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INDUSTRIALIZATION POLICIES IN TURKEY 1923-1980 PERIOD
TÜRKİYE'NİN 1923-1980 DÖNEMİ SANAYİLEŞME POLİTİKALARI

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Özet

1923 yılında kurulan Türkiye Cumhuriyeti başta yetersiz sanayileşme olmak üzere birçok toplumsal ve ekonomik sorunla karşı karşıya kalmıştır. Bu sorunların en başında, çoğunlukla niteliksiz, yoksul ve çalışma gücü olmayan bir halk ve tamamen durmuş ekonomi yaşamı gelmekteydi.

Cumhuriyet'in ilk yıllarında Türkiye her yönden dışa bağımlı, fakir bir ekonomiye sahipti. Atatürk'ün önderliğinde Cumhuriyet'in kurucu kadroları, bağımsız bir ulusal ekonomi yaratmak ve hızlı kalkınmak amacıyla sanayileşmeyi öncelleyen politikalar benimsediler.

Türkiye'de 1923-1980 yılları arasındaki sanayileşme sürecinde izlenen politikalar, tarihsel koşullara ve ekonomi-politik tercihlere göre dönemsel olarak önemli niteliksel farklılıklar göstermiştir.

Türkiye Cumhuriyeti'nin ilk yıllarında özel teşebbüsün teşvikine dayalı sanayileşme politikaları istenilen sonuçları vermediği için 1930'lardan itibaren ekonomide devletçilik politikası benimsenmiştir. 1950'lerde liberal görüşlerin güçlenmesiyle ekonomi politikalarında köklü bir dönüşüm yaşanmıştır. 1960 sonrasında ise tüm ekonomiyi kapsayan beş yıllık kalkınma planları uygulanmaya başlamıştır.

Bu çalışmada, Türkiye'nin 1923-1980 dönemindeki sanayileşme politikaları, yaklaşımlardaki niteliksel farklılıklar açısından, 1923-1950, 1950-1960 ve 1960-1980 olmak üzere üç alt dönem halinde ele alınmıştır.

Anahtar Kelimeler: Sanayileşme, Sanayileşme Politikası, Kalkınma, Devletçilik

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Abstract

The Republic of Turkey, founded in 1923, faced many social and economic problems, especially inadequate industrialization. At the top of these problems was people mostly unqualified, poor and without the power to work, and a completely halted economic life.

In the first years of the Republic, Turkey had a poor economy, dependent on foreign countries in every field. Under the leadership of Atatürk, the founding cadres of the Republic adopted policies that prioritize industrialization in order to create an independent national economy and rapid development.

The policies followed in the industrialization process in Turkey between 1923-1980, showed significant qualitative differences in some periods according to historical conditions and economic-political preferences.

In the first years of the Turkish Republic, as the industrialization policy, which based on the incentives of private enterprises, did not give the desired results, the economic policy of statism was adopted from the 1930s on. With the strengthening of liberal views in the 1950s, a radical transformation took place in economic policies. After 1960, five-year development plans covering the entire economy began implemented in Turkey.

In this study, the industrialization policies of Turkey in the period of 1923-1980 discussed in three sub-periods as 1923-1950, 1950-1960 and 1960-1980 in terms of qualitative differences in approaches.

Keywords: Industrialization, Industrialization Policy, Development, Statism

1. Introduction

During the collapse of the Ottoman Empire, the new Republic of Turkey, which established in 1923 after a tough independence war, had to solve many problems, especially industrialization and education problems.

In the first years of the Republic, Turkey had all the characteristics of a poor economy, dependent on foreign countries in all respects. The almost completely colonized structure of the Ottoman Empire was not yet liquidate. In the country, the economy was largely base on handicrafts and small manufacturing. Foreign companies had a great weight in the economy.

Under the leadership of Atatürk, the founding cadres of the Republic adopted policies that prioritize industrialization in order to create an independent national economy that develop rapidly. For this purpose, they organized the İzmir Economy Congress between 17 February and 04 March 1923, in which very important decisions made according to the conditions of that time. Important decisions were taken in the fields of law, finance and education at the İzmir Economy Congress with the aim of creating a national and independent economy and developing the private sector. However, as the industrialization policy, which based on the incentives of private enterprises, did not give the desired results, the economic policy of statism was adopted from the 1930s on. One of the most important policies adopted after the 1930s was the transition to a planned economy. The First Five-Year Industrial Plan started in 1933. Despite scarce resources, during this period, covering the years 1933-1938, significant investments were made in sectors such as textile, mining, chemistry, cement, paper, ceramics, glass, electricity; state institutions such as Etibank, Sümerbank, Mineral Research and Exploration Institute (MTA) were established in relation to these investments. The main goal of these efforts was rapidly switch from the agricultural economy to the industrial society and to become self-sufficient in all fields.

