

THE SECOND ECONOMIC CONGRESS OF TURKEY:

1948 - Istanbul

by

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To Mr. Parla,
for his kind assistance
and advises,

BOĞAZIÇI
ÜNİVERSİTESİ
KÜTÜPHANESİ



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I N T R O D U C T I O N

The Second Economic Congress of Turkey (1948) which was held in Istanbul lasted for six days. Istanbul Tüccar Derneği (The Merchant Association of Istanbul) initiated the efforts in holding the Congress. Apart from the Association there were three other organisations also included in the Organising Committee: Istanbul Sanayi ve Ticaret Odası (The Chamber of Industry and Commerce of Istanbul), Istanbul Sanayi Birliği (The Industrial Union of Istanbul), and Türkiye İktisatçılar Derneği (The Association of Economists of Turkey).

About 1250 delegates participated in the Congress. Among the participants were representatives from chambers of commerce, unions of industry, unions of exporters, professional associations and state agencies. Many academicians also participated in the Congress.

The Congress constitutes a milestone in the development of the relationship between economic groups and the state. The

conjuncture at which the Congress was held is an important one. It is a transition period with regard to the relationship between the state and the society. The Congress reflects the search for a reformulation of this relationship and the confrontation between bureaucracy and the rising bourgeoisie. The period between 1945-1950 in Turkey represents an important phase in the development of the country's socio-political life. Before this period, there was one-party (The Republican People's Party) rule in Turkey. The ruling ideology was the official state ideology. This ideology mainly emphasized the importance of the state in the development of the country, and, in this sense, it corresponded to the compulsory role of the state-bureaucracy in realising this goal. Economic statism enabled the bureaucracy to control large spheres of investments. Opposition parties were not permitted to be set up except for two short lived experiences. The commercial agricultural and industrial interests could manifest themselves only through bureaucratic channels which were controlled by Kemalist bureaucracy. A civil political channel such as free political parties did not exist in confronting the bureaucratic control exerted by the bureaucracy. Civilian organisations such as associations and chambers were not autonomous in their relationship with the state. Their influence was limited in shaping the political process in the country.

From 1945 onwards, the commercial and the industrial interests found a favorable environment which provided them

with the necessary conditions for exerting their influence on national politics. First, some commercial and industrial groups departed from the traditional state-party (The R. P. P.), founding another party (The Democratic Party). This provided them with an important means in influencing the country's political life. Democratic Party was considered to be a liberal party in comparison to the bureaucratically oriented R.P.P. The former criticised the application of statism by the R.P.P. in the economic field and emphasized the role of free enterprise in the economic development of the country. Hence liberalism was proposed against statism. Democratic Party also pressed for a civilian rule instead of the bureaucratic rule of the R.P.P. and for that purpose developed a political opposition. On the other hand the capital accumulation realised during the Second World War years and afterwards provided the industrial and commercial groups with the economic power which made them more self confident than even before. The West's preference of democracies and the Marshall Aid also encouraged these groups in their activities. Thus civil forces of the society entered the scene with their autonomous demands.

In comparison to the pre-Second World War period, Turkey had closer economic links with the Western economy. The R.P.P. government more and more moderated its policy of statism in the economic field and paved the way for a liberal orientation. It also began to follow an economic policy in line with the West's preferences: lessening the role of industry in the

economic development of the country and emphasizing for an economic development by way of agriculture.

The Economic Congress of 1948, in a sense, reflects all these developments. Since the First Economic Congress of Turkey which was held in Izmir in 1923, and which was initiated by the state, no other congress was held until 1948. In this respect, a nation-wide congress held on the initiative of the civil forces of the society was an important phenomenon. Almost all the economic matters of the country were discussed by various representatives of business circles.

Although the Congress included almost all the industrial and commercial groups and organizations in the country, this did not mean that they all had the same goals or objectives. It is true that they were all opposed to state intervention in many respects and that they all demanded some changes in foreign trade policies. They, however, had different views on tax reform policies. Therefore, they did not constitute a homogeneous whole. But, despite these differences which are to be kept in mind, the commercial and the industrial groups were in the same front against the state-centric bureaucracy, the R.P.P. and its ideologists. It was this fact which made the congress the general voice of the Turkish commercial and industrial groups.

Although the subjects discussed in the Congress were mainly economic ones, they are also closely related to the politics of the period. The discussion on statism had, in fact,

a political essence, for it reflected the kind of intervention the bourgeoisie expected from the state. This work tries to detect to what extent the bourgeoisie criticised then existing statist applications in the economic field. It tries to explain the political attitude of the bourgeoisie against the bureaucracy by relating the matter to the discussions centered upon the nature of statism.

The subjects discussed in the Congress can mainly be grouped under three headings; statism, tax reform and foreign trade. The first essentially involves the relation between the bourgeoisie and the bureaucracy as regards state intervention in economic activities. The second concerns the conflicts between various economic groups, over the new Income Tax proposal prepared by the R.P.P. government. The third involves the triangular relationship between the bourgeoisie, the state, and foreign capital.

In the Conclusion chapter, the Congress of 1948 will briefly be compared to that of 1923. Such a comparison will indicate to what extent the views of the Turkish commercial and industrial groups had evolved since 1923. The comparison will focus on differences rather than similarities.

This study, then, aims at an investigation of the facts of the Congress. Primary sources have been used as far as possible: "The Bulletin of Proposals Submitted to the Congress" ("Kongreye Verilen Tebliğler Bülteni" - Istanbul, 1948) which

contains proposals of the participants to the Congress; numerous articles written by participants to various journals; and the reports of the Congress Commissions, which were later published, are among the major ones. Since the Merchant Association of Istanbul was the initiator of the Congress, its views and activities are followed through its review, the Türkiye İktisat Mecmuası (Turkish Economic Review). A special issue of the review İktisadi Yürüyüş (Economic Pace), which covered nearly all the developments during the Congress, is also used. Newspapers of the time are also considered in relation to the post-Congress developments. Other materials used in the study can be seen in the notes added to each chapter.

One of the reasons that has led to this study has been the fact that, although the 1948 Congress was the first nation-wide economic congress since 1923, it was either not mentioned or not adequately covered in books written on the post-war economic and political development of Turkey. It is surprising that the nation-wide congress held in 1981 was called "The Second Turkish Economic Congress" although it was, in fact, the third one. The Congress in 1981 was organised by state initiative like the first one in Izmir. Perhaps it was the hegemony of official understanding over civil understanding in Turkey that made possible this social irony.

C H A P T E R I

THE ECONOMIC AND POLITICAL SITUATION IN TURKEY BETWEEN THE TWO WORLD WARS

The First Turkish Economic Congress: 1923

When in late 1910's Turkey found itself in war with the Western countries there were several social groups in the country which worked in collaboration to counter the western occupation; the military-civil bureaucracy whose social existence was directly dependent upon the maintenance of the national territory, the Anatolian landowners (Eşraf) and the muslim commercial bourgeoisie.¹

Turkey finally won its national liberation against Greece and the Western countries. The post-war economic situation of the country was one of backwardness. There were only a few small factories and the war has ruined the human and agricultural resources of the country.²

¹ For the relationships between those groups see Stefanos Yerasimos, Az gelişmişlik Sürecinde Türkiye, Vol. 3, İstanbul: Gözlem Yayınevi, 1977, pp. 1177-1210.

² The size of agricultural production was then very limited. The ways of transportation were also very limited. See Özlem Özgür, Türkiyede Kapitalizmin Gelişmesi, İstanbul: Gerçek Yayınevi, pp. 77-78.

The problem then was the foundation of a national economy, which was conditioned by two factors: The position of the economic classes in the society and the role of the state in relation to these classes. An important social class was the Turkish-Muslim commercial bourgeoisie which wanted to substitute itself with the non-muslim merchants of the minority. The other important class was the landowners who had already occupied the lands deserted by the non-muslim minorities during the war. On the side of the state, the bureaucracy was against the liberal form of capitalism but was in favor of a state capitalism.³ The bureaucracy wanted to create a national Turkish-Muslim bourgeoisie and for that purpose, the private entrepreneurs and the joint-stock companies were to be protected and supported. The state was to bestow all its facilities to the service of the private capital accumulation controlled by the national bourgeoisie. The national economy was supposed to be controlled by the bureaucracy which would supposedly protect the public interests. Private property and wealth was sacred provided that it was gained by non-speculative, legal ways. Briefly if they accepted certain norms the private entrepreneurs would be fully supported by the state. In practice however, the Turkish national bourgeoisie was supported by the bureaucracy without such provisions. The bureaucracy supposed that it could control the development of capitalism as long as it controlled the political machine. Thus, the state wanted to control the formation of the civil society in Turkey from the very beginning. But in all periods of social development,

³ Korkut Boratav, Türkiyede Devletçilik, İstanbul: Gerçek Yayınevi, 1974, pp. 61-62.

the shaping role of the state was determined in the last instance by the nature of the civil society. Previously, the cadres of the Union and Progress⁴ or the bureaucratic-military cadres of the national liberation war were not independent of the economic interests in the society. As capitalism developed, the relation of the bureaucracy with these interests became more diverse and systematic. Thus the illusory independence of the bureaucracy from the society turned in time to be a real dependence on the practical daily economic interests.

In order to formulate and systematize the economic policy of the new Turkish state, an economic congress was convened. Four social groups participated in the congress: Merchants, farmers, workers, and industrialists. The views expressed by the various sectors of the society and of the state on the basic subjects before and during the congress deserve examination. The congress met with 1135 members on February 17, 1923.⁵

The most important of the subjects mentioned above was the vision of capitalism defended. The Turkish bureaucracy was against the liberal, atomistic mode of capitalism. It defended the organisation of society around several professions, or corporations.⁶ However, in this organisational framework, the important thing was not the role of each social sector in the organisation of

⁴ An organisation set up by those part of Turkish Intelligentsia known "The Young Turks", towards the end of the 19th Century.

⁵ Boratav, op.cit., pp. 30-31.

⁶ See Atatürk's speech in Gündüz Ökçün, Türkiye İktisat Kongresi 1923-İzmir, Ankara: Siyasal Bilgiler Fakültesi, 1971, pp. 255-56.

society, but the dominance of the state over the corporations. In other words, the corporations were not thought to be the representatives of the interests of the civil society. The professional organisations were to be under the control of the state and the state was to remain the ultimate representative of the interests of the classes. In this way, the society was centralised and unified around the state by way of corporations. The model excluded the class struggle. Instead it presupposed the interdependence and solidarity among classes. In the opening speech of the Congress Mahmut Esat Bozkurt, the Minister of Economy said that "..... there does not exist in our country a class problem in the economic sense. In our country the merchants, the farmers, the industrialists, the workers, namely all the economic factors are directly the slaves and the servants of foreign capital. All of our economic groups have to come together and organise."⁷

There was also another subject, related to the relation between the state and the society, particularly to the role of the state in the economic development of the society. For the bureaucracy, the Turkish State was not to be only an administrative and political state but it should also be an "economic state" (iktisat devleti). The money in the state treasury was the national capital collected by the state. This money had to be spent for national and economic purposes. Therefore, the Turkish state had to be a "state of work" (iş devleti) not a "night

⁷ Ibid., p. 263.

watchman state".⁸ The liberal view of the state was thus left aside. The state was to be the main motive in the process of capital accumulation. Such an understanding of statism was not against private capital and enterprise at all, but it aimed a coordination between the two spheres. Just as capital was materialised in the civil personality of the bourgeoisie it was also to be materialised in the official personality of the state.

The Turkish bureaucracy was not against foreign capital on the condition that Turkey should be treated as a civilised nation, that foreign capital should obey to Turkish laws and that it should not want any political concessions.⁹ As for foreign trade, the report of the Heyet-i faale (the Assembly of executives) of the Congress stated that foreign trade should be conducted by the state with the mentality of a national economy. However, the report also noted that some of the foreign trade could be done by the joint stock companies of big capital.¹⁰ Thus a door was left open for private capital.

The same attitude was maintained on the matter of customs policy. It was stated that free exchange and open customs policy was not acceptable for Turkey. A protectionist policy was to be the main policy of Turkey. Later it was pointed out that some goods could be imported without customs and some with light cus-

⁸ "Heyet-i Faale Raporu" in Ibid., p. 75, 80. See also speech of Mahmut Esat Bozkurt in Ibid., pp. 333-34.

⁹ See Mahmut Esat Bozkurt's speech in Ibid. p. 10 and pp. 16-17. See also Atatürk's speech in Ibid., pp. 252-253.

¹⁰ Ibid., p. 78.

tomary duties.¹¹ Mahmut Esat Bozkurt, the Minister of Economy said that Turkey could not be absolutely protective in the customs policy.

The Turkish commercial bourgeoisie also had been preparing for the Congress. The bourgeoisie of Istanbul, though it had not participated in the liberation war, had begun to gain influence. Soon after the war, it organised in the Turkish National Trade Union. The Union would have convened a foreign trade congress, if it had not been delayed by the government for the sake of the Turkish Economic Congress in Izmir. The Union was in favor of the replacement of the non-muslim merchants of the minority by the Turkish muslim merchants. In the report submitted by the Union to the Congress¹² it was demanded that a protective customs policy be followed with the condition that it will be rational and careful. It was added that a form of protection could be useful depending on the ability shown in the methods of its application. A national bank of big capital was to be established. The capital of the bank should be provided solely by the people, but if it was not possible, a part of its capital could be provided by the government by taking shares. Later it was stated that Turkey could not be indifferent to foreign capital and the entry of capital without political strings should be provided. In order to further foreign trade, official and semi-official economic organisations had to be

¹¹ Ibid., p. 79.

¹² Ibid., pp. 142-157.

established. In some other articles of the report, it was proposed that the views of the professional organisations should be considered in realising the changes in the economic commercial sphere.

The industrial bourgeoisie was weak in that period. The industrialists of Istanbul was in favor of a protective customs policy.

The big landowners participated in the congress having been organised. The main proposal of the group was the removal of the Aşar tax.

As for the workers, their organisation, the Turkish General Workers' Union (Türkiye Umum Amele Birliği) had been established by the Turkish National Trade Union. Ahmet Hamdi Başar, a famous writer and also one of those who actively participated in the foundation of the Turkish National Trade Union stated that ".... we founded the Turkish General Workers' Union in the apartment where the Turkish National Trade Union was Şakir Kasım, the chief of the Workers' Union publicly declared that the Turkish Workers' Union worked together with the Turkish Trade Union towards the same purpose and goal. Everybody knew that we helped the Workers' Union and supported all of its aims as the merchant association. This situation, of course, had been a reason for attack for the leftists: The Turkish Workers' Union was solely a puppet organisation of the merchants, it was merely a camouflage."¹³ Thus

¹³ From his article in Barış Dünyası, Number 54, quoted by Doğan Avcıoğlu in Türkiyenin Düzeni, Ankara: Bilgi Yayınevi, Vol. I, 1971, p. 229.

from the very beginning, the Congress was to be a congress of the propertied classes. The fake character of the workers' organisation could also be understood from its views. In a report¹⁴ submitted by that organisation to the Turkish National Trade Union, it was stated that the poor and the rich, the merchant and the worker had to walk hand in hand in the path of independence of the Turkish nation.

There did not appear a serious conflict, among the four groups in the Congress. The most influential sector in the Congress was the commercial bourgeoisie of Istanbul and then came the big landowners. On the other hand, the upper ranks of the bureaucracy were represented not officially but as the delegates of the farmers, the industrialists and the merchants. For example, the chairman of the Congress, Kazım Karabekir Pasha participated in the congress as the industrial delegate from Manisa.

As for the principles approved by the Congress, they were composed of two main parts. The first part was the Economic Pact (Misak-i İktisadi). It was stated in the pact that "The Turkish People work much.... It's catchword is to work day and night, if necessary in order to keep up the national production" and that "The (Turk) is not opposed to foreign capital".¹⁵

¹⁴ Ökçün, op.cit., p. 161.

¹⁵ Ibid., pp. 388-89.

In the part entitled the Economic Principles of the Farmers' Group,¹⁶ the removal of the Aşar tax was accepted. This tax belonged to the Ottoman period and had a pre-capitalist character. For that reason, the removal of the tax could fasten the development of the national market in the agricultural sphere. On the other hand, the big landowners wanted to get rid of that tax. According to the Economic Principles of the Farmers' Group a new taxation including all the classes was to be applied. This proposal was accepted though the industrial and the merchant groups insisted on the substitution of a moderate Aşar system. Later, in that part, it was stated that the government have to give back the money which it had borrowed from Ziraat Bankası (the Bank of Agriculture) as soon as possible, and that the government no longer should spend the capital of that Bank elsewhere. With this decision, the funds of the bank could flow adequately and permanently to the service of the big landowners.

In the part entitled the Principles of the Merchant Group¹⁷ it was stated that a main commercial bank had to be established. The government was to be a shareholder by investing some amount of capital but, gradually was to sell these shares to the people if demanded. In the Turkish seaports, only the Turkish ships could engage in trade. The ship owners should be supported by a bank which would provide them the capital to buy ships. A protective customs system was to be followed. In relation to

¹⁶ Ibid., p. 390.

¹⁷ Ibid., p. 406.

some commercial matters, the views of the chambers of commerce agriculture and industry should be considered.

In the part entitled the Economic Principles of the Industrial Group¹⁸ it was stated that the importation of the goods, adequately produced in the country should be protected by high customary duties. The industrial machines should be immune from customs. In relation to the Tesvik-i Sanayi Kanunu (The law to promote industry) it was stated that the immunity from taxation stated in that law had to be extended. The immunity in the law should be assigned only to Turkish industrialists. In another part, it was pointed out that an industry bank which would give credit to the industrialists should be established.

In the part entitled the Economic Principles of the Workers' Group¹⁹ it was stated that the workers, previously called "amele" should be called "işçi" (worker) from then on. The right to establish trade unions was accepted. The working day was to be 8 hours.

Thus, the rights which were necessary for the "civilised" Turkish nation, which were considered to be controlled by the state and which did not create trouble in that stage for the survival and permanence of the system were accepted. But, some others, for example,²⁰ the right to strike was not even mentioned in the principles.

¹⁸ Ibid., p. 426.

¹⁹ Ibid., p. 430.

The Developments Until 1929

The period between 1923-1929 is wrongly called to be liberal. It is also argued that there was not any private capital accumulation in Turkey during that period and that the absence of an industrial development is due to the inadequacy of capital accumulation. Contrary to these arguments, there was private capital accumulation during that period. However, the accumulation was essentially realised in the spheres of trade, speculative activities and agricultural production for export but not in the sphere of industry. The reason of this development was that the industrial sphere was risky and less profitable compared to high returns in the sphere of trade in the short run. Thus the state undertook the industrial investments which were risky and non profitable or which were vital for the general economic development of the country and for the bourgeoisie. The railways made by state investment in that period largely belong to these categories and aimed creating a national market and easing the transportation of the agricultural products. On the other hand, the state supported the private capital accumulation by various ways. For example, contracts made with the private entrepreneurs, the establishment of Sanayi ve Maadin Bankası (The Bank of Industry and Mines) and the Law to Promote Industry (Teşvik-i Sanayi Kanunu) all aimed at supporting the "national" bourgeoisie. On the other hand, some monopolies were given to the national and foreign companies. Of course all these developments can hardly conform to liberalism. Ali İktisat Meclisi (the High Economic Council) a

consultative organ established in 1927, was to be an organ directed to convey requirements of the private commercial sector to the state. Twelve of the twenty four members of the Council were appointed by the government. The other half were elected by the chambers of commerce and industry. The professional representation defended in the Economic Congress in 1923 was put into practice to the extent that it was necessary for Turkey. The existing professional organisations were put into order or new organisations were established. The ties between the upper ranks of the bureaucracy and the bourgeoisie were strengthened in that period. İş Bankası (The Work Bank), established in that period was a noticable example of that development. During that period, the bureaucrats were largely engaged in commercial activities. The relationship of the bourgeoisie with the state machine was attained through the Republican People's Party, the sole party of the period between 1923-1945.

There are also evaluations wrongly claiming that foreign capital was not introduced to the country in that period. However the fact is that foreign capital made its entrance by participating in the Turkish companies. Between 1920 and 1930, foreign capital participated in 66 Turkish joint stock companies out of the total 201. The joint stock companies in which foreign capital participated owned the paid capital of 31,5 millions out of the total unpaid capital of 73 millions.²⁰

²⁰ Boratav, op.cit., p. 47.

Secondly, a permanent deficit in the foreign balance of payments can be observed. Again, it is wrongly argued that deficit was due to an article of the Lozan Treaty which dictated that the customs tariffs of Turkey was to stay at the level they were in 1916 until 1929. The tariffs of 1916, of course, were very low. However, Turkey also had been allowed to apply any customs tariffs as she wished in relation to the goods which had been put under state monopoly. But that right was not used, except for a few goods.²¹ Probably, the interests of the importers had impeded the use of that right. In 1926, the Chamber of Commerce and Industry of Istanbul defended that the customs tariffs should not be increased much. The Chamber was in favor of a "moderate protection".²²

Plundering of the state budget by the bourgeoisie was counter-balanced by the taxes levied from the low-income groups. In fact, two third of the taxes were composed of the indirect ones. On the other hand, a large part of the direct taxes were paid by the workers and the peasants. The tax immunities in The Law to Promote Industry also aimed at accelerating the accumulation of capital. A Research pointed out that, in Turkey, the tax burden of high income groups were low from 1923 until 1962.²³ The big

²¹ Orhan Kurmuş, "Cumhuriyetin İlk Yıllarında Sanayiinin Korunması Sorunu ve Ticaret Sermayesinin Tavrı" in Tarihsel Gelişimi İçinde Türkiye Sanayi, Ankara: Makina Mühendisleri Odası, 1977, p. 5.

²² İlhan Tekeli, Selim İlkin, 1929 Dünya Buhranında Türkiyenin İktisadi Politika Arayışları, Ankara: Orta Doğu Teknik Üniversitesi, 1977, p. 70.

²³ Bilge Aloba Köksal, Türkiyede İktisadi Politikanın Gelişimi, Yapı ve Kredi Bankası Yayınları, 1973, p. 54.

landowners had also been protected from taxes. The burden of direct taxation on agriculture had been decreasing from 1925 onwards. On February 17, 1925 the Aşar tax had been removed, and the rate of the existing land tax (Arazi Vergisi) had been increased. A New tax had been accepted to be levied from the selling of agricultural production. However, that law was removed a year after its enactment.²⁴ Untill 1926, the state had been collecting the old Ottoman taxes and had been increasing their rates. In 1926, Temettü Vergisi (The Tax on the Dividends) was removed and the direct Kazanç Vergisi (The Earnings Tax) was accepted. As indirect taxes, the General Consumption Tax, the Private Consumption Tax and the Entertainment Tax were accepted in 1926.²⁵

As for the political developments of this period, they can be summarised as follows: In 1923, the form of the Turkish State was announced as a "republic". The new Turkish bureaucratic elite was in favour of the Western forms of political organisation which would replace the old Ottoman forms. However, in practice, the Western political forms assumed different qualities in Turkey, for the socio-economic structure of the country was different. For example, the Turkish Republic was not a multiparty democracy since there was only the Republican People's Party (RPP). The government and the Turkish Grand National Assembly was under the strict control of that party. The state and the party machine had a hierarchically centralised structure. There were no poli-

²⁴ Yalçın Küçük, Türkiye Üzerine Tezler, İstanbul: Tekin Yayınevi, 1978, p.83.

²⁵ Kenan Bulutoğlu, Türk Vergi Sistemi, İstanbul: 1971, pp. 6-7.

tical liberties especially for the workers and the leftist intelligentsia. In 1924, the Caliphate was abolished for it represented an Ottoman, non-secular political form. Other reforms were the acceptance of the Latin alphabet, the Western measuring system, the Swiss Civil Code, and the Western hat replacing the Ottoman fez. All these aimed at creating the superstructure of the Turkish society in a civil, Western form. However, this civilising process was conducted from above, from outside the civil society, by the state for the sake of the society. Thus, from the very beginning, the civilising of the Turkish society was officially stamped by the state. In the West, the civil society had evolved and developed in a struggle against the state, while, in Turkey the civil society developed under the tutelage of the state.

