

THE 1948 ECONOMIC CONGRESS: AN ATTEMPT AT THE POLITICAL  
RE-ORGANIZATION OF THE MERCHANTS IN TURKEY

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THE 1948 ECONOMIC CONGRESS: AN ATTEMPT AT THE POLITICAL  
RE-ORGANIZATION OF THE MERCHANTS IN TURKEY

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“The 1948 Economic Congress: An Attempt at the Political Re-organization of the Merchants in Turkey,” a thesis prepared by Kıvanç Yiğit Mısırlı in partial fulfillment of the requirements for the Master of Arts in History degree from the Atatürk Institute for Modern Turkish History at Bogaziçi University.

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An abstract of the thesis of Kıvanç Yiğit Mısırlı, for the degree of Master of Arts from the Atatürk Institute for Modern Turkish History at Boğaziçi University to be taken in 2014

Title: The 1948 Economic Congress: An attempt at the Political Re-organization of the Merchants in Turkey

This thesis explores the relationship between the state and private entrepreneurs during the period of return to multi-party politics in Turkey. Taking the 1948 Economic Congress of Turkey as its case, and the merchants in Turkey as its main agent, it argues that from the vantage point of merchants, the economic transition to agriculture-led growth was contingent on the class struggle during the said period. The process therefore was not a political rupture but represented a continuity in terms of capital accumulation strategies. 1948 Economic Congress of Turkey in this junction, acted as the forum through which the merchants debated their economic-corporate interests. Using proceedings books, published reports of the congress, newspaper articles by prominent intellectuals, annals of participating chambers and national assembly records, the research revealed that private entrepreneurs had no intention of dismantling the state presence in and over economy but expected the institutional transformation of the relationship between the state and themselves. In addition to their demands of economic rationalization in state apparatus and formation of institutions that would allow them direct channels into economic policy-making processes, merchants demanded the state to act as the collective capitalist by using redistributive policy to promote the intensification and centralization of capital.

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**Başlık: 1948 Türkiye İktisat Kongresi: Tüccarların Siyasal Yeniden Yapılanma Girişimi**

Bu tez Türkiye'de çok-partili hayata dönüş sürecinde devlet ve iş adamları arasındaki ilişkiyi incelemektedir. Kendisine 1948 Türkiye İktisat Kongresi'ni örnek vaka, dönemin tüccarlarını asli aktör olarak alıp tüccarların bakış açısından tarımdan sanayiye kaynak aktarımına dayanan birikim rejiminden tarımsal büyümeye dayalı bir birikim rejimine geçişin, bu dönemde, Türkiye içindeki sınıf mücadelesine bağımlı bir değişken olduğunu iddia etmektedir. Süreç bu anlamıyla bir kopuştan ziyade süreklilik arz etmektedir. 1948 Türkiye İktisat Kongresi ise bu kesişme noktasında, tüccarların ekonomik-korporatif çıkarlarını tartıştıkları bir forum özelliği taşımaktadır. Kongreye sunulan bildirilileri, kongre raporlarını, önde gelen entelektüellerin gazete yazılarını, meclis ve oda tutanaklarını kullanan araştırma özel sektörün ekonomi üzerindeki ve içindeki devlet etkisini ortadan kaldırma amacıyla olmadığını, ama devlet ve kendileri arasındaki ilişkinin kurumsal olarak dönüştürülmesini bekledikleri ortaya çıkardı. Devlet aygıtında ekonomik rasyonalizasyon ve ekonomi politikası yapım süreçlerine doğrudan işadamlarının doğrudan katılımın sağlayacak kanalların inşasına dair taleplerine ek olarak tüccarlar devletin bölüşüm politikaları aracılığıyla sermaye birikimi sürecinin yoğunlaşması ve merkezileşmesini kollektif bir sermayedar gibi hareket ederek sağlamasını talep etti.

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Contrary to the common wording of the sentence, I believe, at the end, it is crucial to admit that all the mistakes in this thesis are mine alone.

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## CHAPTER I: INTRODUCTION

Between 22 and 28 November 1948, amidst much commotion, the self-titled and self-appointed Second Economic Congress of Turkey was held by the Istanbul Merchants Association, the Istanbul Chamber of Commerce and Industry, the Istanbul Regional Industrial Association, the Turkish Association of Economists and the Turkish Economic Association in Istanbul.<sup>1</sup> The reparations and organization were carried out by these organizations and according to *Cumhuriyet*, the reception to the congress was promising at first. On its first day, Taksim Municipal Music Hall, where the congress held its opening gala, was full.<sup>2</sup> More than a thousand delegates from different parts of the country participated in the congress. The proceedings revolved around three issues that the organizers deemed essential: Etatism as a model of capital accumulation, the foreign trade regime and tax reform, through the discussions on the proposed income tax legislation by the RPP.<sup>3</sup>

Even though the congress embraced the 1923 Izmir Economic Congress as its predecessor, from the onset both the government and the intellectuals close to the RPP,

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<sup>1</sup> 1948 Türkiye İktisat Kongresi “Kongre Yönetmeliği,” *1948 Türkiye İktisat Kongresi*, ed. Kemal Kılıçdaroğlu (Ankara: Devlet Planlama Teşkilatı, 1997), 18-19.

<sup>2</sup> *Cumhuriyet*, 23 November 1948.

<sup>3</sup> Zafer Toprak, “Unutulan Kongre: 1948 Türkiye İktisat Kongresi,” *İktisat Dergisi*, no 211-212, (June-July 1982), 37.



such as Şevket Süreyya Aydemir, denounced such affiliation.<sup>4</sup> Sources close to the ruling party argued that under the heading of a congress, a small group of merchants had organized the event to pursue their narrow interests, but had failed to promote their views. They maintained that war-time profiteers used the congress to block an income tax which was under discussion in the Grand National Assembly.<sup>5</sup> They objected to the class nature of the congress, arguing that in comparison to the İzmir Economic Congress, fewer groups were represented.<sup>6</sup> Indeed, as the official list of the congress shows the majority of the participants were merchants, specialists for commerce chambers or economists from Istanbul and Ankara universities.<sup>7</sup>

The congress reports and papers by prominent organizers such as Ahmet Hamdi Başar responded to the criticism by arguing that both in regulation and conduct, “the economic life should be separated from the political authority,” identifying the representatives from the organizing associations as the primary authorities on the issues of etatism, foreign trade and taxation.<sup>8</sup> Cudi Birtek from the Istanbul Regional Industry Association also underlined the observed separation between politics and economy, arguing that that specific politic struggles took precedence over the national and economic issues Turkey faced. While these political struggles involved the interests of

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<sup>4</sup> Şevket Süreyya Aydemir, *Ulus*, 15 December 1948.

<sup>5</sup> *Cumhuriyet*, 30 November 1948.

<sup>6</sup> Even the supporters of the initiative address this fact. See Selim Ragıp Emeç, *Son Posta*, 24 November 2014.

<sup>7</sup> 1948 Türkiye İktisat Kongresi, “Kongre Üyelerine Ait Liste,” *1948 Türkiye İktisat Kongresi*, ed. Kemal Kılıçdaroğlu (Ankara: Devlet Planlama Teşkilatı, 1997), 23-39.

<sup>8</sup> Ahmet Hamdi Başar, “İstanbul Tüccar Derneği Genel Sekreteri Ahmet Hamdi Başar'ın Konuşması,” *1948 Türkiye İktisat Kongresi*, ed. Kemal Kılıçdaroğlu (Ankara: Devlet Planlama Teşkilatı, 1997), 4.

particular interest groups, he added, economic and developmental issues were universal in their nature and they “belonged to the whole nation.”<sup>9</sup> Echoing their input, Bahadır Dülger from *Cumhuriyet*, applauded their initiative and argued that the congress was much more meaningful than the 1923 Izmir Economic Congress, since “this congress was the initiative of the people rather than the state.”<sup>10</sup>

İzzet Akosman, the chair of the organization committee and the president of the Istanbul Merchants Association, in his opening speech, claimed that in between the congress in Izmir in 1923 to the congress they organized, the state had taken upon itself to formulate the economic policy for development without any input from the private sector, and especially during World War II had failed to deliver its promises of economic development. Akosman within this framework, tied their own initiative to the War of Independence. He argued that the 1948 Economic Congress of Turkey had more similarities to the Erzurum and Sivas congresses which had been held during the War of Independence. They had brought together the various sections of society to establish an independent polity. The economic congress aimed to bring together private enterprise, experts and academics for the economic unity and development of the republic.<sup>11</sup> Ahmet Emin Yalman, one of the intellectuals closest to the DP line and a close associate of Adnan Menderes, applauded the initiative of the merchants. He said that the congress represented the urban demand for liberalization and political freedom that had already

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<sup>9</sup> Cudi Birtek, “İstanbul Bölgesi Sanayi Birliği Adına Dr. Cudi Birtek' in Konuşması,” in *1948 Türkiye İktisat Kongresi*, ed. Kemal Kılıçdaroğlu (Ankara: Devlet Planlama Teşkilatı, 1997), 7.

<sup>10</sup> Bahadır Dülger, *Cumhuriyet*, 23 November 1948.

<sup>11</sup> İzzet Akosman, “Tertip Komitesi Başkanı İzzet Akosman'ın Konuşması,” in *1948 Türkiye İktisat Kongresi*, ed. Kemal Kılıçdaroğlu (Ankara: Devlet Planlama Teşkilatı, 1997), 1-2.

been in the country side. He compared the initiative of the merchants as the economic counterpart to the Erzurum and Sivas congresses during the War of Independence as Akosman had in his opening speech.<sup>12</sup>

Asım Us from *Vakit* meanwhile noted the different connotations attributed to the concept of etatism by Ahmet Hamdi Başar, who was the representative of the Istanbul Merchants Association, and Hüsni Arsan, who spoke for the Istanbul Chamber of Commerce and Industry, directing attention to what he perceived as the internal conflict within the delegates.<sup>13</sup> Peyami Safa, on a further note, claimed both the IMA and its general secretary Ahmet Hamdi Başar had no “business defending liberalism” against the top-down management style of the etatist period, since Başar had been at the head of the Port Operations, Inc., when it had been nationalized.<sup>14</sup>

At first glance, the organization and the debates on the “class composition” of the congress, as well as the remarks by the organizers, portray the existing struggle between the state and the merchants on the subject of publicly organizing the capitalist relations of production. Especially Başar’s call for separating the political authority from the markets seems to reflect the discourse which the opposition to the RPP governments in the post-War era was reflected in economic policy as the dichotomy of liberalism versus etatism. Papers by other organizers such as Birtek and Akosman, as well as the support they had from the pro-DP newspapers and intellectuals, also seem to have supported the idea that the 1948 Economic Congress of Turkey indeed had taken upon itself to be the proponent of economic liberalism.

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<sup>12</sup> Ahmet Emin Yalman, *Vatan*, 23 November 1948.

<sup>13</sup> Asım Us, *Vakit-Yeni Gazete*, 23 November 1948.

<sup>14</sup> Peyami Safa, *Ulus*, 26 November 1948.

It is necessary to contextualize the debate on the nature and the significance of the congress within the political economic history of the Post-War years. From 1946 and onwards Turkish policy-makers and the incumbent government faced internal and external opposition to the economic policy that they had been implementing during the war. The external opposition appeared as the transformation of the global liberal order, especially the forming of the capitalist bloc which Turkey wanted to become a part of. The internal opposition crystallized as the loose coalition of the bourgeoisie, the landlords, and the peasants.

The primary restriction which led the Turkish policy-makers to a market-oriented agricultural growth strategy was the political transformation in the inter-state arena. From 1946 onwards, Turkey re-aligned itself in the newly forming capitalist bloc against the Soviet alliance headed by the USSR. Changes in the power relations in the inter-state arena and in the internal political relations forced the policy makers to revise their economic objectives.

Furthermore, the relative development of the production factors in Turkey also directed this revision. Internally, the ruling bloc represented by the RPP was weighed down by the legacy of the war years. The bourgeoisie, one of the central pieces in the ruling bloc represented by the RPP, not only had gotten stronger during the war years but also had grown suspicious of the arbitrary rulings by the government. Peasantry had borne the burden of the war-time mobilization. Low-level bureaucrats and the working class had had difficulty coping with the rising standards of living.

Within this framework, the opposition to the RPP had the discourse of free market as a central tool in its populist strategy. This political strategy had a concrete resonance for the majority of the population. 75 percent of the population lived in the

rural areas and were involved in small scale agricultural production. Even more the agricultural production represented the 44 percent of the gross national product. While trade, both exports and imports in total, constituted 15 percent of the gross national product.<sup>15</sup> The RPP itself was aware of the internal and external pressures on its economic policy as well. It is possible to observe the shift from the etatist model of development into the market oriented agricultural growth model through specific key moments.

The RPP government revised its 5 year plan, written by Kadro affiliates in 1946. Turkish policy-makers had attempted to use their strategic geographical position as a leverage against both blocs with the Post-War Economic Plan of 1946. What they had failed to perceive at the time was that the non-alignment policy they hoped to pursue would be cut short by the Soviet demands on the straits. Devaluation of 1946 was the first step it took to signal their adherence to vision represented by the international hegemonic institutions which also necessitated the revision of the plan. In the same year, the 1946 plan was first discarded and then a new plan, more in line with the transformation in the capitalist bloc, was written in 1947 in accordance with this political shift. The Vaner Plan, as it was called, aimed to gain the support of the Marshall Plan. In comparison to the earlier plan, it reduced the emphasis on investments in heavy industry and railroads, prioritized agriculture led growth, focused on developing the infrastructural network through highways. The Vaner Plan was successful in gaining the support of the US. Beginning with 1948 Turkey began receiving military and machinery support from the European Co-Operation Administration which would be

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used in infrastructural development and the mechanization of the agricultural sector.

The RPP party conference in 1947 saw the revision of the founding principles of the party, including etatism. Through a fierce debate, the RPP accepted the criticism towards its economic policy, especially during World War II and declared that it would pursue an economic policy which would emphasize the primacy of the private enterprise. By 1948 The RPP had begun showing its lenience towards both external and internal opposition in terms of its consession in economic policy and was reching out to the rest of the social forces to forge new alliances or strenghten older ones.

The 1948 Economic Congress was held during this process of mediation. While the political and economic constrictions forced Turkey to re-shape its economic policy, the political consolidation of the process was far from over. Therefore, the merchants and the economists in the congress seized the moment to publicly debate and declare their demands on economic policy-making processes.

According to the official delegate list of the congress, of the 1100 representatives that attended the congress, Istanbul Merchant Association had 373 representatives, Istanbul Chamber of Commerce and Industry had 188, economists from Istanbul and Ankara, represented by the Turkish Economic Association and Economists Association of Turkey had 137 delegates in total.<sup>16</sup> The arithmetic of the delegate list therefore reveal that the congress was built upon the needs and demands of the Istanbul, Izmir and Ankara based merchants and intellectuals. Therefore it acted as a transect for the bourgeoisie at the eve of political and economic transition to identify their demands for economic and political change. Ultimately it was the venue in which the merchants and

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<sup>16</sup> See 1948 Türkiye İktisat Kongresi, “Kongre Üyelerine Ait Liste,” 23-39 for the complete list.

economists formulated their demands on economic policy and put these demands forward for the political actors in the scene without permanently allying with one.

Studies dealing with the congress mostly follow this observation and ask why the congress which was held at a critical period in the history of modern Turkey was forgotten both by the domestic bourgeoisie and the state. They also place the congress and the answer to the first question in the context of the political debate of the period on liberalism versus etatism. An early study by Zafer Toprak, *Unutulan Kongre: 1948 Türkiye İktisat Kongresi* (The Forgotten Congress: 1948 Economic Congress of Turkey), points to the lack of attention to the said congress and aims at expressing its importance.<sup>17</sup> The study which is mostly descriptive, focuses on the apparent hostility of the incumbent government against the organizers of the congress. Toprak maintains that the congress marked the end of the etatist era in the economic history of Turkey and paved the way for the liberal framework of the next era.<sup>18</sup>

Hilal Akgül, in an article titled, “Etatism in the Turkey Economic Congress,”<sup>19</sup> operates through this very assumption. She emphasizes the autonomous organization of the congress, maintaining that it offers a clue for observing an earlier “non-governmental moment” in which the trade bourgeoisie tried to exert its position against the bureaucracy and the state on the economic policy through this congress. It evaluates the outcome of the debates on etatism and the congress itself by tracing their reflections in the press and in the political sphere. Akgül maintains that only in situating the main

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<sup>17</sup> Toprak, “Unutulan Kongre,” 38-42.

<sup>18</sup> Ibid., 43.

<sup>19</sup> Hilal Akgül, “Etatism in the Turkey Economic Congress (1948),” *International Review of Turkology* 1, no. 2, (2008), 5-16.

issues of the congress in the internal composition of the RPP, and its efforts to reformulate its position in regards to the society, it is possible to historicize it.<sup>20</sup>

Murat Sever, in his study titled *Ahmet Hamdi Bařar ve İstanbul Tüccar Derneđi* (Ahmet Hamdi Bařar and the Istanbul Merchant Association), based on his master's thesis, traces the congress on a similar trajectory, following a journal published by the Istanbul Merchants' Association, marking the unique position the association and its journal occupies somewhat beyond the scope of the other participants in the congress. According to Sever, Bařar and the IMA represented a peculiar vein of liberalism in Turkey that became dominant in the period between 1946 and 1950 in which the formal, representational democracy was constructed in Turkey. He argues that even though neither Bařar nor the Association succeeded at becoming embedded in the rising social coalition which formed the Democrat Party (DP), their ideas on the nature of politics and economics as well as the mode in which the economy should be regulated influenced and formulated the ideology of the DP.<sup>21</sup> While Akgül focuses on the efforts by the RPP after the congress in order to absorb the criticism during the congress, Sever perceives the congress as a corner stone in establishing the economic policy opinions of the opposition that became visible through the DP, attributing the main initiative to Ahmet Hamdi Bařar and the IMA.

Putting aside the conceptual problems in such a narrative for now, it should be noted that not only were Bařar and the IMA was not embedded in the DP, they were eliminated during the formation of the party. Bařar, who claims in his memoirs to have

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<sup>20</sup> Akgül, "Etatism in the Turkey Economic Congress (1948)," 8, 14.

<sup>21</sup> Murat Sever, *Ahmet Hamdi Bařar ve İstanbul Tüccarlar Derneđi* (İstanbul: Libra Yayınları, 2009), 96.



written the first draft of the DP programme, also stated that it was his thoughts on economic policy which created the rift between himself and Adnan Menderes, resulting in his “purge” from the initiative which would become the DP.<sup>22</sup> In the same memoirs, when he briefly touched on the 1948 Economic Congress, Başar claimed that only when he had lost the ear of the DP leaders, the idea for a congress that would bring the businessmen and experts throughout the country was born.<sup>23</sup> Therefore, it would be empirically false to assume that Başar’s views on economy had direct and dominant consequences for the economic policies which the DP was first to promote then implement.

