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# ECONOMIC DEVELOPMENTS IN TURKEY DURING THE DEMOCRAT PARTY PERIOD (1950-1960)

**Behçet Kemal YEŞİLBURSA***

## ABSTRACT

This article aims to reveal the economic developments occurring in Turkey during the Democrat Party period, 1950-1960, as seen through the eyes of British diplomats.

**Key words:** Turkish economy, Democrat Party.

## ÖZET

*Demokrat Parti Dönemi Türkiye'deki Ekonomik Gelişmeler (1950-1960)*

Bu makalede Demokrat Parti döneminde Türkiye'de meydana gelen ekonomik gelişmeler ele alınmaktadır.

**Anahtar Kelimeler:** Türk Ekonomisi, Demokrat Parti.

1950 was one of the most important years in the development of modern Turkey, having seen the first really free elections held since the rise of Atatürk, a departure from the one-party system, and the fall from power of the People's Republican Party (PRP) after 27 years. The effect of these changes on the economic, social and political structure of Turkey was as deep as might have been expected. The Democrat Party

* Doç. Dr., Abant İzzet Baysal Üniversitesi, Fen-Edebiyat Fakültesi, Tarih Bölümü.

(DP), which came into power on 14 May 1950,[1] gave more emphasis to the economic affairs such as agriculture, industrialisation and the privatisation of State-owned industries.

Taking into consideration the pre-election statements and promises of the DP, it would have been justifiable earlier in the year to believe that 1950 would produce some significant changes in the Turkish economy. The DP government had fought the elections with a policy of liberating industry from the State, and there seemed every prospect that when they came into office they would try to put what they preached into practice, perhaps too hastily. However, 1950 came to an end with the state of the Turkish economy perhaps no different from what it would have been had the PRP won the elections. While that members of the government did say that a great body of legislation was being prepared which would bring about many changes in agriculture and in industry, would open many of the State monopolies up to private enterprise, would change the administrative structure of the country's communications system and introduce many fiscal reforms, by the end of the year all of these had only been promised and it seemed that the government were reconsidering a number of these questions.[2]

At this point, on only one of the economic points in the Democrat Party's election programme was there a chance to compare the government's performance with its promises of the 1951 budget, which showed an even greater deficit than did the previous one and revealed the error of promises made for political ends unsupported by any real consideration of the economic facts. Noel Charles, the British Ambassador to Turkey, predicted that it might

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[1] There were many reasons for the Democrat Party's overwhelming victory, among them being the high cost of living, and the corruption, inefficiency and bureaucratic methods of the PRP. But most important of all was the desire for a change after 27 years of one-party rule. It had been thought that the less educated sections of the population would be afraid to use their vote against the PRP government; but in the event it turned out that the majority of peasants and workers in the towns voted to overthrow the PRP government which they regarded as responsible for most of their misfortunes and hardships. The Democrats also received the support of the majority of the merchants and the small class of industrialists, who looked to them to provide greater opportunities for private capital. More surprisingly, large numbers of civil servants also voted for them. Their victory in the towns, where their strength had always been greatest, was almost complete. However, the real significance of the elections of 14th May, 1950, lies rather in the fact that for the first time in modern Turkey, power had changed hands by the normal constitutional process and as the result of the freely expressed judgment of the electorate. See FO371/95267/RK1011/1, Turkey: Annual Review for 1950, 13 January 1951.

[2] FO371/95267/RK1011/1, Turkey: Annual Review for 1950, 13 January 1951.

have been possible that, when the government tried to keep some of the other promises which it made over the year, for there to be further disappointments awaiting its followers.[3]

The most important event of the year 1950 in external commerce was the introduction of a wide measure of liberalisation in October, with many imports being freed from quantitative restrictions in accordance with the country's obligations as a member of the Organisation for European Economic Co-operation (OEEC), and the simplification of procedure for the licensing of both imports and exports. This action, along with the introduction of a form of convertibility of Western European currencies under the European Payments Union (EPU), contributed to the destruction of the artificial atmosphere of bilateralism and drawing rights which had been problematic over the previous few years. The effect of this was seen in the award of a number of large contracts to British firms which might not have been awarded if Turkey's spending power in sterling had been restricted to her sterling earnings. At the time of their introduction, it was feared that these liberalisation measures might be ruined by the extravagance of importers who had been starved of foreign exchange up until then; however, an unexpected restraint, brought about by a combination of tight credit, commercial caution and the existence of sizeable stocks of certain goods, was seen.[4]

During the first ten months of the year, there was no change in the levels of imports and exports, valued at 650 million TL and 507 million TL respectively, compared with 1949. However, Noel Charles predicted that when the figures became available at the end of the year they would show that both exports and imports had been at a higher level than during the previous year, stating that such an outcome would be attributable to heavy receipts from Turkish export sales of cotton and increased imports under the regime of liberalisation. More than 50 per cent. of Turkey's external trade was with, in order of importance, the United States, West Germany and the United Kingdom. Germany established herself during the year as Turkey's largest single market and second most important source of supply. Germany's position in the Turkish import market followed logically from her position as a buyer of Turkish produce. However, at the end of the year her prices and terms began to

[3] FO371/95267/RK1011/1, Turkey: Annual Review for 1950, 13 January 1951.
[4] FO371/95267/RK1011/1, Turkey: Annual Review for 1950, 13 January 1951.

lengthen, and under a system of freer competition it was unlikely that she would be such a formidable competitor.[5]

Cotton and tobacco were the two export crops which received most attention during the year. Turkish cotton prices increased with world prices to twice their previous year's average figure, resulting in considerable difficulties for sellers who had contracted forward sales in the early part of the season and were unable to fulfil their contracts without a heavy loss. Old-crop tobacco stocks at the end of 1950 were three times as high as at the end of the previous year and caused much concern to producers and sellers. The government received heavy criticism during the year because it was unable to persuade the OEEC, German and other European buyers to help them dispose of this large surplus.[6]

During the year Turkey concluded commercial agreements on a clearing basis with Yugoslavia and Israel and signed limited agreements with Hungary, covering the liquidation of old Hungarian debts to Turkey, and Czechoslovakia, concerning the exchange of Turkish tobacco for Czech goods. Turkey also renewed her existing agreements with Belgium, Norway, Sweden, Italy and the Netherlands for another year. A Turkish delegation participated in the Torquay tariff negotiations with a view to acceding to the General Agreement on Tariffs and Trade.[7]

Noel Charles noted that internally "there was little of commercial interest to report upon". The harvest was damaged due to late frosts and disappointed expectations that it would be a bountiful one. However, the wheat harvest, 3.8 million tons, was greater than the exceptionally poor crop of the previous year, and sufficient enough not to require imports of wheat during 1951. The development of agriculture and industry through private enterprise began to attract more attention during the year. Legislation was passed to permit the Minister of Finance to guarantee long-term foreign loans given to Turkish private enterprise and a new industrial Development Bank to finance private industry was set up with capital provided equally by local sources and by a loan of foreign exchange from the International Bank of Reconstruction and Development. The Turkish Government and the ECA agreed that part of

[5] FO371/95267/RK1011/1, Turkey: Annual Review for 1950, 13 January 1951.
[6] FO371/95267/RK1011/1, Turkey: Annual Review for 1950, 13 January 1951.
[7] FO371/95267/RK1011/1, Turkey: Annual Review for 1950, 13 January 1951.

the counterpart funds resulting from Turkey's receipt of financial aid under the Marshall Plan should be put aside for loans to Turkish private enterprise.[8]

Throughout the year, Turkey continued to receive financial assistance under the European Recovery Programme. For the year from July 1949 to June 1950, Turkey received $59 million of direct aid from the United States in addition to the original $55.3 million of drawing rights granted at the beginning of the Marshall Aid year being increased to $70.5 million by additional grants of $8 million by the United Kingdom, $4.7 million by Germany and $2.5 million by Italy. As in the previous year, this foreign assistance was used mostly for the development of agriculture, communications, the Zonguldak coal mines, the Divriği iron mines and the expansion of electric power resources. Though the sum of $27.2 million had been appropriated by Congress, and by the end of the year $13.6 million had already been allotted, Noel Charles stated that it was not clear exactly how much direct aid Turkey was to receive during the 1950-51 Marshall Aid year taking into account United States rearmament and the new considerations brought about by the deterioration of the international situation. However, Turkey was expected to receive an extraordinary grant towards the cost of the settlement of refugees from Bulgaria.[9]

