

A COMPARATIVE APPROACH TO  
NATIONAL PROTECTION LAW (1940-1956)

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ÖMER ERDEMİR

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Approval of the Graduate School of Social Sciences

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Prof.Dr.Sencer Ayata  
Director

I certify that this thesis satisfies all the requirements as a thesis for the degree of  
Master of Arts.

---

Prof. Dr. Seil Karal Akgün  
Head of Department

This is to certify that we have read this thesis and that in our opinion it is fully  
adequate, in scope and quality, as a thesis for the degree of Master of Arts.

---

Prof. Dr. Seil Karal Akgün  
Supervisor

**Examining Committee Members**

Prof. Dr. Seil Karal Akgün (METU, HIST) \_\_\_\_\_

Assist. Prof. Dr. Nesim Őeker (METU, HIST) \_\_\_\_\_

Assoc. Prof. Dr. Mesut Yeėen (METU, SOC) \_\_\_\_\_

I hereby declare that all information in this document has been obtained and presented in accordance with academic rules and ethical conduct. I also declare that, as required by these rules and conduct, I have fully cited and referenced all material and results that are not original to this work.

Name, Last name: Ömer Erdemir

Signature :

## **ABSTRACT**

### **A COMPARATIVE APPROACH TO NATIONAL PROTECTION LAW (1940-1956)**

Erdemir, Ömer

M.A, Department of History

Supervisor: Prof.Dr. Seçil Karal Akgün

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This thesis introduces a comparative history of National Protection Law of 1940 and 1956. It analyzes the two applications of the law, first, by the Republican People's Party governments during World War II, and second, by the Democratic Party Government during the years between 1956 and 1960 in view of the general economic policies followed during both periods. It argues, in reference to the ideological struggle over Turkish economic development during the twentieth century, that the enactments and applications of the first and second National Protection Law address the authoritarian characteristics of both the Republican People's Party and the Democratic Party. It further argues, the enactment and application of National Protection Law by the Democratic Party government contradicted with the party's economic principles whereas the Republican governments had already been on the interventionist path that they inherited from the previous decade of etatism. In addition, the thesis reveals that the first National Protection Law was more widely applied than the second. In both cases, the application of National Protection Law failed to solve economic problems and aroused a public discontent which brought about political losses for its executors.

**Keywords:** National Protection Law, World War II, Republican People's Party, Democratic Party, Etatism.

## ÖZ

### MİLLİ KORUNMA KANUNUNA KARŞILAŞTIRMALI BİR YAKLAŞIM (1940-1956)

Erdemir, Ömer  
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Elinizdeki tez 1940 ve 1956 yıllarında çıkarılan Milli Korunma Kanunu'nun karşılaştırmalı tarihini anlatıyor. Cumhuriyet Halk Partisi hükümetlerinin 2. Dünya Savaşı dönemindeki ve Demokrat Parti hükümetinin 1956-1960 yılları arasındaki dönemde bu kanunu uygulamalarını, dönemlerin genel ekonomi politikaları açısından değerlendirmeyi amaçlıyor. Yirminci yüzyılda Türkiye'nin ekonomik gelişmesine odaklanan ideolojik mücadele bağlamında birinci ve ikinci Milli Korunma Kanunlarının çıkarılmasının ve uygulanmasının hem Cumhuriyet Halk Partisi hem de Demokrat Partinin müdahaleci eğilimlerini ortaya çıkardığını iddia ediyor. Ayrıca, Demokrat Parti'nin bu kanunu çıkarıp uygulamasının partinin ekonomik prensipleriyle çeliştiğini, buna karşılık Halk Partisi hükümetlerinin devletçilik yıllarından gelen müdahaleci eğilimlere sahip olmalarının kanunun uygulanmasında bir çelişki oluşturmadığı savunuluyor. Buna ek olarak, Halk Partisi hükümetlerinin Demokrat Parti hükümeti gibi populist olmamalarının kanunun daha geniş olarak uygulanmasına olanak verdiği ifade ediliyor. Her iki durumda da, Milli Korunma Kanunu ekonomik sorunları çözme hususunda yetersiz kalmış ve uygulayıcılarına siyasi olarak pahalıya malolmuştur.

Anahtar Kelimeler: Milli Korunma Kanunu, İkinci Dünya Savaşı, Cumhuriyet Halk Partisi, Demokrat Parti, Devletçilik.

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## **LIST OF ABBREVIATIONS**

CFO	: Central Food Office
CIP	: Commissions for the Investigation of Profiteering
CM	: Council of Ministers
CNP	: Courts of National Protection
COFD	: Central Office for Food Distribution
COO	: Central Office of Oil
COSP	: Central Office of Soil Produce
CPA	: Commissions for Price Auditing
DP	: Democratic Party
GNA	: Grand National Assembly
IBRD	: International Bank for Reconstruction and Development
IFO	: Istanbul Fuel Office
IMF	: International Monetary Fund
MNE	: Ministry of National Economy
MT	: Ministry of Trade
NPL	: National Protection Law
OEEC	: Organization for European Cooperation
PUFD	: Public Unions for Food Distribution
RPP	: Republican People's Party
RSO	: Rural Statistics Organization
SIS	: State Institute of Statistics
TO	: Trade Office
WWII	: World War Two

## CHAPTER 1

### INTRODUCTION

Turkish Democratic Party (DP) first embraced Turkish business and property populace, arguing to bolster their economic status in standstill. In contradiction though, it disconcerted the domestic business agenda<sup>P</sup> after recommencing the National Protection Law (NPL) of 1940 in 1956. Pondering this contradiction, the following thesis elucidates the reasons why DP applied NPL. The thesis applies its research a comparative historical method of “change and continuity” to provide an analytical explanation for the history of the newly fledgling Turkish Republic. In general, therefore, it compares the NPL implementation of the Republican People’s Party (RPP) and DP to reconsider the distinct characteristics of the latter. It scrutinizes, in detail, the causes into NPL, to find out whether NPL applications in the course of RPP rule during the Second World War and of DP during the economic recession of the late 1950s were the panacea or transitional solutions in terms of Turkish economic stagnation.

This thesis hypothesizes that NPL enactments in both 1940 and 1956 addressed to the governments’ self-determination despite “the variety of their underlying causes.”<sup>1</sup>Based upon its hypothesis, the thesis suggests that the public disapprovingly reacted in response and accused both governments of employing their authoritarianism not resting on public will during and after they executed NPLs. It further asserts, for the enactment in 1940, that, as well as numerous external and internal factors, it was essentially this public discontent that transformed Turkish mono-party regime toward a democratic multi-party structure. And, for the enactment in 1956, it was again this public discontent that largely deprived DP of votes during the elections in 1957.

A common scholarly misconception generalizes NPLs, claiming that they disturbed the economic conditions of most Turkish citizens to some extent. The research for this thesis did not support this allegation particularly for the NPL of 1956. Instead, it indicated that the 1956 NPL during DP rule impacted the business

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<sup>1</sup> Whereas RPP announced a NPL due to the emergency of war, DP claimed a national economic recession to bring about NPL.

class mainly, leaving the economic conditions of farmers and the property class intact. Supporting its hypothesis that the NPLs were the arbitrary government applications, the thesis refers to the personal convictions of Adnan Menderes, and stresses that the NPL of 1956 did not influence the farmers and the property owners since he was a member of this class himself.

Here the contradiction of DP's previous populist approach to its later interventionist action through NPL bears a question in mind: did NPL separate DP from its conventional origins? This thesis brings an affirmative response to this question. As a rural-based political party with inexperienced provincial policymakers, DP did not know how to behave in times of emergency like a large-scale economic recession. The best way to cope with the matter therefore was "act like they did." And for DP, the best way to cope with the economic recession was to apply NPL like RPP did during the war. However, DP failed to bolster national economy as promised, largely because it did not theoretically analyze and practically critique the applicability of NPL. Thus, this unconscious "U-turn" from liberal to interventionist approach resulted in the loss of DP votes during the 1957 elections, let alone the betterment of economy.

Overall, this thesis intends to provide insights into both Turkish NPL applications and especially into the second application, the significance of which is often underestimated by Turkish historiography. Providentially, scholarly works on the first NPL abound. First, Cemil Koçak wrote *Türkiye'de Milli Şef Dönemi(1938-1945)*<sup>2</sup> and handled NPL of 1940 as far as domestic politics concerned as well as providing a wide reservoir of data concerning the law and regulations issued between the years 1940-1945. Second, *Türkiye'de Devletçilik*<sup>3</sup> by Korkut Boratav examined NPL introducing the mono-party economic parameters of the time. In addition, two unpublished doctoral dissertations<sup>4</sup> and four master theses<sup>5</sup> dealt with the first NPL

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<sup>2</sup> Cemil Koçak, *Türkiye'de Milli Şef Dönemi(1938-1945)*, (İstanbul:İletişim,1996).

<sup>3</sup> Korkut Boratav, *Türkiye'de Devletçilik*. (Ankara: Savaş,1982).

<sup>4</sup> Ö.Faruk Çolak, *Savaş Ekonomisi ve II. Dünya Savaşı Dönemi Türkiye Ekonomisi*, unpublished doctoral dissertation, (Ankara: Gazi University, 1992); Osman Sönmez, *İkinci Dünya Savaşı Sırasında Türkiye'nin İktisadi Politikası*, unpublished doctoral dissertation, (Konya: Selçuk Üniversitesi,1992).

<sup>5</sup>Metin Tire, *Milli Korunma Kanunu:1940-1945*, unpublished master's thesis (İzmir: Atatürk İlkeleri ve İnkılap Tarihi Enstitüsü,1992); Mehmet Yücel, *1939-1945 Dönemi Türkiye İktisat Politikaları ve İstanbul Ekonomisi*, unpublished master's thesis. (İstanbul: Marmara Univ.,2002); Ersin Topçu, *II. Dünya Savaşı Döneminde Türkiye Ekonomisi (1939-1945)*, unpublished master's thesis. (İstanbul:

with particular reference to Turkish economy during the Second World War. Except a doctoral dissertation, there is no noteworthy study of the second NPL though. This thesis conducted its research on the parliamentary records during examining the legislation process of the law in 1956. Furthermore, contemporary newspapers, and commentary books written soon after the law was issued also supply invaluable information as for the contents of the law. The thesis also makes use of these sources extensively.

The developments that preceded the application of NPL are the key to comprehend the continuities and changes in Turkish history thereafter. Several scholars regarded the war years between 1939 and 1945 as an interlude in terms of the economic policies applied.<sup>6</sup> But this thesis maintains the idea that Turkey still kept on the same, though at a slower pace during the war years, economic progress as that since the foundation of the Republic to war years. In fact, Turkish war economy did not experience new strategies, but simply perpetuated various old political and economic treatments of twenty years old.<sup>7</sup>

### 1.1. AN ANALYSIS OF TURKISH ECONOMIC PERFORMANCE FROM THE ESTABLISHMENT OF THE REPUBLIC TOWARD WORLD WAR II (1923-1939)

The declaration of Turkish Republic in 1923 succeeded a nationwide political revolution that demised the Ottoman Empire and fledged a new national state in Anatolia. In other words, Turkish nation completely broke off from its previous Ottoman identity during the year 1923. Nevertheless, this thesis suggests, the revolution did not comprise economy but politics by and large. In detail, economic procedures and strategies, especially during the years between 1923 and 1929 replicated those of Constitutional Monarchy, during World War I and of the National War of Independence, 1908-1922. National economic strategies, i.e. *Milli İktisat*, had

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Marmara Univ., 2002); Berna İlin, *İkinci Dünya Savaşı Sırasında Türkiye Ekonomisi*, unpublished master's thesis. (Istanbul: Marmara Univ., 2001).

<sup>6</sup> Korkut Boratav, *Türkiye İktisat Tarihi :1908-2002*, (Ankara: İmge, 2003),p.81.

<sup>7</sup> This statement is compatible with that of Hershlag's as that in Turkey during WWII, the transition from a peace to a wartime economy was easier than any other country as a result of the emergency measures of étatism already existing during the 'Thirties'. See, Z.Y. Hershlag, *Turkey: An Economy in Transition*, (The Hague: Uitgeverij van Keulen N.V, 1958), p.177.

gradually materialized before and after the Young Turk Revolution and had partially continued during World War I. In practice, a compilation of these strategies prevailed at national economic policies well after 1923. The restrictions on customs which the Treaty of Lausanne claimed and such principles as the creation of a national bourgeoisie by the state after 1923 postponed the realization of such national economy principles as protectionism and industry-based growth.<sup>8</sup> As Atatürk concluded, “How many millionaires have we got? None! So, we will not upset the beholders of some capital. Instead, we will strive to generate millionaires, or even billionaires, in our country.”<sup>9</sup>

In founding fathers’ opinion, the creation of national bourgeoisie under the supervision of the state meant a large capital flow into private hands. Therefore, Turkish government transferred capitals to private enterprise holding private companies and entrepreneurs by granting them state monopolies. The Treaty of Lausanne did not allow the government to tax the imports and domestic commodities at different rates, except the commodities under state monopoly so that the state would maximize its income. Therefore, the government monopolized productions and imports of many commodities and various services to discharge restrictions on tariffs and taxes. Later, these monopolies were transferred to national companies in accordance with the economic patterns of the time. National companies mostly led by shareholders from high bureaucracy obtained huge profits by means of the monopolies endowed by the state. Particular monopolies like those over matches, lighters, spirit, alcohol, powder, explosives, patrol and port operations drew more concerns because they were basically the most profitable for the privileged companies at the time.<sup>10</sup>

*Türkiye İş Bankası*, established in August 1924, illustrated a particular case. After having grown to be the intermediary between business circles and political cadres, it built an impressive pressure group that would exercise the influence of capitalists on the government’s economic policies. In similar vein, it managed state capital transfers to private sector. Celal (Bayar), an ex-Minister of Reconstruction,

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<sup>8</sup> Korkut Boratav, *Türkiye İktisat Tarihi :1908-2002*, pp.40-41.

<sup>9</sup> Fethi Naci, *Atatürk’ ün Temel Görüşleri* (Istanbul: Gerçek Yayınevi, 1968) p.65.

<sup>10</sup> Korkut Boratav, *Türkiye İktisat Tarihi :1908-2002*, p.40.

became the first director of *Türkiye İş Bankası*, and Mahmut (Soydan) (Siirt) as its first chairman. Şevket Süreyya (Aydemir), a well-known bureaucrat and author gave voice to the benevolent relations between business circles and political cadres through *Türkiye İş Bankası*, “Shortly after the foundation of *Türkiye İş Bankası*, you could see *aferistler*, (i.e. affairists)\* that exploited state influence and facilities via *Türkiye İş Bankası*. Almost all of these affairists were coming from officers, administrators or politicians who championed the National War of Independence.”<sup>11</sup>

The Treaty of Lausanne and the Great Depression<sup>12</sup> impeded Turkish economic development between the years 1923 and 1929. Despite having accomplished to abolish capitulations, the Treaty of Lausanne restrained the Turkish economic progress. For instance, Turkey committed to compensate for a two-third of Ottoman debts. Furthermore, according to the Commercial Treaty signed after the Treaty of Lausanne, Turkey had to deactivate its international economic policies for five years. It required Turkey not to increase tariffs, restrict imports and exports, and set taxes upon imported materials, except for the commodities under state monopoly. Thus, the Commercial Treaty prevented Turkey from both enlarging her income via customs and pursuing protectionist policies for the sake of its national industry.<sup>13</sup> That is, the Treaty of Lausanne conditioned Turkish economy, limiting its development.

The Izmir Economic Congress, 17 February to 4 March 1923, addressed political messages to the Treaty of Lausanne and accumulated a set of reactions against its burden on Turkish national economic policy. Mahmut Esat Bozkurt, a late Minister of Economy, organized and Kazım Karabekir Pasha led the congress. Atatürk’s delivery started the congress and paved the way for discussions about all economic difficulties the new regime was to confront. The congress aimed at “professional representation,” and categorized the participants according to their professions. This categorization divided four groups: industrialists, workers,

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\* Affairists meant politicians and influential persons who represented *İş Bankası*. The origin of the word was “affair” coming from the French name of the bank as “Banque d’affaires”. Another implication of the word was opportunist.

<sup>11</sup> Şevket Süreyya Aydemir, *İkinci Adam, Vol:II 7<sup>th</sup> edition*, (İstanbul: Remzi Kitabevi,2000), p. 142.

<sup>12</sup> The thesis analyzes the Great Depression of 1929 under the following subtitle, therefore it does not elucidate the depression hereon.

<sup>13</sup> Korkut Boratav, *Türkiye İktisat Tarihi :1908-2002*, p.44.

businessmen and farmers. As a rule, industrialists consisted of high-rank bureaucrats and deputies in the parliament; the General Workers' Union of Turkey, *Türkiye Umum Amele Birliđi*, was a shadow organization under the hegemony of Turkish National Trade Association, *Milli Türk Tüccar Birliđi*.<sup>14</sup> In the division of businessmen and farmers were capitalists and big landowners. The approaches of businessmen and farmers often led the congress discussions. For instance, there was serious dispute over tithe, *aşar*. While farmers suggested tithe be removed, industrialists and businessmen proposed a new taxation more equitable than that. Farmers believed all different income groups would be sharing the burden, i.e. decrease in state revenues, resulting from the abolishment of the tithe. At the end, a waver-thin majority adopted the farmers' suggestion in spite of objections from businessmen. Another instance had to do with the discussions over the protection of coal production. Whereas miners demanded domestic coal be protected through high tariffs, industrialists insisted coal imports be allowed on the ground that foreign coal was very much cheaper. At the end of discussions and with the consent of businessmen, the domestic coal production came under protection.<sup>15</sup>

This thesis considers the Izmir Economic Congress as a social contract to arrange the political and economic relations of the new Turkish State, social classes, and the world. All social classes there declared their expectations and demands from the newly fledgling state. Businessmen asked for the reorganization of commercial system and commercial laws, farmers wanted the tithe and the tobacco monopoly to be abolished, industrialists requested state protection against foreign competition, and workers demanded working hours to reduce, labor security to enhance, the right to strike, and the first of May to be announced as the Labor Day. However, the congress made sure that the government would respond only to the demands of businessmen and farmers.

#### 1.1.1. TURKEY IN DEPRESSION AND RECOVERY ATTEMPTS: THE ADOPTION OF ETATISM

Like the Treaty of Lausanne, the Great World Depression of 1929 had important side effects on Turkish economy. Turkish economy underwent a long

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<sup>14</sup> Dođan Avcıođlu, *Türkiye'nin Düzeni: Dün, Bugün, Yarın*. (İstanbul: Tekin Yay., 1996), p. 345.

<sup>15</sup> Dođan Avcıođlu, *Türkiye'nin Düzeni: Dün, Bugün, Yarın*, pp. 347-348.

deflation-depression from 1929 to 1935. This process actually resulted from both the Great World Depression, which had a restrictive influence upon the state institutions, and Turkish attempts to cast away the Ottoman economic heritage. The decrease in agricultural production because of weather conditions added to these factors too. In particular, rural population, 80 % of the entire population, undertook most of the depression.

Between the years 1923 and 1929, Turkey failed to restructure her economy she inherited from the Ottoman Empire, and her economic structure largely depended on a semi-colonial capitalist character. She remained liable to foreign manipulations. The structure of production was fragile and unstable. In statistical analysis, agriculture still seemed to be the primary source of income. It constituted 50%, services 40 %, and industry 10% of the gross national income. In other words, 80% of the population remained engaged to agricultural production with primitive techniques only. For instance, there were simply five hundred tractors in Turkey during 1924. Although the number of agricultural vehicles increased up to 1200, it was well behind the need toward the year 1928. Furthermore, the use of tractors had been limited to big-scale farms where soil was suitable for modern farming,<sup>16</sup> and the consumption of agricultural products depended on imports. For instance, Turkey often imported potatoes, tea, sugar, flour, and even wheat because climatic conditions and insects determined their production. In a detailed analysis, wheat production fluctuated at a rate of 40 to 50% year by year. While imports included a large variety of investment and consumption materials, exports still concentrated on a few items like tobacco and dried fruits.

The central position of foreign enterprises for Turkish economy was another *raison d'être* that fortified the economic dependence on foreign hands. To illustrate, the amount of invested capital belonging to the foreign enterprises was 63,4 million pounds (500 million Turkish Liras), and it constituted almost one-third of the national income in 1924. Moreover, the Treaty of Lausanne assured that Turkey could not raise tariffs until the year 1929 and had to pay Ottoman debts. Her

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<sup>16</sup> Zafer Toprak, "Türkiye Tarımı ve Yapısal Gelişmeler: 1900-1950" *Türkiye'de Tarımsal Yapılar* Şevket Pamuk and Zafer Toprak eds. (Ankara:Yurt Yay., 1988) p.33.

acquisition of long-term investment loans had also been subject to her devotion to the repayment plan. As a matter of fact, this meant the persistence of Turkish dependent and delicate economic structure for a while longer. Worse than that, the private sector had no stimuli for industrialization. The private entrepreneurs perceived imports and exports, banking, and speculation on foreign exchange as they were more profitable than industrial investments. Money-saving opportunities had also been in standstill and such political instabilities as Eastern Anatolian revolts, population exchange with Greece and the attempt for Atatürk's assassination defeated individual hopes for private investments.

Turkish economy went through the depression after 1929 for four basic reasons. While the administrative elite was interfering with the foreign enterprises in Turkey, the attempts to create a national bourgeoisie became the main objective of Turkish government especially from 1926 on. A year later, the incoming foreign capital diminished down to minimum levels after some companies abolished themselves and transferred their capital abroad. This capital flow out of the country into Europe drained Turkey of its 3.9 million Turkish Liras in 1928 and 15.5 million Turkish Liras next year. First, a big repression occurred at foreign exchange and loan market. Second, the reduction of global agricultural product prices led to a considerable loss of Turkish national export revenues and so repressed internal market. Third, unfavorable weather conditions culminated in a decline in agricultural production, especially in wheat during the years 1927 and 1928. Turkey happened to have to import a large amount of wheat in 1929. The increase in taxes in quantity and quality from 1926 onwards followed and added to the proportional growth of state revenues and public investments in the Gross National Product. Public investments, especially railway construction for which the state made deals with foreign companies increased the state's demand on foreign funds. Ottoman debts that the Turkish government had to pay in terms of the Treaty of Lausanne also caused an extra demand on foreign exchange.<sup>17</sup> Therefore, the deflation and foreign exchange depression in 1929 followed. Turkish imports fell from 256 million Turkish Liras in 1929 to 85 million Turkish Liras in 1932, causing a pressure on export prices of

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<sup>17</sup> The inherited debt was approximately 107.5 million golden liras with its interest. Turkey paid the debt until 1954. See İlhan Tekeli and Selim İlkin, *1929 Buhranında Türkiye'nin İktisadi Politika Arayışları*, (Ankara:METU, 1977), p.45.

agricultural products such as wheat, cotton and dried fruits. The depression further constrained the purchasing power of masses among peasants and workers, and lessened the consumption of basic materials in doing so. As a result, tax revenues went down to 170 million Turkish Liras in 1933 from 220 million Turkish Liras in 1930.<sup>18</sup>

The depression gave way to various structural changes in Turkish economic activities as well. For instance, “import-substituted industrialization” accomplished through étatism, replaced such “profitable activities” as trade, banking, and speculation etc. In addition, the rural population had to abandon the villages due to the loss of lands to usurers during the depression while unqualified labor force came into the scene in city centers soon after the depression. So, this thesis claims that the depression intensified the social stratification by allowing the beholders of the means of production in rural areas to go through the process of capital growth.

The most significant consequence of the depression perhaps was the emergence of étatism when the state initiated national industrialization. In fact, this thesis looks into Turkish social tradition for the origins of etatism because the national social tradition often regarded the state as the godfather responsible for the welfare of the society since the Ottoman Empire. This tradition, which necessitated the state leadership for national development, was available in the minds of the late Ottoman reformists and especially during the rule of the Committee of Union and Progress.<sup>19</sup> In addition to social and historical intentions back to the Ottoman Empire, there were some other internal and external factors in effect behind étatism, beginning from the thirties. Étatism was essentially “the double reaction of a historically specific polity: first to the World Depression, and then to the developments in the Turkish economy between the years 1923 and 1930.”<sup>20</sup>

After foreign trade failed to meet demands for basic materials due to the Great Depression, Turkish government applied the strategy of producing required goods through domestic industry. However, there was insufficient capital accumulation in

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<sup>18</sup> Osman Okyar, “Devletçilik Kavramı” *Türkiye’de Devletçilik*, Nevin Coşar ed, (İstanbul: Bağlam Yayıncılık, 1995), p. 190.

<sup>19</sup> Yakup Kepenek and Nurhan Yentürk, *Türkiye Ekonomisi* (İstanbul: Remzi Kitabevi, 2001), p.61.

<sup>20</sup> Faruk Birtek, “The Rise and Fall of Étatism in Turkey, 1932-1950” *Review* VIII, 3, (Winter 1985), p.408.

the private sector to establish an industry although subsidized by the state. The primary objective of étatism, therefore, meant for Turkey the state involvement in industry and mining the private sector could not afford. Consequently, a mixed economy of state and private enterprises came into being.<sup>21</sup> In this economic model, the state was the sole industrial entrepreneur.

The adoption of Étatism also suggested a political character of two aspects. First, the advent of Republican regime brought about a fundamental transformation of Turkish state structure in institutional and legal terms. The institutional organization of the state appeared along with transformation and development in economy during the first decade of the Republic. Nonetheless, the notions of “economic independency” and “rapid development,” which Kemal Atatürk put forward in his opening speech during the Izmir Economic Congress, could not be put into practice until 1930. Second, the administrative elite realized the discontent among the rural classes about inequities in the income distribution intensified after the Great Depression when it destructively affected the villagers. On the other hand, the industrial capitalists benefited while the rural population and labor suffered from a great change in domestic trade rates. In reaction, people began to passionately support the opposition party established in 1930. Almost all the rural and labor classes welcomed this party, and the meetings of the party turned into protests against the regime. As a result, the party dissolved. Atatürk noticed with his realist prudence that the administration during the depression between the years 1929 and 1930 was not only passive, but harmful for the basis of the regime as well. So, he believed that this situation dangerous to the regime had necessitated a radical modification in Turkish economic policy.<sup>22</sup>

A provision of insights into the application of étatism would be too broad of a topic for this thesis. However, it is worth to note at least that it came into practice

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<sup>21</sup> Robert W. Kerwin, “Turkiye’de Devletçilik 1933-1950” *Türkiye’de Devletçilik*, Nevin Coşar ed. (Istanbul: Bağlam Yayınları, 1995),p.97. The author adds while explaining the reasons for the adoption of étatism by Turkish authorities that the Turkish leaders were of military origin and they were keen to participate in state planning system and economic improvement. Atatürk, as the military founder of the republic aroused a new excitement and enthusiasm on a few intellectuals and inexperienced administrators. State was the only tool for Turkey to attain her economic goals. Robert W. Kerwin, “Turkiye’de Devletçilik 1933-1950”,p.101.

<sup>22</sup>Korkut Boratav, “Devletçilik ve İktisat Politikaları” *Türkiye’de Devletçilik* Nevin Coşar ed. (Istanbul: Bağlam Yayınları, 1995), p. 125.

with the First Industrial Plan in 1934. Sümerbank and Etibank became the forerunners of the étatist industrialization in industry and mining. Sümerbank established textile, paper, leather, cement, brick, iron and steel factories as well as her partnerships for retail stores, insurance companies, banks, and commercial institutions owned by private hands. Etibank herself produced four million tons of coal annually. Therefore, Sümerbank and Etibank accomplished in a large degree the progress étatist policies wished to achieve in industrial sector.<sup>23</sup>

Étatism bared a great impact upon Turkish politics and the segments of the society in many ways. In general, Turkish government systematically pursued étatist approach toward Turkish economy between the years 1933-1939 and étatism persisted as the official policy until the year 1950.<sup>24</sup> During this period, Turkey initiated the serious preliminary steps for industrialization. As a result, industrial sector grew at a rate of %10.3, and its share in the Gross National Product rose from %9.9 in 1929 to %18.3 in 1939. Here, this thesis comes up with the idea that this statistical data points to very rapid structural changes that occurred in the country towards industrialization. Industrialization planned on producing basic consumption materials in the country, and Turkey, at the end of the thirties, could produce the basic whites: flour, sugar, salt, and textile in domestic factories.<sup>25</sup> Moreover, first modern factories in metallurgy, iron-steel, paper and chemical branches opened in this period and a great boom in the production of construction materials and cement contributed to the industrialization nationwide.

In particular, this thesis suggests to examine the consequences of étatism under such categories as transportation services, electrical energy, raw materials, entrepreneurship, capital, labor and consumer markets. With regard to transportation, the state accomplished the expansion of railroads, and registered improvements in coastal navigation and air transportation, and the construction of some public roads. Nonetheless, the state during the étatist period neglected the construction of public roads and concentrated on the construction of railroads instead.

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<sup>23</sup> Robert W.Kerwin, "Turkiye'de Devletçilik 1933-1950", p.104

<sup>24</sup> According to Boratav, between 1930-31 the foreign trade and exchange regime were strictly supervised by the state. Then, in 1932 a quick transition to étatism occurred. Between 1933-1939 étatism firmly settled. See Korkut Boratav, *Türkiye İktisat Tarihi :1908-2002*, p.67.

<sup>25</sup> Korkut Boratav, *Türkiye İktisat Tarihi :1908-2002*, pp.70-71

In terms of electrical energy, most of the factories set up by the state had their own energy units using the coal mined and treated in Zonguldak. It actually necessitated the maintenance measures in order to keep the energy capacity ready for usage. Therefore, étatism contributed to the “consciousness of energy” among the Turkish authorities. In this regard, General Directorate of Electrical Studies, *Elektrik İşleri Etüt İdaresi Genel Müdürlüğü* was established in 1935 to survey the energy need and potentials, particularly hydro-electricity.

The state’s involvement in the industrial sector also created opportunities for the use of raw materials. The demand-increase in textile factories run by the state and private sector augmented domestic cotton production. In addition, coal mining grew in importance to provide industrial units with electricity. The state mined iron, manganese, coal and sulfur to treat in iron and steel industries. However, it established such impractical factories as paper factories in some areas where there wasn’t sufficient amount of lumber.

This thesis holds the idea that the main reason for the state intervention in industrial sectors was the absence of private enterprises in the whole industrial process, and this remained so until the end of the étatist period. A group of businessmen who became rich by selling the import goods, which the state used for investments, emerged at the end of the period whereas private entrepreneurs in industrial sector remained miniscule. Perhaps, the fear of a probable rivalry with the state prevented them from risking their money in the industrial sector.

The shortage of capital in Turkey was another reason for the implementation of étatist policy. Its efforts notwithstanding, the state could not accumulate capital. As a result, it tried inflationist financing, but it simply became a strategy that aroused a public unrest because people always conceived state investments as unprofitable and wasteful. Another reaction against the financing came from villagers because they suffered from high prices impinged by the state to transfer capital to other state enterprises when they bought textiles and other production of the state factories.

Another concluding remark for the period of étatist industrialization should focus on a limited number of qualified workers to be trained. Factories were founded in rural areas in line with the policy to direct the labor force from fields to factories.

However, labor force seasonally floated, because workers wanted to go back to their fields when plantation and harvest activities began. Still, it turned out to be a real success for the state provided social benefits for those working in the factories. Workers of the state and private industries could benefit from such social security rights as full insurance, food and work clothes. But the state did not let syndicates be organized and further prevented workers from uplifting their social status.

As for consumer markets, the étatist industrialization had some weaknesses because state enterprises often dedicated themselves to physical production. They did not intend to maximize their profits too. In specific terms, the industrial establishments of the state concentrated on unprofitable areas for the sake of assuring state efficiency. Furthermore, they could not do marketing possibly since high pricing strategy in highly demanded materials controlled the market. In fact, these enterprises tended to expand physical production instead of making effective use of resources to diminish the cost.

In final analysis, despite all its weaknesses, the impact of the etatist policy became evident in the state share in Turkish industry. By 1948, the state handled such activities as coal mining, chemical industry, tea processing, cellulose and paper manufacture, production of alcohol and alcoholic drinks, etc at 100 per cent. Also, state enterprises held 50 per cent of the textile production, 30 per cent of the leather, and 70 per cent of the chrome, etc.<sup>26</sup> It seems from this data that the state controlled the economic life of the country in an unusual way. Expectedly, such a state supremacy over Turkish national economy invoked criticisms by the private sector. To illustrate, industrialists discussed in the “Petition Addressed to the Ministry of National Economy by Textile Industrialists” of 1949 and concluded that private industry did not have the means to compete with the Sümerbank trust equipped with modern machinery requiring less manpower. Therefore, they thought that Sümerbank was making productions at lower costs with greater efficiency than they could make.<sup>27</sup> As this case illustrated, capital accumulation and utilization remained as the main problem of Turkish economy during the years under the consideration of this

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<sup>26</sup> Richard D.Robinson, *The First Turkish Republic:A case Study in National Development*, (Cambridge, Massachusetts: Harvard Univ.Press, 1963), p.130.

<sup>27</sup> Quoted in Richard D.Robinson, *The First Turkish Republic:A case Study in National Development*, p.131.

thesis. Étatism introduced new productive organizations but these organizations were only related to industry, and they had nothing to do with consumers' demand. Unfortunately, Turkish citizens benefited so very slightly from the advantages of étatist growth. Personal income increased only 20 Turkish Liras within ten years, from 423.3 Turkish Liras in 1938 up to 442.9 Turkish Liras in 1948. This enlargement was equal to just \$ 3.79 according to the official rate of exchange.<sup>28</sup>

## 1.2. ROAD TO NATIONAL ECONOMIC PROTECTION THROUGH GOVERNMENT INTERVENTION: RECONSIDERING TURKISH ECONOMIC EXPERIENCE 1940s TO 1960s.

Regardless of their former political standing, national governments in various parts of the world tend to intervene in the domestic economic agendas in times of trouble. In the case of Turkey, the pernicious Second World War determined a National Protection Law as an interventionist government policy initiative by RPP. In addition, the economic recession starting from the year 1954 led to a second NPL application, by DP this time. On the whole, a “war economy” required the first NPL application from politicians' point of view influenced by the étatist experiences of Turkish Republic during the 1930s when the Turkish government like those in Europe interfered with domestic economic activities.<sup>29</sup> As a result, RPP regarded NPL within its “manifest destiny” to overcome the economic obstacles the nation encountered because of war.<sup>30</sup> Covering the years between January 18, 1940 and June 15, 1960, a couple of NPLs can be divided into the first period from 1940 to 1945 and the second from 1956 to 1960. While Refik Saydam (1940-1942) and Şükrü Saracoglu (1942-1946) cabinets applied NPL in different ways, DP preserved the integrity and main characteristics of the second NPL mainly because the cabinet

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<sup>28</sup> Robert W. Kerwin, “Turkiye’de Devletçilik 1933-1950” passim 110-114.

<sup>29</sup> For the implementation of war economy, specifically in terms of price controls in the USA during WWII, see Meg Jacobs, “How About Some Meat?: The Office of Price Administration, Consumption Politics, and State Building from the Bottom Up, 1941-1946” *The Journal of American History*, Volume 84, Issue 3 (December, 1997); for a comparative analysis of war economic policies in the US, UK, USSR and Germany during WWII, see Mark Harrison, “Resource Mobilization for World War II: the USA, UK, USSR and Germany, 1938-1945” *Economic History Review*, 2nd ser., XLI, 2 (1988), pp.171-192.

<sup>30</sup> This thesis quotes “Manifest Destiny” as a phrase from American history to define “a series of inevitable events” that have to happen. Here, it means that the Turkish government thought it did not have anything else but NPL to survive. See, Frederick Merk, *Manifest Destiny and Mission in American history: A Reinterpretation* (New York: Knopf, 1963), introduction; and Howard Jones, *Prologue to Manifest destiny: Anglo-American relations in the 1840s* (Wilmington, SR Books, 1997)

and the authority remained in the hands of Adnan Menderes consistently.<sup>31</sup> Moreover, a comparison of both NPL periods suggest that the NPL applications of mono-party regime and DP show similarities and discontinuities in terms of causes, the procedure of execution and results.

The Second World War disturbed Turkish economy although Turkey preserved her neutral status until the last months of the war. The war did not only cause various difficulties with Turkish international policy but also hampered its national economy, misbalancing its supplies and demands.<sup>32</sup> Production and imports lessened due to war conditions and consumption augmented due to the growth in the size of recruitment. In return, Turkish government believed to take measures, stimulate gross national production and imports, restrict consumption, and prevent the speculative acts intended to exploit the conditions the war worsened.