Moving on to the conceptual framework of these studies, beneath the thought processes of both these studies lie several assumptions on the nature of the relationship between the state and classes. First, instead of articulating the state, its power, and the classes in Turkey through class and power relations, all of these studies confine their analysis to the struggle between the bureaucracy and the merchants in the political field in a zero-sum game. Second, they disregard the importance of the transformation in the capitalist relations of production in the world after World War II, thereby neglecting the effect of the re-organization of those relations on an international scale on the internal politics of Turkey. As an extension, the underlying axis of the etatist mode of regulation against the liberal mode of regulation becomes ahistorical as an explanatory framework, since both these studies presume that the particular choices by the political actors in the period trumped the structural limitations established by the transformation in the social

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<sup>22</sup> Ahmet Hamdi Başar, *Yine Hayal Aleminde Uçuyorum: Ahmet Hamdi Başar'ın Hatıraları 2 (Demokrasiye Geçiş, DP İktidarı ve 27 Mayıs)* edited by Murat Koraltürk, (İstanbul: İstanbul Bilgi Üniversitesi Yayınları, 2007), 11, 126.

<sup>23</sup> *Ibid.*, 172-173.

relations of power and the transformation of the global liberal order.

Against this state-centric approach, Mehmet Türkay, a Marxist economist, in *Sermaye Birikimi, Kalkınma, Azgelişmişlik* (Capital Accumulation and Underdevelopment), suggests that instead of placing the congress in a political historiography as the linchpin of a transition period with regard to the relationship between the state and society in which the 1948 Economic Congress reflects the search for a reformulation of this relationship<sup>24</sup>, it is more important to move beyond the dichotomy between liberalism and etatism as mutually exclusive strategies for capital accumulation in which these strategies directly correspond to the interests of specific social groups: the bureaucracy on the one hand and the trade bourgeoisie on the other. Instead, he maintains that this duality had an ideological function in formulating a broader alliance around the bourgeoisie, who had no intention of severing their ties with the state at the time of the congress.<sup>25</sup>

In an article, Mehmet Türkay closely follows the papers submitted to the etatism commission of the congress by Ahmet Hamdi Başar, one of the founders of the IMA and its intellectual leader, Feridun Ergin and Cihan Eren. Türkay argues that these figures, who directly influenced the final report on the subject, located the concepts of etatism and liberalism in their historical specificity by situating them in the development of capitalist relations of production. Against the ahistorical dichotomy of etatism versus liberalism in which bureaucracy is identified as the main actor for the etatist model, Türkay notes that the participants in the congress sought to reformulate etatism rather

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<sup>24</sup> Mehmet Türkay, “1948 İktisat Kongresi: ‘Devletçilik-Liberalizm’ Bir İkilem Midir?” in *Sermaye Birikimi, Kalkınma, Azgelişmişlik*, (İstanbul: SAV Yayınları, 2007 ), 234.

<sup>25</sup> Türkay, “1948 İktisat Kongresi,” 253, 235.

than replace it with liberalism.<sup>26</sup>

It is the contention of this thesis along this critique that the 1948 Economic Congress of Turkey not only pinpoints a moment of political organization for the merchants, industrialists, and experts, but also reflects an interclass struggle within the merchants to define their economic-corporative interests and influence the mode of regulation in the post-War Era in Turkey within the limitations of the world economy. This struggle definitely entailed various positions on the part of the merchants when confronting the question of which accumulation strategy should be followed.

Moving in this direction, it is argued that particular debates in each of the three commissions of the congress show that they covered internally related issues and therefore an analysis that seeks to put the meaning and the effect of the 1948 Economic Congress of Turkey in its place has to take a holistic approach to its material. Therefore, a discussion of etatism based on the corresponding commission of the congress, as in the study by Akgül, or an analysis that only depends on the internal power relations in Turkey such as one conducted by Sever, fails to address the intra-class struggles within the participants within the confined space they occupy.

This thesis therefore situates the 1948 Economic Congress of Turkey within two parameters: Reconstruction of the global liberal order in the world and changes in the internal social relations of power in Turkey that was the legacy of World War II. In the second chapter, the overall transformation in the global liberal order and the culmination of the social unrest dating back to the war years are addressed as the key political issues forcing the transformation of the system of political representation and the direction of

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<sup>26</sup> Türkay, “1948 İktisat Kongresi,” 243.

economic policy-making processes. The third and fourth chapter are divided not according to the outline dictated by the congress, but in line with the argument in the second chapter. So the third chapter focuses on the general debate on the nature of etatism and its implementations in economic policy, as well as the debate on the proposed legislation for an income tax by the RPP in order to understand the views of the delegates on the political organization of the relations of production in Turkey.

Discussion of the income tax and the transaction tax may seem out of place, at first. Yet, the inclination behind such an organization is to juxtapose the merchants' seeming intent to roll the state out of small and middle scale industrial and roll it into the large scale investments, infrastructural and industrial alike. When brought together, commissions on etatism and taxation mutually resonate the overall role the participants in the congress attributed to the state in maintaining the social relations of power in Turkey through redistributive policies in supporting capital accumulation.

Following this debate on the nature of the relationship between the state and the private entrepreneurs, as the delegates in the congress put it, the fourth chapter investigates the claims and demands put forward by the delegates during the sessions of the foreign trade commission primarily on what the participants referred as "the question of production." This thesis maintains that in the guise of a foreign trade, the participants actually debated the development of productive forces in Turkey and their own transformation into productive capital. Therefore, the main theme that ran through the discussions was the accumulation regime and the mode of regulation through which the said regime would be maintained throughout the post-War years.

Once the whole congress is re-constituted, this thesis argues that for the businessmen represented in the congress, a liberal foreign trade regime, or the rolling-

out of the state from economic enterprises, was not a primary concern. The political debate on the issues such as etatism, state intervention, and liberalization was partly discursive and in actuality the participants envisioned a regulated and planned economic policy, with their direct involvement, without by-passing the state apparatus. Political and economic transition during the Post-War era therefore did not constitute a clean transition from the etatist one-party rule into the liberal rule of the DP, neither in economy nor in political relations of power. Instead, for the 1948 Economic Congress of Turkey, it represented a continuity in terms of the relationship between the state and the businessmen.

## CHAPTER II: THE POST-WAR POLITICAL ECONOMY OF TURKEY

In the aftermath of World War II, the world economy was restructured. The newly forming system encouraged international trade yet limited the international movements of capital and allowed the states to pursue their own economic policies.<sup>27</sup> For the capitalist world, this process entailed various modalities in which the developing countries were to re-integrate into the world economy. Import Substituting Industrialization (ISI) was the main model of development for the developing countries in this period, either as a planned model of growth or a forced alternative that had been brewing in the conditions of the Great Depression and in the aftermath of the war. Turkey, differed with other developing countries, took the path traveled less by following an agriculture-oriented growth pattern. In this chapter it is argued that the structural limitations of the world capitalism and the change in the political representation system in Turkey, which brought the rural masses into the domestic political equation, were the main reasons for such a model. The war itself transformed the social relations of power among the classes. For the power bloc around the RPP, the war-time eroded the passive consent of the rural masses. Muslim businessmen strengthened their position, due to war-time profiteering and the transfer of resources from the non-Muslim section of merchants.

From the return to multi-party politics in 1946 until the 1948 Economic Congress, neither the political project of the dominant classes nor a viable opposition

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<sup>27</sup> Şevket Pamuk, *Türkiye'nin 200 Yıllık İktisadi Tarihi* (İstanbul: Türkiye İş Bankası Kültür Yayınları, 2014), 247.

was consolidated. Instead, the period was a striking example of political re-organization. Emphasizing this contingent element in turn, allows us to properly put the congress in its place as a moment in which the merchants and industry-oriented businessmen tried to exert their influence in shaping the mode of regulation Turkey would follow within this restricted framework.

### Constituting the Post-War “Liberal” Order

The internationalization of the productive capital was the main characteristic of the accumulation regime in the post-World War II, world capitalist system, the components of which, with the exception of the US faced chronic foreign exchange crises and lacked the export capacity to compensate.<sup>28</sup> The US emerged from the war as the hegemonic state in the inter-state arena, as Lipietz writes “enjoying great productivity advantages and producing 63 percent of the GDP of the five major countries”<sup>29</sup>; the US, the UK, France, Japan, and West Germany, combined. It held two-thirds of the world’s monetary gold stock, but had limited market opportunities due to the devastation of the European and Asian economies, which had depleted their gold and dollar reserves by the end of the war.<sup>30</sup>

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<sup>28</sup> Tolga Tören, *Yeniden Yapılanan Dünya Ekonomisinde Marshall Planı ve Türkiye Uygulaması* (İstanbul: SAV Yayınları, 2007), 31.

<sup>29</sup> Alain Lipietz, *Mirages and Miracles: the Crisis in Global Fordism* (London: Verso, 1987), 40.

<sup>30</sup> Michael D. Bordo, "The Bretton Woods International Monetary System: A Historical Overview," in *A Retrospective on the Bretton Woods System: Lessons for International Monetary Reform*, edited by Barry Eichengreen and Michael D. Bordo (Chicago, London: The University of Chicago Press, 1993), 38.

Interest in import substitution industrialization in the US, as a model of growth for the developing countries, arose out of concern about this expected structural imbalance in the post-war capitalist economy as a result of the excess capacity of the US, since the rest of the capitalist world lacked the purchasing power to accommodate the output by the US. Early in the post-war era, the internationalist fraction of industrial bourgeoisie and government leaders in the US believed that import substitution industrialization would help reinvigorate world trade by providing new demand for U.S. capital goods and heavy industrial products, to utilize excess capacity developed during World War II.<sup>31</sup> On international political level, capitalist industrialization abroad would add to the power of the capitalist bloc, against the newly forming socialist alliance in the Eastern Europe and what was then considered to be the Third World. Industrialization in the developing countries therefore was seen as part of the answer to two problems: It would open new markets for US goods and vitalize multilateral trade, thus reintegrating nations into the world capitalist system and check the influence of the USSR.<sup>32</sup>

Giovanni Arrighi cites a speech by US President Truman in which he explained how the Truman Doctrine had gone through serious revisions when the earlier drafts had formulated the issue of international politics with an emphasize on the economic aspect. The earlier version had been discarded by Truman in favor of “a concept of global communist threat than an appeal to cost-benefit calculations in spurring legislators to

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<sup>31</sup> Sylvia Maxfield and James H. Nolt, "Protectionism and the Internationalization of Capital: U.S. Sponsorship of Import Substitution Industrialization in the Philippines, Turkey and Argentina," *International Studies Quarterly* 34, no. 1 (1990), 50.

<sup>32</sup> The other part was the infamous containment policy which would strengthen the bargaining power of the Turkish governments.



action.”<sup>33</sup> Yet, they remained committed to the assumption that capitalist relations of production in the rest of the world were in danger unless the US intervened.

The Bretton Woods Conference and the resultant agreements, under the guidance of the US and the UK, primarily aimed to overcome this problem by combining exchange rate stability and allowing the national governments the independence to pursue national policies within strict boundaries.<sup>34</sup> An international body of monetary institutions, the IMF and the Development Bank, the principles of which were pursued by the US governments, were formed. These institutions were charged with regulating international trade on the global level and were capable of granting credits to countries that needed them, and limits were set on the mobility of capital, whenever needed. The agreement defined the principle of fixed exchange rates between currencies (with a small margin of fluctuation), but adjustments were allowed within certain limits, upon consultation with, and agreement from, the IMF.<sup>35</sup>

Within this framework, the Executive Committee on Economic Foreign Policy in the US, in direct co-ordination with the newly formed IMF, provided two basic solutions to the developing countries that would help them get back into the system: Agricultural development through transfer of US technical knowledge, and labor-intensive industrialization through foreign direct investment. Military and infrastructural aid

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<sup>33</sup> Giovanni Arrighi, *The Long Twentieth Century: Money, Power, and the Origins of Our Times* (London and New York: Verso, 1994), 296.

<sup>34</sup> *Ibid.*, 5.

<sup>35</sup> Gérard Duménil and Dominique Lévy, *Capital Resurgent: Roots of the Neoliberal Revolution* (Cambridge: Harvard University Press, 2004), 162; Filippo Cesarano, *Monetary theory and Bretton Woods: the Construction of an International Monetary Order* (New York: Cambridge University Press, 2006), 184.

would take precedence in economies that were not attractive to foreign investment.<sup>36</sup> To promote the internationalization of productive capital by securing the political and economic conditions for profitable foreign investment in ISI, the US, therefore, discarded its long-standing foreign policy of isolationism. When it became apparent that the loans would not be enough for the reconstruction, financial aid from the US became the elementary tool in stimulating economic growth in Western Europe as well as in developing countries. The Marshall Plan, named after secretary of state George Marshall, sought to integrate countries such as Greece, Turkey and Philippines further into the capitalist bloc.<sup>37</sup> At the outset of the plan, grains, coal, oil, cotton, and dollar exchange were urgent needs as bottlenecks to be targeted and widened. The first phase of the Marshall Plan, until late 1949 aimed to bring Western Europe back to the production levels of 1938 by promoting higher levels of productivity and establishing a regional multilateral trade network.<sup>38</sup>

At the time, Turkey had resumed the import of capital equipment, after the disruption during the war, financing it with its wartime accumulation of gold. 1946 and 1947 were years in which exports remained at high levels, meaning that the fall in gold reserves could be counter-balanced with the increased levels of sterling holdings. When the UK discontinued the convertibility of sterling in the second half of 1947, Turkey reacted by restricting exports to sterling countries. Coupled with the difficulty Turkey had in expanding in hard currency exports, these restrictions in turn resulted in an

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<sup>36</sup> Maxfield and Nolt, "Protectionism and the Internationalization," 57-60.

<sup>37</sup> Ibid., 61.

<sup>38</sup> European Recovery Program, *Country Studies: Turkey* (European Cooperation Administration, Washington DC: United States Government Printing Office, 1949), 3.

unfavorable balance, leaving Turkey having spent all of its soft-currency accumulation by 1948.<sup>39</sup>

The European Recovery Program maintained that under the present circumstances, it was impossible for Turkey to continue an industry-oriented growth model, unless Western Europe reached greater productivity and develop a regional trade network increasing its demand for Turkey's export goods. Furthermore, they considered an agriculture-oriented growth pattern for Turkey, in line with the re-organization of trade on international level. Therefore, Turkey would focus on the reorganization and development of agricultural production, the increased exports of agricultural products, and the reestablishment of a market for Turkish tobacco, increased coal production for internal use and for export, the development and exploitation of other mineral resources, and an improved transport system. For Turkey, then, the Marshall Plan entailed the cultivation of new lands, development of mining and mineral resources, promotion of private enterprise, and foreign direct investment for manufacturing as well as easy credit for farmers.<sup>40</sup>

In our case it is important to stress the variations in the reception of this broad program in depended on the social formation of each case at hand, as well as in Turkey. The global context of accumulation did not impede development; rather, it structured and limited the capacity of the local bourgeoisie to initiate development without the aid of multinational capital.<sup>41</sup> Three dynamics were formative in understanding this process

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<sup>39</sup> European Recovery Program, *Country Studies: Turkey*, 12.

<sup>40</sup> Barry Machado, *In Search of a Usable Past: the Marshall Plan and Postwar Reconstruction Today* (Lexington: George C. Marshall Foundation, 2007), 3.

<sup>41</sup> Peter Evans, *Dependent Development: the Alliance of Multinational, State and Local Capital in Brazil* (Princeton: Princeton University Press, 1979), 7.

in this period: The effects of the war itself on the national economies, creation and development of domestic markets, and the position of the local bourgeoisie within the internal social relations of power in a given national unit.<sup>42</sup>

In developing countries in Latin America in comparison, where the export economies were controlled by national groups that had succeeded in forming an important industrial sector before the foreign trade crisis right after the war, the process differed from the countries where exports were not linked directly to the import-export system. The former led to the expansion of private enterprise, while the latter led the industrialists to try and create an industrial base through state direction.<sup>43</sup>

The development of a domestic market required that the concentration of capital be re-invested in the country, foreign exchange to finance it, the possibility of a redistributive mechanism to promote internal demand, expertise and a professional cadre to co-ordinate this process, and a political project that would articulate the contradictory demands of the social classes in the interest of the “nation.” In comparison to the Latin American experience, in Turkey the interests of the merchants and the international capital not only were coherent, but also small urban population and the relatively small percentage of industrial base,<sup>44</sup> made it difficult for a class coalition comprised of industrial bourgeoisie and the working classes. Furthermore, the lack of direct interest on the part of the international capital in Turkey also emphasized the internal relations of power between the social classes in Turkey in determining the mode of articulation

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<sup>42</sup> F. H. Cardoso and E. Faletto, *Dependency and Development in Latin América* (University of California Press, 1979), 92.

<sup>43</sup> Ibid., 122.

<sup>44</sup> Şevket Pamuk, *Türkiye'nin 200 Yıllık İktisadi Tarihi*, 74.

through which Turkey would be integrated into the world economy.<sup>45</sup>

This note on the diverging patterns of internal capacities in response to the developments in the transformation of the global liberal order, in turn, requires the examination of the political struggles in formulating such a political project in the post-war era in Turkey. In order to survey the effects of the war itself, and the development of the domestic market, the issue of multi-party politics, arising in 1946, then becomes a main thread. Discussing how and why a return to a multi-party regime took place allows one to flesh out the political dynamics of the class struggle in Turkey, as well as outlining the area of maneuver the Turkish policy makers had in conceptualizing their economic policy and utilizing the foreign aid while moving beyond the perimeters of the US vision.

This particular period in Turkey saw the reformulation of old political projects, as in the case of the RPP;<sup>46</sup> formation of new alliances, as in the case of the DP;<sup>47</sup> and more importantly for our case, attempts at different political configurations, until the power bloc around the DP, with the leadership of landowners and the trade bourgeoisie was consolidated, as will be evident in the case of the 1948 Economic Congress of Turkey. So, an outline of the reasons for returning to multi-party politics and its implications is helpful in understanding the political terrain that made the organization of the congress not only possible, but also necessary.

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<sup>45</sup> Gülten Kazgan, *Tanzimat'tan 21. Yüzyıla Türkiye Ekonomisi* 5 ed. (İstanbul: İstanbul Bilgi Üniversitesi Yayınları, 2013), 66-79.

<sup>46</sup> For a detailed chronology, see Cemil Koçak, *İktidar ve Demokratlar: Türkiye'de İki Partili Siyasi Sistemin Kuruluş Yılları (1945-1950) Cilt 2*, (İstanbul: İletişim Yayınları, 2012), 4-114.

<sup>47</sup> See Cem Eroğlu, *Demokrat Parti ve İdeolojisi* (Ankara: Sevinç Matbaası, 1970), 32-44.

## Reasons for the Return to Multi-Party Politics and its Implications

There are three arguments outlining the emergence of multi-party representational system in Turkey. First, within the discipline of international relations, the return to multi-party representational democracy is considered to be a symbolic gesture in affirming Turkey's allegiance with the Western world. Nihal Kara, from a realist perspective in international relations, puts the process into the context of the foreign policy of Turkey in the post-war era, claiming that it was the initiative of President İsmet İnönü that instigated the move towards multi-party system. The emerging international order had put the US and the USSR against each other as opponents with incompatible projects. Kara claims that İnönü and the RPP officials "perceived" the USSR as a threat to Turkey and sought the alliance of the opposite camp.<sup>48</sup> The multi-party system and the formation of the DP as a "limited opposition" to the RPP was a means to such an end that turned out to have deep repercussions.<sup>49</sup> Furthermore, Hakan Yavuz adds, with their limited information gathering capacity and knowledge on US foreign policy and, the RPP government acted on what Yavuz calls the "perceived ideals of the US." Public speeches by the leaders of the US, according to Yavuz, gave the RPP officials the impression that in order to be re-integrated into the capitalist bloc, Turkey needed to transform its political representational system.<sup>50</sup>

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<sup>48</sup> Nihal Kara, "Çok Partili Sisteme Geçiş Kararının Nedenleri," *Yapıt*, no. 8 (December 1984-January 1985), 74.

