

**Czech University of Life Sciences Prague
Faculty of Economics and Management
Department of Economics**



Master's Thesis

**Economic policies and economic moves in the first years
of the Turkish Republic (1923-1950)**

Mehmet Akif Korkusuz

© 2022 CZU Prague

CZECH UNIVERSITY OF LIFE SCIENCES PRAGUE

Faculty of Economics and Management

DIPLOMA THESIS ASSIGNMENT

Mehmet Akif Korkusuz, BA

Economics and Management
Economics and Management

Thesis title

Economic policies and economic moves in the first years of the Turkish Republic (1923-1950)

Objectives of thesis

The main aim of the thesis is to evaluate the economic situation and economic policy in the first years of the Turkish Republic.

Methodology

The processing of the thesis can be divided into a few steps.

The outline of the thesis is as follows:

1. Introduction
2. Aim of the thesis
3. Literature review
4. Methodology
5. Analytical part
6. Conclusion

In the Introduction, the author will shortly introduce the topic and explain why this topic is relevant to be studied.

In the following section, the Aim of the thesis, the author will specify his aim and the potential contribution of his work to the current research.

The creation of the literature review will follow. This part will provide a detailed overview of the literature and the current state of knowledge focusing on economic policy in the early stages of the Turkish republic. It will critically analyse the most relevant studies, including methods used, results found, and limitations. Methodologically, this part of the thesis will be the analysis of documents.

The literature review creates a background for the author to specify the methods used for the analytical part of the thesis. The chapter Methodology will describe all the ways; it will also include a description of the obtaining data and its processing before the analysis.

In the following step (analytical part), the author will use the knowledge gained during the literature study with the methods specified in the previous section to analyse the obtained data. This part is the core component of the thesis. The analysis will be done in Turkey. This part of the thesis will include the analysis results and comparison (discussion) with other authors focusing on the same topic.

In the final part (conclusion), the author will summarise his findings, mention the limitation of the research and include possible further investigation.



The proposed extent of the thesis

60 – 80 pages

Keywords

Turkey, Development, Economy, Transportation, Education, Foreign Trade, Statism, Atatürk, Ottoman Empire

Recommended information sources

Cooper, M. (2002). The legacy of Atatürk: Turkish political structures and policy-making. *International Affairs*, 78(1), 115–128. <https://doi.org/10.1111/1468-2346.00241>

Kedourie, S. (Ed.). (2000). *Seventy-five Years of the Turkish Republic* (1st ed.). Routledge.

Kedourie, S. (2013). *Seventy-five Years of the Turkish Republic*. In *Seventy-five Years of the Turkish Republic* (1st ed.). <https://doi.org/10.4324/9781315038407>

Pamuk, Ş. (2019). Uneven centuries: Turkey's experience with economic development since 1820. *The Economic History Review*, 72(4), 1129–1151. <https://doi.org/10.1111/EHR.12938>

Singer, M. (1984) The economic performance of the Turkish Republic, *Middle Eastern Studies*, 20:4, 155-165, DOI: 10.1080/00263208408700604

Turnaoğlu, B. (2016) Ideological struggle during the formative years of the Turkish Republic, *Middle Eastern Studies*, 52:4, 677-693, DOI: 10.1080/00263206.2016.1176024

Expected date of thesis defence

2022/23 WS – FEM

The Diploma Thesis Supervisor

doc. Ing. Ivana Banašová, Ph.D.

Supervising department

Department of Economics

Electronic approval: 21. 11. 2022

prof. Ing. Lukáš Čechura, Ph.D.

Head of department

Electronic approval: 24. 11. 2022

doc. Ing. Tomáš Šubrt, Ph.D.

Dean

Prague on 30. 11. 2022

Declaration

I declare that I have worked on my master's thesis titled " Economic policies and economic moves in the first years of the Turkish Republic (1923-1950) " by myself and I have used only the sources mentioned at the end of the thesis. As the author of the master's thesis, I declare that the thesis does not break any copyrights.

In Prague on date of submission

Acknowledgement

I would like to thank my primary supervisor, doc. Ing. Irena Benešová, Ph.D. who guided me throughout this master thesis. I would also like to thank my family and friends for their support during my diploma thesis process. I wish to acknowledge the help provided by the technical and support staff in the Economics department of CZU

Economic policies and economic moves in the first years of the Turkish Republic (1923-1950)

Abstract

In this thesis, the economic policies of the Turkish republic between 1923 and 1950 will be examined. The year 1923, the beginning year of the period in which the thesis is the subject, coincides with the collapse of the 624-year-old Ottoman Empire and the founding of the Turkish Republic. In this context, the socio-economic infrastructure from the Ottoman period will also be mentioned.

