

THE IMPACT OF THE ECONOMIC IMPERATIVES ON THE POLITICAL PREDISPOSITIONS OF THE PUBLIC AND THE CASE OF TURKEY DURING THE GREAT DEPRESSION AND THE WWII

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Abstract

This paper aims at investigating the impact of the economic crisis during the Great Depression and WWII years in Turkey. Turkey was bound to implement the tariff regulations imposed for five years in the Treaty of Lausanne. The break-up of Great Depression and the due date of imposed tariff codes overlapped in 1929 and the state compelled to reposition itself in line with the domestic and external imperatives. Another turning point was the WWII, with the advent of the war; the Turkish government has taken preemptive steps to dilute the overall effects of the crisis. Turkey attempted to protect its neutrality while improving the links with the German government via chrome exports. The precautions had an immense impact on Turkish society both economically and politically. The course of the events has been shaped in compliance with the fluctuations over the route of WWII. The paper uses formal indices and registers in order to clarify the economic position of Turkey in conjunction with the pre-war period and claims that the political stance of the government towards the conjuncture was the chief determinant and highly useful during the period in which there was no high bourgeoisie. The clash happened to be between merchants and farmers that forged an alliance against the RPP after the end of the WWII.

Keywords: Turkey, Statist, Great Depression, Wealth Tax, National Protection Act

I- Introduction

Turkey, which was founded in 1923, was feeble in terms its human capital and intensiveness of its methods of agriculture. The farmers along with small and middle sized merchants comprised more than 90% of the aggregate population. Within this respect, their role in determining the model that was to be used for the modernization of the country was expected to be determinative. On the other hand, international developments and fluctuations in the prices of agricultural goods were, in essence, the foremost determinants, though Turkey's percentage in the global trade after the exclusion of minorities such as Greeks and Armenians diluted considerably.

The Great Depression and the WWII were the key moments for the repositioning of the state structure in Turkey in accordance with the demands of the farmers and merchants. The first of them, the Great Depression, prompted to the foundation of the Free Party, it failed to achieve the expectations of the public. The second of them, another time of economic crisis, the WWII, was to enable the inclusion of farmers and merchants into political processes of Turkey. In 1946, though not actually applicable, the first of the multi-party elections conducted and another time of hardness culminated with the inclusion of new actors into the political arena.

II- The Stages of the Economy

a) The Period between 1923 and 1929

Okyar denotes to the three major patterns in Turkish economy before 1945, precisely before WWII. The state-subsided economy model in 1930s was the first of its kind and the second was industrialization and the last was the nationalist mindset that aimed to break the foreign hegemony on all strategic sectors such as seaways and railways.¹ Even though, Turkey was recognized as an independent state with the Treaty of Lausanne; it obliged to implement the tariff regulations that were shaped on 1 September 1916 between Ottoman Empire and Entente Powers which was in favor of the latter.² In this respect, there borne the trade deficit, though the trade deficit between 1923 and 1929 leveraged through foreign capital inflow, the balance was still in favor of the foreign

¹ Osman Okyar, *Development Background of the Turkish Economy 1923-1973*, International Journal of Middle East Studies, Vol. 10, No. 3 (Aug., 1979), p. 326

² Abdulkadir Buluş, *Türk İktisat Politikalarının Tarihi Temelleri*, Tablet, Konya:2003, p. 42

merchants.³ External debt and abolition of capitulations set the newly founded republic free from foreign intervention. Furthermore, the removal of externally imposed tax and tariff constraints in 1929 enabled the Republic to regulate its economy in compliance with the national interests. Hale claimed that the Great Depression put the Turkish Republic in one of the weirdest positions since the WWI.⁴

Having signed the Treaty of Lausanne, Turkish Republic was to reach pre-war levels of agricultural output in 1925 boosted through the boom in demand across the world and redeployment of the male population in agriculture.⁵ On the other hand, Keyder claims that the state regulations enabled the farmers to reach abundant harvests and better life standards extensively.⁶ Agriculture constituted nearly half of the Turkish Gross Product in 1929.⁷ The abolition of *Aşar Tax* was the foremost incentive in the constitution of close relations with the RPP and the farmers.⁸ The state largely depended on farmers and farmers made up the largest social strata in terms of population and the share in GDP. The period between 1876 and 1913 was defined to be years of boom and from 1913 onwards to 1939 were to be the years of bust.⁹ The boom was chiefly due to fall in transportation costs.¹⁰ The farmers were the backbone of Turkish economy. Taeuber states that after the foundation of Republic, in the following three decades, the economic status of the farmers did not witness any considerable deterioration.¹¹

