving door cases and his career background affected Turkish legislative and executive bodies. Moreover, Power and Mochel argue that the careers of the deputies before the parliament are significant for the level of institutionalization and legislative activities of the parliament. Some of the findings from their analysis of deputies in Brazil reveal that, right-wing candidates have higher income levels before entering into the parliament; and the majority of the candidates winning the elections are firm owners and senior bureaucrats and media owners⁸⁷.

⁸⁵ Sabri Sayarı, Sabri and Hasret Dikici Bilgin, "Paths to Power: The Making of Cabinet Ministers in Turkey, Parliamentary Affairs, 2011, p. 1-26.

⁸⁶ Ziya Öniş, "Turgut Özal and His Economic Legacy: Turkish Neo-Liberalism in a Critical Perspective, Middle Eastern Studies" Volume 40, Issue 4, 2004, p. 113.

⁸⁷ Timothy J. Power and Marilia Mochel, "Shaping the Brazilian Political Class: Cause and Consequence of Recruitment to the Chamber of Deputies, 2006, p.3-7

CHAPTER II:

2.1. Definition of Politically Connected Firms in Turkey

Among the several definitions of politically connected firms, this research uses the one with direct connections between the board members of the firms and the members of the parliament because there is publically available data. In this study a firm is a politically connected firm if it satisfies at least one of the conditions below:

1. If at least one of the board members of the company is a parliamentarian;
2. If one of the board members of the company was a former parliamentarian;
3. When a company's former member of the board of the directors entered into the parliament.

Therefore, a firm is politically connected if one of the company's members of board of the directors is a member of the parliament at a point in time.

2.2. Setting the Political Scene: 1987-2015

The analysis will start from late 1980s since when Turkish economy became an open market economy. Buğra states that Turkey's institutional structure was not ready for economic liberalization reforms at that time. Neoliberalism and institutionalism did not go hand in hand. Instead of primary institutional transformations, the government became much more centralized through increasing the power of executive body and especially increasing the power of prime minister. Although it undermines checks and balances, Governmental Decrees were used rather than Acts of the Parliament in decision making processes including economic decisions. Turkish economy became open to government interventions and inclined to instabilities and corruption as Öniş states.⁸⁸ In accordance with this, the success of the businessmen became tied to their relations with the government 1980s and 1990s witnessed many corruption scandals involving the government party ANAP and other parties DYP, SHP and RP.⁸⁹

⁸⁸Öniş, Ziya "Turgut Özal and His Economic Legacy: Turkish Neoliberalism in Critical Perspective", Middle Eastern Studies, 40 (4), 2007, p. 113-134.

⁸⁹ Buğra and Savaşkan, 2015, p. 89-90.

2.3. Data Collection:

Generally, in politically connected firms literature, several databases are used such as Worldscope, Extel, LexisNexis⁹⁰ and Thomson Reuters.⁹¹ They are useful sources of information about the firms all around the world. However, these databases are usually expensive. Also there is risk for these databases cannot include all information about the firms accurately for each and every country. Faccio, in her research on politically connected firms in 47 countries, makes an analysis of 78 firms in Turkey by using these databases. Among these 78 firms with available financial data, she just finds 1 firm with political connections.⁹² Having just 1 connected firm seems questionable for the Turkish case⁹³ because of the fact that the literature argues that politically connected firms are more likely to be seen in countries with high corruption rate and low media freedom levels.⁹⁴

To put it more clearly, according to Transparency International Corruption Perceptions Index in 2014 Turkey is 64th in 175 countries. The index uses a scale where 100 stands for the most clean and 0 for the most corrupt. Turkey's result getting worse, losing 5 points to 45 than 2013.⁹⁵ Moreover, according to Reporters Without Borders World Press Freedom Index in 2015, Turkey has ranked 149 out of 180 countries.⁹⁶ Relying on this data, one can argue that Turkey is a country with high levels of corruption and low levels of media freedom. Therefore, it must have more politically connected firms than what Faccio puts forth. In fact, there are also many anecdotal evidences about political connections of Turkish firms in newspapers circulated nationwide.⁹⁷ Therefore, Faccio's findings about Turkey are subject to criticism. There are possibly more connections that she failed to include.

⁹⁰ Faccio, 2010, p. 907.

⁹¹ Coulon et al., 2014, p. 14.

⁹² Faccio, 2006, p. 375; Faccio, 2010, p. 908.

⁹³ Faccio, 2010, p. 908.

⁹⁴ Faccio, 2006, p. 380.

⁹⁵ Corruption Perceptions Index 2014: <http://www.transparency.org/cpi2014/results>;
http://www.todayszaman.com/anasayfa_turkey-biggest-loser-in-global-corruption-ranking-survey-shows_366038.html; <http://www.reuters.com/article/2014/12/03/us-corruption-transparency-report-idUSKCN0JH09520141203>; <http://www.newsweek.com/g20-leader-turkey-sees-biggest-hike-corruption-288883>.

⁹⁶ Press Freedom Index by Reportes without Borders: <https://index.rsff.org/#/>;

<http://www.hurriyetdailynews.com/turkey-climbs-in-global-press-freedom-index-but-warned-about-poor-record.aspx?pageID=238&nID=78265&NewsCatID=339>.

⁹⁷ See some newspaper articles: *Turkcellle bağlan AKP'ye*: <http://www.taraf.com.tr/ekonomi/turkcellle-baglan-akpye/>; *Turkcell AKP'nin Kapsama Alanında*: http://www.zaman.com.tr/ekonomi_turkcell-akpnin-kapsama-alaninda_2274722.html; *Hisim Akraba THY ile Uçuşa Geçmiş*: http://www.zaman.com.tr/ekonomi_hisim-akraba-thy-ile-ucusa-gecmis_2263265.html; *Abdullah Gül'ün oğlu 1 günde 10 Şirket kurdu*:

Thus, in this thesis, a new database has been created with the names of the board of the directors and the names of the parliamentarians utilizing the publicly available data which, according to Faccio, is better to investigate since the connections found by this data could be stronger.⁹⁸ To build a new database, two data sets have been used to detect the politically connected firms in Turkey. The first data set have been grasped from the website of Turkish Grand National Assembly (TGNA), which is <https://www.tbmm.gov.tr>. The information about 18th to 24th Legislative Terms, which includes the period between 1987 and 2015, is used. There are 450 deputies in each of 18th and 19th legislative terms and 550 deputies for the each of 20th to 24th terms. *The Album of Deputies* presents valuable information about the names of deputies according to election districts, their photos, and short biographies of the deputies including date of the birth, name of parents, number of children, occupation, and working experience. The website also presents legislative activities of the deputies meaning that law proposals and questions put by deputies in the assembly could be seen.

The second data set exploited for building a new database is the list of the board of directors and general managers of the firms collected annually. These lists are provided by two different institutions; Stock Market Istanbul and Public Disclosure Platform (PDP). This data has been chosen because the firms that are traded on Stock Market Istanbul are required to disclose their information to these institutions according to Turkish laws.⁹⁹ This may make any piece of information significantly accountable and valuable. For the period between 1998 and 2008, "*Yearbooks of Companies*"¹⁰⁰ prepared by Stock Market Istanbul were used. These yearbooks include full name of the firm, its establishment date, main business line, address of head office, the name of general manager, the names of board of the directors, telephone and fax numbers of the

<http://www.aydinligazete.com/turkiye/abdullah-gulun-oglu-1-gunde-10-sirket-kurdu-h62511.html>; *Yumurtalar elde kaldı*: <http://www.gazetevatan.com/yumurtalar-elde-kaldi-kemal-bey-devreye-girdi-786704-ekonomi/>; *CHP Başkanı İş Bankası Atamaları'nı Savundu*;

http://www.radikal.com.tr/ekonomi/chp_baskani_kilicdaroglu_is_bankasina_atamaları_savundu_abdde_egitildiler-1184605; *Bacanağa DYP Takibi*: <http://www.milliyet.com.tr/1997/09/24/t/siyasetframe.html>; *Cindoruk'u İsyana Ettiren Atamalar*: <http://www.milliyet.com.tr/1997/08/29/t/siyaset/cin.html>; Muhalefet isyan etti: O vekile 5 yılda 78 ihale <http://www.hurriyet.com.tr/ekonomi/29684373.asp>; VIP Arpalık, AKP Balı Maaşlı Şirketlerde Böyle kadrolaştı: http://www.zaman.com.tr/ekonomi_vip-arpalik-akp-balli-maasli-sirketlerde-boyle-kadrolasti_2274238.html.

⁹⁸Faccio, 2006, p. 369.

⁹⁹Sermaye Piyasası Kurumu (Capital Markets Board of Turkey), Özel Durumlar Tebliği, No: 288891,

<http://www.resmigazete.gov.tr/eskiler/2014/01/20140123-5.htm?submenuheader=null>;

<http://www.spk.gov.tr/indexcont.aspx?action=showpage&menuid=12&pid=0&subid=5>; <http://kap.gov.tr/yay/Mevzuat/Brosur.pdf>.

¹⁰⁰Şirket Yıllıkları in Turkish. Before 1998 no data was kept by the stock market. The list of the board of the directors can be find from "*IMKB Gunluk Bülten*"

firm, number of employees, collective bargaining period, employer's union, authorized capital, issued capital, trading market, production information for last 2 years, capacity utilization rate, export and import information for last 2 years, continuing investments, participations and lastly the shareholders. For the period after 2008, however, PDP's website has been published, because from then on it will be PDP's responsibility to collect information about the firms in the stock market and share them with the public. The website www.kap.gov.tr, which has been updated regularly, gives detailed information about the firms including their financial charts. Therefore, the list of the board of the directors between 2009 and 2015 comes from PDP's website.

