EfilJournal VOLUME: 8 | ISSUE: 1 | Date of Submission: 27.01.2025 | Date of Acceptance:25.02.2025
CİLT: 8 | SAYI: 1 | Başvuru Tarihi: 27.01.2025 | Kabul Tarihi: 25.02.2025
ISSN: 2619-9580

Research Article/Araştırma Makalesi

Contemporary Optimalist Market Economy and Turkiye

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Abstract

In this paper, starting from the characteristics of the contemporary market economy and the efficiency and effectiveness conditions required by the optimum, it is questioned whether this market has the performance of providing a new player allocation optimisation different from the Pareto optimum. This new optimisation is related to the welfare gains that would result from the distribution of the spheres of influence of the four main players - the market, the State, the firm and the outside world - according to the absolute and relative advantages of each player. In this framework, the superiorities and failures of each player in solving old and new economic problems, how they have evolved and under which factors they have been realised are questioned, the efficiency and effectiveness conditions required by the optimisation are defined and the dynamics that ensure the realisation of these conditions are discussed. The paper also briefly analyses Türkiye's situation, the policy implications of an optimalistic market economy and the requirements for economics education.

Keywords: *Contemporary Market Economy, Optimalist Market Economy, Efficiency, Effectiveness, Players Distribution Optimality, Economics Education*

JEL Codes: *D30, G14, H75, L1.*

Çağdaş Optimalist Piyasa Ekonomisi ve Türkiye

Öz

Bu makalede, çağdaş piyasa ekonomisinin özelliklerinden ve optimumun gerektirdiği etkinlik ve etkililik koşullarından hareket edilerek, bu piyasanın Pareto optimumundan farklı, bir **oyuncu dağılımı optimizasyonu** sağlama performansına sahip olup olmadığı sorgulanmaktadır. Bu yeni optimizasyon, piyasa, devlet, firma ve dış dünyadan oluşan dört temel oyuncunun etki alanlarının dağılımının her bir oyuncunun mutlak ve nispi üstünlüklerine göre gerçekleşmesinin yaratacağı refah artışlarıyla ilişkilidir. Bu çerçevede, her bir oyuncunun eski ve yeni ekonomik sorunları çözmede sahip olduğu **üstünlük** ve **yetersizlikler**inin neler olduğu, nasıl geliştiği ve bunların hangi faktörlerin etkisi altında gerçekleştiği sorgulanmış, optimizasyonun gerektirdiği etkinlik ve etkililik koşulları tanımlanarak bu koşulların gerçekleşmesini sağlayan dinamikler ele alınmıştır. Tebliğde kısaca Türkiye'nin durumu, optimalist piyasa ekonomisinin politika implikasyonları ve iktisat eğitimi açısından gerekleri de ortaya konulmaya çalışılmıştır.

Anahtar Kelimeler: *Çağdaş Piyasa Ekonomisi, Optimalist Piyasa Ekonomisi, Etkinlik, Etkililik, Oyuncu Dağılımı Optimumu, Ekonomi Eğitimi.*

JEL Kodları: *D30, G14, H75, L1.*

Introduction

The aim of this paper is to clarify and discuss the concept of contemporary optimalist market economy, which has become increasingly apparent with its visible and invisible features; to determine which problems Türkiye is facing in the process of transition to an optimalist market economy; to discuss the implications of the optimalist market phenomenon in terms of economic policies and education.

The market economy has undergone significant developments over time. Firstly, the single-player market economy, which plays a guiding and regulatory role, has been replaced by a four-player market economy. These are the market, the State, the firm and the outside world. Second, there have been significant improvements in the guiding and regulating and problem-solving performance of all four players over time. Thirdly, there have been significant changes in the areas of guiding and regulation of all players over time. Again, there have been welfare-enhancing improvements (optimisation) in the distribution of guiding-regulation areas (spheres of influence) among the players over time. Fifthly, the process of change in the distribution of guiding -regulating areas among the 4 players based on absolute and relative problem-solving performance (efficiency-effectiveness) is ongoing. The modern market economy has emerged and taken shape, especially in developed countries, as a result of a long maturation process, and this process is far from complete. Türkiye is a country that is moving towards a modern market economy, but is experiencing significant setbacks and problems.

This paper is based on the author's book titled Contemporary Optimalist Market Economy published at the end of 2024. Apart from being a summary of this book, the paper includes new explanations on the relationship between the concept of **players distribution optimality** and Pareto optima, as well as its implications for Turkish practices, economic policy and economics education.

In this paper, firstly, the developments regarding the problem solving methods and performance of the four players in the contemporary market economy will be discussed, then the superiorities and failures of the four main players will be analysed, in the third section, the definition of the optimum in determining the spheres of influence of the players will be defined, in the fourth section, how the optimum can be realised will be questioned, in the fifth section, the question of whether the conditions of the optimum can be realised in the distribution of players in Turkey will be discussed, and finally, in the sixth section,

the implications of the contemporary market economy in terms of economic policies and economics education will be briefly mentioned.

1. Improvements in Problem Solving Methods and Performance of Four Players in the Contemporary Market Economy

In the modern market economy, there have been significant improvements both in the problem-solving methods of the four players and in the performance of these players.

1.1. Developments in Problem Solving Methods

One of the developments observed in the contemporary market economy is the diversification and aggravation of economic problems. In this framework, some new problems have emerged in addition to the classical economic problems. In parallel with the development and diversification of problem-solving methods over time, there have been significant developments in the problem-solving areas of the four guiding-regulating players. In this framework, progress has been made both in solving classical economic problems and in tackling new economic problems (Türkkan, 2024: 25-36).