Okyar states that the early years of Republic between 1923 and 1930 are considered to be years of liberal economic policy.¹² In this respect, the Republic viewed the notables as stepping stones to create a feasible atmosphere for their radical policies whose grassroots support was at the minimum level.¹³ The stability by 1929 was an important factor for the increases in trade volumes and the total tax recipients increased more than twofold, however, the Great Depression compelled the Republic to revise its liberal policies. The fall in imports from 1929 to 1934 was more than threefold.¹⁴ Cotton, tobacco was the most exported goods of Turkey followed by figs and raisins.¹⁵ The prices of these goods were highly vulnerable to international demand and fluctuated immensely with the onset of the crisis. What is more, the economy of Turkey meant the agriculture, and the incorporation of Turkish economy into world system was initiated through agriculture whose revenues were the most substantial for the newly established Republic.¹⁶ The title on agricultural products has been abolished in order to escalate further the accumulation of capital by big farmers whose future role was designed to be as entrepreneurs.¹⁷

In the Ottoman Empire, non-Muslims who were more prone to trade were the leading figures economically while Turkish *effendi* stayed away from long neglected business.¹⁸ The deportation of non-Muslims who were principally engaged in commerce and constituted the backbone of the bourgeoisie in Turkey hindered the inflow of capital due to the fact that the minorities played an intermediary role that was not adequately filled by the

³ Çağlar Keyder, *The Definition of a Peripheral Economy 1923-1929*, Cambridge University Press, London:1981, p. 79

⁴ William Hale, *Ideology and Economic Development in Turkey 1930-1945*, Bulletin (British Society for Middle Eastern Studies), Vol. 7, No. 2 (1980), p. 101

⁵ Roger Owen and Orhan Pamuk, *20. Yüzyılda Ortadoğu Ekonomileri Tarihi*, Sabancı Üniversitesi Yayınları, İstanbul:1998, p. 27

⁶ Çağlar Keyder, *Toplumsal Tarih Çalışmaları*, İletişim, İstanbul:2009, p. 272

⁷ Abdulkadir Buluş, *ibid*, p. 43

⁸ Çağlar Keyder, *ibid*, p. 311

⁹ Antoni Estavadeordol, Brian Frantz, and Alan M. Taylor, *The Rise and Fall of World Trade 1870-1939*, The Quarterly Journal of Economics, Vol. 118, No. 2, (May, 2003), p. 361

¹⁰ Antoni Estavadeordol, Brian Frantz, and Alan M. Taylor, *ibid*, p. 369

¹¹ Irene B. Taeuber, *Population and Modernization in Turkey*, Population Index, Vol. 24, No. 2 (Apr., 1958), p. 106

¹² Osman Okyar, *Development Background of the Turkish Economy 1923-1973*, International Journal of Middle East Studies, Vol. 10, No. 3 (Aug., 1979), p. 325

¹³ Şerif Mardin, *Center-Periphery Relations: A Key to Turkish Politics*, Daedalus, Vol. 102, No. 1, Post-Traditional Societies (Winter, 1973), p. 183

¹⁴ Osman Okyar, *The Concept of Etatism*, The Economic Journal, Vol. 75, No. 297 (Mar., 1965), p. 98-99

¹⁵ Çağlar Keyder, *The Definition of a Peripheral Economy 1923-1929*, Cambridge University Press, London:1981, p. 39

¹⁶ Çağlar Keyder, *ibid*, p. 12

¹⁷ Çağlar Keyder, *ibid*, p. 33

¹⁸ Philips Price, *A History of Turkey: From Empire to Republic*, Macmillan, New York: 1956, p. 166

Muslims.¹⁹ The bank credits and usury were the chief schemes of Turkish development model, though, both of them lacked enough capital accumulation during the 1920s.²⁰

b) The Period between 1929 and 1939

The birth of statist policies can be attributed to this instant freedom of maneuver appeared with the culmination of imposed directives through the Treaty of Lausanne.²¹ With the breakup of Great Depression, each country was to implement different measures of precautions in order to hamper the devastating effects of the crisis and Turkey also exposed the same pattern with the enactment of *ad hoc* laws whose life span were limited to 1930s such as the statist policy.²² The Great Depression has broken the power of liberal policies and foreign dependency in the Turkish economy. Turkey had to solve its problems through own measures and mechanisms. The political mindset formed after the Great Depression was based on statist policies that were aimed at keeping the economic balance in line with the pleasure of the ruling strata.²³