The yearbooks from Stock Market Istanbul just provide the names of board members. Unlike yearbooks, PDP gives more detailed information about board members; such as gender, title, profession, positions held in the company in the last 5 years, current position held outside the company, shareholding ratio, the share group that the board member representing, independent board member or not and, committees charged and task. However, it seems like giving detailed information about board members is not compulsory. Unfortunately, the information about boards of the directors is not complete for all of the firms. Some firms just have the names of the board of the directors. Some of them have much more detailed information about the profession and current positions held outside company. According to Turkish Commercial Code, the firms in the stock market must have 5 members in their board of directors. However there are firms with less number of people as well as there are many firms with more than 5 members in their board.¹⁰¹

After generating these datasets of the board members and the deputies, I matched the names and created another list with direct relations of deputies and directors. As the following step, I compared each year's list of deputies with each year's list of the board of the directors. Identifying connections requires laborious work and keen eyes. In fact, the most important problem while doing my research was to come up with a lot of people with the same name. I, first of all, checked PDP website. Nevertheless, for many individuals the information provided in the website is not enough to detect whether they are same person or not. As the other resort, I tried to go deep into the biographies of the deputies from TGNA website and Album of Deputies. If still I cannot differentiate the people, I made Google search about the connected

¹⁰¹Anonim Şirket Yönetim Kurulu Üye Sayısı, <http://www.ticaretkanunu.net/makale-21/>

person and the firm. Websites of the parties, firms, the activity reports of the companies, personal web pages of the deputies, newspaper articles related to weddings and funerals, news from local newspapers and LinkedIn constitute really valuable sources of information about the connected individuals and the companies. After checking numerous resources, I matched individuals in the board of directors of the firms and the lists of the deputies as accurately as I could and I named these firms as politically connected firms; and persons as politically connected individuals.

2.4. Introducing the Data:

According to the data from yearbooks and PDP website, from 1998 to 2015, there have been 694 different companies in total that traded in the Stock Market Istanbul. The number of the firms in Stock Market Istanbul changes from year to year since some firms leave the stock market whereas others enter. Therefore, there is no available information for all firms each year. Besides, in my interview with a person from PDP, I have learnt that the year 2009 could have incomplete data since it is the time when companies had to provide their data to PDP instead of Stock Market İstanbul. For this year, some firms failed to notify PDP. My interviewee also told that there is actually Disclaimer Notice about the data belonging to the period before June, 1st 2009.¹⁰² There are also some other firms which have not yet provided their data for 2015. Therefore some information for the years 2009 and 2015 is missing.¹⁰³

Table 1: The number of Firms with available data in Stock Market İstanbul from 1998-2015

1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
280	300	309	304	301	300	309	322	327	374	369	161	214	259	397	352	451	308

Thus, the number of firms with available information of the board of the directors is the lowest with 161 in 2009 which is parallel to what the person from PDP has told to me. Also there are 308 firms in 2015, which is lower than the last two years.

¹⁰²The Copyright and Disclaimer Notice is available on: <https://www.kap.gov.tr/telif-hakki-ve-cekince-ihbari-bildirimi.aspx>.

¹⁰³I made a telephone interview on 12.07.2015.

As for sectorial breakdown displayed in Table 1, one should rely on information provided by PDP about 436 companies. The most number of firms in manufacturing industry, financial institutions and wholesale and retail trade industries. They consists 93% to 85 % of the stock market in 2000 to 2015.

Table 2: Sectorial Breakdown of Stock Exchange Istanbul Companies*

Sector \ Year	2000	2005	2010	2015
Manufacturing Industry	58.4%	56.6%	49.2 %	44.03%
Financial Institutions	28.3%	28.3%	33.5%	33%
Wholesale and Retail Trade, Hotels and Restaurants	6.7%	5.9 %	5.7%	8.5%
Electricity, Gas, Water	2.2%	1.3%	1.5%	1.6%
Technology	2.2%	3.3%	3.9%	3.7%
Transportation, Communication and Storage	1.3%	1.6%	2.4%	2.3%
Education Health Sports and Other Services	0.6%	2%	1.8%	1.3%
Construction and Public Works	0.3%	0.7%	1.2%	2.3%
Mining	0%	0.3%	0.6%	1.3%
Real Estate Activities	NA	NA	NA	0.22 %

*2000,2005,2010 data is from Istanbul Stock Exchange by Figures¹⁰⁴, 2015 data is my calculation from PDP website.

¹⁰⁴"Verilerle IMKB"

<http://www.borsaistanbul.com/data/kilavuzlar/Verilerle%20C4%B0MKB%20ISE%20by%20Figures.pdf>.

Table 3: Sectorial Breakdown of Stock Exchange Istanbul Companies from 1998 to 2015

Sectors	No.of firms	Percentages
Manufacturing Industry	278	40.05%
Financial Institutions	261	37.6%
Wholesale and Retail Trade, Hotels and Restaurants	59	8.5%
Electricity, Gas, Water	16	2.3%
Technology	16	2.3%
Transportation, Communication and Storage	14	2,01%
Education Health Sports and Other Services	10	1.44%
Construction and Public Works	16	2.3%
Mining	7	1%
Real Estate Activities	1	0.14%
Others (incl. funds)	16	2.3%
TOTAL	694	100%

There are 694 different firms in different markets of stock market which are traded in different markets of stock market Istanbul between 1998-2015. These firms are traded in different markets of Stock Market İstanbul. The most number of firms in manufacturing industry, financial institutions and wholesale and retail trade industries. They consists 85 % of the stock market.

CHAPTER III: DATA

3.1. Analysis of Politically Connected Firms:

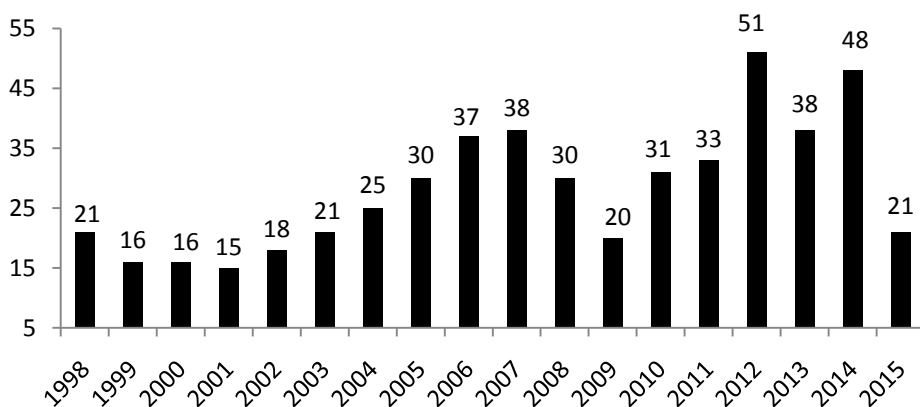
According to the findings, the number of politically connected firms is 125. As a result, 18% of the total firms with available data are politically connected. The number of firms with available information and the number of politically connected firms changes year to year. Even though political connections exist in each year. Total number of politically connected firms in the Stock Market is slightly increasing from 1998 to 2015.

Table 4: Politically Connected Firms across 1998-2015

Years	No.of the firms with available data	No.of Politically Connected firms	Percentages
1998	280	21	7,5 %
1999	300	16	5,3 %
2000	309	16	5,18 %
2001	304	15	4,93 %
2002	301	18	5,98 %
2003	300	21	7 %
2004	309	25	8,09 %
2005	322	30	9,32 %
2006	327	37	11,31 %
2007	374	38	10,16 %
2008	369	30	8,13 %
2009	161	20	12,42 %
2010	214	31	14,49 %
2011	259	33	12,74 %

2012	397	51	12,85 %
2013	352	38	10,8 %
2014	451	48	10,65 %
2015	308	21	6,81 %

Figure 1: Politically Connected Firms across 1998-2015



Although the number of connected firms increased from 1999 to 2007, it decreased in 2008, 2009 and 2015. Moreover, percentages of the connected firms to the number of available firms changes between 4,93 % to 14,49. Because of the fact that number of politically connected firm is declined in 2009, as a result, there are possibly other politically connected firms do not appear on this list¹⁰⁵.

There are politically connected firms in holding type of organizations. In this case, connected individuals are connected to multiple firms which are tied to a main holding. Some examples from connected firms: Akbank is Sabancı family firm; Yapı kredi Bankası is owned by Koç family; Pınarsu is owned by Yaşar Holding; Hürriyet Gazetesi owned by Doğan Holding; Ülker owned by Yıldız Holding; Coca Cola owned by Anadolu Group; Ak-Al Tekstil owned by Akkök Group. There are also

¹⁰⁵ I also asked about what is the laws for the firms about their notifications of the board of the directors. The person told me that they do not push the firms to fill out the forms in PDP, firms do not have to update their information in a yearly basis. However, there is tebliğ by SPK and firms know that they have to update their information regularly. For large firms it does not create problems but for smaller firms, they sometimes do not update information about the firm. She also said that it is firms' responsibility to fill out the basic information about them. They do not try to get information from the firms.

state owned and privatized companies among politically connected firms such as Türk Hava Yolları, Ziraat Bankası, Vakıfbank and Türk Telekom. Another interesting case is İş Bankası. Although the firm is owned by CHP it is connected to multiple parties.

As for the analysis of the politically connected sectors, the most number of politically connected firms are in financial institutions sector with 59 firms. Among the firms in financial institutions 20 firms are holdings and investment companies, 18 firms are banks and financial corporations, 7 firms are real estate investment trusts, 5 firms are financial leasing and factoring companies, 3 firms are insurance companies, 3 firms are investment trusts, 2 firms are brokerage houses and 1 firm is in other financial institutions sector.

The sector with most number of firms in the Stock Market is manufacturing industry however in the case of politically connected firms; there are more political connections in financial institutions rather than manufacturing industry. There are fewer number of firms in financial sector but more number of connected firms compared to manufacturing industry. In manufacturing industry there 45 politically connected firms. Among them, 10 firms are in non-metallic mineral products; 9 firms in fabricated metal products; 9 firms in food, beverage and tobacco sector; 4 firms are in textile, wearing apparel and leather sector; 4 firms in paper and paper products, printing and publishing sector; 4 firms in chemical, petroleum, rubber and plastic products; 4 firms are in basic metal industries; and 1 firm is in wood products including furniture sector.

