

EXTRAORDINARY DISTRIBUTION SHOCK IN EXTRAORDINARY TIMES: AN ASSESSMENT BASED ON TOP INDUSTRIAL ENTERPRISES IN TÜRKİYE

Olağanüstü Zamanlarda Olağanüstü Bölüşüm Şoku: Türkiye’de Büyük Sanayi
Kuruluşları Üzerine Bir Değerlendirme

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Abstract

The post-COVID-19 era can be described as “interesting times” marked by a convergence of numerous extraordinary developments across the world. Türkiye, too, faced unprecedented challenges during this extraordinary period. Entering the pandemic with fragile economic balances and in search of a new economic model, Türkiye largely adopted policies structured around a “low interest-high exchange rate” axis. These policies were later termed the “Türkiye Model”. As with all economic choices, such strategies inevitably produced winners and losers in society. This study aims to analyze the impact of the economic policies pursued during the pandemic on Türkiye’s major industrial enterprises through the lens of distributional relations. The study presents a detailed analysis of functional income distribution data from the ISO 500 and the second 500 industrial enterprises, considering the sectors in which these firms operate, classified by technological intensity. The findings indicate that the economic choices made during the pandemic reduced labor’s share of income, positioning wage earners as the principal losers of the period. In contrast, industrial capital -particularly firms operating in low- and medium-technology-intensive sectors within the second 500- benefited from the policies implemented during this period and strengthened their position within the distributional structure.

Öz

COVID-19 sonrası dönem, dünyada birçok olağanüstü gelişmenin bir araya geldiği “ilginç zamanlar” olarak nitelendirilebilir. Türkiye de bu olağanüstü dönemde, daha önce tecrübe etmediği zorluklarla karşı karşıya kalmıştır. Pandemiye kırılgan ekonomik dengeler ve yeni bir ekonomik model arayışıyla giren Türkiye, bu süreçte büyük ölçüde “düşük faiz-yüksek kur” ekseninde şekillenen politikalar izlemiştir. Bu politikalar daha sonra “Türkiye Modeli” olarak tanımlanmıştır. Ekonomik tercihler, kaçınılmaz olarak toplumda kazananlar ve kaybedenler yaratır. Bu çalışma, pandemi döneminde izlenen ekonomi politikalarının Türkiye’deki büyük sanayi kuruluşları üzerindeki etkilerini, bölüşüm ilişkileri üzerinden analiz etmeyi amaçlamaktadır. İSO 500 ve ikinci 500 sanayi kuruluşları ile bu firmaların faaliyet gösterdiği teknoloji yoğun sektörlere ait fonksiyonel bölüşüm verileri detaylı şekilde incelenmiştir. Bulgular, pandemi dönemindeki iktisadi tercihlerin, emekçilerin gelirden aldığı payı azaltarak onları bu süreçte temel kaybeden konumuna getirdiğini göstermektedir. Buna karşılık, özellikle ikinci 500’de düşük ve orta teknoloji yoğun sektörlerde faaliyet gösteren sanayi sermayesi, bu dönemdeki politikalardan yararlanmış ve bölüşüm ilişkilerindeki konumlarını güçlendirmiştir.

Keywords:

Functional Income
Distribution,
Manufacturing
Industry,
Labor and Capital.

JEL Codes:

D33, L60,
E25, E65.

Anahtar Kelimeler:

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1. Introduction

“May you live in interesting times.” This phrase, believed to have originated in ancient China as a curse, suggests that interesting times are periods marked by uncertainty, hardship, and extraordinary events. In this sense, the past few years have been a peculiar era marked by unprecedented developments and significant challenges worldwide. The COVID-19 pandemic, which spread across the globe in 2020, led to hundreds of millions of infections and millions of deaths while also profoundly affecting the global economy.

The pandemic led to the disruption of global supply chains and worsened logistical challenges, causing a significant increase in international transportation costs (Carrière-Swallow et al., 2023). To mitigate the economic impact of the pandemic, loose monetary and fiscal policies were implemented worldwide, triggering new demand-driven shocks in the global economy. Meanwhile, Russia’s invasion of Ukraine in 2022 further exacerbated the situation by causing new supply shocks, particularly in energy and agricultural input/product markets. These intertwined cost-push and demand-pull shocks in the global economy have resulted in a severe cost-of-living crisis, the likes of which had not been seen in decades (IMF, 2022).

At a time when inflation was becoming an increasingly severe global issue, another peculiar development appeared in corporate profits. In nearly all economies, corporate profits surged to significant levels, leading to growing scrutiny over their role and impact on inflation (Weber and Wasner, 2023; Hansen et al., 2023; OECD, 2023). During this period, the share of labor in national income declined to historically low levels in both developed and developing economies (Karabarbounis, 2023).

Since 2020, while the global economy has been going through an extraordinary period, Türkiye has seen unique and interesting developments in its economic policies. In September 2021, at a time when developed economies were preparing to enter a cycle of interest rate hikes, a gradual monetary easing policy was introduced. This led to a rapid depreciation of the Turkish lira, followed by a strong wave of inflation. Due to the resulting high inflation, real wages eroded, shifting the burden of growth onto wage earners (Orhangazi, 2024: 18). Indeed, while the Turkish economy grew by an average of 6.3 percent during the period of 2020-2022, labor’s share of income dropped to 23.6 percent in 2022, marking the lowest level in the current GDP series.¹ In the same year, the share of net value added received by workers in Türkiye’s 500 largest industrial enterprises fell to 26.9 percent, reaching its lowest level since the publication of the functional income distribution series began in 1982 (Duvan, 2023: 412). In short, between 2020 and 2022, the Turkish economy went through its most severe income distribution shock in the past four decades.

The set of policies that were formulated during the pandemic and later branded as the Türkiye Model or Türkiye Economic Model -characterized by a low interest rate and high exchange rate strategy- was phased out following the 2023 general elections.

Every economic decision brings along winners and losers. Which industrial sectors in Türkiye have been most deeply affected by the distributional shock experienced after 2020? Has the impact of this shock differed between labor-intensive manufacturing sectors and capital- and

¹ The average growth rate and the share of labor in GDP were calculated using Table 2 and Table 9 from TÜİK’s “Annual GDP, 2023” press bulletin. Source: <https://data.tuik.gov.tr/Bulten/Index?p=Yillik-Gayrisafi-Yurt-Ici-Hasila-2023-53450> Accessed: 19.10.2024

technology-intensive sectors? Have large and smaller industrial enterprises been affected similarly by the distributional shock? How has the distributional shock altered the balance between industrial and financial capital?

This study primarily seeks to answer these questions and aims to trace the reflections of the distribution shock experienced in Türkiye after 2020 within the manufacturing industry sectors. The study particularly focuses on the post-pandemic development of labor-capital and intra-capital distribution relations by classifying Türkiye's largest first and second 500 industrial enterprises and the branches of activity in which these enterprises operate according to their technology intensity.

Within this framework, the study not only analyzes the trends in distributional balance between labor-intensive and capital and technology-intensive sectors but also provides a detailed examination of the distributional dynamics between industrial and financial capital during the 2020–2023 period, a time marked by extraordinary developments.

In this regard, it constitutes the first comprehensive attempt in Türkiye to investigate functional income distribution relations with such breadth and multi-layered depth, based on concrete data. By doing so, the study offers a more nuanced analytical framework that captures the complexity of distributional dynamics in the Turkish economy and seeks to contribute to the literature by addressing a significant gap in sectoral disaggregated analyses. It thereby aims to enrich ongoing scholarly debates and policy discussions in the field of income distribution.

The following sections of the study are planned as follows: First, the economic policies followed in Türkiye after 2020 and the development of the distribution shock will be summarized, alongside the findings and observations from other studies in the literature. Next, the data used in the study will be introduced, and distribution relations in sectors will be analyzed according to technological intensity. Finally, the study will be concluded with a summary of the general evaluation and some policy implications.

2. Economic Policies in Türkiye During the Pandemic Period

Türkiye was caught by the COVID-19 pandemic with highly fragile economic balances. The growth model dependent on capital inflows and the shift in global financial conditions against developing and emerging economies since mid-2013 placed Türkiye among the list of fragile economies.² From 2014 onwards, pressures on the interest rate decisions of the Central Bank of the Republic of Türkiye (CBRT) began to intensify, and the economic policy priority shifted from price stability to growth (Akyol, 2022: 191-193). The political crisis with the United States in the second half of 2018, followed by a currency shock and financial turbulence, further exposed the vulnerabilities in the Turkish economy. During this period, CBRT sharply increased its policy rate to control the exchange rate; the cost, however, was an economic

² In August 2013, Morgan Stanley began classifying the economies that it believed would be most affected by the U.S. Federal Reserve's move towards monetary tightening as the "Fragile Five". The economies included in this group were Indonesia, South Africa, Brazil, India, and Türkiye.

slowdown and rising unemployment in 2019.³

Türkiye was hit by the COVID-19 crisis during a period when efforts to establish a new economic model were gaining momentum. During the COVID-19 period, Türkiye implemented social lockdown measures while also attempting to limit the pandemic’s impact on the economy. However, unlike other economies, it chose to loosen the credit channel rather than provide direct income support to economic agents.⁴ In the early stages of the pandemic, interest rates were lowered to single digits, and the continuation of production and exports was designated as the top priority.⁵ Another notable economic policy during the pandemic was the transfer of exchange rate risk from the real sector to the public sector by using FX reserves of CBRT (Pienkowski, 2023: 9).

