

## Economic policies between 1908 and 1950

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With the liberal *Revolution of 1908*, Turkey entered into a new era of development whereby a great transformation in the social, political and economic structure of the country began to take place. Arguments for the establishment of a capitalist economic system with all the legal bases that this model required had been going on for decades. However, the absolutist monarchy had consciously opposed these structural changes which would inevitably lead to a transformation of the political system towards freedom and the establishment of representative institutions that would effectively take political power from the hands of the monarch and the bureaucracy. Thus, the last decades of the *ancien régime* under Abdulhamit II had witnessed a continuous struggle between the burgeoning bourgeoisie with its demands for both the execution of structural reforms to protect and promote capitalist development and the establishment of a parliamentary system to end the absolutist rule that stifled the economy by trying to control and arrest development. On its part, the *ancien régime* had increasingly come to rely on the political support of foreign powers in order to pursue its absolutist policies which had little domestic support. This, in turn, meant bowing to foreign pressure concerning the protection and promotion of foreign capital within Turkey at the expense of domestic capital. Therefore, economic policies pursued by the absolutist regime, at best, did very little in the way of protecting and promoting local agriculture, trade, finance, or industry; at worst, these policies went contrary to domestic interests (KAZGAN 1994).

It is no accident that immediately after the overthrow of the *ancien régime* on July 23, 1908, harsh criticisms of past economic policies were freely printed in the Turkish press. For instance, the newly established organ of the Central Committee of the *Committee of Union and Progress* at Salonica, *İttihad ve Terakki*, commented on the deplorable condition Turkish capitalists had to endure by arguing that the right to life and property had been continuously trampled upon under the *ancien régime*; and that absolutist policies were responsible for the pitiful condition of trade as well as artisanal and industrial production. The official organ of the *Istanbul Chamber of Commerce, Agriculture, and Industry* similarly condemned past practices by citing the insurmountable obstacles that had effectively driven domestic capitalists away from large-scale industrial investments, as opposed to the favorable policies under capitulations which had encouraged foreign capital to invest in Turkey with monopolistic privileges. The absolutist regime under Abdulhamit II was found to be responsible in discouraging and preventing Turkish subjects from investing their savings into economically productive fields. Arbitrary application of the law, restrictions on domestic and foreign travel, extensive corruption and widespread bribery within the bureaucracy had all taken their toll: the potential for meaningful investment in the Turkish

economy had to wait for a favorable climate (ÖKÇÜN 1972; KAZGAN 1994; HOELL 1973; TOPRAK 1995c).

Criticism of the economic policies of the absolutist regime was not new: it had been continuing for decades, albeit cautiously and mildly due to strict government censorship. The *Istanbul Chamber of Commerce* had been advocating for changes in government policies since the mid-1880's. Starting with the very first issue of its official journal the Chamber had stressed the importance of trade and advocated the adoption of the principles of modern economy. It also listed a number of proposals ranging from practical issues such as extension of the period for warehousing or storage at customs, regulation of commercial exchanges and of commercial brokers to regulations concerning business activities, changes in the *Commercial Code* and establishment of educational institutions in the fields of commerce and agriculture. Abdulhamid II's projected economic reforms were criticized for their omission of the creation of a national communication network. One particular case was construction of railroads: instead of connecting the production and consumption centers of the country and thus facilitating communications with the heartland, the government was interested in completing the network which would link *Istanbul* to *Vienna* and *Berlin*. The adverse effects on the capital's trade and industry of unwelcome merchandise from Europe was dolefully predicted, and throughout 1885 the Chamber hammered on this problem. The Chamber also proposed that centers of agricultural production in Anatolia be connected by railroad to seaports in order to permit the fruitful render of the immense natural riches of the country. In place of one interconnected network in Anatolia — which was desirable from a strategic point of view — three separate rail-heads were suggested: *Istanbul*, *Trabzon*, and *Izmir*. The *Istanbul* line should be extended to *Ankara* and *Diyarbakır* to draw raw materials destined for Europe. In order to develop the maritime trade of *Trabzon*, a line was recommended from this city to *Erzurum* which would then fork into two lines, one through *Bayezid*, the other through *Van*, up to the border with Iran. This route would concentrate at *Trabzon* the Persian transit trade blocked by Russia in the Caucasus. As for *Izmir*, the line to *Aydın* should be projected to *Konya*, then southward. Extending *Izmir*'s lines towards the north would kill the trade of *Istanbul* by drawing this trade southward, to the detriment as well of *Izmir*'s port. By means of this proposed scheme, the Anatolian provinces would be divided into three great distinct railroad systems, each having separate clients for the best development of the port cities of each. Later, when each system became strong and prosperous, they could be united into a single network (HOELL 1973).

Protection of domestic industry was also one of the priorities of the *Istanbul Chamber of Commerce*. Among the measures which could afford protection to domestic industry were the modification of laws regulating commercial companies, the suppression of formalities to which industrial enterprise was submitted, modification of the difficult conditions exacted by the *High Commission of Public Works* for requests to establish machine and textile factories, reduction of imposts and taxes which hobbled the industrial development of raw materials, freedom of circulation of domestically produced merchandise from one end of the country to

the other by suppression of the 8% interior duties, exemption from import duty for all machines and tools as well as coal for industry, and reduction of customs duties on all materials raw or finished needed by industry. The practice of granting monopolistic rights and privileges to companies both domestic and foreign was heavily criticized by the Chamber on grounds of forming barriers to the free exercise of trade as well as to the development of industry in Turkey. Established monopolies contributed nothing to the development of the country. Industry had to be encouraged but not through monopolies which were prejudicial to the majority of consumers and could not exercise a healthy influence upon the economic destiny of the country. In 1898 the Chamber once more stressed the necessity for reform in Turkey if industrialization were to take place. According to the Chamber, the principal reason why native industry could not compete with foreign industry even in its own markets lay in the non-application of the protective system practiced abroad. The Chamber recommended that the raw materials domestic industry used be imported free of custom duties. Another reason why industry in Turkey could not develop was the non-existence of banks to advance money for industrialists. In addition, the unequal treatment of local *versus* foreign capital had to be eliminated; as it stood then, foreign capital had far less obstacles in its way than domestic capital (CLARK 1969; ELDEM 1994b; HOELL 1973; HOFFMANN 1915).