Table 5: Politically connected firms across the sectors

Sector	No. of Connected Firms	Percentage
Financial Institutions	59	47.2%
Manufacturing Industry	45	36%
Wholesale and Retail Trade, Hotels and Restaurants	7	5,6%
Transportation, Communication and Storage	5	4 %
Mining	3	2.4%

Electricity, Gas, Water	2	1.6%
Technology	1	0.8%
Education Health Sports and Other Services	1	0.8%
Construction and Public Works	1	0.8%
Real Estate Activities	1	0.8%
TOTAL	125	100 %

The other politically connected industry is wholesale, retail trade, hotels and restaurants sector with 7 firms. In this sector; 4 firms in consumer trade; 2 firms in restaurants and hotels sector; and 1 firm is in wholesale trade sector. There are also 5 politically connected firms are in transportation, communication and storage sector. 2 politically connected firms are in communications and 3 firms are in transportation sectors. In addition, there are 3 politically connected companies in mining sector, 2 companies in electricity and gas sector, 2 companies in mining sector, 1 company in education and health sector, 1 company technology sector, 1 company in construction and public works, and 1 company in real estate activities sector.

Both in the US¹⁰⁶ and Egypt, politically connected firms are more common in manufacturing sector. In Egypt, these firms are in energy and capital intensive industries such as metals, cement, plastics, textiles or ceramics.¹⁰⁷ Agrawal and Knoeber argue that manufacturing sectors are more likely to be affected by politics through government purchases, trade policy and environmental regulations.¹⁰⁸ The tendency is similar in Turkey; manufacturing sector is one of the sectors with the most number of connections. In this sector there are 8 cement producers out of 21 factories are

¹⁰⁶Anup Agrawal and Charles R. Knoeber, 2001, Do Some Outside Directors Play a Political Role?, Journal of Law and Economics, Vol.44 p. 180

¹⁰⁷Diwan *et al.*, p. 16

¹⁰⁸Anup Agrawal and Charles R. Knoeber, 2001, Do Some Outside Directors Play a Political Role?, Journal of Law and Economics, Vol.44 p. 180

politically connected. There are also ceramic factories such as Kütahya Porselen as politically connected.

Among politically connected firms, 95 have connections to only one party and 30 are connected to multiple parties. Among the firms connected to one party, there are 42 firms connected with ANAP, 28 firms connected to AKP, 5 firms connected to CHP, 5 firms connected to DYP, 3 firms connected to FP, 1 firm connected to MHP, and 1 firm is connected to DSP. There are also 9 firms connected to non-party/independent individuals.

Table 6: Politically Connected Firms to One Party:

Connected to One Party	No. Of Connected Firms
ANAP	43
AKP	27
Independent	9
CHP	5
DYP	5
FP	3
MHP	1
DSP	1
YTP	1
SHP	0
RP	0
YDH	0
Total	95

As Table 6 displays, ANAP appears as the most connected party with the firms in the stock market. The second party is AKP. Among the firms are connected to multiple parties, there are 26 out of 30 are connected with a right wing party. Another similarity between ANAP and AKP is that they both established majority governments. Unlike ANAP and AKP, DYP and RP as right wing parties experienced coalition governments. It could be a result of why there are more ANAP and AKP connections rather than other parties.

The same tendency is observable also in Table 7 which shows the data of politically connected firms to multiple parties. There are 25 firms which have

connections with either ANAP or AKP; whereas there are only 5 firms connected to other parties and independent parliamentarians.

Table 7: Politically Connected Firms to Multiple Parties

Connected to Multiple Parties	No. Of Connected Firms
ANAP+AKP	5
ANAP+CHP	1
ANAP+Independent	3
ANAP+Independent+AKP	1
ANAP+CHP+SHP	1
ANAP+CHP+AKP	1
AKP+MHP	1
AKP+YTP	3
AKP+FP+RP	4
AKP+FP+RP+YTP	3
AKP+CHP+Independent	1
AKP+CHP+DSP+MHP	1
Independent+DYP	2
FP+RP	1
YTP+DSP	1
DYP+YDH	1
Total	30

Another interesting result from Table 6 is that YDH and YTP appear as parties that firms have political connections. Among these parties, YDH was established by businessmen Cem Boyner who is a board member of Altınyıldız Holding. Although, he was not get elected in the elections and cannot become parliamentarian, there connected individuals from these parties.¹⁰⁹

Table 8: Connected Firms Party and Sectors, connections for one party

Sector Party	Man	Fin	Whole	Elect.	Tech	Trans	Edu	Cons	Min	Real
ANAP	15	20	3	1	-	2	-	1	1	-
AKP	11	13	1	-	-	2	-	-	-	-

¹⁰⁹"Türkiye Siyasetinde Tutunamayanlar", <http://www.yazangenclik.com/turkiye-siyasetinde-tutunamayanlar-5986>; "Büyük Sermaye'den buraya kadar" <http://haber.sol.org.tr/ekonomi/buyuk-sermayeden-buraya-kadar-haberi-21836>

CHP	1	4	-	-	-	-	-	-	-	-
DYP	4	-	-	-	-	-	-	-	-	1
FP	3	-	-	-	-	-	-	-	-	-
MHP	-	-	-	-	1	-	-	-	-	-
DSP	-	-	1	-	-	-	-	-	-	-
YTP	-	1	-	-	-	-	-	-	-	-
Indep.	6	2	1	-	-	-	-	-	-	-

Table 9: Connected Firms Party and Sectors, connections with multiple parties

	Man	Fin	Whole	Elect	Tech	Trans	Edu	Cons	Min	Real
ANAP+AKP	-	4	-	-	-	1	-	-	-	-
ANAP+CHP	-	-	-	-	-	-	-	-	1	-
ANAP+Indep.	-	3	-	-	-	-	-	-	-	-
ANAP+Indep+AKP	-	1	-	-	-	-	-	-	-	-
ANAP+CHP+SHP	-	1	-	-	-	-	-	-	-	-
ANAP+CHP+AKP	1	-	-	-	-	-	-	-	-	-
AKP+MHP	1	-	-	-	-	-	-	-	-	-
AKP+YTP	1	-	1	-	-	-	-	-	1	-
AKP+FP+RP	-	4	-	-	-	-	-	-	-	-
AKP+FP+RP+YTP	-	3	-	-	-	-	-	-	-	-
AKP+CHP+Indep.	-	1	-	-	-	-	-	-	-	-
AKP+CHP+DSP+MHP	-	-	-	-	-	-	1	-	-	-
Independent+DYP	1	1	-	-	-	-	-	-	-	-

FP+RP	1	-	-	-	-	-	-	-	-	-
YTP+DSP	-	-	-	1	-	-	-	-	-	-
DYP+YDH	-	1	-	-	-	-	-	-	-	-

As Table 8 shows, ANAP is prevalent in 7 sectors. Most number of connected firms in financial sector. Similarly AKP connections are mostly in financial sector. AKP connected firms are in 4 sectors. Just Independent parliamentarian businessmen have more connections in manufacturing industry than financial institutions.

According to Table 9, politically connected firms to multiple parties are also mostly in financial and manufacturing industry. In Education sector, Beşiktaş Sport Club is the only connected firm. Beşiktaş is connected with AKP, CHP, DSP and MHP at the same time. Although it appears as a politically connected firm with multiple parties, no connections with ANAP and Beşiktaş appeared here.

3.2. Analysis of Connected Individuals:

According to the merged list of Stock Exchange Istanbul and TGNA the number of connected individuals is 112. Among them only two are women confirming with the literature on the profiles of elites in Turkey. These 112 individuals are connected to 125 firms. There are individuals who are connected with more than one firm and more than one party.

Table 10: Number of Connected Individuals and Parties

Party	No. Of Connected Individuals
AKP	43
ANAP	22
CHP	10
DSP	1
DSP+CHP	1
Independent	7
Independent+DYP	1
AKP+FP	1
AKP+RP+FP	1
ANAP+Independent	1

ANAP+SHP	1
MHP	5
YTP	1
YTP+DSP	1
CHP+SHP	3
SHP	1
DYP	8
FP	2
RP+FP	1
DYP+YDH	1
TOTAL	112

Among the politically connected individuals, 43 people are connected with AKP, 22 people connected with ANAP and 10 connected with CHP, 8 connected with DYP, 7 connected with independent and 5 connected with MHP. 11 individuals have multiple connections. In these multiple connections 10 people are in at least one right wing party. Although the number of firms connected with AKP is less than ANAP which is 43 and 27 the number of connected individuals with AKP is more than ANAP which is 43 to 22. The reason for this may be that the connections of AKP with the firms can be tighter than ANAP's connections. Thus, AKP could be more influential on the decisions of the board of the directors although there are less firms together with more number of individuals. ANAP's connections could be less effective as well. ANAP's connections are more divided between the firms. ANAP is not a party in the parliament, lost voters and not an active party,¹¹⁰ therefore its influence on the decisions of the board of the directors may not be observed today. However, it is possible to say that ANAP probably contributed individuals to establish business ties in the past. This influence may be lasting even today.

There are three types of individuals; 24 individuals are in the board of the directors of the firms and then they become members of the parliament, 23 individuals are both in the parliament and in the board of the directors of the firms at the same time, 65 individuals are first in the parliamentarians and later in the board of the directors as Table 11 shows.

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Table 11: Connected individuals and their jobs

No. of politicians in business	65
No. of businessmen in politics	24
No. of Individuals who are at the parliament and the board of the directors at the same time	23
TOTAL	112

However the 65 people who are first at the parliament could be misleading data since there are also businessmen in this data; they are not all politicians in business. After investigating closely on the biographies of the parliamentarians, one should say that there are some businessmen in these individuals. There are 19 individuals among them are actually businessmen and later become politicians. However, their firms do not appear as politically connected firms if they were on the board of the directors before 1998 or their firms are not in the Stock Market. The other 45 individuals are first worked in bureaucracy than become deputies and later in the board of the directors. Among them State Planning Institute, Central Bank and Undersecretaries of Ministries are their former job places in bureaucracy as Table 12 below shows in a very detailed way.

Table 12: Politicians in business

Name of Connected Ind. ¹¹¹	Firm & Year	Party & Term	No. of Terms	Former Occupation
Individual 1	Ereğli Demir-Çelik-2000 Yayla Enerji Üretim Turizm A.Ş.- 2013, 2014	ANAP-19, 20	2	Businessman
Individual 2	Türkiye İş Bankası A.Ş.- 2008, 2009, 2010	SHP-18, CHP-19, 20, (24)*	4	Lawyer

¹¹¹In this thesis, I do not provide names of connected individuals. The names of connected individuals can be available on request.

