



**Urbanization, marketing and construction in emerging economies:
The Case of Turkey
Fall/Winter 2015-6
IBUS 6297**

v.02

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TEACHING ASSISTANT: Tbd

CLASS MEETINGS: Tbd **Time:** Tbd **LOCATION:** Tbd

Course Description

The course is about the business & social implications of the Turkish economy's evolution over the last decade, which was the last chapter of the transformation that started in early 1980s. Turkey has been one of the fastest growing emerging economies in addition to being located in a geo-strategically sensitive region. Early in the new millennium, in the wake of the home grown 2000/01 crisis, Turkey has implemented its own macro-economic and political reforms, put public sector finances under control, reduced its high and volatile inflation considerably, and stabilized the business environment. Consequently, it has recorded high growth rates, and attracted significant amounts of FDIs. This transformation has had sizeable impact on the way the business is done by both locals and foreign companies. Moreover, this process has accelerated its already high urbanization rate, which has given way to numerous social issues. One can cite the relocation of thousands of people as a result of the massive construction projects, increased unemployment and changing cultural landscape. On the other hand, Turkey still suffers from many of the inefficiencies that are common in emerging economies such as lack of institutions and rule of law.

This course aims to provide the basic foundations and functioning of an emerging economy to students. It is highly important to understand the dynamics of emerging economies because of the increasingly significant roles these economies have been lately playing on a global scale. This will be achieved through lectures in DC, reading material as well as meetings in the country. Moreover, there will be a few specific areas of focus in the form of "projects", covering areas that are quite common in most emerging economies.

There are three specific areas that are, in my opinion, important in terms of understanding the business & social implications of the Turkish economy's evolution over the last few decades. First of all, Turkey's growth has been transformative essentially in large cities. The rapidly increasing urban population has made large cities even larger and strained public services significantly. Especially public transportation systems have suffered a lot. Also, the adaptation of rural populations to an urban setting has been presenting numerous challenges to both the newcomers and existing urban inhabitants. Economic aspects of this trend are also notable as unemployment rates are higher in urban centers. Therefore, the first project team will focus on the socio-economic implications of the rapid urbanization in Istanbul, Turkey's largest city.

Secondly, the high growth rates led to a sizeable increase in GDP and per capita GDP over the last decade. Coupled with consistent efforts by the Government to improve income distribution, this had led to a visible

expansion of the middle class in the country. The growth of the middle class has been one of the main drivers of urbanization, housing boom, mushrooming shopping malls, and increased domestic consumption, therefore consolidating the domestic component of growth. However, following more than a two-fold increase in per capita income in six years, Turkey's per capita income has virtually stagnated around \$11,000 for the last six years. This is called "middle-income trap" in economic literature. Turkey faces serious challenges to overcome this trap, and move forward. The second project team will carry out a marketing project on behalf of a hypothetical Turkish retailer that is planning a new line of products for the emerging young urban population in light of the above outlined background and future prospects of the economy.

Finally, it is widely accepted that a considerable portion of the "borrowed" funds has been channeled to real estate investments that are not contributing to the long-term productivity of the Turkish economy in addition to creating a real estate boom that can jeopardize Turkey's future growth. However, there are others claiming that Turkey's real-estate boom cannot be compared to that of Spain or Ireland because the bank financing is limited, and it is driven essentially by urbanization and growing middle classes, not speculators. In the current Turkish context, real estate sector is subject to a heavy central and local government involvement. The third team is expected to focus on the future of the real estate sector and advise a hypothetical US real estate company to partner with a Turkish company in jointly developing a major commercial (office & shopping mall) project in Istanbul.

