



REASSESSING THE 1948 ECONOMY CONGRESS

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ABSTRACT: During the single party regime in Turkey (1923 – 1950) two economy congresses were convened. The first was in Izmir in 1923 and followed by the second one in Istanbul in 1948. Dissimilar to the first one, second congress was highly unsuccessful due to the different and irreconcilable views of the participants on major issues. Consequently, this last congress escaped the attentions of the most economists and historians and remained too little examined. Contrary to the common outlook, it is deemed that the second congress actually aimed to manifest the strength of the Turkish private capital and the changing paradigms to the government. Therefore, the idea rests behind this study is to discuss this congress within the framework of this approach.

Keywords: Turkish economy, congress, statism, single party, Modernity.

1948 İKİNCİ EKONOMİ KONGRESİNİN YENİDEN DEĞERLENDİRİLMESİ

ÖZET: Türkiye'deki tek parti döneminde (1923 – 1950) iki ekonomi kongresi toplanmıştır. İlki 1923 yılında İzmir'de, ikincisi ise 1948 yılında İstanbul'da toplanmıştır. İlkinin aksine ikinci kongre, katılımcıların önemli başlıklardaki çeşitli ve uzlaşmaz görüşleri nedeniyle başarılı sayılmamıştır. Sonuç olarak bu kongre, çoğu iktisatçı ve tarihçinin dikkatinden kaçarak neredeyse analiz edilmeden kalmıştır. Genel görüşün aksine, bu kongrenin Türk özel sermayesinin gücünü ve savaş sonrası değişen paradigmaları hükümete göstermeyi hedeflediği düşünülmektedir. Bu nedenle, çalışmanın ardında yatan ana fikir söz konusu kongreyi bu yaklaşım çerçevesinde analiz etmektir.

Anahtar Kelimeler: Türkiye ekonomisi, kongre, devletçilik, tek parti, Modernite.

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INTRODUCTION

The purpose of this study is to discuss and asses Turkey Economy Congress, convened in Istanbul in November 22 – 27, 1948. This discussion aims to build links between economy political roots of early republican policies and the disinterestedness of Turkish government on this congress. There were two important congresses on economic conditions of the Turkish Republic during the single party years (1923 – 1950). The first one convened in Izmir in 1923. The first congress was especially important since the young Republic's economic problems were enormous, and need for the fast solutions were crucial. Second congress privately organized in Istanbul by entrepreneurs and renowned academicians in 1948. The post-war economic conditions for Turkey once again were not favorable in terms of a war weary world. Therefore, this congress aimed to discuss and find solutions for these pressing problems.

There are always some difficulties in establishing a network of interrelations among the historical procedures. Therefore, the first step should be establishing a macro view around the questions. If the questions could be surrounded enough, it would be relatively easier to spot the relative significance of this problem through a historical perspective. This journey enlightens not only the past but also gives some clues for a better understanding of present and future. Therefore, discovering seemingly unimportant or uninteresting turning points of history may bring invaluable consequences. Based on this fundamental, this study could claim that the single party dominance and statist economic approaches were parts of a bigger scheme called “the modernity project” of the young republic. This project certainly did not start with the Republic of Turkey. Catching the modernity was a formal policy of the Ottoman Empire in most part of the 19th century. However, these early attempts were limited by adopting military techniques and technology of the Western countries in order to counteract the expanding Western imperialistic invasions (Anscombe, 2010: 159), and they were nevertheless not in the framework of predetermined holistic projects except during the reigns of Mahmud II and Abdulhamit II. Other institutional and technical innovations were often blocked by political and economic elites of the Empire (Acemoğlu and Robinson, 2002: 35-36). However, this

* All the views expressed in the paper belong to the author and do not represent those of the Central Bank of the Republic of Turkey, or its staff.

evolution ignores the imperialistic pressures on Ottoman Empire came from the powerful European states and Russian Empire.

Unlike the under examined reign of Mahmud II, the reign of Abdulhamit II is still one of the most discussed and controversial eras in the history of Ottoman Empire. Most of the scholars and historians are divided in heavily conflicting two parts on the evaluation of this period. According to first group of these scholars Abdulhamit II was the initiator of modernity in Ottoman Empire (Özdemir, 2009: 47 and Davutoğlu, 2009: 41). These writers illustrate that basic institutions of modern society, such as military, education, transportation, agriculture, administration and public finance were either established from scratch or reformed by Abdulhamit II. Pears (1917: 191 – 192) adds the post office and medical school reforms as main successes of the emperor. Abdulhamit II himself states the schooling and agricultural education as his most important priorities (Abdulhamit II, 1999/1918: 141 – 142). On the other hand, the second group of academics that mostly followed the Young Turks and the Committee of Union and Progress (CUP) tradition tends to attribute the collapse of the empire to Abdulhamit II. It should also be noted that both approaches are generally biased by prejudices and normative judgments of the ideological tendencies of these historians and politicians. Dramatically, suppression of the intelligentsia in Ottoman Empire was also suppression of the intellectual and industrial development of the empire since Enlightenment and industrialization had been the conquest of skepticism and rebellion against authority (Mokyr, 2005: 341)

