



ISTANBUL
GELISIM
UNIVERSITY

ATATURK'S PRINCIPLES AND HISTORY OF TURKISH REVOLUTION II

ECONOMIC REFORMS

WEEK 5

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What is Economy?



«Economy means everything. It is everything to live, to be happy and all the things that are necessary for the existence of human beings.

It means agriculture, trade, working and everything.»

MUSTAFA KEMAL ATATÜRK



What is the importance of Economy for the societies?



«When the Turkish history was examined, all the causes of rise and decline will be observed to be dependent on economy.»

MUSTAFA KEMAL ATATÜRK

(ATATÜRK İLKELERİ KİTABI S. 401)



«All the victories, defeats, collapses and disasters pervading our history were all connected with our economic conditions of the time.»

MUSTAFA KEMAL ATATÜRK

(ATATÜRK İLKELERİ KİTABI S. 401)



Which institution should manage our economy?



«The people who will follow our education should be a good farmer, shoemaker, merchant, executive; a beneficial and productive person and National Education will be the teacher of all these.»

MUSTAFA KEMAL ATATÜRK

(ATATÜRK İLKELERİ KİTABI S. 405)



What is the relation of Economy with politics and military victories?



«No matter how great the politic and military victories are, they are to fade away soon unless they are crowned with economic successes.»

MUSTAFA KEMAL ATATÜRK

(ATATÜRK İLKELERİ KİTABI S. 415)



What should be the situation and position of the villagers according to Ataturk?



«The real owner and master of Turkey was the villagers, the real producers. Then, the right to have prosperity, happiness and fortune belongs to the villagers more than anyone.

Unless the Turkish villagers are the «Effendy», the country and the nation will not be able to rise.»

MUSTAFA KEMAL ATATÜRK

(ATATÜRK İLKELERİ KİTABI S. 407)



What is the relation between Economy and Independence?



«The aim of our present struggle is total independence. The total independence is possible through fiscal independence.

As soon as the state treasury loses its independence, the independence in all crucial insitutions of the state is paralysed.»

MUSTAFA KEMAL ATATÜRK

(ATATÜRK İLKELERİ KİTABI S. 423)



Economic Condition

- The Independence War was a victory in economic difficulties.
- The economic development was crucial for the survival and to be a strong country of Turkish State
- When the new Republic was declared, there was almost no industry in Turkey.
- The limited sources of the economy was run out as a result of the war.
- Atatürk started economic moves to develop the country.

Izmir Economy Congress (February 17, 1923)

- Izmir Economy Congress convened in Izmir to discuss the goals of the national economy and the methods to follow to the goals on February 17, 1923.
- The Economic Pact was accepted in the Congress.
- Accordingly, the Turkish Nation will not sacrifice his independence which was obtained by fight.
- Economic Independence is also principle just like political independence.
- **Adopted Resolutions**
- -> Precautions to protect the producer, national industrialists and Incentives
- -> Nationalization of the Bourse (Stock Exchange)
- -> Establishment of an commerce bank
- -> The improvement of the sea and land transportation.
- -> Facilitation of the credits to the farmers
- -> The improvement of the workers' conditions.
- -> Abrogation of Tithe (Islamic Tax, Dime Levy)





Industrial Reforms

- Industrialization was perceived as the prominent part of the economic development.
- However, capitulations (economic and judicial privileges for the foreigners) obstructed the development of a local industry.
- There was no significant industrial facility in Turkey after the War of Independence.
- **The Industrial Promotion Law (May 28, 1927)**
- The Industrial Promotion Law was enacted as an indication of the understanding of the importance of industry by the leadership.
- This law was to be in force for 15 years.
- The protective measures were expected to create the sufficient support and influence on the industry.
- The Law aimed to realize the industrial development by supporting the private sector's capital.
- **Sümerbank and Etibank**
- Sumerbank (1933) and Etibank (1935) contributed the establishment of new industrial facilities by providing credits to the industrialists.