<sup>49</sup> *Ibid*, 75.

<sup>50</sup> Hakan Yavuz, "Democratization from Above in Response to International Context," *New Perspectives on Turkey*, no. 17 (1997), 6-10.

There are several issues to be raised here. As was mentioned in the preceding section, the internationalist section of the industrial bourgeoisie in the US pushed for further involvement in the developing countries. So, the realist approach assumes that the ruling classes in the US and Turkey lacked any internal opposition and acted on the collective interest of the social forces within and considered multi-party democracy an essential part of the newly forming capitalist bloc, not only as a discursive component, but as a variable that was internal to the development of capitalist relations of production in a given national unit. It is intriguing to note, here, that none of the other countries which were “under the threat or influence” of the USSR was expected to transform its political system in order to be incorporated into the capitalist bloc. In Greece, Portugal and Spain the authoritarian regimes ruled with the direct consent and support of the US.<sup>51</sup> Two of these countries, Greece and Portugal, became NATO members by 1952, the same year as Turkey. In the Philippines, again, neither the US nor the international hegemonic institutions put any sanctions on the military government. It was again the direct involvement of the US that sustained the Philippines government.<sup>52</sup> Therefore it would be better to consider the discourse of democracy, with which as a political aim the US was willing to part, so long as the countries in question were re-articulated into the world capitalist system. This observation, in turn, should direct us to investigate the causes of a shift in the representational system working through the internal relations of power in a given unit.

This leads to the second perspective, represented by Kemal Karpat, in which the

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<sup>51</sup> M. Asım Karaömerlioğlu, “Türkiye’de Çok-Partili Demokrasiye Dönüşün Toplumsal Dinamikleri,” *Toplum ve Bilim*, no. 106 ( June 2006), 174-192.

<sup>52</sup> *Ibid.*, 178.

will of the political elite is, again, taken to the central stage, but the process is explained through an analysis of the struggles within the ruling party and the republican elite, all the while maintaining the aforementioned approach in international relations. Karpat locates the change in the context of the international politics, citing the demise of one-party politics around the globe, especially in Western Europe.<sup>53</sup> Yet, he denies that cause for the move towards multi-party regime was limited to the international influence, arguing that such logic would disregard the internal forces in Turkey. Instead, he claims that the gradual development of civil society was the key issue in forcing the move to a multi-party representational system. He argues that once the societal forces had matured enough, a political struggle was waged within the RPP in order to dismantle the corporatist ideology and the political apparatus that had maintained the one-party rule. Liberalization, both politically and in the economy, stemmed directly from this source, and it was thought to enable the participation of the people, legitimizing the political process.<sup>54</sup>

Karpat's formulation, first and foremost, does not answer our question. It accounts for the change in the representational system, but does not follow the concrete and internal reasons why such a struggle was necessary or how the "civil society" had the chance to grow into a force of its own in the first place. His argument is also unhistorical. Both the trials in multi-party politics during the 1920s and 1930s indicate that the RPP had utilized its resources either to absorb or to repress any oppositional

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<sup>53</sup> Kemal H. Karpat, *Turkey's Politics: the Transition to a Multi-Party System* (Princeton, New Jersey: Princeton University Press, 1959), 123.

<sup>54</sup> *Ibid.*, 3, 128.



forces in Turkish politics.<sup>55</sup> Within the framework, his assumption functions, an internally liberal political ethos either would not resort to such methods or the concept of liberalism would not be defined as Karpat defines it. It is indeed correct that a struggle was waged within the RPP, yet it would be misleading to suggest that it was basically on the level of ideological differences.

Once we discard the argument that the early Republican era was one which through the political and social rights the civil society expanded, it is possible to go on, to the other end of the pole and argue that the period itself was a typical authoritarian one-party rule. On that note, recent studies on the single-party rule have demonstrated the centrality of the state as a relationship which was as an autonomous body of institutions, disregarding the discontent and the wishes of “civil society.” As the evaluations of the election and inspection district reports by Murat Metinsoy indicate, this authoritarian tendency in the RPP governments was quite flexible. Through the Great Depression into the war-time mobilization, the RPP bend or revised its own rigid laws according to public opinion, and actively sought information on the effects of the policies it implemented through these district reports.<sup>56</sup> Therefore it might be better to assess the liberal vein in the party as Karpat would put it, as a “flexible characteristics of

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<sup>55</sup> For the experiences of an early opposition to the RPP, see Erik Jan Zürcher, *Political Opposition in the Early Turkish Republic: the Progressive Republican Party, 1924-1925* (Leiden; New York: Brill, 1991). For an overview of the party structure of the RPP rule during World War II, see; Cemil Koçak, "Some Views on the Turkish Single-Party Regime during the İnönü Period (1938–45)," in *Men of Order: Authoritarian Modernization under Atatürk and Reza Shah* ed. by Touraj Atabaki and Erik J. Zürcher (London, New York: I.B. Taurus, 2004), 113-5, 119.

<sup>56</sup> Murat Metinsoy, “Fragile Hegemony, Flexible Authoritarianism and Governing from Below: Politicians’ Reports in Early Republican Turkey,” *International Journal of Middle Eastern Studies*, no. 43 (2011), 712.

the single-party state and the self-awareness of its fragile hegemony.”<sup>57</sup>

If the ruling bloc had a fragile moral and intellectual leadership over the social classes in Turkey, seeking the concrete reasons in understanding the multi-party transformation then takes us to the third approach, in which the political economic account of the process leading to the establishment of a multi-party system is derived from two related circumstances. On the one hand, Taner Timur, a prominent Marxist historian, maintains that it was the breakdown of the power bloc that had gathered around the RPP. It forced the merchants and the landlords to seek an alternative political project, culminating in the formation of an opposition within the ruling classes by the ruling classes.<sup>58</sup> On the other, Çağlar Keyder emphasizes the transformation in the capitalist world economy and states that within the role the US and the hegemonic institutions of the post-war era envisioned for the peripheral countries, it was impossible for Turkey to follow a developmental project with a closed economy.<sup>59</sup>

Turning our attention inwards in this way presents two opportunities. First, we are able to connect the international transformation on the global scale and its corresponding political transformation to politics in Turkey. Second, this approach allows for a matrix of conflicting interests and limitations for the social classes whose struggles and alliances took the form of contesting political projects. In turn, it becomes possible to contextualize the 1948 Economic Congress of Turkey as a moment during the formation of these projects, placing the businessmen, be it merchant or middle scale

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<sup>57</sup> Ibid., 715.

<sup>58</sup> Taner Timur, *Türkiye'de Çok Partili Hayata Geçiş*, 3rd ed. (İstanbul: İmge Yayınları, 2003), 33.

<sup>59</sup> Çağlar Keyder, “The Political Economy of Turkish Democracy,” *New Left Review*, no. 115 (May-June, 1979), 19.

industrial producer, on the scene as a group of agents with specific, sometimes conflicting, interests with limited reach, trying to influence both the government and the opposition. Therefore delving into the accumulation strategy that was followed up to the post-war period and seeking its repercussions for the social classes will explain how the power bloc around the RPP dissolved and how both the incumbent governments and the rising opposition shaped their political projects.

Through the Great Depression and into World War II, both the traditional exports and the import options radically decreased, forcing the RPP governments to formulate an impromptu import substituting industrialization, called etatism. It entailed an accumulation regime that aimed to stimulate growth by transferring the surplus from the agriculture to industrialization effort through heavy taxation on the agricultural goods.<sup>60</sup> The objective of industrialization was deemed essential for the “organic” national development of Turkey. The idea of organic national development formed the backbone of the solidarist ideology of “populism,” according to the collective will that was represented by the party and the state apparatus intervened in social life in order to prevent class conflict.<sup>61</sup>

During the 1930s the nascent bourgeoisie benefited from etatism as Pamuk writes, “by obtaining marketing monopolies through the state economic enterprises, exclusive import licenses, credit from state controlled banks under very favorable terms and lucrative contracts from state firms to undertake major construction

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<sup>60</sup> Korkut Boratav, *Türkiye İktisat Tarihi, 1908-2007* 13th ed. (İstanbul: İmge Kitabevi, 2009), 64-66.

<sup>61</sup> Galip L. Yalman, *Transition to Neo-liberalism: the Case of Turkey in the 1980s* (Istanbul: İstanbul Bilgi University, 2009), 170-176.

projects.’<sup>62</sup> It was the small and medium-sized private enterprises which benefitted from the severe import repression and the strong performance of the agricultural sector that sustained the economy until late in the decade.<sup>63</sup> The relative position of the export-oriented merchants, on the other hand suffered during the etatist period. On the whole, the burden of industrialization was especially felt by the workers and the peasantry.<sup>64</sup>

The outbreak of World War II brought an almost war-time mobilization in Turkey, also disrupting the impromptu attempts at import substituting industrialization since the import of capital goods became especially difficult. The production volume in agriculture fell by 34 percent from 1938 to 1945.<sup>65</sup> The war-time taxation was felt deeply by the small-scale producers. The peasants resisted by hiding their crops, resorting to bribery, producing less. All the while, prices rose five times during the war, but the wages remained stagnant. Therefore, even though the demand for agricultural goods was high during the war, the accumulation of wealth in the hands of farmers slacked. As the rural masses were alienated by the excessive economic hardships of the war, among the agricultural producers, it was only the market-oriented producers and big landowners who benefitted from the war.<sup>66</sup>

The decline in agricultural output was a direct result of the high cost of the

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<sup>62</sup> Sevket Pamuk, “Political Economy of Industrialization in Turkey,” *MERIP Reports*, no. 93 (1981), 26.

<sup>63</sup> Şevket Pamuk, “Interwar Policy Choices and the Political Economy of Growth,” in *The Mediterranean Response to Globalization before 1950*, ed. Sevket Pamuk and Jeffrey G. Williamson, (London; New York: Routledge, 2000), 338.

<sup>64</sup> Boratav, *Türkiye İktisat Tarihi*, 79.

<sup>65</sup> *Ibid.*, 82.

<sup>66</sup> Haldun Gülalp, *Gelişme Stratejileri ve Gelişme İdeolojileri* (Ankara: Yurt Yayınevi, 1987), 43.

upkeep of the army. Most of the male workforce in the agricultural sector was conscripted. According to Murat Metinsoy, 75 percent of the conscripted men among the total of one million were peasants.<sup>67</sup> This meant that the sustenance of the population was a central issue during the war, since agricultural production in Turkey at the time was labor intensive. The food shortage caused by the decline in the imports and the bottleneck in the local production, coupled with the financing of the mobilization by emission caused extreme inflation. The black market and speculative activities increased as a result and caused an intense process of wealth accumulation. Putting it differently, merchants, especially Muslim merchants, made up the second group that benefitted from the war conditions.<sup>68</sup>

The RPP governments intervened in two distinct methods to surpass this problem, both of which fueled the process rather than controlled it. The National Protection Law, enacted in 1940, gave the government extensive reach and control over the economy. For the workers, the law brought longer working hours, forced overtime, a ban on quitting jobs unless the workers were fired, as well as unsupervised heavy working conditions. The working class waged a “passive-aggressive” class warfare, albeit unorganized and mostly spontaneous, by slowdown strikes, stopping work, evading work obligations, changing occupation and stealing from the workplace.<sup>69</sup>

For the peasantry, the law entailed confiscation, forced purchases, and high taxation on agricultural products. Between 1941 and 1942 the state initiated the policy of

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<sup>67</sup> Murat Metinsoy, *İkinci Dünya Savaşı'nda Türkiye* (Istanbul: Homer Yayınları, 2009), 56.

<sup>68</sup> Pamuk, *Türkiye'nin 200 Yıllık İktisadi Tarihi*, 200.

<sup>69</sup> Metinsoy, *İkinci Dünya Savaşı'nda Türkiye*, 195-6.

requiring all producers to sell their entire cereal crop, minus the household subsistence and seeds, at below-market prices.<sup>70</sup> The agricultural producers resisted by bribery and hiding their crops, and purchases by the state remained below expectations. Then, from mid-1942 into 1943, the share of the cereal to be delivered to the state was defined as 25 percent, which was the marketable surplus for the small-scale producers. From 1943 to the end of the war, the government introduced a kind-in tax between 8 percent and 12 percent. Therefore, the law in action actually hurt the small-scale producers who made up almost 80 percent of the population. The rural masses were alienated by the excessive economic hardships of World War II. The accumulation regime that aimed to stimulate growth by transferring resources from agriculture to the industrialization effort through heavy taxation on agricultural goods impoverished the peasants. In the typical peasant mind, the RPP rule came to be identified with the gendarmerie and the tax collector.<sup>71</sup>

The implementation of the Capital Levy in 1942, against the growing black market and war time accumulation of wealth, not only intensified the capital accumulation process for the Muslim part of the bourgeoisie at the expense of the non-Muslims, but also seriously damaged business confidence in the years after the war when the merchants voiced their discontent at the earliest opportunity.<sup>72</sup> Inflationist policies during the war resulted in the disillusionment of the low-level bureaucrats, whose salaries had fallen below prices. Real wages declined in the period by 70 percent,

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<sup>70</sup> Şevket Pamuk, "War, State Economic Policies, and Resistance by Agricultural Producers in Turkey, 1939-1945," in *Peasants and Politics in the Modern Middle East*, ed. John Waterbury Farhad Kazemi (Miami: Florida International University Press, 1991), 133.

<sup>71</sup> *Ibid.*, 135-137.

<sup>72</sup> Çağlar Keyder, *State and Class in Turkey: a Study in Capitalist Development* (London; New York: Verso, 1987), 113.

until 1943 and 1945, when they rose to 55 percent of the pre-war period.<sup>73</sup>

At the end of the war, the accumulation regime based on the transfer of surplus from agriculture to industry was in crisis. In particular for the RPP government, there were two internally contradictory (in theory) objectives to achieve after the war. The question was how to re-integrate the Turkish economy into the world economy in accordance with the liberalization of international trade relations as advocated by the US and the institutions of Bretton Woods agreements, while maintaining the crisis ridden accumulation strategy.<sup>74</sup>

Beginning with the budget discussions in 1945, the popular dissent found its voice in the opposition within the RPP. They tackled the issues of inflation, and the living conditions of the working class, the lower bureaucracy and the peasantry. They argued that the growth of the black market, inequality, and inefficiency in taxation required a different political stance than the prevalent etatism.<sup>75</sup>

The RPP tried to reformulate the basis of its power by appealing to the small peasants through the draft of a law for the distribution of land. While there are disputes on the economic reasoning behind the law, the parties addressing the issue concur on its political aims.<sup>76</sup> As Karaömerlioğlu notes, the RPP used the law “as a lever to disseminate the illusion that only big landowners were responsible for the deteriorating

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<sup>73</sup> Boratav, *Türkiye İktisat Tarihi*, 90.

<sup>74</sup> Yalman, *Transition to Neo-liberalism*, 177-178.

<sup>75</sup> Cem Eroğlu, *Demokrat Parti: Tarihi ve İdeolojisi* (Ankara: Sevinç Matbaası, 1970), 9.

<sup>76</sup> See, Çağlar Keyder and Şevket Pamuk “Çiftçiyi Topraklandırma Kanunu Üzerine Tezler,” *Yapıt* no. 8 (December 1984-January 1985) for the main trajectories of explanation, for the factual inconsistencies in these explanations, especially on arguments developed by Doğan Avcıoğlu and Yalçın Küçük. In an otherwise descriptive account, see Cemil Koçak, *İkinci Parti: Türkiye’de İki Partili Siyasi Sistemin Kuruluş Yılları (1945-1950)* (İstanbul: İletişim, 2010).

conditions of small and middle peasants.” The law, which would act as means of incorporating the peasantry,<sup>77</sup> actually clarified the lines within the party itself, culminating in the departure of Celal Bayar, Refik Koraltan, Adnan Menderes, and Fuat Köprülü, and the formation of the Democrat Party.

It should be noted that the debates around the draft did not directly instigate the formation of an opposition party, nor was it the first instance the opposition in the RPP made its presence felt. What had become apparent by then was the inability of the one party rule to effectively organize the public forms of the social relations of production. Indeed, it took almost a year for the Democrat Party to be established. In his detailed factual account of the period, Cemil Koçak, writes that in the budget discussions in 1945 for the establishment of the DP, opposition to the one-party rule did not have a coherent project.<sup>78</sup> It took almost four years of reformulation, a period during which both RPP and the DP tried to eliminate internal opposition<sup>79</sup> at the same time transforming, or forming in the case of the DP, them to attract a broader section of the population. Even then, the party, at first, represented a loose alliance with the common of opposition to the incumbent government.

There were legal and practical reasons that led the prospective leaders of the opposition to push for reform within the one party system. First, the existing law on associations had restrictive clauses when it came to establishing political parties. As it was amended in 1938 to interpret political parties, the law in effect tied the process to

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<sup>77</sup> M. Asım Karaömerlioğlu, "Elite Perceptions of Land Reform in Turkey," *The Journal of Peasant Studies* 27, no. 3 (April 2000), 133.

<sup>78</sup> Koçak, *İkinci Parti*, 284-330.

<sup>79</sup> For the said process within the DP, see Yavuz, "Democratization from Above," 16-22.



the consent of the local governors. Second, the printed press was under heavy censorship. Although the amendment of the law of association in June 1946 allowed for organization on the basis of class, the article of the penal code that banned “divisive” organizations remained in effect and was used to ban organization that did not fit within the perceived legal boundaries of politics.<sup>80</sup> Overall, instead of gaining the consent of the groups within the growing opposition, the RPP tried to control the process by legally and practically limiting opposition, paving the way for the more confrontational discourse the DP would adopt in the following years.

The return to multi-party politics was, therefore, the result of the inability of the established power bloc around the RPP to react to the post-war transformation in the world economy and their failure to gain the consent of the social classes in Turkey to implement policies that would ensure its re-integration into the global liberal order. By allowing the establishment of an opposition party and easing the laws on association, the RPP believed that it would renew its ties with the merchants and the low level bureaucrats. Through the law of distribution of land it tried to gain the support of the peasantry. Meanwhile, the moves it took towards financial adjustment as the international hegemonic institutions required had unexpected consequences, which would further alienate the working class and the peasantry. The failed attempts to adjust its developmental goals, under the 1946 and 1947 plans, which still focused on industrial development could not gain the support of the US in acquiring the foreign aid that must have finance growth. This, in turn, also alienated the merchants, who were expecting the overhaul of the bureaucratic organization of the state all the while continuing to use state

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<sup>80</sup> Eroğlu, *Demokrat Parti: Tarihi ve İdeolojisi*, 15-6.

intervention to protect them from experiences such as the 7 September devaluation.

### Reformulating Political Strategies

Against the failing solidarist populism of the RPP, the DP formulated a dichotomy between the state and the higher bureaucracy, on the one hand, peasantry, workers, merchants, landowners and urban middle classes, on the other. During their speeches, the DP leaders addressed the “mundane” issues of daily life, such as the high cost of living and tied these problems to issues such as the lack of freedom and liberties and anti-democratic laws.<sup>81</sup> They argued that the state was blind to the needs and demands of society, and the individuals in turn did not assume any responsibility for the state.<sup>82</sup> Legal pressures as well as the legacy of the war-time mobilization provided the basis for the reconstruction of the relationship between state and business as one of the issues of hostility under the RPP rules by the DP.<sup>83</sup> The DP promised to put an end to this alleged separation between state and society on the grounds of closer cooperation and mutual understanding, arguing that the system was anachronistic in the conditions of the changing world.<sup>84</sup>

The RPP, on the other hand reacted by re-formulating its principles of etatism and populism and transforming its party structure. The Industrial Plan of 1946, otherwise known as the İvedili Plan after the name of its author, which had been drafted

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<sup>81</sup> Ferouz Ahmad, *Turkey: the Quest for Identity* (Oxford: Oneworld Publications, 2003) 27.

