The First Five-Year Industrial Plan: Discussions on Turkish Industrialization During the Great Depression

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Abstract

"The First Five-Year Industrial Plan: Discussions on Turkish Industrialization During the Great Depression"

İbrahim Can Usta, Master's Candidate at the Atatürk Institute for Modern Turkish History at Boğaziçi University, 2019

Professor Aydın Babuna, Thesis Advisor

This work treats the background of the decision to implement the First Five-Year Industrial Plan in Turkey in 1934. The originality of the research relies on its perspective focusing on foreign policy, in a way that has generally been underestimated in most of the academic works on the subject matter. While arguing that Turkish industrialization of the 1930s was carried out despite the West, this research also shows that the conjunctural rapprochement between Turkey and the Soviet Union did not last long. After a general presentation of developmentalist ideas in Turkish political tradition and related practices in economy, a large section is dedicated to the contemporary discussions in a world staggered by the Depression of 1929. Findings show how remedies that Western experts had drawn for Turkish economic development concentrated solely on agricultural production and financial reforms. The Soviet Union appeared in this context as an ally in diplomacy with a bold anti-imperialist discourse and a viable assistant in economy with her model of five-year plans. Thus, there developed a deep collaboration between the revolutionary governments in Ankara and Moscow. However, as World War II approached, priorities began to change rapidly, which had dramatic effects on the existing collaboration in economy. An essential part of the thesis is reserved for explaining the story of Turkish industrialization of the 1930s in relation with Ankara's foreign policy.

37,000 words

Özet

"Birinci Beş Yıllık Sanayi Planı: Büyük Bunalım Sırasında Türkiye'nin Sanayileşmesi Üzerine Tartışmalar"

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Profesör Aydın Babuna, Tez Danışmanı

Bu çalışma Türkiye'nin 1934 tarihli Birinci Beş Yıllık Sanayi Planı'nı uygulamaya koyma kararının arka planını ele alıyor. Araştırmanın özgünlüğü, bu konuda daha önce hazırlanan akademik çalışmaların genellikle üstünde durmayı seçmediği dış politika odaklı bakış açısında yatıyor. Türkiye'nin 1930'lardaki sanayileşme hareketinin Batı'ya rağmen gerçekleştirildiğini öne süren bu araştırma, aynı zamanda Türkiye'yle Sovyetler Birliği arasındaki dönemsel yakınlaşmanın uzun sürmediğini de ortaya koyuyor. Türk siyasal geleneğindeki kalkınmacı düşüncelerin ve ilgili iktisadi uygulamaların genel bir sunumunun ardından, 1929 Bunalımı'nın sarstığı dünyada yapılan çağdaş tartışmalara büyük bir yer ayrılıyor. Buluntular Türkiye'nin iktisadi kalkınması için Batılı uzmanlarca çizilen reçetelerin nasıl da yalnızca tarımsal üretime ve mali düzenlemelere yoğunlaştığını gösteriyor. Bu bağlamda Sovyetler Birliği baskın anti-emperyalist söylemiyle diplomaside bir müttefik, beş yıllık plan modeliyle de ekonomide güvenilir bir yardımcı olarak belirmişti. Ankara ve Moskova'daki devrimci hükümetlerin arasındaki derin işbirliği tam da böyle başlamıştı. Buna karşın, İkinci Dünya Savaşı yaklaştıkça hızla değişmeye başlayan öncelikler ekonomik işbirliğini de fazlasıyla etkiledi. Tezin önemli bir bölümü Türkiye'nin 1930'lardaki sanayileşme öyküsünü Ankara'nın dış politikadaki tercihleriyle açıklama amacını yansıtıyor.

37.000 kelime

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Sevgili babaannem Şaziye Usta'ya

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Note on Surnames

Turkish surnames written in parantheses mean that the name was adopted after the law of June 21, 1934. Until the adoption of the "Surname Law," most Turkish citizens did not have fixed and hereditary surnames.

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I would like to thank Professor Aydın Babuna for his wise advices, devoted attention, and above all, great patience. It was Professor Babuna who introduced me to international relations, a field of study that I had ignored until recently.

I must confess that Ahsen Akdal's attentive eyes have decorated the present work with a more efficient narrative skill.

My family, they have never left me alone. Every step that I take is marked by the invisible signature of their support. I do not know how to thank my mother and father.

It is impossible for me to list the gains that I acquired during the present research. However, this process also cost me unbearable losses. I dedicate this work to three precious people that I lost during this process.

Last but not least, I shall note that certainly the biggest gain of this process has been Şimal Ertekin's love.

Certes les vocations aident l'homme à se délivrer : mais il est également nécessaire de délivrer les vocations.

Antoine de Saint-Exupéry, *Terre des hommes*

1

Introduction

This academic work examines the process that paved the way to the implementation of the First Five-Year Industrial Plan (1934-1938) within the framework of discussions for industrialization in Turkey. I argue that Turkish industrialization of the 1930s was launched in collaboration with the Soviet Union despite the West and continued, later on, in the absence of the former. The contradictory course of industrialization in Turkey finds its explanation in Ankara's choices in foreign policy, which is the main investigation of the present research.

This work starts with theoretical discussions on developmentalism and continues with the historical background of politics for economic independence of Turkey. The essential input of the thesis is to develop an account for the Turkish industrialization of 1930s in connection to foreign policy. With the help of a perspective relying on international relations and political economy at international level, this work aims to make a particular contribution to the existing economy-based researches about the implementation of the Plan.

Economic nationalism and developmentalism provide us two valuable concepts to grasp the atmosphere that the young Republic passed through during its early decades. As an early example of Kemalist conviction in development, on 29 October 1923, Mahmut Celal (Bayar) Bey, Minister of Development and Settlement, claimed on the occasion of the proclamation of the Re-

public that the Turkish nation awaited prosperity and reforms.[1] Yet, if the ideological tendency of Kemalist cadres toward ideas related with nationalism and modernism in almost every field of life one of the key factors strongly affecting the political agenda of the country, another was the general circumstances prevailing in the world during the interwar period.

The Great Depression of 1929 produced devastating socio-political consequences all around the world. John Steinbeck's unforgettable character "Doc." declares from Monterey, California in the midst of the crisis that he found it strange,

> "things we admire in men, kindness and generosity, openness, honesty, understanding and feeling are the concomitants of failure in our system. And those traits that we detest, sharpness, greed, acquisitiveness, meanness, egotism and self-interest are the traits of success. And while men admire the quality of the first they love the produce of the second."[2]

Given the despair of humanity generated by the crisis, it should not be surprising to hear that the introduction of astrology to daily newspapers took place in these years for the first time on a British newspaper in August 1930.[3] There can be found thousands of indications showing that the crisis did not remain merely at financial level but brought along severe consequences in various spheres of the human life.

In the following years after this tremendous incidence, a general tendency to shift towards economic nationalism among most governments seems to be a common observation by economic historians. As to Turkey, Şevket Pamuk states that the Turkish experience was "certainly more radical than most"

1 Kutay, Cemal. *Celal Bayar: Bir Türk'ün Biyografisi*. Kemal Onan Basımevi, 1950, p. 81.

2 Steinbeck, John. *Cannery Row*. Penguin Books, 2012, p. 123. Here, I should state that John Steinbeck is among numerous authors that called forth my concentration with their wonderful novels while I was writing the thesis.

3 Önal, Nevzat Evrim. *Bilmiyorlar Ama Yapıyorlar: Beyaz Yakalı Varoluşa Dair Denemeler.* Yazılama Yayınevi, 2017, p. 52.

while many economies turned inward during the interwar period.[4] This radical venture gave birth to tentative but creative projects in economy. In the special preface for the Turkish edition of his book, Ha-Joon Chang describes Mustafa Kemal Atatürk as "the first Third World leader to implement the strategy, which was later called state-led development strategy."[5] The related initiatives were certainly encouraged by the political background. Regarding international relations, Eric J. Hobsbawm suggests that Republican Turkey was the only state that enjoyed the opportunity for independent maneuver in the interwar period.[6] Accordingly, treating economic policies together with foreign policy of the period, at least in the case where the Republic of Turkey embarked on an outstanding adventure for industrialization, seems to be most appropriate.

The First Five-Year Industrial Plan stands out as an interesting initiative launched in the early years of the Republic. Beginning with reciprocal high-ranked visits between Turkey and the Soviet Union consecutively in 1932 and 1933, the correspondences brought about an economic plan including implementation of industrial factory sites, technical development, and financial aid for this purpose. This research sets sights on the explanation of this rapprochement. It is suitable to announce here that the implementation of the Plan draws a limit to the extent of this study, the main focus of which is the process of decision making rather than the implementation itself.

While Western countries were suffering from the consequences of the Great Depression, the Soviet economy was carrying out a considerable success in the 1930s based on a planned development model. To Kemalist cadres in Ankara, for whom the main concern was independence in both political and economic sense, the Soviet Union appeared as a relevant reference in the given context. İnönü's Moscow visit in 1932 presents a noticeable example to show

4 Pamuk, Şevket. "Economic Growth and Institutional Change in Turkey before 1980." *Understanding the Process of Economic Change in Turkey*, edited by Çetin, Tamer and Feridun Yılmaz, Nova Science Publishers, 2010, p. 24.

5 Chang, Ha-Joon. *Kalkınma Reçetelerinin Gerçek Yüzü*. Translated by Tuba Akıncılar Onmuş, İletişim Yayınları, 2016, p. 8.

6 Hobsbawm, Eric J. *1780'den Günümüze Milletler ve Milliyetçilik: Program, Mit, Gerçekçilik*. Translated by Osman Akınhay, Ayrıntı Yayınları, 2014, p. 180.

how technical cooperation goes hand in hand with political rapprochement. Turkish administration seemed glad to receive the Soviet aid and to take a big step toward the belated industrialization of the country. Reciprocal visits of delegations pursuing diplomatic and technical ends were followed by the preparation of comprehensive plans and detailed projects to be implemented with the strong collaboration of Soviet and Turkish experts in each step.

Both the Soviet and Turkish sides faced negative considerations pronounced by the Western countries about the rapport being built around the collective industrial program. It still remains a highly significant but academically underestimated historical fact that political and scientific figures in the West insisted on the need to promote agricultural production, while discouraging any attempt for industrialization in this "traditionally agricultural" country. For instance, according to the report that the Soviet Ambassador to Turkey, Yakov Zakharovich Surits, sent to Moscow on 9 August 1932, Mustafa Kemal proposed the extension of the cooperation into the academic field and justified it with his distrust towards Western academics: they were "infected by a condescension and dismissiveness toward Turkey."[7] Contemporary publications show how attentively Turkish intellectuals followed the technical developments being achieved in their northern neighbor. This tendency did not remain in the margin but enjoyed a common interest in the period. On *L'Economiste d'Orient,* a Turkish journal published in French on "economic and financial interests of Turkey," is an exemplary publication, which gave detailed economic records of the five-year plans in the Soviet Union. As an indication of this pro-Soviet interest in academy, on 25 December 1933, Peter Mikhailovich Zhukovsky's *Agricultural Turkey* was praised by the same journal as "a unique work not only in the USSR but generally in world literature."[8] One can see without much difficulty the role that the distrust towards the Western world played in the Turco-Soviet rapprochement. Each achievement recorded in these two respected countries of the East meant a victory against

7 Hirst, Samuel J. "Anti-Westernism on the European Periphery: The Meaning of Soviet-Turkish Convergence in the 1930s." *Slavic Review*, vol. 72, no. 1, 2013, p. 48.

8 "Bibliographie: La Turquie agricole." *L'Economiste d'Orient,* no. 336, 25 Dec. 1933, p. 478.

the inequality of the established international system. The defiance was justified as the only way for their survival. Consulting the Soviet archive, Samuel J. Hirst reports that Joseph Stalin advised İsmet İnönü during his stay in Moscow in May 1932, "If you don't create your own industry, you will be wiped from the face of the earth."[9] It should be noted that such worrying possibilities did not regard solely the Turkish case, but Soviet administration was in the knowledge of crucial Western threats towards their country. That is why in February 1931, Stalin had pronounced without hesitation,

> "We are fifty or a hundred years behind the advanced countries. We must make good this lag in ten years. Either we do it or they crush us."[10]

However, as the anti-Western tone in Turkish discourse left its place to a growing Russo-phobia, the anti-Western alliance between Turkey and the Soviet Union came to an end. The Second Five-Year Industrial Plan did not follow the same course as the first one but bypassed any Soviet influence, enjoying British and German financial credits instead. Nonetheless, it was never implemented due to the outbreak of World War II.

Given the described historical trajectory of economy and foreign relations in the early Republican Turkey, I want to pose some questions to unpack the connections between the two. Was the First Five-Year Industrial Plan indeed carried out despite the West? What was the position adopted by Western forces while Turkey was heading for an industrialization process with technical and financial support from Moscow? On the other side of the coin, if Turkish industrialization had really been launched despite the West, how should we interpret the fact that the Second Plan continued without the Soviet Union? I shall try to demonstrate that tracing the intricate course of Ankara's foreign policy provides a reliable explanation of this contradictory situation.

The existing literature on the Industrial Plan mostly consists of works from the field of economic history, which provide technical details regarding the factories built in the period and their production. Several works stand out with

9 Hirst 45.

10 Kochan, Lionel. *The Making of Modern Russia*. Penguin Books, 1963, pp. 281-82.

their significant contribution to the literature. Afet İnan's book, *Devletçilik İlkesi ve Türkiye Cumhuriyetinin Birinci Sanayi Planı 1933,*[11] is a distinguished collection of the first-hand official documents. In another acclaimed book, *Uygulamaya Geçerken Türkiye'de Devletçiliğin Oluşumu,*[12] İlhan Tekeli and Selim İlkin not only survey any accessible first-hand document including dozens of official reports about the implementation of the Plan and commentaries from the Turkish press of the time, but also present perhaps the most comprehensive and most rigorous narrative about the subject. A more recent work is *Etatism and Diplomacy in Turkey*[13] by Dilek Barlas. Referring to a rich variety of sources including first-hand documents from the parliamentary records of the Grand National Assembly of Turkey, correspondences from the archives of the Foreign Office in London, and articles from the Turkish press of the period, Barlas sticks with the discussion on the concept of etatism. Last but not least, the classics in the field such as Korkut Boratav's *Türkiye İktisat Tarihi*[14] and *Türkiye'de Devletçilik,*[15] Bilsay Kuruç's voluminous *Belgelerle Türkiye İktisat Politikası (1929-1932)*[16] – *(1933-1935),* [17] and *Mustafa Kemal Döneminde Ekonomi,*[18] and lastly Yahya Tezel's *Cumhuriyet Döneminin İktisadi Tarihi (1923-1950)*[19] are excellent sources to get a broad view of industrialization in the period.

However, most of the works in the literature, save the above-stated, unfortunately have the form of bureaucratic reports with an excessively technical

11 İnan, Afet. *Devletçilik İlkesi ve Türkiye Cumhuriyetinin Birinci Sanayi Planı 1933*. Türk Tarih Kurumu, 1972.

12 Tekeli, İlhan, and Selim İlkin. *Türkiye Belgesel İktisat Tarihi 3: Uygulamaya Geçerken Türkiyede Devletçiliğin Oluşumu*. Ortadoğu Teknik Üniversitesi, 1982.

13 Barlas, Dilek. *Etatism and Diplomacy in Turkey: Economic and foreign policy strategies in an uncertain world, 1929-1939*. Brill, 1998.

14 Boratav, Korkut. *Türkiye İktisat Tarihi: 1908-2009*. İmge Kitabevi, 2012.

15 Boratav, Korkut. *Türkiye'de Devletçilik*. Savaş Yayınları, 1982.

16 Kuruç, Bilsay. *Belgelerle Türkiye İktisat Politikası (1929-1932)*. Ankara Üniversitesi Siyasal Bilgiler Fakültesi Yayınları, 1988.

17 Kuruç, Bilsay. *Belgelerle Türkiye İktisat Politikası (1933-1935)*. Ankara Üniversitesi Siyasal Bilgiler Fakültesi Yayınları, 1993.

18 Kuruç, Bilsay. *Mustafa Kemal Döneminde Ekonomi*. Bilgi Yayınevi, 1987.

19 Tezel, Yahya S. *Cumhuriyet Döneminin İktisadi Tarihi (1923-1950)*. Tarih Vakfı Yurt Yayınları, 2002.

content, which solely list the investments undertaken according to the Plan, occasionally followed by general presentations about the adoption of etatism by the Republican Government. Hence my emphasis on the need for a more detailed research about the subject matter that brings together foreign policy and political history. In this respect, my goal is to contribute to the field with this work, which focuses on the political history of the First Five-Year Industrial Plan through the lens of foreign policy.

Before the analysis of the process that led to the implementation of the Industrial Plan per se, this study elaborates firstly the course of theoretical discussions around the idea of development and secondly the inspiring historical background of developmentalist ideas and practices in Turkey. Accordingly, the study aspires to represent the political atmosphere of the 1930s as good as possible through an efficient use of various sources from the period. Fresh evaluations in contemporary publications, political and academic writings treating development strategies for Turkey, and reviews of the period on the rapprochement and technical collaboration with Moscow offer suitable first-hand sources.

As to second-hand sources, I address to political historiographies as well as foreign policy literature from both sides (Turkish and Soviet), accompanied by works on economic history. In order to enhance the understanding of the period's atmosphere, I also include personal evaluations of certain political figures. For instance, Falih Rıfkı Atay's *Yeni Rusya* (written as early as in 1931)[20] expresses his impressions and thoughts about the novel experiment going on in Turkey's northern neighbor. Another important witness, Tevfik Rüştü Aras narrates in *Görüşlerim*[21] his memoirs as a minister of foreign affairs. Defining the Soviet Union as "our great neighbor and friend," Aras vividly describes the "alliance with Soviet Russia," with an emphasis on how intense the diplomatic relations and cooperation between the two countries were in those difficult times.

The following questions helped me develop a better understanding on the possible ways in foreign policy in the 1930s. The Western world was shaken by

20 (Atay), Falih Rıfkı. *Yeni Rusya.* 1931.

21 Aras, Tevfik Rüştü. *Görüşlerim.* Semih Lûtfi Kitabevi, 1945.

the disastrous consequences of the Great War and the global crisis. Meanwhile an interesting source of inspiration was emerging in the northern neighbor. Was rapprochement with Moscow the only alternative in foreign policy? Did Western countries really put an obstacle in the way of any possibility of collaboration? While taking position in these matters, what was the role of ideological reserves of the governments and their substantial justifications emerging from economic conditions after these vehemently traumatic years?

Another question in this process raises about possible strategies for development and industrialization in Turkey. The analysis strives to show to what extent the findings in foreign policy and economy overlap in the name of a certain strategy of development for Ankara. Was industrialization really a must for Turkey? And what about any other possible sources of technical support different from Moscow? How long would it take for other forces to get involved in the Turkish industrialization process?

I see more than one reason to agree with the idea that Turkish industrialization was launched despite the West. There are very few reasons to doubt that neither Ankara nor Moscow was embraced by Western powers. For the latter, there were strong motivations to justify this irreconcilable distance, like the general Western irritation towards the October Revolution and the Allied intervention in the Civil War of 1917-1922. And the former carried out a sincere search for an alternative alliance up to that point, without leaving out even Fascist Italy, which had serious irredentist intentions towards Anatolian coasts. They might have different reasons and different ways of reasoning, but the interests of the two newborn revolutionary governments in Turkey and Russia signaled the time for intense collaboration.

The conjunctural rapprochement with the Soviet Union should have coincided with projects of national development that prevailed in the ideological formation of the cadres of the Republic of Turkey. Developmentalism and economic independence through self-sufficiency were to provide the main concepts which were widespread in the ideological aspirations of the statesmen from both countries. Vladimir Ilyich Lenin had been enthusiastic enough about his revolutionary project to claim that electrification was as essential as Soviet power for realizing the communist system that they aspired to establish in Russia. According to his famous formulation, Soviets plus electricity was

equal to socialism.[22] And Lenin's successor Joseph Stalin was about to carry out an outstanding industrialization process relying on methods of planned economy. On the other hand, further stimulated with the proclamation of an independent republic, ambitious steps for the development of the country in order to glorify the national independence was one of the main questions that had been occupying the minds of Turkish intellectuals for decades. These different forms of developmentalist ideas interiorized by the leaderships of the two countries converged to pave the way for a temporary but profound collaboration. This historical process deserves a much closer look in terms of complementary political aspirations in foreign policy.

I agree with the current discourses highlighting the similarities between the present and the eve of the Great War. From my point of view, the main similarity rests on the emergence of two politico-economic camps, both standing on the vehement discontent among peoples of the world. A century later, Turkey's internal contradictions once again seem to be highly concerned with her choices in foreign policy, which are to be made under the pressure of chaotic confrontations emerging in every corner of the world. Such discussions about Turkey's stance in relation with the two emerging poles in the world have also motivated for my research. Although I do not have any intention for capturing the direct resemblances between events and actors of two periods separated by more than eight decades, I confess that such motives from actuality generously served me in calling forth my creativity during this historical research.

22 Percheron, Maurice. "Les Géants." *Le Document: U.R.S.S.: Puissance d'Asie*, Oct. 1934, p. 30.

2

Discussions on Theories of Development

Honoré de Balzac draws a mad scientist from the nineteenth century, a mechanic named "Planchette," in respect to his field of expertise, a fanatic of the idea of movement. Planchette believes that everything is indeed movement: idea, nature, death, and even God since the latter's inexplicable, profound, unlimited, incomprehensible, and intangible characteristics are also present in the movement. The aspiring scientist claims that man does not invent a force but conducts it and adds that science consists of imitating the nature.[1] The dazzling speed of the interwar period seemed difficult to "conduct" or "imitate" in a single compact analysis. This academic work has chosen the modest way to trace the peculiar movements in world economics and international relations that affected the reasoning of the decision makers of the period. The task in question requires a special attention to comprehend the history as a living thing. Marc Bloch, the great historian and founder of the school of *Annales*, indicates that the difference between an antiquarian and a historian is the latter's love for life.[2] If historical facts are in essence "psychological facts" as Bloch declared,[3] this research also quests for grasping the psychology

1 Balzac, Honoré de. *La Peau de chagrin.* Karbon Kitaplar, pp. 220-22.

2 Bloch, Marc. *Tarih Savunusu veya Tarihçilik Mesleği.* Translated by Ali Berktay, İletişim Yayınları, 2013, p. 85.

3 Bloch 218.

of the troubled times of the 1930s. Without a clear comprehension of this psychology, one would not be able to explain appropriately the choices in foreign policy and economic policy.

§ 2.1 Theoretical Tools in Our Inventory

John Steinbeck's definition of theory-making as "a little game of pattern-making of the mind" sounds so simple but useful. He believes that "there's no joy in it" if we think like a "theory hater," for whom a theory remains as a lie until it gets proven and becomes a truth or a fact after it is proved.[4] If a non-"theory hater" will play this game on the subject of this thesis, a special concern must be devoted to the trajectory of the academic discussions held on the term of development.

All along the twentieth century, "development" has occupied a remarkable place in various theoretical approaches and inspired different interpretations through numerous alternative currents. In my understanding, development has a strong relation with "progress." It can be defined as a rapid upgrade in means of production and an observable amelioration in the living conditions of the society. We can add that a genuine development should also cover cultural and intellectual spheres. To what extent the examples of development in history could fulfill all aspects of this broad definition is surely arguable. In most examples from history, numbers fascinated the decision makers and the economic aspect prevailed over the social. However, development cannot be reduced to increase in production or economic growth. Still, I believe that the measurable criteria (e.g., GDP per capita, employment level, budget reserved for social transfers) give strong clues about the progress made in a developing country. The emphasis on progress may provide a suitable explanation for the examples in which revolutionary governments – such as the founders of the Republic of Turkey or the authors of the October Revolution in Russia – could launch a remarkable process of development, which gave results at all levels of life. The discussion over the term of development engaged scholars as well,

4 Steinbeck, John. *Journal of a Novel: The East of Eden Letters*. Penguin Books, 2001, p. 66.

who generated a number of theories around the idea. Modernization, developmentalism, and dependency, all these currents have noteworthy differences. Yet, it is difficult to deny that they all represent the idea of development through various strategies. The will to develop a country can be prescribed as to "modernize" or namely "develop" her in one theory and to free her from the shackles of her "dependency" in another. An ambition for upgrading material opportunities and ameliorating social conditions can easily be distinguished in various interpretations of the idea of development. This chapter aims to come up with an overall presentation of how the debate on this term passed through a series of changes and reiterations via different theories that scholars engendered by relying on different contexts. In respect to the concern of this work for comprehending Turkey's foreign policy, it is also necessary to briefly consult some principal theories of international relations.[5]

An influential theorist of the literature on international relations, Robert W. Cox boldly underlines that all theories have a perspective. He suggests that theory is always "*for* someone and *for* some purpose" but never "in itself, divorced from a standpoint in time and space." Cox insists on the "history-bound" character of social and political theory, which is always "traceable to an historically-conditioned awareness of certain problems and issues, a problematic" while at the same time attempting to "transcend the particularity of its historical origin" by placing them in general propositions or laws. Hence appears the need for adjusting or rejecting old concepts and forging new concepts as reality changes.[6]

Convinced about the absence of a "single, immediately compelling conception," German political scientist Alexander E. Wendt suggests that the

5 Here I must confess that until I attended the courses of Prof. Aydın Babuna where I was involved in discussions with my friend Tan Berk Akı, this field of study had not caught my attention. It was Tan Berk's ambitious presentation on the theoretical position of his thesis that inspired me to take a closer look at the literature on international relations for the theoretical framework of this research.

6 Cox, Robert W. "Social Forces, States and World Orders: Beyond International Relations Theory." *Millennium: Journal of International Studies*, vol. 10, no. 2, 1981, p. 128.

"agent-structure," "parts-whole," "actor-system," and "micro-macro" problems all quest for explaining social behavior through the relationship between social actors or agents and social structures.[7] The concept of "historical structures" as frameworks for actions illustrates a series of relationship that can broaden our understanding concerning the interactions within a given historical structure. When the three categories of forces (material capabilities, institutions, ideas) are applied to the three spheres of activity (social forces, forms of states, and world orders), a similar interrelation is obtained between these spheres.[8] I aim not to carry out a separate research of political science and international relations per se, but to apply this concept as an analytical tool to the case of young Republic of Turkey in the early 1930s. A considerably strong interaction appears to exist between the limited material capabilities of the 1930s due to the autarchical tendencies in the world economy, the revolutionary institutions of the two new Republics in Turkey and Russia, and lastly the ideas of development and independence generated by the political elites in the head of these two countries. At the level of activity, a similar interrelationship is found between the social forces represented by the Bolsheviks in Russia and Kemalists in Turkey, independent and revolutionary Republics that they had founded, and the reluctance of the world order dominated by the West to embrace these new governments in the discouraging conditions of the years that followed the world crisis. One can assume that all the elements of these interrelations encouraged each other for triggering in both countries "anti-imperialist" feelings towards the Western hegemony, paving the way for a deep collaboration between Turkey and the Soviet Union. Thereby, I argue, the concept "historical structures as frameworks of action" is applicable if one treats the case in question in terms of international relations.

A necessary remark must be made on the "West" as a term that frequently appears in the following pages. The use of the term within the framework of the present study does not refer to a cultural or necessarily geographical indi-

7 Wendt, Alexander E. "The agent-structure problem in international relations theory." *International Organization*, vol. 41, no. 3, 1987, pp. 338-39.