War economy was necessarily implemented during the Second World War years

In the Third Five-Year Industrial Plan prepared in 1945, besides opening new factories in the paper, cement and textile sectors, it was aimed to make existing factories more developed and efficient with new investments. In addition, the statism policy pursued in the industrial sector was also applied to the agricultural sector.

With the strengthening of liberal views in the 1950s, a radical transformation took place in economic policies. After the 1950s, decisions were taken to reduce statism, strengthen private enterprise, get foreign aid and credit, liberalize foreign trade, and give priority to agriculture.

After 1960, five-year development plans covering the entire economy began implemented in Turkey. In the planned period which until the 1980s, policies based on import substitution and mostly aimed at the production of consumer goods and intermediate goods were adopted in the economy.

As can be seen, the developments and policies followed in the field of industrialization in the history of the Republic of Turkey differed according to the periods. These differences stemmed from the conditions of the world and the country in the current period and the economic-political preferences. It is possible to examine the industrialization process between

1923-1980 in Turkey in terms of significant qualitative transformations in policies, as 1923-1950, 1950-1960 and 1960-1980.

In this study, the industrialization policies followed by the Turkish Republic in the period of 1923-1980 discussed within the framework of the three periods mentioned above. Economic and industrial policies are the main determining factors in the formation of all social policies, especially in the field of education. This study, which aims to reveal the industrial policies of the 1923-1980 period in Turkey, is important in terms of laying the groundwork for the analysis of social policies developed in the same period.

2. Industrialization Policies 1923-1950 Period

The Republic of Turkey, founded on the ruins of the Ottoman Empire, faced enormous economic problems due to the destruction caused by the First World War and the great losses during the War of Independence. The main problems faced after the establishment of the Republic of Turkey are as follows:

- A people who tried to earn their living from agriculture with the most primitive methods, who were uneducated, poor and losted its population that could work due to wars,
- A customs regime aimed at protecting imported goods rather than domestic products.
- The dominance of foreign companies in important sectors, especially rail and sea transport,
- The “General Debts Administration” established by the imperialist states to collect the debts of the Ottoman Empire.
- Commercial and industrial life, which had largely stopped with the departure of the minorities that held important trade and industrial activities during the Ottoman Empire.

In the early years of the Republic, Turkey had all the characteristics of a foreign-dependent, poor raw material economy, and the structure that turned the Ottoman Empire into a semi-colony, had not yet completely liquidated. During this period, except for a few state-run enterprises, there were small handicraft workshops that grouped into guilds. These workshops concentrated on light industry branches such as agriculture, weaving, leather and ceramics. Just as the economy had no infrastructure, it did not have an industrial base. According to the industrial census made in 1927, 266.900 people were working in 65.300 industrial establishments in total. 79% of these were only employing less than 3 or 3, 18% were employing 4-10 people, only 3% employed more than 10 workers. Approximately 60% of the existing industrial establishments were in the textile and food industry. However, in order to maintain even a very low consumption level, Turkey had to import almost everything such as sugar, cotton fabric, cotton yarn, woolen fabric. In addition to the various food and clothing items mentioned above, many intermediate and investment goods such as iron, steel, oil, machinery were coming from outside. However, these were 30% of imports; the remaining 70% were consumer goods (Kazgan, 1985: 282). The economy was weak, unstable and highly dependent on foreign countries.

The most important factor that increases the degree of openness and dependency of the economy was the weight of foreign companies in the economy in this period. In 1924, the amount of capital invested in 94 companies controlled by foreign capital (7 railways, 6 mines, 23 banks, and 11 municipal privileged companies, 12 industrial and 35 commercial enterprises) was 63.4 million pounds, or approximately 500 million TL (Kazgan, 1985: 283).

The provision of the Lausanne Treaty, which restricted governments authority to impose customs duties until 1929, was a major obstacle to the creation of domestic entrepreneurs and industrialists, and the current trade, banking, import and export conditions did not allow this.

Under the leadership of Mustafa Kemal Atatürk, the young Republic organized the İzmir Economy Congress between 17 February/04 March 1923 in order to create a national economy based on industry and to determine a rapid development strategy.

Although a generally liberal economic approaching was at the İzmir Economy Congress, it was also decided that the state should take over the economic life as an encouraging and regulator.