As a result of these economic choices, while the global economy contracted by 2.8 percent in 2020, Türkiye’s economy managed to grow by 1.9 percent despite the deep impact of the pandemic. However, the cost of prioritizing growth at all costs during the pandemic was a deteriorating balance of payments, depleted foreign exchange reserves, and persistently high double-digit inflation.

The major turning point in economic policies after the pandemic occurred in 2021. Interest rate hikes, which had been initiated in late 2020 to avoid a balance-of-payment crisis, were halted in March 2021.⁶ During the same period, there was a change in the management of CBRT, and in September 2021, policy rates were gradually eased again. This decision, made just before global central banks were set to start raising interest rates, led to the rapid depreciation of the Turkish lira. To curb the demand for foreign currency among residents, the foreign exchange-indexed financial instrument called KKM was introduced.⁷ With the

³ Between September 2018 and July 2019, the Turkish lira lost 25 percent of its value against the currency basket (0.5 USD + 0.5 EUR). In response, the CBRT raised its policy rate from 17.75 percent to 24 percent on September 14, 2018. Meanwhile, 12-month consumer inflation, which stood at 15 percent in mid-2018, surged to 25 percent in October 2018 before moderating to around 12 percent by the end of 2019. Türkiye’s economic growth remained weak during this period, expanding by only 3 percent in 2018 and 0.8 percent in 2019. Additionally, the seasonally adjusted “underutilized labor force” rate rose from 16.3 percent in July 2018 to 18.2 percent by the end of 2018, and further to 18.7 percent by the end of 2019.

⁴ As of September 27, 2021, Türkiye lagged behind Argentina, Indonesia, Brazil, South Africa, Russia, China, and India among the G-20 Emerging and Developing Economies in terms of direct income support, providing only 3.5 percent of GDP. However, in terms of credit expansion, Türkiye ranked first among these economies, with credit support amounting to 9.6 percent of GDP. Source: Fiscal Monitor Database of Country Fiscal Measures in Response to the COVID-19 Pandemic, October 2021.

⁵ <https://tcgb.gov.tr/haberler/410/118070/-kovid-19-ile-mucadelemizi-milletimizle-birlikte-kararlilikla-surduruyoruz-> Access: 23.10.2024

⁶ By September 2020, Türkiye's 12-month current account balance had recorded a \$23.5 billion deficit, which could not be financed through inflows from the financial and capital account. On the contrary, during the same period, there was a \$4.9 billion outflow from the financial and capital account. Additionally, considering the \$12.2 billion in unexplained outflows recorded under the net errors and omissions item, a total of \$40.6 billion in foreign exchange reserves was depleted to cover both the current account deficit and external financing gap. IMF (2023) estimates that by mid-2020, the deterioration in the CBRT’s net foreign exchange position had reached \$70 billion. Amid dwindling reserves and rising market concerns, the CBRT raised its policy rate from 8.25 percent in May 2020 to 19 percent by March 2021.

⁷ Between September 23, 2021, when the interest rate cuts started, and December 20, 2021, when the KKM was introduced, the Turkish lira depreciated by 49.5 percent against the FX basket (0.5 \$ + 0.5 €).

introduction of KKM and active reserve policies, volatility in the exchange rate was brought under control.

Between 2020 and 2023, although interest rate and exchange rate policies experienced occasional changes, references to a competitive exchange rate became increasingly common in the rhetoric of economic management, particularly following the pandemic.⁸ In fact, the “competitive exchange rate” approach is at the center of the policies formulated as “low interest rate-high exchange rate” in late 2021. However, with the introduction of the KKM at the end of 2021, the link between interest rates and exchange rates started to weaken relatively. While the KKM allowed for a relatively more valuable Turkish lira with low interest rates, it led to complaints in low-technology and labor-intensive sectors open to foreign trade (Akçay, 2024: 59-60).

The “low interest–high exchange rate” policy was initially referred to as the ‘China model’ before being rebranded as the ‘Türkiye model’. The fundamental preference of the implemented policies has been described as ‘growth through investment, employment, production, exports, and a current account surplus’.⁹ However, it soon became apparent that the policy tools to be used to achieve these goals were not clearly defined, and there was no well-designed model with internal consistency and integrity (Aydoğuş, 2022: 15).

In an open economy, these policies, which aim to control both interest rates and exchange rates simultaneously and to relax the well-known ‘impossible trinity’ constraint in economic literature, have led to a series of significant macroeconomic problems (Orhangazi and Yeldan, 2023a: 1209). Undoubtedly, the most important of these problems is inflation. Policy preferences aimed at stimulating economic growth and employment through low interest rates quickly drove inflation to extraordinary levels, while rapidly increasing economic uncertainties and raising Türkiye’s international risk premium to significantly prominent levels.¹⁰

The policies aimed at economic growth at all costs continued until mid-2023. However, following the elections in May 2023, it was stated that “Türkiye has no choice but to return to a rational footing”, marking the abandonment of the policies defined as the “Türkiye model”.¹¹

⁸<https://www.bloomberght.com/albayrak-onemli-olan-kurun-seviyesi-degil-rekabetci-olup-olmadigi-2262070> Access: 30.10.2024

⁹ <https://www.iletisim.gov.tr/turkce/haberler/detay/cumhurbaskani-erdogan-yatirim-istihdam-uretim-ihracat-ve-cari-fazla-yoluyla-ulkeyi-buyutme-temelli-bir-ekonomi-politikasina-yoneldik> Access: 23.10.2024

¹⁰ When interest rate cuts began in September 2021, the 12-month consumer inflation rate was 19.6 percent. However, approximately a year later, in October 2022, it surged to 85.5 percent, reaching the highest level of the 2000s. In September 2021, Türkiye's credit default risk premium (CDS) was at 426, but by June 2022, it had risen to 838 levels. Source: <https://tr.investing.com/rates-bonds/Turkiye-cds-5-year-usd> Access: 23.10.2024

¹¹ Within the framework of the policies referred to as the “Türkiye Model”, the policy rate, which was 19 percent at the beginning of September 2021, was reduced nine consecutive times by the CBRT's Monetary Policy Committee, bringing it down to 8.5 percent by the end of February 2023. This policy rate remained at 8.5 percent until June 23, 2023. Between September 2021 and June 2022, the Turkish Lira lost 49 percent of its value against the currency basket ($\frac{1}{2}$ \$ + $\frac{1}{2}$ €). According to the Istanbul Chamber of Commerce Wage Earners’ Living Index, the 12-month inflation rate reached 109 percent in October 2022, while during the same period, the Turkish Statistical Institute's Consumer Price Index reported a 12-month inflation rate of 86 percent. Both inflation figures have gone down in history as the highest inflation records of the new millennium.

Who were the winners and losers of the economic decisions made during the pandemic and its aftermath in terms of social groups and distributional relations? Or, more fundamentally, why and for whom were these policies implemented? It has been observed that efforts to answer these associated questions have increased in recent economic literature.

In this context, Orhangazi and Yeldan (2023b: 183) point out that the growth model reliant on foreign capital inflows, debt expansion, and construction-focused development has reached its structural limits, forcing policymakers to make a choice. In this model, controlling the exchange rate requires interest rate hikes, which in turn slow down economic activity. Under these conditions, policymakers appear to have prioritized maintaining economic growth at all costs and, especially as the election period approached, avoiding economic slowdown and job losses.

When examining the effects of the implemented policies in terms of functional income distribution, it is evident that despite economic growth during this period, the real income level of labor and its share of total income declined, placing Türkiye in a state of “impoverishing growth” (Orhangazi and Yeldan, 2023b: 189). At this point, Orhangazi (2024: 174) argues that the primary goal of the ‘Türkiye model’ was to cheapen labor and increase corporate profits. Indeed, significant increases in corporate profit margins were observed during this period (Yeldan et al., 2023: 20). Furthermore, between 2020 and 2022, the factor contributing most to domestic inflation was the increase in “unit profits” of the corporate sector (Duvar, 2024: 117).

During this period, although policies formulated as “low interest-high exchange rate” aimed to strengthen the competitiveness of export-oriented manufacturing sectors, the real depreciation of the Turkish lira had significant consequences for income distribution. Real losses in the local currency’s value led to a redistribution of income from wages to capital for two main reasons. The first reason is that wages erode as they fail to adjust quickly to accelerating inflation. The second is that the real depreciation of the local currency enhances the competitiveness of export-oriented sectors, leading to windfall profits for corporations (Krugman and Taylor, 1978: 449-450). Additionally, a competitive exchange rate may reduce labor costs, prompting firms to shift from capital-intensive to labor-intensive production, thereby increasing the number of wage earners (Uğurlu, 2021: 2960).