The *Revolution of 1908* changed all that. Criticisms of the previous decades were now proposals for reform in the overall structure of the economic as well as the social and political life of Turkey. Moreover, the interested public had for long been informed of the ills of the country despite heavy censorship, and, therefore, was ready for the application of remedies. All of these proposals for the renewal of the Turkish economy came to be collectively known as the creation of 'national economy'. The term — *Nationalökonomie* — was borrowed from the German political economist, Friedrich LIST, whose *Das nationale System der politischen Ökonomie* was being discussed among the Turkish intelligentsia for a long time (TOPRAK 1995c). Published in 1841, the book was an open attack on the practice of free trade and English liberalism then ideologically hegemonic in the Western world. The 'national' idea was predominant in LIST. Between the individual and humanity, LIST argued, stood the nation, a collective and continuous existence, possessing a deep-seated unity founded on a thousand bonds of feeling and interest — with a descent, a language, a literature, a history of its own, and laws, institutions and economic aptitudes peculiar to itself. To its permanent wellbeing, on which depended the ultimate highest good of all its members, the immediate interests of individuals, which did not always further it, should be strictly subordinated. The really important object, for LIST, was not the creation of exchange values but the development of the productive powers of the nation. According to LIST, all communities, after emerging from the hunter and pastoral systems of life, passed through three successive economic stages: (1) that of agriculture; (2) that of agriculture united with manufactures; and (3) that of combined agriculture, manufactures, and commerce. The last of these formed of 'national economy'. As it was the product of a higher grade of evolution, it marked the full maturity of a society. It was the function of government to facilitate by suitable

economic measures the natural movement of the community towards this highest stage. While free trade could be the right policy in the first and last stages, a gradually introduced protective system was needed in the intermediary stage for training and maturing the industrial capacities of a people, which, in its absence, could not hold their ground in the home market against the competition of more advanced communities (LIST 1966).

For the first time in Turkey, development of capitalist economy was given prime importance within government circles. Creation of a 'national economy' necessitated first and foremost the unification of the country under '*Zollverein*'. Immediately after the Revolution economic unification of the country was achieved by the abolition of internal customs duties along with the repeal of the internal passport system which had hitherto hindered travel and, therefore, checked commercial activity, within the country. Other changes in the legal framework of the country followed suit. Practically the entire legislation of the country came under scrutiny. It was predicted that not a single existing law would emerge from the ordeal without undergoing some change. Controls over establishment of companies with limited liability were relaxed; until necessary changes in the law were made, instructions were given to the ministries to freely 'grant' the permits required under the *Commercial Code* for the establishment of such companies. Fruits of this change in policy became visible in a very short time. During the twenty years prior to the *Revolution of 1908*, an average of about three such companies had been granted permission to be founded per year. In 1909 alone this number rose to thirteen; it jumped to thirty-one and thirty-three in 1910 and 1911, respectively. Thereafter, the number of newly-established limited liability companies in Turkey stayed between twenty and thirty every year despite the adverse conditions of the *Balkan Wars* and the *First World War*. What is more significant than sheer numbers was the nature of these companies. Whereas the vast majority of limited liability companies that had been established before the *Revolution of 1908* operated as monopolies in the field of public transportation, and of public utilities such as port authorities, waterworks, gas, and electricity for various municipalities, the companies that were established after the *Revolution* were almost exclusively non-monopolistic private businesses concerned with financial, commercial and industrial activity (HERLT 1918; HOFFMANN 1919). The policy of the Unionists on this issue was very clear: As officially stated by Cavid Bey, one of the intellectual leaders of the *Committee of Union and Progress* and the chief architect of the pro-capitalist new economic policy, the government would encourage industrialization through private means — but without recourse to monopolistic privileges. It was observed that pre-revolutionary policy of granting monopoly rights to either domestic or foreign companies had done very little in the way of developing the national economy. The old practice, for instance, did not allow for a second factory to obtain the necessary permit to produce and thus compete with the already existing factory that produced the same or similar goods in a given administrative district. In many fields, therefore, granting monopolistic privileges had arrested capitalist development by forbidding the establishment of other companies to engage in similar activities (TOPRAK 1995c).

The increase in investment — both in commerce and industry — immediately after the *Revolution of 1908* constitutes an irrefutable proof that capital was not lacking in the country. It was just waiting for the right policies to realize its potential. If the *ancien régime's* unwillingness to grant permits for the establishment of large-scale factories was one reason, another was the lack of proper credit institutions to support such activity. Banking, under the *ancien régime*, was strictly controlled and permits to open banks were extremely hard to obtain. While local financiers could not formally get institutionalized, foreigners were less likely to encounter difficulties. Thus, the banks that operated in Turkey until the *Revolution of 1908* were almost exclusively foreign; and their main concern was the finance of export-import trade. Therefore, no banking institution could be found to underwrite local industrial efforts until the *Revolution of 1908* (CLARK 1908; KAZGAN 1991; KAZGAN 1995; KAZGAN 1997). The Unionist government acknowledged this necessity and lifted all restrictions in the way of establishing banks in Turkey. Banks, mostly local, sprang up in almost all the economically developed cities and towns of Turkey: *Konya İktisad-ı Millî Bankası* was established in 1911; *İstanbul Bankası* in 1911; *Millî Aydın Bankası* in 1914; *Asya Bankası* in 1914; *Karaman Millî Bankası*, in 1915; *Kayseri Millî İktisat Bankası* in 1916; *Akşehir Bankası* in 1916; *Manisa Bağcılar Bankası* in 1917; *Eskişehir Çiftçi Bankası* in 1918; *Adapazarı İslâm Ticaret Bankası* in 1919; and, *Adapazarı Emniyet Bankası* in 1919. For the first time in Turkish history local banks became an important source for financing provincial entrepreneurs. Thus, one of the aims of the Unionist governments — fostering regional economic development of the country as opposed to concentrating it in and around *Istanbul* and a few other port towns — were realized. In most cases the owners of these banks were local entrepreneurs who were also supporters of the *Committee of Union and Progress* (KAZGAN 1997; ÖKÇÜN 1975a; SILIER 1975; TOPRAK 1995b).

The Unionist program for economic development called for state investment in the communications network of the country. Plans were made to connect various ports with their hinterlands by roads and railroads, thus creating one of the essential preconditions of a market economy. Again, Cavid Bey was instrumental in coordinating these projects as well as making arrangements for financing them. Within ten years it was proposed to have the following railroad lines constructed and opened for traffic: the *Black Sea line*, the *Albanian line*, *Chester Railroad Project*, *Baghdad-Basra line*, and connection of the *Ankara line* with the *Samsun-Sivas line*. The construction of the *Black Sea* and *Albanian lines* had been entrusted to the *Régie Générale*. Negotiations would be carried on with the promoters of the *Chester Project*. Plans would be discussed with the *British Government* with a view of putting an end to the impediments which hindered the realization of the *Baghdad-Basra line*. The *Ankara* branch of the *Samsun-Sivas line* would be turned over to the *German Anatolian Company*. The ports of *Samsun* and *Trabzon* were being surveyed and it was proposed to build a large harbor at *Dedeağaç* and a small port at *Kavala*. There were also plans to enlarge the port of *Salonica*. The building of highways was also being pushed; and, in four years Turkey would have about 15,535 kilometers of roads in Anatolia. Contrary to the understanding

prevalent in the *ancien régime*, all the highways and railroads would be built on an economic and not on a strategic basis. In July of 1910 the Government had already signed a contract with the *Société Générale d'Entreprise des Routes de l'Empire Ottoman*, a French company formed by several contractors and financiers based mainly at *Marseilles*, for the building of new highways as well as modernizing the old. The contract involved the roads from *Edirne* through *Istanbul* and *Izmit* to *Bolu*, *Scutari* in Albania to *Monastir* and *Janina*, *Izmir* through *Konya* to *Adana*, *Sivas-Erzurum-Van-Trabzon-Samsun*, *Ankara* to *Kastamonu*, *Harput-Bitlis-Diyarbakir*, *Aleppo-Baghdad-Urfa-Deir Zor*, and *Damascus-Beirut-Jerusalem*. The total length of these roads amounted to more than 9,000 kilometers. Work on these projects had begun in 1914. With the outbreak of the *War*, however, the projects came to a halt (HERLT 1914; MÜHLMANN 1926; MUSSLER 1929; PROTHERO 1920a; PROTHERO 1920b; RAVNDAL 1926; for the story of the *Chester Concession* see: CAN 2000; GORDON 1932).