The following principles were agreed at the Congress (Yaşa 1980: 180), (Başol, 1983: 112):

1. Enacting laws to encourage the national industry,
2. Providing credit to industrialists,
3. Discounts on transportation tariffs for domestic products,
4. Training technical staff for industrialists and developing technical training,
5. Establishing customs protection methods,

Business people without competitive power were especially in favor of state intervention in two areas (Türkdoğan, 1981: 442):

1. Protection of the internal market by customs barriers,
2. Establishment of large banks that would provide commercial and industrial loans.

It can be seen that at the İzmir Economic Congress, the small tradesmen and artisans, who was not yet grown up, openly demanded the intervention of the state in order to take the necessary initiative. İşbank established in 1924 in order to organize businesspersons, revitalize private capital and finance, within the framework of the principles adopted at the Congress. The sugar industry started established in 1925.

The industrial establishments, left over from the Ottoman Empire and mostly aimed at meeting the military needs were transferred to the Industry and Mining Bank, which was established in 1925. In addition, many local industrial organizations became partners with the Industry and Mining Bank in the joint stock corporation movement in Anatolia that became widespread in this period (Türkdoğan, 1981: 459).

Before the War I, starting from the İstanbul-Baghdad railway, which was built in line with the strategic goals of German imperialism, the "knitting the homeland with iron nets" was initiated (TMMOB, 1993: 261).

The Industry Incentive Law No. 1055 was enacted on 28.05.1927. This Law was enacted, just as the "Temporary Industry Encouragement Law" enacted in 1913, provided that, it remained in effect for 15 years. The purpose of the law was to encourage the national industry, to open new industrial establishments, to establish large domestic and foreign industrial facilities and to bring together the Turkish people, who do not yet have the habit of operating their money, to make collective initiatives.

The Industry Incentive Law granted privileges to entrepreneurs in three main areas:

1. Privileges that reduce the cost of investment and production: Free land supply, customs exemptions in providing raw materials and machinery equipment, etc.
2. Exemption from income tax: Privileges that increase the income of the entrepreneur, such as premiums up to 10% of the annual production value.
3. Encouraging the private sector to establish industry by granting regional monopoly rights.

As can be seen, this Law, on the one hand, tried to grow the existing domestic industry by encouraging it; on the other hand, it introduced various measures to establish a private industry. However, first it became necessary to make a census in order to determine both the direction and the status of the industrialization efforts of the Republic. For this reason, in 1927, the first general industrial census in the history of the Republic held. This industrial census also covered small industrial enterprises. Because the number of enterprises employing more than 50 workers was only 321 (Yaşa, 1980: 13). In this period, we see that the tendency to gather the people within the framework of a national economy and saving thought gradually increased. In line with this trend, "National Economy and Savings Society" established in 1929. All deputies considered natural members of this society, and Atatürk took the Society under his own protection. The purposes and activities of the Economy and Savings Society give important clues in terms of showing the industrial policies of the administrative staff that established this institution. The most prominent aim of the Society was to change the current consumption norm from the consumption of imported goods to the consumption of goods produced by the domestic industry. Especially by reducing luxury imports, the realization of production for the consumption of simpler but more common goods had become the main goal of the executive staff. The National Economy and Savings Society also undertook tasks such as providing education, broadcasting and propaganda in order to raise awareness of the public in line with this purpose. In the first months of its foundation, the Society spread across the country and opened 273 branches in provinces and districts. Activities such as opening industrial exhibitions, organizing industrial and agriculture congresses, and opening economic problems to discussion had an important place in the activities of the Society.

According to the provisions of the Lausanne Treaty, the customs regime implemented until 1929 and the world economic crisis that followed prevented the achievement of the desired development speed despite the Industry Incentive Law. During the foundation years of 1923-1932, despite all the support and incentives, private enterprise failed to develop due to reasons such as insufficient accumulated capital, lack of technical knowledge, technology and qualified personnel, and improper social and economic conditions.

Immediately after the 1920s when several unsuccessful attempts were made to encourage the private sector, state-led industrialization was adopted as the main economic goal, and in this way, main goals such as rapid growth, structural change and self-sufficiency were aimed to be achieved (Şenses, 1989: 21). As the industrialization policy, which based on the incentives of private enterprises, did not give the desired results, in the 1930s economic policy adopted, where statism gained weight. In fact, statism was included in the program of the Republican People's Party (CHP) for the first time in 1931 and from there on the program of the government.

While determining the principles of statism, it was emphasized that private initiative would continue to be supported, but the leadership would be given to the state and economic state enterprises due to the conditions of that day. In the CHP program of 1933, statism was defined as follows: "Although individual work and activity are taken as basis, to actively engage the state in the fields (especially in the economic field) required by the public and high interests of the nation in order to bring the nation to prosperity and the country to prosperity in as little time as possible. (Yaşa, 1980: 183).