The Forest Farm was established
in 1925 by Mustafa Kemal.
Ataturk Forest Farm in 1939

The First Five-Year Industrial Plan

- The First Five-Year Industrial Plan could enter into force in 1934 after a three-year preparation.
- The aim of the plan was to establish industrial facilities relying on the raw material cultivated in Turkey and to give priority to produce the consumer goods in the country, which were imported.
- Therefore, the formation of weaving, mining, chemicals and porcelain industries were projected.
- Some of the investments were made by Sumerbank and İş Bankası.
- Moreover, some funds which were allocated in the state budget and some external credits were used in this program.
- The State made significant investments in the mining sector and in 1935, Mineral Research and Exploration Institute was set up.
- The protective customs policy created an appropriate condition for the application of the program.
- The First Five-Year Plan which was conducted successfully lasted three years.



The Second Five-Year Industrial Plan

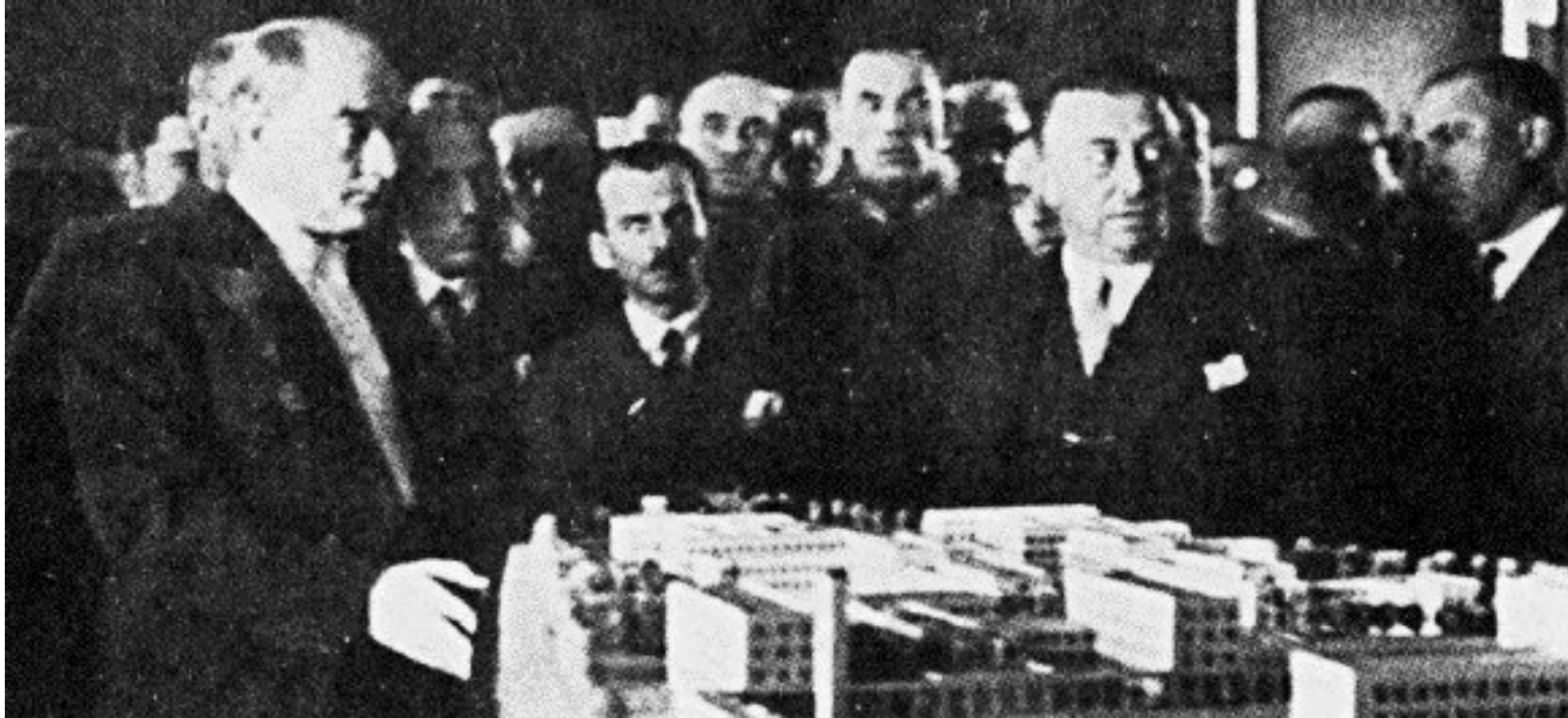
- The Second Five-Year Industrial plan was prepared in 1937 and came into force in 1938.
- The second plan was more extensive and gave priority to the production of intermediate goods and investment goods.
- The main sectors to invest in this plan were electrification, mining, ports, machinery, foods, chemicals, fuel industries and sea transportation.
- The aim of this plan was to turn to export.
- Yet, the Second Five-Year Industrial Plan could not be applied due to the break out of the World War II.