Individual 3	Servet Gayrimenkul Yatırım Ortaklığı A.Ş.- 2013	AKP-21, 22, 23	3	Bureaucrat, Provincial Man. at Ministry of National Education, İstanbul Metropolitan Municipality, Founding Mem. of AKP
Individual 4	Anadolu Hayat Emeklilik-2000 Net Holding-2014	SHP-18 CHP - 20, 22, 23	4	Architect, Mem. of Provincial Assembly
Individual 5	Turkcell-2013, 2014	AKP - 22, 23	2	Bureaucrat, Local Governor
Individual 6	Denizbank - 2007, 2008, 2010, 2011, 2012	DYP –20, 21	2	Bureaucrat, Undersecretariat of Treasury
Individual 7	Denge Yatırım Holding-2012, 2014	AKP-23	1	Businessman, Advisor to the Ministry of Energy and Natural Resources
Individual 8	Van-Et Gıda- 2011, 2012 Metro Ticari ve Mali Yatırımlar Holding-2012	AKP- 22	1	Bureaucrat, President of KOSGEB
Individual 9	Ceytaş Madencilik Tekstil Sanayi ve Ticaret AŞ. - 2005, 2006, 2007 Park Elektrik Üretim Madencilik ve Sanayi Ticaret A.Ş.-2005, 2006, 2007	ANAP- 20	1	Bureaucrat, RTUK
Individual 10	Nergis Holding-2005, 2007	DYP- 18,19 Indep.- 20	3	Businessman

Individual 11	<p>Vestel Elektronik Sanayi ve Ticaret A.Ş. - 2005, 2006, 2007, 2008, 2009, 2011, 2012</p> <p>Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş. – 2005, 2006, 2007, 2009, 2011, 2012</p> <p>Birleşik Mağazalar A.Ş.- 2005, 2006, 2007, 2008, 2009, 2010, 2011, 2012</p> <p>Albaraka Türk-2007, 2008, 2010, 2011, 2012</p> <p>Sinpaş GMYO-2008, 2010, 2011, 2012</p> <p>Saf GMYO-2012, 2013, 2014, 2015</p> <p>Ülker Bisküvi Sanayi A.Ş.- 2012, 2014</p>	ANAP-18, 19, 20, 21	4	Bureaucrat, DPT
Individual 12	Tekfen 2011, 2012, 2013, 2014, 2015	Indep. - 20	1	Bureaucrat, Ambassador
Individual 13	<p>Uçak Servisi A.Ş.- 2000, 2001, 2002, 2003, 2004, 2005, 2006, 2007</p> <p>Usaş Yatırımlar Holding A.Ş.-2008, 2010, 2011</p>	ANAP - 19	1	Businessman, Mem. of Board of Directors of Gübre A.Ş.
Individual 14	İş Bankası-1998, 1999, 2000, 2001	SHP - 18 CHP-23	2	Bureaucrat, DPT
Individual 15	Haznedar Refrakter Sanayii- 2008, 2009, 2012	Indep. - 20	1	Engineer/Bureaucrat, President of TOBB

Individual 16	Toprak Finansal Kiralama A.Ş.-2005 FFK Fon Finansal Kiralama A.Ş. -2006, 2007 Gözde Girişim Sermayesi Yatırım Ortaklığı-2010	ANAP - 18, 19, 20, Indep.-21	4	Engineer/Businessman
Individual 17	Göлтаş Göller Bölgesi Çimento Sanayi ve Ticaret A.Ş.- 2009, 2012	DYP - 18, 19	2	Engineer/Bureaucrat, Mayor
Individual 18	MEPET Metro Petrol ve Tesisleri A.Ş.- 2013, 2014	AKP-23	1	Businessman
Individual 19	Vakıf Gayrimenkul Yatırım Ortaklığı-2008, 2009, 2010, 2011, 2012, 2013, 2014, 2015	AKP – 22	1	Businessman
Individual 20	Net Holding – 2003, 2004, 2014	Indep. - 18	1	Bureaucrat, DPT
Individual 21	Aksa Akrilik Kimya Sanayii A.Ş. – 1999, 2000, 2001, 2002, 2003, 2004, 2005, 2006, 2007, 2008, 2011 Türk Tuborg Bira ve Malt Sanayii A.Ş. – 2001, 2002 Viking Kağıt ve Selüloz A.Ş. – 2002, 2003, 2004, 2005, 2006, 2007 Altınyunus Çeşme Turistik Tesisler A.Ş. – 2004, 2005, 2006, 2007 Pınar Su Sanayi ve Ticaret A.Ş. – 2005, 2006, 2007	Indep. - 20	1	Lawyer
Individual 22	Katmerciler Araç Üstü Ekipman Sanayi ve Ticaret	AKP- 23	1	Lawyer

	A.Ş. - 2014			
Individual 23	Rhea Girişim Sermayesi Yatırım Ortaklığı – 2010, 2011, 2012	CHP – 20	1	Engineer/Bureaucrat, KOSGEB
Individual 24	Yayla Enerji Üretim Turizm A.Ş. - 2013, 2014	ANAP - 20	1	Businessman
Individual 25	Sabancı Holding – 2012, 2014	ANAP - 18, 19, 20, 21	4	Bureaucrat, DPT
Individual 26	Katmerciler Araç Üstü Ekipman Sanayi ve Ticaret A.Ş. – 2013, 2014	AKP – 22	1	Businessman Founding Member of AKP, Nephew of Turgut Özal
Individual 27	İhlas Holding A.Ş. – 2004, 2005, 2006, 2007	ANAP - 18	1	Bureaucrat, DSİ
Individual 28	Vakıf Gayrimenkul Yatırım Ortaklığı 2009, 2010, 2011, 2012 Güneş Sigorta – 2012, 2013, 2014 Vakıflar Bankası – 2014	AKP - 21, 22	2	Lawyer
Individual 29	Katmerciler Araç Üstü Ekipman Sanayi ve Ticaret A.Ş. – 2012, 2013, 2014	AKP - 22, 23	2	Businessman, Katmerciler A.Ş., Mem. of Board of Directors
Individual 30	İş Bankası – 2008, 2009, 2010	CHP - 20, 22	2	Lawyer
Individual 31	Fibabanka A.Ş. - 2013 Finansbank A.Ş. – 2003, 2004, 2005	ANAP–18, 19, 20	3	Bureaucrat, Gen. Dir. of SSK
Individual 32	TÜPRAŞ-Türkiye Petrol Rafinerileri A.Ş. – 2002, 2004	FP – 20	1	Bureaucrat, DPT
Individual 33	Bilici Yatırım – 2011, 2012,	ANAP - 18, 20,	3	Businessman

	2013, 2014	21		
Individual 34	Tek Art Holding - 2004	Indep. - 19	1	Engineer/Businessman
Individual 35	Türk Hava Yolları Anonim Ortaklığı – 1999, 2002 Hürriyet Gazetesi – 2004, 2005, 2006, 2007, 2008, 2009, 2010 Coca Cola İçecek – 2006, 2007, 2008, 2010, 2011, 2012 Anadolu Efes – 2007, 2008, 2010, 2011, 2012, 2013, 2014, 2015 TAV Havalimanları Holding – 2006, 2007, 2008, 2009, 2010, 2012 Yazıcılar Holding – 2007, 2008, 2010, 2011, 2012 Pegasus Hava Taşımacılığı – 2014	ANAP - 19	1	Businessman
Individual 36	Konya Çimento – 2010, 2011, 2012, 2013, 2014 Baştaş Başkent Çimento Sanayi ve Ticaret A.Ş. – 2012, 2015	AKP - 22	1	Bureaucrat, DPT
Individual 37	Türk Prysmian Kablo ve Sistemleri AŞ. – 2012, 2013, 2014, 2015	AKP - 22, 23	2	Tax Accountant
Individual 38	Turkcell – 2013, 2014	AKP - 22, 23	2	Engineer/ Bureaucrat,

	Tekstilbank - 2015			TÜBİTAK, ETİBANK, İGDAŞ Founding member of AKP
Individual 39	Feniş Alüminyum – 2011, 2012, 2013, 2014	Indep. - 20	1	Businessman, Pres,dent of TALSAD, İKV, Türk-Amerikan İş Konseyi, Boarding Mem. of İSO, DEİK, TİSK
Individual 40	Gentaş – 2012, 2013, 2014	FP – 20	1	Engineer/Busin essman/Bureauc rat, President of TÜMOSAN, GENTAŞ, BELTAŞ
Individual 41	Ayen Enerji A.Ş. – 2012, 2014	DSP – 20 YTP – 21	2	Lawyer
Individual 42	Nuh Çimento - 2010	AKP – 22	1	Businessman Owner, Nuh Çimento
Individual 43	Ulusoy Elektrik İmalat Taahüt ve Ticaret - 2014	ANAP – 18, 20, 21	3	Lawyer
Individual 44	Bereket Finansal Kiralama - 2014 Ziraat Finansal Kiralama – 2013 T.C. Ziraat Banası A.Ş. – 2012, 2013, 2014, 2015	AKP – 23	1	Bureaucrat Local Governor, Provincial Governor, Mayor
Individual 45	Göлтаş Göller Bölgesi Çimento Sanayi ve Ticaret A.Ş. – 2012, 2014	DYP – 19	1	Engineer/ Businessman
Individual 46	Denizbank – 2006, 2007	YDH-19, DYP-18	2	Businessman
Individual 47	Türkiye İş Bankası A.Ş. –	SHP – 18	1	Tax Accountant