In this period, statism was adopted not as a doctrine, but with a pragmatic approach stemming from the current economic conditions. Until 1933, when statism gained importance, a series of laws were enacted that regulated imports and exports and aimed to prevent speculation. After 1933, the planning principle was adopted in the industrialization movement.

The First Five-Year Industrial Plan started in 1933. In this period covering the years 1933-1938, the State made significant investments in the manufacturing industry and mining sectors such as cotton and wool weaving, iron, steel, coal, copper, sulfur, cellulose and paper, ceramic, glass, chemical and cement sectors. New railways, dams, and silos were built in some regions. The plan also suggested starting electrification studies, the establishment of the Electrical Works Survey Administration (EİEİ), gold and oil exploration, the establishment of the Mineral Research and Exploration Institute (MTA), the training of geologists by starting geology teaching, and the development of technical education (Göker, 1989: 278). In the Development Plan, it was envisaged that many industrial enterprises should be put into operation, the necessary capital accumulation for development should be created and the necessary technical staff should be trained by the State.

Sümerbank was founded in 1933 and the textile industry was gathered within the structure of this organization.

In 1935, the founding laws of Etibank and Mineral Research and Exploration Institute (MTA), the locomotive of the mining sector, were enacted, important mining centers such as Zonguldak Basin and Ergani Copper Enterprises were nationalized, and mining enterprises were connected to Etibank. In total, 16 large factories were established in this period together with the Karabük Iron and Steel Business. While the First Five-Year Industrial Plan constituted the first major industrial breakthrough of the Republic period, important developments were achieved in the mentioned sectors. The financing of the investments was largely covered by taxes, domestic borrowing and state bank loans. In the activities of Etibank and Sümerbank, loans obtained from the USSR, Germany and England were used.

After the successful implementation of the First Plan, the Second Five-Year Industrial Plan was prepared to be implemented in 1939-1943.

The Second Five-Year Industrial Plan was far more comprehensive than the first. This plan envisaged significant public investments in manufacturing, energy and mining industry. The main manufacturing industry branches to be invested were as follows (Yaşa, 1980: 185): Machinery, measuring instruments, metal processing, shipbuilding, chemistry, cement and food.

The investment areas mentioned above were an indicator of policies aimed at the rapid transition from agricultural economy to industrial society. Statism left its mark on this period as in the previous plan period. However, the Second Five-Year Industrial Plan could not

implemented due to the outbreak of the Second World War. During this period, a war economy was implemented, a producer population of nearly one million was conscripted, and imports and domestic consumption were largely be limited. In 1941, the Industry Incentive Law abolished, "National Defense and Wealth Tax" issued to meet the increasing expenses, and the current tax rates increased. During this period, almost no investment made, resources spent on increasing military power. Since the Second Five-Year Industrial Plan could not implemented due to the war, a smaller Third Five-Year Industrial Plan was prepared in 1945. The aim of this Plan was to develop existing factories in operation with new investments and to increase productivity, and to establish new businesses such as paper, cement and textile factories. The statism approach pursued in the industrial sector was also applied to the agricultural sector, exemplary state farms were established, forests were nationalized, and a land reform, where concrete steps had not been taken before, was initiated. However, despite all these, the share of public investments did not increase significantly. [For example, the share of the public sector in total fixed investments remained only around 40% in 1950 (Yaşa, 1980: 185)]. Even as of 1946, in parallel with the strengthening of the movements that advocated a more liberal economic policy, encouragement of private enterprise, external aid and credit, and liberalization of foreign trade, signs of weakening emerged in the statism policies in Turkey. The most important feature of this period was the institutionalization of the aid provided by large industrial countries, especially the USA, to underdeveloped and developing countries. In this framework, in the period of 1948-1949, 50 million dollars of assistance received from the Marshall Plan and external borrowing began.

Turkey became a member of the International Labor Organization with Law No. 407 on 5 December 1945 and of the World Bank and IMF on 19 February 1947 with Law No. 5016.

Starting from 1946, via a mixed economy application based on the freedom of foreign and domestic trade under the leadership of private enterprise was aimed to benefit from these aids. In this period, together the liquidation of the statist structure in force, we see that the desire to open up to foreign capital became evident at the 1948 Economic Congress. In this congress organized by the İstanbul Merchant Association founded by Ahmet Hamdi Başar, the conditions for Turkey's rapid development were determined by businessmen and university professors. Among these were the gradual liquidation of statism and the opening to foreign capital in order to overcome the scarcity of foreign capital resources (Kazgan, 1985: 301). Similar views were repeated in the report prepared by the World Bank delegation that came to Turkey in 1950 and named after the head of the delegation, Barker. According to this report, Turkey should not abandon its industrialization goal, but prioritize agriculture, liquidate statism and encourage foreign capital. (Kazgan, 1985: 57).

