The Industrial Developments in Turkey during the Transition Period from Ottoman State to Republic

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Abstract: The guild system in Ottoman State maintain its vitality as an economic and social system until nineteenth century. The masters and apprentices who construct guild system lost their chances of economic integration to the new system brought by Industrial Revolution which first started in England and then spread all over Europe.

Although the Ottoman State had taken some actions to keep up with the industrial revolution in Europe, it couldn’t have industrialized in all fields, Ottoman State was eliminated by First World War and Independence War and then Turkish Republic took Ottoman State’s place. But the industry taken over from Ottoman State was almost next to nothing. In this respect, founder of new government Mustafa Kemal, gathered economic congress in İzmir with the purpose with arranging industrial investments and economic developments just after Independence War. Because according to him, military victories which are unsupported by economical developments is not possible to be permanent. For this purpose, some radical precautions had been taken to develop the industrial just after the foundation of Republic.

In this study, it is emphasized on the applications for developing the industry in the late period of Ottoman State and the industrial developments in the new state from the end of Independence War to 1940s.

Key Word: Ottoman State, Guild System, Economical Developments in Turkey

Introduction

Until the beginning of 19th Century, there was a developed industry which was made in small workshops and organized as guild to its time in Ottoman State. Industrial branches, such as cotton thread, cloth thread. Both met country’s needs and was exported. But starting of the Industrial Revolution in England and spreading to other European countries in a fast way caused the emerging of capitalism in Europea with the expression of economist J schumpeter while developing industry was bringing forth new goods with services, new prediction and new life styles, also demolished the old ones (Kazgan, 2009). But this life style did not occur only special to Europe. It showed its effect nearly all around the world and as using its political interactions Europe started to exploit weak countries by taking them under their power.

While the progress was going on like that at the ends of 18th Century and beginnings of 19th Century, Ottoman State which had large lands spreading to three continents and insides of Europe didn’t keep in step with these developments for some reasons. Ottoman State didn’t get the technology which was bought by Industrial Revolution according to Europe and also Ottoman State had political agitation caused by Ayanlar and had to struggle with nationalist movements because of French Revolution. Although movements about acquiring a newness had started inner Ottoman since at the beginning of 18th Century, these movements did not come to an end because of reactions caused by either lawyer or upper parts of society. As the most important examples to these, Nevşehirli Damat İbrahim Pasa and III. Selim attempts trying to do in every fields can be given as examples. But these attempts did not work because of Patrona and Kabakçı Mustafa rebellions.

One of the most important causes of the Ottoman industry’s unrealization is Capitulations. In the period of Kanuni Sultan Süleyman for breaking the crusader unit, and between two soverigns, by the condition of valid as long as they live, the capitulations being given to French were started to be given to other European countries in the following centuries of development, these attempts did not cause so many matters but these attempts started to be a pressure component for the Ottoman State in the term of both political trade and also economic in the period of unproductivity. Finally the conditions were followed to Industry Revolution, England, opening to world markets and exploiting these markets step by step, sign the Trade Agreements, 1838, with the Ottoman State (Cem, 1970). Trade agreements were signed with other European countries following this Trade Agreement. All agreements included both the continuation of former privilepe’s components and also new components with these agreements, for exporting and importing being limited to foreigns, and for zeroing the
advantages of indigenous merchants in domestic trade and at the same convenience foreign investors and merchants. But at the same time, against of England and French’s exploitation, while USA absorbed all the safeguard principles in foreign trade, Germany Principalities set up duty unity by demolishing duty unity between them, and thus, supporting domestic production against England’s and France’s exploitation, they set the foundation of German Empire in the future. Industry Revolution, starting in England, Pelmestor, Minister of foreign Affairs, started the process with the principle “any undeveloped country does not have right to obstruct the effect of Europe”.

Thus, USA, Germany, Russia took against this progress by bringing function defending economic politicians. But 1838 English Trade Agreement did not give any economic development opportunity to the Ottoman State. In this way, while some countries were trying to keep their industries, The Ottoman State by signing trade agreement, opened up markets to European’s Industry goods.