	1998, 1999, 2000, 2001			
Individual 48	Gözde Girişim Sermayesi Yatırım Ortaklığı – 2012, 2013, 2014, Sinpaş Gayrimenkul Yatırım Ortaklığı A.Ş. - 2014	AKP - 22, 23	2	Professor, Gen. Dir. of TC. Vakıflar Bankası
Individual 49	Aksa Akrilik Kimya Sanayii A.Ş. - 1998, 1999, 2000, 2001, 2002, 2003, 2004, 2005, 2006, 2007, 2008, 2009, 2011	DYP - 19	1	Lawyer/Bureaucrat-Chief of Police/ Local Governor
Individual 50	Uşak Seramik – 2012, 2014	AKP – 23	1	Engineer/ Bureaucrat at Ministry of Forestry
Individual 51	Katmerciler Araç Üstü Ekipman Sanayi ve Ticaret A.Ş. – 2012, 2013, 2014	AKP – 22	1	Bureaucrat, DPT
Individual 52	Ulusoy Un Sanayi ve Ticaret A.Ş. - 2014	RP - 19 FP – 20	2	Bureaucrat, Dir. of Religious Affairs, Provincial Manager at İŞKUR
Individual 53	Otokar – 2003, 2004, 2005 Yapı ve Kredi Bankası – 2005, 2006 Yapıkredi Sigorta – 2006 Yapıkredi Finansal Kiralama - 2006, 2007 Koç Tüketici Finansmanı A.Ş. – 2006,2007 Tekfen – 2007, 2008, 2009,	ANAP - 20	1	Bureaucrat, Governor of Central Bank

	2010, 2011, 2012, 2013			
Individual 54	İş Bankası – 1998, 1999, 2000, 2001, 2004 İş Girişim Sermaye - 2004 Anadolu Sigorta – 2005, 2006, 2007	ANAP - 19	1	Bureaucrat, FİSKOBİRLİK
Individual 55	Kardemir Karabük Demir Çelik - 2001	DYP - 18,DYP – 19	2	Engineer/Bureaucrat, Deputy Gen. Dir. of ISDEMİR
Individual 56	Çimbeton Hazır ve Prefabrik Yapı Elemanları Sanayi Ticaret A.Ş. – 2012, 2013, 2014 Çimento İzmir Çimento Fabrikası – 2012, 2013, 2014 Katmerciler Araç Üstü Ekipman Sanayi ve Ticaret A.Ş. - 2012	AKP – 23	1	Businessman
Individual 57	Kerevitaş Gıda – 2012, 2015 Makina Takım Endüstri A.Ş. – 2012, 2013, 2014, 2015 BİM Birleşik Mağazalar – 2012, 2013, 2014, 2015 FFK Fon Finansal Kiralama A.Ş. – 2013, 2014	ANAP - 18	1	Businessman
Individual 58	Metro Menkul Kıymetler Yatırım Ortaklığı – 2006, 2007, 2008	YTP – 21	1	Private Sector/Bureaucrat, SPK

	<p>Van-Et Gıda - 2006, 2007, 2008, 2011, 2012</p> <p>Metal Gayrimenkul – 2007, 2008, 2010, 2011, 2012,</p> <p>Metro Ticari ve Mali Yatırımlar Holding – 2008, 2009, 2010, 2011, 2012, 2013</p> <p>Avrasya Petrol ve Turistik Tesisler Yatırımlar A.Ş. , 2009</p> <p>Avrasya Gayrimenkul Yatırım Ortaklığı – 2010, 2011, 2012, 2013, 2014</p> <p>Atlas Menkul Kıymetler Yatırım Ortaklığı – 2012, 2013, 2014</p>			
Individual59	Vakıf Finansal Kiralama – 2012, 2013, 2014, 2015	AKP- 22	1	Lawyer
Individual 60	Mudurnu Tavukçuluk A.Ş. – 1999, 2000, 2001	DYP – 19	1	Businessman
Individual 61	Ceytaş Madencilik Tekstil Sanayi ve Ticaret A.Ş. – 2002, 2003	CHP – 20	1	Private Sector
Individual 62	Uşak Seramik - 2015	AKP – 23	1	Businessman
Individual 63	Petkim Petrokimya Holding A.Ş. – 1998	ANAP-18,19	2	Bureaucrat, DPT
Individual 64	Zorlu Enerji – 2006	ANAP – 19, 20, 21	3	Lawyer
Individual 65	Toprak Finansal Kiralama A.Ş. - 2005 FFK Fon Finansal Kiralama	ANAP - 19	1	Bureaucrat, Gen. Dir. of DPT

	A.Ş. – 2008, 2009, 2010, 2011, 2012			
	Gözde Girişim Sermayesi Yatırım Ortaklığı – 2012, 2013, 2014			

Like in other parts of the world there are revolving doors and reverse revolving doors cases. There are politicians that became businessmen after they became deputies in the parliament. There are also businessmen continue to political jobs. There are individuals who became deputies for more than one period or became ministers or local governors. There are businessmen become deputies for one period. Then continue to work as businessmen. SPK law may have influenced connections. They gave SPK to right to appoint members to board of the directors. For example there are individuals as former politicians appointed to Turkcell as the members of the board of the directors by SPK.¹¹² There are individuals came from business background and some come from other jobs and became member of board of the directors after becoming politicians as it can be followed from Table 13.

Table 13: Businessmen in Politics

Name of Connected Ind. ¹¹³	Firm & Year	Party & Term	No. of Terms	Former Occupation
Individual 66	Ereğli Demir Çelik - 2000	CHP – 24	1	Doctor/Bureaucrat Ministry of Health
Individual 67	Gübre Fabrikaları T.A.Ş. - 2004, 2005, 2006, 2007, 2008, 2009	AKP – 24	1	Teacher/Bureaucrat, Gen. Dir. of Türkiye Tarım Kredi Kooperatifleri Merkez Birliği
Individual 68	Hürriyet Gazetesi - 1998 Ditaş Doğan İmalat ve Teknik - 1998 Türk Dış Ticaret Bankası - 1998	ANAP – 21	1	Engineer/Bureaucrat Pres. Of TCDD, TEK
Individual69	Net Holding – 2005, 2006, 2014	AKP – 23	1	Bureaucrat, Ministry of Tourism, Provincial Governor, Chief of Police,
Individual70	Aselsan Elektronik Sanayi ve Ticaret - 2006	MHP – 24	1	Military Professional
Individual71	Emlak Konut	AKP -24	1	Engineer/Bureaucrat, Pres. of

¹¹²"SPK'dan Turkcell'e flaş atama" <http://www.hurriyet.com.tr/ekonomi/24527219.asp>; "SPK Turkcell yetkisini aldı", <http://www.hurriyet.com.tr/ekonomi/23675813.asp>; Turkcell' e iki eski bakan, <http://www.hurriyet.com.tr/ekonomi/22791079.asp>.

	Gayrimenkul Yatırım Ortaklığı, 2000			KIPTAŞ, TOKİ
Individual72	Vakıf Finansal Kiralama – 1999, 2012 Türkiye Sınai ve Kalkınma Bankası – 2012, 2013, 2015 Vakıflar Bankası - 2012, 2013, 2014, 2015, Vakıf Gayrimenkul Yatırım Ortaklığı - 2012 Güneş Sigorta – 2013, 2014, 2015	AKP – 22, 23	2	Private Sector
Individual73	Gübre Fabrikaları T.A.Ş. - 1998	MHP – 21	1	Bureaucrat, TARİŞ, Tarım Kredi Kooperatifi
Individual74	Türk Telekomünikasyon A.Ş. – 2009, 2010, 2011	AKP -24	1	Engineer/Lawyer/Bureaucrat at Ministry of Culture and Türk Telekom
Individual75	Gübre Fabrikaları T.A.Ş. - 1998	MHP - 21	1	Bureaucrat, Tarım Kredi Kooperatifi
Individual76	T.C. Ziraat Bankası A.Ş. – 2012, 2013, 2014, 2015	AKP – 22	1	Private Sector/Bureaucrat, Founding Pres. of IMKB
Individual77	Türkiye Kalkınma Bankası - 1998	ANAP – 22	1	Bureaucrat, Ministry of Finance, SPK, DDK
Individual78	Türkiye İş Bankası A.Ş. – 1998, 1999, 2000, 2001	CHP – 22, 23	2	Private Sector, Gen.Dir. of Petrol Ofisi, TÜRMOB
Individual79	Yapı ve Kredi Bankası – 2004 Yapıkredi Finansal Kiralama , 2004	AKP - 23	1	Lawyer, Boarding member of Ziraat, Halk, Yapı ve Kred Bankası
Individual80	Türk Hava Yolları A.O. – 2002, 2003	AKP – 23, 24	2	Bureaucrat
Individual81	Ereğli Demirçelik – 2002, 2003, 2004	AKP – 23, 24	2	Bureaucrat, Deputy General Dir. of ISKI
Individual82	Gübre Fabrikaları T.A.Ş.- 1998 , 1999, 2000, 2001	MHP – 24	1	Bureaucrat
Individual83	İş Bankası – 2008, 2009, 2010 Anadolu Hayat Emeklilik – 2011, 2012, 2013, 2014, 2015	CHP – 22	1	Lawyer
Individual84	Parsan Makine Parçaları - 1998	AKP – 22, 23	2	Engineer/Bureaucrat, General Secretary of TBMM
Individual85	Emlak Konut Gayrimenkul	AKP – 24	1	Bureaucrat, Board Member or TOKİ

	Yatırım Ortaklığı - 2010			
Individual86	Doğusan Boru – 2003, 2004, 2006, 2006	AKP - 23, 24	2	Bureaucrat, İstanbul Metropolitan Municipality Ministry of Public Works and Settlement
Individual87	Şekerbank – 1998, 1999, 2000, 2001	CHP – 22	1	Businessman
Individual88	Medya Holding - 1998 Sabah Pazarlama - 1998 Sabah Yayıncılık - 1998	ANAP – 21	1	Journalist
Individual89	Vakıf Gayrimenkul Yatırım Ortaklığı – 2008, 2009, 2010	AKP – 24	1	Lawyer

The average terms in the parliament of the politically connected individuals is 1,65¹¹⁴. The average term of politicians in business is 1,66; the average term of businessmen politicians is 1,25 and the individuals who are both at the parliament and the board of the directors is 2.04. As a result, it seems like the individuals first in business than in politics relatively stayed less periods in the parliament. The others look like that they are more like career politicians.