The modernity project of the Republic of Turkey had four characteristics. The first one was the economic dimension that was to turn the whole society into an industrialized community from a pre-capitalist Polanyian structure. Second aspect was to re-establish the society on the grounds of knowledge, ethics and arts. Third one was to create enlightened individuals who cut their relations with their old traditional roots and the old regime (Van Het Hof, 2010: 554). On the other hand, the state itself paradoxically continued to keep its ties with this old regime, and these roots have always been the hidden obstacle before modernity (Kılıçbay, 1999: 87). The last one was the institutional structure, which was to establish all institutions necessary for a nation state (Tekeli, 2002: 19-20). In order to understand how this project was implemented, corresponding institutional structure of these aspects should be examined. Economic statism was clearly the corresponding institution of the first aspect. A mixture of organizational structures realized second and third aspects, but most important ones were “People’s Houses” (Halk Evleri) and “Village Institutes” (Köy Enstitüleri). The former was in charge of the enrichment of civic culture.

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People’s Houses were one of the most important tools of the Enlightenment project of the Republic. In order to secure the social and cultural development in line with the political progress, they were not organized as independent institutions, but components of the single party mechanism (Şimşek, 2002: 91). The duties of the Village Institutes were to transform and integrate the rural areas into the modern society. The last aspect, an all encompassing organizational structure, was represented by the single party authority. As a natural consequence of this project, it was a “top-down” and rationalistic implementation process. More clearly, the most rational ways and institutions, from factories to architecture, to transform the society should be discovered and engineered by the political elites and later implemented by their subordinates¹. Therefore, this way was not pluralistic and democratic by modern terms. It should be added that these four instruments - statism, single party authority, People’s Houses, and Village Institutes- were not merely implementation tools, but also tools for controlling the whole bureaucratic cadre in order to secure all the course of realization process of this modernity project².

The main reason of this conclusion is based on the intense bureaucratic state mechanism of the Ottoman Empire mainly reformed by Abdulhamit II and later strengthened and broadened by CUP. While Abdulhamit II was establishing new and modern schools in the capital, he was also aware of that the pupils of these schools were at the center of the political oppositions to his throne. Consequently, he wanted to keep these institutions under his strict control. Later developments proved his rightfulness by terms of keeping his authority in a safe place (Özcan, 2009: 1 – 3). It is unproblematic to comprehend that in a developing country well educated strata is always ready to carry the

¹ This implementation process was highly successful due to the single party administration. The reason behind this success lies within the separation of the bureaucratic and political powers. Working under a powerful single party authority the bureaucracy cannot create different policies other than the administration and works solely on implementation projects or procedures (Riggs, 1965: 76).

² This approach reflects a Gramscian rationale. In Gramscian sense, society is divided in two parts. First part consists of a strong power center. Second part is the periphery which are not allowed to access to this powerful center (Birchfield, 1999: 41). Consequently, all state organs (the government, the army, the police, the courts, the prisons, education, etc.) turn into ideological state apparatuses in order to re-generate the official ideology during the actual production process of the goods (Althusser, 1993: 17 – 23).



enlightenment torch to different ideological paths. Rulers – whether an emperor, strong man or a single party – are either to cooperate with this intelligentsia or suppress them. In 19th century ethnical and religious center – periphery conflicts in the Ottoman Empire had reached its peak. In order to keep their throne safe, Ottoman sovereigns also had to keep their authority in a patrimonial framework (Çavdar, 1973: 16 – 17).

In this hectic atmosphere and with the aid of his suspicious personality, Abdulhamit II seemed to pick up the last alternative. It is not surprising to see that this tradition was inherited by the early republican leaders (Dodd, 1983: 80). Karpat (2007: 71) indicates that, especially after the 1931 congress of Republican People's Party (RPP; Cumhuriyet Halk Partisi), the Turkish state gained a more authoritarian stance in order to protect the already realized reforms and the pathway of the other prospective projects. In this structure, RPP played the necessary intermediary role between the state mechanism and the society which is an indispensable bridge between development organizations and the client systems (Kaplan, 1968: 485). Ottoman and Turkish bureaucracies had always been the central figures of these development projects. Republic of Turkey's modernity project consisted of a series of revolutions. Consequently, this "state of constant revolutions" (Alexander: 2002: 43) should be safeguarded by military, bureaucracy and intelligentsia.