At the beginning of the 1930s, under the utmost pressure of Great Depression, the Turkish government took tight precautions against imports in a bid to balance the trade.²⁴ In a speech in Sivas in 1930, İnönü stated that “we are the moderate statist due to reason that the need of the country and the public consensus was inclined to do so.”²⁵ Though, the statist policy of Turkey was highly associated with the Soviet model, the Law No. 3436 of 1938 proves that Turkish statist policies exceptionally differed from Soviet model based on full state hegemony. However, the pertinent law attributes to transfer of state investments into private hands if pre-determined levels were achieved.²⁶ Moreover, Hale argues that the statist policy of Turkey did not set any clear targets but, the results were hugely considerable both intellectual and physical terms.²⁷ Hence, the statist policy of the government can be viewed as a backlash to political unrest emerged with the Great Depression among the rural population alongside with small-sized merchants.²⁸ The policies followed during the 1930s, contrary to prevalent academic data, were not, by no means, successful in creating economic growth and industrialization; the chief beneficiaries were small and medium-sized enterprises.²⁹ Though substantial increases occurred in non-agricultural outputs, the labor productivity was a result of increase in agricultural productivity, and overall effect of sector shift in aggregate output remained limited.³⁰ On the other hand, Okyar claims that Turkey would be in lesser position if statist policies were not applied.³¹

The trade deficit had disappeared due to statist policies followed after the Great Depression. In this respect, trade balance can be viewed as the result of the more protective measures taken in 1930s. The national gross product of Turkey in 1929 was 2.073 million whose portion in the world was only 0.4%.^{32,33} In the 1930s, the state followed supply-led policies turned into demand-led policies after the war.³⁴ The statist policy of 1930s for Free Party which was not a part of ruling strata was an indefinable policy of which limits and excesses are not exactly identifiable.³⁵ Between 1930 and 1938, Turkish national output increased 25%.³⁶ On the other hand, how strict the measures taken by the government in line with the statist policies, the real income per household remained at the same level of that in the pre-1914 period.³⁷ Besides, Turkey applied to foreign banks for the credits two times

¹⁹ Çağlar Keyder, *ibid*, p. 50

²⁰ Çağlar Keyder, *ibid*, p. 110-125

²¹ Merih Celasun, Dani Rodrik, *Turkish Development an Overview*, University of Chicago Press, 1989, p. 618

²² Şevket Pamuk and Jeffrey G. Williamson, *The Mediterranean Responses to Globalization Before 1950*, Routledge, London:2000, p. 321

²³ Çağlar Keyder, *State and Class in Turkey*, Verso, London:1987, p. 97

²⁴ Korkut Boratav, *Türk İktisat Tarihi 1908-2005*, İmge Kitabevi, Ankara:2006, p. 67

²⁵ Şevket Pamuk, *Türkiye'nin 200 Yıllık İktisadi Tarihi*, Türkiye İş Bankası Kültür Yayınları, İstanbul:2014, p. 188

²⁶ Osman Okyar, *ibid*, p. 329

²⁷ William Hale, *Ideology and Economic Development in Turkey 1930-1945*, Bulletin (British Society for Middle Eastern Studies), Vol. 7, No. 2 (1980), p. 101

²⁸ Şevket Pamuk and Jeffrey G. Williamson, *ibid*, p. 330

²⁹ Şevket Pamuk and Jeffrey G. Williamson, *ibid*, p. 338

³⁰ Sumru Altug, Alpay Filiztekin and Şevket Pamuk, *ibid*, p. 413

³¹ Osman Okyar, *The Concept of Etatism*, The Economic Journal, Vol. 75, No. 297 (Mar., 1965), p. 103

³² Abdulkadir Buluş, *ibid*, p. 113

³³ <https://www.cia.gov/library/publications/the-world-factbook/> (visited in 15.05.2015)

³⁴ Osman Okyar, *ibid*, p. 336

³⁵ Osman Okyar, *ibid*, p. 327

³⁶ Osman Okyar, *ibid*, p. 340

³⁷ Şevket Pamuk and Jeffrey G. Williamson, *ibid*, p. 331

in the entire 1930s so as to subsidize the construction of railway lines and the Central Bank was founded in 1931 in order to credit the investments besides encompassing the currency regulation and monetary balance.³⁸

The first five-year plan in Turkey was implemented one year later after the departure of Soviet economy experts, in 1933.³⁹ Atatürk's statist policies were more like British Fabianism rather than the Russian socialism.⁴⁰ The Russian experts submitted a proposal to promote particular sectors such as iron, steel, textiles and chemicals. *Kadro*, the magazine summarized the fundamental principles of the economic agenda as follows.