<sup>82</sup> Taner Timur, *Türkiye’de Çok Partili Hayata Geçiş*, 26-30.

<sup>83</sup> Eroğlu, *Demokrat Parti: Tarihi ve İdeolojisi*, 21, 59, 61.

<sup>84</sup> *Ibid.*, 74.

during the war, went through serious revisions. Conceived as the post-war developmental plan of the RPP, the İvedili Plan followed the etatist economic practice and planning. Şevket Süreyya Aydemir and İsmail Hürsev Torkin, two prominent figures in the Kadro movement that informed the etatist planning efforts by conceptualizing them, also were influential during the preparations of the İvedili Plan.<sup>85</sup>

The Plan focused on mechanization in agriculture and continuing the regime of accumulation that transferred the surplus from agriculture to industry. The state was to pursue the collective interest through redistribution. It maintained the state management in enterprises that were on a national scale and deemed them indispensable; middle and small scale enterprises, on the other hand, were left to private enterprise.<sup>86</sup> It also claimed that the state would be the primary contact in procuring foreign direct investment instead of forming the framework that would enable direct relations between the bourgeoisie and the international capital. In monetary policy, it advised controlling prices through emission instead of devaluation.<sup>87</sup>

Devaluation of 7 September in 1946 was the first step that Turkey took to be articulated into the multilateral trade system. Not only did the devaluation differ from the monetary policy proposed by the İvedili Plan and required serious budget adjustments in the plan, but also in the domestic market made exports more competitive and appear cheaper to foreign markets, providing a value transfer to the export-oriented

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<sup>85</sup> İlhan Tekeli, "II. Dünya Savaşı Sırasında Hazırlanan Savaş Sonrası Kalkınma Plan ve Programları" *ODTÜ Gelişme Dergisi*, 1979-1980 özel sayısı, Türkiye İktisat Tarihi Üzerine Araştırmalar II (Ankara: ODTÜ, 1979-1980), 303.

<sup>86</sup> Ibid. 305-306.

<sup>87</sup> Tekeli, "II. Dünya Savaşı Sırasında," 307.

land owners and the merchants.<sup>88</sup>

As the demand for Turkish commodities from foreign markets radically decreased at the end of the war, high-priced Turkish goods could no longer compete on the international market. The result was the aforementioned need for foreign exchange that, in the period, could only be sustained through foreign aid. Both the revision of the 1946 plan and the devaluation of 1946 were designed as solutions to these problems, bringing policy-makers and the fractions of bourgeoisie closer to the influence of the hegemonic world institutions and especially the US, at least enough to acquire financial assistance.<sup>89</sup>

The following year, a new development plan was prepared and submitted to the European Recovery Program in order for Turkey to partake in the Marshall Plan. The Vaner Plan, as it was called, in accordance with the needs of the export-oriented merchants in Turkey and most importantly in line with the transformation in the world capitalism, showed a shift towards liberalism within the RPP by highlighting agriculture and light industry. It still included heavy investments in railroads (roughly 35 percent of the total expenditure), and heavy industry (17.5 percent) still occupied a serious place as well, showing that the RPP was weary of dismantling its national organic development plan based on industrialization. Nevertheless, the plan enabled the transfer of a limited amount of credit, and most importantly, agricultural machinery from 1948 onwards.<sup>90</sup>

The 1947 RPP Congress saw the revision of the conception of etatism, one of the

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<sup>88</sup> Gülalp, *Gelişme Stratejileri ve Gelişme İdeolojileri*, 45-46.

<sup>89</sup> Tekeli, "II. Dünya Savaşı Sırasında," 324-325.

<sup>90</sup> İlhan Tekeli and Selim İlkin, *Savaş Sonrası Ortamında 1947 Türkiye İktisadi Kalkınma Planı* (Ankara: Orta Doğu Teknik Üniversitesi, 1974), 22.

principles of the party that had become constitutionalized during the Great Depression, with the exception of the mining operations, power stations, heavy industry, the national defense industry and the public services. All other economic activities, in this new interpretation of the principle, were to be left to private enterprises. Steps were to be taken for the utilization of foreign capital in industry on equal terms with Turkish capital. Congress saw fierce debates, but at the end of the day, party accepted the criticism of the implementation of etatism that it had been receiving since the end of the war.<sup>91</sup> Yet, the earlier party program by the DP in 1946 had already taken further steps by proposing the transfer of the state economic enterprises to the private sector,<sup>92</sup> a step the RPP was not ready to take, as was evident in the draft of the Vaner Plan.

While the RPP re-shaped its policy position and internally re-structured the party, the DP itself had at least two main fractions that differed in their attitude towards the RPP. With the apparent liberalization of the RPP, prestigious names such as Fevzi Çakmak, Hikmet Bayur, and Osman Bölükbaşı believed that the DP should hold a stronger line of criticism against the RPP.<sup>93</sup> Following the 12 July Declaration, debates within the party reached a tipping point. Some of the hardliners were expelled from party, others resigned from the DP General Administrative Board. The following year, as a result Çakmak, Bayur, and Bölükbaşı founded the Nation Party.<sup>94</sup>

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<sup>91</sup> Hilal Akgül, "VII. CHP Kurultayı'nda Devletçilik Tartışmaları ve 1947 CHP Programında Devletçilik," *İktisat Fakültesi Mecmuası* 58, no 1 (2008), 45-78.

<sup>92</sup> *Demokrat Parti Tüzük Programı: Demirkırat Alfabeti* ed. Ahmet Hamdi Ciliz, (Ankara: n.p., 1992) 133-135.

<sup>93</sup> Cemil Koçak, "Siyasi Tarih (1923-1950)," *Türkiye Tarihi Çağdaş Türkiye 1908-1980 v. 4*, (Istanbul: Cem Yayınları, 1995), 152.

<sup>94</sup> Feroz Ahmad, *The Making of Modern Turkey* (London: Routledge, 1993), 111.

By 1948, therefore, the picture was far from clear. The 1948 Economic Congress was a crucial moment of debate for the merchants on the definition of the role the state would assume in the economy, the form taxation on agriculture and wealth would take, and the foreign trade regime that would be implemented. These debates put together stemmed from the on-going struggle to formulate a coherent hegemonic project that would gain the consent of the peasantry, the working class, and the low level bureaucrats by articulating them into the larger project, all the while circumventing the crisis of the accumulation regime. On that note, the congress marked the effort of the merchants and the businessmen to formulate their economic-corporate interests and articulate their demands in the form of a public declaration both to the RPP government and to the DP. One of the main issues of the congress itself, the implications and the future of etatism, crystallized against this background. The participants adhered to the observed duality, which was becoming a principle both parties accepted, between the state apparatus and the market as distinct spheres. Yet, their call for liberalization on both accounts (political and economic) had much to do with the chaotic political maneuvering on the national level between the opposing parties as much as their concrete critique of the bureaucratic rule of the state. By voicing their discontent through what was then a commonsensical argument, they maintained the “plausible deniability” in relation to the political struggle between two political parties. Following this observation, the next chapter unfolds the neutralizing discourse and addresses the concrete position the participants of the 1948 Economic Congress of Turkey attributed to the state in the economy. By discussing the various positions the merchants and experts took in relation to the debates around

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etatism as a concept, the future of state enterprises in Turkey and options of limiting these state activity in the economy, it will be argued that so long as the apparent hostility of private entrepreneurs is taken for granted, their actual demands on economic policy is misconstrued. Instead, the papers presented to the congress and the congress reports when analyzed reveal that the merchants, industrialists, and experts had no intention of rolling the state out of economic activity, but expected the growing presence of the state in specific areas for the strategic use of the state power to intensify and centralize capital accumulation.

### CHAPTER III: POLITICALLY ORGANIZING THE RELATIONS OF CAPITALIST PRODUCTION

In the preceding chapter, it was stated that the opposition to the regime of accumulation based on the transfer of surplus from agriculture to industry, as well as to its political form represented in the authoritarian one-party rule of the RPP had begun formulating its hegemonic project around the inefficiency of the said regime of accumulation to ensure the continuous accumulation of capital and the inability of the RPP to govern the social relations of power in Turkey. The DP repeatedly deployed a dichotomy between the central bureaucracy of the state apparatus and the people, the second of which was comprised not only of the peasantry and the working class, but also of the merchants and industry-oriented businessmen. These two blocs were formulated as having opposing interests, represented by two equally opposing views in conducting business and understanding the relationship between the state and the market.

According to this narrative, the bureaucrats by holding the state and the economy in their control, merged their distinct interests with the state in the economy in accordance with an administrative logic that put the concerns of the treasury above the public good. Meanwhile the merchants, industrialists, artisans, and experts who could carry the “necessary” economic development through the market mechanisms were dependent on the whims of economically irrational bureaucrats. This resulted in an inefficient state apparatus and a crippled market organization. This uneven relationship was maintained throughout the authoritarian one-party rule, which curtailed civil



liberties. Therefore, market liberalization in the economy, multi-party politics in political life, and an emphasis on individual rights in political decision-making processes were the solutions the opposition to the RPP proposed on the discursive level.

Even though, the official stance of the congress, in its regulations and in the opening speeches made by the organizers, echoed the DP's arguments on the organization of the economy, as was discussed above, in detail, what the participants in the congress, especially the merchants, expected was different from the DP's project. Even more, their definition of etatism as a concept, their vision for the state in the economy and the institutional mechanisms through which the merchants were to influence economic policy differed from the DP programme.

This chapter, examines the various interpretations of the state-society and state-business relations raised by the merchants, academics and mid-level state officials within the commissions on etatism and taxation during the 1948 Economic Congress. It argues that the close reading of the papers presented reveal that for the merchants and experts represented in the congress, the general question on role of the state in the economy had little use in understanding the debate on etatism. The dichotomies between the state and private enterprise as entities with opposing interests, and the incompatibility of etatism and liberalism as two models of economic policy were not the founding principles upon which the congress operated. Instead of arguing for the institutional separation of the state from the market, as the papers show, the participants in the congress argued for the re-structuring of the state and the market by and through the state in re-integrating Turkey into the world economy. The debate on etatism was therefore less about curtailing the power of the state in the economy or establishing democratic institutions, but more with re-organizing the capitalist relations of production

in Turkey with the participation of the businessmen and economic experts to ensure the centralization and intensification of capital accumulation.

It is possible to classify the main threads within the commissions on etatism and taxation as follows: On an abstract level, representatives from the Istanbul Merchants Association and the Turkish Economic Association debated the political organization of the capitalist relations of production and the decision-making processes in relation to the patterns of exclusion and inclusion of the merchants and the experts to said processes. While they called for equal access, through the discourse of democratic freedoms, to the state apparatus for the interest of the whole nation, the definition of equality in representation was limited to the formation of access nodes for these groups in the state apparatus.

On a more concrete note, economy professors affiliated with the Turkish Economic Association and the merchants debated the effects of direct state involvement in the form of state economic enterprises. Opinions as to the limits to state economic enterprises varied, but the participants in the commission concurred that the extensive role of the state was not only necessary in regulating the market, but also its direct participation in sectors that were beyond the scope of private enterprise that were indispensable to the capital accumulation process. Having said that, they also expected the state to roll out of those sectors the merchants deemed profitable and manageable by private enterprise. For private and public sector alike, merchants and the economists demanded the re-organization of the business structure according to the principles of profitability. To achieve that goal, they offered the formation of an independent assembly for economic affairs which would be comprised of representatives from the chambers of trade and industry, bureaucrats, and technical experts from organizations

such as the Turkish Economists Association. Towards the rationalization of the decision-making processes in economic policy this assembly would work in tandem with an autonomous planning agency in developing mid-term plans for different sectors and ensuring the efficiency of the present assets.<sup>95</sup> In the commission on taxation, IMA, TEA and industry leagues from Istanbul and Izmir, argued that the already-existing earnings and transaction taxes had resulted in a profit squeeze in industry, leading private entrepreneurs away from industrial production. Instead, they proposed extending the burden of taxation to small scale artisans and the peasantry to force them into wage-labor all the while centralizing capital.

Following this guideline, this chapter first addresses the various conceptions of etatism and the role of the state in the economy the merchants envisioned. Then it pursues their debate on the implementations of the etatist model to decipher the extent of their demands of economic liberalism to develop the argument that the merchants and the DP did not have identical projects and instead required the extensive use of the state power to achieve their objectives. Third, it focuses on the debates on taxation to underline the merchants' persistent call for the state power to be used in centralizing capital and resuming the transfer of surplus from agriculture and small scale industrial producers to large-scale merchants and mid-scale industrialists.

### State against Society

The commission on etatism held three sessions between 22 November and 24

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<sup>95</sup> 1948 Türkiye İktisat Kongresi, "1948 Türkiye İktisat Kongresi'nin Devletçilik Hakkındaki Rapor ve Kararı," in *1948 Türkiye İktisat Kongresi*, ed. Kemal Kılıçdaroğlu (Ankara: Devlet Planlama Teşkilatı, 1997), 386.

November.<sup>96</sup> For the sake of the main argument of this thesis, this chapter divides the commission thematically rather than chronologically. The central theme around which the debate around the etatism revolved was the definition of the relationship between the state as an actor and private entrepreneurs. While the state was defined in relation to its capacity to act in the public interest, social forces beyond the state and the public interest were construed as the sum of the interests represented by private entrepreneurs.

Two positions emerged from the commission on the role of the state in the economy, which became visible through the debate on the nature and the function of etatism. On the one hand, regardless of their political positions, there were those who saw the concept and its implementation as an economic system which was distinctly different from capitalism. Şevket Süreyya Aydemir, one of the architects of etatism, and Feridun Ergin, a liberal economist from Istanbul University, from two opposing positions, argued in this line.<sup>97</sup> Şevket Süreyya maintained that as a concept etatism offered the greatest promise for economic development but its implementation had failed to act in the premises of the concept.<sup>98</sup>

The dominant narrative in understanding etatism, on the other hand, saw etatism as an economic strategy in developing capitalist relations in the absence of accumulated capital to instigate capitalist growth. This point of view diverged in itself into two.

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<sup>96</sup> 1948 Türkiye İktisat Kongresi, “Türkiye İktisat Kongresi Nasıl Toplandı, Nasıl Çalıştı,” in *1948 Türkiye İktisat Kongresi*, ed. Kemal Kılıçdaroğlu (Ankara: Devlet Planlama Teşkilatı, 1997), 20.

<sup>97</sup> Feridun Ergin, “Devletçilik,” in *Devletçilik ve Devlet Müdahalesi* (Istanbul: Duygu Matbaası, 1948), 18-21.

<sup>98</sup> *İktisadi Yürüyüş* no. 213-216 (December 1948), 25-26.

Industry-oriented merchants, such as Ahmet Hamdi Başar and Tahir Atansay and the rest of the economists, argued that the state had accomplished these aims and even went further and should now step back only in regulating the economy.<sup>99</sup> The export-oriented merchants and liberal economists, however, argued that by its overt reliance on bureaucratic management, etatism had failed to deliver its own promises of capitalist development and therefore needed to be dismantled.

Merchants and economists who opposed the already-existing state influence in the market had several common complaints which did not directly address etatism as a concept. Instead, they were interested in the actual organization of production and trade. They all granted that the state enterprises had been instrumental in organizing production, developing the network of transportation and training personnel during the 1930s, within the structural limitations the free enterprise experienced during this period.<sup>100</sup> Yet, in its implementation, etatism had failed by reaching beyond its stated purpose, namely regulating the economy to intensify capital accumulation by private enterprise.<sup>101</sup>

The state had failed in choosing the sectors in which it would invest. Investments in heavy industries, such as the steel factory in Karabük, were far from optimal and in

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<sup>99</sup> See Ahmet Hamdi Başar, “Devletçilik ve Devlet Müdahalesi,” in *Devletçilik ve Devlet Müdahalesi* (Istanbul: Duygu Matbaası, 1948), 9, 13; Tahir Atansay, “Devletçilik ve Devlet Sanayi,” in *Devletçilik ve Devlet Müdahalesi* (Istanbul: Duygu Matbaası, 1948), 60-61; Ahmet Ali Öztekin, “Türkiye’de İktisadi Devletçilik Problemlerine Toplu Bir Bakış ve Devlet İşletmeciliği Hizmetinde Barem Sistem ve Zihniyeti,” in *Devletçilik ve Devlet Müdahalesi* (Istanbul: Duygu Matbaası, 1948), 154.

<sup>100</sup> Hazım Atıf Kuyucak, “İstihsal, Ticaret ve Umumiyetle İktisadi Hayat Üzerinde Devlet Müdahaleciliği Nasıl Olmalıdır?” in *Devletçilik ve Devlet Müdahalesi* (Istanbul: Duygu Matbaası, 1948), 56-57.

<sup>101</sup> Kuyucak, 58. Başar, 10. Muhlis Ete, Türkiye’de Devlet İşletmeciliği, in *Devletçilik ve Devlet Müdahalesi* (Istanbul: Duygu Matbaası, 1948), 23-25.

fact investments in those enterprises wasted the resources which were better used in developing agricultural industry or the energy framework. As a result, even though the state prioritized the primary role of the free enterprise in the economy, in actuality it crippled itself in fulfilling its role, according to its own principle.

All the participants, especially the economists, were deeply suspicious of the state capacity in planning and executing economic management. They defined the state interests by referring to the autonomous interests of the bureaucracy, which in turn they attributed to the historically dominant role of the state in Turkey. Waste, irrational management and the domination of the market at the expense of private entrepreneurs therefore were the key issues the criticisms of the etatist model.<sup>102</sup> Proponents of a liberal economy argued that the bureaucracy was not in a position to accommodate the needs and the wishes of private entrepreneurs due to their distinct interests. First, the state lacked the capacity to properly maintain or regulate economic activity in terms of scale. With its already-existing personnel, the bureaucrats failed to respond to changes in the market both at the national level and at the international level.<sup>103</sup> Second, in areas which were under direct state control, the state had the tendency to socialize costs and losses in economic enterprises. Since it did not operate on the principle of profit, the merchants and the economists argued, losses were rationalized as costs generated for the purpose of public interest.<sup>104</sup>

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<sup>102</sup> Kemal Tosun, "Devletçilik ve Devlet Müdahalesi," in *Devletçilik ve Devlet Müdahalesi* (Istanbul: Duygu Matbaası, 1948), 181.

<sup>103</sup> Ete, "Türkiye'de Devlet," 28; Ergin, "Devletçilik," 20; Kuyucak, "İstihsal, Ticaret," 40, 44, 46; Şevki Göklevent, "Devletçilik ve Devlet Sanayii," in *Devletçilik ve Devlet Müdahalesi* (Istanbul: Duygu Matbaası, 1948), 63.

<sup>104</sup> Kuyucak, "İstihsal, Ticaret," 43; Cihat İren, "Devletçilik," in *Devletçilik ve Devlet Müdahalesi* (Istanbul: Duygu Matbaası, 1948), 56-57.