The second economy congress convened during this economic and political framework. Turkish government's stance against this congress is difficult to analyze at first sight. There were signs that the government was well aware of the dilemmas stemmed from statism. On the other hand, it became apparent that it was almost impossible to exist with a statist economic policy within Western world in the post-war era. Under the circumstances, it would be expected that the government should support these private activities in order to find better and widely accepted solutions. On the contrary, Turkish government unexpectedly and totally ignored the congress. It is deemed that the extremely liberal atmosphere of this congress and its political repercussions scared the Turkish government in some way.

Methodological approach of this investigation follows a Polanyian logic that is the economy is considered embedded in the social structures of pre-capitalist states (Polanyi, 2001: 59 – 61). Therefore, the narrative of the study consists of politico-historical clarifications regarding to modernity. Our argument is that the modernity project of Turkish Republic derived and transformed from the late stages of Ottoman Empire, and this project was suspicious against the private capital in its single party period. In this period private capital was tolerated as long as it was articulated with the state's political stance (Yılmaz, 2005: 189). This study comprises of three parts. In the first part, the economic and political conditions of post-war era, which is deemed those conditions gave way to the congress, have been discussed. The narrative of the congress is the subject of the second part. The study ends with an appraisal.

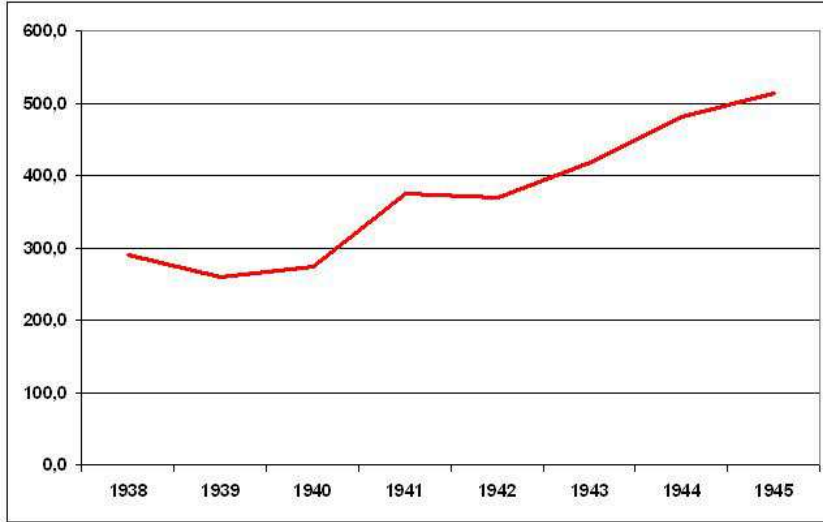
ECONOMIC AND POLITICAL CONDITIONS OF TURKEY DURING THE WAR AND POST-WAR YEARS

Statist economic policy had been chosen in the early years of Turkish Republic. Planning activities were inseparable and natural parts of these policies. Therefore, "The First Five Year Plan", prepared in 1934, was an outcome of this necessity. "The Second Five Year's Industrialization Plan" was not fully realized because of the approaching world war (Fry, 1971: 306). During the course of the Second World War, Turkey had to keep a strong army of one million soldiers. Withdrawing this huge work force from the rural areas made a negative impact on economic development. On the other hand, world wide rising food and raw material prices financially compensated the negative effects of the economically destructive years (Lewis, 1974: 134). Moreover, food and consumer goods shortages and their mounting prices also made massive contributions to the capital accumulation of the private sector.

It is widely accepted that during the war years, black marketing was one of the main contributors of the domestic capital accumulation. There is no solid statistical data to support this argument. However, some writers who had close links with the government officials gave reliable credits to this judgment. Former ambassador and one of the close observers of those years, writer Yakup Kadri Karaosmanoğlu (1968: 169) in his memoirs states that it was not unusual to witness, almost in every corner of the capital, cabinet ministers, governors and other high ranked government officials who had close ties with war-rich black marketers. Tezel (2002: 263) also supports this view especially for 1943 – 1945 episodes. In 1943 Saraçoğlu government liberated the wheat prices. Consequently, wheat prices sky doomed from 0,135 Turkish lira per kilogram to 1 Turkish lira (Avcıoğlu, 1968: 225). A capital levy on non-Muslim citizens (Varlık Vergisi) in 1943 also contributed to asset accumulation of Turkish entrepreneurs

(Alexander, 1960: 357). Rising private deposits in commercial banks and in Central Bank during this period, as can be seen in Graph 1 and 2, also support this argument. Graph 1 shows the course of private savings during the war years.

Graph 1: Deposits at Private Banks (Million TL).

