

Vanguard of a Nascent Bourgeoisie: The Social and Economic Policy of the Young Turks 1908-1918

The idea that the State (*Devlet*) is omnipotent was deeply entrenched in Ottoman society and culture and this enabled the State to intervene in every conceivable field of activity. All initiatives during the periods of expansion and decline emanated from the State. Thus, in contrast to the developments in Western Europe, there was no evolution of classes strong enough to press their interests against those of the State.

It is not therefore surprising that the mono-party state in which the party (the Committee of Union and Progress-the CUP) and the state coalesced should carry out social and economic policies designed to create a new class, the Turkish bourgeoisie. For this reason, one may appropriately describe the CUP as “the vanguard party of the Turkish bourgeoisie.” Before proceeding any further it may be worthwhile defining what we mean by the term bourgeoisie. Our definition is primarily political and not restricted to the functional and social attributes of that class. For in the Ottoman Empire there existed people who carried out the economic functions of a bourgeoisie, but never acquired the political power and influence of that class to mould the

State in its own image and interests. That is surely what Bernard Lewis implies when he writes: "In Turkey too there were rich merchants and bankers, such as the Greek Michael Cantucuzenos and the Portuguese Jew Joseph Nasi-the Fugger of the Orient, as Braduel called him. But they were never able to play anything like the financial, economic, and political role of their European counterparts... Despite the scale and extent of their financial operations, they were unable to create political conditions more favourable to commerce..."¹

Thus it is possible to talk of Ottomans who engaged in bourgeois activities such as banking, commerce, and industry but not of a bourgeois class that exercised any significant political influence on the State. As the Empire declined the members of this group became even weaker. But in the nineteenth century, as the Empire was integrated in the European capitalist economy, the major non-Muslim elements amongst them linked their interests with those of the European powers. They became in essence a comprador bourgeoisie, the economic intermediaries between Europeans and Ottomans, benefitting from the extra-territorial privileges exploited by the Europeans under the capitulations. Many of them even became foreign citizens and served the interests of the foreign powers against those of the Ottomans. Such people, who are sometimes decribed as the bourgeoisie, hardly perceived the Ottoman State as their state, one through which they could enhance their position in society. Quite the contrary, the aspirations of the comprador bourgeoisie were better served the more the authority of the Ottoman State was weakened. Thus if we consider a positive relationship between bourgeoisie and State to be a necessary component in defining such a class, we must conclude that a Turkish bourgeoisie did not exist until the Unionists set about creating one. Prior to the revolution of 1908 there was no such class amongst the Muslims, and most non-Muslims did not regard the Ottoman State as their state. Moreover, until the revolution, the State represented only the

1 Bernard, Lewis, *The Emergence of Modern Turkey* (1968), 31-2.

bureaucratic and landed interest and seemed to have no perception of a bourgeois society.

Some scholars talk of "rising classes" among the Muslims in the late Ottoman Empire as though they were the bourgeoisie in evolution. Such elements would be more accurately described as the "depressed classes" whose position in the traditional economy was being rapidly eroded by the advance of a relentless capitalism as the nineteenth century progressed. Such people were generally backward looking and sought the protection of the State in the futile task of checking the advance of European economic penetration so as to maintain the status quo. They were hardly the entrepreneurs who usually form the backbone of a bourgeoisie. The Unionists were forced to use such people as one of the components of their bourgeoisie. But as scholars like Selim İlkin have shown, these people, who often came from amongst the guilds and artisans' associations, were too conservative to be suitable for the progressive functions the Unionists had in mind.² That was to be one of the major shortcomings of the new class which could not distinguish between profit and profiteering.

In the interest of historical accuracy it must be emphasized that not all non-Muslims were members of the comprador bourgeoisie. The attitude of the communities towards the Ottoman State depended on the extent to which a community was integrated into the economic sector dominated by Europe; or conversely the extent to which a community was still part of the depressed, traditional Ottoman economy.

The absorption of the Empire into a world economy was a relatively new phenomenon and so there was some overlap. Until the second quarter of the nineteenth century, the Ottoman economy was still autarchic. Thus in March 1914, a writer in *Sabah* wrote:

2 Private communications with Professor Selim İlkin; also the first draft of a long article, co-authored with İlhan Tekeli, on "(Kör) Ali İhsan (İloğlu) ve Temsili-Mesleki Programı" which he kindly let me read.

“Up to the epoch of machines and of steam... Ottoman finances were not in such a state [of disequilibrium and dependence]. We met our own industrial needs in our own factories in large measure. Our life was simple. This simplicity, although in comparison to western things it might be regarded as decadence, was yet compensated by the ability of the land itself to supply the greater part of our needs. Eighty years ago [i.e. in 1834], the clothing of the people was almost entirely the product of native manufacture. Though it was not rich, Turkey was then more financially stable.”³

Which elements were able to take advantage of the economic revolution wrought by Europe and join the modern sector? The leaders of this group were those one might broadly describe as the “Levantine”, people who came from Europe and the Mediterranean region and settled in western Turkey, retaining their language and culture generation after generation. Count Ostorog, who came to know the Empire intimately, writes that the English had settled in Turkey in the heyday of the Levante Company, and notes that “some of the families are still extant; the Lefontaines, the Hayes, the Barkers, the Charnauds, the Whittals, the Hansons have no other origin... At Constantinople Moda and Bebek are well known as English centres; the same may be said of the charming Barnabut, near Smyrna, which is even more exclusively English.”⁴ Despite their long years in the Empire such people retained foreign citizenship, living under the privileges of the capitulations and the protection of their embassies and consulates. They never identified with the Ottoman State yet their role in the economy was most significant.

The inner core of the comprador bourgeoisie was composed of Greeks and Armenians. According to Sussnitzki these two communities dominated almost all spheres of Ottoman economic life. They cultivated the profitable cash crops (vegetables, fruits, tobacco, mulberries) in preference to cereals and thus dominated silk culture in west-

3 *Sabah* (n.d.) quoted in *The Orient* v/12, 25 Mar. 1914, p. 117.

4 Count Leon Ostorog, *The Turkish Problem* (1919), p. vii.

ern Anatolia. In industry which was still not mechanized and remained restricted to handicrafts, the situation was more equal between the various communities and the Turks continued to hold their own. But in commerce and finance the Greeks and Armenians had established their supremacy. Sussnitzki describes the situation as though they had succeeded in establishing a total monopoly over that sector of the economy. He wrote: "They hardly allow other national groups the possibility of developing their own economic powers. And they often proceed as though their objective were so to divide up the market so that the two rival groups might be spared mutual competition..." Among the reasons for Greco-Armenian economic supremacy Sussnitzki mentions "the protection they enjoyed from foreign powers, whose subjects they sometimes were, thus becoming, thanks to the former Capitulations, exempt from taxation."⁵

Neither the Greeks nor the Armenians regarded the Ottoman State as the representative of their interests. This becomes very clear from their relations with the constitutional regime after 1908. They waged a determined struggle against it in defence of the traditional privileges granted to the *millets** which they considered to be as sacrosanct as the capitulations. They were therefore openly hostile to the national and centralized state the Unionists were trying to set up and from their point of view it is easy to understand why. Most Ottoman Greeks, with deep emotional and cultural ties to Athens, found it dif-

5 A. J. Sussnitzki, "Zur Gliederung wirtschaftlicher Arbeit nach Nationalitäten in der Türkei", *Archiv für Wirtschaftsforschung im Orient*, II (1917), 382-407 in Charles Issawi (ed.), *The Economic History of the Middle East 1800-1914* (1966), pp. 120-21.

(*) The *millet* system was the division of Ottoman society along the lines of religious communities, with a total disregard for class except within the *millet* or religious community. The non-Muslim *millets* enjoyed almost total religious and cultural autonomy and that enabled the Ottoman State to stay out of their affairs and avoid conflict with the non-Muslim population. The head of each *millet* acted as the intermediary between his community and the State. While the *millet* system continued to exist there could be no national economy as the "Ottoman nation" was divided along religious-ethnic lines which had come to represent a division of labour. The Unionists detested this division of labour and knew that they had to undermine the *millet* system in order to destroy it.

difficult to identify with İstanbul. The Armenian case was more ambivalent a small group prospered under Ottoman rule, yet in the age of nationalism it also yearned for national autonomy if not total independence. In the İstanbul community there were Armenians who supported the policy of union and progress and supported the emerging national State. But the community as a whole resisted this inevitable transformation.

In contrast to the Greeks and Armenians, the Ottoman Jews remained an intimate part of the traditional, non-capitalist, socio-economic structure. They derived no benefit from the domination of the Ottoman economy by Europe and suffered the consequences of the Empire being converted into a semi-colony. "Turkish Jews" wrote Ostrorog "in no way resemble the magnificos of Frankfurt. A few, skilled in medicine or the law, attain wealth and influence; but the majority are humble folk, engaged in small businesses, or very modest manual labour, boatmen, porters, and so forth..."⁶ Sussnitzki confirms this view and notes: "The Jews were in partial competition with the Greeks and Armenians, competition which, since in contrast to their opponents they seldom enjoyed [foreign] protection, was seldom crowned with success."⁷ The situation of the Jews resembled that of the Turks in so far as both communities suffered the consequences of European domination. Both communities therefore had much to gain from restoring the political sovereignty and economic independence of the State.