- Turkish Revolution is in progress and further reforms are in the agenda.
- A group of elites must be trained to undertake reforms.
- The central planning must comprise fields such as health, society, economy and education, and the plans must be applicable the whole fields.⁴¹

The plans were put in practice by enterprises such as Sumer Bank and Eti Bank which established with *ad hoc* laws that were acted for the given purposes.⁴² These tight measures enabled the economy to reach the extent at which surplus level remained above 100% of Gross Domestic Product. This end was a byproduct of the policy of import substitution embraced by the government in order to strengthen the domestic producers against foreign ones.⁴³ At the end of this period, the alliance between middle-farmers and the state was an obstacle ahead of the accumulation of capital in the hands of industrialists.⁴⁴ Hershlag claims that statist policies were considerably successful in attaining the set goals.⁴⁵

The close relations between Turkey and Hitler Germany were highly visible by the praises of Hitler on Turkish policies of being *volkish*.⁴⁶ Turkey pursued a policy of industrialization through state-led policies such as Germany and Austria.⁴⁷ In the 1930's the effects of Great Depression and barter policy of Germany was able to create a sort of German sphere of influence in Turkey and in the Balkans.⁴⁸ Russia was viewed as an unreliable player in international relations according to Turkish politicians and Turkey was wary of Russia since the beginning of WWII. The estrangement of Turkey from Russia put Germany in a more favorable position due to its rivalry to latter.⁴⁹

c) The Period between 1939 and 1945

Though, Turkey did not enter the WWII, but as being highly suspicious of the intentions of Hitler, the conscription numbers reached over one million. The conscription of one million people had an immense effect on the agricultural output; moreover the rush to food increased the prices and gave birth to profiteering and black-marketing.⁵⁰ The production of wheat decreased from 7.303.339 to 4.013.439 tons between 1939 and 1945.⁵¹ The average prices of the food rose from 100 point to 1113 between 1938 and 1944.⁵² Even though, Turkey did not enter the war it was the first among those entered a period of high inflation.⁵³ The price of bread

³⁸ Zvi Yehuda Hershlag, *Introduction to the Modern Economic History of the Middle East*, Brill, Leiden:1980, p. 193

³⁹ Erik Zürcher, *Turkey A Modern History*, I. B. Tauris, London:2004, p. 197

⁴⁰ Philips Price, *ibid*, p. 169

⁴¹ Osman Okyar, *The Concept of Etatism*, The Economic Journal, Vol. 75, No. 297 (Mar., 1965), p. 100

⁴² Osman Okyar, *ibid*, p. 101

⁴³ Yahya Sezai Tezel, *Cumhuriyet Dönemini İktisadi Tarihi*, Tarih Vakfı Yurt Yayınları, İstanbul:1994, p. 169

⁴⁴ Çağlar Keyder, *Toplumsal Tarih Çalışmaları*, İletişim, İstanbul:2002, p. 320

⁴⁵ Zvi Yehuda Hershlag, *ibid*, 196

⁴⁶ Stefan Ihrig (2015): *Nazi Leaks and Intrigues in Second World War Ankara: the Plot to Send Herbert Melzig to a Concentration Camp*, The International History Review, p. 4

⁴⁷ Ekkart Zimmermann and Thomas Saalfeld, *ibid*, p. 323

⁴⁸ Yücel Güçlü, *ibid*, p. 84

⁴⁹ Şaban Çaliş (1997) *Pan-Turkism and Europeanism: A note on Turkey's 'pro-German neutrality' during the Second World War*, Central Asian Survey, 16:1, p. 104

⁵⁰ Korkut Boratav, *ibid*, p. 100

⁵¹ İrfan Bülbül, *İkinci Dünya Savaşı'nın Türkiye'de Sosyal Hayata Olumsuz Yansımaları* (Unpublished Doctorate Thesis), İstanbul Üniversitesi, Atatürk İlkeleri ve İnkılap Tarihi Enstitüsü, İstanbul:2005, p. 5

⁵² İrfan Bülbül, *ibid*, p. 5

⁵³ İrfan Bülbül, *ibid*, p. 6

was 10.04 lira in 1938 and it leaped to 33 lira in 1945.⁵⁴ The life index on average in Istanbul increased threefold from 1939 to 1945.⁵⁵