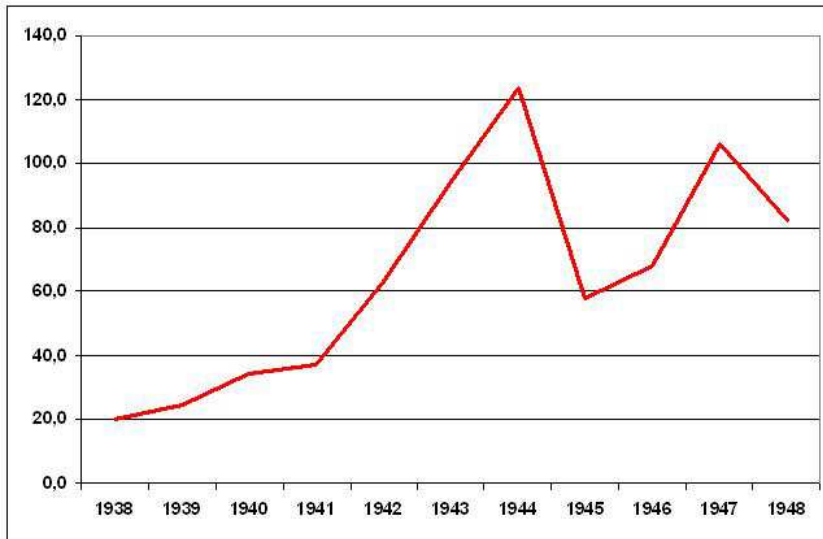


Source: *İdare Meclisi ve Murakıplar Raporları 1946*, Central Bank of the Republic of Turkey

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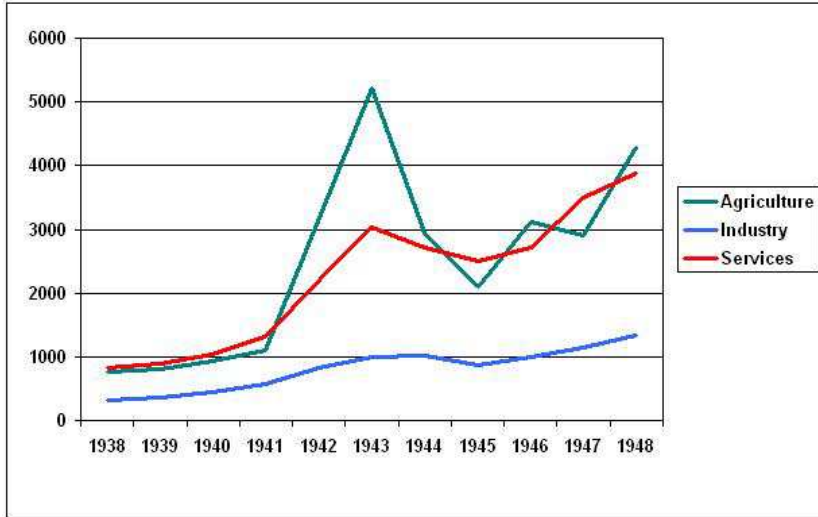
Graph 2 also gives more evidence for this condition.

Graph 2: Private Deposits at Central Bank of the Republic of Turkey (Million TL).



Source: *İdare Meclisi ve Murakıplar Raporları, 1939-1949*, Central Bank of the Republic of Turkey

Graph 3: Gross National Product by Kind of Economic Activity (at current prices – Million TL).



Source: *Statistical Indicators 1923-2002*, Turkish Statistical Institute, 2003.

During this period, with the pressures of increasing prices in agriculture and service sectors showed a sizeable progress. However, industrial sector realized a slow improvement as expected in those catastrophic years. Graph 3 illustrates this movement.

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The Turkish government did not stop its planning activities during and after the war. During the Second Plan, priority had been given to develop the state enterprises, as it was envisaged in the First Plan. In this era, planning works were held by “Industry Research Department” (Sanayi Tetkik Heyeti) within the Economy Ministry, and its chairman was Şevket Süreyya Aydemir.

The main purpose of this department was to prepare economic policies for and after the World War II era. Department primarily consisted of statist bureaucrats, and their basic concern was to strengthen the state’s position within the society as a whole (Tezel, 2002: 313). Aydemir prepared an “Essence Report” (Öz Rapor) in May 1945. This report’s subject was the predicaments of the post-war era. According to Aydemir there would be two major economic orders after the war. The first order would be the capitalist one, which later would turn into a “super capitalism.” The other one would be “the socialistic economic order” in northern countries, which would affect the Eastern and Central Europe, and the Balkans. Turkey would take its place within these two different worlds. Therefore, the country had to choose a third and better way between these two handicapped positions. In order to that, Aydemir offered, to increase the state’s proportion in the national economy. One of the leading opponents of statism, Prof. Mükerrerem Hiç, later interpreted this report as “a transition plan through the socialist economy” (Hiç, 1981: 105).