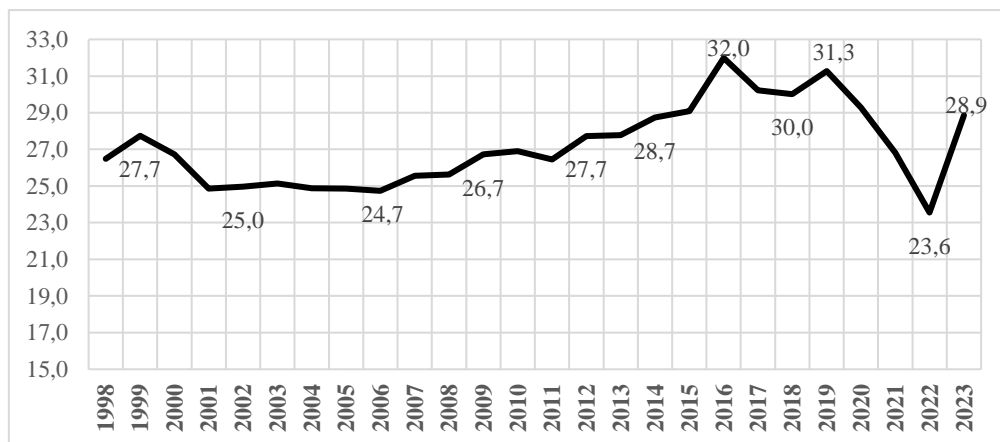


Figure 1. Labor's Share of GDP (Compensation of Employees/GDP, %)

Source: TURKSTAT

In this context, different dynamics may have come into play during different phases of the pandemic, influencing labor's share of income. In the early stages of the pandemic, policy choices aimed at keeping the economy running, combined with the competitive levels reached by the exchange rate, may have boosted corporate exports and windfall profits. However, after 2021, the more dominant trend was the rapid rise in inflation, which eroded real wages and transferred resources from the working class to the capital-owning class. Regardless of the underlying cause, labor's share of income in Türkiye fell to historically low levels in 2022. But, in the election year of 2023, some critical decisions were made regarding income distribution. The first of these was minimum wage hikes, which somewhat mitigated the effects of the distributional shock.¹² The other decision was the legalization of the "Early Retirement (EYT)" program in 2023.¹³ These two measures have played a role in the relative recovery of labor's share of income in 2023 (See Figure 1).

Akçay (2024), who seeks to answer the question "Why and for whom was the Türkiye model implemented?" from a critical political economy perspective, focuses on the changes in power relations within the ruling block (bureaucracy, political authority, capital) and among capital itself. The study argues that behind the economic policies implemented after the fall of 2021 lies a 'low-interest rate coalition' (Akçay, 2024: 133-140). The decisive capital fraction within this low-interest rate coalition consists largely of small and medium-sized, relatively labor-intensive 'other capital' groups, which have indirect and weak ties with international financial markets and prioritize a competitive exchange rate in terms of monetary policy preferences.

If the economic policies pursued during this period are as Akçay (2024) claims, then it becomes more important to distinguish between labor-intensive sectors (textiles, apparel, food, wood and wood products, etc.) and capital and technology intensive sectors (chemicals, pharmaceuticals, automotive, etc.) in terms of production structure, to examine the course of distribution relations in detail, and to analyze the trajectory of distribution relations within capital itself using concrete data in this context.

At this point, it is considered important to take into account not only the distribution balances within industrial capital itself but also the changes in the distribution balances between industrial and financial capital.

After all, it is no coincidence that in Türkiye, moments when the production and accumulation regime have stalled in the past have coincided with times when the distribution balance between industrial and financial capital was disrupted. Indeed, in the second half of the 1990s, while the share of interest payments in factor incomes gradually increased, the ISO 500 firms, representing Türkiye's largest industrial enterprises, became unable to generate profits from their production activities. In these enterprises, profits in terms of national income turned negative during the 1998-2001 period. Similarly, the ISO second 500 enterprises also failed to generate profits in terms of national income during the 1998-2003 period (Duvan, 2025: 335).

¹² In 2023, ahead of the presidential and parliamentary elections, the net minimum wage was increased by 54.7 percent in the first half of the year and by 34 percent in the second half.

¹³ The mentioned regulation was made with the publication of Law No. 7348, titled "Law on Amendments to the Social Security and General Health Insurance Law and Decree Law No. 375", in the Official Gazette on March 3, 2023. In 2023, severance and notice pay related to EYT (Early Retirement) were included as wage elements in labor payments, which contributed to an increase in labor's share of income for that year.

In other words, in the second half of the 1990s, large industrial capital became unable to cover salaries and interest payments with its share from production activities. In this process, the non-operating income of industrial capital started to exceed its main operating income, and industrial capital became almost rentier (Boratav, 2006: 201).

For these reasons, this study does not limit itself to analyses from the perspectives of labor and capital in the post-pandemic period; it also aims to shed light on the distributional balances within industrial capital itself, as well as within the relationship between industrial and financial capital. With concrete data, this comprehensive approach makes this study different in economic literature.

3. Data Used in Study

The data used in the analysis of the study are compiled from the İstanbul Chamber of Industry’s (ISO) “Türkiye’s Top 500 Industrial Enterprises (ISO 500)” and “Türkiye’s Second Top 500 Industrial Enterprises (ISO second 500)” reports. While the ISO 500 represents Türkiye’s largest industrial firms and thus the ones with the highest market power, the ISO second 500 represents relatively smaller and medium-sized industrial firms (See Table 1).

Table 1. ISO 1000 in Turkish Economy (Period Average)

	1998-2007	2008-2017	2018-2023
ISO 500			
GDP (% Share)	8,8	7,6	6,7
Export (% Share)	45,1	40,6	38,8
Industry Employment (% Share)	13,8	12,4	12,3
ISO Second 500			
GDP (% Share)	0,8	0,8	1,1
Export (% Share)	8,1	6,0	5,8
Industry Employment (% Share)	4,3	4,3	4,2
ISO 1000			
GDP (% Share)	9,7	8,4	7,8
Export (% Share)	53,2	46,6	44,6
Industry Employment (% Share)	18,1	16,7	16,5

Source: ISO 500, ISO Second 500, TURKSTAT.

The ISO 500 and second 500 reports have been publicly sharing factor income data for manufacturing industry sectors based on their technology intensity since 2013. In doing so, ISO considers the NACE Rev.2 classification and categorizes only the sub-sectors of the manufacturing industry according to technology intensity. “Mining and quarrying”, as well as “electricity, gas, steam, and water production” sectors, are excluded from the scope (İstanbul Sanayi Odası, 2024: 114). Therefore, this study also focuses solely on the manufacturing industry sectors. The ISO 500 and second 500 studies ignore the “Manufacture of beverages”, “Manufacture of tobacco products”, and “Manufacture of coke and refined petroleum products” sectors, which are significantly affected by high indirect taxes, in their analyses on relative output, productivity and distribution of value added (İstanbul Sanayi Odası, 2024: 104). For similar reasons, these sectors are also excluded from the scope of the study.

Finally, data on the “Manufacture of leather and related products” sector is available in the ISO 500 and ISO Second 500 reports until 2021. However, after 2021, it is understood that there is no organization operating in the relevant sector among Türkiye’s 1000 largest industrial enterprises. Therefore, the relevant sector was also excluded from the scope of the study. As such, a total of 19 manufacturing industry sectors and data on 944 companies operating in these sectors (as of 2023) were used in the study (see Table 2).

Table 2. Sectors Considered in the Study (ISO 1000 Institutions, as of 2023, Billion TL)

NACE Rev.2, 2 Digit Level	Number of Corporates	Gross Value Added
Low Technology	390	348,8
10- Manufacture of food products (Food)	206	203,0
13- Manufacture of textiles (Textiles)	97	69,9
14- Manufacture of wearing apparel (Wearing)	26	21,0
16- Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials (Wood)	10	13,2
17- Manufacture of paper and paper products (Paper)	31	28,2
18- Printing and reproduction of recorded media (Printing)	5	1,5
31- Manufacture of furniture (Furniture)	10	10,8
32- Other manufacturing (O. Manufacturing)	5	1,2
Medium-low Technology	265	383,3
22- Manufacture of rubber and plastic products (Rubber-Plastic)	49	54,9
23- Manufacture of other non-metallic mineral products (Minerals)	56	99,4
24- Manufacture of basic metals (Basic Metals)	118	166,7
25- Manufacture of fabricated metal products, except machinery and equipment (Metal Products)	42	62,3
Medium-high Technology	264	559,9
20- Manufacture of chemicals and chemical products (Chemicals)	74	100,7
27- Manufacture of electrical equipment (Electrical Eq.)	63	96,3
28- Manufacture of machinery and equipment n.e.c. (Machinery)	36	60,4
29- Manufacture of motor vehicles, trailers, and semi-trailers (Motor V.)	81	264,3
30- Manufacture of other transport equipment (O. Transport)	10	38,1
High technology	25	88,8
21- Manufacture of basic pharmaceutical products and pharmaceutical preparations (Pharma)	15	38,3
26- Manufacture of computer, electronic and optical products (Computer)	10	50,5
Total	944	1.381,0

Source: ISO 500, ISO Second 500

4. Analysis of the Distribution Shock from the Labor and Capital Fronts

Crises are a method of redistributing wealth and power both within capital itself and between labor and capital. During crisis periods, a shrinking economy and rising unemployment suppress wages, altering the balance of power in the labor market, while devalued capital assets left over from bankruptcies and collapses change hands and are profitably reintroduced into circulation. Thus, in terms of renewing accumulation, capital finds a new and fertile ground for itself (Harvey, 2010:253). After 2020, Türkiye did not exhibit the usual signs of a crisis thanks to policies prioritizing employment and growth.¹⁴ However, during this period, practices aimed

¹⁴ The usual symptoms of a crisis are economic contraction and rising unemployment. In the period 2020-2022, when the distributional shock was at its deepest, the Turkish economy grew by an average of 6.2 percent per year, while total employment increased by 2.6 million. Again, in the 2020-2023 period,

at suppressing interest rates, the severe depreciation of the Turkish lira, and an unprecedented wave of inflation disrupted the balance of distribution between labor and capital.