Though the secular, Westernist bureaucracy, the main representative of which was Mustafa Kemal Atatürk, held the political power in its hands through its party the R.P.P., it once "allowed" the formation of another political party, Terakkiperver Cumhuriyet Fırkası (The Pro-Progress Republican Party). The reason for such an allowance was to measure the strength of the counter forces. The new party was supported by some of the traditional religious bureaucrats and some parts of the commercial bourgeoisie who were not content with the policies of the R.P.P. At last with the enactment of a new law in 1925, known as "Takrir-i Sükun Kanunu", this new party and all opposition to the government were banned. Thus the R.P.P. continued to be the sole political force of the country.

The Period Between 1929 and the Second World War

The Turkish foreign trade difficulties, which had been increasing since 1927, sharpened into a crisis in 1929. The merchants' speculative imports for making stocks increased the deficit of foreign trade to an unprecedented level. On the other hand the demand in the world market for agricultural goods decreased due to the economic world crisis. The prices of agricultural goods in the country began to decline. The value of the Turkish currency began to decline and the purchasing power of money decreased. Bankruptcies and unemployment spread. The government took several measures. It began to purchase agricultural goods to support that sector. Imports were limited with the new customs tariffs dated October 1, 1929.²⁶ Some other measures were taken for controlling the value of the Turkish currency, for preventing the value of the Turkish Lira from falling. During the preparation of the customs tariffs mentioned above, the High Economic Council expressed its views according to which the protective customs dues should not go to extremes. A restrictive protection would do away with competition in the native industry and would lead it to inactivity.²⁷

However, the government did not intend to confront the commercial bourgeoisie. İnönü declared that the customs policy of Turkey was far from being extreme protectionism.²⁸

²⁶ Yerasimos, op.cit., p. 1292.

²⁷ Kurmuş, op.cit., p. 9.

²⁸ Bilsay Kuruç, İktisat Politikasının Resmi Belgeleri, Ankara: Siyasal Bilgiler Fakültesi, 1963, p. 4.

In 1930, new laws were accepted to control the value of the Turkish Lira and the foreign trade. Another important matter was that İnönü, for the first time, declared that Turkey was moderate statist in its economy.²⁹ Thus the concept of statism, which would be the main theme of discussion from then on, first appeared on the scene. The government continued to support the big landowners which, suffered from the crisis. On the other hand, it did not harm the commercial bourgeoisie for the latter had a strong influence on the government. But, objectively, the crisis was harmful for the commercial bourgeoisie especially for the sectors engaged in foreign trade. On the other hand, small workshops appeared rapidly after the limitation of foreign trade. In the same year, the law of the foundation of the Central Bank was enacted. The period after 1929 was one of import substitution and development of the industrial capital. The clearing contracts made with the foreign states were the dominant form of foreign trade and the state promoted these developments.

On May 1931, the third Congress of the Republican People's Party was convened. In the programme accepted, it was stated that "Mobile capital is important in the economy".³⁰ "Normal" capital and capital based upon technique was to be supported. A balanced budget was defended in the programme. It was also pointed out that the imports should not exceed the exports.

²⁹ Ibid., p. 9.

³⁰ Cumhuriyet Halk Fırkası Nizamnamesi ve Programı 1931, Üçüncü Kısım, İktisat, Madde 1.

Generally the programme held hints towards a statist orientation. By emphasizing "normal", "mobile" capital the programme put its preference on industrial capital. The source of "normal" capital was "National labor and savings".³¹ "Normal" capital referred to the capital accumulated in non speculative spheres, i.e. industry. "Mobile" capital also referred to the same phenomenon, i.e. capital created in the process of industrial production. The state would support such a capital accumulation process. Creating a national bourgeoisie was the aim of the R.P.P. from the beginning of the Republic on. Until 1929, the national commercial bourgeoisie had been supported. After 1929, the national industrial bourgeoisie would be supported as well. In this new period, the state would also be an active agent in promoting capital accumulation.

In July 1932 eight law' bills were submitted to the Grand National Assembly.³² They aimed at bringing state intervention. The law dated July 2, 1932, authorised the government with the central control of the importation of tea, sugar, and coffee. The law dated July 3, 1932, was in the same direction. In the rationale of the law, it was stated that the big industrial enterprises should be set up and run by the state. The law brought about a new organisation, the State Industrial Office (Devlet Sanyayi Ofisi), which would control and supervise the enterprises which the state had participated. Building of factories would

³¹ Ibid.

³² Boratav, op.cit., p. 146.

depend on the permission of the state in some spheres of investment. The state would also control these enterprises after they were set up. The law dated July 7, 1932, removed the customs immunity which had previously been given to the private industrial enterprises in importing machines and raw materials. The law dated July 9, 1932, put tours between the Turkish sea-ports under the monopoly of the state.³³ The laws were heavily criticized by the representatives of the bourgeoisie. Protests were raised against the Minister of Economy, Mustafa Eşref and he had to resign in September 1932. Celal Bayar, the general director of İş Bankası was appointed to the Ministry of Economy. Thus the extreme aspect of statism had been impeded. Celal Bayar removed the July laws. From then onwards statism in Turkey has been a main tool in opening new spheres to private sector, in realising the infrastructure investments necessary for the development of private capital, in providing low-cost inputs and in offering the facilities of the state to the benefit of the bourgeoisie. Thus let alone that statism opposed or impeded the development of private capital it became an indispensable aspect of private capital accumulation. The existence of state industry did not harm the private enterprise. On the contrary the private enterprise preferred to invest in the spheres where the state had previously made investments. The reason for that was: First, the protective measures of the state for the private sector could be easily acquired in these spheres, and

³³ Ibid., pp. 245-56, 257-62, 269-70.

secondly, the private sector could then use the technical personnel educated in the state sector. Thirdly, due to the high costs in the state industry the prices of the goods were high and because of the monopoly prices the state imposed in these areas, the private sector could also sell its goods at those high price level.³⁴ On the other hand, the integration of the bourgeoisie with the bureaucracy had reached its peak in the statist period. There were 31 members of parliament in the board of directors of 38 national banks in the country.³⁵ A typical example of this integration was İş Bankası. In the board of directors of that bank, there were 13 members of parliament. The general director of this bank, Celal Bayar, was the Minister of Economy in the statist period. The economic activities of the bank spread all over the country during the years of statism. The relation of Merkez Bankası (the Central Bank) to the state was regulated so that it would not trouble the commercial banks and especially İş Bankası. In the fourth big congress of the R.P.P., in 1935, the party program changed by putting the emphasis on the subject of statism which had not been fully developed in the 1931 R.P.P. program.

As for the relations with foreign capital, Turkey did not close its doors to foreign capital in the period after 1929. In 1930, İnönü said that "The following of the national economic system in this country is not an impediment in the way of foreign

³⁴ Memduh Yaşa, İktisadi Meselelerimiz, İstanbul: 1966, p. 22, and 51 quoted in Avcıoğlu, op.cit., p. 302.

³⁵ Yerasimos, op.cit., p. 1313.

capital".³⁶ There was not applied a serious nationalisation policy in 1930 and foreign capital was acting freely. On the other hand the Turkish foreign trade with Germany had reached to an unprecedented level during those years of statism. In 1925 Germany's share in the Turkish foreign trade was 11.3 percent in imports and 14.3 in exports. In 1937 these rates rised to 42 percent in imports and 36.5 percent in exports.³⁷

The taxation policy of that period amounted to levying heavy taxes from the wage-earners. In 1931, the new Buhran Vergisi (the Crisis Tax) was put on the salaries. In 1932, Muvazene Vergisi (the Balance Tax) was put on the labor incomes. Hava Kuvvetlerine Yardım Vergisi (1936) (the tax to help the air forces) also aimed at taxing wages. The Earnings Tax collected from the wage-earners was also increased. The unjust character of the taxation system was stated in a report of the American council of experts.³⁸ As for the indirect taxes, Dahili İstihlak Vergisi Kanunu (the Law of Internal Consumption Tax) was enacted in June 17, 1930. It was put on the products of sugar and petroleum. Later with new additions, this law comprised some other goods. In 1931, Umumi İstihlak Vergisi (the General Tax on Consumption) was changed into Muamele Vergisi (the Transaction Tax) to be taken exclusively from manufacturing. This tax lasted untill May 15, 1934. It was removed then by the law numbered 2430.

³⁶ Kuruç, op.cit., p. 11.

³⁷ Yerasimos, op. cit., p. 1296.

³⁸ W.D. Dines et.al., Türkiyenin İktisadi Bakımdan Umumi Bir Tetkiki 1933-1934 Vol. 2, Ankara: 1934, p. 96, quoted in Küçük, op.cit., p. 174.

There were three other indirect taxes dated May 30, 1934. The law coded 2458 taxed coffee, tea, paper cement and some other products. The law coded 2460 taxed tobacco, cigarette and alcohol. The law coded 2466 taxed flour and its products.

In order to consider one of the aspects of Turkish statism it is useful to mention the Cadre Movement which had been formed and organised around the journal, Kadro (Cadre). This group was in favor of the state playing the pioneer role in the Country's economic development, especially in the big industry. A cadre in the state administration, equipped with high technique, would direct the economy of the country for the benefit of the people. This would also impede the appearing of class struggle and would discipline the people around national purposes.

At first, this movement was supported by the bureaucracy and its views were more or less suitable to the statist policy applied in the country. However the Cadre Movement was in favor of administrative statism as opposed to moderate/economic statism, namely attributing to statism a political administrative character alien to the needs of private capital. Therefore, the movement aroused fury in the private sector. İş Bankası had acquired the control of the newspaper Milliyet and initiated a campaign against the Cadre movement by spending huge amounts of money.³⁹ Later the Cadre movement stated that statism could not be accomplished in Turkey with the existing organisations. They criticised

³⁹ Avcıoğlu, op.cit., p. 293.

the Ministry of Economy and the High Economic Council for being liberal organisations. They also criticised the government for compromising with the private sector.⁴⁰ At last in 1934, the movement was put to an end by the government.

In fact, the development of statism in Turkey always stayed within the limits of moderate economic statism. This type of statism meant the intervention of the state to the economy in favor of private capital. However, this does not exclude the fact that the state was relatively autonomous in its relation to the economic forces in the society. Although the bureaucracy has similar interests as the bourgeoisie, the interests of the two are not in complete harmony with each other. Though those interests almost coincided in the practical-economic level, some parts of the bureaucracy could push their interests to the fore in disharmony with those of the bourgeoisie, in the ideological level where the class interests are not much apparent. In the case of the Cadre movement its administrative statism aroused fury in the bourgeoisie, although, this type of statism had remained only on the ideological level, with no application in practice. At last, the materialism (in terms of practical-economic interests) of the bourgeoisie and of the bureaucracy won over the idealism of the Cadre movement.

From the beginning, the protection of the interests of the middle class (the petty bourgeoisie) had been put into the

⁴⁰ Boratav, op.cit., p. 216.

rhetoric of the bureaucracy, if not in practice. The bureaucracy, in words was against the usurer capitalists and the speculators: "It is one of the principles of our party to fight against usury"⁴¹ The bureaucracy declared that the system it would introduce in Turkey would not be capitalism but "a third route". The bureaucracy believed that it could establish or mould the economic system as it wished and that it could supervise and direct the development of the bourgeoisie. As a consequence a just system could be established in Turkey. Thus the bureaucracy found for itself an ideology in which it was the saviour hero of the whole society. It is wrong to expect the bureaucracy, then, to evaluate its position objectively, since its vision of itself was conditioned by its own ideology. For example, the bureaucracy saw the capital-wage labor relationship as a natural, ever existing relationship rather than as a historical and temporary one. This relationship, for the bureaucracy, was one to be maintained rather than changed. The bureaucracy judged the speculator capitalist according to the ideal capitalist criteria of its mind. But it did not realise that the form of capitalism was dependent on the level of development of capitalist production. Although it complained about the usurer capitalists, it had to acknowledge them as such, for the economic activities had to survive. Some sections of the bureaucracy, the idealist sections withdrew themselves from the practical economic side of the daily transactions to the supreme level of the populist ideology. When the development of capitalism had consequences in contradiction to their ideology, they criticized the system ruthlessly.

⁴¹ 1935 Cumhuriyet Halk Partisi Programı, madde 8.

They could never adopt themselves to the pace of capitalism. The idealist sector, including the Cadre movement, were in time purged out of the state administration. The other part of the bureaucracy which was in close contact with private capital was also under the influence of the bureaucratic ideology. However, that part could manage to adapt their ideology into the needs and course of capitalist development. However, in general, the sphere where the bureaucracy could manoeuvre was always limited by the influence of the bourgeoisie on the state machine. That part of the bureaucratic middle class was the dominant group in the administration of the state during the period studied above. Nevertheless even that part of the bureaucracy had never been a mere tool in the hands of the bourgeoisie. The Turkish bureaucracy never wanted to leave the political power completely to the control of the bourgeoisie. It tried to hold its own position in the state though not contrary to the interests of the bourgeoisie. The bureaucracy had its own principles, rules which all formed a closed, self-ruled political structure. Even though this structure was in time adapted to the needs of the economic development, it nevertheless kept its former basic characteristics. In Turkey, the bureaucracy wanted to create a national bourgeoisie that would control the development of the economy and society by holding the political power. However, the bourgeoisie increased its economic power and thus pressed for a more influential control on the political machine. Although the result was not the full control of the bureaucracy by the bourgeoisie, the bureaucracy had to feel the influence of the interests of the bourgeoisie more and

more. Consequently, the state evolved into a political machine whose basic objective was to maintain the necessary conditions for the private capital accumulation.

However, this was not a one-sided relation. The Turkish bourgeoisie could not become dominant over the society by its own facilities. It could only dominate with the help of or together with the state. It could never rise to be the representative of the civil society, as was the case during its development in the West. The Turkish bourgeoisie could not establish its economic hegemony in the society by himself. It was always in need of the economic intervention of the state. In 1933 İnönü said that "It was the state that helped the maintenance of many free enterprises for years against huge storms due to various crises."⁴²

In the statist period after 1930 the bourgeoisie used the economic facilities provided by the state. The situation was not different in the political sphere. In order to maintain its social existence in relation to the class struggle, the bourgeoisie always supported the political rule of the bureaucracy. The political immaturity of the bourgeoisie was the counterpart of its economic immaturity. Since it could not set up its social hegemony in the society, it could not also set up its political hegemony over the state. In Turkey, the bourgeoisie influenced the state not through its civil party but through the official

⁴² Kadro, 1933, quoted in Avcioğlu, op.cit., p. 290.

party of the state (RPP). On the other hand, the bourgeoisie could not establish its ideological hegemony in the society. In fact, it did not own a proper ideology. The economic liberal ideology, in its pure form, could never become the ideology of the bourgeoisie, for, in practice, the Turkish bourgeoisie could not develop itself economically without the support and intervention of the state. This had led to the compulsory adaptation of the ideology of the bureaucracy, solidarism, by the bourgeoisie. Hence, the ideological poverty of the bourgeoisie was complementary of its political poverty in Turkey. Just as the state became an extension of the society, the society became an extension of the state. Just as the Turkish bureaucracy had to maintain its political hegemony depending on the materiality (private economic forces and relations) of the society, the bourgeoisie had to maintain its civil hegemony depending on the ideology of the state.

As for the working class, it could not develop a civil ideology against the official ideology of the bureaucracy. It had been ideologically moulded by the bureaucratic ideology. The socio-economic conditions which did not permit the formation of the civil bourgeois ideology also did not permit the formation of a different civil working-class ideology. The Turkish working class was under the double pressure of both the bourgeoisie and the bureaucracy. Thus, in Turkey, the suppression of this social class became the very principle in the development of the society a development curtailed, and distorted. The RPP tried to create

an official trade-union movement. In fact, it resorted to yellow trade-unionist practice. "The triangle of the RPP - the bourgeoisie - the trade-union administration for the first time, began to appear systematically"⁴³ In 1936, a new İş Kanunu (labor code) was enacted. The law banned the right to strike, the right to set up trade unions and the right of collective bargaining. Instead, it brought about the system of compulsory agreement. Recep Peker, the general secretary of the RPP said that "the new Labor Code will sweep aside the faulty ways which permit the appearance and the development of class consciousness."⁴⁴

Towards the end of the statist period, some statist policies were quit to be applied. For example, in 1937, Bayar stated that the government had decided to put an end to the quota system, that the government did not insist on applying the clearing system and there could be other developments if the world conditions would change.⁴⁵

However, those developments in no way implied a conversion from statism to liberalism. They rather pointed out that statism was no longer evaluated from a dogmatic or an idealistic stand by the state and that the form of statism could change according to economic necessities. The thing that has remained unchanged was the support given by the state to the private capital accumulation.

⁴³ Küçük, op.cit., p. 118.

⁴⁴ Quoted in Avcıoğlu, op.cit., p. 306.

⁴⁵ Kuruç, op.cit., p. 48, 52.

As for the political developments of that period, they can be summed up as follows: In August 12, 1930 Serbest Cumhuriyet Fıkrası (the Free Republican Party) was set up by Atatürk's permission. The purpose of the RPP was to test the discontent of the people and the private economic groups by permitting the setting up such an "opposition" party. However when it was understood that the people largely supported the new party it was closed down. Thus the second experience of "democracy" was cut short from the outset: However this experience showed the RPP that it lacked the support of the people. In the 1931 elections, the RPP put some workers among its candidates. In the 1931 party congress, populism took its place among the main principles of the party.⁴⁶

The development of statism went together with the strengthening of the party-state machine. In 1936, the Minister of Interior became at the same time the General Secretary of the RPP. The governors were made the town presidents.⁴⁷ On February 5, 1937, statism was put into the constitution. This strict system of centralised-bureaucratic state apparatus continued without slackening off until 1946. In 1936, Celal Bayar became Prime-Minister. In 1938, Atatürk died and İnönü became the president of the state.

⁴⁶ Küçük, op.cit., p. 117.

⁴⁷ Avcıoğlu, op.cit., p. 241.

The Period of the Second World War

In 1940, the influences of the Second World War began to be noticed in Turkey. The imports were reduced due to the war and that caused a decrease in the customs duties. However the exports increased due to the increased demand from the Western countries. This situation brought about a stable foreign balance of payments during this period. In 1940, the Law on National Defense (Milli Korunma Kanunu) was enacted, which authorised the state with enormous powers enabling it to intervene and regulate the economy of the country. However, in practice, the law served to discipline and control the laboring classes. Although in the beginning of 1940 the government of Refik Saydam tried to control the market mechanism, that policy weakened soon after his death.⁴⁸ Profiteering and stowage had been growing rapidly. At the end of 1942, the control on the prices were removed. With the rising of prices the cost of living also increased.

As for the taxes, all were increased during the war period. A very high consumption tax was imposed on sugar. The Earnings Tax had been continuing with its all the unjust character. Although a proposal aiming at to moderate that tax towards a just taxation to some extent was submitted to the Grand National Assembly by the government, it was taken back later.⁴⁹ In 1944, fifty five percent of that tax was paid by the wage earners.⁵⁰

⁴⁸ Boratav, op.cit., p. 296, 298.

⁴⁹ Küçük, op.cit., p. 278.

⁵⁰ Ibid., p.276.

In 1942, Varlık Vergisi (the Tax on wealth) was enacted. It aimed at taxing the unusual profits created during the war years. In practice that tax has largely been levied from the non-Muslim merchants of the minority. The tax did not put the Turkish merchants especially the Anatolian merchants under much burden. Another tax of that period was Toprak Mahsulleri Vergisi (the Tax on Agricultural Produces) which was levied in kind and which resembled the old Aşar tax. In practice, that tax put the burden on the small and weak farmers. However, it also caused the big landowners to be irritated against the government.

The period of war, in general, eased and accelerated the capital accumulation under the control of the commercial class. In a research made by the Union of Chambers, it was stated that the war economy had run in favor of the private sector. The other side of the coin was that the living standards of the low income groups decreased to a great extent. Thus while the working masses had adequate reasons to be displeased with the government, the bourgeoisie had accumulated fairly much capital to dare to free itself from the political tutelage of the bureaucracy. The commercial bourgeoisie had been frightened by the Tax on Wealth and the big landowners by Tax on Agricultural Produces. On the other hand, with the end of the war, Turkey was proceeding towards a new status and role in the world division on labor. All these factors demanded a change in the relationship of the bureaucracy with the economic classes in the society towards a new combination. The state would have to adjust itself to new circumstances of the society, as it did previously.

C H A P T E R I I

POST-WAR DEVELOPMENTS IN TURKEY AND THE PREPARATIONS FOR THE CONGRESS

The Period Between 1945 and the Congress

In 1945 the situation in Turkey was this: There was a commercial bourgeoisie which had accumulated a fairly large amount of capital during the war years. This sector of society was burdened by the Varlık Vergisi (Tax on Capital) during the war years and as a result of it increasingly began to oppose against the R.P.P. On the other hand big landowners were not pleased with the R.P.P. because it was preparing a land reform bill. There were two possibilities. Either the conflict of these sectors with the R.P.P. could be resolved by some changes in the R.P.P. or the institutional structure of the state had to be changed.

First step in the way of mitigating this conflict was that: On May 19, 1945, İnönü declared that the country's political regime would be liberalized.¹ At this stage İnönü's

¹ Doğan Avcıoğlu, Türkiyenin Düzeni, Ankara: Bilgi Yayınevi, Vol. II, 1971, p. 351

attitude was important. He could have resisted any reform or change in the regime and this might have caused a serious conflict between the developing bourgeois and landowning classes and the institutional structure of the state. But he preferred to accomodate the political structure with the needs of the bourgeoisie.

However, the conflict was stirred up again when on June 11, 1945, a land reform bill had been passed by Turkish Grand National Assembly. Article 17 stated that lands with an area of over 50 acres were to be nationalized. The commission of the Assembly had already curtailed the first proposal. But this could not impede the occurrence of the first clash between the landowners and the R.P.P.² However after the acceptance of the bill, Cavit Oral who was a spokesman for the big landowners of Adana was appointed to the Ministry of Agriculture and the actual application of the law became impossible.³

On the other hand an opposition was emerging inside the R.P.P. Four days before the enactment of the land reform bill, on June 7, 1945 four deputies of the R.P.P. submitted a proposal to the chief of R.P.P.'s parliamentary group. This was known as the Dörtlü Takrir (Proposal of the Four). These four men were Celal Bayar, Adnan Menderes, Fuat Köprülü and

² Stefanos Yerasimos, Az gelişmişlik Sürecinde Türkiye, İstanbul: Gözlem Yayınları, 1977, p. 1345.

³ Avcioğlu, op. cit., p. 355.

Refik Koraltan. The proposal emphasized the individual rights and freedoms and the establishment of a multi-party political system. The rejection of the proposal by the R.P.P. group in parliament caused increasing of the tension in the party.

At last on January 7, 1946 the Democratic Party was established. The leader of the party was Celal Bayar. The party was supported by some big landowners who were frightened by the land reform law, minority merchants unfavorably affected by the Tax on Capital, the merchants who could not make use of the R.P.P.'s benefactions. The leader of the Party, Celal Bayar, was also the chief of the İş Bankası group. Adnan Menderes was a big landowner. Some agricultural capitalists also supported the party. Some notables of Anatolian towns also supported the D.P. because the R.P.P.'s strict centralism had not allowed them to enter into the political decision-making mechanisms of the Party. The big merchants of Istanbul and Izmir also supported the D.P. However, some landowners and merchants preferred to stay in the R.P.P. This was partly due to their traditional affiliation with the party and partly due to their being the beneficiaries of this party's politics. On the other hand, the R.P.P. had largely been cleansed of extreme opinions and persons. This was also an important factor in their preference.