This thesis asserts that the WWII impacted Turkish economy principally for two reasons. First, Turkish government conscripted and mobilized about half a million<sup>33</sup> men soon after the war began. This conscription required an immediate supply of provisions, but the nation could not meet this requirement because their boys engaging in all sectors of economy had already reached military quarters. This inevitably included farmers and caused the agricultural production to shrink after the young productive working population withdrew to the army out of the farms. Second, the war made transportation difficult, and further resulted in industrial slump because belligerents started to rely their investments on immediate needs generated from the war and quit working for industrial sectors but for their own.

Turkish government, in response, applied NPL to control production and consumption, and imports and exports. It however came to no avail in terms of commodity shortages. Moreover, high inflation followed owing to money emission, being the first since the foundation of the Turkish Republic. NPL had brought about rationing for consumption and a strict control over foreign trade. According to NPL, the state was the sole authority to adjust such prices of materials as of sugar and coal, and it often determined high prices so that it could balance the national budget.

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<sup>31</sup> The word “formally” was intentionally used in the sentence above since the DP government *de facto* abandoned the application of NPL in accordance with the Stabilization Program in 1958.

<sup>32</sup> Cemil Koçak, *Türkiye’de Milli Şef Dönemi(1938-1945)*, p.367

<sup>33</sup> The number of troops would rise to one million in mid-1943 when WWII grew more heated.

However, the rapidly growing inflation continued despite the measures NPL applied. As a result, commodity shortages promoted and led to the triumph of black-market over provisions, especially in big cities.

Speculations over supplies and black-market activities the Turkish government and the media often complained about became the side effect of this inflation. Although Turkish governments had always been mentioning “balanced budget” and “reliable currency” since the war broke out, they contradicted to their economic programs when money emission was applied. Money emission had compensated state expenditures, but the currency in circulation increased in 1942 to 745 million TL from 204 million TL in 1938. Consequently, prices increased at a rate of 340% within four years. When tradesmen realized that they could not substitute the merchandise under these unfavorable conditions and at such a time of market fluctuations, they chose to hoard it.<sup>34</sup>

Like on its economy, WWII had considerable impact on Turkish political and social structures. The war manipulated and even determined the course of Turkish political and social development. Economic troubles of the 1940s originated from the war combined with the existing social structure and economic policies that relied largely on the bureaucracy. At the end, they altogether transformed income distribution mechanism, and later this transformation would identify all economic, social and political progress after the end of the war.<sup>35</sup>

When WWII came to an end, Turkey was to go under fundamental political and economic transformation. From 1946 on, Turkish political system changed from single party to multi party when DP was established in January 1946. First direct elections took place in July 1946. Through the elections in May 1950, DP replaced RPP, which had been the single party in Turkey since the foundation of the Republic. The course of this transition brought about enormous changes in the class pattern of administrative cadres. First, the triumvirate consisting of bureaucrats, trade bourgeoisie of industrialists and businessmen, and landlords used to dominate administrative affairs.<sup>36</sup> Among them, bureaucrats were superior to others. Later,

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<sup>34</sup> Mehmet Yücel, *1939-1945 Dönemi Türkiye İktisat Politikaları ve İstanbul Ekonomisi*, p.2

<sup>35</sup> Korkut Boratav, *Türkiye İktisat Tarihi :1908-2002*, pp. 82-83.

<sup>36</sup> Kemal Karpat makes a detailed description of these classes as such that the landlords having political power were those who owned farms which produced industrial crops such as tobacco, olives, cotton, and fruit, and who by and large resided in Aegean, Adana and Marmara regions. They

bourgeoisie and landlords gradually subordinated bureaucrats particularly after profitable trade transactions during the war years made the former richer and speculations on the trade of agricultural products maximized the earnings of the latter.<sup>37</sup>

After 1946, on the one side, the political arena began to involve public not as spectators as they were, but as actors. The governing party, at least before elections, had to worry about the social and economic requirements of such large social groups as workers, farmers and businessmen. As far as economic transformation after 1946 is concerned, on the other side, autarchic and interventionist economic policies since the thirties became gradually less autarchic and interventionist and more moderate. Furthermore, foreign trade deficits became constant by the time imports increased after its liberalization. As a result of more liberal foreign trade regime, a new understanding of economic development appeared, giving priority to agriculture, mining, infrastructure and constructions instead of industry.<sup>38</sup>

Turkish history underwent a new course after DP replaced RPP in 1950. RPP had identified itself with the state throughout its administration for twenty-seven years.<sup>39</sup> Therefore, RPP had difficulty to give up its dominant administrative position and to adapt to being an opposition party.<sup>40</sup> Despite all and due to several reasons, RPP thought to democratize the nation, and it therefore relinquished DP the power of rule in 1950. This relinquishment did not imply a real economic revolution at all because the RPP government had already abandoned interventionist policies after its Seventh Party Congress in 17 November 1947 and resorted to a relatively liberal

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cultivated and processed their crops, selling them to the government or directly export them through their own offices. They had close relations with the government and had strong representatives in the parliament. The industrialists and businessmen, the latter group including the shopkeepers, numbered approximately 300.000 families in 1959. They were engaged in home industries, vendors, utility enterprises, mines, construction, defense works, and municipality and state sponsored activities. See Kemal H. Karpat, *Turkey's Politics: The Transition to a Multi Party System* (New Jersey: Princeton Univ.Press, 1959), pp.112-113.

<sup>37</sup> İsmail Cem. *Türkiye'de Geri Kalmışlığın Tarihi* (Istanbul, Cem Yayınevi, 1986), p. 358. Cem's statement about this replacement has nothing to do with landlords. However, it must be borne in mind that landlords were also against the hegemony of bureaucrats since they suffered from bureaucrats' threatening acts. Just as the Capital Levy irritated bourgeoisie, so did the Soil Produce Tax and Land Distribution Law landlords.

<sup>38</sup> Korkut Boratav, *Türkiye İktisat Tarihi :1908-2002*, p.94.

<sup>39</sup> That the RPP secretary-general joined the cabinet as the minister of internal affairs and governors led party organizations in provinces from May, 1935 when the government and the party was united, until May 1939 can be given as an extreme example of the identification of the party with the state.

<sup>40</sup> Şevket Süreyya Aydemir, *Menderes'in Dramı* (Istanbul: Remzi Kitabevi, 1999), p.137.

economic policy. There was rather an amazing continuity in the two parties' economic concepts.<sup>41</sup> DP's achievement was simply to carry a step further the national economic liberalization initiated by RPP.

Turkish economy during DP governments developed rapidly between 1950 and 1953 with support of the foreign loans from the Marshall Aid, various negotiations particularly with the USA, and domestic agricultural growth. Imports of investment and consumption materials also increased through a more liberal trade regime and the constructions of roads, dams and buildings landscaped the country. Providentially, all social groups got highly increased incomes in these years. In short, the early 50s marked a period of affluence and welfare for those that lived the time.

The tide turned against the economic development from 1954 on. Between 1954 and 1960, economy stagnated, and foreign trade came to a standstill when the external demand for Turkish exports diminished and foreign loans satisfied no longer. In other words, a disequilibrium in the balance of payments came to surface. Therefore, the government resorted to a strict foreign trade regime and limited imports. Shortages particularly in consumption materials compelled the government to adopt "import-substituted industrialization" mainly through state investments. The difficulties to repay foreign loans caused the interference of such international financial associations as OEEC (Organization for European Co-operation) and IMF (International Monetary Fund). These organizations often cautioned the government to take several crucial measures such as devaluation in currency, deflationist measures and the liberation of foreign trade. Nevertheless, the government intended to adopt temporary measures such as the reenactment of NPL in 1956. The government assumed all problems would end once prices and the market were controlled. This assumption disappeared soon after the government realized that the NPL was of no use against inflation and adopted the Stabilization Program in 1958 instead of an insistence on NPL.

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<sup>41</sup> Korkut Boratav, *Türkiye İktisat Tarih :1908-2002*, p.99.

## CHAPTER 2

### A COMPARATIVE ANALYSIS OF THE CAUSES AND ENACTMENT PROCESSES OF THE NATIONAL PROTECTION LAW (1940-1956)

In order to understand how the Second World War and the recession during mid-fifties required Turkish governments to take immediate measures to survive a possible economic devastation, it is necessary to take a look at NPLs and their enactment processes. Therefore, this chapter will first deal with the problems surfaced in Turkish economy soon after the war began and the ways wartime governments took action against these problems. NPL takes the lion's share in governmental actions against economic problems. Therefore, its enactment will thoroughly be examined and its characteristics will be unveiled. Second, the chapter will deal with the problems appeared as a result of the rapid economic growth of the fifties which the DP government accomplished and its strategies to overcome the economic problems. Here, in contrast to its first enactment, NPL was enacted as a temporary measure though the government alleged to the contrary. The enactment process of the second NPL will be examined from this viewpoint. An interpretation of the causes and enactment processes of NPL will conclude this chapter.

#### 2.1. ECONOMIC POLICY OF THE REFIK SAYDAM GOVERNMENT (1940-1942)

Turkey was not an active participant in WWII, but she could not foresee that her economy would incur war pressures in a short time. During a parliamentary session held in September 1939, Prime Minister Refik Saydam said:<sup>42</sup>

Our agricultural production is adequate for consumption for more than a year. There is no food shortage. We remember that, during WWI, we had to import wheat to meet demands of big cities, particularly Istanbul on flour and bread. Now our wheat output has risen to the point that we may be able to export wheat. To illustrate, we have stored about 150.000 tons wheat in the storage towers and warehouses belonging to the Central Office of Soil Produce (COSP), *Toprak Mahsulleri Ofisi* and we assume that the stock belonging to the producers and merchants doubles the amount above.

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<sup>42</sup> Ö.Faruk Çolak, *Savaş Ekonomisi ve II. Dünya Savaşı Dönemi Türkiye Ekonomisi*, p.190.

However, this optimism perished after a short time. Despite her neutral status, Turkey had to watch the war with a huge army. “The government led by İsmet İnönü protected the country from the war’s destructive effects; nonetheless it could not keep the country out of war economy.”<sup>43</sup>

The war’s immediate effects on economy were initially displayed on Turkish foreign trade which suffered an instant and serious decline. Exports and imports fell respectively from 127 million TLs and 118 million in 1939 to 111,5 million TLs and 69 million TLs in 1940.<sup>44</sup> The decrease in the imports of investment goods such as machines had negative effects upon industrial production. Difficulties in the imports of consumption goods ruined the supply and demand balance.<sup>45</sup> Next, the great number of military recruitment impaired agricultural production; wheat output gradually declined to approximately 51% of its pre-war level.<sup>46</sup> Subsequently, planning activities and the second industrial investment program which planned to be put into practice in 1939 were suspended since defense expenditures dominated the budget. These war effects largely contributed to the recession during war years.

In Turkey, during WWII, two types of economic policy were followed. The first policy was that governments regularly interfered with all economic activities and thus they dissolved the existing price mechanism and determined their own figures.<sup>47</sup> It was followed by the Refik Saydam Government, which was in power from April 3, 1939 to June 9, 1942, when Refik Saydam unexpectedly died. Between these years the government fully controlled economy by determining the production-consumption activities and the prices.<sup>48</sup> The second was that of the Şükrü Saracoğlu Government which decreased the degree of interference, hence partially reactivating

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<sup>43</sup> Ö.Faruk Çolak, *Savaş Ekonomisi ve II. Dünya Savaşı Dönemi Türkiye Ekonomisi*, p. 191

<sup>44</sup> Taner Timur, *Türk Devrimi ve Sonrası*, (Ankara:İmge, 2001) p.190. This was obviously due to the war, which restricted trade activities. The countries with which Turkey had trade relations were involved in the war, which limited the supply of trade goods in the international market. Particularly Germany had been playing a dominant role in Turkey’s trade relations since 1933. In 1940- 1941 volume of the trade with Germany declined to one-four of the pre-war period due to political tensions. See Hüseyin Şahin, *Türkiye Ekonomisi*, (Bursa: Ezgi Yay, 2000) p. 87

<sup>45</sup> Hüseyin Şahin, *Türkiye Ekonomisi* p.80, J. Dobretsberger, “Fiyat Siyasetine Ait Bazı Düşünceler” *IFM January 1941*

*Vol: II No:2* (İstanbul:1941) p.280.

<sup>46</sup> Şevket Pamuk, “İkinci Dünya Savaşı Yıllarında Devlet, Tarımsal Yapılar ve Bölüşüm” *Türkiye’de Tarımsal Yapılar*, Şevket Pamuk and Zafer Toprak eds. (Ankara:Yurt Yayınları, 1988) p.98.

<sup>47</sup> Ö.Faruk Çolak, *Savaş Ekonomisi ve II. Dünya Savaşı Dönemi Türkiye Ekonomisi*, p.191

<sup>48</sup> Ö.Faruk Çolak, *Savaş Ekonomisi ve II. Dünya Savaşı Dönemi Türkiye Ekonomisi*, p.195

the price mechanism. The Saracoglu government which lasted until August 1946 put an end to strict price controls through the so-called 25% decision, *%25 kararı* issued in July, 1942 on wheat prices, which will be discussed in the subsequent sections of this study. The release of prices through this decision brought about a high inflation during the war years which had never been experienced since the foundation of the Republic.<sup>49</sup>

The economic policy of the Refik Saydam Government contradicted to a large degree to its predecessor, i.e. the Celal Bayar Government, in that it immediately nationalized a number of foreign companies and national ones belonging to private enterprise which in a way survived the nationalizations of the early thirties.<sup>50</sup> When the Saydam Government filled in its first seven months in the administration, it had already nationalized four companies. These nationalizations clearly showed that the Saydam Government was by and large interventionist in its economic policy and this interventionism was to reflect upon the economic management during the war to arrive.

When WWII manifested to break out, there were two alternative economic policies in front of the Saydam Government. The first alternative was to control all trade activities and to apply a strict price limitation in the market in order to feed the population in cities and the armed forces. The assumption here was that the rural population was self-sufficient. That is to say, the concentration point was to meet the requirements of only the urban population. The second alternative was to abstain from all controls over the market and the prices as far as possible. This way it would be possible to take advantage of the stimulus on production created by the increasing demands of belligerents due to war conditions. This policy would by and large lead to an inflationist economic growth.<sup>51</sup> Saydam's government naturally chose the first alternative; a strict price control was applied to prevent black-marketing.

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<sup>49</sup> Wheat prices sharply increased respectively in the rate of 200% and 120%; general price level went up to 90% and 75% in 1942 and 1943, which enriched farmers and merchants. See, Korkut Boratav, *Türkiye İktisat Tarihi :1908-2002*, p. 84

<sup>50</sup> Of fifteen nationalizations during thirties, four belongs to the first year of the Saydam Government. For a list of nationalizations during thirties, See Taner Timur, *Türk Devrimi ve Sonrası*, p.143-144.

<sup>51</sup> Korkut Boratav, *Türkiye'de Devletçilik*, p. 221

Furthermore, stocks were created for the military and the urban population.<sup>52</sup> To create stocks, price of cereals, foodstuffs and clothes were restricted.<sup>53</sup> This way the government possibly intended to discourage individual sales of vital goods with excessive prices.

NPL became the government's instrument to reach its economic ends. First, it authorized the government to establish a strict control over labor class through compulsory labor, extension of working hours and limitation of wages. Furthermore, it enabled the government to temporarily confiscate private companies, to determine maximum prices for imports and domestic trade, minimum prices for exports and rationing of vital food items. In order to enhance the state control on domestic and foreign trade, the Saydam government established the Trade Office (TO), *Ticaret Ofisi* and Central Food Office (CFO), *İaşe Müsteşarlığı*. This system did not succeed, nor did it fail. Troops could economically be nourished and dressed on one hand, and urban population could acquire bread and coal with no economic difficulty on the other. Nevertheless, in each sector under strict control, black-marketing and profiteering activities spread.<sup>54</sup>

## 2.2. THE LEGISLATION PROCESS AND PARLIAMENTARY DISCUSSIONS ON THE LAW

The advent of WWII had become apparent long before it broke out in September, 1939.<sup>55</sup> Foreseeing this, European countries had begun to take economic precautions. In Turkey, preparations for organizing the economy began in May, 1939. A committee under Şevket Süreyya Aydemir's directorship prepared a report called Defense Economy, *Müdafaa Ekonomisi* which included proposals about what kind of an economic policy might be followed during the war. The report was submitted firstly to the Ministry of National Economy (MNE), *İktisat Vekaleti*, then

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<sup>52</sup> To achieve this, the government confiscated agricultural products with low prices. See Korkut Boratav, *Türkiye İktisat Tarihi :1908-2002*, p. 83.

<sup>53</sup> Taner Timur, *Türk Devrimi ve Sonrası*, p.198

<sup>54</sup> Korkut Boratav, *Türkiye İktisat Tarihi:1908-2002*, p. 84.

<sup>55</sup> According to Turan, the war broke out earlier than expected. He contends that Turkey was not adequately prepared for the war although the government was making some preparations to strengthen the defense of the country. By the way, the government endeavored to continue public improvements and cultural and medical works. See, Kemal Turan, "Milli Korunma Kanunu Üzerinde Bir Konuşma" *Türk İktisat Cemiyeti Konferansları Serisi No:19* (Ankara: Ideal Matbaası,1942) pp.8-9.

to the Prime Minister's Office. Being examined by the Prime Ministry, the report was sent to the Parliament to be discussed by RPP Group before it was put into practice. This was because of the fact that the government avoided violation of the constitution and that the government could enact such an extraordinary law only by the approval of the constitution.<sup>56</sup> Thus the National Economic Law Project, *Milli İktisadi Kanun Projesi* including 23 articles was prepared by a commission the members of which were selected from within the party group.<sup>57</sup>

Discussion on the project lasted two days in the party group. Criticisms concentrated on the project's accordance with the constitution. Critics argued that the project was authorizing the government to restrict the freedom of working, property ownership and enterprise. Such a restriction could only be legal by a law. However the constitution had not authorized the government to issue a decree law. On the contrary, in the constitution it had been proclaimed that the authority to enact laws belonged only to the parliament. The project was accepted by the party group after long discussions. A new commission was formed under Recep Peker's (Kütahya) direction which rearranged the project as 70 articles at the beginning of 1940.

The new law project was submitted to the Parliament on January 15, 1940, some articles were revised and two articles were added by the provisional commission. Then, the project was submitted to the General Assembly. It was discussed during the session on January 18<sup>th</sup> 1940 and was enacted as NPL.

During the discussions in the General Assembly on the law project, all articles were read aloud and the chairman asked deputies whether they had questions about the articles. Discussions were made on twenty articles which included clauses generally on such issues as import-export restrictions, black marketing, compulsory labor, agricultural production etc. fifty-two articles which included general, organizational and penal clauses were accepted without discussion. After the discussions on the articles ended, the whole project was put to the vote. The law was accepted by a majority in the parliament.

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<sup>56</sup> Kemal Turan, "Milli Korunma Kanunu Üzerinde Bir Konuşma", p.19.

<sup>57</sup> Cemil Koçak, *Türkiye'de Milli Şef Dönemi(1938-1945)*, p.372.

Discussions on the project concentrated on its compatibility with the constitution. To eliminate the hesitations, the provisional commission had added to its report (*Muvakkat Encüment Mazbatası*) the judgment that “In this project, our commission investigated the accordance of the articles restricting economic activities with the constitution and came to the conclusion that they correspond to the last paragraph of Article 74 of the constitution.”<sup>58</sup> As a matter of fact, Feridun Fikri Düşünsel, (Bingöl) the author of the report, called the attention of deputies on this fact stating that “this project is exclusively compatible with the main ideology, principles and contents of the constitution. It guarantees the rights of the citizens in accordance with the last paragraph of Article 74 of the constitution.”<sup>59</sup>

In his speech Berç Türker, deputy from Afyon warned the government:<sup>60</sup>

The authority for the application of the law should be used under extraordinary circumstances. As far as I understood from the articles in the law, it will temporarily be applied. And when instabilities passed away, the law will be annulled and the normal economic regime will return. Furthermore, not all the clauses of the law will be put into practice at once, rather, they will be applied in particular areas of the country when needed. Economic and commercial activities improve provided that they are not interfered. If they are restricted during extraordinary times, undoubtedly economy and trade suffer. Therefore the government should apply this law very cautiously. When the ill conditions cease and the normalcy is restored, our economic, commercial, agricultural and industrial institutions should continue functioning without having suffered the brunt of the ill conditions and business circles not having been demoralized.

After these explanations, Ali Rana Tarhan, deputy from İstanbul and the deputy chairperson of the Independent Republican People’s Party (RPP) Group, *Müstakil CHP Grubu*, directed questions to the Prime Minister as to how the law would be applied, or in which manner it would be applied and whether the business circles would be consulted before decisions concerning private enterprise were taken.<sup>61</sup> The Prime Minister Refik Saydam replied:<sup>62</sup>

It’s our responsibility to apply the law without putting constraints on individuals’ lives. We will try to apply the law without disturbing people’s

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<sup>58</sup> According to this article, noone’s property or real estate can be seized or nationalized without any compensation except it is necessary for the furtherance of public welfare. *Düstur*, Seri:3,Vol:26, p.170.

<sup>59</sup> Cemil Koçak, *Türkiye’de Milli Şef Dönemi(1938-1945)*, p. 379.

<sup>60</sup> Cemil Koçak, *Türkiye’de Milli Şef Dönemi(1938-1945)*, p. 380.

<sup>61</sup> Cemil Koçak, *Türkiye’de Milli Şef Dönemi(1938-1945)*, p.380.

<sup>62</sup> Cemil Koçak, *Türkiye’de Milli Şef Dönemi(1938-1945)*, p.381.

business activities and their earnings. Furthermore, we will never avoid consulting business circles before taking measures concerning private enterprise if we believe it is necessary.

When the discussions on the whole of the project ended with the prime minister's reply, the discussions on the articles began. Severe discussions were made on the 41<sup>st</sup> article of the law. According to the article, a pair of oxen for per four-hectare planted land would be exempted from the national defense charge. This article revealed that the government would be able to confiscate the oxen belonging to farmers who owned land less than four hectares. At that time small land ownership was common in Turkey. Therefore it was obvious that this article could negatively affect the people engaged in farming. The article met serious resistance from the deputies. An opponent of the article, Galip Pekel, deputy from Tokat commented on the article as follows:<sup>63</sup>

The burden of national defense charge that this article put forward will, with no doubt, fall on small farmers' necks who have lands smaller than forty acres.<sup>64</sup> Therefore, the rich will be exempted from the charge of ox and the poor will be forced to obey that charge. However, in our country small farmers form the majority, 75% of the farmers plant lands smaller than forty acres and these farmers need protection. It is not fair that we will compel these farmers who do not have anything but a pair of ox to donate their ox whereas we will not seize even one ox from those who have ten. Furthermore, these farmers will anyhow attend the army. Is it rational to burden them? Consequently, I suggest that this article be removed from the text.

Muhlis Erkmen, Minister of Agriculture replied: "No farmer living in central Anatolia, which is known to be the largest agricultural zone in this country, has lands smaller than four hectares. Because, a land smaller than four hectares cannot feed a farmer." Hikmet Bayur, deputy from Manisa contested the minister stating that in Salihli and Turgutlu farmers owned lands in an averaging 5 to 10 acres.<sup>65</sup> Consequently, motions given by Galip Pekel and Ahmet Bayur were refused and the article was accepted.

Other articles did not meet serious resistance as the 41<sup>st</sup> article. During the discussions on the 39<sup>th</sup> article Galip Pekel (Tokat) stated: "The government will rent and farm in the vacant lands larger than 500 hectares. My request to the government

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<sup>63</sup> Grand National Assembly Records, Term: 6 Vol: 8 (18.01.1940)

<sup>64</sup> A hectare equals to ten acres, or dönüms.

<sup>65</sup> Grand National Assembly Records, Term: 6 Vol: 8 (18.01.1940)

is to extend the scope of the application onto smaller lands, for all land in the country should be cultivated regardless of size” To this request, Nazmi Topçuoğlu’s response was that state farming in smaller lands would not be profitable.<sup>66</sup>

### 2.3. MAIN CHARACTERISTICS OF NATIONAL PROTECTION LAW

The preamble of NPL was as follows:<sup>67</sup>

The recent political tensions prevailed in Europe turned into an international war which endangered the countries both near to and far from the battlefields. Rapidly spreading, this precarious situation was challenged by all governments through extraordinary measures. It is apparent that our country is not involved in the war. However, we are obliged to avoid the drawbacks of this neutral status and to take protective economic measures as well as for military defensive measures. Through this project, the Republican government asks the Grand National Assembly (GNA) to grant the authorization to take measures that the situation entails. If Europe’s situation, and its effects upon our country had allowed us to apply to the GNA with each single law project that the situation requires, we would not have hesitated doing this. However, events are so quickly developing and changing that the situation necessitates prompt decisions and measures.

As stated in the preamble above, NPL was the result of an emergency. Fuat Ağralı, Minister of Finance, expressed the frailty of the situation in his speech during a parliamentary session as follows:<sup>68</sup>

The crisis created by the war which broke out in Europe nine months ago immediately posed its harsh effects on our economic and fiscal system. On one hand, it caused a remarkable decline in our customs revenues and it brought about an increase in the defense expenditures on the other...The crisis negatively affected banking activities as well. In April and August 1939, depositors attempted to withdraw their deposits in the banks causing long term floats in the quantity of bank investments.

NPL, as an emergency measure, authorized the Council of Ministers (CM) to organize economic activities. Accordingly, CM would pass resolutions. Since this was a measure which required immediate action, an emergency process was applied. CM was granted full authorization to put the law into application. Hence, avoiding the usual process, its only responsibility was to inform GNA. The authority given to the CM would be legitimate only under such extraordinary circumstances as general

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<sup>66</sup> Cemil Koçak, *Türkiye’de Milli Şef Dönemi(1938-1945)*, p.382.

<sup>67</sup> “Milli Korunma Kanunu Layihası ve Muvakkat Encümen Mazbatası (I/301)” (18.01.1940)

<sup>68</sup> Bilsay Kuruç, *İktisat Politikasının Resmi Belgeleri: Söylev, Demeç ve Yazılar*,(Ankara: SBF Enstitüsü, 1963) pp.64-65.

or particular mobilization, possibility of the state's involvement in a war, and a war between foreign countries that concerns Turkey (Article: 1).<sup>69</sup>

Containing 72 articles, the contents of NPL was composed of six parts: General, Organizational, Economic, Fiscal, Penal and Miscellaneous Clauses. As stated in the Articles 4,5 and 6, the application of the law would be carried out by the Coordination Committee composed of the Prime Minister and the ministers chosen by him. The Coordination Committee composed of the ministers of National Defense, Finance, Economy, Agriculture, Transport and Trade was constituted and began to work on February 10<sup>th</sup> 1940.<sup>70</sup>

As mentioned above, NPL enabled the government to interfere in economic activities to a large degree. This interference can be grouped under three categories.<sup>71</sup> The governmental interference through the articles concerning this study are presented below:

First category appealed to industrial and agricultural production. According to the law the government;

- was to enforce industrial and mining companies to render production activities in order to meet people's and the military's needs (Article 7).

- would have the authority to demand production programmes from industrial and mining companies, or to impose production programmes onto these companies. On this account, the government may assign the volume, quantity and sorts of production in these companies (Article 8).

- would confiscate industrial and mining companies which do not comply with the orders of the government and which do not expand the production capacity as ordered as the owner was to be recompensed in return (Article 18).

- was to directly run the mines belonging to entrepreneurs in order to obtain maximum ores (Article 16).

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<sup>69</sup> Law No:3780, *Resmi Gazete*, (Official Gazette) No 4417: 26/01/1940.

<sup>70</sup> Cemil Koçak, *Türkiye'de Milli Şef Dönemi(1938-1945)*, p.388.

<sup>71</sup> Taner Timur, *Türk Devrimi ve Sonrası*, pp.192-193.

- could put vehicles under the state's order, or it may purchase those vehicles (Article 36).

- was to determine the crops to be cultivated. It was also authorized to cultivate any land larger than 500 hectares recompensing the owner (Article 39).

The second category of interferences was related to domestic and foreign trade and price controls. Accordingly, the government;

- could purchase the domestic products in order to meet people's needs and to regulate imports or to protect producers. It would also purchase foreign products with the purpose of meeting people's demands and regulating imports (Article 26).

- was to determine the quantity and types of the required import materials when necessary. Also, it could restrict or forbid the importation of materials which are redundant for public usage (Article: 20).

- could create stocks of required or subsidiary materials (Article: 13).

- could confiscate the required materials or subsidiaries belonging to businessmen in return for its market price in order to avoid the scarcity of these materials and may distribute them to needy companies without profit (Article: 14).

- was to determine the types of and maximum prices for the required materials in the domestic market. The consumption of the required materials may be determined and even restricted by the government (Article: 21).<sup>72</sup>

- was to oblige sellers to give a receipt when demanded by the customer (Article 31). It was forbidden to increase the prices without an acceptable reason, or to take any actions, such as to abstain from selling the materials or to establish monopolies on prices, which may cause an increase in prices (Article: 32).

- was not to allow real estate rents in cities, towns, harbors and stations to exceed that of the preceding year throughout the application period of the law (Article 30).<sup>73</sup>

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<sup>72</sup> This article constituted the legal basis for rationing during the war years. See Korkut Boratav, *Türkiye'de Devletçilik*, p.247.

<sup>73</sup> İlmen severely criticizes this clause alleging that the other clauses of the law could not be applied since the governmental organization was completely corrupt. However the thirtieth clause was

The third category of interference was associated with the working class. The government;

- was to provide the required personnel to industrial and mining companies in order for them to reach the production aims determined by the government. On this purpose, the government could obligate the citizens to work in these companies in return for a fixed wage (Article 8).

- was not to allow workers, employees, engineers and technicians working in industrial and mining companies to leave their workplaces without an excuse (Article 10). In industrial and mining companies, daily working hours could be extended up to three hours when necessary.

- was not to apply the provisions of the Labour Law related to children and women in industrial companies (Article 19).

- was to oblige the farmers who are capable of working to work, without any interruption in their own agricultural works, in the state farms or in private ones maximum fifteen kms away from their houses in return for a fixed wage (Article 37).

From the articles illustrated above, at first look, NPL seems to be a purely interventionist set of measures. The law included provisions which might be applied against the trade bourgeoisie and which might enable the state to dominate whole economic activities.<sup>74</sup> Had the government made complete use of the authority provided by the law with the above-mentioned clauses the social structure would have possibly been shaken. The government would have completely nationalized mining, industry and importation, and put severe restrictions on transportation and trade by interpreting the law on its own account. In short, the government would have purged the private sector using the law.<sup>75</sup>

On the other hand, NPL included some articles protecting and sponsoring the private sector. According to the law, the government could restore and run deserted, inoperative or unfinished industrial and mining companies in return for a determined

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completely applied, which caused a popular unrest among the real estate owners. For further critiques see Süreyya İlmen, *Milli Korunma Kanunu ve Gayrimenkul Sahipleri Derneği*, (İstanbul: Sıralar Matbaası, 1952)

<sup>74</sup> Süreyya İlmen, *Milli Korunma Kanunu ve Gayrimenkul Sahipleri Derneği*, p.193.

<sup>75</sup> Korkut Boratav, *Türkiye'de Devletçilik*, p.248

compensation (Article 15). Moreover, it could purchase some means of production, such as machines, tools, instruments, and installations etc., which were not used by their owners and hand over to state and private companies in need (Article 17). Furthermore, it could compel some commercial corporations to import the required materials and control these corporations. They were obliged to stock the required materials that they imported when necessary (Article 22). In return, the government was to provide the necessary loans and foreign exchanges to those corporations (Article 22) and compensate their losses due to stocking (Article 23). Besides it could purchase the outputs produced by the private companies by adding a fixed commission onto their costs (Article 11). Next, it could provide loans for certain companies (Article 12). If the domestic price of the materials whose exportation is restricted declines, the government was to compensate the loss of the producers (Article 26). Thus, the law guaranteed the profits of the private enterprise.<sup>76</sup>

The clauses about workers and small farmers deserve further analysis. The first radical measure about working life was the Labor Law issued in 1936.<sup>77</sup> The law, despite disallowing trade unionism and strikes, included clauses about the limitation of working to eight hours a day, regulations on employment and release, and precautions concerning workers' health and labor security.<sup>78</sup> However, NPL impeded the application of the Labor Law through the above-mentioned clauses.<sup>79</sup> Through NPL, the government had the authority to put a heavy pressure on the labor class.<sup>80</sup> Women and children were to be obliged to work under unfavorable conditions forbidden by the Labor Law.<sup>81</sup> In addition, the right of weekend was limited. Furthermore, compulsory labor was brought into the scene. Peasants could be forced to work in private farms in return for a 'standard' wage determined by the

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<sup>76</sup> Korkut Boratav, *Türkiye'de Devletçilik*, p. 248.

<sup>77</sup> For a detailed information about the long story of the Labor Law see Ahmet Makal, *Tek Parti Döneminde Çalışma İlişkileri*, (Ankara: İmge, 1999)

<sup>78</sup> Orhan Tuna, "Türk İş Hukuku ve Milli Korunma Kanunu" *İstanbul Üniversitesi İktisat Fakültesi Mecmuası (IFM) April 1940 Vol: 1 No: 3* (İstanbul:1940) p.339. According to Nazif Kuyucuk, Labor Law itself was an interventionist measure in that the government considered labor as its own matter and tried to regulate labor activities. See Nazif Kuyucuk, *Türkiye İktisadi*, (İstanbul: Filiz Kitabevi,1993) p.190.

<sup>79</sup> Ahmet Makal, *Tek Parti Döneminde Çalışma İlişkileri*, p.413.

<sup>80</sup> Korkut Boratav, *Türkiye'de Devletçilik*, p.249.

<sup>81</sup> According to the 50<sup>th</sup> article of the Labor Law it "is forbidden to force male children under 18 and women to work in industrial workplaces"

government. The government's determination of the standard wage was vague since the government could manipulate it against workers. "Under forced working conditions, it seemed impossible for the standard wage to have exceeded the minimum wage."<sup>82</sup> Oddly enough, during the parliamentary discussions on the articles of the law, the articles concerning workers did not undergo criticism although some other articles concerning industry, trade and especially agriculture confronted resistance.<sup>83</sup> Even, Saadetin Epikman (İzmir) asked: "Only three hours? Can not working teams be formed?"<sup>84</sup>

In brief, NPL had two aspects. On one hand, it included clauses equipping the government to restrict industrial and commercial activities through nationalization and price determination and it authorized the government to provide facilities for the private sector such as loans, foreign exchange and profit opportunities, sale guarantee, and assistance for the restoration of inoperative companies and cheap labor force on the other. Thus NPL was open to both interventionist and protectionist elements.<sup>85</sup>

### 2.3.1. SOME OTHER CHARACTERISTICS OF NATIONAL PROTECTION LAW

From various aspects, the preparation of NPL differed from other laws issued and applied before and during the period under examination. First, the preparation process of the law diverged from the usual. Most of the laws were prepared as proposals by the government commissions, and then discussed and approved by CM. Next, they were discussed in GNA, approved or rejected. Yet the same process was not pursued for NPL. Since the government abstained from creating a negative atmosphere among the people as if there was mobilization or the state was involved in war, it assigned the preparation of the law to the Republican Party Group in GNA.<sup>86</sup> The group prepared a proposal composed of twenty-three articles which was thereafter sent to the general commission. After discussions, a new commission composed of thirty deputies was established. This commission prepared a new

<sup>82</sup> Korkut Boratav, *Türkiye'de Devletçilik*, p.249.

<sup>83</sup> Ahmet Makal, *Tek Parti Döneminde Çalışma İlişkileri*, p.414.

<sup>84</sup> Grand National Assembly Records, Term: 6 Vol: 8 (18.01.1940)

<sup>85</sup> Korkut Boratav, *Türkiye'de Devletçilik*, p. 250

<sup>86</sup> Kemal Turan, "Milli Korunma Kanunu Üzerinde Bir Konuşma", p.11.

proposal composed of seventy articles. Then, the proposal was extended to seventy-two articles by the provisional committee and the law acquired its final form. Consequently, in case the committee directed by Ş.Sureyya Aydemir is taken into consideration, the law underwent a total of four legislative processes before it was discussed in the General Assembly.

