

CHAPTER V

THE ECONOMY UNDER
THE DEMOCRAT PARTY

A democratic economic policy may be defined as a system which is based on private property, which defends the economic freedom of the individual, and which considers private enterprise to be fundamental. Today's government, while remaining within the framework of this general definition, accepts the principle that the State may be given certain duties in the economic sphere. The government believes that the fundamental duty of the State is to encourage, regulate and supervise economic activity, and, at the same time, to create broad and secure working conditions for private enterprise by providing every possible legal and economic opportunity.

President Celâl Bayar, speech to the Grand National Assembly, 1 November 1952

The Democrat Party government believed that it would be a totally democratic act to participate in international trade and economic relations and to prepare the necessary climate and conditions for such participation. It was to be expected that a democratic régime and a democratic mentality would not confine the country to its shell but would make Turkey a part of the free and democratic world both economically and politically.

Refik Korkud, *Demokratik Rejim Matbuat-Muhalefet Hürriyet Suistimali* [Ankara, 1959]

Étatism and the Opposition 1945-1950

IT is noteworthy that the founder of the first party to challenge the monopoly of the Republican People's Party was an industrialist, not a politician. Nuri Demirağ, who founded the National Development Party (*Milli Kalkınma Partisi*) in August 1945, was a firm believer in free enterprise and sharply opposed to the

Republican Party's policy of state intervention or étatism. According to Demirağ, his party was founded 'in order to end the thousand and one miseries, calamities, and injustices that the people suffered from the étatist administration'.¹ It attracted little support and was soon eclipsed by the Democrat Party.

Demirağ did succeed in establishing the fact that opposition to the Republican Party was not merely political in the narrow sense, but was also concerned with economic issues related to developing the country materially, for which the prerequisite was political power. In the struggle waged by the Democrats, this aspect was often lost amidst such political issues as the Electoral Law or the amendment of anti-democratic laws. Yet the economic question had become the primary concern of both the RPP and the opposition parties.

Turkey had been impoverished by the prohibitive but vitally necessary armed neutrality she had been forced to maintain throughout World War II. The war was even more costly for the belligerents; in one sense, however, Turkey's plight was worse since she lacked the economic infrastructure necessary for a quick recovery. This foundation had to be laid before the country could begin to move forward.²

All parties recognized the seriousness of the economic situation and the need to take immediate steps to remedy it. There was no significant disagreement over economic doctrine and many Republicans understood that étatism had never been an economic system to be pursued dogmatically. It had been introduced in order to overcome years of economic backwardness, the result of bad government in the past. Its purpose had never been to oppose private enterprise; in fact, one of the aims of étatism had been to help the private sector and encourage its growth so that, one day in the near future, it would be capable of replacing the state as the dominant factor in the economy.³ The problem, claimed Sadak, was that the limits of étatism had never been defined and this sometimes brought it into conflict with liberal economic concepts. The state had failed to designate separate functions to the two sectors—the incipient cause of insecurity in the private sector. If the functions and responsibilities of the two sectors were defined, Turkey would be on the way to establishing a mixed economy.

Sadak's interpretation of étatism was correct in theory. But the domination exercised by the bureaucracy over the economy undermined the original goals of étatism. It established the supremacy of the state sector, giving the bureaucrats a vested interest in maintaining the *status quo*. Menderes diagnosed the situation correctly when he told the Assembly that:

The political views and opinions which found expression in the single-party domination of the former government were also reflected in its economic and financial policies....

Thus, in time it emerged as an interventionist, capitalist, bureaucratic, and monopolist state. It is natural for this kind of state to put the country in debt by constantly increasing expenditure and preventing the development of our economic resources by making business and production stagnant.⁴

Even Sadak had noted that the bureaucratic wing of the RPP wanted to convert étatism from 'state socialism', in which the primary motive of state economic enterprises had not been profit, to 'state capitalism'. In this case the state would compete with the private sector and that would be worse than the system being replaced.

Étatism was in the process of serious modification by the late forties and the introduction of the Marshall Aid programme in 1947 gave it more of a nudge than the politics of the opposition parties. American aid was followed by American criticism of Turkey's economic policies and the government was not slow to take note. As relations developed and Ankara became more dependent on American aid and investment, it realized that the 'internal régime should be more palatable to the United States in order to assure better understanding and to justify economic assistance'.⁵ The members of the numerous American economic missions who came to advise the Turkish government usually belonged to the private sector and they naturally tended to direct the Turkish government away from étatism. The activity of Max Thornburg, who directed a study of the Turkish economy in 1948, was significant 'for his conviction that the curtailment of étatism and the favouring of free enterprise ... must be a prerequisite of American aid [and this] had an impact on a wide and influential audience',⁶ both Turkish and American.

There is an intimate relationship between politics and economics and the Democrats were convinced of the impossibility of establishing democracy without free enterprise. The idea that political democracy would be insecure until the state sector had been subordinated to the requirements of the private sector was merely the other side of the communist doctrine that political power can be consolidated only by liquidating the private ownership of the means of production. For the Democrats it was not the state ownership that was loathsome but the fact that these state enterprises were run by an 'interventionist capitalist, monopolist bureaucracy', which had little concern for the private sector. The

political system needed to be changed in order to restore the hegemony of the politician over the administrator.

Between 1946 and their defeat in 1950, the Republicans took numerous measures to establish a liberal economic system in Turkey. The 'Measures of 7 September' 1946 were the first step in this direction.⁷ At the end of November Prime Minister Peker told the press that all the government's economic measures were based on the principle of competition and the free liberal system.⁸ While the Democrats preached the virtues of free enterprise, the Republicans were slowly dismantling the structure of state ownership. The process was cautious because there was a struggle in the party between the étatists and the liberals, which ended in a liberal victory. By the time the Democrats came to power a number of economic adjustments and commitments had already been made and these formed the foundations of the economic policy of the Democrat Party. There was no fundamental difference in the election manifestos of the two rivals.⁹ In the West, however, it was the DP which was proclaimed the champion of free enterprise.

The DP's Approach to Étatism

There was a difference in the way in which the two parties executed their policies and this became apparent soon after the Democrats assumed power. The DP, being a new party, had no ties with past policies and there were no factions pulling in different directions. Therefore it was able to pursue the capitalist path of development without any significant restraints or inhibitions. The Democrats had acknowledged that they were trying to accomplish exactly the same task as the Republicans, but they believed that they were capable of accomplishing it more efficiently.¹⁰

The economic policy of the party was explained by Professor Muhlis Ete, who became Minister of Management and Minister of Economy and Commerce in Menderes's first two cabinets. In an election broadcast in May 1950 he criticized Republican economic policies for being out of line with economic principles and promised that his party would be more consistent:

In our opinion the government's economic policy rests on private property, protects the individual's economic freedoms, and regards private enterprise as fundamental in the economic sphere.

However, to regard private enterprise as fundamental in the economy of the country must not be understood as meaning that there would be no state enterprises and co-operatives....