Mustafa Elmalı, on the other hand, saw the state involvement in the economy as an instrument in planning industrial development. Not only did he differ from the liberal economists and export-oriented merchants in terms of locating the source of economic growth for Turkey, he also challenged the prevalent view in the congress over the causes in economic and managerial waste and inefficiency. He argued that in order to transform the Turkish economy into a competitive market in the World economy, planned industrial production offered much more promise than an economic growth model based on agricultural exports.<sup>105</sup> Etatism would be essential in forming linkages between the already-existing industrial base in Turkey and the state would invest in laterally and hierarchically into linked industries in addition to the existing enterprises. According to Elmalı, state involvement in industry was also far more profitable and efficient in comparison to private enterprise since the control of this supposedly linked industries required a large and centralized command structure. The state had a greater capacity to recruit and train the necessary personnel to run these industries as well as maintain the control over linkages than private enterprise since the entrepreneurs were solely interested in their short-term interests.<sup>106</sup>

Elmalı presented his case as the result of an historical necessity. It had been the lack of accumulated capital in the hands of private enterprise which had led to the primacy of the state intervention in the economy during the pre-World War II era in Turkey. Yet, not only had the conditions in Turkey changed, but also the organization of production and the sources of productivity in the World market in general had changed

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<sup>105</sup> Mustafa Elmalı, “Devletçilik Meselemiz,” in *Devletçilik ve Devlet Müdahalesi* (Istanbul: Duygu Matbaası, 1948), 49.

<sup>106</sup> Elmalı, “Devletçilik Meselemiz,” 50.

as well. Therefore, the historically specific case of liberal markets had no viability an option in Turkey.

What led the state to extend its control over various sectors had not been the bureaucratic rationale which the liberal economists and export-oriented merchants held responsible for, but the short-term interests of the merchants themselves. During the 1930s, he claimed, the state had invited private enterprise to undertake various sectors in industrial production, but the entrepreneurs had chosen trade over industrial production, because the former was less risky and offered more profit in the short term.<sup>107</sup>

All the participants in the commission, with the exception of Feridun Ergin, granted that Turkey's mode of articulation into the world economy had necessitated the extended initiative of the state in economic policy as well as the formation of the state enterprises, especially during the Great Depression. Ahmet Hamdi Başar in a detailed account of the development of capitalism in Turkey from the late nineteenth century and onwards, began his paper in what was the typical form in the congress by addressing this fact.

According to Başar, the “underdevelopment” in Turkey was closely related to the development of capitalism in the West, as well as the social relations of power in Turkey which had become dominant in the last century of the Ottoman Empire. The development of the capitalist relations in the West from the nineteenth century onwards had created a great divide between the productive capacity of capitalist societies and Turkey. Any attempts at articulating the Turkish market to the world economy had resulted in an unequal exchange of the surplus, impoverishing Turkey. The only option

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<sup>107</sup> Ibid., 51.



Turkey had to roll back into autarky.<sup>108</sup>

He first historicized the conditions under which the Western societies had been mechanized. Stating that under those conditions, free market with a night-watchman state had been a viable option, Başar underlined that since in Turkey the capital accumulation had been relatively low and the industrial base was weak, state intervention and regulation in every aspect of social life had become an imperative. The relation between the state and private enterprise as well as the form of political participation in decision-making processes was at the heart of the process of industrialization for Başar. He argued that the mode of thought which was prevalent in the West that depended on the principle of individual rights and the direct access to the political decision-making process was the foundations on which the project of mechanization, as he called it, were established. To clarify the use of the concept, he referred to the “ability to adapt to the pace set by the machinery,” which in turn, according to him, implied the formation of an institutionalized state endowed with wide executive powers which has the capacity to exercise its authority swiftly and decisively. Therefore, as the historical conditions dictated, the state was the first institution in Turkey that needed to be “mechanized.”<sup>109</sup> Therefore, the economic development, increasing productivity, and state intervention were inter-related concepts. Economic development could only be achieved through increasing productivity and the state was the primary agent which would ensure the development of the productive capacity to that end. Having established the conceptual interdependency of the state and the market,

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<sup>108</sup> Başar, “Devletçilik ve Devlet Müdahalesi,” 4.

<sup>109</sup> Başar, “Devletçilik ve Devlet Müdahalesi,” 6-7.

he moved on to add the welfare of the citizens as an extra variable to the question he formulated.

Recounting early republican history from this perspective, Başar argued that given the financial limitations of the era, there had been no other choice in capitalist development but the direct and extensive use of state power. Industrial production throughout the early Republican era had been characterized by pre-capitalist motives. Başar attributed this to the inability of the bureaucrats and the entrepreneurs to comply with the logic of capitalist accumulation and rational administration. The financial instruments at disposal should have been directed to means that would have increased industrial productivity, namely capital goods. Instead, both the public officials and the entrepreneurs had appropriated conspicuous consumption patterns and organized industrial production around their needs.

In retrospective, Başar maintained the accumulation regime depending on the transfer of surplus from agriculture to industry had not only been ineffective in achieving the established goals in developing industrial production but also had exploited the peasantry and the consumers in the cities. Industry in Turkey was nothing more than producing luxury items and selling them dear by way of high customs, to get rich as easily as possible.<sup>110</sup> As a result, the working classes and the peasantry bore the burden of the process of industrialization while the national market remained relatively unconnected.

The correct path to an industrial society Başar continued, would begin by first developing agricultural production through mechanization and then diverting resources

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<sup>110</sup> Başar, “Devletçilik ve Devlet Müdahalesi,” 4.

to developing the industrial base. Economic development required prioritizing the development of agriculture, mining, and the transportation networks to all the while maintaining the emphasis on industrial development, especially the production of cheap consumer goods for mass production, away from the luxuries. Yet this change in priorities did not necessitate the formal expulsion of the state from the economy. On the contrary, by 1948, a debate between etatism and liberalism as mutually exclusive models of development had no purpose at all. All around the world, Başar saw the signs of greater state control in regulating national economies. Through high taxation, the surplus from the industrial production was appropriated and redistributed by the state. In some cases, due to these taxes, private entrepreneurs acted as if they were state contractors in their specific sector. The internal and external trade of those products was regulated by the state. The same state also codified the rules of engagement between these contractors and the workers they employed. The real problem, then, lay in answering the question of the political organization of the etatist regime, and the degree of direct state involvement.<sup>111</sup>

The political organization of an etatist economy had two concrete alternatives, according to Başar: etatist socialism or an individualist etatism. Putting aside socialism as a false signifier for Turkey, since the contradiction between workers and capitalists had never occurred due to country's relatively late articulation into the World economy, Başar maintained that individualist etatism offered the greatest promise for Turkey.

Individualist etatism referred to a relationship between the state and society in which the state upheld the principle of free enterprise and democratic decision-making

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<sup>111</sup> Ibid., 8, 11.

processes, all the while separating certain spheres of economic and social life that are either beyond the scope of the entrepreneur to effectively manage or sectors that are vital to the reproduction of labor. State involvement and regulation were not matters of preference for Başar, but imperatives to developing the industrial base and mechanize the country. Even, foreign capital, in its all forms in his view lacked the capacity to finance industrialization. He stated that

even if we wished to establish a most liberal of capitalist regimes, we have to implement etatism that is to give the state formative and protective roles. Doubtless, once the state aided the constitution and the rule of liberal capitalism, it will step aside, and then leave the work to the capitalist.<sup>112</sup>

Instead of establishing the rules and regulations of the market, and acting as a cocoon for the capitalists, the state, according to Başar, had gone a step further and become the “capitalist” itself. Once it had become dominant in the market, Başar claimed, that the state had dominated the rest of the social relations of power, curtailing individual rights as an extension of its dominance in the market. Once the market was dominated by the state, the interest of the state itself and the treasury took precedence. As a result, the state not only had begun to see its citizens and its own bureaucracy as a threat to its own existence, but also had shaped its conduct and laws against those threats. In turn, the citizens had exercised all their efforts to circumvent those laws to protect their interests.<sup>113</sup>

To surpass this problem, Başar proposed the formation of an independent assembly for economic affairs which would be comprised of the representatives from the

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<sup>112</sup> “*En liberal bir kapitalizm rejimi kurmak istesek, bunun için dahi bir devletçilik tatbik etmek, yani devlete kurucu ve koruyucu roller vermek zaruretindeyiz. Şüphe yok ki devlet liberal kapitalizmin kurulması ve hakim olması için ilk yardımı yaptıktan sonra çekilecek, ondan sonra işi kapitaliste bırakacaktır.*” Başar, “Devletçilik ve Devlet Müdahalesi,” 9.

<sup>113</sup> Başar, “Devletçilik ve Devlet Müdahalesi,” 10.

chambers of trade and industry, bureaucrats, and technical experts from organizations such as the TEA. Towards the rationalization of the decision-making processes in economic policy, this assembly would work in tandem with an autonomous planning agency in the development of mid-term plans for different sectors and ensuring the efficiency of the present assets.<sup>114</sup>

Both the assembly and the planning agency, in Başar's view, would also act as barriers between the clientelist relations that persisted in the political life and the "objective developmental goals." Democratic political participation then would also include the institutional separation between political decision-making and economic planning. Expertise in economic activity, either through technical knowledge or through experience in the market, would be a pre-condition in taking part within the assembly for economic affairs as well as the planning agency.<sup>115</sup>

There are, of course, several contradictory remarks and out of context uses of established concepts within Başar's narrative. His use of "state" and "individuals," "state" and "the bureaucracy" as agents within the relations of social power are far from clear. His use of "etatism" as an economic concept is far larger than the word's common connotations. As an agent, the state itself became an entity of near-paramount power and little specificity. Sometimes within the paper, the state appears as an agent constituted by the bureaucracy, more often, bureaucracy became the agent through the state was abused in its function. Yet, it also appeared as an entity beyond the bureaucratic cadres, which

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<sup>114</sup> Ibid., 12.

<sup>115</sup> Başar, "Devletçilik ve Devlet Müdahalesi," 13-14.

was openly suspicious of those agents it employed. Therein lie the allure of Başar's arguments. They tightly formulate the ambiguous relationship between the state and the merchants, all the while maintaining the instrumental use of the state from the perspective of those merchants favoring an industry-oriented development.

A similar line of argument attributing the inefficiency of the system to the extension of bureaucratic control was followed by Feridun Ergin, a professor from the Department of Economics at Istanbul University. In contrast to Başar's "developmentalist" approach, Ergin attributed the development of etatism in Turkey to the direct result of the effort by the state officials to dominate social relations in their totality.<sup>116</sup> Etatism was the synthesis of the economic and philosophical thought that denied individual rights and free enterprise towards that goal. It aimed to establish the dominance of the bureaucratic rationale and mitigate economic losses through taxation, re-asserting the state's dominance. As a result, etatism was an economic system distinct from capitalist relations of production.<sup>117</sup> He maintained that it was impossible to manage such a system scientifically.

In contrast, Cihat İren differentiated between the uses of the concept. Delving into the area where Başar was ambiguous at best and Ergin was indifferent, he pointed that, etatism was not an economic system, but a particular economic policy historically constructed in the West in order to improve the liberal economic model. Step by step, in the West first, the state had institutionalized the interventionist method in the economy and constructed state economic enterprises, all from the inner-relations of the liberal

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<sup>116</sup> Ergin, "Devletçilik," 19.

<sup>117</sup> Ergin, "Devletçilik," 20.

model.<sup>118</sup>

The crucial point in comparing the “etatist” experience in the West and in Turkey, for İren, was the already established relations of production in given cases. While in the West, etatism had emerged from a unified market which had completed its capitalist development, in Turkey it had been implemented from above without meeting these conditions.<sup>119</sup> Therefore, it was elementary to focus on developing the infrastructural network to unify the national market and focus on rationalizing production and eliminating bureaucratic interference.

In response to the criticism of the state enterprises, Munis Tekinalp, an ardent supporter of the RPP, highlighted the same point. The debate on etatism and liberalism lacked clarification in terms of conception and use. Drawing from the experience of the US, Britain, France, and Italy, Tekinalp claimed that as a historical necessity, the state had strengthened its involvement in the economy not only to guarantee the continuous accumulation of capital, but also to ameliorate the social inequalities which the same process had exacerbated.<sup>120</sup> The liberal critique was therefore unwarranted. Within national boundaries, the liberal economic order had been dismantled in favor of greater state power in managing economy. He claimed that the etatist model of development still offered the greatest promise for the development of capitalism in Turkey, yet conceded that it required revisions. Even more, “the new etatism,” in Turkey, marked with the declaration of President İnönü on 12 July 1947 as well as the revisions in the

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<sup>118</sup> İren, “Devletçilik,” 53.

<sup>119</sup> Ibid., 54.

<sup>120</sup> Tekin Alp, “İktisadi Kalkınmamız ve Yeni Devletçiliğin Umdeleri,” in *Devletçilik ve Devlet Müdahalesi* (Istanbul: Duygu Matbaası, 1948), 140.

RPP party programme in the same year, had addressed the concerns on the implementation of etatism.<sup>121</sup>

According to the new principles of etatism, the state enterprises would be limited to providing public services. Public service, according to Tekinalp, not only entailed infrastructural investments and information networks, but also the organization of agricultural production, by maintaining seed improvement stations, organizing sample farm operations and industrial operations which were beyond the scale of private initiative.<sup>122</sup>

Organizing this division of labor between the state and private enterprise was the second principle of the new etatism. It entailed a planned economic development in which the planning was conducted by the state for the market, since the state was the only actor that could represent the public will and act as a referee in disputes. As an extension, this effort by the state would not only support private enterprise, but also form social safety nets, which would ensure that the workers would not be exploited by the capitalists. In order to keep the state apparatus accountable, it also proposed the formation of a state council administratively responsible only to the Grand National Assembly. Control over the state enterprises which did not directly provide public services would be relegated to autonomous institutions comprised of technocrats who in turn, would operate under the control of this council.<sup>123</sup>

Furthermore, foreign investment would act as bridge in financing large scale

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<sup>121</sup> Ibid., 137.

<sup>122</sup> Ibid., 138.

<sup>123</sup> Tekin Alp, “İktisadi Kalkınmamız ve Yeni Devletçiliğin Umdeleri,” 142-143, 145-147.



operations. According to Tekinalp, “economic development and industrialization was the result of the co-operation between local and foreign elements in the North and South Americas as well as Italy and other European states.” Similar co-operation in Turkey would be crucial in overcoming the need for state intervention in the economy.<sup>124</sup>

### Conducting Business, Limiting the State

Limiting the growth of the state economic enterprises, the reformation or privatization of the already established enterprises by the state, were the second item that the commission on etatism addressed. On this subject, the common ground on which the participants met in deciding on how to limit the state was the scale of the operations and the logic of management these operations were to uphold.

Ahmet Ziya Haznedar, from the Istanbul Chamber of Commerce and Industry, maintained that etatism was a means towards economic growth and prosperity. Etatism was a vehicle to stimulate industrial growth in “a backward nation” and was useful so long as it was a mechanism of incentive. Under the present conditions, on the other hand, the implementation of that specific tool had caused high costs in production, an inefficient organization of production, and a complicated procedure in management. The solution, lay in transforming the division of labor between the state enterprises and private enterprise. The state would be restricted to the areas private enterprise would not be able to succeed and act as a tool in the development of private initiative.<sup>125</sup>

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<sup>124</sup> Ibid., 149.

<sup>125</sup> Ahmet Ziya Haznedar, “Devletçilik ve Mali Mevzuatımız,” *1948 Türkiye İktisat Kongresi* (Ankara: Devlet Planlama Teşkilatı, 1997), 376.

Muhlis Ete, who would hold the positions of Minister of trade and industry during the first term of the DP governments, presented a paper dealing extensively with these subjects in order to elaborate on how the state would be limited and if it was still useful in stimulating economic growth through its enterprises. Granting that the capital accumulation in private hands was relatively small, and the state enterprises played an important role in providing consumer goods, once private enterprise had the organizational capacity to enter these sectors, the state would relinquish state economic enterprises to entrepreneurs.<sup>126</sup>

According to Ete, profitability for a potential investment had become an imperative for the state enterprises as much as private initiative by 1948. Since the state had other means at its disposal such as taxes, duties and charges, or monetary instruments such as emission to mitigate losses, the State Economic Enterprises risked deepening the already inefficient allocation of resources by mitigating losses through these means. The establishment of various SEE around Turkey without any regard to the structure of the internal market, the costs of transportation were an acute example for the case.<sup>127</sup>

Instead of relying on the comparative advantage Turkey had in specific sectors and relying on international trade for the importation of capital goods and raw materials in others, the self-sufficiency principle the government had followed emphasized industrial development as a goal in itself. As a result, instead of improving the infrastructural network in order to unify the national market and focus on agricultural

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<sup>126</sup> Ete, “Türkiye’de Devlet İşletmeciliği,” 27.

<sup>127</sup> Ete, “Türkiye’de Devlet İşletmeciliği,” 23.

production and mining, which were in need of rationalization, the industrialization model followed by the incumbent government had led to the uncoordinated development of various delinked industries that did not have “an economic rationale.”<sup>128</sup>

Echoing the paper by Başar, he maintained that several essential sectors were better maintained through the state. Public interest, the scale of the production, profitability and military security were the key issues that defined the areas of production which would be left to the state. He cited efficiency and the scale of the investment as key variables that would determine which of the state economic enterprises would be relinquished to private enterprise. The production of daily consumer goods, such as that of tomato juice or soft drinks, which private enterprise was readily capable of doing as well as the public enterprises, which were not cost efficient, could be better done by private entrepreneurs.<sup>129</sup>

Large scale grain production co-ordinated by the Institution for Agricultural Combines would be maintained through the state because of the organizational costs involved. Similarly, the mining operations conducted by Etibank could not be undertaken by private entrepreneurs and were better left as state enterprises. The manufacturing plants under Sümerbank, on the other hand, could be managed by private enterprise. So could the Turkish Sugar Factories Company. The postal service, railroads, and radio could be better organized if they were re-organized as autonomous bodies.<sup>130</sup>

Tahir Atansay, an industry-oriented importer affiliated with the IMA, in discussing etatism, pointed to a peculiar aspect of the relationship between the state and

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<sup>128</sup> Ibid., 28.

<sup>129</sup> Ete, “Türkiye’de Devlet İşletmeciliği,” 33.

<sup>130</sup> Ibid., 31-32, 34-35.

society. He argued that the conceptual separation between the state and society was only formal in organizing economic relations within a given nation and in terms of interest. He claimed that the interests of the state and the citizens were not oppositional in nature, but either complement each other or essentially were the same. He defined these interests at the most abstract level: The development of capitalist relations in Turkey and the continuous economic growth depended on increasing productivity through mechanization and rationalization of production.<sup>131</sup>

The organization of these interests required the state to either relinquish its economic enterprises or re-structure them according to the market principles. The state economic enterprises, due to their reliance on state finances were not compelled to produce cost-effectively or increase productivity. By adhering to the profitability principle, private entrepreneurs would be more efficient than the state officials in conducting business. There were two points that would inform this process: the scope of the investments and the public interest (defined as ambiguously as possible). Stating that specific sectors such as the railroads, big mining establishments and military industries could not be undertaken by private enterprise, the state was better equipped to run these operations. Nevertheless, Atansay maintained that clear-cut lines would have to be drawn in limiting the state economic enterprises and publicly declared.<sup>132</sup>

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<sup>131</sup> Tahir Atansay, "Devletçilik ve Devlet Müdahalesi," in *Devletçilik ve Devlet Müdahalesi* (Istanbul: Duygu Matbaası, 1948), 59-60. Atansay was aware that any attempts at capital intensive investment would lead to the proletarianization of the peasantry. He firmly believed that the state would be able to co-opt this process through redistributive mechanisms, guiding the process towards a "healthy relationship" between the peasantry, workers, and the capitalists.

