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## Social Cohesion for Economic Growth

The extensive literature on the impact of social cohesion on growth<sup>2</sup> notes that social cohesion implies the intensification of the cooperation between ethnic, religious and other groups of identity. Its presence necessitates the prevalence of norms in labor and capital markets as well as in the education system preventing discrimination based on class differences. This article will outline how and why growth will be higher in societies where people work and produce together and enjoy equal rights despite their different social identities.

Social growth, to begin with, reduces transaction costs in economic exchange, such as information accumulation, communication and contractual practices. Economic activities remain limited in societies where trust and cooperation among different groups of identity proves to be low, due to higher costs of economic cooperation.

Secondly, as social cohesion boosts reciprocal ties between individuals, individual demand for public goods is consonant with the supply of those goods. The resulting availability of public services will have a positive contribution to the national income. Empirical studies demonstrate that the provision of public goods and services, such as education, healthcare, roads, and waste disposal, tend to be less in heterogeneous societies consisting of individuals with different social identities<sup>3</sup>. Societies with a high-level of social consciousness and cohesion offer a more cooperative and reciprocal environment in order to use public resources towards the end of fostering public interest without an explicit need for a homogenous society.

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<sup>1</sup> <http://www.tepav.org.tr/en/ekibimiz/s/1347/Yasemin+Satir+Cilingir>

<sup>2</sup> See Foa (2011).

<sup>3</sup> See Alesina et al. (2005).

The lack of social cohesion also makes a society more vulnerable to social conflicts, violence and separatist movements. For instance, Foa (2011) compares the social cohesion index calculated for 1990 with the duration of and the number of casualties in civil conflicts between 1991 and 2008. Accordingly, a 1 unit decrease in social cohesion corresponds to a rise of 4.5 years in the average duration of conflicts and a respective increase in the number of casualties. In sum, when civil conflict starts, its duration and ferocity are determined by the social cohesion and resistance at the time of the conflict. Academic research has proven the negative impact of social conflicts, terrorism and class struggles on capital formation and economic growth. Violence among groups tends to destroy a country's physical and human capital, leads to brain drain and alienates foreign investment. Collier (1999) estimates the economic cost of one year of civil war as an average loss of 2.2 % in growth<sup>4</sup>. Therefore social cohesion, which shortens the resilience process during civil conflicts, is important to prevent the destruction of social capital.

Finally, the impact of social cohesion on allocation, productivity and efficiency is also linked with economic growth. For an effective allocation in a society, resources must be distributed so as to maximize total economic welfare. However, discrimination and social polarization resulting from the absence of social cohesion may lead to a suboptimal distribution of resources. For instance, the refusal of any social group to work with another religious or ethnic group or the rejection of employers to hire qualified workers from minority groups can accrue unfavorable outcomes, such as having to rely on production by unqualified staff. Furthermore, if the minorities are denied access to social services such as education, transportation and healthcare, a respective loss in human capital and productivity is inevitable.

To sum up, social cohesion does improve economic growth through preventing physical and human capital destruction, and building social capital, cooperation and trust between individuals of a society.

The economic cost to be accrued by an absence of social cohesion is high. What, then, does social cohesion mean for Turkey? Is Turkey a society of persons that trust each other? How can Turkey improve social cohesion? How will 2.5 million Syrian refugees find their place in an already delicate equation of Turks, Kurds and Alevis?

### **Ethnic, Religious and Language Diversity vs. Welfare**

Until recently, debates on the negative impact of social diversity on growth, rather than that of social cohesion, dominated the agenda<sup>5</sup>. However, new research has shown that rather than the religious, ethnic or language fractionalization themselves, it was the existing inequalities between different communities that impacted social cohesion, and hence economic growth<sup>6</sup>. Inequalities between groups based on class or identity are called *horizontal inequalities*.

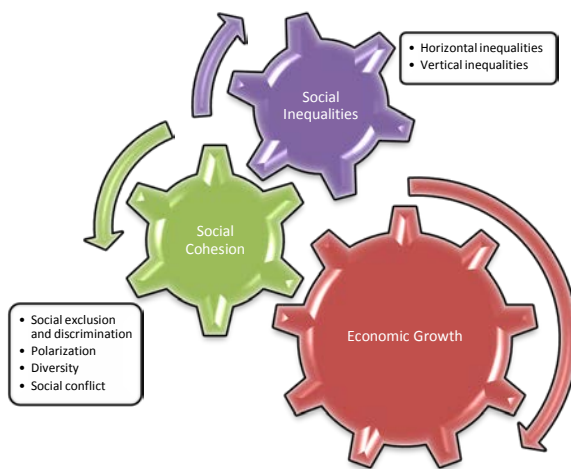
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<sup>5</sup> See Easterly and Levine (1997), Alesina et al. (2003).