Aydemir went too far to offer that this scheme should cover all industries, including mining, manufacturing and banking. The state should also take a strong stance in foreign trade by proposing a new foreign trade bank. Consequently, Turkish Republic should become both a border patrol for the Western countries and a trading partner for the Northern countries at the same time. Naturally, this plan should be orchestrated by a strong state, which appears in almost every aspect of life. As for the private enterprise, they could find some working areas in industry provided they could afford to fund them. However, best investment the private sector should do was small and medium size enterprises. Report even suggested that to nationalize all transportation activities excluding local hauling realized with trucks, cars and carriages (Tezel, 2002: 315). This report also highlighted the character of the republic. According to report, “Republic of Turkey is a statist republic and state endeavor is the dominant factor in industry. Therefore, it is neither possible to talk about an exploiting capitalism in Turkey, nor bourgeoisie.” Aydemir also

envisaged that the workers should become civil servants. This last view was in parallel with the state capitalism. If the major capitalist were state itself, the workers of this machine should become civil servants instead of potentially exploited workers.

Economy Ministry also prepared a "Post-War Plan" or "Broad Plan" ("Savaş Sonrası Planı", "Geniş Plan") proposal. This plan covered major mining and energy projects, which would be realized by Etibank, and industrial projects by Sümerbank. The plan consisted of all projects non-realized during the First Five Year's Industrialization Plan. The essence of this plan was an economic autarchy. According to the plan, every imported material should eventually be produced in the country. This plan was so broad that the Economy Ministry prepared an "Urgent Plan" in June 1945, and submitted it to the Prime Ministry. The cabinet accepted this plan in August 1945. This last plan primarily covered the urgent projects, which would be realized by Sümerbank and Etibank. Many amendments were made on this plan, and its last form was finally ratified by the cabinet in April 1946.

However, these statist proposals were not very appropriate for a state that was looking for a seat in the Western world. These realities forced the single party authority to give priorities for a more liberal political structure. Consequently, in August 1946 Mr. Şükrü Saracoğlu was succeeded by Mr. Recep Peker as the new prime minister. Mr. Peker gathered a purely new cabinet without taking any of the members of the former cabinet. The new cabinet devalued the currency in September 1946. The devaluation of currency was accepted as a sign of more liberal foreign trade. A couple of days later new government blocked the new allowances for Urgent Plan. Economy Ministry made additional works on the Urgent Plan and revised the budget. The final sum revised as 301 million Turkish liras, and the Ministry required this fund from the Prime Ministry.

However, these funds were hard to receive. 202 million Turkish liras of this budget should be in foreign currency, and this should also be received as foreign credit. In the post-war era, the only creditor state was the United States, and it was very difficult to think that the U.S. would support a statist or a socialist government. Therefore, the need for a new and more liberal plan was eminent. Upon this reality, the government demanded a new plan from the Economy Ministry in February 1947, and the Head Advisor of this Ministry Kemal Süleyman Vaner and the members of the liberal "Turkish Economy Association" were asked to prepare a new plan. The new plan came as "Economic Development Plan", however, the single party authority did not find these measures strong enough. Consequently, in September 1947, its prime minister was replaced by even more liberal Mr. Hasan Saka. One of the first jobs of Mr. Saka's in the office was to put the Urgent Plan on a shelf. This date could be considered as a turning point of Turkish economic history, since then no leading political party dared to speak loudly for statism after that day.

During this period, one of the other important developments was the membership of the country to the "European Recovery Program" within the framework of "Marshall Plan". Turkey and the United States also signed an "Agreement for Economic Cooperation". Turkish government applied to the "European Economic Cooperation Committee" in July 1947 for a credit of 615 million Turkish liras for the realization of industrial projects, which covered by Urgent Plan and Vaner Plan. However, this application was refused by the United States government in January 1948.

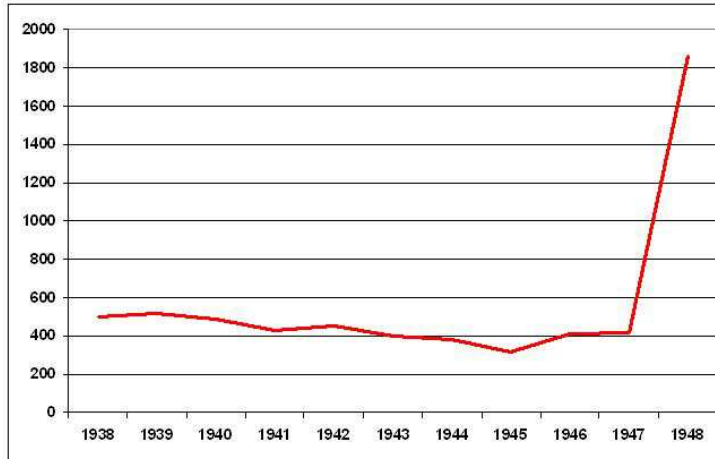
In those days, Turkey had a notable visitor from the United States. This visitor was economist Max Thornburg. Thornburg took a strong stance against the statist policies of the Turkish governments. According to him, the industrialization plans were a mere explanation of state socialism. Thornburg reported that, "the state industrialization program, combined with taxation and the legal system, has inhibited the development of private enterprise, both domestic and foreign. Turkish savings have gone largely into the purchase of government bonds" (Thornburg, 1968: 180). What Thornburg recommended to the Turkish government was to encourage both domestic and foreign private capital to make more industrial investments. These views were seriously considered by the Turkish Government as if they were coming from an official of the United States government. Thornburg's views might play a crucial role in the refusal of credit demands of Turkish Government in 1948. To sum up, Turkish Republic made serious attempts in becoming an industrialized country during the period of 1930-1939. In this period, annual industrial growth was 11.6% (Boratav, 1999: 76). This growth realized by statist policies, and tried to be sustained during and after the World War II. However, rising liberalism after in the post-war era did not allow statist policies to live on within the Western political sphere.

