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Research Article/Araştırma Makalesi

Evolution of Statism in the Turkish-Muslim Bourgeoisie's Economic Perspective: From the 1st Turkey Economic Congress to the 2nd Turkey Economic Congress¹

Müslüman-Türk Burjuvazinin İktisadi Perspektifinde Devletçiliğin Evrimi: 1. Türkiye İktisat Kongresinden 2. Türkiye İktisat Kongresine

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Abstract

In this study, the 1st and 2nd Turkey Economic Congresses emerge as the fundamental milestones of capitalist development in the literature of Turkish economic history. Since the late period of the Ottoman Empire, the efforts of the state to create a Muslim-Turkish bourgeoisie continued in the newly established Republic of Turkey, and bureaucrats generally accepted the demands of the mentioned class during the 1st Turkey Economic Congress. Furthermore, during the 1st Turkey Economic Congress, discussions were held on how to strengthen the Muslim-Turkish bourgeoisie, and in this context, a series of decisions were made during the mentioned congress. After World War II, the bourgeoisie, which believed that it had become sufficiently powerful or perceived itself as such, began to think that the state was now an obstacle to their interests. In the 2nd Turkey Economic Congress held in 1948, they shared these thoughts with the public. This perception of the bourgeoisie arises from the state's involvement in the market as a producer since the early 1930s and therefore, the inability of this group to compete with the state. In this study, we investigate the transformation and reasons behind the bourgeoisie's mindset regarding statism in the context of the stage of capitalist development.

Jel Codes: P19, N45, N94

Keywords: Capital Accumulation Process, Stages of Capitalist Development, 1st and 2nd Turkey Economic Congresses, Muslim-Turkish Bourgeoisie

¹ This study is the revised version of the paper titled "1st and 2nd Turkish Economic Congresses Within the Framework of Capital Accumulation Process" that we presented at the International Conference in Economics in Prague.

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Öz

Bu çalışmada, Türk ekonomi tarihi literatüründe 1. ve 2. Türkiye İktisat Kongreleri, kapitalist gelişmenin temel kilometre taşları olarak öne çıkmaktadır. Osmanlı İmparatorluğu'nun son dönemlerinden itibaren devletin Müslüman-Türk burjuvazisi oluşturma çabaları, yeni kurulan Türkiye Cumhuriyeti'nde de devam etmiş ve bürokratlar genellikle bu sınıfın taleplerini 1. Türkiye İktisat Kongresi sırasında kabul etmişlerdir. Ayrıca, 1. Türkiye İktisat Kongresi'nde Müslüman-Türk burjuvazisinin nasıl güçlendirileceği konusunda tartışmalar yapılmış ve bu bağlamda söz konusu kongre sırasında bir dizi karar alınmıştır. İkinci Dünya Savaşı sonrasında, kendilerini yeterince güçlü hissedenden Müslüman-Türk burjuvazi, artık devletin çıkarlarına engel olduğunu düşünmeye başlamıştır. 1948 yılında düzenlenen 2. Türkiye İktisat Kongresi'nde, bu düşüncelerini kamuoyu ile paylaşmışlardır. Burjuvazinin bu algısı, devletin 1930'ların başından itibaren bir üretici olarak piyasaya müdahil olmasından ve bu grubun devletle rekabet edememesinden kaynaklanmaktadır. Bu çalışmada kapitalist gelişme aşaması bağlamında burjuvazinin devletçiliğe bakış açısının geçirdiği dönüşüm ve ardındaki nedenler incelenmiştir.

Jel Kodları: P19, N45, N94

Anahtar Kelimeler: Sermaye Birikim Süreci, Kapitalist Gelişim Aşamaları, 1. ve 2. Türkiye İktisat Kongreleri, Müslüman-Türk Burjuvazi



Kalabak, A. Y. & Kolçak, M. (2023). Evolution of Statism in the Turkish-Muslim Bourgeoisie's Economic Perspective: From the 1st Turkey Economic Congress to the 2nd Turkey Economic Congress. *Fiscaoeconomia*, 7(Özel Sayı), 179-209. Doi: 10.25295/fsecon.1351036

1. Introduction

In this study, we examine the 1st and 2nd Turkey Economic Congresses within the framework of stages of capitalist development. In this context, the 1st Turkey Economic Congress appears as a compromise between capital circles and the state mechanism, while we view the 2nd Turkey Economic Congress as a conflict between the same class and the state.

The compromise arises from the understanding that without state support, non-Muslim bourgeoisie cannot be cleansed from the market and cannot achieve capital accumulation. Based on this, it becomes apparent that the Muslim-Turkish bourgeoisie has been effectively supported by bureaucrats since the last periods of the Ottoman Empire. Looking at the last periods of the Ottoman Empire, we observe that the dominant bourgeoisie class consisted of non-Muslims. To overcome this situation, the policymakers of the time aimed to create a Muslim-Turkish bourgeoisie through various practices, which is discussed in the first part of our study.

The process of creating/compromising a national bourgeoisie, which has become an institutional thread, has also manifested itself in the Republic of Turkey. In this context, we discuss the 1st Turkey Economic Congress in the second part of our study. By utilizing the decisions of this Congress and the subsequent implementations, we aim to demonstrate the contribution of the state administration of that period to the process of creating a national bourgeoisie.

In the third part, we delve into the purpose of the 2nd Turkey Economic Congress in 1948. At this juncture, we address the conflict between actors during the capital accumulation process under the leadership of the government. This conflict signifies a new phase of capital accumulation, characterized by the growing Muslim-Turkish bourgeoisie's perception that the state has become an obstacle for them. In other words, this new phase emerges as the commercial bourgeoisie, feeling empowered, begins to see the state as a hindrance in its desire to transform into the industrial bourgeoisie. Thus, the anti-state discourse that has emerged among the bourgeoisie during the 2nd Turkey Economic Congress represents a temporary rupture in the long-standing consensus. The rupture in question stems from the belief of the Muslim-Turkish bourgeoisie. They believe that, from the 1930s until the end of World War II, the state played the central role in capitalist development and should now transfer that role to them. This belief was loudly articulated during the 2nd Turkey Economic Congress. Furthermore, in this section, we also touch upon the state's interventionist policies, which marked the initial steps in the process of capital accumulation.

In the conclusion section, we aim to explain why those who had called upon the state to undertake the task of Turkification of the market in Turkey during the 1920s shifted their stance by the year 1948. We seek to shed light on the reasons behind their changing perspective towards the state.



Kalabak, A. Y. & Kolçak, M. (2023). Evolution of Statism in the Turkish-Muslim Bourgeoisie's Economic Perspective: From the 1st Turkey Economic Congress to the 2nd Turkey Economic Congress. *Fiscaoeconomia*, 7(Özel Sayı), 179-209. Doi: 10.25295/fsecon.1351036

2. Efforts of the State to Create Muslim-Turkish Bourgeoisie in the Ottoman Empire

With the Industrial Revolution, Western countries transitioning to mass production had saturated their own markets. The increasing market demands of these nations, coupled with advancements in transportation, led them to establish colonies to meet their needs (Broadberry & O'Rourke, 2010).

The initial interaction of the Turkish economy with capitalism dates back to the final years of the Ottoman Empire. While Western countries did not colonize the Ottoman Empire fully, they employed loans and the opportunity to sell goods and services to the Ottoman Empire without restrictions. This allowed them to capitalize on their commodities and capital, resulting in substantial profits (Nedim, 1932a: 13-14). At this stage, there was a complementary economic relationship between the Ottoman Empire, which needed cash, and Europe, which aimed to export capital. This relationship was characterized by capitalist dynamics (Gürsoy, 1984: 26-27).

The fact that Western countries could freely sell goods and services to the Ottoman Empire during that period⁴ indicates the prevalence of liberal policies in the Empire.⁵ However, these liberal policies increased the dominance of non-Muslim elements in the economy against the already weak, fragmented, and unorganized Muslim-Turkish bourgeoisie (Boratav, 2011: 23-24; Varlı & Koraltürk, 2010: 127). Observing this situation, the political leadership of that period, in other words, the Committee of Union and Progress⁶ (CUP), abandoned liberal policies and turned towards a policy centered around the Muslim-Turkish element. The economic policy pursued by the CUP during this period is addressed as the "National Economic Policy" in the subsequent sections of our study (Varlı & Koraltürk, 2010: 127).

During that period, the members of the Committee of Union and Progress (CUP) made efforts to strengthen the weak Muslim-Turkish bourgeoisie. To achieve this goal, they enacted various measures. In response to widespread strikes and labor movements observed after the declaration of the Constitutional Monarchy, the Ottoman Strike Law⁷ was passed, which aimed to curb trade union activities and restrict the right to strike. In 1913, Industrial Incentive Law⁸ was introduced to support industrial investments by the local bourgeoisie. During the wartime years, there was substantial assistance given to facilitate the successful establishment of companies owned by Muslim-Turks. This support can be viewed as an example of initiatives aimed at forming a Muslim-Turkish bourgeoisie (Boratav, 2011: 30-31).

Non-Muslims still dominated the economic landscape between 1908 and 1914 despite all these regulations. However, the First World War created a suitable environment for these efforts to create a Muslim-Turkish bourgeoisie. The war provided the CUP with the

⁴ The mentioned period begins with the Balta Limanı Agreement signed between the Ottoman Empire and England in 1938. The privileges granted to England through this agreement were later gave to other countries such as France, Sweden, Norway, Spain, the Netherlands, Belgium, Denmark, and Portugal.

⁵ For the mentioned liberal period in the Ottoman Empire, see: (Pamuk, 2014: 95-109).

⁶ The original name of the union is İttihat ve Terakki Cemiyeti.

⁷ The original name of this law is Ta'til-i Eşğâl.

⁸ The original name of this law is Teşvik-i Sanayi.

opportunity to intervene in the economy to foster the development of the Muslim-Turkish bourgeoisie. Under the banners of "national economy" and "economic awakening," the CUP pursued policies aimed at creating a Muslim-Turkish bourgeoisie and allowed speculative gains that accelerated capital accumulation during this period (Toprak, 1995: 111-113).

