

Great Depression (1929) in Istanbul and a Turkish Style Contribution to the Solution of the Crisis: Sale Coupons

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Abstract

Great depression was the first global economic crisis of the 20th century. The crisis mostly affected the industrialized countries. Turkey was not an industrialized country, but its capital İstanbul, which was articulated to the world economy, was also affected by the depression. The crises affected the Istanbul city not only economically, but also socially and morally.

During the depression years the prices of the basic consumer goods increased and the monopolist and black marketing tendencies among tradesmen strengthened in Istanbul. Local administration was insufficient to solve these problems. The public accused the local authorities because of the applications of tradesmen.

Peoples and institutions advised several solutions for minimizing the negative effects of the crisis in İstanbul. One of them was the Istanbul Chamber of Commerce. The Chamber prepared reports about the solutions and delivered them to the concerned authorities. Besides the Chamber, the Republican Peoples Party, which was the political power of the period, the bureaucrats, who were the implementers of the economic policies, and the academicians prepared reports to make contributions to the solution. The most interesting solution was offered by the “Cumhuriyet” newspaper, described as a Turkish style contribution in this paper. The newspaper offered to its readers in Istanbul daily “sale coupon’s to prevent them from the negative effects of the crises. This paper will discuss the working of the coupons in detail. The Cumhuriyet newspaper made arrangements with shops and stores in different areas in Istanbul to make discounts to its readers. There are a lot of shops on a wide range of branch from basic consumption goods to the stationeries. The consumers in Istanbul benefited from these coupons against the rising prices.

Keywords: Great depression, Istanbul, Turkey Cumhuriyet Newspaper

Introduction

This study will determine the effects of 1929 economic crisis, which is considered as the most severe economic crises of capitalism, on Istanbul; what methods were used to alleviate the effects of the crises and who called institutions for duty to solve the problem. Like in Ottoman period, the city of Istanbul is still the most important city of Turkey in economic and demographic terms. Furthermore, the study will analyze the causes of price

increases in basic consumption goods and what measures were taken to overcome this problem using primary sources of the related period.

1-Prices of Some Consumer Goods in Istanbul and Profiteering

Bread Prices

Bread prices increased at the time of the crisis. The okka¹ increased to 16-17 kurus. Municipality of Istanbul took some measures to prevent the increases in bread prices. The first one of these measures was to open municipal bakery in Nişantaşı. The municipality would supply the flour for the bakery from the mills in Unkapanı. It would prevent profiteering of bakers and provide clean and cheap bread to the people of Istanbul². Another resort to decrease bread prices was to import wheat to Istanbul. This resort was immediately put into practice and the municipality began to import wheat from the USA. *Milliyet* newspaper announced wheat import to its readers as “25 thousand bags of flour arrived from the USA”. The newspaper also heralded that the price of bread would decrease by approximately 10-20 para³ thanks to flour importation. Other newspapers announced the arrival of 15.000 tons of wheat which was brought to Istanbul in three ships.

Meat Prices

Majority of small ruminants which supplied meat to Istanbul in Ottoman Era used to be brought from the Balkans and Central Anatolia. The principle reason of this was that it was easier to transport animals from these regions than other cities. On the other hand, large ruminants, which were less consumed than small ruminants, used to come from Thrace⁴.

After the exclusion of the Balkans from the boundaries of the new Turkey, the regions which supplied meat to Istanbul changed. During the years of crisis, the animals to supply meat to Istanbul generally came from Erzurum in winter and from Izmir and its vicinity in summer months. In 1929, minimum 2000-2500 small ruminants were necessary on daily basis to meet meat need of Istanbul. In certain periods, this need increased to 3000. However, there were problems in the supply of animals to meet daily meat need of Istanbul. This, in turn, increased meat prices. While the okka of meat was 110 kurus in 1928, it increased to 150 kurus in 1929.

The reasons of the increase of meat prices varied according to different circles. The artisans involved in sheep and meat commerce attributed the increase of meat prices to unfavorable weather conditions; transport prices and to the high taxes collected from live animals and on the meats of slaughtered animals under various names. They believed that okka of meat increased by 25-30 kurus due to abovementioned reasons⁵.

¹ 1 Okka=1283 gr

² *Milliyet* 23 March 1929

³ 40 para is equivalent to 1 Kurus; 100 Kurus is equivalent to 1Lira.

