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ECONOMIC POLICY OF THE NEW TURKEY

Ömer Celâl Sarc

WHEN the Turkish Republic came into being in 1923, the most urgent problem it had to face was that of economic development. Twelve years of almost continuous warfare had brought enormous losses to an already sparsely peopled and impoverished country. With a territory of roughly 300,000 square miles, Turkey's population did not exceed 13,000,000, about 80 percent of which was rural in character. Industry in the modern sense was nonexistent. Even the manufacture of the most elementary consumption goods, such as sugar and flour, was either totally lacking or inadequate, and what factories did exist were largely under foreign control. The result was a complete dependence upon imports for industrial products. With the possible exception of tobacco and raisin growing, agriculture was markedly backward although it provided the main source of livelihood. Dependent upon the ancient wooden plough and a deteriorated livestock, production of even Turkey's chief crop, wheat, fell short of domestic consumption.

The difficulties of transport figured largely in this sorry picture. There were no more than some 2,500 miles of railways; and a large proportion of the roads, inadequate at best, were impassable during many months of the year. Although the country also labored under a heavy foreign debt, the balance of trade was continually unfavorable. All this led to an extremely low standard of living especially among the peasants, who, though not underfed, were deprived of many of the first necessities of welfare.

EARLY TRENDS IN ECONOMIC POLICY

When the Turkish Government set about solving the country's economic problems, it found itself confronted by three serious

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obstacles. The first was a deficiency of experience and knowledge in the economic field. Prior to 1923, the Turks had in the main served as farmers, soldiers, or government employees and had left industry and trade to the minorities and resident foreigners, many of whom now left the country. A second handicap was the fact that the great mass of peasants, with a very high percentage of illiteracy, were characterized by a pronounced conservatism and traditionalism, by an astonishing absence of any urge to improve their living conditions, a mentality which acted as a deterrent to progress. Finally, there was a serious lack of domestic capital with which to launch schemes of economic development.

The Turkish Government adopted at first an economic policy which, though still within the theoretical bounds of capitalism, was nevertheless highly protectionist. In practice, it betrayed a tendency to dominate in the economic sphere, and a predilection for the creation of monopolies. In the very first years of the republic, the nationalization of the railways was decided in principle. As soon as the Treaty of Lausanne (1923) assigned inter-coastal trade to Turkish ships, the government proceeded to enlarge its own merchant fleet, and to place the services in major ports under governmental management. Despite a strong current in favor of abolishing the tobacco monopoly, not only it and other monopolies inherited from the Ottoman Empire were taken over by the government, but new activities such as the importation of sugar and petroleum products, and the importation, manufacture, and sale of matches and (with certain exceptions) alcoholic drinks, were organized as monopolies.

But all this did not seem incompatible with a capitalistic economic order, since the monopolies in question involved items of normal taxation, and state ownership of railways and ships is also to be found in numerous capitalistic countries. The government, moreover, concurrently tried to stimulate private enterprise through far-reaching protective measures. Special privileges were granted those establishing sugar factories. A law for the encouragement of industries provided great facilities for privately-owned industrial establishments. Above all, by proclaiming private ownership and freedom of enterprise as fundamental principles in the Turkish Constitution, and by adjusting its basic

laws to these principles (especially by adopting the Swiss Civil Code), the republic manifested its intention to keep the capitalistic order alive.

However, by the early thirties an expression of anti-capitalistic ideology became increasingly conspicuous in certain publications. A section of the intelligentsia, impressed by the world economic crisis and by the experiments in Russia, began to decry capitalism as out of date and unfit to ensure the development of backward countries. Capitalism was identified with imperialism. It was accused of having led to the exploitation and domination of the Ottoman Empire and other undeveloped countries by foreign capital; of having hindered their industrialization and left them in the state of merely agrarian countries — that is, of half-colonies. Without taking into consideration the fact that the situation in the Ottoman Empire was closely related to the political weakness of the state itself, something which could not be said of the republic, this group argued that since economic experience and capital were lacking in Turkey, a policy based on free enterprise would necessarily end by re-establishing foreign control over the country's economy.