<sup>6</sup> See Stavaren and Pervaiz (2015), Foa (2011).

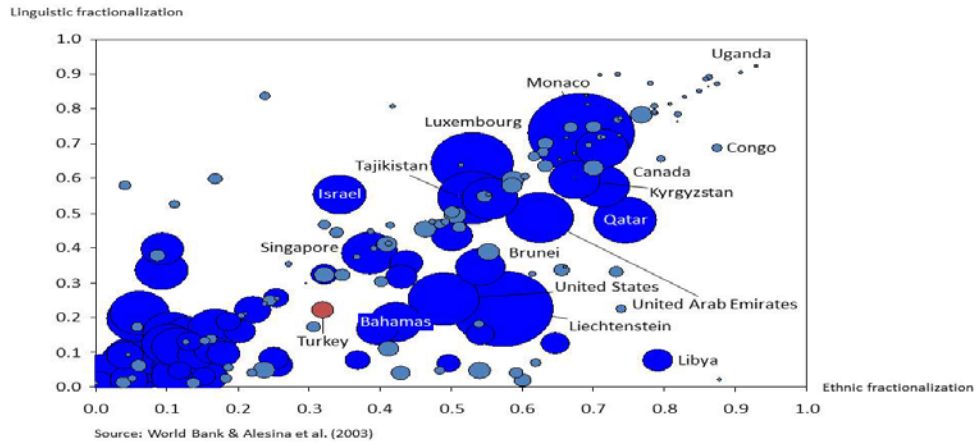
Horizontal inequalities, which differ in this sense from *vertical inequalities*, i.e. inequalities between individuals, have a corrosive effect on social cohesion. Even in cases where the society is composed of different religious and ethnic communities, if social institutions are designed so as to eradicate discrimination among different groups, social cohesion can exist despite those differences. On the contrary, a society with a homogenous structure in terms of religion and ethnicity may well be polarized by groups with a grip on the economic and political power. Figure 1 below shows how social dynamics and economic growth are nested through social cohesion. Social inequalities, especially horizontal ones, hamper fostering social cohesion. Further, lack of cohesion has a direct impact on economic growth, and vice versa.

**Figure 1: The Wheel of Social Dynamics and Economic Growth**



To show how diversity does not have a direct impact on economic growth, we use the work of Alesina et al. (2003). In their work “Fractionalization”, Alesina et al. publishes indices to calculate the diversity ratio of countries in terms of religion, ethnicity and language. We use these indices in Figure 2 and Figure 3. Figure 2 below aligns countries according to the linguistic and ethnic diversity indices. Bubble sizes show the national income per capita in 2000. The figure does not indicate a direct negative relation between ethnic and linguistic diversity of these countries and their welfare levels. For instance, in countries with a high degree of ethnic or linguistic diversities, such as the U.S., Singapore or Qatar, immigrants’ contribution to the workforce produces positive economic benefits. On the other hand, high diversity triggers civil wars and conflicts in Africa. Therefore the impact of diversity on economic growth may well depend on the social structure of each country. We can re-run a similar analysis in Figure 3 using the religious diversity index and GDP per capita to show there is no concrete trend between diversity and economy, and developed countries have varying levels of religious diversity.