The international trade based on exports and imports was hampered due to instability on the political arena whose trend was highly effective in setting the rules over trade. The exports of the country exponentially fell between 1938 and 1941 on the other hand; a revival at random is detected in 1942 and 1943 respectively.⁵⁶ Turkey provided the 37% of Germany's total chrome imports by 1937.⁵⁷ The same trend of rise can be viewed at imports. The growth can be associated with food and the chrome sale to Germany. The balance between supply and demand was crushed due to over-demand and under-supply. Before the WWII in 1939, the share of Germany in Turkish exports was at 40%.⁵⁸ In 1938 75% of entire employment was through private firms while state investments provided only 1%.⁵⁹ In 1936, German exports to Turkey nearly amounted half of the total and also imports were only four points below of the given number.⁶⁰

Pamuk divides the farmer community of Turkey into three groups in the pre-WWII period. The first of them is the big farmers who were able to rent its soil and use the yield in line with the fluctuations in the economy such as instant selling if the prices were high or of the stocking if the prices are relatively low. The second type is of middle farmers who owned a lesser extent of land compared to big farmers. Their ability to get positioned in terms of price fluctuations are relatively limited, however they are well positioned compared the small farmers, the third type. The small farmers owned a small size of land were only able to afford their lively subsistence and were highly vulnerable to the price fluctuations in times of crises.⁶¹ Pamuk claims that Toprak Mahsulleri Vergisi of June 1943 reintroduced the long abolished *aşar tax* of the Turkish public as it had the same tax ratio of 10% with that of the latter.⁶²

The compulsory confiscation with the compensation was implemented during WWII in Turkey. The return of the *narh* system to hinder over-pricing further convinced the trader to engage in other businesses that were outside of daily needs of the people.⁶³ This practice culminated with the alienation of small traders from the RPP government. During WWII years in Turkey, real income of civil servants was decreased by almost 40%.⁶⁴

In 1942, the government enacted a law, in which the provision of coal and garments was declared, in order to appease the complaints of the civil servants.⁶⁵ In May 1942, distribution committees were founded to assure that all parts of society were satisfied with the new regulations.⁶⁶ The civil servants had not the flexibility of business as merchants had. The consumption of alcohol and tobacco increased dramatically. The smoking rate was higher 60% compared to pre-war period.⁶⁷ The distortion of supply and demand balance led the way for inflation that stirred social unrest, precisely discontent with the present government. In October 1942, the ration card was implemented both in Ankara and Istanbul.⁶⁸

Refik Saydam attempted to overcome war-time difficulties via price-fixing; on the other hand Sukru Saracoglu aimed at flexing state control on the trade.⁶⁹ Also, Boratav argues that the policies of Saracoglu differed from that of Peker as being more liberal.⁷⁰ *Men-i İhtikar Kanunu* provisioned to punish profiteers, and the so-called

⁵⁴ İrfan Bülbül, *ibid*, p. 7

⁵⁵ William Hale, *Ideology and Economic Development in Turkey 1930-1945*, Bulletin (British Society for Middle Eastern Studies), Vol. 7, No. 2 (1980), p. 109

⁵⁶ İrfan Bülbül, *ibid*, p. 12

⁵⁷ Stefan Ihrig, *ibid*, p. 7

⁵⁸ Şevket Pamuk, *The Mediterranean Response to Globalization before 1950*, Routledge, London: 2000, p. 330

⁵⁹ Şevket Pamuk, *ibid*, p. 331

⁶⁰ Yücel Güçlü, *Turkish-German Relations on the Eve of the World War Two*, Frank Cass Publishing, Turkish Studies, Vol. 1, No. 2, (Autumn 2000), p. 76

⁶¹ Farhad Kazemy and John Waterbury, *Peasants and Politics in the Modern Middle East*, University Press of Florida, Miami: 1991, p. 127

⁶² Şevket Pamuk, *The Mediterranean Response to Globalization before 1950*, Routledge, London: 2000, p. 335

⁶³ İrfan Bülbül, *ibid*, p. 29

⁶⁴ İrfan Bülbül, *ibid*, p. 32

⁶⁵ İrfan Bülbül, *ibid*, p. 37

⁶⁶ Selçuk Ozkan, Abidin Temizer, *İkinci Dünya Savaşı Yıllarında Türkiye'de Karaborsacılık*, The Journal of International Social Research Volume 2 / 9 Fall 2009, p. 320