3. Industrialization Policies, 1950-1960 Period

In the 1950-1960 period, contrary to the previous periods, the following targeted; to reduce the effect of the state in the economic fields, to make the private sector predominant in the manufacturing industry investment areas, to have contracting and engineering services outsourced to private sector organizations in infrastructure investments.

At the Industrial Congress held in Ankara in 1951, giving priority to private enterprises, the establishment of an industry ministry and the establishment of chambers of industry, in which private sector industrialists would be members, were adopted.

In 1954, the "Private Foreign Capital Incentive Law" No. 6224 was put into effect for the incentive of private foreign capital in the manufacturing industry and other economic activity branches, and the Law No. 6236 for the incentive of the private sector and foreign capital in the petroleum field. (Yaşa, 1980: 189).

As can be seen, Turkey's international expansion program was in parallel with the globalization of markets that started energized in the outside world.

With the establishment of the Industrial Development Bank of Turkey, external loans were provided to the private sector, the domestic loan volume was supported by an inflationary monetary policy, and the necessary savings were made to finance industrial investments (İTU, 1981: 8). Because of these policies aimed promote the private sector in the manufacturing industry, the weight shifted to the industry that produces substitute goods in a short time, and the private manufacturing industry accelerated the accumulation of capital by producing substitute goods with imported machinery, equipment and input goods. In the later stages, the substitute good industry began to transform into a large-scale assembly industry.

The assembly industry, which is the second stage of producing substitute goods, made great progress in the appropriate environment provided by the laws enacted in 1954, through the foreign capital entering the country and the domestic industrial organizations that started their activities with license agreements. Direct capital entering the country started to transfer technology and capital management knowledge by establishing local partnerships.

Organizations such as AEG-ETİ, United German Pharmaceutical, Etitaş Electric, Sandoz Medication, Türk Hoechst, Türk Phillips, Türk Pirelli, Türk Tractor, Unilever, Turyağ, General Electric, Türk Automotive, Singer have been multinational company partnerships coming by Law No. 6224 on Incentives for Capital. Multinational companies such as Mobil, Shell, BP, which came from the Petroleum Law, should also added to these (Kazgan, 1985: 314). In addition, the opportunities for expansion of the private enterprise have been opened by using opportunities such as license, know-how (application knowledge of technology), outsourced technology, information, brand agreements and foreign company representation. However, contrary to what was intended to be done, it was observed that the public sector expanded and strengthened during this period due to the fact that the private sector did not yet have sufficient capital and technical knowledge and focused on the production of consumption goods rather than investment goods and intermediate goods. The state, made infrastructure investments with its own means, including engineering and control services, and showed great activity in the industrial production areas, mainly in the manufacturing industry sub-sectors that produce consumer goods. State Economic Enterprises and their partner organizations made the majority of industrial investments.

We can summarize the investments made in the period 1950-1960, which were an important determinant of the developments after 1960, as follows (Göker, 1989: 278):

1. In terms of the framework of infrastructure investments:

- A wide road network established. State roads, which were 47.100 km in 1950, reached 61.500 km in 1960.

- Ports and airlines built.

- Construction of the first underground fuel pipeline in Turkey started, irrigation channels and grain silos built.

- Dams, hydroelectric power plants, thermal power plants established, overhead lines installed, the power increased from 407.781 kW in 1950 to 1.272.433 kW in 1960.

2. In terms of the framework of Industrial Investments:

- Sugar, textile materials and cement production reached the level to meet the domestic demand. With 11 sugar factories that put into operation in between 1953-1956, beet-processing capacity increased from 3.500 tons / day to 17.000 tons / day. In the cotton yarn industry, the number of spindles that was 266.528 in 1949, increased to 761.120 in 1960, and the number of looms increased from 5.519 to 15.820 between the same years. Cement production, which was 395.000 tons / year in 1950, reached 2.038.000 tons / year in 1960 with eight factories established.

- Factory-scale production gained weight in food production.

- Establishment of fertilizer and oil refineries started. Batman refinery with a capacity of 330.000 tons / year in 1955, İPRAŞ refinery with a capacity of 1 million tons / year in 1961, and ATAŞ refinery with a capacity of 2.900.000 tons / year in 1962 put into operation.

- There was a great increase in iron and steel production, the capacity increased from 102.000 tons / year in 1950 to 309.771 tons / year in 1960.

- Progress was made in the production of crude oil, coal, chrome and copper, and factories assembling road vehicles started to be established.