Different indicators such as foreign trade balances, GDP, banking data, developments in infrastructure and transportation, export and import rates have been examined and some conclusions have been reached by comparing some of them with each other. After the Ottoman period, it was seen that efforts were made for a great change and economic development in the Turkish Republic.

Keywords: Turkey, Development, Economy, Transportation, Education, Foreign Trade, Statism, Atatürk, Ottoman Empire

Hospodářská politika a hospodářské pohyby v prvních letech Turecké republiky (1923-1950)

Abstrakt

V této práci bude zkoumána hospodářská politika Turecké republiky v letech 1923 až 1950. Rok 1923, počáteční rok období, ve kterém je práce předmětem, se shoduje s rozpadem 624 let staré Osmanské říše a založením Turecké republiky. V této souvislosti bude zmíněna i socioekonomická infrastruktura z osmanského období.

Byly zkoumány různé ukazatele, jako jsou bilance zahraničního obchodu, HDP, bankovní údaje, vývoj infrastruktury a dopravy, míry vývozu a dovozu a vzájemným srovnáním některých z nich bylo dosaženo určitých závěrů. Po osmanském období bylo vidět, že bylo vynaloženo úsilí o velkou změnu a hospodářský rozvoj v Turecké republice.

Klíčová slova: Turecko, Rozvoj, Ekonomika, Doprava, Vzdělávání Zahraniční obchod, Statismus, Atatürk Osmanská říše

Table of content

1. Introduction	15
2. Objectives and Methodolog	16
2.1. Objectives.....	16
2.2. Methodology	16
3. Literature Review	18
3.1 Beginning of The Single-Party Period	19
3.2 How Was Education Financed During the Ottoman Period?.....	20
3.3 Republican Period Education Expenditures.....	20
3.4 Transition to The National Economy by The Izmir Economics Congress.	20
3.5 Lausanne and Its Importance	21
3.6 1923 – 1930s Establishment Economy	22
3.7 Banking in The Early Years of The Republic	23
3.9 First Five-Year Industry Plan.....	24
3.10 Seconth Five-Year Industry Plan	26
3.12 Encouragement Industry Law	27
3.13 The Turkish Economy of The World Economic Decrease Effects On	29
3.14 Atatürk's Economic Strategies	30
3.15 In Ataturk Period Renovation Movements In Agriculture.....	30
3.16 Innovation Movements in the Field of Agriculture.....	31
3.17 The Understanding of Social Aid in the Atatürk Era.....	32
3.18 Atatürk's Thought Structure	34
3.19 Railway Policy	34
3.20 War Time	35
3.21 Lausanne Peace Treaty.....	36
4. Practical Part	38
4.1 Gross Domestic Product at 1948 Prices, Annual Averages 1923-1950.....	38
4.2 Ratios of The Working Population by Sectors.....	40
4.3 Structure of Gross Domestic Product by Sectors, in Percentages.....	41
4.4 Share of Banks in the Banking System	42
4.5 Distribution of Total Bank Loans by Sectors.....	43
4.6 Number of Students and Literacy Rate	44
4.7 Medical analysis.....	45
4.8 Transport and Roads	45
4.9 The Effect of Railways on The Economy	46
4.10 Statistics of Goods and Passenger Transport by Rail.....	47

4.11	The Difference Between Foreign-Designed and Government-Designed Routes.	48
4.12	Electricity Production and Consumption between 1923-1937.....	49
4.13	Operation of Ports	49
4.14	The Effects of the 1929 World Economic Crisis on Turkey	51
4.15	Turkish Economy in World War II	53
4.16	Annual retail prices for Istanbul.....	54
5.	Results and Discussion	55
5.1.	Comparison between export import rates and Percentage Change of Goods Transported by Railways.....	57
5.2.	Discussion	58
6.	Conclusion.....	61
7.	References	62