The *Revolution of 1908* had supporters mainly from the most developed agricultural regions of Turkey. These regions — *Salonica* and its hinterland, *Izmir* and its hinterland, *Bursa*, *Samsun*, and *Cilicia* — were important centers for the production of mainly tobacco, fig, silk and cotton which were marketed not only within Turkey but were also exported (AHMAD 1980; TEKELI - İLKİN 1980). Therefore, the Unionists, among whose leadership some capitalist landlords — such as *Mustafa Rahmi Aslan* and *Halil Menteşe* — also figured, were very keen in developing capitalist, large-scale agriculture utilizing modern farm machinery — although their agricultural projects were not exclusively beneficial to themselves. Connecting these agriculturally rich lands with roads and railroads to major ports and consumption centers did help to increase the marketability of agricultural products. Now, domestic production could easily compete with imported agricultural products due to the lowering of transportation costs within the country. Many regions within Anatolia were thus opened to the domestic market. The Unionists had also plans for further expanding and increasing agricultural production with building irrigation schemes throughout Anatolia. The results of the *Anatolian Railroad Company's* irrigation scheme at *Konya* had been spectacular. The contract having been signed under the *ancien régime* in late 1907, construction started in early 1908 and by the end of 1912 the massive project with its 200 kms. of main canals and more than 2,000 kms. of subsidiary canals was completed (MÜHLMANN 1926). Realizing the potential for further agricultural growth elsewhere in Anatolia, Unionists embarked upon further irrigation projects. By 1911 preliminary contracts had already been made with the *National Bank of Turkey*, a British bank operating in Turkey, for the irrigation of some 400,000 hectares of land in the *Meander Valley*, with the *Anatolian Railroad Company* for the irrigation of 500,000 hectares in the *Cilician Plain*, and with the *Société Générale d'Enterprises dans l'Empire Ottoman* for the irrigation of *Samsun*, *Tokat*, *Gediz Valley*, and *Orontes Valley* at *Antioch*. The local authorities in the eastern provinces had expressed willingness to grant a concession to a company to regulate the flow of the *Euphrates* near its source so as to provide water for irrigation purposes during Summer (HEIMANN 1935; HERLT 1917; KENT 1975; PROTHERO 1920a).

Existing laws concerning landownership were also deemed incompatible with large-scale capitalist development in agriculture. Proposals for radical changes in the *Land Code* laid before the parliament were ratified in March of 1913. The amendments made it possible for juridical persons to possess immovable property — *i.e.*, agricultural land. It meant that corporations could be established on landed property with a view to engage in large-scale mechanized farming. With further legal arrangements completed, landed property could now be mortgaged to raise capital from commercial banks for investment. Amendments also enabled incorporation which manifested itself in the founding of agricultural companies formed to market and process regional produce (RAVNDAL 1926). By the end of 1914 the parliament began debating amendments of the law concerning the state-owned *Ziraat Bankası* so as to allow the bank to extend credits to firms engaged in agricultural processing and packaging (AHMAD 1983; ATASAGUN 1939; ELDEM 1994a).

The Unionists were also interested in protecting and promoting industry. One such protection could be afforded by high import tariffs so as to make locally produced industrial goods competitive in the domestic marketplace. However, customs tariffs had been fixed according to the capitulations, and could not be raised unilaterally. Formal talks with the European Powers began immediately after the Revolution; but Turkish proposals met with stubborn resistance. No concrete results were achieved until 1916 when, with the war going on, Turkey abrogated capitulations (MAKAI 1916; SCHAEFER 1916). Until then, however, Unionists made use of every opportunity to control importation of manufactured goods into Turkey. One of the most effective methods was the 'boycotts'. A highly successful trade boycott was declared against Austria-Hungarian goods upon that country's annexation of Bosnia-Herzegovina in the Autumn of 1908 (QUATAERT 1983; YAVUZ 1978). Similar Unionist-organized boycotts prevented the importation of Italian goods during the *Tripolitan War* in 1911, and of Greek goods during the Balkan Wars in 1912-1913 (TOPRAK 1985). These efforts, however, could only have transitory effects on the balance of Turkish foreign trade. What it lacked in this respect, however, was compensated with the long-term effects of these boycotts: certain goods that were traditionally imported into the country came to be produced within Turkey (TOPRAK 1995c).

A more significant attempt to promote industry was the promulgation of the *Law for the Encouragement of Industry* in 1913. This was the culmination of the efforts in this direction which had started in 1909. The law had the aim of supporting the establishment of modern factories. To that end, it gave the government the right to hand over state-owned land free of charge, on which the factory buildings could be erected. These establishments were to be exempt from both municipal and state-levied taxes. Factory equipment as well as raw materials that these factories would use in producing manufactured goods were to be imported free of customs duties. State and local authorities would guarantee facilitating the building of roads to connect these factories to main roads, ports, or railroads. Likewise, special arrangements would be made in the erection of power lines to these factories. Goods produced by these factories would be exempt from export dues, and would be preferred over foreign products in government purchases even if these

goods were up to 15% more expensive than imported ones. Factories would enjoy these preferential treatments for fifteen years (MAKAI 1916; ÖKÇÜN 1975b).

The war years from 1914 to 1918 did not affect any fundamental changes in the direction of the economic policies pursued by the Unionists. With the abrogation of the Capitulations that came into effect on October 1, 1914, Turkey re-arranged her customs policy along protectionist lines, basically to suit the interests of the domestic manufacturing entrepreneurs (KURMUŞ 1978). Enterprises such as the harbors, docks, and railroads belonging to foreigners whose governments were at war with Turkey were taken over by the Turkish Government, in accordance with the provisions of these concessions. Foreign commercial firms operating in Turkey were put under state supervision and the use of the Turkish language in their business activities within the country was made compulsory. The monetary system, based upon the double standard, which was subject to fluctuations at various places according to the value of gold and silver, was placed upon the standard of the gold piaster in 1916 (ELDEM 1994a; HERLT 1916; MAKAI 1916; SCHAEFER 1917; STERN 1918; TOPRAK 1995b).