⁶⁷ İrfan Bülbül, *ibid*, p. 40

⁶⁸ Korkut Boratav, *ibid*, p. 102

⁶⁹ İrfan Bülbül, *ibid*, p. 45

⁷⁰ Korkut Boratav, *ibid*, p. 101

Milli Korunma Mahkemeleri was very much active in 1942.⁷¹ However, these precautions were not powerful enough to halt the black-market trade, profiteering and inflation. Turkish economic output from 1930 to 1949 was in a period of rise even it declined in partial during war years.⁷² The cereal and wheat harvest between 1937 and 1939 was twofold higher than the previous years, mainly affected by the positive weather conditions and the rise in overall population.⁷³ The eating habits of Turkish population remained unchanged during the years of first- five-years economy, even though the state attempted to increase the consumption of meat. The habits were foremost determinant during the war-years.⁷⁴ National Protection Act delegated the government with immense powers such as corvee, limitation of payments if necessary confiscation of private industrial plants, expropriation of private lands larger than five hundred hectares.⁷⁵ The instances of articles in the National Protection Act are given below and approves the swept of liberal policies via government.

Article 7

The government is authorized to control the production of industrial goods in line with the needs of the public and change their production targets in line with the most needed goods.

Article 14

I - The government is authorized to confiscate, sell or donate the every kind of goods or semi-goods, if the public and national defense was in need.

II – If the pertaining goods were sold or transported to other locations before the declaration of the law, they are to be delivered the government instantly.

Article 21

I – The government is authorized to design the basic principles of trade, and the merchants are bound to be licensed which exposes their pertinent trade branch.

II – If needed, the government is authorized to ban the trade, transportation and production of goods.

When the range of prices at the Ofis and the market extremely enlarged at the expense of the farmers, the farmers became more intended to hide their yield from the officials from the Ofis. The farmers who were affiliated with the RPP were far more advantageous compared to their counterparts who were put into a relatively inferior position due to their political stance.⁷⁶

The sharp increase in demand was an essential factor for the rapid inflation. Pamuk argues that the small farmers were highly affected due to National Protection Act, which imposed hard measures on them while big farmers remained to be untouched.⁷⁷ What is more, Keyder argues that middle-sized farmers were sided with the PRP up until the eruption of WWII which would bring harsh measures over them.⁷⁸ Civil servants and army personnel were relatively well-adapted to the war-time difficulties due to the fact that their salaries were paid in time, and they had subsidies.⁷⁹

The wheat flour was to be used for bread and any other product by wheat was forbidden. The state was authorized to buy grain in terms of given quantities that deteriorated the status of small farmers unevenly worse against big farmers. The intervention of state over the total products was reminded of *aşar* which was abolished in 1925.⁸⁰

The chief impediments that inflation triggered during the war years in Turkey were distortion in price mechanism and political opposition which precluded the government to take action.⁸¹ The chrome sales of Turkey to Germany were set in accordance with the limits of clearing policy followed by Germany, which based on bartering. However, Germany purchased the raw materials and goods below the market prices and sold its

⁷¹ Selçuk Ozkan, Abidin Temizer, *ibid*, p. 323

⁷² Sumru Altug, Alpay Filiztekin and Şevket Pamuk (2008). *Sources of long-term economic growth for Turkey, 1880–2005*. European Review of Economic History, 12, p. 404

⁷³ Farhad Kazemy and John Waterbury, *ibid*, p. 128

⁷⁴ Jane Perry Clark Carey and Andrew Galbraith Carey, *Turkish Agriculture and Five Year Development Plans*, International Journal of Middle East Studies, Vol. 3, No. 1, (Jan. 1972), p. 57

⁷⁵ Abdulkadir Buluş, *ibid*, p. 48

⁷⁶ Farhad Kazemy and John Waterbury, *ibid*, p. 134

⁷⁷ Şefik Taylan Akman, İnci Solak Akman, *İkinci Dünya Savaşı Yıllarında Türkiye’de Hububat Üretiminin Vergilendirilmesi*, Hacettepe Hukuk Fak. Dergisi, 1(2) 2011, p. 77