Table 14: Average term in the parliament of politically connected individuals

Connected Individuals	Average Term in the Parliament
Politicians in business	1,66
Businessmen in politics	1,25
Individuals who are at the parliament and the board of the directors at the same time	2,04
Total	1,65

Usually businessmen politicians continue with their business career later. They stay in the parliament relatively shorter terms. They go back to their “real jobs”¹¹⁵ Some of them do not see politics as their job. There are also people who became local governors and people who continue being active in the party. Therefore, it could be

¹¹⁴ I start to count from 18th legislative term. I did not count earlier legislative terms if the parliamentarians are in the parliament before 18th term.

¹¹⁵ <http://www.haberler.com/sinan-aygun-kilicdaroglu-ndan-sikinti-yasamasi-7168400-haberi/>

possible to say that although an individual's term in the parliament ends, his or her connection may continue. Moreover, for businessmen individuals it could be enough to enter into the parliament once, because they will be able to get social benefits and establish networks with the politicians. They will get once privileged information of the politics. Maybe there is no need for them to stay in the parliament for more terms.

Moreover, while calculating the number of politically connected firms in Table 4, I assumed that it is enough for the firms fulfilling just one criterion of being politically connected. This method, however, may be incomplete. To put it more clearly, for example if there is an individual who was in the board of the directors of firm X in 2002 and then she/he became a parliamentarian in 2011, I count this firm as politically connected in 2002. Another case is that if a person is a parliamentarian in 2002, and she/he is in a board of the directors of a company in 2015, I counted this firm as politically connected in 2015. Thirdly, if an individual is in the parliament in 2002 and she/he is also a member of the board of the directors at the same time, I counted this firm as politically connected in 2002. When political connections start and end cannot be understood. Table 15 below shows political connections when individuals are both in the board of the directors and firms at the same time through different years.

Table 15: Politically connected firms with individuals are both in the parliament and in the board of the directors (1998-2015)

Year	Connected Individual	Legislative Term	Party	Company	Sector
1998	Individual 90	21	ANAP	Türk Hava Yolları	Transportation, Communication and Storage
	Individual 91	20	ANAP	Akbank	Financial Institutions
	Individual 92	20	DSP	Kipa	Wholesale and Retail Trade, Hotels and Restaurants
	Individual 93	20	DYP	1. Sönmez Filament Sentetik İplik ve Elyaf Sanayi Anonim Şirketi	1. Real Estate Activities

				2. Sönmez Pamuklu Sanayii	2.Manufacturing Industry
	Individual 94	20	DYP	Ak Al Tekstil	Manufacturing Industry
1999	Individual 95	20	ANAP	1. MİLPA Ticari ve Sınai Ürünler 2. Ditaş Doğan İmalat ve Teknik 3. Çelik Halat	1. Wholesale and Retail Trade, Hotels and Restaurants 2.Manufacturing Industry 3.Manufacturing Industry
	Individual 91	20	ANAP	Akbank	Financial Institutions
	Individual 93	20	DYP	1. Sönmez Filament Sentetik İplik ve Elyaf Sanayi Anonim Şirketi 2. Sönmez Pamuklu Sanayii	1. Real Estate Activities 2. Manufacturing Industry
	Individual 94	20	DYP	Ak Al Tekstil	Manufacturing Industry
	Individual 96	20	Bağımsız	Toprakbank	Financial Institutions
2000	-	-	-	-	-
2001	-	-	-	-	-
2002	Individual 97	22	AKP	Beşiktaş Futbol Yatırım	Education, Health, Sports and Other Services
	Individual 98	22	CHP	Kartonsan	Manufacturing Industry
	Individual 99	22	CHP	Alternatif Bank	Financial Institutions
2003	Individual 100	22	AKP	1.Info Menkul Kıymetler Yatırım Ortaklığı 2. Info Trend B Tipi Yatırım Ortaklığı A.Ş.	1.Financial Institutions 2.Financial Institutions
	Individual 98	22	CHP	Kartonsan	Manufacturing Industry

2004	Individual 100	22	AKP	1.Info Menkul Kıymetler Yatırım Ortaklığı 2. Info Trend B Tipi Yatırım Ortaklığı A.Ş.	1.Financial Institutions 2.Financial Institutions
	Individual 98	22	CHP	Kartonsan	Manufacturing Industry
2005	Individual 100	22	AKP	1.Info Menkul Kıymetler Yatırım Ortaklığı 2. Info Trend B Tipi Yatırım Ortaklığı A.Ş.	1.Financial Institutions 2.Financial Institutions
	Individual 98	22	CHP	Kartonsan	Manufacturing Industry
2006	Individual 100	22	AKP	1.Info Menkul Kıymetler Yatırım Ortaklığı 2. Info Trend B Tipi Yatırım Ortaklığı A.Ş.	1.Financial Institutions 2.Financial Institutions
	Individual 98	22	CHP	Kartonsan	Manufacturing Industry
2007	Individual 100	22	AKP	1.Info Menkul Kıymetler Yatırım Ortaklığı 2. Info Trend B Tipi Yatırım Ortaklığı A.Ş. 3.Yeşil Yatırım Ortaklığı	1.Financial Institutions 2.Financial Institutions 3. Financial Institutions
	Individual 98	23	CHP	Kartonsan	Manufacturing Industry
	Individual 101	23	MHP	Beşiktaş Futbol Yatırım	Education, Health, Sports and Other Services
2008	Individual 98	23	CHP	Kartonsan	Manufacturing Industry
	Individual 101	23	MHP	Beşiktaş Futbol Yatırım	Education, Health, Sports and Other Services

2009	Individual 102	23	AKP	1.MEPET Metro Petrol ve Tesisleri A.Ş. 2. Avrasya Petrol ve Turistik Tesisler Yatırımlar A.Ş.	1. Wholesale and Retail Trade, Hotels and Restaurants 2. Wholesale and Retail Trade, Hotels and Restaurants
	Individual 98	23	CHP	Kartonsan	Manufacturing Industry
	Individual 101	23	MHP	Beşiktaş Futbol Yatırım	Education, Health, Sports and Other Services
2010	Individual 102	23	AKP	MEPET Metro Petrol ve Tesisleri A.Ş.	Wholesale and Retail Trade, Hotels and Restaurants
	Individual 98	23	CHP	Kartonsan	Manufacturing Industry
2011	Individual 103	24	AKP	Vakıfbank	Financial Institutions
	Individual 104	23	AKP	MEPET Metro Petrol ve Tesisleri A.Ş.	Wholesale and Retail Trade, Hotels and Restaurants
	Individual 105	24	AKP	Vakıf Yatırım Ortaklığı	Financial Institutions
	Individual 106	24	CHP	Beşiktaş Futbol Yatırım	Education, Health, Sports and Other Services
2012	Individual 107	24	AKP	Kombassan Holding	Financial Institutions
	Individual 106	24	CHP	Beşiktaş Futbol Yatırım	Education, Health, Sports and Other Services
2013	Individual 107	24	AKP	Kombassan Holding	Financial Institutions
	Individual 108	24	CHP	Panora Gayrimenkul Yatırım Ortaklığı A.Ş.	Financial Institutions

2014	Individual 107	24	AKP	Kombassan Holding	Financial Institutions
	Individual 109	24	AKP	Kütahya Porselen	Manufacturing Industry
	Individual 108	24	CHP	Panora Gayrimenkul Yatırım Ortaklığı A.Ş.	Financial Institutions
2015	Individual 110	24	AKP	Kombassan Holding	Financial Institutions
	Individual 107	24	AKP	Kombassan Holding	Financial Institutions
	Individual 111	24	AKP	Kütahya Porselen	Manufacturing Industry
	Individual 109	24	AKP	Kütahya Porselen	Manufacturing Industry
	Individual 112	24	AKP	Kütahya Porselen	Manufacturing Industry

In Table 15, the total number of politically connected firms is 24 between 1998-2015. There are 10 firms in financial institutions; 7 in manufacturing industry; 4 in wholesale and retail trade, hotels and restaurants; 1 firm in education, health, sports and other services; 1 in real estate activities and; 1 firm in transportation, communication and storage sector. The total number of individuals is 23. There are 20 individuals connected to one firm and 4 individuals connected to multiple firms. Also, 20 firms connected to one individual and 4 firms are connected to more than one individual.

There is no politically connected firms which includes an individual board of directors and the parliament at the same time in the 18th (1987-1991) and 19th (1991-1995) legislative terms because there is no data and also the data is incomplete for 20th Legislative Term (1996-1999) since no data is available before 1998. The number of connected firms in 20th Legislative Term is 9, in 21st Legislative Term is one, in 22nd Legislative term is 6, in 23th Legislative Term is 4, in 24th Legislative Term is 6.

In 20th Legislative term there are 4 firms in manufacturing sector, 2 firms in financial institutions, 2 firms in wholesale sector, 1 real estate. In 21st Legislative term there are only 1 politically connected firm which is in transportation, communication

and storage sector. In 22nd Legislative Term there are 4 politically connected firms in financial institutions sector, 1 politically connected firm in manufacturing industry and 1 politically connected firm in education, health, sports and other services industry. In 23rd Legislative Term there are 2 connected firms in wholesale sector, 1 connected firm in manufacturing industry, 1 firm is connected in education, health, sports and other services industry. Lastly, In 24th Legislative Term, there are 4 politically connected firms in financial institutions, 1 firm in manufacturing industry, and 1 firm in education, health, sports and other services industry.

The politically connected firms and the parties are; 10 firms are connected with AKP, 5 firms are connected with ANAP, 4 firms are connected to CHP, 3 firms are connected with DYP, 3 firms are connected with CHP, and 1 firm connected with DSP. In addition 1 firm is connected with an independent deputy, and 1 firm is connected with multiple parties AKP, CHP and MHP. There is no connected party with FP, RP and YTP. The right wing parties have the most number of connections. Besides, CHP connections are 2 in financial institutions sector, 1 in manufacturing sector, 1 in education, health sports and other activities. Therefore, CHP is not dominant in any of the sectors across legislative terms. AKP, however has dominance in finance sector with 6 connections. Besides, Beşiktaş is politically connected with multiple parties AKP, MHP, CHP in 22nd, 23rd, 24th Legislative Terms, respectively. This is an interesting case to note since the company has different connections with different parties in all three legislative terms. It is the only football club with political connections in the stock market.