War also necessitated the implementation of certain controls over the economy. Production and consumption of mainly agricultural products came under state control. Controls started first in 1914 as a precaution to guarantee uninterrupted flow of food supply to the capital. A special council created for this purpose took over the sale of bread in Istanbul. Through its monopolistic position in the marketplace, this public body not only guaranteed high prices for the wheat producers, but also made profits which in turn helped establish new companies to further supply Istanbul with groceries and manufactured goods. In 1916 a commission whose duties and rights were defined by a special law was created for the purpose of regulating the food supply of the whole country (ELDEM 1994a; TOPRAK 1995b). A law providing for obligatory service on agricultural land was passed in 1916 to avoid food shortages due to decrease in agricultural production. Labor battalions were formed to till the fields; and, agricultural machines, which the Government had begun to purchase from Germany soon after the *Balkan War of 1913*, were imported in even greater quantities. These agricultural machinery and implements were distributed among the peasants against cash or installment payments, without any profit to the *Turkish government*. So, despite the fact that peasants were called to arms and the fields were emptied, and that crops were requisitioned several times, and the tithes were doubled and trebled, farmers made a profit from the sale of what remained to them of their product. In order to harmonize agricultural exports with the needs of the country a commission of exportation was established (ÖKÇÜN 1997b; AHMAD 1983; TOPRAK 1995b).

In principle, the Unionist government had not taken advantage of the War to change the economic policies pursued since the *Revolution of 1908*. The government's main aim was to continue capitalist development by protecting and promoting private enterprise while freeing them from governmental control or monopolistic practices. After the *Armistice of 1918* political uncertainty in Istanbul did not allow for new legislation concerning the economy to be promulgated (COURTHOPE-MUNROE 1921; COURTHOPE-MUNROE 1922). However, contrary to the inactivity of the monarchists in Istanbul, Kemalists, who headed the resistance



to occupation in Ankara, worked towards a new re-structuration of the Turkish society. In its essential outline, their idea for the future political, social and economic structure of Turkey was corporatist (KANSU 1998; TEKELİ - İLKİN 1977b; TEKELİ - ŞAYLAN 1978; TOPRAK 1977a; TOPRAK 1977b; TOPRAK 1995a). Despite genuine efforts to replace the liberal democratic form of government as well as competitive capitalism with a corporatist political system that would totally control the economy, Kemalists were successfully opposed in the Assembly and therefore could not pass the necessary legislation to that effect up until 1923 (KANSU 1998; TEKELİ - İLKİN 1977b). With the highly irregular general elections of 1923, however, Kemalists succeeded in their efforts to remain in power. In the following years they would be in a position to impose their economic policies despite resistance from the business community.

Kemalist ideas had already been fully crystallized by the time the *Economic Congress at Izmir* convened in early 1923. Kemalist government, whose spokesman during the Congress was *Mahmud Esad Bozkurt*, resisted the liberal economic policies put forward by the hosts of the Congress and made alternative proposals. However, in the end, decisions taken at the Congress did not reflect Kemalist policy choices. Organized by the business community of mainly Istanbul and Izmir, the Congress reflected the liberal vision of the capitalist class in Turkey. They insisted not only on the continuation of the pre-War policies but also their elaboration to meet post-war requirements. They were not against state intervention — so long as this did not prevent competition and stifle private initiative. As stated in the minutes of the Congress, state was needed to establish a central bank not only to direct the general financial policies but also to control foreign exchange and stabilize Turkish currency. Specialized banks were needed to extend credits to all sorts of entrepreneurs — capitalist farmers included. Through legislation state was to protect and promote private enterprise in Turkey against foreign competition. Customs duties had to be raised so as to discourage importation of goods that could easily be replaced by Turkish manufactures. Monopolies in general, but especially the state-controlled ones, were targets of criticism. They were seen as detrimental to the interests of Turkish capitalists (ÖKÇÜN 1968; ÖKÇÜN 1971; FINEFROCK 1981). The actual policies pursued by the Kemalists in the immediate aftermath of this Congress, however, show very clearly that these liberal policy recommendations were totally disregarded.

With the establishment of the Kemalist regime in October of 1923 came the new policies concerning the economy. Firstly, monopolies were created beginning as early as February of 1924. The first monopoly to be created was for the production, importation, and distribution of alcoholic beverages. In September of 1920 the Assembly had voted for prohibition. This was a move that had effectively killed not only the liquor industry which was mainly in the hands of Turkish citizens of Greek origin but also lay waste many of the vineyards. The application of the law had had a disastrous effect on the wine and spirit producing industry having an annual production of 17,000,000 kgs., amounting to a value of more than 5,000,000 gold liras before the war. The consequent closing of factories, distilleries and breweries in the wine and liquor producing localities in the provinces of Istanbul, Aydın, Bursa as well as in the various towns in Cilicia and Thrace had both

increased unemployment and ruined growers. Now, state took over this industry (RAVNDAL 1926; WOODS 1924). Other monopolies soon followed. During the 1920's monopolies were also created in the manufacture, importation and sale of sugar, salt, alcohol, and matches (RAVNDAL 1926; WIKANDER 1979). Sale of gasoline and all petroleum products, sporting gun cartridges, firing caps and revolvers, and industrial explosives were also monopolized. These, however, were not strictly 'state-monopolies' in the proper sense of the term. In most cases exclusive rights to these monopolies were given to 'private' companies, founders of which were either Kemalist deputies close to Atatürk or foreign capitalists, or a mixture of both. In some cases, however, Atatürk was personally involved in these monopolies through *Türkiye İş Bankası* in which he held a sizable share (ÖKÇÜN 1997a; RAVNDAL 1926; WOODS 1927). By 1927, the adverse effects of monopolies had manifested itself in high prices that hit the consumers and started to threaten agricultural recovery which had just started to be observed (WOODS 1927). The prices of basic consumer goods as well as agricultural inputs under state monopoly, such as salt and sugar, were set well above world market levels (SARC 1943-1944; SARC 1948b; SUVLA 1940). While monopolies were created and private entrepreneurs were thus driven out of business — as in the case of privately-owned sugar refineries of Uşak and Alpullu — *Türkiye İş Bankası* became a major financial center to which profits from these lucrative monopolies flowed. Despite the fact that this bank was established by a modest capital in 1924, it grew at a very rapid rate (DÜMER 1933). After the 'trial' and condemnation of the Unionist leadership in 1926 for the alleged attempt on the life of Atatürk, the funds as well as the total capital of the *İtibar-ı Millî Bankası* — the bank that had been established by the Unionist government in 1917 with the intention of transforming it into a central bank (*Orientalicus*, 1917-1918) — were diverted to *Türkiye İş Bankası* by a questionable forced merger of the two banks. Having thus a stronger financial position, Atatürk lobbied for the transformation of his bank to a central bank, but this attempt was successfully resisted (İLKİN 1975; KEYDER 1998; TEKELİ - İLKİN 1997). Nevertheless, as the financial records of the bank show, *Türkiye İş Bankası* grew at an enormous rate through the 1930's as it became a major shareholder — along with *Sümerbank* — of state-run monopolies or semi-monopolies (BAYAR 1939; *Türkiye İş Bankası* 1934).