Classical economic problems can be addressed within the framework of efficient use of resources, full utilisation of resources and development of resources. New economic problems, on the other hand, are gaining greater importance every day. It is possible to summarise these problems under various headings: The problem of gaining the ability to cope with climate change and environmental problems which includes important sub-headings such as taking measures against global warming, coping with the problem of pollution caused by rapid urbanisation, increase in the number of goods and services, reducing carbon emissions with renewable energy and gaining energy independence, and the ability to get rid of harmful wastes. Among the new economic problems, the problem of keeping pace with globalisation remains important. In this context, issues such as gaining regulatory competitiveness to attract capital, gaining the ability to make maximum use of economies of scale, gaining the ability to supply advantageous inputs and goods, gaining voluminous production and marketing (export) ability (competitiveness) come to the fore. One of the new economic challenges is adaptation to the scientific and technological revolution. One of the important dimensions of this problem is adaptation to artificial intelligence, digitalisation and industry 6.0 processes. Another dimension is the utilisation of new technologies that enable the production of high value-added products. The creation of institutions enabling inclusive economic and social development is another dimension of the new economic challenges. To these challenges should be added the development of automatic stabilisers and protection against systemic and pandemic risks.

Table 1 summarises the methods of solving economic problems in the contemporary market economy and the methods by which the four players can solve problems. Undoubtedly, there are some methods that play a decisive role for each player (Türkkan, 2024: 47-56). For example, price determination is the dominant problem solving method of the market. However, this method is also used by the State, the firm and the outside world.

Table 1. Problem Solving Methods in the Contemporary Market Economy

Methods	Market	State	Firm	External World
Price determination	Main determinant	Determinant and influential determinant	Determinant and influential determinant	Determinant and influential determinant
Quantification	On digital platforms	Restrictions and prohibitions	Internal restrictions and prohibitions	Restrictions and prohibitions
Rule-making	Without sanctions at the micro level	Main determinant	Internal rules	Effective determinant in external rules
Digital techniques	Open to practice	Main practitioner	Main practitioner	Open to practice
Good governance	In organised markets	Government agencies	Main implementer	International organisations
Competition	In related markets	In Public Procurement	Within itself	In International markets
Tax - Subsidy	Tax shifting	Tax imposition- Subsidizing	Tax Shifting	Tax Imposition-shifting, Subsidizing
Use of force	None	Main determinant	None	Limited
Supervision	Micro-level	Main determinant	Internal audit	Limited
Prohibition	None	Main determinant	Internal prohibitions	Limited
Reconciliation	At the micro level	At macro and micro level	At micro level	At international level
Bargaining	Non-standard goods markets	Public procurement	Suppliers, customers, employees	Inter-country Company-Country
Co-operation	Horizontal and vertical co-operation in markets	Public-private Public-public Public-external world	Firm-Firme Firm-State	Inter-country, Inter-company- Global org.-country
Venture	Motivating	Actually can	Main actor	Motivating / doing
Organisation	Informal	Formal	Formal	Formal
Publicity	Informal	Can	Can	Can limited
Providing motivation	High	High	Internal motivation	Attraction, motivation
Informing	Through price	Through regulations	Internal regulations	Price and external regulations
Others	Other	Other	Other	Other

Source: *Türkkan (2024 : 47-48).*

In order for the above-mentioned problem solving methods to be implemented and effective, certain fundamental freedoms must be realised with minimum restrictions. These freedoms include freedom of property, freedom of contract, freedom of enterprise, freedom of thought and expression, freedom of association, freedom of movement and settlement. The fulfilment of the requirements of fair competition in the economy and politics (Türkkan, 2016b) also constitutes one of the basic conditions for the implementation and effectiveness of problem-solving methods. In the modern market economy, there have been significant developments in these areas.

1.2. Improvements in Player Performance

Over time, there have been significant improvements in the problem-solving performance of the modern market economy (Türkkan, 2024: 25-36). Firstly, significant increases have been realised in the ability to use resources effectively by solving market failures. Secondly, significant improvements have been achieved in the ability to full employment of resources through institutional capacity increases and automatic stabilisers. There have also been significant improvements in the ability to develop resources through institutional capacity building, globalised markets and the scientific and technological revolution. The ability to improve absolute income distribution has been enhanced through institutional capacity building, trade unions, political organisations, etc. In gaining the ability to cope with environmental and climate change problems, factors such as institutional capacity increases and the development of renewable energy have been effective. Significant progress has also been achieved in terms of acquiring the ability to cope with global competition through institutional capacity building, opening up to foreign markets and the establishment of the WTO. In terms of developing the ability to adapt to the scientific and technological revolution, factors such as institutional capacity building, protection of industrial property and competition have been effective. Likewise, the ability to combat systemic and pandemic risks has been enhanced through new institutional capacity building. Finally, new institutional capacity building has been effective in increasing the ability to respond to different beliefs and ideologies.

Performance improvements were observed in all four guiding and regulating players (Türkkan, 2024: 194-212).

-There have been significant performance improvements in markets, driven by globalisation, effective competition, supervision, digitalisation, deepening, diversification, minimum necessary regulations, changes in predictability conditions, various organisations and deregulations.

-Increases in the performance of the State were mainly driven by the separation of powers, independent and effective judiciary, improvement in legitimate executive and legislative powers determined by fair political competition, strong oversight, accountability, transparency, democratisation, digitalisation, specialisation, decentralisation, deregulation, privatisation, predictable, flexible and inclusive approaches.

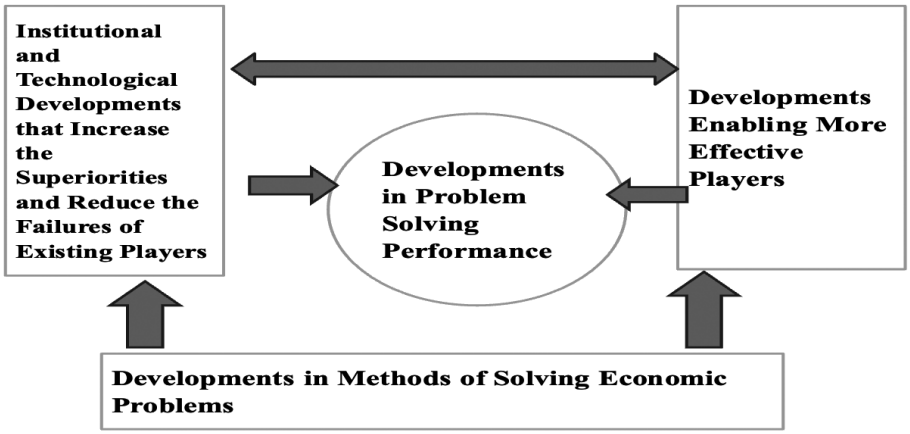
-At firm level, there has been a significant performance increase in the ability to solve

problems due to factors such as the global dimension of companies, improvements in the competitive environment, effective horizontal (participatory) organisations, digitalisation, professional management, going public and the development of social responsibility understanding.