This trend of thought won ground. Undue importance was easily attributed to the danger of domination by foreign capital, for vivid still was the memory of the foreign Administration of the Public Debt, forming a state within a state, and of the capitulations, which by depriving the government of the right to increase tariffs and impose certain taxes on foreigners had hindered efficient protection of domestic production and a reform of the tax system. Moreover, the fact that the devastations caused by the world crisis abroad had called forth increasing state interference in so-called capitalistic countries seemed to confirm the thesis that capitalism was vanishing as an economic order.

Developments within Turkey also tended to arouse mistrust in the efficiency of private enterprise, at least in regard to Turkey. The measures taken to stimulate private activity had had no visible effect in the short time since their adoption. True, many private industrial establishments had been founded, but they were mostly small, badly equipped, and dependent upon the pro-

tection given them by the high tariff of 1929. The fact that private industry had not diminished, to any appreciable extent, Turkey's dependence upon imports was causing disappointment.

To strengthen these arguments came the problems arising from the world economic crisis. The prices and export volume of many agricultural products fell sharply. As the corresponding decline in the world prices of industrial products had been on the whole less marked, there was fear that the chronic deficit in Turkey's balance of trade would grow, and that the rise in rates of exchange which had prevailed since 1926 would be accelerated.

Under these circumstances, the government deemed it necessary to create in the shortest time possible an industrial establishment which would utilize domestic raw materials, securing thereby both a market for their producers and a diminution in the volume of imports. It was also decided that this could not be achieved through capitalistic means, even when supported by protective measures and supplemented by numerous governmental monopolies. Only by a planned participation of the state in economic expansion could the problem be solved. A theoretical formulation for this development in economic policy was necessary, and so was born the doctrine of *étatisme*.

ADOPTION OF *ÉTATISME*

The Republican Peoples Party, the governmental and only political party in Turkey at the time, adopted *étatisme* in 1933 as one of its six cardinal principles. In 1936 the Party had it written in as an amendment to the constitution. The definition the party gave to *étatisme*, according to its program for 1935, was in essence as follows: Private enterprise would continue to be fundamental in Turkey's economic system. But in order to lead the country in as short a time as possible to prosperity the state would take an active part in its economic life. The government's role would consist of encouragement to private endeavors; of their regulation and supervision; and finally of direct economic activity by the state. This last was to be resorted to only in so far as the vital interests of the nation required.

The party's definition is clear on one point: by stating that private enterprise would remain fundamental, it asserted that

étatisme was not socialism. Even the most vehement critics of capitalism in Turkey have not advocated that it should be replaced by socialism, and Atatürk himself emphasized that Turkish *étatisme* was in no way an adoption of any of the socialist theories.¹ But since no sensible adherent of the capitalistic order today would oppose state activity when required by the vital interests of the country, the definition given above does not clearly differentiate *étatisme* from capitalism.

Indeed, it is very doubtful if a satisfactory definition of *étatisme* can ever be given. Its nature will be determined, rather, by the way it is applied. In order to understand the meaning of Turkish *étatisme* we must therefore examine its manifestations as they have become apparent through the economic measures adopted by the government.

CURRENCY AND FINANCE

Although not directly related to *étatisme*, the Turkish Government's financial measures must be outlined in order to bring into perspective some of the essential features of its economic policy. Financial stability was a necessary prerequisite to Turkey's industrial development. The budget of the Ottoman Empire was never balanced, even ordinary expenditure often being financed by long-term foreign loans, which led, in the end, to an enormous growth in the foreign debt with all its implications. This served as an object lesson to the government of the republic. Budgetary equilibrium was accepted as a basic principle and was actually attained by 1926. The budget even covered through ordinary revenue, at least for several years, such extraordinary expenditure as the cost of railway construction. The government had recourse to long-term loans only from 1931 onward, and then only for productive purposes and on a limited scale. Furthermore, these were launched mostly in the domestic capital market. Foreign debts of the government consisted in the main of credits secured abroad for the purchase of industrial equipment, and of compensation to be paid to the foreign owners of the nationalized railways and public utilities. As the debts

¹ See *zincinci 5-yıllık Sanayi Planı (The Second Five-Year Industrial Plan)*, İktisat Vekaleti Sanayi Tetkik Heyeti, (Ankara, 1936).

inherited from the Ottoman Empire were also consolidated and written down, the size of the public debt remained moderate. The total of T.L. 554,000,000 (app. \$420,000,000) in 1939 (for the state and other public bodies) corresponded roughly to only twice the fiscal revenue in the same year. Of this total, T.L. 207,000,000 (app. \$156,820,000) represented foreign debts.²