As examples of these policies, they enacted the following laws: On October 15, 1914, with the law declaring the invalidity of all provisions arising from privileges granted to foreign capital in the Ottoman Empire Legislation; On December 13, 1914, with the law that included individuals with real and legal status within the scope of Ottoman Legislation. Additionally, as part of their efforts to create a national bourgeoisie, they ended the privileges of foreign companies with the same dated law, and with the law on the same date, foreign companies that were previously exempt from income tax were made subject to tax liability. By March 8, 1915, they enacted the law concerning the rights and obligations of foreigners in the Ottoman Territories, stating that foreign nationals would be subject to the same tax and legal obligations as Ottoman citizens. They allowed foreigners to practice medicine, engineering, and teaching in Ottoman territories. They also permitted foreigners to open schools, publish magazines, and newspapers, but under the condition of adhering to Ottoman legislation. (Toprak, 1995: 52-60; Ökçün, 1998: 40-41).

One of the most prominent speculative practices that accelerated capital accumulation during this period was the shipment of grains from Anatolia to Istanbul. Traders who were close to CUP managed to secure wagons for transporting wheat due to the congestion of the railway network caused by war shipments. Thus, they found the opportunity to market the grain in Istanbul with speculative profits. Although the CUP appeared to be combating the black market, they turned a blind eye to a primitive form of capital accumulation in which groups close to them profited. A similar form of capital accumulation emerged among the wealthy farming class that produced for the market (Boratav, 2011: 29). The most concrete manifestation of the CUP' practices was the increase in Muslim-Turkish elements in the companies established between 1914 and 1918, in contrast to the period of 1908-1913 (Toprak, 1995: 113).

The intellectuals and newspapers of the period also prepared the ideological foundation of the national economy policy. During the war period, major newspapers with headlines like "Turkish, become wealthy!" and influential writers like Yusuf Akçura, who advocated the goal of "economically elevating the Turk and establishing an intermediate bourgeoisie during the general war," contributed to shaping the ideology. These thoughts provide indirect evidence that this form of accumulation did not arise solely from objective necessities but was also consciously desired (Boratav, 2011: 29).

Another theorist of the process of abandoning liberal policies and creating a national bourgeoisie was Ziya Gökalp. According to Gökalp, national economy could be achieved through ethnic homogeneity. In a society where the Muslim-Turkish element consisted only of soldiers and civil servants, and non-Muslims were artisans and merchants, a society could not transform into a civilized state. There was no real division of labor between these two elements without a common conscience. According to Gökalp, the Muslim-Turkish element needed to engage in economic life and establish a national economy (Toprak, 1995: 18-19).



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In Yusuf Akçura's work "Three Political Methods"¹⁰, it is evident that Turkism is endowed with enough cultural material. According to him, this cultural material has the potential to bring about a transformation in the historical geography of the declining Ottoman Empire, initiate a fresh chapter within its own Turkish geography, and reassert itself on the historical stage. However, the fundamental problem is that the Ottoman intellectuals who turned to Turkism are still citizens of the Ottoman Empire (Metin, 2008: 79). This problem was overcome with the establishment of the Republic of Turkey, and national economic policies continued to be implemented in the young Republic, sometimes with liberal policies and sometimes with interventionist policies (Varlı & Koraltürk, 2010: 127).

3. Creation of Muslim-Turkish Bourgeoisie Through Liberal National Economic Practices in Early Period of Turkey

The period referred to as the "Founding Years" is particularly significant in terms of determining the main principles of economic policies and establishing new institutional and legal regulations that will shape subsequent developments. In extraordinary circumstances, when economic and social changes accelerate, processes of private property and capital accumulation take on different dimensions, and these developments are completed through new institutional regulations. This period is characterized by an advanced stage of reorganization or restructuring, where a high degree of rearrangement or reconstruction occurs (Kepenek & Yentürk, 2010: 33).

These years represent a period of significant economic, social, and political restructuring, marked by a major upheaval. In this context, they signify a definite break from the past and a political revolution. However, it's clear that these years do not exhibit a complete disconnect from the past in terms of the economy. On the contrary, we observe a remarkable continuity between these years and the late Ottoman Empire period. The continuity between the national economic policies in the later years of the Ottoman Empire and the initial years of Turkey is evident because Turkey continued to implement these policies without being constrained by the objective conditions of the time (Boratav, 2011: 39-40).

The emergence of the commercial bourgeoisie as the most significant force within the societal structure immediately following the War of Independence is directly linked to the effects of wartime conditions on the country's economy. The environment of scarcity created by the war provided the necessary ground for inflationary policies used to finance the war, leading to the rise of black-market activities and speculative endeavors. This environment facilitated the accumulation of substantial capital in the hands of entrepreneurs known as "war profiteers." In the early years of Turkey's establishment, the dominant capital within the country, particularly the commercial capital, emerged from this class of "war profiteers." This Muslim-Turkish class, which had accumulated significant wealth during the wartime years, was prepared to take on the role of shaping the form of commercial activities that had largely been carried out by Armenian and Greek minorities before the war. The key factor in the readiness

¹⁰ The original title of the work is "Üç Tarz-ı Siyaset".



Kalabak, A. Y. & Kolçak, M. (2023). Evolution of Statism in the Turkish-Muslim Bourgeoisie's Economic Perspective: From the 1st Turkey Economic Congress to the 2nd Turkey Economic Congress.

Fiscoeconomía, 7(Özel Sayı), 179-209. Doi: 10.25295/fsecon.1351036

of the Muslim-Turkish bourgeoisie was the departure of minorities from the country in the post-war period (Turgut, 1991: 92-93).

The most significant difference between the Ottoman Empire before World War I and Turkey in 1923 lies in the process of integration of the country's economy with the global economy, primarily through the departure of minorities from the economic scene. The Republic government's main policy during the period from 1923 to 1929 was to transfer the functions of the Greek and Armenian minorities to Muslim-Turkish merchants and entrepreneurs. The newly emerging Turkish merchant associations conveyed these demands to the government, which generally responded positively to these requests (Keyder, 1983: 1067).

In the post-war period, it became evident that the ethnically transformed trade bourgeoisie would maintain its position as the hegemonic capital, as clearly revealed during the 1st Turkish Economic Congress. All studies related to the 1st Turkish Economic Congress indicate that merchants were strongly represented in the congress and had significant influence over its decisions. It was also apparent from the congress that the merchant class would receive the necessary political support from the government to become a hegemonic force. This was not merely a preference of the administration but stemmed from the objective necessities imposed by the global context of that era. During that period, the mechanisms of the world economy were determined by the trade capital of the center countries, and as Turkey was trying to be integrated into the world economy as a peripheral nation, the only capital class capable of fulfilling this specific form of integration was the merchant class of Turkey (Turgut, 1991: 93).

The economic policy of the newly established Republic of Turkey and the path to industrialization were attempted to be determined during the Economic Congress held in Izmir from February 17 to March 4, 1923. The principles accepted at this congress defined the following economic policies. According to the principles, the role and intervention of the state would begin where private sector activities ended. The congress advocated for economic activities to be primarily driven by the private sector. This decision was based on the belief that when the private sector, whose primary goal is profit maximization, makes investments, it would lead to an increase in the national income (Serin, 1963: 107). As seen, the prevailing ideology of the era and the goal of implementing this ideology was to create a Muslim-Turkish bourgeoisie and through this class, to challenge the higher ranks of the capitalist world hierarchy.

3.1. The Demands of the Muslim Turkish Bourgeoisie from the State and the 1st Turkish Economic Congress

Atatürk's economic policy aimed to elevate the Turks to the level of contemporary civilization. The society primarily relying on primitive agricultural methods was impoverished and lacked education. The customs regime prioritized protecting imported goods over domestic products. There was a significant departure of non-Muslims from the country, particularly from key sectors. The nation faced a crisis resembling a complete halt in commercial activities under the Ottoman Public Debt Administration (OPDA). All these factors collectively demanded a comprehensive reconstruction effort in the newly established Turkey. In order to



Kalabak, A. Y. & Kolçak, M. (2023). Evolution of Statism in the Turkish-Muslim Bourgeoisie's Economic Perspective: From the 1st Turkey Economic Congress to the 2nd Turkey Economic Congress.

Fiscoeconomía, 7(Özel Sayı), 179-209. Doi: 10.25295/fsecon.1351036

address all these problems and establish the practices that would shape the economic policies of the newly founded Republic, the 1st Turkish Economic Congress was organized in 1923 (Karataş, 1998: 3318).

After the War of Independence, Turkish merchants in Istanbul established the National Turkish Trade Union. The purpose of this union's establishment was to fill the void left by the elimination of non-Muslims who acted as intermediaries with foreign economies. In January of 1923, this union decided to organize a Foreign Trade Congress. Meanwhile, the Ankara government was simultaneously preparing for the 1st Turkey Economy Congress, with the goal of highlighting the challenges faced at the Lausanne Conference to both the Turkish and global public opinion and discussing various economic issues (Parasız, 1998: 3).

The 1st Turkish Economic Congress was organized by the Ministry of Economy (Ökçün, 1998: 10). The congress convened in the former Ottoman Bank warehouses located in the Second Kordon area (Ökçün, 1998: 176). A total of 1135 representatives, including farmers, merchants, industrialists, and workers, participated in the 1st Turkish Economic Congress (Ökçün, 1998: 199).

The purpose of convening the 1st Turkish Economic Congress was to facilitate mutual recognition among the fatigued factors and actors following the war, to identify their needs, emphasize the importance of economic issues, and express the desire to establish economic policies (Gökçen, 1998: 3256). The National Economy policies discussed in the 1st Turkish Economic Congress include establishing and developing domestic industry, prioritizing the growth of the private sector, and creating an economic system that respects property rights (Sabır, 2003: 80). These policies serve as evidence of the efforts of the Republic of Turkey to integrate into capitalism through liberal channels.