On the other hand, debates against statism were not new and did not start in the post-war epoch. These debates started as early as in the 1930's. One of the eminent figures on these debates was the Director of Istanbul Port Authority Ahmet Hamdi Başar. Başar had an opportunity to accompany Atatürk during one of his long travels in the country. He prepared a report after one of these travels by the orders of Atatürk. However, in the end, he could not find an opportunity to submit this report to Atatürk, and published it as *Economic Statism* in 1931. He attempted one more time in order to submit it to Atatürk when he was in Yalova – Turkey, but his efforts were not paid off again. According to Başar, statism is a temporary position of the state when the times private capital could not effort large investments. Başar supported the agricultural industrialization and free foreign trade. For Başar, the state should support the private enterprise. What statism meant for him was transforming the society into a modern one by the hands of the state. He accepted existing statism as “bureaucratic statism” or “governmentalism” (Tunçay, 1999: 294-297). He was also opposed to the economic autarky defended by “Kadro” movement³. Başar later would play an important role in the 1948 Economy Congress.

THE CONGRESS

The Economy Congress convened in Istanbul in November 22, 1948. Primary purpose of the congress was to discuss overall economic conditions of the country in the post-war period with academicians and businessmen. The congress was organized by “Istanbul Tradesmen Association” (Istanbul Tüccar Derneği), and his chairman Ahmet Hamdi Başar. The most remarkable characteristic of the congress was the absence of government representatives. Congress was opened by the Organization Committee chairman İzzet Akosman. He stressed in his speech that the congress was purely technical, and no political view should be expressed. In his opening address, Başar suggested the total abolition of statism. According to him, the Turkish businessmen were mature enough to survive without a caring state (Kılıçdaroğlu, 1997: 4 - 6). Economic conditions of post-war Turkey were justifying Başar's approach. Graph 4 highlights the post-war progress. As can be seen in the Graph 4, in the eve of the congress Turkey's economic performance was remarkable and far from its war years' weakness.

Graph 4: Per Capita Gross National Product (at constant producers' prices – TL).



Source: *Statistical Indicators 1923-2002*, Turkish Statistical Institute, 2003.

The congress consisted of three parts. First part was devoted to statism, second to taxation and the third to foreign trade. During the statism sessions, Başar made explicit his views once more and he re-suggested his individualistic and liberal attitude again. Moreover, he also demanded the state should leave all industrial investments to the private sector. Having been not satisfied with the simplicity of his first proposal, he also suggested that the ownership of state

³ This movement was represented by *Kadro* monthly. *Kadro* was the ideological and political supporter of the statism (Avcioğlu, 1968: 214). The main idea of this movement was to create an elitist cadre to carry out the economic and political reforms (Okyar, 1965: 100). This approach is still defended by elitist theorists. According to these theorists, masses should be eliminated from decision making process since their knowledge on vital issues and their ability to act harmoniously are limited (McAllister, 1991: 237 – 240). Ideologically, it was not a socialist but a rather eclectic movement (Türkeş, 1999: 99).

enterprises should be transferred to the private sector free of charge. He even could not contain himself from making extra demands: The state should guarantee the minimum profits of these transferred enterprises for the private sector. Probably, the fundamental nature of the congress lies in these demands.

In his speech, Feridun Ergin (later, Prof. Ergin) defined statism as an unnecessary mind game and classified it side by side with socialism and collectivism. According to Ergin the real reason of economic statism was the desires of the authorities to enlarge their area of political hegemony, therefore, the use of statism as a development tool would be nothing more than a “comedy of errors.”

Prof. Muhlis Ete drew attentions to two important issues. First the places of state economic enterprises were mostly chosen without using economic reason. These handicaps caused the high production costs for state enterprises. Consequently, these deficits must inevitably be funded by the central government’s budget. This situation turned the pricing mechanism of the goods into a hidden taxation. This view was also supported by Prof. Ömer Celal Sarc. Prof. Ete also gave a detailed list of state enterprises, which might be kept in the state ownership (Kılıçdaroğlu, 1997: 60 - 76).