8 Cox 136-38.

cation but signifies the multifaceted hegemony exerced and reproduced by advanced capitalist countries of Europe and North America. Sticking with my definition, I also agree that it is the Western experience which has constructed a "Third World which was but an historical construct" and the "West which had no basis in historical reality either."[9] Neither term indicates a geographical reality but a complex relationship of power and hegemony.[10] Edward Said asserts that the Orient served Europe (or the West) as a counter image to make a self-definition.[11] Reciprocally, it can be argued that the image of the "West" served the Orient in a similar way.

§ 2.2 How Developmentalist Thought Developed Through Years

An overview will be clarifying to better grasp respective theoretical perspectives conceptualized in relation with the idea of development. A first glance shall focus on the "modernization theory." A series of events in medieval Europe, including the Enlightenment and the Protestant Reformation, launched "a new epoch characterized by both the triumph of the secular nation-state over the universal Church and a distinctively 'modern' way of thinking and being."[12] By the end of the eighteenth century, modern discourse invoked the "figure of reasoning man" equipped with a capacity of achieving total knowledge, total autonomy, and total power.[13] The nineteenth-century social science engendered an "imperial panorama" that "dehistorized non-western peoples," considering them as "contemporary ancestors."[14] It was the "moral and political duty of the pan-Europeans" to exploit the resources of the non-

9 Pieterse, Jan N. "Dilemmas of Development Discourse: The Crisis of Developmentalism and the Comparative Method." *Development and Change*, no. 22, 1991, p. 18.

10 Said, Edward W. *Şarkiyatçılık: Batı'nın Şark Anlayışları.* Translated by Berna Yıldırım, Metis Yayınları, 2016, pp. 14-15.

11 Said 11.

12 Manzo, Kate. "Modernist Discourse and the Crisis of Development Theory." *Studies in Comparative International Development,* vol. 26, no. 2, Summer 1991, p. 6.

13 Manzo 7.

14 Pieterse 7.

European world.[15] Modernization was "virtually synonymous" with "westernization," namely "the adoption of Western political institutions."[16] Resonating with the modernist assumptions stated above, for modernization theory, "First World" depicts the Western world which is "already grown, autonomous, rational, democratic, educated, secular, and wealthy state" while "Third World" depicts the "traditional other" which is "ungrown, dependent, emotional, authoritarian, illiterate, superstitious, and poverty-stricken."[17] It should also be noted that modernization theory was a product of the Cold War context and lost its appeal with the apparent "waning of US hegemony" due to the war in Vietnam, the upheavals of 1968, and the end of the postwar boom.[18]

By the mid-1960s, the "unjust war" of the US in Vietnam, the political revolution in Cuba, the cultural revolution in China, and the rise of anti-colonial national liberation wars in the world led to a "serious political opposition" against the West in general and the United States in particular. This opposition encouraged extensive criticism towards Western development strategies drawn on behalf of the underdeveloped countries.[19] From the "broad, sociological and ethnocentric concept" of modernization, the discourse shifted to the "narrow, economic and ethnocentric concept" of development.[20] American sociologist known for his world-system theory, Immanuel Wallerstein, assumes that for more than five decades, "development" has been standing for the "ability of some countries to erect productive enterprises of a type considered to be highly profitable."[21] It was presumed that social change occurs according to a pre-established pattern, "the logic and direction of which are known."[22] After 1945, "development" began to design the belief that "it was

15 Wallerstein, Immanuel. "After Developmentalism and Globalization, What?" *Social Forces*, vol. 83, no. 3, 2005, p. 1263.

16 Pieterse 11.

17 Manzo 14.

18 Pieterse 13.

19 Karaömerlioğlu, M. Asım. "Bağımlılık Kuramı, Dünya Sistemi Teorisi ve Osmanlı/Türkiye çalışmaları." *Toplum ve Bilim,* no. 91, Winter 2001-2002, p. 83.

20 Pieterse 13.

21 Wallerstein 1267.

22 Pieterse 6.

possible for the countries of the South to 'develop' *themselves*," hence appeared the ideology of developmentalism or "*desarollismo*" as Latin American authors called it.[23]

Still, "change" does not necessarily correspond to "development" since the former might come to follow a linear, cyclical, or even regressive temporal trajectory at different historical moments.[24] The "dependency" school's intervention to the debate meant the amplification of the claim that the economic development of Latin America was not possible until it ceased to reproduce the underdevelopment of the region through unequal commercial and political relations with the developed countries.[25] In fact, underdevelopment and economic inequalities were the outcomes of the same process waged in the name of development and modernization.[26] The dependency school refused to see the West as the privileged agent of change and progress in the "developing" countries by showing "how developmentalism was blaming the victim" through historical analyses of Latin American political economy.[27] Marxist literature must have inspired much the contributors of the dependency school. Lenin's description of a "semi-colonial country" fits the pattern of a "dependent" country. Moreover, even the language put to use for stating the unequal relations coincides: a de jure political independence but de facto financial and diplomatic dependence.[28] Dependent countries were unable to exert influence over the decisions affecting their national economies.

For dependency theorists, the post-1930 industrialization process did not end but exacerbated Latin America's economic dependence. The process itself was largely fueled by foreign capital and technology. All in all, there had not been a qualitative change in the relationship between Latin America and the rest of the world. The economic subordination of the continent continued as

23 Wallerstein 1264.

24 Manzo 10.

25 Karaömerlioğlu 83.

26 Karaömerlioğlu 85.

27 Manzo 10.

28 Lenin, Vladimir İ. *Kapitalizmin Son Aşaması Emperyalizm.* Translated by Kenan Somer, Bilim ve Sosyalizm Yayınları, 1997, p. 90.

before.[29] According to the hypotheses of the "preliminary test" prepared by Robert R. Kaufman *et al.* in 1975, countries with high levels of dependency were likely to have deeply unequal land tenure structures, uneven distributions of income (social stratification), low rates of economic growth, an unfavorable balance of trade, unstable and fluctuating growth patterns (economic performance), a low level of unionization, a low level of voting turnout (political infrastructure), low levels of constitutional stability, and high levels of militarism (political system characteristics).[30] Studies of dependency sought to utilize a historical-structural method to analyze concrete situations and to define "questions relevant to national politics and to the relations between the central capitalist economies and the dependent and nonindustrialized periphery." [31] Fernando Henrique Cardoso, a *père fondateur* in studies of dependency, suggests that the novelty of the initial studies of dependency was the characterization and the search for an explanation of emerging forms of dependency. One aspect of this effort was to show what the industrialization of the periphery meant. Accordingly, the author claims, "the anti-imperialist struggles were at the same time struggles for industrialization."[32]

Marxism was one of the main sources of inspiration for the theorists of development. To begin with the general character of economy, Rosa Luxemburg's harsh criticism towards her contemporaries deserves a closer look. Luxemburg, one of the most influential Marxist figures of the early twentieth century, denies the separation between "industrial countries" and "agricultural countries" by pointing out the high levels of agricultural production in the so-called industrial countries and the increasingly growing commercial relations

29 Kaufman, Robert. R. et al. "A Preliminary Test of the Theory of Dependency." *Comparative Politics*, vol. 7, no. 3, Apr. 1975, pp. 304-06.

30 Kaufman et al 307-09.

31 Cardoso, Fernando H. "The Consumption of Dependency Theory in the United States." *Latin American Research Review*, vol. 12, no. 3, 1977, pp. 10-11.

32 Cardoso 18.

among themselves, whereby simultaneously covering the exchange of the exactly same kinds of commodity in exports and imports.[33] Luxemburg concludes that international trade is more than simple commodity exchange but resembles a "labyrinth" based on complex reciprocal economic relations.[34] A conviction prescribed in Marxism is that a socialist order cannot be founded in a predominantly peasant country.[35] That is why it does not sound reasonable for a Marxist to give up the ambition to industrialize an economy for political reasons, as it would mean leaving the hope for a proletarian revolution in that country. And regarding the economic program to follow after the revolution, planning appears to be the keyword given the inspiring results of the Soviet experience. Great Italian Marxist Palmiro Togliatti supposes that economy can be planned only after a political revolution puts an end to the principles of capitalist society. Any other attempt for planning under capitalist relations of production means for Togliatti mere formulations of demagogy.[36] In 1945, referring to the ancient Roman god with two faces, influential British historian E. H. Carr opposes Togliatti's argument and claims that planned economy is a "Janus" showing dual character. Even when relied on a socialist doctrine, the author supposes that its core is nationalist.[37] In a later work, the same author seems to change his position and writes that Soviet industrialization was launched in the 1920s as a collective "enterprise inspired by desire to catch up with the west" while firmly rejecting the bourgeois pattern of industrial revolution by adopting the conception of central planning around the collective interests of the society.[38] To proceed with Marxist theory in international relations, it should be noted that terms like "historical materialism," "dialectic," and "imperialism" serve Marxist writers as efficient analytical tools, which

33 Luxemburg, Rosa. *İktisat Nedir?* Translated by Ahmet Çakmak and İzak Atiyas, Belge Yayınları, 1987, pp. 35-38.

34 Luxemburg 52.

35 Carr, Edward H. *Foundations of a Planned Economy 2: 1926-1929*, Pelican Books, 1976, p. 465.

36 Togliatti, Palmiro. *Faşizm Üzerine Dersler.* Translated by Şiar Yalçın and Yüksel Demirekler, Bilim ve Sosyalizm Yayınları, 2000, p. 121.

37 Carr, Edward H. *Milliyetçilik ve Sonrası*. Translated by Osman Akınhay, İletişim Yayınları, 1999, p. 37.

38 Carr, *Planned Economy* 465, 469.

promote historical reasoning in this field. British Marxist Alex Callinicos defines historical materialism as a theory of structural capabilities, which describes these capabilities according to agents' accessibility to sources of production, labor force, and means of production.[39] Reconciliating structure with actor, historical materialism may be useful in international relations in explaining foreign policy. Dialectic, another indispensable concept for Marxists, does not disregard alternative forms of development arising from the confrontation of opposed social forces; it can be applied to production processes for explaining a particular historical form of a state or society. As to "imperialism," it signifies a "vertical dimension of power," which describes the "dominance and subordination of metropole over hinterland, centre over periphery, in a world political economy."[40] For Lenin, the author of the most influential interpretation of the term, imperialism had five characteristics: concentration of the production and capital to an extent that gives life to monopolies; emergence of a financial oligarchy with the fusion between bank capital and industrial capital; the export of capital; formation of international capitalist monopolies; completion of the division of the world among the biggest capitalist states.[41]

§ 2.3 Critiques Against the Developmentalist Thought

The school of dependency became subject to criticism for several reasons, a significant number of which have substantial scientific relevance. The first critique treats the notable continuities between modernization, developmentalism, and dependency in spite of the latter's claims of forming a radical alternative. Both developmentalism and dependency act on the basis of a "modernist discourse" relying on the principles of nineteenth-century liberal philosophy. Moreover, these theories accept the Western model of national autonomy, thus equating political development with Westernization, economic

39 Callinicos, Alex. *Tarih Yapmak: Toplum kuramında etkinlik, yapı ve değişim*. Translated by Nermin Saatçıoğlu, Özne Yayınları, 1998, pp. 299-300.

40 Cox 134.

41 Lenin 94.

growth, industrialization, and modernization.[42] The modernization theory was criticized because it attributes to the experience of the West the "norm for historical progress" by setting down the standard for the rest of the world. According to some scholars, the dependency theory, which was regarded as the "foremost revolutionary alternative to the hegemonic identity of Eurocentrism" was also "equally Eurocentric" if compared with the modernization theory.[43] Dependency school and other critiques of developmentalism – including modernization theory and Marxism – were accused of economism because they attribute to economic growth a central role in social change; of teleology because they seek for a goal-oriented development; and of centrism because they lead development or underdevelopment from the metropolitan world.[44] Among other critiques, it can be stated that the school of dependency exaggerated the significance of the economic relations with the periphery for the enrichment of the West. Even if contact with Western Europe promoted underdevelopment in Asia, Africa, and Latin America, the "periphery was peripheral for the economic growth of the core."[45]

The cruelest and most decisive contributions to academic debates often come from the course of history itself. The cases of modernization and dependency were no exception. The 1960s were marked by a "well-founded confidence" in the inevitability of processes of enlightenment and democratization in the "new and modernizing nations of Asia, Africa and Latin America."[46] However, it did not take long for this "pervasive sense of optimism" to increasingly give way to disillusionment and loss of theoretical direction.[47] The 1970s turned out to be a difficult decade for most countries of the South, which suffered from an acute balance of payments due to, first, the successive oil

42 Manzo 6.

43 Gülalp, Haldun. "The Eurocentrism of dependency theory and the question of 'authenticity': a view from Turkey." *Third World Quarterly*, vol. 19, no. 5, 1998, p. 951.

44 Pieterse 15.

45 O'Brien, Patrick. "European Economic Development: The Contribution of the Periphery." *The Economic History Review*, vol. 35, no. 1, Feb. 1982, pp. 16-18.

46 Almond, Gabriel A. *Political Development: Essays in Heuristic Theory.* Litttle, Brown and Company, 1970, pp. 232-33.

47 Manzo 3.

price increases and the consequent rise in the cost of imports, and second, the sharp decline in the value of their exports stemming from the stagflation in the world economy. Wallerstein believes that developmentalism was immediately condemned as the "villain in the piece," with all its outcomes such as import-substitution industrialization, state-building, financial aid, parastatal structures, and state enterprises.[48] Once import-substituting industrialization "ran into a number of bottlenecks," it eventually became impossible to put an end to the dependency on the importation of capital goods and technology from advanced countries. All in all, "dependency had not been eradicated."[49] "Dependencia" theorists were not able to make a convincing explanation of the socio-economic problems or offer a set of propositions for resolving them.[50] At the end, dependency fell from grace "in the same way that developmentalism once did."[51] Still, one shall admit the contributions of these currents to the literature in the second half of the previous century. Developmentalism is among a bunch of theories that could reach an undeniable theoretical influence among scholars. Disputes between strands of developmentalist thought occupy a remarkable place in social science.[52]

There is an agreement that developmentalism, together with its variations, marked the twentieth-century academic thought throughout a series of contributions and criticism. Still, the theoretical relevance of the developmentalist thought to the questions of the twenty first century demands a closer look. A contemporary scholar, Ha-Joon Chang, known for his ambition for alternative developmentalist methods, traces back the history of the state-led development strategy to the first half of the eighteenth century (with reference to British Prime Minister Robert Walpole) and sees in the works of Alexander Hamilton, one of the Founding Fathers of the USA, the first attempts to theorize this strategy. Chang claims that the state-led development strategy, unlike free trade, has the capacity to make an underdeveloped country reach the level of

48 Wallerstein 1264.

49 Gülalp 955.

50 Manzo 4.

51 Manzo 5.

52 Pieterse 12.

developed countries if it is successfully implemented.[53] He argues that today, developing countries are much less protective than once were the countries, which had accomplished development long time ago.[54] Yet, despite his conviction in strategies for development, Chang adds that there is no standard recipe for industrial development but certain well-defined principles and indispensable measures to guide the process.[55] Eric Hobsbawm considers the British industrialization as a unique example because it was accomplished completely alone, without benefitting from an already-emerged industrial sector in the world, a pre-existing experience, or accumulated capital. But he does not recommend the British example as a model for economic development in the twentieth century because it had enjoyed the advantages of an early development with simple and cheap technology in the absence of a concurrent political atmosphere with an efficient workers' movement and socialist forces in the world.[56] Nonetheless, for many, it still deserved a try in the twentieth century. Hobsbawm's compatriot Carr suggests that it was impossible for the newly-formed minor sovereign nations of the twentieth century to refrain from following the lessons of the protectionist experiences of the nineteenth-century United States and Germany.[57] As to the Turkish experiment, sociologist Berch Berberoğlu expresses his admiration for the experience of the 1930s, which showed,

> "that a short-term success of state-capitalist development in the Third World is possible and that such regimes can play an important role in capital accumulation and make considerable advances in the development of productive forces during the periods of metropolitan/global crises which weaken imperialist control and dependency relations."

53 Chang, Ha-Joon. *Kalkınma Reçetelerinin Gerçek Yüzü*. Translated by Tuba Akıncılar Onmuş, İletişim Yayınları, 2016, p. 8.

54 Chang 123.

55 Chang 118.

56 Hobsbawm, Eric J. *Sanayi ve İmparatorluk*. Translated by Abdullah Ersoy, Dost Kitabevi, 2008, p. 20.

57 Carr, *Milliyetçilik* 39.

Nonetheless, Berberoğlu does not recommend this state-led capitalist strategy, under the global political-economic conditions of 1980, for a long-term development. He believes that such regimes lack stability and cannot attain a "middle course between dependent capitalism and socialism."[58]

The drastic change in correlation of forces in the world with the dissolution of the socialist bloc and the rise of postmodernist pessimism in the literature make impossible pursuing "a middle course" between socialism and capitalism. The state of affairs after the introduction of globalism marks the end of developmentalism.[59] In the 1990s, the "state of crisis in Third World studies" diverted scholars' attention in favor of "grounding knowledge in local histories and experiences rather than building theory through the use of general conceptual categories and Western assumptions."[60] On the other hand, criticizing the calls for "a complete U-turn" toward methodological individualism, cultural specificity, or theoretical provincialism, some scholars accurately ask if evolution and development should also be discarded when we discard evolutionism and developmentalism.[61]

§ 2.4 Developmentalism and Studies on Turkish History

As to Turkey's position and related academic considerations on the history of Turkey within the framework of the previous discussions, the peculiarity of the country's historical experience seems to be the first aspect to emphasize. The case of Turkey has always been considered as a pioneering example of Third World independence and the Turkish national revolution has been regarded as a "historically pivotal experience that served as a 'conveyor belt' between the nineteenth-century European nationalisms and the twentieth-century Third World anti-colonialisms."[62] However, in only four decades after the National Liberation, the country was trapped into high economic and political

58 Berberoğlu, Berch. "State Capitalism and National Industrialization in Turkey." *Development and Change,* vol. 11, no. 1, 1980, p. 115.

59 Gülalp 957.

60 Manzo 30.

61 Pieterse 21.

62 Gülalp 953.

dependency to the United States and this disappointment was combined with the insufficient extent of development attained. This negative atmosphere formed the basis of intellectual debates of the 1960s for the belated development of the country. In addition, the stimulation of industrialization and urbanization, the appearance of youth movements, and the introduction of social problems into the literature served as social bases of the re-emerging intellectual interest on Turkey's economic dependency.[63]

Leave aside the 1960s, if the origins of the discourse on dependency through the Republican Era is traced, one sees that it had been present in the intellectual spheres of the country as early as the 1930s. Prof. Asım Karaömerlioğlu affirms how writers on *Kadro* journal formulated theses as sophisticated as the ones asserted within the framework of the school of dependency. The main emphasis in both cases was that the primary problem was caused by external factors due to pro-colonial intentions imposed from abroad instead of internal conflicts of the country.[64] The following references from the writers of the *Kadro* clarify and further strengthen Karaömerlioğlu's affirmation. İsmail Hüsrev (Tökin) suggests in 1934 that the roots of capitalist accumulation did not rely on individual investments but exploitation and plunder of the peoples of Asia, Africa, and South America by European and North American capitalists. İsmal Hüsrev concludes that Western civilization had flourished "at the expense of the blood and labor of the oppressed nations."[65] Burhan Asaf (Belge)'s claim is that, in 1934, Europe was "as reactionary as she was in the 1830s." In opposition with the "attempts for accomplishing the restoration of the forces of reaction" everywhere, Nations were rising up for the rights of the popular masses. And thus the nationalist cause would be victorious.[66] As the brief examples show, *Kadro* journal attributed the main responsibility for underdevelopment to the long history of unequal relations with the West, just like dependency theorists would do four decades later.

63 Karaömerlioğlu 81-82.

64 Karaömerlioğlu 86.

65 (Tökin), İsmail Hüsrev. "Garpte sermaye terakümünde müstemlekelerin rolü." *Kadro,* vol. 32, Aug. 1934, p. 21.

66 (Belge), Burhan Asaf. "Oklar, neyi gösteriyor?" *Kadro* no. 27, Mar. 1934, pp. 42-43.

3

The Role of Developmentalist Ideas in Turkish Political Tradition and Related Practices in Economy

Ölürsem görmeden millette ümid ettiğim feyzi
Yazılsın seng-i kabrime vatan mahzun, ben mahzun.

Namık Kemal

Aspirations for development and an economy serving interests of the nation had found their bases among Turkish intellectuals long before the proclamation of the Republic. By the end of the nineteenth century, deep faith in technical development was being largely pronounced within intellectual circles in Turkey despite their expression of high suspicion towards European aims in exporting technology to the countries that lacked adequate industrial infrastructure. This chapter is reserved for an overview of the historical background of the political tradition which paved the way for the promotion of developmentalist and nationalist ideas in economy.

§ 3.1 The Situation of the Ottoman Economy During the Rise of the Young Turk Movement

Regarding the Ottoman economy, Şevket Pamuk defines the nineteenth century as "a period of rapid integration into the world economy" through exportation of agricultural commodities, foodstuffs and raw materials as well as importation of manufactured goods. Meanwhile, the Empire's lack of tariff autonomy led to low tariffs on imports. Pamuk describes a phase of "globalization" mainly based on direct foreign investments of European firms in infrastructure for facilitating the commercialization of agriculture and integration to world markets.[1] Market-oriented production in agriculture was encouraging the cultivation of industrial plants like tobacco and cotton in certain regions such as Western Anatolia.[2] For example, the trade volume of the port of Izmir, the biggest port in the whole Empire, increased from 53 million francs in 1839 to 221 million francs in 1881.[3] However, the process had a limited geographical scope, and the integration was observable primarily in metropoles like Istanbul, Izmir, and Selanik. While these cities enjoyed intensifying links with international markets, their connections with the rest of the country were relatively insufficient. For instance, importing wheat from New York to Istanbul was 75% cheaper than sourcing it from Anatolia even though the latter was a relevant wheat producer.[4] Moreover, local economies of certain regions of the Empire such as Balkans, Egypt, Iraq, and Hejaz relied more and more on stronger bonds with Paris, London, or British India than Istanbul.[5] The absence of a proper railway network was a significant reason of the commodity traffic's restriction to the coastal regions of the Empire. The economic growth

1 Pamuk, Şevket. "Economic Growth and Institutional Change in Turkey before 1980." *Understanding the Process of Economic Change in Turkey*, edited by Çetin, Tamer and Feridun Yılmaz, Nova Science Publishers, 2010, p. 21.

2 Kepenek, Yakup. *Türkiye Ekonomisi.* Remzi Kitabevi, 2012, p. 15.

3 Petrosyan, Yuriy A. *Sosyalist Açıdan Jöntürk Hareketi*. Translated by Ayşe Hacıhasanoğlu and Mazlum Beyhan, Yordam Kitap, 2015, p. 41.

4 Boratav, Korkut. *Türkiye İktisat Tarihi: 1908-2009*. İmge Kitabevi, 2012, p. 28.

5 Ahmad, Feroz. "Osmanlı İmparatorluğu'nun Sonu." *Osmanlı İmparatorluğu'nun Sonu ve Büyük Güçler*, edited by Marian Kent, translated by Ahmet Fethi, Alfa Kitap, 2013, p. 45.

was prominently predicated on exports, which was in turn consolidating the dependence of agricultural production to foreign capital, eventually turning the country into a raw material storehouse and supplier.[6] Compared with the industrialized countries of Europe, the Ottoman Empire was suffering from her infrastructural limitations, resulting in serious economic threats.[7] Integration with world markets also fostered the destruction of the Ottoman artisanal and small-scale manufactory production.[8] The competition that the infiltration of foreign capital triggered was considered as one of the main obstacles against the country's industrial development. Silk production in Bursa and Diyarbakır and weaving manufactory in Damascus, Aleppo and Beirut were dragged into regression due to the same reason.[9] Moreover, European traders were putting the heat on the Sublime Porte to liquidate the guild organizations under the pretext that they were not compatible with the principle of free trade.[10] European companies' endeavors for an "export oriented, primary producing economy" were responded by the efforts of the Ottoman State for resisting or slowing down the process of globalization and the changes it brought.[11] Confronted with the pressure of rapidly advancing financial and military conditions of her rivals in the West, the Empire was trying to raise her military expenditure, eventually leading to growing budget deficits. And the deficit was meant to be cured with foreign debts that further strengthened the Western control over Ottoman finance.[12]

If we are to trace the political roots of the cadres who governed Turkey in the 1930s, it is a must to take it from the final decades of the nineteenth century. Ahmed Midhat Efendi offers a reliable representation of the Ottoman intellectual atmosphere that prevailed in the second half of the nineteenth

6 Petrosyan 42.

7 Ahmad 50.

8 Kepenek 15.

9 Petrosyan 29-30.

10 Kepenek 17.

11 Pamuk 22.

12 Pamuk, Şevket. Introduction. *İmparatorluğun Bedeli: Osmanlı'da Vergi, Siyaset ve Toplumsal Adalet (1839-1908)* by Nadir Özbek, Boğaziçi Üniversitesi Yayınevi, 2015.

century. As a fierce supporter of progress and a curious observer of the technical triumphs recorded in the West, Ahmed Midhat Efendi did not accept European models so easily but was leaving a space for critique in order to filter and reshape them. He wrote, "The Ottomans shall not envy European spiritual development, for envying European spiritual development means to sacrifice the spirituality that our great civilization and Islamic religion generate for us."[13] This insistence on conserving peculiar values of the Ottomans must have sown the seeds of the nationalist upsurge that was to take place at the beginning of the twentieth century and erect a national republic. The Turks did not aspire for turning into Europeans but for winning an even reputation among the Nations of modern Europe.

The second half of the nineteenth century witnessed the development of Turkish intellectual milieu both in quantity and quality thanks to educational reforms, proliferation of publications and scientific societies, and deepening cultural and scientific interactions with European countries. An inevitable outcome of this process was the emergence of an environment favoring the amplification of liberal-constitutionalist ideas.[14] There is a consensus on the ideological ambiguity of the Ottoman intellectual currents of the period, yet their political tendencies give certain clues about their ideas in general. As to "Young Ottomans" movement, Bülent Tanör affirms that they did not hold a common doctrine, economic or otherwise. Nevertheless, they showed deep discontent about the economic collapse and dependence, the intensification of foreign influence and interventions, and the recognition of economic rights for foreigners.[15] The movement could be defined as an organization of progressive and patriotic youngsters criticizing the government policies, yet they also expressed certain aspirations for the adoption of a constitutional regime.[16] The proclamation of the Ottoman Constitution in 1876 and the liquidation of

13 Findley, Carter V. *Ahmet Midhat Efendi Avrupa'da.* Translated by Ayşen Anadol, Tarih Vakfı Yurt Yayınları, 1999, pp. 3, 54.