Mustafa Kemal's importance given to National Economy policies can also be understood from the following speech he delivered at the 1st Turkish Economic Congress: "*However, gentlemen, for complete independence, there is a principle; for national sovereignty, there is a law, we say. At this point, we are obliged to implement a truth that is very clear. Such great and sacred goals, such lofty goals, cannot be achieved solely through principles and legal provisions on paper, or simply through ambitions and desires. The only power, the real foundation, the strongest foundation for ensuring the full realization is the economy. No matter how great the political and military triumphs are, if they are not complemented by economic successes, the victories achieved will not be lasting and will fade away in a short time*"¹¹ (Atatürk'ün Söylev ve Demeçleri, 1989: 111).

At the 1st Turkish Economic Congress, Mustafa Kemal emphasized that he was not against foreign capital, but he highlighted that foreign capital should not act against the interests of the state as it had done in the final years of the Ottoman Empire. While not being against foreign capital is a liberal stance, the desire to safeguard the interests of the state reflects the essence of "National Economy" policies.

¹¹ We translate Atatürk's speech.



Kalabak, A. Y. & Kolçak, M. (2023). Evolution of Statism in the Turkish-Muslim Bourgeoisie's Economic Perspective: From the 1st Turkey Economic Congress to the 2nd Turkey Economic Congress. *Fiscaoeconomia*, 7(Özel Sayı), 179-209. Doi: 10.25295/fsecon.1351036

During this period, the National Turkish Trade Union, which represented the voice of Istanbul's commercial capital, presented its thoughts on foreign capital to the Government in the form of a proposal package. This package included which businesses would be entirely left to domestic capital, preventing foreign capital from entering these businesses even through intermediaries, not granting special permissions and privileges to foreign companies, ensuring these companies do not benefit from the privileges of Turkish companies, prohibiting these companies from participating in government-regulated decreases and increases, and preventing them from signing contracts with the government (Ökçün, 1998: 435-437). However, we can also understand from this proposal package that the National Turkish Trade Union was not entirely opposed to foreign companies. This package is indicative of the government's desire to create a national bourgeoisie and strengthen the existing Muslim-Turkish bourgeoisie.

Minister of Economy, Bozkurt, in his speech, touched upon customs policies. He stated that customs barriers would be lowered to a minimum for products not available domestically, partially lowered for certain products, and for domestically produced goods, customs barriers would be completely raised (İnan, 1982: 71-79).

This customs policy bears similarities to the mercantilist system that Europe also implemented to protect its own bourgeoisie. Addressing the situation of foreign capital in the country, Bozkurt noted that non-Muslims had control over the country's wealth, emphasizing that Muslim-Turkish people could not remain as their servants. He also highlighted that non-Muslims could invest in accordance with the laws. Bozkurt concluded by stating that he expected all social classes to fulfill their responsibilities (İnan, 1982: 71-79). The declaration that non-Muslims could invest under certain conditions symbolizes a liberal approach while the phrase "certain conditions" once again underscores the concept of "National Economy."

The resemblance of the intended economic policies to mercantilism is the most significant indicator that the 1st Turkish Economic Congress was an example of efforts to create a Muslim-Turkish bourgeoisie. According to the congress decisions, the government would amend the customs law, enact a law to promote national industry, provide loans to businessmen at favorable interest rates, and facilitate sea and land transportation for industrial establishments (Serin, 1963: 106).

The policies envisaged by the state for the development of the Muslim-Turkish bourgeoisie include the following: Firstly, the government revised the Industrial Incentive Law of 1913 in 1924 to make it compatible with the conditions of the time and more effective in promoting industrial growth. However, as this law proved inadequate and unable to meet the needs of the day, a new Industrial Incentive Law was introduced in 1927. According to this law, the government would provide free land for industrial establishments, exempt necessary tools and equipment from customs duties, and offer discounted sales of monopoly goods to the Muslim-Turkish bourgeoisie (Serin, 1963: 106).

Kalabak, A. Y. & Kolçak, M. (2023). Evolution of Statism in the Turkish-Muslim Bourgeoisie's Economic Perspective: From the 1st Turkey Economic Congress to the 2nd Turkey Economic Congress. *Fiscaoeconomia*, 7(Özel Sayı), 179-209. Doi: 10.25295/fsecon.1351036

Table 1: Number of Firms Benefitting from the Industrial Incentive Law and Their Establishment Dates

Year	Total	Uncertain Establishment Date	Before 1923
1936	1101	21	203

Source: Akkaya (2010: 63)

Table 2: Number of Firms Established to Benefit from the Industrial Incentive Law According to Years

1923	1924	1925	1926	1927	1928	1929	1930	1931	1932	1933	1934	1935	1936
13	36	48	81	91	103	72	73	74	72	48	59	54	53

Source: Akkaya (2010: 63)

Table 1 and Table 2 indicate that during the period of 1923-1926, 178 firms were established, during the period of 1927-1928, 194 firms were established, and during the period of 1929-1936, 495 firms were established. In the period of 1923-1926, the average number of new firms was 44.5, in the period of 1927-1928, the average was 97, and in the period of 1929-1936, the average was 62. Additionally, we can observe that the Industrial Incentive Law was most utilized in the years 1927-1928, and after 1932, the number of firms benefiting from this law decreased (Akkaya, 2010: 63-64).

As part of the development policy led by the Muslim-Turkish bourgeoisie, significant other measures were implemented. In 1924, Türkiye İş Bank was founded with the aim of organizing businessmen, reinvigorating, and providing financial support to the Muslim-Turkish bourgeoisie. Additionally, in 1925, the Sanayi and Maadin Bank was established to initiate, finance, and oversee state-owned industries. Although the custom measures necessary for industrial development were already in place, the Treaty of Lausanne stipulated that Turkey would not raise its customs tariffs until 1929. Consequently, these measures were implemented only in 1929 (Serin, 1963: 106). From these measures and the decisions of the 1st Turkish Economic Congress, we understand that the government of the period supported private enterprise with liberal policies in the early years of the Republic.

One of the significant decisions made at the 1st Turkey Economic Congress to support the Muslim-Turkish bourgeoisie was to provide low tariffs for the transportation of domestic goods by both land and sea (Koç, 2000: 153). The expenses incurred for transportation not only stimulated demand but also facilitated the operations of the Muslim-Turkish bourgeoisie in moving raw materials to production sites or final products to the market. The Cabotage Law enacted in 1926 was a practical manifestation of this decision.

One of the decisions taken at the mentioned congress to enable the accumulation opportunities for the majority of the Muslim-Turkish population engaged in agriculture was the abolition of the Ashar Tax (Koç, 2000: 154). Despite its significant contribution to the state budget, the removal of the Ashar Tax in 1925 demonstrates the government's dedication to creating a Muslim-Turkish bourgeoisie. In fact, it was only in 1925 that the budget ran a deficit between 1923 and 1930 due to the removal of the Ashar Tax. The elimination of this tax meant that especially the class of the population, predominantly consisting of Muslim-Turks, engaged in agricultural production for the market gained important opportunities for accumulation.



Kalabak, A. Y. & Kolçak, M. (2023). Evolution of Statism in the Turkish-Muslim Bourgeoisie's Economic Perspective: From the 1st Turkey Economic Congress to the 2nd Turkey Economic Congress.

Fiscoeconomía, 7(Özel Sayı), 179-209. Doi: 10.25295/fsecon.1351036

During the period from 1923 to 1929, the government took several measures to encourage private entrepreneurship. They opened the Istanbul Trade and Grain Exchange and implemented regulations to facilitate the establishment of joint-stock companies (Gülsoy, 2014: 80; Sabır, 2006: 11). Additionally, during this time, a special incentive law was enacted for sugar factories. The investments in railways in this period served both to stimulate demand and to support the development of the Muslim-Turkish bourgeoisie in the context of infrastructure investments. During this period, the promotion of the use of domestically produced goods was another objective. In line with this goal, the National Economy and Savings Society¹² was established. This society declared the period between December 12th and 18th as Domestic Goods Week. The aim here was to generate demand for the products of capital owners who produced domestic goods and ensure the continuity of capital accumulation.

In the post-war period, especially during the reconstruction of the entire country with Ankara as the capital, many businesspeople close to the Ankara government often won contracts and gained significant opportunities for capital accumulation (Koç, 1983: 42-44)¹³. We can understand from the following words of Mustafa Kemal Atatürk that these policies were consciously implemented (Atatürk'ün Söylev ve Demeçleri II, 1959: 97): "*How many millionaires do we have? None. Therefore, we will not be hostile to those who have some money. On the contrary, we will work to raise many millionaires and even billionaires in our country.*" These words suggest a deliberate effort to encourage the accumulation of wealth and the growth of a prosperous business class in Turkey as part of the nation-building and modernization process during Atatürk's leadership.

One reason for the prevailing economic liberalism was the bias of the political authority of the time against socialist economies, which were the sole alternative system to capitalist countries. Those who adopted socialism in the Ottoman Empire were generally Armenians, Bulgarians, Macedonians, Greeks, and Jews (Dumont & Haupt, 1977: 13). Minority socialists in the Ottoman Empire were influenced by Anglo-Saxon sources rather than the Soviets (Dumont & Haupt, 1977: 36-37). This situation was a natural result of the minorities' close relations with Western states (Ahmad, 2000: 16-24). Hence, the political leadership of the period held a bias against socialism. For instance, during that period, the government sought to manage and influence labor movements, including socialist initiatives, by creating associations that incorporated craftsmen rather than unions. This approach allowed the government to monitor and control the activities of workers (Güzel, 1985: 827).

Given that Istanbul remained under the control of the Allied powers until the conclusion of 1923, it is noteworthy that these foreign states pressured the political leadership of Turkey to quell socialist movements. This external pressure contributes as an additional factor to the biases against such movements (Sayılğan, 2009: 39-48). Additionally, the idea that Islam and communism were complementary thoughts, advocated by the Green Army Society, caused a reaction among religious, large landowner, and aristocratic origin members of the Grand

¹² The original name of society: Milli İktisat ve Tasarruf Cemiyeti

¹³ For more information see: (Çoban, 2019).