There was almost a consensus during the sessions on cursing the statism and abolishing the state enterprises. No attended party in the congress truly supported the existing system. The broad consensus against the statism marked the end of an era (Tokgöz, 1995: 75). The only diverse voices came from the press. Vala Nureddin in *Akşam* claimed that what went wrong was not the statism but its misapplication. Şevket Süreyya Aydemir, as the architect of “The Essence Report”, accused the congress of another comedy of errors in *Ulus*. Bahadır Dülger in *Tasvir* also accused the ruling party of its ignorance on such an important congress (Kılıçdaroğlu, 1997: 336 - 412).

In the end of the congress, three committee reports discussed. First report was on statism. This report was clearly anti-statist and pro private venture. Second report was on foreign trade and brought concrete proposals, such as cutting of the budget deficits, stopping the depreciation of the value of money, opening the doorway for foreign investments. These two reports were accepted almost unanimously. However, the congress did not reach a consensus on tax issues. This divergence caused for a chaotic end of the congress (Sever, 2009: 93 – 96). Akosman and Başar defended different taxation methods, and Akosman abruptly cut the last session and the cord of the microphone in the end of the congress. Strangely enough, most members agreed on the continuity of state existence in foreign trade. This view was defended by the relative weaknesses of domestic firms against their foreign competitors.

AN APPRAISAL

The progress of the congress generates two fundamental questions. First question is whether the government was really so ignorant of this congress? It is difficult to say, “Yes” to this question. First of all, most of the university lecturers in the congress were also members of the “Turkish Economy Association” in Ankara, which was a semi-official think-tank for the government. These academicians also held positions as advisors at different offices of the government. Therefore, it cannot be assumed that the government totally ignored this congress. On the contrary, it can be safely claimed that the government rather preferred to take an indirect stance. Second question is whether the statism was a mere technical issue for government, i.e. could it be simply changed by more liberal policies upon the advices of this congress? A second negative answer should be given to this question. In order to answer this question, statism should be considered with other aspects of the state. Then, it could find its place in the puzzle. As it stated in introduction, statism was also a part of the other tools of the state with single party rule, People’s Houses, and Village Institutes to control the politics and society as a whole in order to secure the republican revolutions. In single party regimes, governments tend to keep their power at upmost levels to ensure a rapid economic development (Apter, 1959: 132).

Single party rule was essential for controlling the political life. People’s Houses were for the cultural elevation and control of civic life. Village Institutes played the same role in rural areas. As for the statism, it grasped almost the whole economic life. Therefore, before and during the congress the government had a dilemma. Government had to give way to more liberal economic policies in order to receive foreign credits and to gain the sympathy of the United States to defend the country against the openly threatening Soviet Union (Truman, 1956: 118 – 120). On the other hand, the bill the government had to pay by abolishing the statism seemed too much to the ruling party. Therefore, it could be claimed that the government took a passive stance for the congress and adopted a “wait and see” policy in order to better see the powers of the liberals. Shortly, the government was not willing to give the liberals much more



breathing space than they could ask for, so it could secure its remaining political power. On the other hand, in the late 1940s the war rich Turkish entrepreneurs would like to enjoy more political power than the single party authority allowed them (Alexander, 1960: 358). Consequently, the government had to stick with its economic privileges. If the collapse of two important cultural projects is taken account with the trembling single party system, it can be better understood the government's position that it had only one tool to keep controlling the political arena. Therefore, statism was not merely an economic, or rational choice, but a political one. The actual project was the total control of the societal development via state organizations as Feridun Ergin indicated the situation during the congress⁴.

Historically, almost all authoritarian or totalitarian states during the first half of the 20th century had strong political and administrative controls over their economies. Especially, after the 1929 crisis Nazi Germany, and with the Five Year's Plans after 1928 the Soviet Union gained enormous successes in their economies with intensive state interventions and investments. If the political structures of both these states were ignored, state intervention in the economy was legitimized at the expense of liberal economics (Van Der Wee, 1991: 32, 33). The Nazi Germany promoted industrial conglomerates (*konzerne*), in Japan the same accomplished by *zaibatsu* system. State interventions became popular among the other European countries in the 1930s. Most of these countries had adopted a corporatist approach. These countries either directly or indirectly controlled their national production. In Germany, Italy and Portugal, industrial and agricultural production was indirectly controlled by the states. During the "Front Populaire" era in France, in the period of 1936 – 1938, railways, Banque de France and some branches of the military industry were nationalized. After a banking crisis in 1933, the Italian government established a state enterprise named "Istituto per la Ricostruzione Industriale" (IRI) and this conglomerate became a major actor within the economy. Socialist Party in Belgium accepted a plan as its party program in 1933, which was named as "Plan De Man." This plan envisaged the total control of the economy. This plan was partially implemented when Socialists were in the office after 1935. In Netherlands, a similar plan was accepted. Its name was "Plan van de Arbeid." After the 1932 and 1933 elections, ruling Social Democratic parties in Sweden and Norway put into operation similar plans (Van Der Wee, 1991: 283, 284). Probably the most famous of these plans was "the New Deal" of Roosevelt in 1933. The common denominator of these corporations, institutions or organization systems was their centrally planned, monopolistic and bureaucratic structure. Therefore, it was very easy to control the crucial part of the gross national product via their top managers or owners of these institutions. According to Maurice Duverger, Turkey's statist model was also a very promising alternative for the third world countries, which were squeezed between the powerful capitalist and socialist countries. Duverger also indicates that this model had strong political repercussions on the countries, which were independent of Moscow or Peking (quoted in Ülken, 1981: 100).