-In the performance of the external world, significant increases and improvements have occurred due to factors such as the development of global organisations (IMF, World Bank, G20, G7, WTO), the formation of strong liberalisation and integration movements (such as EU, BRICS, NAFTA), increased system homogeneity, increased interdependence, digitalisation, strong communication and communication infrastructure.

A closer examination of the sources of the increases in the problem-solving performance of the contemporary market economy reveals the interactions summarised in Figure 1.

Figure 1. Sources of Improvements in Problem Solving Performance



2. Superiorities and Failures of the Four Key Players

Determining that each of the four main players, who have a significant influence on resource allocation, has certain superiorities and failures is important for the determination of the optimalist characteristic of the contemporary market economy. It is also important to identify the factors that determine the superiorities and failures of each player. Because as these factors change, the superiorities and failures are also subject to change. In a competitive environment, there is a tendency for the sphere of influence of each player to be formed where the superiority is greater than the failure in absolute and relative terms.

2.1. Superiorities and Failures of the Market

Markets have various superiorities and failures (Türkkan, 2024: 58-72.). It is possible to summarise them under the headings shown in Table 2.1.

Table 2.1. Market Superiorities and Market Failures

Market Superiorities	**Market Failures**
1)Good valuation machine	1)Inability to produce collective goods
2) Producing a price system that reflects shortages	2) Failures in semi-collective goods
3) Ensuring consumer sovereignty	3) Sensitive goods vulnerability
4) Creating competition	4) Failure to perceive positive externalities
5) Fair reward and punishment	5) Inability to perceive negative externalities
6)Encouraging innovations	6) Failure to consider social externalities
7)Freedom of choice	7) Destroying competition through cartelisation
8) Rapid resource mobilisation	8) Destroying competition through monopolisation
9) Number superiority	9) Creating asymmetric information
10) Working at low cost	10) Disruptions in times of crisis
11Economic democracy and welfare maximisation	11) Probability of systemic risk
12)Other	12)Other

Source: *Türkkan (2024: 58).*

The question of which factors are decisive in the emergence of these superiorities and failures becomes important here. In this regard, it can be said that the nature of goods and services, the size and depth of the market, the presence and nature of non-market interventions, the competitive nature of the market, the level of digitalisation and economic freedoms are effective (Türkkan, 2024: 52-72.).

2.2. Superiority and Failures of the State

The advantages and shortcomings of the State can be summarised as shown in Table 2.2 (Türkkan, 2024: 79-93).

It can be said that the existence of independent and effective regulatory, supervisory and balancing institutions, the degree of compliance with the principles of separation of powers and the rule of law, the level of decentralisation, the quality of goods and services and the level of digitalisation are effective in determining the superiority and failure of the State (Türkkan, 2024: 93-95).

Table 2.2 Superiorities and Failures of the State

Superiorities of the State	**Failures of the State**
1) Monopoly on taxation and power to provide free services	1) Priority of vote and power maximisation
2) Power to make rules and impose sanctions	2) High probability of negative selection
3)Macro intervention power	3)Danger of power maximisation and abuse of power
4)Power to do and make	4)Security approach
5) Ability to change, redirect and adapt itself to new conditions	5) Centralisation
6) Ability to gain legitimacy	6) Tendency to corruption
7)Predictability	7)Asymmetric information
8) Continuity	8) Cumbersomeness and bureaucracy
9) Visibility and accessibility	9) Danger of discrimination
10) Trust and money creation	10) Tendency to create a monopoly
11) Global interlocutor	11) Tendency to create barriers to entry
12)Other	12)Other

Source: *Türkkan (2024: 79).*

2.3. Superiorities and Failures of the Firm

The glaring advantages and shortcomings of the company can be summarised as shown in Table 2.3 (Türkkan, 2024: 97-106).

Among the factors that determine the superiority and failures of the firm, the nature of goods and services, the constraints created by public regulations and the ecosystem, firm size, the level of globalisation of the firm and the relevant market, the level of digitalisation, and the level of competition in the relevant market come to the fore (Türkkan, 2024: 106-110).

Table 2.3 Superiorities and Failures of the Firm

Superiorities of the Firm	**Failures of the Firm**
1)Strong motivation and vision ownership	1)Working under public constraint
2)Taking and managing risks with new initiatives	2)Principal-agent problem and irrational behaviours
3) Sensitivity to competition and ability to compete	3) Non-competitive behaviours
4)Ability to co-operate	4)Negative economies of scale
5) Ability to join forces	5) Continuity problem

6) Information-based problem solving and rapid adaptability	6)Exploitation of asymmetric information and moral hazard
7) High sensitivity fast response	7) Tendency to abuse of asymmetric power
8)Innovation	8)Working under ecosystem constraint
9)Possibilities of positive economies of scale, economies of network and economies of scope	9)Openness to unfair competition
10) Chance to operate at the global level	10) Resilience to internal and external shocks
11)Chance to change bad management	11)Openness to internal and external unfair competition
12) Other	12) Other

Source: *Türkkan (2024 : 97).*

2.4. Superiorities and Failures of the External World

The advantages and inadequacies of the external world can be summarised in Table 2.4 (Türkkan, 2024: 111-120.).