Kalabak, A. Y. & Kolçak, M. (2023). Evolution of Statism in the Turkish-Muslim Bourgeoisie's Economic Perspective: From the 1st Turkey Economic Congress to the 2nd Turkey Economic Congress. *Fiscoeconomía*, 7(Özel Sayı), 179-209. Doi: 10.25295/fsecon.1351036

National Assembly of Turkey (G.N.A.T). In the early 1920s, the government implemented stringent actions against Islamic-Communist organizations. These measures encompassed the disbandment of Çerkez Ethem units, the prosecution of their leaders, the censorship of their publications, and the trials of the Green Army (Erdem, 2010: 268).

The perception of Western countries viewing the spread of communism as the greatest threat (Criss, 2007: 123-124) also indicates that similar thoughts existed within the administrative staff of Turkey at the time. We can understand the government's adoption of such a perception from its stance and actions against communist parties and societies (Erdem, 2010: 268). Due to these perceptions, the government officials in the early years of Turkey embraced and implemented Western's dominant economic policy of liberalism but failed in their endeavors. While we do not solely attribute these thoughts to the adoption of liberal policies, we recognize them as a triggering factor in their implementation.

The reasons for the failure of liberal policies are as follows:

- Lack of financial resources and institutions to finance investments, especially long-term investments.
- Demand shortage due to low national income levels, which hinders the encouragement of investments and profit generation in the economy.
- Inability to undertake investments such as transportation and communication that could stimulate the market by expanding it.
- Inability to resort to customs protection until 1929 due to the Treaty of Lausanne.
- Scarcity of a Muslim-Turkish bourgeoisie to continue economic activities, which were predominantly carried out by minorities (Union of Chambers of Commerce, Chambers of Industry and Commodity Exchanges of Turkey, 1966: 29).

The reasons mentioned above are specific to the era rather than being solely caused by an attempt at bourgeoisie-oriented development. During this period, the specific economic system in place is not of great importance. The negative outcomes of the listed factors could likely emerge in another system as well, such as state interventionism. The crucial aspect here is to determine which of the reasons for the bourgeoisie's inability to deliver the expected results stem from the bourgeoisie itself (Union of Chambers of Commerce, Chambers of Industry and Commodity Exchanges of Turkey, 1966: 29).

4. The State Interventionist Practices Challenged by the Muslim-Turkish Bourgeoisie During the 2nd Turkey Economic Congress

As evident in the preceding section of our study, we can observe that due to the Turkishization of the economy and their own weak position, the Muslim-Turkish bourgeoisie called upon the state to take action in these matters. Despite the considerable support from the state, we can understand that for various reasons, both the economy and the bourgeoisie failed to develop; in other words, the process of adequate capital accumulation for industrial investment did not sustain. This failure was the fundamental reason for the shift from liberal practices to



Kalabak, A. Y. & Kolçak, M. (2023). Evolution of Statism in the Turkish-Muslim Bourgeoisie's Economic Perspective: From the 1st Turkey Economic Congress to the 2nd Turkey Economic Congress.

Fiscoeconomía, 7(Özel Sayı), 179-209. Doi: 10.25295/fsecon.1351036

interventionist policies in the economy. In this context, the interventionist practices that emerged in the 1930s can be identified as the underlying cause of the anti-interventionist discourse that the Muslim-Turkish bourgeoisie would vocally express after World War II.

When it came to the 1930s, the Turkey of that period was unable to realize the principles of economic independence and rapid development that Atatürk had articulated in his opening speech at the 1st Turkey Economic Congress. An indication of the unfulfilled development and public dissatisfaction was the attempt of the Free Republican Party. By the end of the first decade of the Republic, except for agricultural sector, incomes and production had decreased in the main sectors of the economy. The least successful area of the liberal economic policy implemented in the early years of the Republic was increasing production, and the least successful sector was the industrial sector. A significant issue was the inability to convert profits from banking, trade, and similar sectors, or agricultural surpluses, into industrial production. Consequently, the economic and social conditions within the country necessitate increasing industrial production through public investments (Kepenek & Yentürk, 2010: 63-64). In this context, state intervention in the economy, planning, and ensuring the effectiveness of available resources ultimately enable development. This emphasis actually aims for Turkey to achieve a better position within the global capitalist hierarchy under state leadership (Ercan, 2002: 39).

Turkish statism is the concept of having the state engage in activities that cannot be effectively accomplished without state assistance. In 1935, Atatürk defined statism as follows: "*The statism system that Turkey practices is not a translation of ideas advanced by socialist theorists since the 19th century. It is a system born out of Turkey's necessities, unique to Turkey. The meaning of statism, in our view, is to prioritize individual activities while taking into consideration the needs of a great nation and a vast country, and to assume control over the economic affairs of the country.*" (Derin, 1940: 3). As evident, the statism attempted in Turkey is distinct from other examples and has its own unique structure. The implementation of statism with the emphasis on "prioritizing individual activities" is an assertion that the state fill the void caused by the inadequacies of the Muslim-Turkish bourgeoisie within the context of the global capitalist hierarchy. This assertion also demonstrates the state's assumption of duties and responsibilities in the process of integrating with capitalism. Another point conveyed by this assertion is that statism did not act against the bourgeoisie but rather complemented its efforts. Given the privileges and support extended to the Muslim-Turkish bourgeoisie in the 1920s, a sudden sharp turn by the state against the bourgeoisie would be unlikely. This circumstance is also indirect evidence that the statism initiated in the 1930s did not direct against the Muslim-Turkish bourgeoisie.

The origins of statism form the history of relations between the dominant classes and the political-administrative cadres of Turkish society during the first thirty years of the new regime. Considering the complexity and intertwined nature of these relations in a newly established state, it is natural that achieving a stable structure would require a lengthy period following the armed struggle against imperialism and the Ottoman regime. Within the political and administrative groups, comprising both military and civilian intellectuals, various contradictions, fluctuations, and inconsistencies existed. Furthermore, petite bourgeoisie

ideology was prevalent. These factors indicate that establishing stable relations between the dominant class and the political cadres were a lengthy and challenging process. Therefore, the ideological narrative of statism tells the story of the petite bourgeoisie ideology's reconciliation and contradictions with the dominant class ideology, but mainly how they largely (and ultimately) find a common ground. To avoid unnecessary expansion of the discussion, we prefer to use the term "dominant class ideology" without explicitly defining its content (Boratav, 2006: 363-364).

As seen, it is clear that the state was not opposed to the private sector, or in other words, to the bourgeoisie. Due to the lack of a comprehensive systemic analysis in the analysis of statist approaches, the relationship between the state, society, or the market can appear quite problematic. In this perspective, the state may appear as an entity outside the market, seemingly independent of it. In this regard, statist and developmentalist approaches share at least methodological similarities with analyses of the liberal state. However, in a capitalist society, the state continually reshapes itself through interclass or intra-class relations at different stages of capital accumulation (Ercan, 2002: 41).

In this context, the understanding of statism during that period was the consensus between the founding cadre of the Republic and the bourgeoisie on who would be the main actor in capital accumulation. Here, the 1st Turkish Economic Congress represents the effort to merge the Istanbul bourgeoisie with the governing cadres. The developmental years we discussed throughout our study were the golden years of collaboration between the Muslim-Turkish bourgeoisie, foreign capital, and politicians. During this period, the Istanbul bourgeoisie capitalized on its ability to forge strong ties with political cadres. They achieved this by assuming political positions, serving as intermediaries for foreign capital, participating in brokerage and contracting activities, and deriving benefits from institutions like İş Bank. This allowed them to amass substantial profits. Consequently, these periods also mark the emergence of a bureaucratic bourgeoisie class (Boratav, 2006: 364-365).

Although World War II interrupted industrialization efforts with statism and plunged the economy into stagnation, it did not disrupt the process of capital accumulation (Gülalp, 1993: 32). During this period, several factors contributed to significant inflationary fluctuations in agricultural prices. These factors included heightened external demand for Turkey's agricultural products and raw materials, a decrease in agricultural output due to the diversion of the labor force for military service, and the liberalization of agricultural prices in 1942 (Tezel, 1994: 259). This increase in agricultural prices allowed large landowners and traders of agricultural products to accumulate significant wealth. During the war, the individuals who profited the most from the substantial inflation caused by the government's monetary financing to fund military expenditures were primarily traders, particularly those involved in foreign trade (Tezel, 1994: 258).

During the period of World War II, the state's foreign trade policy became more stringent. After the war, import demands increased, and due to the inflation, sustaining exports, which had become more expensive, became challenging. On September 7, 1946, the government devalued the Turkish Lira by 53.6%, raising the exchange rate to 2.8 Turkish Liras per US Dollar

(Özcan, 1998: 3). This devaluation provided an opportunity for the importing sector to make excessive profits.

Another factor that contributed to the increase in accumulation opportunities for the Muslim-Turkish bourgeoisie during that period is the Wealth Tax, which was introduced in 1942 with the aim of taxing those who had made excessive profits from the war. However, in practice, there were significant differences in its application for non-Muslim traders and industrialists. In this context, the significance of the Wealth Tax arises from the circumstances wherein non-Muslim traders and industrialists, notably of Greek, Armenian, and Jewish descent, were compelled to sell their businesses and real estate. This resulted in a shift in ownership, favoring Turkish-origin traders. This change in ownership involved the newly emerging Muslim-Turkish bourgeoisie acquiring immovable properties, factories, and commercial stocks from non-Muslims at very low prices (Tezel, 1994: 262)¹⁵. The implementation of the Wealth Tax, which should be considered as a different reflection of the nation-state ideology, was an indication of the state's insistence on creating a national bourgeoisie (Aktar, 2001: 135).

The Wealth Tax Law was a regulation that allows the state to seize wealth and earnings acquired during the period of World War II. Although the law states that a one-time extraordinary tax is levied on wealth and extraordinary earnings of people, the amount is determined by commissions, and there is no possibility of objection, in practice, it was not so. In practice, the government showed tolerance towards the Muslim-Turkish element, while treating the non-Muslim minorities who had significant roles in the economy differently and imposed a much higher tax on this group. Another important point is that the commissions acted arbitrarily when determining the tax amount, and they determined the tax amount based on political influence and personal relationships (Tunçay et al., 1992: 131).