During World War II this situation changed in some respects. The additional expenditure brought on by constant military preparedness had to be financed to a great extent by money borrowed from the Central Bank against short-term treasury bonds. These loans led to an enormous expansion of the currency in circulation (from T.L. 280,000,000 in 1939 to about 900,000,000 in 1946), and greatly increased the floating debt. But the total public debt remained relatively small. It amounted in 1947 to about T.L. 1,600,000,000, while the annual revenue had increased to about 900,000,000. However, on account of the high rate of interest (normally 7%), annuities represent a relatively heavy charge.³

In its fiscal policy, the government has striven to lighten the burden of the peasants at the expense of the urban population. The tithe, which constituted a heavy charge on agriculture, and which by its primitive form hindered an intensification of production, was abolished in 1925 despite the fact that it represented the chief source of income. It was replaced by so-called indirect taxes (monopolies, taxes on consumption and turnover, etc.) which together with the customs duties yield today about 60 percent of the total revenue. The system still suffers from grave shortcomings, being unable to provide as large an income as it might, and working great injustice in certain categories, especially on the receivers of fixed incomes. A reform, including an income tax, is now being prepared.

One of the aims of the government's monetary policy has been to keep the value of the lira stable. With this end in view it refrained, up to World War II, from inflationary measures; it in-

² F. Neumark, "Problèmes des Finances Publiques d'Après-Guerre en Turquie," *Revue de la Faculté des Sciences Economiques de l'Université d'Istanbul*, VIII (1-4), pp. 97-8. See also, *Istatistik Yıllığı* (Statistical Yearbook) XII (1940/1), pp. 227-8.

³ F. Neumark, *op. cit.*, p. 96; Namik Zeki Aral, "Devlet Borçları" (National Debts), *Tasvir*, Jan. 8, 1948; "Turkey," *Overseas Economic Surveys*, September 1947 (London 1948), p. 158. On the rate of interest on state loans, see F. Neumark, *op. cit.*, p. 108.

creased the gold reserves; and when the exchange value of the lira seemed threatened in 1930, it resorted to drastic import restrictions that attained, temporarily, a favorable balance of trade. But a decline in the domestic value of the currency could not be prevented. Owing to the fact that Germany, then the most important trader with Turkey, began to purchase Turkish products at prices exceeding those on the world market, the general price level rose gradually from 1935 on. To this trend was added, in World War II, the inflationary expansion of the currency already referred to. Since there was no income tax with which to mop up surplus purchasing power in the upper income brackets, and since rationing could not be applied (apart from a few commodities such as bread, tea, and coffee),⁴ wholesale prices and the cost of living rose sharply, the latter to about four times its prewar level. The standard of living of the fixed income class has suffered accordingly, the real income of government employees, for example, now amounting on the average to not more than 50 or 60 percent of the prewar value.

Wartime inflation also created great disparity between the domestic and foreign values of the Turkish lira.⁵ While the general cost of living increased up to 400 percent, the official rates of exchange rose only slightly. A premium of 40 percent at sale and 48 percent at purchase of foreign currency on the prewar rates allowed since 1944 on most import and export transactions only partially made up the difference. Both to correct this discrepancy and to stimulate exports, the government proceeded in September 1946 to an approximately 50 percent devaluation of the lira.

⁴ Wide-scale rationing was a practical impossibility because of the relative inaccessibility of certain districts, the lack of proper storing facilities, and the absence of both correct production and consumption statistics and an administrative machinery capable of functioning satisfactorily. A certain popular distrust of the effectiveness of this sort of governmental action represented a further difficulty. It must also be admitted that the government did not show sufficient foresight in not reckoning with a shortage of food products and an increase in the cost of living.

⁵ The dollar exchange value of the Turkish lira (= 100 kuruş) since 1938 has been as follows:

1938 (official)	126
(black market)	over 200
1943 (official)	131
1944 Commercial transactions:	
At sale of dollars (40% premium)	183
At purchase of dollars (48% premium)	193
1946 September (official)	280
1948 (official)	280
(black market)	app. 380

But as most of the products Turkey can export today (tobacco, raisins, figs, etc.) are not those which impoverished Europe now chiefly demands, and as the decrease of exports has been due not so much to the high price of Turkish products as to the loss of Central European markets, the devaluation has not led to a substantial improvement. On the contrary, it has reversed the downward trend of the general price level which had begun to be noticeable.