- The use of machinery increased in production and investment areas, and there was a significant increase in the number of tractors and combines in agriculture.

When we look at the infrastructure and industrial investments and the development of public institutions involved in industrial production in the 1950-1960 period: Republic of Turkey General Directorate of Roads (TCK) and Machinery and Chemical Industry Corporation (MKE) in 1950, Marine Bank in 1951, Meat and Fish Institution (EBK) in 1952, Turkey Cement Industry in 1953, Nitrogen Industry Inc. and State Hydraulic Works (DSİ) was established. Republic of Turkey State Railways (TCDD) and Post Telegraph Telephone General Directorates (PTT) became a State Economic Enterprise (KİT) in 1953. Turkish Petroleum Corporation (TPAO) in 1954 and Feed Industry Inc. in 1956 established. Etibank, which established in 1935, undertook the construction of power plants in the 1950-1960 period, and the Electrical Works Survey Administration (EİEİ) established in 1935, was the consultant of Etibank. Mineral Research and Exploration Institute (MTA), which established in 1935, carried out effective geological studies during this period. In the 1950-1960 period, 11 sugar factories established. Five of these factories were belong to Turkey Sugar Factories Inc. established in 1934, and six of were belong to partners. However, Turkey Sugar Factories Inc. provided the establishment studies and engineering services of last six factories. Sümerbank founded in 1933, established nine textile factories, one porcelain and tableware factory, two valex and one fiberboard factory in the 1950-1960 period. Turkey's first iron and steel plant, Karabük Iron and Steel Factory, which was put into operation by Sümerbank in 1939, and the first wood pulp and paper production facility (SEKA), which was opened in 1936, were separated from Sümerbank and turned into an independent State Economic Enterprise (KİT).

In addition to these, the Turkish Agricultural Equipment Institution (TZDK), which established in 1944, General Directorate of Tekel, Petrol Ofisi, General Directorate of Forestry and various organizations affiliated to the Ministry of Agriculture worked effectively.

The biggest investments of the private sector in between 1950-1960 were in the automotive industry and durable consumer goods. Factories of, Türk Tractor in 1954 by Fiat license, Turkish Automotive Industry (TOE) in 1955 by Int. Harvester license and Otosan in 1959 by Ford license, established.

As can be clearly seen from this table, in the period 1950-1960, despite the policies aimed at developing the private sector, the public sector grew paradoxically and gained strength.

In summary, the 1950-1960 period transferred a great infrastructure, a certain industrial breakthrough and institutional formations that gradually created their own technical staff to latter periods.

4. Industrialization Policies 1960-1980 Period

One of the most important features of the post-1960 period was five-year development plans covering the entire economy begun to implement. The new Constitution, which entered into force in 1961, stipulated that development in Turkey would carried out within the framework of a plan, and the State Planning Organization (DPT) was established in 1960 with Law No. 91 for the implementation of this provision. Following the provisional plan prepared for one year in 1962, the First Five-Year Development Plan covering the years 1963-1967 put into effect. The 2nd, 3rd, 4th, 5th, 6th and 7th Five-Year Development Plans representing the years respectively 1968-1972, 1973-1977, 1979-1983, 1985-1989, 1990-1994, 1996-2000, followed The First Five-Year Development Plan.

Because of the policies that dominated the first three Five-Year Development Plan, an intense industrialization movement based on import substitution, mostly aimed at the production of consumer goods and intermediate goods, emerged. In this period, the private sector mostly focused on the production of consumer goods; the public sector turned towards intermediate and investment goods production and infrastructure investments. Import substitution, in the 1960s generally in light consumption goods, durable consumer goods and intermediate goods, in the 1970s at advanced intermediate goods and investment goods, aimed. In this period, when industrialization was encouraged within the framework of macro plans, importance was given to industrialization with the import substitution policies adopted, in addition to providing cheap loans and incentives to manufacturing industry companies as well as they were protected against foreign competition. As a result, significant increases observed in manufacturing industry investments.

Import substitution policies was based on the use of foreign currency revenues obtained from national sources such as agricultural resources, underground, surface resources and the export of labor, for the import of Fordist investment goods and some foreign inputs. The main implementation tools of import substitution policies was import bans and quotas, high customs walls, strict foreign exchange controls, credit and tax incentives. As a natural result of these policies, relations with the outside world limited.