During the assessment process of the Wealth Tax, we observe a practice standing out due to legal ambiguities, namely the punishment of luxury consumption. Among the total taxpayers, the proportion of the non-Muslim element was 87%, Muslim taxpayers made up 7%, and the remaining 6% were estimated to mostly consist of non-Muslims, although it is unclear whether they were non-Muslims or Muslims. The non-Muslim taxpayers, considered an extraordinary class, who constitute 4% of the total taxpayers, were obligated to pay 54% of the tax in Istanbul. The average per capita tax liability was 74,120 TL. In the implementation of this tax, the extraordinary class consists of the wealthiest taxpayers. Here, the commissions not only considered wealth but also paid attention to individuals' spending patterns and their prominence in society. Taxpayers with the same wealth and earnings who lived more modestly paid less tax (Aktar, 2001: 154).

In the year 1942, the Wealth Tax amounted to 463 million liras. Out of this, 318 million lira was collected in the years 1942 and 1943. The taxpayers in the Istanbul province contributed 70% of these payments. Uncollected taxes and debts were written off in the year 1944. Due to the collection of the Wealth Tax, the actual value of the 1942 budget significantly increased.

¹⁵ On the other hand, Buğra (1995: 81) emphasizes that the Wealth Tax brought about a ruthless violation of legal and ethical norms and led to the implementation of selective reward and punishment mechanisms by the state. These mechanisms contributed to the formation of capital accumulation within the private sector.



Kalabak, A. Y. & Kolçak, M. (2023). Evolution of Statism in the Turkish-Muslim Bourgeoisie's Economic Perspective: From the 1st Turkey Economic Congress to the 2nd Turkey Economic Congress. *Fiscaeconomia*, 7(Özel Sayı), 179-209. Doi: 10.25295/fsecon.1351036

The government managed to pass the year 1942 without a deficit in current expenditures. However, the persistent high defense expenditures and inflation, coupled with the government's inability to identify sustainable sources of budget expansion, triggered a swift decline in the actual value of budget revenues in 1943. This, in turn, resulted in a substantial budget deficit. The implementation of the Wealth Tax did not provide a solution to the financial difficulties. On the other hand, many non-Muslim traders and industrialists were removed from the market due to the tax, and a portion of the capital accumulated by this group was channeled to the state through the Wealth Tax, while a significant portion ended up in the hands of Muslim-Turkish elements (Tezel, 1994: 264). As can be understood from this, although the primary purpose of implementing the Wealth Tax was to generate significant income for the public sector, the outcome was twofold. On one hand, substantial revenue was indeed generated for the public sector. On the other hand, due to the discriminatory practices in implementation process, the economic influence of the non-Muslim element was weakened, leading to the emergence of a more dependent and loyal Muslim-Turkish bourgeoisie towards the state (Koraltürk, 2002: 76-77).

The government aimed to achieve two objectives with the Wealth Tax. The first was to restrict the increased money supply during wartime and reduce the circulation volume. The government largely succeeded in this goal. The Wealth Tax withdrew 43% of the circulating money in 1942. The government's second objective with the Wealth Tax was to combat black market activities and profiteering. By doing so, they intended to alleviate market scarcity and penalize individuals who had unfairly profited from such practices. However, the Wealth Tax proved ineffective in curbing black-market activities and profiteering. Instead, it disproportionately burdened the non-Muslim population, resulting in a limitation of their influence in the market. The influence of political and personal connections in the implementation of the Wealth Tax created a sense of long-lasting distrust towards the government among the population. An unprecedented aspect of the Wealth Tax was that it was imposed on a class not accustomed to paying taxes (Coşar, 2004: 129).

According to the Istanbul head of the financial department, Faik Ökte, everything done through the implementation of the Wealth Tax is related to the collected 221 million liras. The intended economic purpose of this tax was not achieved. The country's economic structure was negatively affected, and furthermore, the trust of the people towards the government was shaken. Alongside all of this, the efforts to reform taxation that had started with the establishment of the Republic also went to waste. While the Wealth Tax caused these negative consequences within the country, it also led to unfavorable attitudes towards Turkey internationally (Ökte, 1951: 209-210).

After World War II, in parallel with the transformation within the capitalist system, one of the prominent factors determining the transformation in Turkey was the noticeable accumulation of commercial capitalists and large landowners during this period (Törel, 2006: 73). We discuss the contribution of the Wealth Tax to the accumulation of commercial capital owners in the previous sections. Additionally, during the years of World War II, the government also introduced the Agricultural Products Tax. The target audience of the Agricultural Products Tax were the Muslim elements who had benefited from the inflationary fluctuations in agricultural



Kalabak, A. Y. & Kolçak, M. (2023). Evolution of Statism in the Turkish-Muslim Bourgeoisie's Economic Perspective: From the 1st Turkey Economic Congress to the 2nd Turkey Economic Congress. *Fiscaoeconomia*, 7(Özel Sayı), 179-209. Doi: 10.25295/fsecon.1351036

products during the war years and had made excessive profits without participating in the Wealth Tax. Although it did not reach the dimensions of the Wealth Tax, the Agricultural Products Tax was the first direct tax applied to the agricultural sector after the abolition of Ashar tax. This tax has placed a heavy burden on small peasants who do not produce for the market (Boratav, 2011: 85-86). The primary purpose of this tax was to target the Muslim element that did not pay taxes proportional to their excessive profits, or more accurately, those who remained untouched by the Wealth Tax (Yeşil, 2001: 36).

This tax was an implementation targeting the farmers who benefited from the negative effects created by the wartime conditions and had not yet paid their dues up until that point. In this aspect, it can be considered as a complementary measure to the Wealth Tax. Unlike the Wealth Tax, this tax was a law that did not differentiate between large and small farmers. In this sense, it placed the heaviest burden on small peasants who had limited engagement with the market and were primarily subsistence producers, as their production had decreased during the wartime. However, this tax also affected large farmers and for the first time since the abolition of Ashar, they substantially contributed to financing public expenditures. The introduction of the Agricultural Products Tax served as one catalyst. Initiatives such as the establishment of Village Institutes were another factor. Additionally, the enactment of the Land Reform Law encountered resistance from influential landowners and the agrarian bourgeoisie. Collectively, these measures fueled their opposition against the ruling Republican People's Party in the post-war period (Boratav, 2006: 345-346).

After the end of World War II, despite abolishing the Agricultural Products Tax, the Republican People's Party government placed the burden of urban and military provisioning on the shoulders of small and medium-scale rural producers. In a country where 80% of the population lived in rural areas, the government confronted this significant voter base, and especially after the transition to multi-party politics, it had to pay a heavy price for this action (Tunçay et al., 1992: 259).

The laws that set the groundwork for post-World War II transformations, along with stringent foreign trade regulations and the devaluation of the Turkish Lira, led to the accumulation of capital for the main elements of the 2nd Turkish Economic Congress. The class amassing excessive capital organized the congress to break free from the sudden and arbitrary actions of the state.

4.1. Istanbul Merchant Association and the 2nd Turkish Economic Congress

The end of World War II marked a significant turning point. This period saw the emergence of new international balances, primarily driven by victorious countries like the United States. Their overarching goal was to establish a world order characterized by liberalism and the promotion of free thought. These global developments led to significant social transformation and change in Turkey as well, a country aspiring to align with the Western world. The most notable indication of this transformation was the emergence of new and relatively freer ideas with the advent of the Democrat Party and the transition to a multi-party system. During this period, the most prominent development was the rise of liberal thought, driven in part by the attribution of practices and policies that could negatively affect the population to statism. The



Kalabak, A. Y. & Kolçak, M. (2023). Evolution of Statism in the Turkish-Muslim Bourgeoisie's Economic Perspective: From the 1st Turkey Economic Congress to the 2nd Turkey Economic Congress.

Fiscoeconomia, 7(Özel Sayı), 179-209. Doi: 10.25295/fsecon.1351036

evolution of liberal thought was influenced greatly by the changes in international context known as the "new world order," which led to the advocacy of these ideas in bureaucratic, capital, and intellectual circles. The progression from the realm of ideas to organized advocacy and dissemination took place gradually, prompting various classes of society to establish their own organizations (Sever, 2009: 63).

The Istanbul Merchant Association found its place as a platform where commercial capital could make its voice heard in the aftermath of World War II and during the early years of the Democrat Party's rule. This association, which also organized the 2nd Turkish Economic Congress, represents a bourgeoisie class. In terms of the class advocating for, this association bears similarities to the National Turkish Trade Union established in 1922.¹⁶ Both associations were founded by and consisted of national traders. However, they differ in terms of their purpose. The National Turkish Trade Union was formed by those who wanted to Turkify the market after the Turkish War of Independence. On the other hand, the Istanbul Merchants Association was established by the trading sector, which had reached its peak during World War II and suffered from the economic statism policies in a market that had already completed its Turkification process. However, this notion of "suffering" doesn't change the fact that the Muslim-Turkish bourgeoisie benefited from these policies. By "suffering," we mean that the strengthened local bourgeoisie saw the state as a competitor in the market and was unable to invest in sectors they desired due to state interference. This also relates to the inability of the commercial bourgeoisie to transform into an industrial bourgeoisie due to state interventionism. Furthermore, we address the discomfort caused by statist practices among broader sections of the population in previous parts of our study. Another notable similarity between the two associations is that both were spearheaded by Ahmet Hamdi Başar and as a result, both had the same name for their publication (Turkish Economic Journal) (Koraltürk, 2002b: 119-120).