Our understanding of étatism takes more the form of 'organizing by the state' than 'running by the state'; the state's economic policy or its interest

in the economy should take the form of measures necessary to encourage, protect and co-ordinate the development of the various branches of the economy.

State establishments and enterprises should be devoted to public service and to activities which are monopolistic by nature and which private enterprise and capital will not be able to handle.

We believe that, in an economic régime which rests on private property and personal freedom, the true owner of the economy is the individual or private enterprise in the form of companies. Our thesis is that the state's duty is not to be inside the economy but above it.

Consequently the state should not be involved in enterprises which are not of a public character. It should begin, gradually and according to a programme, to turn over all other enterprises ... unless they are in public service and basic industry to private enterprise and co-operative groups.

In order to have a firm and established economic policy applicable to the country's economic structure and relationships, we propose to create an economic research centre composed of economists recognized either for their academic standing or their success in business. . . .¹¹

Muhlis Ete presented the broad theoretical outlines of his party's economic policy; Menderes presented the policy his government intended to follow. The basic principles remained the same. Menderes's policy statement was naturally more specific, and the emphasis was on economic expansion. In order to achieve this, the government intended to:

(a) Increase as much as possible that part of the budget which has the character of investment and direct all our other means exclusively into the sphere of production.

(b) Take all measures which will make private enterprise feel secure, both legally and in reality, and to help it to grow rapidly.

(c) Facilitate the flow of capital that exists in the country into fields of active production.

(d) Create the conditions in which it would be possible to benefit as much as possible from foreign enterprises, capital and techniques and to carry out all that is necessary to accomplish this.

(e) Bind to a plan the appropriations from the State budget which will be earmarked as investment funds for the purpose of economic expansion; the plan will be made with concern for the natural conditions of the country.

(f) Protect production from the damaging intervention of the State as well as all sorts of bureaucratic obstructionism . . .¹²

Menderes reiterated most of the party views on private enterprise that had been expressed earlier by Ete. Turning to the government's commercial policy he declared:

In the field of trade, when internal and external conditions do not force

our intervention, our policy will be to leave trade to the free and normal forces [of the market].

We strongly believe in the necessity of providing, under all conditions, firm stability to our foreign trade régime.¹³

Such were the broad theoretical and practical outlines of the government's economic policy with regard to the modern sectors of the economy, industry, and commerce. (The 'traditional' agrarian sector is discussed below.) It was intended to be as liberal as conditions permitted, with a clear break from the past in its execution.

By philosophy and temperament the Democrats were alien to bureaucratic procedures, which they associated with the old régime. They came to power on the anti-state platform and they sincerely felt obliged to carry out their electoral promises. Furthermore, they held the monopoly state apparatus responsible for many of the ills of the country and were convinced that if they could rectify these it would begin to move forward. Their antipathy towards the state was an inherent aspect of multi-party, competitive politics—in which the leaders of the party in power, rather than state officials, monopolize patronage and use it to pay back political debts or to reward their supporters. It was against the spirit of private enterprise and individual initiative, principles proclaimed by the Democrats, to work through the bureaucracy. Therefore the concept of planning, which is a bureaucratic process *par excellence*, was anathema to them. In fact, they often used the term 'plan', though never in the sense of an overall economic plan; more in the sense of a programme.

General Fahri Belen, who was Minister of Public Works in the first Menderes cabinet, recalled that his ministry had been placed on a 'plan footing' by the previous administration. There were studies and schemes for railway construction, roads, dams, and waterways which Belen wanted to use as the basis for his own programme. But his proposals were obstructed in the cabinet. As a military man Belen was well disposed to planning and working through the bureaucratic structure. But not so his civilian cabinet colleagues. He was told by Prime Minister Menderes that the five year plan he was preparing for his ministry was based on a communist principle.¹⁴

Belen also observed that Menderes permitted only limited contacts and negotiations between ministries and foreign firms. The negotiation of foreign contracts was supervised by a Minister of State, which made the process political rather than professional and technical. This practice was partly dictated by Turkey's

growing economic relations with the West, especially the United States. American experts had criticized the policy of state intervention in economic affairs and emphasized that '... free enterprise in the developmental sector must be a prerequisite of American aid.'¹⁵ This, Kerwin noted, had an impact on a wide and influential audience, both Republican and Democrat, and the bureaucracy soon felt the impact. Initially, these experts were satisfied with the concession of dealing directly with politicians rather than state officials; later they stipulated that American business would deal directly with its Turkish counterpart.

The victory of the DP was marked by the establishment of the supremacy of the party over the state, the domination of politics over administration. This is what Fahri Belen meant when he wrote: 'In every enterprise, more than planning there was the smell of votes ...'¹⁶ The Democrats—and the same would probably have been equally true of the Republicans—began to give priority to economic projects that would also have a favourable political impact and guarantee votes in the next election. No wonder the opposition parties described the cement and sugar factories built by the Democrats as 'election factories', in view of their uneconomic locations.¹⁷

The Private Sector Fails to Respond

Menderes was under the illusion that the creation of liberal capitalism, as distinct from the RPP's state capitalism, was only a matter of legislation. If he passed measures de-étatizing the enterprises which were neither in public service nor constituted basic industry, businessmen and industrialists would then do the rest and in no time a private sector would come into being. On 6 July 1950 Muhlis Ete announced that the government would begin by de-étatizing the Sümerbank construction industry, which consisted of cement and brick factories. This would be followed by the textile industry. Various choices were offered to potential investors. They could buy enterprises outright or go into partnership with the state. The government was also willing to enter into joint operations with private-enterprise companies national or foreign, or to rent some undertakings to local and foreign capital.¹⁸

In August the Industrial Development Bank of Turkey (*Türkiye Sınai Kalkınma Bankası*) was founded to facilitate this transfer of state enterprises and the development of the private sector. Its capital of TL 12.5 million was put up by the major national and foreign banks, the International Bank of Reconstruction and Development (IBRD) granted a loan of \$9 million, and Marshall

Aid provided TL 37 million. The stated goal of the bank was 'to found private industry, to encourage the participation of foreign and local capital in industry, and to make an effort to transfer to private hands the shares and securities on which Turkish industry is dependent and to retain them there.' The bank extended long-term credit to industrial firms wishing to renew or expand their productive capacity or to inaugurate new production units. It provided technical and managerial advice and guidance to firms and administered the Marshall Aid Counterpart Funds on behalf of the private sector.¹⁹

Analysing Menderes's policy in 1951, Bernard Lewis wrote:

Present government policy seems to be, not to abolish *étatisme* entirely, but to reduce it progressively and limit it eventually to those forms of economic activity which are specially suited to State ownership, or, what is perhaps the same thing, which are unattractive to private capital. . . .