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On the other hand, after the World War II, allied occupation forces, especially The United States occupation authorities, smashed the powerful conglomerates of Germany and Japan, and the remaining countries were discouraged adopting such plans. Turkey was not also immune to these kinds of discouragements. Consequently, during the turmoil of post-war epoch, namely between 1945 -1950 period, the Turkish government gradually lost its direct control over its controlling instruments. However, these tools were transformed into other forms. A more authoritarian gendarmerie, common primary education and irrigation projects took the place of Village Institutes; but, this was a retreat from the cultural elevation project of the rural areas, and consequently peasantry remained as a stable social problem. Large scale state industrial projects were abolished due to the lack of adequate foreign credits. As a result of these advancements, statism slowly but surely declined, but rising capitalism has also been blocked by "bureaucratic statism" as Başar prophetically envisaged. Single party rule disappeared, but a strong political establishment with its well-built institutions (the army, later National Security Council, army-backed presidents and other governmental organizations) fulfilled its vacuum (Trimberger, 1978: 121). This rationale proves the existence of a discriminatory and bureaucratic rule in Turkey since the disappearance of statism.

⁴ This tendency of the single party government was later proved by political movements of the multi-party regimes. After 1950, taking the office by an overwhelming popular vote, the Democratic Party administration acted like a single party government and did not change the RPP's import-substitution policies (Hershlag, 1988: 20). It is obvious that the Democrats found useful to keep the single party years' "privileged entrepreneur" system (Buğra, 2005: 386) in order to maintain a single hand control over the economic and political life.

These political regressions of the ruling single party also gave the re-shaped state a defensive role⁵. Economic development was no longer a primary issue under the newly formed exaggeratedly suspicious and self-protective state⁶. This new form of the state was merely a bureaucratic appliance to control the free parts of the social and political life. In later periods, especially in the multi-party era, the governments which over-trusted their popular vote had to face with this defensive establishment, in the forms of "coup d'états", in their weakest periods. Consequently, it is more comprehensible the government's open unwillingness to accept the liberal prescriptions of the 1948 Economy Congress. This unwillingness can be more easily seen in the 1960 coup. After the coup, RPP and the bureaucratic establishment reached a compromise between statism and liberalism in the form of "planned economy" and the liberals were temporarily purged from the political arena under the rule of "National Union Committee" (Milli Birlik Komitesi) and during the coalition governments of İnönü in the period of 1960 – 1965. Even after that date, liberal parties had to govern under the strict economic planning provisions of the constitution despite their vast popular vote. After the 1960 coup, in almost every ten years period, the deviations from the official substance of the state were rigorously penalized in the forms of open or covered coups. Shortly, this transformation indicates the existence of a defensive state mechanism which gives excessive priorities to security issues before the development projects.

Therefore, it is deemed that the 1948 Congress was the first round of the game among the conflicting interest parties. However, this round produced no apparent victor. The congress was simply a chance for these conflicting parties to check their powers in front of the public opinion. Having created by the state, it was very difficult for domestic entrepreneurs going too far than what happened in the Congress since legitimating of their wealth was always a problem up until the 1980's (Buğra; 2003: 39)⁷. The liberal entrepreneurs and academicians had to wait for the 1950 elections for the second round. Consequently, 1948 Congress produced two significant end results. First, it was a breaking point in the history of Turkish private enterprise that Turkish private capital has never been less powerful, both economically and politically, after that day. Second, it was the first open manifestation of the rent-seeking entrepreneur prototype who will become a major player in domestic markets in coming decades due to the lack of a well established commercial culture.

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⁵ The crucial question of Ottoman Empire "How can we save the state?" turned into "How can we defend the state?" in the Republic of Turkey (Coşar, 1999: 60).

⁶ Self-protection and suspicion have been mutually shared by both the state and society due to the top-down reforms (Erdoğan, 2005: 3- 38).

⁷ For a detailed study of Turkish entrepreneurs see Buğra, 1995.



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