Laws are generally put into practice after they are published in the Official Gazette usually on the following day of the approval. However NPL was put into practice some time after the publication in the Official Gazette when the need arose: It was enacted on January 18<sup>th</sup>, 1940, published in the Official Gazette, yet put into practice on February 19<sup>th</sup>, 1940 which was the actual time of need.

It must be pointed out that generally the validity of a law continues until a new law annulling it is put into application. However, as NPL was to be applied under extraordinary conditions, the government could annul NPL when it was convinced conditions ceased.<sup>87</sup> In reference to the application of the law, it was to be practiced without injuring or damaging any of the related industrial, agricultural and commercial companies, since the government was responsible for returning the such to the owner once the law was annulled or the extra-ordinary conditions were over.

Furthermore, the companies which were given production programmes or charged with the duty of stocking were to apply their own programmes when the extraordinary conditions ceased.

One of the most distinct characteristics of the law was that it equipped the CM to issue law decrees, a case having no precedent in the history of Turkish democratic life.<sup>88</sup> A coordination committee was established to prepare the necessary decrees in accordance with the law. The decrees issued by the committee were accepted by CM bypassing GNA and they were put into practice. The reason for such a process could have been the extraordinary circumstances created by WWII, which entailed a rapid decision-making process.

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<sup>87</sup> Şahap Tayfur, *Milli Korunma Kanunu Şerhi*, (Ankara: Semih Lütfü Kitabevi, 1941) p.18

<sup>88</sup> Metin Tire, *Milli Korunma Kanunu: 1940-1945*, unpublished master's thesis (Izmir: Atatürk İlkeleri ve İnkılap Tarihi Enstitüsü, 1992) p. 42.

#### 2.4. AMENDMENTS ON NATIONAL PROTECTION LAW

NPL was legally effective from January 18, 1940 through June 15, 1960. Throughout this period it was amended twelve times until the DP's government amended it in 1956. Between 1940 and 1945, five amendments were carried out, three of them under the Saydam Government, and the rest under the Saraçoğlu's. During the former period, 51 of 72 articles were amended whereas during the latter period 43 articles were amended. Until 1945, 94 articles had already been amended, some more than twice. After the war ended the law underwent further amendments. From 1946 to 1956, 95 articles were amended. New articles were added, some articles were annulled, and thus the law remained until 1960.<sup>89</sup>

It can be observed from the data above that the law was rushed and did not meet the necessities of the wartime economy. The fact that some of the articles were amended twice or more indicates that these amendments were also performed hurriedly. Therefore NPL was not the product of a planned and meticulous work.<sup>90</sup> On the other hand, it can be asserted that the swift changes brought about by the war contributed much to these amendments. The proof for this statement underlies within the preambles of the amending laws as such that almost all preambles included the expression "conditions are changing from day to day."<sup>91</sup>

#### 2.5. THE ECONOMIC POLICY OF THE ŞÜKRÜ SARAÇOĞLU GOVERNMENT (1942-1946)

Saraçoğlu's government's approach to economic problems was different from that of Saydam's government.<sup>92</sup> It applied NPL in a divergent way. Saraçoğlu

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<sup>89</sup> For a list of the amendments on the law see Y. Kenan Atay, *Milli Korunma Kanunu ve İlgili Mevzuat*, (Bozüyük: Bozüyük Basımevi,1956) pp. 63-68.

<sup>90</sup> Aydemir depicts the causes for the shortcomings of the law as follows: " There were no planning activities or organizations to confront the war when it broke out. There was not an organization to make statistical investigations which were the primary elements of extraordinary measures ." See Ş Süreyya Aydemir, *İkinci Adam*, p. 215.

<sup>91</sup> Milli Korunma Kanununun Bazı Maddelerinin Değiştirilmesine Dair Kanun Layihası ve Muvakkat Encümen Mazbatasası (1/529) (13.12.1940), Milli Korunma Kanununun Bazı Maddelerinin Değiştirilmesine ve Bu Kanuna Bazı Maddeler eklenmesine Dair Kanun Layihası ve Muvakkat Encümen Mazbatasası (1/751) (22.01.1942) The statement above is valid for the amendments performed during war years. The amendments after the war were performed with different concerns.

<sup>92</sup> For similar views, see İffet H.Oruz & Sıtkı Yırcalı, *Türkiye'de Fiyat Murakabesi: Mevzuat ve Tatbikat*, (İstanbul: Numune Matbaası,1944), pp.289-290, S. Yahya Tezel (a), *Cumhuriyet Döneminin İktisadi Tarihi: 1923-1950*, 2<sup>nd</sup> edition (Ankara: Yurt Yay, 1986) p.224, Cemil Koçak, *Türkiye'de Milli*

justified this deviation from Saydam's policies in his parliamentary speech on December 11<sup>th</sup> 1942 as follows:<sup>93</sup>

...We were somewhat at ease during the first year of the war for there were enough commodity stocks in the country and there was almost no trace of the deprivation of essential materials .... During the second and third years we began to feel the shortage of essential items due to the difficulties in imports and the large number of military recruits increasing the volume of consumption on one hand and decreasing production on the other. Therefore, Refik Saydam's government began to take measures to control prices and to struggle with profiteering activities stemming from price increases. The inevitable new measures turned out to be stricter than their precedents, the government even went too far to confiscate cereals within the country. However, these measures returned ineffective results in that it became impossible to find materials with the official prices and a large black market came into the scene. We by and by began to adjudge, [but] it would be the perfection of kindness unless the decisions were not made as per this adjudication. Then, the present government came to power and immediately amended and even annulled some of these strict measures.

As stated by Saraçoğlu, the government took measures to release controls over economic activities immediately after it was established on July 9, 1942. The objective of the government was to increase prices of cereals and their production by releasing state intervention in economy and giving an end to price controls.

Since the Saraçoğlu Government based its economic policy upon the negation of its predecessor's<sup>94</sup> it did not introduce new economic policies but reversing the course of the application of NPL. In this respect, as this thesis claims, it was the application of NPL that wholly occupied the agenda of the Saraçoğlu Government. One must, however, bear in mind that the Saraçoğlu Government reversed the economic policy of the Saydam Government not for the sake of liberalism, nor did he believe that the Saydam Government had been inspired by communism. He stated: "We are neither the cadet of Adam Smith nor the raw hands to Karl Marx. We

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*Şef Dönemi(1938-1945)*, pp.411-418, Ş Süreyya Aydemir, *İkinci Adam* , p. 228, Korkut Boratav, *Türkiye'de Devletçilik*, p.223, Hüseyin Şahin, *Türkiye Ekonomisi*, p.81, Ö.Faruk Çolak, *Savaş Ekonomisi ve II. Dünya Savaşı Dönemi Türkiye Ekonomisi*, p. 246, Taner Timur, *Türk Devrimi ve Sonrası*, p.200.

<sup>93</sup> Document No: A6 Reference No: 030.01.11.63.3 "Sayın Başvekil Şükrü Saraçoğlu'nun 11/11/1942 tarihinde, İaşe Meseleleri Hakkında, Büyük Millet Meclisindeki Beyanatları" (Ankara: Turkish State Archives, 1942) pp. 2-3

<sup>94</sup> Saracoglu's following statement conveys this evaluation: "...We by and by began to adjudge, [but] it would be the perfection of kindness unless the decisions were not made as per this adjudication."

are the nippers of a political party: its social religion is populism and economic sect is étatism”<sup>95</sup>

One may argue that the introduction of the Capital Levy and the Soil Produce Tax by the Saraçoğlu Government contradicts with the judgment that the Saraçoğlu Government did not introduce new strategies. This thesis disagrees with this argument as that these measures turned out to be punishments impinged upon those who accumulated scads of capital during the war. In other words, they were the desperate acts of the government which could not overcome economic problems through NPL. The fact that they returned ineffective results and even harsh criticisms supports this allegation.

The economic policy of the Saraçoğlu Government will be examined in the subsequent chapter in view of the course of NPL’s application.

## 2.6. THE ECONOMIC POLICY OF THE DEMOCRATIC PARTY GOVERNMENT

In its program submitted to GNA on May 29,1950, the Democratic Party government criticized state’s interference in economic affairs declaring that the state “had become interventionist, capitalistic, bureaucratic and monopolistic, paralyzing business and productive life.”<sup>96</sup> The government was determined to restrict the state enterprises to specific fields, and to sell some of the state-owned industries to the private sector. It would liberate production from bureaucratic intervention, and in a similar vein it would encourage private domestic and foreign investments and liberalize foreign trade. It would also restrain government expenditures and balance the national budget; indeed, it would manage fiscal affairs with such vigilance that it would be able to enjoy surpluses. It would in part achieve this through tax reforms. At the same time, it would expand social security benefits, develop the nation’s natural resources and extend the country’s transportation network.<sup>97</sup>

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<sup>95</sup> Document No: A6, 1942, p.1.

<sup>96</sup> Z.Y. Hershlag, *Turkey: An Economy in Transition*, p.187.

<sup>97</sup> Arif T. Payaslıoğlu, “Türkiye’de Siyasi Partilerin Ekonomik Görüşleri”, *Türkiye Ekonomisinin Elli Yılı Semineri*,(Bursa İktisadi ve Ticari İlimler Akademisi Yayın No:4, İstanbul:1973) p. 559. Bilsay Kuruç, *İktisat Politikasının Resmî Belgeleri: Söylev, Demeç ve Yazılar*, p. 119.

During its early years in power, the new government would pursue many of these goals and Turkish economy would enjoy a remarkable development the details of which will be observed in the following section.

### 2.6.1. YEARS OF RAPID DEVELOPMENT

The years between 1950 and 1960 witnessed a remarkable change in political and social terms. The victory of the Democratic Party during the elections opened a new era in Turkey's history. Masses were able to indicate their own political choices and voted against the étatist tradition which had dominated Turkish politics for centuries. They challenged the paternalistic attitude which considered the state as father and the bureaucratic reformism imposed from above. In so doing, they requested the removal of the obstacles in front of capitalism.<sup>98</sup> Likewise, the trade bourgeoisie composed largely of domestic elements who could accumulate great sums of capital during war years, together with property owners, had a chance to replace bureaucratic class in administrative affairs with the DP's victory.<sup>99</sup>

The government took some concrete steps toward liberalization such as lifting of restrictions on imports in the rate of 60-65% and price controls in 1950. It also abandoned industrial investments through public enterprises. Furthermore, it amended Encouragement Law for Foreign Investment, *Yabancı Sermayeyi Teşvik Kanunu* in 1951 and 1954 so as to encourage the flow of foreign capital into the country. And it enacted the Petroleum Law, *Petrol Kanunu* in 1954 to enable foreign companies to explore oil resources without restraint.

In general, the economic policies pursued by the Democratic government during the first half of the fifties carried liberal characteristics and led to a rapid development between the years 1950 and 1953.<sup>100</sup> However, they lacked the sense of a conscious planning; the development model of the DP did not originate from either

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<sup>98</sup> According to Keyder, most of the people were not aware of what an uncontrolled market economy would cause. They preferred the developments of an uncertain future to those experienced before. See Çağlar Keyder, *Türkiye'de Devlet ve Sınıflar*, (İstanbul: İletişim Yayınları, 1993) p.172.

<sup>99</sup> Keyder states that bourgeoisie was the most conscious among the supporters of the new political scheme in that it was aware of the fact that the bureaucratic class soon was to weaken, and political and ideological supremacy of bourgeoisie would triumph. Çağlar Keyder, *Türkiye'de Devlet ve Sınıflar*, pp.172-173.

<sup>100</sup> Haluk Cillov, *Türkiye Ekonomisi*, (İstanbul: İktisat Fakültesi, 1970) p.140; Stefanos Yerasimos, *Az gelişmişlik Sürecinde Türkiye: Bizanstan 1971'e*. Trans. Babür Kuzucu (İstanbul: Gözlem Yayınları, 1980), p. 721.

“self-sufficiency” or “balanced growth” thesis. Turkish economy showed a rapid, yet imbalanced growth which unavoidably resulted in a crisis from 1954 onwards, and the ultimate collapse in 1958 when the government acceded to the Stabilization Program imposed by IMF.<sup>101</sup>

In particular, the period between 1950 and 1953 observed a rapid development within every branch of economy. The gross national product increased in the annual rate of 11.3%,<sup>102</sup> per capita income increased 8%-8.5%,<sup>103</sup> and the exports increased from \$ 263.4 million to \$ 396 million.<sup>104</sup> The main stimulus to economic growth during this period came from the agricultural sector. Development through agricultural boom in a country within which three-fourth of the population was rural, and about half the income was from the agricultural sector, was not surprising. “The very swift expansion of agricultural output, combined with an improvement of the transportation system,<sup>105</sup> contributed to an expansion of the domestic market and to the creation of a surplus which was either disposed of in the other economic sectors or exported. It was this increase in exports, in addition to the US aid<sup>106</sup> which enabled Turkey to import the necessary equipment and other materials for its economic development program.”<sup>107</sup>

There were various significant factors behind the agricultural boom during this period. First was the expansion of the cultivated lands which was closely connected with the improvements in mechanization such as the increasing use of tractors and fertilizers<sup>108</sup> and the distribution of lands belonging to the state to farmers in

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<sup>101</sup> *The Times*, Wednesday, Sep 17, 1958; pg. 9; Issue 54258; col G.

<sup>102</sup> Hüseyin Şahin, *Türkiye Ekonomisi*, p.104.

<sup>103</sup> Hüseyin Şahin, *Türkiye Ekonomisi*, p.102.

<sup>104</sup> Morris Singer, *The Economic Advance of Turkey: 1938-1960* (Ankara, 1977), p 389.

<sup>105</sup> Kazgan depicts the development of transportation between 1950-1960 as follows; in 1950 passenger transportation was 2.6 billion passenger/km and cargo transportation was 957 million tons/km whereas in 1960 10.9 billion passengers/km and 3.7 billion tons/km. See. Gülten Kazgan, “İkinci Dünya Harbinden Günümüze Kadar Tarım Kesiminde Gelişme ve Tarım Politikası” *Türkiye Ekonomisinin Elli Yılı Semineri*, (Bursa Ticari ve İktisadi İlimler Akademisi Yayını no:4, İstanbul:1973) p.585.

<sup>106</sup> Kepenek gives a detailed information about the US aid from 1946 to 1962 stating that, interestingly enough, the US offered the aid as a loan before 1950 whereas donations replaced loans after that date due to the Turkish government’s approach to the US. See, Yakup Kepenek, *Gelişimi, Üretim Yapısı ve Sorunlarıyla Türkiye Ekonomisi*, 4<sup>th</sup> edition (Ankara: Teori Yayınları, 1986) p. 88.

<sup>107</sup> Alec Peter Alexander, *Economic Change in Turkey: 1948-1955*, unpublished doctoral dissertation, (California University Library, 1957) p. 26.

<sup>108</sup> Between 1950 and 1960, cultivated lands increased from 14.5 million hectares to 23.1 million hectares. Similarly, the number of tractors increased from 16585 to 42136 and fertilizers such as nitrogen, potash and phosphoric acid increased in respective quantities as 13.600, 5.200 and 9.600

accordance with the Land Distribution Law.<sup>109</sup> Another important factor was the favorable weather conditions during the period. Furthermore, the growing demand for wheat and cotton due to the Korean War stimulated the agricultural production and consequently, agriculture became the locomotive of the Turkish economy from 1950-1954. Table 1 shows the improvements in wheat production, as it was the main object of the development programme during the years under examination.

Table 1: Some Indicators of Wheat Production(1949-1956)<sup>110</sup>

Years	Cultivated Area (1000 hectares.)	Wheat Production (1000 tons)	Yield (kg per hectare)
1949	3.727	2.341	628
1950	4.029	3.481	864
1951	4.167	4.871	1.168
1952	4.536	5.416	1.194
1953	5.192	6.480	1.248
1954	4.996	3.822	765
1955	5.295	5.173	977
1956	5.501	4.797	872

As observed in the table above, wheat production and yield increased along with the expansion of cultivated areas between the years 1950 and 1953. However, in the year 1954 when climatic conditions deteriorated, wheat production and yields registered a sharp decline (respectively 58% and 39%) although the cultivated lands slightly decreased (4%). This indicates that the agricultural production was mainly based on weather conditions.

From 1950 onward, the agricultural sector went through a significant transformation. The utilization of modern inputs, esp. tractor, became widespread resulting in the expansion of the cultivated lands on one hand and the migration of rural workers whose labor was replaced by tractors into cities on the other.<sup>111</sup> As a result of the expansion of cultivated lands, agricultural production increased in

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tons in 1955 while in 1938 the quantities were 200 tons for nitrogen and potash and no phosphoric acid. See, Kepenek 1986, p.93. Z.Y. Hershlag, *Turkey: An Economy in Transition*, p.220.

<sup>109</sup> Ahmad illustrates the distribution as follows; the government distributed 1.8 million hectares land to 360000 families in between 1947 and 1962. However, only 8600 hectares of that 1.8 million was belonging to private property; the rest was belonging to the state and had been used as pasture land. The distribution of pastures resulted in the ultimate collapse in stockbreeding. See Feroz Ahmad, *Demokrasi Sürecinde Türkiye:1945-1980*, (İstanbul: Hil Yayınları, 1996), p. 138.

<sup>110</sup> Stefanos Yerasimos, *Az gelişmişlik Sürecinde Türkiye: Bizanstan 1971'e*, p.732.

<sup>111</sup> Asım Yücel, "Türkiye'de Para Politikası ve Fiyatlar: 1923-1972" *Türkiye Ekonomisinin Elli Yılı Seminer Sunumları* (İstanbul,1973) p.528.

quantity. Agricultural sector was almost completely exempted from taxation, granted low-interest-loans in large amounts, and subsidized in marketing activities.<sup>112</sup> The developments in the agricultural sector stimulated industry and trade through the expansion within home market. Despite these fundamental changes, the agricultural entrepreneurship did not transform; small enterprises survived in the rate of %85. Moreover, the economic policies of the Democratic government could not disrupt the status quo on land; big landholders profited deeply and achieved a great wealth accumulation. Despite this fact, all Turkish peasants' prosperity was manifest, as The Times' Ankara correspondent depicted, as that "The Turkish peasant is now beginning to taste new living standards. He puts sugar instead of fruit juice in his tea, eats margarine where before he ate the fat tail of the Anatolian sheep..."<sup>113</sup>

The lack of irrigation techniques and the absence of adequate fertilization, however, added to the continuing dependence of agriculture on weather conditions; when the weather conditions deteriorated in 1954, the agricultural production suffered a serious setback.

As to industry, it registered a relatively less significant growth than agriculture during the first half of the decade; an average of annual %10.5 growth was observed on one hand, and on the other, it contributed to the gross domestic product in the rate of 13.7%.<sup>114</sup> However, the share of agriculture in the gross domestic product was 43.9% during the same period and agricultural sector grew in the rate of 12,2%. Typically, the Turkish industry had been based on import substitution of basic consumption materials such as sugar, textile and flour since the thirties. The DP government did not change it and the sector enjoyed a development until 1957. Another aspect of the industrialization during this period was the dualistic role of public and private enterprise in industrial development. The Democratic government had announced in its program that the public enterprises (namely *KİT*s) were to be transferred to private enterprise. Also, the government was to support private enterprise if it commenced industrial investments. However, the private undertakings did not reach the expected level; therefore, the government returned to public

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<sup>112</sup> It can be stated that there emerged a "loan inflation" during the period.

<sup>113</sup> *The Times*, Wednesday, Sep 17, 1958; pg. 9; Issue 54258; col G

<sup>114</sup> This rate continued increasing, reaching at a rate of %16.9 between 1957 and 1960. See Hüseyin Şahin, *Türkiye Ekonomisi*, p.104.

enterprises.<sup>115</sup> New public enterprises were set up; existing ones were enlarged and modernized. Still, boosting of private enterprise by the government continued; the private enterprise was encouraged to establish partnership in state enterprises.<sup>116</sup> Moreover, the divergent character of industrial production performed by the public and private sectors each facilitated their cooperation and integration; the private sector bought investment goods and subsidiaries produced by public factories in artificial prices. The central issue in this period, to sum up, was to achieve a rapid industrialization through a liberated, encouraged private sector. Upon failure, the government turned to public enterprises.

As the aim of the government was to achieve a rapid industrialization, a number of rush measures were taken; industrial units were established in irrational areas,<sup>117</sup> political purposes played significant role in the distribution of investments, over-investment was made in some sectors resulting in the exhaustion of monetary sources. In addition, the expansionist monetary policy to finance the industrial investments caused inflation. The year 1956 symbolizes a turning point for Turkish industrialization. From this date onwards the import substitution model underwent a big crisis because of the decline in imports stemming from the exhaustion of sources. Despite all, industrial production assumed a remarkable development in the whole

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<sup>115</sup> The reasons for this vary. Kepenek postulates that the private sector was encouraged to make production at the beginning; however, the expanding domestic demand after 1955 exceeded the capacity of private sector, therefore the state undertook industrialization. See, Kepenek, 1986, p. 96, Robinson contradicts with Kepenek stating "...despite promises to contrary, state enterprises continued at a pace perhaps even more rapid than that of private enterprise...One heard little talk of unfair government competition" See, Richard D. Robinson, *The First Turkish Republic: A case Study in National Development*, p.151. Also, Ahmad opposes Kepenek stating "since the establishment of the Republic, there has been a class of unpleased capitalists composed of politicians, bureaucrats and even army officials deprived of the spirit of capitalism who left the difficult duty of industrialization to the state, instead, focusing on more profitable activities like banking and trade" See, Feroz Ahmad, *Demokrasi Sürecinde Türkiye: 1945-1980*, p. 143.

<sup>116</sup> This occurred as follows: The state paid all of the capital of the state-owned enterprise it promised while the private firm paid the one-fourth. Nevertheless, the firm equally shared the profit. This resulted in a great transfer of capital to private enterprises. Despite unprofitable character of this collaboration, the state increasingly participated in private enterprises. The participation of State Institutions in 39 private enterprises grew significantly from 55.8 million TLs in 1954 to 87 million TLs at the end of 1955. See Z.Y. Hershlag, *Turkey: An Economy in Transition*, p.190.

<sup>117</sup> For instance, a cement factory was opened in Pınarhisar, Kırklareli, where there were few customers and the cost per ton was almost twice as high as that of the most efficient plant in the industry. See William Hale, *The Political and Economic Development of Turkey*, (London: Croom Helm, 1981) p.92.

period, and the volume of industrial exports increased from \$3.8 million in 1950 to \$57.5 million in 1960.<sup>118</sup>

With regard to trade, lifting of the restrictions on imports at the rate of %60-%65 caused a boom in the amount of imports from 1950 onwards. Imports increased from \$285,7 million in 1950 to 467,5 million in 1960. The increase in the agricultural exports during these years due to foreign demand somewhat covered the increase in imports; yet trade deficit gradually increased until 1956.<sup>119</sup> The government quit the liberal import policy when it ran out of foreign exchange reserves in 1953. It tried to cover the deficits through foreign loans and donations. However, the high value of Turkish currency stemming from the difference between the domestic and international prices, stimulated imports on one hand and pressurized exports on the other. Parenthetically, foreign authorities reduced economic support to force the government to take the necessary measures to stabilize the economy. The scarcity of goods increased the inflationist pressure, and between the years 1956 and 1957 inflation rose from 13.2 % to 19.6 %. The resistance of the government flopped in 1958 when it realized that the basis of its economic model was severely disturbed. When the composition of import goods during this period<sup>120</sup> is examined, one can come to the conclusion that Turkey grew more dependent on foreign goods to achieve its industrialization at home. As to exports,<sup>121</sup> it is observed that Turkey continued to export agricultural and mining products.

## 2.6.2. ECONOMY IN RECESSION

In 1954, things began to change against economic development. Agricultural output fell piercingly and inflation began to rise in the average rate of 10%.<sup>122</sup> Table

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<sup>118</sup> State Planning Organization, "Exports by Main Sectors", *Ekonomik ve Sosyal Göstergeler* [online] Available:

"<http://ekutup.dpt.gov.tr/ekonomi/gosterge/tr/1950-98/>" [Accessed: October 10, 2004]

<sup>119</sup> At the beginning of the decade, import coverage of exports was 92,2%, whereas in 1960 it decreased to 68,6%. State Planning Organization, "Import Coverage of Exports" *Ekonomik ve Sosyal Göstergeler*. [online] Available:

"<http://ekutup.dpt.gov.tr/ekonomi/gosterge/tr/1950-98/>" [Accessed: October 10, 2004]

<sup>120</sup> 85% of the import goods were machinery, equipment and raw materials while consumer goods constitute a 15% rate. Of 85%, the investment goods constituted a rate of 51%, 39% of which was machines and 12% building supplies. See. Hüseyin Şahin, *Türkiye Ekonomisi*, p. 117.

<sup>121</sup> 85% of the exports were of five or six vegetables, %5 were transformed agricultural products, and mining products constitute a rate of 5%. Hüseyin Şahin, *Türkiye Ekonomisi*, p. 117.

<sup>122</sup> Okyar states that a slight inflationary pressure began to be felt at the end of 1951, which was due to the way of irrational financing of the agricultural production and to the rise in the volume of bank credits granted to farmers. See. Osman Okyar, "Economic Framework for Industrialization: Turkish

2 indicates the changes in wholesale prices and cost of living in Ankara between 1950 and 1960.

Table 2: Indices for Wholesale Prices and Cost of Living in Ankara (1950:100)<sup>123</sup>

Years	Wholesale Prices	Cost of Living in Ankara
1950	100	100
1951	107	103
1952	108	107
1953	110	110
1954	121	119
1955	131	141
1956	153	151
1957	181	174
1958	208	208
1959	250	258
1960	263	264

As observed in the table, inflation registered, though slow at the beginning, a continuous increase between the years 1950 and 1960. It is clear that the most remarkable price increases occurred from 1953 onwards.

Reasons behind the inflation varied. First, the period was “one of marked economic expansion without sufficient control...Turkey was being dotted with hydroelectric projects, cement factories, sugar factories, every sort of factory, at a pace which was both unnecessary and unwise.”<sup>124</sup> Therefore, both the public and private consumption substantially rose. The government financed these rapid investments by expanding the money emission. The amount of the currency in circulation increased as follows:<sup>125</sup>

Years	Currency in Circulation (Million TLs)
1950	900
1951	1.048
1952	1.146
1953	1.333
1954	1.379
1955	1.805

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Experiences in Retrospect” *Turkish Politics and Economy, 1946-1990: From the Beginning of the Multi-Party Era to Today* Vol:II ed. Aykut Kansu (Ankara, METU, 1993) p.264.

<sup>123</sup> Morris Singer, *The Economic Advance of Turkey: 1938-1960*, p.334.

<sup>124</sup> Morris Singer, *The Economic Advance of Turkey: 1938-1960*, p.333.

<sup>125</sup> Morris Singer, *The Economic Advance of Turkey: 1938-1960*, p.335.

1956	2.322
1957	2.936
1958	3.052
1959	3.406
1960	3.828

As observed above, currency in circulation grew without interruption and quadrupled during the decade. This considerably gave rise to prices.

Consequently, a critical difficulty in the balance of payments came on the scene: shortages of raw materials placed industrial sector in difficulty. The government could not compensate the gap in its balance of payments in a system based largely on agriculture. It took some precautions to overcome the problems in imports and to stop the increase in prices. A decree was issued to limit the profit margins, an office was established to control the prices, and journeys to foreign countries and the utilization of foreign exchange were limited. Furthermore, “a little rumor of governmental restriction on agricultural credits began to be expressed.”<sup>126</sup> In spite of these measures, the shortage of goods, profiteering and speculation prevailed. From the mid-1955, the government took some steps to return to emergency regime of the early forties such as the reenactment of NPL.

## 2.7. REENACTMENT OF NATIONAL PROTECTION LAW BY THE DEMOCRATIC PARTY GOVERNMENT

As known, NPL was applied during war years. The conditions during the rule of the DP, however, were different from those of wartime. Hence, the DP government confronted serious resistance during the legislation process of the law from the opposition.<sup>127</sup> The resistance came from such positions that the economic trauma took its roots from the irrational policies of the government, yet the government was seeking to blame businessmen for the crisis.<sup>128</sup> They stated that the invention of denunciation would possibly stimulate opportunism which could disturb the social structure, and that the honest businessmen would be horrified by the possibility of sanctions, which at the end would freeze economic activities. They also argued that there was a possibility of the misapplication of the law due to political

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<sup>126</sup> Feroz Ahmad, *Demokrasi Sürecinde Türkiye: 1945-1980*, p.145.

<sup>127</sup> *Zafer*, (05.17.1956)

<sup>128</sup> *Vatan*, (05.08.1956)

ambitions of bureaucrats.<sup>129</sup> The government defended the law arguing that the economic turbulence was the natural outcome of the economic development through substantial investments; that the problem of profiteering arose at the time when exports failed to meet imports, profiteers were traitors and that the law would punish these traitors, honest tradesmen would be out of the sanctions.<sup>130</sup> Some deputies demanded capital punishment for these traitors,<sup>131</sup> however it was rejected with 102 against 88 votes.<sup>132</sup> In spite of resistance from the opposition, the law passed on June 6, 1956 with 321 against 67 votes.<sup>133</sup>

As stated in the preamble of the law, the reason behind the reenactment was that it was necessary to stop hoarding and black-marketing activities which prevailed over the consumption of essential items either imported or produced at home and thus which aroused discontent among the consumers. The nebulosity in the application of the law were clarified as follows:

- It was to be compulsory to put price stamps including cost prices on all merchandise to be sold. Hence, consumers would be able to check dealers in their sale activities.

- The arrangement and presentation of bills and sale records to the officials became obligatory for retailers and wholesalers. In case they avoided showing sale records, their shops would be closed down.

- Supervisors were authorized to search shops and to write down instant reports, *zabit* to prevent the possible elimination of evidences.

- To uncover the violators of the law, people were to denounce. The identity of denouncers would be kept secret and they were to be rewarded for their help.

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<sup>129</sup> In his speech, Feridun Ergün, deputy from Urfa, contended that the control of economy through such laws including heavy sanctions would come to no avail even spoiling the legitimacy of the government. He illustrated the story of Chan Kai Shek government. See *Turkish Grand National Assembly records*, Term:10 Session: 2 Vol:11 1956, pp.291-293.

<sup>130</sup> The stories told during the discussions on the law by the deputies of the Democratic Party indicates that the government treated the issue sentimentally; profiteers were charged with religious corruption, the situation of a profiteer whose son died was attached to the treachery of his wrong-doings. In addition, some deputies demanded capital punishment for profiteers. See *Turkish Grand National Assembly records*, Term:10 Session: 2 Vol:11 1956, p.300. Also See, Bilsay Kuruç, *İktisat Politikasının Resmî Belgeleri: Söylev, Demeç ve Yazılar*, pp.156-157 and *Zafer*, (05.17.1956)

<sup>131</sup> *Zafer*, (05.31.1956).

<sup>132</sup> *Zafer*, (06.05.1956).

<sup>133</sup> *Vatan*, (07.12.1956).

- Special courts were to be established since profiteering was a crime which necessitated quick punishments.

- Names of the profiteers who were subjected to punishment would be announced over the radio.

- Imprisonment up to 6 months and fines up to 2500 TL given by the Courts of National Protection (CNP) were not to be appealed.<sup>134</sup>

### 2.7.1 MAIN CHARACTERISTICS OF THE LAW

The new law amended the articles no: 31, 43, 53, 54, 55, 56, 57, 58, 59, 63, 65, 66, 69 and the third paragraph of the article no: 36, and added two provisional articles. It was stated in the amended 31<sup>st</sup> article that the government was authorized to determine the cost of goods which it deemed necessary within the country, the profit rates to add to these costs or maximum prices, and to determine the kinds, qualities and specifications of these goods. The government would also fix commissions, various fees and tariffs, impose the keeping of additional books, and charge municipalities, Chambers of Commerce and governors with the duty of determining prices (Paragraph I). It was prohibited to sell goods for higher prices than the determined and to avoid marketing them without a reasonable excuse (Paragraph II). It was imperative for manufacturers, importers, exporters, brokers, wholesalers and retailers to use bills in their commercial activities. It was also imperative to provide bills when demanded by customers. The government would supervise the shapes and contents of these bills (Paragraph IV). The government could determine the agricultural products and their quantities for which the bills would be prepared during the commercial interactions between farmers and those mentioned in the previous paragraph (Paragraph V). It was urgent for dealers during business activities between manufacturers, importers, wholesalers and retailers to provide the certificate showing the absence or inadequacy of the commodities to be sold, if demanded by purchasers (Paragraph VI). Furthermore, it was obligatory to stick labels on all merchandise including information about types, costs and selling prices. Municipalities would determine the shape and contents of these labels (Paragraph VII). Individuals were not allowed to manage import, wholesale and

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<sup>134</sup> Ahmet Edip Kuşdemiroğlu, *Milli Korunmada Tüccarın El Kitabı*, (Istanbul: Sıralar Matbaası, 1956) pp. 7-9.

retail activities altogether (Paragraph VIII). The 9<sup>th</sup> paragraph of this article defined the profit margins as that import profits, wholesale profits and retail profits would not respectively exceed 20%, 10% and 25% of the cost prices, and importers, wholesalers, or retailers were not to take each other's profit. Retailers would sell merchandise to each other by sharing their given rate of profit. The goods belonging to foreign tourists or foreign officers temporarily residing in the country were only to be sold after two years of utilization. Besides, used products were not to be sold for higher prices than the new ones and the goods obtained by auction were not to be sold more expensively than their equivalents by type and quality. Sales of historical material were exempted from the above provision (Paragraph X).<sup>135</sup> The amended third paragraph of article no: 36 authorized the government to purchase vehicles and ships which it deemed necessary. According to the 43<sup>rd</sup> article, the Department of Treasury would provide the government 250 million TLs. The government would spend this money for expenditures required by NPL. Rest of the amended articles included penalties in case of the violation of the law. When these penalties are roughly examined, it is seen that the new law ten times increased almost all penalties envisaged by the previous law. To illustrate one, those who violated the 31<sup>st</sup> article would be subjected to an imprisonment from ten to thirty years and a fine from 10.000 to 30.000 TLs, according to the 57<sup>th</sup> article of the new law. However, the fines envisaged by the previous law were 1000 TLs and 10.000 TLs.<sup>136</sup>

## 2.8. AN INTERPRETATION OF THE REASONS BEHIND THE ENACTMENTS OF THE LAW

To understand why NPL was enacted during the war years and revived during the DP era, it is strongly necessary to analyze the political, social and economic atmosphere of both periods since the law had repercussions not only on economy, but also on political and social structure in Turkey.

To begin with, the enactment of NPL in January 1940 was the result of an emergency. WWII froze all economic activities in Turkey although she did not participate in it. In addition to the mobilization of approximately one million men

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<sup>135</sup> *İhtikar ve Karaborsayı Önleyecek Milli Korunma Kanunu*, (Ankara: Anadolu Yayınevi, 1958), pp. 3-6.

<sup>136</sup> For detailed information about penalties, See Fevzi Ceylan, *Haşiyeli İzahlı Milli Korunma Kanunu*, (Ankara:Karıncı Matbaası,1956) pp.29-42.

which caused a decline in agricultural production, the substantial decrease in imports brought about a severe cutback in industrial production. Therefore, the scarcity of consumption goods along with the increase in the currency in circulation paved the way for a high inflation during war years. Under these circumstances, encouraged by İnönü's strict principles of honesty, order and seriousness, the bureaucratic wing in the government, often referred to as bourgeois radicals<sup>137</sup> felt the responsibility to take interventionist measures to preserve economy against the war.<sup>138</sup> In other words, NPL was issued to survive the war.

The enactment of NPL during the DP era carried similar motives with that of during the war in terms of the decrease in industrial production, the scarcity of consumption goods and high inflation. However, these were not the outcome of a war emergency, rather, they were results of the irrational economic policies of the DP government. The years of rapid development preceding the reenactment of NPL in 1956 witnessed an increase in life standards of Turkish people. In this respect, the enactment of NPL can be considered as an action which aimed at preserving better life standards.

The difference between the motives of the two enactments can clearly be observed when their preambles are examined. The preamble of the former stated that the political tensions between European states turned into an international war which endangered the countries both near to and far from the battlefields. All governments through extraordinary measures challenged this rapidly spreading precarious situation. Though avoided participating in the war, Turkey was obliged to prevent the drawbacks of this neutral status and to take protective economic measures as well as for military defensive measures. Through the law project, the Republican government asked the Grand National Assembly (GNA) to grant the authorization to take measures that the situation entailed. Since events were quickly developing and changing, the situation necessitated prompt decisions and measures. The preamble of the latter revealed that the most important motive behind the efforts to reenact NPL, which had been in force since 1940 and amended several times, was to eliminate the difficulties which were stemmed from the increase in purchasing power of the people

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<sup>137</sup> Korkut Boratav, *Türkiye İktisat Tarihi :1908-2002*, p.82.