In the First Five-Year Development Plan (1963-1967), it was envisaged that private enterprises and private foreign capital should be encouraged within the framework of the

mixed economy system, but both should be controlled especially in terms of profits, prices and the rates of domestic inputs they use. In addition, tax reform, reorganization of state economic enterprises, community development and land reform issues was requested be addressed. It was stated that there was no particular preference between the agriculture and industry segments, and the sectoral distribution of the investments would be determined according to the productivity principle. In the Second Five-Year Development Plan, as measures that more fundamental were taken regarding the incentives of private enterprises, special importance was given to the development of the industry, and the principle of making the private sector the driving sector of the economy was adopted (Yaşa, 1980: 192). For this, various financing facilities were introduced to the private sector.

During the Third Five-Year Development Plan, covering the years 1973-1977, land reform implementation was initiated in Urfa, and pioneering in the petroleum and mining sector was given to the public sector with the Petroleum Reform Law.

During this period, controls were introduced for the incentives of private foreign capital. When the oil crisis of 1974 combined with the crisis in which the world Fordist production system entered, a general recession emerged. Turkey was affected by this general recession and the targets foreseen in the plan could not be achieved in the industrial sector, but the services sector showed a development that exceeded the targets. When the investment data of the period until 1963 and 1982 have examined, the public sector has always been ahead of the private sector in terms of the total investment amount in all sectors.

The total investment expenditures of the public and private sector in the plan periods are given below in 1988 prices (Göker, 1989: 283):

Table 1. Total Investment Expenditures of Public and Private Sectors during the Plan Periods (Billion)

Period	Public	Private
1963-1967	16.004	13.272
1968-1972	26.473	22.020
1973-1977	46.410	41.562
1978-1982	51.100	33.748

The share of the public sector within the fixed capital investments, which was 32.7 % in the 1963-1967 period, increased to 43.4% in the 1973-1977 period (Yüce, 1992: 56).

The view of the manufacturing industry in terms of basic economic indicators and the years taken as basis is as follows (Yüce, 1992: 55): While manufacturing industry investments grew at an annual average rate of 11.1 % in the 1963-1973 period, 12 % in the 1973-1977 period, this rate decreased to 4.3 % in 1978. When we look at the share of the large manufacturing industry production in the manufacturing industry, it increased from 80.6% in 1963 to 88.3% in 1970 and 88.5% in 1980. A rapid growth was observed in both the manufacturing industry and infrastructure investments in the first three plans. However, during the Fourth Five-Year Development Plan period covering the years 1979-1983, a rapid decline was observed in the manufacturing industry investments, while infrastructure investments continued to grow.

While there was a rapid growth in the manufacturing industry investments of both the public and private sectors in the first three development plans, in the Fourth Development Plan, both sectors decreased, and the private sector manufacturing investments fell below the public sector. In terms of infrastructure investments, the public sector was a large share and far above private sector investments.

Starting from the 1960s, the concept of making turnkey tenders to foreign companies in the construction of industrial facilities, including engineering services, was began to take place as locally as possible. Because the import substitution industry, which envisages the use of local resources as much as possible, was reduced investment costs. As a result, of this policy, the basic approaches regarding industrial policies was as follows:

- On the basis of engineering services, obtaining only basic engineering services or know-how from outside, performing detailed engineering services domestically,
- On the basis of machinery and equipment purchasing, to purchase main machines and process machines that only cannot be manufactured in Turkey, to have other machines and equipments manufactured domestically with the facilities of the founding company, especially to have auxiliary facilities installed by domestic companies,
 - To bring foreign supervisors during the assembly and commissioning phase, but to have other assembly services outsourced to local staff.
 - To provide all services in the field of civil engineering domestically,
 - Undertaking the project management,
 - Undertaking general supervision services,
 - To provide basic engineering services in infrastructure investments (including city infrastructures) from within the country (Göker, 1989: 280),
 - Establishing top limits that determine the foreign production rate of industrial enterprises that produce with foreign partners or license agreements.

Regarding this last item, the following example can given: In the First Five-Year Development Plan, the automotive industry was defined as the engine power of industrialization. The plan aims to localize vehicle assembly activities. The Assembly Instructions published in 1964 determined the protection rate, which was 20% in 1965, as 23% in 1966 and 75% in 1970 (Nedimoğlu, 1995: 20).

Towards the end of the 1970s, it was reached the stage where many engineering services in all investment areas, especially infrastructure investments, could be provided from within the country. The first technological knowledge and experience accumulation in Turkey was in public institutions. Public institutions was the practical schools of engineers, technicians and masters of Turkey for many years. However, the private sector, which got stronger in the 1970s, started to undertake this function of the public itself.