Table 2.4 Superiorities and Failures of the External World

Superiorities of the External World	**Failures of the External World**
1)Unlimited market	1)Power asymmetry
2) Unlimited input options	2) Information asymmetry
3) Unlimited capital	3) Heterogeneous structure
4) Possibility of wide technology transfer	4) Systemic risks
5) Creating actual and potential competitive pressure	5) Pandemic risks
6) Creating regulatory competition pressure	6) Geopolitical risks
7) Advantageous global division of labour	7) Lack of regulatory authority
8) Possibility to improve global income distribution	8) High transport costs
9) Global solidarity in difficult situations	9) Discriminatory relations
10) Unlimited consumer goods option	10) Uncontrolled migration
11) Global positive externalities	11) Global negative externalities
12)Other	12) Other

Source: *Türkkan (2024: 111).*

Among the factors that determine the superiorities and failures of the external world, factors such as the quality of goods and services, geopolitical and systemic risks, the level of globalisation of markets, the level of power asymmetry and homogenisation between countries, digitalisation, communication and transport infrastructure, inter-country integration and the level of global institutionalisation gain importance (Türkkan, 2024: 120-125).

2.5. Factors Affecting the Superiorities and Failures of Guiding and Regulating Players in General

In the development process of the modern market economy, many factors have been influential in shaping the superiorities and failures of the four players in general (Türkkan, 2024: 125-130). Firstly, the nature of the guiding and regulation area (goods and services) (Collective goods - private goods, semi-collective goods/ , Real sector - financial sector distinction / Tradable - non tradable distinction etc.) has been the most important determinant. Secondly, the level of development of the relevant countries (per capita income, Human Development Index) has an impact on the superiorities and failures of the guiders and regulators in various ways. Third, the level of development of freedoms and fair competition has the potential to influence superiority and failures in various ways. The level and form of external integration of each country, the level and form of technological development, the level of digitalisation, the level of competitive pressure, the geopolitical, pandemic and natural risks that each country faces, the presence of chronic structural problems (current account deficit, lack of infrastructure, etc.) and the political regime (separation of powers, level of centralisation, etc.) are also important factors that generally affect the superiority and inefficiency of players (Türkkan, 2024: 125-130).

3. Definition of the Optimum in Determining the Spheres of Influence of Players

In the contemporary market economy, two optima can be mentioned. The first one is the Pareto optimum defined by the welfare theory. This optimum, which is achieved by the realisation of certain marginal conditions in production, exchange, and effort is related to the efficient allocation of resources (Türkkan, 1996: 276-305). This optimum is realised when it is not possible to increase the welfare level of even one person by making any change in resource allocation. This optimum, which is theoretically characterised as the first best, can be reached by the market mechanism or by the establishment of a price system by a central authority that also ensures the realisation of marginal conditions. If some of the marginal conditions cannot be fulfilled, a second best optimum can be reached (Türkkan, 1984; Türkkan, 1996: 305-308).

There is a second type of optimum in the contemporary market economy. The main indicator of the attainment of this optimum is that **it is not possible to increase the welfare level of the society to a noticeable extent by making any change in the sphere of**

influence of the four basic guiders or regulators that are effective in resource allocation (Türkkan, 2024: 173). This second optimum for a more efficient and effective allocation of players increases the chances of realising the Pareto optimum and facilitates the achievement of the second best optimum even if the first optimum cannot be achieved. Because in this way, the biggest deviations are eliminated (Türkkan, 1984: 163; Türkkan, 2001: 103; Türkkan, 1996: 305-308). The basic assumption on which this optimum is based is that there is an optimal sphere of influence for each player according to the absolute and relative superiorities and failures of the players in the contemporary market economy. For this optimum to be realised, three conditions must be fulfilled.

3.1. Three Conditions of Optimum

In every economy, tens of thousands of goods, services and fields of activity need to be guided and regulated by a certain player (market, state, firm and the outside world). In order to reach the optimum, these guidance and regulations must meet the conditions of efficiency and effectiveness (Türkkan, 2024: 174-177).

1)**Efficiency Condition**: The Superiority (Ss) / Failure(Fs) ratio of each selected player in each guiding and regulating area must be greater than one. Ss/Fs >1

2)**Effectiveness Condition**: In each guiding and regulating area, the selected player's Superiority (Ss) / Failure (Fs) ratio must be higher than the best alternative player's Superiority (Sa) / Failure (Fa) ratio. Ss/Fs > Sa/Fa

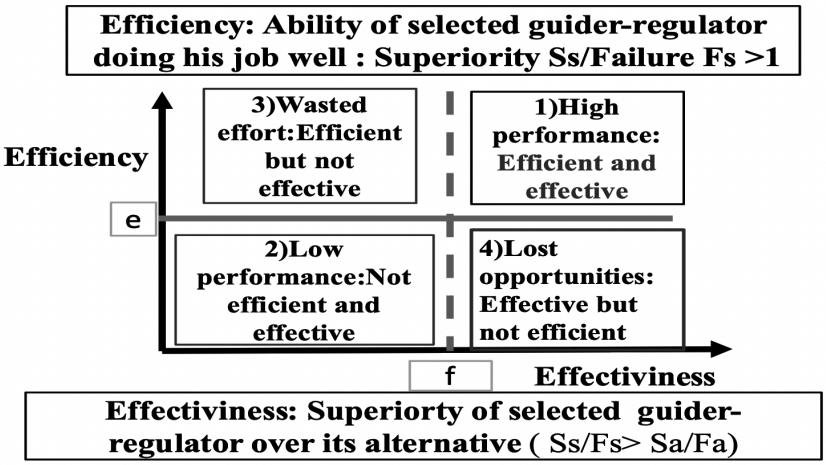
If the selected player does not fulfil the efficiency and effectiveness condition, a substitution will be necessary. However, in this case, a third condition of optimisation comes into play.

3) The absolute magnitude of the relative Superiority-Failure advantage must be higher than the **switching cost**. Relative absolute advantage should be RAA > Switching Cost (SC).

The realisation of the first two conditions for efficiency and effectiveness can be described with the help of Figure 3.1.1 below.