Just as unprecedented profits earned from these monopolies were used to fill the coffers of the Treasury — and, of the *Türkiye İş Bankası* — taxes were increased to raise state revenues. Heavy taxation on production and distribution of goods as well as the re-establishment of *octroi* became a burden on industrial production. Coupled with this problem of excess taxation on industrial goods, low customs duties made it extremely difficult for Turkish industrialists to compete with foreign imported goods (KURMUŞ 1977; KURMUŞ 1978; WOODS 1924). During 1925 both the press in Istanbul and commercial organizations, such as the *Chamber of Commerce* and the *National Union of Turkish Commerce*, were unanimous in condemning the *octroi*, both in regard to the principle of such a tax and to the method of its application. In the 1925 meeting of the *Turkish Commercial Congress* the tax was protested and a special commission was formed to make

representations to the municipal authorities on the subject. Despite continuous protests against the tax, the government was adamant in its application (WOODS 1925).

The lack of proper credit institutions for the industrialists remained a continuing problem. Although lobbying efforts of capitalists forced the Kemalists to establish first in 1925 and later in 1933 two state banks — *Sanayi ve Maadin Bankası* and *Sümerbank*, respectively — with the legal obligation in their statutes that at least half the credits extended to industry would be distributed among private entrepreneurs, no such credit were made available to private industry until *Türkiye Sınai Kalkınma Bankası* was established in 1951 (FERMAN 1951; APAK AYDINELLI - AKIN 1952; WOODS 1925). Demands for the encouragement of industry led to the renewal in 1927 of the *Law for the Encouragement of Industry* originally enacted in 1913, but the law was significantly different from the previous one. Firstly, it was less comprehensive than the original. Furthermore, Kemalist government's reluctance in its prolongation manifested itself a few years later when amendments to the law completely excluded private companies in its coverage but instead was exclusively used to help support state monopolies in the 1930's until the law's abrogation in 1940's (*T.C. Başvekâlet, İstatistik Umum Müdürlüğü* 1937; YÖRÜK - SENİL 1939).

Another important issue concerning the 'unification' of the market during the early Republican regime was that of communications problem. On the one hand, communications network — railways, roads, and port facilities — were inadequate. On the other hand, projects developed by the Unionist government were scrapped in favor of new plans that gave priority to strategic needs of Turkey rather than to economic concerns. Furthermore, pricing on state run railway lines became prohibitive — just as it had been prior to 1908. Another example is the *Port Authority of Istanbul* which charged very high prices for its storage services. Nationalization of maritime lines effectively killed passenger and goods traffic conducted among Turkish ports as well as the traffic with Turkey's neighbors in the Black Sea, Aegean, and the Mediterranean (KEYDER 1981; TUTEL 1997).

Economic policies of the Kemalists concerning the agricultural sector were no better. Turkey was primarily an agricultural country, yet agriculture was not the government's main concern (SILIER 1981; WOODS 1930). Banking and credit in this area also became a problem. The government reverted back to the pre-1908 practice of using the state-owned *Ziraat Bankası* funds to balance budget deficits instead of distributing it as credit to farmers (ATASAGUN 1934; ATASAGUN 1939; ATASAGUN 1943; DEMİREL 1935; KEYDER 1981). Despite the abrogation in 1924 of *aşar*, the traditional tax on land, relief was not available as new taxation put on marketed agricultural products made the export sector suffer. Coupled with this lack of concern for development of modern agriculture in Turkey, droughts in the later part of the 1920s caused the peasantry great suffering. Governmental relief was too little and too late. As agricultural production dwindled, foreign exchange problem increased (Gülten KAZGAN 1977; HATİPOĞLU 1936). Turkish Lira lost its value against foreign currencies and in late 1929 it became imperative that state controls on foreign exchange be imposed (KEYDER 1981; TEKELİ - İLKİN 1977a).

Restrictions to dealings in foreign exchange, imposed then, remained more or less in force until after the *Coup of 1980*.

Misinterpreted and mislabelled as the 'liberal decade' by almost all of the economic historians (BORATAV 1974; BORATAV 1977; BORATAV 1981; BORATAV 1988; KEPENEK - YENTÜRK 1996; KEYDER 1981; KEYDER 1987; KURUÇ 1987; TEZEL 1994), the early Republican period in Turkish economic history, on the contrary, stands out as a decade during which the Kemalist government fought against domestic private enterprise with every conceivable economic weapon. While the entrepreneurs' demands for protection and promotion of domestic industry through high customs tariffs, tax relief and low-cost credits were totally ignored, the government did everything within its power to attract foreign investment into Turkey. Despite the radical nationalist rhetoric of anti-imperialism, Turkish economy witnessed the greatest amount of foreign capital flow into the country during this first decade of Kemalist rule. This was achieved mainly through government-created monopolies. In almost all of the cases, these monopolies were jointly owned by foreign companies and prominent members of the Kemalist regime, and as such, specially protected and promoted by the government against local capitalists (ÖKÇÜN 1997a). It was also during the late 1920's that the government passed new legislation to make Turkey even more attractive for foreign capital. Kemalist government created a free zone in Istanbul in 1927 with the declared purpose of attracting foreign manufacturing companies. In the free zone storage in transit of native and imported goods, packing or re-packing of such goods, together with their sorting, classification, cleaning and modification, the manufacture, or part-manufacture, of native or imported raw material, the assembly of the component parts of instruments, machinery and rolling stock imported from abroad, and the repair or construction of vessels of all kinds were to be carried out (WOODS 1928). The most spectacular achievement — and, later, failure — of the legislation for the establishment of a free zone in Istanbul was the construction of an assembly plant of the *Ford Motor Company*. The construction was well under way in 1929 and the plant, capable of producing eighty cars per day, would assemble cars as well as tractors for sale both within Turkey and the Balkans and the Near East. Turkish government went so far as to sign an agreement with the company to guarantee sales within Turkey and offer a \$30 remuneration on each and every car that was 'imported' into Turkey (SÖNMEZ 1982; WOODS 1930).