Course Objectives

- **DEVELOP A BETTER UNDERSTANDING OF AN EMERGING ECONOMY WITH ITS STRENGTHS AND WEAKNESSES**
- **EVALUATE THE RISKS & BENEFITS OF DOING BUSINESS IN AN EMERGING ECONOMY**
- **UNDERSTAND THE SOCIO-ECONOMIC IMPLICATIONS OF THE RAPID ECONOMIC PROGRESS**
- **CONTRAST THE PARTICULARITIES OF THE ECONOMY IN AN EMERGING DEFICIT-ECONOMY WITH THOSE OF MATURE MARKETS**
- **ASSESS THE SIGNIFICANCE OF GROWING MIDDLE CLASSES IN EMERGING ECONOMIES THAT ARE GRADUALLY BECOMING THE MAIN DRIVERS OF GLOBAL CONSUMPTION**
- **ANALYZE THE ROLE AND RISKS OF REAL ESTATE INVESTMENTS IN EMERGING ECONOMIES**

Structure of the Course

This course is eminently creative and practice oriented. It will consist of two or three classes in DC that will introduce this complex environment to the students. The classes will be followed by a week-long residency in Istanbul, Turkey. The focus of the course will be the meetings and visits that will take place during our residency. These meetings will give students an opportunity not only to learn from the experiences of the local experts but also raise some of the questions they have in mind related to prior readings as well as the projects they are working on. Most of the learning, therefore, is expected to come from these contacts and visits on the ground. However, students are expected to be highly entrepreneurial at finding the necessary sources of information to properly assess the current business landscape and develop a sound understanding of the emerging Turkish economy. Obviously, the professor will facilitate access to some of these sources but they should be viewed as a starting point rather than the only sources of information needed to address the objectives of the course. The detailed course outline is given in Appendix A.

Required Material

Required reading material is listed below. All course material will be posted on the Blackboard.

Acemoglu, Daron, et. al., 2004. "Institutions as the Fundamental Cause of Long-run Growth."

<http://economics.mit.edu/files/4469>

Akyuz, Abdullah, 2009, "Political Economy of Turkey: In Search of Stability Amid Domestic and Global Crises"

http://www.brookings.edu/~media/research/files/papers/2009/3/turkey%20akyuz/03_turkey_akyuz.pdf

BBVA, 2013, "Economic Watch: Emerging Middle Class in Fast-Track Mode"

https://www.bbvaresearch.com/KETD/fbin/mult/EWMiddleClasses_v24jan13_tcm348-371705.pdf

Ernst & Young, 2013, "Hitting the Sweet Spot: The Growth of the Middle Class in Emerging Markets"

[http://www.ey.com/Publication/vwLUAssets/Hitting_the_sweet_spot/\\$FILE/Hitting_the_sweet_spot.pdf](http://www.ey.com/Publication/vwLUAssets/Hitting_the_sweet_spot/$FILE/Hitting_the_sweet_spot.pdf)

Hakura, Fadi, 2013, "After the Boom: Risks to the Turkish Economy"

http://www.chathamhouse.org/sites/files/chathamhouse/public/Research/Europe/0813bp_turkey.pdf

Hallward-Driemeier, Mary, 2009, "Who Survives: The Impact of Corruption, Competition, and Property Rights across Forms," World Bank Working Paper # 3485

<https://openknowledge.worldbank.org/bitstream/handle/10986/4276/WPS5084.pdf?sequence=1>

Hämäläinen, Timo, 2015, "Istanbul: Notes on the eternal city's urban problems and ideas"

<http://urbanfinland.com/2015/04/16/istanbul-urban-problems-and-ideas/>

Jones Lang LaSalle, 2014, "Turkey Real Estate Overview"

https://www.joneslanglasalle.com/ResearchLevel1/TRE_Overview2014.pdf

Khanna T. & K. G. Palepu, 2010, "The Nature of Institutional Voids in Emerging Markets: Why Markets Fail and How to Make Them Work" (The text will be provided)

Kose, M. Ayhan & E. S. Prasad, 2010, "Emerging Markets Come of Age"

<https://www.imf.org/external/pubs/ft/fandd/2010/12/pdf/kose.pdf>

La Porta, Rafael et. al., 1999, "The Quality of Government" (The text will be provided)

Pierini, Marc, 2013, "Urban transformation in Turkey"