... The central question here is—has the planned reconstruction of Turkey under *étatisme* gone far enough to permit its restriction or abandonment, without danger of a relapse into the old conditions or some form of economic colonialism?... Certainly the attempt, in the middle of the twentieth century, to turn back and catch up on the missing chapter of nineteenth-century liberal capitalism in Turkish history is not without its perils.²⁰

This was, indeed, the central question that had to be answered before liberal capitalism could be fostered in Turkey. The Democrats found that the social class which embodies the values of the private entrepreneur was very small and underdeveloped. To the extent that such a stratum existed, its activities were hampered by the prevailing social attitudes and values. Thus, in spite of all their good intentions, the Democrats had difficulty in implementing their programme. They were unable to find a suitable formula for limiting the activities of the state sector, and the businessmen lacked confidence to lead the way. Anxious about the new government's policies, they were cautiously biding their time. The commercial groups did not come up to Menderes's expectations in purchasing the state enterprises offered to them; nor did they dramatically increase their investment in new industrial ventures. Thus throughout the ten years the private industrial sector grew very slowly.

The Democrats were committed to the development of liberal capitalism, but their commitment to the rapid expansion of the economy was even greater. Disappointed by the response of private capital, they once more reverted to the state sector as the more likely field for industrial expansion. State enterprises were modernized and their productive capacity expanded;²¹ even the

bureaucracy in charge of the state sector doubled in ten years.²² Writing in the *Cumhuriyet* (7 May 1952), Nadir Nadi observed that the realities of power had taken the edge of the DP's liberalism. However, although the government was unable to turn over to the private sector as many state enterprises as it had initially planned, some progress had been made: Minister of Management Sitki Yircali, referring to the positive results of the opportunities given to the private sector, stated that while the state-owned Sümerbank had once catered for 70 per cent of the country's needs, it now catered for only 30 per cent. That was an indication of the extent to which private enterprise had grown.²³

Dependence on Foreign Capital

This time the emphasis on étatism was not as extreme as in the thirties. Unlike their predecessors who had hoped to use the state sector in order to develop private enterprise, the Democrats assigned a limited role to the state. They intended to rely on foreign capital to fulfil the task of inducing rapid growth in the private sector. Once again, DP policies had been anticipated by the Republicans: on 22 May 1947 the Peker cabinet had sanctioned a decree facilitating the investment of foreign capital in Turkey, and when that proved insufficient to attract investors the Republicans passed the first Law to Encourage Foreign Capital Investment on 1 March 1950.²⁴

The Democrats, as in everything else they did, accelerated the process of encouraging foreign capital investment. They felt sure that foreign money would pour in as soon as a government sympathetic to private enterprise came to power. However, as with the response from local investors, they were disappointed with the response from abroad. But they were optimistic and believed that it was only necessary to change the psychological climate in the country in order to attract large doses of foreign capital—which they regarded as vital for the Turkish economy.²⁵ President Bayar told his audience of bankers and financiers at the Calvin Bullock Forum in New York:

We observe that no matter how great an effort we exert, our own financial and technical resources are not enough for the exploitation of our sources of wealth with the required speed... A speedier opening of our resources for production is necessary. This will become possible through the influence of foreign capital.²⁶

On 2 August 1951 the Democrats took the first step to stimulate the entry of foreign capital by liberalizing the Law to Encourage

Foreign Investment in Turkey. The amended law offered greater incentives to foreign investment in Turkish industry, in the exploitation of energy resources (excluding oil) and minerals, public works, and communications. Moreover the investor was allowed to transfer 10 per cent of his annual profits in foreign exchange to the country of origin.²⁷

Even at the time, it was clear to many that the terms of this law were still not sufficiently attractive to draw capital in large enough quantities to make a substantial difference to the economy.²⁸ The government soon became aware of this and decided to liberalize its policies further: the bait dangled before the foreign investor was the exploitation of Turkey's oil resources. Sitki Yircali announced that the government would conclude agreements with foreign firms willing to pool their capital and technical know-how with Turkey. This was an important concession because the government was abandoning the principle of retaining vital resources such as oil as the monopoly of the state.²⁹

The response from the US Embassy was immediate and favourable. Ambassador George McGhee, an oilman from Texas, welcomed this change in attitude and said that it would constitute a good example for the elimination of difficulties inherent in the oil policies of several other countries. 'The fact that the country which for the last 30 years had carried out oil prospecting under state monopoly was now inviting foreign firms to participate provided a new example of joint enterprise.'³⁰ On 22 January 1953 *Cumhuriyet* reported that an agreement to build an oil refinery had been reached with a firm in California.

Clarence Randall, Chairman of the US House of Representatives Commission on Foreign Trade Policy, and President of the Chicago Inland Steel Company, arrived in Ankara on 26 August 1953. He held discussions with the government on how to attract foreign capital and announced to the press that the law on foreign investment needed to be amended again. The new law must end all restrictions on the activity of foreign capital, which ought to have the same rights as local capital. There ought to be no restrictions on the transfer of foreign exchange, and efforts should be made to facilitate the handling of Turkish stocks on stock exchanges abroad. An organization to publicize investment possibilities in Turkey was needed; the government should limit state enterprise; and it should allow state enterprises, local entrepreneurs, and foreign capitalists to operate 'under equal conditions based on the principles of free competition'.³¹ *Ulus* commented that whereas President Truman had used the state to further American relations with foreign countries, President Eisenhower preferred private

capitalists to achieve the same end.³² The government's liberal declarations brought immediate results. On 10 September the World Bank agreed to give Ankara credit worth \$9 million, to be placed in the Industrial Development Bank of Turkey to finance private industry.³³

The Law to Encourage Foreign Investment was amended on 18 January 1954 and the Oil Law was passed on 7 March.³⁴ There was great optimism in the country and many felt that Turkey had reached the turning-point on the road to development.³⁵ There was hope that the capital necessary for reconstructing the country would come from outside and that Turkey would soon join the ranks of the developed world. 'No national economy', declared Menderes, 'had developed without foreign capital. Therefore we considered it our patriotic duty to pass the Law to Encourage Foreign Investment.'³⁶ The Democrats had been deceived by the spectacular economic recovery Europe had made with the help of large injections of American aid and investment. They naïvely believed that the same process would be reproduced in Turkey and that they would be able to avoid the painful aspects of industrialization and economic development. They were convinced that Turkey's economic progress depended, not on the slow process of creating a strong foundation, but on expanding certain key sectors of the economy whose rapid growth would have side effects that would soon encompass the entire economic life of the country.

Despite all the encouragement and concessions, foreign investment remained disappointingly low, insufficient to make a dent in the problem of Turkey's development.³⁷ It neither provided the capital necessary to develop and exploit her resources; nor did it create jobs to ease the increasing unemployment. Nevertheless the influence of foreign capital in Turkish industry was totally out of proportion to the amount invested. It marked the beginning of the period of partnership between foreign and local enterprises which resulted in the dwarfing of local capitalism by the stronger and more developed partner. The development of a national Turkish industry was virtually impossible—but that became apparent only in the sixties.