<sup>132</sup> Atansay, "Devletçilik ve Devlet Müdahalesi," 61.

Atansay hypothesized that once the state relinquished the state economic enterprises that could be operated by the private initiative, the income it generated through “privatization” would generate the necessary capital to undertake larger scale operations. Then the state would invest in large scale operations which private entrepreneurs could not undertake until the entrepreneurs could accumulate capital through their smaller scale investments in the rest of the sectors to undertake those operations.<sup>133</sup>

What Atansay proposed was the centralization of the capital in Turkey through direct state involvement. The risks and organizational costs of large scale operations would be undertaken by the state, while private entrepreneurs would accumulate capital by investing in the production of cheap consumer products. Even when etatism was to be dismantled, it would actually be re-structured. The implementation of the process still entailed the direct participation of the state as a collective capitalist. There still would be a division of labor between the capitalists and the state defined by the scale of the investment.

### Deploying the State, Centralizing Capital

Combined with the general discussion on etatism, the debate on the commission on taxation indicates that while the merchants and economists separated their arguments to smaller parts in different sections of the congress they had a unity in terms of understanding the role of the state in the economy. Their expectations and demands

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<sup>133</sup> Ibid., 62.

could only be put together if all these debates could be united. The commission on taxation formally focused on the proposed legislation on income tax by the RPP and the already-existing transaction tax and its effect on industrial production. Yet, the discussions within the commission reveal the active interest of the merchants in the state not only to regulate redistributive mechanisms but also to act on their interest in intensifying the process of capital accumulation and the centralization of capital through the taxation system.

Within the commission, the first thing to note is the dominance of the industrialists and economists merchants involved mostly in exports were absent from the discussions. Of the 13 papers presented to the commission, four of them came from the industry leagues of Istanbul, Izmir, and Zonguldak; two papers were presented by capital goods importers; and one of them was a collaboration between the commercial manager of Mensucat Santral, Inc., and a management professor from Istanbul University.<sup>134</sup>

The debate on income tax were mostly on the scale of taxation on production and on the transaction tax. The industrialists proposed that steps towards concentrating capital accumulation should be taken by way of alleviating the tax burdens on industrial producers. Furthermore, they argued that the income tax should also encompass the agricultural sector. In the proposed legislation, however, small and middle farmers were exempt from the income tax.

The RPP government had declared that the legislation on income tax had four goals: fair taxation, increased state revenues, reduced tax evasion, and the rationalization

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<sup>134</sup> See the the collection of papers for the total of participants in the taxation commission. See the participants list for their occupation.

of merchant activity through generalized and simplified book keeping.<sup>135</sup> Its representative in the commission, who was also the figurehead of the proposed legislation, Fritz Neumark, defended the proposed income tax against the criticism of the industrialists and economists. Neumark maintained that the already-existing earnings tax lacked the means to generate tax revenues for the state, was not up to date enough to provide for a “modern economy,” and its implementation was far from fair.<sup>136</sup>

Neumark argued that a unitary income tax, in contrast to a scheduler earning tax, would extract tax revenues in proportion to the incomes of various enterprises. Instead of calculating earnings from different sectors and separately taxing them, the income tax would be implemented on the sum total of the gains. He therefore concluded that the income tax would be in favor of the big merchants, industrialists. The wholesale dealers, some retailers and independent merchants would have to pay heavier taxes since keeping account books would force them to declare their real income.<sup>137</sup>

Istanbul Merchants Association conceded that a reform in the taxation system was necessary, but differed from the incumbent government on the range and scale of the income tax, as well as its application. In its collective paper, it argued that the proposed income tax should encompass as much of the population as possible if the state hoped to reach its own goals of fair taxation. It should include all direct taxes and should be practically applicable. It argued that the proposed legislation could not fulfill its promises since the agricultural production, craftsmen, and interest of government

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<sup>135</sup> Fritz Neumark, “Vergi Reformu,” *1948 Türkiye İktisat Kongresi* (Ankara: Devlet Planlama Teşkilatı, 1997), 278.

<sup>136</sup> *Ibid.*, 326.

<sup>137</sup> Neumark, “Vergi Reformu,” 329.

securities were exempt from the tax.<sup>138</sup>

Stating these fields of economic activity as the primary sources of income in Turkey, they claimed that the proposed income tax would only bring real estate revenues and interests on saving deposits into the fold, which in turn could generate a small amount of tax revenue. Furthermore, they maintained that the proposed legislation would not simplify the accounting process. Instead, it would require the taxpayer to issue different declarations, complicating the process. The IMA proposed in return revising the already-existing earnings tax in which the industrial production, mining, and transportation would be exempt from taxation as well as real estate and bonds.<sup>139</sup>

Ahmet Hamdi Başar, keeping with his inter-related narrative on the economy argued that the discourse on modernizing the taxation system raised by the proponents of the proposed income tax had no concrete basis or any use. Modern taxation, according to Başar, required a modern economic structure, a cadre of officials who were reflexive to the demands of the people, and observant of the conditions in the country, as well as democratic freedom, the last of which depended on the economic freedom of businessmen and experts. Earnings tax and transaction tax had become an obstacle to economic growth and prosperity, since these three conditions had not been met. The opposition voiced by the merchants to the income tax, according to Başar stemmed from the disillusionment of those parties with the state's capacity to effectively collect taxes and utilize tax revenues.<sup>140</sup>

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<sup>138</sup> İstanbul Tüccar Derneği, "Tasarlanan Şekilde Gelir Vergisi Reformunun Tenkidi," in *1948 Türkiye İktisat Kongresi, Kongreye Verilen Tebliğler Bülteni Sayı: 2* (Istanbul: Duygu Matbaası, 1948), 110-114.

<sup>139</sup> *Ibid.*, 116.

<sup>140</sup> Ahmet Hamdi Başar, "Vergi Reformu," *1948 Türkiye İktisat Kongresi, Kongreye*



Aziz Balkanlı of Mensucat Santral, Inc., and Alfred Isaac from Istanbul

University in not only summarized the intent of the participants in relation to the uses of taxation but also framed the report of the commission. They maintained that taxation, as a principle, should ensure the uninterrupted accumulation of capital and should not set barriers to it.<sup>141</sup> Indeed, all of the representatives from the industrial leagues opposed the existing transaction taxes on this ground. The Izmir Regional Industry League in its collective paper claimed that the transaction tax, especially on production, crippled industrial development and forced the entrepreneurs to divide their enterprises into small units to avoid high rates of taxation.<sup>142</sup> Tahir Atansay maintained that while the transaction tax could be collected on non-essential consumer goods, and consume goods that were already produced or planned to be produced in Turkey, industrial production should be exempt from the tax in order to support it.<sup>143</sup> Participants proposed the stock corporations to be taxed in proportion to their profitability. In addition, in their schema, bonds by stock companies would be exempt from taxation.

The clearest line of argument in this sense was presented by Ahmet Hamdi Başar who stated that the transaction tax transferred the surplus from industry to the state, limiting the already established industrial enterprises. The tax itself forced the

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*Verilen Tebliğler Bülteni Sayı: 2* (Istanbul: Duygu Matbaası, 1948), 68.

<sup>141</sup> Aziz Balkanlı, Alfred Isaac, “Vergi Mevzuatının İktisadi İhtiyaçlara Göre Ayarlanması Lüzumu,” in *1948 Türkiye İktisat Kongresi, Kongreye Verilen Tebliğler Bülteni Sayı: 2* (Istanbul: Duygu Matbaası, 1948), 98.

<sup>142</sup> İzmir Bölgesi Sanayi Birliği, “Muamele Vergisi Kanununun Heyeti Umumiyesine Teveccüh Eden Tenkit ve Teklifleri,” in *1948 Türkiye İktisat Kongresi, Kongreye Verilen Tebliğler Bülteni Sayı: 2* (Istanbul: Duygu Matbaası, 1948), 89-90.

<sup>143</sup> Tahir Atansay, “Vergi Reformu,” in *1948 Türkiye İktisat Kongresi, Kongreye Verilen Tebliğler Bülteni Sayı: 2* (Istanbul: Duygu Matbaası, 1948), 81-82.

entrepreneur, in his words, to “dismantle the machines in the factories, to employ menial labor instead of using electricity and engines, transformed factory work into small scale production.”<sup>144</sup>

The industrialists and the economists all argued that if the transaction tax on consumer goods was lifted but increased on banking, insurance and import goods, the tax itself not only would generate revenues for the state, but also stimulate industrial production. Even if the transaction tax could not be abolished, the industrialists from Izmir maintained that it should be re-organized to include small-scale producers who were exempt from the tax. As Başar also stated, this clause in the law regarding the transaction tax had led the industrialists to divide their efforts in evading the transaction tax on production barring the formation of large-scale operations. As a result, they argued, the production costs had gone up and skilled wage-laborers had become scarce.<sup>145</sup>

It appears that the industry-oriented merchants expected the state to continue and even intensify the transfer of surplus from agriculture to industry through redistributive mechanisms. Lifting the transaction tax would make the industrial producers and capital goods importers more competitive in the short term. On the other hand, by widening the range of the income tax to include the small and middle scale agricultural producers, and craftsmen, the industrialists expected the state not only to finance their rapid expansion, but also to force the rural population into becoming wage-laborers in the cities. Their aim was to form stock corporations and go public since they expected those bonds by

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<sup>144</sup> Başar, “Vergi Reformu,” 274.

<sup>145</sup> İzmir Bölgesi Sanayi Birliği, “Muamele Vergisi,” 91.

stock corporations to be exempt from taxation, and finance the privatization of the state economic enterprises, a central demand during the commission on etatism, benefitting from the low rates of taxation they proposed for the joint-stock companies, all the while eliminating the middle-scale production in cities.

This process as a whole not only required the active intervention of the state during legislation and the organization of the tax-collection process, but also it required the state to become the target of the political backlash, it might create from the peasantry and small-scale industrial producers who had born the weight of state finances throughout the World War II. At the time, both the ruling party and the opposition aimed to gain the consent of the large rural population in this political period of re-organization, so this demand was stillborn. Yet the intention of the merchants to centralize capital accumulation through state intervention also signaled their adherence to the extensive role of the state in the economy regardless of their rhetoric.

This chapter as a whole re-constructed the framework of the relations between the state and private entrepreneurs as the merchants, industrialists, and experts envisioned within the congress. The next chapter, for this reason, focuses exclusively on the debates on foreign trade in analyzing the accumulation strategy the participants proposed within these institutional limits.

## CHAPTER IV: A CHANGE IN THE MODE OF ARTICULATION FOR TURKEY TO THE WORLD ECONOMY

Having established the role the merchants and experts attributed to the state in the economy in the last chapter, this chapter focuses on their actual demands in terms of capital accumulation strategies by cross-referencing these demands with two variables; the role the international hegemonic institutions set for Turkey in addition to the financial adjustment they required from the Turkish policy-makers and the level of development in agricultural and industrial sectors. Next, the chapter focuses on the issues raised in the commission on foreign trade to link the demands by the participants in economic policy with these variables. First it addresses the accumulation strategies which were proposed during the commission meetings, then moves on to the finance of these strategies, and closes with the discussions on the public organization of these demands by turning to the debate on the formation of a foreign trade institution.

### Economic-Corporative Interests and Global Limitations

Aiming to raise the competitiveness of its export goods, Turkey lifted the import limitations, adjusted the external value of the Turkish lira and resumed financing its balance of budget through its foreign exchange reserves, with the Devaluation of 7 September in 1946. As a country with a relatively weak industrial base, and mostly agricultural economy, it was in the process of re-articulation into the capitalist world

economy with an ambiguous focus on agricultural production all the while maintaining its ties in key industrial sectors that had been developed during the 1930s, such as steel and railroads.

For the policy-makers, the tension of both implementing the financial adjustments that the international hegemonic institutions expected of them and following the distinct mode of capitalist development that they have been striving for, an ad-hoc form of ISI, intensified the process of the dissolution of the power bloc around the RPP government. It also intrinsically brought both the mode in which the capitalist development would be followed and the medium through which capitalist development would be politically organized in question.

Of the three commissions in the 1948 Economic Congress, the commission on foreign trade was the main platform on which the participant businessmen and the economists discussed the foreign trade regime on these terms. On the one hand, this debate arose out of necessity. Contrary to expectations, the devaluation of 7 September, and the overall decrease in the traditional exports in the post-war period had squeezed the profits of the exporters, and the devaluation itself had resulted in a negative balance of payments, which in turn had made it extremely difficult to import goods due to the lack of foreign exchange reserves. The commission on foreign trade, therefore, became the platform of discussion for the merchants and the economists to debate this “foreign trade crisis,” in which they thought Turkey had become trapped. On the other hand, the Istanbul Merchants Association, the main actor in organizing the congress, had actively lobbied to shape the congress around the topic of foreign trade.<sup>146</sup>

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<sup>146</sup> *Cumhuriyet*, 22 November 1948.

Thematically, four issues were discussed in the commission: the problem of production, the export regime, import limits, and the establishment of a foreign trade institution. At first glance, with the exception of “the problem of production,” these topics seem narrowly focused on foreign trade system. Yet, as the papers presented in the commission show, it was the mode in which Turkey would be re-articulated into the world economy in the post-war period that was discussed. By debating the issue of production and its organization and linking their arguments to the liberalization of the import-export system, the participants actually discussed the accumulation strategy Turkey should follow in the post-war era from the perspective of private entrepreneurs.

There were two visible accumulation strategies that the components of the congress called for and from which diverged: export-oriented growth financed by agriculture and import-substituting industrialization. Along with the contestation on these strategies, the fiscal policy that would sustain them, the organization of the foreign trade regime, whether by and through the state or through private associations, were the main issues the participants addressed during the course of the debates in the commission. The nature of foreign trade itself and its relation to the process of capital accumulation were the main threads that bound the discussion in the mode in which the participants preferred Turkey to re-articulate into the world economy, in the commission on foreign trade.

Refii Şükrü Suvla, an economy professor who was also the chair of the Turkish Association of Economists (TAE), whose advice was otherwise disregarded during the congress, nevertheless framed the final position of the merchants in the congress in the

final reports of the foreign trade commission on the issue of production.<sup>147</sup> In the parts of his paper discussing the “nature” of foreign trade, which would be reproduced directly in the final report of the commission, Suvla argued that trade had only a complementary role when it came to the intensification of the capital accumulation process.<sup>148</sup> It was increases in production that would enable sustainable, long-term economic growth. Trade was the supplementary phase of the production process; therefore, it was impossible to discuss trade without first discussing production, and in inquiries on trade it was imperative not to lose sight of the question of production.<sup>149</sup>

While this seems to be a straightforward observation, its implication was that the issues of productivity and increasing production were much more central to the participants of the congress than pricing, quotas, and restrictions, which dealt with the liberalization of the foreign trade policy per se. These issues were taken into account when they were instrumental in increasing and organizing production. While almost all the participants agreed with this observation, the model through which the productivity increase would be achieved became a debate in itself.

Export-oriented merchants, merchants with ties to the agricultural sector, and economists affiliated with the Turkish Economic Association called for an accumulation regime based on agriculture-oriented growth. On the other hand, industry-oriented businessmen from the Istanbul Merchant Association, Istanbul Regional Industry

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<sup>147</sup> 1948 Türkiye İktisat Kongresi, “1948 Türkiye İktisat Kongresi’nin Dış Ticaret Hakkındaki Rapor ve Kararı,” in *1948 Türkiye İktisat Kongresi*, ed. Kemal Kılıçdaroğlu (Ankara: Devlet Planlama Teşkilatı, 1997), 389.

<sup>148</sup> *Ibid.*, 399.

<sup>149</sup> Refii Şükrü Suvla, “Dış Ticaret Siyasetimiz,” in *1948 Türkiye İktisat Kongresi*, ed. Kemal Kılıçdaroğlu (Ankara: Devlet Planlama Teşkilatı, 1997), 345-346.

League in addition to economists from Turkish Association of Economists proposed that the import substituting industrialization of the pre-war era should be followed arguing that in the long term agricultural sector could not generate wealth in comparison to industrial production. Having said that they also maintained it required considerable revisions, and a focus on developing the agricultural production for an undefined period until light industries and the domestic market could grow enough to be profitable in themselves for the businessmen.<sup>150</sup>

Refii Şükrü Suvla himself called for “specialization in agricultural production, by diversifying, increasing, standardizing and cheapening products,” making them reflexive to the demand in the world market. For an “undefined period of time,” due to the lack of capital in private hands and the low level of the industrial base, Suvla argued that it was better to focus on agricultural production and mining, all the while maintaining the industrial base, but directing capital and foreign credits into agriculture and mining.<sup>151</sup>

Beginning with the observation that the Turkish exports were traditionally specialized in specific agricultural products such as tobacco, dried fruit and animal goods, Reşat Nalbantoğlu, also an economist from the Turkish Economic Association, stressed that this specialization was not necessarily corresponded to competitiveness. He maintained that agricultural sector lacked any initiative by the state or private entrepreneurs towards standardizing the agricultural output, which would be essential in increasing the competitiveness of Turkish goods in the international markets.<sup>152</sup> He

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<sup>150</sup> Tahir Atansay, “Dış Ticaret Rejimi,” in *1948 Türkiye İktisat Kongresi*, ed. Kemal Kılıçdaroğlu (Ankara: Devlet Planlama Teşkilatı, 1997), 375; Necmi Gürdemirel, “Umumi Bir Plan Zarureti,” in *1948 Türkiye İktisat Kongresi* (Ankara: Devlet Planlama Teşkilatı, 1997), 379.

<sup>151</sup> Suvla, “Dış Ticaret Siyasetimiz,” 349.

<sup>152</sup> Reşat Nalbantoğlu, “Tütün Fiyatı ve Fiyat Teşekkülü,” in *1948 Türkiye İktisat*



added that the demand for the traditional exports goods was due to the low living standards of the producers, which brought down the costs and the favorable weather conditions, which brought high agricultural output. If one of these variables were to change, the existing levels of output would be in question as well. Criticizing the developmental project of the government until the post-war era, Nalbantoğlu claimed that instead of rationalizing what the country was already strong in, by rationalizing and standardizing the agricultural production, Turkey had chosen to pursue goals contrary to economic rational. Policy-makers had irrationally focused on industrial investments at the expense of the agricultural sector and the resultant industrial base had been de-linked and poorly managed.<sup>153</sup>

On the other hand, he strongly objected to the possibility of a free market in the agricultural sector, especially of tobacco. Working through his example for one of the main agricultural exports, Nalbantoğlu maintained that the tobacco buyers were organized in the sense that they had direct contact with the state and some of the intermediary merchants. Meanwhile, tobacco producers, who were mostly middle scale agricultural producers, were not organized and lacked such ties. Therefore, he concluded, a free trade regime in tobacco would further undermine the precarious position of the producers. He reasoned that the state regulation in the tobacco trade would have to continue until such time an organization bringing the producers together could protect their interests.<sup>154</sup>

Haki Erol, the former director of Türkiye İş Bankası, also a member of the

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*Kongresi*, ed. Kemal Kılıçdaroğlu (Ankara: Devlet Planlaa Teşkilatı, 1997), 352.