Economy Policies and Industrialization of 1838–1923

Administrative Reforms Period

The announcement which was published in November 3, 1839 in front of people who are muslim and not Muslim just five months after the death of II. Mahmut and nearly one year after the commerce agreement signed with English with the enterprise of ministry of foreign affairs was called “Administrative Reforms Firman”. The word “Tanzimat” is the plural of “Tanzim” which means “putting into order”. Mustafa Reşit Paşa who was sent as an ambassador to London in II. Mahmut period gave a note to Ministry of Foreign Affairs of England in August 12, 1839. He explained the reform which he thought with three words in that note which was written out in French. Those three words are “a system which was settled in the form of not being able to be changed”.

In fact Firman which was announced in 1839 had the feature of a human right’ report. Equality of Christian people who lived in Ottoman land, everybody paying tax according to their financial power, centralizing disorganized government structure, conducting military expenditure with laws were main foresight of Firman.

Firman was announced by government administrator of Ottoman to decrease Europe’s intervention into our internal affairs. But that Firman made it ease for European governments to interfere Ottoman’s internal affairs and in progressive term the process proceeded to work in non –muslem people’s favour. (yerasimov, 1976). Europe which guaranteed to enter Ottoman’s bazaars with 1838 trade agreement aimed with Firman that their own Merchant and minority had a say in above their legal status. Briefly, while Ottoman Government was included in international markets by bringing to an open bazaar state with 1838–39 trade agreements, it was also introduced to Europe public law by 1839 Administrative Reform Firman (Kazgan, 2009). After those processes, Ottoman lands were brought to an important bazaar of global economy whose leaders were England and France.

On the other hand, administrative Reforms Firman contributed to England Ambassador and also other European government’s representatives to be the inspector of Administrative applications. Ambassadors who complained that law and regulations which would perform the reforms wich Firman promised weren’t made and those which were made were not applied. They started to put pressure on Ottoman State about new regulations with the end of Crimea War in peace conference which would be carried out in Paris. At the end of these attempts Ottoman State had to declare Improvement Firman in 1856. Two-third of Firman were parted to minorities privileges and the other parts were parted to foreigners privileges under Ottoman State. In fact, it started to be seen how Europe would treat in Ottoman region. By taking minority rights under guarantee, making cooperations with foreigners would be helped and thanks to minorities, commercial, economical and industrial privileges would be obtained. On the other side, these treaties economical effects showed themselves in a short time. In the period from 1838–1841 to 1852–1854 the growth in foreign trade rised as annually from 1–5 % to 5 % in Ottoman State. Although that was such a crucial figure, the main growth reached its peak with joining Ottoman State to Crimea War and right after with declaration of Improvement Firman (Kazgan, 2009).

At the same time, Crimea War brought the firsts inside Ottoman State. Ottoman State went into dept to foreigner investors for the first time in its history. This debt was in fact based on very high interest. While some of European were going into debt only with 3 %, Ottoman State went into dept with high interest like 8 % in those years. While that situation was leading to conclusion of not being paid of Ottoman State’s depts in progress, it caused the foundation of Duyunu Umumiyi characterized as depts law. Ottoman State went into dept sixteen times between 1854–1876. Borrowed Money started to be spent to cover new depts and their interest more than country’s development and being turned into investments. At that point, Ottoman State couldn’t pay its dept and declared moratorium. In the end, firstly Rüsum-i Sitte Idaresi (A Traditional Board) was founded in order to make debts paid in Berlin Congress gathered in 1878. As a result, some incomings were left to Ottoman
Bank with creditor local banket. As that system worked well, that time, Duyunu Umumiye which was fathered by European creditor was turned into “General Debts Management” (Kazgan, 2009).

**The Term of Constitutional Monarchy**

In 1876, 1st Constitutional Monarchy was announced with Abdulhamit’s ascending the throne and the suggestions of some intellectual people and statesmen of that time. The term from that year to 1908 is called 1st Constitutional Monarchy. The time from 1908 to the demolition of the Ottoman State is called Era of 2nd Constitutional Monarchy.