TRANSPORTATION

A second prerequisite to economic advancement, after the institution of a sound financial policy, was the development of the means of transportation, an expensive and difficult process in Turkey's rugged terrain. The government concentrated on an expansion of the railway network. More than 2,000 miles of new railroads were constructed by the state during the years 1927-45. The sums spent for these new lines, which pass mostly through still thinly populated areas, represented up to World War II some 8 or 9 percent of the annual governmental expenditure, totalling in all some T.L. 350-400,000,000. The nationalization of the existing lines operated by private companies involved the state in a debt of some 350,000,000 Swiss francs.⁶

Turkey's road system has received relatively little attention, and remains today far less adequate than the railroad network. Although statistics show that mileage has almost doubled since 1923, the average density of the roads amounts to only one thirteenth of the figure for the United States, and most of those that do exist still, as in Ottoman days, allow passage only in certain months of the year.⁷

The Turkish merchant fleet amounted in 1923 to only 35,000

⁶ The compensation to be paid the foreign owners of the various nationalized railways has been fixed mostly in Swiss francs, but partly also in French and English currency. The figure given here has been computed by converting the sums as expressed in French francs and sterling into Swiss francs on the basis of the exchange value of these currencies at the date at which the railways were purchased. It corresponds to approximately \$80,000,000 at the 1938 rate of exchange between the dollar and the Swiss franc. This debt is paid back in annuities and its capital value is included in the figure for the public debt of the state given in the text on p. 435. For details on the prices at which the different railway lines were purchased, see Fazıl Pelin, *Finans İlimi ve Finansal Kanunlar (Science of Finance and Financial Laws)* (Istanbul 1942), p. 99.

⁷ On Turkey's road system, see Muhlis Ete, *Münakalat (Means of Transport)* (Istanbul 1938), pp. 144-52, especially p. 149; *İstatistik Yıllığı*, XV (1943/4), p. 449, XVI (1944/5), p. 501.

net register tons. In 1947, despite the fact that some ships lost or retired during the war had not yet been fully replaced, the state alone possessed vessels of 88,000 net register tons. Another 34,000 tons, much of it excessively old, was owned by private persons. But as Turkey possesses 4,000 miles of seashore, its present merchant fleet, like its roads, is quite inadequate.⁸

Étatism has manifested itself in the field of shipping in a particularly vivid manner. Private owners, neglecting unprofitable lines, so competed among themselves for the profitable ones, that freight rates fell sharply. This led the government to bring all private shipowners within a single corporation. Later, in 1935, the state acquired a monopoly of scheduled lines and of the transport of passengers, so that private operators are now limited to tramp navigation and to the transport of merchandise.

On the other hand, the construction of ports — of great importance owing to the absence of natural harbors on either the Black Sea or Mediterranean shores of Turkey — has been on the whole neglected. Even Zonguldak, the center of Turkey's coal district on the Black Sea coast, still has no adequate accommodation for ships, although construction of a port was recently begun.

As a result, transportation costs are extremely high. To give one comparative example, it cost before the war 7 liras merely to transport one cubic meter of timber to the Izmit paper factory from forests only 30 miles away. The c.i.f. price in Izmit of the same quantity of timber coming from northern Europe amounted to only 10.7 liras.⁹

AGRICULTURE

Although agriculture has received far more attention under the republic than in the days of the Ottoman Empire, it has not been favored to the extent that railways and industry have been. While sums equivalent to 8 or 9 percent of the total state expenditure were assigned annually to railroad construction, and

⁸ On Turkey's merchant fleet, see Muhlis Ete, *op. cit.*, pp. 216-23; Fazıl Pelin, *op. cit.*, pp. 104-6; *Istatistik Yıllığı*, XV (1943/4), pp. 506-7, XVI (1944/5), pp. 558-9. The figures for the vessels owned by the state include various craft used in urban transport (about 11,000 net registered tons in 1947).

⁹ Figures from an official report on the Izmit paper factory.

after 1933 about the same amount was spent for industrialization, the appropriations for the Ministry of Agriculture in general did not exceed 3 percent.