Meanwhile democratization of political process was advancing. In May 1946, R.P.P. party convention was held. İnönü put forward certain proposals such as the abolition of

the prohibition on forming a party on the basis of class interest and of life-time party leadership, the introduction of the direct voting system, the scheduling of new elections; these were all accepted. İnönü was elected as the chairman of the R.P.P.

It is generally argued that underdeveloped societies like Turkey are transitional societies. This transition poses various aspects: From a self-sufficient closed economy to an economy open to foreign capital, from a statist economy to liberalism, from a tutelary authoritarian bureaucratic regime to a multi-party regime, from a traditional society to a modern one. In the case of Turkey, to reveal the role İnönü played in the transition of Turkey to a new phase is of importance. Firstly, he was an official person, a top bureaucrat in the one-party rule of Turkey. On the other hand, he supported the establishment of a "civil" "multi-party parliamentary regime". He was a man who made contacts between official and civil society. Thus in Turkey "civil democracy" was introduced by a non-civil person. However, this democracy was not a multi-party but essentially a two-party democracy. One of the parties was the R.P.P., "the party of the bureaucracy" and the other one was the D.P., "the party of the society". In fact the latter one was the party of the bourgeoisie and landowners.

As for the elections the R.P.P. government decided to hold the general elections on an earlier date although the D.P. opposed this attitude vehemently. Thus the D.P. had a limited time to make preparations for the elections.

Elections were held on August. The R.P.P. won 395 out of the total seats of 465. The D.P. won 64 and the independents won six.

The new government of Recep Peker was formed in August. In the government program it was stated that the Land Reform Law was to be applied justly, that the co-operation between private capital and state economic enterprises was to be maintained. Private capital was allowed to go into maritime transportation; the import and trade offices of the government were to be removed and the products of the state economic enterprises would be distributed among the retailers without wholesale profits.⁴ The Peker government wanted to enter into the Bretton Woods system which organised the economic and financial relations of the post war western countries. On the other hand the government tried to get foreign aid from the United States or from the international organisations that were under the leadership of the United States.

An important economic event of the period was that on September 7, 1946 the Peker government took several measures on foreign trade. The Turkish Lira was devaluated at the rate of % 35 and one Turkish Lira became equal to 2.81 US dollars. According to the government, the aim of the devaluation was to spur the country's exports by decreasing the relative price of the export commodities. However, this devaluation was primarily in favor of the agricultural capitalists and the rate of deval-

⁴ Ibid.

valuation was in fact too high in comparison to the actual rate of exchange before the devaluation, which one dollar was equal to 1.80 Turkish Lira.⁵ On the other hand, the measures liberalized the import quotas and eased the import formalities. These were in favor of the importers. However the expected increase in exports did not realise. On the contrary the prices of the imported goods increased, and later the foreign currency revenue was spent on import of luxury goods.

Now it would be explanatory to look at D.P. as a new opposition party. It is generally said that the D.P. was a liberal party. It is enough to look at the views of Bayar to understand the falsity of this opinion. According to Bayar economic liberalism belonged to history. In Turkey it should be replaced by a moderate protectionist policy. Turkey could not accept economic liberalism. The point was the adjustment of the role of the state to the new conditions. He did not oppose statism wholly but he opposed its excesses. The only thing to do was to regulate the role of the state in the economy so as to provide more freedom to private capital. State capital should only enter into the spheres which were not profitable for private sector.⁶ The D.P. party congress which met on January 7, 1947 accepted Bayar's views on this basis and the party program was accepted without a considerable debate.

⁵ Yalçın Küçük, Türkiye Üzerine Tezler, İstanbul: Tekin Yayınevi, p. 304.

⁶ Kemal Karpat, Turkey's Politics: The Transition to a Multi-Party System, Princeton University Press, 1959, pp. 300-301.

Hence, it can be seen that the D.P. and the Turkish bourgeoisie do not want to put an end to the intervention of the state to the economy. Their aim was to arrange the role of the state in accordance with the needs of private capital. Thus the Turkish bourgeoisie does not have the will and courage to take her own civil sphere into her own hands. She was in need for help from an external sphere, which was the state, in order to maintain her own civil sphere. Thus in Turkey the maturation of civil society becomes the proof of the immaturation of bourgeoisie. The strength of the bourgeoisie becomes her own weakness. However this problem belongs not only to Turkey, but also to the capitalist world since the beginnings of this century.

In relation to the West in that period Turkey made two important contacts one were economical the other one were militaristic. First, at the beginning of 1947 when England had to end her aid to Turkey and Greece, the United States took over this task under the framework of the Marshall Plan.⁷ The aim of that plan was to hasten the integration of the Turkish economy into the capitalist division of labor on a world scale. The expected role of Turkey was to concentrate on agricultural production. Hence it could provide the agricultural food stuffs which post-war Europe needed.

Secondly, Truman on March 12, 1947 in a joint session of the Senate and the House of Representatives declared that 400 million dollars in aid was to be given to Turkey and Greece for

⁷ Yerasimos, op.cit., p. 1350.

their military expenditures. 100 million dollars of this amount belonged to Turkey. The aim of this aid was to give Turkey the role of being a stronghold against the USSR. Turkey now had to play her role as a military ally of the Western world.

With a government decree dated May 22, 1947, the Ministry of Finance was authorised about the transfer of foreign capital abroad.⁸ This was one of the concessions of the R.P.P. government to the West.

Meanwhile, the conflict between the D.P. and the Peker government also had been growing. On July 12 İnönü issued a statement called the July 12th declaration. In the statement he indirectly defended the rights of the opposition party and supported the complaints of the opposition about the government. Thus a conflict occurred between moderate İnönü and extremist Peker who was in favor of hardness in relation to the opposition. At last Peker had to resign on September 10, 1947. The new Hasan Saka Cabinet was established. It was composed of the middle of the road R.P.P. members. The program of the government was read on October 13, 1947. It was stated that the foreign capital was to be supported and that the state was not to compete with private enterprises.

Another example can be cited as to reveal the change in the economic policy of the R.P.P. government. In 1944 the Saraçoğlu government had decided to prepare a plan of economic development.

⁸ Avcioğlu, op.cit., p. 392.

For that purpose a commission had been formed and had submitted a draft of the plan to the government on May 7, 1945. This plan put the weight on the state sector. The method of the plan at the technical level had been prepared by Şevket Süreyya Aydemir and İsmail Hüsrev Tökin who were in favor of statism. The industrialisation of the country was the primary aim of it.⁹ However, this plan was given back to the Ministry of the Economy on September 29, 1947 under the pretext of re-examination and thus it was forgotten. Instead a new one was prepared. The new plan accepted the agricultural sector as the basic sector for the economic development of the country. Other sectors were regarded as auxiliary to this sector. On the other hand, the plan aimed at creating conditions of full freedom of investment for private capital. The aim of that plan was to please the United States in order to get the sufficient funds from the Marshall Plan. But this did not happen and by the beginning of the 1950 fiscal year only 180 million dollars had been received.

Towards the end of 1947 the R.P.P. congress was held. In the convention statism was moderated. The utilisation of foreign capital in industry on equal terms with Turkish capital had been approved. Some measures were accepted to protect the industry. In the program it was stated that except for the big mines, big power stations, heavy industry, the national defense industry, public services all other economic activities were to be left

⁹ İlhan Tekeli, Selim İlkin, Savaş Sonrası Ortamında 1947 Türkiye İktisadi Kalkınma Planı, Ankara: Orta Doğu Teknik Üniversitesi, 1974, pp. 1-3.

to private enterprises and the state would support, protect and aid to these enterprises. The state were not going to invest on agriculture for profit making and private enterprise and state enterprises would operate on equal terms.¹⁰ Thus at the end of 1947 the R.P.P. gave up its old views about statism and its new understanding of statism was similar to that of the D.P. The sole difference between the two was that the D.P. proposed the transfer of the state economic enterprises to the private sector while that view had not been accepted in the 1947 R.P.P. convention.¹¹ In the same year the system of protection of Turkish money was changed and the entry of foreign capital and the transfer of profit abroad was made easier. In 1947 the foreign trade balance of Turkey showed a deficit for the first time since 1930 with the exception of 1938. At the beginning of 1948 Turkey had spent nearly 42 percent of its gold and foreign currency stock in comparison to early 1946.¹² Agricultural production had also declined due to unfavorable weather conditions. In fact the period between 1946-1948 was one of economic stagnation.

During these developments the government did not avoid making concessions to the native bourgeoisie. For example, the Turkish Economic Review (Türkiye İktisat Mecmuası) which was a monthly review and organ of the Merchant Association of Istanbul stated that the government had felt the necessity of transferring

¹⁰ Korkut Boratav, Türkiyede Devletçilik, İstanbul: Gerçek Yayınevi, 1974, p. 365.

¹¹ Ibid., p. 370.

¹² Tekeli and İlkin, op.cit., p. 13.

state industry into private industry and that Turkey was on the eve of a radical change in relation to the policy of the statism of the government.¹³

In the same review Cudi Birtek, the president of the Industrial Union of Istanbul pointed out that the chambers of industry had to be saved from being a branch of the government.¹⁴

A few months later he stated that the personnel who untill that day had made the economic and commercial decisions and had exercised them had to withdraw. He added that the economic policy had to be changed completely and an assembly of industrialists had to go to the United States in order to discuss economic cooperation, credit and exchange relations. He proposed that some state enterprises be put under the control of the people or be transferred into the hands of the people.¹⁵

In parallel with those developments, in July the Minister of Commerce Cemil Sait Barlas held a meeting with the merchants of Istanbul. He said that the bureaucracy had to be removed and that the state could not engage in trade. But the normal liquidation of these mechanisms was not easy and he would try to realise this as soon as possible.¹⁶

¹³ "Devletçilikte İnkilâp", Türkiye İktisat Mecmuası, Number 3, April, 1948, p. 45.

¹⁴ Cudi Birtek, "Devlet Sanayi ve Sanayi Odaları", Ibid., p. 55.

¹⁵ Birtek, "Bugünkü İktisadi Buhrana Acil ve Pratik Çareler Ne Olabilir?", in Ibid., Number 7, August, 1948, p. 11.

¹⁶ İktisadi Yürüyüş, Number 204, July 21, 1948, p. 21.

Foreign dynamics on the other hand pressed for democratization. The United States began to criticise Turkey for her not liberalising the economy on the necessary level. The press of the United States also criticised "anti-democratic" Turkey. There were certain pressures from the United States in relation to spreading "democracy". In fact the United States implicitly supported the D.P. The section of the bourgeoisie who supported the D.P. was possibly aware of that and hoped to make use of the USA economic aid in the context of the Marshall Plan.

The US's expectations of Turkey in relation to her economic development during this period can best be seen in a report prepared by Thornburg. His report aimed at informing the United States' government about the economic credibility of Turkey. According to him the statist economic policy should have been ended. Turkey should not have been trying to increase industry, especially heavy industry. The Karabük Steel and Iron Factory should have been eliminated. Turkey should be giving up her projects which aim at producing locomotives. She should not be producing machines and motors either. She should instead be producing simple agricultural production tools. The Turkish government should enact a law to promote foreign capital which would give foreign capital equal rights in relation to native capital. American insurance companies and banks should set up branches in Turkey.¹⁷

¹⁷ Avcioğlu, op.cit., pp. 382-84.

The same themes can be observed in the report of the World Bank. In this report Turkey was asked to put emphasis on the production of agriculture and other raw materials. Statism should be eliminated and foreign capital must be allowed into the country. The rate of economic progress should not be too fast. The purpose of the report was to form an economy which would feed Europe and provide raw material for its economic development. Thus Turkey was considered to be the "hinterland" of the West. The Marshall aid also served a similar purpose.

The Preparations for the Congress

During those developments there were certain efforts to hold an economic congress. The initiator of these efforts was the Merchant Association of Istanbul. The Association was the organisation of the Istanbul merchants and was separate from the Chamber of Commerce of Istanbul. At last an organising committee was formed by the representatives of the Merchant Association of Istanbul, the Chamber of Commerce and Industry of Istanbul, the Industrial Union of Istanbul, and the Association of Economists of Turkey. The committee accepted the rules of the Congress and started its activities. İzzet Akosman (the chief of the Merchant Association) was elected as the chief of the committee. Vehbi Bilimer, Cudi Birtek and Refii Şükrü Suvla were elected as substitutes for the president. In article I of the rules it was stated that the economic congress of Turkey was to be held in order to discuss the economic, commercial, and

financial problems of Turkey and to make decisions as to what measures should be taken in order to better the national economy. The congress was scientific and professional. The legal and administrative responsibility of the Congress belonged to the Merchant Association.¹⁸

Almost all organisations in the country related to economic, commercial and financial matters were invited to the Congress. Also the related ministries and state economic enterprises were invited to the Congress. The agenda of the Congress was composed of three issues. Statism and state intervention, the regime of foreign trade, and tax reform.

Ahmet Hamdi Başar, who was the general secretary of the Merchant Association stated in an article that for centuries Turks had expected everything from above. The first thing to be abolished in the country, he said, was this mentality of administration from above. The historical service of the Congress in this respect was too important.¹⁹

The Congress was held on November 22, 1948 in the Taksim Municipality Kazino. There were nearly 1250 delegates in the room, not counting guests and observers. The inaugural ceremony started with the Turkish National Hymn played by the city band.

¹⁸ 1948 Türkiye İktisat Kongresi Yönetmeliği, Türkiye İktisat Mecmuası, Number 7, August 1948, p. 61.

¹⁹ Ahmet Hamdi Başar, "1923 Türkiye İktisat Kongresinden 1948 Türkiye İktisat Kongresine" in Ibid., Number 10, November 1948, p. 14.

The Congress was to have been opened by Lütfi Kırdar, the governor and prefect but he had gone to London two days before because of an illness. Haluk Nihat Pepe, who was a substitute for him and authorized by him, would open the Congress. However he too suddenly went to Ankara, and did not specify a substitute for himself.²⁰ The state officials who had been invited were also absent from the room, but some political institutions and state economic enterprises had sent observers to the Congress. Finally, İzzet Akosman opened the Congress with a speech in the name of the organising committee. He said that only 25 years after the Izmir Economic Congress a new economic congress could be held. During these 25 years the state had taken all responsibility for economic progress and had not even consulted the men of the profession and had not given them any duty. The congress was an important movement to express the decisions of professional men and especially to intervene in the economic fate of the country. The reason for them to attend the Congress was not an official or legal one, but free will and their faith in the enchanting power of the community. The 1948 Congress was the product of free opinion. The problems in the Congress had to be approached apart from political ideologies.²¹

In his speech it is claimed that the participation of the persons in the Congress was due to their faith in free will and in enchanting power of the community. Here the word community

²⁰ "Açılış Celsesi", İktisadi Yürüyüş, Number 213-16, December 31, 1948, p.3.

²¹ Ibid., p. 4.

is used in place of professional men. The word free will, used here is ascribed to this community. Thus it is admitted that this free will belongs not to the whole of the society but to a part of it, namely the business community. This, at the same time, shows that businessmen were aware of their class position, a class which accepts its interests as the interests of the whole society. This is somehow an indication of the formation of their class consciousness.

Later the Council of the Presidency of the Congress was elected including Izzet Akosman as the chief of the Congress. Kazım Taşkent, Hüsnü Arsan, Refii Şükrü Suvla, Salahattin Sanver, Mümtaz Yağcıoğlu as substitutes for the president.

Then Osman Nebioğlu, Saki Canlısoy, Fevzi Kişilı, Kemal Tosun, Mahmut Pekin, Mustafa Elmalı, Nafiz Tekinkaya, Nejat Muh-sinoğlu, Nuri Erkanlı, Ali Eralp, Osman Kibar and Nuri Günay were elected to the Council of the Congress as clerks.

Later Ahmet Hamdi Başar made his speech. He stated that the decisions to be made about the economic progress of Turkey in the Congress would be the expression of the most competent will and public opinion of the country. The proposals of the Merchant Association could be boiled down to the fact of emancipation from the tutelary regime both in the political and economic sphere. The economic maturity of the Turkish nation had to be recognised. Perhaps it had been necessary until then for persons in charge of the administration of the nation to intervene in

the economic life. This was due to historical necessities related to the necessity of keeping up an economic development under the tutelage of the bureaucracy. But today this necessity had become extinct. The Merchant Association demanded a change in the prevailing statism which meant the administration of economic life by officials from above. Statism should be constructive in countries like Turkey, similar to maternal care. The purpose of such a statism was to rear the nation leading it to self sufficiency. But according to him the bureaucratic mentality had wanted its children, brought up by statism, to be subordinated to it, to be its slave or servant. Başar pointed out that the children had grown up to be mature, therefore the mentality of tutelage had to end. The regime of statism had to give way to a new mentality, to a new application. In respect to statism the regulation and administration of the economic life had to be left to the people and the nation. He stated that this was the first time that professional men in the country had come together freely, without any official promotion or help. This was also the collapse of the dominating mentality which believed in the impossibility of a free community.²²

Later Hüsnü Arsan, in the name of the Chamber of Commerce and Industry of Istanbul, made his speech. He said that he was sure that the results of the Congress would be seriously considered by the government and the maximum benefit would be provided from them in favor of Turkey.

²² Ibid., pp. 4-5.

Cudi Birtek, in the name of the Industrial Union of Istanbul, said that recently political purposes had taken first place in the press, public opinion, intelligentsia, even in the mechanism of administration. The economic and social problems of the country had fallen into second place. The purpose of the Congress was to bring forward the economic and social purposes which were the most important subjects for both individuals and society. Those purposes were the common purposes of the nation. He stated that a collaboration should be instituted between the economic communities, professions, and the state mechanism. These groups which acted in different directions should be bound together with the same purpose. Harmony had not been instilled between the state mechanism and the related business areas and professional associations. He stated that it was necessary for the state to have a duty in the national economy. But he was against the clumsy application of statism in Turkey. But the state had dropped the jobs it should have been working on and had entered into other spheres and thus had harmed the life of individuals. The duties of the state were to build harbors, dams, cheap power resources etc. Another duty of the state was to promote and support individuals and private enterprises. The state had been the cause of increased living costs since the day it had begun trade and profit seeking activities. The state had to try to guarantee economic freedom. He added that bureaucracy, centralism and unnecessary intervention systems which impeded trade should be stopped. The ministries of commerce and economy should be

united. The chambers of trade and industry should be made independent and thus the unnecessary intervention of the ministry of trade would be ended.²³

The main theme in his speech is the regulation of the state in relation to the society. The question is to close the gap between state and civil institutions. However, the purpose around which the state and society should be bound together is the purpose of society; more correctly, one part of society, namely the bourgeoisie. Thus the state should be reformed according to civil needs. According to him the state should not enter into areas which do not belong to it. Which areas belong to it and which do not are allowed to be decided by society. Here it is clear that he is not against the intervention of the state in civil and economic activity. Instead the state should enter only into certain economic activities; namely building harbors, dams etc. Furthermore, the state should support private capital and promote the economic freedom of society. Thus the progress and economic freedom of society is linked to the help of the state. Lastly in his speech he says the chambers of trade and industry should be independent of the state. Thus civil institutions should not be a supplement of official institutions but be independent organisations in relation to the state. This clearly increases the influence of these organisations over the state.

²³ Ibid., pp. 5-8.

Refii Şükrü Suvla, in the name of the Association of Economists of Turkey, stated that in searching for solutions to Turkey's economic problems, world conditions should not be ignored. Turkey should act in harmony with other nations.

In the name of the Turkish Economic Institution Muhlis Ete stated that the Congress was held wholly by private initiative and did not have a political character. He stated that a private institute or bureau should be set up called Türkiye İktisadi Araştırmalar Merkezi (The Center of Economic Studies of Turkey).

In the name of the Chamber of Commerce of İzmir, Salattin Sanver, the chief of the Chamber said that stability was absent in commercial activities. He said it was necessary to set up a group of consultants and that an economic council composed only of businessmen would also be useful.²⁴

In the name of the Association of Turkish Cooperatives (Türk Kooperatifçilik Derneği), Nusret Namık Uzgören (also the general director of People's Bank) said that he was sorry about the absence of the name of the association in the Congress rules. The Association had to be considered in relation to the next congresses. He pointed out that the cooperatives were not the opponents of the merchants.

In the name of the Union of Expert Accountants and Business Organizers of Turkey (Türkiye Eksper Muhasıpler ve İşletme Organi-

²⁴ Ibid.

zatörleri Birliđi). İsmet Alkan stated that the Association had helped the government in preparing professional laws by expressing its opinions, but that the government did not pay attention to most of those opinions.

In the name of the Union of Qualified Engineer Agronomists (Yüksek Ziraat Mühendisleri Birliđi), Sabahattin Özbek said that the economy could not develop without agricultural development. The future of Turkey depended on the progress of the farmer.

After the speeches there were elections to the commissions of statism, tax reform, and foreign trade. There were discussions on the problem of active members to the commissions. Some proposed that the commission members be elected there, while others proposed that they be elected in the meetings of commissions in the afternoon. The discussions were heated. At last Kazım Taş-kent, the substitute for the chief, found a practical solution. The Council of the Congress would accept all the names proposed for commission memberships.²⁵

²⁵ Ibid., p. 9.

C H A P T E R I I I

THE COMMISSION OF STATISM

The commission of statism began its work in the conference room of Yüksek Ekonomi ve Ticaret Okulu (the High School of Economy and Trade of Istanbul). Professor Hazım Atıf Kuyucak was elected to the chair of the commission. Kazım Taşkent, Professor Muhlis Ete were elected as vice-chairmen, Feridun Ergin was elected as reporter and Cemil Tamer, Erdogan Erenbilge and Turgut Akkaş were elected as secretaries. It was finally accepted that the theses submitted to the commission should be summarized instead of being read at length.¹

The commission members were composed almost exclusively by the persons against administrative statism, which was mentioned in previous chapters. The academicians were in majority. Some of them were totally against statism and showed a liberal tendency although they were bureaucrats in character. Others were in favor

¹ In analysing the views of the participants in the commission we will use the full texts of their thesis which were later published in 1948 Türkiye İktisat Kongresi, Kongreye Verilen Tebliğler Bülteni, Sayı 1, "Devletçilik ve Devlet Müdahalesi, İstanbul: Duygu Matbaası, 1948.

of an economic, moderate statism supporting private enterprise. The administrators and businessmen from the private sector were also in favor of reducing the role of the state in the economy for the benefit of the private sector. On the "counter" side Şevket Süreyya Aydemir and Yusuf Saim Atasagun (Both were founders of the ex Cadre Movement which was mentioned earlier) defended statism against the attacks. However, especially Aydemir did not argue for a strict administrative statism but partly for a moderated one and that fact alone pointed to a somewhat significant change in the opinions of this great proponent of administrative statist tradition.