In the import substitution system, companies start to produce industrial goods with imported Fordist machines. Thus, companies transfer the business processes required by these machines and increase the technical composition of production. Industrial production based on import substitution, which was carried out by importing Fordist investment goods in Turkey, showed a rapid development in certain periods and enabled the technological level to rise. However, it should said that this technological level remains within the limits of the technological level transferred to Turkey by the countries that were the center of the Fordist production system and multinational companies. The fact that Fordist production

organization enables the separation of design, R&D, production and assembly processes from each other, was facilitated the strategies of transferring the production / assembly departments to neighboring countries by keeping the design and R&D departments and qualified workforce of the central companies at the center. In addition, the transformations brought about by the transfer in Fordist business processes were not widespread to cover all branches of production, and small-scale production based on traditional handicrafts preserved its existence.

The implementation of high customs barriers and protectionist measures covering the entire industry played an important role in the development of the domestic industry in the first stage. But as a result of these practices, the motivation to follow technological developments, adapt technology to country conditions, create new technologies, increase quality and efficiency, gradually remained out of the agenda of the domestic industrialists as long domestic demand continues. Despite mentioned in the development plans, scientific and technological development could not be achieved, a national science and technology policy could not be established throughout the period, and R&D expenditures remained at approximately 0.2% of the gross national product (Yentürk, 1991: 250).

Towards the end of the 1970s, the effects of the deep crisis that Fordist mass production entered in the face of the changing market dynamics in the world were reflected in Turkey. As the 1980s started in Turkey, industrial investments declined a remarkable situation apart from energy and infrastructure investments together with general economic problems. The 1980s marked the beginning of a period in which significant changes experienced in the industrialization process in Turkey, as in the rest of the world. During this period, the appearances of the Third Industrial Revolution, the basic dynamics of which were flexible production systems, began to emerge.

CONCLUSION

The Republic of Turkey, founded on the ruins of the Ottoman Empire in 1923, faced many problems. The most important of these problems were:

- The population those who able to work, were been lost in wars to a great extent, and those who left behind were very poor and uneducated,
- Commerce and industry came to a complete standstill due to “the General Debt Administration”* and the damage caused by wars,
** This administration was under the control of imperialist countries during the time of the Ottoman Empire and the Turkish Republic agreed to pay the debts left from the Ottoman Empire.*
- Except for a few state enterprises, the economy based on handicrafts and small manufacturing, foreign dependency and foreign capital domination in the main sectors,
- Customs regime protecting imported goods,
- Completely collapsed administrative structure and the absence of traditional modern state institutions.

The developments and policies followed in the field of industrialization in the history of the Republic of Turkey differed by periods. These differences stemmed from the conditions of the world and the country in the current period and the economic-political preferences.

Industrialization policies in Turkey between the years 1923-1980 showed distinct qualitative differences in the periods of 1923-1950, 1950-1960 and 1960-1980.

The founding cadres of the Republic adopted policies that emphasize industrialization in order to solve the problems they find in front of them and to create an independent national economy that develops rapidly. The İzmir Economy Congress was held in 1923, where very important decisions were made, as the first thing to implement these policies. One of the important decisions taken at the congress was to make efforts to develop the private sector. However, industrialization policies based on the development of private enterprises did not yield the desired results in this period due to the unproper of the conditions. For this reason, the planned economic policy was adopted since the 1930s, where statism gained weight. In the planned period until the 1950s, large state investments were made in sectors such as weaving, mining, chemistry, cement, paper, ceramics, glass, electricity and agriculture. The main goal of these studies was been to rapidly transition from the agricultural economy to the industrial society and to become self-sufficient in all matters.

Since the 1950s, in parallel with the strengthening of liberal movements in Turkey, signs of weakening emerged in the statism policies. With the strengthening of liberal views, the decisions to encourage private enterprises, to get help and loans from outside, and to liberalize foreign trade came to the fore. A radical transformation took place in economic policies in the 1950s. Contrary to the policies followed in previous years, the essence of the new policies was the elimination of statism, greater support of the private sector, open to foreign capital and giving priority to agriculture. However, in the 1950-1960 period, despite the policies aimed at developing the private sector, the public sector grew paradoxically and gained strength.

One of the most important features of Turkey after 1960 was that five-year development plans covering the entire economy began implemented. From the 1960s to the 1980s, policies based on import substitution were adopted in the economy. During this period, an intense industrialization movement emerged, mainly aimed at the production of consumer goods and intermediate goods. However, this movement was relied heavily on the assembly industry.

Towards the end of the 1970s, Fordist mass production entered into a deep crisis in the world. This crisis also reflected on Turkey. In Turkey, with the 1980s, the mass production economy based on import substitution, foreign dependent and assembly driven, entered a blockage. In the 1980s, Turkey started to feel the effects of the Third Industrial Revolution and globalization winds like all the countries of the world.

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