Collapse of the economy, most visibly observed in the large number of failures of commercial houses among which the *Avundukzades* — the most important commercial house in Turkey then — created an atmosphere of total despair within the Turkish bourgeoisie (WOODS 1932). This led to discussions within the ruling circles in Ankara as to finding remedies to the problem. The experience of the *Free Party* during the Summer of 1930 had made it clear to the Kemalists that the ongoing economic policies could not be followed without drastic changes (BAŞAR 1981). Besides, businessmen and entrepreneurs were firm in their determination to have legislation enacted in their favor. They had like-minded technocrats within the bureaucracy. Nothing shows the clash of opposing viewpoints than projects developed within the bureaucracy in order to alleviate the problems caused by the

Depression. One solution was the liberal one: Prepared by Şakir Kesebir and published in 1930, *İktisadî vaziyetimize dair rapor* advocated a program to help entrepreneurs, mainly along the lines that private enterprise had been suggesting all along (TEKELİ - İLKİN 1977a). KESEBİR's plan could be labelled as 'liberal' since it proposed government intervention so long as the crisis continued. Without attempting to re-structure the economy, this plan resembled the Keynesian 'solution' in Great Britain and the United States concerning the intervention of the capitalist state to rescue private enterprise in its moment of crisis. This plan, however, was not to be followed. Instead, Kemalists favored a corporatist plan that would allow the government to monopolize industrial production. A series of legislation during the early part of 1930's firmly established state monopolies as the dominant form of industrial production in Turkey (TEKELİ - İLKİN 1982).

In addition to monopolizing the modern sector of industry in Turkey, the Kemalist government drafted a new *Law to Protect Deposits* in 1933 — concerning to control the banking sector — the result of which was to eliminate the privately owned small-scale local banking and credit institutions from the marketplace and replace them with state owned banks (SILIER 1975). This was a policy which again went directly against the Unionist policy of promoting local credit institutions — which were distributed, more or less, evenly in the provinces. Despite the adverse effects of both the *First World War* and the post-War economic policies, local banking in Turkey — which had a spectacular growth in the first decade after the *Revolution of 1908* — had continued to thrive: During the critical years between 1918 and 1923, *Bor Zürra ve Tüccar Bankası* was established in 1921. After 1923, *Akhisar Tütüncüler Bankası*, and *Konya Ahali Bankası* were founded in 1924; *Karaman Çiftçi Bankası* in 1925; *Aksaray Halk İktisat Bankası*, *Niğde Çiftçi ve Tüccar Bankası*, and *Afyon Karahisar Terakki-i Servet Bankası* in 1926; *Eskişehir Bankası*, *Nevşehir Bankası*, *Kocaeli Halk Bankası*, *Denizli İktisat Bankası*, *Akseki Ticaret Bankası*, *Ermenek Ahali Bankası*, and *Şarkî Karaağaç Bankası* in 1927; *Adapazarı Emniyet Bankası*, *İzmir Esnaf ve Ahali Bankası*, *Bor Esnaf Bankası*, *Ürgüp Zürra ve Tüccar Bankası*, *Karadeniz Bankası* (in Trabzon), and *El-Aziz İktisat Bankası* in 1928; *Trabzon Bankası*, *Lüleburgaz Birlik Ticaret Bankası*, *Mersin Ticaret Bankası*, *Üsküdar Bankası*, and *Van Millî Bankası* in 1929; and *Kastamonu Bankası* in 1930 (ÖKÇÜN 1975a; SILIER, 1975; TAHSİN - SAKA 1930). Local banks which had been spared from insolvency during the Depression, were thus forced to fold and cease to exist beginning with 1933 — until after the *Second World War*, when 'liberalization' allowed for private capitalists to establish banks again.

As an initial step to fight the world-wide economic crisis, 'protection of the Turkish lira' formed one of the basic tools in the hands of the government to move towards an autarchic economy in the 1930's. Other measures followed suit. From 1931 onwards Kemalists declared an economic policy they called 'étatist' (AHMAD 1981; OKYAR 1965). This policy was necessarily imposed, as the argument went, due to the adverse conditions world depression had created (BAŞAR 1981; EFFIMIANIDIS 1935-1936; DERİN 1940; BORATAV 1974; BORATAV 1981; HERSLAG 1984). However, this was no ordinary involvement of the state into the

intricate workings of a capitalist economy as practiced in the liberal countries of the West. Rather than saving private entrepreneurs and competitive capitalism from collapse in Turkey, this policy aimed at permanently taking under control of private economy by the state. Corporatist in character, this policy allowed the Kemalists to put heavy restrictions on the private economy — from domestic and international trade to agricultural and industrial production and distribution in Turkey. Numerous legislation during the 1930s made it abundantly clear that the state was determined to take total control of all economic activity, without questioning property relations (GÖYMEN 1976; TEKELİ - İLKİN 1982; WOODS 1936). The new legislation included the exclusion of new private investment in fields where the state had a stake in — especially the state-owned textile industry: While state-owned *Sümerbank* textile factories benefited from the provisions of the *Law for the Encouragement of Industry*, for instance, private factory owners were denied any privileges (*T.C. Başvekâlet. İstatistik Umum Müdürlüğü* 1937). In addition, prices were determined by the state with the *Law for the Control of the Cost of Production and Sales Prices of Industrial Products* of 1936, which meant that private entrepreneurs could not effectively compete against state-owned factory production (WALSTEDT 1980).

During the 1930's Turkish economy moved towards autarchy. The total volume of international trade fell more than half. Although part of the reason was the world-wide decline in international trade, both the total volume of Turkish international trade and Turkey's share in world trade significantly fell, and continued to be so until after the *Second World War*. Foreign trade came to be based on mutual clearing agreements and, therefore, free trade was totally abolished in 1934 (ALKİN 1980; WOODS 1934; WOODS 1936). These negative developments were in line with the Kemalist government's aim to build a self-sufficient autarchic economy. There was a great propaganda effort on the part of the government to induce citizens to consume locally produced goods. This was additionally supported by efforts to convince the population to be content with what they had and consume less. By encouraging the population to be thrifty, and by encouraging the consumption of locally produced goods, the Kemalist government aimed not only to achieve a high degree of autarchy but also to have economic stabilization, rather than further growth of the economy (BOSTANCI 1996; TOPRAK 1998).

In agriculture, controls came with the compulsory membership to state-formed agricultural cooperatives in 1935. All existing cooperatives were forced to dissolve and re-open under state and party supervision. This was the culmination of efforts to take all agricultural credit under state supervision in 1929. Cooperativism under direct state control became the ideal as well as reality in many areas of agricultural production (ARIKAN 1993; ATASAGUN 1940; HAZAR 1970; TEKELİ - İLKİN 1988). The aim was to take agricultural production under total state control so as to eliminate the economic as well as the social prominence of large landowners. It was during the 1930's that the Kemalist government tried — without success — to nationalize large landholdings and distribute it among landless peasantry. Thus, a self-sufficient peasantry would be created while, at the same time, political influence of the landed interests would be curbed (BİRTEK - KEYDER 1974-1975). Creation of an idealized peasantry would find its most concrete expression in the

opening of the Village Institutes during the *Second World War* (TÜRKOĞLU 1997). By that time, *Toprak Mahsulleri Ofisi* had been established to buy as well as to export and import wholesale the agricultural produce at prices set by the government (ACUN 1947; JORDAN 1939). During the *Second World War*, the *Law for National Protection*, enacted in 1940, gave the government extensive powers to intervene and control every aspect of the economy, including agriculture (BABAN 1939; DİKMEN 1940; KOÇAK 1996; and, TUNA 1939). The application of this law as well as the *Tax on Agricultural Produce* of 1941, highly reminiscent of the tithe, were so disastrous that within a couple of years of the application of the law, agricultural production dropped by almost half, causing starvation of the peasantry (HIRSCH - HIRSCH 1962-1963; HIRSCH - HIRSCH 1965-1966; PAMUK 1988b; SINGER 1977).