The first speaker, Ahmed Hamdi Başar who in the pre-congress period emphatically defended the role of the state in the economy, although in a moderate form, put great emphasis on private enterprise during the commission work. The contradictions in his speech as the representative of the Merchants Association of Istanbul were partly the outcome of his efforts in compromising those two spheres. According to him, at times when the West was establishing its industry, "Laissez faire Laissez passer" was adequate. But today, the regulation, management and protection of the state were necessary for anything to do. Today world's problem was not whether liberalism or statism is more valid but whether the application of an individualist statism or a statist socialism is necessary. According to him the individualist and democratic statism was the most effective system. There were works that were, by their nature, to be made collectively i.e. by the

state. For such works state socialism was necessary. However those works were to be handled not by the bureaucratic state but on the basis of economic statism. Turkey's industrialisation could not be accomplished by private capital or even by foreign capital without the help and intervention of the state. In the sphere of industrialisation the role of the state was either to accomplish the transition to capitalism or to socialism. But in Turkey the state itself had become a capitalist. The most dangerous aspect of the Turkish statism was that. State capitalism meant the seizure of the economic life by the administrative state, and administration in this system was in the hands of the bureaucracy and the state officials. The form or system of statism could not be determined by the national will or by the Turkish Grand National Assembly. Parliamentarism was an ideal form of government for societies which were completely liberal and in which the class contradictions had not become acutely antagonistic. But parliamentarism was imperfect and insufficient for societies which had to become, statist by their nature due to historical development. In societies like Turkey the economic structure of the country could not directly depend on the political structure and on decisions it made. One of the dangers of this was economic instability. Sometimes, as a consequence of political quarrels, the formation of a government would be impossible and this would be contradictory to the continuity and stability of the economic regime. Therefore alongside the organs of political democracy the nation also had to possess the organs of economic democracy. Those organs were a) the center of decision: The General Assembly of Economy. This had a consultative character for the parliament or government could

reject its decisions. b) Center of research and plan. This was an autonomous department composed of specialists. c) Democratic network: autonomous societies of men of profession, specialists and businessmen, associations, unions, congresses, cooperatives etc. d) Autonomous and independent organisations. Many duties of the modern state could be transferred to the people, to the professional organisations, to the autonomous and independent offices. Those duties were research, decision, execution and control. Research and control were the duties of the state but decision and execution were, in a society of democratic and statist nature, the job of the people; the individuals and their organs. Therefore state industry essentially had to be transferred to the ownership of the "people", to big joint stock companies in which capital owners would participate. But there was a problem in this transfer. Those enterprises that have no state protection and aid might suffer loss. For that reason the state should guarantee the minimum level of profit for those joint stock companies. Başar proposed that the chambers of commerce, bourses and unions and all the professional association had to be free. The State Sea Ports had to be governed autonomously by an assembly and this system had to be applied to many other state organisations. The monopoly at the State Sea Ways in transportation had to be removed and the same rights had to be given to the private ship owners. Although the presence of the state in the enterprises of mining, forests, in power installations and in railways was necessary, this should not be in the

form of legal monopoly and the enterprises should be, to a possible extent, the property of joint stock companies with their minimum level of profit guaranteed. In the sphere of agriculture the policy of production and price had to be left to the control at producers' unions which were to accomplish the role of the Toprak Ofisi (Land Office) a state organisation. He proposed the total liquidation of state enterprises in the field of commerce like Toprak Ofisi and Petrol Ofisi (Petroleum Office) or they had to be set up as joint stock companies if their existence was of some necessity. The state had to support large scale production realised by advanced techniques in the field of agriculture.²

Başar refers to two types of statism: individualist, economic statism and statist socialism. He is in favor of the former. He is also against liberalism. In liberalism, the partial role of the state is in the political sphere. In the civil sphere the puppeteer is the market mechanism or the Invisible Hand. The state can not interfere in the economic sphere. Başar accepts state intervention in the civil sphere. The alterations he proposed are related to the extent and quality of this intervention. However he, at the same time, defends the interests of a class of civil society, namely the bourgeoisie. Although he accepts the intervention of the state or the bureaucracy in the economic sphere he accepts this intervention only on the basis of the interests and mentality of the economic civil sphere

² Ahmet Hamdi Başar, "Devletçilik ve Devlet Müdahalesi" in ibid., pp. 3-16.

i.e. of the interests and mentality of the bourgeoisie. This is called individualist and democratic statism. Statist socialism or administrative statism refers to an intervention on the basis of the interests and mentality of the political sphere i.e. of the interests and mentality of the bureaucracy. Başar accuses the state of becoming a capitalist. He does not want the state take over the economic role of the bourgeoisie. In this sense he defends the economic, civil role of the capitalists. To him state capitalism means the acquisition of the control of the economic sphere, i.e. the sphere of the bourgeoisie, by the state officials or bureaucracy. But at this point he hints a contradiction which is of historical importance. On the one hand the interests of the bourgeoisie necessitates, to an extent the autonomy of the economic-civil sphere. And, in this sense the defending of the idea of the limitation of the state's role to the political sphere, is necessary. But on the other hand, the bourgeoisie, as a class of the civil society, does not have the capacity to manage the civil-economic sphere, setting it up on its own feet. This shows that the civil sphere is incapable of developing by itself. Therefore it needs the help of an intervention of an alien sphere, that of the official, political sphere in order to express its civility. Civil society has to make a compromise with political society in order to maintain its existence. On the other hand the existence of the official society, the state depends on the existence of civil society. Thus the state has to intervene in or support the civil society

in order to maintain its own survival. However although both spheres have similar interests in general, the coincidence of these interests can only be realised in a process. In the short run one of these spheres might want to put forward its interests at the expense of the ones of the other, depending on the level of economic development of a country. Or one of these spheres might not be conscious of the necessity of the collaboration of the forces of the two spheres. Başar's argument in part aims at getting beyond this supposed dichotomy. The Turkish official society, bureaucracy, is not yet conscious of the necessity of compromising these two spheres. It still defends the interests of its own sphere, which it had acquired and developed in the period 1923-1945. However, the development of the civil society since then forces for a change in the form of the mutual relationship between these spheres. Başar is partly aware of this change demanded by the conditions. Nevertheless he sometimes is more on the side of the bourgeoisie. For example he proposes the gradual transfer of the existing state enterprises into private capital. Being influenced by the rising bourgeois movement of his time he sometimes neglect the role of the counter side namely the official society.

The second theme Başar asserted is that the form of statism should not be determined by the national will or by the parliament. This implies either that the national will is incapable of rightly determining the working of the state, in this case state intervention, or that the national will is capable

of determining the role of the state. Having no confidence in the national will Başar denies parliamentarism and thereby the embodiment of the national will in the parliament. To him parliamentarism is suitable for the societies which are liberal and have no acute class contradictions. However, it is at stake when a class which is in an acute struggle with the other part of the civil society emerges - a class which is a candidate for representing the real will of the nation. This class is the working class. Başar sees suitable to parliamentarism only those societies where this class is latent and subject to a class which at a time in history had been supposed to represent the will of the nation, namely the bourgeoisie. Thus Başar proposes the organs of economic democracy to be at the side of those of political democracy. At this point, he is in a contradiction. Do not these new organs represent the will of the nation? Are they not the organs of the civil, economic sphere? Here the possible intention of Başar might be to state that the whole nation is the participant in the formation of the national will and the participation of the whole nation is necessary for the functioning of the political system of Turkey. However, the will of the nation may not be the same as that of the bourgeoisie and this may cause deviations towards the direction of a statist economic policy at the expense of the interests of the bourgeoisie. On the other hand, this possibility is lesser in the civil sphere for this is supposed to be the sphere of the bourgeoisie. In fact the organs Başar proposed are mainly the organs of this class. The economic democracy he refers, in fact, is the democracy not for

the whole nation but for a specific class. This economic democracy involves the subjection of one class by another, labor by capital. In respect to the relationships of those organs with the state, he points out that the duties of the state are limited to research and control whereas decision and execution are the jobs of these organs. Here, too, Başar intends in subjecting the state essentially to the private sector. He proposes the state industry to be transferred to the ownership of the "people", into the joint stock companies in which capital owners participated. Here what Başar means by the word "people", in fact, is the capital owners. He adds that these transferred enterprises have to be guaranteed a minimum level of profit by the state. The bourgeoisie does not want to take risk of their being left without the support of the state. This shows its lack of self-confidence. It is always in need of the support of the state. Başar's proposals about the existing state enterprises amounts to transferring them to the private sector or to semi-autonomous organisations outside the direct control of the state. In other words he wants to bring the enterprises of the official society into the sphere of civil society.

The second attack against statism came from Feridun Ergin, lecturer of economy in Istanbul University. According to him, statism denied the individual rights and freedom of private enterprises. Statists aimed at abolishing private capital and enterprise, as some marxists did. Statism was a movement from the free economic system to socialism. The state enterprises could not

be run rationally. Statism was an absolutist regime and in such a system. The government took over all the economic power. This system substituted the official organisation for the entrepreneur class.³

Ergin's argument is an extremist evaluation of statism. He confuses statism with socialism. To him both are absolutist and substitute the state for the entrepreneur class. It is to be noted that Ergin does not see socialism as the self-determination of society but as the subjugation of it by the state. On the other hand, he seems far from conceiving the role of the state in the capitalist economy in perpetuating capital accumulation. His evaluation of statism is in ideological terms rather than in a scientific-economic outlook. Consequently his efforts amount to the crude defense of the 19th century economic liberalism.

Later spoke professor Muhlis Ete, the president of the Türk Ekonomi Kurumu (Turkish Economic Association) who is known for his liberal views. According to him, the policy of autarky adopted in Turkey was wrong. Agriculture and cattle-breeding had to take the primary place. Every country had to specialise in spheres which were most suitable to its natural and economic conditions, and other products, for a time, had to be imported. Turkey has been undergoing a transition process from an extreme statism to a regulative economic policy. The state's role should be limited with those enterprises monopolistic by nature, public

³ Feridun Ergin, "Devletçilik" in Ibid., pp. 17-21.

enterprises directly related to general interests, enterprises with social nature, those which does not have a commercial quality, those which have to be in state control for the purpose of military secrecy, those which accomplish high scale production and service and those enterprises related to significant economic activities. Other enterprises had to be transferred gradually to the private enterprise. The state had to continue to support the enterprises which had been transferred to private capital. Some state enterprises would be transferred to autonomous organizations which would work for commercial purposes. The enterprises left under the control of the state had to work on equal terms with other private enterprises in the same sphere. The operations of transfer and selling had to be negotiated and decided in the General Assembly of Economy. An institute of economic research had to be established.⁴

The system of autarky Ete mentioned had come to be made identical with self-sufficient statism in Turkey - especially in the period after 1929-30 world crisis. Ete attacks this view of statism which he calls extremist statism. His views on this subject are similar to the views of those who want Turkey to specify in agriculture and follow a liberal foreign economic policy in concord with the international capitalist economy. That demand had also been formulated in the report of the World Bank and in Thornburg report which was mentioned earlier. The importance of Ete's views lies in the fact that he extends the

⁴ Muhlis Ete, "Türkiyede Devlet İşletmeciliği", in Ibid., pp. 22-39.

liberal view from the internal, national sphere to the international sphere of which Turkey is a part.

Later, professor Hazım Atif Kuyucak stated that the state was not an end but a means. The world has been continuously changing and the price mechanism which depends on free competition was the best response to these changes. The bureaucratic regime with the central control had been lagging behind the changes. The state had to participate in the internal and external security of the country, but it had to give up entering into spheres of production which included private enterprises. Thus, the state should not stand against the entrepreneur, neither as a regulator nor as a rival. The interventionism and especially the state management was not the way of acquiring the highest return from the national labor and wealth resources. This might lead to a state capitalism and to the autocracy of the persons in the control of the state. An institute of research composed of impartial specialists had to be established.⁵

Kuyucak seems to defend the classical liberal view. According to him, the state is a means not an end. He probably considers a state which is means in the hands of the society. He evaluates the price mechanism as the most convenient base sensitive to the changes in the world. However, he ignores the fact that the quality of the changes in the world economy reached to a point where the price mechanism could not handle them anymore.

⁵ Hazım Atif Kuyucak "İstihsal Ticaret ve Umumiyyetle İktisadi Hayat Üzerine Devlet Müdahaleciliği Nasıl Olmalıdır?" in Ibid., pp. 40-48.

Later spoke Dr. Mustafa Elmalı, from Iktisat Fakültesi Mezunları Cemiyeti (the Association of the Graduates of the Faculty of Economy). According to him, the private enterprise in Turkey untill that day had not participated in the application of industrial plans. For trade was considered easier and less risky than industry by the Turkish entrepreneurs. In Turkey, the private enterprise had to be oriented from trade to industry. Secondly, the national work ethics was absent in the private sector. A planned and coordinated industry should be established in Turkey and this could not be accomplished without state support and without state enterprises. Although the Turkish statism had been suffering from some deficiencies, those could be corrected. The conditions in Turkey necessitated a planned and programmed action, for this reason private and state enterprises had to participate in this process.⁶

Elmalı clearly expresses the situation of the Turkish capitalism. According to him, the problem is the transition from commercial to industrial capitalism. He evaluates the state as an important factor in forcing towards this direction of development. However, he does not see that the role of the state in the process of capital accumulation is determined by the level of development of this process. At that stage of development of capital accumulation in 1948, the dominant form was commercial capital and this stage was to be completed in order for industrial capital to get hold of the society. However his views clearly

⁶ Mustafa Elmalı, "Devletçilik Meselemiz", in Ibid., pp. 49-52.

differs from the liberal view. He defends creating industrial capital with the help of the state. But the role he ascribes to the state in that process is far from an administrative one.

Şevki Göklevant, general secretary of the Association of the Graduates of the Faculty of Economy said that the state industry except for military industry had to be transferred to the ownership of the people in the form of joint stock companies. With acquired revenues the state should rebuild other industries the country needed.⁷

Then Cihat İren, from İzmir Treasury stated that the development of the private enterprises in the private sphere was hindered by the obstacles created by the state enterprises. The economic and fiscal situation of the state then was stated to be bad. For that reason the state had to leave the economic sphere of life, and large facilities had to be granted to the private enterprise and to foreign capital. To him the state could no more play any active role in the Turkish economic development. All the Turkish state enterprises were stated to be thoroughly under political and administrative tutelage let alone being autonomous. The administrative autonomy of the state enterprises had to be provided.⁸

Although he is a bureaucrat İren's views are liberalistic. He is also in favor of foreign capital.

⁷ Şevki Göklevant, "Devletçilik ve Devlet Sanayii", in Ibid., pp. 62-63.

⁸ Cihat İren, "Devletçilik", in Ibid., pp. 53-58.

Tahir Atansay pointed out that the legal economic interests of the individuals and of the nation were the same with the interests of the state. The legal accumulation of big wealths had to be supported by the government. Statism today could not succeed in trade and industry even in the accomplishment of many public services. The state enterprises-except for the enterprises fallen into limited activities of statism - gradually had to be transferred into private capital and the acquired state capital should be reinvested in big industry by the state with the aim of transferring them later into the private sector. As a principle, the state should not intervene but rather supervise helpfully. The state had to follow the economic developments in the world and guide the producers and businessmen.⁹

Atansay equates the interests of the individuals and the nation with those of the state. But later we understand that the individuals whose interests are supposed to be the same with those of the state are not the whole individuals of the nation. They are those who pursue to accumulate big wealths legally with the support of the government. They are those to whom state enterprises should be transferred. Thus they do not represent all the individuals and the whole nation composed of them. Therefore the interests of the state are not the same with those of the nation but same with those of one part of it. On the other hand though his views seem liberal Atansay's views are also in parallel with those of RPP in that RPP was on the side of also

⁹ Tahir Atansay, "Devletçilik ve Devlet Müdahalesi" in Ibid., pp. 59-61.

creating a national bourgeoisie and millionaires.

Lastly Tahsin Demiray formulated his complaints about bureaucracy and said that the Turkish Statism had taken the form of official fabrication. Turkey was under the threat of an officials' wave. Turkey had huge amount of officials.¹⁰

The Commission of Statism: Second and Third Sessions

The second session was held under the chairmanship of Muhlis Ete, one of the vice-chairmen on November 23, 1948. The members who had made their speeches in the first session had to summarise their views in 5 minutes. The declaration owners would speak for 10 minutes.

The difference of these sessions from the first was that in the latter almost all members were in favor of private capital and considered the state as only an auxiliary to that sector, criticising statism while in the former Yusuf Saim Atasagun and Şevket Süreyya Aydemir defended statism. However, that defence of statism was far from countervailing the attacks.

First, Professor Ömer Celal Sarç made his speech. He said that "the state, by monopolising in various areas, has closed them to the participation of individuals."¹¹ The areas of investment for private property (Land and Forests) had been restricted.

¹⁰ İktisadi Yürüyüş, number 213-216 December 31, 1948, p. 20.

¹¹ Ibid., p. 20.

The state had imposed heavy formalities on private activities. At the beginning statism aimed at increasing the economic development of the country which was underdeveloped and had little technical and economic knowledge and capital. But later the state interventions diverged from this road. According to Atatürk, the Turkish statism was different from the 19th century socialism. The application of statism in Turkey had certain deficiencies. First, the obscurity about the limits of state intervention made the economic groups inconfident. State enterprises had not been working rationally. The work to be accomplished in the private sector had been harder. Since the state, in some economic areas, substituted itself for the individuals it could not accomplish its normal and essential duties. Those duties were the maintenance of health service, education, road building, drainage of marshes and the maintenance of the normal functioning of the justice mechanism, etc. The reduction of the state's economic activities to that level was difficult and needed a long time. It also necessitated a change in mentality.¹²

His speech is important due to the fact that he somewhat compares the existing form of statism with its previous form. He, to an extent, evaluates the previous form of statism as a necessity. However, his statement that statism later diverged from the previous road is not true, for statism in Turkey developed as to adapt itself to the needs of the private sector. The more the private sector developed the more that adaptation became deep and many sided. If there was a difference between the past

¹² Ibid., pp. 20-21.

and the present, it was the development of the private sector that began to force the existing form of statism to change. In other words the balance between the private sector and the state had to be reestablished in a new form. As we observe the disruption of that balance is not due to the recent excesses of statism, but due to the excess of the private capital.

Later, professor Ahmet Ali Özeke stated that an educative protection system was necessary for Turkey towards creating an industry capable of gradually adapting itself to the world economy. Statism had to give confidence to the private enterprise by protection, support, communication and intervention. The limits of the state enterprises had to be determined. Many state enterprises till then had suffered loss. Costs of production in both public and private sectors were too high. A policy of cost was to be adopted in the state enterprises, an important part of which was the policy of personnel and salary. This policy should depend on ability, ardour and positive result.¹³

In his speech, a nonconfidence relating to the role of the state can be observed. On the one hand state intervention is approved, but on the other it is argued that state intervention should be acceptable to the private sector. To guarantee this limitation of the state's role, it is proposed that the limits of the state enterprises should be determined. An effort to accomodate statism to the needs of the private sector can be observed in his speech.

¹³ Ibid., p. 27.

Later another defender of liberalism Kemal Tosun stated that liberalism was the system that would lead humanity to wealth. Socialism was far from developing the economic wealth of the country. Statism necessitated a powerful central authority and this would lead to a totalitarian regime in which individual rights and freedom no more existed. In statism, the economic mechanism depended on politics and this was dangerous. In the twentieth century, socialism impeded the development of coordination towards a world federation and caused autarky. The solution lied in liberalism.¹⁴

Şükrü Fuat Erilaçın, instructor in the High School of Economy and Trade in Izmir, proposed that the factories controlled by Sümerbank should be transferred into joint stock companies. The mining enterprises under the control of Etibank and Tekel factories and State Seaways, too, had to be transferred into joint stock companies. Sea transportation should be opened to ship-owners.¹⁵

Bedii Omay, author of the review İktisadi Yürüyüş (Economic Pace) said that the Turkish statism had to be protective, educative, encouraging and should leave a large sphere of activity to the private enterprise. He said that the forests should not be transferred into private enterprise and should be run by the state.¹⁶

¹⁴ Ibid.

¹⁵ Ibid., p. 29.

¹⁶ Ibid., p. 30.

There were two other members who talked about forests. The first, professor Şeref Nuri İlkmen, stated that the forests could be run only by the state due to economic necessities. There could be no tolerance on this matter. The transfer of the forests to private enterprise was inconvenient.

Ahmet Göze held a counter position on that matter. He said that forests should be run by individuals.¹⁷

Bedi Yazıcı, an insurance expert and also an opponent of statism asserted that there does not exist an economic order called statism: Statism could only refer to the relation between the economy and the state and this relation in Turkey had become an unsystematization rather than a system. He said "the state par definition could not engage in business administration."¹⁸ The reason of the failure in the field of intervention and supervision was the lack of coordination with the private sector.¹⁹

Reşat Nalbantoğlu, Professor of Economy in the Technical University of Istanbul said that the state enterprises do not work rationally for "(they) were lacking of a commercial understanding"²⁰ and they had not gotten rid of the bureaucratic understanding. The state enterprises were lacking the improving influences of competition. In Turkey statism did not have a social purpose as

¹⁷ Ibid., p. 31.

¹⁸ Ibid.

¹⁹ Ibid., pp. 30-31.

²⁰ Ibid., p. 33.

the defenders of statism wrongly proclaimed. Because, in Turkey, there did not exist a social conflict to be solved by statism. The role played in history by pure liberalism had ended. A moderate statism was necessary for Turkey. Until then the private sector had accumulated a significant amount of capital and set up many industries. Consequently, the limits of statism had to be determined. Outside those limits, free enterprise should be allowed to act freely. The state economic enterprises in this field should be transferred into the private sector.²¹

Nalbantoğlu argues that statism in Turkey has no social purpose related to solving the social conflicts as the defenders of statism wrongly claimed. However Nalbantoğlu only evaluates the limited period of his time. He ignores the fact that although the social contradictions were not acute at his time they may become irreconcilable in the near future if they were not prevented by the state. He says that a significant amount of capital accumulated in Turkey. However he does not see the fact that the accumulation of capital is at the same time the accumulation of labor and therewith the accumulation of contradictions between capital and wage labor. The proponents of the official ideology, statism, both in the one party period and after 1946, were well aware of that fact. They tried to justify statism by presenting it as a control mechanism against the class struggle. In fact that mechanism was not against both of the sides of the struggle

²¹ Ibid., p. 32.

but against the struggle of one of the sides, namely the working class. Though the proponents of statism put the emphasis on a potential danger, the bourgeoisie was more interested in the practical benefits which it could get from statism. Nalbantoğlu, in that respect, emphasized the actual problems which the bourgeoisie faced.

Kazım Taşkent, the President of the Board of Directors of Yapı ve Kredi Bankası (Bank of Construction and Credit) was in the same opinion with Nalbantoğlu in respect to the social purpose of statism and said that the Turkish statism was not against private property and did not aim at regulating social justice. The most important reason that had necessiated statism in Turkey was the need to fulfill public services, to set up the national economy. In the state sector the economic understanding and initiative were absent.²²

Daniş Arıkoğlu, the delegate of the Chamber of Commerce and Industry of Adana said that the state had entered into all the spheres of economic life. This was an established fact. The damages of unlimited statism were apparent. Therefore the state, at least, had to stay where it was and should not go further. He said that the existing state economic enterprises should gradually be transferred into private enterprises.²³

²² Ibid., p. 34.

²³ Ibid., p. 36.

As a representative of the private sector, Arıkoğlu accepts the existing situation as an established fact. Thus he accepts the legacy of statism which contributed in shaping the existing situation of the country's economy then. However, at the same time he counterpoises the previous needs and tendencies of private capital against the prevailing balance of forces which has to be reformed and thus he proposes the transferring of the state enterprises into private enterprises.

Muammer Tolga, instructor of labor law in the High School of Economy and Trade in Istanbul, pointed out that the absence of the right to strike in the Labor Code was not wrong, for the state has already been protecting the workers. Even if there was the right to strike the workers would not benefit from it.²⁴

Tolga argues that the non existence in the Labor Code of the right to strike is right. As is known, the labor code is the regulation of the relationship between the working class and the bourgeoisie, two main classes of the civil society, by state, the political society. The universal principle of the right to strike, in fact, means that this right is inherent in civil life and can not be violated by any authority. Tolga's argument amounts to the annihilation of this civil right by the state, to the submission of one part of the civil society to the state. Thus the main means of this class in defending its interests against the other part of the society is seized by the state. In this respect Tolga's

²⁴ Ibid.

argument is in parallel with the official ideology of the RPP. According to that ideology, the state would regulate the industrial relations by imposing its authority on the employees. The Labor Code of the one party period also prohibited the strike and subjected the workers to infringements from the employers. The policy of RPP after 1945 oriented to found a bureaucracy-employer-worker triad in which the trade unions - which were thought to represent the interests of the workers - were the artificial organisations directed by the bureaucracy. Consequently the decisions relating to industrial relations were taken essentially by the bureaucracy and the employers.