The measures which were taken have been inadequate and often unco-ordinated. Some vital problems have not been tackled seriously at all, or have been approached only recently. Up to 1937, only T.L. 31,000,000 had been spent on projects to increase Turkey's available water supply; to protect the peasant from the devastating effects of the frequent droughts, and to enlarge, by draining swamps, the present relatively small arable area would require works on a far greater scale. Although important sums have been allotted for various water control schemes, World War II did not permit their execution; the allied problem of effective malaria control remains one of Turkey's greatest tasks.

Rural education, of basic importance in view of the peasant's stolid attitude toward a change in his traditional habits, was not dealt with effectively until about 1938. It has always presented a difficult problem, for Turkey's rural population lives in over 40,000 small, scattered, and frequently isolated villages, so that tens of thousands of schools and teachers are required to serve them. But in the last ten years much effort has been put into this field. Eighteen large village institutes have been founded which will provide all the needed teachers in a relatively short time, presumably by 1955. In 1945-6 the number of village schools had reached 12,478 as against 4,852, in 1936-7.¹⁰ Illiteracy among the peasant youth already is diminishing rapidly.

Some of the measures taken in favor of agriculture were aimed at increasing, or rather at preventing the decrease of, the money income of the peasant at the expense of other incomes. To these belong, besides the abolition of the tithe and the shifting of the burden of taxation from the rural to the urban population, the tariff protection granted agricultural products, and the price support provided by governmental purchases through an office especially created for the purpose.

The government has tried to improve the quality of seed and livestock, to standardize various products, and to replace

¹⁰ *Milli Eğitim İlk Öğretim İstatistikleri, 1945-46 (Ministry of Education Statistics on Primary Instruction, 1945-46)*, No. 280, p. iv.

the wooden plough by the iron one. It has fought against plant and animal diseases, and has encouraged the foundation of agricultural co-operative societies. Some of these measures have been successful: the number of livestock has grown substantially; the quality of certain crops, especially cotton and citrus fruits, has shown a marked amelioration; and wheat production has increased — since 1930, despite the growth of population, a small quantity (a yearly average of 65,000 tons during the period 1932–38) has been available for export.

But basic problems of agriculture have remained unsolved. The technique of production is still essentially unchanged; large-scale irrigation schemes have not been carried out. Cereal production is therefore still highly dependent upon the weather and the amount of available labor. During the war, when large numbers of peasants were mobilized, the production of wheat diminished to such an extent that again it did not even cover domestic consumption. The result was an enormous rise in price, from 5.6 kuruş the kilo in 1938 to 90 in 1943.¹¹

While the peasants' technique and methods of production have remained fundamentally backward, the state itself has engaged in scientific farming. Apart from the model farms it operates for demonstration and experimental purposes, it has established, on so far untilled land, agricultural enterprises which with the aid of modern machines produce great quantities of cereals for the market. The area cultivated in this fashion amounted in 1944 to 78,000 hectares (app. 31,200 acres), but this is to be an emergency measure. These state farms are not to be maintained as some kind of *sovhoze*, but will be converted into model farms as soon as normal times return.

The state has interfered directly in land ownership through the land and forest laws of 1945. The former authorized the government to expropriate individual property holdings larger than 500 hectares (app. 200 acres) — in certain cases even those larger than 5 hectares — in order to allot the land to peasants possessing none, and against payment to the previous owners of the assessed price in twenty-year bonds.

It is difficult to justify this confiscatory provision of the law.

¹¹*Istatistik Yıllığı*, XV (1943/4), pp. 220, 306.

True, the cultivated area today is only 17 percent of the total, and as about 80 percent of the population is still rural, the Turkish peasant suffers from a scarcity of land. But since all available statistics show that great rural properties are on the whole very few in Turkey, the situation cannot be improved by their expropriation. It can be remedied only by intensifying agriculture, by a drift from agriculture toward industry and trade, and by extending the cultivatable areas. Due to the rugged nature of the country, the possibilities in this last respect may not be very large. But still there are many land reserves which can be utilized provided the necessary water schemes are carried out. For these reasons, and because of the insecurity it has brought to rural ownership and its tendency to favor the smallest type of farm, which is not rational in many branches of agriculture, the law has met with very strong opposition.

Private owners of forests have faced even more radical interference from the state. The law of 1945 nationalized all private forests and provided that they should be paid for in six annual installments. The law was designed as a measure to protect the forests from destruction. But in view of the opposition, the government has proceeded to a revision of both laws.