List of Tables and figures

Table 1 Debt Amount in Currency Unit (TL).....	22
Table 2 Factories planned to be opened in the second 5-year industry plan.....	26
Table 3 GDP in 1948	39
Table 4 Ratios of working population	41
Table 5 Structure of GDP	41
Table 6 Share of banks.....	42
Table 7 Distribution of bank loans	43
Table 8 Literacy rate	44
Table 9 Medical analysis	45
Table 10 Some products transported by rail and their weight in tons	46
Table 11 Operated lines and transported tons.....	46
Table 12 Correlation computation between transportation and railroads.....	47
Table 13 Average number of passengers per kilometer and cargo carried according to the line length	47
Table 14 Correlation Coefficient	47
Table 15 Sources and percentage representation of the electrical energy produced	49
Table 16 Local Insurance Companies.....	50
Table 17 Foreign Insurance Companies	51
Table 18 Weight amounts of exported and imported products.....	52
Table 19 Distribution of Foreign Trade Amounts by Years (Ton).....	53
Table 20 Annual retail prices for Istanbul	54
Table 21 Comparison of rises and falls in gross domestic product at 1948 prices, annual averages 1923-1950 and Changes in the sectoral share of gross domestic product	55
Table 22 Changes in the sectoral share of gross domestic product.	55
Table 23 Comparison of Share of Foreign, Private and Turkish State Banks In The Banking System and Distribution of Total Bank Loans by Sectors.....	56
Table 24 Distribution of Total Bank Loans by Sectors	56
Table 25 Percentage Change In Export Import Rate	57
Table 26 Percentage Change of Goods Transported by Rail.....	58
Table 27 Comparison of GDP per capita (2011 USD)	59

Figure 1 Existing National Banks in Turkey in 1931	24
Figure 2 Real GDP per capita in 2011 USD	38
Figure 3 Population in Turkey (thousands).....	40
Figure 5 Map of railroads built by foreigners and built by the government.....	48

1. Introduction

In this thesis, the economic policies of the newly established Republic of Turkey during the Atatürk period and recent economical history after Atatürk period were discussed and its results in the economy were examined. It is necessary to evaluate the economic structure of a country in the historical process. In order to determine the factors affecting the development in the country and to understand the change it has undergone over time, it should be determined at what stage the economy is at the beginning. For this reason, it is essential to know the current economic conditions in the transition to the Republican regime and what kind of economic legacy was inherited. Considering that "there will be no political independence without economic independence", which forms the basis of Atatürk's understanding of the national economy, economic development and progress have been given great importance. The economic policies determined between 1923-1938 were implemented partly by adopting a liberal and partly protective and statist (state intervention in the economy, partially) or completely structured (Songür,2019). Within the scope of the study, the factors and consequences that led Turkey to such a policy change will be examined in detail.

2. Objectives and Methodolog

2.1. Objectives

There are several reasons that prompted me to write this thesis. First of all desire to convey Turkish economic policies between 1923-1950 using different elements and indicators. Secondly, the purpose of this thesis is also to explain the result of endless wars of the Ottoman Empire, its inability to keep up with the times and its economic collapse, to explain the moves that the Republic of Turkey took in order to adapt new post-ottoman era under the leadership of Atatürk, and finally to show how the course has changed by showing the economic developments in the Post-Atatürk period. It is aimed to reflect in which areas and with which steps these developments are wanted to be created. The period in which the thesis is the subject is more than 100 years old when the last period of the Ottoman Empire is taken into consideration. As it would not be correct to present pure economic data with definite results about such an old period, the number of institutions and organizations examining economic indicators is quite limited due to the conditions of the country and the period. In this context, this thesis is designed as a thesis that includes many socio-economic, economic and social indicators and makes the most accurate inferences possible. In other words, the main purpose of the thesis is to evaluate the economic performance of Turkey in 1923-1950.

2.2. Methodology

Many different areas will be covered in this thesis. This thesis will be about from education to mining, from transportation to health and many other areas in economy. In addition, after 1923 and after 1938 will be mentioned and by presenting data in different areas of the economy in different year by year with various tables, some inferences will be made. It is aimed to see the developments or changes in the economy with a collective understanding. In addition to all said above, the author does also focuses on computing correlation coefficients between the change in the analyzed indicators and also computes chain indices according to years.

The main approach to data collection is focused on the extraction of secondary data from historical books, relevant articles and reports.

Correlation coefficient is computed as follows:

$$r = \frac{\sum(X_i - X)(Y_i - Y)}{\sqrt{\sum(X_i - X)^2 \sum(Y_i - Y)^2}}$$

Chain base index is calculated as follows:

$$\text{Chain base index} = \left(\frac{\text{New value}}{\text{Old value}} - 1 \right) * 100$$

The main approach to data collection is focused on the extraction of secondary data from historical books, relevant articles and reports.