14 Petrosyan 46.

15 Tanör, Bülent. *Osmanlı-Türk Anayasal Gelişmeleri (1789-1980).* Yapı Kredi Yayınları, 2001, p. 123.

16 Petrosyan 68.

the Young Ottoman movement immediately after this first victory left a precious experience of political struggle to the next generation. It was the first step in the name of a parliamentary monarchy and a prelude to the Young Turk movement that would follow.[17]

Erik Jan Zürcher claims that the weakest side of Abdulhamid II reign was the lack of fidelity among the new generation of bureaucrats and intellectuals, who were, ironically, raised in the very schools that the Sultan had founded. The new cadres were deeply influenced by liberal and constitutionalist ideas as well as the works of the Young Ottomans preceding them.[18] Tanör highlights the similarities between this new "Young Turk" generation and their predecessors regarding the lack of a common, well-structured doctrine. Their knowledge on economy was limited as well. Even if they agreed on the importance of the former, they were not able to define the substantial steps for economic development.[19] Korkut Boratav complains about the disinterest of the Young Turks towards the economic aspect of imperialism in their interpretation of dependence. Their understanding on the issue was not comprehensive at all but reduced to an argument for the full implementation of national sovereignty chiefly in legal and political terms. Receiving foreign capital and international debts, on the other hand, were deemed relatively tolerable.[20] For David Fromkin, these "obscure but ambitious men" were trying to meet the challenge of bringing the Empire into the twentieth century before the modern world destroyed it.[21] In the Western world, "Young Turks" would come to mean in common parlance "any brash group of young people with dynamic ideas who rebel against an outmoded leadership."[22] Soviet historian Yury Ashatovich Petrosian defines their ideology as "moderate bourgeois liberal reformism," which would take a bourgeois revolutionary turn in 1906-07.

17 Petrosyan 115-16.

18 Zürcher, Erik J. *Modernleşen Türkiye'nin Tarihi.* Translated by Yasemin Saner, İletişim Yayınları, 2015, p. 135.

19 Tanör 168-69.

20 Boratav 31.

21 Fromkin, David. *A Peace To End All Peace: The Fall of the Ottoman Empire and the Creation of the Modern Middle East.* Avon Books, 1990, pp. 36-37.

22 Fromkin 41.

The author finds the policies of the Young Turks immature, far behind the political creativity and intellectual efficiency of the Young Ottoman movement that preceded them.[23]

For a thorough definition of this new group of officers, Sina Akşin suggests five qualities: to be Turkish, young, member of the administrative class, educated and holding bourgeois mentality. The last quality does not refer to the social status but the faith in development within the framework of a bourgeois social order. Consequently, Akşin formulates the Young Turk ideology briefly as a "bourgeois ideology" striving for the capitalist development of the Ottoman Empire under Turkish control.[24] Feroz Ahmad maintains that the Young Turks pursued long-term goals, reaching beyond the adoption of the Constitution of 1876. For Ahmad, the main goal was to leave behind the semi-colonial condition and to achieve the status of a sovereign capitalist country recognized by the European Powers. Ahmad thus considers the adoption of capitalism as a fundamental part of the Ottoman conception of modernization and Westernization.[25] The ascending socialist movement in France, which some leaders of Young Turks must have witnessed in Paris, had not left any identifiable mark on their thinking. They were, instead, inspired by the victory of Japan over Russia in 1905 and the constitutional revolution in Iran that took place the following year.[26] Young Turk publications gave large place to the "Bloody Sunday" in Petersburg despite the censorship implemented over any news from the revolution unfolding in Russia. Two years later, the Second Young Turk Congress was going to issue a declaration addressing the Iranian Parliament, wishing good relations of neighborhood after the anticipated readoption of constitutional regime in the Ottoman Empire.[27]

23 Petrosyan 294, 309.

24 Akşin, Sina. *Jön Türkler ve İttihat ve Terakki.* İmge Kitabevi, 2011, pp. 132-35.

25 Ahmad 32.

26 Zürcher 139.

27 Petrosyan 241-42, 281.

The First Young Turk Congress convened in Paris on 4 February 1902 and discussed the possible military or foreign involvement in the upcoming revolution.[28] Despite the pro-interventionist atmosphere that dominated the Congress, the ones who rejected any military or foreign intervention would prevail within the movement under the leadership of Ahmed Rıza Efendi in the following years. 5 years later, the Second Young Turk Congress convened in Paris on 27 December 1907 and issued a common declaration. On the economic question, the declaration expressed that taxes collected from the poor were used for sustaining the autocratic regime instead of the development of the country; that trade was almost inapplicable because of the bureaucratic restrictions on travelling; that agriculture was suffering from heavy tax burden, insecurity, and infrastructural lacks; and that all these were resulting in migration and famine. An interesting article of the declaration targeted Sultan Abdulhamid II's pro-German foreign policy, which was deemed as damaging the country's international reputation and "turning the interest and dialogue of the freedom lover countries into hatred."[29] One can argue that theirs was far from an overall anti-imperialist stance but rather an open sympathy towards liberal countries of the period, notably France and the Great Britain. As Zürcher indicates, they were hoping to improve the Empire's reputation among liberal countries of Europe by reassuring the constitutional regime.[30] Indeed, the main purpose of the Young Turk movement was to put an end to the autocracy of Abdulhamid and to readopt the Constitution that was proclaimed in 1876 but suspended by the Sultan the following year. The Committee of Union and Progress (CUP) managed to fulfill this aim with the 1908 Young Turk Revolution.[31] The Ottoman Empire was heading for a liberal, constitutional monarchy through this bloodless revolution, empire-wide elections and the opening of the chamber in 1908.[32]

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28 Karpat, Kemal H. *Türk Demokrasi Tarihi: Sosyal, Ekonomik, Kültürel Temeller*. AFA Yayınları, 1996, p. 37.

29 Akşin 113-15.

30 Zürcher 159.

31 Karpat 37.

32 Aksakal, Mustafa. *The Ottoman Road to War in 1914: The Ottoman Empire and the First World War*. Cambridge University Press, 2010, p. 9.

Interestingly, a short period of rapprochement with the British followed the Young Turk Revolution, which Akşin interprets as a response to the pro-German foreign policy of Sultan Abdulhamid. The arrival of the new British Ambassador Sir Gerard Lowther was welcomed by an enthusiastic popular crowd that accompanied his car until the embassy. Following the Revolution, the British Government congratulated the Prime Minister and the Sultan on July 27. Later, Kıbrıslı Kamil Pasha, who was known for his British affiliation and was to be eventually decorated with a Grand Cross of Bath, would become the Prime Minister.[33] His Majesty's Government issued an official congratulation message to the new government in Turkey and the Foreign Secretary, Sir Edward Grey, ordered Sir Lowther to present their support for the new regime.[34] Yet, while the Young Turks were viewed with sympathy by the Foreign Office in London, they were disliked and disdained by the British embassy in Istanbul. Lowther's First Dragoman, Gerald FitzMaurice, had conducted an investigation about the CUP, concluding that the Young Turks were "imitating the French Revolution and its godless and levelling methods," which would develop in antagonism with British ideals and interests.[35]

A rapprochement with Great Britain would have substantial limits. Akşin claims that the British knew it better than the Ottoman Government that a Turco-British friendship was impossible due to London's alliance with Moscow, the main source of threat for the Ottomans, and due to the nationalist character of the new Ottoman Government. The Young Turk ideal of founding a modern state on the basis of nationalism was considered as a dynamite placed under the foundations of the British Empire, given the possible stimulations to which it would lead in her Muslim colonies, where prevailed the idea of a modernism introduced by colonialism.[36] At the same time, German military and scientific knowledge had an increasing popularity among Ottoman

33 Akşin 216-17.

34 Kent, Marian. "Büyük Britanya ve Osmanlı İmparatorluğu'nun Sonu." *Osmanlı İmparatorluğu'nun Sonu ve Büyük Güçler,* edited by Marian Kent, translated by Ahmet Fethi, Alfa Kitap, 2013, p. 275.

35 Fromkin 41.

36 Akşin 218-19.

bureaucratic elite. İlber Ortaylı claims that the Young Turk Government shared with the Abdulhamid rule the same attitude towards Germany. Especially after the Reval Agreement between Emperor Nicholas II and King Edward VII in June 1908, the German Empire appeared as a reasonable power that did not take part in the plans for the partition of the Ottoman lands.[37] Explaining this choice with the deadlock the Empire was stuck in, Ortaylı asserts that "radical Unionists" who lacked political experience and coherence preferred taking on an "adventure" for the sake of a national economic system and political independence.[38] In May 1908, for protesting the Reval Agreement and any possible foreign intervention in Macedonia, Young Turk committees sent firm memoranda to all embassies in Macedonian cities except the embassy of Russia. The signing of the Reval Agreement had stimulated the Young Turk opposition, encouraging them for the possibility of an armed struggle against the Government.[39]

From the Young Turk perspective, independence was a must for founding a modern state. Mustafa Aksakal defines the Ottoman understanding of modernization as follows: "the establishment of a sovereign, economically and politically independent state that enjoyed full membership in the international state system and access to international law."[40] As to the "economic program of the Bourgeois Revolution of 1908," Akşin supposes that it was imperialism, which stood on its way.[41] The great discontent towards the Empire's "semi-colonial" position in world economy was one of the reasons that generated the Young Turk movement.[42] Taking it further, Oral Sander even describes the movement as "a nationalist resistance towards Western superiority".[43] However, intending to throw off the shackles of the Empire, the Young Turks seemed to have no coherent plan to bring the European economic domination

37 Ortaylı, İlber. *Osmanlı İmparatorluğu'nda Alman Nüfuzu.* Alkım Yayınevi, 2005, pp. 106-07.

38 Ortaylı 168.

39 Petrosyan 316, 320.

40 Aksakal 4.

41 Akşin 373.

42 Zürcher 187.

43 Sander, Oral. *Anka'nın Yükselişi ve Düşüşü: Osmanlı Diplomasi Tarihi Üzerine Bir Deneme.* İmge Kitabevi, 2006, p. 273.

to an end.[44] While protesting the collapse of industry and agriculture under the reign of Abdulhamid II, the only practical propositions they had made until their grasp of power were limited to ending despotism and promoting scientific development.[45]

The Sublime Porte was no longer master of its own Treasury or Customs House and the CUP had no concrete refinancing program to gain back the financial control.[46] The General Administration of Ottoman Public Debts (*Düyun-u Umumiye*) was a financial institution founded in 1881 by the creditor countries following the Ottoman bankruptcy of 1875, allowing the debt owners to directly collect their share from state revenues.[47] Revenues from tobacco and salt monopoles, agricultural taxes, and certain payments coming from abroad like Bulgaria were left under the control of the institution.[48] The General Administration formed a modern bureaucracy with thousands of functionaries and adopted an efficient tax collection mechanism that assured control over about a third of the state revenues.[49] Whereas the annual payment of the Ottoman debts had reached 14 million golden liras, the total revenue of the state was merely 18 millions. Differing from the direct British and French intervention model in Egypt, where the former even nominated the ministers, the General Administration was considered by the Ottomans to be a more reasonable case, as the debtors were not directly represented in governmental bodies.[50] It was after the 1875 financial bankruptcy when the foreign bank invasion and concessions gained pace.[51] Meanwhile, foreign trade deficit, which

44 Fromkin 46.
45 Petrosyan 304-05.
46 Fromkin 47.
47 Akşin 278.
48 Petrosyan 163.
49 Zürcher 133.
50 Ahmad 52.
51 Ortaylı 40.

had not fallen under 7 million liras along the last two decades of the nineteenth century, reached 12 million liras by 1906.[52] The deficit made appeals to foreign capital inevitable even for the most basic investments.[53]

The modernization of transport and communications was a vital element on the CUP's internal agenda. Ottoman leaders wanted the European technologies introduced but were keen to avoid foreign ownership or control. However, while Turkey was in the unequal position of supplying only natural resources and importing her manufactured needs, Europeans were already exercising "an economic preponderance which the CUP resented but could do nothing about."[54] Railways were introduced to the Ottoman lands by French and British companies. The major part of direct foreign investments focused on railway construction.[55] Enhanced concessions prescribed under favorable conditions of "kilometer guarantee" to companies undertaking railway projects were further consolidating the financial dependence of the Empire. To put the financial burden in numbers, we can note that 6 million francs were payed to privileged companies from the budget of the year 1875-76.[56] A case worth mentioning is Baghdad Railway Project, which incited a harsh competition between European Powers. Launched as an economic initiative to reanimate the Silk Road in Ottoman Asia, the project eventually accelerated the financial collapse of the Empire.[57] The British were complaining about the threat the project posed to their established commercial interests in the region. According to a report by Llyod George, the Chancellor of the Exchequer, commerce and politics were closely related subjects which were not to be separated in the Turkish case.[58] By the beginning of the twentieth century, German investors had invested nearly 1 million marks in the Ottoman economy at the expense of their British and French rivals. By floating shares, issuing

52 Petrosyan 167.
53 Ortaylı 40.
54 Fromkin 46-47.
55 Zürcher 123, 133.
56 Petrosyan 32.
57 Ortaylı 134, 139.
58 Kent 281.

bonds, delivering equipment orders for construction projects, and wiring cables, German capital had already earned more than 140 million marks even before the beginning of the construction phase of the Baghdad Railway Project.[59] The project had triggered worries of the French towards German *Weltpolitik*, which was interpreted as a claim against the established French positions within the Ottoman Empire. Thus adopted the French Government a policy to hinder the project and to look up for new concessions for compensating the lost ones.[60] The Ottoman lands had already been divided in spheres of influence upon railway agreements between Britain and France. In June 1914, the secret agreement between Germany and Britain on Baghdad Railway Project recognized the German domination in Anatolia, prescribing the British reserve for the parts that concerned the way opening to the Persian Gulf, and eventually India.[61] Ortaylı points out that each dispute between Great Powers on Ottoman railways was concluded with further concessions granted on the Ottoman side.[62] Consequently, railway concessions, which possessed enormous economic and strategic importance, fostered the competition between the Great Powers, leading further to worsening of the international reputation of the Empire.[63]

Even if they saw that the Empire's dependence was mainly related with her foreign debts, the Unionists, too, felt the need for foreign loans in order to be able to pay for the expenses of the administration and for implementing further reforms. Foreign capital fled after the political instability of 1908 and the budget deficit did not cease to grow. The success of attempts at financial reform was only gradual. Hence, the Empire continued to depend on short term external loans.[64] The Ottoman Government floated 11,711,128 liras worth loans from the Ottoman Bank in 1908 and 1909. Istanbul tried to bypass the General

59 Petrosyan 170.

60 Fulton, L. Bruce. "Fransa ve Osmanlı İmparatorluğu'nun Sonu." *Osmanlı İmparatorluğu'nun Sonu ve Büyük Güçler*, edited by Marian Kent, translated by Ahmet Fethi, Alfa Kitap, 2013, pp. 259-60.

61 Sander 280-81.

62 Ortaylı 143.

63 Ahmad 53.

64 Aksakal 59-60.

Administration of Ottoman Public Debts in their loan of 7 million liras for railway projects in 1910 and 1911, causing discontent in European financial venues. Sticking to the decision to avoid the General Administration, the Minister of Finance, Cavit Bey, visited France in 1910 in the hope for finding another loan for funding military expenditures. However, in September, the French Government cancelled Cavit Bey's agreement for 11 million liras with French banks, as a reaction to the Ottoman decision to hold correspondences between the Ministry of Finance and General Administration in Turkish instead of French. In November, a delegation from Deutschebank visited Istanbul and made a loan agreement of 11 million liras, which the French had refused to grant.[65] Aksakal believes that the European Powers increased their leverage by linking the loans to political matters.[66] The French Government attempted to consolidate its position during the negotiations by pushing for the acceptance of French financial control and an order for French artillery and naval equipment.[67] Germany also enjoyed an expensive artillery order for Krupp Company.[68] Europe would not allow the CUP to carry through its program, nor let the Empire survive unless one of the Great Powers became its protector. Suffering from diplomatic isolation, the search for securing a powerful European ally became the most urgent item on Turkey's agenda.[69] In August 1914, the Ottoman treasury decreased to 92 thousand liras, and the only European Power willing to grant a loan was Germany, on the condition that the Empire entered the war against the Entente Powers.[70] Ortaylı writes that the Empire had not found the opportunity for financial and economic independence but could still choose between imperialist states.[71] Ahmad defines the quagmire that the Ottoman government was trapped in: they were spend-

65 Akşin 278-79.
66 Aksakal 60.
67 Fulton 245.
68 Petrosyan 166.
69 Fromkin 48-49.
70 Ahmad 39.
71 Ortaylı 43.

ing great amounts for saving the Empire from a collapse but it was indeed accelerating the collapse, for it increased foreign debts and consolidated the dependency to Europe.[72] Between 1908 and 1914, the total amount of the credit agreements that the Young Turk Government concluded was 49.4 million liras. By November 1914, while annual revenues did not count more than 27 million liras, the foreign debt reached 143,241,757 liras.[73] Still, on the eve of the Great War, the path to international security for saving the Empire from partition and foreign rule entailed an alliance with one of the Great Powers.[74]

§ 3.2 Economic Policies and Developmentalist Ideas in the Second Constitutional Era

Once they came to power, the Young Turks seemed keen on implementing a socio-political reform program of modernization.[75] A number of legal regulations were issued in the Second Constitutional Era for facilitating the capitalist development, such as laws allowing the sale of dysfunctional public buildings and the foundation of charity facilities with private investment. Numerous reforms undertaken for standardization of street addresses, infrastructural improvement, mechanization of agriculture, encouragement of industrial production, and leaping forward in education further facilitated the process.[76] The report prepared for the 5th CUP Congress in 1913 emphasized the necessity of economic development and proposed new legislations and forming of agricultural cooperatives and banks for this purpose. The program affirmed by the Congress reserved a detailed part in 16 articles for economic matters including taxes, real estates, credits and financial institutions, and lastly, organization of economy and related legislations.[77]

72 Ahmad 54.

73 Noviçev, Aron D. *Osmanlı İmparatorluğu'nun Yarı Sömürgeleşmesi.* Translated by Nabi Dinçer, Onur Yayınları, 1979, p. 95.

74 Aksakal 2.

75 Zürcher 184.

76 Akşin 373-77.

77 Akşin 394-95.

The Second Constitutional Era witnessed a boom in public discussions. Following the Revolution, the number of publications skyrocketed, increasing thirty times over within one year. The main theme of debates was modernizing the Empire by introducing selected European elements while preserving its Muslim-Ottoman character. Different views such as Ottomanism, Turkism, and Islamism rapidly gained ground among intellectual circles. Ottomanism, claiming equal rights to all Ottoman citizens of the constitutional regime without discrimination upon religion or language, was considered as the official ideology of the Young Turk Revolution. Yet, the subsequent years proved impossible to construct the anticipated Ottoman identity given the wars and resulting migrations, during which the Empire lost millions of its non-Muslim citizens.[78] By the end of the Great War, the only plausible ideology that could have survived in Turkey was nationalism.[79] Zürcher reminds that the Unionist leaders should be comprehended as activists rather than ideologues. They lacked a well-defined ideological program but were gathered upon collective attitudes shaped by nationalist, positivist, centralist, and reformist ideas.[80] Nevertheless, their contribution to the making of the political consciousness on behalf of Turkish bourgeoisie was out of question.[81] The nationalist character of the movement had always been conspicuous. As early as in 1906, the Ottoman Society for Progress and Union, founded under the leadership of Ahmed Rıza Efendi, was announcing, "Our Society is originally a Turkish society."[82] Disturbed by the non-Muslim control over the Ottoman trade, Ahmed Midhat Efendi wrote, "We do not have commerce. The ones who are involved in commerce and who benefit from it are all foreigners. Our domestic and foreign trade are all in the hands of foreigners."[83]

78 Zürcher 193-95.

79 Karpat 47.

80 Zürcher 199-200.

81 Petrosyan 309.

82 Akşin 100-01.

83 Petrosyan 168.

Classical liberalism was the main perspective that the Young Turks had adopted in economy. They were striving for modernizing the legal code concerning trade and property relations.[84] Yet, economic activities between Turkish citizens were particularly encouraged. Kemal Karpat reckons that it was the logical conclusion of their nationalist ideas to engender a national economy reined by Muslim Turks especially in commerce and industry.[85] By 1917, there were several national banks and forty incorporated companies founded and administrated by Turkish people, paving the way for the emergence of a "Turkish bourgeoisie." Indigenous economic activities advanced the generation of the idea and policies of national economy and economic independence.[86] Akşin points out mutual benefits of this relation: while these indigenous companies were contributing to "economic Turkism," they were also being engaged to the CUP. Benefiting from the absence of competition with minorities due to the dramatic decrease in the Rum and Armenian populations, Turkish entrepreneurs were enjoying privileges provided by the Government during the war such as disposal of train wagons despite the mobilization, regulations imposing national quota for encouragements in industry, and obliging the usage of Turkish language in business records.[87] Karpat implies that sometimes the CUP's assist to national entrepreneurs involved inappropriate ways. Organizing boycotts against stores owned by minorities were not uncommon.[88] In the nationalist press, the boycott was justified as the "communal awakening and consciousness" of the Empire's Muslims who now became "painfully aware of the need to build a national economy for the Empire" given the miserable financial situation of the State.[89] The opening of nearly 500 new Muslim groceries in Istanbul can be read as a proof of the success the boycott reached.[90]

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84 Zürcher 187.

85 Karpat 86.

86 Tanör 215.

87 Akşin 429-31.

88 Karpat 49, 87.

89 Aksakal 54.

90 Toprak, Zafer. *Türkiye'de Ekonomi ve Toplum (1908-1950): Milli İktisat - Milli Burjuvazi.* Tarih Vakfı Yurt Yayınları, 1995, p. 5.

Boratav categorizes "national capitalism" as a relevant current prescribed under bourgeois ideology in political economy. The emergence of Turkish capitalism seemed to offer a harmonizing framework for different tendencies in the field. The school of "nationalist economy," which was propagated by influential pro-Unionist intellectuals such as Ziya Gökalp, Yusuf Akçura, and Tekin Alp received a considerable support during the Great War.[91] The war was considered by the Young Turk Government as an opportunity to implement "economic Turkism." Among various sources that conveyed the idea were the Society for National Consumption (*İstihlakı Milli Cemiyeti*) promoting indigenous products, Ahmet Mithat Efendi who supported protectionism in his book *Ekonomik Politik* published in 1880, an influential scholar called Kazanlı Musa Akyiğit who lost his position in the military school because of his protectionist ideas inspired by Friedrich List, and lastly the Germanophile Russian social-democrat Alexander Helphand (Parvus) who defended protectionist economy in a number of publications. Ideas of cooperativism and solidarism (*tesanütçülük*) were also to spread in the Ottoman Empire by the end of the war.[92] The populist influences of the Turkish immigrants coming from Russia, who were inspired by the Narodniks for organizing a struggle for national liberation cannot be overstated too.[93] Among such sources of inspiration, Helphand-Parvus deserves a closer look. Karaömerlioğlu suggests that this "cosmopolitan intellectual and activist," who lived in Istanbul between 1910 and 1914 and developed close ties with the Young Turks, had a noticeable impact on Turkish intellectual life.[94] In his articles appeared on *Türk Yurdu,* a prominent publication of the period, "Parvus Efendi" tried to alert the Young Turk power on the importance of economics, calling upon the Government to develop a national economy based on national industrialization for the sake of the country's liberation from European imperialism.[95] In an interview on

91 Boratav 24, 26.

92 Akşin 426-28.

93 Ahmad 56.

94 Karaömerlioğlu, M. Asım. "Rusya, Almanya ve Türkiye'de Büyük Bir Kozmopolit Entelektüel ve Eylemci: Helphand-Parvus." *Doğu-Batı,* no. 37, 2006, pp. 158-59.

95 Karaömerlioğlu, "Helphand-Parvus" 168-70.

Turkish newspaper *Tasvir-i Efkâr* on 22 July 1914, Parvus Efendi was insisting on the immediate and unilateral abrogation of the Capitulations, which he condemned for inconsistency with modern trade conditions, social life, and existing international condition.[96]

§ 3.3 Capitulations and the Economic Policy of the Young Republic

Wartime presented to the Ottoman leadership a suitable, even ideal, environment to realize the drastic changes required for removing foreign control and cultivating a loyal citizenry as a modern country. Conditions of war provided an appropriate pretext for the expulsion of foreign businesses and the nullification of fiscal and legal exemptions for foreign nationals.[97] It was in 1913, after the heavy blow of the Balkan Wars, that the CUP asserted for the first time as a "holy task" to abolish the Capitulations, which were an obstacle to the independence of the national economic policy.[98] The Government declared the abrogation of the Capitulations on September 5, 1914. The decision was endorsed by massive demonstrations in Turkey despite the joint protest of the Great Powers who claimed that these concessions were the outcome of international agreements, which could not be unilaterally suspended. On the other hand, they were not able to impose any sanctions due to the ongoing state of war.[99] Customs, which had been 11 and 8% respectively, were raised to 15 and 11% on September 20. Judicial Capitulations were also abolished just like other concessions. This, Akşin puts it, was nothing but the "proclamation of economic independence."[100] In early October, all foreign post offices were closed and foreigners were made subject to Turkish laws and courts.[101] Even Cavit Bey,

96 Toprak 52.
97 Aksakal 14.
98 Akşin 268.
99 Ahmad 48.
100 Akşin 425.
101 Fromkin 69.

the Minister of Finance known for his stance for economic liberalism, was opposing the Capitulations.[102] The issue had become so essential for the CUP that its abolition was the first item on the list during the critical negotiations the Grand Vizier Said Halim held with the German Ambassador Hans von Wangenheim in August 1914,[103] a few days after Germany entered the war, about the Sublime Porte's admittance of the two portless German battleships *Goeben* and *Breslau* to the Straits.[104] The priority persisted, so much so that it was reintroduced during the failed secret negotiations, held in Geneva by the end of the war, between Enver Pasha and Vincent Caillard representing the British Prime Minister Lloyd George, for the Empire's surrender on Britain's terms.[105]

The Ottoman Parliament convened under the occupation of the Entente Powers adopted the political declaration called National Pact (*Misak-ı Milli*) on 28 January 1920. Political, financial, and judicial independence of the country, referring to the abrogation of Capitulations, was one of the critical articles of the text.[106] Bekir Sami (Kunduh), the first Foreign Minister of the revolutionary government in Ankara, was asked to resign in May 1921, on the ground that he had given economic concessions to the European Powers at the correspondences in London, "conflicting with the principles of the National Government" as well as with the ideal of a sovereign and independent Turkey.[107] He had signed separate agreements with his French and Italian counterparts in March, assuring their retreat from Anatolia for certain economic privileges.[108] In the eyes of Mustafa Kemal (Atatürk), such economic concessions, and the proposed French partnership on Anatolian mining and railway com-

102 Akşin 427.
103 Fromkin 64.
104 Aksakal 114-15.
105 Fromkin 266-67.
106 Zürcher 209.
107 Ahmad 27.
108 Zürcher 231.

panies, meant nothing but Anatolia's de facto division into spheres of influence.[109] Capitulations, which had been unilaterally abolished in September 1914, were restored after the war. At Lausanne Conference, discussions on the issues concerning economy and finance had resulted in a deadlock. The meetings were suspended for months until the Turkish side eventually prevailed at the expense of a number of restrictions on customs.[110] For the Turkish side, economic issues were in fact a matter of national dignity. The full implementation of the proposal of the Allies would mean "economic slavery" for Turkey. İsmet (İnönü) Pasha, the head of the Turkish delegation in Lausanne, was worried about Ankara Government's reputation in the National Assembly in case they granted excessive concessions. Hence his insistent rejections to the Allied delegation: *"Je ne peux pas."*[111] Ahmet Kuyaş states two main aspects of the success the Turkish Government earned at the peace negotiations in Lausanne: the new state emerging in Ankara was recognized by the international community, and the Capitulations were abrogated once again as an epitome of Turkey's full sovereignty.[112]

As to the formal status of the Ottoman Empire in her last years, Fromkin presents a rigorous description of the situation. At the beginning of the twentieth century, the "still-independent Turkish Sultanate" was looking out of place in the modern world. As "a structure that had survived the bygone era to which it belonged," Fromkin compares the Ottoman Empire with a ruined temple of classical antiquity.[113] The end of the war implied at the same time the end of the Ottoman Era and the beginning of a new one. Aksakal asserts that militarism, nationalism, and modernization continued to define the political landscape of the Republic that emerged after the First World War.[114] Karpat indicates that the Young Turk Movement was an exceptional experience and a

109 Kinross, Lord. *Atatürk: Bir Milletin Yeniden Doğuşu.* Translated by Necdet Sander, Altın Kitaplar Yayınevi, 2006, pp. 336-37.