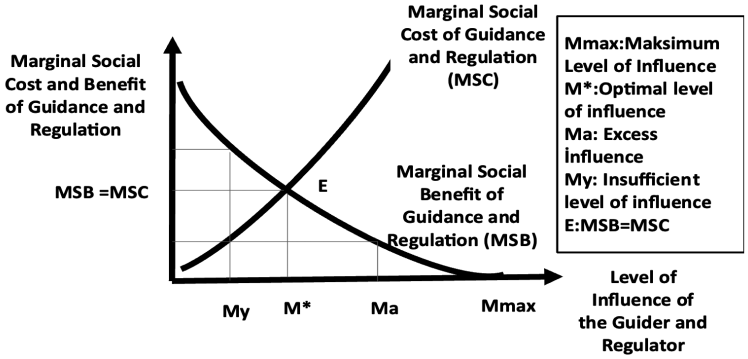
It is also possible to define the same optima with the help of Figure 3.1.2. Here, at the point where the marginal social benefit (MSB) and marginal social cost (MSC) of the guidance and regulation made by a certain guider and regulator player in a certain area are equalised, the optimal level of influence of this player is determined.

Figure 3.1.1 Efficiency and Effectiveness Condition for Determining Optimal Impact Areas



Source: *Türkkan (2024: 174).*

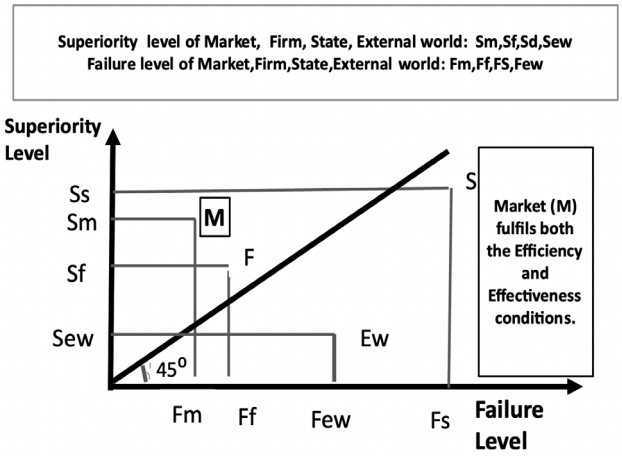
Figure 3.1.2 Optimal Level of Influence for Market, State, Firm, External World



Source: *Türkkan (2024: 162).*

Thus, the player who realises the highest MSB with the lowest MSC will be the main player. It is also possible to show the absolute and relative superiority of different players in the realisation of the two conditions of the optimum together on the same figure. Figure 3.1.3 compares the superiority and failure of the market, the state, the firm and the outside world in terms of guidance and regulation performance in a given area. At the end of this comparison, hypothetically the player M at the top of the 45 degree line will be chosen.

Figure 3.1.3 Combined Assessment of Absolute and Relative Superiority of Guiders-Regulators in a Certain Field

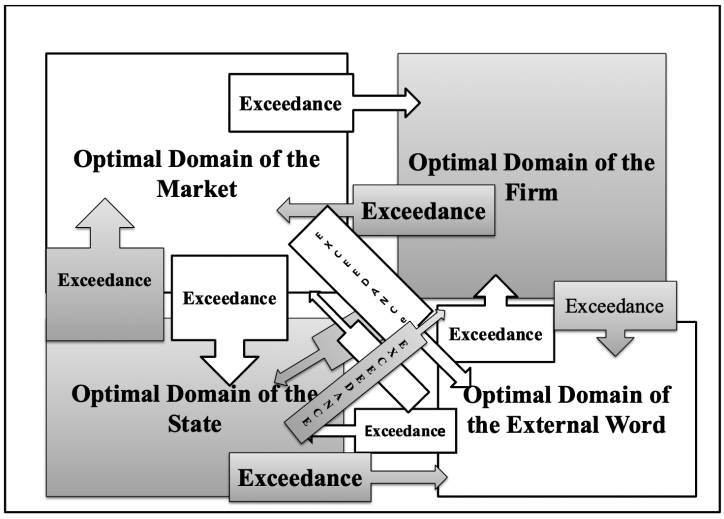


Source: *Türkkan (2024: 176).*

3.2. Impact Areas and Exceedances

Since the change of spheres of influence is slow in practice, each guiding and regulating player oversteps the other's sphere of influence (Türkkan, 2024: 167-172) **(See Figure 3.2.1).** These exceedances apply to all players.

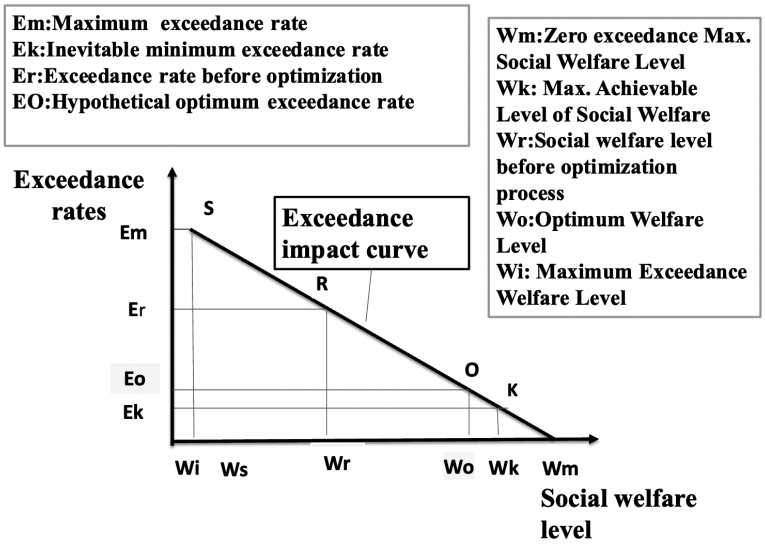
Figure 3.2.1 Optimal Sphere of Influence Exceedances



Source: *Türkkan (2024 : 167).*

The point to be underlined here is that the level of social welfare is sensitive to the minimum level of these exceedances. Figure 3.2.2 expresses this sensitivity.