With the introduction of the EPU, Turkey no longer received drawing rights from her fellow-members of the OEEC, but received an initial credit position with the union of $25 million and a quota of $50 million instead. During the first five months of the operation of the EPU Turkey not only herself gave a credit to the union, but started reap rewards from it. This situation was an impermanent one since it came about as a result of severe restrictions causing import licensing almost to come to a halt during the first three months of operation of the union, combined with the coincidence of the Turkish export season, when Turkey earned most of her foreign exchange. Noel Charles expected this position to change rapidly with the decrease in the intensity of the Turkish export season and the continued import of goods, including those freed from licensing.[10]

Additional financial aid was given to Turkey during the year in the form of three loans from the International Bank for Reconstruction and

[8] FO371/95267/RK1011/1, Turkey: Annual Review for 1950, 13 January 1951.
[9] FO371/95267/RK1011/1, Turkey: Annual Review for 1950, 13 January 1951.
[10] FO371/95267/RK1011/1, Turkey: Annual Review for 1950, 13 January 1951.

Development (IBRD). One of these, for the establishment of an Industrial Development Bank, was mentioned above. The other two loans were of $12.5 million for the development of the main Turkish ports and of $3.9 million for the construction of grain silos. Noel Charles noted that "at the end of 1950 very little had been done on these projects beyond the appointment of consultants". The IBRD also sent a technical mission to Turkey during the summer to carry out a broad survey of the Turkish economy with the aim of outlining a general pattern for the country's economic development.[11]

Few changes occurred in Turkey's internal finances. Expenditure and revenue reached record levels in the 1950 budget, which showed a deficit of 174 million TL, and that the government proposed to draw upon Marshall Aid counterpart funds in order to meet all but19 million TL of the deficit was all that was unusual in its pattern. The balance was to be met by an internal loan. Budget figures on expenditure for capital works revealed that an increasing proportion of the national revenue was being devoted to such purposes. In the 1950 budget 13.3 per cent. of governmental expenditure was on capital account, compared with 10.9 per cent. in the 1949 budget and 8.3 per cent. in 1948. A new income and corporations tax aimed at providing a more equal distribution of the burden of taxation and to increase revenues in the long term also came into effect in this year.[12]

Turkey's gold and foreign exchange position deteriorated considerably during the year. She was forced to sell four tons of gold and at the end of November 1950 her foreign exchange deficits amounted to105.2 million TL compared with only 22 million TL in the same month of the previous year. This was largely due to the serious over-issue of import licences in June 1950 as a last-minute effort to exhaust unused drawing rights before the end of the Marshall Aid year. At the end of June 1950 her debts had reached a peak of 195 million TL and some part of her foreign exchange earnings after that month had to be used to settle this deficit. The cost of living during 1950 declined from about 533 (1939=100) to 498. Some part of this decrease was due to a slight reduction in the cost of food, flour and sugar in particular, and of some textiles. The main reason, however, was the lowered prices of imports.[13]

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[11] FO371/95267/RK1011/1, Turkey: Annual Review for 1950, 13 January 1951.
[12] FO371/95267/RK1011/1, Turkey: Annual Review for 1950, 13 January 1951.
[13] FO371/95267/RK1011/1, Turkey: Annual Review for 1950, 13 January 1951.

Noel Charles outlined three main trends which arose in the Turkish economy during 1950. First was the loosening of restrictions on external commerce following a measure of liberalisation of exports and imports and the freeing of trade with Western Europe from the limitations of currency availabilities. He viewed this as a "welcome development" but pointed out that it was in only its first stages and that its continued progress would depend largely upon Turkey's power to keep up with her fellow members of the OEEC. The second was the emergence of a new attitude towards industry. The role that private enterprise could play in increasing the national wealth was beginning to become more appreciated all round, though as Noel Charles pointed out, little of real value in a practical sense was achieved in this direction during 1950. In fact, liberalisation of imports threatened to affect the high-cost production of local industry. The third feature was the increasing proportion of local effort and foreign aid spent on Turkey's basic industries, agriculture, mining, power and communications. If these fields were developed it would increase Turkey's ability to earn foreign exchange, reduce internal costs and prevent resources and energy from being used in competition with the more efficient industries of Western Europe.[14]

1951 saw a considerable advance aided by good crops and satisfactory markets for most Turkish products. The cotton crop, which had become Turkey's main earner of foreign exchange, was larger than ever and the bumper cereal harvest provided significant exports. This was largely due to climatic conditions, but as Noel Charles stated "it was clear that the high rate of investment in all branches of agriculture, which has been maintained over recent years, was beginning to pay dividends". However, the disposal of tobacco was still proving problematic. While total production was lower than in recent years, it was still higher than before the war or than world demand appeared to allow. Government circles and producers realised that only strict limitation of acreage and the maintenance of better standards would save this important industry from declining further.[15]

Industry also progressed. The generally accepted figures of increases in production since 1948 were as follows: "coal 12%, iron ore 43%, pig iron 80%, steel 17%, chrome 57%, copper 118%". For the first time, Turkey was able to export a small amount of coal, and Noel Charles predicted that "there is

[14] FO371/95267/RK1011/1, Turkey: Annual Review for 1950, 13 January 1951.
[15] FO371/101848/WK1011/1, Turkey: Annual Report for 1951, 2 January 1952.

no reason why she should not become an exporter on a considerable scale when the new plant and installations in the Zonguldak field, on which work continued throughout the year, come fully into use".[16]

In their first twenty months in office, the government failed to live up to their programme for denationalising State enterprises. Nothing had been done other than the conversion of the State Seaways Administration into a Maritime Bank, in which the government still owned 51% of the shares, and the tabling of bills at the end of the year which would abolish the State Sugar Factories' monopoly and liberate match and spirits production. The transferral of the Sümer Bank concerns to private enterprise was only rarely discussed.[17]

The passage of an Act to encourage the investment of foreign capital was a significant step in developing the country's economy. Besides allowing the government to guarantee investments made in accordance with the Act, it also gave assurance that both enactment of such a measure was a signal of the great change that had occurred in Turkish economic thinking, the heated debate which led up to it was proof of the fear and dislike of the activities of foreign capital, which was, in Noel Charles's words, "a legacy from former times".[18]

Both imports and exports reached new heights, although the visible trade gap widened as the former exceeded the latter. Change was also seen in Turkey's trading partners: Germany passed to first place from third as a supplier, the United Kingdom came second, and the United States of America, which had been the leader in 1950, fell to third place. Both Germany and the United States of America increased their purchases of Turkish products substantially, but a sharp decline was observed in United Kingdom purchases. There was also a significant increase in German interest in Turkey in economic as in other fields.[19]

Very little change was seen in the general level of trade with the USSR and the Satellites. There was a slight rise in the proportion of Turkish exports sent to the Soviet bloc, and a rather sharp decline in the proportion of imports coming from there. The Satellites offered high prices in free dollars for Turkish blister copper meaning that more went to them than had done before. The Turkish government, however, was obviously watching these movements

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[16] FO371/101848/WK1011/1, Turkey: Annual Report for 1951, 2 January 1952.
[17] FO371/101848/WK1011/1, Turkey: Annual Report for 1951, 2 January 1952.
[18] FO371/101848/WK1011/1, Turkey: Annual Report for 1951, 2 January 1952.
[19] FO371/101848/WK1011/1, Turkey: Annual Report for 1951, 2 January 1952.

and aimed to prevent clandestine trade developing. Discussions during the year between the British Embassy in Ankara and the Turkish authorities showed that while the latter wanted to keep exports of strategic materials at a low level, they did not want to do anything which might damage their general commercial relations with the Satellites. They were, in fact, receiving in exchange important items which were in short supply in the West at that time and they had American approval for their policy.[20]