110 Zürcher, 241.

111 Kinross 422.

112 Kuyaş, Ahmet. *Tarihi Düşünmek.* Kırmızı Kedi Yayınevi, 2016, pp. 117-18.

113 Fromkin 33.

114 Aksakal 194.

precious political school for the founders of the Republic of Turkey.[115] In agreement with the term "political laboratory" adopted by Tarık Zafer Tunaya for defining the Second Constitutional Era, Akşin emphasizes the importance of the year 1908 as a turning point. He underlines the undeniable role the abolition of the Capitulations played in the struggle for independence. The War of Independence sticked to nothing but the same political program for full independence that the Young Turks had sought for.[116]

Placing the emphasis on historical continuity, Zürcher's periodization defines the years between 1908 and 1950 as "the Young Turk period in Turkish history."[117] Zafer Toprak points out the emergence of the aspirations for a Muslim-Turkish middle class that the nationalism of the Second Constitutional Era promoted with the help of the extraordinary conditions of the World War. This same aspiration would dominate the future cadres of the National Struggle.[118] In economic policy, Zürcher asserts a reliable continuity between the Young Turk and Kemalist periods, both of which favored traders and entrepreneurs in the name of modern development.[119] A few weeks after the Revolution, the Young Turks had practically proven the bourgeois character of their ideological stance. Not only they refused the proposition by leftist groups for land distribution, but they also took part in the repression of revolting peasants in Anatolia who refused to pay taxes after the readoption of the Constitution.[120] They also played a decisive role in the suppression of the workers' strikes following their rise to power. The legal basis of the strikes was minimized by the introduction of a legal code prohibiting trade union activities in public sector and adopting the arbitration mechanism. In the Republican Era, real wages in industry showed steady decrease throughout the 1930s and the work code adopted in 1936 was adapted from Fascist Italy.[121] The code

115 Karpat 49.
116 Akşin 471.
117 Zürcher 143.
118 Toprak 8.
119 Zürcher 295.
120 Petrosyan 341.
121 Zürcher 146, 295.

did not recognize the right to organize or to strike. Furthermore, with the law for associations adopted in 1938, foundation of any society based on interest groups, hence political parties, was prohibited.[122]

Toprak identifies considerable compatibility between the economic policy called "national economy" and the nationalism emerging since the Second Constitutional Era. It was partly a reaction against the liberal economic relations incited by the Capitulations. Toprak maintains that the influence of Ottoman national economy persisted during Republican years until World War II under the label "etatism."[123] From 1908 until the foundation of the Republic, Boratav sees a perfect continuity in economic policies oriented toward the project for a national capitalism. Despite the presence of governments promoting nationalism and independence throughout the period, he reckons that obstacles such as the deep economic dependence of the Empire, wars and the weakness of the Turkish bourgeoisie did not allow any government to take radical steps.[124] According to the premises of the international relations prevailing in economy, Turkey was aspired to be an agricultural country embracing free trade principles, and the Ottoman governments did not have the means to defy the international competition.[125] On the other hand, conditions were much more favorable for Ankara Government in the solution of the chronical problems faced. Unlike the Young Turks, the former was free to implement its own economic policies.[126] Economic nationalism and independency were interpreted in direct contrast to foreign interventions and decisions over national economy by Ankara; hence obliging the foreigners to submit to Turkish judicial authorities and financial determinations. Yahya Tezel suggests that the War of Independence was fought against colonialism, but this did not mean for Kemalists rejection of foreign capital.[127] Their long-term economic

122 Karpat 79.

123 Toprak 145.

124 Boratav 22-23.

125 Kepenek 20.

126 Karpat 87.

127 Tezel, Yahya S. *Cumhuriyet Döneminin İktisadi Tarihi (1923-1950)*. Tarih Vakfı Yurt Yayınları, 2002, p. 153.

project was based on capitalist development safeguarding private property, entrepreneurship, and market economy.[128] Conclusions drawn at the Economic Congress convened in Izmir in February 1923 would shape the general tendency of the Republic in economy in the following decade,[129] a tendency to endure all along the 1920s until the Great Depression of 1929.[130] According to Şevket Süreyya Aydemir, the question facing the young Republic in the 1920s oscillated between two poles: the "dynamic responsibilities of the transition from a semi-colonial economy to a national economy" and the "efforts for a development in respect to the liberal system."[131] As the 1920s came to a close, new developments would encourage a shift in the Government's stance between the two tendencies in favor of the former.

128 Tezel 459.

129 Kepenek 35.

130 Boratav 39.

131 Aydemir, Şevket Süreyya. *Tek Adam: Mustafa Kemal (1922-1938).* Remzi Kitabevi, 1969, p. 339.

4

The Origins of Turkish Industrialization

> *The historian can only do his best to present the picture in all its aspects as a single whole, and, though well aware that the presentation will necessarily reflect his own provisional judgement, leave the ultimate verdict to the longer perspective of future generations.*
>
> Edward Hallett Carr, *Foundations of a Planned Economy*

Under the harsh circumstances of the interwar period, Turkey neither had generous opportunities nor enough time to follow a coherent economic program and to take measures for the upcoming turbulences in the world. Besides, according to Yakup Kepenek, in terms of industry, the heritage that the Republic had received from the Ottoman Empire was nothing more than an aspiration for industrialization.[1] Once the 1929 crisis broke out, questions concerning economy and politics became even more difficult for the young Republic to figure out. As more governments embarked on protectionist policies for reducing the consequences of the crisis, there rested less and

1 Kepenek 21.

less countries which could grant the chance to pursue an economic and political cooperation.

It should not be surprising that governments' interests were translated into an introspective stance following the global crisis. And the second most prominent issue coming after the quarrels concerning one's own country was the future of the Western world. After its physical reduction with the World War, Turkey seemed to occupy less place than before in the political discussions among scholars of the 1930s. However, this relative lack of interest does not mean that this part of the world was totally neglected. Even though the common political strategies of protectionism and nationalism attracted the primary attention, there still were notable writings and discourses on the possible roles of Turkey and other agricultural countries of Eastern Europe and Asia in the global economy. It should not be surprising that there were obvious distinctions between the considerations produced in the West and those in other parts of the world. These evaluations put forward by academic and political circles possessed a remarkable capacity to reflect or maybe influence governments' choices in economy and foreign policy.

This chapter first reports discussions held by contemporary writers about the Great Depression, with a particular focus on the Economic Conference of 1933 in London. Then, it takes a closer look at the economic remedies drawn for Turkey under the shadow of the global crisis. Finally, it tracks the course that concluded with Turco-Soviet collaboration.

§ 4.1 World Financial System in Question

The Great Depression of 1929 provoked overwhelming disillusions about the world financial system and serious doubts about the reliability of the classical capitalist methods in economy. Adoption of protectionist policies and other parallel implementations related with economic nationalism became the general tendency among governments. Pamuk asserts that the dramatic crash of prices and production encouraged "a new round of protectionist measures and the division of the world into separate currency blocs," resulting in a general slow-down in the growth of world production and commerce. The crisis was transmitted to the developing countries through a decline in the volume

of imports, the collapse of international flows, and a major loss of income and debt burden due to the decrease in the prices of agricultural commodities.[2] To give a concrete example, compared with the average global prices of 1923-25, prices of primary commodities such as coffee, cotton, rubber, silk, tea, sugar, tin, and wheat had declined by more than 30%, shrinking to 69% of the compared average in 1929 and were further reduced to a dramatic 26% in 1932.[3] Accordingly, world trade for the first quarter of the concerned years fell from 15 thousand million of gold dollars in 1929 to one-third in 1933. Production levels were no better: the US steel industry at the close of 1932 was operating at only ten percent of capacity.[4]

Nonetheless, solutions prescribed for overcoming the effects of the crisis did not seem decisive enough to come up with persistent remedies. Discussions conducted in the League of Nations give an idea about the situation. By the end of 1931, His Majesty's Government in the United Kingdom was sure that a diplomatic agreement such as the satisfactory settlement of the question of inter-governmental debts was "an essential condition for the revival of confidence which would restore the normal movement of capital" and was keen to add that "the achievement of such a settlement is the most important contribution which can be made by the Governments concerned at the present time towards a restoration of normal prosperity throughout the world."[5] On the other hand, the worries expressed by the German Government on the fact that "various European countries have taken, in the sphere of Customs tariffs and import quotas or by means of foreign currency legislation, autonomous measures which institute a systematic hindrance to trade" were much more

2 Owen, Roger, and Şevket Pamuk. *A History of Middle East Economies in the Twentieth Century.* Harvard University Press, 1998, p. 6.

3 Samuel, Herbert. "The World Economic Conference." *International Affairs (Royal Institute of International Affairs 1931-1939)*, vol. 12, no. 4, 1933, p. 439.

4 Samuel 440, 442.

5 League of Nations, Commission of Enquiry for European Union. "Observations by Governments on the Report Submitted by the Sub-Committee of Economic Experts to the Commission of Enquiry for European Union on August 29th 1931." Jan. 1932, p. 3. doc. code: C-35-M-19-1932-VII_EN

realistic. Given the developments strengthening the position of economic nationalism, they were obviously questioning the success of the efforts made for "European cooperation." They warned that

> "If a step is not put to this process, the existing state of tension will be enhanced, the trade relations laboriously restored since the War will be destroyed and the foundations of confidence, on which alone the economic cooperation of Europe can be built up, will be overthrown."[6]

At a session that the League of Nations held in October 1932 in the name of European cooperation, hopelessness about the future of the international cooperation was explicitly raised by the Soviet delegate, Maxim Litvinoff, Commissar of Foreign Affairs of the Soviet Government. He claimed that the impossibility of putting into practice the recommendations made by the League of Nations would "emphasise the fact that conflicts of interest, both between nations and within nations, could not nowadays be overcome in the interests of international solidarity." Litvinoff believed that "the present crisis could be neither cured nor alleviated by any measures amounting to discrimination and the intensification of economic strife between countries." Thus, he reminded that nearly a year elapsed since he had submitted a proposal for the conclusion of an "economic pact of non-aggression."[7] Even the pronunciation of this last term demonstrates how fragile international relations were in the aftermath of the Great Depression. Litvinoff's proposal for an economic pact of non-aggression was fiercely rejected by Great Britain, France and the United States in 1931.[8]

The Seventh Congress of the International Chamber of Commerce convened in Vienna in June 1933, two weeks before the World Monetary and Economic Conference. According to John Gregg, Secretary of the American Section of the International Chamber of Commerce, the three suggestions that

6 League of Nations, "Observations" 4-5.

7 League of Nations, Commission of Enquiry for European Union. "Minutes of the Sixth Session of the Commission." Oct. 1932, pp. 13-14. doc. code: C-724-M-342-1932-VII_EN

8 Carr, Edward H. *Yirmi Yıl Krizi (1929-1939)*. Translated by Can Cemgil, İstanbul Bilgi Üniversitesi Yayınları, 2015, p. 172.

the Conference made for relief from the devastating effects of the crisis were stabilization of currencies, abolition or reduction of restrictions on the movement of goods, capital, and services, and finally curtailment of production where overproduction exists.[9] British statesman Herbert Samuel highlights the similarity of the common views expressed in Vienna and in Genova during the preparations for the London Conference, writing that the International Chamber of Commerce had passed resolutions "in a sense almost identical with those of the League Commission of experts."[10]

In September 1932, another conference convened at Stresa upon the question of the economic reconstruction of Central and South-Eastern Europe. The recommendations drawn up at the Stresa Conference were in parallel with the recommendations of other contemporary international conferences held for overcoming the effects of the world crisis. The two fundamental suggestions of the Conference were the restoration of freedom of trade and the revalorization of cereals. The recommendations were so insufficient to deal with the effects of the devastating situation that among measures like adopting budgetary equilibrium and strict credit policy, it was recommended that "the national life should be adapted to the new conditions resulting from the drop in prices and the withdrawal of capital."[11] Georges Bonnet, Chairman of the Committee of the Stresa Conference (and Rapporteur of the Monetary Commission at the London Conference), in his presentation about the results of the Stresa Conference, criticized the British and French reluctance for further investments in the concerned region and claimed that it was impossible for those countries of Central and South-Eastern Europe to achieve their recovery without moral and material assistance from the West. According to Bonnet, the restoration of economic order in the region was a vital condition of the

9 Gregg, John. "World Business Speaks at Vienna." *Nation's Business*, Aug. 1933, p. 49.

10 Samuel 452.

11 Bonnet, Georges. "The economic reconstruction of central and South-Eastern Europe." *International Affairs (Royal Institute of International Affairs 1931-1939)*, vol. 12., no. 1, 1933, pp. 24-25.

restoration of Europe generally.[12] In the discussion session that followed Bonnet's presentation, one of the contributors, Wyndham Bewes, expressed the "profound depression" he felt "because it seemed clear that the Streta schemes were mainly directed towards alleviating effects while leaving the causes untouched." Indeed, the Conference did not present any solution to the problem of the relative values of gold and commodities.[13] Moreover, Soviet delegate Litvinoff was in the view that proposals and suggestions made at the Stresa Conference were "more in the nature of pious hopes than of schemes capable of realisation."[14] For Turkish contemporary intellectual Burhan Asaf, the "fruitless" conference convened at Stresa showed how efforts would be in vain for earning the consent of "little states" for an international conference to recognize the slogan "Imperialisms of the world, Unite!"[15]

The London Economic and Monetary Conference of 1933 deserves a closer look for exposing the desperate atmosphere that reigned the period. In 1932, efforts made by European leaders in the hope of fighting the global crisis with international cooperation culminated in the decision of the League of Nations for the organization of a world economic summit with the initiative of six major nations, which sent representatives to Geneva to draft an agenda for the London Economic Conference.[16] The proposition prescribed in the draft agenda was to arrive at an "economic disarmament" to overcome this "state of virtual economic warfare." Carrying on with the same analogy, the Conference in London would serve as a "Treaty of Peace." On the other hand, a greater freedom of international trade was not considered as the sole remedy for the crisis unless the "profound disorganisation of production and distribution"

12 Bonnet 29-30.

13 Bonnet 35.

14 League of Nations, "Minutes of the Sixth Session of the Commission" 13.

15 (Belge), Burhan Asaf. "Liberal Emperyalizmden Dirije Emperyalizme doğru." *Kadro,* no. 16, Apr. 1933, p. 36.

16 Morrison, Rodney J. "The London Monetary and Economic Conference of 1933: A Public Goods Analysis." *American Journal of Economics and Sociology*, vol. 52, no. 3, 1993, p. 308.

that the crisis had revealed was taken into consideration. Joint action of governments was "necessary for the recovery of an economic system threatened by bankruptcy."[17]

On the eve of the Conference, author George Gerhard was glad to hear the calling of an international conference, which he interpreted as the proof that the idea of internationalism was "by no means buried beneath nationalism" and that there was, "in spite of domestic radicalism, an unceasing effort toward international cooperation." However, he was realistic enough to remind that the past conferences had failed because they attempted to treat important problems independently from their underlying forces, which were political situations. Gerhard arrived at the conclusion that if the London Conference fell into the same mistake of neglecting the political, all the resolutions about gold and prices and budgets and tariffs would "quickly burn to ashes in the white heat of political agitation."[18]

By March 1933, international economy was in a "chaotic state" according to writer Rodney J. Morrison. He reminds that more than thirty countries had abandoned gold; exchange restrictions, tariff and non-tariff barriers were widespread; and world trade was in a serious disarray. The Conference was inaugurated in June with the participation of hundreds of representatives from sixty-six nations who met at the Geological Museum in Kensington, London.[19] Morrison indicates that most of the nations represented in London were "only peripheral to the negotiations conducted by the Conference's few powerful states."[20] He clearly admits that it was US President Franklin Roosevelt who wrecked the Conference. And within one year of the Conference's collapse, the United States was to initiate a long-run policy known as "New Deal."[21]

17 League of Nations, Preparatory Commission of Experts. "Monetary and Economic Conference: Draft Annotated Agenda." Jan. 1933, pp. 6, 31. doc. code: C-48-M-18-1933-II_EN

18 Gerhard, George. "Can the London Conference Succeed?" *The North American Review*, vol. 236, no. 1, 1933. p. 12.

19 Morrison 309-10.

20 Morrison 315.

21 Morrison 318.

Samuel foresaw the atmosphere of the forthcoming discussions when he described it on the eve of the Conference from his pro-liberal perspective in the following words:

> "The crux before the World Economic Conference will be whether the forces that make for greater collaboration, and are prepared to adopt a long-range policy, will overcome the forces of economic nationalism which have brought the world to its present situation and are still so powerful."[22]

Despite his confession about the prevailing "atmosphere of pessimism" and the "extraordinarily difficult and confused situation," Samuel was convinced about the necessity of "arriving at effective results, particularly with a view to liberating trade and stabilizing currency."[23] On the other hand, it had been a while since the discussion was launched and flourished, especially among economists. Samuel's presentation found its critique during the discussion session that took place after his address at Chatham House in May 1933, where famous economist John Maynard Keynes suggested "to get away from the agenda of the experts and consider the new situation in the United States" and expressed that American suggestions "showed right tendencies," seeing there "an opening for organized and sincere cooperation."[24] Another contributor of the discussion, E. F. Wise said that he was left with the impression that the World Economic Conference was "the most hopeless enterprise of this kind in which any British Government had been involved since the War" and expressed his anticipation that "the fifty-fourth conference since the War, with sixty-six nations without a single plan, would be as ineffective as the other fifty-three."[25]

Published by the Chamber of Commerce of the United States, contemporary issues of *Nation's Business* deliver the perspective of North American employers on the London Conference. In July 1933, it was written by Willard

22 Samuel 453.

23 Samuel 459.

24 Samuel 455-56.

25 Samuel 458-59.

Monroe Kiplinger, the founder of Kiplinger publishing company in Washington, D.C., that although good news came from London through the first half of July, "hopes probably will bog down, as the nationalistic ambitions are brought out into the open." The author is very doubtful in demanding himself "whether anything more than very moderate reforms can be accomplished" in London. Showing the deadlock that liberal policies were suffering from, the author confesses his view about the new policies adopted by the US Government such as protectionist tariff policy and policy of industry control; he continues, "Yes, of course, all this new stuff is socialistic. It isn't Marxian socialism. It's a brand which we are developing under force of exigencies, an adaptation of orthodox socialism to the American system."[26] The same author declares in the previous issue of the same journal that June 1933 "marks the real beginning of a controlled and regulated economy in this country." Kiplinger foresees the outbreak of a war in this new "era of social and economic reforms," inciting him to expect a more rapid impetus to social and economic reforms. In the same article, the disillusion that liberal economic policies were encountering can be seen in the following words of the author: "If it fails, shall we then go back to the old system? No, we shall never go back to the old *laissez faire* system. If it fails, we shall go on to communism." He explains, "I speak of 'controlled economy,' rather than of 'planned economy.' The former is easier, the latter is more difficult. I wish we had the intelligence to plan our economy, but I don't believe we have it – yet."[27] An explanation of the aspirations for economic planning can be found in Lewis L. Lorwin's article from the same year. Economist and labor historian Lorwin supposes that the widespread revolt against *laissez-faire* capitalism was transferred to the entire liberal and internationalist outlook and that the need for economic control and planning as a method to subdue individualist capitalism was interpreted to imply the need also for national self-sufficiency and economic separatism.[28]

A first-hand witness as an American delegate to the World Economic Conference, Senator James Couzens, was convinced that the great mass meeting

26 Kiplinger, Willard M. "What's Ahead in Washington.", *Nation's Business,* July 1933, pp. 17-18.

27 Kiplinger, Willard M. "What's Ahead in Washington.", *Nation's Business,* June 1933, pp. 20-21.

28 Lowrin, Lewis, L. "Economic Nationalism and World Coöperation." *Pacific Affairs*, vol. 6, no. 7, 1933, p. 364.

of sixty-six nations, representing conflicting nationalistic aims and aspirations, could do "comparatively little to lift the world out of depression and that the real hope lies in just such nationalistic effort to restore commodity prices and purchasing power as is going on now in the United States." He criticizes the constant emphasis of other delegates on the need of increased prices and restoration of credit by describing it as to "put the cart before the horse." Supporter of the idea that the solution of the depression lies in increased employment, higher wages, and increased consumption, Couzens was "impressed with the degree to which the efforts here are inspired by a desire to help out the creditor class." Since he was pleased with President Roosevelt's new program for stimulating prices and wages, Senator was frank to write that the new policy in the United States was in direct conflict with the principle ends proposed to be accomplished in the Conference. He continues, "In pursuing this course, we are not unfair to other countries because they can adopt similar measures if they see fit."[29] A complementary contribution would be provided by an article from the September 1933 issue of *Nation's Business*. Frederick Shelton underlines the importance of foreign trade and the impossibility of permanently pursuing a strictly nationalistic policy and adds,

> "Money and foreign exchange problems are essentially matters for common treatment by the nations of the world. After we have had our try at jacking up our own business structure behind walls of isolation we shall return to the council rooms of international conferences and start on the next chapter of our economic history."[30]

In the report that the American Delegation prepared for President Roosevelt as a summary of work of the Conference in August 1933, Cordell Hull, Chairman of the American Delegation, finds it difficult to estimate the chances of any success on the question of quotas, exchange controls, and other trade restrictions. Despite the wide desire to diminish barriers to commerce in the atmosphere prevailing in London, Hull reports that the statements of the delegates "indicated many points on which apparently no concessions were likely

29 Couzens, James. "When Nations Talk Business." *Nation's Business,* Aug. 1933, pp. 13-15.

30 Shelton, Frederick. "Watching Washington." *Nation's Business,* Sept. 1933, p. 58.

to be made and there is danger that the refusal of concessions in various countries will prevent any significant progress from being made." Moreover, he complains that neither the British nor any other delegation made any substantial proposal to the proceeding Conference "that would contemplate a program of any particular breadth or depth."[31] Indeed, it is no secret that pessimism was also felt by the organizers. In the letter written by British Prime Minister Ramsay MacDonald to Roosevelt towards the end of the Conference sessions in August 1933, the PM notes that if they could not open out a way for certain understandings for signing international agreements, they would have to face "a world economic war, which will do more damage to human idealism and international peace than the late conflict fought out on battlefields."[32]

The result of the Conference was far from any success in incarnating substantial solutions to the devastating effects of the crisis or at least bringing forth an international collective will for common aspirations. In an article appeared in *Nation's Business* in September 1933, it is asserted that the "expectation of highly picturesque and dramatic events" that the World Economic Conference had generated at the outset eventually gave way to disappointment. The article concludes, "Too much is at stake, nationally and internationally, in world trade for the international monetary and economic conference in some form not to be resumed."[33] Lorwin asserts after the Conference that delegates from sixty-six nations had "not only been unable to make progress towards the end which they set themselves but [had] seemingly been drifting further apart in opposite directions" and arrives at the conclusion that London Conference "proves once again the impossibility of world cooperation and marks the end of efforts to obtain it."[34] A supporter of world cooperation based on the regulation of production, distribution of world commodities, and developmental projects, the author nevertheless develops his critique against the

31 United States Department of State. *Foreign relations of the United States diplomatic papers, 1933: General*. Vol. I, 1933, U.S. Government Printing Office, pp. 743, 745. doc. no. 550.S1/1213

32 US Department of State, *Foreign relations, 1933,* 748. doc. no. 550.S1/1195

33 "World Economic Conference." *Nation's Business,* Sept. 1933, p. 60.

34 Lorwin 361.

conference method of international negotiation as a "post-war product" in reaction to the pre-war diplomacy, which, however, reached the limits of its usefulness by the time.[35] Resonating with the previous contemporary evaluations, Turkish Minister of Foreign Affairs Tevfik Rüştü notes that the Conference did not record any positive result because of the Sterling-Dollar competition that drifted it away from its essential concern.[36] İnönü seems also disturbed by the competition, as he criticized the cleavage appeared in London between the countries for stability (including Turkey) and the countries for the stability of the power of their currency.[37] As early as in June, Mahmut Celal Bey, Minister of Economy, had already expressed his modest expectation from the Conference as "a bunch of secondary interests and benefits." The Minister of Economy did not believe that the "great humanitarian task of saving the Nations from their sorrows" would be fulfilled in London.[38] In July 1933, Burhan Asaf qualifies the Conference as "nothing but a still-born child," yet does not seek the responsibility of the failure in any particular participant but in the desperate essence of the meeting instead. The author's analysis implies that discourses for "security and confidence" were intentionally pronounced so that imperialism, which had reached its senility, gained some time. The Conference, according to Burhan Asaf, was not the last but certainly the biggest joke that imperialism had hitherto made.[39] In October 1934, İsmail Hüsrev states in the same journal that world economy could not find a way out from the labyrinth of crisis in which it was trapped and pessimistically questions if another world war could lead to a way out as then aspired by Western industrial countries.[40] To continue with *Kadro,* Burhan Asaf suggests in October 1932, "the nineteenth century as a whole, today's cancerous Europe and ill world cannot

35 Lorwin 370.

36 Aras, Tevfik Rüştü. *Görüşlerim.* Semih Lûtfi Kitabevi, 1945, pp. 60, 65.

37 İnan, Afet. *Devletçilik İlkesi ve Türkiye Cumhuriyetinin Birinci Sanayi Planı 1933,* Türk Tarih Kurumu, 1972, p. 170.

38 Şahingiray, Özel, editor. *Celâl Bayar'ın Söylev ve Demeçleri 1933-1955: Dış Politika.* Türkiye İş Bankası, 1956, p. 65.

39 (Belge), Burhan Asaf. "Ölü doğan çocuk Londra konferansı." *Kadro,* no. 19, July 1933, pp. 33-35.

40 (Tökin), İsmail, Hüsrev. "Dünya konjonkturuna bir bakış." *Kadro,* no. 34, Oct. 1934, p. 23.

offer an example but a lesson for Turkey, as a country that is building-up itself." No matter how world crisis progressed, "the cause in front of the Turk" was national liberation.[41]

In his article published after the holding of the London Conference, Hungarian Marxist economist Eugen Varga declares his conviction about the impossibility of solving the contemporary economic problems with peaceable means. Varga puts forward that the "insoluble market problem" had taken on the character of a struggle with customs duties, currencies, prices, etc. He supposes that if an economic problem was solved by any chance, it would have only meant "an artificial levelling out of the existing unequal chances in the struggle for markets." Pessimist about the future of the international system, Varga writes that the Conference was not only a failure in terms of economy but also foreign policy; it was even not able to "create a permanent bloc system for the next world war."[42] Each imperialist power was doing its best to solve its own market problem at the expense of other countries. The author considers the existing "economic war of all against all" as the "preliminary to a real war."[43] When Roosevelt bluntly refused to agree even to a temporary stabilization of the dollar, the Gold Bloc, under the leadership of France, demanded the immediate abandonment of the Conference to lay the blame for the failure on the shoulders of the "inflationist group" represented by the US. Eventually, the continuation of the Conference was secured by Great Britain which mobilized its colonies and dominions as well as its allied Scandinavian and South American States.[44] It was widely-accepted that the main issue, which "torpedoed" the Conference, was the question of a general stabilization of currencies. The US Government declared depreciation immediately before and then during the Conference. On the other hand, France and Germany were keen

41 (Belge), Burhan Asaf. "Cihan Buhranı bitti mi?" *Kadro,* no. 10, Oct. 1932, p. 39.