⁷⁸ Çağlar Keyder, *Toplumsal Tarih Çalışmaları*, İletişim, İstanbul:2002, p. 307

⁷⁹ Korkut Boratav, *ibid*, p. 335

⁸⁰ Şefik Taylan Akman, İnci Solak Akman, *ibid*, p. 82

⁸¹ Osman Okyar, *The Concept of Etatism*, The Economic Journal, Vol. 75, No. 297 (Mar., 1965), p. 104

processed products far above the market prices.⁸² The clearing system turned out to be the full dependence of Turkey on Germany economically leading to a limited and volatile trade policy. Britain and France put pressure on Turkey to halt its chrome sales to Germany; however, in return Turkey demanded the import of dried fruits as a trade off from both of them and accepted in December 1939.⁸³ After the invasion of France by Nazis, Turkey asked the Allies for a compensation for the loss due to disappearance of demand by France. Britain attempted to appease Turkey through positioning itself as an intermediary between the new markets, the US.⁸⁴ Turkey was to sell chrome to Germany in 1943 and 1944 despite the fact that allies endeavored to hamper such a deed.⁸⁵ On the other hand, Western powers also deemed insensitive and ignorant to Turks.⁸⁶

Turkey was put in a less favorable position by selling its chrome to third parties such as US via intermediaries.⁸⁷ On 8 January 1943 Germany was allowed to import Turkish chrome.⁸⁸ The payments for Turkish chrome were 270 shillings and 140 shillings for Germany and Britain respectively. The unjust rates towards each of the trade partners displays that political predisposition has played an enormous role in deciding the commercial links.⁸⁹ Furthermore Britain attempted to hinder German chrome imports through political maneuvers rather than economic means. A Turkish argument against chrome imports was that the imports would end up in Turkey as weapons by which Turkey stand against Nazis in a case of any aggression.⁹⁰

The state was the sole authority to decide the taxing rate and compensation of product with money. Even though, most of the tax levied in kind. The chrome exports to Germany, which started in January 1943, were halted in April 1944 due to pressure from the US and the UK.⁹¹ The growth cycles of Turkish economy was over and the great decline in total output of Turkey was mainly due to fluctuations that felt globally. Land Reform was introduced in 1945.⁹² At the end of the WWII, the GDP of Turkey was 35 % less of pre-war period.⁹³

The Wealth Tax was enacted on 11 November 1942 and aimed to collect huge amounts of taxes from the minorities. The law of Wealth Tax damaged the prestige of Turkey on a global scale.⁹⁴ The rate of taxing for each person was not determined and the ratio was implemented at random by the tax authorities and Boratav claims that those who did not pay the hefty tax endeavored to discredit the government.⁹⁵ Zurcher accepts that huge amounts of profiteering was present among big commercial circles, however the way law was practiced was highly non-humanitarian due to the randomness of tax rates.⁹⁶ The lack of public pressure during the war years of 1939-45 was a facilitator for the government to regulate the economy within the borders of protective economic policies that attempted to ease the tension via strict and unique laws.⁹⁷ There was strong opposition to halt enactment of law over the redistribution of land among farmers. The case can be associated with the need of government to appease small farmers due to the fact that they were greatly suffered under wartime regulations. In September 1946 Turkish Lira was devalued to half of its former base.⁹⁸ After the war, leading businesspeople in Turkey was highly suspicious of state led economic agenda and were in search of alternative models.⁹⁹ The relatively low performance of state enterprises impelled the government to regulate the system in line with the

⁸² Nuri Karakaş, *İkinci Dünya Savaşı Yıllarında Türkiye'nin Krom Satışı ve Müttefik Politikaları*, Tarih İncelemeleri Dergisi, Vol. XXV, No. 2(December 2010), p. 450

⁸³ Nuri Karakaş, *ibid*, p. 457

⁸⁴ Nuri Karakaş, *ibid*, p. 462

⁸⁵ Nuri Karakaş, *ibid*, p. 471

⁸⁶ Şaban Çaliş (1997) *Pan-Turkism and Europeanism: A note on Turkey's 'pro-German neutrality' during the Second World War*, Central Asian Survey, 16:1, p. 111

⁸⁷ Gül İnanç (2006) *The politics of 'active neutrality' on the eve of a new world order: The case of Turkish chrome sales during the Second World War*, Middle Eastern Studies, p. 908

⁸⁸ Gül İnanç (2006, *ibid*, p. 910

⁸⁹ Gül İnanç (2006, *ibid*, p. 911

⁹⁰ Gül İnanç (2006, *ibid*, p. 913

⁹¹ Nuri Karakaş, *Amerikan Ödünç Verme ve Kiralama İşlemlerinde Türkiye*, Tarih İncelemeleri Dergisi, CiltXXIV, Sayı 1, Temmuz 2009, p. 42