For that reason, the Jewish community from Salonica to Baghdad supported the Unionists wholeheartedly. This relationship between economic interests and political involvement was noted by an American observer in 1917. He wrote that "the (Deunmeh) Jews, it is claimed, differ from the other Jews of Europe in the fact that, they have made their money out of exploiting the Ottoman Empire with-

6 Ostrorog, *Turkish Problem*, p. 14.

7 Sussnitzki, 121, as in n. 5.

out the assistance of the European powers, and that as they look to Turkey for their future prosperity they want to see come into existence a new and greater Turkey.”⁸ The Turkish and Jewish harmony of interests was such that many European writers described the Young Turk movement as a Jewish, masonic conspiracy in which the Unionists were the dupes in the hands of Jews and the Dönme or the crypto-Jews. For the same reason the Zionist movement failed to find an enthusiastic response amongst Ottoman Jews who remained totally loyal to İstanbul.⁹

This was the situation the Unionists inherited when they carried out their revolution in 1908. One of the principal goals of their movement was to create a national economy and a national bourgeoisie so as to become independent of Europe. They pursued this goal with determination, and, as we shall see, with some success.

The Young Turk Revolution of July 1908 was first and foremost a political movement whose aim was to rescue the Empire from the old order and liberate it from the control of the European powers. During the first six years, until the outbreak of the First World War, the struggle remained essentially political. Only after the Great Powers had opened hostilities and were unable to intervene in the affairs of Turkey did the Young Turks abrogate unilaterally the capitulations. This gave them the freedom to implement economic policies without the interference from the embassies of the Great Powers and opened a new page in the history of modern Turkey. Commenting on the conflict between the foreign embassies and the Young Turks, Sir Andrew Ryan (the Dragoman of the British Embassy) noted: “We were no less tenacious of our fiscal than our judicial privileges. Concessions were sometimes made to the Turks, but only subject to the principle that no

⁸ Report of “an American citizen now travelling in the Near East” Jan. 21, 1918 published in Department of State, *Weekly Report on Matters Relating to the Near East*, no. 8, Mar. 7, 1918, p. 8.

⁹ Elie Kedourie, ‘Young Turks, Freemasons and Jews’, *Middle Eastern Studies* VII/1 (1971), 89-104; Abraham Galanté, *Turcs et Juifs* (Istanbul 1932); idem., *Türkler ve Yahudiler* (1947).

new taxes could be enforced without our consent... It was no wonder that the Turks resented the disabilities imposed upon them."¹⁰

But even during the years of political struggle it is possible to discern the outlines of the economic policy which later evolves into *étatisme*. The Committee of Union and Progress, which was the dominant political organisation of this era, explained the economic programme it expected to have implemented by the government at its first convention. It proposed: the elaboration of laws defining the relations between employees and workmen; the distribution of land to the peasants (but without encroaching on the rights of landowners) as well as credit for the peasants at moderate rates of interest; the alteration of the existing system of titles and the gradual adoption of the cadastral system; state supervision of education, with the state schools open to all races and creeds; the introduction of Turkish in elementary schools and the opening of commercial, agricultural, and technical schools; and finally general measures to ensure the economic progress of the country and the development of agriculture.¹¹

It became evident from the repressive policy of the Young Turks towards the striking railway workers in Rumelia that the elaboration of laws defining relations between employers and employees would favour the former. But the rationale for such a policy was that the nation could not afford strikes at such a critical period of history. The concept of the nation with a national economy was also put forward, though not articulated by the Young Turks during these years. Its first manifestation came immediately after the annexation of Bosnia and Herzegovina by the Austrians. The Unionists, unable to take any counter-measures against Austria herself, organized a boycott against Austrian goods and the shops which sold them. This harmed mainly the non-Muslim merchants who tended to be the agents for Western goods and benefitted the smaller Turkish merchant. Thus it was dur-

10 Sir Andrew Ryan, *The Last of the Dragomans* (1951), p. 35.

11 Tarık Zafer Tunaya (comp., ed.), *Türkiye'de Siyasi Partiler 1859-1952* (1952), 208-10.

ing this boycott that the fez cap, made in Austria, gave way to the Anatolian kalpak.¹²

It is worth noting that Unionists made speeches supporting by boycott. Members of the Liberal Union, meanwhile, addressed meetings counselling caution, arguing that it was superfluous and ridiculous to boycott shops since such demonstrations damaged local commerce.¹³ Such was the economic dimension of the political conflict between the Unionists and the Liberals; not only were the Unionists partisans of a modern, constitutional, and centralized state, they had also declared themselves convinced partisans of the system of state monopoly and state control over the economy.¹⁴

But despite their desires for political and economic autonomy for the Empire, the Unionists were acutely aware of their dependence on foreign capital for economic growth. They hoped that the foreign powers would be impressed by their reformist activities designed to put the house in order and transform an archaic structure into a modern one. They hoped that foreign financiers would acquire confidence in the Young Turk régime and invest the necessary capital to stimulate the economy. Ironically the Young Turk revolution had the opposite effect, alarming the foreigner with its new consciousness of defiant nationalism. There were those in the CUP who were hostile to foreign investment but they were a minority. Mehmed Cavid, who became Finance Minister in 1909 and played a key role in Turkey's economic policy thereafter, represented the dominant view:

“The number of those ... who do not want the coming of foreign capital to our country is less than the foreigners believe. There are certain small-scale enterprises that can be carried by the accumulated

12 *Le Moniteur Oriental* and Turkish Press, 10 Oct. 1908 and ff.; René Pinon, *L'Europe et la Jeune Turquie*, 2nd ed. (Paris 1911), p. 274.

13 René Pinon, *L'Europe*, 275, the Press 14 October 1908. It is interesting to note that the Congress Party of India also reacted by boycotting British goods in August 1905, following Lord Curzon's partition of Bengal.

14 For a discussion of Turkish politics in the years 1908-1914 see Feroz Ahmad, *The Young Turks* (1969).

capital in the country which, of course, we would not like to have pass into the hands of foreigners... Yet, in my opinion, we must accept foreigners even in such enterprises for the sake of establishing a skill, that of management and rationalization, which we lack so badly. As important public works, these can be done only with foreign capital.. All countries in state of opening themselves to civilization will inevitably stumble and fall in their path if they seek to advance by their own force... All new countries have been able to advance only with the help of foreign capital.”¹⁵

Niyazi Berkes is correct in noting that the Unionists saw the Empire’s economic problems “in terms of the categories of the capitalist economy and as if Turkey belonged to the same economic system.”¹⁶ In a sense they were right, for in the nineteenth century Turkey had indeed been sucked into the world capitalist economy and the world the Young Turks wanted to emulate was the western world, one which had made such devastating progress under capitalism. But they were naive in believing that Europe would encourage them to develop an independent capitalist economy and that this could be accomplished by borrowing capital and know-how from those who had it. Suspicious of European imperialism, the Unionists tried to invite Japanese experts in the venture of establishing capitalism. Japanese stewardship never materialized, partly because of western opposition and partly because Tokyo was reluctant to challenge Europe so far west, thereby alienating all the Powers. But Japan remained an inspiration and its model in the Unionist struggle for independence.¹⁷ Though the Unionists placed great significance on foreign capital they refused to accept it with strings, especially if the strings attached to the loans were political and hampered the sovereignty of the State.

15 Mehmed Cavid, “Neşriyat ve Vekayi-i İktisadiye” in *Ulum-u İçtimaiye ve Aktisadiye Mecmuası*, 11. No. 5 (May 1909) 129-30; quoted in Niyazi Berkes, *The Development of Secularism in Turkey* (Montreal 1964), p. 424.

16 Berkes, *Secularism*, 424.

17 Ahmad, *Young Turks*, 23, n. 1.

During the first year of the constitutional régime, foreign loans proved hard to raise in the money markets of Europe. By September 1909, the Ministry of Finance attempted to float a public loan of seven million Turkish liras. "This operation (wrote the British Ambassador) was an endeavor on the part of the Turks to emancipate themselves from the control of the very narrow banking circle [very largely dominated by Anglo-French bankers] from which they have hitherto borrowed, to obtain a loan without giving a regular guarantee, to avoid having the loan countersigned by the Ottoman Public Debt Administration, and in fact to prove to the world ... how greatly the administration of the new régime has enhanced the credit of the country. The French, Italian and German ambassadors (he concluded) thought that the operation would fail."¹⁸

The foreign powers interpreted this scheme as Cavid Bey's attempt to go over the head of the Public Debt Administration with the "insidious object of minimizing its importance with the aim of ultimately abolishing it."¹⁹ This was probably a correct interpretation, for the Unionists were determined to establish their financial independence as soon as possible. But the public loan proved a failure and the following year Cavid Bey was forced to seek loans in France once more. But in Paris, the French offered terms which amounted to placing Turkish finances and the Finance Ministry under French control and that no self-respecting government could possibly accept.²⁰

In Unionist circles, the French demands aroused much indignation. *Tanin* (August 13, 1910), which was the voice of CUP, expressed some of this indignation.