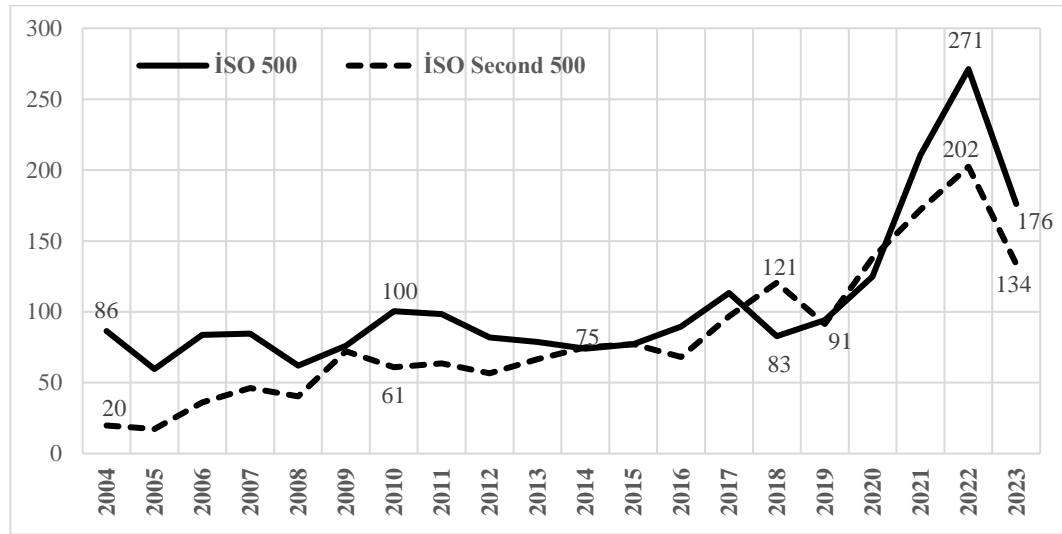


Figure 2. The Distribution of Net Value Added Between Capital and Labor
[(Profits + Interest Payments) / Wages] *100
Source: ISO 500, ISO Second 500

In the aftermath of the pandemic, the link between labor productivity and real wages was completely detached; while the contribution of employees to value-added creation increased unprecedentedly, real wages were eroded by the wave of high inflation. As a matter of fact, in the 2020-2022 period, labor productivity in ISO 500 and second 500 enterprises increased by an average of 13.4 percent and 5.8 percent per year, respectively, while real wages of employees in these enterprises declined by an average of 5.5 percent and 6 percent per year in the same period (Duvan, 2025:329). Despite the extraordinary increase in labor productivity during the 2020–2022 period, the erosion of real wages pushed the share of value added transferred to industrial and financial capital to unprecedented levels (See Figure 2).

Prior to the pandemic (2013-2019), the relative shares transferred to capital block in the distribution of net value added (the ratio of interest payments and profits to wages) were relatively close to each other in both the ISO 500 and the second 500, except for high-technology manufacturing sectors. But just after the pandemic, the relative share of industrial and financial capital in value-added has significantly increased across almost all sectors within ISO 500. It has been observed that the mass transferred from value-added to the capital segment in these organizations has peaked, particularly in activity branches with medium-low and medium-high technology intensity.

Although the relative shares transferred from value-added to capital block also increased in the second 500 companies after the pandemic, the increase was not as strong as in the Top 500. However, the rise in the mass of value-added transferred to the capital segment in the second 500 companies is particularly notable in sectors with low technology and medium-low technology intensity (See Figure 3).

Türkiye's economy grew by 5.9 percent per year on average, while total employment increased by 3.6 million.

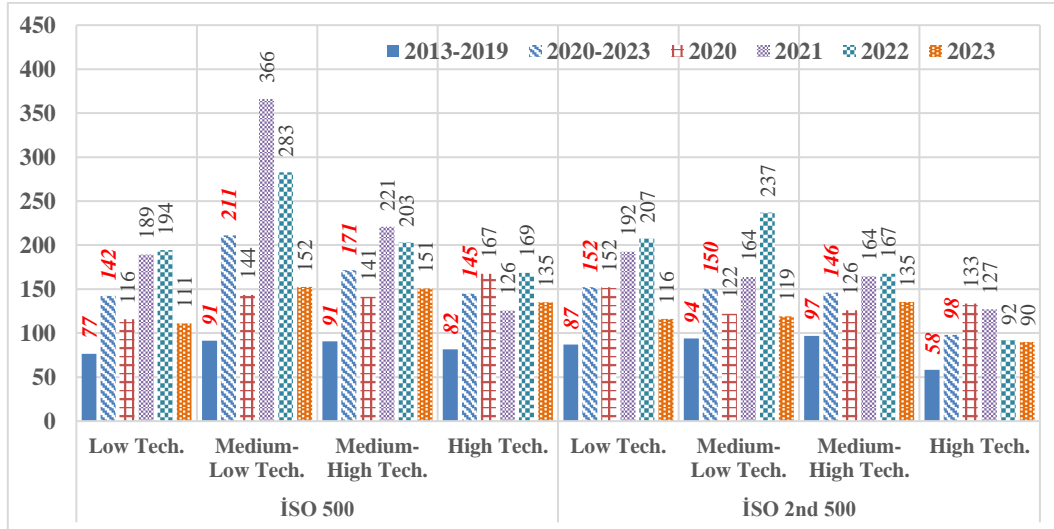


Figure 3. Ratio of Interest Payments and Profits to Wages
 $[(\text{Profits} + \text{Interest Payments})/\text{Wages}] * 100$
Source: ISO 500, ISO Second 500

When the trends in the shares transferred from value-added to the capital segment across activity branches are examined in detail, some differences between ISO 500 and the second 500 companies become apparent. In ISO 500, the profit and interest components transferred from value-added to capital in medium-low and medium-high technology sectors saw a sharp increase, particularly in 2021. In contrast, in the ISO Second 500, the shares transferred to capital peaked in 2022 across all sectors except for those with high technology intensity.

The divergences in both the scale and timing of value-added transfers to capital, in which ISO 500 and second 500 firms after the pandemic can be understandable. ISO 500 represents Türkiye's principal industrial capital, with significantly greater economic weight, market power, and a stronger position within the global division of labor compared to the second 500. Empirical evidence further shows that large, foreign trade-oriented firms in Türkiye tend to achieve higher profit margins (Çolak et al., 2025).

Therefore, during the pandemic, policy choices aimed at maintaining production at all costs, combined with the global trade recovery and rising export prices in 2021, likely benefited Türkiye's large industrial enterprises in the first instance. Indeed, the global recovery that began in the first quarter of 2021 revived international trade by unleashing pent-up demand from the early stages of the pandemic, leading to a significant increase in the global industrial goods export price index that year.¹⁵ In this context, the sharp increase in the share transferred to capital block in institutions operating in medium-low technology sectors within ISO 500 in 2021 aligns with the shift in Türkiye's manufacturing export composition that year (See Table 3). By 2022, the global economy, having emerged from the COVID-19 crisis, faced a new supply shock as the Russia-Ukraine conflict drove up global commodity prices. Additionally, the sharp depreciation of the Turkish lira in late 2021 became another factor affecting companies' costs. In 2022, the mechanism established to ease the rising costs for businesses was the suppression of interest rates.

¹⁵ The world industrial goods export price index was 104.5 in December 2019, 108.5 in December 2020, 118.6 in December 2021 and 119.6 in December 2022 (ISO, 2023:25).

Table. 3. Manufacturing Exports by Technology Intensity (Million \$)

	2019	2020	2021	2022	2023
Total Export	171.219	159.953	212.809	240.378	241.024
High Technology	5.999	5.478	6.450	7.419	9.130
Medium-High Technology	62.289	57.360	71.009	81.251	88.091
Medium-Low Technology	46.854	43.444	66.089	74.056	69.357
Low Technology	56.076	53.671	69.261	77.652	74.446
% Share					
High Technology	3,5	3,4	3,0	3,1	3,8
Medium-High Technology	36,4	35,9	33,4	33,8	36,5
Medium-Low Technology	27,4	27,2	31,1	30,8	28,8
Low Technology	32,8	33,6	32,5	32,3	30,9

Source: TURKSTAT

Due to interest rate cuts, domestic demand remained strong in 2022, allowing firms to pass on their rising costs to prices. Additionally, the increase in export prices during this period had a positive impact on corporate profit margins (İstanbul Sanayi Odası, 2023: 78). As a result, in 2022, the export performance of ISO's second 500 companies, which primarily use more labor-intensive production techniques, improved significantly. In fact, the export growth rate of these companies surpassed both the overall manufacturing sector and the ISO 500.¹⁶ Considering the erosion of real wages due to high inflation in 2022, it is not surprising that the mass of net value-added transferred to the capital segment increased in lower-technology, labor-intensive sectors and the second 500 companies.