Şevket Süreyya Aydemir, one of the leaders of the old Kadro (Cadre) movement, said that the state had not restricted the individuals' right for enterprise. State economic enterprises did not have immunities and exemptions at the expense of private enterprise. The points criticized in statism were to him, in fact, things which could be found in the application of the policies of any non-statist government. The defects in the economic laws and the deficiencies in the application of the war economy were not the striking points in criticising statism. Statism was a principle, an ideology. According to the Turkish Constitution Turkey was statist. However statism had not been applied as a system, and as a whole. The Turkish legal structure was not statist and this was in contradiction with the economic ideology inclined to statism. He said that he was a statist in the sense that he was seeking for a more harmonious and fair economic system

for the country. This statism would evade from crudely intervening in the economic activities of the individuals and would solely create and take hold of the levers of the economic life, and thus would prevent the miseries from taking an acute form. So the state would enter into big financial business, industry ect. He stated that there was enough business both for the private enterprise and the state in Turkey.²⁵

Aydemir, in his speech, aims to formulate two points. The first is to protect statism from unfounded accusations related to application. He rightly says that the statist application in Turkey mainly have been in favor of the private enterprise though there may be some defects about its practical implementation. Secondly, he insists on the importance of statism as a system or an ideology. However, he admits that statism, in this sense, had never been applied in Turkey. For that reason he reproaches the Turkish intelligentsia and the University. Throughout his speech a conciliatory tone, trying to reconcile these two points can be observed. On the one hand, he tries to present statism as harmless, even useful for the free enterprise. On the other hand, he demands the realisation of the statist ideology, in the real sense. Finally he concludes that there exists enough business both for the private enterprise and the state.

Yusuf Saim Atasagun, also a defender of statism stated that most of the members in the commission criticised statism unjustly. Statism had provided many benefits for the economy.

²⁵ Ibid., pp. 25-26.

Today the transfer of the state industry to the individuals was impossible.²⁶

Two members, Akil Koyuncu and Nusret Uzgören defended cooperatives. Uzgören argued that the cooperatives played the role of a buffer between the liberal movements and statism.²⁷

The Report of the Commission

Article one of the report stated that the economic policy of the state was to be a system which depended on private property, which maintained the economic liberties of the individuals and which accepted the private enterprise as primary in the economy.²⁸

In article two of the commission's report, it was stated that the state had set up the fundamentals of the economy since the foundation of the republic. However, from then on the state should enter into enterprises only in the field of direct public service. The main function of the state was to be research, regulation and supervision. The state should withdraw from the agricultural and industrial business which lies outside its domain and it should not be in a position of neither rival nor auditor in its relation to the private enterprises.²⁹

²⁶ Ibid., p. 25.

²⁷ Ibid., p. 31.

²⁸ Ibid., p. 37.

²⁹ Ibid.

In article three, the enterprises to be left in the control of the state were listed.³⁰

Article four stated that the state should no more continue to get involved in enterprises which were not directly related to public service. It should no more set up new enterprises and should prepare the principles of transferring the existing state enterprises gradually into private enterprises.³¹

Article five stated that the private enterprises should be on equal grounds with the state enterprises in relation to the laws concerning the encouragement, supervision and intervention of the state. The state should allow the private enterprise to function in those fields which the state had not monopolised. The state should avoid of creating inequality and should allow free competition.³²

In article six it was stated that foreign capital could participate in the Turkish economy provided that it did not have privileges of extreme nature and necessary decisions were to be taken for the realisation of that purpose.³³

In article seven it was stated that an institute composed of impartial economists should be established. The government was desired not to intervene the work and decisions of this institute.

³⁰ Ibid.

³¹ Ibid.

³² Ibid.

³³ Ibid.

This institute was to be appointed for the research to be done on the national economy and on the role of the state in the economic field.³⁴

There are significant similarities between the report of the commission and the program of the Democratic Party. In the DP program, it was stated that the limits of the state's economic activity were to be determined,³⁵ that the state should not intervene in the operation of the market if it was not absolutely necessary.³⁶ The state enterprises could be able to be transferred into private enterprises if it was understood that they would be able to be run better that way. The state enterprises and private enterprises should be treated on equal grounds.³⁷ In the economic activities, the state should not act, essentially, by the motive of profit.³⁸ The state could enter into enterprises which private capital can not attain or does not have the possibility of getting immediate profit of but which on the other hand, have influence on the whole economy and which are related to national security. The state should especially set up big power installations, railways, ports, big means of transport, big mining enterprises and enterprises of forest.³⁹ The economic administration apparatus should be run

³⁴ Ibid.

³⁵ Demokrat Parti Tüzük ve Program, Ankara: Merkez Basımevi, 1946, p. 27.

³⁶ Ibid., p. 30.

³⁷ Ibid., p. 29.

³⁸ Ibid., p. 28.

³⁹ Ibid.

in accordance with the economic and commercial point of view and principles.⁴⁰

The similarities between the commission report and DP programme are apparent. The point of view of the private sector can be observed in both of them. However it is not to be supposed that the programme of the RPP is far from that view. Especially after the changes realised in 1947, the RPP programme came to be very similar to the DP programme in respect to the relations of the state with the private sector. In that programme it was stated that the state should not invest in agriculture with the aim of getting profit. The state enterprises would work on equal terms with the private enterprises. Consequently there remains only differences of nuance between the programmes of the two parties, when considered in their similarity with the commission report.

Most of the commission members essentially criticised statism. Though many of them had liberalistic views some seemed to accept a moderate statism on the basis of private capital. The defence of statism by Atasagun and Aydemir was far from counterbalancing those views. Perhaps the changes in the ideology and policy of the RPP - with which they had close contacts - somewhat influenced them by moderating their views, about statism. Thus the differences of opinion on statism in the commission amounted to differences of nuances. Consequently academicians, bureaucrats and businessmen came to commonly shared conclusions which were reflected in the commission report.

⁴⁰ Ibid., p. 29.

CHAPTER IV

THE COMMISSION OF TAX REFORM

The first meeting of the commission was held in the Chamber of Commerce and Industry of Istanbul on November 22, 1948. 25 persons were elected as active members to the commission. Hüsnü Himmetoğlu was elected to the chair of the commission. Professor Neumark and Ahmet Hamdi Başar were elected as vice-chairman. Later Başar withdrew from the duty. Osman Fikret Arkun was elected as reporter.¹ The commission's work on tax reform continued until November 27, 1948.

The main subject of the commission was the Income Tax project which had been prepared and submitted by the present government to the approval of the Turkish Grand National Assembly. There were two contrary views on the subject, the first being put forward by the Merchant³ Association of Istanbul. The Association was against the new Income Tax and proposed instead a reform in the framework of the existing Kazanç Vergisi (Earnings Tax). Ahmet Hamdi Başar, the general secretary and the expert of the Association

¹ İktisadi Yürüyüş, Number 213-216, December 31, 1948, p. 53.

on the subject systematized the Association's view. On the contrary side Neumark, Professor of Economy and Ali Alaybek, from the Ministry of Finance defended the new Income Tax in the preparation of which they had both participated.

According to A.H. Başar the income tax was an advanced taxation form and depended on the national income. That tax was possible only in the case of advanced industrial capitalism dependent on national income. Progressive income tax could only be taken from such a national income. Income was a product of capitalism. The countries which had not experienced such a development could not accept the income tax.² The capital accumulation had been acquired by way of colonisation in the West but, Turkey during that process, had become poor and had been colonised. On the average, the Turkish nation was not in a position to pay taxes. The level of production in Turkey did not permit the creation of income. Turkey's income resources were very poor and were under the pressure of heavy taxation. Under such conditions Turkey could not pass into a system in which the state directly took its share from the national income. A tax reform, instead the taxing of the resources of national income would increase their development by releasing them from the pressure of taxation. Turkish tax-payers were not in a position to give one more piastre than they then paid collectively. The income in Turkey was artificial and fictive except for limited commercial income. The government had been

² Ahmet Hamdi Başar, Vergi Reformu ve Kalkınma Davamız, İstanbul: İstanbul Tüccar Derneği Yayınları, 1947, p. 11.

expecting the national income to rise. But the expectancy was wrong for two reasons. First, the government should not maintain the primitive character of the artificial income resources in order to increase their productivity. Artificial and fictive income was the result of the primitiveness of the Turkish economic and social situation and of exceptional conditions. When normal conditions would come that income resource would be diminished. Secondly, this artificial and unfair income could not be determined by the government. Income should be taxed where it was produced and every income should be taxed separately. The state enterprises should be taxed by the amount of tax paid by similar private enterprises. Taxation methods should be simple. The Ministry of Finance should be reliable for the tax-payers. The minimum level of subsistence should be reduced from the tax. A certain amount of reduction from the tax index (matrah) - for the expenditures of the enterprise itself - should be made. Heavy progressive rate could be applied only in the advanced industrial countries. Heavy progressive taxation could not provide social justice but impede the capital accumulation. The Ministry of Finance should not only consider the interests of the treasury but should also protect the rights of the citizen. The Earnings Tax should be improved within the limits of its own principles. The principle of generality which was accepted by the new tax system should be abandoned. Income Tax could not be applied in Turkey. Turkey's economic policy was statist and the adjustment of its tax system according to the principles of free economy gave birth to a strange contradiction. The persons who had

brought about the modern (income) tax belonged to the Kapıkulu³ class, namely officers and warriors. For the Kapıkulu Tax was, first of all, the way of providing his salary. For that reason he was always in favor of the treasury and against the tax-payers. The tax payers were suppressed. In the new Income Tax the agriculture was exempt from taxation. Only the agricultural income which was acquired by using machinery should be taxed.⁴ According to him the prevailing Earnings Tax was unfair. There existed merchants who paid less than a police officer. But the new reform should be made according to the principles of the Earnings Tax. Otherwise the tax organisation would expand.⁵ To keep an account was difficult for the merchants. Every income should be taxed separately, namely in a "sedüleri" system. But the system the government proposed was the global or the unitary system which aimed at uniting all of income and taxing the whole amount. The examination of the tax declarations in the Earnings Tax was easier than the case in the Income Tax. Income Tax was supposed to increase the amount of tax-payers. But agricultural incomes and incomes from state bonds were exempt from taxation and that situation limited the sphere of taxation. Instead, the amount of tax-payers of Earnings Tax (now 8000) could be increased to 15-20 thousands.

³ Kapıkulu: Formerly a soldier of the Sultan's Body Guard or a servant in the Ottoman Place (Quoted from Redhouse Turkish-English Dictionary)

⁴ Ahmet Hamdi Başar, "Vergi Reformu" in 1948 Türkiye İktisat Kongresi, Kongreye Verilen Tebliğler Bülteni II Vergi Reformu, İstanbul: 1948, p. 74.

⁵ İktisadi Yürüyüş, Number 213-216, December 31, 1948, p. 54.

Başar's self contradiction can clearly be observed in his opinions about the relations between the private capital and the state. In the commission of statism, Başar had appeared as the representative of the private capital which had accumulated a vast amount of capital and thus had been demanding a change in the prevailing statist policy. In that commission, Başar even proposed the transfer of the public enterprises into the private sector. Thus private capital seemed to be able to control the whole economic life of the country. However, in the commission of the tax reform Başar described the private capital as having no money to pay taxes, as getting only artificial and fictive income and as in a poor position. Those two contradicting images of the private sector can only be explained on the ground that Başar attributed a false image of economic weakness to the private capital in order to provide that class to pay less tax. Thus under the veil of "theoretical" arguments Başar defended pragmatically, the interests of that class.

On the other hand Başar argued that Turkey's economic policy was statist and that income tax belonged to the individualist economies. In the commission of statism Başar mentioned two types of statism, individualist and administrative, and he defended the individualist statism for Turkey. But in the commission of tax reform he ascribed only "statism" to Turkey. He ignored the word "individualist" which is common to both Turkey and the West. Besides individualist statism is also common to both of those sides, for classical individualist liberalism had long ended in the West.

Başar's aim is to label Turkey as statist and thus to oppose the implementation of a tax which according to him belonged to the individualist western countries. In doing that, he was also in contradiction with the aim which he was trying to arrive at i.e. to develop Turkey to the level of contemporary civilization. Accepting a modern, contemporary tax is a part of accepting that civilization. Başar puts aside that "holy" purpose for the sake of defending the unholy, practical interests of the bourgeoisie.

One of the arguments of Başar was that progressive taxation would impede capital accumulation. It is generally accepted that progressive taxation is closer to providing social justice, for, in that system, the individuals with more income pay more tax than the ones which have less. To Başar the important thing is capital accumulation. It is apparent that capital accumulation is in the last instance in contradiction with social justice and can be realised at the expense of the latter, for capital represents a relationship of production i.e. it represents the accumulation of the surplus value, created by the majority of society, in the hands of a minority. Therefore capital presupposes the impoverishment of the majority. On the other hand, progressive tax could not properly solve the problem of social justice for it interferes in the sphere of income distribution. However, the problem lies in the sphere of production since the mode of distribution is determined by it.

Başar is also wrong in arguing that progressive taxation would impede capital accumulation for he neglects the fact that

taxation is a way of capital accumulation in the hands of the state. In Turkey the state is also a capital owner and controls huge amounts of resources.

The view of the Merchant Association of Istanbul was in parallel with that of Hamdi Başar. In the declaration of the Association⁶ it was stated that the income tax belonged to the advanced capitalist societies. The protection of social justice by way of taxation was a social necessity in the West. But in the countries where resources of national wealth were not attained by foreign exploitation or on surplus value created by industry, such a social necessity could not exist. Those countries should not impede but promote the movement and agglomeration of capital. Therefore, in those countries, capital accumulation could not be transferred into the state account with the aim of social justice. Such an attitude would impede capital accumulation. Incomes created by capital and labor respectively should be taxed separately through separate tariffs. The income tax system and the present Earnings Tax system were similar in respect to this point. The new Income Tax project did not go further in that respect, in comparison to the Earnings Tax. The new Income Tax did not unite the direct taxes, something which is to be the principle of any income tax. The applicability of the income tax was low because of the difficulties of tax imposition and collection. In the new project, equality in taxation was out of question for it lacked

⁶ "Tasarlanan Şekilde Gelir Vergisi Reformunun Tenkidi" in 1948 Türkiye İktisat Kongresi, Kongreye Verilen Tebliğler Bülteni II, Vergi Reformu, İstanbul: 1948, pp. 110-122.

generality. The new Income Tax included the minimum reduction of subsistence. But that was also possible in the framework of the Earnings Tax. Progressive rate, too, could be applied in the Earnings Tax. The system imposition of the Income Tax was technically difficult, while that of the Earnings Tax was easier. The deficiencies of the Earnings Tax did not lie in its system but in its form of application. The Association proposed the expansion of the tax-declaration method. Taxation formalities should be simplified, fines decreased. Taxation should be applied under fair methods which protected the tax-payers. Double tax should not be taken. Commercial expenditures should be reduced from the tax. Joint-Stock companies should be protected.

The Association also criticized the immunity of the agricultural income which was proposed in the new income tax project.⁷ According to the Association the income tax would cause trouble for the citizens by forcing them to book-keeping and to collecting commercial documents. On the other hand the government had to examine and follow the income of the citizens, which was very difficult. Commercial income should be taxed according to a low progressive tariff.

The Association attributes the justice-providing role of the tax only to its application in industrial societies where capital-wage-labor relations are dominant. Thus according to the Association's point of view taxation could not have a social purpose

⁷ Türkiye İktisat Mecmuası, Number 10, November 1948, p. 15.

in Turkey, since there does not exist a surplus value created in industry. However, the Association ignores the fact that social injustice does not exclusively belong to industrial countries, that pre-industrial or underdeveloped nations are not immune from social injustice. The aim of the Association, as the representative of the commercial capital is to put the responsibility of social injustice on to the shoulders of the industrial capital. However that effort can not put a veil over the fact that, in Turkey, the development of commercial capital is mainly responsible for the social injustice. Consequently the Association proposes a lower taxation of commercial income.

Besides, the Association also criticizes the immunity of the agricultural income. Thus the contradiction between the commercial and agricultural capital also comes to the fore on this matter

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a merchant, income tax was good in general. But Turkey then first had to improve the payment capacity of its tax-payers. Thus Earnings Tax should be improved then but Income Tax could be accepted in the future.

Ahmet Ziya Haznedar a Merchant from the Chamber of Commerce and Industry of Istanbul, and Mehmet Raif Ogan, also a merchant opposed Income Tax.

Another part of the commission supported the project of Income Tax. One of the proponents of the new tax was Ali Alaybek. He was a consulting expert of accounting of the Ministry of Finance and a member of the Association of Turkish Economists and was actively involved in the preparation of the Income Tax project. According to him a new tax reform could not be realised within the limits of the Earnings Tax. The deficiency of the Earnings Tax lied in its principles. The efficiency of the present tax was low. The Turkish taxation system was against the interest of the public. Only Income Tax could provide social justice. Minimum reduction of subsistence, consideration of the family situation in the imposition of taxes, equality in sacrifice, heavier taxation of the big income by way of progressive rates were possible only by Income Tax. Income Tax would lessen the unjust influence of the Transaction Tax (Muamele Vergisi) and the Consumption Tax for those taxes did not take into account the payment capability of the consumers, and thus they were anti-social.⁹ Income Tax was not in concord with liberalism, as the Merchant Association of Istanbul

⁹ Ali Alaybek, Gelir Vergisi Davamız, İstanbul: 1947, p. 45.

wrongly argued. On the contrary, liberalists were opposed to that tax for it had progressive rates, and thus had a social character. Income tax was not only a system of the advanced capitalist countries. It had been applied since long in the non industrial agricultural countries. In Turkey, national income existed contrary to the views of the Association. The exclusion of the agricultural income mainly aimed at the exemption of the peasants from taxation. The absolute exemption in the agricultural sphere should be accepted as a necessity of the existing conditions. Income Tax should not have a limitless application. The sphere of application of the tax could be narrow but that did not prevent the tax from being an Income Tax. Income Tax had not to unite all direct taxes contrary to the views of the Association. Such a thing did not exist neither in theory nor in practice. Capital rents also had to be taxed contrary to the views of the opponents of reform. Movable and immovable capital in Turkey were owned by merchants and partly by independent traders of high income. The income of those sectors of capital could not be excluded from taxation. Renewal of taxation was not present in the new project contrary to the views of its opponents, for Income Tax and Tax on Real Estate in the project were taxes of different characters. Renewal of taxation could exist only in the case of where the taxes are of the same character. Therefore the views of the opponents of reform on this matter were wrong. The global or the unitary system was more advantageous as compared to the sedüler system. The Global tax was personal. The minimum reducement of subsistence could only

be applied rightly in that system. Only global taxation could realise social justice in the sphere of taxation, it also was practical. The application of the new income taxation had some difficulties as the opponents of the reform had claimed. But those difficulties were present everywhere and could be overcome. Book-keeping was not a big problem as the opponents have exaggerated. The first class merchants had already been keeping books. The second class merchants would first be subjected to tax-declarations by the new tax system. However, the method of book keeping in the new tax system was very simple. The examination of tax declarations was not very difficult. Most of the tax declarations were simple and their examination would take a short time. Besides, there existed the Council of Accounting Experts to function for that purpose. There could not be made reductions in the lump from tax rate. Ali Alaybek was opposed to the view of the Merchant Association on the point where the Association proposed a share of expense in the lump in relation to the expenditures which could not be documented.

As a bureaucrat, Alaybek seemed to argue for an increase of the revenues of the state by way of Income Tax. He seemed to take the new Income Tax as a means of providing social justice although he was not much interested in social justice. He defended the immunity of the agricultural income in the new tax system by saying that it aimed at the exemption of the peasants from taxation. However, in fact his defence of the immunity had a different aim; namely the exemption of agricultural capital from taxation. Thus

his populist statement about the peasants turned out objectively to be a defence of the interests of a class whose interests the state was made the spokesman of. However, a parallel can be drawn between his views and those of the RPP. The latter, from its founding on, also put the emphasis on its populist demagogy about the peasants while in practice it always protected the interests of the big landowners. The influence of that ideology on the bureaucrats is apparent in the case of Alaybek.

Professor Neumark from the Economy Faculty of Istanbul University had also participated in the preparation of the Income Tax proposal as the adviser of the government. According to him taxes in Turkey were not adequately efficient and elastic.¹⁰ The already existing Earnings Tax, by its nature, had not been capable of covering the unusual profits gained during the years of the Second World War. The distribution of the burden of taxation was not concordant with social justice. Earnings Tax was defective and unjust, not in agreement with the conditions of the modern economy. The coexistence of diverse forms of obligations disguised the real income received. The rents collected from movable and immovable capital were exempt from taxation in the Earnings Tax system. According to Neumark, the new Income Tax would be in favor of the big merchants, industrialists and employees. But on the other hand some taxpayers, namely the wholesale dealers, some retailers and independent traders would have to pay heavier taxes in the future. Those sectors would have to account a book

¹⁰ F. Neumark, Vergi Reformu, in Türkiye İktisat Mecmuası, Number 13, February 1949, p. 29.

hence have to declare their real income paying more tax. In the new Income Tax system, the tax rates were between 10 percent and 45 percent. The income over 100.000 Turkish Liras would be taxed at the rate of 35 percent. The tax rate at the existing Earnings Tax system amounted to 80 percent. In the new Income Tax system agricultural income were exempt from taxation. According to Neumark, high agricultural income should be taxed. In the new tax project tax paid on the real estates could be reduced from the income tax. For him, such an application had never been present in any other country. He argued that the tax paid on the real estate should not be reduced from the income tax but rather from the tax index (matrah). Contrary to the views of the Merchant Association, Neumark claimed that in Turkey there existed real income in relation to the national economy, merchants and independent traders. On the other hand the method of book keeping for independent traders was very simple in the new project. The opponents of the reform were trying to defend the interests of those who would have to pay more tax in accordance with their real payment capabilities and hence with social justice. In the Earnings Tax system, independent traders did not pay taxes according to their real income but to some inferences. In the new Income Tax system, they would have to keep a book. But that was simple. In the new tax system, the tax-payer would either not pay a fine or be subjected to a light fine for accounting mistakes in book keeping contrary to the heavy fines taken in the existing Earnings Tax system. In the new Income Tax system, income arising from the participation in capital companies were exempt from taxation

(Exemption of participation).

Neumark, though he is at the same time one of the contributors who prepared the new Income Tax proposal, shows a somewhat different stand from Alaybek. Neumark is rather a scientist than a bureaucrat or to use more proper terms, he can approach the problem rather technically. Although it is a fact that he is the most important defender of the new tax system, he also criticizes some parts of it. For example, he proposes the taxation of the agricultural income and is against the reduction of the Tax on the Real Estate from the Income Tax. However, it can be deduced from Neumark's complaints that the RPP government made use of his technical knowledge up to a point where it came into contradiction with the class nature of the taxation.

Another defender of the Income Tax was Ismet Alkan, from the High School of Economy and Commerce of Istanbul. For him, the Income Tax was in accordance with social justice and would impede smuggling. The extension of the tax organisation was not a serious problem as the opponents of that system had claimed. The Organisation of Chartered Accountants could easily examine the tax declarations. Keeping an account was very useful for the Merchants. Thus they could know the real state of their enterprises.

According to Professor Fethi Çelikbaş, the Income Tax was effective in terms of finance. That tax would also reveal the state of the national income and moreover it was in agreement with social justice.

Professor Osman Fikret Arkun, Memduh Yaşa, a lecturer and the inspector of the Ministry of Customs and Monopoly and Şükrü Fuat Erlaçın an instructor of business economy in the High School of Economy and Commerce of Izmir also defended the Income Tax.