This corporatist and autarchic vision for the future of Turkey in the 1930's produced very similar results as that of Portugal in the same period: While per capita GNP in Turkey had increased by about 8% per annum during the 1920's, it dropped to 3% between 1929 and 1939, and finally achieved a negative growth of -3% during the *Second World War* (PAMUK 1999). Turkish economy — with the exception of state-owned industries — did not significantly grow. The stationary state of the economy was well in line with the social and political aims of the Kemalists. It manifested all the qualities of 'anti-modernist and reactionary modernism.' Economic policies and 'economic plans' tried to transform the economy — from a competitive, dominantly privately-owned structure to an oligopolistic, heavily controlled, and dominantly state-owned structure. New industries — especially the founding of the controversial state-owned steel industry at *Karabük* with a British government loan of £3,000,000 — show the success as well as the limits of an autarchic, reactionary modernist vision (CONKER - WITMEUR 1937; ENGIN 1999; JORDAN 1939). Direct state investment was coordinated through two institutions — *Sümerbank*, established in 1933, and *Etibank*, in 1935 (ÖZBEK 1938; PAKLAR 1961; *Sümerbank* 1943; KURUÇ 1999). Furthermore, five-year industrial plans were announced in 1933 and 1938 to rationally allocate the credits received from the Soviet Union (\$8,000,000), Great Britain (£10,000,000), and Germany (150,000,000 Reichmarks) among the various sectors of the economy under direct state control (GÜNÇE, 1967; GÜNÇE 1981; İLKİN 1979-1980; İNAN 1972; İNAN 1973; JORDAN 1939; MACKIE 1939; WYATT 1934). Since the aim of this 'industrialization' project was not geared towards capitalist development through a worked-out scheme of allocating scarce resources rationally in the Turkish economy, state-owned industrial plants faced with very serious problems. Factories, which were located according to militaristic and strategic concerns, soon ran into problems arising from the lack of qualified workers in remote parts of Turkey. Productivity in these modern establishments was pitifully low (ÖZEKEN 1942-1943; ÖZEKEN 1948a; ÖZEKEN 1948b; ÖZEKEN 1950).

The *Second World War* was used as a pretext to further control the economy. Therefore, economic policies pursued during the war years were geared towards deepening of the corporatist policies started in the early 1930's. Commercial activity was controlled even further. New taxes imposed upon transaction of com-

mercial activity became a burden not only to producers and distributors but to retailers and consumers alike (DIKMEN 1943). War conditions were used as a justification for this highly unpopular government policy. Industrial production went down during the war years. This decline was more dramatic in the private sector. As production in the private sector came down, production in state enterprises went up, but state sector's increase did not prevent an overall decline in industrial activity during the War in Turkey. By the end of the War the share of industry in GNP was less than it was before the start of the War (BORATAV 1984-1985; ELDEM 1946-1947; TEKELİ - İLKİN 1987).

Government hostility towards commercial and industrial activity was also combined with its hostility towards minorities; and in 1942 it materialized in the form of the *Wealth Tax*. As government expenditure had grown due to mobilization, budget deficits that had been taken under control in the 1930's had once again resurfaced. This was an extraordinary tax ostensibly to raise additional revenue in order to balance the budget. Despite the official line that these taxes were levied for this reason alone, it soon became apparent that the way this levy was assessed pointed to a different philosophy. On the one hand, since the tax was assessed not on incomes or profits, but on accumulated wealth, it meant that the aim was to confiscate wealth rather than to tax individuals. This method went against all concepts of taxation in a capitalist society. On the other hand, the way these assessments were made showed very clearly that the law effectively attempted to punish all those who were deemed as undeclared enemies of the Kemalist government: minorities, industrialists, businessmen and political opponents of the ruling *Republican People's Party*. Countless examples are sufficient to reach the conclusion that importers and exporters, businessmen of all sorts, industrialists and capitalist farmers who had not wholeheartedly supported the Kemalist regime, or who had actively worked against the Kemalists and funded the *Free Party* in the local elections of 1930 were financially ruined. However, it was evident that the government had a particular grudge against Turkish citizens of minority origin. Ever since the mid-1930's press campaigns were conducted to portray the minorities in the worst light possible. In the corporatist and autarchic vision, just as nationalism was brought to the fore in terms of rejecting imported goods in favor of locally produced goods, anti-semitism was tolerated, even encouraged, by the government as a state policy for almost a decade before the *Wealth Tax of 1942* finally ruined the lives of minorities economically (AKAR 1992; AKTAR 2000; BALI 1999; CLARK 1972; LEVI 1996; ÖKTE 1951).

Another project that was put to legislation was the *Land Reform Act of 1945*. This would effectively put an end to large landholdings. This was something that the Kemalist government had been planning for years, in order to break the political and social influence of large landholders. During the 1930's the state had tried its best to support small to mid-sized landholders against large landowners. The aim of the state was to create an independent small peasantry to be a bulwark against the economic, social and political demands of large landowners. In the corporatist decade of the 1930's any group constituting a threat to the monopolistic power of the party was a potential threat to the stability of the system. Therefore, great emphasis had been given to create and sustain small peasantry independent



of the landed interests, but servile to the state (BİRTEK 1985). One project to establish party supremacy in the countryside was to educate and indoctrinate the peasantry by establishing *People's Houses* and the *Village Institutes* (KARAÖMERLİOĞLU 1998). Although studies had started earlier, the *Village Institutes* took off under the extraordinary circumstances of the *Second World War*. Coupled with the ideological indoctrination efforts of the small peasantry through these institutes and the *People's Houses*, the governing *Republican People's Party* put forward a proposal to do away with large landholdings through legislation (BARKAN 1944-1945). Despite strong opposition both from within the Party and from large landholders, *Republican People's Party* managed to pass the *Land Reform Act* in 1945. In a way, this was both the crowning achievement of the one-party Kemalist regime and the beginning of its demise (KOÇAK 1996).

As would be expected, all of these harsh and totally unpopular measures could be taken only under extraordinary circumstances. Throughout the period between 1938 and 1945 the continuation of the war made it possible to present these proposals for new legislation as absolutely necessary (PAMUK 1988a). Secondly, the initial success of the Axis powers had given a boost to the Turkish corporatist regime since Turkey had found militarily successful 'allies' in pursuing these policies. As a matter of fact, since the mid-1930's Turkey had been imitating — albeit unsuccessfully — the Italian and German way of organizing society, politics, and the economy. Therefore, when the war ended with the absolute defeat of the Axis powers, it became extremely difficult to continue these policies which were discredited world-wide. Yet, as the intellectual effort of Nurullah Esat Sümer, the director-general of Sümerbank and, later, Minister of Finance, shows in *Muasır İktisat Nizamı*, the Kemalist regime still believed that the future of economic organization — as the Rumanian propagandist and politician Mihail Manoilescu, too, believed and defended in his *Le siècle du corporatisme* — lay in corporatism (SÜMER 1945). Thus, when the draft of a new plan was drawn up in May of 1945, it still reflected corporatist principles for a post-war economic recovery (TEKELİ 1979-1980).