İstanbul Merchant Association, its 1947 dated main statute's sixth article, could only accept applications from Turkish nationals as its primary members. However, this practice was abolished during the first-year congress of the association. The reason for including this condition in the initial statute was described in the association's board report of the founding year as a measure to prevent certain demagoguery. It was stated that this condition was accepted by the founders with the provision of being amended in the first congress. In other words, the main statute dated 1950 removed the requirement of being a Turkish citizen and emphasized that having legal residence in Turkey would suffice for membership (Istanbul Merchant Association, 1948: 56). It is interesting that The Istanbul Merchants Association organized the 2nd Turkey Economic Congress with a focus on national interests, and subsequently, they removed the requirement of Turkish citizenship from their bylaws. This situation shows that national interests were used as a cover for bourgeoisie's own interests and indicates that the Association was truly a bourgeois organization.

The Istanbul Merchants Association has aimed to loosen the state-centric economic policies in place since the 1930s, driven by the accumulation of capital and reflecting the evolving

¹⁶ For more information, please see: Koraltürk (1997).



Kalabak, A. Y. & Kolçak, M. (2023). Evolution of Statism in the Turkish-Muslim Bourgeoisie's Economic Perspective: From the 1st Turkey Economic Congress to the 2nd Turkey Economic Congress.

Fiscoeconomía, 7(Özel Sayı), 179-209. Doi: 10.25295/fsecon.1351036

stage of capitalism. This bourgeois organization, as seen throughout the history of capitalism, has acted solely in line with the interests of the bourgeoisie. In doing so, it has used the guise of national economic welfare. Additionally, as Sever (2009) points out, this bourgeois organization has influenced government policies through its reports, opinions, and recommendations, aiming to direct these policies in favor of commercial capital. Furthermore, it has proposed suggestions such as the transfer of Public Economic Enterprises established as a result of the state's industrialization efforts, attempting to gain a share of the domestic market. We can observe that the members of this association made references to national interests in the organized 2nd Turkey Economic Congress. However, in reality, they used national interests as a cover and aimed to protect only the interests of the bourgeoisie. We attempt to explain this aspect in the upcoming sections.

Following World War II, in Turkey's post-war environment, various groups and organizations, encompassing capital owners, professional chambers, and agricultural cooperatives, actively assumed the responsibility of addressing the nation's challenges, seeking solutions, and advocating for the interests of their respective constituencies. This was facilitated by the more liberal atmosphere prevailing at the time (Toprak, 1994: 223-224). As our comprehensive study reveals, the issues that the bourgeoisie endeavored to tackle in the country were primarily centered on the imperative of securing the continuous accumulation of capital. Moreover, there was an urgency to complete the process of integrating into the capitalist system.

Various associations and chambers organized the 2nd Turkey Economic Congress. However, it's important to note that the lack of official status for this congress does not diminish its significance. What sets this congress apart from the other economic congresses is that it was the only one not conducted under government control. As a result, the government of that time did not warmly embrace the views and decisions presented at the congress. (Kılıçdaroğlu, 1997: I). Based on the new political and economic situation in the country, the majority of the society believed that a congress should be convened. The purpose of this congress was to put an end to the statist practices that had been in place since the 1930s and to pave the way for the liberal tendencies of the new era (Toprak, 1994: 223-224).

This Congress, organized as a response to the changing political and economic landscape, attracted the most attention among the economic congresses until now. More than a thousand delegates from various regions of the country, academics, and representatives from the Ministry participated in the Congress, where they expressed their views and thoughts on the country's economy. The 2nd Turkish Economic Congress was featured on the front pages of newspapers published in Istanbul. However, despite such intense interest, it was a Congress that has been forgotten or overshadowed. As far as we know, even the minutes of the Congress are lost (Kılıçdaroğlu, 1997: I).

Another distinctive feature of this Congress was the shift in stance among those who had initially contributed to the revolution with their thoughts and writings in the early years of the Republic, by 1948. It is noteworthy that those who supported statism in the 1920s and 1930s were criticizing it so strongly by 1948. In the Congress, which was also attended by some Members of Parliament, participants associated statism with bureaucracy and criticized it



Kalabak, A. Y. & Kolçak, M. (2023). Evolution of Statism in the Turkish-Muslim Bourgeoisie's Economic Perspective: From the 1st Turkey Economic Congress to the 2nd Turkey Economic Congress. *Fiscaoeconomia*, 7(Özel Sayı), 179-209. Doi: 10.25295/fsecon.1351036

harshly. They also emphasized the necessity of the state withdrawing from the economic field. The concept of Privatization, which reemerged prominently in our agenda along with the Motherland Party, first appeared in this Congress. The presented papers at the Congress proposed that the state should quickly abandon its role in business operations. Those who advocated statism (especially Şevket Süreyya Aydemir) failed to make a significant presence in the Congress (Kılıçdaroğlu, 1997: 1).

Şevket Süreyya Aydemir, indeed, was a prominent figure in the Kadro Magazine movement that emerged in the 1930s. This magazine staunchly advocated statism (intervention of the state in economic affairs) against liberalism during the 1930s, much like the majority of capitalist class who organized the 1948 Congress. However, it's worth noting that the representatives of this movement found themselves in the position of defending the statism against the capitalist class during the 1948 Turkey Economic Congress, even though they had shared similar ideas with mentioned class in the past. This shift in stance reflects the evolving political and economic dynamics of the time, where different factions and ideologies sometimes needed to adapt their positions to the changing circumstances and priorities of the nation.

Celal Bayar also participated in the 2nd Turkish Economic Congress on its fifth day, where he emphasized the need for the government to benefit from the Congress. He further supported the liberal idea against statism by stating that the ideas presented at the Economic Congress would be implemented in the future economic life. It is interesting that Celal Bayar was elected as the President of Turkey about two years after making this statement. According to Hunt (2009: 81), the wealth of capitalists is not limited to their capital. Their ability to influence public opinion and control ruling represents another version of their wealth. The example of Celal Bayar reflects how Hunt's (2009: 81) thesis has been transformed from theory into practice.

Certainly, the election of Celal Bayar as the President of Turkey was influenced by various factors, and his proximity to the business or capital class was one of these factors. It's common in many political systems for a candidate's relationships and support from different sectors of society, including the business community, to play a significant role in their election to high office. Bayar's connections and alignment with the interests of the capital class likely contributed to his candidacy and eventual election as President.

4.2. Some Papers Presented at the 2nd Turkey Economic Congress

The 2nd Turkey Economic Congress convened on Monday, November 22, 1948, at 10:00 AM, at the Taksim Municipal Officers' Mess. According to the prepared program, the initial session of the congress was planned to take place at the Yıldız Palace, with the opening address delivered by the mayor on behalf of Istanbul. However, due to ongoing renovations at the Yıldız Palace, the congress had to convene at the Taksim Municipal Officers' Mess instead. Because Istanbul's Governor and Mayor, Lütfi Kırdar, was abroad in England due to health reasons, and his deputy was also absent from the opening ceremony, the chairman of the organizing committee officiated the inauguration of the congress (Kılıçdaroğlu, 1997: 15).



Kalabak, A. Y. & Kolçak, M. (2023). Evolution of Statism in the Turkish-Muslim Bourgeoisie's Economic Perspective: From the 1st Turkey Economic Congress to the 2nd Turkey Economic Congress. *Fiscoeconomia*, 7(Özel Sayı), 179-209. Doi: 10.25295/fsecon.1351036

As seen, the attitude of the State towards the Congress was not very welcoming. High-level bureaucrats did not attend the Congress, and although some ministers were among the invitees, they did not participate. Additionally, the State, adopting an obstructive stance towards Congress, did not permit the use of public buildings for the event (Birtek, 1995: 163). The reason for this is as follows: In the 1930s, the state was the main actor in the capital accumulation process. The bourgeoisie aimed to take over this role. However, the bureaucrats of the time did not welcome this request. We demonstrate the bourgeoisie's aim in this regard with examples in the subsequent sections of our work.

The 2nd Turkey Economic Congress, led by bourgeois organizations, signifies a rebellion against the statist policies that had been implemented since the 1930s (Toprak, 1994: 223-224). However, those who sought assistance from the state for the removal of the non-Muslim elements from the Turkish economy and remained silent about the statist policies applied for that purpose, began to feel discomfort with statist practices by the year 1948 (Keyder, 1983: 1067). In this context, during the Congress, former proponents¹⁷ of statism presented numerous anti-statist papers. However, to avoid exaggeration within the scope of our study, we only address the necessary of those in the continuation of our work.

Firstly, we examine Başar (1948: 17-29)'s presentation titled "Statism and State Intervention" at the Congress. In this presentation, Başar likened the scope of the country's economic problems to a three-link chain that can be summarized as economic development, enhancement of production, and state intervention. In his presentation, Başar emphasized the need for the state's protective and regulatory intervention for economic development. However, he proposed that for this intervention to be efficient and to encourage the private sector and labor force, an Economic General Assembly should be established. This assembly should determine how the state should intervene in the economy. The assembly should consist of individuals selected from professional and specialized organizations within the context of bourgeois associations, government representatives, and experts from state institutions. Furthermore, he argued that an independent research department should be established to monitor the country's economy and present its research to the Economic General Assembly.

Başar (1948: 17-29)'s criticism of statism and his demands from the state took on a bolder tone in the later sections of his presentation. He proposed transferring state-owned industries to joint-stock companies that would involve both large and small capitalists. Başar didn't stop there; he also added that the state should provide these companies with a certain profit guarantee. In the same presentation, he emphasized the need to abolish the monopoly on freight and passenger transportation in maritime transport, and to grant this opportunity to ship owners who could meet specific conditions. According to him, the agricultural sector was the most crucial field for statism. The state should provide the necessary technical infrastructure for the agricultural sector. This way, agricultural products would attain the quality to compete in global markets. Başar also addressed the industrial sector, emphasizing

¹⁷ For the similarity between the National Turkish Trade Union, which sought help from statist practices in the early years of the Republic, and the Istanbul Merchant Association, which organized the 2nd Turkey Economic Congress and advocated anti-statist discourse during the Congress, see: Koraltürk (1997).



Kalabak, A. Y. & Kolçak, M. (2023). Evolution of Statism in the Turkish-Muslim Bourgeoisie's Economic Perspective: From the 1st Turkey Economic Congress to the 2nd Turkey Economic Congress.