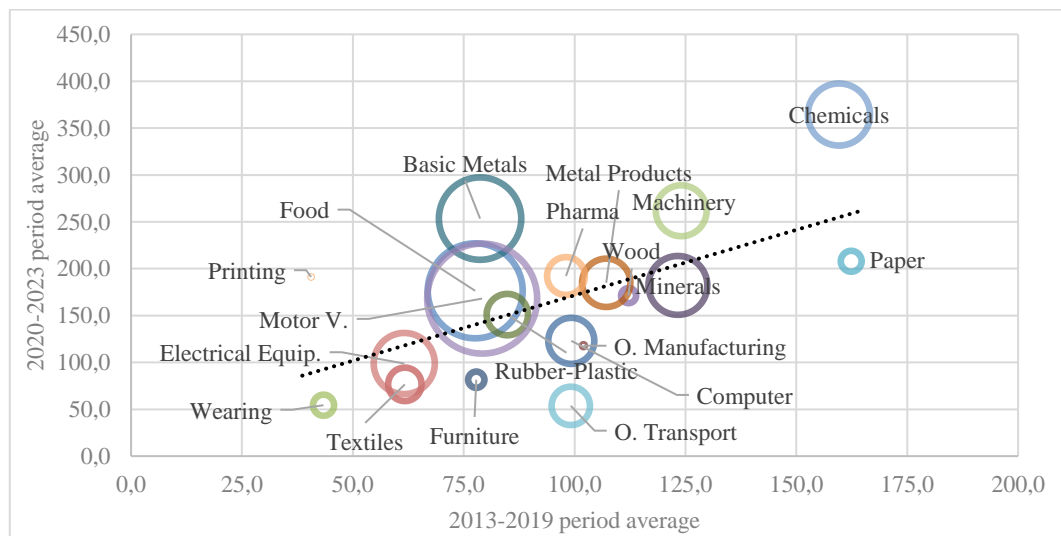


Figure 4. The Distribution of Net Value Added Between Capital and Labor in ISO 500 (*)
[(Profits + Interest Payments)/Wages] *100
Source: ISO 500

¹⁶ In 2022, exports of ISO second 500 organizations increased by 19.1 percent to USD 16.1 billion. This was recorded as an export record for the ISO second 500 in the current series. In the same year, exports of the manufacturing industry increased by 12.9 percent, while exports of the ISO 500 increased by 14.1 percent.

(*) The scaling of the rings representing the sectors is based on the net value added of the relevant sector as of 2023.

When the shares transferred from value-added to capital block after the pandemic (2020-2023) are compared with previous trends (2013-2019), certain sectors stand out within ISO 500. In ISO 500 the sectors with the highest post-pandemic increase in the share of net value added transferred to capital block, categorized by their technological intensity, are as follows: Low-technology sectors: 10. Food products, 17. Paper and paper products and 18. Printing and reproduction of recorded media. Medium-low technology sectors: 24. Basic metal industry, 25. Fabricated metal products and 22. Rubber and plastic products. Medium-high technology sectors: 20. Chemical and chemical products, 28. Machinery and equipment, 29. Motor vehicles. High-technology industries: 21. Basic pharmaceutical products (See Figure 4).

When a similar analysis is conducted for the second 500, the sectors with the highest post-pandemic increase in the share of net value added transferred to capital block, categorized by their technology intensity, are as follows: Low technology intensity sectors: 10. Food products, 13. Textile, 16. Wood and wood product, 32. Other manufacturing. Medium-low technology intensity sectors: 22. Rubber and plastics, 24. Basic metal industry, 25. Fabricated metal products. Medium-high technology intensity sectors: 20. Chemical and chemical products. High technology intensity sectors: 21. Basic pharmaceutical products (See Figure 5).

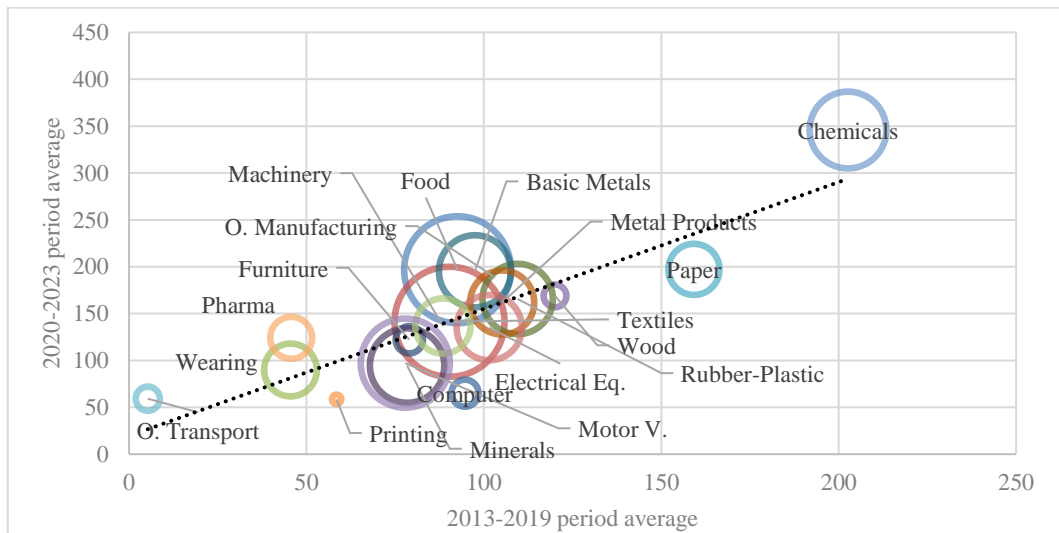


Figure 5. The Distribution of Net Value Added Between Capital and Labor in ISO 2nd 500 (*)
(Profits + Interest Payments)/Wages*100
Source: ISO Second 500

The impact of the distribution shock can also be observed through changes in direct labor shares during the 2020-2022 period, when the shock was most pronounced. Indeed, during this period, the labor share of net value added declined extraordinarily across all sectors -with a single exception- in both the ISO 500 and ISO second 500. The only exceptional sector where labor's share did not decline but instead increased during 2020-2022 was "30. Other

(*) The scaling of the rings representing the sectors is based on the net value added of the relevant sector as of 2023.

transportation equipment” categorized under medium-high technology intensity sectors (see Table 4).¹⁷

Table 4. Labor’s Share (Wage and Salaries/Net Value Added*100)

	ISO 500				ISO 2nd 500			
	2013- 2019	2018- 2019	2020- 2022	2020- 2023	2013- 2019	2018- 2019	2020- 2022	2020- 2023
Low Technology	56,6	54,2	36,3	41,3	53,5	48,3	34,3	39,7
10-Food	56,3	54,7	35,8	36,2	51,9	47,3	30,8	33,7
13-Textiles	61,8	63,3	43,3	56,6	52,5	48,3	35,3	41,4
14-Wearing	69,7	66,3	61,0	64,8	68,7	64,9	46,3	52,7
16-Wood	47,1	47,7	22,5	36,9	45,4	37,4	33,5	37,2
17-Paper	38,1	28,5	19,4	32,5	38,6	31,2	24,9	33,6
18- Printing	71,1	54,0	28,4	34,2	63,1	53,8	40,7	63,1
31-Furniture	56,2	55,5	51,2	55,1	55,9	51,1	38,0	45,0
32-O. Manufacturing	49,5	44,4	32,8	45,9	49,4	55,5	34,4	34,4
Medium-Low Technology	51,8	52,6	26,5	32,2	51,6	51,4	34,5	40,0
22-Rubber-Plastic	54,1	52,7	38,6	39,8	47,7	43,2	32,5	37,7
23- Minerals	44,8	50,7	32,2	35,4	56,1	67,7	42,8	51,4
24-Basic Metals	56,0	57,7	21,4	28,3	50,6	48,5	29,9	33,9
25-Metal Products	48,3	43,3	31,4	35,1	48,7	42,1	35,6	38,2
Medium-High Technology	52,0	50,9	33,8	36,8	50,8	48,5	38,8	40,7
20-Chemicals	38,5	38,2	17,5	21,5	33,0	27,5	20,4	22,4
27-Electrical Equip.	61,9	66,7	49,5	50,3	49,6	46,8	40,0	42,5
28-Machinery	44,6	47,6	30,3	27,6	53,1	54,1	34,8	42,2
29-Motor V.	55,8	53,5	36,1	37,3	56,2	55,2	48,4	50,7
30- O. Transport	50,2	44,6	55,5	65,1	95,0	80,5	96,7	62,8
High Technology	50,3	39,7	39,0	40,8	63,1	49,7	47,9	50,5
21-Pharma	50,5	41,2	32,1	34,2	68,6	57,1	45,7	44,6
26-Computer	50,2	39,0	42,6	44,8	51,4	35,2	50,8	60,6
Total	53,1	51,3	32,4	36,8	52,7	49,2	35,9	40,4

Source: ISO 500, ISO Second 500

In general, in the 2020-2022 period, although the distributional balance between labor and capital is more severe in low and medium-low technology-intensive industries, the deterioration in the distributional balance against labor is widespread across all industrial sectors.

In this context, the decline in labor share in the capital-intensive, scale-based medium-low technology sector of “24. Basic Metal Industry” and the medium-high technology sector of “20. Chemicals and Chemical Products” is just as severe as in the low-technology sectors of “10. Food” and “13. Textile.” When the scale of industrial enterprises is considered, it is noteworthy that the decline in the share of labor is relatively more pronounced in many sectors where large industrial enterprises (ISO 500) operate (See Table 4 and Table 5).