In the term, passing from the beginning of going into debt to the announcement of moratorium, that is within twenty years, the debts were used in a great proportion for consumer items, buying weapons, construction of barracks and palaces. The interests’ being already high and the exportations’ being insufficient brought the investments to the last point. When the increase of income couldn’t be obtained in the Ottoman State, the credits taken from outside were transformed into paying for the debts of outside again. Especially in 1894, that the short time debt’s reaching to 16 million sterlin while export income was 19 million sterlin was the most important factor sabotaging the investments. In the same term, total state income remained at only 22.5 million sterlin (Pamuk, 1984). Maybe among the increase of income was that foreign merchants weren’t paying tax to the Ottoman State due to the advantages the capitulation guaranteed. Native minorities also began to try ways of avoiding from capitulations. Naturally, these two groups whose income increased couldn’t be taxed in the same proportion. Therefore, the state tried to increase the Asar tax applied on Muslim population in order to assure the increase of income. However; since the agriculture was done with traditional ways, any increase of production couldn’t be ensured. Consequently, increase of tax couldn’t be realized in this area, either. But especially increase of the military expenses was observed in the same term (Kazgan, 2009).

General Debt Management ensures Ottoman’s debts’ being organized in response to take 20-32 % part of Ottoman’s income in hand. On the other hand, operations which decreased tax evasion were put into force. Thanks to administration holding tightly the work, nearly until the end of 1880, deficit in budget was ceased. Moreover excess budget came about and that action continued until I. World War. After that time, in different regions of Ottoman territories, some railways, shipyards and harbours were started to be built.

Especially, acceleration of building of railways both aimed at strengthening of central admiration and providing of collection, control and transportation of taxes collected. In fact, when 1908 was reached Tithe tax that was collected in country increased nearly the foundation of General Debt Management, Ottoman state directly went towards investment and started to grow in agriculture and in industry. In spite of low proportion, developments started in proportions of natural income. Findings related to the development are given in the chart below.

<table>
<thead>
<tr>
<th>Period</th>
<th>Population</th>
<th>GNP</th>
<th>IGNP</th>
<th>Agriculture</th>
<th>Industry</th>
<th>Exportation</th>
<th>Investment</th>
<th>Importation</th>
<th>Speed (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1889-1914</td>
<td>1.0</td>
<td>2.0</td>
<td>1.0</td>
<td>1.6</td>
<td>3.0</td>
<td>55</td>
<td>7-8</td>
<td>15.5</td>
<td>-</td>
</tr>
<tr>
<td>1923-1929</td>
<td>-</td>
<td>10.4</td>
<td>9.2</td>
<td>15.0</td>
<td>8.5</td>
<td>62.6</td>
<td>9.1</td>
<td>14.5</td>
<td>3.1</td>
</tr>
</tbody>
</table>

**Chart 1:** Turkey’s main Development indicators: 1889–1929

On the other hand, investment activity based on national capital was tried to be carried out with the help of II. Constitutional Monarchy and the power of Ittihat Terakki Party. Nevertheless, in this term, the portion which could be seperated from state’s budget to investment below shows regional distribution of business enterprises called as factory and ethnic structures of workers together with capital structures, since the year of 1915.
Recional Distribution (Numbers) | Ethnic Distribution of Capital and Work Power (%)

<table>
<thead>
<tr>
<th>Cities</th>
<th>Factory</th>
<th>Worker</th>
<th>Ethnic Origin</th>
<th>Capital</th>
<th>Worker</th>
</tr>
</thead>
<tbody>
<tr>
<td>İstanbul</td>
<td>149</td>
<td></td>
<td>Muslim-Turk</td>
<td>15</td>
<td>15</td>
</tr>
<tr>
<td>İzmir</td>
<td>61</td>
<td></td>
<td>Greek-Roum</td>
<td>50</td>
<td>60</td>
</tr>
<tr>
<td>Other Cities</td>
<td>73</td>
<td></td>
<td>Armenian</td>
<td>20</td>
<td>15</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Jewish</td>
<td>5</td>
<td>10</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Foreigner</td>
<td>10</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>283</td>
<td>15.000</td>
<td></td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

**Chart 2:** The Distribution of Big Manufacture Industry in the Ottoman State in 1915, as percentage (%)


As it can be inferred from the table, the shares at non-Muslims are %75 in 283 factories. The Muslim have only %15 capital and also %15 at the working class. If it is thought that, although the owners and the ruling class at the state are Muslim-Turks, it is understood that how low the rates are. In Ottoman, that change which occurred with the foreign capital continued to increase the injustice of the incomes. Because while on the one side the European merchants, living in the big cities, and the non-Muslim minorities that are cooperating and having commercial privileges with the agreements made with. European Merchants, on the other side, were continuing to increase their incomes, the Muslims that had to manage with the difficulties at the state, started to be poor with the same rate. Futhermore, foreign and non-Muslim investors were not solely doing investments in the Ottoman lands but increasing their income via exporting goods and on the other hand, they were not doing anything that would be beneficial to the employment.