42 Varga, Eugen. "Economy and Economic Policy in the Second Quarter of 1933." *International Press Correspondence,* vol. 13, no. 40, 1933, p. 863.

43 Varga 869.

44 Varga 864.

enough to announce the imposition of new customs duties during the meeting.[45] Varga's explanation for protectionist tendencies draws a parallelism between the tendency of the simple peasant who returned to the compact household by producing only for home consumption and the countries exalting the slogan of autarchy.[46] He was sure that the problem of the insufficient purchasing power of the market could not be solved even if all the international trade hindrances were abolished and the World returned to unlimited and classical free trade. In such a scenario where all trade hindrances disappeared, the author assumes, "monopoly capitalism in the most strongly developed industrial countries would push the industries of the less developed countries to the wall."[47]

§ 4.2 Economic Remedies Drawn For Turkey

The world crisis had tremendous impacts on Turkish economy. The state budget, which counted 220,546,000 Turkish liras in 1929, decreased to 169,355,000 liras in 1932.[48] According to the data provided by the Ministry of Commerce, the total volume of foreign trade, which had been 397,069,000 Turkish liras in 1928 and which increased to 411,510,000 liras in 1929, sharply decreased to 299,005,000 liras in 1930, and to 253,935,000 liras the following year. The GDP of 1928, counting 1,640 million Turkish liras, raised to 2,082 million liras in the year of the crisis and fell down to 1,591 million liras in 1930, and finally to 1,395 million liras in 1931.[49]

The sharpest decline was in the prices of agricultural commodities.[50] Tobacco and dried fruits, Turkey's chief exports by that time, were representing

45 Varga 870.

46 Varga 878.

47 Varga 865-66.

48 Kutay, Cemal. *Celal Bayar: Bir Türk'ün Biyografisi.* Kemal Onan Basımevi, 1950, p. 88.

49 Tekeli, İlhan, and Selim İlkin. *Türkiye Belgesel İktisat Tarihi 2: 1929 Dünya Buhranında Türkiye'nin İktisadi Politika Arayışları.* Ortadoğu Teknik Üniversitesi, 1977, pp. 88, 91.

50 Pamuk 23.

together one-half of the total export values. There was a large increase in tobacco cultivation between 1922 and 1929. However, once the crisis burst out, there appeared a heavy accumulation of tobacco stocks and dried fruit exports fell by a third in value and by 10% in quantity.[51] Between 1929 and 1932, wheat prices decreased by 68% while peasants were supposed to pay their debts according to the old prices, engendering a great discontent among them.[52]

In the preface of the First Five-Year Industrial Plan of Turkey published in December 1933, Celal Bayar makes a broad analysis of Turkey's position within the international economic system. Bayar draws three stages to describe the last hundred years of Turkish economy. In the first stage, that is the first half of the nineteenth century, Turkish economy possessed a rudimentary but unitary economic device. The second stage was marked by the invasion of Turkish markets, just like everywhere in the world, by Western commodities which enjoyed a decisive superiority over local productions due to the mechanized industrial production in the former. The third stage prescribes Turkey's position in the world trade of commodities as an exporter of raw material for Western industries. As a result, changes witnessed in Turkish economy in last hundred years were all waged from above, set forth by the developments in world economy. Turkey had always been affected by the conjunctural turbulences of the world economy. Combined with her technical backwardness, lack of capital and enterprise, and disorganization, it had become impossible to shape the national economy of the country. Bayar criticizes the hegemony of Western industrial countries over countries of agriculture and raw material production, which turns the latter into "entities that are sovereign in law but dependent in economy" by accepting the hegemony of the big industry. Mahmut Celal Bey declares, "the meaning of the slogan to make Turkey an independent nation today is to turn Turkey into an economically independent and fully equipped unity." Meanwhile, he was aware of the possibility of big industrial countries trying to obstruct movements for development in raw material producing countries, for he was convinced that the former were in alliance despite all political and economic contradictions between themselves.

51 Wyatt, S. C., "The Economic Situation and the Five-Years Plan." *International Affairs (Royal Institute of International Affairs 1931-1939),* vol. 13, no. 6, 1934, p. 831.

52 Boratav 67.

He believed that the big industrial countries were ready to unite in wielding their political authority so that they could continue to govern the markets while agricultural countries remain raw material exporters. Bayar takes this last point serious and considers it as "our most important motive to immediately build the industry that we are in the need of."[53]

The world crisis had engendered an anti-capitalist feeling in the country. Boratav suggests that the Great Depression was considered as a catastrophe exported by capitalism and as a "natural outcome of liberal policies."[54] Aydemir states that under the shadow of the year 1929, hopes for rapid development with a liberal economic order were totally lost.[55] According to a typewritten note revealed by İlhan Tekeli and Selim İlkin, Prime Minister İnönü made a precise description of the foreign expert that he expected in his meeting with a representative from the American Ministry of Commerce in November 1930: "a qualified person in his profession who has at the same time a personality free from the influence of capitalist venues."[56]

The negative context of 1929 might be discouraging for a new country which was trying to acquire a respected place among other sovereign nations. On the other side of the coin, the same context was generously encouraging emancipative searches for alternative ways in economy and politics. William Hale thinks that it was the "collapse of confidence in the classical capitalist model and the lack of private capital" that conduced Turkey towards an industrialization with an interventionist character.[57] Boratav defines the year 1929 as a year with tremendous turbulences in economic policies, representing the first signs of a radical revision, hence a turning point for Turkish economy. And he adds that investments for the import-substitution model adopted due to the global crisis constitute the first attempts for industrialization in the developing countries during the first half of the twentieth century.[58] The effect of

53 İnan, Raporlar I, 8-10.

54 Boratav, Korkut. *Türkiye'de Devletçilik.* Savaş Yayınları, 1982, p. 100.

55 Aydemir 368.

56 Tekeli and İlkin, *Politika Arayışları,* 185.

57 Hale, William. "Ideology and economic development in Turkey, 1930-1945." *British Society for Middle Eastern Studies*, vol. 7, no. 2, 1980, p. 104.

58 Boratav, *İktisat Tarihi* 48, 63.

encouragement that this turbulent era generated should be kept in mind while treating the economic "remedies" formulated in those years.

If we take a look at the economic projections drawn for Asian countries by the West at the beginning of the twentieth century, it will not be surprising to come across ideas strictly sticking with agricultural development. Given the highly limited infrastructure for an industrial upsurge in the region and the relevance of the liberal theory of division of work among nations, agricultural countries, and precisely Turkey were not expected to carry out an industrial development. Instead, Western intellectual circles' expectation on behalf of Turkey was concentrating on an agricultural development. On the other hand, there are plenty of findings to safely claim that another option would not be tolerated by the countries which had already undergone an industrialization process by the time. Carr suggests that the conviction that some facts are unchangeable or some tendencies are undeniable in politics reflects the absence of the will to change.[59] I scrutinize under this subtitle the approach that industrialized countries adopted towards the unexpected industrialization performed by traditionally agricultural countries, especially Turkey.

An indicator of the British policy can be found in an article written by Oliver L. Lawrence in 1934 regarding the intensifying competition in Asian textile market. Lawrence asserts that the British textile industry (known as "Lancashire") had been "engaged in an almost continuous struggle against the growth of indigenous industries in countries which were formerly profitable markets" and warns about "possible repercussions of further industrialization in Eastern countries." He reminds that the new producer has the advantage of using the latest and most efficient equipment while established producers continue with scrapping machinery. Referring to the ongoing competition between Lancashire and Japanese textile industry and to the changing balance of forces in Asian textile market, he concludes, "It would, indeed, be an ironical turn of fate if within the next twenty years Japan and Lancashire found themselves on the same side, fighting as displaced exporters against some new upstart competitor from the East."[60]

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59 Carr, *Yirmi Yıl* 133.

60 Lawrence, Oliver L., "Competition in the World Textile Market." *Pacific Affairs*, vol. 7, no. 2, 1934, pp. 170, 181.

A surprisingly tolerating evaluation of the spreading tendency for industrialization is expressed in a report that the Economic Committee of the League of Nations prepared in August 1934. The ambition for industrialization is justified in the following sentences:

> "the agricultural countries which used habitually to supply foodstuffs and to purchase in return the products of the manufacturing industries of the industrial countries have reacted against the policy of the latter by multiplying the obstacles in the way of the import of manufactured products and intensifying their efforts to create powerful national industries. The movement for the agrarianisation of the industrial countries has thus had the effect of intensifying and accelerating the movement for the industrialisation of the agricultural countries."[61]

The report is prudent enough to prescribe the ongoing tendency in a way that differs from the contemporary remedies based on hopeless liberal solutions for free trade. The following conclusion certainly makes think of economic planning:

> "It seems clear, however, that the organisation of the production and sale of goods on the home market, and the formation of economic groups in international relations, are destined to form a powerful factor in the restoration and recovery of world economy."[62]

Unequal economic relations between industrialized and agricultural countries had come to attention of Sir Frederick Leith-Ross, the Chief Economic Adviser to the British Government. In a note that he prepared for the Economic Committee of the League of Nations on the question of agricultural protectionism, Leith-Ross defends that the depression had served to accelerate the industrial development already evident in a number of agricultural countries for years and justifies this situation as a "logical answer of the agricultural countries to the agrarian policy of the industrial countries." He resumes in a few steps the development of the crisis as follows: The principal industrial

61 League of Nations, Economic Committee. "Report to the Council on the Work of the Forty-First Session." Aug. 1934, p. 9. doc. code: C-353-M-165-1934-II-B_EN

62 League of Nations, "Report to the Council" 18.

countries of Europe had been engaged since 1925 in stimulating the domestic production of agricultural commodities at artificially high prices. After the fall of world prices, the agricultural countries had rectified their balances of payments by reducing their importation of manufactured products. Eventually, the shortage of manufactured products stimulated the development of local industries, which required protection against the competition from the more efficient industrial producers in Europe, thus forcing down the prices of industrial products in the world market. The writer concludes,

> "The distress created for the efficient agricultural producers by the loss of their markets for agricultural products in the main European industrial countries accordingly ends in distress for the efficient industrial producers of Europe, owing to the loss of their markets in the agricultural countries, to the general impoverishment of the whole world."

Leith-Ross finally proposes as a measure to be taken for the sake of world recovery "the gradual relaxation of the present intensive agrarian protectionism of the industrial countries of Europe."[63]

Lorwin was convinced that the "reaction on the part of younger and industrially less developed nations and countries against an international division of labor which has not been entirely beneficial to them" was one of the strongest factors in the economic nationalism of the early 1930s. He believed that the "expansionist industrialism of the pre-war era, based upon international specialization and division of labor, accentuated the differentiation between the advanced industrial countries and the backward and semi-colonial countries," which was a differentiation "subordinating large areas of the world to a few great powers politically" and "retarding the utilization of the economic resources of many countries." According to the author, there lies the reason behind the reaction of the countries such as Japan, India, and Russia, which had adopted measures of special protection to their national industries to utilize more fully their physical and human resources. Lorwin develops a deep understanding on behalf of the rising consciousness of nations "whose

63 League of Nations, Economic Committee. "Considerations on the Present Evolution of Agricultural Protectionism." May 1935, pp. 34-35. doc. code: C-178-M-97-1935-II-B_EN

emphasis upon the value of racial and historical antecedents has been accompanied by a reaction against the international economy which involved dependence on foreign finances and foreign trade to a degree which was both humiliating and exploitative." There is no reason to exclude Turkey from those countries where "political and cultural nationalism mixed with a trend towards economic nationalism" in the 1930s. Lorwin puts forward that the "claim of the industrially backward countries to have a chance to develop their physical and human resources to the fullest extent possible" was essential to greater political self-assertion in world affairs. However, Lorwin does not find the ideal of national self-sufficiency realistic for all nations because some of them were "too small and others… [were] devoid of the minimum of natural resources necessary for such purpose." Since "economic nationalism… [could] only be indulged in or practiced by a few of the larger countries," his conclusion focuses on the fight between the great powers for further expansion and control of world resources, positing that this movement towards national self-sufficiency would result in the formation of self-contained blocs, gravitating around the major industrial countries.[64]

Referring back to the World Economic Conference, it should be noted that the cleavage between industrial and agricultural countries was clearly emphasized and equally denounced by the Turkish delegate Münir Bey in his response to the German delegate Hans Ernst Posse, State Secretary in the Reich Ministry of Economics, who had claimed that the industrialization of Turkey would mean a disaster for the Turkish people in terms of unemployment and balance of payments. On behalf of the Turkish delegation, Münir Bey took it as a confession of a united front among industrial states but responded by declaring their rejection of any confrontation among participants within the framework of the Conference for the sake of the general purposes of the meeting, including as well agricultural countries, which would otherwise probably desire to collectively arrive at a common understanding of the conclusions of the German suggestions.[65] An influential Turkish intellectual known for his

64 Lorwin 362-65.

65 Kuruç, Bilsay. *Belgelerle Türkiye İktisat Politikası (1933-1935)*. Ankara Üniversitesi Siyasal Bilgiler Fakültesi Yayınları, 1993, p. 88.

ambition for national development, Dr. Vedat Nedim (Tör) sees no coincidence in Herr Posse's overt claims pronounced as "a conscious representative of the imperialist front," for Turkey was the "first living example of the national liberation movements striving for the liquidation of the antagonism between imperialist and dependent countries."[66] The Turkish position on developments in world economy was summarized by Mustafa Kemal Atatürk in his inaugural address at the National Assembly in November 1932 on the occasion of the new parliamentary year. Kemal Atatürk declared that in the essence of economic growth lied the collaboration of all nations with a perspective that was to recognize the right of each nation to live in prosperity and advance.[67]

Opinions on Turkish economy at the beginning of the century boldly underlined the agricultural character of the economy and the lack of industrial infrastructure in the country. A highly influential journal of the period and a fierce supporter of Turkish industrialization and economic planning, *Kadro*, gave place to an interview with the editor-in-chief of the German journal *Die Tat*, Hans Zehrer, in June 1932. Doubtful if it pleased the editorial board of *Kadro*, Zehrer's recommendation for the industrial movement in Turkey is to avoid a total industrialization and to substitute the commodities disposing low production profitability with agricultural commodities.[68] Zehrer's advices find its harsh response in Vedat Nedim's article on the same issue. Vedat Nedim condemns the formulation that "Turkey is and has to remain as an agricultural country" for serving the ambition to exploit the country as if it was an open market. Furthermore, it is equated by the author with longing for the country's former state of dependency.[69] Meanwhile, highlighting the country's agricultural character was not limited with Zehrer's analysis but used to serve as a premise in contemporary discussions regarding Turkey. In an article written by S. C. Wyatt in 1934, it is clearly declared that the Ottoman Empire was a

66 (Tör), Vedat Nedim. "İktısatta İstiklâl." *Kadro,* no. 22, Oct. 1933, p. 15.

67 "Reisicümhur Gazi Hazretlerinin nutukları." *T.B.M.M. Zabıt Ceridesi,* vol. 10, session IV, 1.XI.1932, p. 3.

68 "Kadro ve Die Tat." *Kadro,* no. 6, June 1932, p. 8.

69 (Tör), Vedat Nedim. "Niçin ve nasıl sanayileşmemiz lâzım?" *Kadro,* no. 6, June 1932, pp. 13-14.

"purely agricultural country, exporting its produce and raw materials and importing manufactured goods and luxuries".[70] In the discussion part of the treated article, jury member Sir Osborne Mance (who had served as Technical Adviser to Ottoman Bank) proposes a possible financial development in the way of foreign payments from tourist traffic, to be held especially in the region of Smyrna, where are situated "ruins as interesting as those in any other part of the world."[71] Writing for the *Journal of the Royal Central Asian Society,* Major H. M. Burton states in 1942 that Turkey has always been primarily an agricultural country and adds that four-fifth of the total population still depended entirely on the land for their living.[72] In his article appeared on the same journal in 1939, J. B. Mackie agrees on this fact, even listing her principal products: wheat, barley, figs, raisins, sultanas, and tobacco. As to industrial production, it was confined principally to the manufacture of cigarettes, carpets, pottery, and cottage and to the extraction of coal. Mackie confesses that Turks were hitherto regarded as "good fighters but lacking both inclination and ability in matters of industry and commerce."[73]

Another interesting indicator was the 1,800-pages general economic survey carried out in 1933-1934 through "Hines-Kemmerer Mission." On the request of the Turkish Ambassador in Washington, Ahmet Muhtar Bey, Walker D. Hines on behalf of Hines, Rearick, Dorr & Hammond Company from New York launched a general economic survey on Turkey in 1933. After Hines' death, it was Dr. E. Walter Kemmerer from Princeton University who accomplished and published the survey report the following year.[74] According to American historian Roger R. Trask, the report criticizes Turkish customs and habits; it puts forward as Turkey's greatest need "greater efficiency in production, which would be facilitated by better transportation and communications

70 Wyatt 828.

71 Wyatt 843.

72 Burton, H. M., "Development in modern Turkey." *Journal of the Royal Central Asian Society,* vol. 29, no. 1, 1942, p. 18.

73 Mackie, J. B. "Turkish Industrialization." *Journal of the Royal Central Asian Society,* vol. 26, no. 3, 1939, p. 441.

74 Tekeli, İlhan, and Selim İlkin. *Türkiye Belgesel İktisat Tarihi 3: Uygulamaya Geçerken Türkiyede Devletçiliğin Oluşumu.* Ortadoğu Teknik Üniversitesi, 1982, pp. 172-74.

systems, improvement of health, application of better techniques and practical knowledge, and a stable financial system." Trask notes that the emphasize of the report is "on the need to modernize agriculture and transportation rather than an extensive industrialization."[75]

Another foreign mission was addressed to German experts. In early 1929, the Turkish Government invited Hjalmar Schacht, President of the Reichsbank, to Turkey for benefiting from his experiences on the payment of German war reparations. Not able to leave his responsibilities, Schacht called for his associate Karl Müller, who came to Turkey in April 1929 and completed his research in October. Tekeli and İlkin note that the reports written by Schacht and Müller did not have optimistic expectations for Turkey in terms of financial stability in the infamous year of 1929. On behalf of the Turkish Government, the reports advised to postpone plans for establishing a central bank, to adopt five-year plans of finance and economy for achieving financial stability, and to wage serious financial restrictions especially in the budgets reserved for railway projects and national defense.[76] Put aside plans for infrastructural investments, these two reports did not have an encouraging tone even for a mere strategic project.

A parallel financial evaluation was waged by French economist Charles Rist, who came to Turkey in June 1930 and sent his report on balance of payments to the Ministry of Finance in September. Rist's report boldly emphasized the urgent need for receiving foreign capital and improving Turkey's international financial reputation. Pointing out that the 44% of the budget was reserved for military expenses and investments for development, Rist echoed the points raised in the German reports. As to the Government's railway policy, Rist did not overtly oppose nationalization but proposed direct foreign funding, claiming that massive development projects could only be possible with a good financial reputation and foreign funding. Tekeli and İlkin criticize Rist's conclusions, which were "in favor of the attempts to increase Turkey's

75 Trask, Roger R., "The United States and Turkish Nationalism: Investments and Technical Aid during the Atatürk Era." *Business History Review,* vol. 38, no. 1, 1964, p. 74.

76 Tekeli and İlkin, *Politika Arayışları* 110-13.

financial and economic external dependencies," and which neglected the industrialization issue despite the obvious need for substituting cotton and sugar production, occupying respectively the 36% and 18% of total imports at the time.[77]

However, it is not a secret that one required more than just revolutionary optimism for adopting an alternative perspective in these devastating years. Hale assumes that a classical economist of the period would probably have suggested Turkey to concentrate investment in "these activities in which she had a comparative advantage (i.e. agricultural products and some minerals) rather than in high-cost industries."[78] According to Wyatt, Turkish Government was not hiding that the present budget revenue was insufficient for the requirements of the anticipated projects, yet insisting at the same time that the first expenditure to be incurred was on development. The author supposes in 1934 that the Government was to choose between increased taxation and a further compression of projected development expenditure.[79] Despite his general admiration for the "new spirit" in Turkey, Wyatt did not have optimistic ideas about the future of Turkey's new conduct. He deeply believed in the necessity of a "revision or postponement" of Turkey's public works and industrial program in case the Government found it "difficult to make both ends meet" due to a decline in the country's purchasing power if the low degrees in world demand and prices prolonged.[80]

Bilsay Kuruç summarizes the remedies drawn for Turkey in 1930 by famous contemporary experts like Rist, Müller, and Schacht as follows: primarily and most importantly to ensure the country's "credibility" in the eyes of the capitalist venues, and for this purpose, to pay the foreign debts regularly; to give importance to foreign trade; to devaluate the Turkish lira; to avoid any big investment such as railways or industry or at least to fund it by foreign

77 Tekeli and İlkin, *Politika Arayışları* 141-54.

78 Hale 111.

79 Wyatt 841-42.

80 Wyatt 831.

credits if it is necessary to carry out such a big deal; to support foreign capital; and to prevent from enlarging the public sector in economy.[81]

All these evaluations from Western experts rhyme with the popular liberal belief about how wrong it is to utilize advanced technologies while there is an excessive workforce in the country.[82] According to this view, agricultural production will be less costly and more efficient than industrial production in a country with unlimited labor force but limited capital.[83] Nevertheless, such countries had many reasons to get engaged in alternative prospects instead of sticking with Western propositions for agricultural specialization in a time of drastic depreciation in primary commodities.

Political scientist Ali Somel describes the 1930s as a period that lacked a monopolistic capitalist mode of accumulation, which gave place instead to various experiences for restructuring the market and stimulating development.[84] Given the rise of public expenditures in the United States and Britain, *économie dirigée* in France, and fascism in Italy and Germany, it was obvious that Western governments had already started to grant a larger role to the state in economy. Kepenek claims that efforts for obstructing the industrialization of the developing countries had a limit under these circumstances of the capitalist crisis, and the appearance of a similar tendency in Turkey was inevitable.[85] Osman Okyar describes the "beginning of an economic consciousness" that was witnessed in the 1930s "for the first time in the nation's history" as "a growing awareness of the importance and role of economic issues in the life and activity of the young Republic."[86]

81 Kuruç, Bilsay. *Mustafa Kemal Döneminde Ekonomi.* Bilgi Yayınevi, 1987, p. 212.

82 Küçük, Yalçın. *Planlama, Kalkınma ve Türkiye,* Bilim Yayınları, 1975, p. 181.

83 Carr, Edward H. *Lenin'den Stalin'e Rus Devrimi, 1917-1929.* Translated by Levent Cinemre, Yordam Kitap, 2011, p. 172.

84 Somel, Ali. *Devletçilik ve Planlama tartışmalarına damga vuran Forum Dergisi*. Yazılama Yayınevi, 2010, p. 29.

85 Kepenek 60-61.

86 Okyar, Osman. "Development Background of the Turkish Economy, 1923-1973." *International Journal of Middle East Studies*, vol. 10, no. 3, 1979, p. 326.

§ 4.3 Ankara Urgently Seeking Collaboration and Support

Founded after the National War of Independence, the young Republic of Turkey encountered serious difficulties in diplomacy due to the negative outcomes of the Ottoman legacy, notably in financial issues, and the unfriendly atmosphere of the 1930s prevailing in the West. The National Liberation War had not provoked permanent enmities among Kemalist cadres against the West and Ankara was optimistic enough to search for an intense economic and political cooperation with Western countries despite the highly unfavorable conditions of the 1920s. Justifying the "strict need to look for opportunities from abroad" with the lack of capital accumulation and private entrepreneurship in Turkey, Celal Bey, Minister of Population Exchange, Development, and Settlement, asked the Ministry of Foreign Affairs in 1924 to mobilize Turkish ambassadors in Europe and the US so that they would come up with "the information concerning the legal measures for the provision of foreign capital with full safety and caution according to their private surveys."[87]

Provision of capital and technical advice was a boldly amplified urgent need for Turkish economy. Nevertheless, the scope of the expected foreign aid was overshadowed by the unpleasant memories of the Ottoman experience. It was certain that the Government was "most reluctant to accept any financial assistance from foreign sources."[88] For instance, Trask blames "Atatürk government's fear of external political domination" for the delay of the direct operation of foreign enterprises in Turkey and the advancing of credit. Furthermore, the writer criticizes Turkish authorities for judging considerations "of a national character from a political rather than from an economic standpoint." On the other hand, the same writer states that the investment field was "not attractive to American capital" since the unsettled condition of the Ottoman debt "undermined confidence in Turkey's ability to meet other financial obligations and discouraged potential American and European investors." Still, the Turkish Government made attempts to lure private American capital and get loans from the US Government particularly after 1929. Minister of Foreign Affairs Tevfik Rüştü Bey told the American diplomat Joseph C. Grew that the

87 Kutay 82.

88 Burton 21.

United States was "the only country to which Turkey could turn on for financial help without some *arrière pensée*." On October 7, 1931, a delegation headed by Şükrü Saraçoğlu left for the US but the correspondences did not result in a loan from public or private sources, postponing until 1939 any other direct request for loans from the Turkish Government. Regarding Washington's position, the author points out the rising protests from Ottoman debt bondholders and from Armenian-Americans rejecting any financial aid to Turkey.[89] According to Tezel, the rejection of Turkish credit requests from the US and similarly from France in the same period clearly shows the reluctance of developed capitalist centers to support the policies for industrialization that developing countries like Turkey were willing to pursue at that time.[90] Tezel's argument finds its verification in the American archives of the foreign relations of 1934. US Ambassador, Robert P. Skinner, reports from Istanbul in June 1934 his aspiration for the participation of American contracting firms in the industrialization of Turkey. He continues,

> "I am aware of the distrust with which foreign credit operations are now regarded in the United States, but is there not danger that our unhappy experiences in the recent past, largely due to our own heedlessness, may lead us into such extreme conservatism as to exclude us from promising fields of enterprise?"