<sup>138</sup> İsmail Cem. *Türkiye'de Geri Kalmışlığın Tarihi*, p.308.

in quickly developing Turkey, and to prevent black-market activities upon consumption materials which caused a great discontent among the people.<sup>139</sup>

The enactments of NPL during the war and during the DP era carried similar functional motives in that they were to be utilized to prevent profiteering, hoarding and black market activities. The two ministers of trade, Nazmi Topçuoğlu of RPP government and Zeyyat Mandalinci of DP government, who both actively applied NPL, pronounced this common motive in their speeches. The former stated: “We tried to adapt our foreign trade to swiftly changing circumstances created by the war... Not only did we strictly control economy to the advantage of the nation, but also we did not leave producers and consumers to the mercy of speculators”<sup>140</sup> and the latter held: “...A corrupt commercial trend was about to undermine economic activities as that there was a group of speculators accumulating large sums of capital on the one hand, and on the other hand honest businessmen suffered from economic difficulties and could not feel themselves secure. Therefore, this law was issued to stop the exploitation of financial resources by these hoarders.”<sup>141</sup>

From all the data presented above, it must be borne in mind that NPL was a measure necessitated by WWII. However, Turkish governments continued applying NPL until 1960. Behind this might be the principle of the continuity of the state according to which the laws issued by the legislative body and administrative activities held by the executive body in a particular legislative period remain valid after individuals who occupy these organs were replaced by others. In addition and perhaps more significantly, Turkish governments continued to expect threat, especially from the Soviet Union, after the war. This was reflected upon the share of military expenditures in the budget. The share of military expenditures registered a slow decrease, from 42% in 1946 to 23% in 1960.<sup>142</sup> That means external threat was always on the agenda of post-war governments. This threat was perhaps the most important motive behind Turkey’s efforts to establish a military cooperation with the US.

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<sup>139</sup> “Milli Korunma Kanunu Muvakkat Encümen Mazbatası (2/155)” (27.04.1956)

<sup>140</sup> Bilsay Kuruç, *İktisat Politikasının Resmî Belgeleri: Söylev, Demeç ve Yazılar*, p.67.

<sup>141</sup> *Ayın Tarihi*, (July, 1956)

<sup>142</sup> This decrease was achieved through military loans in accordance with the Marshall Plan. See S. Yahya Tezel (a), *Cumhuriyet Döneminin İktisadi Tarihi: 1923-1950*, p. 446.

To illustrate, during parliamentary discussions upon NPL in 1956, Feridun Ergin (Urfa) stated:

It was expressed in the first article of NPL that this law was to be employed under such conditions as general or particular mobilization, possibility of the state's involvement in a war, and a war between foreign countries that concerns Turkey. However, these conditions ceased a long time ago. So, on which legal basis do you plan to enact this law?

Zeyyat Mandalinci, Minister of Economy and Trade replied: "All foreign countries and Turkey are earmarking large funds for military defense. Hostilities are prevailing in various parts of the world and the possibility of a new war threatens the world. Therefore, extraordinary conditions still exist and the enactment of NPL is purely legal."<sup>143</sup>

It must be kept in mind that the enactment of two NPLs fortified authority both RPP and DP's rules. For the former case, it was WWII which enabled RPP government to take full control of domestic politics and economic activities. This can be "explained as much by the practical constraints of the international situation as the previous predilections of the regime."<sup>144</sup> For the latter case, the time when the second NPL was enacted witnessed the revival of authoritarianism by the DP government. The reason behind this was the deteriorating economic conditions which made the DP government aggressive. "Worried by the political impact of increasing economic discontent, the DP government began to curb the (previous) democratic reforms (and liberal economic policies) on which it had itself relied in its rise to power."<sup>145</sup>

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<sup>143</sup> *Vatan* (05.19.1956)

<sup>144</sup> William Hale, *The Political and Economic Development of Turkey*, p. 59.

<sup>145</sup> William Hale, *The Political and Economic Development of Turkey*, p. 86.

## CHAPTER 3

### A COMPARATIVE ANALYSIS OF THE APPLICATIONS OF NATIONAL PROTECTION LAW

In order to make a systematic comparative analysis of the first and the second NPL applications, it is strongly necessary to examine the course of these applications. It will be possible, only through this examination, to figure out the extent to which the first and the second NPL impacted the social groups in Turkey. Therefore, this chapter aims to highlight the divergent application of the first NPL by the consecutive wartime governments, that of Refik Saydam and that of Şükrü Saraçoğlu, and the second NPL by the DP government in view of the sectors they affected. After the presentation of the facts belonging to the applications a comparative interpretation will conclude the chapter.

#### 3.1. THE APPLICATION OF NATIONAL PROTECTION LAW BY THE REFIK SAYDAM GOVERNMENT

The first NPL was put into practice on February 19<sup>th</sup>, 1940 in accordance with the decree issued by CM.<sup>146</sup> Next day, the Coordination Committee (CC), which was composed of National Defense, Finance, Agriculture, Transportation and Trade ministers, was constituted.<sup>147</sup>

From February 19<sup>th</sup> 1940 to July 9<sup>th</sup> 1942, the Refik Saydam Government passed 359 resolutions in accordance with the law, 20 of which confidential. Through these resolutions, the government *in general* aimed at

- increasing industrial and agricultural production,
- restricting prices and consumption of the required materials,
- controlling foreign trade

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<sup>146</sup> Decree No: 2/12879 (20.02.1940) published in Resmi Gazete No: 4439, (21.02.1940). The term “decree” will be used to imply *kararname* whereas the term “resolution” will be used to imply *karar* in the subsequent footnotes since resolutions were taken only by the CC to apply NPL and put into practice by CM. On the other hand only CM took decrees and they were related to other fields of administration. And, this study will henceforth refer to Hüsnü Bengi’s work *Milli Korunma Kanun ve Kararları* (Istanbul: Cumhuriyet Matbaası,1943) which compiled resolutions passed in accordance with NPL between the years 1940 and 1943.

<sup>147</sup> Decree No: 2/12879 (20.02.1940) published in Resmi Gazete No: 4442, (24.02.1940)

- organizing the producers and transportation.<sup>148</sup> To attain these ends the government took the measures to be examined below.

### 3.1.1. MEASURES REGARDING INDUSTRIAL PRODUCTION

*In particular*, the government ordered compulsory labor in the coalmines in Ereğli, Zonguldak on February 26<sup>th</sup> 1940, to increase coal production.<sup>149</sup> Compulsory labor concerned men above 16 years old residing in Zonguldak and who had temporarily worked in these mines before. Also, compulsory labor was applied in the coalmines belonging to Etibank Lignite Institutions, *Etibank Linyit Teşekkülleri* in Soma, Değirmisaz and Tavşanlı.<sup>150</sup> Besides, the government ordered compulsory labor in the construction of roads, bridges and ports<sup>151</sup> which concerned men who were not involved in agricultural activities and farmers whose agricultural works did not prevent them from leaving their residences. These people were obliged to work maximum 5 months a year in constructions. Owners of motor vehicles were also exposed to compulsory labor.<sup>152</sup> They were obliged to put their vehicles into state service for the transportation of foodstuffs and forestry products.

In addition to compulsory labor, the government extended working hours, cancelled weekends and ordered the employment of children under 16 in the workplaces belonging to private and the state sector. To illustrate, working hours were extended in all textile factories, all factories manufacturing national defense materials and oil companies; İstanbul Yedikule Hydrophilic Cotton Factory, *İstanbul Yedikule İdrofİL Pamuk Fabrikası*, Ankara Munitions Factory, *Ankara Harb Malzeme Fabrikası* belonging to Hüsnü Naili, İstanbul Şakir Zümre Metallic Stuffs Factory, *İstanbul Şakir Zümre Madeni Eşya Fabrikası*, İstanbul Büyükdere Match Factory, *İstanbul Büyükdere Kibrit Fabrikası*, Sokoni Vacuum Oil Company Inc., *Sokoni Vakum Petrol Anonim Şirketi*, Shell Company of Turkey Limited, *Shell Türkiye*

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<sup>148</sup> Cemil Koçak, *Türkiye'de Milli Şef Dönemi(1938-1945)*, pp.388-389.

<sup>149</sup> Resolution No: 2 (26.02.1940) published in Resmi Gazete No: 4444, (27.02.1940). This meant the beginning of the application of NPL.

<sup>150</sup> Resolution No: 220 (25.05.1942) published in Resmi Gazete No: 5119, (30.05.1942). Hüsnü Bengi, *Milli Korunma Kanun ve Kararları*, pp.229-231.

<sup>151</sup> Resolution No: 31 (10.07.1940) published in Resmi Gazete No: 4537, (17.07.1940). Hüsnü Bengi, *Milli Korunma Kanun ve Kararları*, pp. 75-76.

<sup>152</sup> Resolution No: 65 (11.10.1940)-138 (17.04.1941) –199 (27.09.1941)-243 (13.01.1942). Hüsnü Bengi, *Milli Korunma Kanun ve Kararları*, pp. 94-95, 169,214,246.

*Limited Şirketi* etc.<sup>153</sup> In state institutions such as State Railways and Harbors, *Devlet Demiryolları ve Limanları*, State Monopolies, *İnhisarlar*, the State Mint, *Darphane*, the Seal Printing House, *Damga Matbaası*, state factories belonging to Sümerbank, workplaces belonging to the Central Oil Office, *Petrol Ofisi*, sugar factories, İstanbul Electric, Tramway and Subway Company, *İstanbul Elektrik, Tramvay ve Tünel Şirketi* etc. working hours were extended.<sup>154</sup> Working hours could be extended maximum three hours a day. Wages for overworking would be paid according to the 37<sup>th</sup> article of the Labor Law.<sup>155</sup> In addition, in military factories children and women were obliged to work according to the 19<sup>th</sup> article of NPL and weekends were cancelled.<sup>156</sup> Weekends were also cancelled in the State Mint, *Darphane*, the Seal Printing House, *Damga Matbaası*, state factories belonging to Sümerbank, the Printing House of the Ministry of Education, *Maarif Matbaası* and the workplaces belonging to the State Railways, *Devlet Demiryolları*.<sup>157</sup> Incidentally, the rules concerning children and women's employment areas, places and periods were rearranged with a resolution.<sup>158</sup> According to the resolution, boys above 16 would be employed in mining whereas girls and boys above 12 and adult women would be employed in textile industry.

All the measures mentioned above aimed at preserving the production of coal and industrial materials. These measures were closely related to workforce supply. Military conscriptions brought about the withdrawal of a large number of workers from industry and agriculture. Therefore, the government took the above-mentioned measures to preserve the level of labor-force supply.

In addition to the measures concerning labor force, the government confiscated industrial companies or their means of production. It also imposed production

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<sup>153</sup> Cemil Koçak, *Türkiye'de Milli Şef Dönemi (1938-1945)*, p. 397.

<sup>154</sup> Resolutions No: 7 (05.03.1940), 11 (11.03.1940), 24 (14.05.1940), 25 (14.05.1940), 350 (24.06.1942), 55 (10.09.1940), 101 (14.02.1941). Hüsnü Bengi, *Milli Korunma Kanun ve Kararları*, p. 48, 50,71, 390, 90,125.

<sup>155</sup> Resolution No:105 (14.02.1941) Hüsnü Bengi, *Milli Korunma Kanun ve Kararları*, p.134. The 37<sup>th</sup> article of the Labor Law envisaged that "those who work overtime shall be paid extra wage"

<sup>156</sup> Resolution No: 15 (03.04.1940), 49 (17.08.1940), 97 (05.02.1941), 196 (17.09.1941), 241 (24.12.1941), 350 (24.06.1942) Hüsnü Bengi, *Milli Korunma Kanun ve Kararları*, p. 52,86,122,212,245,390-391.

<sup>157</sup> Resolution No: 24 (14.05.1940), 25 (20.05.1940), 28 (31.05.1940). Hüsnü Bengi, *Milli Korunma Kanun ve Kararları*, p. 71, 73.

<sup>158</sup> Resolution No: 106 (22.02.1941) Hüsnü Bengi, *Milli Korunma Kanun ve Kararları*, p.136.

programmes on industrial companies and determined the prices of outputs. The underlying goals for these measures were to supply the required materials for people and to provide equipments for the military in a short time.<sup>159</sup> On this ground, the government confiscated Yenihayat Flour Factory, Aleko Dulo Leather Factory, Ayancık Timber Factory.<sup>160</sup> With regard to production means, the government confiscated, with a recompense, Kanarya Cargo Boat belonging to Zonguldak Steamship and Coal Company, *Zonguldak Vapurculuk and Kömürcülük Şirketi*, Belkız Tanker belonging to Sokoni Vacuum Company, Poyraz Tanker belonging to Shell Company and 3000 telegraph poles belonging to Hakkı Salih Bosna, three diesel electricity generators belonging to İzmit Oxygen and Ice Factory, a wire enclosure machine, *tel çekme makinası*, belonging to Halıcıoğlu Wire&Nail Factory, some machines belonging to Pedotti Brick Factory and Ankara Cement Factory and some dynamos, engines and boats.<sup>161</sup> As to the imposition of production programs and determination of the output prices, the MNE was charged with the duty of imposing production programmes upon the companies in Ereğli-Zonguldak and supervising the companies and coal production.<sup>162</sup> The government itself was to determine the coal prices. Moreover, the MNE was authorized to determine the quantity, sort and production volume of cotton wires and materials made of cotton produced by the factories belonging to Sümerbank and the private sector.<sup>163</sup>

### 3.1.2. MEASURES REGARDING AGRICULTURAL PRODUCTION

In terms of agricultural production, the government interfered with the agricultural sector in three ways. First were the labor obligations for farmers. Second was the control of production through taxation. Third was the confiscation of agricultural products. The government controlled the labor force through compulsory labor in state farms and private farms in accordance with the 37<sup>th</sup> article of NPL.<sup>164</sup>

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<sup>159</sup> Ö.Faruk Çolak, *Savaş Ekonomisi ve II. Dünya Savaşı Dönemi Türkiye Ekonomisi*, p. 258.

<sup>160</sup> Ö.Faruk Çolak, *Savaş Ekonomisi ve II. Dünya Savaşı Dönemi Türkiye Ekonomisi*, p. 262.

<sup>161</sup> Resolution No: 70 (13.11.1940), 113 (18.02.1941), 148 (14.05.1941), 206 (18.10.1941), 267 (07.02.1942), 284 (02.03.1942), 317 (24.06.1942). Hüsnü Bengi, *Milli Korunma Kanun ve Kararları*, p 98,142,178,220,278,285,326.

<sup>162</sup> Resolution No: 3 (26.02.1940) Hüsnü Bengi, *Milli Korunma Kanun ve Kararları*, p. 44.

<sup>163</sup> Resolution No: 190, (28.01.1941) Hüsnü Bengi, *Milli Korunma Kanun ve Kararları*, p 208.

<sup>164</sup> Şevket Pamuk, “İkinci Dünya Savaşı Yıllarında Devlet, Tarımsal Yapılar ve Bölüşüm”, p.100.

The other interference mechanism was that the government increased the taxes on agricultural production whereby it aimed to obtain more in-kind revenues rather than in-cash revenues. The underlying motive behind the in-kind taxation was to acquire adequate food for the requirements of the military and the urban population. Three taxes had been applied upon agricultural production since the establishment of the Republic; land tax, *arazi vergisi*, animal tax, *hayvan vergisi-ağnam* and road tax, *yol vergisi*. Land and animal taxes were a kind of wealth tax and increased during war years. For instance, in 1941, the amount of annual tax on a pair of oxen was equal to the price of 20 kg of wheat.<sup>165</sup> The road tax according to which citizens would pay annually 5 liras for the construction of roads fell heavily onto farmers in the sense that those who could not pay the tax were coerced to work for a month in the construction of roads. This brought about a decline in the agricultural production since the construction activities coincided with the harvesting period.<sup>166</sup> These taxes caused a restraint especially on small farmers. They hid their products to preserve them from confiscation or they discontinued the production of some cereals.<sup>167</sup>

Similar to taxation, the government employed confiscation mechanism to acquire food for the requirements of the military and the urban population. However, the price determination for the confiscated products was assigned to commissions designed to determine their value. Then, the determined prices were paid by installments. Therefore, it seems that the determination and payment process took a long time. Under inflationary circumstances, it was to the state's advantage whereas it caused unrest among the producers.<sup>168</sup> Consequently, during the period when the confiscation measures were intensified agricultural production suffered a decline. Table 3 indicates the changes in the agricultural production.

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<sup>165</sup> Şevket Pamuk, "İkinci Dünya Savaşı Yıllarında Devlet, Tarımsal Yapılar ve Bölüşüm", p.100.

<sup>166</sup> First implementation of the road tax dates back to 1921. At that time, those liable for this tax were to work four days or to pay it in cash. It was amended in 1929 as ten-day work or 8 TL. İzzettin Önder, "Cumhuriyet Döneminde Tarım Kesiminde Uygulanan Vergi Politikası", *Türkiye'de Tarımsal Yapılar*, ed. Şevket Pamuk-Zafer Toprak, (Ankara: Yurt Yay., 1988) p.126. However it was heavy for the rural population since it prevented the farmers from working in their fields. Interestingly enough, families who had five children were exempted from this tax. As a result of this, families named their fifth child "Kurtaran"(savior). Besides, the tax became the subject of many comic stories.

<sup>167</sup> İzzettin Önder, "Cumhuriyet Döneminde Tarım Kesiminde Uygulanan Vergi Politikası", p.100.

<sup>168</sup> Cemil Koçak, *Türkiye'de Milli Şef Dönemi(1938-1945)*, p. 389.

Table 3: Agricultural Production Index.<sup>169</sup> (1938=100)

Years	Index
1938	100
1939	105
1940	106
1941	95
1942	103
1943	90
1944	86
1945	74

According to the table above the production fell sharply in 1941 in all crops. It was the period of intensive confiscation. In 1942, production increased since the government released prices and relatively slackened confiscation measures. Surely the decrease in production cannot only be ascribed to confiscation measures since there is evidence on the drop in wheat production due to unfavorable weather conditions and the scarcity of means of agricultural production owing to the decline in imports during war years. To illustrate, the wheat output in 1939 was 1058 kg for per hectares, yet it fell to 585 kg in 1945.<sup>170</sup>

The government did not confiscate any agricultural products from the outbreak of the war to November 1940. On the contrary it allowed producers to choose between merchants and COSP to sell their products. This did not mean that the state interference declined, more so, this was due to the presence of adequate grain stocks. As a matter of fact, Turkey continued to export grain to Germany until 1941. Whereas most countries restricted grain trade since it was a required material, Turkey did not restrict its trade and this caused the severe food crisis from 1941 to the end of the war. To overcome the crisis the government decided to confiscate agricultural products or to compel the producers to sell their products to the COSP.<sup>171</sup>

<sup>169</sup> Vedat Eldem, "Milli Gelir" *İstanbul Üniversitesi İktisat Fakültesi Mecmuası Vol:9 No:1-2*, (October 1947-January 1948), p.82.

<sup>170</sup> Osman Sönmez, *İkinci Dünya Savaşı Sırasında Türkiye'nin İktisadi Politikası*, p. 30.

<sup>171</sup> Ö.Faruk Çolak, *Savaş Ekonomisi ve II. Dünya Savaşı Dönemi Türkiye Ekonomisi*, p.242.

The government launched confiscations on November 28, 1940 with its resolution on the confiscation of wheat and rye.<sup>172</sup> Then, it confiscated spring wools, *yapağı* in December 1940; residual, *artık* grain in February 1941; cotton, corn and grain in mid-1941; timber in Istanbul in late 1941; bird fodder, bean and paper in İstanbul in early 1942; grain in mid-1942; vegetable oil in mid-1942; quinine, paper, lorries and rubber passed through customs in mid-1942.<sup>173</sup>

When the confiscation prices are examined, it is observed that they were determined unilaterally by the government. Therefore, it is clear that the confiscation prices were well behind the market. For instance, during the summer of 1942 when wheat's market prices increased to 50 *куруşs*, the government intended to confiscate it for 20 *куруşs*.<sup>174</sup> Nazmi Topçuoğlu, Minister of Trade, explained the motives behind the low confiscation prices in one of his articles in *İktisadi Yürüyüş* as follows:<sup>175</sup>

The military requirements of food, the war conjuncture, and the increase in production costs due to an increase in the prices of means of production escalated wheat prices in the market.<sup>176</sup> For instance in İstanbul, Ankara and İzmir a kilo of bread was 11 *куруşs* whereas in other cities it rose to 18 *куруşs*. This produced a high pressure on purchasing power of the COSP and dissuaded the producers to sell their products to the COSP. However we ignored all these circumstances and we tried to keep the prices at their pre-war level in order to prevent high prices in big cities. To achieve this, we prohibited grain trade within three-fourth of the cities where we undertook to distribute food items. However, there was not a food distribution mechanism within such a large area. As a result, black market activities appeared. To stop black marketing, we confiscated agricultural products with our own figures.

The government was authorized to determine the composition and the types of cultivation and to prohibit the cultivation of any crops through the 38<sup>th</sup> article. This way, the government would be able to guarantee the production of essential agricultural products. Also, the government had the authority to cultivate the vacant

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<sup>172</sup> Resolution No: 76 (28.11.1940) Hüsnü Bengi, *Milli Korunma Kanun ve Kararları*, p 102. According to this resolution it was compulsory for all real, *hakiki* and judicial, *tüzel* persons except for those who were not engaged in grain trade to file a return, *beyanname* including the quantity, sort and qualities, *evsaf* of their wheat and rye. Among the forty-three cities and towns where confiscation was carried out were İstanbul, İzmir, Ankara, Afyon, Diyarbakır, Eskişehir, Samsun, Sivas, Erzurum, Kayseri etc.

<sup>173</sup> Resolution No: 76, 80, 107, 127,139,157, 226, 249, 250, 265, 324, 304, 322, 351, 357.

<sup>174</sup> Şevket Pamuk, "İkinci Dünya Savaşı Yıllarında Devlet, Tarımsal Yapılar ve Bölüşüm", p.102.

<sup>175</sup> Nazmi Topçuoğlu, "İaşe Durumumuz" *İktisadi Yürüyüş Vol: 5 No:60*, (June 1942)

<sup>176</sup> It should be recalled that military demand increased due to *de facto* mobilization and the temporary but sudden increase in the number of military personnel concerned.

lands or to oblige those who had suitable lands to cultivate the certain crops through the 39 and 40<sup>th</sup> articles. In doing so, the government intended to prevent the decrease of cereal production whose sale prices had been determined by the government and the increase of the production of certain crops the prices of which had not been determined by the government. Another measure to encourage agricultural production was to pay premiums for certain crops. In this respect, the government paid premiums for potato<sup>177</sup> and sugar beet.<sup>178</sup> Furthermore, the government distributed grain seeds to farmers in order not only to increase grain production but also to increase output by culturing it. The 42<sup>nd</sup> article of NPL and the 281<sup>st</sup> resolution authorized the government to distribute in-kind and in-cash grain seeds to farmers.<sup>179</sup> For similar purposes the government distributed silkworm nits to farmers.<sup>180</sup>

As well as compulsory labor in farms, taxation and confiscation to increase agricultural production, the government controlled the trade of livestock, especially oxen and buffalos, and prohibited the slaughter of livestock younger than 5 years old which were employed in agricultural production.<sup>181</sup>

### 3.1.3 MEASURES REGARDING PRICES

In Turkey during WWII inflation was the prevalent problem. Table 4 indicates the course of inflation during war years. As the table points out, by 1945, wholesale prices quadrupled those in 1938. It is also observed from the table that from 1938 to 1943 wholesale prices registered a rapid increase which was perhaps due to the release of the prices by Saraçoğlu's government. However during the years 1944-1945 they slightly declined. This was perhaps due to the restoration of price control mechanism again by Saraçoğlu's government.

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<sup>177</sup> Resolution No: 378 (8.18.1942), Hüsnü Bengi, *Milli Korunma Kanun ve Kararları*, pp.423-424. According to this resolution, the government was to pay 2 TLs for each acre on which potato was cultivated or going to be cultivated.

<sup>178</sup> Resolution No: 401 (11.10.1942), Hüsnü Bengi, *Milli Korunma Kanun ve Kararları*, p.444.

<sup>179</sup> Resolution No: 281 (03.02.1942), Hüsnü Bengi, *Milli Korunma Kanun ve Kararları*, pp.283-284.

<sup>180</sup> Resolution No: 40 (07.04.1940), Hüsnü Bengi, *Milli Korunma Kanun ve Kararları*, p.81; 191 (08.25.1941), Hüsnü Bengi, *Milli Korunma Kanun ve Kararları*, p.210.

<sup>181</sup> Resolution No: 240 (12.24.1942), Hüsnü Bengi, *Milli Korunma Kanun ve Kararları*, p.243; 297 (5.5.1942) Hüsnü Bengi, *Milli Korunma Kanun ve Kararları*, p.294.

Table 4: Wholesale Price Index (1938-1945)<sup>182</sup> (1938=100)

Year	Wholesale Price Index	Annual Change (%)
1938	100	---
1939	103	3
1940	124	20,4
1941	165	33,1
1942	280	69,7
1943	457	63,4
1944	420	-8,1
1945	400	-4,3

The factors behind the inflation varied. First and perhaps the most important factor was the decline in agricultural production and the slow pace of industrial production. During war years production could not cover consumption which stemmed from the demand of the military and stocking of required materials by both the state and people. Table 5 shows the production of some important agricultural and industrial materials.

Table 5: Production of Some Important Agricultural and Industrial Materials (1939-1945).<sup>183</sup>

Year	Cereals (tons)	Sugar (1000 tons)	Iron (1000 tons)	Coal (1000 tons)	Salt (1000 tons)
1939	7.828.005	95	231	2.696	240
1940	7.884.023	88	130	3.019	234
1941	6.494.550	89	61	3.020	251
1942	8.017.912	57	19	2.510	241
1943	6.657.715	--	92	3.166	266
1944	5.596.284	--	90	3.560	257
1945	3.765.839	89	126	3.720	254

<sup>182</sup> Hüseyin Şahin, *Türkiye Ekonomisi*, p.85.

<sup>183</sup> Osman Sönmez, *İkinci Dünya Savaşı Sırasında Türkiye'nin İktisadi Politikası*, p. 30.

As observed in the table above, the production of cereals, sugar and iron registered a remarkable decline whereas coal production increased in a slow pace.<sup>184</sup> The decline in cereal and sugar production deserves further attention as they were the most necessary materials during war years. Cereal production indicators reveal a constant decline except the year 1942 when, as previously mentioned, confiscation measures were slackened and the control on cereal prices was abandoned through the so-called 25% decision, *%25 kararı*. The decline in sugar production mainly stemmed from unfavorable weather conditions since in Turkey sugar was typically made from beet which was mainly dependent on irrigation instead of sugar bamboos.<sup>185</sup> Direct state involvement in sugar production can be considered another reason of the decline in sugar production in the sense that the state sugar factories which had monopolized sugar production faced difficulties in acquiring means of sugar production such as chemicals (see footnote no:85) and machines due to the decline in imports.

The second factor behind the inflation was that the government increased consumption taxes on agricultural products such as sugar, tea and coffee. The underlying motive was to compensate the expenditures in the budget which remarkably rose due to the demand of the military. The tax on sugar was 7 *kuruş*; on tea and coffee it was 20 *kuruş* according to the Law no: 3828, the Law on the Addition to Some Tolls and Taxes. However, the taxes on tea and coffee were increased respectively to 60 and 45 *kuruş* on May 31<sup>st</sup>, 1941 by the law no: 4040 the Law on the Addition to Some Tolls and Taxes; and the tax on sugar was

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<sup>184</sup> The increase in coal production was basically due to the compulsory labor in mines. However, according to Kessler, coal output in Turkey during war years was well behind that of Germany. Annual coal production was four million tons in Turkey whereas only in Ruhr region in Germany, weekly coal production was two million tons. The low level of coal production in Turkey was due to the low capacity of harbors and the low quality of workforce. Kessler *quoted* in Cemil Koçak, *Türkiye'de Milli Şef Dönemi(1938-1945)*, p.401.

<sup>185</sup> In fact, as Suvla discussed in his study on sugar, sugar made from cane was a product of peaceful times whereas sugar made from beet was a product of war times, which means it was an emergency product, since sugar production from beet required a longer and a more expensive process (and state involvement) than that of bamboo. Because, in its nature, cane was a self-growable plant while beet required cultivation. Furthermore, sugar essence could be extracted from beet only through chemicals, on the other hand it could be extracted from cane through a natural process. For more information about sugar production and sugar politics in Turkey and in the world, See Refii Şükrü Suvla, "Bugünkü Harp Karşısında Dünyada ve Türkiye'de Şeker Meselesi" *IFM Vol: II No:3-4* (Istanbul,1941) pp. 471-490.

increased to 52 *kuruş* on January 22<sup>nd</sup>, 1942 by the resolution no: 264.<sup>186</sup> Taxes on thread, cement, wool and gas were increased as well.

In addition to the augmentation of consumption taxes on agricultural products, the government increased the income taxes for incorporations. Before the outbreak of WWII the profits of incorporations had been taxed in the rate of 11%. Then the rate was raised to 15% at the beginning of the war by the law no: 2395, the Profit Tax Law. However, the rate of 15% did not fulfill the government's expectations. Therefore, the government increased the income tax to the rate of %33 through the laws no: 3828 and 4040. Moreover, the taxes paid by the limited, collective and cooperative companies were increased in the rate of 50% by the law no: 3828. Also, the taxes paid by businessmen subjected to income tax and by peddlers were respectively increased in the rate of 25% and 10%. Later, the laws no: 4040 and 4226 increased all these taxes again.<sup>187</sup> Salesmen almost always reflected these increases upon the merchandise they sold. This naturally raised prices and became one of the causes of the inflation.

The third factor behind the inflation was expansionist monetary politics. After the establishment of Central Bank in 1930,<sup>188</sup> the government completely controlled money supply. Money emission remained in a constant level until 1939; in 1930 currency in circulation was 160 million TL and in 1938, 219 million TL. The rate of the increase in the emission was only % 0.5. It is necessary to examine the increase in the currency in circulation in order to shed light on high inflation. The increase in the money emission stemmed from three factors. First, the breakout of the war negatively affected imports; imports volume fell in the rate of 67% in 1939 and 1940. On the other hand, exports did not decrease as much as imports. When Turkish foreign trade balance in 1939 and 1940 is compared with that of 1938, it is clearly observed that Turkish trade turned active during war years. Even, import coverage of exports in the rate of 96,7% in 1938 immediately increased up to 107,6% in 1939, and reached its higher level as 295,7% in 1946. This active trade balance, that is the

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<sup>186</sup> Osman Sönmez, *İkinci Dünya Savaşı Sırasında Türkiye'nin İktisadi Politikası*, p.14.

<sup>187</sup> Osman Sönmez, *İkinci Dünya Savaşı Sırasında Türkiye'nin İktisadi Politikası*, pp.13-14.

<sup>188</sup> For a detailed history of Central Bank of Turkey, see Selim İlkin&İlhan Tekeli, *Para ve Kredi Sisteminin Oluşumunda Bir Aşama: Türkiye Cumhuriyet Merkez Bankası* (Ankara:Türkiye Cumhuriyet Merkez Bankası, 1981)

high volume of exports was reflected into domestic market as demand force. Accompanied by the high amount of currency in circulation, this demand force gave rise to prices. Second, as a general rule, foreign loans lead to increase in prices. If these loans are immediately used to clear only the import debts, they may not increase the domestic purchasing power and consequently demand force. However, as observed in Turkey's case, if the government postpones paying import debts, the Central Bank restores its foreign exchange reserves through these loans and it gets the opportunity to increase domestic purchasing power by issuing money. The government applies to Central Bank credits on the basis of foreign exchange reserves. As a result, currency in circulation increases, and as there is not enough commodity supply in the market to cover the demand, prices increase. Third, that all countries, either involved in the war or not, have to increase their expenditures during wartime is a well-known fact. Turkey, though not participated in the war, had to use large sums of funds in proportion to her budget and financial capability. Her expenditures increased not only in military field, but also in other daily services. This increase was partly due to price increases, which compelled the government to meet its needs upon higher costs, and to the government's growing involvement in services which forced it to spend more money. If the fact that government's expenditures pertaining to normal services increased during the war is taken into account, it is easily understood that the Turkish government confronted serious difficulties in stabilizing the budget.<sup>189</sup>

Before the war broke out, the government could preserve budget balance through taxes and foreign loans. Nevertheless, after the war broke out, as military demand increased<sup>190</sup> and the sources of loans remained stable, budget deficits widened and the government faced difficulties in stabilizing the budget. Table 6 indicates the budget revenues, expenditures and the deficit during war years.

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<sup>189</sup> J. Dobretsberger, "Fiyat Siyasetine Ait Bazı Düşünceler", pp. 281-282; İffet H.Oruz & Sıtkı Yırcalı, *Türkiye'de Fiyat Murakabesi: Mevzuat ve Tatbikat*, pp.223-226.

<sup>190</sup> The share of the military expenditures in the budget increased from 94,5 million TLs in 1938 to 173 million in 1939, 290,5 million in 1940, 322,5 million in 1941, 497,5 million in 1942, 542,5 million in 1943 and 554 million in 1944. It declined to 248 million TLs in 1945. The proportional share of the military in budget expenditures increased from 30,31% in 1938 to 51,12 % in 1944. It fell to 40,88 in 1945 when the war ended. Cemil Koçak, *Türkiye'de Milli Şef Dönemi(1938-1945)*, p.370.

Table 6: Budget Revenues, Expenditures and Deficits (1938-1945).<sup>191</sup>

Years	Revenues (Million TLs)	Expenditures (Million TLs)	Deficit (Million TLs)
1938-1939	266,9	311,1	-44,2
1939-1940	273,4	398,7	-125,3
1940-1941	316,3	545,6	-229,3
1941-1942	384,4	581,9	-197,5
1942-1943	895	913,7	-18,7
1943-1944	886	1.031,4	-145,4
1944-1945	996,2	1.078,7	-82,5

As the table indicates, budget deficits grew five times from 1938 to 1941. The decline in budget deficit in the years 1942-1943 stemmed from the Capital Levy, *Varlık Vergisi* which will be briefly dealt with in subsequent chapters. In order to cover the budget deficits the government applied to Central Bank loans consequently increasing the money emission. Accompanied by the low level of agricultural and industrial production, money emission increased wholesale prices appropriate to the quantity theory.<sup>192</sup> Table 7 indicates the relation between the currency in circulation and wholesale prices during war period.

Table 7: Currency in Circulation and Wholesale Prices (1938-1945).

Years	Currency in Circulation (Million TLs) <sup>193</sup>	Circulation Index (1938:100) <sup>194</sup>	Wholesale Prices (1938:100) <sup>195</sup>	Price Increase (%) <sup>196</sup>
1938	204,7	100	100	---
1939	296,8	150,7	101	1
1940	418,8	209	127	25,7
1941	521,5	270	175	37,8
1942	744,9	385,5	340	94,2
1943	805,6	417,1	590	73,5
1944	964	500	459	-22,2
1945	887,9	457	444	3,3

<sup>191</sup> Z.Y. Hershlag, *Turkey: An Economy in Transition*, p.201

<sup>192</sup> According to Classical Quantity Theory, the reason behind the inflation is the increase in the currency in circulation which directly increases the demand. Consequently, the increased aggregate demand gives rise to general price level. This kind of inflation is called demand-pull inflation and is generally described as “too much chasing too few”. See Coşkun Aktan, *Politik İktisat*, (İzmir: Anadolu Matbaacılık, 2000).