So, as a result of the changes above the objections to "the Constitutional Monarchy" started. Now the changes that we could say as "improvements in every aspects" started to occur. While the intellectuals were interpreting books of economy, they started to argue whether liberal trade or conservative policies should be followed. As a result at these arguments the increasing responses against foreign investors started to emerge. The tram workers in İstanbul and Izmir, the railway workers in Aydın and the workers at Şirket-i Hayriye went on strikes. And also in 1908, the boycott was carried out against the exported Austrian goods. These boycotts did not only stand as strikes but also meant to be the starting of the Nationalist movements which emerged and spread a many Turks after The Constituional Monarchy II. Actually, these changes and movements were inevitable in the flow of history. Because all of the ethnic groups living in the borders at the Empire were in a search for independence and started to collaborate with various European Countries.

As a conclusion, for the period of Ottoman we can say that; during the period between Tanzimat Reforms and The Constitutionl Monarchy I, the govermment did not make a considerable investment. The most important one, was maybe, in 1870s "Menafi" caissons –later in 1878 they turned out to be Agriculture Bank. This meant that the first "Public Financial Association" was founded. (Yasa, 1966). But it was difficult to say that these improvements could be accepted as industrialization. However, it can be observed that some investments started to be done; especially the railway construction was hastened after The Constitutionl Monarchy I. Also, as a parallel with the investments, "GNP" started to increase which can be understood from the tables. Besides, the starting of railway construction, some industrial associations were founded with the aim of compensating the military needs. (Anonim, 1980) However, in the Ottoman State, the large number of foreign priviledged companies, the practice of Capitulation, the non-existence at customs policies and the poor economy of the state prevented public investments.
The Period of 1923–1933 the Practice of Financial Policies and Industrialization

The Period 1923–1933

From year 1923 to 1929, in which the Great Depression occurred, corresponding with the foundation years at the Republic. During this period, our country where social, political and legal improvements and reforms were done, faced with financial problems and sought for the solutions. Soon after the Independence War, Atatürk stated that Military Victories that we did not support with economical success can not be permanent. So, with this aim to define financial policies and to practice them immediately, he arranged Izmir Congress of Economy in 1923 with the participation of every group. That Congress was held between 17 February- 4 March 1923 in Izmir with the participation of some public associations, trade, industry, farmer, worker and other groups members.

“We must give much importance to our economy to be able to carry Turkey to the highest level it deserves. It is completely time of economy, nothing else. In fact, if Turkish history is analysed, it will be seen clearly that the reasons for rise and collapse are economical reasons.” Atatürk emphasized the importance of economy and the reason why this congress was held.

The decisions made in meeting were gathered in two parts as „Economical Decisions and the problems belonging to farmer, merchant, industrialists and worker groups. Some of the decisions made in the meeting were studied because of its connection to our topic. At the first session of the meeting, such decisions as developing the sectors of forest and mine, letting foreigns capital in condition of contribution to developing economy, not letting to monopoly, were made. And at the second session of the meeting, such decisions as cancelling the Tithe (Aşar) tax, refoundation of Agriculture Bank, the developing in gunpowder and other war industry branches, processing productivity in coke antracite and emery branches, training some coal area, were taken. The most important decision made in the second session was maybe the protection of native industry against to foreign industry products with putting customs tax. When the decisions were investigated as a whole, it may be said “a protective and nationalist economical policy that would get the success in developing with special enterprise.” (Akbank Culture Prints, 1980)

Though most of the decisions taken in this congress were reflected in the economic policies after the declaration of Republic, the adhibition of some items took some time. For example monopoly of baccy could not be taken away and the import of sugar was kept on. Above all, Treaty of Lausanne congealed the customs fax for five years, thereby domestic manufacture could not be espoused. Even though command economy was stood by some encouraging cautions with Insentive Industry Law, both the opportunities of government and private sector were limited, the desired industry investment were not elicited.