⁴ Robert Mantran, *Istanbul in the Second Half of the 17th Century*, Volume I, Turkish Historical Society Publications, Ankara 1990, 180-181

⁵ *Milliyet* 5 Kanunisani 1929

On the other hand, according to the officials in Municipality of Istanbul, principle reason for increased meat prices was that large numbers of animals were killed due to severe winter conditions and that the animals which were saved were raised with high costs. The municipality didn't agree with the opinion that *Oktruva* (entrance tax collected from the goods from other cities for commercial purposes), which was considered as the cause of high meat prices, was high. The *Oktruva* tax, which was believed to cause the increase meat prices, remained unchanged for several years and the ratio applied in previous years continued to be applied.

A public official who was interviewed by the reporter of *Milliyet* newspaper in March 1929 attributed increased meat prices in Istanbul to the taxes collected by the municipality and Commodity Exchange rather than to profiteering. As per the practices, Municipality of Istanbul collected 35 kurus and the Commodity Exchange collected 27 kurus tax per okka of meat in the slaughterhouse. It would be possible to buy meat, which was sold to 150 kurus, to 100 kurus if both institutions gave up collecting the taxes. The public official also claimed that Municipality of Istanbul collected 15 kurus barn toll from the people who didn't keep their animals in barns, which also increased meat prices⁶.

On the other hand, *Cumhuriyet* newspaper, which was one of the influential newspapers of the time, attributed high meat prices in Istanbul to "profiteering" practiced by the company of butchers. The newspaper announced that this claim was not based on a rumor, that it had strong evidence. It also declared that it would draw the attention to the municipality and the government on this issue by "proving its claim in its columns". According to *Cumhuriyet* newspaper, the company of butchers in Istanbul meat market had an actual monopoly. This monopoly involved a wide area from the purchase of live animals to the sale of meat to consumers. The company of butchers used to buy the animals directly from animal owners. The company sent his men to cities like Erzurum and Bayburt to buy live animals from the producers. Thus, the price of the animals that were sent to Istanbul for slaughter was controlled by the company. Even the people who brought live animals had to sell the animals to the price determined by the company of butchers. Since there was no other buyer in the market, it was impossible for the cattle-dealer to sell the animals unless they accepted the price determined by the company of butchers. In fact, a cattle-dealer which, the company of butchers did not want could never continue its activities in Istanbul. The company of butchers also performed brokering and wholesale business.

Cumhuriyet newspaper believed that the increase in meat prices in Istanbul was not caused by natural conditions; it was caused by the monopoly of the company of butchers. To support its opinion, the newspaper also asked for information from the governor of Erzurum about Erzurum market, which mainly supplied meat to Istanbul. According to information obtained from Governor Feyzi Bey, retail price of sheep was 1200 kurus in Erzurum and the wholesale price was much lower. Based on the information obtained from the governor, maximum price of sheep brought to Istanbul from Erzurum should be 2032

⁶ *Milliyet* 21 March 1929

kurus including all costs. However, an income of approximately 250 kurus was obtained when the sheepskin, intestines and variety meats were sold. When this amount is deducted from the cost of transporting sheep to Istanbul, average cost of reporting sheep to Istanbul would decrease to 1782 kurus. Considering that 20 okka meat is obtained from an average sheep, it was calculated that maximum price of sheep meat in Istanbul should be 89 kurus. However, the people of Istanbul bought meat to 150-180 kurus.

The company of butchers sent an explanation to *Cumhuriyet* newspaper due to its report stating that the company was founded with a capital of 500.000 Turkish Liras and its field of activity included various commercial and industrial works such as leather, variety meats and transport. The company also stated that they didn't work as butchers in Istanbul and therefore cannot be held responsible for high meat prices in Istanbul market. According to the company of butchers, the reason for high meat prices was retailer small butchers. Hamdi Bey, one of the chairmen of the Chamber of Commerce, declared that 60 kurus difference between the selling price and cost of meat stemmed from retailer butcher artisans and supported the attitude of the company of butchers⁷.