¹⁷ While ISO 500 and the second 500 reports present sectors within technology-intensive industrial groups according to the NACE Rev.2 industry classification, they do not share the subgroups and classes of these sectors with the public. However, when examining the commercial names of companies in the “30. Other Transport Equipment” sector, it becomes apparent that most of the firms in this sector are primarily involved in “30.11. Shipbuilding” and “30.30. Manufacture of Aircraft and Spacecraft and Related Machinery.”

The distribution of the mass of value added transferred from labor to capital block in terms of industrial and finance capital provides interesting findings. In 2020-2022, when the distributional crisis was at its most severe, the size of the resources transferred from labor to industrial capital in ISO 500 companies is more striking, especially in industries with low, medium-low and medium-high technology intensity.

In the medium-low technology intensive industries of the ISO 500, the mass transferred to industrial capital from value-added increased by about 26 points in the 2020-2022 period, of which 25.3 points were transferred from the labor and 0.8 points from finance capital (see Table 5).

Table 5. Shares Transferred from Labor to Capital in 2020-2022 Period ¹⁸

	ISO 500			ISO 2 nd 500		
	Transfer from Labor to	Industrial Capital	Finance Capital	Transfer from Labor to	Industrial Capital	Finance Capital
Low Technology	-20,3	16,2	4,2	-19,2	19,6	-0,4
10-Food	-20,5	18,5	2,0	-21,1	19,2	1,9
13-Textiles	-18,6	12,5	6,1	-17,2	19,1	-1,9
14-Wearing	-8,7	6,6	2,1	-22,4	20,1	2,3
16-Wood	-24,6	9,8	14,8	-11,9	33,4	-21,5
17-Paper	-18,7	21,7	-3,0	-13,7	18,6	-4,9
18- Printing	-42,7	-3,8	46,6	-22,4	-11,5	33,8
31-Furniture	-5,0	5,2	-0,2	-17,8	16,4	1,4
32-O. Manufacturing	-16,7	23,2	-6,5	-15,0	-67,7	82,7
Medium-Low Technology	-25,3	26,0	-0,8	-17,1	17,1	0,0
22-Rubber-Plastic	-15,5	15,2	0,4	-15,2	15,1	0,1
23- Minerals	-12,6	7,6	5,0	-13,3	15,2	-1,9
24-Basic Metals	-34,5	39,6	-5,1	-20,8	17,1	3,7
25-Metal Products	-16,9	15,4	1,5	-13,1	15,0	-1,8
Medium-High Technology	-18,2	13,7	4,5	-12,0	9,3	2,7
20-Chemicals	-21,0	19,5	1,5	-12,6	14,3	-1,6
27-Electrical Equipment	-12,3	7,1	5,2	-9,6	11,2	-1,6
28-Machinery	-14,3	13,6	0,8	-18,2	13,5	4,7
29-Motor V.	-19,7	19,7	0,0	-7,8	3,9	3,9
30- O. Transport	5,3	-30,6	25,3	1,7	-43,2	41,5
High Technology	-11,3	4,7	6,5	-15,2	9,2	6,1
21-Pharma	-18,4	17,2	1,1	-23,0	15,6	7,4
26-Computer	-7,6	-1,8	9,3	-0,6	-2,7	3,2
Total	-20,7	17,8	2,9	-16,8	16,1	0,7

Source: ISO 500, ISO Second 500

In the second 500, the increase in the transfer of resources from labor to capital in the 2020-2022 period is more pronounced in industrial sectors with low and medium-low technology. The mass of value added transferred to industrial capital in low-technology

¹⁸ To calculate the mass of value added transferred from labor to industrial and finance capital, the average share of labor in net value added in the period 2020-2022 is deducted from the average share in the period 2013-2019. A transfer of (-) / (+) represents a decline/increase in the share of labor in the relevant period.

intensive industries in the second 500 increased by 19.6 points in the 2020-2022 period, of which 19.2 points came from labor and 0.4 points from finance capital.

Summarizing the developments from the labor and capital perspectives during the 2020-2022 period, when the distribution shock was most intense, the share of labor has significantly declined in almost all sectors. This decline in labor share is largely independent of the size of industrial enterprises. The reduction in labor share is noticeable in nearly all industrial sectors, regardless of technology intensity. However, it is observed that the decline in labor share has been relatively more severe in low and medium-low technology intensive industrial sectors and in large industrial enterprises (ISO 500).

5. Examining the Distributional Relations between Industrial and Financial Capital Blocks

Crises or structural disruptions in the economy not only alter the distribution balance between labor and capital but also reorganize the distribution dynamics within capital itself. Indeed, the crisis with the United States in 2018, followed by a foreign exchange shock, dealt a severe blow to the country’s economic growth performance, leading to a shift in the distribution balance between financial and industrial capital in favor of finance.¹⁹

Indeed, during the 2018-2019 period, the share of financial capital in the value added generated by the ISO 500 and the second 500 increased significantly, particularly in sectors with low and medium-low technology intensity.

In the low-technology sectors, the share of net value added transferred to financial capital in the ISO 500 and the second 500 companies was 16.9 percent and 15.1 percent, respectively, during the 2013-2017 period. However, in the 2018-2019 period, these shares ascended to 29.7 percent and 20.3 percent, respectively.

Similarly, in the sectors with medium-low technology intensity, the share of financial capital in the value added of the ISO 500 and the second 500 companies was 15.2 percent and 14 percent, respectively, during the 2013-2017 period. However, in 2018-2019, these shares rose to 34 percent and 21.9 percent. In this context, the significant increase in the mass of value added transferred to financial capital in the low and medium-low technology-intensive sectors of the ISO 500, which represents Türkiye’s large industrial capital, is particularly striking just before the pandemic (See Figure 6).

During the 2018-2019 period, the sectors within the ISO 500 where the share of net value-added transferred to financial capital increased the most were: low-technology industries such as 13. Textiles, 16. Wood and wood products, and 18. Printing and reproduction of recorded media; medium-low technology industries such as 23. Minerals and 24. Basic metals, and medium-high technology industries such as 20. Chemicals and chemical products manufacturing (See Figure 7).

¹⁹ The Turkish economy grew by 3 percent in 2018 and only 0.8 percent in 2019, with an average growth rate of 1.9 percent during the 2018-2019 period. As a reference interest rate indicator, the Central Bank of Türkiye’s average market funding rate stood at 17.75 percent in 2018-2019, compared to an average of 9.1 percent during the 2013-2017 period.

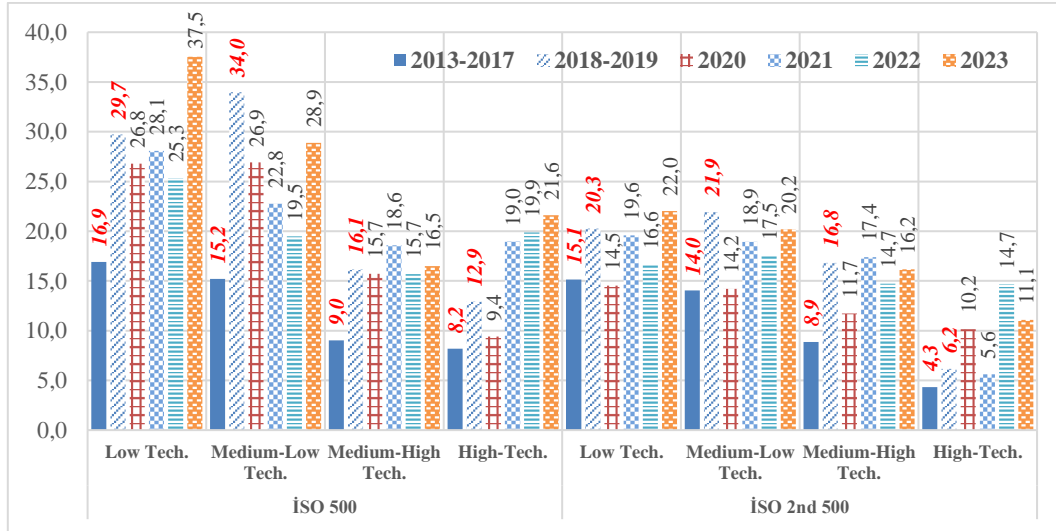


Figure 6. Share of Finance Capital in Industry Value Added (%)
(Interest Payments/Net Value Added)
Source: ISO 500, ISO Second 500