<sup>153</sup> Nalbantoğlu, “Tütün Fiyatı ve Fiyat Teşekkülü,” 354.

<sup>154</sup> Nalbantoğlu, “Tütün Fiyatı ve Fiyat Teşekkülü,” 355-356.

Istanbul Merchants Association argued that, in comparison to agricultural production, industrial production, light industries to be precise, would generate higher and more stable profits in the long term. So the focus on industrial production was indispensable for economic development. He proposed that establishing credit institutions which would provide cheap credit to industry-oriented businessmen should be a priority.<sup>155</sup> Another representative from the association, Munis Tekinalp added that it was the regulation and the long-term planning of the production process which was the key to higher productivity.<sup>156</sup> For the industry-oriented merchants, foreign trade itself was no longer to be the crux of the accumulation process; instead they considered it to be only a means to transform them into productive capital.

Agriculture oriented growth as a strategy was in the interests of the broader group of the participants in the congress (export-oriented merchants as well as for the businessmen supporting ISI, at least in the short term), but also was line with the transformation of the division of labor in the capitalist world in which developing countries such as Turkey were urged to follow import-substituting industrialization when and if they could within the parameters of the newly established rules of financial adjustment. As it was discussed above, Turkish policy-makers had begun taking steps towards articulating Turkey into the post-war liberal order, first as the food supplier for the reconstruction effort for Europe, as the consumer of the production goods of the US for light industries. Taking part in the reconstruction of Europe was therefore a key issue for Turkey, which was hoping to be included in the list of recipients of the aid the US

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<sup>155</sup> Aslan Tufan Yazman, ed., *İktisadi Yürüyüş*, 74.

<sup>156</sup> *Ibid.*, 80.

provided for reconstruction. Policymakers believed that the aid could solve the foreign exchange crisis, inherent in Turkey's articulation into the "liberal" framework of foreign trade, providing them the funds to finance economic growth according to their own developmental model.<sup>157</sup>

In fact, nine months before the congress, the Grand National Assembly had convened and discussed among other events the report of the European Recovery Act on Turkey in relation to the Marshall Plan. Answering a question put forward by the Zonguldak representative Emin Erişirgil, Minister of the Exterior Necmettin Sadak shared the report in great detail with the assembly<sup>158</sup> and highlighted several points that show the government believed that the US and the Economic Cooperation Administration were correct in their assessment of the macro economic conditions of the economy with the exception of fiscal policy. He stated that the emphasis in the report on the development of the agricultural sector and mining activities corresponded with the position of the RPP government at the time. Yet, the RPP government differed from the conception of the Economic Cooperation Administration's report on the issue of financing the capital goods imports. While the Economic Cooperation Administration stated that Turkey possessed the foreign exchange necessary to import agricultural machinery, therefore requiring Turkey to import these goods by purchasing them in dollars, Minister Sadak argued that contrary to the report Turkey lacked the foreign exchange to import capital goods and instead required credit to finance

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<sup>157</sup> Zülküf Aydın, *The Political Economy of Turkey* (London: Pluto Press, 2005), 27.

<sup>158</sup> Republic of Turkey, *TBMM Tutanak Dergisi*, term 37, session 1, vol. 10, 2 February 1948, 4-14.

mechanization.<sup>159</sup>

In response, Emin Erişirgil claimed that the “misinformation” on the part of the American technicians by over estimating the foreign exchange and gold reserves in Turkey stemmed from the inability of the Turkish representatives, especially of the Ministry of the Exterior and the Ministry of Trade, to communicate the “needs and desires” of their constituents in the international arena. He therefore called for formation of the “true” Ministry of Economy that would gather and produce the necessary data for the “correct” information of the macro-economic conditions of Turkey which would supply the Economic Cooperation Administration and the US with accurate information and co-ordinate the relations among the state, businessmen and the Economic Cooperation Administration representatives.<sup>160</sup>

This discussion in the assembly marked the tension within the Turkey would follow in the coming years as it used foreign aid to finance economic growth. On the one hand, Turkish policymakers strived to achieve their own goals in capitalist development; on the other, they were bound by the financial adjustment required by the international hegemonic institutions to finance these goals. The accumulation strategy Turkey followed oscillated between these two variables. The debates on the foreign trade in the congress, therefore, reflected the apparent tendencies both within the bourgeoisie in Turkey and within the policymakers on the national level. Fiscal policy, although the merchants in the congress lacked any formal of political institutional ties to the decision-making process, was therefore central since the proposed models of growth (both the ISI

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<sup>159</sup> Republic of Turkey, *TBMM Tutanak Dergisi*, 9.

<sup>160</sup> *Ibid.*, 18.

and the agriculture-oriented) required foreign exchange to sustain the import of the capital goods.

### Making Money, Dictating Terms

During the debates in the foreign trade commission, monetary policy and the import-export system were discussed primarily to address two concerns: First, the ongoing problem of financing economic growth as a whole, and second, the effects of the financial adjustment process, particularly of the devaluation of 7 September on the foreign trade regime. Financing economic growth through monetary policy or controlling the import-export system was a cyclical debate in itself. While it was discussed on its own at great length, as the discussion below will show, both these issues referred back to the underlying regime of accumulation the groups in the congress proposed that the congress should agree upon and influence the government towards.

On the one hand, the merchants, ranging from the industry-oriented Istanbul Merchants' Association to the export-oriented chambers of commerce of Izmir and Istanbul, called for short-term solutions to the effects of the devaluation of 7 September. On the other, the economy professors in the congress maintained a long-term solution would have to take into account a complete transformation of the foreign trade regime.

With the exception of some importers who equated import-export limitations with unlimited government interference, most of the merchants and the economists agreed upon the necessity of state regulation of the foreign trade regime due to structural constraints. While the export-oriented merchants were against any sort of state intervention when it came to foreign trade, they conceded that the negative balance of

payments would hurt the competitiveness of their goods since it would mean that Turkey lacked the purchasing power to import capital goods to implement productivity increases. In a polemic between Ali Haydar Albayrak and Refii Şükrü Suvla, Albayrak forcefully declared that the mention of intervention and limitations made him tremble. Free competition would sort out the market.<sup>161</sup> Salahattin Sanver and Muhlis Erdener also supported Albayrak, maintaining that the policy of import limitations would damage the capital accumulation process.<sup>162</sup>

Tahir Atansay, an importer of capital goods based in Istanbul, conceded that due to the low foreign exchange reserves it was necessary to limit the importation of consumer goods to basic necessities. He expected the government to issue a list of luxury goods and ban the importation of those items.<sup>163</sup> Necmi Gürdemirel argued that the state had to regulate the foreign trade system stabilize its balance of payment and it was impossible to liberalize its foreign trade regime. Arguing that cost prices in Turkey were higher than other countries, traditional export goods would be out of the market if foreign trade regime was to be liberalized. The only country that could benefit from a liberal trade regime, according to Gürdemirel, was the US which had a surplus production and competitive prices.<sup>164</sup>

Export-oriented merchants brought the narrow goals of the exporters to the table, arguing that there was no need for restrictions in the import-export system, so long as the monetary policy was shaped as they desired. The economists responded that the

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<sup>161</sup> *İktisadi Yürüyüş*, 84.

<sup>162</sup> *Ibid.*, 84.

<sup>163</sup> Atansay, “Dış Ticaret Rejimi,” 376.

<sup>164</sup> Gürdemirel, “Umumi Bir Plan Zarureti,” 378.

adjustments to the monetary policy alone would not stabilize the foreign trade system, making the import-export regime an important subject. Furthermore, tying this discussion to the larger debate on the accumulation strategy that Turkey should follow, they prepared the ground for the topic of alternative means of finance for economic growth, including widening the consumer base for local producers and strengthening the purchasing power of the peasantry through fixed prices.

The Istanbul Merchants' Association, in a collective paper, referenced their earlier reports on foreign trade which had been published after the devaluation of 7 September<sup>165</sup> criticizing the inflationary monetary policy the government followed in the post-war era. Recounting their report in the commission, the Istanbul Merchants' Association warned that the actually existing difference between the value of the Turkish lira and stronger currencies such as sterling had a side effect in exports that might fuel further balance of payments troubles. They maintained that they had "pointed to the dangers of the free trade regime of sorts that dominated our foreign trade policy..." and warned that it "could not be sustained..." under the present circumstances.<sup>166</sup> Disregarding the actual values of currencies by attributing the same value to strong and weak currencies, would gather exports around weak currencies and imports around strong currencies, resulting in a negative balance of payments instead of closing the trade deficit.<sup>167</sup>

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<sup>165</sup> İstanbul Tüccar Derneği, "Dış Ticaret Rejimi," in *1948 Türkiye İktisat Kongresi*, ed. Kemal Kılıçdaroğlu (Ankara: Devlet Planlama Teşkilatı, 1997), 340.

<sup>166</sup> "dış ticaret politikamıza hakim olan bir nevi serbest rejimin, içinde bulunduğumuz şartlara göre, gösterdiği tehlikelere işaret edilerek, bu halin devam edemeyeceği [sic.]" Ibid., 341.

<sup>167</sup> İstanbul Tüccar Derneği, "Dış Ticaret Rejimi," 341.

Association concurred with the incumbent government on the necessity of import-export licenses. Since the devaluation failed to raise the competitiveness of the Turkish goods, issuing import licenses would indirectly discriminate against foreign goods to protect the domestic merchants from foreign competition. Taking the financial and economic imperatives of the country into account, they maintained that a liberal foreign trade regime was not possible under the circumstances. It was not only a correct policy choice but was an imperative to implement licenses. Yet, they called for standardization in the process of issuing licenses, saying that “separate decisions for every individual” was detrimental to the foreign trade regime for two reasons. First, arbitrary rulings by the state officials made it difficult for the merchants to respond to the demands of the international markets, and it also provoked rent-seeking behavior among the merchants and the bureaucrats.<sup>168</sup>

The Istanbul Merchants’ Association therefore assumed that foreign trade should not be liberalized because they believed that the immediate and uneven adaptation of the Turkish economy to the new world economic order would be detrimental to the development the productive capacity of the merchants. Instead, they proposed the use of the state power simultaneously in the interests of both domestic social stability and well-being and international economic adjustment, which they perceived to be the most plausible strategy so as to strengthen the domestic bourgeoisie.<sup>169</sup>

Refii Şükrü Suvla differed from the export-oriented merchants and sided with the

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<sup>168</sup> Ibid., 342-343.

<sup>169</sup> Yalman, *Transition to Neo-Liberalism*, 189-190.



Istanbul Merchants Association on this matter. He maintained that the devaluation of 7 September had had no basis or timing, since it had been expected that by decreasing the external value of the lira exports would be strengthened. Yet, without any increase in production factors or any institutionalization towards rationalization of the existing production factors, manipulation of the monetary policy alone would not bring economic growth. Even more, it was detrimental to the development of the internal market. He argued that by removing import restrictions, the decisions of 7 September had increased internal prices, depleted the gold and foreign exchange stocks, and severely damaged the income distribution. Referring to the destructive effect of the World War II on foreign trade, and echoing the paper by Necmi Gürdemirel, Suvla maintained that only a country with surplus product at the level of the US could manage its foreign trade policy without dictating the terms of trade. According to Suvla, limiting the consumption of imported goods by officially fixing prices rather than letting the market shape them would be the correct path. Circling back to the issue of the accumulation regime, he maintained that once the agricultural output and mining operations were rationalized through investment in capital goods, exports would be able to meet the demand for imports, making the control over the import-export system and the prices obsolete.<sup>170</sup>

Similarly, Mustafa Elmalı, another economy professor from Istanbul University, claimed that the confusion regarding the foreign trade regime, both for the decision-makers in the post-war period, and the participants of the commission stemmed from the fiscal policy problems. Observing that Turkey fell within the category of a “country with

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<sup>170</sup> Suvla, “Dış Ticaret Siyasetimiz,” 346, 348.

soft currency,” he stated that in order to regulate its foreign trade regime, it should be focusing on the currency of the country it imported the majority of its goods from as a short-term solution. Furthermore, he added that so long as the Turkish currency remained soft, it would be impossible to even “mention” a free trade or currency regime.<sup>171</sup>

Working through the conceptual mechanism of the balance of payments in an abstracted nation-state, Elmalı noted that in principle, the imports of the necessary goods should be negated by the exports of the country. He then arrived the conclusion that the proper way to maintain the balance of payments would be a gradual transformation to import-substituting industrialization: “In the long term ... imports should be limited to the capital goods and the consumer good that were imported earlier should be produced locally.”<sup>172</sup>

According to Elmalı, a foreign trade regime that shied away from such logic and financed the surplus in the imports through the foreign exchange reserves of the country or manipulations in the monetary policy in Turkey “begins to gnaw on the capital and consumer forces within the country.”<sup>173</sup> Moving the subject beyond the immediate needs of the merchants, he noted that even though Turkey was “not obligated to mimic the policies of other countries, it must implement policies guaranteeing social justice more than any other nation, since the working class and the peasantry live far below the

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<sup>171</sup> “*zayıf paralı bir memleket...*” Mustafa Elmalı, “Dış Ticaret Prensiğimiz Ne Olmalı?” in *1948 Türkiye İktisat Kongresi*, ed. Kemal Kılıçdaroğlu (Ankara: Devlet Planlama Teşkilatı, 1997), 370.

<sup>172</sup> “*uzun vadelerle bir çok senelerin ithalatı istihsal mallarına hasredilerek evvelce ithal edilen müstehlik malları bizzat imal edilmeye başlanır.*” Elmalı, “Dış Ticaret Prensiğimiz Ne Olmalı?” 371

<sup>173</sup> Elmalı, “Dış Ticaret Prensiğimiz Ne Olmalı?” 372.

subsistence level.” In fact, even if it was possible to finance economic growth under these terms through foreign exchange and gold stocks, it would be the taxpayer and the consumer that sustains the process.<sup>174</sup>

Instead of resorting to monetary manipulations such as devaluations, the purchasing power of the peasantry should be strengthened and the intermediate merchants should be encouraged to transform themselves into productive capital, in two inter-related steps. First, just as Suvla had argued, agricultural production should focus on the world market, enabling the exporters to compete in international markets. Second, the exporters should put their short-term interests aside even though low prices in the international markets hurt them without fiscal interventions such as devaluation. The intermediate merchants that linked the small and middle scale agricultural producers to the exporters should invest in light industries, especially in manufacturing. According to Elmalı, this would shrink the market for the products of the small and middle farmers, forcing peasants who could not survive under these conditions to become wage-laborers since they would lose their traditional ties to the merchants.<sup>175</sup>

Thus, Elmalı followed the common emphasis on the primacy of increasing productivity which all the participants in the congress concur, to its industry-oriented conclusion through the discussion on monetary policy. Instead of relying on agricultural production for continued capital accumulation, he argued that an industrialization process guided both by the state and the businessmen would achieve the goals of the merchants without damaging the balance of payments.

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<sup>174</sup> “diğer memleketlerin siyasetini taklitle mükellef olmamakla beraber, sosyal adalet sağlayayan sistemleri tatbik etmeğe her milletten ziyade mecburdur. Çünkü ortada asgari maaşet seviyesinden bile uzak işçi ve köylü sınıfları vardır.” Ibid., 371.

<sup>175</sup> Ibid., 373.

As it appears, the economists in the congress expected the state, on the one hand, to be a barrier between the foreign merchants and local merchants when dictating the terms of trade; on the other, that it would stand between the local merchants and the consumers. It would also protect the interest of the “nation” by decreasing the internal consumption of imported goods when necessary in order to protect the exporters, thereby maintaining foreign exchange reserves, until the proposed investments in productivity (mechanization and the development of light industries for internal consumption) paid off. While the merchants in the commission expected the foreign trade regime to reflect their short-term interests by financing growth through state intervention in fiscal policy, ranging from devaluation to the selective use of import licenses, the economists argued that such an approach was not sustainable.

### Organizing Foreign Trade

While the commission concurred on the short-term goals in capital accumulation and debated how to dictate the terms of trade, they actually diverged on how to organize the foreign trade regime. Since all parties in the congress advocated productivity increases and rationalization in the agricultural sector in the short-term, this divergence may seem minor at first. Yet its repercussions become evident in the discussions on state intervention and the bureaucratic re-organization of the foreign trade regime, which were laterally linked to the issue of accumulation strategies. In fact, the discussion on the import-export system, especially the question of limiting imports, which directly involved how much and through which apparatus the import-export system should be regulated, revolved around this larger debate on accumulation strategies. All the

delegates observed the inability of the state apparatus and the merchant associations to address the needs of the merchants, but they differed on the resolution to the problem.

Gümüşhane delegate Zeki Kadirbeyođlu shared his concerns on the use of the congress itself, to weigh in on the organization of foreign trade. He maintained that the resolutions the congress passed would be void unless the government control over the economic sphere was curbed. Citing the failed attempts of intervention through various reports presented by the chambers and associations to the ministries, he proposed the formation of a permanent committee under the ministries of economy and trade promoting the interests of the merchants, without such direct participation in the decision-making process, Kadirbeyođlu saw no reason why the projects or inclinations which were the results of the congress should be heeded by the government.<sup>176</sup>

Similarly, tackling the issue of how to organize foreign trade regime, the Istanbul Merchants Association proposed the formation of an institution that would follow current events related to foreign trade, gather the necessary data on foreign markets, and when necessary, act swiftly to regulate the foreign trade regime.<sup>177</sup> This institution, it proposed, would be financed by the government, trade associations, leagues and individual exporters and importers. The Istanbul Merchants Association offered two alternatives as to how the institution would be formed. It would either be an official institution with delegates from the merchants as well as the state, or a recognized association that represented the merchants in Turkey as a whole which advised the

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<sup>176</sup> Zeki Kadirbeyođlu, "Ticaret Rejimi," in *1948 Türkiye İktisat Kongresi*, ed. Kemal Kılıçdarođlu (Ankara: DPT, 1997), 240-241.

<sup>177</sup> İstanbul Tüccar Derneđi, "Dış Ticaret Rejimi," 343.

government on issues related to the foreign trade policy.<sup>178</sup> Haki Erol, supported the collective paper by the Istanbul Merchants Association, arguing that the existing chambers of commerce had been semi-official organizations which were in need of improvement. He proposed they be converted into professional associations, all the while maintaining the need for a nationwide association of foreign trade with a consultative character.<sup>179</sup>

Refii Şükrü Suvla opposed the formation of an institution on foreign trade which would be directed primarily by the merchants on the grounds that policy making was a public service rather than a private initiative. He maintained that policy, when it came to the foreign trade, affected not only the merchants, but the general population and he feared that the merchants would pursue their short-term interests at the expense of the rest of the population.<sup>180</sup>

Salahattin Sanver, the chairperson of the Izmir Chamber of Commerce and Industry, in response, proposed an organization exclusively comprised of businessmen. It would exclude middle class professionals such as economists and bureaucrats who might cloud the "pure" interests of the merchants. He added that even though the institution would have a consultative character, it would give "directives" to the related ministries. While his comments on the use and organization of this institution were contradictory, he was vehemently against the formation of an official institution with direct government participation. First, he argued that state intervention would cripple the institution in following purely economic goals, and that the formation of such an

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<sup>178</sup> Ibid., 344.

<sup>179</sup> Aslan Tufan Yazman, ed., *İktisadi Yürüyüş*, 82.