According to Noel Charles, financial developments were "not unsatisfactory", though he interpreted the increase of Turkey's foreign exchange deficit from 86 million TL in December 1950 to 173 million TL in December 1951 to be a reflection of her efforts to finance her long-term investment programme. Almost no change was seen in her gold reserves. The fiduciary issue passed the thousand million lira mark for the first time, but Noel Charles commented that "the increase was probably justified by the general progress of the economy". Although it resulted in payments of over $20 million to the European Payments Union, the excess of imports over exports was also an anti-inflationary factor. The cost of living fell slightly. Budget estimates of both expenditure and revenue were kept fairly intact. Exceptional appropriations and shifts of expenditure from one vote to another, features of the past, were kept to a minimum; however, the anticipated deficit of a quarter of a million liras remained. This deficit was, however, more than accounted for by investment items. Marshall Aid for the year 1950/51 (i.e. up to the 30 June) came to $70 million, $ 45 million of which was in the form of grants. This was less than the aid received in 1949/50.[21]

In October 1950, The Turkish government informed the British Embassy in Ankara that they were having difficulties in meeting the annuities on the Anglo-French Armaments Credits and requested cancellation of these debts. This request was still being considered in July 1951 when the Turkish government failed to pay the half-yearly instalment. In December 1951 the Turkish government agreed to discuss the question with a United Kingdom delegation with the aim of arriving at an arrangement acceptable for both sides.[22]

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[20] FO371/101848/WK1011/1, Turkey: Annual Report for 1951, 2 January 1952.
[21] FO371/101848/WK1011/1, Turkey: Annual Report for 1951, 2 January 1952.
[22] FO371/101848/WK1011/1, Turkey: Annual Report for 1951, 2 January 1952.

1952 was a successful year for Turkey. Though not particularly well balanced, her economy was booming and production showed an overall increase. Agricultural production continued to show increasingly the results of the heavy investment programme of the previous three years. Cotton, which had displaced tobacco and dried fruits as Turkey's chief export crop in 1951, gave its place to cereals. Approximately one and a half million tons of grain, including over one million tons of wheat, became available for export. Other important crops such as tobacco, raisins, oil seeds, nuts, pulses and olives also did well. Although favourable weather was certainly accountable for these results, much of the increase in production was due to mechanisation and better techniques.[23]

While reports mentioned increased production in sugar, textiles and cement, industry appeared to be advancing slowly in comparison to the rapid rate of progress in agriculture. Still, mineral production, particularly of chrome, manganese and copper, showed "considerable expansion", and the completion of the power transmission line from Çatalağzı to the Istanbul area appeared to be stimulating local industry in 1953. By November 1953 the Industrial Development Bank had granted credits amounting to 69 million TL to 136 industrial enterprises, who were required by the Bank to invest 73 million TL from their own resources. Otherwise, very few foreign investments were made, contrary to what had been hoped would follow from the law passed in 1951, and it became obvious that this law did not go far enough to meet the reasonable requirements of foreign capital. The government announced their decision to seek the active co-operation of foreign capital and technical knowledge in the development of the country's oil resources, but the end of the year saw them still formulating the "minimum conditions" on which foreign capital would be welcomed, an indication that "old misgivings and hesitancies" had not yet been overcome.[24]

Disappointingly, despite the advance in agricultural production, a similar success was not seen in the disposal of exportable surpluses. Those responsible for finding customers for Turkey's products, in particular the Toprak Office (the official agency responsible for buying and selling agricultural produce), showed that they had not yet fully come to terms with the requirements of Turkey's new economic status as a seller in "the tough arena of the world market". They were not willing to have resort to foreign

[23] FO371/107547/WK1011/1, Annual Report on Turkey for 1952, 9 January 1953.
[24] FO371/107547/WK1011/1, Annual Report on Turkey for 1952, 9 January 1953.

intermediaries and, being accustomed to negotiating on a small scale, tended to "pursue the bargaining methods of the bazaar" without realising how inadequate these were on larger scales. However, the urgent need for foreign exchange and growing difficulties of storage eventually had their effect, and towards the end of the year the government began to acknowledge the principle of offering Turkish products at world market prices.[25]

The slow sale of produce available for export affected the balance of trade adversely, directly by failing to bring in foreign exchange, and indirectly because the resulting deficit led to rumours of impending restrictions on imports, which encouraged over-buying by importers. Although the advisability of some more effective control of imports became apparent early in the year, the government's only policy seemed to be to maintain the "liberalised list", which had been instituted according to Turkey's obligation to the European Payments Union, at whatever the cost, with the hope that the import of capital goods would stimulate production, that inflation would be kept under control by the availability of goods to answer to consumer demand, and that expanding exports would eventually catch up with imports, bringing Turkey's trade into balance. However, exports lagged behind imports and the gap increased rapidly each month. This resulted in the exhaustion of Turkey's initial credit and quota facilities in the European Payments Union; and when the Mutual Security Agency refused to give further assistance in financing current deficits in the summer of 1952, her already slender gold reserves began to be consumed rapidly. By the end of September 1952, Turkey had to suspend imports of all but the most essential commodities.[26]

Germany was still Turkey's principal trading partner. The United Kingdom came second as supplier, with 18.2 per cent of the market against Germany's 26.2 per cent, followed by the United States with 8.1 per cent. However, she dropped as a buyer of Turkish produce from third place in 1951 to fifth (following Germany, France, the United States and Italy) in 1952. United Kingdom purchases fell relatively and absolutely for the second year in succession, and over the year as a whole they totalled less than 20 per cent of United Kingdom sales to Turkey. This imbalance became the object of bitter

[25] FO371/107547/WK1011/1, Annual Report on Turkey for 1952, 9 January 1953.
[26] FO371/107547/WK1011/1, Annual Report on Turkey for 1952, 9 January 1953.

criticism in the press and considerable resentment in official circles, leading to threats of discrimination against British imports.[27]

In 1952 the general level of trade with the USSR and the Satellites showed very little change from previous years. The American "Battle Act" brought the export of strategic materials to the Soviet bloc to an end, and Turkey thereby lost a market for her blister copper where she had previously been able to command substantially high prices in free dollars. The government announced early in 1952 that they were willing to allow the export of tobacco, raisins, figs and nuts to Eastern Germany in return for machinery, scientific apparatus, fertilisers, tinplate, dyes, etc., yet official returns showed that little trade had developed in this direction.[28]

Gold and foreign exchange reserves, used to settle current deficits, fell from 422 million TL to about 200 million TL and the "foreign exchange deficit", shown in the Central Bank returns and mostly made up of Turkey's unfavourable balances in various clearing accounts, increased from 245 million TL to 401.9 million TL. Otherwise, Knox Helm, the British Ambassador to Turkey, stated, financial developments were "fairly satisfactory". The fiduciary issue increased by 12.5 per cent, but this was believed to be justified by the increase in the country's economic activity. There were no outward signs of inflation. In fact, wholesale prices generally fell, although they remained considerably above the levels before the Korean War, and the cost of living rose only slightly. There were signs that public savings were increasing. Regarding public debt, the government stated that they would keep to their principle of not borrowing from the Central Bank except for productive purposes, and that they had completely repaid funds previously borrowed for short term Treasury bills. A government loan of 60 million TL at 5 per cent to cover the 1951/52 budget deficit and a 50 million TL issue of 5 per cent bonds by the Agricultural Bank were taken up by the public well before their closing dates.[29]

American economic aid for the year ending 30th June 1952 amounted to $70 million, $58.8 million of which was a grant the remainder being a loan. It was announced that aid for the year beginning 1st July 1952 would total only $45 million, though there was a possibility of this being increased. Turkey received a $25 million loan from the International Bank for Reconstruction

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[27] FO371/107547/WK1011/1, Annual Report on Turkey for 1952, 9 January 1953.
[28] FO371/107547/WK1011/1, Annual Report on Turkey for 1952, 9 January 1953.
[29] FO371/107547/WK1011/1, Annual Report on Turkey for 1952, 9 January 1953.

and Development for the construction of a multi-purpose project in Adana, including flood control, irrigation, and hydro-electric power production.[30]

1953 was another successful year for Turkey. The two developments became particularly apparent in the last part of the year were the deterioration of the Turkish financial position and the development of authoritarian tendencies by the government.[31]

The Democrat Government has continued its policy of economic development and liberalisation at home and close co-operation with the Western powers abroad under the leadership of its Prime Minister, Adnan Menderes. He remained the undisputed leader of his party, and, as Knox Helm saw it, he deserved the major share of the credit for the success of his government's policy, while stating that "his impatience of criticism and his tendency to authoritarian methods [had] contributed greatly to the unhealthy tension which once again developed in inter-party relations and became acute in December 1953".[32]

The PRP accused the government "of failing to introduce the necessary legislation to implement their principal election promises and of taking no adequate steps to solve the country's balance of payments difficulties". The Democrat Party reacted strongly to these criticisms, and later, with the 1954 general elections looming on the horizon, relations between the two main

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[30] FO371/107547/WK1011/1, Annual Report on Turkey for 1952, 9 January 1953.