As the government’s installation term between the years 1923-1932, exaggerated loan contracted could not be done and the investments could be done on the condition of taxes. For instance, though the ancestral railroad net which was 4138 kms inherited from Ottoman State reached 6040 km in 1932 it could not be supported with motorways which could maintain these railroads. Nationalizing the industry facilities in foreign governments were limited with a few adhibitions because of limited financial impossibilities (Avcıoglu, 1968) . In the same way, though the decisions of Izmir Economics Congress foresaw mixed economy structure, liberal policies were tried to be applied in general term. In other words, 1930's Governments saw the private sector as dominant factor in Economic policies and tried to help private sector and adopted the principle that cluster the areas private sector made investments.

Government founded World Bank of Turkey which was characterized as a trade bank in order to give credits to private sector and develop it in 1924 while it was carrying at this foresight. Right after this it also constituted Industry and Mine Bank of Turkey in order to bring functionality to private industrial organizations. Meanwhile, Ottoman Bank’s privilege period also was prolonged for ten years and Real Estate Bank of Turkey was established in order to deal with legal residence credit (Anonymous, 1980). But in spite of these organizations, improvement in economy couldn’t be carried on because of the World Economic Crisis in 1929 and developing private sector was not at the demanded level.
Annual Average Increase Level (%)
With 1948 and 1968 Charges

<table>
<thead>
<tr>
<th>Period</th>
<th>Population</th>
<th>GNP</th>
<th>IGNP</th>
<th>Agriculture</th>
<th>Industry</th>
<th>Import (%)</th>
<th>Invest</th>
<th>Export</th>
<th>Speed (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1929–1935</td>
<td>2.1</td>
<td>3.2</td>
<td>0.7</td>
<td>-1.3</td>
<td>17.1</td>
<td>105.2</td>
<td>10.1</td>
<td>8.0</td>
<td>-12.0</td>
</tr>
<tr>
<td>1935–1939</td>
<td>1.7</td>
<td>11.6</td>
<td>8.8</td>
<td>15.6</td>
<td>11.0</td>
<td>113.1</td>
<td>10.1</td>
<td>7.0</td>
<td>5.1</td>
</tr>
<tr>
<td>1939–1948</td>
<td>1.06</td>
<td>0.5</td>
<td>-0.07</td>
<td>1.0</td>
<td>-0.9</td>
<td>137.2</td>
<td>8.6</td>
<td>5.6</td>
<td>19.0</td>
</tr>
</tbody>
</table>

Chart 3: Turkey’s Main Development Indicators: 1929–1948

Resource: Taken from Kazgan, G.(2009, p.75).

1929 World Economic Crisis

As in many cases affecting the World, lots of studies have been carried out and different comments have been made on the reasons of this case, as well. However, some common reasons taking part in most of these can be ordered in this way; the first one is the economic power of the companies in USA. While in the 1870’s there were so many companies both large and small in USA, the small companies had to unite and after war monopolies emerged against the difficulties caused during World War I. In 1929, the number of holding companies having authority on the 50 percent of the USA economy was about 200. This meant that even a single holding company’s bankruptcy is enough to weaken economy.

The second reason is the banks’ having been badly constructed. The laws determining the banks’ capital essentials and the proportions of reserve and credit had not been made yet. For instance, there were no laws providing the reliability of financial tables of companies. For this reason, the investor was unable to have enough information about the company from which he took the written certification. Again, there were no laws that distinguish the commercial banks from investment banks, either.

As for the third reason, it is the inexperience of the government of President Hoover approved not to interfere in economy according to the liberal economy understanding that prevailed in the 1920s. However, not interfering in the 1929 crisis costed society so much. Later on, when the President decided to interfere, it was too late and the interference could not succeed. The other sign of the inexperience of the government is its having insisted on depending on the gold standard. The government pursued a strict money policy by refusing to print money independent from gold. So, the markets began to experience the liquidity problem, the economical activities halted and the real sector had to become small. And, this meant more unemployment, less income.