INDUSTRY

The development of industry constituted the chief aim of Turkey's economic planning and the leading motive for the adoption of *étatisme*. The government's efforts since the early thirties have been mainly directed at creating a state-owned industrial establishment of substantial size. A number of privately-owned industrial enterprises were also brought under state control. Thus all coal mines were nationalized, and the private shareholders of the sugar factories built in the course of the twenties were bought out. In accordance with its successive five-year plans, the state proceeded to enlarge the factories it already possessed and to bring various new industries into existence. Together with the undertakings of public bodies and banks associated with the state, the list includes textile plants, cement factories, beet sugar factories, paper mills, mining enterprises, plants for the production of alcoholic drinks, a glass and bottle

factory, a rayon factory, and an iron and steel works.

As a result of this activity, the state has become the predominant and all-powerful industrial entrepreneur. It is the only producer of coal, iron ore, copper, sulphur, paper, sugar, rayon, steel and manufactured iron, and the chief producer of chrome and lignite. The wool and cotton industries are divided about equally between state and private ownership; in the leather, cement, silk, and especially the food industries, the state plays a less important role.

These industries have been financed partly by long-term credits granted by the foreign furnishers of factory equipment (especially the Soviet Union and Great Britain), and partly by ordinary revenues. The industries belonging to the state are attached to two holding concerns, the Sümer Bank and the Eti Bank, of which the first manages the factories and the second the mines. Upon the foundation of these banks in the early thirties, previously existing state enterprises were transferred to them and formed part of their capital. Their assets were further built up through annual appropriations from the state budget. These banks entertain no credit relations with private industry and confine their operations solely to state factories. They are under the direct control of the Ministry of Economics.

The capital invested by the state in its banks during the period 1933-39 is estimated at T.L. 135,000,000, which would correspond to about 8 or 9 percent of total expenditure in the same period.¹² Nevertheless, they still do not represent an important productive power. Few of the industries are capable of meeting domestic demand, not to speak of an exportable surplus, despite relatively low per capita consumption. The creation of these new industries has not affected to any appreciable extent the economic structure of the country, which remains overwhelmingly agricultural.

Turkey's dependence on imports remains undiminished to any significant degree. Many of the new plants have to use foreign raw materials. For example, wool for the manufacture of finer yarns, and skins for the manufacture of sole leather cannot be

¹² Vedad Eldem, "Les Progrès de l'Industrialisation en Turquie," *Revue de la Faculté des Sciences Economiques de l'Université d'Istanbul*, VIII (1-4), p. 73.

furnished in adequate quantity by domestic livestock. Pulp can be produced, but only at very high cost. The wool, paper, and leather industries are therefore partially dependent upon imports for their raw materials. Moreover, since the majority of plants established for the cotton industry are weaving mills, they have increased considerably the demand for cotton yarn.

The operation of state factories and mines has been characterized by high costs. The reasons are manifold. Some of the fac-



tories have been set up in districts where labor is not easily available. Others are far from their sources of raw material. The iron and steel works at Karabük, for example, lie 60 miles from the coal deposits and 550 miles from the iron ore, to which they are connected by no more than a one track railway. The plant, moreover, was designed to furnish a variety of products rather than a specialized few. Government factories are often administered inefficiently. The competence of their managers is limited, and the many formalities to which the latter are subject renders it impossible for them to take quick decisions. Salaries are insufficient, and are paid according to a fixed tariff, their amount depending less on ability than on years of service.

Governmental enterprises suffer as much as private from circumstances which tend to raise the cost of all industry in Turkey. The rate of interest on loans, the cost of transportation, and

especially the price of coal are all high. In fact, because of the backward technical equipment of the mines, domestic coal was, even before the war, considerably more expensive than foreign. Neither the lignite reserves, which unlike the coal deposits are located in scattered, easily accessible areas, nor the water power potentialities have been utilized so far to an extent sufficient to procure cheap energy. Lastly, qualified workers are few, and the efficiency of the unskilled worker is low. This in turn is chiefly due to the fact that the laborer normally retains his attachment to agriculture, staying in industry only for a short time, and therefore is unable to get adequate technical training.