Profiteering

The media in Turkey emphasized that, although it seemed that high price of basic foodstuff was caused by inflation and the difference between gold money and bank notes, the real reason was the profiteering performed by the artisans in the market. They tried to prove their claims by the difference between wholesale and retail prices of goods. For example, soap with a wholesale price of 50 kurus was sold to 80kurus in the market. Pure olive oil which was sold to 85-90 kurus was sold to 120 kurus in the market. It was claimed that even if all costs, office rent and 20% profit is added to these goods from the wholesaler to the stage of retail selling, there would be only a difference of approximately 25% between the wholesale and retail selling price. However, there was a minimum 40-50% price difference between the wholesale and retail price of the goods in the market. This was attributed to the mercilessness of artisans and the situation of people in the market and bazaar was resembled to desperate robbed people. The reason for this situation in the market was attributed to the failure of Municipality of Istanbul to inspect properly. According to the media, the municipality perceived the task of control as stopping cars and changing the places of peddlers. However, the task of control includes inspection of artisans in their workplace; to arrest the profiteers in the act and to punish the perpetrators by law⁸.

The newspapers called Istanbul artisans, whom they believed to increase prices as follows: "you are robbing people by means of this ugly profiteering. The people will be penniless tomorrow, if not today. Who will you sell those goods in your stores then?" The newspapers emphasized the nationality of the artisans using the rhetoric of that time and as

⁷ 2 August 1929 Cumhuriyet

⁸ Coping with high cost of living 1 September 19129 İkdam

follows: “Grocer Koço, butcher Yorgo can open a store in Athens ad Kalamata with what they earned. However, you, Turkish artisans, what will you do?”⁹.

2-Price Increases in Istanbul in Crisis Period and the Methods to Eliminate Price Increases

Opinion of Istanbul Chamber of Commerce on Price Increases

In 1929, when the economic crisis broke out, the officials of Istanbul Chamber of Commerce reported as follows: “High cost of living was prevalent all over the world not only in Istanbul. However, price increases in Istanbul were not natural and more severe. The increase ratio was at an unacceptable level.” According to the officials of the Chamber of Commerce, it was possible to reduce high cost of living in Istanbul by 15%. The first thing to do was to stop collection of high *Oktruva* tax by the municipality over basic foodstuff. The second thing to do was to establish cooperation by the Directorate of Economy of the Municipality and to encourage local people to establish district cooperation. The middleman between the cooperation and producers will be eliminated and thus the prices will decrease¹⁰.

The Chamber of Commerce only criticized the municipality for the high cost of living, while Daily newspapers reported that the Chamber of Commerce had a role in it. According to the newspapers, prices increased since the Chamber of Commerce failed to fulfill its principle duty. *İkdam* newspaper reported from the headlines as follows: “A city with a municipality, chamber of commerce, other similar institutions. However, these official institutions fail to fulfill their duties. The cost of living would not be so high if the institutions in Istanbul did their jobs properly. For example let’s think of Chamber of Commerce. The chamber of commerce is the official union of the artisans and tradesmen. This organization should feel honor-bound to prevent profiteering and exclude the profiteers.” The news report declared that in addition to protecting the rights of traders, the profiteers should be eliminated too. Profiteering was the enemy of humanity and nation and it decreased production of goods. *İkdam* newspaper reported that chambers of commerce in other countries worked in coordination with the government and municipalities and they were the right-man of the state in economic matters. However, these institutions hadn’t reached that level in Turkey.

İkdam newspaper asked what Istanbul Chamber of Commerce, which should have contributed to solve the problems did at the time when these problems were experiences. It also sought to answer whether the Chamber of Commerce had something to do in a period when the prices increased. On the other hand, Istanbul Chamber of Commerce seemed to be an organization which only collected contribution from the artisans as its task and didn’t solve any of the problems. The newspaper resembled the chamber as a lodge which failed to do its principle duty. However, the duty of the Chamber of Commerce was to warn the

⁹ Coping with high cost of living 4 September 1929 *İkdam*

¹⁰ 15 Eylül 1912 *Cumhuriyet*

artisans about the prices of the goods they sell and to impose sanctions on the artisans which perform profiteering. It was declared that presence of even one profiteer among the members of the chamber would destroy the trust of the artisans to each other and that would be a catastrophe for the artisans.

İkdam newspaper compared the chambers of commerce in Turkey with those in Europe. The chambers of commerce in Europe made publications to raise the awareness of the consumers to contribute to decrease the high cost of living. It was claimed that Istanbul Chamber of Commerce didn't have a role despite its corporate identity and didn't take any action especially to reduce high prices. Therefore, the newspaper reported that Istanbul Chamber of Commerce failed to meet the expectations of the people of Istanbul stating “The Chamber of Commerce turned into a bedroom. Everyone is fast asleep.”