<http://carnegieeurope.eu/2013/06/20/urban-transformation-in-turkey>

Rodrik, Dani, 2012, "The Turkish Economy after the Global Financial Crisis"

http://ekonomitek.org/pdf/6_dergi_makale2_dani_rodrik.pdf

Ucer, Murat, 2014, "Turkey's Economy: Now for the Hard Part"

http://www.foreignpolicy.com/articles/2014/08/12/turkeys_economy_now_for_the_hard_part

World Bank, 2013, "Rural-Urban Dynamics and the Millennium Development Goals" pp.85-162

http://siteresources.worldbank.org/INTPROSPECTS/Resources/334934-1327948020811/8401693-1355753354515/8980448-1366123749799/GMR_2013_Full_Report.pdf

Grading Policy

Grades for this course will be curved. That is, the points that you obtain from all assignments and class participation will be added up and sorted from high to low. Students who accumulated the most points will get an A. The cut-off points for A-, B+, B, B-, etc, will be determined later.

Course Requirements &

Due Dates

GROUP WORK (40%)

Group game plan presentation	10%	2 nd Class
Group project report	30%	January 24, 2016

INDIVIDUAL WORK (60%)

Final exam	20%	December 10, 2015
Post-trip reflection essay	20%	January 15, 2016
Class & project participation	<u>20%</u>	-
<u>TOTAL</u>	100%	

Group Project (40%)

Students will be assigned to one of the three projects/focus areas (urbanization, retail and real estate) mentioned above in the “Course Description” section based on their preferences and backgrounds. Specific project topics will be developed and announced prior to the first class.

Each team will make a brief (10-15min) presentation of their project game plans during the second or third class. This presentation will include:

1. A statement summarizing the engagement issue/topic/challenge.
2. A descriptive outline of the group project report.
3. Appendix A - A list of defined milestones/due dates for the team project, inclusive of expected interviews and “touch base” meetings with client and other individuals.
4. Appendix B - A description of the roles and responsibilities for each team member.

The main deliverable in this class will be the group project report. Each report will differ depending on the task assigned. The project report will be graded on the following criteria:

1. Comprehensiveness of research (primary and secondary)
2. Creativity
3. Depth of analysis
4. Professionalism in writing and overall report appearance

The detailed project report rubric is given in Appendix B.

Final Exam (20%)

The final exam will consist of a take-home exam. The take-home exam will have four essay questions that are aimed at testing the ability of students to capture the essential characteristics of emerging markets based on the required readings and class lectures. The detailed final exam rubric is given in Appendix C.

Post-trip reflection essay (20%)

Post-trip essay will try to measure the impact of the experience gained and observations made during the residency on students’ understanding of the business and socio-economic implications of the high-growth emerging economies/Turkish economy. The detailed reflection essay rubric is given in Appendix D.

Class & Project Participation (20%)

Class attendance and participation as well as active participation in project work is mandatory and will be evaluated strictly and on an individual basis. Your grade will depend on quantity of your participation and, most of all, the quality of your participation. Your participation grade may be negatively affected by unprofessional behavior (e.g., inappropriate comments, doing other class work, chatting with classmates). It will be particularly important to prepare for the sessions and visits & meetings while in the country. Specifically, excellent participation consists of

1. Arriving to class on time, attending class regularly, and missing no one class in the course.
2. Raising your hand several times within a singular class meeting, ready to share thoughtful and constructive input to class discussion. Thoughtful and constructive input typically means applying knowledge gleaned from course preparation materials and lecture in your class commentary or asking critical questions pertinent to the discussion.
3. Demonstrating that you are engaged and focused on class discussion by making regular eye contact with the professor and building on comments that the professor and other students make during class discussion.
4. Actively participating in in-class activities and generating thoughtful and creative applications of course concepts in these activities.
5. Being an active, creative and constructive member of your team (This will be measured through a peer evaluation survey)

No mobile phones or other electronic devices are allowed during lectures and visits. You can use your laptop only to take notes. **Strictly no web surfing, email checking, text message sending, or working on other class assignments.** Please be respectful of me and your fellow classmates and use your laptops judiciously. Please bear in mind that cold-calling is fair game at any point during class. If you are unable to respond or provide a far less than satisfactory response, your participation grade will be seriously affected.