18 Sir Gerard Lowther to Sir Edward Grey, no. 723 confidential, Therapia [Terabya] September 8, 1909, in F.O. 371/763/34194.

19 Sir Adam Block to Sir Charles Hardinge, Constantinople, September 14, 1909 in F.O. 371/763/34938 (Block was the head of the Public Debt Administration).

20 Ahmad, *The Young Turks*, 75-81. The reason why internal loans were difficult to raise was because there was no machinery in the form of a "national bank". As a result people tended to hoard money.

“Turkey is weak and wants help from foreign powers. But it cannot repay their assistance with political favours and so it has to give material advantages such as concessions. We say: No! We will have nothing to do with such bargains, for they are injurious to Turkey’s dignity and independence... If Young Turkey is going to live it shall live like a European state in a dignified and honourable manner.

“We have kept it on this principle so far... We follow the principle of granting concessions to those who give us the best terms, irrespective of nationality *et cetera*.

“We must warn those who consider Turkey weak and helpless and want to sell political assistance for economic gains. They are on a very wrong path. It is possible that Turkey may not raise her voice against or resist such treatment today, but very soon, Turkey will have brought her armaments to such perfection that not even the greatest pessimist will regard her as ‘weak and helpless’.”²¹

Despite the obstruction and the lack of cooperation from the foreign powers who continued to exploit the régime of capitulations, the Young Turks began to put their economic house in order. In September 1909 Sir Adam Block wrote that the “... praiseworthy efforts that are being made by the Ministry of Finance to improve the system of [revenue] collection, to establish a proper system of control and inspection, and to reorganize the financial staff in the capital and the provinces, are already producing results...”²² The government’s receipts for the first four months of the financial year 1909 (March, April, May and June) showed a slight increase, while the receipts of the Public Debt Administration showed a distinct increase over 1908.

Cavid Bey’s budget made no attempt to conceal the facts or to present the case in too favourable a light, as had been the practice of earlier ministers. He increased the allocation of productive departments like Public Works and Education while economizing in the non-

21 See also Hüseyin Cahir’s article in *Tanin* (October 2, 1910) in which he recommended raising taxes instead of loans in order to preserve “rational honour” and avoid foreign control.

22 Block to Hardinge, Constantinople, September 13, 1909, F.O. 371/763/34938.

productive ones like the grand vezir and the Ministry of Foreign Affairs. Economies were realized in every direction, and in every department of the State a policy of retrenchment of the inflated bureaucracy was being implemented. Despite all these economies, budgets for the next few years continued to show deficits. Such was the legacy of the old regime which had been drifting towards bankruptcy, in spite of borrowings on the foreign market.

“In the memorandum I wrote in October of last year (concluded Block) I said that the Turkish reformers were determined to take in hand the work of financial reorganization. I can honestly state that the work has been well begun. The government, for the first time in the history of Turkey, has produced a budget based on real figures, and, for better or worse, has placed before the world a true statement of its current liabilities. There has been no attempt at concealment. The government has not only taken the resolution to work in the lines of the budget, but the Chamber of Deputies is firmly resolved to keep the government up to the mark in this respect. I am confident that the Ministry of Finance will ensure that the laws on the budget shall be faithfully observed throughout the Empire, and that an efficient control will be exercised over every Ministry, even including the Ministries of War and Marine, where the scandalous contracts for the purchase of store and materials have cost the government in the past many millions of pounds.

“One of the chief obstacles to a proper financial system was the interference of the Sultan and the Palace camarilla. The intervention of the Palace has now disappeared completely. Besides the considerable sums which the late Sultan [Abdülhamid II] laid hands upon, the revenues of the immense Civil List properties will now revert to the State, and the hordes of favourites at Yıldız [Palace] who fattened on the country and on the unfortunate peasant has been swept away.”²³

Block then described the reform within the Finance Ministry itself, noting the lack of chauvinism in the use of foreign financial experts -M. Laurent who was preceded by M. Joly (French), Mr. Graves (British), M. Steeg (French), Sn. Maissa (Italian), and Mr. Crawford (British) - on the reform commission. He noted that a new law for regulating the actions of the tax-collectors had been put into force and the government had devoted most serious attention to the modification of the entire tax system. Cavid's schemes had the support of the CUP and it was realized that the best way of ensuring a permanent increase in revenue was by alleviating the position of the peasantry and by taxing those who had avoided payment in the past. The Ministries of the Interior and Public Works were determined to develop the prosperity of the country by maintaining security and by opening up the countryside by improved communications, and by encouraging the investment of foreign capital for works of public utility. For all their schemes the Unionists needed new sources of revenue. The immediate and feasible solution seemed to be the increase of customs from 11 to 15 per cent and the establishment of government monopolies.²⁴

Within the limits circumscribed by the capitulations, the Young Turks continued to modernize the economic structure of their society. In 1911 they passed a law on house property designed to facilitate communication within Istanbul. This new law necessitated the registration of all immovable property in the capital and a commission was set up to supply streets with names and houses with numbers. This was expected to improve communications and the business community was particularly happy about this.²⁵ About the same time internal passport (*vesika*) which had hampered travel within the Empire were abolished and other restrictions on movement were removed. The Government also began to draft a new com-

²⁴ *Ibid.*

²⁵ *The Near East*, vol. 1 (new style), May 17, 1911, p. 23.

mercial code and to amend the laws on property, bringing both in line with contemporary needs.²⁶

In keeping with their policy to improve agriculture, the Young Turks introduced the scheme to irrigate the plain of Konya under the direction of the Deutsche Bank. A survey was also being carried out for a similar undertaking in the Cilician plain, which was expected to turn the countryside around Adana into another Egypt. The emphasis on agriculture had already begun to pay dividends and the harvest of 1910 had been excellent. But a large part of the crop had been wasted because of a lack of labour, opening up the question of mechanized farming.²⁷

By 1911, observers of the Turkish scene began to speak of an economic revival. "... Under the new régime in Turkey a constitutional government has been formed, abuses and corruption have been abolished, and steps have been taken to place Turkey in the march of progress... The country already feels the impetus of the new departure. Concessions have been granted [to foreign firms] for the construction of new and the extension of old railways, for the building of highways, for the installation of telephones and electric lighting and power plants, and for the electrification of the tramways; and other concessions have been made, or are pending, the fruition of which will develop the great national resources of the country, expand its resources, establish mechanized industries and enhance the purchasing power and promote the happiness of the people."²⁸

²⁶ *Ibid.*, May 24, 1911, p. 58.

²⁷ *Levent Trade Review* (hereafter cited as *LTR*), vol. i/1 (June 1911), 59-61. The increasing cost of labour -50 per cent in two years- was also encouraging the demand for mechanisation of agriculture and industry. By 1912 Turkey was beginning to use its own raw materials and produce goods like paper, glass, cloth, cottonseed oil, cement, tiles, furniture and leather. The government, in order to encourage the import of machinery, had removed customs duties on machinery. See Bie Ravndal, "Commercial Review of Turkey", in *LTR*, ii/3 (December 1912), 23-2.

²⁸ *Ibid.*, pp. 16-7. According to the Public Works programme published in 1909, the Ministry planned to build 9,000 km. of railways in addition to the existing 6,000 km., and 30,000 km. of highways and a large number of harbours. The criterion for improving communications was

The *Levent Trade Review's* estimate of the new régime's economic programme is rather inflated and over optimistic. Firstly, we ought to remember that most of the modernizing activity was taking place at the centre, in and around İstanbul, and İstanbul was not "Turkey" let alone the Ottoman Empire. But the Unionists were aware of this, more so because they themselves were representatives of the provincial petty bourgeoisie. It is worth remembering that their movement had developed in the provinces, especially in Rumelia, and they held their annual congress in Salonica, until the city was lost to Greece in 1912. If anything, they were suspicious of "Cosmopolitan İstanbul" just as the Kemalists would be. Thus one of their aims was to establish a firm and productive relationship between the centre and the periphery which would lead to "a wholesome decentralisation and autonomy". According to the *Deutsche Levante Zeitung* (n.d.) "The new system had already had gratifying results in local industrial enterprises and in the financial policies of the cities. Here a [provincial] governor pursues a policy of building up forests and there another that of colonization; in short another spirit is passing through the country."²⁹

The outbreak of the Turco-Italian war in Libya in September 1911 followed by the Balkan Wars of 1912-13 arrested the programme

to be economic not strategic as it has been under the old regime. See *LTR*, vol. i/3 (December 1911), 252-6.