The Agrarian Sector

Industry had always been the stepchild of the Turkish economy and the emphasis had invariably been placed on agriculture and commerce. This was due to the political strength of the commercial bourgeoisie in the towns and of the landowners in the countryside;

the relative weakness of the industrial sector was self-perpetuating. From the very foundation of the Republic, the Kemalists established a régime based on a tacit alliance between the modernizing bureaucracy, the commercial bourgeoisie, and the landowners. It is not surprising, therefore, that when étatism was introduced in the thirties it affected only industry and not agriculture or commerce. The government made no serious attempt to regulate commercial or agricultural activity, even though the various governments of the Republic were aware of the need to introduce land reform in order to correct some of the social and economic imbalances.³⁸ Both merchants and landlords grew even stronger with time, especially in the war years when they amassed considerable fortunes: their political influence increased along with their economic strength, and this found expression in the policies pursued by the two major parties in the post-war period.

The Democrats made agriculture the cornerstone of their economic policy, natural enough in a country 80 per cent of whose population was employed on the land and in which 50.5 per cent of the gross national product (GNP) came from agriculture.³⁹ But, as with industry, the Democrats made no attempt to create an infrastructure for Turkish agriculture by introducing intensive irrigation works or building enough fertilizer factories. This would have required a long-term programme and the Democrats were concerned with a rapid increase in production. In the short run their policy was most successful and during the years 1951 to 1954 production rose sharply. However, improved practices accounted for only 7 per cent; the increased acreage sown accounted for 36, the weather for 32, mechanization for 10, and transportation for 10 per cent of the increase in production.⁴⁰ The government believed that, by increasing purchasing power in the agricultural sector it would stimulate a demand for industrial and consumer goods which would benefit the economy as a whole.

The Democrats were committed to maintaining the existing structure of land ownership and therefore made no attempt to implement the Law for Providing Land to the Farmer (*Çiftçiyi Topraklandırma Kanunu*), passed in 1945 and amended in March 1950. According to their Minister of Agriculture Nihat Iyriboz, the 'Land Law the former administration passed was harmful and provided no benefits. Since former times the system of tenant farming [or share-cropping, *ortakçılık*] has been in practice. Under this system the wealthy landowner provided the small farmer with credit in kind and in cash. The Land Law ended that and created conflict over land between the landlord and the tenant. Now, we shall encourage tenant farming and also try to give land to the

landless as soon as possible.' And he went on to promise that 'The big landlord will be protected and the Land Law will be brought to life. We shall provide aid to set up big estates and encourage the development of animal husbandry.'⁴¹

It was hardly possible to reconcile the protection of the landlords and the creation of big estates with bringing the Land Law 'to life'. The government did distribute about 1.8 million hectares to about 360,000 families between 1947 and 1962, but only 8,600 hectares were taken from private land. Almost all the land distributed belonged to the state and was already in use as grazing.⁴²

The losers from this scheme were largely the landless or near-landless peasants who had used the communal grazing lands. And in many cases the families who acquired land did not in fact benefit, because, as Yaşar Kemal reported: 'The peasant is again share-cropping on the lands distributed by the government; he provides the land, the ağa provides the tractor.'⁴³ In the past, the ağa (landlord) had provided the land and the peasant his labour!

A Western anthropologist who visited Turkey in the early fifties observed: 'The machine thus replaces implements and animal power [which the tenant had provided, and the] higher cost of investment is mentioned [by the landlord] to justify the change in the relation to the tenant. As the tenant usually does not get more land, he has less work to do but, getting less [work, he] is impoverished. The next step, already taken by some landlords, is to cultivate their land with hired "operators" (usually U.S. trained) and to terminate the relations with the tenants. These can now only get temporary work as agricultural workers in peak times and rely upon the government for resettlement [in other regions].'⁴⁴

Land reform, however, was not merely a question of social justice; the needed increase in agricultural productivity depended upon it. The existing system of land tenure encouraged absentee landlordism and tenant farming; although it seemed to meet with the approval of the Minister of Agriculture, it did not stimulate either the owner or the tenant to make the land more productive. The large size of the estate guaranteed an adequate income to the big landowner and he had no incentive to invest more in order to increase productivity. The tenant, who tended to become a farm labourer once mechanization was introduced, was unlikely to see benefits from increased productivity either.⁴⁵

The dramatic change in Turkish agriculture was provided by extensive mechanization, particularly the use of the tractor—sometimes, indeed, it was overused. The availability of Marshall

Aid funds facilitated the import of farm machinery which continued to increase each year during the period 1948-57:⁴⁶

Year	Tractors	Harvesters
1940	1,066	57
1948	1,750	994
1952	31,415	3,222
1957	44,144	6,523
1962	43,747	6,072

The tractor made it possible for new lands to be brought under cultivation, and the area sown increased from 13,900,000 hectares in 1948 to 22,940,000 hectares in 1959. The most rapid expansion took place in the years 1950 to 1956, when the area under cultivation increased from 14,542,000 to 22,453,000 hectares.⁴⁷

These were the 'golden years' of the Menderes decade, when Turkey became an exporter of grain. But an 'economic miracle' based on such flimsy foundations was doomed to collapse, and the stagnation had already begun to set in by 1955. In the four years (1950 to 1953) the country witnessed a rapid growth of the economy at an average rate of 13 per cent per annum. This was due largely to the booming agrarian sector. In 1954 the rate of growth dropped to 9.5 per cent and exposed the haphazard nature of the economic régime. These years of plenty were followed by the lean years of spiralling inflation (1956-9), when prices rose about 18 per cent a year.⁴⁸ By the end of the decade the average rate of growth had flattened out to a mediocre 4 per cent per annum. In spite of this indifferent rate of growth, the Democrats succeeded in altering social and economic relationships in the countryside. This was especially true in the areas where there was wide-scale mechanization, as in the Çukurova region of southeast Anatolia and in the Aegean-Marmara region.

Yaşar Kemal described vividly the transformation wrought by farm mechanization in his native Çukurova. By late 1952 the tractor had replaced the ox for ploughing and not an inch of land remained uncultivated. But increasing prosperity and growing poverty went side by side. Those with plots too small to make the use of a tractor economically feasible, found they could no longer live by farming. A few became drivers or mechanics on the big estates, while the vast majority became agricultural labourers or migrated to the towns. 'After this,' observed a villager, 'no one without sufficient land can live in Çukurova.' But it was also already clear that the infrastructure for mechanized farming was lacking and Yaşar Kemal predicted correctly that the lack of spare

parts and mechanics would turn Çukurova into a 'graveyard of tractors'.⁴⁹

As a result of migration, landowners were able to increase the size of their holdings, while at the same time rural unemployment, always a problem in Turkey, now reached serious proportions. The peasant migrants in the towns began to pose new problems for the government. As early as January 1951 it was estimated there were over a million unemployed in the towns as a consequence of rural migration.⁵⁰ One of the outcomes was an increase in urban crime and the *Cumhuriyet* proposed introducing limits on travel to, and residence in, big towns.⁵¹

The Democrats supported their policy of mechanization with a generous extension of credit to landlords. These credits, extended through the Agricultural Bank, increased from TL 112 million in 1945 to TL 412 million in 1950 and TL 2,392 million in 1960.⁵² Originally, the credit scheme had formed a part of the Land Law of 1945. Its function was to provide credit to peasants who were to benefit from land distribution, so that they would be able to use their newly acquired land productively. But the credits came to be used mainly by prosperous landlords to purchase tractors and farm machinery. In 1951 the International Bank mission warned the government against extending credits before farmers had been taught how to use them productively. 'But', writes Eren, 'the general tendency in Turkey to minimize the human element, and to expect material factors to operate automatically prevailed. Generous agricultural credits were supplied without the indispensable concomitant: education for increased productivity. Naturally, they were squandered either in over-capitalization such as the purchase of uneconomic tractors, or radios, new clothes, furniture—items unrelated to increases in the output of the farm.'⁵³