**Figure 2: Ethnic and Linguistic Fractionalization with GDP per capita in 2000 (US \$)**



**Figure 3: Religious Fractionalization and GDP per capita in 2000 (US \$)**

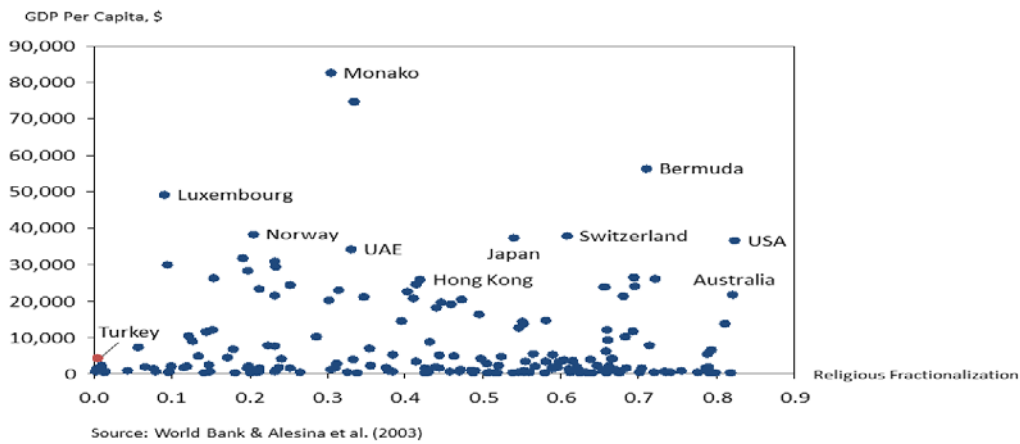


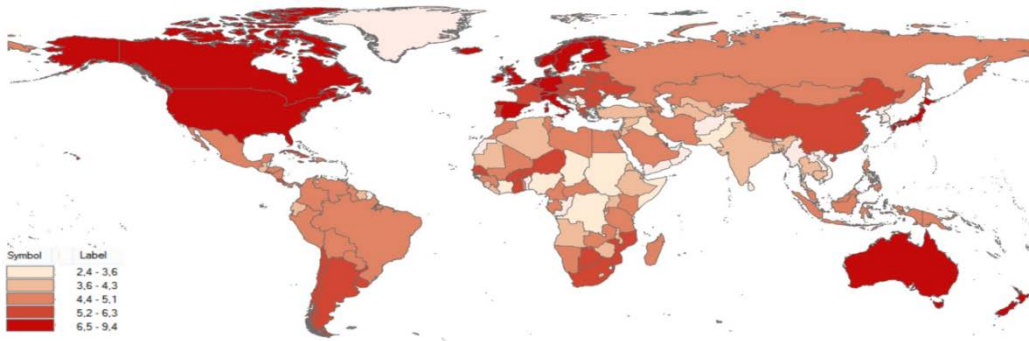
Figure 2 & 3 lead to the conclusion that what counts in making growth calculations or managing the economy is not the diversity itself but the way in which such diversity is managed. Indeed, the level of social cohesion itself is an outcome of such management as well. Therefore Turkey must design policies to efficiently utilize from its social diversity. Policy-makers may have to take this situation into account in order to act on social inequalities and prioritize social inclusiveness over belonging. More than 2.5 million Syrian refugees have currently added to the different ethnic groups living in Turkey, which has now become a more diverse country compared to the 2000s. To benefit from this diversity in the labor and capital market is in Turkey's hands, for instance by encouraging scientists such as Refaai Hamo to stay rather than migrating to the U.S....<sup>7</sup> According to the data provided by the "[Commercial Ties With Syria After the Migration](#)" report by TEPAV, 1257 companies were established in Turkey with the partnership of Syrians in 2014. Such economic activities are the proof that diversity can be channeled towards mutually beneficial relations.

<sup>7</sup> <http://www.tepav.org.tr/tr/blog/s/5487>

### Where does Turkey Stand According to Different Measures of Social Cohesion?

Researchers drafting social cohesion indices for countries make use of various data, including tensions between ethnic and religious groups, the integration of minorities to society or differences of remuneration and education between different social groups. In his paper “The Economic Rationale for Social Cohesion” drafted for the OECD, Fao (2011) finds that Turkey ranks 120<sup>th</sup> among 155 countries in the social cohesion list. As the world map in Figure 4 indicates, Turkey lags behind many economic partners or competitors in terms of social consensus. The most critical factors leading such an outcome are the political polarization within the country and the Kurdish issue.