PROFESSOR'S POLICIES

Group Work

Group project is a significant component of this course. Given the amount of time that you will have to spend working together it is advisable that, from the beginning, all the members of the team agree on reserving specific blocks of time to plan and distribute the work, discuss and integrate it, and produce the deliverables as required. All members of the team have to be ready to discuss any aspect of the group's work at any time. Similarly, the project paper can be prepared in a joint manner but each student will be responsible for answering questions raised during class discussions.

Academic Integrity

The professor will strictly abide by the academic integrity policies as stated at <http://www.gwu.edu/~ntegrity/code.html#definition>. Academic dishonesty is defined as cheating of any kind, including misrepresenting one's own work, taking credit for the work of others without crediting them and without appropriate authorization, and the fabrication of information. **ANY ASSIGNMENT INCLUDING PLAIGERIZED MATERIAL (see Academic Integrity Code for definition) WILL RECEIVE AN F. NO EXCEPTIONS WILL BE MADE.**

Late Assignments

NO LATE ASSIGNMENTS WILL BE ACCEPTED (*NOTE: 5 MINUTES LATE CONSTITUTES A LATE ASSIGNMENT – PLEASE MAKE ARRANGEMENTS TO TURN YOUR ASSIGNMENTS IN BEFORE THE DEADLINE TIME*). If you know you will be absent in class the day an assignment is due, you should plan on doing the work ahead of time and turning in the assignment early via email or fax. **THESE ALTERNATIVE METHODS OF TURNING IN ASSIGNMENTS SHOULD BE DONE BEFORE THE CLASS PERIOD.** Failure to turn in assignments before class will result in a zero for the assignment.

Final Grades. Final grades will reflect the student's total points earned in the course. You will be able to track your points on the Blackboard gradebook. All grades are final. **THERE WILL BE NO EXTRA CREDIT OFFERED IN THIS COURSE.**

Grading Disputes. Mistakes in grading can happen. I will do my best to grade very carefully. However, if you believe that an error has been made in the grading of your work, you should submit a **WRITTEN REQUEST** for a grade change. This report should include a discussion of what you got wrong and why you

believe you should have gotten credit for your work. Wherever possible, provide citations from the textbook or lectures. Attach this report to the original copy of your assignment or exam, and turn it in to the professor. I will try to give you a response as soon as possible.

APPENDIX A: CLASS OUTLINE

<i>DATE</i>	<i>TOPIC</i>	<i>PREPARATION MATERIALS</i>	<i>ASSIGNMENTS DUE</i>
10/27/15	Introduction: - Emerging markets - The transformation of the Turkish economy & society - Current state of the Turkish economy	Read the following material: Acemoglu Akyuz Hakura Hallward-Driemeier Khanna & Palepu La Porta et al. Rodrik Ucer	NONE
11/03/15	- Business environment - Growing middle class - Urbanization - Real estate boom - Project presentations - Info on group projects & final exam	Read the following material: BBVA Ernst & Young Hämäläinen Jones Lang LaSalle Kose & Prasad Pierini World Bank	Project game plan presentations
12/10/15	Take home final	None	Final exam
1/2/16- 1/9/16	Residency in Istanbul (DRAFT)	Day 1 (Saturday) Arrival in the afternoon <u>Evening:</u> Welcome reception Day 2 (Sunday) AM + PM: Guided Istanbul city tour Day 3 (Monday) AM: Presentation on the economy/business climate by a prominent economist/investment banker with special emphasis on project topics PM: Visit to a business organization and presentation on entrepreneurship in Turkey Day 4 (Tuesday) AM: Roundtable with economists on various aspects of the TR economy PM: Presentation on "Urbanization in Turkey" by a prominent academic Day 5 (Wednesday) AM & PM: Project related work by teams (separate meetings and/or team work) Day 6 (Thursday) AM: Meeting at a major construction company or REIT PM: Presentation on retail markets in Turkey Day 7 (Friday) AM: Meeting on "Challenges faced by Small and Medium Sized Enterprises (SMEs) in Turkey" PM: Visit to a major manufacturing or service company <u>Evening:</u> Farewell dinner Day 8 (Saturday) Departure	NONE
1/15/16	Post-trip reflection paper	None	Post-trip reflection paper
1/24/16	Group project	None	Group project