<sup>193</sup> Osman Sönmez, *İkinci Dünya Savaşı Sırasında Türkiye'nin İktisadi Politikası* p.18

<sup>194</sup> Asım Yücel, “Türkiye’de Para Politikası ve Fiyatlar: 1923-1972”, p. 526

<sup>195</sup> Asım Yücel, “Türkiye’de Para Politikası ve Fiyatlar: 1923-1972”, p.526

<sup>196</sup> Asım Yücel, “Türkiye’de Para Politikası ve Fiyatlar: 1923-1972”, p. 526

The table above shows that the expansion of emission increased commodity prices between the years 1940-1943. In 1944 and 1945 a decline is observed in commodity prices although the emission continued to expand. It implies that the expansion of emission was not the only factor in price increases. The other factor in price increases was the scarcity of commodities due to the difficulties in imports and the low level of agricultural production. In this respect, had the government been able to increase imports, commodity supply would have covered the demand, and Turkish currency would not have uselessly circulated. However, imports in tons fell from 1938=100 to 36,7 in 1941, from that date onwards it registered a slow increase to 74 in 1945,<sup>197</sup> on the other hand, agricultural production fell from 1938=100 to 74 in 1945.<sup>198</sup>

The aforementioned factors caused a high inflation during war years. Inflation triggered black market activities and vital consumption items disappeared in the market. Actually, black market activities and speculative price increases had early began along with the outbreak of the war. This was observed in the circular broadcasted on September 7<sup>th</sup> 1939 by the Office of Prime Minister. It announced that the government would continuously be in pursuit of those who would attempt to increase prices unreasonably and intend to take advantage of price increases. Also, it forewarned the would-be profiteers that government was able to punish them. If the laws were incapable of punishing the profiteers, the government would not hesitate to demand necessary laws from GNA for punishment and confiscation of shops, factories, stores and even lodgings belonging to profiteers.<sup>199</sup> Nevertheless, shortly after war broke out in September, 1939 many goods were withdrawn from the market and prices quickly increased. To illustrate, tin prices increased from 2.8 to 12 TLs; iron prices from 8 *kuruş* to 18 *kuruş*, glass and tile prices in the rate of 100%; ironmongery stuff prices in the rate of 15-20% and zinc prices in the rate of 50%. Apart from these, cereal prices such as rice, lentil, chickpea and bean increased in the

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<sup>197</sup> Asım Yücel, "Türkiye'de Para Politikası ve Fiyatlar: 1923-1972" p.527.

<sup>198</sup> See Table 3.

<sup>199</sup> Document No: A33, Reference No: 030.01.34.204.1, *Başvekalet Tebliği* (07.09.1939) (Ankara: Turkish State Archives, 1939)

rate of 25% and 50%.<sup>200</sup> As well as in the circular above, price increases became the subject of the press at the time. In his editorial in *Ulus*, Falih Rıfıkı Atay stated:<sup>201</sup>

The war inevitably brought about price increases in every branch of economic life and it became more difficult to obtain commodities. One of the reasons behind these unnecessary price increases is speculation: to create a commodity scarcity by hoarding them, and to sell them with higher prices. Another reason is to withdraw commodities from the market supposing that the dearth of 1914-1918 would return. It is strongly necessary to struggle with this state of mind as much as with speculation.

Therefore, it became inevitable for the government to take measures to slow down the pace of inflation. On this account it undertook to establish a control over prices in two ways. One was to increase production and to restrict consumption, and the other was to interfere with prices. As previously mentioned, the government took measures to increase production, which boosted coal output, yet failed in augmenting cereal output. Hence, the government attempted to restrict the volume of consumption since it could not efficiently increase the volume of production. Article no: 21 of NPL provided the legal base for consumption controls. It authorized the government not only to prohibit the production, consumption and sale of the materials which it deemed necessary but also to determine the quality and quantity of production, sale and the consumption of these materials.<sup>202</sup>

The government pursued a twofold policy to control consumption. First, it formed the following institutions and then rationed consumption materials. It established CFO according to the resolution no:102. This resolution charged CFO to “deal with imports, exports, stocking and distribution of food items and regulate their consumption.”<sup>203</sup> In addition to CFO, the Central Office of Oil (COO), *Petrol Ofisi* according to the resolution no:103 and TO according to the resolution no: 104 and later Istanbul Fuel Office (IFO), *İstanbul Mahrukat Ofisi* were established as supplementary institutions. COO was charged to purchase and sell oil products, to import them, to determine their prices and to distribute them. IFO was under the administration of the governor of Istanbul and it was charged with the duty of buying, transporting and selling solid and liquid fuel in Istanbul. TO was charged to

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<sup>200</sup> Osman Sönmez, *İkinci Dünya Savaşı Sırasında Türkiye'nin İktisadi Politikası*, p.22.

<sup>201</sup> Falih Rıfıkı Atay, “Mücadele Ederken” *Ulus*, December 20, 1939.

<sup>202</sup> “Milli Korunma Kanunu Layihası ve Muvakkat Encümen Mazbatası (1/301)” (18.01.1940)

<sup>203</sup> Resolution No: 102, (14.02.1941) Hüsni Bengi, *Milli Korunma Kanun ve Kararları*, pp. 125-128.

purchase and sell food items of any sort, to import and export them and to stock them in various parts of the country through the existing institutions or it would set up new institutions to execute these functions.<sup>204</sup> Furthermore, in 1942 the Central Office for Food Distribution (COFD), *Dağıtma Ofisi* was set up according to the resolution no: 295. COFD was charged to purchase and distribute food items of any sort to the military and the public.<sup>205</sup> To assist COFD and to distribute the food items into the smallest towns in the country, the Public Unions for Food Distribution (PUFD), *Halk Dağıtma Birlikleri* were formed in 1942 in accordance with resolution no:319. This resolution envisaged that each social group consisting of 250 households or 1000 inhabitants would constitute a union. PUFD were charged with a) delivering ration stamps prepared for the rationed items, b) directly distributing the items determined by the government, c) preventing misuse of ration stamps and d) informing the members of the union about the time and place each item would be distributed.<sup>206</sup> In villages, Rural Statistics Organization (RSO), *Subaşı Örgütü*, were established to estimate and determine the cultivation of certain agricultural items and their fields.<sup>207</sup>

The underlying motive behind consumption controls was the accelerating pace of prices resulting in black-marketing, thus, deepening of the problem of food scarcity. The Refik Saydam Government assumed that rationing would prevent those who might dominate over market activities by using their efficient purchasing power and deprive others. This way, it would be possible for all people to obtain the material they need. Another assumption was that the diminished consumption would decrease demand and therefore, the demand would approach the low level of supply.<sup>208</sup> Among the items rationed, bread had a distinct place since it was the basic consumption material in Turkey. In order to control bread consumption, the government standardized and rationed it. Standardization was achieved through the resolution no: 115 which determined ingredients of bread including flour and the

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<sup>204</sup> Resolution No: 103,104 (14.02.1941) Hüsnü Bengi, *Milli Korunma Kanun ve Kararları*, pp 129-131.

<sup>205</sup> Resolution No: 295 (16.03.1942) Hüsnü Bengi, *Milli Korunma Kanun ve Kararları*, pp 291-293.

<sup>206</sup> Resolution No: 319 (05.05.1942) Hüsnü Bengi, *Milli Korunma Kanun ve Kararları*, pp. 328-331.

<sup>207</sup> Resolution No: 320 (05.05.1942) Hüsnü Bengi, *Milli Korunma Kanun ve Kararları*, pp. 340-341.

<sup>208</sup> F.Neumark, "Devletin Fiyat Teşekkülüne Müdahalesi", *Adliye Ceridesi*, Vol:32 Issue:9 (Ankara: Adliye Vekaleti Neşriyatı, 1941) p.739.

maximum 15% rye in its blend.<sup>209</sup> Standardized bread was rationed by resolution no:247. Daily bread ration for the children below seven was to be 187.5 grams, for adolescences and adults 375 grams and for workers employed in industrial places, coal mines, constructions and rock mines 750 grams. Furthermore, the production of other food items made of flour than bread was not permitted.<sup>210</sup> As well as bread, the government rationed sugar, gas oil and cotton flannels.<sup>211</sup>

Rationing had many supporters and opponents among the people. Its supporters advocated it on the ground that it suppressed increases in bread prices, it gave an end to the chaos in bread distribution and it prevented bread wasting. In an interview held by *İktisadi Yürüyüş* in October 1942 about whether rationing should be abrogated, Peyami Safa suggested that the application should be broadened to other consumption materials. He stated that among the European countries only Switzerland had not used rationing until then but application started there too. Safa thought that in Turkey where production could not cover consumption, rationing should not be abandoned.<sup>212</sup> Others interviewed stated that rationing was a useful measure since it provided inexpensive bread (25 *kuruş* for officials and 55 *kuruş* for common people) and it protected them from the menace of profiteers.<sup>213</sup> Opponents of rationing, acknowledging its merits, raised objections against its application. They stated that there were misuses in the distribution of ration stamps<sup>214</sup> and there was a discrimination between the civil servants and the commoners in bread distribution.<sup>215</sup>

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<sup>209</sup> Resolution No: 115 (18.02.1941) Hüsnü Bengi, *Milli Korunma Kanun ve Kararları*, pp.143-145. However, ingredients of bread would be changed later. The rate of rye flour in bread was increased from 15% to 20% and 30% barley flour was added. See Resolution No:160 (06.06.1941) Hüsnü Bengi, *Milli Korunma Kanun ve Kararları*, p.193.

<sup>210</sup> Resolution No: 247 (13.01.1942) Hüsnü Bengi, *Milli Korunma Kanun ve Kararları*, pp 247-250. Later, the bread ration for children and adults would decline respectively from 187.5 and 375 grams to 150 and 300 grams in April 1942. The daily bread ration remained on this level until 1944. In 1944 it was increased to 375 grams for adults and in 1945 to 450 grams.

<sup>211</sup> Osman Sönmez, *İkinci Dünya Savaşı Sırasında Türkiye'nin İktisadi Politikası*, p.42.

<sup>212</sup> *İktisadi Yürüyüş*, No: 68-69-70 Special Issue, (29.10.1942), p.42

<sup>213</sup> *İktisadi Yürüyüş*, No: 68-69-70 Special Issue, (29.10.1942),pp.43-44.

<sup>214</sup> Newspapers reported many incidents about stolen ration stamps. To illustrate, of 36000 stamps distributed in Kumkapı-İstanbul 1200 were stolen by some PUFĐ. See Osman Sönmez, *İkinci Dünya Savaşı Sırasında Türkiye'nin İktisadi Politikası*, p.44

<sup>215</sup> Yavuz Abadan, in his reply to the interview question. *İktisadi Yürüyüş* (29.10.1942) p.43

In addition to consumption controls, the government sought to directly control prices. The practical reason behind direct price controls was the increase in *ihlikar* activities. Linguistically, the Arabic word *ihlikar* merges four different meanings in itself; hoarding, profiteering, black-marketing and speculation. It denotes to the acts of those who illegally stock the required materials when they are inexpensive and sell them when prices rise.<sup>216</sup>

Profiteering prevailed in Turkey during WWII as one of the most important socio-economic problems. The underlying reason was the war conjuncture which increased prices of consumption items. As previously illustrated, prices of consumption items rapidly increased along with the outbreak of war. Businessmen, in order to take advantage of rising prices, began to hoard their goods. As goods were hoarded, prices increased, forming a vicious cycle.

Newspapers reported many incidents of profiteering during war years. To illustrate one, Ahmet anaklı known as the king of rice at the time was reported to sell tons of rice for 120-140 *kuruş* per kg in Istanbul whereas he had purchased rice in Maraş and Antakya for 14-24 *kuruş* per kg. He was charged with black-marketing and tried twice by the Court of National Protection. However, with the abolishment of CFO later by the Saraçođlu Government, his charges were cancelled. Despite his murky activities he was chosen to be a member of the Commission for Price Auditing of Rice, *Pirin Murakabe Heyeti*. Consequently, he announced that he had thousands of sacks of rice and he would sell for 95 *kuruş* per kg. Although this price was 30 *kuruş* behind its black-market value, it provided anaklı 42 *kuruş* net profit for per kg. This gesture provided legitimization of his black-marketing activities and he was applauded by the Chamber of Commerce and Behet Uz, Minister of Trade.<sup>217</sup> There were many other cases reported but this example is sufficient to understand the limits of profiteering.<sup>218</sup>

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<sup>216</sup> Oruz and Yırcalı offer the term “aceaparement” for *ihlikar* which means to create price increases by withdrawing goods and provisions from the market and to take advantage of these increases. See İffet H.Oruz & Sıtkı Yırcalı, *Türkiye’de Fiyat Murakabesi: Mevzuat ve Tatbikat*, p.232.

<sup>217</sup> Korkut Boratav, *Türkiye’de Devletilik*, pp.225-226.

<sup>218</sup> For lists of profiteering cases in the press See Osman Sönmez, *İkinci Dünya Savaşı Sırasında Türkiye’nin İktisadi Politikası*, pp. 46-56, Faik Ökte, *Varlık Vergisi Faciası*, (Istanbul: Nebiođlu Yayinevi, 1951) pp.37-38, Cemil Koak, *Türkiye’de Milli Şef Dönemi(1938-1945)*, pp 442-475.

To overcome price increases and prevent profiteering the government established price controlling mechanism in accordance with NPL. Articles no:31-32 constituted the legal base for price controls. Article no:31 authorized the government to determine the types, qualities, maximum price and profits for essential items. It was forbidden to sell these items incompatibly with their determined prices and profit margins. Article no:32 stressed that it was illegal to sell goods with unreasonably high prices, to avoid putting up goods for sale, to hide goods, to intentionally or unintentionally stock goods which would result in irrelevancy in prices. It also prohibited forged certificates designed to provide price increases. This way, the government aimed to hinder price increases by controlling domestic trade.<sup>219</sup>

Along with the articles above, the government passed resolutions to control prices. Shortly after NPL was put into practice, it issued the resolution no:29 on May 31<sup>st</sup> 1940 in accordance with the article no:31. This resolution authorized the government to establish Commissions for Price Auditing (CPA), *Fiyat Murakabe Komisyonları* composed of the governor, director of trade, director of national economy, municipal director of national economy, general secretary of chamber of commerce and two businessmen in cities. According to the resolution, among the duties of CPA were to determine the wholesale and retail prices of the materials and goods determined by the Ministry of Trade, to supervise local prices and to articulate their opinions during prosecutions in case of violation of price margins.<sup>220</sup> Later, in November 1940 CPA were charged with the duty of determination of prices and maximum profits for imported goods.<sup>221</sup>

When thoroughly examined, the above-mentioned resolution can be observed as a purely interventionist measure.<sup>222</sup> The Refik Saydam Government assumed that price increases could be prevented only through the state's interference with prices. However, price controls came to no avail since there was not an effective rationing system at the beginning. Realizing the significance of rationing, the government

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<sup>219</sup> Ö.Faruk Çolak, *Savaş Ekonomisi ve II. Dünya Savaşı Dönemi Türkiye Ekonomisi* p.217.

<sup>220</sup> Resolution no: 29, (31.05.1940) Hüsni Bengi, *Milli Korunma Kanun ve Kararları*, p.73.

<sup>221</sup> Ö.Faruk Çolak, *Savaş Ekonomisi ve II. Dünya Savaşı Dönemi Türkiye Ekonomisi*, p.218.

<sup>222</sup> İffet H.Oruz & Sıtkı Yırcalı, *Türkiye'de Fiyat Murakabesi: Mevzuat ve Tatbikat*, p. IV.

established the above referred rationing institutions such as CFO, COO, TO and COD. The central aim of these institutions was to give an end to profiteering and to meet people's needs by controlling prices.<sup>223</sup> Nonetheless, there was a big gap between the determined prices and market prices consequently inciting black-market and profiteering activities.

The gradual decrease in actual incomes due to inflation brought about a corruption among the bureaucrats<sup>224</sup> and thus, the prices announced by CPA exceeded the aimed prices inhibiting the effectiveness of price control mechanism. İsmail Hüsrev Tökin, a well-known writer, depicted the situation as follows:<sup>225</sup>

CPA could only verify that different prices artificially took shape in the market and the government recognized this verification as price determination. Therefore, CPA could merely adapt to the circumstances rather than intervene them. Price determination by CPA contributed to price increases on the ground that they were under the influence of local authorities. Therefore, they determined artificially high prices. On the other hand, prices of some goods were imposed by CFO which were well beyond the prices determined by local CPA and at times the local administrators refrained from announcing these prices not to damage local markets.

Concerning the corruption, Kazım Karabekir (Istanbul) stated “ nowadays we see that, driven by their greed, some officials are resigning from their posts to become involved in commercial activities. For example, some of the officials, including police officers, have been reported to involve in olive oil trade.”<sup>226</sup>

As to the measures suggested by article no:32, the government established Courts of National Protection (CNP) in Ankara, Istanbul, Izmir and Zonguldak on March 2<sup>nd</sup> 1942.<sup>227</sup> In fact, many trials of those who violated NPL had been carried out in various courts such as minor courts, *sulh mahkemeleri* and penal courts, *asliye ceza mahkemeleri* before the establishment of CNP. However, these trials did not produce dissuasive results upon violators, furthermore it took a long time to punish a

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<sup>223</sup> Ö.Faruk Çolak, *Savaş Ekonomisi ve II. Dünya Savaşı Dönemi Türkiye Ekonomisi*, p. 220.

<sup>224</sup> Purchasing power of officials declined from 1938:100 to 75 in 1941 and 55 in 1942. See Ö.Faruk Çolak, *Savaş Ekonomisi ve II. Dünya Savaşı Dönemi Türkiye Ekonomisi*, p.208 table no:37.

<sup>225</sup> As quoted in Ö.Faruk Çolak, *Savaş Ekonomisi ve II. Dünya Savaşı Dönemi Türkiye Ekonomisi*, p. 221.

<sup>226</sup> Cumhuriyet, (11.12.1942) As Yetkin quoted from Nadir Nadi, even Refik Saydam himself was reported to hoard some food items. While investigating his heritage, officials found sacks of hoarded food items in his house. See Çetin Yetkin, *Türkiye'de Tek Parti Yönetimi: 1930-1945*, (Ankara: Altın Kitaplar Yayınevi, 1983) p.191.

<sup>227</sup> Resolution No: 293, (26.02.1942) Hüsni Bengi, *Milli Korunma Kanun ve Kararları*, pp 290-291.

violator. Therefore CNP were established to provide rapid and effective punishment, but to no avail. When the sentences given by CNP are examined, it is observed that generally small tradesmen such as grocers, butchers and coal-sellers were tried and punished whereas big capitalists such as factory owners and importers were rarely tried and punished. Furthermore, these sentences consisted merely of minimal fines and short imprisonment and the courts preferred the former. Considerable fines and imprisonments were scarce. The fact that fines were at a minimum level and imprisonments were rarely applied, decreased dissuasiveness of punishments.<sup>228</sup> Inefficiency of penalties given to violators was apparent in official documents. The preamble of the law no: 3954 amending NPL stated:<sup>229</sup>

The application of NPL with regard to the punishment of profiteers returned ineffective results on the ground that the penalties did not cover all violations; only exceptional cases of profiteering could be punished; on the other hand, common profiteering cases were left unpunished. Our government assumes that someone who unreasonably sells a candle or a kilo of beans for a high price is as guilty as someone selling goods in tons since his purpose is the same: profiteering. Therefore, the penal clauses on profiteering should all be embracing and no profiteer should be left unpunished.

Similarly, the preamble of the law no: 4180 re-amending NPL stated “ it was realized that the penalties assigned for the violation of NPL were not dissuasive enough. Hence, they were fortified and in this respect, banishment was diverted into heavy imprisonment.”<sup>230</sup> However, the measures suggested above seem to have failed to stop profiteering in the sense that a law proposal called the Prohibition of Profiteering, *Men-i İhtikar Kanunu* suggesting capital punishment to profiteers was submitted to GNA by İbrahim Arvas (Van), yet rejected.<sup>231</sup> Later in 1944 when the fourth amendment on NPL was carried out by the law no:4648, capital punishment was added to the text of the law. It included that violation of 32<sup>nd</sup> article of NPL in an organized way on the purpose of creating an economic crisis in the country would invite this sentence as stipulated by the amended 57<sup>th</sup> article. Nonetheless, this measure was not to be applied since the 57<sup>th</sup> article included vague statements with

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<sup>228</sup> Cemil Koçak, *Türkiye’de Milli Şef Dönemi(1938-1945)*, p.465

<sup>229</sup> Milli Korunma Kanununun Bazı Maddelerinin Değiştirilmesine Dair Kanun Layihası ve Muvakkat Encümen Mazbatası (1/529) (13.12.1940) pp.9-10.

<sup>230</sup> Milli Korunma Kanununun Bazı Maddelerinin Değiştirilmesine ve Bu Kanuna Bazı Maddeler eklenmesine Dair Kanun Layihası ve Muvakkat Encümen Mazbatası (1/751) (22.01.1942) p.5.

<sup>231</sup> Document No: 4/228 (14.11.1941), Reference No: 030.10.4.22.27, *İbrahim Arvas’ın Men-i İhtikar Kanunu Önerisi*, (Ankara, State Archives,1942) (3 Pages)

regard to how violators would be detected and how prosecutors would verify whether there was an organized action.

There were many cases concerning the punishment of NPL's violators in CNP. For instance, a bicycle repairer who stocked 800 kilos of sugar, 27 cans of olive oil, 25 sacks of potatoes and 25 sacks of soap in his house, his shop and in the Kasımpaşa Bath and a coal-seller who expensively sold coal were taken to court. Charged with profiteering, a grocer and a stove-seller was fined to 5 TLs and their shops were closed for seven days.<sup>232</sup> İbrahim Yeşilgül, a grocer in Antalya who violated the 21<sup>st</sup> article of NPL by selling freshly baked bread was fined to 29 TLs and 127,5 kilos of bread in his shop was confiscated.<sup>233</sup> Examples can be multiplied, however the cases above are enough to understand the work of CNP.

Stabilization of rents was another aspect of price controls in Turkey during WWII. The 30<sup>th</sup> article of NPL provided the legal base for the stabilization of rents. It envisaged that house rents in cities, towns, harbors, and stations were not to exceed those in the preceding year (1939) throughout the application of the law. In accordance with the article the government passed the resolutions no: 17, 53, 98 and 479. Rents were initially stabilized in Ankara, Istanbul and other city centers by the 17<sup>th</sup> resolution, then the scope of the application was extended to town centers by the 53<sup>rd</sup> resolution. The 98<sup>th</sup> resolution settled the provisions according to which the rent prices would be determined. It determined that the rents were not to exceed the notary limits in 1939.

When the application is examined, it is observed that the measures stabilizing rents were effectively applied during war years. For instance, in Beyoğlu-Istanbul, monthly rent of a four-room flat with a kitchen and a bath was 25 TLs whereas in peripheral quarters the monthly rent of a room was 5 TLs.<sup>234</sup> Rents remained on this level -except for an addition on the rents for apartments with heating system by 479<sup>th</sup>

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<sup>232</sup> Cemil Koçak, *Türkiye'de Milli Şef Dönemi (1938-1945)*, p. 466.

<sup>233</sup> Document No: 6/799 (07.04.1942), Reference No: 30..10.0.0.8.50..9. *Antalya Mebusu Rasih Kaplan Tarafından Tevcih Edilen Sual Takriri Hakkında*, (Ankara: Turkish State Archives, 1942) (5 Pages)

<sup>234</sup> Süreyya İlmen, *Milli Korunma Kanunu ve Gayrimenkul Sahipleri Derneği*, p.8.

resolution- until 1952. Süreyya İlmen, the head of the Society of House Owners in 1952, criticized the article as such:<sup>235</sup>

In 1939, a golden lira was equal to 10 TLs in paper notes and therefore 1 TL was equal to 10 kuruş. In this respect, a kilo of sugar was 50, a kilo of beans was 14, a kilo of bread was 10, a kilo of meat was 35 and a kilo of rice was 17 kuruş etc. On the other hand, today (1952) a golden lira is equal to 45 TLs and 1 TL is equal to 90 kuruş. In this respect a kilo of sugar is 140, a kilo of beans is 120, a kilo of bread is 30, a kilo of meat is 320 and a kilo of rice is 120 kuruş. In short, prices have increased approximately 500 %. However, rents remained on the same level.

Low rents produced harsh social effects on house owners. Their relations with tenants were badly affected by the law. Thousands of them died due to malnourishment and tuberculosis since they did not have enough money to get food.

The situation was not as terrible as he exaggerated since some of house owners found a way, by taking advantage of the vacuum within the law, to compensate their losses demanding a certain amount of cash called fringe benefits, *hava parası* before rental contract was prepared although it sometimes resulted in their trial in CNP with the accusation of profiteering. There were many cases concerning the friction between house owners and tenants upon rental prices and evacuation of rented houses. İlmen asserts that there were even murders committed due to the friction between house owners and tenants.<sup>236</sup>

To sum up, price controls by the Saydam Government had principally three aspects; consumption controls through the establishment of rationing institutions, direct price controls and the struggle with profiteering through the 31<sup>st</sup> and 32<sup>nd</sup> articles together with related resolutions, and stabilization of rents through the 30<sup>th</sup> article together with related resolutions. Consumption controls such as rationing produced effective results only in bread prices, while others constantly increased. Direct price controls through 31<sup>st</sup> and 32<sup>nd</sup> articles returned limited results and the struggle with profiteering through penalties failed to stop unreasonable price increases.

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<sup>235</sup> Süreyya İlmen, *Milli Korunma Kanunu ve Gayrimenkul Sahipleri Derneği*, p.8.

<sup>236</sup> Süreyya İlmen, *Milli Korunma Kanunu ve Gayrimenkul Sahipleri Derneği*, p. 29.

### 3.1.4. MEASURES REGARDING FOREIGN TRADE

As previously mentioned, Turkish foreign trade experienced a noteworthy decline during WWII. Table 8 reflects the drop in Turkish foreign trade throughout war years.

Table 8: Turkish Foreign Trade (1939-1945)<sup>237</sup>

Year	Exports		Imports		Balance(+)
	In Quantities (1000 tons)	In Values (Million \$)	In Quantities (1000 tons)	In Values (Million \$)	Million \$
1939	1135	99,6	735	92,5	7,1
1940	659	80,9	357	50	30,9
1941	429	91,1	310	55,3	35,8
1942	355	126,1	344	112,9	13,2
1943	336	196,7	391	155,3	41,4
1944	346	177,9	332	126,2	51,7
1945	310	168,3	325	97	71,3
1946	905	144,6	403	48,9	95,7

As observed in the table above, imports and exports were negatively affected by war conditions, but exports suffered comparatively less. This was due to the rise in demand for them and their prices<sup>238</sup> and the scarcity of imported goods favorably influencing the balance of trade up to 1946.<sup>239</sup> As shown in the table, imports strikingly fell between the years 1939 and 1941, then they registered an increase from 1942 to 1944. This was due to the cutback in trade relations with Germany. Since 1930, Turkish foreign trade had gradually been attached to Central European countries, especially Germany with which Turkey conducted more than 50% of her trade,<sup>240</sup> through “clearing” treaties envisaging mutual trade relations.<sup>241</sup>

<sup>237</sup> Hüseyin Şahin, *Türkiye Ekonomisi*, p. 89.

<sup>238</sup> According to Şahin, the prices of Turkish exports increased 6,3 times during war years. In 1939 the price of a ton of exported goods was averagely 111,9 TLs whereas in 1945 it went up to 706,5 TLs. See Hüseyin Şahin, *Türkiye Ekonomisi*, p.88.

<sup>239</sup> Z.Y. Hershlag, *Turkey: An Economy in Transition*, p.245.

<sup>240</sup> In 1929 the German share in Turkish exports and imports was respectively 16% and 23,5%. It gradually increased after Hitler came to power to 36,5 % and 47% in 1937 and to 42% and 53% in 1939. See Taner Timur, *Türk Devrimi ve Sonrası*, pp. 188-189.

<sup>241</sup> In 1938, 83% of Turkish foreign trade was based on such treaties. See Taner Timur, *Türk Devrimi ve Sonrası*, p.189. Apart from Germany, Turkey had mutual trade relations with Belgium, Czechoslovakia, Finland, France, Holland, Sweden, Switzerland, Poland and Hungary. See *Aydın Tarihi*, (January, 1940), p.191.

Nonetheless, the war caused a decline in trade relations between Turkey and her clients due to political tensions prevalent in Europe at the time. In this respect, the commercial treaty with Germany which expired in 1940 was not protracted since she was in the opposite camp in political terms.<sup>242</sup> Consequently, Turkish trade suffered a 50% decline. Turkey's unrevealed allies, the US, England and France<sup>243</sup> were not capable of recovering this decline in a short time as they were not as close as Germany to Turkish borders and as they had no railway connection to Turkey.<sup>244</sup> Not supported by the Western powers, Turkey revised her trade relations with Germany from 1941 onwards and Germany remained as Turkey's major partner until August 1944.

Driven by the difficulties in foreign trade, the government resorted to a more controlled trade regime than it had established in the thirties.<sup>245</sup> The 20, 22, 29 and 34<sup>th</sup> articles of NPL provided the legal base for the control of foreign trade. According to these articles, the government was to:

- determine the necessary import materials and their quantities and it would restrict or prohibit unnecessary imports (Article 20).

- oblige some commercial corporations to import the required materials by granting foreign exchange and loans to them and control the processes. Upon necessity, stocking the required imports was encouraged. (Article 22).

- Determine and control the prices of imports and exports and disallow the import and export of these materials out of the price margins. It was to provide premiums for exports and receive premiums from imports. (Article 29).

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<sup>242</sup> Cemil Koçak, *Türkiye'de Milli Şef Dönemi(1938-1945)*, p.368.

<sup>243</sup> Although she announced her neutrality at the beginning of WWII, Turkey politically felt herself close to the US, England and France. To strengthen the relations with England and France, Turkey signed a commercial treaty at the beginning of 1940 envisaging that England would provide 25-million-pound loan, golds in the value of 15 million pounds and 3,5-million-pound commercial loan.

<sup>244</sup> Hüseyin Şahin, *Türkiye Ekonomisi*, p.87.

<sup>245</sup> Turkey's foreign trade policy during the Thirties was based on the following principles; a) the purchase of goods from countries which bought from Turkey; b) the prohibition of imports of goods also produced within the country c) free importation of other goods within the framework of commercial agreements d) a marked tendency towards an active trade balance. To government established a special Office for Foreign Trade, the "Türkofis" with the duty of planning imports and exports and centralizing negotiations concerning foreign trade. See Z.Y. Hershlag, *Turkey: An Economy in Transition*, p.154.

- extend the scope of the 7<sup>th</sup> article of the law no:3018 (the Law on the Prohibition of Adulteration in Trade and the Protection and Supervision of Exports, *Ticarette Tağşişin Men'i ve İhracatın Korunması ve Murakabesi Hakkında Kanun*) concerning the commercial associations to cover importers, wholesalers, retailers and industrialists(Article 34).

The government established two institutions to control foreign trade. One was COO established according to the 103<sup>rd</sup> resolution and the other TO established according to the 104<sup>th</sup> resolution whose tasks mentioned above. Through the establishment of COO the government aimed to control oil imports and their distribution. With regard to the establishment of TO it can be stated that the government's foreign trade policy carried similar characteristics with its food policy since the main problem during war years was the scarcity of food.<sup>246</sup>

In addition to COO and TO, the government established import unions, *ithalat birlikleri*<sup>247</sup> in accordance with the resolutions no: 8 and 20.<sup>248</sup> According to 20<sup>th</sup> resolution determining the type statute, *tüzük* of import unions, they were charged with the duty of importing the best-quality and the most economical materials, in other words determining the prices of import materials, stocking these materials in required amounts, ensuring that the consumers could easily and economically obtain these materials, and making statistical inquiries about the countries from which these materials were to be imported.<sup>249</sup>

The government established import unions simply to continue imports, to preserve the price level of imported materials and to be able to import the required materials on time. Nevertheless, contrary to their aims, import unions became the champions of black-market activities and contributed to the formation of a privileged group often referred to as war capitalists. To understand how this occurred, one

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<sup>246</sup> Ö.Faruk Çolak, *Savaş Ekonomisi ve II. Dünya Savaşı Dönemi Türkiye Ekonomisi*, p.273.

<sup>247</sup> Before the establishment of import unions, there were export unions the first of which was the Eastern Provinces Animal Exporters' Union Inc., *Şark Vilayetleri Canlı Hayvan İhracatçıları Birliği Türk Anonim Şirketi* established in 1937. Then, the Gaziantep –Hasankeyf Tobacco Exporters' Union Inc. *Gaziantep-Hasankeyf Tütünleri İhracatçıları Birliği Türk Anonim Şirketi* in 1938 and the Aegean Zone Dry Fruit Exporters' Union, *Ege Mıntıkası Kuru Meyve İhracatçıları Birliği* in 1939 were established. See Ö.Faruk Çolak, *Savaş Ekonomisi ve II. Dünya Savaşı Dönemi Türkiye Ekonomisi*, p. 274.

<sup>248</sup> For the contents of the resolutions see Hüsnü Bengi, *Milli Korunma Kanun ve Kararları*, p. 48 and pp.58-67.

<sup>249</sup> Hüsnü Bengi, *Milli Korunma Kanun ve Kararları*, pp.59-60.

should take a look at the structure of import activities during war years. Between the years 1939 and 1945 the average prices of import materials increased in the rate of 240%.<sup>250</sup> Nevertheless, wholesale prices registered a sharper increase as shown in table 7. During this period the exchange rate for imports were at low ebb.<sup>251</sup> Although customs duties were increased in 1940 and 1941, import materials still remained inexpensive. Therefore, import activities became highly profitable during war years and taking advantage of this, importers, who were granted foreign exchange at low rates by the government, accumulated large sums of capital.<sup>252</sup> As a matter of fact, when the government decided to abolish import unions in 1946, businessmen would resist the government.<sup>253</sup>

Export unions (see footnote 249) were charged with the duty of determining export prices just as import unions determined import prices. They were to determine the prices of exports whether they were to be exported by individuals or unions. However, the determined prices would be valid only if they were approved by the Ministry of Trade. Because, as its trade policy required, Ministry of Trade would postulate minimum prices for exports and the prices determined by the export unions would not be less than these prices.<sup>254</sup> This way, the government aimed at preserving the amount of export revenues. However, as time went by, the war conjuncture brought about a natural increase in export prices. Consequently, Turkish foreign trade registered a positive trade balance during war years. Table 8 reflects the positive balance of trade during war years. Although the amount of exports

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<sup>250</sup> Hüseyin Şahin, *Türkiye Ekonomisi*, p.88. Çolak presents the rate as 400%. It denotes to the increase during the years between 1939 and 1941. See Ö.Faruk Çolak, *Savaş Ekonomisi ve II. Dünya Savaşı Dönemi Türkiye Ekonomisi*, p.268. However, when the whole war period is taken into account, the rate above seems quite reasonable.

<sup>251</sup> It is a general rule that the higher a currency's value is in proportion to other currencies the cheaper the import materials are. As a matter of fact, owing to the Saydam government's policy, Turkish currency's value during war years was higher than it must be. Şahin articulates the official value of the Turkish currency as 1\$= 1.28 TL in 1939, 1 \$=1.38 TL in 1940, and 1 \$=1.29 TL from 1941 to 1946. See Hüseyin Şahin, *Türkiye Ekonomisi*, p.89.

<sup>252</sup> Tezel gives a picture of the profit maximization based on imports as follows: " According to the price index which I prepared using the import values in TL in customs, import prices increased in the rate of 189% between the years 1939-1944. However, the prices of import materials in Istanbul market increased in the rate of 380% during the same period. The difference between these rates returned to importers as profits." See S. Yahya Tezel (a), *Cumhuriyet Döneminin İktisadi Tarihi: 1923-1950*, pp.221-222.

<sup>253</sup> *Cumhuriyet* (06.01.1946)

<sup>254</sup> Ö.Faruk Çolak, *Savaş Ekonomisi ve II. Dünya Savaşı Dönemi Türkiye Ekonomisi*, p.276.

decreased between the years 1942 and 1945, they returned remarkable revenues.<sup>255</sup> Import prices increased between these years as well. However this increase was not as striking as that of exports since it was natural for imports to be more expensive than exports when their composition is taken into consideration.<sup>256</sup> It is also observed in the table that in 1946 normalcy was restored in foreign trade and import and export prices returned to their pre-war level.

Although export revenues increased during war years, exporters faced difficulties due to the government's policy of preserving the value of Turkish currency. To remove the pressure on exporters, the Central Bank paid premiums to exporters who involved in export activities through convertible foreign exchanges. On the other hand, it imposed duties on exchanges used by importers. This way, the government intended to encourage exporters and to levy indirect taxes on importers in order to increase state revenues. Nonetheless, as mentioned above, although the government increased import duties in 1940 and 1941, the direct taxation on imports was unlikely to transfer revenues from importers to the state, contributing to imports activities' being much more profitable. From the data above, it can be derived that the government favored importers during war years.<sup>257</sup>

To summarize, through NPL the government aimed to bring foreign trade under state's direct control. The institutions such as TO, COO and import unions established according to NPL, served as the tools of state domination over foreign trade during war years.