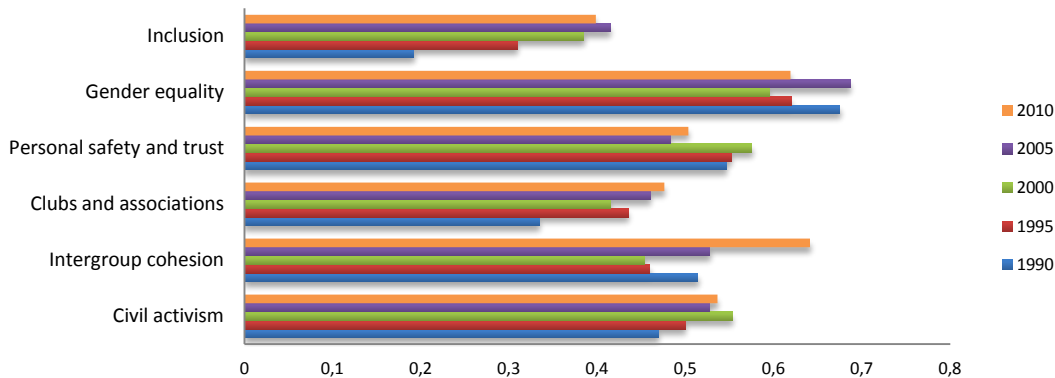
**Figure 4: OECD social cohesion index, 2005**



Source: Robero Fao. 2011. “The Economic Rationale for Social Cohesion”. Perspectives on Global Development, OECD Development Centre. Paris: OECD. TEPAV calculations

The Indices of Social Development published by the International Institute of Social Studies (ISS) examine issues such as intergroup cohesion, degree of organization, gender equality, and the inclusion of minorities in the society. The indices are between 0 and 1. The closer they get to 1, the higher the progress made on a certain issue. Figures 5 uses ISS indices for Turkey that correspond to the years 1990 to 2010, and shows that Turkey was on a good track until 1990 to 2010 by improving on inclusion and cohesion.

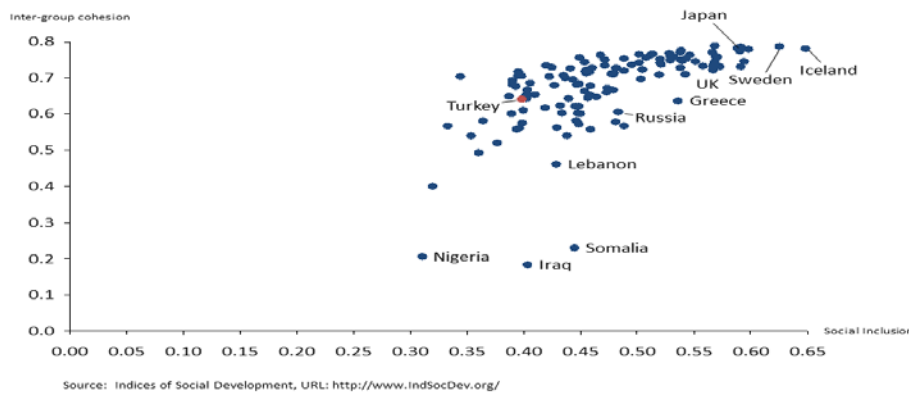
**Figure 5: ISS Indices of Social Development – Turkey**



Source: Indices of Social Development, URL: <http://www.IndSocDev.org/>

However, although there is an improvement, when compared to other countries, Turkey performs poorly in terms of inclusiveness and cohesion (Figure 6). As in many indices, ISS uses several surveys to calculate its social development indices<sup>8</sup>. We should note that survey results are generally based on individual perceptions, and without doubt, molded by perceived horizontal inequalities and the way these shape social attitudes, rather than the absolute horizontal inequalities themselves<sup>9</sup>. Social development policies should therefore be designed to focus both on the reality and on its perception in the middle term.

**Figure 6: Inclusion of Minorities and Intergroup Cohesion Around the World, 2010**



Surveys by TEPAV in 2011, 2013 and 2015 measuring social perceptions on the Kurdish issue put forth questions that can help identify the consensus and cohesion among different social identities. Figures 7 and 8 demonstrate how Turks and Kurds perceive each other in 2011, 2013 and 2015, while Figure 9 displays the perception of Alevis by Sunnis in 2015. The increase of the fracture between Turks and Kurds, particularly in terms of marriage and neighbor relations is compelling. Meanwhile, the perception of Alevis, considered religiously different, has a stronger impact in society than ethnic differences. All these data show how much Turkey needs a new discourse and political mindset to strengthen the understanding between different social groups.