Finally, the global system (the Income Tax) and sedüler system (the Earnings Tax) were voted, in the commission. The Income Tax was approved by the majority.¹¹

From all these developments it can be deduced that the sectors that would be most influenced by the new Income Tax were second class merchants, wholesale dealers, retailers and independent traders. They would have to keep a book and therefore would have to declare their real income and have to pay a fair amount of tax more than they did before. The big merchants had already been keeping a book. Thus mainly the untaxed sectors opposed the new Income Tax proposal. Although the Merchant Association of Istanbul opposed the Income Tax the Chamber of Commerce of Istanbul supported the Income Tax project proposed by the government. It is a fact that the unification of all the separate income in the income tax, in relation to progressive rates, would increase the tax amount. But in the new Income Tax project the tax rate had been decreased from 80 percent to 35 percent. On the other hand, other measures had been taken by the government in order to mitigate the influence of taxation on the merchants. For example, the method of book keeping had been eased, tax fines had been

¹¹ İktisadi Yürüyüş, Number 213-216, December 31, 1948, p. 63.

reduced. Besides, capital companies had been supported by making the incomes of participation tax-free. Agricultural income had been completely exempted from taxation. Although it is true in general that the new Income Tax would somewhat increase the burden of taxation for some of the merchants, it is not to be forgotten that the main burden in the new tax system was for the employees, as was the case in the existing Earnings Tax system. In 1948 Turkey was in an economic crisis and the state needed new revenues. The employees could not pay more for they earned just at the level of subsistence. On the other hand big merchants, too, did not want to pay more. Finally, the middle sized and untaxed merchants had to bear the burdens of taxation.

Transaction Tax

The last day of the commission was assigned to the discussion of Transaction Tax. On November 27, 1948 at 1 pm the commission began its work.¹² Transaction Tax under consideration was taken 1) During the import of a good 2) from banks, bankers and insurance companies 3) due to the production of a good. Transaction Tax under discussion was the third one. Transaction Tax was realised when a product, manufactured by the industrial enterprise, was delivered i.e. it was realised in the process of consumption. The index (matrah) of that tax was the sale price. On the other hand, article 12 of the related law stated that the small establishments which employed five workers at most and which - if they use machine

¹² Ibid., p. 65.

power - had machine power not more than 2 horse powers, were exempt from Transaction Tax.

Almost all of the members were against the existing form of Transaction Tax. There were two slightly different views. The Industrial Union of Izmir proposed the removal of the Tax. The Industrial Union of Istanbul tended to propose the transfer of that tax to the raw materials though Hüsnü Himmetoğlu, a member of the Union proposed the removal of that tax. Other members grouped around those two views though their proposals had differences of nuance.

The views of the Industrial Union of Izmir Region on the existing Transaction Tax were as follows;¹³ the Tax was impeding the development of industry and increased the costs. It caused smuggling and created a non-legal competition with those who could not do tax smuggling. Therefore the Tax should be removed. If Transaction Tax were removed the national income would increase, industrial life would revive, life would be cheaper, the tax morality and the possibilities of a legal competition would be realised. In criticising the existing Transaction Tax the Union stated that the formalities were not simple, that the fines of formality should be light and related tax-payers should be consulted in every tax reform. Collection of taxes from the raw material or transferring

¹³ Izmir Bölgesi Sanayi Birliğinin Tebliği, "Muamele Vergisi Kanununun Heyeti Umumiyesine Teveccüh Eden Tenkit ve Teklifler in 1948 Türkiye İktisat Kongresi Kongreye Verilen Tebliğler Bülteni II Vergi Reformu, İstanbul: 1948, pp. 89-92.

that tax, to be collected in the first phase of manufacturing was inconvenient for the revenue to be obtained would be less because of the narrowness of the sphere of application of taxation. Secondly this would cause an increase in the rate of the tax aiming at an increase in the revenue obtained from taxation.

Osman Kibar as representative of the Industrial Union of Izmir Region said that Transaction Tax should be removed since it had caused the small industry to compete with the big industry and that it confronted the fraudulent industrialist with the honest industrialist. Competition with the fraudulent industries was impossible.

Şükrü Birgili, a delegate from Izmir said that putting a transaction tax on raw material was not the right way for that tax should be taken from work rather than from material. Secondly, taking the tax from the first phase of work, and making the remainder immune would cause difficulties, for it was difficult or rather impossible to determine the stage when manufacturing began.

The view of the Industrial Union of Istanbul Region was as follows. Transaction Tax was dissolving the big industry. Industry thus was forced backwards to handicraft and to primitiveness. Transaction Tax should be collected from raw material instead of manufactured goods.¹⁴

¹⁴ İstanbul Bölge Sanayi Birliğinin Tebliği "Muamele Vergisi Kanunu Tadil Gerekçesi" in Ibid., pp. 83-88.

Cudi Birtek, the president of the Industrial Union of Istanbul, complaining about the immunity of the related small enterprises, asserted that there existed in Istanbul, 800 modern textile looms working regularly and which benefited from that immunity, let alone the fact that the handlooms amounted thousands. On the other hand there were 200 mechanised looms subjected to Transaction Tax. That tax was causing atrophy in industry. It should be transferred to raw material.

Hüsnü Himmetoğlu a member of the Union and a merchant argued for the removal of Transaction Tax.

Halit Güteryüz the general secretary of the Industrial Union of Istanbul stated that Transaction Tax could not be abolished but that should be improved. The Tax should be taxen a) in cash b) in one turn c) from the raw material.

According to the Merchant Association of Istanbul Transaction Tax should be radically improved. Başar declared that Transaction Tax should be removed. That tax was dissolving the big industry. A radical reform was needed in this sphere.

According to Neumark, Transaction Tax could not be removed at once. However it should be improved fundamentally for the sake of the industrial development.

Sıtkı Yırcalı, a delegate from Balıkesir, Baki Güzel, a delegate from Bursa and Tahir Atansay, a merchant, also argued for the removal of Transaction Tax.

Ismail Şevket Dilber said that the removal of Transaction Tax would not result in the smash of the small industry by the big industry for the former had already been paying more Earnings Tax than the latter. Therefore, the removal of Transaction Tax would not be against the small industry, in fact it would be in favor of it.¹⁵

According to Memduh Yaşa Transaction Tax should be reformed. The goods indispensable to life should completely be exempt from Transaction Tax. The rate of the tax should be increased in correlation with the decrease in the degree of necessity of the goods.

İsmet Alkan said that Transaction Tax should be collected from the resources of the raw materials. That way was easier than the taxation of machine power.

Orhan Dikmen a lecturer of Finance in the Faculty of Economy of Istanbul said that Transaction Tax should not be removed but reformed. The rates of that tax were too high. Secondly, immunity of the small industry caused an inequality in competition.

At the end, a proposal given by İsmet Alkan was voted. It was proposed that Transaction Tax should be removed and that the commission should be authorised to prepare the proposal of a tax which would be substituted for Transaction Tax. Both proposals were approved by the commission.

¹⁵ İktisadi Yürüyüş, Number 213-216, December 31, 1948, p. 66.

The Report of the Commission

In the commission report,¹⁶ it was stated that the system of single declaration (Global system) was more suitable to the conditions of Turkey. Agricultural income was to be exempt from taxation. Tax on Real Estate should be reduced from the Income Tax. Those who were outside the big merchants and industrialists, but whose business capacity were relatively more was to be subjected to the system of simple book keeping (Basit Defter Usulü). The Tax of Association (Kurumlar Vergisi) was to be maintained but its rate was to be reduced from 10 percent to 5 percent for capital companies. The tax rates was to start from 10 percent. The actual rate should not be over 30 percent. The rates of depreciation was to be determined by the common decision of the representatives of the Industrial Unions, chambers of trade and related ministries.

As for Transaction Tax, the report stated that this tax should be removed. The resulting deficit in the state's revenues would tried to be compensated.

Thus the problem i.e. the competition of the small industry with the big industry, due to the exemption of the small industry in this sphere, was solved by removing Transaction Tax on the big industry. It can be noticed that the Tax of Associations was reduced from 10 percent to 5 percent for capital companies. Thus big capital was supported in that sphere. As for rates of depreciation representatives of Industrial Unions and Chambers of Commerce

¹⁶ Ibid., pp. 70-71.

were authorised together with the government. It is known that depreciation is reduced from the firm's profit. Thus the rate of depreciation influences the amount of tax the firm would pay.

The Income Tax was also approved, in the report, as being more suitable to the conditions in Turkey. The immunity of the agricultural income was also approved in favor of the big land-owners. That fact alone was an indicator of the power of that group for both the Merchant Association and Neumark had criticized that immunity. Just as the subject of immunity referred to a contradiction between agricultural capital and the Merchant Association, the Income Tax also referred to a contradiction within the commercial class itself, between the big and the middle-sized merchants. On the other hand the debate on Transaction Tax was directly related with a contradiction between the big and small industrial capital. Thus the contradictions inside the commercial and industrial classes were solved in favor of the big ones. Though the Merchant Association criticised the immunity of the agricultural income, it is known that the Chamber of Commerce and Industry of Istanbul generally approved the Income Tax proposal prepared by the government. Thus the commercial capital accepted the power of the agricultural capital though one part of it complained about that immunity.

The academicians and bureaucrats generally defended the Income Tax proposal. They also criticized Transaction Tax together with the businessmen. There has not been a serious difference of opinion between the commission members on that matter. Finally,

the removal of Transaction Tax - which was proposed by the Industrial Union of Izmir - was accepted.

What was the attitude of the Democratic Party to the Income Tax proposal prepared by the RPP government? We know that, being a friend of İzzet Akosman (the chief of the Merchant Association) Celal Bayar participated in one of the meetings of the General Council together with him. Commenting on that event, the press close in policy to the RPP argued that the DP was against the Income Tax. However we observe that Bayar or the DP did not propose a systematic contrary statement about the Income Tax though they complained about the RPP government with regards to the proposal. The reason for this may be that the Income Tax proposal was not in any way against the big merchants and the landowners, the interests of which DP defended. The reason for the DP's opposition to the Income Tax proposal is that this proposal had been prepared by the RPP instead of the DP.

C H A P T E R V

THE COMMISSION OF FOREIGN TRADE

The first commission meeting was held in the room of Etibba Odası (Chambers of Physicians) Salahattin Sanver, The president of the Izmir Chamber of Commerce, was elected to the chair of the commission. Mümtaz Rek, the general secretary of the Union of Exporters of Istanbul, and Sedat Potoğlu were elected as vice-chairmen. Server Somuncuoğlu and Tekinalp were elected as reporters.¹

The first speech was made by Mithat Karagülle in the name of the Turkish Economic Association. He was also an observer of the Ministry of Trade. He said that the foreign balance of payments of Turkey was not positive. Some adjustments were to be made to improve this situation. The standardization of the export goods was to be realised. The costs of export goods were to be reduced. The inflation was to be prevented. The exports were to be increased and the foreign trade formalities were to be decreased for this purpose. The introduction of foreign capital to the country

¹ İktisadi Yürüyüş, Number 213-216, December 31, 1948, p. 46.

was to be eased. The exports were to be supported if necessary by premium and the imports were to be limited to the most necessary and useful goods. He stated that the prevailing policy in the Ministry of Trade at present was that of easing and accelerating the functioning of the system. The exports had been promoted by the circular of the Ministry of Trade on August 2, 1948.²

As previously mentioned the Turkish Economic Association was known by its liberal views. As a bureaucrat member of that Association, Karagülle, also, shared its views. His proposals aimed at increasing the exports. He tried to convince the commission members about the good will of the government in promoting the exports.

Then, three members of the Merchant Association made their speeches. It was alleged that the Association tried to make the Congress deal essentially with the subject of foreign trade. The main proposal of the Association was the establishment of foreign trade organ.

Muhlis Erdener, from the Merchant Association of Istanbul said that the foreign trade was under the influence of statism, which was a situation causing trouble. The measures taken were inconvenient and inadequate. He said that there were frustrating

² Ibid., pp. 46-47.

formalities in foreign trade. Inapplicable decisions were being made and this situation confused the businessmen. The government was using the foreign currency up to wish and was taking arbitrary measures which led the people to deprivation.³

Munis Tekinalp, from the Merchant Association of Istanbul, said that an organ of foreign trade like the "Office D'expention" in Switzerland, should be set up. He said, "Businessmen have to set up their organs." This organ had to be on the national scale.⁴

Adnan Birgi, an expert of the Merchant Association of Istanbul also proposed the establishment of an organ of foreign trade. He said that the production should be increased and imports should be limited.⁵

³ Ibid., p. 47.

⁴ Ibid., p. 49.

⁵ The views of the Merchant Association of Istanbul were expressed in the reports of the foreign trade commission of the Association. In them it was stated that the imports had almost stopped. Many markets had been closed to Turkey. The free foreign trade regime accepted by the decisions of September 7, 1946 was not suitable to the realities of this country and this world, and it had caused troubles and a crisis. The main reason for the bankruptcy of this regime was the fact that this regime had been giving the same value both to the weak and strong currencies. For that reason the prices of the Turkish commodities had exceeded the prices of the world market. Besides in the import regime much wasting had been made by the importation of unnecessary luxury goods. Consequently the exports had been unable to counterbalance the imports. The Turkish goods could not be sold in dollars in response to the goods bought in dollars. Therefore the foreign value of the Turkish money had to be determined according to the dollar and the other currencies had to be left to the free movement of supply and demand. The foreign trade formalities were too heavy and caused the increase of the prices and costs and they removed the possibility of a competition with the foreign markets. "Tüccar Derneği Dış Ticaret Komisyonununun Dış Ticaret ve Para Durumumuz Hakkındaki Tebliği" in İktisadi Yürüyüş, Number 211, November 19, 1948, p. 8 and 21. See also another report of the same commission "Dış Ticaretimiz Nasıl Düzenlenebilir?" in Türkiye İktisat Mecmuası, Number 5, June 1948, pp. 40-48.

Professor Refii Şükrü Suvla, from the Faculty of Economy of Istanbul University said that the policy of unlimited import applied since September 7, 1946, had brought about negative results. He stated that the policy of free import had gone into bankruptcy soon after the beginning of its application. Though the exports had increased for a short time they decreased fifty percent in 1948 and Turkey had a serious deficit of foreign balance of payments then. He argued that the Turkish industry should stay where it was for the time and that national capital should be flowed into agriculture and mining. Turkey first had to develop its agriculture before any further industrial development. The stability in the foreign value of money could only be achieved on the basis of the internal stability of its value. For that purpose a balance of the budget had to be provided. Because of the disorder in the Turkish financial and monetary policy, foreign capital was not invested in this country. The amount of circulation should be regulated not according to the needs of the Treasury but with the purpose of stability in the price level. Imports had to be limited. The government had to consult the autonomous chambers of commerce and industry, and the associations of merchants in the limitation of imports. This should be realised at the level of both decision-making and execution. A system and an organisation of distribution suitable to the structure of the country should be established.⁶ Suvla opposed the view

⁶ Refii Şükrü Suvla, "Dış Ticaret Siyasetimiz" in İktisadi Yürüyüş , Number 212, November 30, 1948, p. 3.

about the organ of foreign trade. According to him the Congress could not take into account the problem of the organ of foreign trade which interested solely the Merchant Association.

With Suvla's speech, another aspect introduced to the discussions. He emphasizes the role of agriculture and mining. He at least for the time being, left aside industry. At the same time, he opposed the view suggesting an organ of foreign trade. As a person holding liberal views, he was also in favor of foreign capital. His proposals also were mainly in parallel with those which were imposed upon Turkey by the Western Countries after the Second World War.

Another member who also was not interested in Industry was Aslan Tufan Yazman. He put his emphasis on cattle breeding and exports. Similar views were expressed in his review Iktisadi Yürüyüş. He said that the prohibition of animal export was against the cattle breeders and the foreign balance of payments though animal export sometimes caused meat prices to increase in the cities like Istanbul and İzmir. The smuggling of animals was widespread and only the export of animals could impede this development. He proposed that the Congress should declare, in principle, its approval of the matter of animal and meat exports. Secondly, the congress should decide on a convention of a congress of cattle-breeding.⁷

⁷ Aslan Tufan Yazman, "Hayvan İhracı", Ibid., p. 10.

At the end of the first day meeting of the commission four matters were determined to be discussed, (a) the problem of production, (b) the subject of exports, (c) limitation of imports, (d) the establishment of an organ of foreign trade.⁸

The Following Meetings of the Commission

The first subject to be discussed was agricultural production. There were two tendencies on that matter. Sabahattin Özbek, parallel to the views of Suvla, put the emphasis on agriculture. Aslan Tufan Yazman, also favored agriculture, especially cattle breeding. On the other side, the members of the Merchant Association Tekinalp and Haki Erol, were not interested much in agriculture. In fact Erol defended industry at the expense of agriculture.

First Sabahattin Özbek, a delegate from Salihli and also a lecturer in the Faculty of Agriculture in Ankara, made his speech. He said that agricultural development was very important in the general development of the country. The Turkish agriculture had not made much progress and it did not need mechanisation. Turkey should first tackle the scientific problems of agriculture. He said that "We need a bureau of research."⁹ Investigation had to be made in this field. An agricultural program could not be made without such an investigation and study.

⁸ Ibid., Number 213-216, December 31, 1948, p. 50.

⁹ Ibid., p. 52.

Aslan Tufan Yazman stated that cattle breeding occupied the primary place in production. The production of cotton should be improved and supported. Agricultural production should be converted from the planting of tobacco, nuts, grapes, figs, which were accepted as luxury items by the Europeans, to the planting of cereals, legumes, greasy-seeds, cotton and animal products which the European markets continually needed. Also, a Ministry of National Production should be set up.

Tekinalp said that the problem was not to increase the production but rather the planning and regulation of it. It was wrong to establish a ministry of production. An autonomous and independent foreign trade organisation, like the one in Switzerland, should be set up.

Haki Erol, from the Merchant Association of Istanbul and the ex-director of İş Bankası said that great wealth could not flow from agriculture. Only industry could bring about such an outcome. Credit organisations which will provide cheap credits should be established for this reason. He said that the productivity of labor was low and that the Turkish commodities should be manufactured. For example, oil should be exported as soap, cotton as thread or cloth. Establishing a new agricultural organisation was unnecessary.

Thus Tekinalp and Erol did not put much emphasis on agriculture. They were opposed the idea of a Ministry of Agriculture. Besides they both were interested in the quality and regulation rather than the quantity of the agricultural production.

Later, the speeches on the subjects of export and import began. Almost all the members criticized the formalities of export. However, when Salahattin Sanver proposed the founding of a foreign trade organ composed of businessmen Professor Suvla was opposed to it. Adnan Birgi, a member of the Merchant Association, also was opposed to the foundation of such an organ and he argued for the professional organisations instead.

Hüseyin Kazım Silivrili, from the Chamber of Commerce and Industry of Istanbul, a cheese exporter said that the state had been taking decisions without consulting anybody. He said that the Ministry of Trade had to consult the merchants while making the treaties of trade with the foreign states. He complained that there were too few deputies to represent the farmer strata in the Turkish Grand National Assembly. It was apparent that the Turkish trade had not been developing well; The Turkish trade mechanism had not been working. Neither the man of administration nor the men of science could manage the ship.

Although the views of Silivrili includes the usual complaints about bureaucracy it is strange that he is closely interested in the interests of the farmers. It is apparent that he is also interested in the agricultural field together with commerce in which he is closely interested being an exporter. He is a person who had combined those two forms of interest.

Salahattin Sanver, the president of the Izmir Chamber of Commerce and an exporter, complained that the seasons of export have

not been taken into account by the government while commercial agreements were being made with the foreign states. The export formalities were too heavy, exports should not be subject to any formalities. He said that a council of foreign trade, exclusively composed of businessmen not of some professors, and which will give directives to the Ministries of Trade and Economy should be established. He added that this council was to be of a consultative character.¹⁰

Sanver directly proposes an organisation exclusively composed of businessmen. First, the organisation excludes academicians who may cloud the "pure" interests of the bourgeoisie. Secondly, though Sanver added that organ was to be of a consultative character, it would give "directives" to the related Ministries. In fact, Sanver seems to be in deeds in favor of an organ which has more authority than that of a consultative organ.

Another member who also relied on the potentialities of the businessmen was Nazif Inan, the central director of Istanbul of Türkiye Kredi Bankası (the Credit Bank of Turkey). He said that during the years of war, the principle was much profit and little endorsement. Now the principle was little profit and much endorsement. Trade should be freed from the restrictions and the necessary measures should be taken by the businessmen; the arena had to be left to them.

¹⁰ Ibid., p. 72.

Refii Şükrü Suvla said that Turkey had to decrease its internal consumption if it wanted to increase its exports. The reduction of consumption by a price policy was not in harmony with social justice. This reduction had to be realised by way of officially fixed-prices and distribution. Suvla stated that he was against the views of Salahattin Sanver on the subject of the organ of foreign trade. The foreign trade of the county interested all the individuals. Such a public business could not be left exclusively to the foreign traders, for such a group could pursue only its own interests. Referring to the views of Salahattin Sanver on the non-participation of the professors in the foreign trade organ, Suvla said that economic theory was relevant. He said that the plans of Rosevelt and Truman had been made by the teachers of Economy. In England, France and Germany, the men of scientific research were as important as businessmen. He argued that theory should not be feared. Theory¹¹ "is the concentration of the previous experience".

Suvla's opinions are contradictory. On the one hand, he is liberal in his economic views, he is for private enterprise and foreign capital. But on the other hand, he tries to bring populist remedies to the problems created by the private initiative. In fact he is against foreign trade being left in the control of the bourgeoisie. Thus his views contains the juxtaposition of liberalism, polulism and state intervention.

¹¹ Ibid., p.72-73.

Suvla is in favor on the limitation of internal consumption in order to increase the exports. In fact, the aim of increasing exports is to increase the national wealth. However, in Turkey's case the national wealth could be accumulated only at the expense of the decrease of the wealth of the majority that is the nation had to consume less. Hence, in capitalist society the national wealth means the improverishment of the nation. But this is so only in the appearance, in reality it only means the improverishment of a certain part of the society namely the non-propertied classes. Suvla says that the reduction of the internal consumption by price policy is against social justice. He proposes the policy of official market pricing and distribution in order to prevent this outcome. However, Suvla neglects the fact that the negative consequences of the market mechanism on the individuals can not be removed only by intervening in those consequences. The policy of official price and distribution is directed only to those consequences. By way of official price policy, prices can be limited to an official level. The market mechanism works with its own civil principles. Hence the real civil market price is realised in the "black market" and this price is in favor of the "real actors" on the scene of the market, namely the bourgeoisie. For only this class is not influenced by the increased prices. So, in reality, Suvla's proposal does not solve the problem of the limitation of consumption in concord with social justice.

Salahattin Sanver, in responding Suvla, said that he was also an educated person and he appreciated science. The council he

proposed was only of a consultative and not of an administrative character. The administrators, if necessary, could also consult the scientists and the professors. Turkey should not put obstacles against the countries which had no obstacles against it .

Free exchange should be made with the countries which are inclined to making free exchange with Turkey. He stated that the formalities had not been reduced though it was mentioned that they were reduced.

Server Somuncuoğlu said that the exports could not be exempt from any restriction for the time being. Trade agreements had to be made before the seasons of export. Consequently the export had to be regulated for the time being. Some formalities had to be removed. The decision making mechanism of the ministry had to be accelerated.¹² He said that the important part of the Turkish foreign balance of payments was export. At the same time imports should be limited. The existing import list was suitable neither to the views of the scientists and businessmen nor to the needs of the country. Therefore an organ which will determine the materials to be imported was needed. There were two phases in the regulation of the imports. The first was the preparation and this should be done by a group composed of scientists and businessmen. The second phase was the application and this had to be left to impartial persons, to the executive organs.

¹² Ibid, p.74.