APPENDIX B: PROJECT REPORT RUBRIC

	E = Exemplary = 5 P = Proficient = 4 C = Competent= 3 D = Developing= 1	Points Earned	Comments
Completeness. Includes relevant concise summary of content, all areas of analysis are included, and paper meets minimum page length.		___/ 5	
Organization. Organized in a manner that allows the reader to understand the team's flow of ideas. Organizational statement as well as clear paragraph and section structure included. Executive summary included. Headings used.		___/ 5	
Content Knowledge/Understanding. Demonstrates a full understanding of the topic as well as the underlying theoretical views and practical challenges. Full understanding of content demonstrated.		___/ 5	
Creativity. Presents original & creative ideas developed by the group on the project topic. Asks and attempts to respond to some challenging questions.		___/ 5	
Analysis/Synthesis. Sound analysis through the lens of theoretical approaches and practical realities. Original thought demonstrates clear understanding of key principles. Consideration is given to the particularities of the country. Sufficiently deep level of analysis.		___/ 5	
Mechanics. Spelling and grammar are accurate and appropriate for scholarly work. Paragraphs are well focused, internally well-constructed, and used appropriately. Overall format of the paper uses appropriate APA style (title page, headers, margins, etc).		___/ 5	
TOTAL POINTS EARNED		30	

APPENDIX C: TAKE HOME FINAL EXAM RUBRIC

Appropriate use of course materials, frameworks, and concepts (80%)

Sophisticated application of class materials, including lessons learned in cases, readings, and class lectures	95-100% of possible points
Good application of class materials, but lacking the breadth or depth of the above category.	90-95% of possible points
Moderate use of class materials, or small mistakes made in application of frameworks or other materials from class.	80-90% of possible points
Little use of class materials, and/or significant mistakes made in applying materials to the issues of interest in the class.	70-80% of possible points
Misses major opportunity to leverage framework, lecture, or lessons from the cases to the issues of relevant in this assignment.	60-70% of possible points
Misapplication of course materials, frameworks, or lessons. Final paper uses little material beyond what student would be expected to know prior to beginning course.	0-60% of possible points

Writing style, spelling, and grammar (20%)

Excellent flow of writing; excellent organization of paper including use of headings; appropriate use of bullet points; no extraneous information in the paper; perfect grammar	95-100% of possible points
Good flow of writing; good organization of paper including use of headings; appropriate use of bullet points; no extraneous information in the paper; very good grammar	90-95% of possible points
Some issues with flow, organization, grammar, spelling, or unnecessary information included in paper	70-90% of possible points
Major issues with flow, organization, grammar, spelling, or unnecessary information included in paper	0-70% of possible points

APPENDIX D: REFLECTION PAPER RUBRIC

	E = Exemplary = 5 P = Proficient = 4 C = Competent= 3 D = Developing= 1	Points Earned	Comments
Organization. Organized in a manner that allows the reader to understand the student's flow of ideas. Sequential presentation of information and clear roadmap are included.		___/ 5	
Content Knowledge/Understanding. Demonstrates a full understanding of the key components of the essay topic. Presents convincing evidence that is based on the readings, class lectures and observations made during the residency.		___/ 5	
Analysis/Synthesis. Sound analysis of the readings and observations made on the ground. Excellent examples and cases. Original thought demonstrates clear understanding of key principles. Sufficiently deep level of analysis.		___/ 5	
Mechanics. Spelling and grammar in the reflection essay are accurate and appropriate for scholarly work. Overall format of the essay uses appropriate APA style.		___/ 5	
TOTAL POINTS EARNED		20	