[31] FO371/112921/WK1011/1, Annual Report on Turkey for 1953, 1 January 1954.

[32] FO371/112921/WK1011/1, Annual Report on Turkey for 1953, 1 January 1954.
The uneasy calm was broken in July 1953 when the government, alarmed at the religious note struck at the summer congress of the National Party, the second in importance of the Opposition groups, decided to suspend the party, pending an investigation into its alleged exploitation of religion for political ends. The main opposition party, the PRP, felt that the government's methods in this case constituted a potential threat to the position of all opposition parties, and that it could not pass unchallenged. Further PRP protests were provoked by the legislation which the government then proceeded to introduce, increasing the penalties against the use of religion for political ends and giving the police wide powers to suspend political meetings likely to lead to disturbances. The National Party affair did indeed raise in an acute form the religious issue, which had been one of the government's main preoccupations in the internal field. The government was faced with the dilemma that it could not, without risking its popularity, went back on the more liberal policy towards the practice of the Moslem faith which was implicit in the new ideal of laicism which it had proclaimed. On the other hand, it was alarmed at the signs that any concessions to religious feeling, which was still very much alive amongst the mass of the Turkish peasantry, might open the door to religious reaction whose political consequences might imperil the fundamental basis of the Kemalist "new order" itself. See FO371/112921/WK1011/1, Annual Report on Turkey for 1953, 1 January 1954.

parties deteriorated once more. The Democrat Party responded by renewing the threat of legislation which would deprive the PRP of the official property which the party had accumulated when in power. The Prime Minister personally took the lead in attacking the Opposition, showing once more that he regarded any form of criticism as almost treason. Finally on 14 December 1953, after very hasty last minute preparations, the threat was implemented by a law which confiscated all PRP property, disregarding the manner or date of its acquisition. Regarding this action, Knox Helm commented that "whatever the effect on the main Opposition party and its election prospects, this governmental action, which did not have even the full support of the Democrat deputies, [bodes] ill for the future development of democracy in Turkey and was a most inauspicious curtain raiser to the election campaign itself".[33]

In spite of all this, the government seemed to be maintaining its position in the country. The year was a prosperous one, with another record harvest and the increasing returns from the capital investments of recent years. Knox Helm thought that the peasants, who still constituted a major part of the Turkish population, must have been particularly content with a government which had helped them to increase their production and had bought their crops at high prices. In general, Turkey's economic development continued rapidly; American aid usefully contributed to the further expansion of her agricultural production and to her development schemes, especially in the area of transport.[34]

Yet there was another less satisfactory side of the economic picture: Turkey still had a seemingly uncontrollable balance of payments deficit which obliged her to reduce her imports substantially and to give up the measures of trade liberalisation which she had been trying to maintain since 1951. Despite these attempts to relieve the situation, commercial payments arrears continued to accumulate and, by the end of 1953, had reached $150 million. Nevertheless, the government seemed to remain convinced that the situation would correct itself eventually, and that it was possible to avoid more basic remedies, including financial and fiscal controls.[35]

The solution of the overwhelming problem of the sale of her large agricultural surpluses to countries abroad was obviously necessary for Turkey's balance of trade difficulties to be put right in the long term. In early

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[33] FO371/112921/WK1011/1, Annual Report on Turkey for 1953, 1 January 1954.
[34] FO371/112921/WK1011/1, Annual Report on Turkey for 1953, 1 January 1954.
[35] FO371/112921/WK1011/1, Annual Report on Turkey for 1953, 1 January 1954.

1953, the Turkish government was still inclined to blame the attitude of foreign buyers as an ally for its problems, since it thought that the foreign buyers were not making the special efforts needed to increase their purchases from Turkey.[36]

However, the Turkish government had still made some progress towards accepting the hard truth that Turkish products could only be sold abroad if they were competitive in price and quality. The government was beginning to realise that, particularly concerning cereals of which it had a record surplus, although it had purchased the crop from the peasants at artificially high prices, it would have to offer them abroad for what they would get. Similarly, it came to realise that if Turkey was to attract the foreign capital she needed, she must be prepared to offer attractive conditions to foreign investors. New legislation to this aim was being discussed in 1953, as well as a law to encourage foreign participation in the development of Turkey's oil resources.[37]

The events of 1954 generally followed the pattern of the previous two or three years. The Democrat Government was re-elected in May with an overwhelming majority, but relations with the Opposition remained strained, and the new government did little to put right the country's economic difficulties.

James Bowker, the British Ambassador to Turkey, reported that the general elections of 1954 "were freely conducted and orderly and, contrary to many forecasts, the Democrat Party was returned to power with more than 90% of the seats, although the PRP still managed to poll over a third of the votes". He pointed out that the Government's agricultural programme on the peasant vote and the PRP's inability to come up with a constructive alternative to the Democrat Party's programme largely affected the result. As mentioned previously, the electorate in Turkey was still largely made up of peasants, who had good reasons to re-elect a government which had done a lot to increase Turkey's agricultural production and had been buying their produce exaggeratedly high prices. The PRP, however, had little to offer to the electorate. Instead of producing a constructive alternative programme, their election campaign was based on the whole on violent criticisms of the DP Government, claiming that the latter were threatening the country's democratic liberties with their restrictions on the press, and were "selling out" Turkey to

[36] FO371/112921/WK1011/1, Annual Report on Turkey for 1953, 1 January 1954.
[37] FO371/112921/WK1011/1, Annual Report on Turkey for 1953, 1 January 1954.

foreigners by passing laws to encourage foreign capital investment and foreign participation in the development of Turkey's oil resources.[38]

Bowker commented that, when Menderes formed his new government, it would have been reasonable to hope that he would use to his advantage the substantial vote of confidence which he and his party had been given, "either to adopt the firm measures required to arrest the progressive deterioration of Turkey's external economic position and growing internal inflation or to show greater magnanimity towards his political opponents". Unfortunately, he continues, these hopes were not fulfilled. The new government carries out several remedial measures, but made no attempt to impose the more necessary drastic restrictions. As a result, foreign payment arrears continued to build up, and when the drought of that year led to a partial failure of the harvest, further deterioration of Turkey's foreign trade balance was inevitable. This did not, however, seem to affect the government's complacency. In their opinion, these difficulties were merely the "growing pains" of Turkey's rapidly expanding economy and that the situation would correct itself when the capital investment of the last few years came into fruit. They seemed sure that they could struggle through in the meanwhile and that, in the end, the Americans could be depended on to come to their aid to prevent a complete breakdown in Turkey's economy. Moreover, Menderes did not prove to be any more lenient toward his political opponents as might have been hoped after his re-election. He continued to harass his opponents and to be resentful of any critics, at home or abroad, who dared to mention Turkey's economic difficulties or some of the not so liberal aspects of the Democrat administration.[39]

The country's economic difficulties did not lessen in 1954; on the contrary, they continued to build up. Bowker noted that since 1950 the Government's economic measures had been popular because they were generous to the voters; yet, they ran into trouble when they tried to do something necessary but unpopular. He believed that if the Government really wanted to improve the country's economy, Menderes would need all the

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[38] FCO9/RK1011/1, Turkey: Annual Review for 1954, 7 January 1955.