Another reason for criticizing the Chamber of Commerce was that it manipulated the figures in its restricted publications, to show as if the high cost of living wasn't high in Istanbul. In a daily newspaper titled “*Piyasa Cedveli*” (Market Table), the Chamber announced the prices of some goods to the people of Istanbul. However, these prices weren't consistent with the prices in the market. Prices of some goods were listed in *Piyasa Cedveli* as follows:

Potatoes 11 kuruş

Cheese 85 kuruş

Olive oil 48-50 kuruş. However, real market price of these goods were as follows:

Potatoes 17 kuruş

Cheese 110 kuruş

Olive oil 100 kuruş

In this case, the newspapers decreased the reliability of the Chamber of Commerce. The newspapers implied that the figures announced by the chamber were not true, stating that based on the prices the chamber announces, one should believe that the high cost of living is not high in Istanbul. Furthermore, the newspapers asked the Chamber of Commerce the following question: “We wonder from which cheap market the chamber of commerce takes these cheap prices. How can it give these prices to the authorities as official market prices?” The newspaper claimed that this type of misleading information stemmed from the actions of the directors of the chamber of commerce to protect their interests, instead of protecting the interests of the society¹¹.

Newspapers and Price Increases

The newspapers in Turkey felt responsibility in struggling with the high cost of living in Istanbul and constantly published articles on this problem. The reason for their attitude was the belief that they cannot remain indifferent to the priority problems of the society. Neither the “Mexican revolution” nor “the exhibitions in Spain” were the most important

¹¹Cheap life!

problems of the readers. The main problem which made 700.000-800.000 people, including the readers, think was what to eat for lunch, how to buy new clothes and how to pay the rent¹²

While investigating the causes of “high prices” nightmare in Istanbul, which both affected the rich and the poor, *İkdam* newspaper asked the opinions of various people from the bureaucracy and from the market thinking that they could have a solution for the problem. The reason for this was that it attempted to determine the problem thought and to present a suitable solution for the problem¹³. *İkdam* newspaper started a column titled “struggle with high cost of living”. This column included the opinions of the abovementioned people on the reasons for the cost of living in Istanbul and how to deal with this problem.

In this framework, Hamdi Bey, General Directorate of Port Company, was one of the people whose opinion was asked. Hamdi Bey believed that the high cost of living appeared in two ways. The first one was the increase in white consumer goods, the second one was “financial hardship”. He believed that the second was more important because subsistence and earning more became very difficult and the opportunity of employment decreased in Turkey. Therefore, when a vacancy was announced for a public servant with a monthly income of 50 liras, 50.000 people applied for the position. Hamdi Bey believed that the problem of cost of living would be solved by increasing employment opportunities. However, neither the public sector nor the private sector had enough capital to establish new industrial plants. Turkey should certainly encourage foreign capital to eliminate the problem of capital. According to Hamdi Bey, if 4-5 million pound foreign capital is provided to Turkey on annual basis, it would be possible to found industrial investments to increase production.

Ahmet Hamdi Bey attributed high good prices in Turkey to three reasons. The first one was the high production cost of the goods. The second one was that produced goods didn't reach the customers directly, they were offered via the middleman and transport prices were high. For example, the transport cost of one ton of goods from Haydarpaşa to Ankara was sometimes equivalent to the price of that good. Inadequate means of transport and unavailability of roads also increased transport costs. These factors also caused price increases. The third one was that the people didn't know how to control their expenses. According to Hamdi Bey, an indication of not knowing how to control their expenses was that the people used to buy goods from the shops instead of directly going to producers. The reason for widespread use of this method was that the men went home at an early hour and left the work at a late hour in that period. However, it was reported that in the past since the men didn't have any working hour or time constraints, they used to buy goods they need from cheap sellers. According to Hamdi Bey, the men were excluded from managing the house since they didn't have enough time and that the women undertook this responsibility. However, the women couldn't do shoeing as the men.

¹² 17 May 1929 *İkdam*

¹³ 13 May 1929 *İkdam*

It was claimed that the women didn't know how to do shopping since they were unaware of trade or perceived it easy and felt it beneath them to go shopping were effective in their inability in shopping. Therefore, instead of buying the goods they need from cheap places, the women preferred to buy them from nearly butchers or shops. This preference caused minimum twenty-thirty percent more expensive prices.

Ahmet Hamdi Bey believed that the cooperation established in other countries that experienced high cost of living and like those established by the non-Muslims in Turkey should be founded by Turkish people to solve the problem of high cost of living¹⁴.