Fiscoeconomía, 7(Özel Sayı), 179-209. Doi: 10.25295/fsecon.1351036

the importance of bringing industry to a self-sufficient level and removing transaction taxes as a burden on the industrial sector. According to Başar, the form of statism that should be avoided was state capitalism. In other words, economic activity should not fall into the hands of the state. Regardless of the economic system in place, economic affairs must always be separated from the authority of political power. Başar summarized this notion by stating that even in economies dominated by the state, small businesses are obliged to maintain a good relationship with the state. In conclusion, according to Başar, the most important aspect of statism was to change both the path and the mentality, transitioning from bureaucratic administration to popular administration. This shift would lead to increased production and prosperity in the country.

Ahmet Hamdi Başar, who passionately criticized statism, had written various articles in 1916. In these articles, during the years when the national struggle began in Anatolia, he advocated for the need to achieve economic independence and nurture a capable Muslim-Turkish bourgeoisie that would successfully manage trade. In line with this, he didn't feel the need to criticize the state-led economic policies. However, this time, he did suggest transferring state-owned factories to joint-stock companies with the aim of enabling further benefits for the Muslim-Turkish bourgeoisie, which had already made substantial progress through state-led policies. This proposal arises from the aspirations of Muslim-Turkish traders to transform into industrial bourgeoisie. This transformation signifies the transition to a new phase of capital accumulation. The reluctance of the bourgeoisie, who previously benefited from state-led practices, to support the state in this new stage of capitalist development was driven by their desire for greater profits.

Ahmet Hamdi Başar's strong advocacy of statism can be observed not only before but also after the 1929 Great Depression. In the aftermath of the global devastation caused by the 1929 Depression, Ahmet Hamdi Başar posed the question: "On what principle should we rely?". He sought to formulate the fundamental ideas that would constitute the intellectual basis of the Turkish Revolution. Furthermore, he aimed to carve out a specific place for himself in the intellectual climate of the 1930s with this question. Economic statism is a manifestation of this effort. According to Başar, Turkey should adopt a unique development strategy since it couldn't experience the stages of capitalism in the Western manner. He advocated the view that countries like Turkey couldn't transition to capitalism in the usual way due to historical circumstances. When the natural evolution of capitalism was not possible, he argued that 1930s Turkey needed to adopt a distinct development strategy and assigned this role to economic statism (Topal, 2007: 122-123).

By the year 1948, it might seem as though there was a stark contradiction within Başar's thoughts. However, such a contradiction neither exists in Başar's thinking nor in Turkey's development strategy. This change was not a reversal, but merely a new stage in the process of integration into capitalism. To understand this, we need to examine Başar's views on the roles and functions of the state in his understanding of economic statism. In Başar's proposed structure of statism, the state was divided into two categories: administrative and economic. As a result of this distinction, he advocated the idea that the administrative state should establish an economic state. According to him, this dual distinction was merely a preliminary



Kalabak, A. Y. & Kolçak, M. (2023). Evolution of Statism in the Turkish-Muslim Bourgeoisie's Economic Perspective: From the 1st Turkey Economic Congress to the 2nd Turkey Economic Congress. *Fiscaoeconomia*, 7(Özel Sayı), 179-209. Doi: 10.25295/fsecon.1351036

condition to distance the bureaucracy from the economy and replace it with new actors dominating the economy. According to Başar, as this distinction's requirements are fulfilled over time, the bureaucratic class will be eliminated and replaced by the bourgeois class (Topal, 2007: 123). In this context, the 2nd Turkey Economic Congress became an event where the requirements of this distinction were openly expressed, within the framework the integration of the capitalist system into the Turkish economy. The governments of that period have pursued this integration process since World War I, or even earlier.

Due to the lack of capital, Başar argued that it was necessary for the state to establish the economic machinery to achieve development. To realize this idea, he assigned short-term and long-term duties to the state. Initially, Başar believed that the state should play a role as a founder and manager, and later, it should step back and hand over its position to the new entities it had established (national bourgeoisie). In essence, he envisioned that the state should gradually withdraw from the economic sphere in the long term, allowing the national bourgeoisie to take over (Topal, 2007: 123). However, the bureaucracy's dominance in the economy still continued until 1948. In other words, the bourgeoisie, the class that Başar advocated for, had not yet assumed control of the economy. Hence, the ardent proponent of economic statism at the time, Başar, seemed to suddenly shift towards the anti-statism or liberal camp.

Organized by the Istanbul Merchants Association under the leadership of Ahmet Hamdi Başar, the 2nd Turkish Economic Congress served the function of reminding both the government and the public about the goal of transforming state-owned property into private property. This is because the initial aim was to integrate into the capitalist system, and thus, the structure of the Turkish economy, which was constructed by the state, necessitated this transformation. The conclusion we can draw from this is that the state initially embarked on this path with this purpose, but later leaders of the Republican People's Party either forgot about this goal or were compelled to forget it due to the fear of losing their power. The bourgeoisie created by the state organized the mentioned congress to remind the government of this goal.

Alp (1948: 107-119), in his paper titled "Our Economic Development and the Foundations of Our New Statism," characterized the previously implemented statism as a historical necessity. He attributed this necessity to Atatürk's phrase "*What an individual cannot accomplish, the state does.*" However, he continued to state that at the time this phrase was coined, there were many tasks that individuals couldn't perform, but now the private sector was capable of handling these tasks, and thus, the state should withdraw from these areas. In the continuation of his paper, Alp emphasized that the boundaries of statism should now be firmly established. He pointed out that if the limits of statism would not defined, the prevailing economic system could potentially lean towards communism or socialism, highlighting the severity of the current situation.

Kuyucak (1948: 31-38) presented a paper titled "How Should State Intervention Be in Production, Trade, and General Economic Life?". In this paper, he likened the state to a tool that aims to achieve specific goals. He listed the objectives of this tool as ensuring security both domestically and internationally, especially within the country, and ensuring decision-making and equal opportunities for the private sector. To emphasize the severity of the



Kalabak, A. Y. & Kolçak, M. (2023). Evolution of Statism in the Turkish-Muslim Bourgeoisie's Economic Perspective: From the 1st Turkey Economic Congress to the 2nd Turkey Economic Congress. *Fiscaoeconomia*, 7(Özel Sayı), 179-209. Doi: 10.25295/fsecon.1351036

period's situation, he pointed out that if the limits of statism would not defined, the prevailing economic system could potentially lean towards communism or socialism.

Göklevent (1948: 98-99) presented a paper titled "Statism and State Industry". He emphasized the novelty of the 2nd Turkish Economic Congress and stated that because of this, the members of the congress did not possess sufficient data about the country's economy. He claimed that the existing data consisted of figures invented by individuals with no understanding of the subject, such as a gendarmerie sergeant or a village headman. He cautioned against trusting and making decisions based on these figures. Highlighting the importance of economics as a science, Göklevent stressed that scholars should speak according to the economic realities of the day, free from any political ideology. Stating that he would also speak in line with this approach, he compared state industry with the private sector industry and reached the following conclusions:

- 1-) While the state can invest in the desired industrial sector, the private sector cannot.
- 2-) Despite the state having significant capital, the private sector has not accumulated sufficient capital.
- 3-) State factories have modern buildings and modern machinery, while the private sector often operates with machines it can obtain in buildings licensed as warehouses.
- 4-) Health and safety of workers are taken seriously in state factories, whereas this aspect is often neglected in private sector factories.
- 5-) Wages of workers in state factories are more generous compared to those in the private sector.
- 6-) State factories engage in large-scale production, whereas private sector factories conduct smaller-scale production, often employing fewer than ten workers in fields subject to turnover tax.
- 7-) Due to a lack of trust in state enterprises, bureaucracy is dominant in these operations out of necessity, whereas the private sector operates with less bureaucracy.
- 8-) State enterprises are guided by a sense of responsibility rather than a commercial mindset. This sense of responsibility leads to delays, as managers consult higher authorities before making decisions. As a result, unnecessary time losses occur in state enterprises. In the private sector, profit motives prevail, leading to more efficient operations without time losses.
- 9-) The private sector typically selects workers who are the best in their field and are willing to work for the minimum wage. In state enterprises, however, workers are chosen based on an unjust set scale and established unjust principles. State enterprises are often headed by individuals with political influence.

Based on the results of this comparison, Göklevent (1948: 99) proposed that all state-owned industrial enterprises, except those established for military purposes, should be sold to joint-stock companies. He suggested that the revenue obtained from this should be used by the state to invest in other industrial sectors that are not present in the country. Göklevent



Kalabak, A. Y. & Kolçak, M. (2023). Evolution of Statism in the Turkish-Muslim Bourgeoisie's Economic Perspective: From the 1st Turkey Economic Congress to the 2nd Turkey Economic Congress. *Fiscaoeconomia*, 7(Özel Sayı), 179-209. Doi: 10.25295/fsecon.1351036

emphasized the need for the state to assume the role of a founder once again. This attribution was based on the fact that there was still insufficient capital accumulation in the country to invest in these other industrial sectors.

However, in the previous sections of our study, we emphasize that the accumulated significant capital in the hands of large landowners and the merchant class is a prerequisite for a capitalist transformation process that shifted from state leadership to private sector leadership. Generally, the ideological content of laws like the National Protection Law and the Wealth Tax, which do not have significant negative impacts on the capitalist classes, led the bourgeois class organizing the 2nd Turkish Economic Congress to reassess their relationship with the Republican People's Party. The party was in a position of implementing state interventionism and held a pro-state ideology. Furthermore, during the period of World War II, the association of state interventionism with statism and the heightened interventionism and control in response to the state of mobilization were significant factors. These factors later evolved into a reaction against state interventionism and the distinctive industrialization strategy (Turgut, 1991: 131-132). The 2nd Turkish Economic Congress and the papers presented at the Congress that were related to state interventionism hold an important place in this expression of reaction.