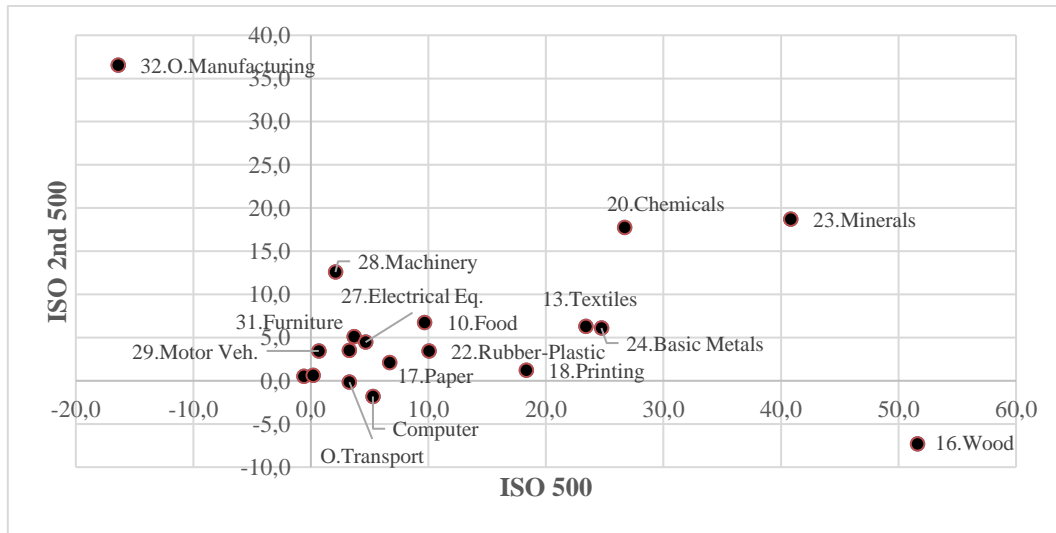


Figure 7. Increase in Mass of Value Added Transferred to Finance Capital in 2018-2019 (*)
Source: ISO 500, ISO Second 500

In the same period, within the ISO Second 500, the sectors with the largest increase in the mass of value added transferred to financial capital were: low-technology industries such as 10. Food and 13. Textiles; medium-low technology industries such as 23. Minerals and medium-high technology industries such as 20. Chemicals and chemical products and 28. Machinery manufacturing.

At this point, it is conceivable that the policies introduced after the pandemic under the framework of the so-called Türkiye model may have been designed to rebalance the deteriorated distribution dynamics between financial and industrial capital in favor of industry. The

(*) The dots in Figure 7 represent the differences between the share of finance capital in net value added in 2018-2019 and the share in 2013-2017.

vulnerabilities accumulating in the economy since 2013, the deepening economic distress in 2018-2019, the high levels of foreign exchange risk exposure in the real sector, the challenges faced -particularly by low and medium-low technology intensive sectors- in generating profits in terms of national income, and the increasing share of value added transferred to financial capital may have compelled policymakers to seek remedies during this period.

Indeed, during the pandemic, while the exchange rate risk of the real sector was effectively transferred into the public sector, regulatory pressures on interest rates and the financial sector intensified. By 2022, within the framework of the so-called “liralization policy”, not only was the policy rate suppressed, but de facto ceilings were also imposed on commercial loan interest rates. Additionally, targeted credit policies were implemented to channel financial resources toward industrialists and exporters (TCMB, 2022:14, 46).

While loan interest rates remained low throughout 2022 due to intensive intervention and guidance, industrial capital faced negative real interest rates (İstanbul Sanayi Odası, 2023: 28). Indeed, by 2022, the share of value added transferred to financial capital in the low and medium-low technology intensive sectors of the ISO 500 had declined compared to the 2018-2019 period, shifting the distribution balance back in favor of industrial capital. However, this situation did not last; in the second half of 2023, changes in economic policy once again altered the distributional balance between industrial and financial capital, particularly in low- and medium-low-tech sectors (See Figure 6 and Figure 8).

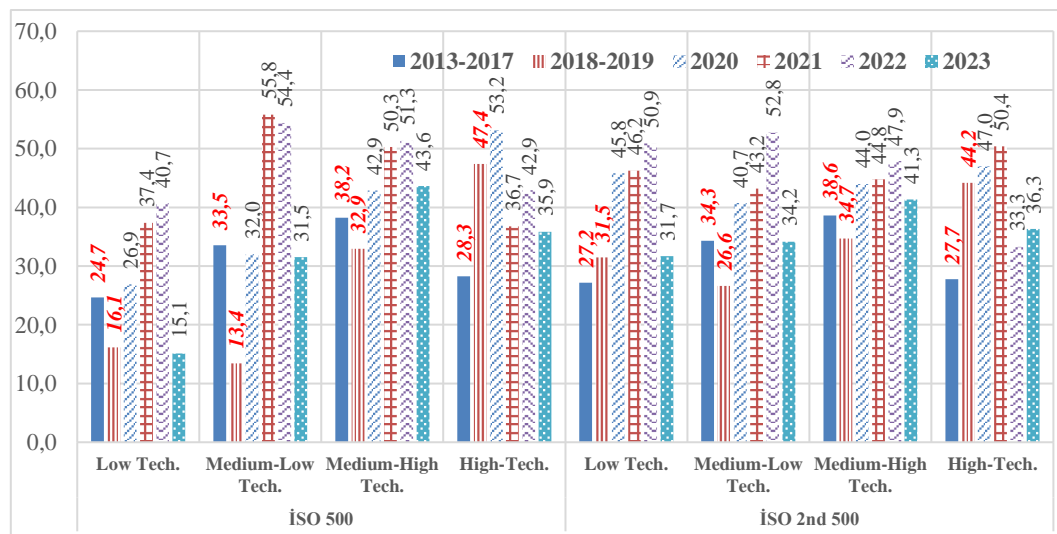


Figure 8. Share of Industrial Capital in Value Added (%)
(Profit in terms of National Income /Net Value Added)
Source: ISO 500, ISO Second 500

In this context, the share of value added received by industrial capital, particularly within the ISO 500 and in sectors with low and medium-low technology intensity, declined significantly in 2023. The decline is particularly severe in sectors with low technology intensity. In 2023, the low-technology-intensive sectors “13. Textiles, 16. Wood and wood products, 17. Paper and paper products, 18. Printing and reproduction of recorded media”, in which ISO 500

enterprises operate, were unable to generate profits from their main activities.²⁰ The inability of these sectors to generate profits in terms of national income has also wiped out the gains of large industrial capital in these sectors during the 2020-2022 period. As a result, the share of value-added received by industrial capital during the 2020-2023 period has turned negative (See Table 7).

Table 6. Share of Finance Capital in Industry Value Added (%)

	ISO 500				ISO 2nd 500			
	2013- 2019	2018- 2019	2020- 2022	2020- 2023	2013- 2019	2018- 2019	2020- 2022	2020- 2023
Low Technology	22,2	29,7	26,4	31,4	17,4	20,3	17,0	19,3
10-Food	20,6	26,4	22,5	23,0	22,9	26,7	24,8	25,5
13-Textiles	28,1	42,2	34,1	45,2	17,6	21,0	15,7	18,7
14-Wearing	6,5	6,2	8,6	9,4	8,5	8,8	10,7	12,6
16-Wood	60,7	90,7	75,5	111,2	32,6	28,7	11,1	9,4
17-Paper	18,8	21,7	15,8	40,0	13,5	14,5	8,6	10,3
18- Printing	14,8	28,3	61,4	81,1	4,6	5,3	38,5	42,6
31-Furniture	4,8	7,0	4,6	7,1	9,3	12,3	10,7	12,7
32-O. Manufact.	32,3	24,5	25,7	26,7	28,7	52,2	111,4	111,4
Medium-Low Technology	22,3	34,0	21,6	24,7	17,4	21,9	17,4	18,8
22-Rubber-Plastic	17,8	23,6	18,2	21,0	16,8	18,7	17,0	17,8
23- Minerals	26,6	56,5	31,6	34,5	19,6	31,6	17,7	16,0
24-Basic Metals	28,2	43,4	23,2	27,4	18,3	21,8	22,0	26,2
25-Metal Products	4,9	5,0	6,4	6,0	12,6	12,9	10,8	12,7
Medium-High Technology	12,1	16,1	16,5	16,5	12,3	16,8	15,0	15,6
20-Chemicals	22,9	38,2	24,5	28,6	19,0	29,6	17,4	18,2
27-Electrical Equip.	6,5	9,5	11,8	9,7	13,4	16,0	11,9	11,1
28-Machinery	10,7	11,9	11,4	8,3	10,4	18,4	15,1	18,2
29-Motor Veh.	10,9	11,3	10,9	12,7	8,0	9,8	11,9	14,1
30- O. Transport	5,7	7,2	31,1	27,6	7,6	7,5	49,1	26,9
High Technology	10,8	12,9	17,3	19,5	4,8	6,2	10,9	11,0
21-Pharma	8,9	10,4	10,0	10,1	3,5	6,1	10,9	11,2
26-Computer	11,8	14,1	21,2	25,2	7,6	6,3	10,8	10,6
Total	17,6	24,0	20,6	22,6	15,7	19,5	16,4	17,8

Source: ISO 500, ISO Second 500

Because of these developments, during the 2020-2023 period, the mass of value added transferred to financial capital in the low-technology-intensive sectors of the ISO 500 (31.4 percent) has surpassed the mass of value added transferred to industrial capital (27.3 percent).

²⁰ In the ISO 500 and Second 500 studies, the value-added calculation is consistent with GDP through the income method. However, unlike GDP, which is derived through the residual method, payments to the primary production factors are obtained directly rather than as a residual. The wages and salaries, paid interest, paid rents, and the total profits in terms of national income, which are called “net value added”, are computed by considering the share of the production factors participating in production. The profit referred to as national income profit, which is the income from the factors (the share the entrepreneur receives from production due to their participation), is calculated as follows: the pre-tax period profit or loss of the company is adjusted by adding the provisions allocated during that period, and then subtracting non-operating net income, such as dividend participations, net foreign exchange gains and losses, and interest income (İstanbul Sanayi Odası, 2024: 165). When national income profit results in a negative balance, the net value added, by definition, is lower than the total of wage and interest payments. This, in turn, increases the apparent share of labor and financial institutions in the distribution (wages, interest).