Figure 3.2.2 Exceedance Rates and. Social Welfare Level



Source: *Türkkan (2024 : 172).*

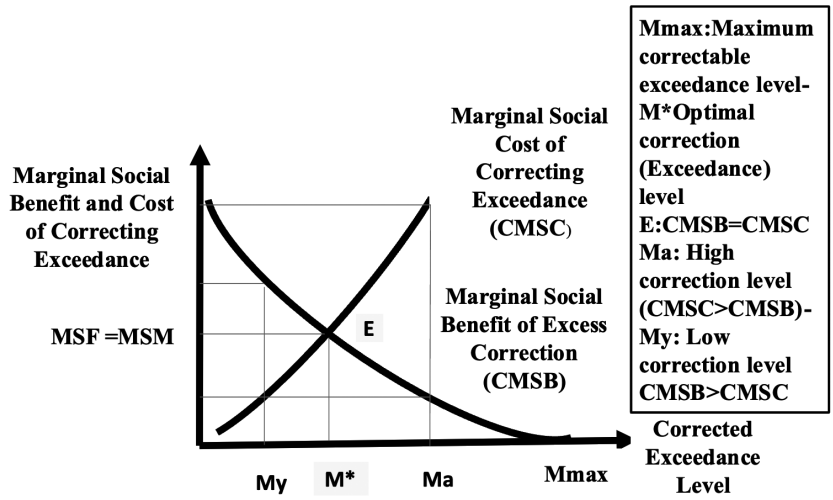
Sphere of influence exceedances may also occur between the elements that make up some player. Their correction may affect the performance of the relevant player and other players (Türkkan, 2024: 170-172).

3.3. Impact Areas and Exceedances

In order to realise the third condition of optimality, the exceedance rates have to be corrected in accordance with the optimality conditions. For this purpose, it is important to determine the point where the marginal social benefit of correcting exceedances (CMSB) and the marginal social cost of correcting exceedances (CMSC) are equalised**. Figure 3.3.1** shows the optimal correction or exceedance level.

The correction process should continue until the Marginal Social Benefit of Correcting Exceedances, including the cost of change, is CMSB = CMSC Marginal Social Cost of Correcting Exceedances. However, there are some important difficulties in achieving zero excess rate or absolute effectiveness and fulfilling the effectiveness condition (Türkkan, 2024: 168-170). The first of these is that in some cases the cost of change is very high. The second important difficulty may be encountered in eliminating the failures of some guiders and regulators that cannot be changed for various reasons. Another difficulty is the superiority-failure uncertainty. On the other hand, there are also uncertainties created by co-guiding-regulating, in which the state, the market, the firm and the outside world may

Figure 3.3.1 Optimal Correction or Optimal Exceedance Level



Source: *Türkkan (2024: 177).*

have varying degrees of influence in a given area. Exceedances in the form of gap-filling may not be easy to recognise. Finally, sphere of influence exceedance within each guiding & regulating player may turn a good player into an undesirable player (Türkkan, 2024: 170-172.).

4. Realisation of the Optimum

Undoubtedly, the most important question in terms of the optimal distribution of players' spheres of influence is how to realise this optimum, how to reduce exceedance rates or, more accurately, how to approach this optimum.

4.1. Dynamics Effective in Reducing Exceedance Rates

As a result of each player creating different dynamics with the influence of the following factors, it is possible to approach the optimum exceedance rates (Türkkan, 2024: 180-186.). Firstly, it can be said that competition in the markets will be effective in this respect. With the dynamics of competition, firms will try to make a more rational choice in the division of labour between their own sphere of influence and the sphere of influence of the market. The competition process will push inefficient firms out of the market and prepare the ground for new entries. Competition processes may also play a role in the rationalisation of State spheres of influence. For example, the privatisation of non-competitive firms may be brought to the agenda with public pressure. Again, competition processes will be effective in expanding or narrowing the spheres of influence of each player. In terms of optimisation, the state will be effective through structural reforms. Generally, this effect will manifest itself in times of crisis. Structural reforms are an important public failure.

This is because structural reforms are not carried out, delayed or diluted for political reasons. Structural reform bottlenecks are also encountered in terms of the excess of authority between elements within the public sector. Structural reform bottlenecks are particularly evident in the elimination of public sector exceedances. Market exceedances are usually caused by the insensitivity of the public sector to structural reform. Firms are more willing to address spillovers. The main dynamic that comes into play, especially at the level of large firms, is profit maximisation and the requirements of competitiveness and growth. For this purpose, the most common methods used by firms are mergers and acquisitions, new investments and restructuring. The main dynamics brought into play by the external world are regulatory competition and integration effects.

Improvements in the performance of each of the players mentioned in Section 1.2 above also play an important role in reducing exceedance rates (Türkkan, 2024: 194-212.).

4.2. Strategies to Reduce Exceedance Rates

Considering these dynamics, some countries may have unspecified strategies to reduce exceedance rates (Türkkan, 2024: 188-192.). For example, the EU integration strategy may trigger policies that lead to the reduction of exceedance rates within the framework of harmonisation with the EU and acceptance of EU regulations. Comprehensive structural reforms by the State to overcome chronic crises are not unlikely. In some countries, it is possible that the State may implicitly pursue a strategy of reducing the exceedance rates through a firm-led profit maximisation dynamic. Likewise, in some countries, it is also possible that the State may adopt a strategy that can be defined as reducing exceedance rates through competitive pressure created by the market. However, it can be said that the most widely applied strategy in practice is the mixed strategy.

4.3. Convergence to the Optimum Through Guiding& Regulation Player Switching

If the exceedance rate is too high, it will be necessary to change the guiding and regulating actor. For example, a guiding function that is performed entirely by the market would be left to the firm or the state, or would be open to the influence of the outside world. Substitution may become important as a result of large changes in the absolute and relative performance of players over time. For example, in the aftermath of the pandemic, there has been a significant decline in the performance of the outside world for some markets and some goods must be produced at the national level. However, substitution can be a costly process. If the cost of switching is too high, the relative advantages of switching to an alternative player should be greater than the cost of switching.

High-cost substitutions can occur in a variety of situations. Transition from traditional production units to modern production units, transition from collectivist State to market economy, transition from State-dominated economy to market-dominated economy, transition from closed protectionist national economy to open competitive economy, transition from open economy to integrated economy, high transition costs are inevitable (Türkkan, 2024: 216-221.). As these high costs delay the transition, the cost of transition increases further.