On the other hand, the simultaneous decrease of Turkey's growth rates in 2011, in 2013 and in 2015 and the regression in the Turks' perception of Kurds also draws attention. A more detailed research as well as studies that investigate the relationship between social cohesion and growth would be worthwhile in Turkey. Social cohesion criteria obtained for provinces and districts could be compared with the ease of doing business indices, growth rates and sectoral cooperation data.

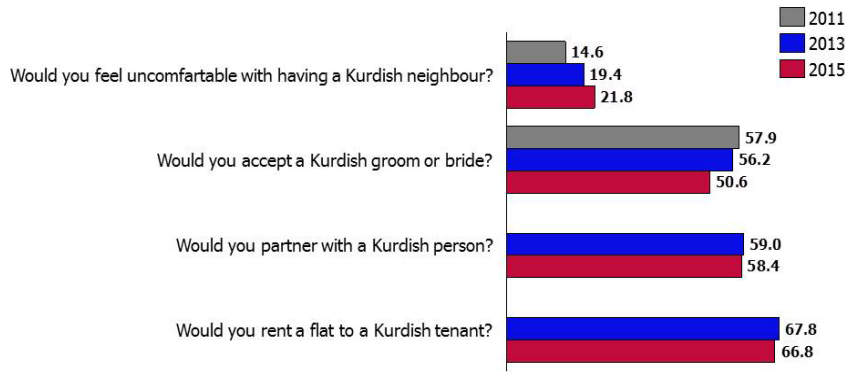
<sup>8</sup> See World Value Survey, Afrobarometer, Latinobarometer, International Survey Programme.

<sup>9</sup> See Lübker (2004) and Han et. al. (2012).

**Box 1: Turkey’s Growth Trend vs. Turks’ Perception of Kurds**

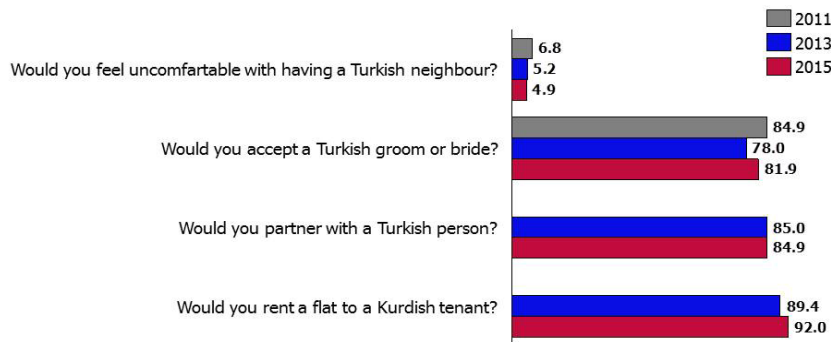
Year	Real GDP Growth (1998 prices)	Would you feel uncomfortable for having a Kurdish neighbor? (% of yes)	Would you accept a Kurdish bride-groom? (% of yes)
2011	8.8	14.6	57.9
2013	4.2	19.4	56.2
2015	3.4	21.8	50.6

**Figure 7: Turks’ perception of Kurds, % of Yes**



- All the respondents who didn't describe themselves as Kurds or Zazas were coded as Turks.
- The 2011 didn't include 3rd and 4th questions; the 2nd question asked «Would you accept a Kurdish groom?»

**Figure 8: Kurds’ perception of Turks, % of Yes**



- All the respondents who described themselves as Kurds or Zazas were coded as Kurds.
- The 2011 didn't include 3rd and 4th questions; the 2nd question asked «Would you accept a Turkish groom?»

**Figure 9: Sunnis' Perception of Alevis, % of Yes**



### **Social Conflict**

One of the channels for social cohesion to affect growth is its link to social conflict and violence. Academic research has demonstrated the negative impact of conflict and inter-group discrimination on growth<sup>10</sup>. The lack of institutions that may have positive influence on the context of social conflict and violence makes countries more vulnerable to economic crisis. Under such circumstances, social cohesion once again becomes important as it prevents social conflicts while leading to institutions capable of managing conflicts that may arise when the country's situation becomes fragile.

Korean Samsung Economic Research Institution (SERI) publishes a social conflict index for OECD countries<sup>11</sup>. According to SERI social conflict index, which is calculated by the ratio of income inequality to the democracy and the effectiveness of government indices, Turkey is in a fairly fragile position among the OECD countries. The social conflict index we generated using the same method with SERI for 2014 is represented in Figure 10 globally and in Figure 11 for only OECD countries<sup>12</sup>. Results show that social conflicts are higher in African and Middle East countries compared to other parts of the world.