The Ambassador had a strong trust in the Republic's financial record, which was "good" compared with the credit record of the Ottoman Empire.[91] Nonetheless, Skinner's aspiration received an unfavorable reply in July by the memorandum of Wallace Murray, Chief of the Division of Near Eastern Affairs, in which Murray raises his doubts about "Turkey's ability to meet the obligations which she wishes to incur in carrying out simultaneously her ambitious five-year industrial program." In view of the tax burden and the low standard of

89 Trask 61-65.

90 Tezel 242.

91 United States Department of State. *Foreign relations of the United States diplomatic papers, 1934: Europe, Near East and Africa*. Vol. II, 1934, U.S. Government Printing Office, p. 950. doc. no. 867.50 Five Year Plan/13

living, Murray reckons, "even with the best will in the world Turkey would find herself eventually unable to meet the large scale obligations which she is now seeking to incur."[92]

The pessimist tone of Western concern for cooperation with Turkey is explicit in Mackie's article written in 1939. The author complains about the lack of interest shown by British manufacturers in Turkey as well as "the lack of appreciation in this country of the importance of the developments which were taking place there." Mackie proposes the British Council to include Turks in their plan for the technical education of young foreigners.[93] It must be noted that the article appeared on the year when World War II burst out and that the author makes great effort for showing Turkey as "a firm ally" of Great Britain in creating in Europe "a state of affairs in which trade and industry can flourish in an atmosphere of peace and tranquility."[94] In spite of such conjunctural considerations of the author, the article gives enough clues for a British reluctance towards Turkey. This unwillingness in question is also evident from the words of British liberal politician Mr. Leonard Stein, another jury member evaluating Wyatt's article in 1934, who attributes the excessive suffering of the British trade with Turkey to the "apathy of the British Government in negotiating a trade agreement with Turkey."[95] Meanwhile, Turkey's commercial relations with France was not any better. In April 1936, in his speech delivered on the occasion of the 50th anniversary of the foundation of the French Chamber of Commerce in Istanbul, the worldwide consequences of the global crisis were the sole explanation that M. Lescuyer, Chargé d'Affaires of the Embassy of France, put forward about the difficulties in front of economic relations between the two countries. Lescuyer was sure that this decelaration was only temporary. Another contributor to the event, Mecdet Alkin, complained on behalf of the Ministry of Economy of Turkey about the unsatisfactory state of the bilateral economic relations and put the responsi-

92 US Department of State, *Foreign relations, 1934* 954. doc. no. 867.50 Five Year Plan/15

93 Mackie 448.

94 Mackie 453.

95 Wyatt 843.

bility on French firms, which showed a passive attitude towards Turkey by refusing to withdraw their accumulated credits via clearing agreements in spite of the efforts made by Turkish side.[96] It can be concluded that Western investors, who already showed a considerable lack of interest towards new Turkey, were further discouraged by the outcomes of the world crisis.

Pamuk, who defines a process of "deglobalization" beginning from the First World War and continuing through until World War II, provides a general explanation of the depicted conditions of the period. As the flows of capital and commerce to and from Europe were reduced in the Middle East, there was a marked decline in value in British and French international investments addressing the region.[97] An almost complete stoppage of the foreign investments to the region is observed in the amount of capital export from the United States, which decreased from 1,136 million dollars in 1930 to 268 in 1931 and 66 million dollars in 1932, and from the British capital export, which shrunk from 113 million pounds in 1930 to 50 in 1931 and to 29 million pounds in the following year.[98]

A technical but significant issue, which may have played a negative role in Ankara's relations with the West was related to Turkey's economic obligations imposed by the Treaty of Lausanne. According to the trade agreements signed along with the Treaty of Lausanne, Turkey was supposed to maintain until 1929 the Ottoman import tariff of 1916, which had not had a protective character at all according to Boratav. In addition, 1929 also marked the first payment of the Ottoman debts, namely 15 million golden liras, which was equal to 10% of that year's exports income.[99] Still, the worst of all in 1929 was certainly the World Economic Crisis.

Under the circumstances of the early 1930s, there was no other solution left for the leadership in Ankara than consulting alternative sources. Whereas Western capitalism and its traditional pioneers showed serious reluctance and

96 "Discours prononcés à la commémoration du 50e anniversaire de la fondation de la Chambre de Commerce Française d'Istanbul." *L'Economiste d'Orient,* no. 391, 10 Apr. 1936, pp. 127-28.

97 Owen and Pamuk 7.

98 Varga 878.

99 Boratav, *İktisat Tarihi* 44, 49.

incapacity for substantial cooperation with the young Republic, it was understandable for Turkey to look for alternatives in international relations as well as in economy. Capital and expertise were first in rank among the lacks of the Turkish economy and there existed considerable obstacles in acquiring both of these elements from Western countries. If economic results of the global crisis such as protectionism and financial lack were factors defining the reluctance, the complicated historical process in international relations was another. Dr. K. Krüger, Professor in College of Technology in Berlin-Charlottenburg, writes in 1932 that on the one hand, the Turkish leadership was feared from the outset that the assistance to be rendered by the industrial nations of Europe would be of "a very one-sided and dubious character," on the other hand, the political atmosphere "overcharged with suspicion" would recognize no chance for any considerable cooperation of British industry and finance in the work of economic reconstruction in Anatolia.[100]

Anti-imperialism had been a relevant character of the War of Independence. The last century of the Ottoman Empire was considered as a period of complete subjugation to the interests of the Western Powers. Once the motherland was freed from foreign invaders and the Republic was inaugurated, now it was time to build the future of the country in the hands of the victorious Kemalist cadres. At this point, national independence seemed an undiscussable theme; however, it still needed more clarification in terms of economy and foreign policy. And it is possible to claim that the Great Depression made a vital contribution to the further deepening of the discussions held in political circles.

Foreign capital was occupying an important place in this discussion about Modern Turkey's future. Kemalist cadres had come up with a distinction between "serious" and "malign" foreign financial interventions. In 1921 Celal Bey put it,

> "I am enemy of the capital that infiltrates in our country as a privilege. Because political influence will infiltrate beneath it, it will harm our country's freedom and independence, and will try to enslave us. […]

100 Krüger, K. *Kemalist Turkey and the Middle East.* George Allen & Unwin Ltd., 1932, pp. 37, 117.

> That is how the British enslaved India. Yet, we can assist the capital which enters in our country in a benevolent way with sole intention for commerce."[101]

The unforgettable experience of the Ottoman financial deficit had led to serious concerns against foreign privileges in economy. This sensibility had been shared by their counterparts, too. Trask insists on the "political non-involvement of the US" and "politically disinterested American business investments and technical aid" in his article; moreover, criticizes "selfish political ambitions in the Middle East" that European countries possessed while they were "interfering in and fighting over Turkey."[102]

At Izmir Economic Congress convened in 1923, a common point raised by the contributors – including Kemal Atatürk – was the willingness to receive foreign capital on condition that Turkish legislation and independence were to be respected.[103] Once Turkish laws were acknowledged, even foreign monopolies in economy were tolerated. Consequently, an American firm obtained monopoly over salt and petroleum production, a Turkish-American firm gained monopoly over match and lighter production, and a Polish firm acquired monopoly over alcohol production.[104] The economic conjuncture of the 1930s, however, made it almost impossible to receive any financial input from abroad, put aside the questions about innocent intentions and non-interventionist aims beneath them.

The question of financial sources was closely related with the question of economic program. As the world crisis grew on, the invisible hand of the liberal theory did not seem to work at all. Turkish economy needed a push for its development and the historical circumstances laid bare that the necessary momentum would come neither from an altruist foreign investor nor from a patriotic private entrepreneur. The situation must have stimulated a search for an alternative economic model. Nevertheless, the search for economic model did

101 Şahingiray, Özel, editor. *Celâl Bayar'ın Söylev ve Demeçleri, 1920-1953,* Türkiye İş Bankası, 1954, pp. 86-87.

102 Trask 76-77.

103 Boratav, *Devletçilik* 65.

104 Küçük 241.

not mark a desire for embracing another ideology. It can be argued that radical acts against private property, such as an initiative for total collectivization, were out of question. Kemalist cadres were not ambitious about ideological coherence yet ready to pragmatically adopt any element of a currently-working economic model.

Fascist Italy was an alternative consulted in the hope of finding a role-model. Recep Peker, General Secretary of the Republican People's Party (CHP), visited Italy in 1936 and prepared a report which was "praising fascist institutions" but could not receive Kemal Atatürk's admiration at all.[105] In fact, Benito Mussolini's expansionist aspirations for Mediterranean coasts, namely for Izmir and Antalya provinces of Turkey, according to the statements he declared during his Libya tour in 1926, were a severe obstacle against a veritable rapprochement between the two countries.[106] Until 1928, Italy's policy of *tono fascista* (fascist tone) had refused to see Turkey as a sovereign state but viewed Anatolia as a "geographical entity with promising opportunities for Italian expansion."[107] And it is considered as the main reason why Turco-Italian relations were not further enhanced after the signing of the Treaty of Neutrality and Conciliation in 1928.[108] By 1934, as another war approached, Italy was even perceived as "the greatest menace" in Turkey. US Ambassador to Turkey, Skinner, agrees with the reality of the danger, referring to the well-known "Italian interest in Asia Minor." The Ambassador points to Italian schools and the "obvious effort to keep alive the Italian spirit" among thousands of individuals of Italian origin born in Turkey. The expansionist interest was clearly addressed in Mussolini's speech of March 18 about the "spiritual and material expansion" of Italy in Africa and Asia.[109] All in all, there were noticeable reasons that prevented Italy from offering a long-term partnership alternative to Turkey.

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105 Hale 104.

106 Özgiray, Ahmet. "Türk-İtalyan Siyasi İlişkileri (1921-1930)." *Tarih İncelemeleri Dergisi*, vol. 5, no. 1, 1990, p. 129.

107 Barlas, Dilek. "Friends or foes? Diplomatic relations between Italy and Turkey, 1923–36." *International Journal of Middle East Studies,* vol. 36, no. 2, 2004, p. 232.

108 Armaoğlu, Fahir. *20. Yüzyıl Siyasi Tarihi.* Alkım Yayınevi, 2004, pp. 328-29.

109 US Department of State. *Foreign relations, 1934* 961. doc. no. 867.24/38 No. 247

As to the prominent alternative, it was to come from the North. Bolshevik administration in Moscow had conceived strong bonds with Ankara since the War of Independence. Turco-Soviet Treaty of Neutrality and Friendship was signed in 1925 and renewed for three times in the following years until 1945.[110] The political cooperation between the two countries both of which defied imperialist powers had persisted at different levels but never turned into a comprehensive alliance chiefly due to the existing ideological reserves. Yet, after the turbulences of the world crisis, economic triumphs of the Soviet model were shining even brighter in its hinterland. Varga claims in 1933 that four years of crisis had "demonstrated to the simplest workers in the capitalist world the absolute superiority of the socialist system," for the world-wide crisis had "stopped at the frontiers of the Soviet Union."[111] Carr also states that the Depression increased the Soviet Union's international prestige and gave way to evaluations joining the Marxist assumption about capitalism's collapse due to structural contradictions of the system. Thus emerged demands in capitalist countries for adopting a planned model in economy. Despite the lack of profound research and well comprehension of the conditions that prevailed in Russia during the implementation of Soviet planning, the author affirms that Soviet model was praised as a pioneering model all around the world.[112] The growing interest for planning was recognized by Dr. Elli Linder, who prepared in 1932 a review for the Economic Committee of the League of Nations about economic councils functioning in different countries. Linder's work prescribes that the Soviet Union's schemes of economic planning were affecting public opinion outside Russia as well.[113] The slogan was "planning, development, industrialization" everywhere, from China to Peru. It was considered as a way to enable a country "to overtake in decades a lag of centuries."[114] Referring to a number of contemporary examples from Belgium, Norway, Britain,

110 Karpat 282.

111 Varga 877.

112 Carr, *Rus Devrimi* 223-24.

113 Linder, Elli. *Review of the Economic Councils in Different Countries of the World*. League of Nations, 1932, p. 84. doc. code: C-626-M-308-1932-II-B_EN

114 Kochan 321-22.

and Germany, Hobsbawm puts forward that "plan" and "planning" had become "buzz-words" in politics.[115] Meanwhile, the term "autarchy" was an inaccurate criticism against the economic policy adopted by Moscow. The model seemed to be based on the conditions that prevailed in Russia, but it was not an obstacle for its growing reputation in different parts of the world. For instance, in October 1932, Soviet Commissar of Foreign Affairs Litvinoff declared that the Soviet Union occupied the first place in the import of machinery, absorbing one-fourth of world machinery exports and that certain branches of industry in such countries as Germany, Great Britain, Sweden, and Poland were largely kept going by Soviet orders. According to Litvinoff's statements, the term "autarchy," which was so popular in some countries, was not used or thought of at all in the Soviet Union.[116] As a proof of the universal character of the Soviet model, Commissar of Agriculture Ivan Alexandrovitch Benediktov gives the example of American, German, and Japanese private companies that had adopted the Soviet conception of economic growth based on the rise in labor productivity and fall in costs of production.[117]

One of the figures who grew a considerable ambition for a deep cooperation with the Soviet Union was renowned journalist Falih Rıfkı (Atay). In September 1930, he made an official visit to Soviet Russia with a high-level Turkish delegation including Tevfik Rüştü Bey and published *Yeni Rusya* a few months after his return. Atay sees more than one similarity between the historical conditions in Turkey and Russia. Before the arrival of the current revolutionary governments, he claims that both countries were in the hands of European banks and capitalists who saw in the developmentalist movements ongoing in both countries "a great danger for their Asian colonies" and who were "friends with the imperial palace but enemies of the people."[118] Atay believes that Eu-

115 Hobsbawm, Eric J. *The Age of Extremes: The Short Twentieth Century 1914-1991.* Abacus, 1995, p. 96.

116 League of Nations, "Minutes" 13.

117 Litov, V. *Stalin ve Hruşçov hakkında: İvan Aleksandroviç Benediktov ile söyleşi.* Translated by Candan Badem, Yazılama Yayınevi, 2009, p. 16.

118 (Atay) 8-10.

rope received developmentalist efforts of the both revolutions with no pleasure and looked for their failure. Moreover, both revolutions were striving for injecting new ideologies among masses, "Communism" in Russia and "Westernism" (*garpçılık*) in Turkey.[119] As a remedy for "material and spiritual crises of nations," Falih Rıfkı suggests carrying out dynamic reforms despite counter-revolutionary elements represented in white color in the Russian case and in green color in the Turkish case.[120]

Turkey was not the first country where harsh discussions on development strategies had taken place among political circles. Different paths for development used to be a prominent subject as well in Soviet Russia in the previous decade. Demands for the concentration of resources on heavy industry, even at the risk of concessions to international capital in case of necessary financial aids for industrial development, were being pronounced within the All-Russian Communist Party (Bolshevik) (VKP(B)) as early as 1924, at a time when Lenin's New Economic Policy (NEP) still prevailed over any other alternative.[121] On the other hand, a considerable part of the VKP(B) was complaining about the "intolerably rapid tempo of industrialization" in 1929.[122] Yalçın Küçük distinguishes two separate positions in these discussions: ambition for small-scale units, focus on agriculture, and preference of importation in industry on the one hand; enthusiasm for large-scale units, focus on industry, and opting for imports limited with infrastructural investment on the other. Küçük does not see any possibility of conviction or synthesis between the two parties representing totally different points of view; hence he claims that the only way for a planned development is to ensure the hegemony of one position over the other at every level of the administrational organization.[123] And this must have been the reason why the VKP(B) branded the Right deviation

119 (Atay) 16.

120 (Atay) 120, 131.

121 Carr, *Planned Economy* 6.

122 Carr, *Planned Economy* 93.

123 Küçük 179-80.

within the Party as "the most dangerous obstacle to the uncompromising demands of planned industrialization" in 1928.[124] Probably because he considers the planned development as an intrinsic characteristic of Soviet socialism, Küçük writes that the Soviet power could not have survived without industrialization.[125] Falih Rıfkı states that Joseph Stalin and his entourage were sure that Russia would be "colonized by capitalists" had the implementation of heavy industry suspended by a long delay.[126]

"The Second Revolution" is the title that British historian Lionel Kochan uses to name this particular period where communists "seemed to be mastering their fate" by putting Russia in the forefront of world economic development.[127] Kochan argues that socialist construction in the Union of Soviet Socialist Republics (USSR) could in practice be defined in one word – industrialization. In his speech to industrial executives in February 1931, Stalin declared,

> "To slacken the pace would mean to lag behind; and those who lag behind are beaten. We do not want to be beaten. […] We are fifty or a hundred years behind the advanced countries. We must make good this lag in ten years. Either we do it or they crush us."[128]

Paul Bushkovitch reminds that Stalin might have been pessimist about the conditions of the Soviet economy but that his time estimation was absolutely accurate,[129] as they had had exactly ten years before the country's total mobilization and active involvement in World War II with the outset of the German venture for invasion in 1941. There is more than one reason to agree with the idea that the particular conditions of the 1930s in economy and foreign policy provided a source of encouragement for the revolutionary governments of the

124 Carr, *Planned Economy* 396.

125 Küçük 190.

126 (Atay) 156.

127 Kochan 290.

128 Kochan 281-82.

129 Bushkovitch, Paul. *Rusya'nın Kısa Tarihi.* Translated by Mehmet Doğan, Boğaziçi Üniversitesi Yayınevi, 2016, p. 357.

newly-emerged states for arriving at long-term solutions in stimulating their economy and mobilizing their population. Nominated as Minister of Agriculture at the age of 35 in "perhaps the youngest cabinet in the world," Benediktov justifies the "abnormal tempo" of the works of the Soviet Government with the exceptional possibilities that history had imposed. Besides, the following quote from Benediktov gives clues about the courageous atmosphere of the period: "Patriotism is not merely a psychologic power but also an economic one."[130]

While Western countries were suffering from the consequences of the Depression, the Soviet economy carried out a considerable success in the 1930s with its planned development model. The Soviet economy had survived the periods of revolution and civil war, avoided the consequences of the world depression thanks to its particular structure, and eventually stepped into a phase of rapid development.[131] Falih Rıfkı writes that "foreigners were cynically grinning" when the First Plan's implementation had started because they were focused on the machines that they would sell to Russia; however, they had not expected at all that the Plan would so rapidly yield exciting results in production, such as the tractor factory in Stalingrad, which was producing a tractor every 6 minutes[132] with an annual capacity of 50,000.[133] To continue with the automobile industry, the following numbers show the striking increase in production. The estimated number of automobiles in pre-war Russia had been 12 thousand and could have attained only 20 thousand by 1929. After the implementation of the First Plan, 49.7 thousand cars were produced just in 1933.[134] Industrial production of the Soviet Union in general would acknowledge an increase of 300% between 1929 and 1936.[135] The extent of the Plan's influence at the period is evident in the letter British author Aldous

130 Litov 21, 82, 90.

131 Boratav, *Devletçilik* 100.

132 (Atay) 145.

133 Carr, *Rus Devrimi* 217.

134 "L'industrie des automobiles et tracteurs." *L'Economiste d'Orient*, no. 342, 25 Mar. 1934, p. 113.

135 "L'activité industrielle et la hausse du coût de la vie en 1936." *L'Economiste d'Orient*, no. 418, 25 May 1937, p. 195.

Huxley wrote to his father in August 1931. The author conveys that he felt "more and more certain that unless the rest of the world adopts something on the lines of the Five Year Plan, it will break down." According to Huxley, stability was the "primal and the ultimate need if civilization was to survive the present crisis."[136]

The Soviet economy carried out an outstanding growth despite the discouraging economic circumstances in the rest of the world. According to the statistics assembled by D. D. Mishustin in 1938, the Soviet exports, which had been 40.2% based on industrial products and 59.8% on agricultural products in 1925/26, started to give the yield of the industrialization process by increasing the share of industrial products to 57.9% in 1931, 68.1% in 1932, 71.3% in 1933, and 73.7% in 1934.[137] According to the statistics of Sh. Ya. Turetsky, the annual increase in industrial workforce efficiency, which was 9.7% in 1930, reached 10.7% in 1934, 12.9% in 1935, and 22% in 1936.[138] The number of the unemployed, which counted 1,741,000 in 1929 had reduced to 1,079,000 in April 1930, to 936,000 in June 1930, and finally to 72,000 in July 1930.[139] Industrial production of the Soviet Union quadrupled over the level of 1913 at a time when the principal capitalist countries regressed to below the level of 1913.[140] Between 1928 and 1941, steel production was augmented fourfold while coal output was improved sixfold. And during the same period, the USSR became the second biggest heavy vehicle producer by 1937.[141] By 1937, the 80% of industrial production had been waged in the factories built since 1928.[142] Soviet industrial output rose from 5% of the world's manufactured products in 1929

136 Huxley, Aldous. *Brave New World*. Introduction by David Bradshaw, Flamingo, 1994.

137 Küçük 186.

138 Küçük 217.

139 (Atay) 149.

140 Kochan 293.

141 Lee, Stephen J. *Avrupa Tarihinden Kesitler 1789-1980*. Translated by Savaş Aktur, Dost Kitabevi, 2002, p. 295.

142 Roberts, John Morris. *Avrupa Tarihi*. Translated by Fethi Aytuna, İnkılap Kitabevi, 2015, p. 624.

to 18% in 1938 whereas the joint share of the USA, Britain, and France fell from 59% to 52%.[143]

Contemporary pro-Soviet writer Violet Conolly affirms that the Soviet Union found conditions "extremely propitious for participating in the economic development of her southern and eastern neighbors" with the help of her experience from the "widely advertised and portentous Five Year Plan."[144] As a living witness of the period, Conolly sees the "magician's wand" in the Soviet Union's plans in the republics of Central Asia, where she had gained the "unique experience in putting modern agricultural machinery into the hands of millions scarcely literate peasants and teaching them to use it."[145] Pointing out the restrictions of the commercial agreement signed in Lausanne, Violet Conolly states in 1936 that for the Soviet Government, the "best means of increasing its share in Turkey's trade would be to offer her a better bargain than she could obtain elsewhere."[146] Indeed, Moscow adopted a quite encouraging approach towards Turkey. For instance, *Izvestia,* a very influential state newspaper in the Soviet Union, was criticizing the "affirmation of European experts that agriculture was the only basis of Turkish economics."[147] Karl Radek from the editorial board of *Izvestia* wrote in 1934 that imperialism led "to a certain degree of industrialization in the colonies" while the Soviet Union was basing its relations with the Eastern peoples on the idea of equality and respect for their national independence.[148] As early as February 1923, commenting on Turkey's pursuit of economic development in his letter to Soviet ambassador Semyon Aralov, Commissar of Foreign Affairs Georgii Chicherin

143 Hobsbawm, *Age of Extremes* 96.

144 Conolly, Violet. "The Soviet Union and the Industrialization of Asia." *Foreign Affairs*, vol. 15, no. 1, Oct. 1936, p. 187.

145 Conolly 192, 198.

146 Conolly 189.

147 Barlas, Dilek. *Etatism and Diplomacy in Turkey: Economic and foreign policy strategies in an uncertain world, 1929-1939*. Brill, 1998, p. 97.

148 Radek, Karl. "The Bases of Soviet Foreign Policy." *Foreign Affairs,* vol. 12, no. 2, Jan. 1934, pp. 194, 203.

confirmed that Soviet economic policies provided "an example that international capital can be used without becoming dependent upon it" whereas Turkey could "fall to the cabal of world capital" in case she applied to the West.[149]

Meanwhile, the political power in Ankara was looking for a remedy in rapid growth through industrialization. Boratav indicates that the political cadres in Turkey did not prefer to weather the shock and social tensions that the world depression caused in the Turkish economy with "palliative, short-termed, redistributive measures."[150] It would also create opportunities to relieve the internal discontent that Kemal Atatürk witnessed during his provincial tour between October 1930 and March 1931. Hale states that the conclusions drawn during the tour led Atatürk and his colleagues to embark on a "process of experimentation with political and economic alternatives."[151] Okyar explains the need for experimentation with the "stifling of political and cultural activities, together with growing economic stagnation in the late twenties."[152] For Şevket Süreyya, a new initiative was a must for Turkey while the CHP was in the urgent need of a new slogan for overcoming its "bureaucratic anemia."[153] In politics, the most considerable experiment was certainly the foundation of the Free Republican Party (*Serbest Cumhuriyet Fırkası*). Karpat reckons that the failure of the attempt for an opposition party, accompanied with the world depression, brought discredit to political and economic liberalism in Turkey.[154] In economy, given the economic stagnation in the Western world, Boratav claims that etatism was inevitable for capitalist development under the circumstances of the 1930s.[155]

In 1932, Prime Minister İnönü payed a visit to the Soviet Union and was "apparently impressed by Stalin's new factories."[156] Dilek Barlas agrees that the Turkish officials who visited Russia were "deeply impressed by the industrial

149 Hirst 38.

150 Boratav, *İktisat Tarihi* 80.

151 Hale 103.

152 Okyar 327.

153 Aydemir, Şevket Süreyya. *İkinci Adam: İsmet İnönü (1884-1938).* Remzi Kitabevi, 1984, p. 396.

154 Karpat 75.

155 Boratav, *Devletçilik* 116.

156 Hale 104.

development they witnessed in the Soviet Union."[157] For Falih Rıfkı, Russia was nothing but a "massive boarding school of revolution."[158] In his summary sent to the Soviet deputy foreign commissar Lev Karakhan on 26 April 1932, Soviet ambassador Yakov Zakharovich Surits writes that the Turkish delegation was coming with questions about "economics, or rather the organization of economics" and that the Prime Minister was seeking to find "what can be applied to Turkish conditions" from the Soviet experience.[159] İnönü and Atay, who visited Russia together in April 1932, made another visit in May, this time to Italy. Following high-level correspondences, an agreement was made for an Italian financial credit to Turkey.[160] Nonetheless, it was not enough to prevent Moscow from becoming Ankara's future close economic partner. On May 19, British Ambassador Sir George Clerk reported to the Foreign Office that in spite of the assurance that communism would not spread to Turkey, he had little doubt that İnönü "felt that a similar system, adapted to the different conditions of Turkey, would enable him to meet his financial difficulties."[161] From 1929 until 1935 the Soviet and Turkish governments entered into a period of "intense political, economic, and cultural exchange."[162]

§ 4.4 Ankara makes a choice

Even at the relentless moments of the National Liberation War, Turkish revolutionaries had never defied the world system as a whole. Turkey would become a respected country among "advanced civilizations" and it might head towards "Westernization despite the West" if necessary. Crucially, it was not the Soviet experts who convinced Turkish leaders to embark on an industrial program, notably if we take into consideration Ankara's numerous efforts to encourage industrial investments. Had the global crisis not broken out at that

157 Barlas, *Etatism and Diplomacy* 127.

158 (Atay) 169.

159 Hirst 44.

160 Tekeli and İlkin, *Devletçiliğin Oluşumu* 142.

161 Hirst 43.

162 Hirst 37.

moment of the year 1929, we might have more material to speculate about alternative scenarios for a Turkish development program to be implemented under the direct guidance of Western Powers, probably a program based on institutionalization, financial measures, and agricultural development. Nonetheless, circumstances did not develop in favor of a complete amelioration in Ankara's relations with Western countries. Karpat asserts that Western capitalists had not appreciated the conditions offered by Turkey so much and that they did not know in what terms the Turkish Revolution differed from the Russian Revolution.[163] Given the recent memories of the Great War followed by the Turkish War of Independence and the tremendous effect of the October Revolution throughout the whole region, it becomes understandable how nationalist character of the Turkish Government was taken as a source of anxiety among people coming from Europe or North America.