⁹² Bernard Lewis, *The Emergence of Modern Turkey*, Oxford University Press, Oxford:1961, p. 474

⁹³ Şevket Pamuk, *Cambridge History of Turkey: Turkey in the Modern World*(Reşat Kasaba Ed.), Cambridge University Press, New York:2008, p. 280

⁹⁴ William Hale, *Türk Dış Politikası 1774-2000*, Mozaik, İstanbul:2000, p. 89

⁹⁵ Korkut Boratav, *ibid*, p. 103

⁹⁶ Erik Zurcher, *ibid*, p. 200

⁹⁷ Şevket Pamuk, *Dünya'da ve Türkiye'de İktisadi Büyüme(1820-2005)*, Uluslararası Ekonomi ve Dış Ticaret Politikaları 1(2), 2007:3-26, p. 15-16

⁹⁸ Esat Çelebi, *Türkiye'de Devalüasyon Uygulamaları*, Doğu Üniversitesi Dergisi, V.3, p. 59

⁹⁹ Osman Okyar, *ibid*, p. 331

less state set policies gaining strength after the war.¹⁰⁰ However, the provincial elites were embedded in religious politics as a reaction to secularist policies of the state.¹⁰¹

The harsh atmosphere of WWII exacerbated the stance of the public towards the RPP and especially the farmers which make up the 80% of the population alienated to the party.¹⁰² The accumulation of large sums of capital by the bourgeoisie was culminated with the alienation and enmity of bureaucracy towards them. The bond between them aiming at modernizing the country was broken in the war years. At the end, non-Muslim bourgeoisie was to be described scape goat.¹⁰³ Even the RPP enacted a law of redistribution of land to please the small farmers that were harshly smashed by war-times measures and alienated to ruling party, the law failed to appease the small farmers besides estranging the big-landowners in the party.¹⁰⁴ Furthermore, Aydin also claims that WWII undergone a turning point over the structure and mindset of the Turkish state which embraced statist policies since the foundation of republic as it inherited the notables who resided in the countryside and merchants controlling the economy of the city from the Ottoman Empire. The harsh regulation imposed on merchants, notables and farmers was the last drop for a reevaluation of the state structure and evolution towards more liberal policies.¹⁰⁵

From an historical point of the view, the notables were, since the Ottoman times, able to take a more advantageous position due to their economic abilities however, the ordinary citizens who even would not be called citizen in a political sense of the term holding lesser amount of soil were regarded as mere means to provide the subsistence of the urban people and were able to gain a better political significance only with the emergence of Democrat Party as an anti-statist faction. However, the revenge policy of the bureaucracy was not an eligible way of government to expose the democratic life in Turkey to the victors of the WWII. If the swift transformation into multi-party politics assessed in compliance with the center-periphery hypothesis of Mardin over Turkey, it can be concluded that a mandatory compromise was born in Turkey chiefly due to political shifts in the world that obliged Turkey to choose a side in which promised a temporary refuge in case of Russian aggression.¹⁰⁶

III- Conclusion

Turkey, as a successor of the Ottoman Empire, inherited the political culture of the Empire which foresaw the imposition of modernization from up to down. The Republic embraced the same policies, and the public remained aside from political decision making mechanism. The agenda, both political and economic, was set in accordance with the mindset of the ruling elite that exposes a reluctant stance towards the foreign powers and the government was more likely to set the economic realm and leave no room for the private enterprise which was expected to be born with the accumulation of capital in the private hands. The statist policy of 1930s hindered the accumulation and the Great Depression and WWII inflicted a massive blow on the merchants and small farmers. Within this respect and with the help of post-WWII order, the long neglected players were able to enter the political realm.

¹⁰⁰ Osman Okyar, *ibid*, p. 332

¹⁰¹ Şerif Mardin, *ibid*, p. 179

¹⁰² Şevket Pamuk, *Türkiye'nin 200 Yıllık İktisadi Tarihi*, Türkiye İş Bankası Kültür Yayınları, İstanbul:2014, p. 198

¹⁰³ Çağlar Keyder, *ibid*, p. 112

¹⁰⁴ Farhad Kazemy and John Waterbury, *ibid*, p. 139

¹⁰⁵ Zülküf Aydın, *The Political Economy of the Turkey*, Pluto Press, London:2005, p. 25-31

¹⁰⁶ Şerif Mardin, *Center-Periphery Relations: A Key to Turkish Politics*, Daedalus, Vol. 102, No. 1, Post-Traditional Societies (Winter, 1973), p. 170

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