In February 1912 when Mehmed Cavid became Minister of Public Works he proposed the following programme for the coming decade:

(a) *Railways*: (i) the Black Sea line (French capital); (ii) Adriatic line (French); (iii) The Chester Project in Anatolia (American); (iv) Baghdad-Basra line (British); (v) line connecting Ankara with the Samsun-Sivas line (German);

(b) *Ports*: (i) Samsun and Trabzon under survey; (ii) large harbour at Dedeağaç (lost to Greece in the Balkan Wars); (iii) a small port at Kavala; (iv) Salonica to be enlarged; (v) ports at Jaffa, Haifa and/or Tripoli.

(c) *Irrigation*: (i) Contract for Mesopotamia to be thrown open to bids; (ii) plans for the Adana region as well as for the rivers Bardar, Boyana, Maritza and the Jordan.

(d) *Highways*: 9,655 miles to be constructed in four years. Cavid Bey expected the mobilization of local resources by the provincial governors for the implementation of small projects. (*LTR*, vol. i/4 (March 1912), 426. See also E. G. Mears, "Transportation and Communication" in E. G. Mears (ed.), *Modern Turkey* (New York, 1924), 201-37).

²⁹ Quoted in *LTR*, vol. i/3 (December 1911), 252-6.

of economic reform. But the wars forced the Unionists to mobilize all the resources of the country, especially its human resources. They became aware of their isolation and reacted by turning inwards towards the "people" (*Halka doğru*) and arousing national consciousness in order to fight for the very existence of the Empire and the Ottoman State. Following the example of the French revolutionaries, the Unionists formally inaugurated the Committee of National Defence (*CND-Müdafaa-i Milliye Cemiyeti*) on 31 January 1913.³⁰

The economy could hardly be isolated from this national mobilization and one of the functions of this "unofficial" body was to raise money from the public: The Government "entrusted it with the care of placing five and a half million pounds with Treasury Bonds...", and the CND in turn called upon the Government to raise a public loan.³¹

This national mobilization coincided with the activities of a Turkish group among the Unionists, articulating its views in the periodical, *Türk Yurdu*. Professor Berkes notes that the "Turkists were clearer on the economic aspirations for which the Turkish Revolution should stand. Probably influenced by Parvus's socialism and inspired by the economic development of the bourgeoisie of the Turkish-speaking people of Russia, they developed the idea of economic nationalism and the policy of étatism in order to combat the economic bondage of the Turkish masses to the European economy, and to foster the economic growth of a middle class which would be the carrier of the economic interests of the Turkish nationality within the Ottoman Empire."³²

³⁰ See the Turkish press of 30 and 31 January and 1 February 1913 and following. In French it was known as the *Comité de Salut Public*. See Consul General Rommily to Secretary of State, Constantinople, February 13, 1913. 867.00/484, no. 412.

³¹ Rommily, *Ibid.*, and *Stamboul* 3 and 4 February 1913.

³² Berkes, *Secularism*, 245. Alexander Helphand, the Russian Marxist, better known by his pseudonym Parvus, arrived in Turkey in 1910 and remained there until the outbreak of war in 1914. Judging by his writing in *Türk Yurdu* and the Turkish press, Parvus seems to have been an influential figure in the counsels of the Turkists. For a fuller but incomplete account of his life in Turkey see Z. A. B. Zeman and W. B. Scharlau, *The Merchant of Revolution: the life of Alexander Israel Helphand (Parvus), 1867-1924* (London, 1965).

At this point it is not possible to evaluate this influence of Parvus's ideas on the Unionists. His writings, all published in Turkish, in *Türk Yurdu* and other journals ["The Peasants and the State"; "A Glance at Financial Situation in 1911"; "Turkey is Under the Financial Yoke of Europe" (two articles); "The Road to Salvation from Financial Slavery"; "A Penny the Turks Are Most Entitled to Borrow"; "The State and the Nation"; "Financial Dangers"; "Wake Up Before it is Too Late"; "Let a Turk Take Care of Your Finances"; "A Letter to the Turkish Youth"; "The Future of Turkey's Agriculture" and his book "Turkey's Sensitive Spot: The debts of the Ottoman State and their Reform" (Istanbul 1914) undoubtedly influenced contemporary views on Turkey's relations with Europe. In Professor Berkes's words:

"If he did not bring socialism to the Turks, Parvus shattered a persistent illusion of the Turkish intellectuals. He pointed out that Turkey was not a part of the European civilization and could not become a part of it simply through volition or even by being taken into the European diplomatic concert. On the contrary, Turkey was a target of imperialist aggression by European capitalism and well along the way to becoming an area for colonial exploitation. The economic relations between Turkey and Europe were of the nature of the relations existing between the exploited and the exploiters. The major question of social revolution was not, therefore, one of a socialist revolution. This had meaning only in the capitalist countries. It was a question of national independence and economic recovery under a democracy that would turn to the people and take measures in terms of a national economy."³³

The Turks had long been aware of the need for national independence and economic recovery. But only around 1914 did they articulate that this could be achieved only by a Turkish bourgeoisie which was hardly in existence. "The foundation of the modern state [wrote Yusuf Akçura] is the bourgeois class. Contemporary prosper-

³³ Berkes, *Secularism*, 425; see also pp. 335-7.

ous states came into existence on the shoulders of the bourgeoisie, of the businessmen and bankers. The Turkish national awakening in Turkey is the beginning of the genesis of the Turkish bourgeoisie. And if the natural growth of the Turkish bourgeoisie continues without damage or interruption, we can say that the sound establishment of the Turkish state has been guaranteed."³⁴ In 1914, especially after September 10 when they announced the unilateral abrogation of the capitulations, the Unionists began to implement a conscious policy of fostering an enterpreneurial class amongst the Turks by offering the most generous incentives.

The régime of the capitulations had been one obstacle in the way of this policy. Another, and in the long run more formidable, was the problem of overcoming "... the mentality that despised trade and industry and believed that government and military occupations are most worthy of an Ottoman Turk."³⁵ An American observer, with long experience in the country, commented on the conservative character of Turkish economic life, the cautious attitude of the businessmen "accustomed to a policy of wariness necessitating the holding of resources in reserve." He noted how gold was hoarded in the form of jewelry and coins throughout the Empire and how existing laws on real estate restricted the mobility of capital.³⁶ The Unionists intended to pass legislation which would end this stagnation, releasing dead capital, accelerating industrial and commercial activity, increasing land values, and generally contribute to the financial uplift of the

³⁴ *Türk Yurdu*, No. 63 (April 3, 1914). 2102-3, quoted in Berkes, *Secularism*, 425.

³⁵ *Ibid.* The word mentality suggests a psychological and irrevocable aspect to the problem. Yet this was not the case. The Turks were reluctant to engage in commerce and modern industry only because of their experience throughout the nineteenth century that such economic activities did not pay under the circumstances of European hegemony. It time this question may have acquired psychological overtones as a way to rationalise the division of labour that emerged. But when a State capable of challenging European domination emerged after 1908, the Turks were quick to abandon their distaste for economic enterprise.

³⁶ Consul General G. Bie Ravndal in *Levante Trade Review*, vol. ii/1 (September 1912), pp. 138-51.

country. The new laws would extend the right of inheritance, regulate the proprietorship and transfer of land, render property belonging to pious foundations (*vakf*) and the state (*miri*) subject to mortgage, and enable corporation. Such properties tended to be leasehold and converting them into freeholds was expected to stimulate both industrial and agricultural activity.³⁷ By June 1914, the Government had even introduced a "Bill to Encourage Industry." The Government promised to give preference to indigenous manufactures and to facilitate the operation of local factories. On the initiative of Yunus Nadi—the future owner and editor of the newspaper *Cumhuriyet*—a clause was added to the Bill binding the State to buy from native manufacturers even when foreign substitutes were cheaper by as much as 10 per cent.³⁸

As this mentality, retrogressive to the development of capitalism was overcome, the question arose of creating a social group willing and able to play the entrepreneurial role. This had been virtually impossible during the first five years of competitive politics (1908-1913) when various groups were able to lobby on behalf of their narrow interests. But after the *coup d'état* of January 23, 1913 when the CUP seized power, a pattern began to evolve. With the creation of a mono-party state in which party and state were one, and in which the party personified "the nation", it was natural for the CUP to find entrepreneurial cadres from within its own ranks. But this was in no way a totally arbitrary policy which utilized men unsuitable for the task. In many cases we find that, attracted by this policy, members of the small-town gentry (*eşraf*), as well as the artisans (*esnaf*) and small merchants (*tüccar*) joined the party. In the countryside the CUP attracted the landlords and the landowning peasantry. But where such

37 *Ibid.*

38 *The Orient*, vol. v/22 (3 June 1914), 203. Again, as in the case of the boycotts, there is close parallel with the economic policy of the Congress Party in British India. One MP made an impassioned appeal in favour of all Ottomans swearing never to buy foreign made articles and wearing homespun cloth; he hoped that this idea would spread even to Africa. Soldiers, officers, government official senators and deputies were to wear homespun cloth on the penalty of a fine, and then dismissal. This was even more extreme than the Indian *swadeshi* movement.

elements were lacking the CUP tended to make entrepreneurs out of bureaucrats and professionals.