Haki Erol from the Merchant Association said that the staff behind the frontiers could not know the situation of those who are under fire. He said that the science was important but the role of experience should not be forgotten. He asserted that he was against the reduction of the internal consumption. He stated that "The necessary thing is to increase the wealth not to decrease the consumption".¹³

Adnan Birgi, the ex-director of the Merkez Bankası (Central Bank) and a member of the Merchant Association said that trade could not be left completely to the will of the individuals for reasons of public interest. On the other hand, trade could not be left to the official bureaus not to be faced with measures not corresponding to reality. So trade should neither be left free nor left in the control of the bureaucracy. The solution was in professional organisations. Those organisations had been organised as to consider the public interests rather than individual interests. They considered the efficient regulation of the exports. Those organisations had been expelling those members who violated the public interest.¹⁴ He said that the transactions made with the foreign states had been changing continuously. Those changes had been harmful. Therefore the government had to give up making changes without informing the market and it had to follow a stable policy.

¹³ Ibid,

¹⁴ Ibid, p.75.

Adnan Birgi, proposes professional organisations in regulating exports. It is known that the Merchant Association also proposed the same type of organisations on the problem of statism which was previously mentioned in the chapter on statism. Those organisations were thought to combine both the public and private interests. However, the proposal is not new and does not exclusively belong to the Association. Those type of organisations were also a mean part of the solidaristic economic model which were introduced by the RPP ideology in the one party period.

Saki Canlısoy, a merchant from Istanbul, said that the limitation of the imports probably was necessary. But it was also difficult to import the goods which had been permitted to be imported by the government. The formalities were heavy. The necessary speed in commercial affairs had to be provided.

Refik İsfendiyar, a member of the Chamber of Commerce and Industry of Istanbul and an expert of customs said that customs tariffs were out of order and there were elastic sentences in them which provoked controversies. If the officials found a weak spot in the transactions a punishment would be given to the merchants, and the related officials would gain a primium. For this reason Daimi Gümrük Eksperleri Heyeti (The Council of Permanent Customs Experts) had received from those officials many cases for inquiry. This was impeding the work of the merchant.

İsfendiyar, is both a merchant and a bureaucrat. However it is apparent that he evaluates bureaucracy with a commercial mentality rather than evaluating commercial problems bureaucratically.

That was also the case when the RPP bureaucrats of the one party period began to engage in commercial activities.

Tekinalp, from the Merchant Association said that the improvement of tariffs was not adequate. Either the premium taken by the officials on the detection of a fault had to be removed, or the council of Permanent Customs experts had to be given a judicial status. A punishment had to be given to the official who created difficulty on purpose.

Then another matter, the slaughter of the daily lambs, was discussed. Cevdet Tarhan and Mahmut Alan proposed the banning of the slaughter of the daily lambs for according to him, that measure would increase the amount of animals exported. Hüseyin Kazım Silivrili opposed the banning.

Later it was passed on to the problem of financial and monetary policy. The main subject to be discussed was the devaluation of the Turkish Lira that was proposed by the Merchant Association. Some members opposed the proposal.

Adnan Birgi said that the value of the dollar in relation to the Turkish Lira had been determined as 2.80. However the value of the Turkish Lira had been decreased in relation to the dollar since then. The value of the Turkish Lira had to be regulated according to the actual situation; in relation to foreign currencies. Therefore the official rate of exchange should be regulated according to the actual rate of exchange. Otherwise the Turkish trade could not be put in order.

Muhlis Erdener, from the Merchant Association, Server Somuncuoğlu, and Mümtaz Rek, the general secretary of Istanbul İhracatçılar Birliği (The Union of Exporters of Istanbul) were also in favor of a new devaluation, parallel with the views of the Merchant Association.

Talat Alemdar, said that some amount of premium had to be taken from the importer and a premium had to be given to the exporter.

Refii Şükrü Suvla stated that both the foreign balance of payments and the government budget had large deficits then. A policy of emission was absent in Turkey. Turkey had to pursue a new budget policy. He argued that the collecting of a premium from the importer and giving it to the exporter was a temporary measure and this meant a kind of devaluation. According to him the problem was the stabilization of the Turkish Lira. He was against a new devaluation.

Sadullah Birsal, a tobacco exporter from Izmir said that he was against a new devaluation. Instead Turkey had to regulate its exports and imports.

Consequently, the commission arrived at a formulation. According to it, Turkey had to accept a payment regime which allowed the foreign currencies to enter into transaction not according to their official rate of exchange but to their real purchase capabilities. ¹⁵

¹⁵ Ibid., p. 81.

Another important problem discussed in the commission was the organ of foreign trade proposed by the Merchant Association of Istanbul. The opponents of that proposal put the emphasis on the chambers of commerce rather than that type of organisation.

Haki Erol, from the Merchant Association said that the existing chambers of commerce have been semi-official organisations. They had to be improved and converted into professional associations. An association of foreign trade with a consultative character was necessary.

Muhlis Erdener stated that the Turkish trade was in the control of the bureaus which had neither an awareness of responsibility nor any experience. He asserted that a new organisation had to be established. The best form for such an organisation was the "Office Suisse d'expention Commerciale" in Switzerland. The chambers of commerce were local organisations even if they have become autonomous. He argued for a nation wide centralised organisation. The Merchant Association was able to establish such an organisation.

Yusuf Saim Atasagun, the director of Ziraat Bankası (The Bank of the Cooperatives of Agriculture) said that the exportation of the goods had to be organised. The gathering of those products by the merchant from thousands of producers was difficult. For this reason the peasants had to be organised in cooperatives. The merchants thus would find the products ready in the mass. No competition should exist between the merchants and the unions.

The unions had to sell the products together with the exporters and should help the exporters who contributed to the national economic progress.¹⁶

Atasagun's way of suggesting cooperatives is somewhat different from the way the RPP put the problem in the one party period. The RPP had proposed the cooperatives as a part of its populist demagogy. In fact, these organs were far from protecting the rights of the peasants against the merchants and the big land-owners. Atasagun, being far from such a populist approach, defines the cooperatives directly as an auxiliary to the merchants who served the national interests. It is seen that a cloak is no more needed to cover up the real functions of the cooperatives.

Cudi Birtek said that he was against the establishment of a new organ of foreign trade. Instead, the existing chambers of commerce had to be reformed.

Server Somuncuoğlu, opposed the establishment of a new organ.

Salahattin Sanver, was also against the establishment of such an office proposed by the Merchant Association of Istanbul. He argued for a council composed exclusively of businessmen that would tell its opinion to the ministries. He was inclined to putting the emphasis on the chambers of commerce. He said that the merchants of Izmir would not give their vote for such an

¹⁶ Ibid.

organisation proposed by the Merchant Association.

Haydar Albayrak, an exporter from Izmir was opposed to the view of the Merchant Association of Istanbul on the matter. He saw the chambers of commerce adequate for the same function. He inquired what would happen if the merchants of Izmir wanted such an organisation of foreign trade to be founded in Izmir.

At last Refii Şükrü Suvla proposed a reconciliatory formulation and stated that the Merchant Association had not been adequately prepared on the problem. First the members of the Association had to elaborate their views on the matter. Then could the members of the commission give their vote. For the time being, the commission could only express its inclination for such an organisation.

Muhlis Erdener replied that they would continue their studies on the matter. It would be easier for the commission to accept the proposal if they had already been ready. The members of the commission had not accepted before understanding the nature of the problem and this in fact was a proper stand.

Thus this subject had been brought to an end. The last point to be discussed was the policy of price and distribution. There was two standpoints. As one of the sides Refii Şükrü Suvla proposed the limitation of the imports and argued for a policy of distribution in the country. At the other side almost all the merchants opposed the views of Suvla.

Refii Şükrü Suvla stated that the limitation of the imports was necessary in order to increase the exports. However, the limitation of the imports would cause an increase in the internal prices. Therefore, a distribution policy was necessary in order to prevent the increase of the prices of imported goods, subject to limitation. To increase the prices of some goods in order to decrease their demand was contrary to social justice.

Salahattin Sanver said that the merchants were against the policy of distribution and price.

Muhlis Erdener also opposed the policy of limitation and distribution.

Adnan Birgi said that the limitations should not be made on the necessary goods.

Ali Haydar Albayrak from the Chamber of Commerce of Izmir looking at Suvla, shouted that the word 'limitation' had made him tremble. He said "Free competition in importation brings cheapness."¹⁷ The merchant class were always opposed to limitation. Everything progressed with free competition.

In fact, the Turkish merchant class, especially the importers were always against the limitation of importation. In the period between 1923 and 1929, the implementation of a protectionist policy had been impeded by the permanent efforts

¹⁷ Ibid., p. 84.

of the importers. Besides as mentioned in chapter I, during the preparation of the restrictive import tariffs in 1929, the High Economic Council, an organ close to the views of the merchants had expressed the view that the protective customs dues should not be high.

Almost all the merchants opposed the idea of limitation and distribution defended by Suvla. However Server Somuncuoğlu, a merchant, said that limitation in imports was necessary to face the difficulties in export. The public interests had to be considered together with the interests of the merchants. Decisions that probably would cause the suffering of the citizens with low income could not be accepted. He also argued for the policy of distribution.

Refii Şükrü Suvla said that he was also in favor of free competition. He said he was aware that the word "limitation" was apathetic to the merchants. He said "We as the Association of the Economists of Turkey did not come to the Congress to speak in the name of the merchants."¹⁸ He said that the members of the Association spoke in consideration of the interests of all the nation. He said that since Turkey did not have foreign currency, there existed a de facto limitation in imports, a limitation which was necessary. The commission was not an organisation of the merchants. Limitations should be put on the importation of luxury goods.

¹⁸ Ibid., p. 85.

Refik İsfendiyar, a merchant said that limitations should be put not only on the imports goods but also on the goods of production. Turkey might even not eat meat for a day or a week if necessary and this surplus could be exported.

Haki Erol argued that the words limitation and distribution should not be mentioned in the report to be prepared by the commission.

Refii Şükrü Suvla said in a compromising manner that he had not proposed the immediate application of distribution. But a nucleus had to be established. They should not be much hopeful about the Marshall Plan.

The meeting of the commission in the fifth day lasted short. Aslan Tufan Yazman said that a note should be put in the commission report stating that the commission was in favor of animal export and that convention of a congress of cattle-breeding was necessary.¹⁹

Refii Şükrü Suvla opposed this view. Instead, he argued that a congress of agriculture should be convened and that this point should be stated in the report.

His proposal was accepted by the commission.

¹⁹ Ibid., p. 86.

The Report of The Commission on Foreign Trade

In the report it was stated that "the imports depend on the export possibilities and the exports depend on the capacity of production."²⁰ The Turkish exports did not counterbalance the necessary imports, therefore the production should be increased.²¹

In the first part of the report entitled Production the regulation of the quantity and quality of the existing export goods according to the conditions of the demand of the world market was stated to be necessary. The mining production should be increased. Agriculture should be seriously considered to stimulate the exports. The power resources should be improved in order to increase the production. Agricultural products should preferably be exported as semi manufactured or manufactured goods. A congress of agriculture and production should be convened.

In the second part of the report entitled The Policy of Finance and Money, it was stated that "a sound money should first express a stability of value."²² First the internal value of money should be stabilised. For this purpose the balance of the budget had to be provided. The stabilization of the foreign value of the Turkish money could only be attained on this ground. Because of the corruption of the financial and monetary policy,

²⁰ Ibid., p. 87.

²¹ Ibid.

²² Ibid.

Turkey was not entitled to expecting the investments of foreign capital. The amount of circulation should be regulated not according to the needs of the Treasury but according to the aim of attaining a stable price level. The prices determined for the currencies did not correspond to the real rates of arbitrage and this caused difficulties in the foreign trade. Therefore this point had to be taken into account in the efforts to stabilize both the internal and the foreign value of the Turkish money.

In the third part of the report, entitled Export, it was stated that, if the existing exports could not counterbalance the imports needed the increasing of the existing export capacity was possible even if it was at the expense of the internal consumption. The existing export formalities should be reduced as much as possible. The export regime should be explained before the reaping of the harvest. When the existing regime was changing due to a reasonable rationale, necessary facilities should be provided for the exporters, who had signed contract under that regime, to carry out their contracts.

In the fourth part of the reports entitled Import, a reduction in imports was stated to be necessary. Imports had been limited by general imports lists. But those lists were not rational since they included very different goods as far as the needs of the country were concerned. The goods had to be discriminated and classified according to a degree of necessity. The limitations should begin from the least necessary goods. The

frequent changes in the Turkish importation system caused instability. Therefore, the importation system should be regulated by more positive principles. In cases where changes were necessary, merchants were to be given the facility of adapting themselves to the new situation. The existing custom tariffs were not suitable to the needs of the country in many respects.²³

In the fifth part of the report, entitled the Organisation of the Foreign Trade, it was stated that there did not exist an organ in Turkey through which the businessmen could make themselves heard properly. Turkey had been living through the damages and inconveniences of lacking such an organ composed of businessmen. The formation of such an organ of a consultative character was useful.

In the sixth part of the report entitled the Policy of Price and Distribution, it was stated that the production and imports, except for some goods were answering the demands of consumption at the time being. But in the future, the imports might be largely extended according to the condition of the foreign trade. Or the consumption could of necessity be reduced in favor of the exports. The adjustment of the amount of goods in the market to the high demand should be made not through high prices but by a price and distribution method suitable to social justice.

The views formulated in the report are systematically related with each other. They are centered upon two basic

²³ Ibid., p. 88.

items: export and production. It is asserted that export depends on production. However, the term production here does not refer to production in general but to a certain kind of production. The report aims at increasing the agricultural production. The improvement of power resources is proposed for this purpose. Besides, the report proposes the convention of a congress of agriculture and production. Thus agricultural production occupies the leading position in all of the production of the country. In the second place it is proposed that the mining production should be increased. It is interesting that industrial production is not even mentioned in the report.

The report also demands the internal stability of value of the Turkish money. Thus the balance of the budget should be provided. The aim is to impede the increase of the prices of the native products that would probably affect the export prices of the native products consequently making the export difficult. The report proposes other measures to ease and increase exportation. The devaluation of the Turkish Lira, the reduction of the exportation formalities, the limitation of internal consumption. Besides, the existing financial and monetary policy should be reformed in order to ease the introduction of foreign capital to the country.

The report accepts that the reduction of imports was necessary. Though such a measure is accepted due to the objective necessities Turkey lived in other measures are also proposed to counterbalance the negative results of the former measure.

In respect to the organ of foreign trade, it seems that both the merchants of Istanbul and Izmir were in favor of the organ. However, they argued for different forms of the organ; the merchants of Izmir opposed the form proposed by the Merchant Association of Istanbul. They were in favor of an organ composed exclusively of businessmen. The point is that the Merchant Association of Istanbul wanted this organ to be under the control of the merchants of Istanbul. The merchants of Izmir were suspicious of such an intention. Consequently the need for forming a consultative organ in general, is expressed in the commission report. In this respect Suvla's proposal is coincidental in nature.

Consequently the report favors agricultural production at the expense of the industrial development. The report has striking similarities with the aims proposed by the Marshall plan. The plan had allocated huge funds to agriculture and mining. The exportation of the products of mining and agriculture to the Western countries was the basic aim. Thus the report bears the influence of those sectors which defended the new role Turkey was assigned by the Western countries. Those sectors were the big merchants - especially those engaged in foreign trade - and agricultural capitalists. The interests of those two sectors were not separate but common. In fact, the agricultural capitalist was at the same time a merchant in many cases.

The Democratic Party tried to win the support of those sectors and became successful to a great extent. On the problem

of foreign trade, the DP programme stated that the value of the Turkish money had to be regulated in accordance with the value of the currencies in the free market.²⁴ In the article 55 of the programme, it was stated that the main purposes of the party were to search for remedies in order to improve the internal and external market conditions for the agricultural goods, and to make the farmers produce and earn more.

The Republican People's Party also made certain efforts in favor of these sectors. For example, in the new Income Tax proposal prepared by the RPP government, the agricultural capitalists were exempt from the Income Tax. In the field of foreign trade in the government programme of Recep Peker dated August 1946, the import and trade offices of the government were stated to be removed. The measures taken in September 7, 1946 lightened the importation formalities. Also in 1947, the introduction of foreign capital to the country was eased. All these developments were mentioned in Chapter II. So just as the DP, RPP had also served the interests of those sectors.

²⁴ Demokrat Parti Tüzük ve Program, Ankara: Merkez Basımevi, 1946, p. 30.

CHAPTER VI
THE MEETINGS OF THE GENERAL COUNCIL
AND CLOSING OF THE CONGRESS

The Meetings of the General Council

The first general meeting of the Congress was on November 22, 1948 in the Municipal Kazino in Taksim. Three commissions were constituted. Three commissions were constituted. The commissions were working everyday in the afternoons. The meetings of the General Council were being held in the mornings in Eminönü Halkevi (People's House). The participants were the members of all the commissions and also those who did not participate in any commissions and quests.¹

The meeting of the general council on the second day was held under Salahattin Sanver's chairmanship in the room of Eminönü People's House on November 23, 1948.

The first speech was made by Muhlis Erdener from the Merchant Association. He stated that "statism is a restriction

¹ İktisadi Yürüyüş, Number 213-216, December 31, 1948, p. 89.

on the private enterprise and the human rights."² There didn't exist any business which the individuals could not do. But such business which the individuals did not want to get involved in or which was less beneficiary when done by the individuals should be run by the state.

Ali Tokmakoğlu in the name of the Association of the Graduates of the Faculty of Economy said that a permanent Council of Economy should be established. This council should determine the limits of statism and it should be of a consultative character. The Transaction Tax should be removed. He said that political parties, too, should make efforts in the economic development of the country. In relation to foreign trade, he said that the quality of Turkish products should be improved.

Zeki Kadiroğlu, from Gümüşhane, said that the principles of statism should not have a limitless application. In contemporary civilizations, economic statism was limited to the areas of military industry, railways and mining. Turkey should also accept such a statism. Turkey had to run its state mechanism rationally.

Ali Dilmaç, from Çanakkale proposed that "the state should leave the economic sphere altogether,"³ that the state should leave everything to the individuals and that it should engage only in those areas of business which the individuals could not do.

² Ibid.

³ Ibid.

Fehmi Bencan, an exporter from Izmir; said that a balance should be established in foreign trade. In fact, a balance was not adequate and Turkey's exports should be increased. A ministry of production should be established.

Abdülkadir Atalay, from Manisa, said that statism should begin just from the point where the capital of the individuals could not enter. He stated his complaints about the heavy tax fines.

Memduh Koç, from Uzunköprü, said that the business areas in Turkey would increase if statism were to be limited. Taxes were very heavy and they should be made bearable.⁴

Aslan Tufan Yazman, said that the state industry should be transferred, partly or completely to the ownership of "the people" and that one of the most important duties of statism was to manage public services properly. Statism in Turkey could not keep up with the speed of progress of individual capital and had become a locomotive pushed by its wagons.

Ali Haydar Albayrak stated that Turkey had to decrease the prices of its exports goods, that the tax system should be improved. Turkey should try to export its raw materials as manufactured goods. Besides, the tax rates of the exporters were too high.

⁴ Ibid., p. 90.

The meeting of the General Council on the third day was in Eminönü People's House on November 24, 1948. An electrified atmosphere was dominating the meeting because, the night before, the organising committee of the Congress had invited the General Council to a concert to be organized by the municipality. But when the members arrived at the concert room they found the doors closed and lights off. It had been a great scandal. The responsibility belonged to the municipality and the members criticized it.⁵

It is to be remembered that the governor of Istanbul was absent in the opening of the Congress. Therefore it was a great probability that the Municipality of Istanbul shared the same attitude against the Congress. On the other hand, in the meeting day, the administration of People's House closed the central heating system of the meeting room. For that reason the delegates had to wear their coats. It is known that the People's Houses were the semi-official organisations of the RPP. Thus the official and semi-official circles expressed their disaffection about the Congress, at the local level.

Later, a telegram from Cemil Sait Barlas, the Minister of Trade arrived. He congratulated the Congress and it was applauded.

A.H. Başar said that the state enterprises had to be transferred to the ownership of the people. The professional organisations had to be free. The duty of the state was to be

⁵ Ibid., p. 92.

protective and regulative. Public institutions should be administered not by officials but by autonomous assemblies elected by the people, the professional organisations, the municipalities and the chambers of commerce.

Fevzi Kısıklı a delegate from Kayseri criticized Sümerbank and argued that the state had even entered into the retail business of textile goods. The state should not interfere in the business which the merchants could manage.

Hilmi Selvili, a delegate from Izmir, argued that the state should not interfere in the economic activities. The previously established state enterprises should be transferred to the ownership of "the people". The state should give up engaging in commerce and industry.

Kemal Haraççı, in the name of the Union of Drapers said that the state should not engage in drapery and in the import of textile articles. The textile factories should be transferred into the private industry.

The meeting of the General Council of the Congress on the fourth day was held under the chairmanship of Refii Şükrü Suvla. The subject of the meetings was foreign trade. The first speech was made by Server Somuncuoğlu, the spokesman of the commission of foreign trade. He summarised the conclusions that the commission had arrived at. He stated that Turkey could not pass to liberalism in regard to foreign trade. A limitation was necessary. The point was on which basis this principle was to be applied. An office

regulating trade should be established.⁶

Mustafa Elmali argued that Turkey should regulate the development of its production not towards agriculture but towards industry. That would impede the unemployment. Imports had to be limited to instruments of production. The raw material should be exported as manufactured goods.

Sadullah Birsal, an exporter from Izmir said that a positive programme in increasing the production was needed: "Marshall Plan is an opportunity not to be missed."⁷ Bureaucracy had been impeding the exportation of the Turkish goods. The prices of the Turkish export goods gave Turkey an opportunity of competition in the world markets.

Sabahattin Özbek, in response to Mustafa Elmali, argued that Turkey was, first of all, a country of agriculture and it could make progress only by way of agricultural production. The manufactured products of Turkey could not compete with those of the Western countries.

Zekai Ülker said that an export standardization had already been present in Turkey but it had not been applied for the sake of Toprak Ofisi (Office of Land). Therefore that office should be removed.

⁶ Ibid., p. 94.

⁷ Ibid.

Cudi Birtek³ said that the export formalities should be simplified. The imports had to be classified and a Ministry of National Economy should be established.

Nafiz Çopuroğlu, the delegate from Kırşehir, said that the foreign payment capacity of Turkey was limited. Therefore a free import regime was impossible. The government had to regulate the imports.

Daniş Arıkoğlu, in the name of the Chamber of Commerce of Adana, said that the competition in the world market was getting more severe. Therefore, the prices of the Turkish export goods should be decreased. The role of bureaucracy in foreign trade had to be reduced. Turkey was, first of all, a country of agriculture. The majority of the Turkish export goods was agricultural products, and they were inadequate. For that reason, agricultural production should be increased, the farms should be encouraged and technical tools of agriculture should be increased.

Hilmi Naili Barlo, an industrialist from Istanbul, said that a young generation of merchants should be brought up. Those young merchants would be engaged in marketing the Turkish export products in the foreign markets. Thus, Turkey's foreign trade would improve.

Yusuf Saim Atasagun said that the development of agriculture and industry depended upon the market conditions. The development of Turkey's national economy was closely related to the development of foreign trade. The internal market of

Turkey was limited. Increasing production was not useful if there was not an adequate market. Therefore, first of all, foreign trade of Turkey should be improved.

Haki Erol said that unnecessary state enterprises should be abolished. Commercial contracts should be regulated together with the merchant councils. The extension of statism had harmed the country.

Şehri Namık, a merchant from Istanbul said that "a fund from the Marshall Plan should be reserved in order to assign credit and agricultural tools for the farmer."⁸ He stated that the production of the country should be increased, that the costs of production should be decreased and that a standardization of export goods was also necessary.

The meeting of the General Council on the fifth day was held under the chairmanship of Refii Şükrü Suvla. The subject of the meeting was the tax reform.⁹

İsmet Alkan said that the Income Tax would introduce many benefits for the country reducing the tax rates and establishing justice.

Cudi Birtek said that a tax should be just, exhaustive, practical and non-European. The collection of taxes should be left to the banks. The problem was not to enact a taxation law

⁸ Ibid., p. 98.