[39] FO371/117717/RK1016/1, Internal Affairs, Annex D. FCO9/RK1011/1, Turkey: Annual Review for 1954, 7 January 1955.
Despite his autocratic tendencies Menderes was both capable and energetic and could produce the firm government which Turkey needed. Both he and his administration, on the national and local elections in 1954 showed, have not suffered any recent general loss in popularity and it was expected that he would continue to wield power in Turkey for some years to come. See FCO9/RK1011/1, Turkey: Annual Review for 1954, 7 January 1955.

support he could muster from his own party as well as a reasonably friendly Opposition.[40]

1955 was both eventful and difficult for Turkey. The internal political and economic situation deteriorated further. It could not be denied that Turkey was suffering from serious inflation which was partly due to "an ambitious post-war programme of capital investment and partly to a heavy weight of expenditure which geography and her alliances combine to impose on Turkey". There was no debate that both capital expansion in agriculture and industry and a large standing army were necessary.[41]

Relations between the DP and the PRP continued to deteriorate throughout the year. The truce between the two parties did not prove to be long lived. The PRP embarked on a campaign of criticism of the government's economic policy, culminating in the arrest of Kasım Gülek, the Secretary General of the PRP, in Sinop on the 13th of August 1955. Menderes continued to blame opposition tactics for the economic situation and, instead of searching for long-term measures of economic retrenchment and reform, he "preferred to find scape-goats and to adopt temporary means for dealing with an immediate crisis".[42]

The government treated the Opposition more roughly and did not deal realistically with the economic crisis, having failed to take realistic and effective steps to stop the economic decay. Taking such steps would undoubtedly involve unpopular measures, and until that time Menderes had avoided taking major steps which would prove unpopular with a majority of his supporters. However, there was plenty time before the 1958 elections. If the steps he took were effective but initially painful, the majority of DP supporters could look forward with relief to a prosperous period.[43] Though, as Bowker pointed out, the Democrat Party had lost little of its strength in the country. It had brought new life to the rural areas and was also pressing on with their development plans. The agricultural boom continued. High prices for their products more than compensated the peasants for high prices and local shortages.[44]

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[40] FO371/117717/RK1016/2, Bowker to Eden, 28 February 1955. FCO9/RK1011/1, Turkey: Annual Review for 1954, 7 January 1955.
[41] FO371/117717/RK1016/8, Bowker to Macmillan, 19 July 1955.
[42] FO371/117717/RK1016/8, Bowker to Macmillan, 19 July 1955.
[43] FO371/117717/RK1016/17, Michael Stewart to Macmillan, 6 September 1955.
[44] FO371/117717/RK1016/8, Bowker to Macmillan, 19 July 1955.

Menderes was not willing to begin serious discussions with the United States about a remedial economic programme. Talks about the aid programme for 1955-56, in which the Americans were suggesting deflation, began officially on the 30th of August 1955 but they did not go beyond routine questions of administration. Menderes undoubtedly wanted to secure additional aid without making any vital concessions, as he was reluctant to change the course of his economic policy despite the seeming need for hard necessity. Michael Stewart's comments on Menderes's approach are worth noting at this point:

Indeed, in a strange way, Menderes's public justification of his economic policy may have been sincere. He genuinely believes that the salvation of his country lies in intense industrial and economic development, cost what it may, which would bring Turkey up to the level of the countries of Western Europe. He believed also that it was in the interests of Turkey's friends and allies to help her to achieve this; not only would all their debts be repaid in due course but they themselves would gain a powerful friend and ally into the bargain.[45]

Michael Stewart described Menderes as "a man with a mission". This single-minded concentration on the aim for the future of Turkey under his leadership served to explain his justification for his economic policy, which would otherwise appear insincere, and his rough treatment of opposition and other critics, which would otherwise seem dictatorial. This, however, must not have stopped a number of observers, even from within his own party, worry about the damage such relentless pursuit of a single idea could do to the otherwise healthy economic and political development of the country.[46]

None of this would be of much importance had it not been for the economic crisis. Turkish credit was practically exhausted. The Turkish government had unrealistically staked their policy on obtaining a $ 300,000,000 loan from the United States. The public has at once seen the consequences of the government's lack of success in shortages of everyday necessities, such as tea, coffee, sugar, medicines or spare parts for cars. Oil companies were no longer prepared to supply fuel for anything other than cash payment. A temporary petrol shortage in Adana led to a run on the pumps in other regions and rumours of a fuel crisis throughout the country. For the second time in 1955 the government raised the prices of their "monopoly"

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[45] FO371/117717/RK1016/17, Michael Stewart to Harold Macmillan, 6 September 1955.
[46] FO371/117717/RK1016/17, Michael Stewart to Harold Macmillan, 6 September 1955.

products, such as cigarettes, beer and raki. The government were in a real dilemma. The hope of increased American aid depended on the adoption of measures of economic retrenchment and reform. However, there was still no sign that the Prime Minister Menderes was willing to accept a situation which called for such fundamental treatment. He had staked so much on getting large scale American aid, and he now seemed to be hoping that something may yet turn up to render unnecessary the introduction of measures which would both highlight his failure and possibly endanger his popularity in the country.[47]

Menderes's own position was indeed showing evidence of change. Within a year his autocratic tendencies had increased noticeably. He was very reluctant to listen to advice. He had taken charge of the Ministry of Foreign Affairs himself, and personally conducted the country's economic policy. Important decisions on any subject could no longer be taken without referring personally to the Prime Minister. Bowker commented that "such a one-man government cannot be good for either man or government". Failing to obtain an American loan was a personal setback for the Prime Minister, though he was quick to lay the blame on others. The mounting economic crisis was likely to put his leadership under the biggest test it had had to face to that date.[48]

The Government took the several steps to repair the damage done by the anti-Greek riots in September 1955to Turkey's international position and her economy. The riots of 6 and 7 September in Istanbul and Izmir were significant in the context of Turkey's development as a "western" country. The government promptly imposed Martial Law in Ankara, Istanbul and Izmir to prevent other disorders.[49]

In the meantime, the Opposition embarked upon a campaign of criticism of the government's economic policy. When coming from the Opposition, this criticism had no effect upon the Prime Minister. However, he had to take it into account when it came from the members of his own party, as it did later in the year. The first sign of open dissatisfaction within the Democrat Party was seen in October and resulted in the expulsion of nine members of the party and resignation of ten others. At a meeting of the Parliamentary Group of the Democrat Party in November, criticism was directed particularly at the Minister of Finance, Economy and Commerce and the Acting Minister of

[47] FO371/117717/RK1016/8, Bowker to Macmillan, 19 July 1955.
[48] FO371/117717/RK1016/8, Bowker to Macmillan, 19 July 1955.
[49] FO371/123999/RK1011/1, Annual Review for 1955, 16 January 1956.

Foreign Affairs, both of who were mainly responsible for the allocation of foreign exchange. In the face of these attacks the Prime Minister was compelled to offer the resignation of the Cabinet, while managing to secure a vote of confidence in himself. He offered his resignation to the President of the Republic and was told to form a new government. After a series of consultations lasting a fortnight, the new government was formed. Nine of the former Ministers, including those against whom the attacks in the Group had been directed, had not been included. Shortly afterwards, it was decided to conduct a Parliamentary investigation into the activities of these nine people.[50]

The new government's programme expressed the intention of introducing more liberal political measures. The sections of the programme dealing with economic policy were "so full of ambiguities and evasions" that it gave little reassurance that Turkey's serious economic difficulties would be dealt with effectively. At the meeting of the Parliamentary Group of the Democrat Party the Prime Minister was said to have promised that there would be no new investment projects, that imports would be restricted to essential requirements, and that a Ministerial Council would be set up to co-ordinate and control economic policy should the Parliamentary Group wish so. However, Bowker noted that the year ended "without any real indication that the Prime Minister was prepared to take the firm measures necessary to check the growing inflation and the deficit on foreign payments which were the basic causes of Turkey's economic troubles". In other words, the Turkish government continued their policy of living beyond their means throughout the year. They spent more than their revenue, they imported more than they could afford, they invested more than was wise, they used the Central Bank to finance the deficits of the Budget, the State Enterprises and the Soil Products Office and they tried to curb inflation by decree without adopting the necessary measures of retrenchment. The result was an expanding note circulation, a rise in prices, increasing difficulty in selling Turkish export produce, the reduction of most imports other than capital goods, increasing