The war in Europe proved to be a great stimulus to the Turkish economy. There was an immediate and virtually insatiable demand for Turkish goods, agricultural and industrial. A summary review of the Turkish press during the war years demonstrates the Empire's concern about economic questions. Thus, alongside the articles on military and political affairs, there were usually articles dealing with the important issues in the country's economic life. One can read about the state of the harvest in a particular district or the measures being taken by the peasants, the authorities, or the specialists to combat vermin amongst the crops and cattle. The press kept the public informed about the meteorological centres being set up in the capital and the provinces, about new laws on the preservation of forests or about the founding of new Chambers of Commerce. There was frequent news concerning organisations set up to encourage this or that industry; or local trade fairs which were helping to educate and mobilize the peasantry; or the despatch to Germany of factory hands to learn modern industrial techniques, where in the past only university students were sent.

The Turks knew that they would have to mobilize all their resources, especially their economic resources, if they were to survive the war. Under these circumstances, it did not prove difficult to overcome "the mentality that despised trade and industry" and sought careers in the bureaucracy and the army. The press began to report the submission of applications to set up small factories of all kinds. *Le Moniteur Oriental* of December 8, 1914 wrote that the administrative council of the vilayet of İstanbul had discussed such applications and decided to sanction the application of a macaroni factory in Üsküdar and a brick and cement factory in Pendik. The group setting up these factories was to be provided with facilities recommended by the new law for the encouragement of industry. There were some other trading and industrial companies founded during the early days of the war. But it was only after the Turkish army had succeeded in holding back

the Anglo-French assault at Gallipoli and Turkey's future seemed more secure that such firms began to mushroom throughout Anatolia.

Initially, however, the war provided a small Unionist clique in İstanbul with the opportunity to make great profits out of blackmarketeering in scarce commodities. Before the war many of İstanbul's needs had been met by imports from outside the Empire. This was true for industrial goods but it was equally true for essential foodstuffs like flour, imported from southern Russia and sugar from Europe. The war isolated İstanbul and the city survived largely because of the pre-war stocks. But such stocks could not last for ever and before long local merchants began to hoard essential goods and speculate, causing acute shortages and prices to rise rapidly. Many of these merchants were non-Muslims and the CND intervened to end their profiteering and transfer this lucrative operation – one hesitates to call it legitimate trade – to Muslim merchants. “The Committee of National Defence (recorded Lewis Einstein in his diary on August 6, 1915) is now making money rapidly by its monopolies of sugar and petrol *et cetera*. Their declared intention is to accumulate capital which they can afterwards use to get the trade of the country in Moslem hands...” On August 17 he added “The Committee of National Defence has monopolized all commodities and doles them out at enormous profit.”³⁹ Some days later (August 27) he noted how “The Committee ... asked the French Tobacco Régie, directed by M. Weyl to have the tobacco which the Régie sold to the army pass through their hands. The tobacco was then sold in town at great profit and not to the soldiers. The army blamed M. Weyl whom the Committee... denounced as a French spy and had him expelled from the country.”⁴⁰

In 1915, the Unionists also founded the *Esnaf Cemiyeti* (the

³⁹ *Inside Constantinople*, p. 218 and p. 243.

⁴⁰ *Ibid.*, 260-61. It is worth noting: (i) that enemy nationals were permitted to continue their business activities during the early part of the war; and (ii) that the Unionists were not above swindling the army, suggesting that they were not dependent on its goodwill as is often suggested. See also Ziya Şakir, *Son Posta*, 4 October, 1934.

Society of Tradesmen), an organization of local merchants, grocers and entrepreneurs, under the official patronage of İsmet Bey, the Prefect of İstanbul, and supported by prominent Unionists such as Kara Kemal, Dr. Nazım and Bedri Bey. Its ostensible aim was to control the market, by maintaining supplies and regulating prices. But in fact the outcome was just the opposite and there was an acute shortage of essential goods such as bread, sugar, oil, and petrol which were available only on the blackmarket. Cavid Bey lamented in his diary: "The Esnaf Cemiyeti-what a good idea it was and with what good intentions it was set up! But what a state it is in having fallen into the hands of thoughtless, foolish and ignorant people. Everyone is hostile to those who make a few *kuruş* through personal initiative. Everyone assists those who can only maintain their position through [political] patronage. What a beautiful basis for a society's retrogression!.."⁴¹

By the end of the year, this economic corruption and profiteering had reached such proportions that the CUP government was forced to intervene. The sub-committee responsible for implementing the rationing of bread was said to be making TL 4,000 a day and the CUP was totally divided over the issue of profiteering: Şeyhülislâm Hayri Efendi took the lead and he was soon joined by Ahmed Rıza.⁴² By the end of the year the government had introduced a law to regulate the sale of essential goods (Havayıcı Zaruriye Kanunu) and set up a "Commission to Prevent Profiteering", (Men'i İhtikâr Komisyonu).⁴³ Such was the sense of outrage in the party against the war profiteers, that Talât Bey, who was associated with their patron İsmet, was almost forced out of the CUP.⁴⁴

1915 year was a critical year for Turkey. The outcome of the Gallipoli campaign was crucial and the British decision to evacuate the

⁴¹ Cavid, *Tanin*, 30 January 1945.

⁴² Ziya Şakir, *Son Posta*, 4 October and 12 December 1934. At this time a Turkish lira was worth almost one pound sterling or four U.S. dollars.

⁴³ Cavid, *Tanin*, 8 February 1945 and Hüseyin Cahit Yalçın, *Halkçı*, 22-23, December 1945.

⁴⁴ Cavid, *Ibid.*

Gallipoli peninsula in December had an inestimable impact on Turkish morale. The Turks were convinced that they had paid their way in the war and their attitude towards their allies changed as a result. They became more sure of themselves and demanded to be treated as equals. The victory over the British army reinforced Turkish national pride, while a year of almost total isolation made the Turks aware of their dependence on Anatolia, strengthening the concept of a Turkish nationalism based on Anatolia which was described as *Anadolu Türk Milliyetçiliği*. This newly found self-confidence and national consciousness was immediately extended to the sphere of the economy. In the very first issue of a new journal dealing with economic affairs, Ziya Gökalp wrote: "One of the factors which will give to the Turks the character of a nation and contribute to the formation of a Turkish culture is the national economy."⁴⁵ As though to symbolize this goal, the name of the Ministry of Commerce and Agriculture was changed to the Ministry of National Economy.⁴⁶

In an interview, the minister of Trade and Agriculture explained his government's economic policy. Agriculture was to be given priority and fallow lands in the Çukurova and the plain of Konya were to be put under cultivation. Rice cultivation was to be extended and the government would provide the cultivator with seed and animals, and eventually machines. The advice of a German expert was being sought for the plantation and refining of sugar. He said that the number of Chambers of Commerce would be increased to encourage the growth of commercial activity in the provinces and Turkish merchant shipping would also be encouraged by the establishment of a monopoly over coastal trade. In future, foreign companies would have to operate under Turkish law and while foreign capital investment was considered vital for economic expansion, it had to work with Turkish capital.⁴⁷

45 "Millet Nedir, Milli İktisad Neden İbarettir?" in *İktisadiyat Mecmuası*, vol. i/1 February 1916, p. 3.

46 "Milli İktisada Doğru" in *Ibid.*, 1-3.

47 "Ticaret ve Ziraat Nazırı ile Mülakat", *Ibid.*, 6-10. The minister was Ahmed Nesimi Bey.

In February 1916, the Turkish parliament passed legislation which made use of Turkish obligatory in commercial matters and began discussing new customs tariffs which would protect local industry by placing high excise on imports. Hasan Tahsin, who was deputy Minister of Finance, explained the government's policy in a statement which is worth quoting at length:

"It is not our intention to present here a profound study of the question ... but merely to indicate the Government's motives in adopting this new method of levying customs duties... [The] following points are of special significance:

a) Objects that can be easily manufactured in this country because of the presence here of the requisite raw materials are entitled to protection and a heavy duty has been levied upon imported goods of this sort;

b) Manufactured articles where production here is capable of development are likewise taxed in order that local industries may meet foreign competition (30 % on cotton thread);

c) Agriculture in general is protected;

d) Agricultural products are specially protected (100 % on canned vegetables).

"We conclude, then, that whenever the government desires to *encourage* an article of local manufacture, it imposes on the importation of similar goods from abroad just a duty of 30 %, and that where it desires to *protect* it levies upon imports a duty approximating 100 % of their value.