The IBRD mission to Turkey presented its report to Bayar in June 1951. Its proposals for developing agriculture were long term and stressed the training of personnel, experiments with seed, use of fertilizers, etc., in order to increase productivity. The Democrats did not adopt these proposals; they claimed that time was lacking and they preferred policies which gave quick results.⁵⁴

The Democrats encouraged production in another way, namely by instituting an agricultural price policy unduly favourable to the producer. At the same time, agricultural incomes were not taxed, with the result that the landowners prospered and accumulated considerable wealth.⁵⁵ The Soil Products Bureau bought crops at inflated prices. The sum paid to farmers, wrote *The Economist*, increased from TL 22,800,000 in 1949 to 1950 to TL 519,165,000 during the 'last seven months'⁵⁶ [of 1954]. The result was an

increase in the inequality of incomes in the agrarian sector, and a concomitant increase in consumption—and therefore a constantly growing demand for consumer goods. This policy, which amounted to a farm subsidy, was a drain on the exchequer and increased the already high inflation of the mid-fifties. Since it was political in character, the government could not abandon this policy without risking defeat at the polls.

The Commercial Sector

The policy of quick and substantial returns, which the DP government applied to foreign trade and to agriculture, was also applied to internal trade. Such a policy reflected the predominance of the spirit of profit over the spirit of enterprise in the Turkey of Menderes. Its negative implications for the growth of a rigorous entrepreneurial class were noted by Sabri Ülgener.

A policy based on all kinds of restrictions (import licenses, etc.) provided non-professional persons, rather than the businessmen with the opportunity to make large profits. This, too, encouraged the retention of the old concept of value. The policy pursued during these fifteen years [1946–60] discouraged the spread of the idea that profits can be earned as a result of long and arduous work. Instead, it fostered the belief that business can be conducted [only] through personal contact and influence. Thus, making money in the quick way and spending it just as easily became very attractive.⁵⁷

In Turkey there was an articulate and disgruntled business community with a developed sense of group consciousness but lacking what might be described as 'the spirit of capitalism'. Ever since the founding of the Republic its members had formed a strong political lobby, whose interests the government always took into account. This group, composed of politicians, bureaucrats, and even military officers, left the arduous task of establishing industry to the state and concentrated its attention on the more profitable activity of banking and commerce.⁵⁸ By the end of the Second World War this lobby was stronger than ever. Kâzım Taşkent, who, according to some former Democrats, directed this lobby within the DP, founded the Yapı ve Kredi Bankası on 9 September 1944, a bank which continues to play an important role in the economic and political life of the country.⁵⁹

The groups which derived most benefit from the government's economic policies were therefore the wealthy landowners, the bankers, and the merchants. The liberalization of foreign trade, which the Republicans began in 1946, was continued by the

Democrats, who believed that their programme of development called for a great increase in imports, of which the country had been long starved by the former government. They began the process of deficit financing of imports which soon liquidated the gold reserves accumulated by their cautious Republican predecessors.⁶⁰ Moreover, they incurred a huge foreign debt and began to find it increasingly difficult to obtain new credits abroad.

The value of the American dollar, which was maintained at TL 2.8 between the two devaluations of 1946 and 1958, while the market value was between TL 10 and 12, made importing foreign goods a very profitable business.⁶¹ But Menderes, speaking in December 1955, rationalized the existence of the artificial rate of exchange in another way and refused to envisage devaluation:

With respect to the protection of the value of our money, our decision is that we shall never consider any change in the value of our money despite all sorts of propaganda to the contrary. ... Because any change in the value of our money will mean the increase of the cost of capital to be invested in production in the country, the creation of an artificial pressure on prices in the domestic markets, the decrease of the value of national labour, the decrease of the purchasing power obtained through the sale of our products and our exports, an increase in the weight of our obligations to foreign countries, and an increase of our burdens.⁶²

Only a small group with the political influence to acquire the cheap foreign exchange and the import licences was able to take advantage of this policy. Otherwise this policy was detrimental to industry and the export trade, both of which had to be subsidized by the government. It discouraged the *bona fide* businessman who lacked political influence and encouraged the influential profiteer and speculator.

Inflation 1954-1960

The shortcomings of the foreign trade policy had become evident to Menderes as early as 1952, and in September that year the government began to reconsider its policy of liberalization.⁶³ But the measures the government took were directed against the symptoms rather than the causes. By 1954 it had decided to limit imports to essential commodities and raw materials and attempted to curb speculation by asking importers to deposit payments within a period of five months with the Central Bank. It issued a decree fixing permissible profit margins and set up an office to control prices. Restrictions were placed on foreign travel and foreign exchange, and there were even rumours that the government

intended to restrict agricultural credits and tax farm incomes; but these remained rumours.⁶⁴

In spite of such measures, shortages of goods, profiteering and speculation continued unabated. By the middle of 1955 the government began to consider extraordinary measures of control, including the National Defence Law which was passed on 18 May 1956 after much soul-searching in the Democrat Party. This law, which violated almost all the promises the party had made earlier, gave the government the power to regulate the economy, along with increased power to regulate the distribution and pricing of goods and services.⁶⁵

The economy was now in crisis. The lack of foreign exchange led to the drying up of almost all imports, and the lack of raw materials forced factories to operate at half their capacity. Even General Electric was threatened with closure.

In spite of radical legislation, the Democrats could not restore stability and confidence by piecemeal measures. They were victims of their own naive economic philosophy, believing that growth was the same as development. Their policy of cheap farm credits, government-supported prices for farm produce, and virtual tax exemption of agricultural incomes created a class of prosperous landowners and brought dynamism to the countryside. But this prosperity stimulated consumption and created a demand which the economy was incapable of meeting.⁶⁶ It also led to an increase in the price of food and an overall inflation which dislocated the entire economy and affected almost all sections of the population, especially those on fixed salaries and wages.

Menderes was never able to consider measures which would be unpopular with the rural electorate and his agricultural policy was the source of the country's economic troubles. The price he paid to the farmer was twice as high as the world price, causing a great loss to the treasury. The easy credits not only stimulated consumption, but left little for reinvestment and widened the economic gap in rural society. The failure to tax farm incomes discouraged productivity and at the same time robbed the state of revenue. Menderes's success at the polls in May 1954 convinced him of the validity of his policies, which he believed had been endorsed by the electorate.⁶⁷ The appeasement of the Turkish farmer came to be seen as the way to guarantee political success. It is not therefore surprising that Menderes's announcement on 19 May 1957 that he was going to put up the purchase price of wheat was interpreted as the signal for an early general election.⁶⁸

By the late fifties the Democrats had lost control over the economy. None of their measures had produced the expected

stability and confidence. The result of the 1957 election was a rude shock and there was little doubt that the set-back for the DP was brought about by the failure of its economic policy.