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[50] FO371/123999/RK1011/1, Annual Review for 1955, 16 January 1956.
In mid-November 1955, the 19 Democrat dissidents decided to form a new party, the Freedom Party, which adopted the basic programme of the Democrat Party but demanded a greater degree of personal freedom in its execution. The constitution of the party and its programme were formally announced in December, by which time its members had swelled to 33, including 29 Deputies, 6 of whom were ex-ministers, all former members of the Democrat Party. Fevzi Lutfi Karaosmanoğlu was elected president. See FO371/123999/RK1011/1, Annual Review for 1955, 16 January 1956.

internal shortages, the stoppage of many factories dependent on imported supplies and an increase in foreign debt.[51]

The year came to a close with a feeling of "uncertainty and anxiety". The government crisis in November and the events leading up to it, as well as the gradually increasing effects of the government's irresponsible economic policy on the public, had caused the Prime Minister to lose much of the authority and esteem which he had previously enjoyed as the leader of the Party with an overwhelming majority in Parliament and as the initiator of an impressive policy of development. Whether or not Menderes would succeed in re-establishing his position depended not only on the extent to which he was willing to moderate his dictatorial approach, but also on whether he would adapt his economic policy to the needs of the situation, thus rendering Turkey eligible for the further financial support from the United States which would help her emerge from her difficulties.[52]

The United States' continued to contribute equipment to the Turkish armed forces and to aid Turkey's military budget. The presence in Turkey of thousands of Americans engaged in administering this aid meant that the United States was the most predominant among foreign countries in the minds of the Turks. However, as Turkey's economic difficulties mounted, she began increasingly to exploit her position as the Eastern front of NATO to support her claims for further help. Her continuous hounding of the Americans all year, along with an outright refusal to accept American advice on the measures which she should take to put her economy in order, lost her much of the good will which America had shown her. Zorlu's visit to Washington in June 1955 did not prove to help the situation. At the end of the year, the United States were still waiting for some solid proof of a change of attitude.[53]

Neither the composition of the new government nor the statement of policy by the Prime Minister were convincing of the government's ability to restore the Turkish economy. Bowker believed that there was little prospect of the new Turkish government solving Turkey's economic problems and that the personal position of Menderes had been so shaken that Turkey would possibly be faced with a major political as well as economic crisis.[54]

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[51] FO371/123999/RK1011/1, Annual Review for 1955, 16 January 1956.
[52] FO371/123999/RK1011/1, Annual Review for 1955, 16 January 1956.
[53] FO371/123999/RK1011/1, Annual Review for 1955, 16 January 1956.
[54] FO371/117717/RK1016/45, Minute by W. B. M. Johnston, 13 January 1956.

The year 1956 saw little change in internal and economic affairs. The government's plans for the social and economic development of the country went ahead and many of them came to fruition in 1956. As a result, there was been a series of ceremonial openings of barrages, sugar factories and other industrial undertakings, which incidentally gave the Prime Minister an opportunity to draw attention to the achievements of the Democrat Party Government and to belittle the achievements of twenty-five years of People's Republican Party rule.[55]

However, the economic situation at the end of 1956 was confusing. Although the trade deficit had been reduced, mainly by lower imports, there was little real improvement compared with the previous year. Externally, Turkey's situation continued precariously, with a heavy burden of foreign debt and no likelihood for a while that exports would be able to pay for all the necessary imports. Internally too the picture was less than bright. The measures taken in June 1956 under the National Protection Law to curb inflation did not have the expected results. Many consumer articles, including an increasing number of every-day household requirements, were unobtainable, and shortages of essentials developed because of price control. The cereals crop was seriously overestimated, and large quantities of wheat ($46 million) and other foodstuffs were imported from the United States against payment in Turkish lira. Exports suffered from high internal prices. Turkish commercial debts, including £17 million to the United Kingdom, showed no sign of decreasing, and there were failures in payments in respect of major capital projects undertaken by foreign firms.[56]

The Turkish Government, in particular the Prime Minister, were undismayed by these facts, claiming that they were "temporary worries unavoidable in the process of furnishing Turkey with the modern equipment essential to a country in her position in world affairs". This attitude was apparent in the Turkish Government's report for OEEC in October 1956 which stated: "Turkey...firmly believes in the objectives which it has set itself; it is convinced that its partners will be ready to participate with increased understanding and sympathy in the efforts made to attain those objectives." In accordance with this conception of Turkey's economic fate, the investment programme continued through the year unchecked. It covered the construction of new ports, barrages, electric power stations, iron and steel works, textiles

[55] FO371/130174/RK1011/1, Turkey: Annual Review for 1956, 5 February 1957.
[56] FO371/130174/RK1011/1, Turkey: Annual Review for 1956, 5 February 1957.

and other factories, the increase of coal production and the modernisation of Istanbul and Ankara with demolitions to make way for new thoroughfares. In Bowker's opinion, some of these projects were openly extravagant. There was still a lack of co-ordination which meant that much of the huge expenditure on capital projects was failing to produce a proper return. Still, much progress was made during the year on projects which undoubtedly were essential for the country's development. Moreover, some of the investments were already beginning to pay off, particularly those in electricity and cement production and roads. Twelve foreign companies were working on exploration for oil, with hopes of success, and at the end of the year negotiations were in progress with British and American firms for the construction of a large refinery at Izmit (TUPRAŞ).[57]

The economic situation during 1956 was thus characterised by a steady trend towards modernisation, combined with the "facile and characteristically Turkish feeling" that by 1960 a new era of prosperity would dawn as these investments came to fruition. While much rapid progress was made, the weaknesses in the Turkish economy and the "peculiarities and limitations of Turkish mentality" continued to dampen hopes for such promising outcomes. Little attention was paid to such realities as the fact that growing industrialisation was creating new demands requiring increased imports of raw materials and equipments, that more and better roads were creating the need for more vehicles, and that even if oil were found in significant quantities, its effective exploitation would require huge amounts of money. So, at the end of 1956, the best that Turkey could realistically hope for in the next few years was to be able to pay her way without adding to her accumulated foreign debt, and to keep inflationary forces under control to some extent. These objectives called for greater discipline in planning and expenditure than previously. Despite substantial contributions from the United States and NATO, defence expenditure, coming to 25 per cent of the general budget, was still a serious burden on Turkish economy.[58]

1957 was a troubled year for Turkey. Externally, she was directly involved in the continuing effects on the Middle East and the Baghdad Pact of the Anglo-French intervention on the Suez Canal at the end of 1956 and later in the critical developments caused by Soviet entry into Syria. The problem of

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[57] FO371/130174/RK1011/1, Turkey: Annual Review for 1956, 5 February 1957.
[58] FO371/130174/RK1011/1, Turkey: Annual Review for 1956, 5 February 1957.

Cyprus continued throughout the year to damage her relations with Greece. Internally, there was a steady increase in political tension, which was not relieved by the result of the General Election in October 1957. Economically, capital development continued as extravagantly as ever, resulting in further inflation and shortage of consumer goods and foreign exchange. The Turkish economy was showing more signs of the strain caused by Menderes's "reckless" policy of industrialization and expansion.[59]

Turkey's balance of payments continued to deteriorate during 1957. Activity continued on building new power stations, communication facilities and industrial installations, but this was outbalanced by further foreign debts, growing inflation, and increasing shortages of imported goods. If it had not been for American economic aid, which totalled $80 million, and some $70 million worth of United States surplus agricultural commodities, the situation would have been even worse.[60]

The government's policy remained one of soldiering on whatever the circumstances, relying with "mystic faith" on the national qualities of Turkish nation to succeed in giving Turkey a firm industrial base. After the General Election however, there were signs that the "headlong career" might at least be moderated. The economic programme announced by Menderes early in December 1957 suggested exercising restraint in carrying out new large-scale investments, such as the Bosphorus bridge project, and some restriction on internal credit. The budget for the financial year beginning the 1st of March 1958, tabled on the 1st of December 1957, showed an increase of 11%, relatively modest in comparison with the increases of previous years.[61]