Fourth reason, America was almost the only country which giving debt in the world. During first World War, USA had given debt about 10.3 billion Dollars to its the Allied Powers. After first World War, USA was demanding to pay as gold its compensation from Germany and England. But, the gold stock was insufficient on Earth and the amount of stock in hand was under control of America. For this reason, Mentraned compensation and credit was tried to pay as property and service but this affected badly American own property and service sector. As a result, America couldn’t get credits which giving without financial record. (Armaoğlu, 1987)

USA gave debt about to twenty goverments during war. England with 4.2 Dollars, France with 3.4 billion Dollars, Italy with 1.6 billion Dollars were in debt. The total debt lended by America was almost 10.3 billion Dollars. After war, these goverments didn’t want to pay their debts. Because they depended on the repair debt which would be gotten from Germany. America struggled to collect debts exactly. The other goverments didn’t pay on They paid as sembolic. (Armaoğlu, 1987)

With the begining of crisis, USA exchange collapsed. These improvements in America affected Turkey which was founded justly and the term of new industry. In the same years, personal enterprise failed in progress and redounding capital done under difficult conditons. A lot of people lost their jobs with the company which went bankrupt. At last, in 1930s, Defending etetism politics were applied in all world countries.

The Economic Politics of 1933–1950 and KIT’s Emergence in The Name of Industrialization

In 1930s, the economic crisis which wrapped up the world also had influence on our country. (Hiç,1998). Consequently, in the same years a new approach named as ‘Statism’ was adopted. While
this approach was being adopted, it was declared that there would be a support for Private Enterprises but for the vulnerable condition that was in, the priority would be given to the Public Economical Organization about conducting improvements. Likewise, this understanding entered into the People of Republic Party (CHP) programme. In this programme, Statism was defined in such words: “on condition that keeping the individual work and activity, as quickly as possible, making the community reach prosperity and improvement… making the community concerned with law in act…” As far as we understand from the developments, Statism appeared not because of a doctrine but the requirements in that period which had to have realistic approaches. During the years 1930–38 when the etatism principles was in use compulsorily, Atatürk was not in favor of strict etatism and was suspicious of the success of etatistic economic politics. Even the period’s Prime Minister İsmet İnönü declared that Atatürk was in favor of private enterprises and liberal economy. The failure of providing a successful improvement in the field of economy from the time of founding Republic made Atatürk think over the issue. Because the country had to develop fast and was aware of the fact that with slow down bureaucracy, unstable government mechanism, industrialization could not be fast and enterprising. In 1932, with the demand of Atatürk, the appointment of Celal Bayar who was the manager of İs Bank in place of Mustafa Seref, the Economics Deputy, was important from the perspective of Atatürk’s preferences in politics. Likewise in 1937, the seperation of Atatürk and İsmet İnönü might have been the leading result of this difference in opinions. But in the same period, the lack of investors entailed the government to be active in economics and the statistic economic model was to be adopted inevitably. (Koçak, 2007). Between 1933 and 1938, with the Statism practises, Five Years Development Plans were put into use. (Boratav, 2007).

Again, as a continuation of applying of this program, between 1938–43 Second Development Plan For Five Years was applied. The basic feature of these plans is having proposed to carry the investments in such sectors as industry, banking and transportation by government. In this period, business enterprises which would be called as Public Economic Formations and as an abbreviation KIT (Public Economic Enterprise) started to increase rapidly. Government increased its investments such industrial branches as weaving, mine, cellulose, ceramic and chemistry. From these branches, weaving industry in the construction of Sumerbank and mine enterprises in the construction of Etibank were collected.

Conclusion

The civil financial institutions started to be established in 1934 carried out the duty of being locomotive of economy until 1950s. With the death of Atatürk and İsmet İnönü’s being President, statism in economy was applied strictly until 1946. Even, some private enterprise attempts had to be closed at this period. (Primership Republich Archive. 030.10-59.399.25). Transition into multi-partied era in 1946 and change of government with 1950 election caused return to liberal policies again. Parallel to these developments, KITs (Public Economic Enterprise), founded under the name of industrialization lost its importance. (BCA, 030. 10-174.202.6) There are so many reasons for KITs (Public Economic Enterprise) to lose their importance in industry. Some of them are like those: administration, production, investment and financial issues. In time, these institutions were closed as they could not renovate themselves or were left out of state’s industry production by privatizing.

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