"The Government decision in this connection [i.e. agriculture] is most logical. It is unnecessary to demonstrate here that our country is essentially agricultural. The amazing fertility of our immense territories, the aptitude of our citizens, all favour this conception. Is it not truly a pity to import grain from America, Russia and Rumania when we ourselves could not only produce it in quantities sufficient for our needs, but are capable of supplying other countries as well?

"In protecting agriculture *in general*, the Government has in

mind as well the raising of farm products that, whether through ignorance, or principally because of foreign competition, have not been cultivated thus far, to the general detriment of our farmer who could have profitted immeasurably from their sale.

"As can be seen, the Government has committed itself neither to a policy of out and out protection nor to the other extreme of an exaggerated free trade, harmful to the development of industry and local agriculture.

"Although the system of levying *ad-valorem* customs duties is one that is easily handled, it admits too readily of fraudulent practices; it is often possible to ascertain the true value of the merchandise brought to customs. Even the presentation of the original bills of lading is not a sufficient guarantee for the treasury.

"As long as the Capitulatory régime existed, it was absolutely impossible for us to do other than maintain our system of *ad-valorem* duties; it is only the abrogation of the capitulations that, affording us entire liberty of action, permits us to adopt the system of specific duties.

"Among other advantages this system offers, one must remember the facility that it affords us for the conclusion of commercial treaties in as much as it allows us to enter into negotiations armed with an autonomous tariff; in this fashion, one accords no commercial advantages to other nations unless assured that the favour will be returned.

"Upon this basis of mutual concessions, our Government will from now on be in a position to conclude advantageous commercial treaties or agreements. For example in order to secure an outlet for our production of grain, we will demand that the countries that seek to export to us the iron that they produce in abundance must lower their duties upon the grain that we send them."⁴⁸

The new tariffs were submitted to parliament in December 1915, passed on 23 March 1916, and came into force on 14 September 1916.⁴⁹

⁴⁸ *Levante Trade Review*, vol. v/4 (March 1916), 335-8 and Aynizade Hasan Tahsin, "Gümrük Tarifeleri" in *Iktisadiyat Mecmuası*, vol. i/1 (Feb. 1916), 3-5.

⁴⁹ *Tanin*, 4 March 1916 and *Iktisadiyat Mecmuası*, vol. i/1 (Feb. 1916), 3-5.

Just as the abrogation of the capitulations had aroused the hostility and protest of the western powers, the policy of economic nationalism also led to bitter attacks on the Turks. The government was accused of pursuing a chauvinistic policy which was dangerous for trade and commerce. Hüseyin Cevat Bey, Turkey's ambassador to Scandinavia tried to explain his government's policy:

"The Turkish people ... (he told the press) is now fighting for its political and commercial independence. We are trying to foster national trade and supporting newly founded Turkish companies. It is not through hatred and malice that we have removed all shop names in foreign languages—we are doing only what all peoples have done before us. We are called chauvinists and rebels. I assure you we have only one object: our commercial and political independence. On this point we are all united. There are no more Young Turks and Old Turks but only Turks, and in war we are all young."⁵⁰

During this period the CUP began to play a more direct and open role in the economy. At the 1916 congress which opened in İstanbul on 28 September the CUP reported the tremendous effort it was making to uplift the Turkish economy in the field of industry and the actual accumulation of capital. Independently of the government the Committee had been raising capital in order to invest in fields which would lead to the development of national resources. So far it had set up three major companies:

1) The Ottoman Joint Stock Company for National Produce (Milli Mahsulat Osmanlı Anonim Şirketi), with a capital of TL 200,000 which was expected to increase to TL 500,000;

2) The Kantarya Joint Stock for Imports (Kantarya İthalat Anonim Şirketi), with capital worth TL 200,000;

3) The Baker's Company (Ekmekçiler Şirketi), with a capital of TL 100,000.

⁵⁰ Interview with *Politiken* (Copenhagen n.d.) quoted in *Vossische Zeitung*, 28 February 1916. See also H. Stuemmer, *Two War Years in Constantinople* (London 1917), 165-8.

The CUP saw this as the most effective way to create a national economy and considered it a part of its mission to continue to raise capital in large amounts in order to set up more companies. It only intended to provide the initial capital to found the enterprises, which, once they became going concerns would plough back capital for other enterprises.⁵¹

The creation of commercial companies –and to a much lesser extent industrial ones– was the most important step taken by the Unionists to create a Turkish bourgeoisie. Since the beginning of the war, wrote *Revue de Turquie* (Lausanne) in September 1918, some eighty joint-stock companies had been founded in the Ottoman Empire. Many of them had large capital outlays and nearly all were Ottoman, i.e. Turkish and Muslim. For the first time, foreign companies were having to compete on equal terms. The article then lists 72 companies, ranging from the Ottoman National Bank (Osmanlı İtibarı Milli Bankası) with a capital of four million Turkish liras to the Syrian Agricultural Company with a capital of TL 16,000. It is also significant that these commercial organisations were not restricted only to İstanbul and the cities. They were to be found in many Anatolian towns; a few examples will suffice:

The Ottoman Loan Bank of Akşehir, capital TL 50,000;

The National Bank of Aydın, capital TL 50,000;

The National Bank of Karaman, capital TL 20,000;

The Islamic Commercial Bank of Adapazarı, capital TL 100,000; in the Republic the head office of this bank was moved to Ankara where it became the Türk Ticaret Bankası A.Ş.⁵²

The Agricultural Bank of Manisa, capital TL 150,000;

The Commercial Development Company of İzmit, capital TL 5,000;

51 See the Turkish press, especially *Tanin* for 29 September to 14 October 1916, even though the congress ended on 5 October, and *İktisadiyat Mecmuası*, vol. i/30 (19 October 1916), 1-2, the article "İttihad ve Terakki Fırkası'nın İktisadi Faaliyeti".

52 Gündüz Ökçün, "1900-1930 Yılları Arasında Anonim Şirket Olarak Kurulan Bankalar" in Osman Okyar (ed.), *Türkiye İktisat Tarihi Semineri* (Ankara 1975), 436-7.

The General Commercial Company of Konya, capital TL 5,000;

The National Commercial Company of Konya, capital TL 5,000;

The National Commercial Company of Kastamonu, capital TL 15,000;

The National Turkish Import - Export Company of İzmir, capital TL 400,000;

The Star Commerce Company of Uşak, capital TL 10,000;

The Commercial Company of Karaman, capital TL 200,000;

Company for the Manufacture of Iron and Wood Materials at Adapazarı, capital TL 34,000;

The Exploitation Company of Konya, capital TL 100,000;

Company of Steam Bakeries and Oilworks at Manisa, capital TL 60,000;

The Textile Company of Konya, capital TL 10,000;

National Weaving Company of Ankara, capital TL 50,000;

Company for the Manufacture of Woolen and Cotton Goods at Ankara, capital TL 60,000;

National Commercial and Industrial Company of Eskişehir, capital TL 50,000;

The Improvement and Building Company of İzmir, capital TL 300,000;

The Fig Cooperative Company of Aydın, capital TL 10,000.⁵³

This is of necessity only a partial list and a great deal of research will have to be done into the local sources before we can have a more complete picture of economic and social activity during these years. But even this partial picture, or rather sketchy outline, shows us that most of the commercial-industrial activity was concentrated in İstan-

53 Ziya Şakir in *Son Posta*, 28 and 29 Nov. 1934 mentions the following companies: Konya Köylü Bankası; Manisa Bağcılar Bankası; Tütüncüler Bankası of İzmir, İzmir Teşkilât Şirketi (set up by Celâl Bayar); Dokumacılar Şirketi of Bursa; and *İktisadiyat Mecmuası*, i/35 (7 Dec. 1916, p. 8) give the only company in Eastern Anatolia: Erzurum Milli Ticaret Şirketi; see also Ökçün in n. 52.

bul and the western provinces, with some activity in central Anatolia, and hardly any activity in the east, much of which was threatened by Russian troops. However, judging by the fact that this regional disparity did not change over the next half a century, this sketch is not so inaccurate, despite the lack of detail.

There were even some companies set up in the Arab provinces of the Ottoman Empire, for example the Commercial Bank of Palestine in Jerusalem (capital TL 25,000); the Syrian Agricultural Company of Damascus (capital TL 16,000); the Cooperative Commercial Society of the Hejaz Railway (capital TL 5,000); the Tobacco Joint-Stock Company of Lazakiye (capital TL 15,000); and the New Joint-Stock Company of Beirut (capital TL 20,000).⁵⁴ In 1916, Azmi Bey, the Governor of Beirut set up a big factory for the weaving of oriental carpets, and brought in Armenian experts from Konya. He set up a similar enterprise in Zor.⁵⁵

Since even an incipient Muslim entrepreneurial class hardly existed when the Young Turks carried out their revolution, the initiative for almost any commercial or industrial enterprise came mainly from the bureaucracy of the CUP. In most cases this initiative was exercised in collaboration with either local merchants, traders, and artisans wherever they could be found, or local notables, who the Unionists hoped would eventually acquire a taste for business and enterprise. In 1911, for example, we are told that Nazım Paşa, the Vali of Baghdad, who treated foreign diplomatic agents, especially if they were British, as interlopers, adopted a commercial policy calculated to do harm to British interests, especially the Lynch Company. At the same time he encouraged and helped the son of Abdulrezzak al-Khedeiri, a wealthy merchant, to organize a new Company.⁵⁶ In Trabzon, Vali Bekir Sami started projects to improve the provincial capital and other towns of the province. He wanted to develop civic

⁵⁴ *Iktisadiyat Mecmuası*, i/13 (25 May 1916) and i/16 (15 June 1916).