Hakkı Cemil, who was one of the writers in *İkdam* newspaper dated 29 June 1929, asked Muhittin Bey, the Mayor of Istanbul the reason for high cost of living in Istanbul in his article titled "High prices". Furthermore, he also asked why the prices in Istanbul showed variations while the consumer goods in cities such as Athens, Sofia and Thessaloniki are the same in all regions of the city. Hakkı Cemil Bey recommended that the municipality should announce the prices of the goods in public placed to prevent price differences. He reported that, instead of solving the priority problems of the people, the Municipality of Istanbul gave priority to public works problems of the city which are of secondary or third importance for the people. The municipality incurred costs and even sent groups to European cities for the public works of the city in the period of crisis. However, Hakkı Cemil Bey believed that instead of these types of things, the Municipality of Istanbul should use all its material and spiritual powers to eliminate high prices¹⁵.

Vehbi Bey, who was a member of the Economic Council and one of the teachers of the School of Ali Commercial Center, reported that high cost of living can be dealt with in two ways. The first one includes "positive" measures. In this context, there was no shortage of goods that met the basic needs of the consumers. According to Vehbi Bey, the craftsmen, industrialists and tradesmen would achieve this in the market. Vehbi Bey also recommended dealing with profiteering by the municipality by avoiding being radical and taking palliative measures. However, this struggle should not be a factor for pressure on other artisans.

Vehbi Bey recommended the consumers to limits the consumption of foodstuff, to prefer low quality products instead of normal ones and to give up jewelry and luxurious goods in the context of "individual" measures¹⁶.

¹⁴ 12 June 1929 *İkdam*

¹⁵ Hakkı Cemi, "Cost of Living" *İkdam* 29 June 1929

¹⁶ 13 May 1929 *İkdam*

3-Method for Solving Problems: Discount Coupons of Cumhuriyet Newspaper

Cumhuriyet newspaper also made attempts to contribute to the problem of high cost of living, about which all people of Istanbul complained about. The newspaper adopted the view that the government and the municipality of Istanbul made enough efforts to deal with high cost of living. The newspaper believed that, if they didn't made enough efforts as some people claimed; this would certainly have a positive impact on the people. Since the newspaper didn't agree with the opinions of those who claimed that they made attempts to eliminate problems, it made its own contribution. This contribution included discount coupons the newspapers gives its readers "to attack the cost of living which resembles a seven-headed dragon"

Cumhuriyet newspaper explained the reason for the discount coupons it gave as follows: "There is a sick person. The doctors surrounding him are making constant debates to make the diagnosis. However, what they do is only wasting time". The newspaper reported that everyone brought theoretical opinions to solve the cost of living problem, whereas the important thing was to practice them. For this reason, *Cumhuriyet* newspaper set aside theoretical recommendations and suggested discount coupons as a practical practice¹⁷.

In his leading article in *Cumhuriyet* newspaper, Yunus Nadi explained his "new attempts" about "cheap life" and explained how they could benefit from them¹⁸. *Cumhuriyet* newspaper was giving its readers one "discount coupon" on daily basis. The coupon had to be used on the day it was issued. The newspaper signed contracts with various "trade centers and corporations" too meet all kinds of needs. The corporates with whom contracts were signed were announced in the newspaper every day. The places which were announced in the newspaper would make a discount to a ratio it promised to each customer, no matter what the price of the good, if they brought the discount coupon of that day. The newspaper announced the names, neighborhoods and discount ratios of the organizations which would make discounts everyday on the third page. Discount ratios varied between 5-10-15%.

The newspaper also explained how the coupons should be used with an example. For example, think that you go to a store which was announced in the newspaper to make a discount and that store announced that it will make 10% discount as per the contract it made with the newspaper. Like every customer, you entered that store and bargain without stating that you brought a coupon. Think that you agreed to pay 15 liras for a good. Now it's time to pay. You give 135 liras instead of 1.5. Before the cashier tells you:

- You didn't pay the full amount!

You take the coupon out of your wallet and put it on the money. Then you will see that the cashier will say "Thank you". You will keep 1.5 liras, get your good and leave the store contentedly."

¹⁷ Cumhuriyet "how we make life cheaper"

¹⁸ Yunus Nadi "Ucuz hayat" 14 May 1929 Cumhuriyet ,Yunus Nadi, "Milli Ekonomi"

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