3. Literature Review

The reasons of rapid development of industrialization in Europe and America and the inability of the Ottoman state to develop, the incessant wars, the fact that most of the population is under arms and the lack of qualified workforce, lack of facilities, borrowing (Kalabak, A.Y 2014). Such issues are among the topics that should be underlined in the Ottoman period. These mentioned issues can be described as the main reasons for the economic difficulties experienced in the last period of the Ottoman state. This foreign borrowing was the declaration of the Ottoman state in 1875 that it could not pay its debts and in 1881 with the establishment called Düyün-u Umumiye (Ottoman institution that ensured the direct transfer of collected taxes to debts). It resulted in the financial administration of the Ottoman State by foreign countries. The purpose of this organization was to transfer the collected taxes directly to the borrowed states. In this period, foreign investments made in the country were mostly made in transportation networks such as ports and railways. The aim is to facilitate the purchase of raw materials from the Ottoman state and to provide military equipment transportation. The agreement that prepared the infrastructure of this situation is the Baltalimanı Trade Agreement signed with England at 1838. With this agreement, economic concessions were given to British Empire. The Ottoman state abolished the restrictions on the purchase and sale of certain goods against foreign merchants. Thus, foreign traders entered the Ottoman lands and took part in domestic trade like Ottoman traders, easily exporting raw materials to Europe and bringing and selling processed materials.

These concessions made put the Ottoman state under pressure, which could not produce anyway and whose industry was in a very insufficient condition. In this period, the Ottoman state did not have a capital more than small workshops and a few factories. The agricultural sector, which is the best and the locomotive part of the economy was only partially sufficient for the domestic market due to reasons such as tithe tax (The tax levied at the rate of 10-15% from the income of the farmer, as the main source of income of the state is agriculture) and difficulties in exports. In addition, as mentioned before, the lack of qualified and unqualified labor force, and the lack of sufficient number of facilities. In such a bad situation, the Ottoman State took its place in the ranks of the alliance states in the first world war and as a result came to the point of collapse. Under these conditions, a series of wars called the War

of Independence, led by M. Kemal Atatürk, was won and a new country was established at the end of this struggle.

3.1 Beginning of The Single-Party Period

The first period of the republican party was a period of great social changes. In addition, many economic and legal changes took place. In fact, these changes form the basis of many building blocks in today's Turkey even or so it was until very recently. The programs of the governments established in the single-party period were examined in two parts, the liberal period (between 1923-1930) and the statist period (The period when the state intervened in the economy between 1931-1946) (Ülken, 1986). Within the framework of the economic policies implemented (Özdoğan F, Develi A 2020) .

There are two important reasons for the end of the liberal period between 1923 and 1930 and the beginning of the statist period. The first is the world economic depression that occurred in 1929 and was felt almost everywhere in the world. Another situation affecting the transition process is the expiry of the validity period of the provision on customs tax limitations brought by the Lausanne Treaty. With the removal of these restrictions on the customs regime, the ground was prepared for the implementation of interventionist and protective economic policies as a solution to the difficult conditions of the economic crisis that surrounded the whole world (Çavdar, 1992).

At the 3rd congress of the Republican People's Party, the principle of statism was officially recorded in the party charter. Since it is mentioned about the single-party period, it was also included in the government plan. It is after 1930 that the idea of statism was adopted and included in the programs of governments and in the programs of the Republican People's Party. The idea of "moderate statism", first mentioned by İsmet İnönü at the opening of Sivas (City of Turkey located on middle-east region) railways in 1930. After that was gradually reflected in all economic policies. After this period, the main supporter and source of the industrialization goal has been statist economic policies. The most basic goal of the executive staff is as much as possible industrialization and therefore economic development. Since it was understood that the growth could not be achieved with liberal policies, due to the fact that there was almost no wealthy parties such as the capitalist class and the country was in a state of exhaustion due to the incessant wars for years, the transition

to statist policies was seen as a necessity and efforts were made to achieve the targeted rapid growth.

3.2 How Was Education Financed During the Ottoman Period?

It is difficult to talk about the quality of decision makers in the economy in countries where education standards do not exist. In Ottoman Empire there were simply two different types of schools . Sıbyan schools and madrasahs. Sıbyan schools (primary schools) are the name given to primary schools in the Ottoman state. Primary schools were financed by wealthy benefactors and run by foundations. Madrasahs were created by the state and civil servants, clergy and lawyers were trained. Medrese education is an elite education that conveys the knowledge, values and norms necessary for the functions that the ilmiye class, which is working in important positions of the central government, will assume as religious officials, judicial bodies and professors and government officials. Sıbyan schools are the basic institutions where children are given primary education. Some of the primary schools were built through foundations and financed by philanthropy. Some of them were established by the cooperation of the people, and the general expenses of the school, such as heating and repair, especially the teacher's fee, were covered by the locals (Kaya, 1984).