Among connected individuals, between the cabinets of 45th and 62nd, there are 29 ministers with 37 connections; 15 ministers of state, 4 ministers of Energy and Natural Resources, 4 ministers of Environment and Urban Planning, 2 Culture and Tourism Ministers, 2 ministers of Food, Agriculture and Livestock, 3 deputy prime ministers and 1 chair of assembly. There is no Prime Minister as politically connected.

Table 16: Connected Individuals as Ministers

Ministry	Name of Connected Individuals	Party of Connected Individuals	Cabinet	No. of Connected Individuals
Culture and Tourism	Individual 46	DYP, YDH	46	2
	Individual 5	AKP	59	
Customs and Trade	Individual 11	ANAP	47	1
Development	-	-		-
Economy	-	-		-
Energy and Natural Resources	Individual 55	DYP	51, 52	3
	Individual 43			
	Individual 38	ANAP	57	
		AKP	58, 59	
Environment and Urban Planning (Bayındırlık ve İskan Bak.)	Individual 2	CHP	52	3
	Individual 71	AKP	61	
	Individual 40	FP	54	
European Union	-	-		-
Family and Social Policy	-	-		-
Finance	-	-		-
Food, Agriculture and Livestock	Individual 94	DYP	51, 52	1
Foreign Affairs	Individual 109	DYP, Indep.	53	1
Forest and Water Management	Individual 16	ANAP,Indep.	55	1
Health	Individual 94	DYP	54	1
Interior	-	-		-
Justice	Individual 21	DYP, Indep.	55	1
Labor and Social Security	Individual 80	AKP	60	1
National Defense	Individual 49	DYP	49, 50	2

	Individual 74	AKP	61, 62	
National Education, Youth and Sports	Individual 63	ANAP	48, 49	3
	Individual 20			
	Individual 41	ANAP,Indep. YTP, DSP	46 56, 57	
Science, Industry and Technology (San. ve Tic. Bak.)	Individual 15	DYP, Indep.	53, 54, 55	1
Transport, Maritime Affairs and Communications	Individual 11	ANAP	46	2
	Individual 74*	AKP	59	
Ministry of State:				
Economy	Individual 31	ANAP	45, 46	14
	Individual 25	ANAP	47, 55	
Employment, Science, Technology(TÜBİTAK)	Individual 46	DYP, YDH	45	
Environment, Petrol	Individual 63	ANAP	45, 47	
Foreign Trade, Eximbank, Customs	Individual 91	ANAP	53	
Privatization	Individual 64	ANAP	57	
TEKEL	Individual 94	DYP	50, 54	
Treasury	Individual 53	ANAP	53	
Treasury and Foreign Trade	Individual 6	DYP	53, 54	

Treasury, Ziraat Bank	Individual 10	DYP, Indep.	49, 51, 52	
Youth and Sports	Individual 63	ANAP	45, 47	
	Individual 20	ANAP,Indep.	45	
	Individual 34	DYP, Indep.	49, 50	
	Individual 16	ANAP,Indep.	53	
	Individual 106	AKP	57	
Deputy PM	Individual 31	ANAP	45, 46	
	Individual 11	ANAP	46, 48	

One explanation for why connected individuals are energy ministers is manufacturing industry is the sector which is dependent very much to energy. Especially being energy ministers can give them agenda setting power in the executive body of the government.

In 2011 Ministry of State is changed. Some ministries of state became regular ministries¹¹⁶. There are also ministries can be outside of the cabinet. Individual 74. the only one among these ministers is the one outside of the cabinet. Ministries connected to sports clubs became cabinet members and became ministers of state in charge of youth and supports. No ministers of interior among the connected individuals. I get the data of cabinet from web pages of TGNA and Prime Ministry¹¹⁷.

It is also possible to look at the Committees in the parliament. Committees in the parliament may affect the agenda setting power in legislative body of the government.

¹¹⁶ Sayarı and Dikici Bilgin, p. 2

¹¹⁷ Hükümetler, https://www.tbmm.gov.tr/kutuphane/e_kaynaklar_kutuphane_hukümetler.html
;Bakanlar Kurulu, http://www.basbakanlik.gov.tr/Forms/_Global/_Government/pg_Cabinet.aspx

They can manipulate the law proposals according to their business interests. Since many of them are in budget and planning commission. They can affect budgetary decisions of the parliament according to sectors of their firms. The connected individuals in the commissions of the Parliament may manipulate the decisions given by the committees according to their business interests, or according to interests of the sectors. They may cause to making law which may benefit their firm of the sector.

Table 17: Politically connected individuals as Members of Committees in the Parliament

Committees	Connected Individuals	Party	No. of Connected Individuals
Agriculture, Forestry and Rural Affairs	Individual 109	AKP	1
Constitution	Individual 5 Individual 28 Individual 44 Individual 89 Individual 25 Individual 31 Individual 64 Individual 2 Individual 41 Individual 21	AKP AKP AKP AKP ANAP ANAP ANAP CHP, SHP YTP, DSP Indep.	10
Environment	Individual 107 Individual 17 Individual 40	AKP DYP FP	3
Equal Opportunity for Women and Men	-	-	-
EU Harmonization	Individual 26 Individual 76	AKP AKP	4

	Individual 56	AKP	
	Individual 112	AKP, FP	
Foreign Affairs	Individual 36 (chair)	AKP	10
	Individual 63 (chair)	ANAP	
	Individual 39 (chair)	Indep.	
	Individual 110	AKP	
	Individual 35	ANAP	
	Individual 33	ANAP	
	Individual 91	ANAP	
	Individual 64	ANAP	
	Individual 16	ANAP, Indep.	
	Individual 6	DYP	
Health, Family, Labor and Social Affairs	Individual 66	CHP	2
	Individual 101	MHP	
Human Rights Inquiry	Individual 19	AKP	3
	Individual 108	CHP	
	Individual 46	DYP, YDH	
Industry, Trade, Energy, Natural Resources, Information and Technology	Individual 33	ANAP	5
	Individual 91	ANAP	
	Individual 55	DYP	
	Individual 40	FP	
	Individual 21	Indep.	
Internal Affairs	Individual 16	ANAP, Indep.	2
	Individual 106	DSP, CHP	
Justice	Individual 105	AKP	4
	Individual 89	AKP	

	Individual 11 Individual 43	ANAP ANAP	
National Defense	Individual 97 Individual 89 Individual 11 Individual 33 Individual 70 Individual 47	AKP AKP ANAP ANAP MHP SHP	6
National Education, Culture, Youth and Sport	Individual 3 Individual 100	AKP AKP,RP,FP	2
Petitions	Individual 3 Individual 89 Individual 16 Individual 64 Individual 14 Individual 94	AKP AKP ANAP,Indep. ANAP CHP,SHP DYP	6
Plan and Budget	Individual 81 (chair) Individual 104 (chair) Individual 112 (chair) Individual 111 Individual 72 Individual 105 Individual 9 Individual 11 Individual 25 Individual 98 Individual 99 Individual 78	AKP AKP AKP,FP AKP AKP AKP ANAP ANAP ANAP CHP CHP	15

	Individual 4 Individual 2 Individual 14	CHP CHP, SHP CHP, SHP CHP, SHP	
Public Works, Reconstruction, Transportation and Tourism	Individual 4	CHP, SHP	1
Security and Intelligence	Individual 105	AKP	1
State Economic Enterprises	Individual 68 (chair) Individual 64 Individual 16 Individual 98 Individual 30 Individual 2 Individual 55 Individual 92 Individual 106	ANAP ANAP ANAP, Indep. CHP CHP CHP, SHP DYP DSP DSP, CHP	9

3.3. A Summary of Findings and Some Further Remarks:

1. To explore politically connected firms, in this study, the board of the directors of 694 firms in Stock Market İstanbul between 1998 and 2015 are examined to find out parliamentarians in 18th-24th Legislative Terms from 1987 to 2015.

2. Total number of politically connected firms is 125, which constitutes 18 % of the total firms. This is more than 1 firm that Faccio finds out in her discussion of politically connected firms in Turkey.

3. Politically connected firms exist in every year. Despite lack of data for 2000 and 2001 about individuals who are at the parliament and at the board of the directors at the same time, the ratio of politically connected firms to the total number of firms changes

only very slightly. Therefore one should say that connections always do exist and instead of a significant break with the past; what we have is a continuity for the period examined in this study.

4. The connected firms are mostly in financial, manufacturing and wholesale sectors. In the Stock Market of İstanbul, the number of firms in manufacturing firms is more than the ones in the financial sector. What comes out of the connections is the opposite. It is the financial sector having most connections. The manufacturing sector is the second one.

5. Most of politically connected firms are connected either with ANAP and/or AKP. There are also connected firms with CHP, DYP, FP, and SHP. Having more firms connected to right wing parties could be parallel to Buğra's emphasis on the use of religion as a network capital by right wing parties.

6. There are 112 politically connected individuals. Among them, 65 are first in the TGNA and then in board of directors, 24 are in board of directors and in the parliament at the same time. 23 of them are first in board of directors and later in the parliament. This study encompasses the period after 1998, but according to the web site of TGNA, there are many parliamentarians served in the board of the directors before that date. Therefore the number of connections is probably higher than what I have found by using the data of Stock Market İstanbul. There are 2 people that I cannot double check their connections. There are two people under the same name in the board of the directors of RAY Sigorta, but I cannot find any source indicating these deputies and businessmen are the same people.

7. There are ministers among the connected individuals. The majority of these ministers are Ministers of State. A considerable number of connected individuals serve as Ministers of Energy.

8. Some of the connected individuals have been serving in Committees in the parliament; mostly in planning and budget committee. This choice might be related to their educational and/or occupational background first. Secondly, they could be planning to be more influential in decision-making especially about the sectors that they had connections.

9. Regarding the backgrounds of parliamentarians, one may assume that having served in a high-ranking bureaucratic position is important to be a parliamentarian later. The majority of politicians in business had worked as bureaucrats before being deputies.