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<sup>255</sup> Between these years Turkish foreign trade yielded \$ 347 million trade surplus. See Hüseyin Şahin, *Türkiye Ekonomisi*, p.89.

<sup>256</sup> Turkish exports consisted mainly of mineral ores and agricultural products such as olive oil, Angora wool, cotton, acorn, sumac, bean, chickpea, bran, rag, opium and milk powder whereas imports were composed of manufactures such as war equipments, iron, steel, machines, means of transport, copper products, drugs, paper, cellulose and beet seeds. See Osman Sönmez, *İkinci Dünya Savaşı Strasında Türkiye'nin İktisadi Politikası*, p.148.

<sup>257</sup> Ö.Faruk Çolak, *Savaş Ekonomisi ve II. Dünya Savaşı Dönemi Türkiye Ekonomisi*, p.277, for similar statements See S. Yahya Tezel (a), *Cumhuriyet Döneminin İktisadi Tarihi: 1923-1950*, p.222, Hüseyin Şahin, *Türkiye Ekonomisi*, p.88. Şahin adds that if the government had increased nominal customs duties, trade earnings during war years could have been transferred to the state. Thus, not only inflation could be decreased to some extent, but also the Capital Levy, *Varlık Vergisi* needn't have been imposed.

### 3.1.5 MEASURES REGARDING THE ORGANIZATION OF PRODUCERS

The measures taken by the government concerning the organization of producers concentrated mainly on coal producers. As a matter of fact, the first measure taken shortly after NPL was put into practice was that the government ordered compulsory labor in coal mines in Ereğli-Zonguldak.<sup>258</sup> This meant that the government gave particular attention to the increase in coal production. With similar concerns, the government organized coal producers through the 3<sup>rd</sup> resolution calling for the establishment of the Commercial Association of Ereğli Coal Products, *Ereğli Kömürleri Satış Birliği*. The union was charged with the duty of selling coal to domestic and foreign markets and the government itself was to determine coal prices.<sup>259</sup> In addition, the government called for the establishment of general and local industrial unions in various cities. These unions were charged with the duty of offering industrial production programmes for industrial companies and determining the volume, quantity and types of industrial production in industrial companies.<sup>260</sup> The import unions which were examined above can also be included in this categorization.

### 3.1.6. MEASURES REGARDING THE ORGANIZATION OF TRANSPORTATION

The government undertook to organize transportation as well as producers . The main aim was to ease the transportation of required materials within the country and to prevent over-consumption of oil. As previously mentioned, some private vehicles were put into state service to transport foodstuffs and forestry products.<sup>261</sup> In addition, the government restricted the traffic, *seyriüsefer* of all vehicles in accordance with the resolution no:75. According to this resolution, all means of transport; cars, motorbikes and machinery ships belonging to real, *hakiki* and judicial, *tüzel* persons were banned from traffic except those belonging to embassies and doctors, and those which were exempted from the application of this resolution by the government. Taxies were also exempted from this application on condition

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<sup>258</sup> Resolution No: 2, (26.02.1940), Hüsnü Bengi, *Milli Korunma Kanun ve Kararları*, pp.40-44.

<sup>259</sup> Hüsnü Bengi, *Milli Korunma Kanun ve Kararları*, pp 44-45.

<sup>260</sup> Resolution No: 356, (27.06.1942), Hüsnü Bengi, *Milli Korunma Kanun ve Kararları*, pp.395-405.

<sup>261</sup> See heading no: 1.4.1 (measures regarding industrial production ) and footnote no: 57.

that they would work in relays.<sup>262</sup> According to resolution no: 12 only the Ministry of Transportation was authorized to allow or prevent sailings of all Turkish ships into domestic and foreign ports.<sup>263</sup>

### 3.2. THE APPLICATION OF NATIONAL PROTECTION LAW BY THE ŞÜKRÜ SARAÇOĞLU GOVERNMENT

As noted earlier, Saydam's government confiscated cereals in return for their prices which were unilaterally determined by the government. Saraçoğlu's government changed this policy by increasing their prices in the rate of 50% as it liberated the cereal trade within the country except for the cities where food items were provided by the government.<sup>264</sup> This new policy was called "25% Decision, %25 Kararı". According to this decision,

- small-scale producers obtaining less than annual 50 tons of cereal had to sell 25% of their crops,

- medium-scale producers obtaining less than annual 100 tons of cereal had to sell 35% of their crops,

- big-scale producers obtaining more than annual 100 tons had to sell 25% of the amount up to 50 tons, 35% of the amount between 50-100 tons and 50% of the amount exceeding 100 tons to the state upon increased prices.<sup>265</sup> These rates were to be determined during harvests and producers were to be indebted to the state upon these rates. Producers were allowed to sell the rest of their crops.<sup>266</sup> The government was to supply the food items for the state institutions and the urban population through the cereals it obtained through the 25% decision.

At the beginning, the 25% decision was welcomed by the press. To illustrate, Yunus Nadi, Chief Editor of Cumhuriyet, stated that the measure was useful with

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<sup>262</sup> Resolution No:75, (19.11.1940) Hüsnü Bengi, *Milli Korunma Kanun ve Kararları*, pp. 100-102. The clause regarding taxies was annulled later by the resolution no:176 (15.07.1941). Hüsnü Bengi, *Milli Korunma Kanun ve Kararları*, p.201.

<sup>263</sup> Resolution No: 12, (16.03.1940) Hüsnü Bengi, *Milli Korunma Kanun ve Kararları*, pp. 50-51.

<sup>264</sup> *Ayn Tarihi*, (July 1942) p.8.

<sup>265</sup> Cereal prices were determined by the government in July, 1942 as follows; wheat 20, rye 15, corn 15, barley 15, oats 16 and millet 15 kuruş/kg. Hüsnü Bengi, *Milli Korunma Kanun ve Kararları* p. 410.

<sup>266</sup> Resolution No: 365 (15.07.1942) Hüsnü Bengi, *Milli Korunma Kanun ve Kararları*, p. 412.

regard to the protection of the rights of farmers.<sup>267</sup> Falih Rıfkı Atay, Chief Editor of *Ulus*, stated that the decision reassured people in two ways. First, the government and thus people were convinced of the fact that the new year's cultivation would be adequate for military and public consumption and second, high cereal prices and free cereal trade would motivate the farmers to cultivate larger areas in the following year.<sup>268</sup>

The government took further steps in releasing economic controls. It dissolved RSO,<sup>269</sup> CPA,<sup>270</sup> CFO<sup>271</sup> and COFD<sup>272</sup> one after the other, and all duties and authorities concerning price controls and food supply were transferred to municipalities. In addition, the government permitted the sale of food items. These hurried measures invited critiques from the press. Probably no one had expected that the government would go so far in such a short time. Zekeriya Sertel, chief editor of *Yurt ve Dünya*, stated that the Ministry of Trade should be aware of the fact that these measures might produce negative results in economic life. Saydam's government exaggerated restrictions in economic activities, but Saraçoğlu's government was pursuing a risky policy by completely releasing prices.<sup>273</sup> Ahmet Emin Yalman, chief Editor of *Vatan*, stated that the supply and demand balance had to be maintained, however chambers of commerce and municipalities were not capable of accomplishing this. Therefore, these measures which perhaps would ruin the balance of supply and demand invited pessimism among the press.<sup>274</sup>

From July 1942 to June 1945, the government passed 237 resolutions in accordance with the law, one of which confidential. These resolutions will be examined from a comparative viewpoint which means the resolutions taken by Saraçoğlu's government and Saydam's government will be compared with regard to the sectors they affected.

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<sup>267</sup> *Cumhuriyet* (17.07.1942)

<sup>268</sup> *Ulus* (17.07.1942)

<sup>269</sup> Resolution No: 370 (23.07.1942) Hüsni Bengi, *Milli Korunma Kanun ve Kararları*, pp. 416-417.

<sup>270</sup> Resolution No: 371 (23.07.1942) Hüsni Bengi, *Milli Korunma Kanun ve Kararları*, pp. 417-418.

<sup>271</sup> Resolution No: 373, (23.07.1942) Hüsni Bengi, *Milli Korunma Kanun ve Kararları*, pp.419-420.

<sup>272</sup> Resolution No: 374 (11.08.1942) Hüsni Bengi, *Milli Korunma Kanun ve Kararları*, pp. 420-421.

<sup>273</sup> Zekeriya Sertel, as quoted in Cemil Koçak, *Türkiye'de Milli Şef Dönemi(1938-1945)*, p. 414.

<sup>274</sup> Ahmet Emin Yalman, as quoted in Cemil Koçak, *Türkiye'de Milli Şef Dönemi(1938-1945)*, p.415.

The consequences of the immediate measures taken after the establishment of the Saraçoğlu government will be examined below. Yet, it is necessary to take a look at the other measures taken in accordance with NPL.

### 3.2.1. MEASURES REGARDING INDUSTRIAL PRODUCTION

The number of the measures regarding compulsory labor decreased during this period. However, those taken during the previous period were not abandoned. In accordance with the resolution no: 414, the government ordered compulsory labor for the restoration of railroads. This resolution envisaged that the unemployed individuals, workers, carriers and farmers between the ages 18 and 40 living in the settlements maximum 15 km away from railroads were to be charged with compulsory labor.<sup>275</sup> In addition, the government ordered compulsory labor in Çeltek Lignite Company, *Çeltek Linyit Kömür İşletmesi*, in accordance with the resolution no:457 envisaging that the men between 18 and 40 living in Amasya, Çorum and Samsun would be charged with compulsory labor in the company.<sup>276</sup>

With regard to the extension of working hours in public and private companies, it can be stated that the number of the measures concerning this matter decreased during this period. Of twenty-six resolutions concerning the extension of working hours in state and private companies throughout the war period, ten were passed during Saraçoğlu's government. They can be listed as follows: In Ergani Copper and Eastern Chrome Company's *Ergani Bakır ve Şark Kromları İşletmeleri* floor offices, Turkish Oil Products Limited Company's *Türkiye Yağ ve Mamulleri Limited Şirketi*, certain departments, and in Hydrophile Cotton Factory, *İdrofil Pamuk Fabrikası*, belonging to Nikola Karamanoğlu working hours were extended three hours a day.<sup>277</sup> In all coal and lignite mines and their floor offices;<sup>278</sup> in the construction of İskenderun harbor;<sup>279</sup> in the workplaces belonging to Istanbul Union Mills Inc., *İstanbul İttihat Değirmencilik A.Ş.* and Eastern Mills Inc., *Şark Madencilik A.Ş.*<sup>280</sup> in

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<sup>275</sup> Resolution No: 414 (17.12.1942) Hüsnü Bengi, *Milli Korunma Kanun ve Kararları*, pp. 452-453.

<sup>276</sup> Resolution No: 457 (08.07.1943) İffet H.Oruz & Sıtkı Yırcalı, *Türkiye'de Fiyat Murakabesi: Mevzuat ve Tatbikat*, pp. 107-109.

<sup>277</sup> Resolution No: 367 (01.08.1942) Hüsnü Bengi, *Milli Korunma Kanun ve Kararları*, pp.414-415.

<sup>278</sup> Resolution No: 384 (26.08.1942) Hüsnü Bengi, *Milli Korunma Kanun ve Kararları*, p. 426

<sup>279</sup> Resolution No: 438 (06.04.1943) Hüsnü Bengi, *Milli Korunma Kanun ve Kararları*, p.472.

<sup>280</sup> Resolution No: 502 (01.02.1944) İffet H.Oruz & Sıtkı Yırcalı, *Türkiye'de Fiyat Murakabesi: Mevzuat ve Tatbikat*, p.140.

Kasımpaşa, Balat and Mumhane mills,<sup>281</sup> in the workplaces belonging to Balat Metal Industry Limited Company, *Balat Maden Sanayii Limited Şirketi* and in the workplaces belonging to Gas Inc., *Gaz Anonim Şirketi* in Istanbul<sup>282</sup> working hours were extended three hours as well. Moreover, it was prohibited for the firemen working in Ankara, Istanbul and Izmir fire organizations and for the workers in the ships and in the workplaces belonging to State Railways and Harbors to abandon their places without an acceptable excuse.<sup>283</sup>

The confiscation of industrial companies and means of production increased in number during this period. The government confiscated four factories and seven motorbikes with recompense whereas its predecessor had confiscated three factories and four motorboats. However, the government did not confiscate any buildings and it confiscated only one machine whereas its predecessor had confiscated a building and five machines. The list of the confiscations is as follows; Eskişehir Hamdi Gamgam Flour and Semolina Factory was confiscated by the government. It was to be run by the Ministry of Trade.<sup>284</sup> Zeytinburnu Cement Factory, Nadire Cenani Spirit Factory in Çengelköy-Istanbul, and the factory belonging to Zindan and Çangal Forestry Inc. were confiscated. The owners of each were to be paid. The Ministry of National Defense and State Railways and Harbors purchased two motorboats. Furthermore, the State Railways and Harbors purchased fifty-three boats and five motorboats in Samsun harbor.<sup>285</sup>

### 3.2.2. MEASURES REGARDING AGRICULTURAL PRODUCTION

In order to increase agricultural production, the government established state farms on the lands belonging to the state.<sup>286</sup> In addition to this, the government

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<sup>281</sup> Resolution No: 518 (18.05.1944) Cemil Koçak, *Türkiye'de Milli Şef Dönemi(1938-1945)*, p. 420.

<sup>282</sup> Resolution No: 526 (29.06.1944) Cemil Koçak, *Türkiye'de Milli Şef Dönemi(1938-1945)*, p.420.

<sup>283</sup> Resolution No: 534 (13.09.1944) Cemil Koçak, *Türkiye'de Milli Şef Dönemi(1938-1945)*, p.420.

<sup>284</sup> Resolution No: 410 (26.11.1942) Hüsnü Bengi, *Milli Korunma Kanun ve Kararları*, pp.449-450.

<sup>285</sup> Resolution No: 464 (26.07.1943) İffet H.Oruz & Sıtkı Yırcalı, *Türkiye'de Fiyat Murakabesi: Mevzuat ve Tatbikat*, pp. 114-115; 557 (13.12.1944) Cemil Koçak, *Türkiye'de Milli Şef Dönemi(1938-1945)*, p.421; 586 (24. 04.1945) Cemil Koçak, *Türkiye'de Milli Şef Dönemi(1938-1945)*, p. 421; 536 (22.09.1942), 542 (09.10.1942) Cemil Koçak, *Türkiye'de Milli Şef Dönemi(1938-1945)*, p. 421; 505 (04.02.1944) İffet H.Oruz & Sıtkı Yırcalı, *Türkiye'de Fiyat Murakabesi: Mevzuat ve Tatbikat*, p.142.

<sup>286</sup> Resolution No: 477 (19.10.1943) İffet H.Oruz & Sıtkı Yırcalı, *Türkiye'de Fiyat Murakabesi: Mevzuat ve Tatbikat*, p.122. In 1943, the lands cultivated by the state increased to 500 thousand acres. See *İktisadi Yürüyüş*, Year:4 Vol:7 No:76 (16.02.1943)

distributed cereal seeds to the farmers in need.<sup>287</sup> It also increased beet prices and provided premiums to beet producers.<sup>288</sup> Nonetheless, the prices given during both Saydam's and Saraçoğlu's governments were terribly low in proportion to selling price of sugar. To illustrate, beet prices were increased from 0,5 *kuruş* in 1940 to 7 *kuruş* in 1943, however between these years, sugar prices were increased from 40.33 *kuruş* to 344 *kuruş*.<sup>289</sup>

During this period, the confiscation of agricultural materials decreased in number. Steel ploughs, spring wools, rice, cotton and vegetable oil were confiscated in limited quantities.<sup>290</sup> The most important measure concerning agricultural production was the above-mentioned 25% Decision. By this decision, the government aimed to establish adequate stocks of agricultural products for the military and urban population and to stimulate agricultural production by means of which black-market activities would vanish and prices would decline. It planned to obtain 1,5 million-ton output, but to no avail. Producers sold 600.000 tons of cereals to the government, thus frustrating administrative authorities. According to Saraçoğlu, this inadequate amount stemmed from the erroneous statistical data about the cereal yields and the conduct of the rural statisticians, *subaşı* who were selected among the rural population. Hence, these statisticians preferred to protect the farmers by determining the cereal yields when crops were still immature.<sup>291</sup> However, the reasons behind the hesitation of the farmers were rather complex; as long as they could easily sell their products to merchants who offered higher prices for their

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<sup>287</sup> Resolution No: 478 (19.10.1943) İffet H.Oruz & Sıtkı Yırcalı, *Türkiye'de Fiyat Murakabesi: Mevzuat ve Tatbikat*, p.123.

<sup>288</sup> Resolution No: 483, (08.11.1943) İffet H.Oruz & Sıtkı Yırcalı, *Türkiye'de Fiyat Murakabesi: Mevzuat ve Tatbikat*, p.126.

<sup>289</sup> Though sugar prices were increased to 500 *kuruş* in accordance with resolution no:400, this resolution was annulled by decree no:2/19843 (03.05.1943) and sugar prices were decreased to the level fixed by resolution no: 377 (15.08.1942) Hüsnü Bengi, *Milli Korunma Kanun ve Kararları*, p. 502.

<sup>290</sup> Resolution No: 382 (18.08.1942) Hüsnü Bengi, *Milli Korunma Kanun ve Kararları*, p.425; 386 (27.08.1942) Hüsnü Bengi, *Milli Korunma Kanun ve Kararları*, pp.427-429; 387 (10.09.1942) Hüsnü Bengi, *Milli Korunma Kanun ve Kararları*, pp.430-431; 469 (18.09.1943) İffet H.Oruz & Sıtkı Yırcalı, *Türkiye'de Fiyat Murakabesi: Mevzuat ve Tatbikat*, pp.117-118; 393 (12.11.1942) Hüsnü Bengi, *Milli Korunma Kanun ve Kararları*, pp.437-439. 424 (13.01.1943) Hüsnü Bengi, *Milli Korunma Kanun ve Kararları*, p.459

<sup>291</sup> Document No: A6 1942, p.11.

products, farmers were to prefer selling their products to these merchants instead of the government.<sup>292</sup>

Consequently, the 25% Decision rapidly melted cereal stocks.<sup>293</sup> The government had to import 50.000 tons of wheat.<sup>294</sup> In addition, it renewed confiscation mechanism through resolution no: 391 which envisaged that the producers were to cede the amount of output determined according to the 25% decision to the government, otherwise, their whole output was to be confiscated.<sup>295</sup> Another consequence of this decision was that it placed the burden of food supply on small and medium scale producers and thus from 1942 onwards, it created a big gap between peasants who could cultivate smaller lands and big landowners. To be more precise, at that time a kilo of wheat yielded approximately five kilos, hence 20% of total yield had to be saved as seeds. In this respect, peasants who cultivated smaller lands than 600 acres had to put aside nearly half of their total yields as seeds and the state's share. For instance, a family who cultivated 50 acres lands and produced 4 tons in an annual average had to be contended with two tons of wheat which was barely adequate for a family consisted of five or six people. Therefore, 25% decision gave way to the confiscation of wheat surplus that small producers had, and it was next to impossible for a small-scale wheat producer to sell his wheat output in the market. On the other hand, big landowners did not suffer from this decision at all. The larger lands they could cultivate the larger amounts of wheat they could sell in the market. To illustrate, according to the decision, a big landowner who produced 1000 tons of wheat was to sell a total of 500 tons to the state. He could sell 300 tons (200 tons put aside as seeds) for 100 *kuruş*s in the market whereas others handed over their output to the state for 20 *kuruş*s.<sup>296</sup> Price increases due to this measure will be examined in the following section.

Since the war made it difficult to obtain tools, chemicals and other subsidiaries, the government sold, let, lent and even granted agricultural equipments to the

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<sup>292</sup> Korkut Boratav, *Türkiye'de Devletçilik*, p.223.

<sup>293</sup> According to Aydemir, Saydam's government stocked 16.000 tons of wheat in 85 *kuruş*s. Ş Süreyya Aydemir, *İkinci Adam*, p.225.

<sup>294</sup> Document No:6A 1942, p.11.

<sup>295</sup> Resolution No: 391, (08.10.1942) Hüsni Bengi, *Milli Korunma Kanun ve Kararları*, pp 434-436

<sup>296</sup> Şevket Pamuk, "İkinci Dünya Savaşı Yıllarında Devlet, Tarımsal Yapılar ve Bölüşüm", p.106.

farmers in need.<sup>297</sup> To organize the sale and distribution of agricultural equipments, the Office of Agricultural Equipment whose task was to acquire all agricultural tools, machines and materials, fertilizers and seeds from internal and external markets and to sell them for cash or installments was established.<sup>298</sup>

### 3.2.3. MEASURES REGARDING PRICES

The measures taken by Saraçoğlu's government aiming at the release of state control over economy caused a high inflation during the covered period. The 25% decision and the abolition of CPA, CFO and COFD resulted in a remarkable increase in cereal prices for these institutions had some contributed to the control of the prices. This contribution can clearly be observed in table 4. The wholesale price index increased in the rate of 65 % between the years 1938 and 1941 when these institutions operated. However, from 1942 onwards, it registered an unendurable increase. Table 9 shows the price changes for specific commodities.

Table 9: Prices of Specific Commodities (1940-1945) (*kuruş/kg*)<sup>299</sup>

Year	Bread	Rice	Sugar	Red Meat	Olive Oil	Tea	Firewood
1940	10,84	32,92	39,24	41,50	39,46	581,66	2,20
1941	12,70	43,30	48,83	51,30	53,10	715,65	2,55
1942	25,06	98,43	166,34	109,34	94,92	1483,20	3,87
1943	39,97	161,90	342,80	154,62	119,69	1649,98	6,14
1944	30,95	148,88	217,83	160,36	146,33	1600	6,79
1945	31,89	143,89	207,50	142,68	154,30	1600	6,61

As observed in the table, prices of all commodities registered a rapid increase between the years 1942 and 1943 when price control mechanism was dissolved. Although prices began to decline in 1944, they did not return to the level in 1941. The underlying reason behind the decrease in 1944 was that the government recommenced price controls through resolution no: 510 which will be discussed

<sup>297</sup> Resolution No: 10 (03.11.1940); 27 (05.27.1940); 90 (12.30.1940); 259 (01.29.1942); 275 (03.02.1942); 334 (05.21.1942); 341 (06.05.1942); 352 (06.24.1942); 397 (11.11.1942), 398 (11.11.1942); 418 (01.22.1943); 451 (05.18.1943); 454 (05.22.1943).

<sup>298</sup> Resolution No: 430 (01.28.1943), Hüsni Bengi, *Milli Korunma Kanun ve Kararları*, pp.465-467

<sup>299</sup> State Institute of Statistics, *Turkish Annual Statistics vol:18*, (Ankara,1950) pp. 212-214. These prices are the arithmetic mean of those in Istanbul, Ankara and Izmir.

below. Similar to the 25% decision which released cereal prices, the government released the prices of olive oil, soap, rice, pounded wheat, clarified butter, yogurt, cheese, cream, bean, chickpea and lentil.<sup>300</sup>

During war years, governments followed two types of policies concerning prices. Saydam's government controlled prices strictly through the previously discussed resolution no:29 which established CPA. Saraçoğlu's government lifted price controls through resolution no: 371 which dissolved CPA and turned over their authority to municipalities. Contrary to expectations, prices increased at astonishing rates. Therefore, the government decided to control prices again. It passed resolution no: 510 which envisaged that the prices were to be determined by the ministries concerned. This meant that the prices of industrial raw materials and products were to be determined by the Ministries of National Economy and Trade; agricultural products by the Ministries of Agriculture and Trade and medical equipments by the Ministry of Health. The resolution authorized the Ministry of National Economy and Trade to determine the amounts of commodities to be sold in the market as well as consumption rates and sale methods.<sup>301</sup> This resolution also authorized the newly founded Commissions for the Investigation of Profiteering (CIP), *İhtikarı Tetkik Komisyonları*, to serve as experts in the detection of profiteering cases and the Inspection Committees for National Protection, *Milli Korunma Kontrolörleri* to control markets, and to detect and turn the profiteers to the prosecutors.<sup>302</sup> These tasks were previously attached to municipalities. From this data, it can be derived that the government returned to strict price controls which had early been employed by Saydam's government.<sup>303</sup>

#### 3.2.4. MEASURES REGARDING FOREIGN TRADE

Saraçoğlu's government's foreign trade policy also differed from that of Saydam's. As expressed earlier, Saydam's government restricted profit rates in imports and increased customs duties for both exports and imports in order to

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<sup>300</sup> Circular No: 80 (04.08.1942), 81 (04.08.1942), 87 (15.09.1942) İffet H.Oruz & Sıtkı Yırcalı, *Türkiye'de Fiyat Murakabesi: Mevzuat ve Tatbikat*, p.313.

<sup>301</sup> Resolution No: 510, (04.03.1944) İffet H.Oruz & Sıtkı Yırcalı, *Türkiye'de Fiyat Murakabesi: Mevzuat ve Tatbikat*, pp.326. For full text of the resolution and explanations, see H.Oruz & Sıtkı Yırcalı, *Türkiye'de Fiyat Murakabesi: Mevzuat ve Tatbikat* pp.323-385.

<sup>302</sup> H.Oruz & Sıtkı Yırcalı, *Türkiye'de Fiyat Murakabesi: Mevzuat ve Tatbikat*, pp.321-322.

<sup>303</sup> Ö.Faruk Çolak, *Savaş Ekonomisi ve II. Dünya Savaşı Dönemi Türkiye Ekonomisi*, p.227.

prevent speculations which would probably stem from lower prices of imports than that of exports. Consequently, share of customs duties in import revenues increased from 29% in 1939 and 28% in 1940 to 33% in 1941.<sup>304</sup> In addition to the increase in customs duties, the government received premiums from imports to establish equilibrium between import and export prices. These measures discouraged merchants to import essential materials since they would have to pay high taxes for the imported items decreasing their profits. As a result, a scarcity of investment goods came on the scene causing a decline in agricultural and industrial production.<sup>305</sup> Saraçoğlu's government, on the other hand, moderated these measures. It first decreased premiums and then customs duties. Consequently, share of customs duties in import revenues decreased to 12% in 1944.<sup>306</sup> It also took measures to increase exports by removing restrictions on such agricultural exports as fish, bird fodder, olive and olive oil.<sup>307</sup> However, the tax on exports levied by Saydam's government through law no: 4226 continued to exist during Saraçoğlu's, and even it was increased. The share of the export tax in export revenues was increased from 8% in 1941 to 13% in 1942 and 1943.<sup>308</sup> The release of the controls on imports caused a decline in state revenues and an increase in importers' profits.<sup>309</sup> The reason behind the government's ignorance of the diminishing in import revenues at a time when inflation and commodity shortages brought about astronomical trade earnings assumed to be related to the relations between the trade bourgeoisie and administrative authorities. President İsmet İnönü mentioned about these relations in his speech in November 1942 as such:<sup>310</sup>

...Today, the critical question is whether the general confidence will return in economic affairs. Landlords who watch for an opportunity in such a foggy milieu, greedy businessmen who try to unfairly maximize their gains and politicians who exploit economic difficulties for their own political ambitions are risking our nation's life.

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<sup>304</sup> Sezai Yahya Tezel (b), *Cumhuriyet Döneminin İktisadi Tarihi: 1923-1950*, (İstanbul : Tarih Vakfı Yurt Yayınları, 1994) p.180.

<sup>305</sup> Osman Sönmez, *İkinci Dünya Savaşı Sırasında Türkiye'nin İktisadi Politikası*, 153.

<sup>306</sup> S. Yahya Tezel (b), *Cumhuriyet Döneminin İktisadi Tarihi: 1923-1950*, p.180.

<sup>307</sup> Osman Sönmez, *İkinci Dünya Savaşı Sırasında Türkiye'nin İktisadi Politikası*, p.153.

<sup>308</sup> S. Yahya Tezel (b), *Cumhuriyet Döneminin İktisadi Tarihi: 1923-1950*, p.181.

<sup>309</sup> See footnote no:156.

<sup>310</sup> Bilsay Kuruç, *İktisat Politikasının Resmi Belgeleri: Söylev, Demeç ve Yazılar*, p.74.

To partly recover the losses in imports, the government increased the tax on exports.<sup>311</sup> Its increase broke off the political ties between the government and the rural class.<sup>312</sup>

During Saraçoğlu's government, Germany remained as Turkey's commercial partner. Between 1942 and 1944, Germany's share in Turkish imports was 25% and 38%, and in exports 23% and 25%. These rates were well behind those in 1939. Meanwhile, the share of England and the US in Turkish foreign trade gradually increased despite transportation difficulties. Between 1940 and 1945, England and the US share in Turkish imports was respectively 19% and 6%, and in exports 15% and 44%.<sup>313</sup> Pressed by these states, Turkey decided to suspend commercial relations with Germany in August 1944.<sup>314</sup> After this date, the US and England dominated Turkish foreign trade.

To summarize, Saraçoğlu's government released the controls on imports by not increasing customs duties which brought about a decline in state revenues and a remarkable increase in importers' earnings.

### 3.2.5. MEASURES REGARDING THE ORGANIZATION OF TRANSPORTATION

The government ordered compulsory labor for the vehicles in Hakkari and Mardin to transport food items.<sup>315</sup> Apart from this, the government removed restrictions on the traffic of some of the vehicles.<sup>316</sup>

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<sup>311</sup> The total revenue obtained through this tax between 1942-1945 was 91 million TLs which was nearly as high as 99 million-TL import revenues during the same period. The high amount of tax revenue stemmed from the high prices of exports during the period. As noted earlier, the prices of Turkish exports increased 6,3 times during war years. See footnote 138.

<sup>312</sup> S. Yahya Tezel (b), *Cumhuriyet Döneminin İktisadi Tarihi: 1923-1950*, p.181.

<sup>313</sup> S. Yahya Tezel (b), *Cumhuriyet Döneminin İktisadi Tarihi: 1923-1950*, p. 184.

<sup>314</sup> Osman Sönmez *İkinci Dünya Savaşı Sırasında Türkiye'nin İktisadi Politikası*, 151.

<sup>315</sup> Resolution No: 409 (24.11.1942) Hüsnü Bengi, *Milli Korunma Kanun ve Kararları*, p.448.

<sup>316</sup> Resolution No: 419 (23.01.1943), 434 (22.02.1943), 443 (26.04.1943) Hüsnü Bengi, *Milli Korunma Kanun ve Kararları*, pp. 455-456,470, 474-475; resolution no: 463 (22.07.1943), 474 (22.07.1943), 485 (13.11.1943) İffet H.Oruz & Sıtkı Yırcalı, *Türkiye'de Fiyat Murakabesi: Mevzuat ve Tatbikat*, pp. 113-114, 120-121, 127.

### 3.3. THE APPLICATION OF NATIONAL PROTECTION LAW AFTER THE SECOND WORLD WAR

After the conclusion of WWII, Turkey underwent a transformation process from single-party politics to multi-party, final inspirations developing through the war years. Turkish people blaming the government for war hardships were more ready than ever to welcome this transformation when the war came to an end. The stimulating factors varied more; however they can be classified into two as internal and external factors. Internal factors stemmed from the state's intensive intervention in economy through such measures as NPL, the Capital Levy, the Agricultural Produce Tax, and the Land Distribution Law, *Çiftçiyi Topraklandırma Kanunu* all of which frightened the dominant actors in Turkish economy. Furthermore, the decline in the life standards of peasantry and wage earners built contempt for the mono-party regime. There was an opposition against the regime not only among the people but also among the members of the Republican People's Party Group. This became apparent during the discussions on the Land Distribution Law in 1945. Celal Bayar, Adnan Menderes, Refik Koraltan and Fuat Köprülü abandoned RPP and established Democratic Party in 1946. The critics of the opposition party and the public discontent compelled the Republican government to discontinue its interventionist economic policy and comply with the general political framework of the period. It issued two industrial plans in 1946 and 1947. The former aimed at the continuation of those in the thirties while the latter intended to adhere to the liberal economic developments of the post-war period.<sup>317</sup>

External factors influencing the Turkish economy originated from the global politics which were going through a radical change after WWII. The emergence of the Soviet Union as a great power and its claims on the Straits enforced Turkey to take refuge in the Western Bloc. This resulted in the total dependence of Turkey on Western political and economic models in the long run. In order to take place in the Western Bloc, Turkey made substantial efforts to attend all international organizations such as the United Nations in 1945, IMF, International Bank for

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<sup>317</sup> For detailed information for the 1946 Industrial Plan See İlhan Tekeli, "İkinci Dünya Savaşı Sırasında Hazırlanan Savaş Sonrası Kalkınma Plan ve Programları", *METU Development Studies, 1979-1980 Special Issue*. (Ankara:METU,1980) For that of 1947, see İlhan Tekeli- Selim İlkin, *Savaş Sonrası Ortamında 1947 İktisadi Kalkınma Planı* (Ankara: METU, 1981). For the comparison between the 1946 and 1947 plans, see Hüseyin Şahin, *Türkiye Ekonomisi*, pp. 94-95.

Reconstruction and Development, IBRD, and the Organization for European Economic Cooperation, OEEC in 1947. Moreover, she began to receive military aid in accordance with the Truman Doctrine from 1947,<sup>318</sup> and economic aid in accordance with the Marshall Plan<sup>319</sup> from 1948 onwards. These all were the bringings of Western capitalism. The following intensification of Turkey's relations with the US and the critics of American experts upon the étatist policies pursued led the government to a radical change in its economic policy. The US experts suggested to the Turkish authorities that the scope of the public enterprises be restricted, the private sector should be favored, the industries for agricultural crops, construction materials, leather, forestry products, ceramics and handicrafts should be preferred whereas heavy industry should be left minor.<sup>320</sup> They laid more emphasis on agriculture, advising the Turkish authorities to increase the volume of agricultural production and merge the agriculture into market economy. Marshall Plan loans were directed at the mechanization in agriculture and the construction of roads.

Internal and external factors showed above undermined the étatist industrialization and interventionist economic policy which had been applied since the thirties and helped the liberalization process begin. The government had to acknowledge that it should abandon étatism and adopted a relatively liberal economic policy. Upon this, the government took some concrete steps. For instance, the Encouragement Law for Foreign Investment, *Yabancı Sermayeyi Teşvik Kanunu*, was issued in 1947 and in 1950 Turkish Industrial Development Bank, *Türkiye Sınai*

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<sup>318</sup> The Truman Doctrine stated that the United States would support "free peoples who are resisting attempted subjugation by armed minorities or by outside pressures." U.S. President Harry S. Truman made the proclamation in an address to Congress on March 12, 1947 amid the crisis of the Greek Civil War (1946-1949). The doctrine was specifically aimed at assisting governments resisting communism. Truman insisted that if Greece and Turkey did not receive the aid that they needed, they would inevitably fall to communism with the result being a domino effect of acceptance of communism throughout the region. Truman signed the act into law on May 22, 1947 which granted \$400 million in military and economic aid to Turkey and Greece. *Truman Doctrine* [online] Available: "[http://en.wikipedia.org/wiki/Truman\\_Doctrine](http://en.wikipedia.org/wiki/Truman_Doctrine)" [Accessed: November 20, 2004]

<sup>319</sup> The Marshall Plan, known officially following its enactment as the European Recovery Program (ERP), was the main plan of the United States for the reconstruction of Europe following World War II. The initiative was named for United States Secretary of State George Marshall. Between 1948 and 1951, the United States contributed more than \$13 billion dollars (nearly \$100 billion at present-day U.S. conversion rates) of economic and technical assistance toward the recovery of 16 European countries which had joined in the Organization for European Economic Cooperation (OEEC, forerunner to today's OECD) in response to Marshall's call for a joint scheme for European reconstruction. *Marshall Plan* [online] Available: "[http://en.wikipedia.org/wiki/Marshall\\_Plan](http://en.wikipedia.org/wiki/Marshall_Plan)" [Accessed: November 20, 2004]

<sup>320</sup> Max Weston Thornburg, *Türkiyenin Bugünkü Ekonomik Durumunun Tenkidi*. Trans. Nail Artuner. (Ankara: Ziraat Bankası Matbaası, 1950) pp. 103-131.

