

## Chapter 3

# A General View of Poverty in Turkey as an Issue for Social Work in the Light of Behavioral Finance and Game Theory

**Seher Cesur-Kiliçaslan**  
*Istanbul Arel University, Turkey*

**Toprak Işık**  
*Independent Scholar, Turkey*

### ABSTRACT

*In this chapter, the authors define poverty in general terms before including statistics for a detailed, Turkey-specific discussion. Once the authors elaborate on the causes of poverty, they introduce behavioural economics and game theory, the fundamental aim of the chapter being to examine how these two theories affect perceptions of poverty and the struggle against poverty. Another issue that enters into the scope of this chapter is to what extent the poor themselves are responsible for their own poverty. On this question, game theory and behavioural economics can potentially be marshalled against the poor. However, we also argue that, by using a different approach, both theories can be interpreted in the poor's favour. We examine the double-sided nature of these two theories in detail and stress how important it is in the study of poverty to consider the disadvantageous position in which the poor find themselves.*

### INTRODUCTION

Unfortunately, at the present time, poverty is no less widespread than the two extremely up-to-date scientific theories that we shall be using in this study. Poverty is no longer a problem experienced only in the less developed regions of the world. Today, in many developed countries, poverty rates have started to reach alarming levels. For example, although the EU is—generally speaking—a prosperous region, there too poverty is still at a relatively high level: approximately one out of every seven people (seventy-two

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million people in total) is at risk of poverty or relatively poor, and the poverty rate among disadvantaged groups such as the elderly, the disabled and children is particularly high (Gündoğan, 2008, p. 45).

Poverty has an influence on almost everyone, not only through its actual presence, but also through its prevalence in the world of human emotion. Indeed, those who have never had a direct encounter with poverty in their own life or environment are nonetheless aware of it from portrayals in different media, ranging from stories to films.

According to the calculations of the Turkish Statistical Institute (TÜİK), in Turkey in 2007, approximately 0.54% of the population was living below the starvation line, which only includes food expenses, while 18.56% was living below the poverty line, which includes both food and non-food expenses. When we take the figure of 70 586 000, obtained in the 2007 census, to be the population of Turkey, then according to TÜİK's most recent study on poverty, there are 380 000 people in Turkey living below the starvation line (T.C. Başbakanlık Aile ve Sosyal Araştırmalar Genel Müdürlüğü, 2010, pp. 3-4).

Although they shall be dealt with in more detail below, suffice it to say that both behavioral finance and game theory examine people's decision-making processes. While behavioral finance considers the psychological factors that influence decisions, game theory tries to determine the correct strategies from a logical angle. Based on the assumption that both theories complement each other, they can be dealt with together. At the same time, like all people, the poor, in their roles of making the decisions that influence their own situation, also come within the scope of this joint assessment.

## **BACKGROUND**

### **Poverty**

The first difficulty encountered in a scientific treatment of poverty is that there is no agreed-upon definition. Briefly, it can be described as a state of deprivation wherein the basic needs necessary for survival are not met. If we flesh out the idea of poverty, paying attention to the emotional intensity it contains, then poverty is hunger, poverty is not having a place to shelter, poverty is being ill and not being able to go to the doctor. Poverty is not being able to go to school and not knowing how to read or write. Poverty is not having a job; poverty is looking at the future in fear and living from day to day. Poverty is children dying because there is no clean drinking water. Poverty is weakness; poverty is not having a voice; poverty is not being able to take part in decision-making processes; poverty is not having a representative or having nobody to represent you. It is for these reasons that poverty really does pose a serious threat and a major risk to survival (T.C. Başbakanlık Aile ve Sosyal Araştırmalar Genel Müdürlüğü, 2010, p. 233).

The prevailing theory in the definition and measurement of poverty is the absolute poverty line (threshold) theory, which has roots in studies carried out in England towards the end of the nineteenth century and is based on income/expenditure criteria. According to this theory, poverty is generally defined as "not possessing sufficient resources to meet one's needs" or very similarly, "remaining below the absolute minimum welfare level" and "not being able to meet the need for goods and services necessary in order to stay alive" (Alagh 1992, p. 109).

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