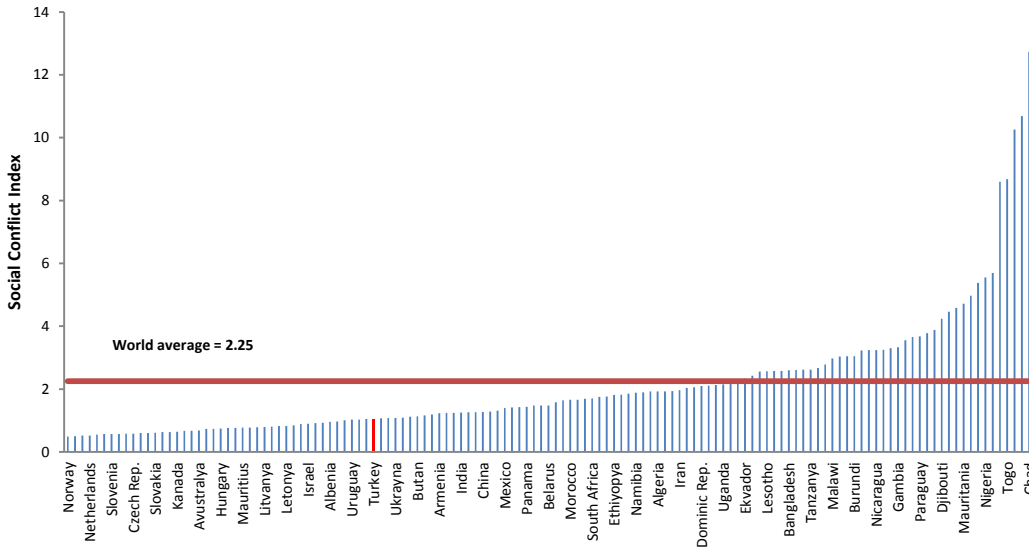
<sup>10</sup> See Rodrik (1998), (1999).

<sup>11</sup> See June (2009).

<sup>12</sup>  $conflict\ index = \frac{income\ inequality}{(democracy\ index + effectiveness\ of\ government)/2}$ . Data on income equality were taken from the Gini index prepared by the World Bank, while the democracy index was obtained from the PolityIV project of Center for Systematic Peace and the effectiveness of government index from the World Bank's Worldwide Governance Indicators database. The Gini index uses the latest data on countries, while the other indices contain data for 2014.



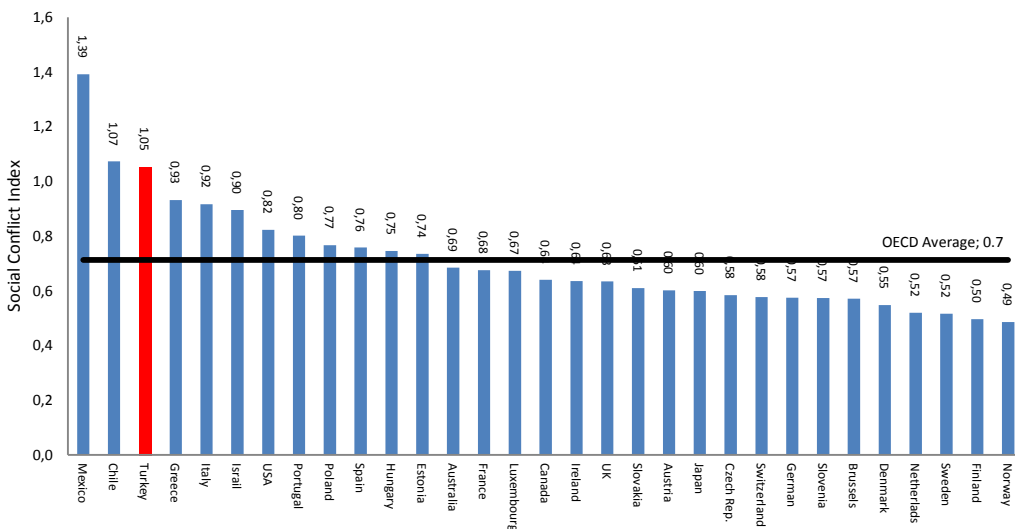
**Figure 10: Global Social Conflict Index - 2014**