Menderes was convinced that his problems were temporary and that all he needed was a little time before the economy began to deliver the goods. He was convinced that his investments would begin to pay off and he hoped to buy time with the help of his foreign allies, especially his friends in Washington. In late July 1958 the Western powers announced their programme to rescue the Turkish economy and the Menderes government. They agreed to provide Ankara with a loan of \$359 million and the consolidation of the \$400 million debt. Of this sum, America agreed to provide \$234 million, the European Economic Union \$100 million, and the International Monetary Fund \$25 million.⁶⁹

This was indeed a 'rescue operation' which provided the vital injection of foreign exchange into Turkey's anaemic economy. But, along with this injection, the Western powers put pressure on Menderes to carry out measures 'to stabilize' the economy. The most important of these measures was the *de facto* devaluation of the lira from TL 2-80 to TL 9-025 to the dollar.

Despite the great optimism in Turkey and abroad, the effects of this credit were only temporary. According to Professor Hershlag, 'This "rescue operation", which constituted a major deviation from previous policies, might have proved successful and restored confidence and stability, if other supplementary measures—such as better choice of priorities, improvement in efficiency, reduction of external deficit, and consolidation of foreign debt—had been also put into effect successfully.... Following slackening production and increased deficits on current account in 1959 and 1960, the economically and politically undermined government was unable to hold its own.'⁷⁰

By late 1958 Menderes was no longer politically capable of taking the necessary measures to stabilize the economy. If anything, the political struggle against the opposition parties forced him to disregard unpopular schemes in view of ever-impending elections. When Menderes was overthrown in May 1960 the Turkish economy was in collapse and one of the principal tasks of the régime that took over was to restore it to health.

NOTES

1 Tunaya, *Partiler*, 641. See above ch. 2, and Lewis, *Emergence*, 383. Nuri Demirağ (1886-1957) began life as a banker. In 1936 he set up an

aircraft factory and became an important figure in industry. He entered politics in 1945, and was elected Representative for Sivas in 1954.

2 If the figure for 1938 be taken as 100, between 1938 and 1945 Turkey's national income dropped from 100 to 77; her *per capita* income from 100 to 69, and agricultural production from 100 to 74, reflecting the general economic decline of the war years. See OECD, *Country Reports on the Organisation of Scientific Research: Turkey* (Paris, 1964), 19 and *passim*.

3 Necmettin Sadak, *Akşam*, 16 Dec. 1945. For the debate on étatism see Korkut Boratav, *Türkiye'de Devletçilik, 1923-1950* (1962).

4 Menderes's programme speech of 29 May 1950 in Öztürk, *Hükümetler*, 348-9.

5 Robert Kerwin, 'Private Enterprise in Turkish Industrial Development', *MEJ*, v/1 (1951), 24. Kerwin arrived in Turkey in 1948 to study Turkish industry. He joined the International Bank for Reconstruction and Development in 1950 and wrote a PhD thesis 'Étatism and the Industrialization of Turkey' (1956).

6 Kerwin's article (as previous note), 24. See also Max Thornburg and others, *Turkey: an Economic Appraisal* (1949). Thornburg was Chairman of the Board of Engineers of the Standard Oil Company of California, Vice-President in charge of Middle Eastern and Far Eastern subsidiaries, and Petroleum Adviser to the US Department of State. In 1956 Menderes employed him as his adviser on economic affairs.

7 Karpat, *Politics*, 172-3; Erhan Bener, 'Foreign Trade Régime of Turkey', in ESSCB, *Foreign Trade and Economic Development* (1970), 174-5.

8 The Turkish press, 1 Dec. 1946; *Ayın Tarihi*, Dec. 1946, 226-7.

9 For the RPP manifesto see Bilsay Kuruç, *İktisat Politikasının Resmî Belgeleri* (1963), 114-15; for the DP manifesto see *MEA*, i/5 (1950), 149-50, and *Ayın Tarihi*, May 1950, 53-61.

10 Celâl Bayar used the analogy of cooks using the same ingredients to make a *helva*; one of them would outdo the others, and that one, claimed Bayar, was the DP. (Conversation with Bayar.)

11 Kuruç, *İktisat*, 117; *Ayın Tarihi*, May 1950, 70-2.

12 Öztürk, *Hükümetler*, 351-4; Kuruç, *İktisat*, 118-19.

13 As previous note.

14 Belen, *Demokrasi*, 20.

15 Kerwin, 'Private Enterprise', *MEJ*, v/1 (1951), 24.

16 Belen, *Demokrasi*, 17.

17 Menderes, *Konuşmalar*, i, 243; Eroğul, *Demokrat Parti*, 96; and see above, 49-50.

18 *Cumhuriyet*, 7 July 1950. The clumsier term 'de-étatize' has been used in preference to 'denationalize' because the Turks themselves, until recently, preferred to use *devletleştirmek* (to étatize) rather than *millileştirmek* (to nationalize), unconsciously revealing the gulf between state and nation.

19 *Cumhuriyet*, 5 Aug. 1950; Osman Okyar, 'Industrialization in Turkey', *MEA*, iv/6-7 (1953), 214-15; and Eroğul, *Demokrat Parti*, 69.