10. Before looking at the board of directors of the companies, I checked whether it is illegal for a deputy to become a board member of a firm. Because there are countries in which direct connections of business with politics are not welcomed. The Brazilian law *Codigo de Etica*, for example, forbids senators to own companies that would benefit from a contract with the government. In Ireland office holders are not allowed to have any financial interests that might conflict or to be seen as conflict with their positions. There are also countries such as Chile, Portugal and South Korea, with restrictions on board members¹¹⁸. In the US, congress members cannot become the members of the board of the directors of the companies. They cannot get more than 5% shares. However, according to Turkish laws, there is no limitation to a deputy to become a board member of a firm. Deputies can also be shareholders of the firms.¹¹⁹ Having connections with firms does not constitute a legal problem for politicians and businessmen.

11. It is the publicly available data presenting these connections. In fact, neither politicians nor businessmen hide their connections. The politically connected firms are not shell companies. Here it is interesting to note that the official web site of TGNA generally presents more detailed information about the connections of the people than the Yearbooks of Stock Exchange Istanbul. In the biographies of parliamentarians available on TGNA's web site, there are many connections belonging to the period before 1998, and there are many connections without clear starting dates. One can argue that no matter if it is the deputies or the secretary of TGNA preparing these biographies, "having connections" tends to be important in Turkey's political culture. It is not something to be hidden, and it is in fact something to be displayed to the audience. It might even be "something to be proud of" as "a sign of success," a proof of their "intellect and talents" that they used or the things that they "sacrificed" for becoming "a representative of the Nation."

¹¹⁸Faccio, 2006, p. 380

¹¹⁹"Hem milletvekili hem yatırımcı olunabilir mi?"<http://www.hurriyet.com.tr/yazarlar/20486137.asp>; Bayraktar: Şirketimizi canlandırmaya çalışıyorum, iş arıyorum <http://www.hurriyet.com.tr/gundem/27679848.asp>

CONCLUSION:

Since this is a descriptive study, my first and foremost goal was to state direct connections between politics and business. The analysis of the Stock Market Istanbul data shows that there are politically connected firms Turkey and the number of connected firms has slightly increased between 1998 and 2015. The data set I have used is incomplete for 2009, so one should say that the results may not be accurate. The missing information can be completed from other sources such as 2009 Activity Reports of the firms. For the period before 1998, however, Daily Bulletins of Stock Exchange since 1985 are convenient to compare the level of connectedness across years.

In fact, analyzing politically connected firms through the board of the directors can be just one part of the analysis of the politically connected firms; there are probably more politically connected firms that do not appear on my findings or my data. Here in this part, I have concluded with more methods to explore politically connected firms in Turkey.

As Buğra argues, in Turkish case owners of the firms are more important in the case of ruling and giving decisions about the firms. Therefore looking at the shareholders who have considerable voting right in management of the firm makes sense. In fact, some direct connections cannot be found through the board members. For example Vahit Kiler, the owner of Kiler Holding, is one of the shareholders. He was not a member of the directors; therefore he is not within the scope of this study. However he served as AKP deputy from 2007-2015.¹²⁰ This study did not count him as politically connected since it is not him but his family sitting in the board of the directors despite the fact that he is a connected individual. In addition, a general directors and CEOs of the firms and their connections might be important for understanding the connectedness of the firms.

There are many local and/or small firms which are not traded in Stock Exchange Istanbul. Therefore another method of investigating direct connections is to look at the firms which are not on the stock market. Any firms' connection partys' local branches deserves attention as well. For example the provincial vice chairman of İzmir AKP

¹²⁰TBMM Vahit Kiler Özgeçmiş, https://www.tbmm.gov.tr/develop/owa/milletvekillerimiz_sd.bilgi?p_donem=24&p_sicil=6266; Ak Parti Milletvekili Berat Albayrak Kimdir? Kaç Yaşındadır? <http://www.vatandanhaber.com/haber/1660/ak-parti-milletvekili-berat-albayrak-kimdir-kac-yasindadir.html>

branch, Semih Pakdemirli became a board member of Turkcell. Although he run for deputy elections from İzmir, he failed to be elected. His familial ties are also important for showing his direct connections. His father was ANAP deputy, Minister of Transport, Minister of Finance and Deputy Prime Minister.

A way to understand direct connections between local governments and firms can be to look at firms making donations to local governments and firms providing assistance to local governments in their social aids by supplying what the parties distribute their potential voters. Besides, more specifically, deputy ministers can be analyzed since they are not necessarily elected. There are some deputy prime ministers directly appointed from business-private sector.

In my analysis I included only direct connections. Indirect connections, too, are enlightening in terms of connections. Family and friendship ties provide other connections which cannot be grasped through the members of the board of directors. For example, I did not count Çalık Holding as politically connected in my analysis. However, the company owns Sabah-ATV media group which is known with its closeness to the government. The owner Ahmet Çalık is personally very close to Recep Tayyip Erdoğan. Most importantly, Erdoğan's son-in-law, Berat Albayrak, was the former CEO of Çalık Holding and in June 2015 elections, he has been elected as a deputy of Istanbul.¹²¹ Another example is Önder Doğu, the husband of Mesut Yılmaz's wife's sister, who became a member of the board of director of THY. Mesut Yılmaz's lawyer and a friend from military service, his wife's assistant's brother all found positions in Petrol Ofisi Company.¹²² Turkish media presents abundant information about these connections.

Once connections are set; politically connected firms can be analyzed more closely. The relations between connected firms or networks between them –if there are– can be investigated. The differences between state owned and privately owned companies in terms of their performances can be put forth. Questions as such can be answered: Do connected firms perform better than not connected ones? Do state owned connected firms perform better than privately-owned firms? Do connected firms have higher leverage ratio? Does firm size matter in the number of connections? Do large

¹²¹"Benim Damadım İşini Bilir", <http://www.sozcu.com.tr/2013/ekonomi/benim-damadim-isini-bilir-268168/>,

¹²²"Bacanak Sancısı," <http://www.hurriyet.com.tr/index/ArsivNews.aspx?id=-265711>

firms have more connections or less but deeper connections? Some firms are in BIST 100 and 30 induces. Do top-traded firms in these induces have more connections or not?

What about the capacity utilization of connected firms in the stock market? Does the number of employment change in accordance with connections? Do connected firms employ more people before elections in order to be able to satisfy politicians to guarantee their reelection? How are connected firms influenced by political shocks? Do the connected ones lose more value? Or are the firms which are not getting along with parliament affected badly from political shocks?

Like politically connected firms, politically connected individuals can be analyzed more closely as well. On the web site of TGNA, parliamentary questions and legislative proposals of parliamentarians are available. The activities of politically connected individuals can be traced from these documents. Whether or not they are pursuing their own interests in relation to the sector that their companies are operating can be discovered. Besides, there are influential businessman politicians who were not elected as deputies. Besim Tibuk, the chair of LDP is the CEO of Net Holding; Cem Boyner and Cem Uzan are owners of some largest firms. The reasons of why these businessmen want to be in the parliament and what kind of advantages they could get deserve attention. Some businessmen candidates are spending too much money for elections both for campaigns and donations. For example in July 7, 2015 elections candidates usually spent between 400 thousand and 1 million Turkish liras¹²³, which is higher than the four-year salary of parliamentarians. A very simple cost benefit analysis implies the presence of some other incentives in being a parliamentarian which can be researched in a detailed way.

Besides businessmen, there are lawyers, accountants, engineers and bureaucrats in the parliament. The occupational backgrounds of parliamentarians can be instrumental in providing them business connections. For instance, bureaucrats who worked at state institutions such as DPT seem to have many business connections. The advantages or disadvantages of having worked in this kind of institutions for creating

¹²³ "500 Milyona 550 koltuk", <http://www.hurriyet.com.tr/ekonomi/29232346.asp>; "Erken Seçim her milletvekili için en az 100 bin lira daha demek" <http://m.t24.com.tr/haber/erken-secim-her-milletvekili-icin-en-az-100-bin-lira-daha-demek,302297>; 99 milyon 999 bin 990 dolar bağışmış http://www.cumhuriyet.com.tr/haber/turkiye/59069/99_milyon_999_bin_990_dolar_bagismis.html

business connections can be analyzed. There may be some connections through educational/organizational ties as well. Imam Hatip high school or İlim Yayma Cemiyeti backgrounds can be important criterion for determining some individuals' connections. Another idea is looking at the connections between military officers and business.

This study has used the databases provided by government authorities. The accountability and transparency of these institutions such as PDP, CMB, SPK and Stock Exchange Istanbul needs to be analyzed. The level and amount of information they provide is important and in some cases this may depend on the firms. There are some firms who do not give their information on a regular basis. Therefore the firms' accountability and transparency can be also significant for finding out connections between business and politics.

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APPENDIX: Governments in Turkey from 1983 to 2015

Government	Period	Prime Minister	Party	Coalition/Majority
45	13.12.1983- 21.12.1987	Turgut Özal	ANAP	Majority
46	21.12.1987- 09.11.1989	Turgut Özal	ANAP	Majority
47	09.11.1989- 23.06.1991	Yıldırım Akbulut	ANAP	Majority
48	23.06.1991- 201.11.1991	Mesut Yılmaz	ANAP	Majority
49	20.11.1991- 16.05.1993	Süleyman Demirel	DYP	DYP+SHP
50	25.06.1993- 05.10.1995	Tansu Çiller	DYP	DYP+SHP
51	05.10.1995- 30.10.1995	Tansu Çiller	DYP	Minority
52	30.10.1995- 06.03.1996	Tansu Çiller	DYP	DYP+CHP
53	06.03.1996- 28.06.1996	Mesut Yılmaz	ANAP	ANAP+DYP
54	28.06.1996- 30.06.1997	Necmettin Erbakan	RP	RP+DYP
55	30.06.1997- 11.01.1999	Mesut Yılmaz	ANAP	ANAP+DSP+DTP and Independents
56	11.01.1999- 28.05.1999	Bülent Ecevit	DSP	Minority
57	28.05.1999- 19.11.2002	Bülent Ecevit	DSP	DSP+MHP+ANAP
58	19.11.2002- 12.03.2003	Abdullah Gül	AKP	Majority
59	14.03.2003- 29.08.2007	Recep Tayyip Erdoğan	AKP	Majority
60	29.08.2007- 06.07.2011	Recep Tayyip Erdoğan	AKP	Majority
61	06.07.2011- 29.08.2014	Recep Tayyip Erdoğan	AKP	Majority
62	29.08.2014-	Ahmet Davutoğlu	AKP	Majority