*Kalkınma Bankası(TSKB)*, was established. Moreover, the currency was devalued against dollar from \$1= 1.92 TL<sup>321</sup> to 2.80 TL in 1946. This can be considered as an effort for attachment to Western economy. The 1950 elections which brought the Democratic Party to power ended this transition period.<sup>322</sup>

With regard to the application of NPL during the post-war period until 1956, it is observed that RPP governments after 1945 and DP government continued to use it to control economic affairs though it had been announced in its first article that NPL was to be applied only under extraordinary conditions. Governments assumed that extraordinary conditions were not completely over. Z. Fahri Fındıkoğlu, a well-known social scientist, articulated this view as such: "...extraordinary conditions created by WWII are not over yet. The attempts to annul NPL originate from the self-interests of capitalists and house owners. The law can be realigned to post-war developments through some amendments."<sup>323</sup>

NPL was amended six times from 1946 to 1956. Two of these amendments were relatively important: Law no: 4945 releasing price controls over a lot of commodities and authorizing only the Ministry of Trade to control prices when necessary, was issued on June 20, 1946 and Law no: 6084 releasing restrictions over house rents was issued on June 1, 1953.

As can be observed within the amendments above, governments moderated many of the provisions of NPL appropriate to the political milieu at the time. To illustrate, the resolution no: 510 issued on March 4, 1944 envisaging strict price controls was annulled, compulsory labor in mines and in the construction of roads, bridges, public squares and ports was abandoned,<sup>324</sup> some of the institutions

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<sup>321</sup> Ömer Celal Sarç, "1923'ten Bu yana Kalkınma Stratejileri" *II.Türkiye İktisat Kongresi Vol:1, Kalkınma Politikası Komisyonu Tebliğleri*, (İzmir:1981) p.18.

<sup>322</sup> Şahin considers this period as a transition period, from 1946 to 1950. Hüseyin Şahin, *Türkiye Ekonomisi*, p.96. In a similar vein, Sarç's periodization covers the years 1945-1950. See Sarç 1981, p. 18. Robinson makes a wider periodization as "postwar decade 1946-1956". See Richard D. Robinson, *The First Turkish Republic: A case Study in National Development*, p.161. Kılıçbay makes a rough periodization as 1940-1950 stating that the Turkish economy still showed a conservative character favoring étatist leadership in development, price stability, balanced budget while the second half of the decade witnessed a little change in economic understanding. See, Ahmet Kılıçbay, *Türk Ekonomisi: Modeller, Politikalar, Stratejiler*, (Ankara: T. İş Bankası Yay., 1985) pp.105-107. Boratav's periodization covers the years 1946-1953. He characterizes this period as that it revitalized the economic model employed between 1923-1929 which favored free trade and open market economy. See Korkut Boratav, *Türkiye İktisat Tarihi :1908-2002*, p. 95

<sup>323</sup> Z. Fahri Fındıkoğlu, "MKK Kaldırılabilir mi?" (Can NPL be annulled?), *Cumhuriyet*, (05.17.1946)

<sup>324</sup> Resolution No: 654 (08.19.1946) *Düstur*, Vol:27, pp.1429-1430; 707 (11.17.1947), *Düstur*, Vol: 29, p.3; 825 (04.11.1951) *Düstur*, Vol:30 pp.1300-1301; 828 (04.11.1951) *Düstur* Vol:32, pp.1302-1303.

established according to NPL, such as Istanbul Fuel Office, Trade Office, import unions, Public Unions for Food Distribution, Commissions for the Investigation of Profiteering and Courts of National Protection were closed down.<sup>325</sup> Furthermore, controls upon bread production were lifted.<sup>326</sup> Minister of National Defense no longer attended the meetings of the Coordination Committee from July 1948 onwards.<sup>327</sup> In addition, some of the factories such as Zeytinburnu Cement Factory, Nadire Ercan Spirit Factory confiscated in accordance with NPL were returned to their owners.<sup>328</sup> Likewise, measures concerning the confiscation of cotton wires and cotton textiles were abandoned.<sup>329</sup> Controls on the sailings of ships were lifted.<sup>330</sup>

On the other hand, governments continued to take measures to extend working hours<sup>331</sup> and to determine the prices of some materials such as sugar, coal and cement presumably since these materials were still produced by state enterprises.

An overall assessment of the economic policies, including the prolongation of the application of NPL after WWII suggests a confused state of mind in state authorities about what kind of economic policies would be followed during postwar years. Already at the conclusion of WWII, RPP government seemed apt to continue its previous economic practices, evidently in the preparation of postwar development plans which reminded those in the thirties. However, the establishment of DP and close relations with the West, especially the USA, led the government to a different evaluation of economic matters. For either populist or realistic purposes, the RPP

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<sup>325</sup> Resolution No: 742 (05.29.1948) *Düstur*, Vol: 29 pp.1047-1048; 810 (06.23.1950) *Düstur*, Vol: 30, pp.2119-2120; 667 (10.02. 1946) *Düstur*, Vol:28, pp.7-8; 761 (09.05.1948) *Düstur*, Vol: 30, pp. 1442-1443; 701 (06.26.1947) *Düstur*, Vol: 28, p.1393; Law No: 5162 (01.13.1948) *Düstur*, Vol: 29, pp.731-732.

<sup>326</sup> Resolution No: 757 (08.17.1948) *Düstur*, Vol: 29, p.1345.

<sup>327</sup> Decree No: 3/7842 (07.15.1948), *Düstur*, Vol: 29, p.1335.

<sup>328</sup> Resolution No: 607 (10.18.1945) *Düstur*, Vol:27,p.8; 633 (03.12.1946) *Düstur*, Vol: 27, p.986,

<sup>329</sup> Resolution No: 746, (06.23.1948) *Düstur*,Vol: 29, pp. 1104-1105.

<sup>330</sup> Resolution No: 671 (12.12.1946) *Düstur*, Vol: 28, p.53.

<sup>331</sup> Resolution No: 638 (04.11.1946) *Düstur*, Vol: 27, pp.1051-1052; 698 (06.11.1947) *Düstur*, Vol: 28, p.1260; 882 (10.31.1952) *Düstur*, Vol: 34, pp.102-103; 895 (05.25.1953) *Düstur*, Vol:34, pp.1383-1384; 900 (07.30.1953) *Düstur*, Vol: 34, pp.1948; 905 (08.20.1953) *Düstur*, Vol:34, pp.1952-1953; 906 (08.20.1953) *Düstur*,Vol:34, pp.1953-1954; 909 (09.04.1953) *Düstur*, Vol:35, p.3; 913 (09.07.1953) *Düstur*, Vol:35, p5; 915 (09.11.1953) *Düstur*, Vol:35, p.8; 916 (09.21.1953) *Düstur*, Vol:35, p.33; 918 (10.21.1953) *Düstur*, Vol:35, pp.52-53; 925 (12.17.1953) *Düstur*, Vol:35, pp.230-231; 928 (12.25.1953) *Düstur*,Vol:35, p.233; 938 (06.15.1954) *Düstur*,Vol:35, p.1956; 946 (08.03.1954) *Düstur*,Vol:35, pp.2092-2093; 949 (10.11.1954) *Düstur*, Vol:36, p.22; 950 (10.15.1954) *Düstur*, Vol:36, p.23; 954 (11.20.1954) *Düstur*, Vol:36, pp.48-49; 955 (12.03.1954) *Düstur*, Vol:36, pp.100-101; 957 (12.25.1954) *Düstur*, Vol:36, p.204; 963 (03.18.1955) *Düstur*,Vol:36, pp.1132-1133; 978 (06.18.1955), *Düstur*,Vol:36, pp.1958-1959; 973 (06.18.1955) *Düstur*,Vol:36, pp.1960-1961; 988 (07.28.1955) *Düstur*,Vol:36, pp.1978-1979; 985 (07.28.1955) *Düstur*,Vol:36, p.1979; 992 (09.13.1955) *Düstur*,Vol:36, p.2161;

government had to conform to the liberal economic trend at the time, with the reservation that some tenets of étatism should be kept. In redefined form of étatism, the government was to abstain from expanding state enterprises at the expense of private enterprise. However, contrary to DP, RPP's economic program did not envisage the transfer of state enterprises to private sector.

#### 3.4. APPLICATION OF NATIONAL PROTECTION LAW BY THE DEMOCRATIC PARTY GOVERNMENT

The DP government began to apply the law on June 11, 1956 by establishing a coordination bureau<sup>332</sup> that issued resolution no: 1018 envisaging the establishment of the Courts of National Protection (CNP) in order to punish the violators of the law. This resolution also fixed the profit margins as 70% for importers, 40% for retailers. However, realizing that businessmen would secure astronomical profits through this measure, the government issued resolution no:1020 in general decreasing the profit margins to maximum 20% for importers, 10% for wholesalers and 10% for retailers.<sup>333</sup> In particular, this resolution included provisions which were based upon articles no: 6, 11, 14, 20, 21, 28, 29, 31 and 32 about the trade of all commodities (Article 1). According to this resolution, all commodities either imported and exported, or manufactured within the country were subjected to profit limitations (Article 2). The resolution set down a list of commodities with their profit margins as the law required. Commodities in the list varied from agricultural products to industrial materials; from metals to medical items. Furthermore, the resolution defined the terms “importer”, “wholesaler” and “retailer” as that an importer was a real or a judicial person who had an “importer certificate” to import commodities in accordance with the foreign trade rules; a wholesaler was a real or a judicial person purchasing commodities from producers, importers and manufacturers or from other wholesalers and selling these commodities to retailers; a retailer was a real or a judicial person purchasing commodities from producers, craftsmen and wholesalers and selling these commodities to consumers. Cost prices for the commodities sold by importers, wholesalers and retailers were defined in

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<sup>332</sup> Law No: 6751, Institutional Law on National Protection, *Milli Korunma Teşkilat Kanunu*, (06.25.1956) *Düstur*, Vol:37, p.1412.

<sup>333</sup> *Zafer* (06.19.1956)

depth in the resolution (Article 3).<sup>334</sup> The resolution authorized the Ministry of Economy and Trade to determine the types of additional books urgently kept by businessmen (Article 4). It authorized municipalities and governors to determine the prices of all commodities and all wages paid to civil servants under their authority (Article 5). It clearly defined the shapes, contents and keeping conditions of the bills as they were to be prepared as pages in 10X15 cm dimensions and to consist of at least one original and one carbon paper. Bills were to include the name, address, commercial name and telephone number of the seller; the date and number of the sale; the name, address, commercial name and telephone number of the customer; information about the type, brand, quality, quantity, selling price of the goods (Article 6). It also authorized the Ministry of Economy and Trade to determine the types and qualities of goods either imported or exported, and prevent the exports in lower prices and imports in higher prices (Article 11). Moreover, it clearly defined the terms of denunciation as that obscure denunciations would not be taken into consideration and those who deceitfully denounce somebody would be severely punished (Article 14). Selling of textile materials except for those manufactured within the country by peddlers was prohibited (Article 15).<sup>335</sup>

As soon as the law was put into practice, market activities stagnated since businessmen asked for a week from the government in order to adjust their shops to the law.<sup>336</sup> They prepared labels and additional books for the goods on sale. Then, sales began for decreased prices on the 24<sup>th</sup> of June. Upon this, people rushed in all shops to buy goods neglecting whether these goods were essential to them. Minister of National Economy and Trade had to warn people in his speech on the radio to buy only necessary goods.<sup>337</sup>

The government strictly controlled the market through the above-mentioned resolution. Especially the businessmen in big cities who sold commodities in higher prices, who did not label their merchandise and who could not present bills were severely punished. Newspapers reported many arrests of violators of the law. For instance, municipal police, *zabıta* checked 413 shops in Ankara on the 25<sup>th</sup> of June,

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<sup>334</sup> Ahmet Edip Kuşdemiroğlu, *Milli Korunmada Tüccarın El Kitabı*, pp.56-58.

<sup>335</sup> Fevzi Ceylan, *Haşiyeli İzahlı Milli Korunma Kanunu*, pp.43-64.

<sup>336</sup> *Vatan*, (06.14.1956)

<sup>337</sup> *Zafer*, (06.16.1956)

1956 and wrote instant reports about 198 of these shops.<sup>338</sup> In addition, a draper who sold poplin for 15 TLs instead of 460 *kuruşs* and again a draper who sold a kilo of shoe thread for 25 TLs instead of 7,5 were prosecuted.<sup>339</sup>

Tradesmen became displeased of the application of the law, hence they presented low-quality goods in their shops or they avoided presenting goods. Nevertheless, they could not escape from persecution. For example, a tradesman in Ankara who avoided selling a hydraulic machine was persecuted.<sup>340</sup> Consequently, during six months of application, totally 9891 tradesmen were charged and punished. The Municipal Committees of Price Auditing detected 2050 of them. 36 tradesmen were charged with the violation of the labeling of merchandise; 53 tradesmen were charged with refraining from giving bills to their customers, and 16 were charged with selling merchandise upon higher prices.<sup>341</sup>

The press involuntarily welcomed the application of new measures since the government amended the Press Law (PL) prohibiting critiques about the application of the law in June 1956.<sup>342</sup> Therefore, it was nearly impossible to find critiques in the newspapers such as *Vatan* and *Ulus*. However, *Zafer* enthusiastically defended the measures, as it was the spokesman of the governing party. Ahmet Emin Yalman (*Vatan*) clearly visualized the relationship between NPL and the PL as follows: “As pointed out in *Zafer*, the DP government launched a restoration in the country through the amendments on NPL and PL. These two amendments did not come out by a chance. The amendment on PL will defend NPL against the critics of the press” and he continued “I advise the government to apply NPL justly; it should not ignore the fact that this law was issued for all Turkish citizens, not for a particular group of people who should be repressed. That is, the government should not favor one group against another in terms of the application of the law.”<sup>343</sup> He would write three months later as:<sup>344</sup>

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<sup>338</sup> *Zafer*, (06.26.1956)

<sup>339</sup> *Zafer*, (06.20.1956), (06.21.1956).

<sup>340</sup> *Zafer*, (06.21.1956).

<sup>341</sup> *Vatan*, (08.06.1956)

<sup>342</sup> *Vatan*, (06.08.1956)

<sup>343</sup> “Samimi Bir Tavsiye” *Vatan*, (06.13.1956). Yakup Kadri Karaosmanoğlu (Tercüman) handled the matter from an opposite viewpoint. He stated that the press seemed to be offended by the enactment of the new PL; there were no longer critical assessments, ironic columns or letters from correspondents about either good or bad performance of the government. Therefore he criticized the press in that it was the press which always complained about the high cost of living in Turkey and it was the press

All exaggerations produce reverse exaggerations. As soon as we benefited from the expansion of production and consumption from 1950 onwards, there emerged an economic vitality within the country. Observing this vitality, statesmen took it for granted that all economic problems ceased. However, profiteers and black-marketers took advantage of this and made great money. Upon this, a reaction came to surface within the society. The government took harsh measures against profiteers. However, honest businessmen suffered as much from these measures as profiteers. Profit margins were set as strictly as that they spoiled economic vitality. Furthermore, state interference undermined trade activities and business opportunities.

In spite of harsh measures to stop high prices and black marketing, the shortage of basic consumption goods and inflation did not come to an end and caused a discontent among the members of the DP group.<sup>345</sup> In his informative speech, Abdullah Aker, Minister of Economy and Trade, stated that since the enactment of NPL, 31 decrees and 18 circulars were issued by the Coordination Bureau; prices of 293 items were limited according to the resolutions of the bureau; 175 tradesmen in İstanbul, 78 in Ankara, 110 in İzmir, 20 in Adana violating the rules were found guilty.<sup>346</sup> Hilmi Çeltikçioğlu, (Çoruh) claimed that after the enactment of NPL, prices fell sharply; in some items this drop realized at a rate of 40-200 %.<sup>347</sup> However, the situation was not as rosy as he pictured since, as early as 23<sup>rd</sup> of December, 1956, people began to complain about price increases, commodity shortages and black market activities.<sup>348</sup> Furthermore, the discontent among the business circles with regard to the application of NPL was expressed in the “Memorandum about the Problems Observed in the Application of National Protection Law.” It was expressed in the memorandum that NPL produced hardships as such that the low wholesale and retail profit rates discouraged wholesalers and retailers from supplying commodities in the market and thus production stagnated.

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which all the time invited the government to take measures against this situation. The government took measures as the press demanded, but the press avoided collaborating with the government in its struggle with inflation. See “Hükümet, Basın ve Ucuzluk”, *Tercüman*, (06.29.1956).

<sup>344</sup> *Vatan* (09.09.1956).

<sup>345</sup> Mustafa Albayrak, *Türk Siyasi Tarihinde Demokrat Parti*, unpublished doctoral dissertation, Vol: II, (Ankara: Hacettepe Üniversitesi, 1992) p. 825

<sup>346</sup> *Democratic Party National Assembly records*, Term: 10, Vol:184 (June 15,1957) p.6 as quoted in Albayrak 1992, p. 825.

<sup>347</sup> *Democratic Party National Assembly records*, Term: 10, Vol:184 (June 15,1957) p.825.

<sup>348</sup> *Vatan*, (12.23.1956)

This led even to the scarcity of locally manufactured commodities, let alone imported ones.<sup>349</sup>

The shortage of basic goods and increase in prices could not be stopped in 1957. Policies of the government began to be rigorously criticized by the Union of Chambers. The government neglected the criticisms and took further steps in its intervention. It announced that regardless of its consequences, all goods were to be sold upon the prices determined by the government.<sup>350</sup> Also, it invited the people to fight against profiteers and hoarders.

In 1958 the depression deepened. In addition to the criticism by the opposition, the government confronted increasingly displeased voices within its party group. In a private group session, criticisms rose as to why the inflation could not be stopped; while a truck of stone was 30 TLs in 1952, it rose to 90 TLs in 1958; a truck of sand was 40 TLs in 1952 whereas in 1958 it was 100 TLs.<sup>351</sup> Furthermore, foreign debts reached a point which Turkey no longer seemed to tolerate with its disturbed economy.

By the end of July 1958, the United States, and the internationally recognized economic organizations such as OEEC and IMF imposed an economic stabilization program together with a financial assistance of \$ 359 million on Turkey. According to this program Turkey was to take measures to improve her economic position abroad and to fight against inflation at home.<sup>352</sup> The government announced that it was ready to accept and apply such policies. Turkish currency was devalued to 9.00 TL for \$1.00 and foreign debt was consolidated. Furthermore, the government agreed to lift the price controls envisaged by NPL which “had by then possibly brought about greater inequities than the market mechanism itself”<sup>353</sup> and proceeded to the heart of the problem by freezing bank credits since monetary factors had played a very significant role in inflation. Therefore, it fixed ceilings upon both Central Bank and commercial bank credits on the basis of the levels in June 1958.

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<sup>349</sup> *Milli Korunma Mevzuatının Tatbikında Müşahade Edilen Müşüller Hakkında Muhtıra*, (Ankara: Türkiye Ticaret Odaları ve Ticaret Borsaları Birliği Matbaası (Printing House of the Turkish Association of Union of Chambers),1956) p.1.

<sup>350</sup> *Resmi Gazete* (November 25, 1957)

<sup>351</sup> *Democratic Party's Confidential National Assembly records* , Term: 11, Vol: 22 (May 22,1958) pp13-17 as quoted in Albayrak 1992, p.825.

<sup>352</sup> Morris Singer, *The Economic Advance of Turkey: 1938-1960*, p. 406.

<sup>353</sup> Morris Singer, *The Economic Advance of Turkey: 1938-1960*, p.410.

With regard to the removal of price controls, the government issued the 1227<sup>th</sup> resolution on June 15, 1959 which annulled the 1020<sup>th</sup>, 1029<sup>th</sup> and 1051<sup>st</sup> resolutions all of which included provisions about the limitation of commodity prices.<sup>354</sup> The resolutions issued after this date concentrated mainly on compulsory labor in companies belonging to the state and private enterprise. Finally, NPL was annulled on September 10, 1960 after the coup d'état of 1960.<sup>355</sup>

### 3.5. AN INTERPRETATION OF THE APPLICATIONS OF NATIONAL PROTECTION LAW

While the first NPL was applied on industry, agriculture, domestic and foreign trade, the second NPL was applied merely on domestic trade. This difference probably stemmed from RPP's and DP's approach to the social classes they leaned. The bureaucratic wing in RPP was free to a large extent in administrative affairs. Although bourgeoisie and landlords profited very much from their collaboration with the bureaucrats during war years, bureaucrats were not reassuring for them, which would become apparent when the RPP government implemented the Capital Levy and Soil Produce Tax. These two measures indicated to businessmen and landlords what bureaucrats could dare doing against them. In this respect, it can be argued that RPP governments stood at fair distance towards the social classes. In addition, RPP governments, since there was no possibility of a challenge from an opposition party, and since they did not feel gratitude to people, lacked populist concerns in administration. Nonetheless, DP came to power through free votes of the masses, especially of the rural population, and the satisfaction of voters was crucial for DP's continuity. Therefore, almost all policies that DP followed carried populist characteristics. Although the DP government abandoned liberal economic policies from 1954 onwards, which disappointed its voters, it faithfully continued to support rural population. The exemption of farmers from the application of NPL was, to a large degree, related to this populist attitude. The fact that the burden of NPL fell upon businessmen stemmed from a misconception that the only reason behind economic problems was the greediness of businessmen. Although government authorities repeatedly announced that the law was not against honest businessmen,

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<sup>354</sup> Resolution No:1227 (06.15.1956) *Düstur*, Vol: 40, pp.1375-1379.

<sup>355</sup> Law No: 79 (09.10.1960) *Düstur*, Seri: IV, Vol:1, pp.316-321.

they could not remove the doubts over the law, for the law had introduced denouncements.

## CHAPTER 4

### A COMPARATIVE ANALYSIS OF THE CONSEQUENCES OF NATIONAL PROTECTION LAW

#### 4.1. CONSEQUENCES OF THE APPLICATION OF NATIONAL PROTECTION LAW BY THE REFIK SAYDAM GOVERNMENT

At the onset of WWII, Turkish authorities, having derived tragic lessons from WWI, were aware of the fact that the war would inflict harsh pressures upon economy. It was inevitable for Turkey to immediately suffer since industrial and agricultural production and import capacity was at low ebb. Defense expenditures growing considerably due to great number of recruits who became consumers whereas they had involved in agricultural and industrial production before was also a contributing factor. The problem was not only the low level of production, but there were difficulties in transporting the products from production areas to consumption spots and distributing them to consumers. Efficient food distribution system which could deliver required materials in a short time was also lacking.<sup>356</sup>

Along with the outbreak of the war, prices sharply increased. For instance, gold prices immediately increased from 15 to 18 TLs in September 1939 and sugar increased from 30 to 40 *kuruş* in March 1940.<sup>357</sup> Gold prices during early war years were as follows:<sup>358</sup>

Years	Gold Prices in TLs
1938	11,12
1939	14,32
1940	21,06
1941	25,57
1942	33,27 <sup>359</sup>

Asım Us presents the gold prices as follows;

Years	Gold Prices in <i>Kuruş</i>
September 1939	1500
September 1939	1800
September 1940	2000

<sup>356</sup> İffet H.Oruz & Sıtkı Yırcalı, *Türkiye’de Fiyat Murakabesi: Mevzuat ve Tatbikat*, pp.215-216.

<sup>357</sup> Asım Us as quoted in Cemil Koçak, *Türkiye’de Milli Şef Dönemi(1938-1945)*,p.426.

<sup>358</sup> As quoted in Cemil Koçak, *Türkiye’de Milli Şef Dönemi(1938-1945)*, p.426.

<sup>359</sup> İffet H.Oruz & Sıtkı Yırcalı, *Türkiye’de Fiyat Murakabesi: Mevzuat ve Tatbikat*, p.240.

September 1941	2450
September 1942	3750

The difference between the indicators perhaps stemmed from the fact that Asım Us presented the market prices and Oruz&Yırcalı presented the prices provided by the State Institute of Statistics (SIS), *Devlet İstatistik Enstitüsü*.

Application of war economy was urgently required. Administrative authorities were aware of the fact that they should immediately take the required measures to prevent the probable war strains on economy. As previously mentioned, there were two economic alternatives to pursue; first was to control all trade activities and to apply a strict price limitation in the market in order to feed the population in cities and the armed forces whereas the other was to abstain from all controls over the market and the prices as far as possible, this way it would be possible to take advantage of the stimulus on production created by the increasing demands of belligerents due to war conditions. This policy would possibly lead to an inflationist economic growth. Saydam's government chose the former and it established a strict control over economy. This was evident in his speech in January 1941:

We are assuming the initial steps of a strict system. We are going through such a period of time that neither producers and consumers have yet got used to economic changes... I would like to make it clear that we will primarily consider to meet the minimum demands of the people and we will never allow luxuries to penetrate into the country.

Almost all the measures taken in accordance with NPL by the Refik Saydam Government between the years 1940 and 1942 can be considered as interventionist measures.<sup>360</sup> This government controlled all walks of economic life through the establishment of CPA to determine prices, CFO to supply food, COO to control oil production and consumption and TO to control domestic and foreign trade.<sup>361</sup> However, as the government could not increase agricultural and industrial

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<sup>360</sup> Taner Timur, *Türk Devrimi ve Sonrası*, p.193. For similar views see Korkut Boratav, *Türkiye'de Devletçilik*, p. 221, S. Yahya Tezel (a), *Cumhuriyet Döneminin İktisadi Tarihi: 1923-1950*, p.222, Z.Y. Hershlag, *Turkey: An Economy in Transition*, p.179, Hüseyin Şahin, *Türkiye Ekonomisi*, p.81, Bilsay Kuruç, *İktisat Politikasının Resmî Belgeleri: Söylev, Demeç ve Yazılar*, p.VIII, Ö.Faruk Çolak, *Savaş Ekonomisi ve II. Dünya Savaşı Dönemi Türkiye Ekonomisi*, p.194, Osman Sönmez, *İkinci Dünya Savaşı Sırasında Türkiye'nin İktisadi Politikası*, p.81.

Cemil Koçak, *Türkiye'de Milli Şef Dönemi(1938-1945)*, p.429.

<sup>361</sup> Cemil Koçak, *Türkiye'de Milli Şef Dönemi(1938-1945)*, p.429.

production, which could solve economic problems, all bureaucratic measures met the expectations to a little extent. Although prices increased in a tolerable degree between 1939 and 1940, pace of the increase accelerated from 1941 onwards.<sup>362</sup> Nonetheless, it can be stated that price increases during Saydam's Government were not as drastic as those during the Saraçoğlu's.

The government's objectives in applying NPL, as previously indicated, were simple; a) to survive the war with minimal economic losses and b) to prevent profiteering and black-marketing which could incidentally take place due to war conditions.<sup>363</sup> However, these objectives seem not have been attained when the speeches given by state authorities are examined. Mümtaz Ökmen, Minister of Trade,<sup>364</sup> stated during the parliamentary discussions on state budget in 1941: "... Price controls and the struggle with profiteering are our government's first priorities.... however, I must confess that we failed to prevent profiteering, there is still profiteering in our country" and in his speech at the opening of Izmir Fair in August 1941 "... despite all measures taken by our government, there is still a group of people insisting on profiteering."<sup>365</sup> In his parliamentary speech in January 1941, Refik Saydam stated:<sup>366</sup>

...We applied a new technique in our struggle with profiteering: the centralization of price determination. This way, I assume, it will be possible to strictly and permanently control prices... I have some complains about importers. I will try to advise them not to work only for their own advantages but to consider that the state's advantages are much more important. If they ignore this warning, I will attempt to establish state monopoly over imports.

In addition to the lack of adequate production, the state had weaknesses to meet the requirements of a war economy. It must at first be pointed out that the Turkish Republic was only sixteen years old and the economic development through étatist industrialization which began in the thirties and its institutions had not yet been

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<sup>362</sup> See table 2.

<sup>363</sup> Osman Sönmez, *İkinci Dünya Savaşı Sırasında Türkiye'nin İktisadi Politikası*, p.81.

<sup>364</sup> The Ministry of Trade was to be incorporated into the Ministry of National Economy during the rule of the Democratic Party. Therefore, the term "Ministry of National Economy and Trade" should not confuse the reader.

<sup>365</sup> Bilsay Kuruç, *İktisat Politikasının Resmi Belgeleri: Söylev, Demeç ve Yazılar*, p.70.

<sup>366</sup> Bilsay Kuruç, *İktisat Politikasının Resmi Belgeleri: Söylev, Demeç ve Yazılar*, p.69.

completely settled when WWII broke out.<sup>367</sup> By then, of course, the state had become more established and economy had improved when compared to the first decade of the Turkish Republic through the development policies of the thirties, nevertheless these improvements were unlikely to have provided the adequate fortification war emergency required.

It was obvious that the state would not be successful in war management. Therefore, there was a need for reorganization and immediate measures. As a matter of fact, in his speech in May 1942, Refik Saydam spoke of this need as such: “ ... As far as I witnessed the application of economic measures from the very beginning of the war, there is this fundamental need that the state organization should be modified from A to Z according to the necessities of the country.”<sup>368</sup>

In addition to the aforesaid ill conditions, administrative cadres were aware of the fact that they were unprepared for a war economy. This was evident in Şevket Aydemir’s statement:<sup>369</sup>

...the government should have paid particular attention to the notion of war economy, which began to develop practically as a science after WWI, as an organizational issue. The government should have organized the institutions to adapt the country to war conditions. In Turkey, however, neither the government and the military nor the intellectuals inclined to have an acquaintance with war economy. Therefore, Turkey went into the war without any economic institutions required by war economy.

It is true that, from the beginning of the war, the government attempted to take some measures to adjust economy, however these measures were not the result of meticulous and long term planning, nor was there a consensus in the cabinet about the required measures, “ ...there were seventeen ministers in the cabinet, and they were speaking seventeen different languages.”<sup>370</sup> Furthermore, economic measures faced resistance by the deputies who were against the state’s interference in economic activities which would be disadvantageous to private enterprise.<sup>371</sup> Therefore, these economic measures were taken through a compromise rather than

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<sup>367</sup> As a matter of fact, the newly founded Turkish state had gained its economic independence just after 1929 when she was allowed to control her customs. Another important factor for economic independence was that the Great Depression created autarkical economies all over the world.

<sup>368</sup> Cemil Koçak, *Türkiye’de Milli Şef Dönemi(1938-1945)*, p.432.

<sup>369</sup> Ş Süreyya Aydemir, *İkinci Adam* , p.206.

<sup>370</sup> Ş Süreyya Aydemir, *İkinci Adam* , p. 222.

<sup>371</sup> This was evident during parliamentary discussions on NPL. See heading 1.2, Legislation Process and Parliamentary Discussions on the Law.

unanimity in the parliament and the cabinet, reducing their effectiveness.<sup>372</sup> Aydemir states:<sup>373</sup>

I attended the negotiations between ministries when NPL was being prepared. I observed that nobody was willing to take such extraordinary measures. To illustrate, Undersecretary of the Ministry of Justice stated that the constitution guaranteed property ownership and commercial rights of the citizens, hence it was forbidden to ban or restrict free trade according to the constitution. Therefore, in case of a war, economic defense measures would be considered illegal in front of the constitution, and being aware of this, judges would make decisions according to the constitution rather than NPL.

Saydam's government concentrated mainly on price controls which left deep impacts upon social life during war years. Marching hand in hand with inflation, price controls contributed to the development of a group of profiteers which consisted of big landowners, businessmen involved in import activities and even some bureaucrats. In fact, the government's ultimate goal in price controls was to create adequate stocks for the military by preventing black-market activities. Hence, price controls were generally inflicted upon wheat and various other food items and textiles. Among these, price controls on wheat brought about important developments during war years. Actually, Central Office of Soil Produce had been established to protect farmers by purchasing their products with favorable prices. Nonetheless, this application deviated from the main objective during the rule of Saydam's government and wheat was purchased in lower prices than its market prices. The application was carried out for other food items as well. Therefore, farmers preferred to stock their crops instead of selling them to the government, which, as a result, created black-marketing.<sup>374</sup> Table 10 indicates the COSP prices to producers of wheat and the demanded prices provided by the SIS during the covered period.

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<sup>372</sup> Cemil Koçak, *Türkiye'de Milli Şef Dönemi(1938-1945)*, p.431.

<sup>373</sup> Ş Süreyya Aydemir, *İkinci Adam* ,p.214.

<sup>374</sup> Taner Timur, *Türk Devrimi ve Sonrası*, p.198.

Table 10: COSP and SIS prices for wheat (1938-1942)<sup>375</sup>

Years	Wheat ( <i>Kuruş</i> s per kg)	
	COSP	SIS <sup>376</sup>
1938	4,74	5,16
1939	4,62	5,08
1940	6,17	6,05 <sup>377</sup>
1941	9,86	10,58
1942	18,82	30,76

It is observed in the table that wheat prices fixed by the COSP were behind the prices (demanded prices) by the SIS except for the year 1940 when they were determined by the resolution no: 76 envisaging the confiscation of cereals. The government then confiscated wheat by a relatively high price, however, the next year its demanded price surpassed the fixed price. It is also observed in the table that the gap between the fixed and demanded prices gradually increased perhaps due to lack of supply in the market. The drastic increase in both indicators in 1942 stemmed from the release of the prices by the new government.

The application of NPL produced negative effects upon villagers and workers. Villagers, who constituted the majority in Turkey at the time, had to be content with the low prices issued by the government for their products and to work in mines with low wages. Workers had to work in both the state and private workplaces with low wages as well. Also, they were obliged to work overtime and deprived of vacation.

The wages paid to workers were well behind that they deserved and these wages rapidly melted during war years. Below are some statistics which indicate the decline in the purchasing power of workers.

<sup>375</sup> Eldem 1948, p.83. In this table, Eldem presents wheat prices in Eskişehir.

<sup>376</sup> These prices were obtained through the interviews of the SIS officials among the producers, which meant that they were the demanded prices by producers.

<sup>377</sup> This price was well behind that of in Istanbul cereal market. In Istanbul, the price of a kilo of wheat (extra-Polatlı) was 6.20-6.27 *kuruş*s in January 1940, 7 *kuruş*s in June 1940 and 9.30 *kuruş*s in December 1940. See İktisadi Yürüyüş, Year:1 No: 2 and 13, Year: 2 No: 25 (1940)

Table 11: Purchasing Power of Workers (1938-1945)<sup>378</sup>

Years	Purchasing Power of Workers (1938:100)
1938	100
1939	101
1940	96
1941	86
1942	62
1943	47
1944	58
1945	63

As observed in the table above, purchasing power of workers registered a serious decline due to inflation during war years. It began to recover from 1944 onward, yet it could not reach to its pre-war level.

By the same token, when daily wages offered to workers in Sumerbank factories are examined, it is observed that purchasing power of a worker was 12,3 *kuruş* in 1939, which means he could buy 12,3-*kuruş* goods, yet it decreased to 3,7 *kuruş* in 1943. It would reach its 1939-level only in 1951.<sup>379</sup>

Similar to low wages, unfavorable working conditions in mines was another problem with regard to the application of NPL. The application of compulsory labor in the mines created a class of unqualified peasant workers who were not accustomed to working under heavy conditions. Obviously, peasant workers could not work effectively and coal production could not be increased as planned. Şükrü Babanzade depicts the situation as follows:<sup>380</sup>

...Workers are not residing around the mines. They come from distant villages and they are basically farmers who are accustomed to working in open-air conditions. However, working under the ground is suffocating and unpleasant to them. The fact that they are away from home is another problem and they are always inclined to escaping from the mines...Compulsory labor, although paid, is a temporary measure. Therefore, it is necessary to find fundamental solutions for the problem of low coal production.

<sup>378</sup> Eldem 1948, p.127.

<sup>379</sup> Stefanos Yerasimos, *Az gelişmişlik Sürecinde Türkiye: Bizanstan 1971'e*, p.705.

<sup>380</sup> Babanzade 1940, p. 328.

In a similar vein, Asım Us visualizes the situation of coal workers as follows:<sup>381</sup>

The workers here are not well nourished and they never have a break in order to save more money, thus they quickly become ill. While I was returning to the train I ran into a group of peasant workers. One of them said he came to the mine after a four-hour walk and he worked eight hours everyday.

Naturally enough, the low quality of workforce contributed to the increase in accidents in the mines during the covered period. Below are some statistics of mine accidents in Zonguldak Coal Region.

Table 12: Accidents in Zonguldak Coal Region (1938-1945)<sup>382</sup>

Years	Number of Workers (Daily Average)	Diverse Accidents <sup>383</sup>
1938	17.871	949
1939	18.937	1.307
1940	19.643	1.487
1941	21.304	1.430
1942	22.286	1.166
1943	26.335	1.447
1944	28.122	1.477
1945	29.770	1.646

As observed in the table above the number of accidents registered a gradual increase with the number of workers employed according to NPL. In addition, the number of the accidents in mining sector constituted 47,6% of the total industrial accidents in 1943.<sup>384</sup>

As stated in the article written by Orhan Tuna, who mostly wrote about laborers, NPL suspended some articles of the Labor Law (LL). The 9<sup>th</sup> article of

<sup>381</sup> Asım Us, as quoted in Cemil Koçak, *Türkiye'de Milli Şef Dönemi(1938-1945)*, p.400.