Developmentalist ideas had a certain history in Turkey and the consequences of the world crisis contributed much to the efforts for industrialization. As Turkey's foreign trade deteriorated by the drastic decrease in agricultural commodity prices, the attraction of industrial production became irresistible.[164] Dr. Vedat Nedim was sure that Turkey was about to implement her national industry "despite and even thanks to the crisis." There was a commodity deficiency in Turkey whereas world economy was complaining about excess and thus narrowing down production. The author's interpretation was to take it as the "strongest proof of the suitable position" that Turkey had in the world crisis.[165] The same author stresses in the very first issue of *Kadro* published in January 1932 that Western financial world was dying for recapturing Turkey, yet that the battle for national independence was fiercely going on in the field of economy, threatening Turkey with a total subjugation to imperialism in case of a defeat in economics. For Vedat Nedim, founding a national economy out of economic dependence was an original historical mission particularly reserved for Turkish nation. Moreover, the measures drawn by foreign experts were firmly contradictory with the spirit and objectives of

163 Karpat 88.

164 Tezel 241.

165 (Tör), Vedat Nedim. "Üçüncü Millî Sanayi sergisi münasebetile." *Kadro* no. 5, May 1932, p. 48.

the Turkish revolution, for they were against the Turkish policies on industry, customs, and finance.[166] Once the crisis showed up, adventurous projects recognized a big chance with the promising atmosphere of the deep disillusion for liberal ideas and for established mechanisms in economy and foreign policy. Surely, the biggest adventure was taking place in Russia.

Falih Rıfkı compares the ambitious atmosphere of construction in Russia with the "sour-faced people" that he came across in Warsaw and Vienna. He sees Turkey among the nations which were to draw conclusions both from Europe's expired experience and Russia's newly-begun experience. Feeling like "not communist but a more conscious Turkish revolutionary," Falih Rıfkı declares his will to make Turkey's plan of economy and construction with a ruling party to be formed after the communist and fascist examples. Praising the two countries that passed from an old order to a new one, he states that no duty of Turkish people is more difficult and severe than the duties in front of Russian and Italian youngsters.[167]

It is possible to find a good number of clues representing common elements between the theoretical and political positions adopted by the leading cadres of the revolutionary governments in Turkey and Russia. According to Ahmad, common imperialist enemies offered the main factor in the engagement of the two political movements that governed Ankara and Moscow in a political alliance despite the ideological differences between them.[168] In 1934, Bolshevik Radek compares the Tsarist aspirations for "seizing the Dardanelles" with the establishment of "the most friendly relations" with Turkey by the Soviet Government.[169] Tevfik Rüştü was so motivated by this rapprochement that he always reserved the clause "our big neighbor and big friend" particularly for the Soviet Union. According to Aras, the common enmity expressed towards the two neighboring countries led to the emergence of a sin-

166 (Tör), Vedat Nedim, "Müstemleke iktısadıyatından Millet iktısadiyatına." *Kadro,* no. 1, Jan. 1932, pp. 6-8.

167 (Atay) 170-72.

168 Ahmad 43.

169 Radek 194.

cere friendship between them, which passed beyond ordinary diplomatic relations. Indeed, Aras confessed the contingency that lied behind this collaboration in the following sentence: "The fate of these two nations were drawn by the logic of the events that covered and shook the world."[170] The sympathy expressed by Aras also had a significant resonance among Bolsheviks. Aralov, the first Soviet ambassador to Turkey, admits in his memories that the transfer of the Kars province instilled in the Turkish nation a "trust in the Soviet Union as a kind neighbor of the revolutionary Turkey and its sincere friend."[171] And in the eyes of the Bolshevik leadership, Kemalist Turkey meant a hope to "obtain a loyal ally in the fight against the West and in the pursuit of exporting Communism to the Muslim world."[172] The abundance of such political motivations had prepared the ground for further collaboration between the two revolutionary governments.

All these people – partisans of the movements led by Vladimir Lenin and Kemal Atatürk – had been praising the idea of socio-economic development for a long time, even before they came to power. Still, if taken solely, common points between Kemalists and Leninists are far from explaining why the intense collaboration of the War of Independence had not overcome certain reserves between the two leaderships preserved up to then and why the newly-formed intense collaboration could not survive at least at the technical level after the worsening of Turco-Soviet relations in 1936. An analysis can be deduced from the message written by William C. Bullitt, US Ambassador to Moscow, to the Secretary of State in April 1936. On the occasion of the rumors about the emerging dispute between Moscow and Ankara, the Ambassador describes the Russian-Turkish friendship as a *mariage de convenance* standing on mutual practical advantages.[173] A parallel description of the Turco-Soviet collaboration appears in the message written by Skinner, US Ambassador to

170 Aras 21, 24.

171 Ter-Matevosyan, Vahram. "Kemalism and Communism: From Cooperation to Complication." *Turkish Studies,* vol. 16, no. 4, 2015, p. 513.

172 Ter-Matevosyan 522.

173 United States Department of State. *Foreign relations of the United States diplomatic papers, 1936: The Near East and Africa*. Vol. III, 1936, U.S. Government Printing Office, p. 519. doc. no. 767.68119/911 No. 1544

Ankara, to the Secretary of State in June 1935. Skinner resumes how Aras answered his question about relations with Soviet Russia as follows:

> "The Turks were getting a good deal of material assistance from Russia and Russia was getting invaluable support from Turkey, so the accounts were even. There was no likelihood, and in fact no possibility, that the Sovietic principles of government would ever be adopted in Turkey, which was absolutely opposed to them and looked upon Russia as a foreign government […], domestic systems not being matters with respect to which Turkey felt she had any concern whatever."[174]

İnönü's interview in summer 1934 with M. R. Cartier from *L'Echo de Paris* will accentuate this last point. İsmet Pasha answered a similar question like the one posed to Tevfik Rüştü Bey the following year,

> "Our revolution and the Russian Revolution started almost at the same time. They have common points; both of them had been a struggle for the Republic against foreign encroachments and against a theocratic government. There had always been between the two revolutions close sympathy and much understanding. But they had always been independent from each other."[175]

Despite the logical limits of the friendship between the two neighboring Republics, their collaboration gave birth to substantial outcomes, mainly in political economy. Barlas defines this situation as an "opportunity," which the leaderships of the two countries, both isolated from the Western world, found "to reconstruct their countries in the midst of the crisis that the capitalist world was going through."[176] Samuel Hirst believes that the Soviet-Turkish

174 United States Department of State. *Foreign relations of the United States diplomatic papers, 1935: General, the Near East and Africa*. Vol. I, 1935, U.S. Government Printing Office, p. 1034. doc. no. 767.68119/877 No. 688

175 "Déclarations d'Ismet Pacha sur la politique générale et économique de la Turquie." *L'Economiste d'Orient,* no. 352, 25 Aug. 1934, p. 306.

176 Barlas, *Etatism and Diplomacy* 132.

rapprochement was more than a mere "pragmatic response to geopolitical necessity" and suggests that the protagonists from both sides at the time shared the "conviction that they were both exploited and ignored by the west." Hence, Hirst boldly underlines the role of "anti-westernism" as a "distinct and positive force" in Soviet-Turkish cooperation, which was "more than a visceral or instinctive reaction" according to the author. [177] This anti-Western alliance found its expression in various fields including exchanges and cooperation at diplomatic, economic, cultural, and academic levels. Yet, probably the most significant achievement arose from the efforts for Turkish industrialization. A last example for depicting this multi-faceted assistance shall be singular in character but is no doubt representative: a film machine with audio that Turkey received from Russia in December 1934. The machine was granted to the Society for National Economy and Austerity for propaganda purposes on the Turkish industrial movement.[178]

This chapter has brought out various factors that paved the way for the preparation of the First Five-Year Industrial Plan in Turkey. Having treated above contemporary evaluations and conjunctural circumstances that prevailed in the early 1930s, we can conclude that lessons drawn from the recent history and the superposition of promising opportunities gave rise to the choices Ankara made in those devastating times.

177 Hirst 33-34.

178 "Millî iktısad ve tasarruf cemiyetine armağan edilen sesli sinema makinesile parçaları ve teferruatından gümrük resmi ile başka vergi ve resimlerin alınmaması hakkında kanun lâyihası ve Gümrük ve inhisarlar ve Bütçe encümenleri mazbataları (1/1 176)." *T.B.M.M. Zabıt Ceridesi,* vol. 25, session IV, 22.XII.1934, p. 64.

5

The First Five-Year Industrial Plan

Having treated in the previous chapter the historical circumstances that encouraged the young Republic to follow its particular trajectory in economy and foreign policy in the 1930s, this chapter is reserved for the story of the outcomes of the relevant resolutions. If industrialization is the most important decision marking the period, the First Five-Year Industrial Plan is the paramount consequence of this choice.

In the preface to her unique work consisting of the original text of the Five-Year Plan, Afet İnan suggests that political and economic independence had been an essential principle during the War of National Liberation. She justifies the ten-year delay for adopting planned economy after the foundation of the Republic with hardships of the foundation process and the lack of necessary financial sources.[1] Okyar attributes particular importance to the second decade of the Republic, which he describes as a period that brought forth and established "in the streams of economic development" three principal strategies: mixed economic framework, policy of industrialization, and economic nationalism.[2] According to Kuruç, "reconstruction of the country" became a "*sine qua non* principle" for the cadres who founded the Republic. The policy

1 İnan 1.

2 Okyar 326.

of reconstruction had a long history but eventually found its concrete expression with the industrialization movement launched in the 1930s. The introduction of the idea of general equipment and mobilization for industrialization, which the Republic put forward, was a novel compared to the preceding decades.[3]

§ 5.1 Preparations

When İnönü asked the Soviet ambassador in October 1931 about the "possibility of a joint development of Turkish textile manufactures," the Soviet Commissariat of Foreign Affairs pointed out in March 1932 the Prime Minister's upcoming trip to Russia as "the ideal opportunity to arrange this venture."[4] From April 25 to May 10, 1932, a Turkish delegation headed by İnönü made an exclusive Soviet tour covering Odessa, Moscow, Leningrad, and Kharkov, which involved the official May Day ceremony.[5] The Government's search for financial credit came to an end in Moscow, when İnönü signed the agreement which "encouraged the Turkish Government," according to Austrian diplomat August Ritter von Kral. Von Kral comments that the agreement put Turkey "into a position to realize, within five years, a considerable part of the long projected industrialization which had hitherto been treated rather dilatorily." This "interesting credit transaction" afforded valuable advantages to Turkey by supplying machinery from Russia and ensuring compensation for these imports by equivalent Turkish exports.[6] The Soviet credit of 16.5 million liras required no interest in return and the payment was going to be made in Turkish liras, which were to be used in the purchase of Turkish commodities.[7] It

3 Kuruç, *Belgelerle Türkiye İktisat Politikası (1929-1932).* Ankara Üniversitesi Siyasal Bilgiler Fakültesi Yayınları, 1988, pp. XXXII-XXXIX.

4 Hirst 44.

5 Oran, Baskın, editor. *Türk Dış Politikası: Kurtuluş Savaşından Bugüne Olgular, Belgeler, Yorumlar.* İletişim Yayınları, 2006, p. 319.

6 Kral, August Ritter von. *Kamâl Atatürk's Land: The Evolution of Modern Turkey.* Wilhelm Braumüller, 1938, p. 104.

7 Tekeli and İlkin, *Devletçiliğin Oluşumu* 200.

was an offer to account for nearly 10% of the foreign credit taken by Turkey all along the 1930s. In August 1932, İnönü explained to the Soviet ambassador that they had accepted the offer because the Soviet Union "was the only country that supported the Turkish state's program of industrialization" whereas other countries, including Italy, had offered economic assistance "in such a way that maintained Turkey's subordinate, agricultural status."[8] In an article published in July 1934 on the journal published by the People's Commissary for Heavy Industry, it was asserted that the main characteristic of the new Turkey was the desire for developing new edifications at all levels of economic activities. The author, A. Zolotarev, was the director of the trust "Turkstroi," which was specially founded for supplying the capital goods needed for the industrial investments in Turkey. According to Zolotarev, the industrialization movement in Turkey indicated the way of development that consisted in the country's emancipation from the dependence on foreign capital.[9] The significance attributed to the financial assistance from Moscow may be interpreted from opposing or different points of view, yet it is less arguable that the credit from the Soviet Union constituted the first fund for industrialization "in the most critical moment," all together with affordable industrial material and equipment and the necessary technical support.[10] The credit and technical support received from Moscow was the first noteworthy and large-scale economic aid that the Republic of Turkey had provided until then.[11] In the parliamentary bill prepared for the acceptation of the Soviet credit, it was claimed that it had become an essential question to immediately embark on a program for industrialization because of the negative position that industrialized countries maintained towards the countries belated on this field. In the bill, it was recorded that an "equally important" advantage of the protocol, alongside payment facilities, was to let further strengthen friendly relations between the two Governments in political field and in collaboration in the field of industry and

8 Hirst 39.

9 "L'Accord sur la collaboration technique Soviéto-Turque." *L'Economiste d'Orient,* no. 349, 10 July 1934, p. 256.

10 Kuruç, *İktisat Politikası (1929-1932)* LIV.

11 Kuruç, *Mustafa Kemal Dönemi* 227.

economics.[12] Ten days after the trip to Russia, between 22 May and 2 June 1932, İnönü visited Italy with a delegation of experts and made an agreement for a credit of approximately 32 million Turkish liras. Russian and Italian credits reached approximately to 50 million liras, accelerating the preparations of the industrial plan.[13]

The leadership in Ankara hoped "to attain in five years what was built up in the West during a period of fifty years and more."[14] A much larger operation was being assumed than had ever been attempted in European industrial countries, "which had developed on individualistic lines."[15] Celal Bayar believed that Turkish industry was a "new-born baby" compared with the Nations who had been industrializing since the early nineteenth century, enjoyed great commercial opportunities, payed off their installments already, and raised generations of qualified workers and technical personnel. And now, this baby was to compete with a 20-year-old athlete.[16] The main objective of the "accelerated industrialization" was to supplement agriculture by national industries to manufacture all the commodities from raw materials which were produced in the country or were easily obtainable.[17] The planned projects were far beyond the capacities of the native capitalists and signified a complementary contribution to the existing Turkish industry.[18] In 1934, İsmail Hüsrev qualifies on *Kadro* the prepared program as a "turning point in economic policy" and the "first revolutionary step for the foundation of a new economy," announcing the transition from a system of economic policy to another. While the former economic policy was based on an individualist concept, the new

12 "Türkiye Cümhuriyetile Sosyalist Sovyet Cümhuriyetleri İttihadı Hükûmetleri arasında 8 milyon Amerikan dolarlık kredinin tahakkukuna dair aktolunan protokolün tasdikı hakkında 1/890 numaralı kanun lâyihası ve Hariciye ve İktısat encümenleri mazbataları." *T.B.M.M. Zabıt Ceridesi,* vol. 22, session IV, 12.V.1934, p. 131.

13 Tekeli and İlkin, *Devletçiliğin Oluşumu* 142, 148.

14 Hershlag, Zvi Y. *Turkey: The Challenge of Growth.* E. J. Brill, 1968, p. 80.

15 Krüger 37.

16 "İktısad vekâleti bütçesi." *T.B.M.M. Zabıt Ceridesi,* vol. 18, session V, 28.V.1937, p. 358.

17 Kral 105.

18 Keyder, Çağlar. *Türkiye'de Devlet ve Sınıflar.* İletişim Yayınları, 2005, p. 148.

one was based on the prosperity of all, representing a "universalist perspective" in the name of the "development of the Nation as a whole."[19] Contemporary writer Mackie describes in 1939 the Five-Year Plan as a "carefully designed policy" that provided the base for a "remarkable industrial expansion."[20] In 1934, Wyatt asserts that the idea of an industrial plan arose "from purely practical considerations" even if it represents the material features of the Soviet planning. "A period Plan," the author continues, "has been decided upon us a means, and in the view of the Government as the most efficacious and rapid means, to encourage, organise and achieve the industrialisation of Turkey up to a specific point of her own internal requirements."[21]

From July 3 to July 20, 1932, a number of laws were legislated by the Ministry of Economy to organize a suitable bureaucratic mechanism for planned industrialization by creating new institutions such as State Industrial Office (*Devlet Sanayi Ofisi – DSO*) and Industrial Credit Bank of Turkey (*Türkiye Sanayi Kredi Bankası – TSKB*).[22] Here it deserves to be noted that this crucial period of preparation gave way to many struggles between different cliques within bureaucracy and political power, resulting in the resignation of Mustafa Şeref (Özkan) from his post as the Minister of Economy and his substitution with Mahmut Celal (Bayar), who had served as Minister of Economy in 1921 and was the Director-General of İş Bank then, on 8 September 1932.[23] According to Tekeli and İlkin, Celal Bey's strategy was to reformulate the laws prepared during the era of his predecessor in a way that would prevent harsh criticism from governmental and non-governmental circles.[24] Mustafa Türkeş supposes that the political leadership were in agreement in general on two broad principles: the fundamental role of the private enterprises in Turkey's economy and the state's active involvement in industrial investment. Nevertheless, emphases given to either principle showed noticeable differences. The

19 (Tökin), İsmail Hüsrev. "Beş senelik programın manası." *Kadro,* no. 27, Mar. 1934, p. 27.

20 Mackie 447.

21 Wyatt 836.

22 Tekeli and İlkin, *Devletçiliğin Oluşumu* 149-50.

23 Tekeli and İlkin, *Devletçiliğin Oluşumu* 158.

24 Tekeli and İlkin, *Devletçiliğin Oluşumu* 171.

faction known as the "İş Bank group" led by Celal Bayar was expressing an overt aspiration for limiting the state's role while another faction based on bureaucratic cadres and led by İsmet İnönü was ready to give the state necessary rights to regulate private enterprises for a more rapid access to prosperity.[25] One of the most remarkable personal efforts that Bayar made after his ascension to the Ministry may be his initiative for American expertise. In 1933, he invited several experts like Walker D. Hines, Brehon Sommervell, and O. F. Gardner from the United States. Eventually, American reports were prepared in Spring 1934 despite İnönü's denunciation; however, they did not play any role in the preparations of the first industrial plan.[26] Türkeş claims that after Bayar's appointment as Minister of Economy, "İnönü refrained from commenting at any length in public on the principle or the implementation of etatism."[27] According to Boratav, the prevailing political atmosphere in 1933 gave the impression as if the İş Bank group was in power and the Prime Minister in opposition. Nonetheless, Boratav admits from an objective perspective that Bayar served as the "chief architect of etatism" for more than five years and fulfilled the "historical and objective necessity" for etatist policies with great success during his service in the head of the Ministry of Economy.[28] In August 1934, it was declared on *L'Economiste d'Orient,* a journal published by commercial and financial circles in Turkey, that Celal Bey would attach his name to all concrete works completed in economics, trade, and industry during the Republican Era.[29] And the newly-launched process for the Industrial Plan was about to further enrich Bayar's repertory.

A Soviet delegation of experts headed by Prof. Orloff arrived in Turkey on 12 August 1932 and departed for an investigation trip through Anatolia in company with a Turkish delegation of experts.[30] Prof. Orloff returned to Moscow

25 Türkeş, Mustafa. "A Patriotic Leftist Development Strategy Proposal in Turkey in the 1930s: The Case of the Kadro (Cadre) Movement." *International Journal of Middle East Studies,* vol. 33, no. 9, 2001, p. 93.

26 Tekeli and İlkin, *Devletçiliğin Oluşumu* 172-75.

27 Türkeş 98.

28 Boratav, *Devletçilik* 108-09.

29 "Bulletin." Editorial. *L'Economiste d'Orient,* no. 352, 25 Aug. 1934, p. 305.

30 Tekeli and İlkin, *Devletçiliğin Oluşumu* 158-59.

on October 6, while other experts stayed in Turkey until they finished their report on 1 November 1932.[31] In March 1933, a Turkish delegation headed for Moscow and stayed there until July 9. Meanwhile, they received the detailed plans prepared for the factories to be constructed. The necessary machinery was ordered and began to be made in Karl Marx Factories of the Soviet Union. In September, the first group of 50 Turkish interns went to Moscow for their training in the special trust called "Turkstroi," [32] that was founded as a division of the Commissariat of Heavy Industry for the construction of the textile factories in Kayseri and Nazilli.[33]

In June 1933, the foundation of Sümerbank was legislated as a new bank that will cover both DSO and TSKB.[34] Sümerbank was going to endorse the responsibility of the implementation of the industrial plan. Finally, the First Five-Year Industrial Plan was issued by the Ministry of Economy in 1933 as a collective work achieved by the contributions of the Soviet delegation's report but also of earlier texts prepared by the Ministry of Economy and experts from other countries.[35] The Plan was publicly declared by Bayar on 8 January 1934. On January 21, the credit protocol with the Soviet Union was signed. The implementation was launched on 17 April 1934 with the official communication that the Ministry of Economy sent to Sümerbank.[36] The number of the factories to be established was twenty and the main motive was to heal the deficit in foreign trade and to process local raw materials in respect to the import-substituting industrial model.[37] According to the Plan, the establishment of twenty factories required 45 million liras and employment of 15.5 thousand people.[38] Among industrial enterprises prescribed in the Plan were a paper

31 Tekeli and İlkin, *Devletçiliğin Oluşumu* 164.

32 Tekeli and İlkin, *Devletçiliğin Oluşumu* 169.

33 Hirst 52.

34 Tekeli and İlkin, *Devletçiliğin Oluşumu* 177.

35 Tekeli and İlkin, *Devletçiliğin Oluşumu* 179.

36 Tekeli and İlkin, *Devletçiliğin Oluşumu* 184.

37 Tekeli, İlhan, and Selim İlkin. "Dr. Max von Porten'in Türkiye'deki Çalışmaları ve İktisadi Devlet Teşekkülleri Sisteminin Oluşumu." *Sanayi Toplumu İçin Sanayi Yazıları,* edited by Tekeli, İlhan, and Selim İlkin. Tarih Vakfı Yurt Yayınları, 2010, p. 214.

38 Tekeli and İlkin, "Dr. Max von Porten" 217.

mill in Izmit, a cement plant in Sivas, an iron and steel plant at Karabük, a brimstone factory in Isparta, a copper factory at Ergani (Diyarbakır), and cotton factories in Kayseri, Konya, Nazilli, and Malatya.[39]

§ 5.2 First Impressions

Turkey's first planned attempt for industrialization appeared in the world press as soon as it was publicly declared in January 1934. Various comments were delivered in newspapers from all around the world throughout the first months of the Turkish Five-Year Plan.

In the Turkish press, the very first impressions were far from the political harmony that was going to prevail in the following years. At the beginning of 1934, etatism and economic planning were still in the need of further theoretical maturation. In addition, the results that different parts of the society expected from the Plan showed remarkable difference.

On January 10, two days after the proclamation of the Industrial Plan, the main article on the front page of *Cumhuriyet* was written by a deputy of the National Assembly, Alâettin Cemil (Topçubaşı). After praising the decision of the İsmet Pasha government for an industrialization project, the deputy of Istanbul calls upon the Ministry of Agriculture for a similar economic program in agriculture.[40] Meanwhile, agriculturers were not the only group that declared their particular expectations in newspapers. Capitalist interests were expressed in the Turkish daily newspaper *Akşam.* The newspaper was proud that Turkish factories were running night and day while European factories were struck by the crisis.[41] In February, the newspaper called for an immediate reorganization of the Ministry of Economy because it had become difficult for

39 Arnold, Caroline E. "In the Service of Industrialization: Etatism, Social Services and the Construction of Industrial Labour Forces in Turkey (1930-1950)." *Middle Eastern Studies*, vol. 48, no. 3, 2012, p. 367.

40 (Topçubaşı), Alâettin Cemil. "İktısat Programı: Şimdi bir de ziraat programı bekliyoruz." *Cumhuriyet*, no. 3479, 10 Jan. 1934, p. 1.

41 "Fabrikalarımız: Bir çok fabrikalar geceli gündüzlü çalışıyor." *Akşam,* no. 5514, 14 Feb. 1934, p. 5.

the employers to operate their factories under the triple control of the development office, industrial office, and the municipal office of the Ministry.[42]

On January 8, *Milliyet*'s main article was reserved for a commentary on the necessity for industrialization. The article points out the shrinking volume of the world trade and considers the industrialization of agricultural countries as a response to the increasing agricultural production in industrial countries.[43] This article was not the only one that related the Industrial Plan with international relations. Interestingly, the first impressions focused on the Turco-Greek relations rather than the relations with the Soviet Union. On January 10, *Milliyet* implied the possible strengthening of the Turco-Greek cooperation with the implementation of the Industrial Plan. This subject was expected to make part of the upcoming correspondances to be held at the end of January in Ankara between the ministers of economy of the two neighbor countries.[44]

As Turkey embarked on a planned economic project, the world press showed interest chiefly in terms of international relations. On January 26, *The New York Times* announced the signature of the Turco-Soviet protocol for an $8,000,000 gold credit as "one of the most interesting items in recent international news."[45] Australian newspapers *Advocate*[46] and *Examiner*[47] delivered the news of the protocol in March by emphasizing that no interest was charged for the industrial credits that the Soviet Union granted.

A deeper analysis can be found in *Columbia Daily Spectator,* which consulted in October 1936 Dr. Hans Kohn, professor of history at Smith College. Kohn states that the "semi-colonial relationship between the raw material countries of the Levant and the industrial nations of Europe" was largely destroyed by the World War. The new nationalist movements in the Near East

42 "İktisadi Meseleler: Sanayi müdürlükleri." *Akşam*, no. 5510, 10 Feb. 1934, p. 3.

43 (Kulualp), Ahmet Şükrü. "Türk Sanayiinin Sağlam Temeli: Sanayiimiz kimin için, nasıl ve kimin tarafından kurulmalı?" *Milliyet*, no. 2844, 8 Jan. 1934, p. 1.

44 "Sanayi programımız büyük bir alâka uyandırdı." *Milliyet*, no. 2846, 10 Jan. 1934, p. 5.

45 "Turkey Gets Loan From Soviet Union." *The New York Times,* 26 Jan. 1934.

46 "Soviet Grants Industrial Credits: No Interest Charged." *Advocate*, 21 Mar. 1934, p. 1.

47 "No Interest: Soviet Loans to Turkey Industrial Plan." *Examiner*, 21 Mar. 1934, p. 7.

were seeking their independence through models like "State capitalism." And the Soviet Union was prepared to encourage those developments. Kohn defines Turkey as "the pioneer of industrialization in Asia Minor" and claims that the Five-Year Plan of Turkey is "entirely under the influence of the example set by the Soviet Union."[48] On the other hand, in August 1934, it was written in *Correspondance d'Orient* that the Turkish plan was not a copy of the Soviet five-year plan and that duration was the only common trait between them. The Turkish model was based on the internal needs of the country. According to the French journal, it was an example of a "rational closed economy."[49]

Some articles overtly backed the Turkish industrial movement by relating it with other reforms of the Turkish Government to modernize the country. On 17 May 1934, American newspaper *Daily Illini* gave place to the following paragraph:

> "In economics, the government of Mustapha Kemal is acting more cautiously than it did with sultans, fezzes, harems, and alphabets. The change of Turkey from a primitive agricultural country into an industrially self-sufficient one is to be no over-night somersault. For months the government has been deliberating the reports of American and Turkish experts who have been exploring Anatolia's mineral, industrial and agricultural possibilities, from the eastern gold-beds near Mt. Ararat to the cotton-fields of southern Adana."[50]

French socialist newspaper *Le Populaire* published one of the most enthusiastic articles about Turkey on December 2, 1934. Asserting that Kemal Atatürk had "accomplished a colossal work" and made Turkey a "European Power," the article praises the Turkish industrialization as an initiative to free the country from her all foreign dependencies.[51]

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48 "USSR Assists Industrialism of Near East." *Columbia Daily Spectator,* vol. LX, no. 14, 13 Oct. 1936, p. 4.

49 "Documents du Mois." *Correspondance d'Orient*, no. 440, Aug. 1934, p. 89.