4.4. Conditions for Convergence to the Optimum with Minimum Social Cost

In order to converge towards the optimum in X guiding and regulation area, whichever player has a significantly higher absolute and relative Superiority/Failure ratio should be involved. Failure to make this transition in a timely manner results in a potential social benefit not being realised, and therefore in a social cost equal to this social benefit. The Superiority/Failure ratio of the market, the state, the firm, the external world changes over time under the influence of various factors. This necessitates a change of player. The cost of guiding and regulation player change may also increase or decrease over time.

In tens of thousands of different guiding and regulatiıng areas, it is virtually impossible to make a substitution according to absolute and relative advantages of related players. Therefore, it is necessary to create the conditions for this change to occur spontaneously. In other words, in order to minimise the social cost of converging to the optimum, it is important that the conditions for the optimum occur spontaneously through natural dynamics without any specific State intervention.

One of these natural dynamics is the existence of a **workable competitive environment**. In order to create a workable competitive environment, it is important to have basic freedoms that will ensure **freedom of entry and exit** (Türkkan, 2023). In this respect, the existence of freedoms of property, contract, enterprise and expression are indispensable conditions. The second important issue is to ensure **fair competition conditions in the economy and politics** (Türkkan, 2016b). In order to ensure this condition effectively, the operation of sanctioned competition rules in the economy and politics gains importance. Another condition for convergence to the optimum at minimum cost is the **separation of powers** and a judiciary and legislature that can act independently of the executive. Strong economic integration with the outside world based on fair competition will also facilitate and encourage convergence to the optimum at minimum cost. The fifth condition is to comply with the principle of universality in regulations. In this framework, globally recognised methods with predictable effects should be used.

4.5. The Role of the Four Players in Achieving the Optimum

The superiority and failure of the market, the State, the firm, the outside world are not the same in every field of guidance and regulation. Therefore, the contributions of these players in achieving the optimum are also different (Türkkan, 2024: 179-186). The market, that is, the invisible hand, is passive in achieving the optimum. However, the market has the ability to fill the gaps quickly. In case of inadequate or incorrect guidance or regulation, **parallel markets** will be formed immediately. Due to the nature of public inefficiencies, the central State is normally reluctant to play an active and leading role in achieving the optimum. The State can be effective after periods of severe crisis. However, **independent regulatory organisations** can play this role more effectively. The problem here is that the political power is reluctant to provide the necessary authority to independent regulatory agencies. In achieving the optimum, firms can play an important direct and indirect role

in the allocation of regulatory space between the market and the firm (mergers and acquisitions and new investments). The role of firms in the change process is important both in terms of the timing of the change and its cost. The external world may impose restrictions on the State, the market and firms in achieving the optimum and may force the transition to the optimum. The EU has an important sanctioning power in this respect.

5. Can the Optimum Conditions of Player Allocation be Realised in Türkiye?

Undoubtedly, a separate and detailed research on the development of an optimalist market economy in Türkiye would be useful. Only some preliminary observations will be made here. In general, the factors that have been effective in the emergence of the contemporary market economy have been effective in Türkiye with a delay, partially or to a limited extent. New problems have also made their presence felt in Türkiye with partial and delayed impact, and developments in the guiding and regulatory players, especially in the State, have been delayed and insufficient. Türkiye has significant problems with freedoms and fair competition.

5.1. The Situation in Türkiye in terms of Factors Determining the Superiority and Failure of the Four Players

In Türkiye, it can be said that there are insufficiencies in the existence of independent and effective regulatory, supervisory and balancing institutions, compliance with the principles of separation of powers and the rule of law, decentralisation level and digitalisation level.

In Türkiye, it can be said that there are inadequacies in determining the superiority and failure of the State in terms of the existence of independent and effective regulatory, supervisory and balancing institutions, compliance with the principles of separation of powers and the rule of law, and the level of decentralisation. Although significant progress has been made in digitalisation, it does not seem possible to say that these developments focus on eliminating public failures.

Among the factors determining the superiority and failures of the firm in Türkiye, there are inefficiencies in terms of constraints created by public regulations and the ecosystem, firm size, the level of globalisation of the firm and the relevant market, the level of digitalisation, and the level of competition in the relevant market.

In terms of the factors determining the superiorities and failures of the external world, Türkiye is disadvantaged in terms of the level of geopolitical and systemic risks, the situation in the asymmetry of power between countries, and participation in the integration of countries. However, Türkiye also has some advantages arising from its geographical location.

5.2. The Situation in Türkiye in Terms of Factors Supporting and Obstructing Spontaneous Change

Türkiye is a problematic country in terms of basic freedoms that will ensure the freedom of entry and exit for the formation of a workable competitive environment, which is one of the basic dynamics that ensures convergence to the optimum in the distribution of players (Türkkan, 2023). There are significant restrictions in practice in terms of freedoms of property, contract, enterprise and expression in Türkiye. On the other hand, there are significant problems in Türkiye in terms of the operation of sanctioned competition rules in the economy and politics in order to effectively ensure fair competition conditions in the economy and politics (Türkkan, 2016b). Especially in the State side of the economy and in politics, sanctioned competition rules cannot be operated. There are also major problems in Türkiye in terms of the separation of powers and the existence of a judiciary and legislature that can act independently of the executive, which are necessary for the realisation of convergence to the optimum at minimum cost.

In terms of strong economic integration based on fair competition with the outside world, which facilitates and encourages convergence to the optimum at minimum cost, Türkiye is a country that has not fulfilled its requirements. Finally, Türkiye is increasingly becoming a problematic country in terms of complying with the principle of universality in regulations and thus using methods that are globally recognised and whose effects are predictable.

In Türkiye, there are various factors preventing the spontaneous realisation of optimal guiding and regulatory player distribution. The most common practices in this respect are a political system that is far from inclusive, a political system that is far from separation of powers, a dependent judiciary and a dependent media, a lack of balancing power, centralisation, inadequacies and weaknesses in the institutional structure, an interventionist economy and especially anti-competitive actions of the public sector, distrust of the market and continuous interventions, populist inflationary policies, excessive expansion of public regulation areas, seeing the outside world as an enemy, instilling mistrust and distancing from the EU.