Source: TEPAV calculations

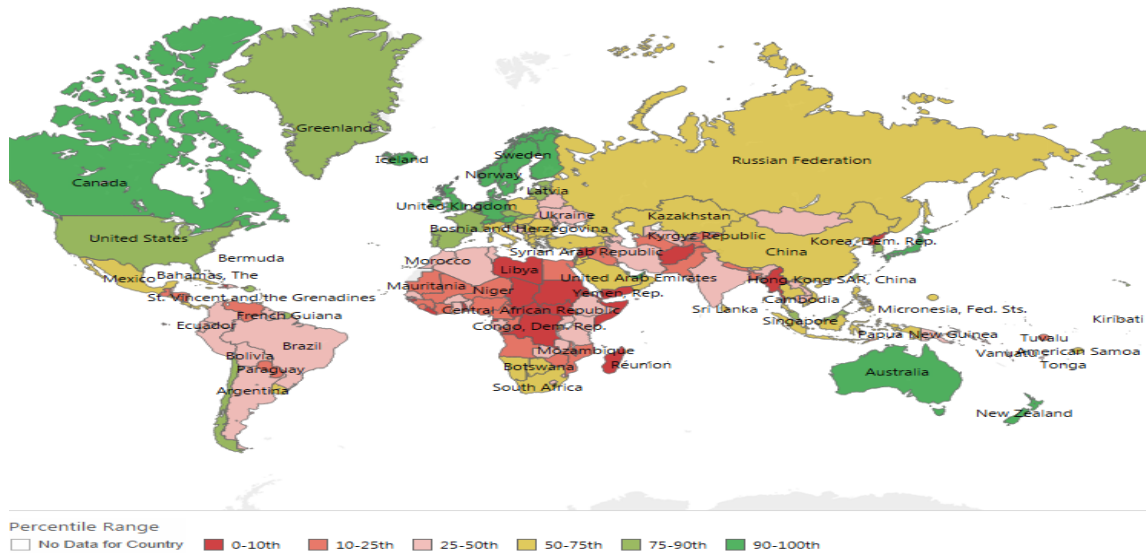
For its part, Turkey is particularly vulnerable in terms of social conflicts with respect to the OECD countries, especially due to poor effectiveness of the state. The effectiveness of government index calculates the quality of public services and people’s perception of quality, the immunity of public services from political pressure, the quality of policy-making and implementation, and the commitment of the government to these policies. The fact that Turkey’s democracy is still in an ongoing process of development, and the government has been unable to satisfactorily improve its efficacy in making and implementing policies, along with income inequality, puts the country in a risky position in terms of social conflicts.

**Figure 11: OECD States Social Conflict Index - 2014**



Source: TEPAV calculations

Figure 12: Effectiveness of Government, 2014



Source: [Kaufmann D., A. Kraay, and M. Mastruzzi \(2010\), \*The Worldwide Governance Indicators: Methodology and Analytical Issues\*](#). The Worldwide Governance Indicators are available at: [www.govindicators.org](http://www.govindicators.org)

## Conclusion

Ethnic, religious or linguistic diversity has no direct impact on the economic structure of societies. Indeed, countries such as the U.S. have succeeded in using diversity as human capital and in drawing economic benefits from it. On the other side, inter-group inequalities and discrimination caused by diversity can also trigger social disputes, as in the case of African states. The lack of institutions that would be able manage these social conflicts could lead to the collapse of capital and therefore, to economic crises. Institutions that could ensure social cohesion are required in order to prevent such situations. These institutions aiming to fight against social discriminations that emerge between different social groups and to ensure them comparable delivery of public service, would reduce horizontal inequalities within the society, enhancing social consciousness and cohesion. In turn, social cohesion would contribute to economic growth as it would enable trust and cooperation between individuals in economic and commercial relations, and steer way from barring qualified workers from the labor market due to their identity; and would therefore help prevent social conflicts and facilitate public policy. Indeed, this would correspond to a context where social diversity is successfully managed.

With the refugee influx, Turkey's ethnic map is getting increasingly diverse. Taking the necessary measures to enhance social cohesion and hence turn diversity into an asset instead of a factor of social conflict should stand as an urgent action plan for policy-makers. With its current vulnerability to social conflicts, Turkey has still a lot to learn on the issue of the governance of social cohesion.

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