50 "Turkish Industry Plans Launched With $35,000,000." *Daily Illini*, 17 May 1934, p. 4.

51 "La Turquie à l'avant-garde…" *Le Populaire*, no. 4314, 2 Dec. 1934, p. 3.

In some cases, international relations merge with international trade and rivalries appear to be both commercial and political at the same time. Accordingly, international trade activities are published in detail in the newspapers and sometimes are subject to political reasoning. Consequently, Turkey's international trade activities were closely followed in the early 1930s. In May 1934, *Le Populaire* wrote that Ankara ordered ten cruisers from Japan, granting the latter the authorization for textile production in Turkey.[52] In August, British newspaper *Dundee Evening Telegraph* announced that a Turkish mission composed of economists and technicians departed to visit Italy, Switzerland, Germany, and Russia in connection with the purchase of machinery for her new industries.[53] In April 1935, the sharp rise in Turkey's coal production caught the attention of British newspaper *Western Mail*.[54]

However, not all articles remained as toneless as the previous ones. In December 1934, Australian newspaper *Advertiser* indicated that the Turkish Government "awarded Krupps a big contract." The German firm was going to equip iron and steel factoires to be erected according to the Industrial Plan.[55] British newspaper *Belfast Telegraph* informed that German experts hoped in 1935 that once the Soviet credit exhausted, Turkey would "return to Germany for the industrial products needed for her plans."[56] Commercial competition seems to regenerate in newspaper articles. A more expressive one is a Swiss newspaper's commentary on the Turkish orders of £21,750,000 for the machinery that required the Second Industrial Plan. In February 1937, *Journal de Genève* assessed Turkey as "a good client of England."[57]

As to American newspapers, they boldly underlined the investment opportunities that appeared with the Turkish industrialization. In February 1934, *Chicago Daily Tribune* called upon American exporters of coal, machinery,

52 "Le gouvernement turc intensifie ses armements et fait des commandes au Japon." *Le Populaire*, no. 4121, 23 May 1934, p. 3.

53 "Turkey's Industrial Five-Year Plan." *Dundee Evening Telegraph*, 29 Aug. 1934, p. 5.

54 "World Suvey: Turkey's Bid For Coal Export Trade." *Western Mail*, 12 Apr. 1935, p. 16.

55 "Turkey's Industrial Five-Year Plan: Big Contract Placed With Krupps." *Advertiser*, 5 Dec. 1934, p. 23.

56 "Turkey's Five-Year Plan." *Belfast Telegraph*, 20 May 1935, p. 5.

57 "Un bon client de l'Angleterre." *Journal de Genève*, no. 35, 5 Feb. 1937, p. 10.

and textiles to "do some business with Turkey" if they were willing to grant long credits. During the correspondances of a Turkish financial mission to England, it had become certain that London financiers, who did not "like the idea of planned economy on the Russian lines," were not interested in long credits while Turkey was "trying to do business."[58] The same newspaper consulted an American businessman, Colonel A. J. Barry, who had recently returned from a business trip to Turkey. Barry was convinced that "any American millionaire with $60,000,000 to spare on the best scheme in the world could grab up today the Turkish five-year plan." While Europeans were supposed to deal with "extraneous subjects" on purely economic matters, "America had the pull, and had no Ottoman debt complex, no Mosul oilfield bitterness, no Franco-Turkish frontier problem to contend with."[59] In March, *The Evening Star* declared that Turkey's industrial plan would mean "a jump in American sales there, especially of machinery."[60]

Few foreign newspapers seem to treat the discussions that the Industrial Plan triggered in Turkey. In January 1934, *The New York Times*[61] and *Daily Illini*[62] informed about the Government's decision to close theaters at 23:00 and stop trollies and ferries at 23:30 in the midst of the festive month of Ramazan. The decision was related with the newly-proclaimed Five-Year Plan and the motive was to ensure that the Turks went to bed early to become energetic in carrying their country toward prosperity. In February, *The Evening Star* gave place to the critiques of Mahmut (Soydan) Bey, deputy of Siirt known for his conviction in economic liberalism, against *Kadro* journal. The American newspaper preferred to dramatize the issue by claiming that "a cry of communism" rose within the People's Party at a time when the Five-Year Plan was launched.[63]

58 "Turkey Trying To Do Business." *Chicago Daily Tribune*, 1 Feb. 1934, p. 3.

59 "America Will Get Chance At Turkish 5-Year Plan." *Chicago Daily Tribune*, 4 Feb. 1934, p. 3.

60 "Countries Await U.S. Tariff Move." *The Evening Star*, 23 Mar. 1934, p. B-8.

61 "Turkish Moslems Fave Curfew in 5-Year Plan." *The New York Times*, 21 Jan. 1934.

62 "Early-to-Bed Edict in Turkey's New 5-Year Work Plan." *Daily Illini*, 25 Jan. 1934, p. 3.

63 "Communism Cry Raised in Turkey." *The Evening Star,* 19 Feb. 1934, p. A-11.

This brief survey shows that articles appeared in the contemporary foreing media chiefly treated the Turkish industrialization in relation with international politics and trade. Turkey did not stick with agricultural development strategies but chose to industrialize. Once the Industrial Plan was launched, in the eyes of the Western world, she had turned into a customer for machinery. And the entrance of a new customer had a stimulating effect on the international competition.

§ 5.3 Changing Preferences

In Ankara, etatism was defined as a "home-grown plant, specifically evolved for Turkish conditions" and only "the superficialities of contemporary Soviet planning" was adopted by the Turkish Government.[64] In 1934, Wyatt was sure that "the idea of an Industrial Plan for Turkey arose from purely practical considerations." Although the material features of the Russian plan will serve as a general model, this indicated "by no means […] any intention on the part of the Turkish Government to accept or apply Communistic political principles in Turkey."[65] In a later survey, Max Weston Thornburg adds that Russian ideas and techniques of planning did not mean that the Turks were converted to Bolshevism. According to the author, only a few Russians were called in to set up planning machinery in their capacity as technicians in the subject. Fifteen years after the launching of the First Five-Year Plan, the author gives in 1949 a crystal clear summary of the process:

> "In 1933 the Western world was in the depth of depression; Soviet prestige was correspondingly increased. Even if Turkey had chosen to turn to the West for aid, she probably would have found little encouragement. Foreign loans previously made throughout the world by the United States and other nations were frozen, and there was little capital available for export. Far from wishing to accept payment in goods, Americans were suffering from unemployment and thought they were

64 Hale 105.

65 Wyatt 836.

> burdened already by a surplus of goods produced at home. In these circumstances it was natural for Turkey to seek and accept Russian co-operation."[66]

In 1935, Bayar announced that the etatist system adopted by Turkey was not translated from "ideas propagated by socialist theoreticians since the nineteenth century," but an "original" system born into the necessities of Turkey.[67] An example showing that this position was respected by the Bolsheviks is Karakhan's letter from May 1932, where he describes his hopes for Turkey as an "independent path of development (not capitalism, not communism)."[68] "Friendship" sounds like an appropriate word for defining the reception of the Soviet assistance by the Turkish side. In March 1935, during the presentation of his governmental program at the National Assembly, Prime Minister İnönü made a lyric description of the constructions being implemented within the framework of the Industrial Plan: "Beautiful creations of the Soviet industry are being erected as remembrances of perpetual friendship in our industrial life."[69] Similar words were pronounced by Bayar in September 1935 at the speech that he delivered on the occasion of the opening ceremony held in front of the textile factory in Kayseri. He defined the factory as a "monument of the Turco-Soviet friendship and at the same time a very brilliant example of the great Soviet industry that was catching the attention of the whole world."[70]

Tezel argues that the economic aid received from the Soviet Union did not stem from a policy to reduce Turkey's dependency to the capitalist world market, but only meant to "substitute the financial and technical support that could not be received from capitalist metropoles."[71] In 1942, Burton writes that

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66 Thornburg, Max Weston. *Turkey: An Economic Appraisal.* The Twentieth Century Fund, 1949, pp. 27, 38.

67 Kutay 106.

68 Hirst 41.

69 "General İsmet İnönünün kurduğu yeni Bakanlar Heyetinin programı." *T.B.M.M. Zabıt Ceridesi,* vol. 1, session V, 7.III.1935, p. 27.

70 Şahingiray, Özel, editor. *Celâl Bayar'ın Söylev ve Demeçleri 1921-1938: Ekonomik Konulara Dair.* Türkiye İş Bankası, 1955, p. 130.

71 Tezel 463.

in the early years of the Republic, Turkey was reluctant "to accept financial assistance in any shape or form from foreign countries" but that she "modified her policy" and accepted large loans from England, France, Russia, and Germany after the First Five-Year Plan.[72] Küçük supposes that the Second Five-Year Industrial Plan, which did not give place to a Turco-Soviet cooperation, had been the first indicator of the change in Turkish foreign policy.[73] At the National Assembly on 1 November 1938, a week before the death of Mustafa Kemal Atatürk, Prime Minister Bayar read the inaugural address on behalf of the President of the Republic on the occasion of the commencement of the new parliamentary year. The speech includes a number of emphases implying the modifying foreign policy. It is underlined that the Republican Government had always stressed prevailing geo-political necessities and circumstances and kept at its own disposal the initiative to unite the concern for peace with contemporary realities. For Turkey, who was denying to recognize the attributed "absoluteness" of any international agreement, this was the main perspective that designated her choices in foreign relations and international alliances. After these evocations on how Turkey regulated her international relations, the speech continues by praising the agreements for British and German credits and noting the further improving relations with a number of states including Greece, Bulgaria, France, Egypt, and Italy. The Soviet Union, which had been traditionally receiving privileged compliments in the parliamentary inaugurations in Ankara, is mentioned at the end of the text, after Egypt and just before the last one (Italy), and the related paragraph does not represent at all the sincere and enthusiastic tone that used to reflect the close friendship with this country in the previous years. Although preserving the traditional formulation of "our great neighbor and friend," it was coldly announced in two sentences that a new border agreement was signed with Moscow.[74]

In the second half of the 1930s, as technical and financial assistance from the Soviet Union to Turkey suspended, the Soviet criticism of Kemalism be-

72 Burton 23.

73 Küçük 249.

74 "Reisicümhurun nutku." *T.B.M.M. Zabıt Ceridesi,* vol. 27, session V, 1.XI.1938, pp. 6-7.

came "more robust" insomuch that they treated the Turkish regime as "an appendix of the German fascism" because of the deepening of cooperation between Germany and Turkey.[75] By 1936, Germany had become the biggest purchaser of Turkish products.[76] Germany covered more than 40% of the Turkish commerce. In the period from January to May 1937, Turkish-German trade recorded 39 million 478 thousand liras whereas overall Turkish balance of commerce was 88 million liras.[77] Just four months after *Anschluss*, a treaty was signed between Germany and Turkey in Berlin on 25 July 1938 for the regulation and improvement of trade agreements between the two countries after the annexation of Austria by Germany.[78] *L'Economiste d'Orient* received Anschluss as "in favor of our products" since it was going to increase the absorbing capacity of the new Reich in terms of international trade.[79] Another reason for optimism expressed on the same journal in face of Anschluss was about the latest information gathered from Turkish press concerning the decision to maintain the commercial activities of the Austro-Turkish Society. At the end of the news article, it is briefly added that "because of the measures applied against Jews in Germany," a part of the personnel of the Society, including the director, who were of Jewish origin were subjected to indefinite leave.[80] This last detail illustrates that ideological differences did not pose an obstacle against the growing material cooperation between Turkey and Germany. Nonetheless, it should be noted that the growing German interest towards Turkey made part of Berlin's general strategy to secure the Balkan and Baltic states before the outbreak of the war. For this purpose, geographical and industrial prepondarence of Germany assured a "German pre-eminence in the

75 Ter-Matevosyan 9-10.

76 "Extrait du Rapport de la Direction Générale présenté à l'Assemblée Générale Ordinaire des Actionnaires du 17 Octobre 1936." *L'Economiste d'Orient,* no. 404, 25 Oct. 1936, p. 390.

77 "Bulletin." Editorial. *L'Economiste d'Orient,* no. 425, 10 Sept. 1937, p. 323.

78 "Türkiye – Almanya arasındaki ticarî mübadelelere aid anlaşma ile ticarî mübadelelere ve tediyata müteallik protokolün tasdikına dair kanun lâyihası ve Hariciye ve İktısad encümenleri mazbataları (1/1 150)." *T.B.M.M. Zabıt Ceridesi,* vol. 29, session V, 11.I.1939, p. 40.

79 "Bulletin." Editorial. *L'Economiste d'Orient*, vol. 438, 25 Mar. 1938, p. 103.

80 "La Société Austro-Turque et l'Anschluss." *L'Economiste d'Orient,* vol. 440, 25 Apr. 1938, p. 155.

Balkans," accompanied by economic monopoly and political pressure in some examples.[81]

In 1939, Mackie complains about British reluctance in front of German industry which "maintained close touch with Turkey and gave extensive facilities for the technical education of Turks in Germany."[82] This discussion rhymes with Oran's explanation that the Soviet credit of 1932 had become "an example" for Germany and Britain in their efforts to drag Turkey in their sides with favorable credits in the second part of the 1930s.[83] Similarly, Tekeli and İlkin state an Anglo-German diplomatic competition between 1936 and 1938 over grants of credits to Turkey.[84] However, external economic aid made up only a small portion of the national budget allocated to industrial development, which helped the regime to maintain a "policy of non-alignment throughout the 1930s" despite its close relations with various countries according to Berberoğlu.[85] As World War II approached, Turkish and Soviet conceptions of international politics started to change. In an internal report of the Commissariat of Foreign Affairs of the Soviet Union prepared in May 1935, it was stated that "divergent interpretations of international politics threatened the partnership." Hirst sees the lack of a shared understanding of the West as a decisive factor in the deterioration of Soviet-Turkish relationship.[86] Still, it should not put shade on the collective efforts for the launching of an industrialization movement in Turkey.

By 1938, the construction of 19 factories among 23 were launched; thus, it encouraged the Turkish leadership to use the Soviet slogan "five-year plan in four years!"[87] In May 1936, on behalf of the Ministry of Economy, Bayar announced at a parliamentary discussion that the Second Five-Year Industrial Plan was going to focus mainly on the exploitation of underground sources,

81 Jackh, Ernst. "The German Drive in the Balkans." *International Affairs (Royal Institute of International Affairs 1931-1939)*, vol. 18, no. 6, Nov.–Dec. 1939, p. 770

82 Mackie 448.

83 Oran 319.

84 Tekeli and İlkin, "Dr. Max von Porten" 218.

85 Berberoğlu 114.

86 Hirst 52-53.

87 Tekeli and İlkin, *Devletçiliğin Oluşumu* 198.

electrification, while contributing to the iron industry as well.[88] In June 1938, Bayar, this time as the Prime Minister, reiterated that the Republican Government had successfully accomplished the First Plan and reported that the only reason that prevented the inauguration of the Second Plan was their continuing search for necessary financial sources.[89] The Second Industrial Plan was prepared and published as early as in 1936 by the Ministry of Economy as a booklet of 394 pages. The scale and the range of the Second Plan was much wider than the first one. The number of the factories and combines to be erected, which was twenty in the previous plan, was more than a hundred this time.[90] Nonetheless, it remained unfulfilled as no financing could be found. In 1938, a part of the Second Industrial Plan was updated and declared as a "Third Plan," a four-year plan expected to cost 80 million liras,[91] but was never implemented due to the outburst of the Second World War.[92] Hence suspended the first serious movement for industrialization in Turkey until the 1960s.

88 "İktısad vekâleti bütçesi." *T.B.M.M. Zabıt Ceridesi,* vol. 11, session V, 27.V.1936, p. 268.

89 "Başvekil Celâl Bayarın, memleketin umumî işlerine dair beyanatı." *T.B.M.M. Zabıt Ceridesi,* vol. 26, session V, 29.VI.1938, p. 505.

90 İnan 16.

91 Şahingiray, *Ekonomik Konular* 240.

92 Tekeli and İlkin, "Dr. Max von Porten" 217-18.

6

Conclusion

The present study has tried to seize the beginning of the Turkish adventure of industrialization in a comprehensive way, from economic infrastructure to financial contingencies and diplomatic surveys. A single explication is never sufficient enough. If we are to treat a turning point in a particular period of history, conditions prevailing in economy and international relations deserve close examination no less than other historical precursors and circumstances.

The World Depression of 1929 marks a decisive twist for many transitions in different parts of the world. The importance of this traumatic incidence would be further highlighted if considered the "interwar" periodization. Humanity had totally left any sign of optimism while rushing for a second disaster. Carr characterizes the 1920s with illusionary hopes but the 1930s with a dark desperation. Unrealistic utopies of the first decade were substituted in the second one with a strict exclusion of any utopian element.[1] The evaluations of the first-hand witnesses and contemporary critics give enough clues for depicting the atmosphere in which the World Economic and Monetary Conference in London convened in 1933. Even the countries considered as flag-bearers of liberalism – namely Great Britain and France – were involved in the

1 Carr, *Yirmi Yıl* 261.

sentiment of distrust and deepening concurrence among nations. It is doubtful whether the Conference was a missed chance for ensuring world peace. It seems more viable that it was nearly impossible to put an end to the growing protectionist and nationalist tendencies in economy by the help of international conferences. The logical result of the danger of the growing distrust at the international level eventually outburst when another world-level carnage set off in 1939.

The choices that had appeared in front of the decision makers were strictly circumscribed by the given historical conditions. No doubt that the paths taken by the governing bodies had not been decided upon as easily as it sounds in any flat historical narrative. We can never neglect the role played by subjective interpretations of the current conditions, ideological references, internal challenges, or even personal ambitions. Utopies might have lost their appeal in the 1930s in most parts of the world as Carr indicated, but this was not the case at all in young Turkey. The Young Turk Revolution of 1908 can be taken as the first victorious moment of the process called the "Turkish Revolution." A considerable part of the actors of the Second Constitutional Era participated consecutively in the First World War and the Struggle for National Independence. By the 1920s, the Revolution had attained another triumph with the foundation of the Republic. For the political cadres leading Turkey, the hardships of never-ending battles finally came to an end and they felt ready to turn the country into a well-equipped modern entity. There were plenty of sociopolitical reforms prescribed in the agenda of Turkish revolutionaries, a noticeable part related with economy.

It was not in Lausanne that the makers of the Turkish Revolution discussed the abrogation of the Capitulations for the first time. The Young Turks had already attributed to the abolition of the Capitulations a crucial significance for the struggle for economic independence. If the creation of a national bourgeoisie consisted a part of the dream for economic independence of Turkey, this aim had also been represented in the economic policies pursued during the last years of the Ottoman Empire. Turkish entrepreneurs received generous concessions while legal and political obstacles were being raised against the commercial activities of businessmen of non-Muslim origin. Nationalist discourse gained an indispensable place in economic questions; nationalist

feelings were incited to mobilize Ottoman people for organizing campaigns for funding the construction of new railroads or the modernization of the Ottoman Navy.

For the young Republic, the realization of concrete projects in respect to the revolutionary ambitions in economy could find suitable conditions only after the upheavals of the troubled year of 1929. And this delay begs a number of explanations. From Ankara's perspective, the hardships of the foundation of the Republic had taken a few years. Even if stability was ensured in politics, the lack of financial sources and technical infrastructure still constituted a burden in economics. The first payment for the inherited debts of the Empire and the end of the tariff obligation fixed by the Treaty of Lausanne made 1929 a special year. Meanwhile, in Europe and the United States, liberal remedies for free trade were not working under the conditions of global crisis. Governments were not willing to grant credits but taking protectionist measures instead, and diplomacy was unable to find out an efficient method to reverse the negative course of the events. All these factors pushed the Republic of Turkey for seeking alternative routes in economic policy. Still, one may ask if the Soviet model was the best option for Turkey, and if it was, why Ankara waited for a decade after its foundation to carry the Turco-Soviet collaboration to the stage of collectively elaborating massive projects.

The ideological differences between the revolutionary movements in Moscow and Ankara were evident enough. From the beginning, from the Young Turks to Kemalists, Turkish revolutionary cadres were not Marxist and did not have devoted feelings towards this ideology. As the future leader of the Turkish Revolution, but also a viable representative among his companions, we can refer to a short passage from Mustafa Kemal, who justified his own ideological position in his personal journal written in Carlsbad in July 1918. Motivated with the theoretical discussions in which he was involved with European intellectuals, he arrived at the conclusion that he was not a "*conservateur*" nor "*révolutionnaire*" or "*socialiste*."[2] Leave aside this little note from an early date, even in the best times of Turco-Soviet rapprochement, Turkish intelligentsia always knew how to raise in an appropriate way their theoretical reserves

2 İnan 20.

against Marxism. Nevertheless, different convictions in theory and ideology did not mean a total incompatibility to obstruct interaction. For the Turkish side, the anti-imperialist feelings inherited from the National Liberation Movement could articulate with the untrust in Western Powers especially during the troubled times of the world crisis. For the Soviet side, the consolidation of the friendship with the nationalist government in Turkey would mean stability and security in the southern borders of the Union and a diplomatic blow to imperialism. All in all, anti-Western friendship on the basis of an anti-imperialist discourse was strong enough to prevail over incompatibilities in the ideological level.

Thus we arrive at the most crucial point of this reasoning, which constitutes the main thesis of the present work. I reckon that the Turkish leadership would not dare embarking on a comprehensive project of industrialization had the course of events not brought together numerous suitable factors to encourage such a decision. First, the financial outcomes of the world crisis and the political price paid for the Struggle for National Independence had made it impossible to find a reliable hand from the Western world. For years, the character of the Turkish Revolution and Ankara's ideological preferences remained as a mystery for many people in Europe and the United States. Second, Turkey's worsening economic condition and the emerging problems of political legitimacy had made it obligatory to initiate a new discourse and pursue a new program for stimulating the social sources of the country. The outcomes of Atatürk's provincial tour of 1930-31 are frequently reffered to justify the Government's need for immediately creating ways to overcome the problems. Last but not least, the receiving of the friendly support from the Soviet Union, the northern neighbor that was going through an inspiring economic growth under the negative circumstances of the world depression, had had a stirring influence over Ankara. Since the late Ottoman period, Turkish politicians had always thought of the trajectory of their country highly particular, taking pride of the originality of their course.[3] Although they adopted many theories and

3 The careful distance that the generation of the Turkish Revolution conserved between them and the working class movement caught my attention while writing the third chapter of this thesis. The origins of this pride -that comes to the point of arrogance in many examples- shall be the subject of another research.

practices from Europe, Turkish intellectuals in general avoided ideological labels. In foreign policy, this sentiment of pride and claim for originality might be translated as the strategy to maintain a balance between Great Powers and eventually exploit the occurring spaces of maneuver. This strategy was followed by not only Abdulhamid II but also by many Young Turk governments, and even by the Kemalists during the Republican Era. It can be suggested that Turkey was not fully affiliated with a Great Power but conserved her autonomy in international relations until the 1950s. Republican governments payed attention to keep alternatives at hand in their international relations. In 1932, İnönü left for Italy just ten days after he returned from Russia. This can be read as an indication of the continuing Turkish search for alternatives even in the last moment before totally accepting the generous conditions of the Soviet credit. Turkey was dragged towards her northern neighbor by the superposition of several convenient developments of the contemporary juncture. And the resulting rapprochement with the Soviet Union enabled the Turkish Revolution to stimulate and institutionalize her reforms and projects.

For a revolutionary government, sometimes it is more difficult to mobilize political forces than material ones. But once the decision is taken, it is easier to discuss the ways to execute it. Therefore, once the industrialization was launched hand in hand with the adoption of etatism as a state policy, even liberal venues got mobilized for this cause. The financial and commercial circles behind *L'Economiste d'Orient* must have been glad about these policies, as the editorial of the journal took it as a necessity in August 1938 to "thank to God and Atatürk" for not obliging them to get occupied with interior politics nor with internal divisions.[4] The Republican Party was not an ordinary political party but a "*sui generis* national organization" seeking to advance the social program of the government.[5] Regarding the excessively positive attitude of liberal circles towards etatist policies, the unsuccessful political experiments for the establishment of an opposition party should be kept in mind. It had become obvious that the structure of the established regime would not allow the regroupment of a separate political opposition. The Free Party's critiques

4 "Bulletin." Editorial. *L'Economiste d'Orient*, no. 447, 10 Aug. 1938, p. 284.

5 "Bulletin." Editorial. *L'Economiste d'Orient*, no. 396, 25 June 1936, p. 223.

against the Government's policy for nationalizing railways sound more radical if considered the low profile of liberal criticism that followed the Party's liquidation. Additionally, the industrialization movement also served as a remedy to soothe criticism towards economic policies.

Findings of the research agree with my thesis on Turkey's early efforts for industrialization. The First Five-Year Industrial Plan being its impressive symbol, the industrialization of the 1930s was launched despite the will expressed by contemporary Western scholars and decision makers. If Turkey was to follow Western advices for economic development, she had to stick with agricultural production and focus on ameliorating her financial discipline. That was the remedy expressed and expected by European and American experts and political figures of the time. Afterwards, as Ankara approached the West, planning practices continued without the Soviet Union. It is possible to put forward that this narrative of the industrialization of the 1930s attributes an excessive importance to foreign policy. In fact, Ankara was in the need of a new discourse to consolidate its political support. The industrialization movement also served as a convincing campaign to help the Government overcome not only the impacts of the world crisis in Turkey, but also the weakening of the political motivation among Turkish people. Yet, I should stress that the superposition of these internal factors were not the main motives but contingent factors in line with the move for industrialization. I still assess that the preferences in foreign policy were the main factor to explain the maneuvers held during the first Turkish industrial movement. Otherwise, how to explain the rapid substitution of the Soviet technical and financial support with German and British sources? Moreover, to underestimate the importance of the international relations on the eve of World War II would be inaccurate given the prevailing atmosphere in this harsh decade, the 1930s.

Since the Soviet Union was not the first preference according to the choices in foreign policy of the Republic of Turkey, the movement for industrialization continued without the northern neighbor. Redolent with the final quarter of the nineteenth century, German-British rivalry was once again rising on Turkish territory. Ideological convictions of the nationalist cadres and the hardships of maintaining a neutral position on the eve of the Second World War must have played a certain role. Nonetheless, the motives behind

these choices ask for a different research. The scope of this work is limited to showing how the preferences of Ankara determined the fate of the first efforts for industrialization in the Republic of Turkey. I should note that there are numerous other studies that cover the details of the implementation of the First Five-Year Plan. As my modest aim was to present a general but comprehensive understanding of the subject matter, I have not included such details in the present narrative. An attentive eye shall see that each chapter ends by referring to the decision to embark on the Industrial Plan; each phase of the research has set the sight on this choice. This is the perspective, I believe, which has helped me maintain the coherence of such a broad research.

Said claims that no method could be developed to keep the researcher away from his/her living conditions and convictions.[6] During the research, I was fascinated by the first industrialization movement in Turkey. Despite its short life, this first serious step for industrial development can be considered as a success, which shows the rich capacities of the country and the decisive role of the political will in mobilizing them. Even though exceeding the extent of this research, the sparkling social life engendered for and by the workers in the industrial facilities erected within the framework of the Five-Year Plan certainly deserves a closer look. During my research, I got more and more curious about the story of how these industrial facilities became centers of sports, culture, and education and how they gradually turned, one by one, into ruins. I believe that one will find strong parallels between the story of these edifices and the story of the etatist industrialization policies in Turkey.

6 Said 19.

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