Nevertheless, the key words of the government's pronouncement on the economic situation at the end of 1957 were still "expansion" and "development". Most Turks continued to point to what they thought of as the impressive catalogue of achievements since 1950, which they saw as the "awakening of Turkey after one hundred years' sleep", and they still considered inflation to be equated with expansion. Looking from the positive side, it had to be admitted that that these achievements included new highways, port installations, power stations, cement and sugar factories, increased coal, and iron and steel production, engineering chemicals, textiles, paper and other industries, most of which would be in production within the

[59] FO371/136450/RK1011/1, Annual Report on Turkey for 1957, 4 February 1958.
[60] FO371/136450/RK1011/1, Annual Report on Turkey for 1957, 4 February 1958.
[61] FO371/136450/RK1011/1, Annual Report on Turkey for 1957, 4 February 1958.

next few years. The search for oil was still active, with sixteen foreign companies participating. In the mean time, Istanbul, Ankara and other cities were being extensively and expensively reconstructed, with huge demolitions, a process which became known as "Menderazing" due to the personal interest taken in it by the Prime Minister.[62]

However, as Bowker pointed out, the same could not possibly be thought by the foreigner, especially the businessman who had been waiting nearly five years for his debt to be paid. In spite of the severely decreased imports, there was still a heavy trade deficit loomed for the twelfth year in a row. Exports were still lower than they had been four years previously, although 1957 showed a small increase over 1956. There was a desperate shortage of imported spare parts, vehicles, tyres, industrial raw materials, pharmaceutical and other goods. Foreign debt increased during the year. In the latter half of the year, there was an increased frequency of defaults on progress payments on capital contracts, guaranteed by Turkish Treasury Bonds. Furthermore, Turkey even had to obtain credit from the foreign oil companies in order to finance basic oil imports. Inflation more or less outbalanced the benefits that increased production had given the country. Prices of foodstuffs (including bread), rents and clothing continued to rise throughout the year. The money in circulation rose by about one-third, and the volume of credit also increased. People began to criticise rising prices and shortages more vocally, particularly just before the elections, although the government continued to brand this as disloyalty.[63]

Bowker saw the economic outlook at the end of year as discouraging. Most agricultural yields in 1957 were poor, meaning that export prospects were the worst in recent years, considering that agricultural products comprised over 85% of Turkish exports. Although used to almost continual financial crisis, Turkey faced at the end of 1957 a crisis which temporary measures could no longer relieve.[64]

The United States continued to sustain Turkey's defence and economy, with 45% of all Turkey's imports financed in one way or another by this country. The total expenditure on defence for 1957/58, including the security forces and gendarmerie, amounted to 28% of the Turkish budget. This was more than the previous year and was to be spent on buildings and installations,

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[62] FO371/136450/RK1011/1, Annual Report on Turkey for 1957, 4 February 1958.
[63] FO371/136450/RK1011/1, Annual Report on Turkey for 1957, 4 February 1958.
[64] FO371/136450/RK1011/1, Annual Report on Turkey for 1957, 4 February 1958.

as well as the security and gendarmerie forces. American aid, both direct military and defence support, totalled about $280 million. In the meantime, the Joint United States Military Mission for Aid to Turkey continued to assess the situation, organise the distribution of military equipment from the United States and supervise the use made of it in the Turkish armed forces.[65]

1958 was a year of decision, importance and dramatic developments for Turkey's internal, external and economic affairs. For Prime Minister Menderes, it was his most difficult year since he came to office in 1950. By mid-summer Turkey's finances had reached such a dismal state that the United States and Turkey's principal partners in OEEC decided that a major rescue operation was necessary. Finally, the Turkish Prime Minister and the Democrat Party, who finished 1957 with a comfortable majority in the general elections held two months previously, found themselves at the end of 1958 with their position in Parliament and the country badly shaken, with the cost of living increasing and the possibility that they would have to call another general election long before the statutory term had come to a close. For reasons beyond his control and because of his own mistakes, 1958 was not a good year for Menderes. As it ended, of the many problems which confronted him had there at last appeared some promise on the issue of Cyprus alone.[66]

The internal political situation continued to worsen throughout the year; and from time to time the aggravating tactics of the two main parties formed a dangerous atmosphere of tension throughout the country. The decline in inter-party relations was paralleled with a corresponding weakening both of Menderes's position within the Democrat Party, and also of the popularity of his party in the country, particularly in urban areas, While this was largely brought about by discontent over the economic situation and the hardships caused by the new economic stabilisation programme, the Prime Minister's less than liberal political methods and the pressure of the PRP were also contributory factors. As a result, towards the end of the year a new phenomenon arose: for the first time in many years public opinion began to swing towards the PRP which had been struggling against unpopularity ever since 1950. The tactics of the PRP were aggressive throughout the years, having attacked the government on all aspects of economic, internal and external policies.[67]

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[65] FO371/136450/RK1011/1, Annual Report on Turkey for 1957, 4 February 1958.
[66] FO371/144739/RK1011/1, Annual Report on Turkey for 1958, 17 February 1959.
[67] FO371/144739/RK1011/1, Annual Report on Turkey for 1958, 17 February 1959.

Menderes and the Democrat Party, on the other hand, remained mostly on the defensive. The DP had been severely shaken by internal dissensions. The deteriorating economic situation caused a severe crisis within the party in June 1958, and there were even calls for the resignation of the Prime Minister. He could not persuade his deputies to disperse to their constituencies until he had promised them that there would be no further price increases, and that he would obtain new foreign aid. By mid-December he had succeeded in persuading his deputies of the absolute necessity of solidarity for the sake of survival against the threat posed by the Opposition convincing them that their personal political futures still depended on loyalty to his leadership. However, Menderes still remained the dominant personality, "his political skill, his tireless even though sometimes misdirected energy, and his evident sense of political and national purpose were still perhaps the most important factors in the situation".[68]

Despite Menderes's proclaimed good intentions during the debate on the 1958-59 budget, the economic situation failed to improve during the first six months of 1958, in fact in many respects it worsened markedly. By the end of June the adverse trade balance amounted to 107 million TL, while during the first six months of 1957 it had only been 10 million TL. Despite the fact that the Central Bank continued to make the monthly payment of £130,000 for the settlement of arrears due to British exporters to Turkey and trade payments under special deals stayed at a satisfactorily high level, almost no payments were made to Turkey's other OEEC creditors and no payments were made to British contractors working on capital projects. It appeared that Turkey was using NATO funds for her own purposes and, in short, the balance of payments situation became so desperate that it was clear that a substantial amount of foreign aid was necessary if Turkey's economy was ever to recover.[69]

Inflation continued. The note circulation rose from 3234 million TL at the end of 1957 to 3728 million TL at the end of June 1958. The cost of living rose steadily and the price of a pound sterling on the black market rose from 38.50 TL in December 1957 to 54 TL at the end of June 1958. The golden Reşat went up from 144.50 TL to 187 TL over the same period and there was little evidence of the restriction of credit promised by Menderes. After the

[68] FO371/144739/RK1011/1, Annual Report on Turkey for 1958, 17 February 1959.
[69] FO371/144739/RK1011/1, Annual Report on Turkey for 1958, 17 February 1959.

unsuccessful attempts to obtain financial aid separately from the United States and Germany on a bilateral basis, the Turkish Government realised they would have to ask for aid on a multilateral basis within the framework of OEEC and undertake the unpalatable measures for the "assainissement" of the Turkish economy, which they had always managed to avoid so far. Following visits by an OEEC mission and the annual IMF mission in June, prompt action was taken in OEEC resulting in the grant to Turkey of various forms of aid amounting to $359 million at the end of July. However, the agreements for the loans granted by OEEC countries were not signed until the end of November 1958 and at the beginning of December only half the amount of the loan was paid upon signature.[70]

On 4 August 1958 the Turkish Government announced the effective devaluation of the Turkish lira by a system of premiums which varied for export transactions but which were at a unitary rate of 6.20 TL =$1 for all import and other transactions, thereby giving an exchange rate of 9 TL =$1 (TL 25.20=£1). At the same time, the Turkish Government announced a new trade regime based upon a system of global import quotas to be announced every three months with the availability of foreign exchange to pay for necessary imports. It was calculated that Turkish imports could be allowed to run at the annual rate of $600 million. Export subsidies were abolished except for when the different rates of premium constituted a subsidy. Other measures announced by the Turkish Government included limiting bank credits to the level that they had reached on the 13th of June, the increasing of prices of most products of State-controlled enterprises so that they no longer ran at a heavy loss and a standstill on the repayment of all debts to OEEC countries up to the end of 1958.[71]