5.3. Indicators of Being Far from Optimal Distribution

It is inevitable that the non-optimal distribution of the guiding and regulation areas of the market, the State, the firm and the outside world will also bring down the overall economic performance of the country. Therefore, the main problems experienced in Türkiye's overall economic performance and the transition to a modern economic structure (Türkkan, 2016a) can be considered as a result of being far from optimal distribution. In this respect, the low level of development and the extreme distortion of income distribution are the most important indicators. High rates of price instability, chronic current account deficit, low share of R&D in GDP and limited inflow of foreign capital are also important indicators. Negative selection practices such as disregarding merit in appointments, frequent amnesties, outward brain drain (Türkkan, 2021) can also be considered as a result of

different dimensions of being far from optimal distribution. Restrictions and prohibitions on fundamental freedoms (confiscation of property, arrests of journalists and politicians, etc.), the move away from fair competition in the economy and politics (Türkkan, 2016b), and excessive centralisation are indicators of the lack of optimal distribution in the Turkish economy.

6. Implications of Contemporary Market Economy in Terms of Economic Policies and Economics Education

The contemporary optimalist market economy has some implications at both the macroeconomic and microeconomic level

6.1. Implications of Contemporary Market Economy in Terms of Economic Policies

Competition policies are becoming more important for the formation and efficiency of a modern market economy. In this respect, not only the protection of competition (competition policy in the narrow sense), but also the development of competition and the harmonisation of the state with competition (competition policy in the broad sense) (Türkkan, 2023) gain importance. In order for competition to emerge and develop, it is important to remove the clouds on economic freedoms and increase the perceived level of freedom, and in this context, the independence of regulatory institutions gains importance. In addition, in order for natural dynamics to be activated, it becomes a sine qua non condition for fair competition to become effective and efficient not only in the economy but also in politics. Increasing investments in digitalisation and artificial intelligence is another important condition, especially in terms of increasing the superiorities and eliminating the failures of various players.

Predictability and confidence-building policies also gain importance in this process. The transition from security policies to libertarian policies and the development of basic negative freedoms with minimum restrictions, the restriction and control of political power (separation of powers), and the rule of law are sine qua non conditions for the mobilisation of natural dynamics.

On the other hand, comprehensive public deregulation, especially to loosen restrictions on firms and local governments, constitutes another policy implication for convergence towards the optimum. As pointed out above, the emphasis on external integration for the universality of regulations, institutionalisation for new economic challenges (strong institutions), and the shift from a vision of a strong country to a vision of a prosperous country are also policy implications, each of which is of great importance. In all economic systems, these policies are expected to lead to a modern market economy through policy changes that prioritise efficiency, freedom and justice (Türkkan, 2017).

6.2. Implications of Contemporary Market Economy for Economics Education

The optimalization tendencies of the contemporary market economy in the distribution of players are important for the realisation of the Pareto optimum in resource allocation. For this reason, the inclusion of the optimum regarding the distribution of players in the education programmes will create the opportunity to fill an important gap. It is not possible to say that the current economics education programme sufficiently covers contemporary economic problems and developments in the methods and performance of solving them. For this reason, it is necessary to fill the gaps about the superiorities and failures of the four guiders and regulators in solving economic problems. On the other hand, it would be of great benefit to identify and monitor the developments in these superiorities and inadequacies. Another important requirement is to identify and monitor the natural and artificial dynamics that help to fulfil the efficiency and effectiveness condition of the optimum in player allocation. Likewise, it is necessary to identify and monitor the determinants of player change and exceedance costs.

Conclusion

As a result of the analyses made in this paper, it is possible to define the contemporary market economy as follows. Contemporary optimalist market economy is an economy, which aims to solve new economic problems as well as classical economic problems, in which four powerful players consisting of the market, the State, the firm and the outside world are effective, the sphere of influence of each player is determined according to the absolute and relative superiority of each player in solving economic problems, the sphere of influence of these players can change according to the changes in their absolute and relative superiority and tends to be shaped in an optimal way. Optimalist market economy is also an economy where the conditions of efficiency and effectiveness are decisive in shaping the spheres of influence of the players, where the rules of fair competition are effective in all economic, political and social spheres, where economic and political freedoms are minimally restricted and rigorously protected, where based on advanced international division of labour and integration, where national and global markets and the price system are dominant in resource allocation

In this paper, we have tried to develop arguments to strengthen the hypothesis that the contemporary market economy has an optimisation performance different from the Pareto optimum. It is therefore not possible to prove the existence of such an optimisation in practice. This new optimisation makes sense to the extent that the hypothesis that the distribution of the spheres of influence of the four main players - the market, the State, the firm and the outside world - is related to the welfare gains that would result from the allocation of the spheres of influence according to the absolute and relative advantages of each player can be strengthened. In this framework, additional studies are needed on what are the superiorities and failures of each player in solving old and new economic prob-

lems, how they have developed, under what factors they are influenced, and under what conditions optimisation can be achieved. In addition, there is a need for additional studies on the dynamics that enable the realisation of these conditions, the situation of Türkiye in this framework, the policy implications of the optimistic market economy and the requirements of economics education. If this study can provide a starting point in this regard, it will have fulfilled its purpose.

Undoubtedly, the future of the optimisation of player allocation, which is attempted to be defined in this paper, needs to be further studied and discussed in its various dimensions. Because there are many factors that threaten such an optimum. The emergence of the 2019 pandemic has suddenly created effects that will radically change the conditions of this optimum. Likewise, the Russia-Ukraine war has created consequences that will change the conditions of this optimum, especially for European countries. Trump's coming to power in the USA also seems to have the potential to change the conditions of this optimum. In the future, the size advantages of large-sized countries such as China and India may lead to significant changes in the conditions of the optimum. Therefore, there is an optimisation that is under threat at any time. However, by definition, player optimisation is not a permanent and fixed state. Changes in the superiority and capabilities of the players under the influence of various factors will also affect the results of the optimum.

However, this paper may be a different point of departure in the sense that the vicious debates on player preference that have been going on for years in the framework of the questions of market or state, open economy or closed protectionist economy are not meaningful.

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