<sup>382</sup> Devlet İstatistik Enstitüsü, (State Institute of Statistics) *Turkish Annual Statistics vol:18*, (Ankara,1950) p.194.

<sup>383</sup> This column consists of miscellaneous accidents which are supposed to have occurred due to personal errors. Accidents such as subsidences, pit gas explosions *grizu patlaması*, dynamite explosions, railway car overturns and chokes are excluded since they are external accident factors. Also, it consists of temporary accidents, accidents that caused partial or full interruptions in working and mortal accidents.

<sup>384</sup> Orhan Tuna, *İş İstatistikleri, IFM vol:6 no:3-4 (April-July 1945)* p.345. The evolution of the number of the accidents occurred in mining sector in proportion to total accidents was as follows: 1937: 37%, 1938: 51%, 1940: 53%, 1941:52%, 1942:49%.

NPL envisaged compulsory labor in industrial and mining sectors and the 10<sup>th</sup> article disallowed the workers and servants to abandon their workplaces without an acceptable excuse. The 10<sup>th</sup> article suspended the first paragraph of the 13<sup>th</sup> article of LL according to which permanent labor contracts could be dissolved only by informing the other side. However, according to the 10<sup>th</sup> article, workers and servants could not abandon their workplaces even when they informed their employer. The second paragraph of the 39<sup>th</sup> article of NPL suspended the 3<sup>rd</sup> paragraph of the 37<sup>th</sup> article of the Labor Law which envisaged that the wage for per extended working hour was to be 1,25 or 1,5 times more than per daily working hour. According to the 39<sup>th</sup> article, workers in the factories belonging to the Ministry of National Defense would be excluded from the scope of the related paragraph of LL. The second paragraph of the 19<sup>th</sup> article of NPL suspended some clauses of the 50<sup>th</sup> article of the Labor Law which prohibited the employment of boys under 18 and women of any age. In addition, NPL allowed the employment of boys and girls younger than 16 day and night. Finally, the last paragraph of the 19<sup>th</sup> article of NPL suspended the 44<sup>th</sup>, 45<sup>th</sup> and 46<sup>th</sup> articles of the Labor Law which arranged vacations in industrial companies. According to this paragraph, the government was authorized to cancel all leaves including the weekends, religious and national holidays, except for the Republican Day on October 29, in all industrial companies.<sup>385</sup>

When the above-mentioned articles of NPL are examined, it can be stated that the government aimed to preserve the level of industrial production which decreased due to the large number of military recruits. However, the contribution of the measures stipulated by NPL to the increase in industrial production was debatable.<sup>386</sup> As observed in table 5, coal production increased 323.000 tons between the years 1939 and 1940 which hardly approached the level planned by the government as 350.000 tons per year.<sup>387</sup> Nonetheless, iron production registered a decline despite compulsory labor was applied in iron factories.

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<sup>385</sup> Orhan Tuna, “Türk İş Hukuku ve Milli Korunma Kanunu”, pp. 344-350.

<sup>386</sup> Tuna is doubtful of the fact that the extension of working hours contributes to the increase in production. He states that the extension may be useful only for a short time; if the workers continuously work overtime, there emerges exhaustion and production declines. See Orhan Tuna, “Türk İş Hukuku ve Milli Korunma Kanunu”, p.351.

<sup>387</sup> The decline in coal production in 1942 was due to the suspension of work for two months. See Document No: D7 Reference No: 030.01 54.328.1 (17.03.1943) *Sayın Başvekil Ş.*

To sum up, the application of NPL during Refik Saydam's government carried an interventionist character as the war conditions entailed. As previously mentioned, it did not succeed, nor did it completely fail. Troops could economically be nourished and dressed on one hand, and urban population could acquire bread and coal with no economic difficulty on the other. Nevertheless, in each sector under strict control, black-marketing and profiteering activities prevailed, and especially workers and villagers suffered too much from the measures taken in accordance with NPL.

#### 4.2. CONSEQUENCES OF THE APPLICATION OF NATIONAL PROTECTION LAW BY THE ŞÜKRÜ SARAÇOĞLU GOVERNMENT

The government's lift of the controls on economic affairs brought unexpected results. Accordingly, prices assumed to increase to some extent but were predicted to remain behind black-market prices.<sup>388</sup> Nonetheless, contrary to expectations, prices registered a rapid increase. Samet Ağaoğlu, a known writer, explained the reasons behind price increases as follows:<sup>389</sup>

It is wrong to associate price increases with profiteering activities. There are two reasons behind them: a- insufficiency of the production of commodities which stemmed from the decline in agricultural and industrial production and the increase in state's consumption of essential materials, b- decline in the purchasing power of the currency stemming from the increase in the amount of the currency in circulation and the addition to prices of some essential materials by the government. It is a well known fact that price determination alone cannot prevent price increases in a war economy. It prevents price increases only if it is accompanied by limitations on consumption.

As observed in Table 4, wholesale prices registered a slow but gradual increase between 1939 and 1941; however, from 1942 onwards they increased at astonishing rates due to the lifting of controls by Saraçoğlu's government. After the government restored price mechanism through the discussed 510<sup>th</sup> resolution, prices began to decline, yet they never returned to their pre-war level. Similar to wholesale prices,

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*Saraçoğlu'nun, 17.03.1943 Tarihinde Okudukları Hükümet Programı* (Ankara: State Archives, 1943) p. 7. The reason for this might be the pit gas explosion occurred on December 3<sup>rd</sup>, 1942 which resulted in 63 casualties. See Cemil Koçak, *Türkiye'de Milli Şef Dönemi(1938-1945)*, p.402.

<sup>388</sup> Cemil Koçak, *Türkiye'de Milli Şef Dönemi(1938-1945)*, p.432.

<sup>389</sup> Samet Ağaoğlu, "İktisadi Hayatta: Fiyatların Yükselişi" *İktisadi Yürüyüş year: 4, vol:7*, (16.01.1943)

cost of living index in Istanbul increased from 100 in 1938 to 297 in 1944<sup>390</sup> whereas in Ankara it increased from 100 in 1938 to 329 in 1944<sup>391</sup>.

Price increases made it much more expensive to supply food and clothing for the military. Hence, budget expenditures and the share of the military expenditures in the budget grew to a large degree. The above-given Table 6 shows that expenditures increased from 581,9 to 913,7 million TLs and footnote no: 190 indicates that military expenditures increased from 322,5 million TLs in 1941 to 542,5 million TLs in 1943. Under these circumstances, the government resorted to the application of Capital Levy, *Varlık Vergisi*. Had the Capital Levy not been imposed, the budget deficit could not have been at least partially recovered.

The new policies such as the 25% Decision, which increased the prices of food items brought about a “legitimized” capital accumulation<sup>392</sup> by big farmers who could supply products in the market without agents and big businessmen who were engaged in food trade. Enhancing their wealth, they moved to Istanbul to attend trade circles.<sup>393</sup> Newspapers reported many companies, mostly owned by individuals, apply for the membership of Istanbul Chamber of Commerce.<sup>394</sup> Istanbul trade bourgeoisie, as mentioned earlier, which was largely engaged in importing, also grew, making the suitable ground for the capitalists of rural background to compete Istanbul trade bourgeoisie in trade activities. Driven by the

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<sup>390</sup> Ö.Faruk Çolak, *Savaş Ekonomisi ve II. Dünya Savaşı Dönemi Türkiye Ekonomisi*, p.435

<sup>391</sup> İffet H.Oruz & Sıtkı Yırcalı, *Türkiye’de Fiyat Murakabesi: Mevzuat ve Tatbikat*, p. 241. However, during same years the cost of living index was in the US 121, Argentina 116, Germany 111, Bulgaria 231, Hungary 168, England 127, Sweden 148. Apart from Argentina and Sweden, these states were directly involved in WWII.

<sup>392</sup> The capital accumulation was legitimized because during Saydam’s government it was forbidden to sell food items for higher prices than what were fixed by the government. Saraçoğlu’s government released price controls and producers were allowed to sell their products on their market prices. See Korkut Boratav, *Türkiye’de Devletçilik*, p.224.

<sup>393</sup> *İktisadi Yürüyüş*, Year:4 Vol:7 No:76 (16.02.1943) p.7

<sup>394</sup> According to the Journal of Istanbul Chamber of Commerce and Industry, the number of companies registered was 1026 in 1941 and 1536 in 1942. See *İktisadi Yürüyüş*, Year:4 Vol:7 No:76 (16.02.1943), p.7. Hüseyin Avni offered two reasons behind the increase in the number of merchants in Istanbul. One was that foreign trade activities largely gathered in Istanbul for main commercial centers such as Izmir, Samsun and Mersin were disconnected from Europe. So, merchants in these cities moved to Istanbul to continue their trade activities. The other was that after the outbreak of the war, prices of all commodities either imported or produced within the country gradually increased. This increase incited merchants and even commoners who had capital to hoard the essential materials. Selling these materials in higher prices, they accumulated wealth and they emerged as new capitalists. See Hüseyin Avni, “İstanbul Piyasasında Tüccar Adedi Neden Artıyor?” *İktisadi Yürüyüş*, Year:3 Vol:6 No:71 (18.11.1942) p.11.

difficulties in stabilizing the budget, the government had to attack both the Istanbul trade bourgeoisie and the rural capitalists through the Capital Levy and the Agricultural Produce Tax, *Toprak Mahsulleri Vergisi*.

#### 4.2.1. THE CAPITAL LEVY

War capitalists who appeared as a result of war conditions in general and the application of NPL in particular became a target for the government. Overwhelmed by defense expenditures, the government had to find additional revenues, for ordinary taxes could not meet the expenditures.<sup>395</sup> There were three choices in front of the government; the first was to request additional foreign and domestic loans. The second was to increase money emission. And the third was to impose an extraordinary tax. Foreign and domestic loans, usually unstable, *dalgalı* in character, were already in use of the government and they proved to be inadequate for the stabilization of the budget.<sup>396</sup> Similarly, money emission was far from being applicable, since, as Saraçoğlu pointed out in his parliamentary speech in November 1942, high amount of currency in circulation (approximately 700 million TLs at the time) was one of the factors behind price increases. Hence, it would be useful to withdraw some of the money from the market through taxation. This tax would be imposed upon particularly businessmen who accumulated large amounts of capital until the beginning of the application.<sup>397</sup> Besides, this tax was presumed to prevent commodity shortages in the market in that businessmen, supposedly hoarding large amounts of commodity, would be obliged to market it. This way, prices would be decreased to a tolerable level.<sup>398</sup> Based on these assumptions, the Law on Capital Levy was issued on November 11, 1942.<sup>399</sup>

The Capital Levy was “to be a non-repetitive tax applicable to large farmers, property owners, businessmen, corporations, and various additional individuals

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<sup>395</sup> Taner Timur, *Türk Devrimi ve Sonrası*, p.202.

<sup>396</sup> For the nature of external and internal debts during war years, See Memduh Yaşa, *Devlet Borçları*, (Istanbul: Sermet Matbaası, 1965)

<sup>397</sup> Cumhuriyet (11.12.1942)

<sup>398</sup> Korkut Boratav, *Türkiye’de Devletçilik*, p.257.

<sup>399</sup> Faik Ökte, *Varlık Vergisi Faciası*, pp. 217-228.

already liable for income taxes.”<sup>400</sup> Estimations were to be carried out, in maximum fifteen days, by the committees consisting of governors, *vali* or local officials, *kaymakam*, fiscal directors, *malmüdüriü*, and four additional members appointed by the Chamber of Commerce and the municipalities (Article 7). Totally thirty days, second half of which was penalty, were allowed for payments. Those failing to pay the estimated amount after thirty days were to be subjected to confiscation of property, arrest and compulsory labor in camps (Article 12). There was no right of appeal against the determined application of the tax (Article 13).

Taxpayers were classified into two groups as Muslims (M) and non-Muslims (G- *gayrimüslim*) including foreigners (E-*ecnebler*). Later, Converts (D- *Dönmeler*) were added into the classification. Muslims were to pay an amount of tax three times higher than their incomes whereas non-Muslims were to pay from five to ten times more than their Muslim counterparts and converts two times more than Muslims. The amount estimated for each group was based on hypothetical incomes they obtained until that time. Muslims and foreigners were to pay one-eighth, converts one-fourth, and non-Muslims half of their incomes.<sup>401</sup> The difference between the liabilities of Muslims and non-Muslims was interpreted as indicating the obscure intentions against the non-Muslim elements in the country.

Uncertainties surrounded the announcement and the application of the Capital Levy. First, the tax rates were ordered from above. Prime Minister Saraçoğlu was said to have prepared separate lists for Muslim and non-Muslim businessmen and taxpayers while the issue was still being discussed before the application of the tax. Under his leadership, extremely inequitable tax-rates were estimated for non-Muslims and converts. Second, estimation committees had only narrow data with regard to the capital rich citizens and foreigners had, and many of their estimates were largely guesswork.<sup>402</sup> The 12<sup>th</sup> article authorized the fiscal director of a town, *mal müdüriü*, to put all properties of taxpayers, who he deemed necessary, under sequestration without waiting the fifteen days of payment. This was another

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<sup>400</sup> Edward C. Clark, “The Turkish Varlık Vergisi Reconsidered” *Turkish Politics and the Economy, 1908-1946: From the Revolution of 1908 to the End of the One-Party Era Vol:II ed. Aykut Kansu* (Ankara: METU, 1992) p. 206.

<sup>401</sup> Korkut Boratav, *Türkiye’de Devletçilik*, p.261.

<sup>402</sup> Edward C. Clark, “The Turkish Varlık Vergisi Reconsidered”, p.207. Also see Cemil Koçak, *Türkiye’de Milli Şef Dönemi(1938-1945)*, p.488.

obscurity regarding the application of tax, which would enable state officials to take arbitrary actions against taxpayers.

Due to the fact that many of the companies were in Istanbul, the tax was mainly directed to Istanbul. Of totally 425 million TLs estimated for Turkey, approximately 317 million TLs -(75%) tax was impinged upon the businessmen in Istanbul. The collected amount was 221 million TLs (70% of the total for Istanbul). In Turkey, non-Muslims were charged 223 million and they paid 166 million (70 %), Muslims were charged 122,5 million and they paid 115,5(92,5%), and foreigners were charged 79,5 million and they paid 33 million (41%).

Muslims did not require any enforcement, since they paid the tax under highly patriotic feelings<sup>403</sup> and they were provided payment facilities which enabled them to pay the tax without closing their businesses.<sup>404</sup> Foreigners requested reduction in the amounts estimated through their embassies and consequently succeeded in paying substantially less than they were charged. However, non-Muslims could not elude the charges at all and they suffered the most. Throughout the 16-month application period of the tax, 2057 taxpayers failing to pay the tax were condemned to working camps, and 1400 sent to exile in Aşkale- Erzurum. Non-Muslims constituted the 90% of the exiles and 21 of them died there. More disastrously, properties including 885 houses, shops and plots of land belonging to taxpayers, especially non-Muslims were confiscated. Furthermore, sudden application of the Law caused urgent sales of properties which local capitalists benefited to a great extent and bankruptcies of non-Muslims.

The Capital Levy was terminated by laws no: 4501 of September 17, 1943 and 4530 of March 15, 1944. The former exempted peddlers and servants from the application and the latter annulled the tax completely.<sup>405</sup> The latter provided a

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<sup>403</sup> Clark 1992, p.207.

<sup>404</sup> Korkut Boratav, *Türkiye'de Devletçilik*, p.264.

<sup>405</sup> According to Lewis, in so doing, the parliament punished those who either voluntarily or involuntarily paid the tax on one hand, and on the other rewarded those who were able to avoid paying it. See Bernard Lewis, *Modern Türkiye'nin Doğuşu*, 2<sup>nd</sup> ed., trans. Metin Kıratlı, (Ankara: TTK Basımevi,1984) p. 299.

numerical analysis of the tax. The figures about the implementation of the tax were as follows:<sup>406</sup>

Number of taxpayers	114.368
Total estimation of tax (TL)	465.384.820
The amount cancelled due to physical errors and repetitions (TL)	28.211.403
The amount cancelled by law no: 4501 (TL)	12.266.996
Remainder (TL)	424.906.421
Total Revenue by February 1944 (TL)	314.920.940
The rate of collection (%)	74,11
Uncollected amount (TL)	109.985.481

Although causing extreme disturbance among trade circles, the Capital Levy was beneficial to economy. It enabled the government to withdraw 43% of the currency in circulation at the time, temporarily removing the inflationary pressure upon economy. The increase in revenues somewhat contributed to the balance of 1942-1943 budget. On the other hand, the tax produced short- and long-term destructive results that many had to abandon their business and many others had recourse to black-market dealings.<sup>407</sup> Also, it permanently damaged confidence about Turkish economy since it created an uncertain atmosphere in which capital investments were likely to cease. Furthermore, the application of the tax brought about discrimination between farmers and urban trade bourgeoisie since the former were exempted from the tax in practice although they were included in the text of the law.<sup>408</sup>

European countries took similar measures as Capital Levy during WWI and WWII. For instance, England levied an extra tax in the rate of 4-5% called National Defense Duty upon industrial and commercial profits which were acquired in proportion to the previous year. Likewise, Switzerland introduced a war profit tax in the rate of 30-40% in 1940. This was determined according to the amounts acquired in 1939. These taxes, however, differed from the Capital Levy in that they were levied upon the earnings of businessmen according to the returns filed by them.<sup>409</sup>

To summarize, the Capital Levy was the result of an urgent and reasonable need on financial resources by the government. However, due to either the

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<sup>406</sup> Faik Ökte, *Varlık Vergisi Faciası*, p.156,237.

<sup>407</sup> Faik Ökte, *Varlık Vergisi Faciası*, p.203.

<sup>408</sup> Korkut Boratav, *Türkiye'de Devletçilik*, p.264.

<sup>409</sup> J. Dobretsberger, "Fiyat Siyasetine Ait Bazı Düşünceler", pp.285-286.

ineffectiveness of taxation system in Turkey at the time or the obscure plans of the Turkish administrators to dishearten the non-Muslim trade circles in Istanbul and Izmir, and to empower Turkish businessmen for foreign trade,<sup>410</sup> its application undermined the intentions behind its implementation. Consequently, it not only disturbed the balance between the dominant groups in Turkish economy but also produced long-term effects such as the disconnection of the ties between trade bourgeoisie and RPP which dominated Turkish political life after WWII.

#### 4.2.2. THE AGRICULTURAL PRODUCE TAX

Just as the Capital Levy was launched upon trade circles, so was the Agricultural Products Tax upon farmers. It was charged from soil products whose prices were supposed to have increased several times high as their cost prices.<sup>411</sup> The underlying reason behind its implementation, as pronounced in the preamble, was to cover the budget deficit and to establish a balance among taxpayers by taxing the agricultural profits. However, some authors raise objections against this statement asserting that the mere reason was to curtail the reactions among the trade bourgeoisie by applying a remainder of the Capital Levy upon farmers.<sup>412</sup>

During parliamentary discussions concerning the tax, deputies complained that it resembled tithe.<sup>413</sup> Saraçoğlu replied: “ ... difficulties compelled us to issue this tax. However, we made substantial effort not to implement a tax similar to tithe.”<sup>414</sup> The law on the tax passed on June 4<sup>th</sup>, 1943 by the votes of 283 deputies; 168 deputies did not attend the voting. This shows that the tax confronted resistance by the deputies.<sup>415</sup>

According to the law, soil products were the objects of the tax (Article 1).<sup>416</sup> The tax was to be paid by the owners of these products during their maturation

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<sup>410</sup> S. Yahya Tezel (b), *Cumhuriyet Döneminin İktisadi Tarihi: 1923-1950*, p.262.

<sup>411</sup> Cemil Koçak, *Türkiye’de Milli Şef Dönemi(1938-1945)*, p.519.

<sup>412</sup> Önder 1988, p.120

<sup>413</sup> Refik Koraltan, Grand National Assembly Records, Term: 7 Vol: 3 Session: 33 (04.06.1943)

<sup>414</sup> Şükrü Saraçoğlu, Grand National Assembly Records, Term 7 Vol:3 Session:33 (04.06.1943). Nonetheless, this explanation was an acknowledgement of the fact that the tax was similar to tithe.

<sup>415</sup> However, the Capital Levy had been passed unanimously. The resistance against the Soil Produce Tax stemmed from the fact that it was directed to big landowners who had strong representatives in the parliament at the time.

<sup>416</sup> These products were millet, barley, wheat, rye, rice, bird fodder, corn, oats, broad bean, pea, bean, kidney-bean, lentil, chickpea, opium, hazelnut, peanut, sunflower, hemp, linen, dry fig, raisin, citrus

period (Article 2). The amount produced in the preceding year was to be announced by the producer and officials were to check this announcement (Article 6-10). Then, officials were to estimate the new year's harvest (Article 11). The tax rate was to be assessed by the government from upon the estimations in accordance with NPL (Article 18).<sup>417</sup> The taxpayers had the right to object to the amount estimated by officials (Article 30).<sup>418</sup>

It must be stressed, however, that the tax receipts did not meet the expectations. Of totally 319 million TLs estimated for the years 1943, 1944 and 1945, the collected amount was 173,5 million TLs.<sup>419</sup> This was only the 8.5 % of total revenues during these years. Consequently, in addition to its shortcomings with regard to the stabilization of the budget, it burdened small-scale farmers<sup>420</sup> causing a great unrest among them and breaking off the ties between the Republican Party and farmers at the end.

In summary, the National Protection Law and its by-products, the Capital Levy and the Agricultural Products Tax were the results of an emergency. Turkish governments during war years applied them only in order to survive the economic troubles stemming from WWII. However, the way of the application of these measures produced long-term, mostly negative, social, political and economic results which dominated Turkish political life after the war.

### 4.3. CONSEQUENCES OF THE APPLICATION OF NATIONAL PROTECTION LAW BY THE DEMOCRATIC PARTY GOVERNMENT

In spite of harsh measures to stop high prices and black marketing, the shortage of basic consumption goods and inflation did not come to an end and caused a

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fruits, cotton, beet, potato, sesame, tobacco and olive oil. "Toprak Mahsulleri Hakkında Kanun Layihası ve Muvakkat Encümen Mazbatası" No: 6/1611 (15.05.1943)

<sup>417</sup> The rate was estimated at the beginning as 8% of the cereal output, but it was increased to 10% by law no: 4453 (19.04.1944). This measure faced severe critiques by deputies especially Emin Sazak (Eskişehir), known as the most famous defender of farmers' rights, as that farmers would not be able to endure such a burden. See Grand National Assembly Records, Term: 7 Vol: 9 Session: 44 (19.04.1944)

<sup>418</sup> This was an important feature of the tax differentiating it from the Capital Levy. In the Capital Levy, there was no right of objection.

<sup>419</sup> Suat Başar, "Toprak Mahsulleri Vergisi Kalkınca", *IFM Vol:7, No:1-4*, (October 1945, July 1946), pp.100-101.

<sup>420</sup> As a matter of fact, as noted earlier, the 25% decision had negatively affected small farmers by compelling them to concede the 25% of their crop to the state.

discontent among the members of the DP group.<sup>421</sup> In his informative speech, Abdullah Aker, Minister of Economy and Trade, stated that since the enactment of NPL, 31 decrees and 18 circulars were issued by the Coordination Bureau; prices of 293 items were limited according to the resolutions of the bureau; 175 tradesmen in İstanbul, 78 in Ankara, 110 in İzmir, 20 in Adana violating the rules were found guilty.<sup>422</sup> Hilmi Çeltikçioğlu, (Çoruh) claimed that after the enactment of NPL, prices fell sharply; in some items this drop realized at a rate of 40-200 %.<sup>423</sup> However, the situation was not as rosy as he pictured since, as early as 23<sup>rd</sup> of December, 1956, people began to complain about price increases, commodity shortages and black market activities.<sup>424</sup> Furthermore, the discontent among the business circles with regard to the application of NPL was expressed in the “Memorandum about the Problems Observed in the Application of National Protection Law.” It was expressed in the memorandum that NPL produced hardships as such that the low wholesale and retail profit rates discouraged wholesalers and retailers from supplying commodities in the market and thus production stagnated. This led even to the scarcity of locally manufactured commodities, let alone imported ones.<sup>425</sup>

The shortage of basic goods and increase in prices could not be stopped in 1957. Policies of the government began to be rigorously criticized by the Union of Chambers. The government neglected the criticisms and took further steps in its intervention. It announced that regardless of its consequences, all goods were to be sold upon the prices determined by the government.<sup>426</sup> Also, it invited the people to fight against profiteers and hoarders.

In 1958 the depression deepened. In addition to the criticism by the opposition, the government confronted increasingly displeased voices within its party group. In a private group session, criticisms rose as to why the inflation could not be stopped;

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<sup>421</sup> Mustafa Albayrak, *Türk Siyasi Tarihinde Demokrat Parti*, Vol: II, unpublished doctoral dissertation, (Ankara, 1992) p. 825

<sup>422</sup> *Democratic Party National Assembly records*, Term: 10, Vol:184 (June 15,1957) p.6 as quoted in Albayrak 1992, p. 825.

<sup>423</sup> Mustafa Albayrak, *Türk Siyasi Tarihinde Demokrat Parti*, p.825.

<sup>424</sup> *Vatan*, (12.23.1956)

<sup>425</sup> *Milli Korunma Mevzuatının Tatbikında Müşahade Edilen Müşüller Hakkında Muhtıra*, (Ankara: Türkiye Ticaret Odaları ve Ticaret Borsaları Birliği Matbaası (Printing House of the Turkish Association of Union of Chambers),1956) p.1.

<sup>426</sup> *Official Gazette* (November 25, 1957)

while a truck of stone was 30 TLs in 1952, it rose to 90 TLs in 1958; a truck of sand was 40 TLs in 1952 whereas in 1958 it was 100 TLs.<sup>427</sup> Furthermore, foreign debts reached a point which Turkey no longer seemed to tolerate with its disturbed economy.

By the end of July 1958, the United States, and the internationally recognized economic organizations such as OEEC and IMF imposed an economic stabilization program together with a financial assistance of \$ 359 million on Turkey. According to this program Turkey was to take measures to improve her economic position abroad and to fight against inflation at home. The government announced that it was ready to accept and apply such policies. Turkish currency was devalued to 9.00 TL for \$1.00 and foreign debt was consolidated. Furthermore, the government agreed to lift the price controls envisaged by NPL which had by then possibly brought about greater inequities than the market mechanism itself and proceeded to the heart of the problem by freezing bank credits since monetary factors had played a very significant role in inflation. Therefore, it fixed ceilings upon both Central Bank and commercial bank credits on the basis of the levels in June 1958.

With regard to the removal of price controls, the government issued the 1227<sup>th</sup> resolution on June 15, 1959 which annulled the 1020<sup>th</sup>, 1029<sup>th</sup> and 1051<sup>st</sup> resolutions all of which included provisions about the limitation of commodity prices.<sup>428</sup> The resolutions issued after this date concentrated mainly on compulsory labor in companies belonging to the state and private enterprise. Finally, NPL was annulled on September 10, 1960 after the coup d'état of 1960.<sup>429</sup>

#### 4.4. AN INTERPRETATION OF THE CONSEQUENCES OF NATIONAL PROTECTION LAW

Before making a comparison between the consequences of the first and second NPL, it should be established whether they proved efficiency in eliminating economic disorders and whether they contributed to the establishment of a strong economy. It is difficult to give affirmative answers to these questions. However *bona fide* efforts the enactments of NPLs may have seemed, they were doomed to failure since they stemmed from the state authorities' poor assumption that full state control over economy would solve economic problems. However, markets reacted to state

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<sup>427</sup> *Democratic Party's Confidential National Assembly records*, Term: 11, Vol: 22 (May 22, 1958) pp13-17 as quoted in Albayrak 1992, p.825.

<sup>428</sup> Resolution No:1227 (06.15.1956) *Düstur*, Vol: 40, pp.1375-1379.

<sup>429</sup> Law No: 79 (09.10.1960) *Düstur*, Seri: IV, Vol:1, pp.316-321.

controls with widespread speculations. In an in-depth analysis, one can observe that contradictory applications of NPL by the Saydam and Saracoğlu governments decreased the effectiveness of NPL. As pointed before, the strict application by the Saydam Government was relatively successful in nourishing troops and cities. However, the Saraçoğlu government's approach to the matter was relatively flexible and this flexible approach gave the country a substantially high inflation reminiscent of the First World War years.

On the other side, the DP government put the law into practice in order to overcome the inflation by its own methods. That is, the DP government assumed that if the application of NPL stopped inflation, the DP government would not have to credit the economic advice of foreign authorities. This attitude included populism in itself, too. To be exact, on one hand were foreign authorities suggesting deflationist measures to stabilize the economy, and, on the other hand, there was the electorate whose votes blinded the DP authorities and hence held back them from initiating economic reforms.

As to the consequences of the two applications of NPL, one can observe that the first NPL left more painful memories in the public mind than the second NPL for the reason that the first NPL was applied more widely than the second. It impacted industry, trade and agriculture. Particularly, such measures as the confiscation of cereals and compulsory labor in mines and farms under the control of gendarme forces frustrated farmers. Similarly, strict checks in shops for the sake of price controls, persecution of some businessmen while some others were left untouched disconcerted business circles. Also, extension of working hours in industrial companies and employment of women and kids in industrial works with minimum wages disturbed workers. Furthermore, the rents fixed at their pre-war levels which remained so until after WWII distressed house owners.

All the same, particular groups exploited NPL. For instance, a few businessmen acquired great wealth having escaped from government controls as regards their close connections with administrative circles, and so did big farmers having eluded cereal confiscations.

The second NPL, on the other hand, largely impacted domestic trade. Although it increased the quantity of commodities in the market at the beginning, it failed to relax the domestic trade completely, for the problem was much more fundamental than it seemed. Imports were at low ebb since the government had exhausted almost all foreign exchange reserves and strictly regulated foreign trade. Having considered businessmen as the only actors behind commodity shortages and high inflation, the

government overstrained them via NPL. Strict price controls in shops, heavy sanctions upon the businessmen who were ambiguously accused of being speculators, and even more desperately, the introduction of denunciation frightened businessmen.

The discontent resulting from the application of NPL in such an exacerbating manner added to the antidemocratic actions of the DP government and caused DP to lose its votes in the elections.<sup>430</sup> Furthermore, it was NPL which the foreign authorities advised the DP government to abandon its execution as soon as possible during the negotiations upon the stabilization program in 1958.

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<sup>430</sup> In a comparative statistical analysis, it is observed that DP won 47,88 % of eligible votes during the elections in 1957 while it had mustered a robust majority in 1954 (57,61%). This scheme grows sourer for DP when its votes and the opposition's are presented. That is, total votes won by the opposition were 3.790.100 in 1954, which hardly neared DP's 5.151.550; however, in 1957 the votes gone to the opposition outnumbered DP's as 4.760.571 to 4.372.621. (The increase in the total votes between 1954 and 1957 is 155.332). *Türkiye Cumhuriyeti Milletvekili Genel Seçimleri* [online] Available:

["http://www.tbmm.gov.tr/develop/owa/secimler.genel\\_secimler"](http://www.tbmm.gov.tr/develop/owa/secimler.genel_secimler) [Accessed: September 9, 2004]

## CHAPTER 5

### CONCLUSION

This thesis does not suggest an entire economic history of Turkey during the years between 1940 and 1960. Instead, it deals with a specific economic regulation, i.e. National Protection Law, which controlled Turkish economy for almost twenty years with interruptions. There were interruptions in the course of the execution of NPL because, as a matter of fact, Turkish economy during the twentieth century has been an arena of ideological struggle. NPL not only became a part of the struggle but it was also affected by it.

Subject matter of the struggle is the question “How will Turkey develop?” There are two political camps competing to find a perfect resolution to this question. One is the liberal camp arguing to develop Turkish economy through liberal, integrationist and free-market policies, and the other is the conservative camp suggesting protectionism, nationalism, interventionism and etatism. The struggle between these camps left a great impression upon Turkish economic policies. The contradiction between the liberal economic policies of Cavit Bey, well known minister of finance after the Young Turk Revolution and the interventionist economic policies during the First World War followed by the Committee of Union and Progress, the controversy between the liberal and protectionist-etatist economic policies before and after the Great Depression, the contradictory NPL applications during World War II by Refik Saydam and Şükrü Saraçoğlu, the former seeming interventionist and the latter seeming liberal, the laissez-faire economic policies especially during the years between 1950-1954 and the return of interventionist economic policies via the reenactment of NPL in 1956 can be given as clear examples of the struggle between the two camps.

As noted above, the first NPL became a part in this struggle in that it was a double response, together with étatism, to the open-door economic polity of the period between 1923-1930 and to the suspension of etatist policies during the rule of the Celal Bayar Government. It was affected by the struggle in that its course of application oscillated between intervention and liberation during war years. Similarly, the second NPL was an interventionist response to the open market policies during the first half of the fifties. Foreign authorities, however, had a say on

economy more than ever, and pressurized the government to abandon the application of interventionist NPL.

Having elucidated the reasons behind the enactments of two NPLs, this thesis puts forward that NPLs were the reflection of authoritarian tendencies of both RPP and DP governments. For the RPP government, it was not difficult to follow such an interventionist path since it was the sole authority to determine the fate of the country during the war. This does not mean that it was not criticized while implementing war economy. To illustrate, the Refik Saydam Government's economic policy aroused criticism in the RPP group, in the parliament and in the press with regard to the consequences of its wide intervention in economy and trade, strict controls upon prices, and rationing institutions established to solve the problem of food supply and their operations. Critics concentrated particularly on Saydam's food policy which brought about scarcity of food and famine. According to the critics, the government confiscated all essential food items. However, the prices determined for these items upset producers and they resorted to black-market. In addition, the Saydam Government failed in struggling with profiteers including bureaucrats and even ministers. Ironically, even Refik Saydam himself hoarded some essential items which, after his death, were found in his house. This case indicates to what narrow extent the Saydam Government was solemn and resolute in its struggle with profiteers. In his memoirs, Faik Ahmet Barutçu (Trabzon), depicted the public discontent against Refik Saydam as that there was no Turkish citizen mourning for his death.<sup>431</sup>

The Saracoglu Government's economic policy was exposed to more criticism than that of the Saydam Government's, since it paved the way for the highest inflation in Turkey during the war. The government legitimized profiteering by lifting price controls over essential food items. The sanctions given by the Courts of National Protection were far from being dissuasive and these courts mainly tried small businessmen. Those who were able to bribe officials avoided persecution. The implementation of the Capital Levy and the Soil Produce Tax also left painful memories in the public mind. The Capital Levy invited criticism both from the business circles at home and from foreign countries as it addressed mainly the

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<sup>431</sup> Faik Ahmet Barutçu, *Siyasi Anılar*, (Istanbul: Milliyet, 1977) quoted in Cemil Koçak, *Türkiye'de Milli Şef Dönemi(1938-1945)*, p.445.

minorities. The Agricultural Produce Tax burdened small farmers though the government aimed those who accumulated large sums of capital via speculations. All these measures caused the rural population to consider RPP as the enemy of farmers and they punished the party with their votes for years.

On the other side, DP's economic policy included contradictions which invited criticism. Although it emerged as a liberal party promising to lift all controls over the democratic rights and over economy, DP kept this promise only four years. After winning the elections in 1954, it returned to authoritarianism which took the people back to the single party years. Two views can be suggested to explain this authoritarianism. First, the DP authorities tenaciously believed in a rapid economic growth in the country. Therefore, they were determined to overcome any obstacles against this rapid growth. If authoritarianism were necessary to overcome these obstacles, they would not hesitate to employ it. As a matter of fact, all governmental suppression upon the opposition parties, especially RPP, and the press via the Press Law was the consequence of this belief. In a similar vein, if NPL were necessary to overcome economic obstacles, the government would not abstain from enacting it. Second, the overwhelming political victory during the elections in 1954 caused the DP authorities to believe that the economic policy was completely correct. However, economic problems became apparent after 1954. The critiques of the opposition and foreign authorities added to the worsening economy, and therefore, the government grew more intolerant. Instead of making a self-criticism, the government employed authoritarianism.

In brief, the two NPLs had similarities and differences with regard to their enactments, applications and consequences. Their importance lies in the fact that they revealed the authoritarian and interventionist tendencies of their executors, RPP and DP. Overall, they not only malfunctioned but also endangered the political future of their advocates.

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