Table 7. Share of Industrial Capital in Net Value Added (%)

	ISO 500				ISO 2nd 500			
	2013- 2019	2018- 2019	2020- 2022	2020- 2023	2013- 2019	2018- 2019	2020- 2022	2020- 2023
Low Technology	21,1	16,1	37,3	27,3	29,1	31,5	48,7	41,1
10-Food	23,1	18,9	41,7	40,8	25,1	26,0	44,3	40,8
13-Textiles	10,1	-5,4	22,6	-1,9	29,9	30,7	49,0	39,9
14-Wearing	23,8	27,5	30,4	25,8	22,8	26,3	42,9	34,7
16-Wood	-7,8	-38,4	2,0	-48,1	22,0	34,0	55,4	53,4
17-Paper	43,1	49,8	64,8	27,6	47,9	54,3	66,5	56,0
18- Printing	14,1	17,7	10,2	-15,4	32,3	41,0	20,8	-5,7
31-Furniture	39,0	37,5	44,2	37,8	34,8	36,6	51,3	42,3
32-O. Manufacturing	18,2	31,1	41,5	27,4	21,9	-7,7	-45,8	-45,8
Medium-Low Technology	25,9	13,4	51,9	43,1	31,1	26,6	48,2	41,3
22-Rubber-Plastic	28,1	23,6	43,3	39,2	35,4	38,1	50,5	44,5
23- Minerals	28,6	-7,1	36,2	30,0	24,4	0,7	39,5	32,6
24-Basic Metals	15,8	-1,2	55,4	44,3	31,1	29,7	48,1	39,9
25-Metal Products	46,8	51,7	62,2	58,9	38,6	44,9	53,6	49,2
Medium-High Technology	36,0	32,9	49,7	46,6	36,9	34,7	46,3	43,8
20-Chemicals	38,5	23,6	58,1	49,8	47,9	42,9	62,2	59,4
27-Electrical Equip.	31,6	23,8	38,7	40,0	36,9	37,2	48,1	46,4
28-Machinery	44,7	40,5	58,3	64,1	36,5	27,5	50,0	39,6
29-Motor V.	33,3	35,2	52,9	50,0	35,8	35,0	39,7	35,2
30- O. Transport	44,1	48,2	13,5	7,3	-2,6	12,0	-45,8	10,3
High Technology	38,9	47,4	43,6	39,7	32,1	44,2	41,2	38,5
21-Pharma	40,6	48,4	57,9	55,6	27,9	36,8	43,4	44,2
26-Computer	38,0	47,0	36,2	30,0	41,0	58,5	38,4	28,8
Total	29,2	24,7	47,0	40,6	31,6	31,3	47,7	41,8

Source: ISO 500, ISO Second 500

During the period of increased public pressure on the financial system, the shares transferred from the second 500 enterprises to finance capital declined. In fact, in the 2020-2023 period, the mass of value added transferred to the financial sector in the second 500 declined in many sectors compared to 2018-2019. This decline was particularly evident in low, medium-low and medium-high technology sectors (See Table 6). In the 2020-2023 period, the share of industrial capital in value-added exceeded that of finance capital in all sectors of the second 500 according to technology intensity (see Table 6 and Table 7).

As a result, the stalled accumulation regime and the emerging imbalance in the distribution between industrial and financial capital across many sectors suggest that, during the pandemic period, political decision-makers may have been prompted to intervene in favor of industrial capital. In fact, in the 2020-2022 period, the share of value added transferred to the financial sector declined in all sectors according to technology intensities. In the same period, the balance of distribution between industry and finance capital shifted in favor of industry. However, developments in 2023 shook the distributional balance between finance and industry capital again, especially in low-technology-intensive sectors in which ISO 500 enterprises operate.

6. Conclusion

Every decision made in the economy, every economic choice, leads to the enrichment of certain segments of society while causing others to become poorer. In other words, it is inevitable that every economic decision will have winners and losers in terms of its social stakeholders and distributional relations. Within this framework, who were the winners and losers in terms of distributional relationships under the policies implemented during this extraordinary period for both the world and Türkiye?

The findings of the study are quite clear: the undeniable losers of the economic policies made in the post-pandemic period were wage earners. During this period, labor's share declined across nearly all sectors, regardless of whether the production technique was labor-intensive or capital-intensive, or the scale of the enterprises. However, the decline in labor share was more pronounced in the low and medium (low/high) technology-intensive sectors of the ISO 500, which represent large industrial capital.

The increase in the mass of value-added transferred to industrial and financial capital followed different paths across different sectors during various phases of the pandemic. In 2021, when lockdown measures were initially eased, the value-added transferred to the capital block surged, particularly in medium-low and medium-high technology-intensive sectors within ISO 500 enterprises. Meanwhile, in the second 500 enterprises, the sharp increases in the shares allocated to capital extended into 2022 and were largely concentrated in low and medium-low technology-intensive sectors.

Within this framework, from the very first days of the pandemic, the decision to keep the wheels of the economy turning at any cost benefited large industrial enterprises operating in medium-low and medium-high technology-intensive sectors.

In 2018-2019, the distribution balance between industrial and financial capital shifted in favor of the financial sector, particularly in low, medium-low, and medium-high technology-intensive sectors.

During the pandemic, the decision to keep interest rates low, and specifically the negative real interest rate policy in 2022, on the one hand, stimulated domestic demand, allowing companies to reflect their rising costs in their prices, and on the other hand, reduced the financial burden of enterprises. Another policy implemented during this period to alleviate the financial burden on the corporate sector was the introduction of preferential credit schemes targeting industrialists and exporters. However, industrial capital did not benefit from these policies to the same extent.

It is understood that especially the second 500 companies benefited from the policies implemented during the post-pandemic period. In the second 500 enterprises and the industrial sectors with low, medium-low, and medium-high technology intensity in which these enterprises operate, the balance of the distribution of capital within the capital itself is in favor of industrial capital.

On the other hand, the share of value added captured by financial capital in the ISO 500 enterprises slightly increased in the 2020-2023 period -except in sectors with medium-low technological intensity. During the same period, in the low-technology-intensive sectors of the ISO 500, the share of value added captured by industrial capital lagged behind that captured by financial capital.

The unequal distributional impact of post-pandemic policies on industrial capital, coupled with the fact that industrialists operating in low- and medium-technology-intensive sectors within the second 500 enterprises benefited more significantly from these policies, lends credence to the arguments advanced by Akçay (2024).

In the second 500, while industrial capital has come out relatively more profitable from the struggle over distribution among capital blocks, it has been observed that the decline in labor’s share has been more severe in large industrial enterprises after the pandemic.

The ISO 500 companies, which represent Türkiye’s largest industrial enterprises, naturally possess greater market power. In a conjuncture where supply and demand shocks are intertwined and inflation expectations have deteriorated, it seems much more likely that these companies would not only maintain their profit margins but even increase them at the expense of labor in terms of distribution relations. The findings of the study also highlight the need for a more detailed examination of the relationship between companies’ market power and the decline in labor’s share in Türkiye. This need has been noted for the future research agenda.

The lessons that can be drawn from the findings of this study, along with potential policy implications for the future, may be summarized as follows:

First and foremost, it has become evident that making ad hoc changes to the growth model -without clearly defining its objectives and the instruments to be used- can lead to disruptive consequences in terms of distributional relations.

In this context, it has become clear that a structural transformation in production and industry cannot be achieved solely through an “interest and exchange-rate” policy. In other words, without a comprehensive development and planning perspective, relying exclusively on market dynamics to drive such transformations is unlikely to produce the desired outcomes. Therefore, any changes to the growth model should be carried out based on a coherent and comprehensive strategy, grounded in social consensus.

It has become evident that economic growth and increased employment do not automatically ensure a fairer income distribution or an improvement in labor’s share. Rather, it has become clear that achieving equity in income distribution and enhancing labor’s share depends fundamentally on the balance of social power and the bargaining strength of labor. Indeed, following the pandemic, Türkiye experienced a form of growth that led to increasing impoverishment. Therefore, policy designs should be developed that take into account not only the growth itself but also its quality.

The decline in labor share and the deterioration of income distribution have become major concerns not only in Türkiye but across the globe. The likely culprits behind this issue appear to be “technological advancement,” “globalization,” “increasing financialization”, “decrease of bargaining power of labor” and “the growing market power of the corporate sector” (for a literature review on this topic, see Duvan, 2025). Within this framework, it is essential to acknowledge that the decline in labor share is not a temporary phenomenon but a structural one, and policy responses should be guided accordingly.

In conclusion, the study attempts to shed light on the extraordinary distribution shock experienced during an interesting period, focusing on Türkiye’s large industrial enterprises and manufacturing sectors. It is hoped that the findings will contribute to understanding the changes caused on the distribution front by the economic policies Türkiye followed, especially during

the pandemic, and the economic choices made during this period, enriching the discussions to be held in our current multi-crisis environment.

Declaration of Research and Publication Ethics

This study, which does not require ethics committee approval and/or legal/specific permission, complies with the research and publication ethics.

Researcher's Contribution Rate Statement

I am a single author of this paper. My contribution is 100%.

Declaration of Researcher's Conflict of Interest

There is no potential conflict of interest in this study.

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