Apart from the law for the encouragement of industries mentioned above, no other measures to foster private enterprise have been taken. On the contrary, since the creation of state industry, private companies have been burdened by increasing restrictions. A law passed in 1936 authorized the government to inquire into their costs and to establish the prices at which their products were to be sold. By virtue of this power, the prices of cement, cotton yarn, and certain other products were fixed even before the war. Some private companies are not free even as regards the salaries they pay to their staffs: those with a capital of over T.L. 2,000,000 must conform to an official tariff. Among the government's numerous restrictions, those aimed at protecting the laborer and at improving conditions under which he works are surely fully justified. Yet in spite of all these regulations, private industry as a whole was able, during the war, to make such large profits that the law for the encouragement of industry was deemed unnecessary and abolished. A new law is now in preparation.

CHARACTER OF ÉTATISM IN PRACTICE

This brief survey is sufficient to demonstrate that *étatisme*, in so far as the relation between the state and the private individual is concerned, has manifested itself in four different ways. First, the state has assumed the role of entrepreneur in many diverse fields. Besides operating railways, ships, farms, mines, factories, and exploiting forests, as indicated above, it acts as wholesale and retail trader of its products. Secondly, and what is

more important, many fields have been closed to private enterprise and monopolized by the state, either through explicit laws or *de facto* action. Among these activities are sugar and coal production, and the transportation of passengers on ships. Thirdly, the objects of private ownership have been limited. For example, if the provisions of the land and forest laws are fully carried out, it will be impossible for individuals to own either forests, or rural property exceeding a certain figure. Finally, in the limited sphere left to it, private enterprise is subject to strong regimentation. As regards the application of *étatisme*, it must also be said that the restrictions to be imposed on private activity and the field to be reserved to the state have not been determined according to a carefully prepared plan and have not been made known in advance. They were frequently set without warning by the bureaucratic apparatus and without consultation with experts or the business world.

It can be admitted that under the conditions prevailing in Turkey, particularly during the world crisis, an active role in the economic field is incumbent upon the state. But the manner in which it has been played has led to insecurity in the business world, and to a tendency to avoid investments, to keep capital liquid, and to show interest in only short-term undertakings.

Unnecessary restrictions have stimulated illicit ways of doing business. These, and the public abstention from investment, have called forth in turn new interventions by the state. *Étatisme*, as practiced up to the present time, has thus exhibited a propensity to fatten upon itself, and to develop into an economic order in which private activity no longer would be fundamental, despite the declared program of the People's Party. This was the intention of neither the Turkish people nor their leaders.

Opposition to *étatisme* has grown until even its most ardent adherents have felt the necessity of modifying the manner of its application. The People's Party, in its new program adopted in 1947, endeavored to draw a clearer line between the fields assigned to the state and those reserved to private industry, leaving the latter a greater scope for activity than heretofore. According to this program, the state will reserve for itself the large mining establishments, the heavy industries, the manufac-

ture of armaments, the establishment and operation of power stations, and public works. All other industries are to be left to private enterprise, with the provision, however, that it is capable of running them satisfactorily. The state will refrain from engaging in agriculture for profit.¹³ A modification of the land and forest laws is also imminent, and there is even a move in favor of selling some of the state factories to private capitalists, or at least of ensuring the participation of private capital. A material change in the character of Turkish *étatisme* is therefore to be expected.

Turkey's economic planners, having no rule of thumb to guide them, have proceeded in some instances by trial and error, learning as they went. This has led, inevitably, to a degree of misjudgment of the rate and balance of economic development, as is illustrated by the failure to maintain power and means of transport in proper relation to industry. But the greatest fault has lain, perhaps, in not keeping clearly in view certain fundamental principles, primarily the proper relation between state and individual.

On the other hand it is also undeniable that Turkey's economic policy has to its credit some important achievements. The financial situation has been kept essentially sound despite the additional expenditure brought on by the war, and brilliant work has been done in the field of public instruction.

Above all, it is evident that economic conditions in the country have improved sensibly within the last twenty-five years. The increase in per capita consumption of basic commodities shows that the population is, as a whole, better off than before, although it has risen from 13,000,000 in 1923 to almost 20,000,000 today. The country has better productive equipment, better means of transportation, more experience and knowledge in the economic field, and does not suffer from serious social disruption. Moreover, past mistakes in economic policy having now been recognized, there is good reason to believe that they will not recur.

¹³ C.H.P. *Programı ve Tüzüğü, 1947* (*Republican People's Party Program and Plan, 1947*), pp. 7-10. See especially articles 7 to 14 of the Program.