Negotiations were begun in OEEC to reach an agreement with the Turkish Government regarding which debts should be consolidated and made subject to a moratorium. These negotiations were not concluded by the end of 1958, in some part because of the difficulty of agreeing on a common attitude on the part of the creditor countries, but mainly because the Turkish delegates made it clear that the Turkish Government considered that they should be absolved from paying anything on old debts for at least five years and that repayment should then be spread over a period such as fifteen years. Although the measures undertaken by Turkey were generally agreed by her OEEC

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[70] FO371/144739/RK1011/1, Annual Report on Turkey for 1958, 17 February 1959.
[71] FO371/144739/RK1011/1, Annual Report on Turkey for 1958, 17 February 1959.

partners to be what was necessary to rescue the Turkish economy from the dreadful situation into which it had fallen, in early 1959 it was still too early to say whether the effect of these measures would be all that was hoped for.[72]

There were good crops in 1958 of Turkey's basic products and for the first time since 1953 Turkey was able to export a substantial amount of wheat. During the autumn, exports of most agricultural products were running at above the previous year's level, and good sales were made at the Aegean tobacco market, Turkey's largest tobacco market, and exports of tobacco both from Izmir and from the Marmara and Black Sea markets accounted for approximately 40 per cent of Turkey's export earnings. There was every reason to think that Turkey's export performance in 1958 would be good in comparison with that of previous years, but there was still a long way to go before Turkey's exports would pay for all the necessary imports.[73]

1959 passed more pleasantly than 1958, but "hardly less interesting". Economically, Turkey was at a very interesting phase. The government had realised for some years that they needed to spend a large effort of development in the real interests of the country as well as in that of party politics. They pursued this goal by means which appeared "financially questionable", but which brought some success and popularity. There was reason to think that they proceeded deliberately without could be called a plan, partly because they believed that they could get more help from abroad by individual and competitive approaches to various foreign sources of capital, and partly because they realised from the beginning that it was necessary to give their development work sufficient political content. On this latter point, B. Burrows, the British Ambassador to Turkey, did not personally feel that the government should be blamed too much. He claimed that it could be argued that the development plans of the previous Iraqi régime were "economically too perfect", and that one of the causes of the revolution there was that the people were not getting enough concrete benefit from the oil revenues. "If in Turkey Menderes has sometimes given a province a sugar factory more because he wanted its votes than because it was a suitable area for growing beet, this has had the virtue of attaching at least another half 12 years".[74]

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[72] FO371/144739/RK1011/1, Annual Report on Turkey for 1958, 17 February 1959.
[73] FO371/144739/RK1011/1, Annual Report on Turkey for 1958, 17 February 1959.
[74] FO371/153030/RK1011/1, Annual Political Review for Turkey 1959, 26 January 1960.

1960 began with a high state of inter-party tension and with an election expected either at some time in 1960 or early in 1961. Many outside observers believed that an election was likely to result in a further Democrat victory. However the government seemed to have come to the conclusion some time early in the year that they could not take the risk of an early election, either because they might lose or "because an election would give rise to disorders which the army would be unwilling to suppress for the benefit of the Democrat Party". They were determined not to take the risk of losing because of Menderes' almost religious belief that he was destined to rebuild Turkey and because more recently he and other leaders of the party began to think that some of their activities would not bear well under the scrutiny of an unfriendly administration. They also became more and more agitated by the criticism and propaganda of the opposition and were soon drawn into "a vicious circle of repression".[75]

In fact they were losing their minds at the thought of losing their power and "hastened that event by the unwise measures which they took to prevent it". Some of them believed that if the new rules did not provide a suitable means of securing victory for their group, then the rules must be changed; and this is what the government set out to do by using their majority vote in the Assembly to set up a parliamentary commission which was staffed entirely by members of the Democrat Party to investigate the political activities of the opposition. This commission was granted almost unlimited powers over the political life of the country and the immediate use of these powers to forbid all political activity, including the reporting in the press of parliamentary debates with regard to the commission's activities.[76]

This was to prove the point of no return. According to Burrows, it was one of the government's "more extraordinary misjudgements" to believe that they could impose this kind of political standstill by political means only, that is, without the use of military force which most other dictatorships found necessary. With the benefit of hindsight, it seemed that they could never properly have analysed the power situation in the country. In Burrows's words, "the revolution occurred because the Army finally realized that passive resistance to the government's orders to repress demonstrations was not

[75] FO371/160212/RK1011/1, Annual Report on Turkey for 1960, 6 January 1961.
[76] FO371/160212/RK1011/1, Annual Report on Turkey for 1960, 6 January 1961.

enough to solve the crisis in which Turkey found herself and that they must instead take positive action to change the situation".[77]

Menderes was heard to mention, somewhat enviously, on more than one occasion "how much easier it was for a totalitarian system like Russia to carry out measures of economic development in a short time", and it might have been possible to regard his agreement to exchange visits with Khrushchev not only as a wise withdrawal from Turkey's previously extreme anti-Russian position, but also as a hopeful distraction from the internal crisis.[78]

In Burrows's opinion, the fall of the Democrat Party was the more tragic because it "represented one of the few attempts which have been made to establish contact between the 'two nations' into which Turkey was divided: the educated and the illiterate, the city dwellers and the peasants." Before 1946 almost all political activity had taken place among the elite. When the two-party system was established in 1946, it became for the first time worth the while of politicians to interest themselves in the rural masses, because, however uneducated, each man and woman had the right to vote. Before it came to power the Democrat Party was, like almost all opposition movements in Turkey, largely composed of intellectuals. It finally came to rely entirely on the support of the masses, having lost that of the intellectuals, whose importance it under-estimated.[79]

The impact of the revolution on Turkey's foreign relations was remarkably small. As already mentioned, the Menderes government had decided shortly before their fall to try and break the ice with Russia, but nothing came into fruition. Almost the first statements of the Revolutionary government expressed that they remained faithful to their alliances with the West (NATO and CENTO), but that there might be hints of differences in the application of their foreign policy.[80]

The economic consequences of the Revolution were on the whole very good regarding government financing, but although unintentionally, they led to a certain amount of commercial stagnation. Statements by Ministers and other leading figures for the first time presented to the Turkish people the serious economic situation in which they had found themselves and the "extravagance and incoherence" with which financial affairs had previously been directed.

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[77] FO371/160212/RK1011/1, Annual Report on Turkey for 1960, 6 January 1961.
[78] FO371/160212/RK1011/1, Annual Report on Turkey for 1960, 6 January 1961.
[79] FO371/160212/RK1011/1, Annual Report on Turkey for 1960, 6 January 1961.
[80] FO371/160212/RK1011/1, Annual Report on Turkey for 1960, 6 January 1961.

Much emphasis was given to budgetary economy and a Planning Organisation was been set up, with foreign advisers, to lay down the lines of economic development and investment. Missions from the OEEC and International Monetary Fund visited Turkey during the year and senior representatives of these organisations paid a joint visit in November, resulting in recommendations to their members that further aid should be given to Turkey for the year 1961 in order to meet the $90 million deficit in the balance of payments. These proposals were approved just before the end of the year. A Turkish memorandum accompanying these recommendations appeared to show a determination to sort out the Turkish Government's financial structure and, in particular, to bring under control for the first time the financing of the state economic enterprises, which had previously been one of the "loosest and most disorderly elements in the picture". Burrows stated that it was refreshing that both the Turkish Government and the international organisations for the first time did not suggest that, given this aid, the Turkish economy could look after itself in the future. Quite the opposite, it was openly accepted that a balance of payments deficit was likely to continue for some years and that there was no short cut to reaching a level of development sufficient to meet Turkey's ever growing internal consumption, as well as an adequate level of exports. The facts were less than comforting, but as Burrows concluded "it is much better to have them out in the open where not only the Turks but their friends in the West can seen much more clearly what lies ahead".[81]

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