Commercial and Economic Reforms

- **Establishment of the Central Bank**
- The Turkish Central Bank was established on June 30, 1930 thereby ensuring the market security and follow of the capital flow.
- **Establishment of the Turkiye İş Bankası**
- The lack of necessary domestic capital was the main reason of the scarcity of the industrial investment.
- Thus, on August 26, 1924 Turkiye İş Bankası was established to support the new industrial facilities, to pioneer the development of national savings and deposits.
- **Cabotage Law (July 1, 1926)**
- The sea shipment in Turkey was dominated by the foreigners due to the capitulations.
- But the Cabotage Law entrusted this right only to the Turkish ships in Turkish territorial waters.
- Thus, the Turkish shipment and sea trade started to develop.



The government-subsidized industrial textile complex of Sumerbank, 1935.



Agricultural Reforms

- The Turkish economy was based on agriculture.
- The conditions of the farmers had to be improved to improve the agriculture.
- **Abolishment of Tithe (February 17, 1925):**
- The tax burden on the farmers in the Ottoman times was heavy.
- A religious tax «Tithe (Aşar/Öşr)» meant one out of ten and was collected from the farmers' crop.
- The unfair and suppressive collection of Tithe through contracting overwhelmed the farmers.
- The abolishment of Tithe on February 17, 1925 was also the start of the Republic's fiscal reforms.
- -> The Agricultural Bank supplied credits and seed for the farmers.
- ->. Farmer Cooperatives were established in 1926.
- -> Seeds and food were distributed in 1934.
- The works of forest development and animal improvement were made.



*Mustafa Kemal Atatürk
listening a villager with care.*



Summary

- The pursuit of state-controlled economic policies by Atatürk was guided by a national vision: He wanted to knit the country together, eliminate foreign control of the economy, and improve communications.
- *July 24, 1923*: Abolition of the capitulations with the Treaty of Lausanne.
- August 26, 1924: Türkiye İş Bankası was established.
- 1924: the Ministry of Food, Agriculture and Livestock was established.
- 1924: The Weekend Act (Workweek).
- *October 1, 1925*: Atatürk opened the Bursa textile factory.
- *August 26, 1925*: The International Time and Calendar System (Gregorian calendar, time zone).
- 1925: Establishment of model farms; (Atatürk Forest Farm).
- *March 26, 1926*: A law was passed to nationalize the petroleum industry.
- *May 31, 1927*: Establishment of the Turkish State Railways.
- June 11, 1930: A law was accepted which established the Turkish Republic Central Bank
- *June 1933*: Sümerbank and Halkbank were established.
- *December 1, 1933*: First Five Year Development Plan (planned economy)
- 1933: The System of Measures (International System of Units)
- June 8, 1936: A labor law was accepted which represented the first step towards the Turkish Social Security System.
- October 9, 1937: Atatürk opened the Nazilli Printed Cloth Fabric Factory.
- 1937: Second Five Year Development Plan (planned economy)