⁹ Ibid., p. 99.

but to apply it. The Ministry of Finance should change its mentality. There should be an agreement between the citizens and the Ministry. Hence, the Industrial Union of Istanbul did not intend to create a new theory as regards taxation.

Ahmet Hamdi Başar said that the application of the income tax was very dangerous. He proposed that the Earnings Tax should be improved, that the rates should be reduced, that the taxing methods should be simplified and that the system of tax declaration should be extended.

Neumark told that he had been invited to a commission in the Ministry of Finance and a report had been prepared there. Later, the Ministry of Finance had prepared a project based upon that report. He approved some parts of it while disapproving some others. He criticized the Earnings Tax. The removal of the Transaction Tax was only possible with the application of the Income Tax.

Hilmi Selvili, a delegate from the Chamber of Commerce of Izmir, said that the Income Tax was not suitable to the social structure of the country. He asked Neumark whether secret files were present for the tax payers.

The General Council wanted Neumark to explain what he knew about the matter.

Neumark said that he was not present in the preparation of Vergi Usul Kanunu (The Law of Taxation Method).

Ali Alaybek said that the Ministry of Finance would control the declarations made by the tax-payers. That was an application prevailing all over the world. In Turkey, the information would be taken from the state officials. For tax-payers, there was nothing to be afraid of.

Tahsin Demiray, a journalist and the owner of a publishing house (Türkiye Yayınevi) spoke on the tax reform. He said that the Income Tax seemed to be a modern tax but it would be a heavy burden for the country. He handled the new taxation with much anxiety. The old Earnings Tax, did not correspond to Turkey's social structure. The tax rates were heavy in comparison to the income. The new tax would harm the citizens.

Towards the end of the Meeting, Melih İsfendiyar from Milli Reasürans company made a speech. He opposed the view of the Merchant Association of Istanbul regarding taxation saying he wanted justice. In answering the pretensions of some merchants claiming that the merchants in many places of the country could not keep a book in the system of Income Tax, he said that if the merchants still have not learnt reading and writing this was a problem of theirs. He argued that secret files were necessary against those who gave false tax declarations. Later he accused Başar of being incapable of handling the subject.

Protest were raised against him. Some of the members stood up and shouted at him and some attempted to beat him. Meanwhile, a group of young men appeared around to defend him. The men who

wanted to beat him could not dare to do so. Consequently the fifth day of the meeting closed with noises and controversial discussions.

The Closing of the Congress

The last general meeting of the Congress was held in the room of Eminönü People's House on November 27, 1948. The chairman was Izzet Akosman, the president of the Merchant Association of Istanbul. Osman Nebioğlu and Saki Canlısoy were the secretaries.¹⁰

First, the report of the commission of statism was read by Nebioğlu. Then Muhlis Ete, the spokesman of the commission, explained the report. The commission report, was voted and accepted by a great majority without any alterations made.

Secondly the report of the commission of foreign trade was read by Nebioğlu. Server Somuncuoğlu, the spokesman of the Commission explained the report. Then the report was voted and accepted. Thus the first two reports were accepted without any discussion.

Thirdly, the report of the Commission of tax reform was read. Osman Fikret Arkun, the spokesman of the Commission came to the dais. Meanwhile, Haki Erol asked whether big agricultural enterprises were also included in the exemption from taxation

¹⁰ Ibid., p. 110.

of agricultural enterprises. Arkun said that all agricultural enterprises were to be exempt from taxation.

Tahsin Demiray said that there were two points that were still to be solved. The first was Vergi Usul Kanunu (The Law of the Taxation Method). The second was that whether the Transaction Tax would be removed or not. He inquired how the income tax could be accepted without solving those two problems completely.

Osman Fikret Arkun argued that the class subject to tax declaration was being oppressed. On the other hand, the state could not get adequate efficiency from taxation. This was a situation no longer to be continued. The law of the Taxation Method was not the job of the commission. Transaction Tax collected from manufacture was decided by the commission to be removed.

The supporters of the Income Tax wanted to put the commission report to the vote as soon as possible since the report was in favor of the Income Tax. The opponents on the other hand wanted to postpone the voting.

Izzet Akosman who was against the Income Tax report prepared by the commission attempted to vote the report and said that there existed two opinions on the subject. But what he said in fact did not reflect the truth. The report of the commission was in favor of the Income Tax and thus it consisted only one opinion. The natural process of voting necessitated the voting of the commission report. The opponents of the Income Tax were aware that the majority of the General Council was for the Income Tax and that the

commission report would be accepted, if it were voted. Thus Akosman, taking advantage of his position, tried to impede the voting.

Protests were raised against the attitude of Akosman. Members accused Akosman of not being impartial and wanted him to withdraw from the chairmanship.¹¹

Finally Akosman said that the reports of the commission of statism and foreign trade had been accepted. But the report of the commission of tax reform was incomplete. The next congress was to be held in 1950, in Izmir. He said that the discussions had ended. And he closed the congress and asked the members to leave the room.

Protests and noises had reached to the climax. The opponents of the Income Tax essentially composed of the members of the Merchant Association began to leave the room. They were nearly one fourth of the General Council. The chairman had already closed the Congress. However the majority stayed in the room. They were in favor of the Income Tax.

Hüsnü Arsan, Mümtaz Yağcıoğlu, and Cudi Birtek came to the dais. They were representatives of the Chamber of Commerce of Istanbul, Chamber of Commerce of Ankara and the Industrial Union of Istanbul respectively. They were against the attitude of Akosman and wanted to continue the congress. They were in favor of the Income Tax report and wanted to put the report to the vote.

¹¹ Ibid., p. 111.

A proposal which suggested the withdrawal of Akosman from the chair and the election of Mümtaz Yağcıoğlu to that post was voted and accepted by the members who had stayed in the room.

Then the report of the commission of tax reform was voted and accepted. It was decided that the next congress was to be held in May 1950, in Izmir.¹²

Cudi Birtek said that the Congress succeeded inspite of burning discussions. He appreciated the academicians and the press that had participated in the Congress.

Later, Mümtaz Yağcıoğlu closed the Congress. Thus the efforts of the Merchant Association of Istanbul to impede the voting of the commission report missed its aim. Although Akosman tried to take advantage of his position as the chairman of the Congress, he could not impede the voting of the proposal. The persons who initiated in continuining the Congress were the eminent representatives of the commercial and industrial class and they consequently managed to put the report of the commission to the vote.

Mutual accusations lasted during the days following the Congress. Akosman declared that they had understood the activities of the fifth column among themselves too late.¹³

¹² Ibid., p. 112.

¹³ Tasvir, November 30, 1948, p. 1.

Hüsnü Himmetoğlu, from the Industrial Union of Istanbul and the head of the commission of the tax reform declared in a newspaper that the opponents of the Income Tax had suggested to him to end the session of the General Council in November 25, 1948 when it was understood that the majority of the council was in favor of the Income Tax. But he had refused that suggestion. He said that Hüsnü Himmetoğlu talked with Akosman after the session and asked him not to be the chairman in the closing meeting of the General Council in November 27. But Akosman had said that Himmetoğlu and his colleagues were hirelings. Akosman had also added that they were in front of conspiracy.¹⁴

In the same newspaper Hüsnü Arsan from the Chamber of Commerce and Industry of Istanbul declared that Akosman were far from impartiality during the closing session.

In November 30, 1948 the Organising Committee of the Congress and the Council of Chairmanship held a meeting in the Industrial Union of Istanbul under the chairmanship of Cudi Birtek.¹⁵ İzzet Akosman had not been invited.

The same day Başar and Akosman both from the Merchant Association held another meeting to negotiate on the same matters in Liman Restaurant.

Başar and Akosman were not present in the meeting held in the Industrial Union. Muhlis Erdener, a member of the Merchant *

¹⁴ Akşam, November 30, 1948, p. 1.

¹⁵ Tasvir, December 1, 1948, p. 1.

Association of Istanbul, was present in that meeting. The representatives of the Chamber of Commerce and Industry of Istanbul and of the Industrial Union of Istanbul were also present. In the meeting an organising committee for 1950 Congress was formed. The head of the Committee was Hüsnü Arsan. The substitutes of the head were Refii Şükrü Suvla and Kazım Taşkent. Reşat Nalbant-
oğlu was the secretary.¹⁶

After the meeting, Kazım Taşkent and Hüsnü Arsan went to Liman Restaurant and talked with Akosman. They invited Akosman to the second meeting which was to be held in December 1, 1948. Akosman refused the proposal.

In December 1, 1948 the Council of Chairmanship and the Organising Committee of the Congress held a second meeting in the Chamber of Commerce of Istanbul. The Merchant Association of Istanbul did not participate in that meeting. İzzet Akosman had sent a letter to the meeting.¹⁷ It was stated in the letter that the argument that the Association had been represented by a responsible person in the meeting in November 30, was wrong. The person referred to in the letter of Akosman was Muhlis Erdener.

The same day the Association issued a communication (Number 37) which declared that the Association withdrew from the Organising Committee.¹⁸

¹⁶ Vatan, December 1, 1948, p. 1.

¹⁷ Tasvir, December 2, 1948, p. 1.

¹⁸ Vatan, December 2, 1948, p. 1.

In December 12, 1948 Muhlis Erdener resigned from the membership of the Board of Directors of the Association.

The 14th monthly meeting of the Merchant Association was held in December 15, 1948.¹⁹ Some members were against the attitude of Akosman and Bařar during and after the Congress. Muhlis Erdener criticized Akosman and asked several questions to the Board of Directors which also consisted Bařar and Akosman. He inquired whether the Bařar's thesis on statism had been accepted by the Board of Directors. He said that the Board of Directors had declared that the holding of such a congress had been impeded for 25 years. He said that the declaration had caused troubles for the other associations in the public opinion. Erdener wanted a convention of the General Council of the Association to be held.

Bařar, in response to Erdener, said that his thesis on statism had been approved by the General Council of the Association. There had existed certain efforts to impede the convening of such a congress for 25 years. He said that they would continue to work even if the Chamber of Commerce of Istanbul did not support the Association. The name of the Association was not mentioned in the Organising Committee of the 1950 Congress.

The contradiction between the Merchant Association and the Chamber of Commerce of Istanbul appears in Bařar's words. The Chamber supported the Income Tax and was in collaboration with the Industrial Union of Istanbul on that matter against the Merchant Association.

¹⁹ İktisadi Yürüyüş, Number 218, January 28, 1949, p. 5.

Cudi Birtek, from the Industrial Union of Istanbul said that he shared the questions of Erdener. The association should act together with other organisations. Although the Association had no privileged position it had gone too far in imposing its thesis on taxation reform.

Cudi Birtek, since the beginning of the Congress, held a moderate position in relation to the contradictions between the different tendencies. On the subject of tax reform, he was inclined to accept the Income Tax. He criticized the Merchant Association not because of its opposition to the Income Tax but because of its extreme attitude^o in imposing its views. Birtek is in favor of coordination between the organisations of the businessmen. According to him the attitude of the Merchant Association impeded such a coordination.

Aslan Tufan Yazman, from Iktisadi Yürüyüş (Economic Pace) said that Akosman's fault was his declaring the existence of two different opinions concerning the report of the tax reform. The^o problem would be solved if Akosman accepted his fault.

Hüsnü Arsan said that there did not exist a fifth column in the Congress. They had continued the Congress after Akosman had left the room. The Congress had been successful.

Haki Erol a member of the Association said that Akosman and Başar had to accept their faults.

On the other hand some other members defended the attitude of the Association in the Congress.

Ahmet Ziya Haznedar from the Chamber of Commerce and Industry of Istanbul said that the supporters of the Income Tax did not even tolerate to listen to their views in the commission of tax reform.

Tahsin Demiray and Hakkı Tarık Us also defended the attitude of the Association.

Finally, Akosman defended himself. He said that the accusation that they had closed the congress when they understood that the thesis of the Association would not be accepted was wrong.

The annual meeting of the Association was held in January 29, 1949.²⁰ The meeting lasted quietly. Akosman read the report on activities (Faaliyet Raporu) of the year 1948. Reports were voted and accepted. Akosman was re-elected to the presidency of the Association. Başar was re-elected as the general secretary.

The subjects discussed in the meetings of the General Council were the same as those mentioned in the previous chapters on statism, tax reform and foreign trade. Almost all the speakers proposed reducing the role of the state in the fields of industry, agriculture and foreign trade. They also suggested the diminishing of the tax rates and the formalities. One of the most important matter was the foreign trade, especially export. Delegates both from Izmir and Adana regions stated that the prices of Turkish exports goods should be decreased. Daniş Arıkoğlu, the delegate

²⁰ Ibid., Number 219, February 20, 1949, pp. 10-11, 16.

of Adana, stressed the role of agriculture in relation to exportation. Yusuf Saim Atasagun, a theoretician of statism, put the emphasis on the role of the exportation from another respect. According to him the Turkish internal market had reached its limits. The solution lied in export. On the other hand, the facilities the Marshall Plan would provide were defended by several speakers.

The voting of the report of the commission, of tax reform caused the conflicts between the different groups to appear in an extreme way. Izzet Akosman even accused some members of the Merchant Association of representing the fifth column. The members accused were probably Hüsnü Arsan who was among those who had stayed in the meeting room to continue the Congress and Muhlis Erdener who had participated in the meeting held in the Industrial Union of Istanbul after the Congress and who had severely criticized Akosman and Başar. Thus, although most of the members of the Merchant Association supported the attitude of Başar and Akosman, some criticised them. In the annual meeting of the Association, Başar and Akosman were re-elected to their posts. Thus, it was clear that the majority of the members favored the ex administration of the Association. On the other hand, the events during the closing session and after the Congress sharpened the conflicts between the Merchant Association and other economic organisations.

C O N C L U S I O N

The Congress expressed commonly shared views of Turkish businessmen and merchants although it was far from being homogenous. Common ground was attained in matters which necessitated uniting against the bureaucracy. Statism was one such issue. In spite of significant concessions the bureaucracy made to the bourgeoisie, the latter accused the former of impeding private capital accumulation. Although this was untrue, minor impediments caused by the bureaucratic mechanism still bothered the bourgeoisie, especially after the Second World War, during which it accumulated fairly large amounts of capital as was pointed out in Chapter I. The bourgeoisie wanted to circumscribe the state's sphere of economic activity. Economic spheres which previously were not profitable for the bourgeoisie had in time become profitable. The bourgeoisie wanted the state to relinquish these spheres. This was apparent in the report of the commission of statism in which the economic activity of the state was limited to direct public services. The report proposed gradual transfer of existing state

enterprises to the private enterprise. Thus private enterprise was accepted as primary in the development of the country. The report was also in favor of the utilization of foreign capital in the national economy. Although bureaucratic statism was criticised in the commission, the criticism was flexible in the sense that the commission members by no means completely negated the role of the state in economic development. In this respect, the criticism against bureaucratic statism was far from having a pure liberal stand; it was rather in favor of a moderate statism. On the other hand, the statist bureaucrats who argued in the commission for statism did not refer to pure administrative statism. In fact they held views that were close to moderate statism.

These nuances were also observed when the programmes of the RPP and the DP were compared. Just as the economic representatives of the bourgeoisie tried to limit the role of the bureaucracy in the economic sphere, the DP tried to limit its role in the political sphere.

The subject of taxation was somewhat different; there the contradiction was essentially between the various sectors of the bourgeoisie, for the large part of it supported the new Income Tax proposal prepared by the RPP government. Though small merchants were against Income Tax, the new proposal was approved in the commission of tax reform. The second issue was the exemption of agricultural incomes from taxation. Although some sectors of merchants opposed this exemption, it was also

endorsed in the commission. With the approval of the removal of Transaction Tax, big industry was defended against small industry. The most important subject of the Congress was Income Tax, for it expressed the coincidence of two facts: integration of the bureaucracy with the big bourgeoisie and the solution of contradictions inside the bourgeoisie in favor of its larger sectors. Representatives of the bureaucracy and the big bourgeoisie held the same views in relation to Income Tax. The most heated discussions between various sectors of the bourgeoisie in the Congress took place on the issue of Income Tax.

Discussions on foreign trade, involved four elements: agricultural capitalists, merchants, bureaucracy and foreign capital. The first group would be economically supported by the state and by foreign capital. (The main aim of Marshall Aid was to increase agricultural production of the country in order to increase agricultural exports.) The report of the commission of foreign trade stated that export goods should be regulated according to the demand in the world market, that agriculture should be oriented toward exports, and that exports should be increased even if this was against internal consumption. The report proposed devaluation of the Turkish lira in relation to foreign currencies. That would cause a relative decrease in the prices of Turkish export goods compared to foreign goods and would stimulate exports. Exporters should be supported and helped by the state. Finally, the report proposed changes in Turkish financial and monetary policy in order to attract foreign capital. As can be observed, these four aspects were harmoniously interrelated. This harmony was grounded on the

acceptance of the new division of labor in the world economy, in which Turkey took its part. Turkey would develop by way of exportation of agricultural products. The emphasis put on this matter by the Congress was not in vain. Both till 1950 during the rule of the RPP government and from 1950 till 1960 during the rule of DP, Turkey would concentrate its resources on agricultural production for export.

It may be useful at this point to turn back to the 1923 Congress and compare it with that in 1948. Such a comparison may reveal to what extent the relation between the state and the bourgeoisie has changed. First of all, the 1923 Congress was at the beginning of a period which aimed at creating a national economy and a national bourgeoisie with the help of the state. A solidaristic mode of capitalism was aimed by the bureaucracy. In such a framework was the 1923 Congress planned and organised by the state initiative. In the Congress, there was somewhat an a priori consensus about the active role the state would play in the economic development. One of the important demands of the merchants was their protection by the state against the non-muslim merchants. Since there did not exist a sufficient industrial capital accumulation, the problem of the limits of the state's intervention in the industrial sphere was out of question in regard to the interests of the bourgeoisie. The problem of the bourgeoisie instead was to determine the role of the state in the forthcoming accumulation process. In other words, in 1923, the bourgeoisie wanted the state to intervene in the industrial accu-

mulation process, to create the sources for a private capital accumulation acceptable to the private enterprise. In the 1948 Congress bureaucratic statism was criticised although the role of the state in the economic field was not altogether denied. Although these accusations of statism were generally directed at the then existing applications, they in some cases took the form of a direct negation of the existence of the state in the economic field. In 1948, the problem no longer was to begin creating a capital accumulation by passively accepting the role of the state in the economic field, it was rather to open the economic fields, which were until then controlled by the state economic enterprise, to the private enterprise. Until 1948, primitive capital accumulation had been acquired by the help of the state. Then on the problem was the sharing of the economic fields between the bourgeoisie and the bureaucracy. In 1923, this sharing was between the non-muslim bourgeoisie and the national bourgeoisie. The 1948 Congress, in an atmosphere of bourgeois opposition against the bureaucracy, was held by the private initiative as different from the one in 1923. In 1948, also different from 1923, the solidarism of the bureaucracy encountered the "liberalistic" opposition of the bourgeoisie. Although this "liberalism" did not altogether deny the solidarism of the bureaucracy, it pressed for a change in its previously existing form.

Within this general framework, more specific comparisons can be made. In the 1923 Congress, it was accepted that a big

national commercial bank should be established and that the government should be a shareholder by investing some amount of capital. However, the government would have to sell its shares to the private enterprise if demanded.¹ This was also proposed by the Turkish National Trade Union. As can be observed, in 1923, the problem was the creation of big capital companies with the help of the state, for the private enterprise could not do this by itself. The selling of the government's shares in the bank was a problem of the future. But in 1948, the big enterprises had already been established by the private sector itself. The big capital then wanted to acquire the then existing state economic enterprises. In the report of the commission of statism, the enterprises to be left in the control of the state were specifically listed. The problem of 1948 was the transfer of profitable state enterprises to the private capital.

Corresponding to the economic relations between the state and the bourgeoisie, there is another point which is of an organisational character. In both 1923 and 1948, the merchants defended the professional organisations. But, although the merchants accepted the position of these organisations as somewhat dependent on the state in 1923, in 1948 they wanted these organisations to be independent of the state. In 1923, the Turkish National Trade Union proposed the organisational and technical improvement of the semi-official chambers of commerce and industry.² In 1948, before the Congress, Cudi Birtek and the

¹ Gündüz Ökçün, Türkiye İktisat Kongresi: 1923 - İzmir, Ankara: Siyasal Bilgiler Fakültesi, 1971, p. 406.

² Ibid., pp. 94-95 and pp. 152-153.

Merchant Association of Istanbul criticised the then existing forms of the chambers not on the basis of their improper technical functioning but on the basis of their dependence on the state. In fact, the Merchant Association was in favor of the autonomous organisations of the merchants, apart from the chambers of commerce. As was mentioned earlier, a law which gave autonomy to the chambers of commerce and industry was accepted by the government after the Congress. Again, as can be remembered, Selahattin Sanver, the president of the Chamber of Commerce of Izmir, had proposed in the commission of foreign trade the establishment of a consultative foreign trade office exclusively composed of businessmen.

With regard to taxation, there was more a similarity than a difference between the congress in 1923 and that in 1948. In the 1923 Congress, the Aşar tax was removed in spite of the opposition of the merchant and industrial groups. In the 1948 Congress, the agricultural sector again was exempted from taxation although some groups of merchants criticised this exemption. This showed that the big landowners did not lose their influence in the economic matters in the period from 1923 to 1948.

Another similarity was on the problem of foreign capital. In the 1923 Congress, it was accepted that Turkey was not against foreign capital. The 1948 Congress also favored the utilization of foreign capital in Turkey's economic development.

In May 1950, general elections were held. The DP won the majority. The DP's policy represented a continuation rather than a break from that of the RPP. In the government program of the DP, it was stated that the private enterprise would be aided for a rapid development. The government would benefit more from foreign capital. State intervention would be reduced to the minimum and the sphere of production would be freed from bureaucratic impediments. In the economic field, the state sector would be narrowed as much as possible whereas the private sector would be extended. The state would not directly engage in economic enterprises except for the necessary cases. The government would not invest in the sectors which did not have a public character. The enterprises other than the public services would gradually be transferred to private enterprises. The government would reconsider the existing Transaction Tax.

The similarity between the program of DP and the views defended in the Congress is striking. The DP only accelerated the process which had already begun during the preceding RPP period. Both the RPP and the DP were the agents of this process in the sense that they both acted dependent on the economic class interests in the society although their dependence was bound up with their own political ideological peculiarities. The RPP tried to adapt itself to the needs of the strengthening post war bourgeoisie by purging itself of the bureaucratic ideology and practice. The DP, in this respect, was luckier for it was, in origin, dependent on the bourgeoisie more than the RPP was.

The 1948 Congress in a way represented the bourgeois criticism of the "non-bourgeois" past which was supposed to be materialised in the official personality of the RPP. As long as the RPP was the sole party (as was the case until 1945) the problem was, from the bourgeoisie's point of view to reform that party. However after the Second World War, the bourgeoisie had an other alternative, the DP. This party was not responsible for a relegated past as was the case with the RPP. The DP had not been "tested" yet and it promised a glorious future for the bourgeoisie. The Congress pressed for the direct political rule of the bourgeoisie. The following compromises of the RPP were in vain. With the 1950 general elections two years after the Congress, the will of the nation coincided with the will of the bourgeoisie, both of which were in favor of a new alternative.

The 1948 Congress represented the common front of the bourgeoisie against the bureaucracy. The Turkish bourgeoisie in the Congress tried to negate the legacy of statism by condemning it as the legacy of the bureaucracy. However, the bourgeoisie was also a part of that legacy. The bourgeoisie's past is an impediment in front of its emancipation from the tutelage of the bureaucracy. In Turkey, the future existence of the bourgeoisie can only be realised, not by its negating or mastering that past but by its surrendering to it. Just as the bourgeoisie was bound up with the economic tutelage of the bureaucracy in forming its economic future, it was bound up with its political tutelage in establishing its political future.

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