<sup>180</sup> Aslan Tufan Yazman, ed., *İktisadi Yürüyüş*, Ibid., 79

organization would undermine the Izmir Chamber of Commerce and Industry itself.<sup>181</sup>

This debate actually dated back to an incident in early January which also had driven a wedge between the Istanbul Merchants Association and the Istanbul Regional League of Industry, on the one hand, and the Istanbul Chamber of Commerce and Industry on the other. During the meetings held on 30 January and 6 February, the Istanbul Chamber of Commerce and Industry officials had remarked upon the much publicized meeting between the minister of economy and the delegates from the IMA regarding the first draft for “the law of general assembly of economy.” During the session, Nuri Kozikoğlu, member of the board of directors, stated that the ICCI were not informed or consulted on the draft and had issued a statement to the ministry of economy expressing their concerns.<sup>182</sup> Another member, Nuri Dağdelen, informed the chamber assembly that the statement had received no reply from the government.<sup>183</sup> When they had been questioned as to why the board of directors had not insisted on an answer, Kozikoğlu had replied that they had felt no such need since the ministry of economy had a habit of by-passing the Istanbul Chamber of Commerce and Industry and directly contacting the Istanbul Regional League of Industry.<sup>184</sup>

They had maintained that as they were the “legal and legitimate representatives” for the merchants and industrialists, it should have been them who met with the minister, not the Istanbul Merchants Association or the Istanbul Regional League of Industry,

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<sup>181</sup> Ibid., 76-78.

<sup>182</sup> İstanbul Ticaret ve Sanayi Odası, *İstanbul Ticaret ve Sanayi Odası Mecmuası* v.64, no. 5, 122.

<sup>183</sup> Ibid., 122.

<sup>184</sup> Ibid., 123.

which the Istanbul Chamber of Commerce and Industry officials believed represented the narrow interest of the industry-oriented merchants. They also had reasoned that the Istanbul Merchants Association and the Istanbul Regional League of Industry lacked the representational capacity of the Istanbul Chamber of Commerce and Industry since it had a network throughout the country and the Istanbul Merchants Association and the Istanbul Regional League of Industry were local, Istanbul-based organizations.<sup>185</sup>

It appears that the Istanbul Chamber of Commerce and Industry feared a rapprochement between the merchants and the government through a channel that was not under its control. Its officials also were concerned that the growing influence of the Istanbul Merchants Association and the Istanbul Regional League of Industry, both regional organizations, would be detrimental to their own legitimacy and influence in shaping foreign trade policy. The sentiment that Istanbul Merchants Association and the Istanbul Regional League of Industry had tried to by-pass other merchant associations, ones that were leaning towards export-oriented growth, had its reflections during the commission on foreign trade as well. In addition to Selahattin Sanver, Haydar Albayrak, an exporter from İzmir, opposed the formation of an official institution for foreign trade based in Istanbul. He expressed his reservations on the possibility that the regional influences may trump the collective interests of the merchants within the institution with a rhetorical question directed at the IMA, asking if the association would consent such an institution to be established in Izmir.<sup>186</sup> The issue remained unsolved during the sessions of the commission in which Refii Şükrü Suvla reconciled the opposing

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<sup>185</sup> Ibid., 121.

<sup>186</sup> Aslan Tufan Yazman, ed., *İktisadi Yürüyüş*, 81.



arguments by stating that the proposition by the IMA needed further preparation. For the time being, the only decision at which the congress could arrive was to express its inclination towards the formation of an institute, putting aside the debates on its structure and function.<sup>187</sup>

According to the final report of the commission, the merchants would be economically supported by the state and by foreign capital. Export goods would be regulated according to the demand in the world market, agriculture should be oriented toward exports, and exports should be increased, even if this necessitated limiting imports. The commission report on foreign trade proposed the devaluation of the Turkish lira in relation to foreign currencies, which would cause a relative decrease in the prices of export goods compared to foreign goods and would stimulate exports. Exporters were to be supported and helped by the state. Finally, the report proposed changes to the government; financial and monetary policy to attract foreign capital.<sup>188</sup>

A push towards export-oriented agricultural growth therefore stands out in the submitted papers and the commission report on foreign trade in the 1948 congress. The merchants and industrialists concurred on increasing productivity in cash crops, the mechanization of the agricultural sector, the rationalization of the customs system and a balanced budget to promote foreign aid and foreign direct investment. A free export market with controlled imports in which the state would protect the local merchants from the international competition was the proposed trade policy.

As the papers and the resultant report on foreign trade indicate, the merchants

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<sup>187</sup> 1948 Türkiye İktisat Kongresi, “Dış Ticaret Hakkındaki Rapor,” 389.

<sup>188</sup> 1948 Türkiye İktisat Kongresi, “Dış Ticaret Hakkındaki Rapor,” 390-392.

who attended the congress discussed foreign trade primarily to address productivity levels. The common ground of raising productivity to compete in international markets created the two divergent lines in the debate on foreign trade policy. Industry oriented merchants, headed by the Istanbul Merchants Association and supported by the Turkish Association of Economists proposed the continuation of the ad-hoc version of import substituted industrialism on the grounds that industry-oriented strategy offered a sustainable development in the long run. They differed from the etatist conception of organic national growth by arguing for the establishment of an independent institution that would plan, organize, and execute the development model with the direct participation of merchants, industrialists, economists and bureaucrats. It was the publicly organized and managed version of the import substitution in comparison to the etatist period. On the other hand, the chambers of commerce and industry of Istanbul and Izmir, as well as the economists represented by the Turkish Economic Association argued that Turkey should adhere to the agriculture-led accumulation strategy due to its large export potential in agricultural products. They opposed the formation of a central planning organization and the possibility of planned development, but accepted that “trade liberalization” was a potion best taken in moderation.

Among the debates on smaller issues, the commission on foreign trade represented the clearest consensus during the congress. The financial limitations which had been inflamed by the financial adjustment during 1946 to re-integrate into the world economy as well as the historical specificity of capital accumulation in Turkey brought the different sections of the merchants, export-oriented or industry oriented, and the economists together on an agriculture-led accumulation strategy for the short term.

The formation of this short-term alliance also showed signs of internal

contradictions, organizationally between the industry-oriented, Istanbul-based merchants and export-oriented merchants from Izmir and Istanbul. It also showed signs of divergent lines in capital formation in the country. Agriculture-oriented growth may not have constituted the primary option of the merchants. Especially for the industry-oriented merchants, foreign trade itself was no longer the crux of the accumulation process. Instead, they considered it to be only a means to transform them into productive capital. Yet, the limitations of the industrial base, the size of the internal market and the lack of money capital forced their hands. In addition, whatever its long-term repercussions may have been, agriculture-oriented growth solved their problems for the short-term. With a foreign trade regime that would favor them through quotas, and state intervention to regulate and rationalize the agricultural sector, the merchants believed not only capital accumulation would be sustained, but also the domestic market united and the productivity of the agricultural sector would rise. Once the said model reached its peak, this alliance of export and industry oriented merchants would come into crisis. What is evident from these proceedings is that the merchants, on the eve of re-articulation into the world economy, were keenly aware of their short-term, economic-corporate interests and expected the state to selectively use its power to protect the merchants from international competition. They also had serious doubts about whether the incumbent government would be able to implement the necessary policies without damaging their position. Industry-oriented fraction, which also had doubts regarding the DP project, was unwilling to go beyond the established political parties. In addition, the regional and organizational differences between the fractions prevented the formation of a unified bloc for the merchants. As a result, they underlined the “apolitical” aspect of economic activity and articulated their call for direct participation in decision-making

processes through the discourse of economic liberalism.

## CHAPTER V: CONCLUSION

This thesis investigated the relationship between the state and business in the aftermath of World War II during the transition to the multi-party period. It took the 1948 Economic Congress of Turkey as its case to delineate the economic and political transition in Turkey from the perspectives of the merchants and experts of the time by using papers presented by the participants during the sessions, speeches by the organizers of the congress, merchant association journals, assembly records, and daily newspapers articles by prominent intellectuals of the era as its main sources.

The 1948 congress was organized by merchants associations from Istanbul and Izmir in co-operation with economic associations from Ankara and Izmir as well as industrial leagues from Istanbul and Izmir. The congress was striking in the sense that it was the first association of merchants, industrialists, experts and academics involved in economic activity on a nationwide scale without state support or direction. In fact, the state officials actively put pressure on the organization of the 1948 congress, newspapers and intellectuals close to the government distanced the initiative from the economic congress held in Izmir in 1923. On the other hand, organizers and sources close to the DP not only claimed the congress as the successor to the earlier one, but also compared the 1948 Economic Congress with the congresses held during the War of Independence. In retrospective, the common adjective in describing the congress is usually limited to “forgotten.” In the most detailed studies on the subject, the congress is portrayed as having been an intellectual eruption point for the merchant demands for liberalization. In

these accounts, the non-governmental characteristics of the congress are regarded as a sign of the enlargement of civil society and the maturation of the non-state actors in national politics. The congress and its organizers are portrayed as the intellectual spokespersons for the opposition. In the descriptive accounts, the same point is made, with more reference to the political struggle between the RPP and the DP.

One of the fundamental problems with these studies is their limited use of the material on the congress itself. It was argued here that the selective use of the proceedings and archive materials led to the misconstruction of the demands put forward by the participants and caused the misinterpretation of the significance of the congress. Using all congress reports and commission papers, this theses also showed that analyzing the organization and the impact of the 1948 Economic Congress of Turkey solely within the framework of party politics by emphasizing its non-governmental nature disregards the context of the debates the organizing merchants and experts tackled. Only by taking the transformation in the international division of labor, and its implication for the mode Turkey was articulated into world economy into account, is it possible to locate the significance of the congress in the class struggles and alliances.

In a time of political re-organization for the social classes in Turkey, post-war era represented problems for the policy makers since the global liberal order and the world market were in a process of reformation as well. On the eve of the Cold War, Turkey not only transformed its political representational system, but also changed its accumulation strategy when the socio-political struggle beginning with 1946 ended with the 1950 elections. Internally, through the passive pressure of the peasantry and the working class, by 1946 the one-party rule had become impossible to sustain. The legacy of the war for the incumbent government was the alienation of the rural masses as well as the growing

suspicion on the part of the merchants towards the established government. Externally, the RPP was unable to resume its “organic developmental programme,” which depended on the transfer of surplus from agriculture to industry due to financial constraints. Contrary to the policy-makers’ expectations, the devaluation in 1946, caused by their initiative to re-align Turkey within the capitalist bloc, resulted in a negative balance of payments and eroded the foreign exchange reserves. As a result, financing economic growth became a central issue, one that could only be solved in the short-term through foreign aid.

Based on these observations, this thesis argued that it was the structural limitations of the world market and the sizable population of discontent peasantry that led the formation of an economic policy that focused on agricultural growth. Financial adjustment imposed by the international hegemonic institutions deprived the policy-makers of the means of financing their own developmental strategies. Political instability forced the RPP to re-structure itself and re-position its policies to encompass the rural population as well. Therefore, the period of agriculture-led growth, in comparison with the other developing countries at the time, had much to do with the structural limitations of the Turkish economy, its high population of small-scale, agricultural producers in comparison to low level industrialization and urbanization as well as with the social relations of power in Turkey. The transition to agriculture-oriented accumulation strategies, for Turkey as a whole, as much as for the merchants, did not represent an economic policy rupture signified by the political transition from the one-party rule of the RPP to the DP governments in the multi-party period, but was an imperative, at least for the short-term.

Established upon these concrete interests and limitations, the political debates during the congress on the state involvement in the economy did not affirm the growing political power of the merchants, but referred to their lack of political unity beyond the immediate concerns and inability to form political alliances with other classes. Aware of these limits, the merchants and experts therefore did not expect to expulse the state from economy and establish a “liberal foreign trade,” or an deregulated market, but desired to actively use the state power in forming a protected foreign trade regime and a transition period for the import substituting industrialization, within which agricultural productivity would rise and the internal market would be unified.

The 1948 Economic Congress, which had been in the making since mid-1947 was, thus, not the critical point or an eruption of the opposition against the RPP and its economic policy. It was the medium through which the merchants and sections of nascent industrial bourgeoisie tried to exert the power they had accumulated during the war and articulated their concerns through the common sense that was disseminating both nationally and internationally. While the RPP re-oriented its economic policy along the lines that would articulate Turkey into the world capitalist system as the newly formed Bretton Woods Agreement necessitated, the congress saw the initiative of the merchants and experts to reconfigure the relationship between the state and private entrepreneurs.

As “an academic and professional gathering,” as the organizers put it, the congress was convened on three core issues to advise the government and influence economic policy: Definition of etatism and the limits to the state involvement in the economy, the foreign trade regime in Turkey, and the proposed tax reform by the RPP in 1948. During these sessions more than a thousand representatives from different

merchant associations, industrial leagues, and economic associations participated in discussions.

The survey of these proceedings within the framework described above revealed various results. First, the merchants and the experts had no intention of severing their ties with the state. It is true that they vehemently denounced the bureaucratic cadres of waste and ineffective management. The participants all agreed that the state economic enterprises were run irrationally and constricted private entrepreneurs. Etatism, therefore, was one of the main issues that all the participant groups came together in denouncing. It is also important to note that the majority of the participants were united in equating etatism with a historically specific accumulation strategy and its public forms of social organization. Not only did they accept that the etatist measures had been unavoidable during the Great Depression but they also argued that in the aftermath of the war, economic spheres of activity which previously had not been profitable for the bourgeoisie had, in time, become profitable. They pushed for the privatization of the state enterprises, claiming the private sector had developed enough to take on these sectors. Therefore, the bourgeoisie asked the state to relinquish small and middle scale industrial production. Indeed, both the papers presented during the commission on etatism in the congress as well as the final report of the commission advised the state to limit its economic activity to direct public services and large scale industrial operations for which the merchants lacked the money capital.

Second, the participants had no trouble with state intervention in the economy so long as the state acted within what they called economic rationality and if the merchants and experts had direct lines to influence economic policy. To facilitate this, they proposed the formation of an independent “economic assembly” selected from the



merchants, industrialists, and middle class professionals, such as economy professors, statisticians, banking officials, and state officials. The Istanbul Merchants Association also proposed the formation of an independent institute for statistics and a national chamber for foreign trade in Istanbul, directly under this economic assembly. While the merchants, industrialists and experts agreed on the need for an institution that would provide reliable data on economics, the merchants from the chambers of commerce of Istanbul and Izmir opposed the formation of a foreign trade chamber in Istanbul.

Third, the papers presented to the commission show that the participants, merchant and academic alike, were keenly aware of the transformation in the global liberal order, and the role developing countries such as Turkey could play within the new international division of labor. In the short term, all the participants agreed upon an agriculture-led accumulation regime, yet they differed on their long-term projections for capital accumulation. Indeed, a push towards export-oriented agricultural growth stands out in the submitted papers and the final report on foreign trade in the congress. Yet the key issue in this debate was the means to increase productivity. Merchants and experts concurred on increasing productivity on cash crops, the mechanization and the rationalization of the agricultural sector, and a balanced budget in order to promote foreign aid and foreign direct investment. They proposed a trade policy that would ensure a free but controlled export market in which the state would protect the competitiveness of the local bourgeoisie.

Fourth, in the long-run participants were divided on issues of the political organization of the market and mid-to-late term accumulation strategies. The Istanbul Merchants Association and academics from the Turkish Association of Economists considered agriculture-led accumulation as a short-term solution to develop the

productive forces in Turkey. Once the internal market was unified and agricultural productivity rose to levels high enough to sustain the population in the cities, the Istanbul Merchants Association and the Turkish Association of Economists argued that a regime of accumulation that depended on industrial production was the only possibility for economic development. Chambers of commerce, both from Izmir and Istanbul, agreed with their observations, but were skeptical about the resolutions these groups offered.

Fifth, the merchants and the experts, as a whole, did not take an open stance in the political struggle between the RPP and the DP because, neither party had a coherent hegemonic project, especially on economic issues beyond broad objectives. Their insistence on the politically neutral stance of the congress by codifying it as an academic and professional gathering all the while addressing core political issues in the hopes of influencing both the RPP and the DP stemmed from this ambiguity.

As a whole, the congress reveals that there was a political and economic intra-class struggle within the merchants as well. The first division was related to the accumulation strategy to be followed in the coming years. In direct relation to this conflict, the second cleavage was in the political formation of the market. Regional competition among the associations represented the third contradiction. Export-oriented merchants, from all around Turkey, but especially the chambers of commerce of Izmir and Istanbul, unilaterally supported agriculture-led accumulation strategies. Merchants who favored industrial development, such as the representatives from the Istanbul Merchants Association and the industrialists from regional industry leagues, accepted that agriculture-led accumulation was a necessity in the short-term although they favored a planned import substituting industrialization strategy in the mid-to late term. In

relation to this theme, the export-oriented merchants asked for the unconditional dismantlement of the state presence in the economy. The industrialists, industry-oriented merchants, academics, and experts considered such a proposition unrealistic and instead argued for the strategic deployment of state power in forming and regulating the domestic market and protecting the interests of private entrepreneurs against international competition. The Istanbul Chamber of Commerce in co-operation with the Izmir Chamber of Commerce, considered itself to be the rightful representative of the merchants and therefore were hostile to the Istanbul Merchants Association's propositions towards the formation of new organizations for merchants. The Izmir Chamber of Commerce argued that such an organization, located in Istanbul, would give an unfair advantage to the Istanbul merchants.

At the end, it is necessary to state that the congress achieved its modest goals. It brought together the merchants and industrialists and outlined their intent for the economic policy of the country. It asked for independent organizing bodies on issues regarding economic policy. In other words, the congress pressed for direct political access to policy-making processes. The intra-class relations within the private business and the limits of its power in relation to landowners and the bureaucracy limited the impact of the congress. Those limits were partly drawn by the position of Turkey in the capitalist world and partly by the internal conditions of capitalist accumulation. The Merchants and industrials agreed on their immediate interests and vague short-term political demands, but could not unite on their economic and political project as a whole. Even more, structurally, they were in no position to form an alliance with the subaltern classes for the leadership of a hegemonic project. As a result, they took a bipartisan stance in the congress. Their lack of political power on their own limited them to the

RPP and the DP in electoral politics. The vagueness in the final reports of the congress, therefore, was a strategic choice rather than an affinity with the DP programme.

Both the proceedings book and *İktisadi Yürüyüş* (Economic Pace), the official journal of the main organizer, the Istanbul Merchants Association, reveal little data in regards to the background of the participants. The list of participants in the proceedings book state only the names of the participants and a general description of their line of work. While the newspapers and merchants associations maintain that more than a thousand representatives attended the congress, the delegate list showing the sum total of the representatives and the exact number of the delegates who attended the congress is missing. Therefore, an important weakness for the study at hand is to calculate the actual presence of the participants in the economy, both in identifying their actual share in the economy and in terms of the strength of the associations they represented. A genealogical study on the fractions within merchants and industrialists who organized the congress may be essential in verifying the arguments presented here. The annals of merchants' associations may present additional information to solve this problem. By cross-referencing the findings with the arguments in these thesis, it might further enrich our understanding of the political leanings of the merchants and industrialist during the period of the return to multi-party politics.

Furthermore, the combination of these two lines of investigation also would yield invaluable information on the relative economic and political power of these groups during the DP rule and their position in relation to the state. Such an analysis would be valuable to seek the trajectory of capital accumulation in the following decades by contextualizing the merchants' demands not through a top-down analysis of political ruptures but by adhering to the structural continuities and contingent interventions in

economic policy.

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