⁵⁵ *Revue de Turquie*, no. 3 (July 1917), 88.

⁵⁶ *The Near East*, June 7, 1911. The vali was the provincial governor.

pride amongst the citizens and persuade them to cooperate to improve the conditions of their cities. Under his auspices various problems were discussed by leading merchants and prominent citizens. A committee of twelve, representing all the different religious communities and composed chiefly of businessmen was elected, with Bekir Sami Bey as president and the Greek archbishop as vice-president. "More ambitious work (noted the reporter) may be undertaken as the people become more awakened to the needs of the towns and as they learn the benefits of the cooperation for the public good, a sentiment which is sadly lacking in oriental towns."⁵⁷ In Beirut, Vali Azmi Bey was also very active in the field of economic development and *İktisadiyat Mecmuası* often discussed his accomplishment over the years.⁵⁸

It is evident from our sources that the government was the prime mover in the field of economic activity. But we ought to remember that after 1913 the CUP's influence became dominant, forcing the government to give priority to economics. It is no accident that all the valis mentioned above – except Nazım Paşa – were Unionists. But the CUP as an organization also became directly involved in the task of creating a national economy, both in the capital but more importantly in the provinces. It would seem that most of the companies –small and large– which were set up in the towns of Anatolia were set up under the initiative of the local CUP club. The Cooperative Ottoman Joint-Stock Company of the Tobacco Growers of İzmit and Düzce is one such example. It was set up at the local club with a capital of TL 100,000 divided into 20,000 shares of TL 5 each. One of the founders of the company was Hafız Rüştü, deputy for İzmit. In Afyonkarahisar, the capitalists and personalities of the *sanjak* met on 21 October 1917

57 Isaac Montesanto's report from Trabzon 21 June 1911 in *Levante Trade Review*, vol. i/1 (June 1911), p. 94.

58 See vol. i nos. 20 and 21 (13 and 27 July 1916), p. 4 and 4 respectively and vol. ii/56 (24 May 1917), 3-4. In Syria, Valis Cemal Paşa and Tahsin Bey were also engaged in economic activity, *Ibid.*, vol. ii/67 (8 Nov. 1917), p. 4 and so was Vali Rahmi Bey in İzmir; see *Ibid.*, vol. ii/61 and 65 (2 August and 27 September 1917), p. 4 and 4 respectively. See also İçişleri Bakanlığı, *Meşhur Valiler*, ed. Hayri Orhun and others (Ankara 1969).

at the local CUP club. In the presence of a Besim Bey, secretary of the Afyon CUP, and Salim and Ağaoğlu Ahmed Beys, both deputies for Karahisar, they decided to found an industrial firm with capital worth TL 50,000. The members present immediately subscribed TL 200,000.⁵⁹ In Manisa, Mustafa Fevzi, the Unionist deputy, took the initiative to found a Viticultural Bank (Bağcılık Bankası) with a capital of TL 150,000, half of which was immediately snapped up by the local growers.⁶⁰ Almost every Anatolian town of any size had a trading company, and it would seem that in most cases the local branch of the CUP was responsible for setting up these enterprises. But research at the provincial level will have to be carried out before such a thesis can be firmly established.

Who were the people who derived most benefit from this policy of creating a national economy and a “national” bourgeoisie? Essentially, it was all those who had money to invest in commercial and industrial ventures. This category included those who were already engaged in some kind of commercial activity; they were now able to operate under government patronage. But men of the old regime, who had lost political power following the Young Turk revolution, also took advantage of the situation. These old paşa’s had accumulated considerable fortunes under the old regime and this wealth had not been confiscated by the Unionists. It was only natural that they should seek an outlet for their idle capital. Some like İzzet Paşa, former Chamberlain to Sultan Abdülhamid, and Gazi Muhtar Paşa considered setting up a group in collaboration with two other wealthy men in order to exploit the oil fields of Iraq.⁶¹ This endeavor proved too ambitious and did not bear fruit. But other ventures did. The Ottoman Joint-Stock Company for General Transport (*Nakliyat-ı*

59 “Karahisar’da Osmanlı Anonim Sanayi Şirketi”, *İktisadiyat Mecmuası*, vol. ii/67 (8 March 1917), 8, and *Revue de Turquie*, no. 4 (August 1917), p. 123.

60 *Revue de Turquie*, no. 3 (July 1917), p. 89.

61 Marling to Grey, no. 155 telegraphic-confidential, Constantinople, 10 March 1914, F.O. 371/2120/10784. See also the Anglo-Persian Oil Company’s despatches to the Foreign Office in F.O. 371/2120/10880 and 10920.

Umumiye Osmanlı Anonim Şirketi) founded by seven former provincial governors is an example of a successful commercial enterprise. The aim of this organisation was the efficient transportation of goods by land and sea, within the country and abroad, and the establishment of bus, automobile services in İstanbul as well as the construction of workshops for building and repairing such vehicles. Later, the company planned to organize an internal transport service and open agencies at railway stations and ports.⁶²

Since so much depended on patronage, members of the CUP and all those for whom the Committee could provide patronage were bound to exploit their opportunities. As we saw earlier, prominent Unionists took advantage of their position in order to make small fortunes and this trend continued throughout the war years. The most notorious examples of this kind of activity were men like Kara Kemal, Emanuel Karasu, Bedri Bey and Topal İsmail Hakkı Paşa, to mention only a few. Karasu is said to have amassed a fortune estimated at TL 2 million; "all honestly made out of my commission on purchase" as controller of food supplies, he told *The Times* correspondent (See his obituary in *The Times* [London] 8 June 1934).

The CUP even tried to draw the minor bureaucrats into commercial activity by setting up an organisation for officials known as the *Memur'in Şirketi*. It was founded in İstanbul with capital of TL 50,000 divided into shares of TL 5 each. The aim of this organisation was to utilise the limited resources of these people for their benefit and to provide them with moderately priced goods which had become difficult to come by during the war. This company also set up workshops in Anatolia to make cheese, oil, wood, carbon, *et cetera* and assist in the development of agriculture. Similar firms (noted *İktisadiyat Mecmuası*) had been set up in Beirut and İzmir and it was hoped that more would follow in other towns.⁶³ The aim of these organisations

62 *Osmanischer Lloyd*, 11 March 1916. See also Stuermer, *Two War Years*, 170 ff.

63 "Memurin Şirketi" in *İktisadiyat Mecmuası*, vol. i/24 (31 August 1916), pp. 4-6.

was not simply to mobilise the capital of this social group, but more important, to ease its suffering during times of acute shortage and rising prices caused by wartime profiteering.

In the provinces, the groups that derived most benefit from the Unionist policy of encouraging the creation of a national economy were the local merchants, artisans and notables (*eşraf*). The latter, in particular, because they held large resources of idle capital were glad to avail themselves of the opportunity of investing their money in profitable enterprises. Once again much research will be needed before we will have a full and accurate picture. But there is ample evidence to hint at the significance of their role. The Erzurum National Trade Company, with its headquarters in Ankara, was founded by Hacı Ahmedzade Necib and included other notables like Mühürdarzade Hafız Ethem, Arapzade Ziya, Gümrükçüzade Münib and Gözübüyükzade Sadrettin.⁶⁴ The Ottoman Tobacco Company of Lazakiye was founded by Hacı Kasım Efendi, while the Import-Export Company of İzmir was founded by Hansazade Bekir and Balçızade Hakkı with capital of TL 100,000. In Beirut, a number of notables from Lebanon set up a company with capital worth TL 20,000 and shares of TL 250 each.⁶⁵

The agricultural policy of the CUP, which deserves to be treated separately and at greater length, was also designed to reinforce the goals of *étatisme*. Turkish agriculture had been commercialised and integrated to a large extent into the world market. This tendency received a sharp stimulus during this period, especially during the war, and the Unionists accelerated this trend by consolidating the power of the landowners. By doing so they hoped to make agriculture more efficient and more productive for the market. Thus they never attempted to end sharecropping (*ortakçılık*) by distributing land to landless labourers or to peasants with insufficient land. On the contrary, an attempt was made to end small farming and consolidate land holdings

64 *İktisadiyat Mecmuası*, vol. i/35 (7 December 1916), p. 8.