- 20 'Recent Developments in Turkey', *IA*, xxvii (1951), 328 and 329.
- 21 Okyar, *Industrialization*, *MEA*, iv/6-7 (1953), 215-16 and his article 'Hususi Teşebbüs Mevzuunda ne Yapılacaktı, ne Yapıldı', *Cumhuriyet*, 9 June 1957.
- 22 C. H. Dodd, *Politics and Government in Turkey* (1969), 50. See also Sadun Aren, *Ekonomi El Kitabı*, 3rd edn. (1972), 159 where development of the state and private sectors during the period 1950-60 is compared.
- 23 Ankara Radio, 15 Nov. 1952, in *SWB*, iv/312/24. Menderes gave somewhat different and more detailed information: 'While the Sümerbank met 60 per cent of our textile requirements in 1938, now it can meet only 40 per cent.' *Ibid.*, 8 Jan. 1953, in *SWB*, iv/328/24.
- 24 Aren, *Ekonomi*, 81-2; Kenan Bulutoğlu, *Türkiye'de Yabancı Sermaye* (1970), 154-5.
- 25 *Cumhuriyet*, 13 and 16 May 1951. Conversations with former Democrats. The same attitude still prevails among the members of most political parties, including the RPP, but time and experience have made for a little more caution.
- 26 Ankara Radio, 26 Feb. 1954, in *SWB*, iv/445/21-2; Recep Bilginer and Mehmet Ali Yalçın, eds., *Türkiye Reiscumhuru Celâl Bayar'ın Amerika Seyahatleri* (n.p., n.d. [1954]), 150-2.
- 27 The Turkish press, 2 Aug. 1951; Bulutoğlu, *Yabancı Sermaye*, 155-6; Robinson, *Republic*, 314.
- 28 Doçent Dr Mehmed Oluç, 'Yabancı Sermaye Teşvik Kanunu ile Hariçden Sermaye Akımı Beklemiyelim', *Cumhuriyet*, 14 Aug. 1951.
- 29 Reported over Ankara Radio, 29 Nov. 1952 in *SWB*, iv/318/19-20 and Nadir Nadi, 'Hükümetimizin Yeni Petrol Siyaseti', *Cumhuriyet*, 1 Dec. 1952.
- 30 Quoted on Ankara Radio, 7 Dec. 1952, in *SWB*, iv/320/22.
- 31 Ankara Radio, 29 Aug. 1953, in *SWB*, iv/394/19; *Ulus*, 29 Aug. and *Cumhuriyet*, 30 Aug. 1953.
- 32 *Ulus*, 29 Aug. 1953.
- 33 *Cumhuriyet*, 11 Sept. 1953.
- 34 Bulutoğlu, *Yabancı Sermaye*, 155-6; Hershlag, *Turkey*, 152-4. This amendment coincided with President Bayar's state visit to America (27 Jan. to 27 Feb. 1954). One of the aims of this visit was to procure more aid and investments.
- 35 See, for example, Nadir Nadi, 'Yabancı Kapital' and 'Köşeyi Dönen Türkiye', *Cumhuriyet*, 13 and 14 Jan. 1954.
- 36 *Cumhuriyet*, 4 Oct. 1956. Menderes made his statement in order to refute the Republican Party's accusations that the Democrats were selling Turkey to the foreigners and restoring the régime of the capitulations.
- 37 Bulutoğlu, *Yabancı Sermaye*, 157-62; see especially the table on 158 giving figures for foreign investment during the years 1951 to 1960.
- 38 Kuruç, *İktisat*, 3, 44, 45, 46, 51, 79, 81, cites eight occasions on which the government proposed land reform between 1929 and 1943. See also Aren, *Ekonomi*, 143-6. The government's attitude towards industry may be judged from the fact that there was no Ministry of Industries until 1957.

- 39 Menderes's programme in Öztürk, *Hükümetler*, 356. This point was emphasized in every programme and presidential speech. In the years 1950 and 1952 industry provided 11.9 per cent of the GNP and services 37.6 per cent. See Aren, *Ekonomi*, 47.
- 40 H. Chenery and others, *Turkish Investment and Economic Development* (1953), cited in Osman Okyar, 'Agricultural Price Policy: the Turkish Experience', in ESSCB, *Agricultural Aspects of Economic Development* (1965), 290-1. See also Eren, *Turkey Today—and Tomorrow*, 103.
- 41 Statement to the press, *Cumhuriyet*, 12 Sept. 1950. On the question of land reform see Reşat Aktan, 'Land Reform', in ESSCB, *Agricultural Aspects*, 317-34; Suat Aksoy, *Türkiye'de Toprak Meselesi* (1970); Muzaffer Sencer, *Türkiye'de Köylülüğün Maddî Temelleri* (1971). For another view on this question see A. J. Meyer, *Middle Eastern Capitalism* (1959), ch. v, 'Turkish Land Reform: an Experiment in Moderation', 65-79.
- According to Sencer (172-5), *Ortakçılık* (tenant farming or sharecropping), to which Nihat İyriboz refers, used to be widely prevalent in many parts of Turkey, especially in east and southeast Anatolia. In this system the landowner supplied the land, sometimes with implements, draught animals, and seed, and the tenant worked the land and owed the landlord a share of the produce. The share differed from one region to the next, according to local conditions and the agreement between landlord and tenant. In some regions the landlord's share was half and the system came to be called *yarıcılık*. Under the *marabacılık* agreement the landlord took as much as two-thirds or three-quarters of the produce. The tenant had no security of tenure and the agreements were renewable annually, after the harvest.
- 42 See Aktan, 'Land Reform', in ESSCB, *Agricultural Aspects*, 26; Aksoy, *Toprak*, 65-7; Sencer, *Türkiye'de Köylülük*, 91 gives an annual breakdown of land distribution for the years 1947 to 1962. Land distribution was a political gesture which was appreciated by most segments of the rural population and probably raised expectations. But its practical effect was negligible.
- 43 *Cumhuriyet*, 23 June 1955 (Yaşar Kemal's italic). The term *ağa* means more than the mere ownership of land. It has connotations of feudalism and is applied to men who sometimes own entire villages, and exercise great local power and authority over the peasantry. The word has pejorative overtones and is associated with an outmoded form of agriculture in which share-cropping is used rather than wage labour. This became less true after the introduction of mechanization in agriculture. The *ağas* were a very important factor in competitive politics because all parties sought their favour since they could deliver large blocks of votes.
- The army, after overthrowing the DP, tried to break the power of the *ağas* in parts of eastern Turkey by removing 'fifty-five *ağas* to compulsory residence in western Turkey, and [by] the confiscation for future distribution of their lands. Breaking the power of these owners of large lands and often many villages, who exercised virtually feudal role over

large numbers of peasants, had been one of Atatürk's chief efforts in eastern Turkey, but much of the old order still remained in 1960—and does today 1963.... The effectiveness of the *ağas'* political power became clear when the coalition government ... let them return and restored all their land and property that had not yet been distributed.' Walter Weiker, *The Turkish Revolution 1960-1961* (1963), 144-5; see below, 216.

44 Wolfram Eberhard, 'Change in Leading Families in Southern Turkey', in Louise E. Sweet, ed., *Peoples and Cultures of the Middle East*, ii (New York, 1970), 246-7, n. 13. Eberhard's essay was originally published in *Anthropos*, IL (1954), 992-1003.

45 Aktan, 'Land Reform', in ESSCB, *Agricultural Aspects*, 23.

46 Aksoy, *Toprak*, 71; his table is based on government figures. Sencer, *Türkiye'de Köylülük*, 117. Eren, *Turkey Today—and Tomorrow*, 113-14, quotes from an FAO report on Turkey in 1959 which suggests that the tractors imported by the government were not suitable for Turkish conditions.

47 Sencer, *Türkiye'de Köylülük*, 110. See also D. Kayran, 'The Plan and the Agricultural Sector', in S. İlkin and E. İnanç, eds., *Planning in Turkey* (1967), 116-17, in which there is a table showing changes in the pattern of land use in the years 1950-60.

48 Korkut Boratav, *Gelir Dağılımı* (1969), 186. See also Gülten Kazgan, 'Structural Changes in Turkish National Income, 1950:60', in Taufiq M. Khan, ed., *Middle Eastern Studies in Income and Wealth* (London, 1965), 148-67.