5. In Lieu of Conclusion

The transformation that occurred after World War II was influenced by the following factors: developments at the international level in the world economy/politics, and the differentiation within the internal class composition depending on the stage of capital accumulation. The form of this transformation manifested itself as an attempt by the Turkish capital to integrate into the restructuring capitalist system's division of labor. Therefore, both internal and external factors played a role in the transformation that took place in Turkey. However, in this study, we mainly focus on examining internal factors. We propose that external factors be considered as motivation for future research. The transformation of Turkey can be explained by the impact of the transformation on facts and actors. The international structuring of the capitalist system led to variations in the process of capital accumulation in countries aspiring to be integrated into the system, in line with the needs of the system. This differentiation resulted in changes in the actors of the process (bureaucracy-bourgeoisie). However, this relationship was not one-sided. The structure was the result of mutual interaction among facts, structures, and actors. Proceeding from this point, we seek to understand the different stages of capitalist development in Turkey and the emergence of different actors during these stages in this study. In this context, we can say that developments within the capitalist system and the country's internal class structure were complementary (Törel, 2006: 73). For these reasons, it is natural for the Istanbul Merchant Association to come to the forefront in the post-war period in social, political, and economic spheres.

The class that emerged from capital accumulation attempted to sustain the accumulation of capital through structures such as the Istanbul Merchants Association. In this context, a series of conflicts emerged, and the process concluded with a political representation crisis that led



Kalabak, A. Y. & Kolçak, M. (2023). Evolution of Statism in the Turkish-Muslim Bourgeoisie's Economic Perspective: From the 1st Turkey Economic Congress to the 2nd Turkey Economic Congress.

Fiscaoeconomia, 7(Özel Sayı), 179-209. Doi: 10.25295/fsecon.1351036

to a change of ruling party.¹⁸ While the events during World War II played a substantial role in the possibility of commercial capital becoming an agent of a process leading to a change in the ruling party due to a political representation crisis, the outcome cannot be solely attributed to the events of that period. In other words, to explain further, we consider the process during and after World War II as one of the stopping points of the capitalist development process in Turkey. The reason for this is that the accumulation opportunities for commercial capital (Muslim-Turkish bourgeoisie) began during the late Ottoman period. Although this process gained momentum with the establishment of the Republic, its actors occasionally differentiated due to developments in the global economy.¹⁹ The described situation resulted in conflicts within the process. These conflicts can also be understood as class-based conflicts among various actors who sought to dominate the process. Viewing it from this perspective, we can say that the transformation of Muslim-Turkish bourgeoisie after World War II was a stage in the contradictory²⁰ progression of capitalist development and capital accumulation in Turkey (Törel, 2006: 74).

Moreover, the continuity of capital accumulation in late-capitalist countries is achieved through the transformation of the trade bourgeoisie into industrial bourgeoisie, depending on the stage of capitalist development (Ercan, 2002: 35-36). In the case of Turkey, this transformation undoubtedly did not happen overnight. Hirschman explains a transformation as resulting from alliances between domestic industrialists and importers, and exporters of foreign countries. These alliances are formed with the purpose of protecting their respective market shares (cited from Hirschman by Ercan, 2002: 36). Considering capitalism as a historical process, it is clear that this alliance continues through the transformation of a previously established relationship. In the 1950s, trade capital collaborated with metropolitan capital seeking to regain control of the domestic market and entered the market as producers. Initially, there was no mention of a planned industrialization policy. However, in this process, certain segments of trade capital underwent a transformation from trading to industrial activity, starting with assembly industries (Gülalp, 1983: 34). Consequently, in the Turkish experience, commercial activities became the initial source of industrial capital accumulation (Tekeli et al., 1982: 8). The trade bourgeoisie, aspiring to achieve capital accumulation through industry, first articulated their desire in an organized manner at the 2nd Turkey Economic Congress.

The papers presented on statism at the 2nd Turkey Economic Congress reveal the following: In the discussions of statism and liberalism, proponents of the old statist-new liberal stance,

¹⁸ The process of the Democratic Party coming to power in place of the Republican People's Party government is not solely the result of the conflict between the Bureaucracy and the Bourgeoisie classes, although this conflict contributed to the change.

¹⁹ In the 1920s, the liberal trends prevailing worldwide led Turkey to adopt the path of creating a Muslim-Turkish bourgeoisie through liberal channels. The impact of the 1929 economic crisis, coupled with the growing belief in the world that states needed to enhance their economic control, also prompted Turkey to implement state intervention in the economy. However, this form of state intervention did not deviate Turkey from its goal of creating a Muslim-Turkish bourgeoisie; on the contrary, these state interventionist policies created more opportunities for the Muslim-Turkish bourgeoisie to prosper.

²⁰ For the contradictory nature of capital accumulation, see: Ercan (2002).



Kalabak, A. Y. & Kolçak, M. (2023). Evolution of Statism in the Turkish-Muslim Bourgeoisie's Economic Perspective: From the 1st Turkey Economic Congress to the 2nd Turkey Economic Congress. *Fiscaoeconomia*, 7(Özel Sayı), 179-209. Doi: 10.25295/fsecon.1351036

particularly Ahmet Hamdi Başar, view statism as one of the necessary stages for achieving capitalist accumulation. They expressed these thoughts freely at the Congress within the bounds of the prevailing conditions. Considering the debates on Statism and Liberalism at this Congress in the context of the political power's industry-based capitalist development model, it becomes evident that the economic policies categorized as statism were not fundamentally contrary to capitalist accumulation. Taking into account the repressive conditions of the time, individuals like Ahmet Hamdi Başar, as mentioned in the presented papers, subtly expressed this situation. The emergence of policies referred to as statism in the 1930s did not bring any significant differences in the economic ideology (national economic policies) maintained under liberal policies in the 1920s. On the contrary, it served the purpose of continuing the existing ideology (Topal, 2007: 124).

When the purpose of creating a Muslim-Turkish bourgeoisie is evaluated within the historical process, it needs both statist and liberal practices at various times. The fact that twenty-four Turks entered Forbes magazine's list of the world's richest businessmen in 2014 indicates that this purpose has been partially achieved by the twenty-first century (BBC, 2014).

In conclusion, during the early stages of capital accumulation, the bourgeoisie that wanted to have the state on their side expressed their desires at the 1st Turkey Economic Congress. However, during the 2nd Turkey Economic Congress, members of the same class expressed their viewpoint. They did so in a polite yet assertive manner, highlighting that the state had become an impediment to their interests. This sentiment emerged as they entered a new phase of capital accumulation in 1948. The suffering experienced by this class from the state was a result of the bourgeoisie's inability to compete with the state, particularly in the production sector, especially under free market conditions. Hence, they demanded the transfer of state institutions except those related to national security to themselves. We interpret this demand, which they couldn't even afford to establish in the 1920s and 1930s, as an indication that they have gained sufficient power in the context of capital accumulation. Furthermore, these demands reflect the bourgeoisie's unending and ever-increasing drive for more profits. The bourgeoisie, just like in 1820s England, saw the pursuit of more profit by gaining control over the production process. Another conclusion we can draw is that capitalism goes through similar stages of development in different times and places.²¹

²¹ As Hunt (2009) states, during the early stages of the Mercantilist period, production was carried out by workers who had the power to control their own means of production. Capitalists engaged in trade during this early period, and most of their capital was tied up in stocks of goods. Profit for capitalists at this time was mainly seen as deriving from buying and selling. Industrial capital remained insignificant and undervalued during this period. The frequent occurrence of trade crises in England during this era compelled the state to intervene in the economy. Towards the end of this period, there was an integration of capitalist control over the processes of production and trade. Following this integration, a group of philosophers, economists, and thinkers emerged who rejected the old protective state view and state regulation and formulated a new individualistic philosophy. Similar to the bourgeoisie and academics who organized the 2nd Turkey Economic Congress. By the end of this period, the bourgeoisie began to perceive the process of production as the sole source of profit, and thus abandoned the view that commercial capital was the sole source of profit. Throughout this period, apart from a few special interest groups that benefited from extensive trade restrictions and regulations, most capitalists felt constrained by state regulations in their profit endeavors. Many of the Mercantilist writers of the period were



Kalabak, A. Y. & Kolçak, M. (2023). Evolution of Statism in the Turkish-Muslim Bourgeoisie's Economic Perspective: From the 1st Turkey Economic Congress to the 2nd Turkey Economic Congress. *Fiscaoeconomia*, 7(Özel Sayı), 179-209. Doi: 10.25295/fsecon.1351036

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either capitalists themselves or privileged employees of capitalists. Therefore, it is natural for capitalists to perceive their motivations as universal (As remembered from the previous sections of our study, in the opening speeches of the 2nd Turkey Economic Congress, the interests of the bourgeoisie were identified with national interests). Capitalists' views that human nature and needs should be independent of comprehensive economic constraints provided a foundation for classical liberalism, much like what transpired in the 2nd Turkey Economic Congress.



Kalabak, A. Y. & Kolçak, M. (2023). Evolution of Statism in the Turkish-Muslim Bourgeoisie's Economic Perspective: From the 1st Turkey Economic Congress to the 2nd Turkey Economic Congress.

Fiscaoeconomia, 7(Özel Sayı), 179-209. Doi: 10.25295/fsecon.1351036

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Kalabak, A. Y. & Kolçak, M. (2023). Evolution of Statism in the Turkish-Muslim Bourgeoisie's Economic Perspective: From the 1st Turkey Economic Congress to the 2nd Turkey Economic Congress. *Fiscaoeconomia*, 7(Özel Sayı), 179-209. Doi: 10.25295/fsecon.1351036

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Çıkar Beyanı: Yazarlar arasında çıkar çatışması yoktur.

Etik Beyanı: Bu çalışmanın tüm hazırlanma süreçlerinde etik kurallara uyulduğunu yazarlar beyan eder. Aksi bir durumun tespiti halinde Fiscaeconomia Dergisinin hiçbir sorumluluğu olmayıp, tüm sorumluluk çalışmanın yazarlarına aittir.

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Giriş: 1. yazar

Literatür: 2. yazar

Metodoloji: 1. yazar

Sonuç: 2. yazar

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Introduction: 1. author

Literature: 2. author

Methodology: 1. author

Conclusion: 2. author

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