65 *Ibid.*, vol. i/13 (25 May 1916), p. 4 and 9; and vol. ii/65 (27 September 1917), p. 4.

under big landlords. This seems a strange policy in view of the fact that there was no pressure on the land; in fact there was a great shortage of labour on account of the constant needs of the army for cannon-fodder. This policy was prompted by political expediency, for the landowners were the allies of the CUP in the countryside and the Unionists did not conceive of undermining their power.

The Unionists intended to improve agriculture and increase productivity by purely technical means. The government invested large sums in irrigation projects and afforestation. It imported farm machinery and placed it at the disposal of the landowners, along with other implements and seeds. German experts were called in to help modernize agriculture and 150 Turkish students were sent to Germany to learn new farming techniques. In 1916, the Assembly passed a law establishing the Agricultural Bank to provide credit and technical information to farmers and overcome an obstacle in the way of agrarian improvement.⁶⁶ To help the landowner, compulsory labour was introduced at the outbreak of war and peasants were coerced into working on the farms.

This policy had the desired effect of raising productivity despite the shortage of farm labour. Where irrigation was introduced or improved, the crop yields doubled and this proved to be most significant for the overall economic situation and Turkey's survival in the war.⁶⁷

Perhaps the greatest incentive for the landlord to increase productivity was the high prices he could obtain for his produce. Prices had been increasing steadily due to the extra-ordinary demand created by the world war. But the Unionist made it even more profitable for the farmers by preventing the German and Austro-Hungarian Purchasing Companies from buying directly from the producer. It was for this purpose that many of the local companies were set up. They

⁶⁶ Tekin Alp, "Ziraat Bankası", *Iktisadiyat Mecmuası*, vol. i/9-10 (27 April and 9 May 1916).

⁶⁷ *Iktisadiyat Mecmuası* of 5 April cited in *Revue de Turquie*, no. 2 (June 1917), 60-61 and *Iktisadiyat Mecmuası*, vol. ii/3 (July 1917), 82-3.

bought the produce from the farmer and sold it to one of the new export companies which in turn sold to the German and Austro-Hungarian Purchasing Companies at monopoly prices. In this way the Germans were forced to pay higher prices and this money circulated in more Turkish hands.⁶⁸ The most important result of this policy was to integrate the countryside into the growing national economy, inducing the farmers to produce for the market.

Such was the economic policy of the Young Turks. They, acting through the government and the organisation of the CUP, played a vital role in the attempt to create a national capitalist economy. It is not easy to evaluate their performance because they were in power for a very short time: ten years in all and only five if we consider the years after 1913 when their most radical wing, the CUP, took over the government. Yet their economic policy must be judged a success if only because it enabled the ramshackle empire with a pre-capitalist, and a partially feudal economy to wage a long war against the most advanced powers in the world. But how successful was their policy in terms of the goals they had set for themselves, namely to create a bourgeoisie and to lay the foundations of a national economy?

On both counts the social and economic policy of the Young Turks must be judged a success, especially in view of the very short time they had available to them. As late as August 1917 Yusuf Akçura had issued the warning that "If the Turks fail to produce among themselves a bourgeois class by profiting from European capitalism, the chances of survival of a Turkish society composed only of peasants and officials will be very slim."⁶⁹ but by the end of that year both Turkish and foreign observers began to note the emergence of a national economy—in which the Turkish element was dominant—and a new class, the Turkish bourgeoisie. Tekin Alp, in an article entitled "the Phase of Capitalism is Beginning", wrote of an emerging capital-

⁶⁸ See Trumpener, *Germany and the Ottoman Empire* (Princeton 1968), 317 ff and Frank Weber, *Eagles on the Crescent* (Ithaca 1970), 187 ff.

⁶⁹ In *Türk Yurdu* no. 140, August 12, 1333 (1917) quoted in Berkes, *Secularism*, p. 426.

ist régime “which would now continue to develop”, but also warned the government that “this state of affairs could not fail to provoke the conflict between capital and labour in our country” unless timely measures were taken.⁷⁰ *İkdam* also commented on the emergence of the new class which engaged in commerce and industry, encouraged by the guarantees of great profits.⁷¹ The Balkans correspondent of the *Nieuwe Rotterdamsche Courant* announced that “A new spirit has come over the Turkish merchant. His proverbially slow eastern methods have given place to quick decision and rapid action. He has imbibed a taste for making money quickly; in short, he has become a wide-awake modern businessman. Besides there has come a remarkable awakening of national pride. The Turk wanted to do everything himself now, and he is especially bent on cutting off the Armenians and the Greeks.

“The companies and business houses, purely Turkish all of them, are springing up daily, and the Government has seen fit to grant many of them privileges that virtually place the foreigner out of competition.”

...

...

“Meanwhile, the Turks are very busy pushing their own industries, especially those that are capable of turning out simple articles of everyday use which they are determined to make for themselves. Number of handicraft and industrial schools have sprung up all over the country, and hundreds of Turkish youths have been sent abroad to pick up experience in the trades and industries which they will ultimately conduct in their own country.”⁷² The

70 “Kapitalizm Devresi Başlıyor”, *İktisadiyat Mecmuası*, ii/67 (8 Nov. 1917), pp. 1-2. Later *İkdam* issued a similar warning about the potential for class struggle and this was quoted by *Revue de Turquie*, no. 9 (March 1918), p. 337.

71 “Yeni Bir Tabaka”, *İkdam*, 13 January 1918; see also “Bolşevikler ve Müslümanlar - Hükümeti Muvakkatinin Müslümanlara Beyannamesi”, *İkdam*, 15 January 1918 in which the theme of a Muslim bourgeoisie is again discussed.

72 *Nieuwe Rotterdamsche Courant* (n.d.) reported by Associated Press and published in Department of State, Weekly Report on Matters Relating to Near Eastern Affairs, 21 Feb. 1918, p. 1.

Weekly Report of July 18, 1918 issued by the State Department noted that "Turkish nationalism is also rampant in the economic sphere. The plundering of Armenians and Greeks, the inflation of paper currency, and the attraction of new money into the country through purchases made by the Central Powers has momentarily placed capital in Turkish hands. There is a fever of company promoting by Turks, especially in the towns of Anatolia, and much complacent talk of a new national Turkish bourgeoisie."⁷³

For more convincing evidence of the existence of this new class was its role in Turkey. There was a tremendous public outcry against the profiteering of the bourgeoisie yet the governments of the day did little to arrest this anti-social activity. The bourgeoisie, still weak and unsure of itself, was in a position to influence public opinion through the press and manipulate state and government through the CUP. To manipulate the State via the party was only logical since the bourgeoisie was the child of the mono-party state. It was unlikely that the CUP would commit infanticide by taking serious measures against the activities of the bourgeoisie and stifling its own creation.

Nevertheless, the public outcry against the profiteers, the notorious "merchants of 1332" (1916), forced the government to pass laws which were not enforced and set up commissions which temporized in typical bureaucratic fashion. However, the very policy of creating a new class which was behaving so irresponsibly came into question and was debated in the press. In 1917, a commission was set up to formulate a policy for post-war Turkey since the war was expected to be waged to a favourable conclusion. In its conclusions the commission was divided. One group argued in favour of a purely statist economy, abandoning reliance on individual initiative and the bourgeoisie. This group argued that in the domain of economics the individual never thought in terms of the general good but only in terms of his own maximum profit. In an abnormal situation as the one in

⁷³ Department of State, Weekly Report, no. 24, 18 July 1918, p. 2.

wartime and one which would continue to exist after the war, such behaviour on the part of the bourgeoisie would lead to chaos, and speculation would accentuate class differences and conflict. The answer was to establish a statist economy which would presumably be run by the bureaucracy, so as to avoid problems of class conflict.

In view of Turkey's wartime experience, the opponents of this line of argument had little to say except to argue that the statist economy was only a "sort of socialism". That argument was expected to be sufficient to make statism anathema to all Turks. Others, like Tekin Alp, continued to argue the definition of *étatisme* which the Unionists had been applying. Under *étatisme*, not only did the State not supplant the private sector, it sought to obtain the maximum possible profits for it. The State would intervene not so as to replace the individual but rather to show him the way, to allow him to function in conditions most favourable for the national economy. The model for Turkey, Tekin Alp argued, should be Germany's wartime economy where the State's functions were supervision and control.⁷⁴

This definition of *étatisme* which accepted and guaranteed the existence of the bourgeoisie triumphed in 1918 suggesting that however weak and immature the new bourgeoisie may have been, it was influential enough to defend itself and promote its interests. Thereafter the bourgeoisie, still not the dominant political factor, was a factor to be reckoned with in any political debate. The definition of *étatisme* formulated during this period was also accepted by the Republican State, though it was not fully applied until the multi-party period after 1945, marking the political triumph of the Turkish bourgeoisie.

74 Tekin Alp, "Harbden Sulha İntikal İktisadiyat - Devlet İktisadiyat", *İktisadiyat Mecmuası*, vol. ii/62 and 64 (16 August and 14 Sept. 1917), pp. 1-3.