49 'Çukurova'da Traktör Dostları ve Traktör Düşmanları' and 'Çukurova'da Traktör Oburluğu', *Cumhuriyet*, 11 and 21 Nov. 1952. Many of Yaşar Kemal's reports on Anatolia in the years 1951-8 have been collected in *Bu Diyar Baştan Başa* (1971). See also Reşat Aktan, 'Zirai İstihsalde Makine Kullanılması Hadisesinin Ekonomik Analizi', *SBFD*, ix/1 (1954), 11-44; R. Robinson, 'Tractors in the Village—a Study in Turkey', *Journal of Farm Economics*, Nov. 1952, 451-62; W. H. Pine, 'Some Land Problems in Turkey', *Journal of Farm Economics*, May 1952, 263-7; K. Karpat, 'Social Effects of Farm Mechanization in Turkish Villages', *Social Research*, xxvii (1960), 83-103. Farm mechanization did succeed in creating a new group in the rural social structure: the tractor drivers and mechanics. These people with their modern training and indoctrination acquired a vested interest in the new agriculture and they became the articulate spokesmen of change in rural Turkey.

50 *Cumhuriyet*, 6 and 16 Jan. 1951.

51 'Asayiş Meselesi', *ibid.*, 15 Dec. 1951. The urban population increased from 18.5 per cent of the total population in 1950 to 25.2 per cent in 1960. See Ruşen Keleş, *Türkiye'de Şehirleşme, Konut ve Gecekondu* (1972), 8 and *passim*. Fehmi Yavuz, 'Planning the Development of Villages and Cities', ESSCB, *Social Aspects of Economic Development* (1964), 38, gives different figures. He writes that the urban population rose from 25 per cent (1950) to 31.9 per cent in 1960. Both agree that the increase was about 6.8 per cent. Louis Dollot, *La Turquie Vivante* (1957),

23, gives population figures for some of the major cities and towns for the years 1927, 1950, and 1955.

52 Aksoy, *Toprak*, 67-73 and Boratav, *Gelir*, 128.

53 Eren, *Turkey Today—and Tomorrow*, 115. See also Howard A. Reed: 'Although sold relatively cheaply, these tractors still cost between ten and twenty thousand Turkish liras, roughly \$3,500-\$7,000, which is a fabulous sum to the average peasant whose normal cash income before the recent boom seldom exceeded \$250 annually. This means that the wealthy peasants, or a relatively small number of absentee landlords, have bought most of the tractors and the farm equipment which they, themselves, use to good advantage and also rent, at about four dollars per acre, to their neighbours. ...' See 'A New Force at Work in Democratic Turkey', *MEJ*, vii/1 (1953), 38.

54 See International Bank for Reconstruction and Development, *The Economy of Turkey* (1951). For a penetrating critique of this report see Ömer Celâl Sarç, 'International Bank Report on Turkey', *MEJ*, vi/x (1952), 336-40.

55 See Okyar, 'Agricultural Price Policy: the Turkish Experience', in ESSCB, *Agricultural Aspects*, 281-320.

56 'Progress in Turkey's Villages', *The Economist*, 20 Mar. 1954. This wealth filtered down to other layers of rural society, creating a sense of prosperity and well-being unknown in the past. The Democrats also opened up the countryside with a road construction programme sponsored by the US government, ending centuries of isolation. See Daniel Lerner, *The Passing of Traditional Society* (1964), 111-66.

57 Sabri Ülgener, 'Value Patterns of Traditional Societies: the Turkish Experience', in ESSCB, *Social Aspects*, 132-3. See also Thomas Balogh, *The Economics of Poverty* (New York, 1970), 195-6.

58 The founding of the Türkiye İş Bankası is a good example; members of the Turkish establishment looked upon it as a source of quick fortunes. See the cover story 'İş Bankası Savcılıkta', *7 Gün*, i/16, 27 Dec. 1972, 12-19; *7 Gün*, i/7, 25 Oct. 1972, 17-21; *Yeni Ortam*, 9 Oct. 1973, 5; and Doğan Avcıoğlu, *Devrim Üzerine* (1971), 104-5. Bayar, who was the founder of İş Bankası, was sometimes accused of promoting its interests when he founded the DP.

59 *Cumhuriyet*, 10 Sept. 1973 on the occasion of the twenty-ninth anniversary of the bank. Banks have mushroomed and expanded during the multi-party period and their political influence is considerable, simply judging by their representation in the political parties and the cabinets. Unfortunately, there is no study that I know of which examines their role. The Turkish Left, however, has given it great emphasis; see, for example, the *Proleter Devrimci Aydınlik* (no. 36, 30 Mar. 1971), which announced the formation of the Erim cabinet with the headline: 'The Big Bourgeoisie has formed the New Government: Akbank and Has Holding have gone—Koç Holding and Yapı ve Kredi Bankası have arrived.'

60 Memduh Yasa, 'The Development of the Turkish Economy and Foreign Trade', in ESSCB, *Foreign Trade and Economic Development* (1970), 48-50.

61 Kemal Kurdaş, 'Basic Factors Impeding a Rapid Growth of the Turkish Economy', in ESSCB, *Capital Formation and Investment in Industry* (1963), 22.

62 Quoted in Hershlag, *Turkey*, 145.

63 Memduh Yasa, 'The Development of the Turkish Economy and Foreign Trade', in ESSCB, *Foreign Trade and Economic Development*, 49.

64 *Swiss Review of World Affairs*, iv, Oct. 1954, 16-18.

65 The debate on the Bill began on 7 May 1956; see the Turkish press 8-18 May 1956.

66 *The Economist*, 20 Mar. 1954; Reed, 'New Force', *MEJ*, vii/1 (1953), 33-4; Paul Stirling, 'Two Turkeys', *The Listener*, 29 Apr. 1954.

67 Menderes's statement in the Assembly on 24 May 1954 in Öztürk, *Hükümetler*, 391.

68 See above, 56 and *Cumhuriyet*, 18, 20, and 21 May 1957.

69 The Turkish press, 4 Aug. 1958; *The Economist*, 9 Aug. 1958 ('A Rescue Operation'); and Hershlag, *Turkey*, 147.

70 Hershlag, *Turkey*, 147.

CHAPTER VI

MILITARY RULE MAY 1960—SEPTEMBER 1961

We shall continue our efforts to bring our heroic army to a position consonant with the needs of today and capable of meeting every kind of aggression. This will be accomplished by using all material and moral resources in proportion to the strength of our economic and financial potential [Applause]. In fact, one of the main goals of our economic measures and development is to maintain, with our own means, a large army as soon as possible.... As has been our practice so far, military appropriations will increase in proportion to the growth in our national income.

Adnan Menderes's programme speech before the Grand National Assembly, 24 May 1954

The clique in power after 1954 trampled on all the rights of the people. They deceived the nation and dragged the country into economic and social ruin. Moral values were forgotten and people were made oblivious of them. The institution of the state was transformed into an appendage of the party organization. The pride of the Turkish Armed Forces, which are the only organized force in the country, was hurt on every occasion; the uniform which is the real legacy of our history brought shame to those who wore it...

Orhan Erkanlı, interview in *Cumhuriyet*, 20 July 1960

The DP and the Armed Forces

FROM the very beginning of the multi-party period, the role of the armed forces became a major concern for the Democrats. They expected the army to be sympathetic to the Republican People's Party, especially while İsmet İnönü, a former general greatly respected in military circles, remained its leader. Moreover, the RPP was intimately identified with the state, to which the army