Although the leading cadres of the Kemalist regime continued to believe in the supremacy of corporatism and autarchic economic policies, Turkey's post-*Second World War* economic plans had to be modified. Turkey's inclusion in the now hegemonic capitalist world around the orbit of the United States and its allies immediately after the *Second World War* forced the corporatist regime to give concessions. This was not only due to foreign pressure but to internal resistance as well: The *Land Reform Act of 1945* had been the last ditch effort of the corporatist regime to do away with any economically powerful center to oppose its policies. However, this policy backfired. Although the government proposal was passed and the draft became law, the landlords' lobby and its representatives within the parliament vehemently opposed this law and made a declaration to that effect, later establishing an opposition party — the *Democrat Party*. The establishment of the *Democrat Party* in early 1946 and other developments forced the ruling party to back from most of its highly unpopular projects. This must be seen as a turning point in the direction of the economic policies followed until then (KEYDER -

PAMUK 1984-1985). However, the aim was still to retain whatever expedient from the corporatist decades. The proof for this reluctant change of opinion can be observed in the differences between the development plan prepared during 1944 and 1945 to be applied after the war, and the plan drawn up in 1947.

The plan, drawn up in 1945 and finalized in 1946, was, in general outline, similar to pre-war plans of 1933 and 1936: it still gave exclusive rights and privileges to the state sector at the expense of the private sector. İsmail Hüsrev Tökin and Şevket Süreyya Aydemir, in their official capacities as high level technocrats trusted with the preparation of the economic program, were responsible for the highly corporatist content of this document (TEKELİ 1979-1980; TEKELİ - İLKİN 1981). During the 1930's they had aired corporatist views in their monthly journal *Kadro* and had thus established a notorious radical conservative movement — which has, since then, been mistaken for being nationalist left, or, even, marxist (BIANCHI 1984; ERTAN 1994; TÜRKEŞ 1999; YANARDAĞ 1988). However, changing domestic and international circumstances did not allow for corporatist policies to be pursued, or even advocated. Under the changing circumstances, their corporatist economic recovery plan of 1946 had to be radically changed to conform to post-war 'liberal' expectations (TEKELİ - İLKİN 1981).

A new plan — under the supervision of Kemal Süleyman Vaner — was drawn up to pacify public opinion. Those who worked on this plan were members of *Türk Ekonomi Kurumu* and belonged to the relatively 'liberal' wing of state bureaucracy. The plan, drawn up in 1947, and opportunistically named the *Turkish Recovery Program* in English — so as to satisfy American public opinion and thus have Turkey qualify for the *Marshall Plan* — was essentially a project that gave private enterprise more room to maneuver within the Turkish economy (SARC 1948a; TEKELİ - İLKİN 1981). It was under these circumstances that the *Economic Congress of 1948* convened. Most of the speakers called for the adoption of market mechanisms while deploring the excesses of the corporatist policies of the previous decade (KILIÇDAROĞLU 1997). Turkish public opinion, as expressed in the columns of the daily newspapers, were also for liberalization of the economy. All of these internal pressures were supplemented by a *Twentieth Century Fund* report drawn up under the guidelines of the new American foreign policy known as the *Truman Doctrine*. This report outlined in very precise and certain terms what had to be done in order to achieve economic development in Turkey. Known as the *Thornburg Report*, it gave primary importance to the private sector, the state acting only to facilitate private accumulation of capital. Foreign credits that were to be extended to Turkey had to be carefully monitored, and for this purpose a state planning organization had to be established. In essence, the report recommended a strategy that would soon be labelled by development economists as import-substitution industrialization (THORNBURG SPRY - SOULE 1949; see also, KERWIN 1950; KERWIN 1951; ELDEM 1953). However, before any action in that direction could be taken, *Democrat Party* won the general elections of 1950 with a landslide victory and the new course that Turkey would take was decided by the new government, which was definitely for pro-capitalist development through private initiative — but without any state planning.

The new government's priority lay in the agricultural field. Statistics show that there was a tremendous rate of growth in the agricultural sector. For the first time in modern Turkish history, farm mechanization became widespread. There were cases of farm mechanization in early Twentieth century in the Cilician plain and Western Anatolia as a consequence of the favorable policies of the Unionist government between 1908 and 1918, but they were few in number and the Kemalist reluctance to support this movement after 1923 had taken its toll. So, with foreign — basically American — assistance, farm mechanization became a reality, the rate of mechanization exceeding even the most optimistic expectations of American experts. Thus, both the land tilled and productivity on tilled land grew steadily over the decade, creating a satisfied and self-sufficient 'middle-class' peasantry which saw its still brighter future in the *Democrat Party* — and its followers, the *Justice Party*, after the coup of 1960 (AKTAN 1955; DEMİRGİL 1980; HIRSCH - HIRSCH 1962-1963; HIRSCH - HIRSCH 1965-1966; TURGUT 1991).

*Democrat Party's* philosophy was for constant and rapid economic development (SIMPSON 1965). This was to be realized however, without recourse to any planning. The planning history of Turkey, from 1930's through the 1940's, had totally alienated the democratic cadres to the idea. Despite insistent and strong recommendations from the *World Bank* and American policy makers, the *Democrat Governments* resisted all efforts to establish a centralized planning organization to channel internal investment and foreign funds provided for economic development (THORNBURG - SPRY - SOULE, 1949; BARKER *et al.*, 1951). Agriculture was given priority among other economic activities. Industry during this decade hoped but did not properly receive the most-favored status it had demanded. Yet, it has to be noted that *Türkiye Sınai Kalkınma Bankası* was opened in 1951 and started giving credit to Turkish private industry (DIAMOND 1950; FERMAN 1951). This was the first time in Turkish economic history that a financial institution exclusively interested in providing credit and other related services to potential investors in modern industrial production. It is no exaggeration to state that many of the giant corporations and holding companies of contemporary Turkey — like, Koç, Sabancı, and Eczacıbaşı — were indirectly 'created' through generous credits extended by this bank and its genuine interest on behalf of entrepreneurs (ÜYEPAZARCI 1995). It was also true that state economic enterprises, long operated at huge profit margins under monopolistic privileges during the Kemalist decades, began to channel their efforts to help the private sector, in providing cheap input for private concerns. During the 1950's state enterprises' role in Turkish economy therefore increased; however, with the important difference that now state enterprises did not aim to suppress, control or compete but to support private enterprise (SINGER 1977).