3.3 Republican Period Education Expenditures

When looking at the financing problem of education in the Republican Period in terms of the size of education expenditures and the ratio of these amounts to the budget; The expenditures of the Ministry of National Education, which was 390,412 TL in 1921, were realized as 101,995,000 TL in 1946. While the share allocated to education in the budget was 0.7% in 1921, it was 2.9% in 1923, it remained around 4% in the following years, and increased significantly since 1943, reaching 5% in 1943 and 10% in 1946 (Karakütük,2001). Based on these data, it is seen that more and more importance is given to education, which is one of the socio-economic indicators in the republican period.

3.4 Transition to The National Economy by The Izmir Economics Congress.

At the end of the series of wars that the Ankara government waged with the Greek forces, the Ankara government was the winner. As a result of these wars, the Mudanya Armistice

was signed between Greece and the Ankara government. After this agreement, the allied states called the Ankara government to Lausanne. No solution could be found regarding the abolition of the capitulations or the problem between Istanbul and Mosul and peace talks suspended. In the meantime, the first economic congress in the history of Turkey was held in Izmir by the ministry of economy. There are two main purposes for the congress; The first of these is to identify the problems of all economic sectors and to ensure their integration with the political administration. And the other is to explain the policies to be followed in the future to foreign capital circles (Kepenek and Yentürk, 1994).

3.5 Lausanne and Its Importance

The general meeting of the Lausanne conference was held on 21 November 1922. İsmet Pasha represented the Turkish state (the second president of Turkey in the following years and he is a former-general of Ottoman Empire). Trabzon Deputy Hasan Bey and Sinop Deputy Rıza Nur Bey formed the delegates committee headed by İsmet Pasha (Atatürk, 2006).

Turkey was officially recognized with the Lausanne Peace Treaty. But this was not easy, it took place after a long process and a lot of difficulties. Victory did not immediately improve relations between Turkey and the opposing states. There were many issues that needed to be resolved, for example, how the debts of the Ottoman state would be shared among the Post-Ottoman states. The main reasons for this situation are; It is the feeling of distrust between the two parties and the issues that have not been resolved in the treaties and the crises that arise in the resolution of other issues. All of these have been an element of difficulty between the two sides and it took time to establish normal relations (Armaoğlu, 2002).

The main topics discussed in Lausanne were; abolition of capitulations and privileges given to foreigners, debts from the Ottoman Empire, customs regulations, war reparations, Turkish-Greek population problem, Mosul problem (It is important because Mosul has oil reserves) and borders. The most difficult arrangement is the takeover of most of the Ottoman debts by Turkey. According to the Lausanne Peace Treaty, forty percent of Ottoman debts fell to Turkey and in addition Düyün-u Umumiye administration lost its authority to control

revenues. (Dikmen,2005). The debts of the Ottoman state were divided among the post-Ottoman states that gained independence based on the borders before the war.

Table 1 Debt Amount in Currency Unit (TL)

Countries	Debt Amount
Turkey	84 597 495
Italy	243 200
Albania	1 633 233
Bulgaria	1 776 354
Greece	11 054 534
Yugoslavia	5 435 597
Syria-Lebonan	11 108 858
Palastine	3 284 429
Jordan	733 610
Iraq	6 772 142
Emirate of Najd	129 150
Hijaz	1 499 518
Emirate of Asir	26 138
Omman	1 182 104
Maar	128 728
TOTAL	129 605 090 (Controversial)

Source: According to the provisions of the Lausanne Peace Treaty, 13.06 1928 agreement made in Paris.

The total debt was 129.6 million liras (Table 1) at the date of entry into force of the Treaty of Lausanne (Kepenek and Yentürk, 1994). However, approximately 85 million of the debt was left to Turkey, and 2/3 of the total debt was loaded to the country. Annual debt payments are around 6 million liras and were delayed until 1929 (Boratav, 2015).

3.6 1923 – 1930s Establishment Economy

The first seven years of the Turkish economy were shaped in line with the decisions taken at the Izmir Congress. However, the economic progress of the state is seen as liberal policies, that is, putting the weight of the private enterprises on the market. Nevertheless, this did not mean that the state did not participate in economic life at all. The state intervened in areas where the private sector was insufficient because the private sector in Turkey was very weak in those years. The state would step in in areas where the private sector could not afford or find it profitable and refrain from investing. This policy, which is aimed to be

followed, can be called a private sector-based mixed economic development policy (Şahin, 2002).

After this period, a statist economy was adopted and one of the main reasons for this situation is the developments in the World. The state's non-intervention in the economy, which is what the classical economic view advocated, could not cure the world economic crisis that took place in 1929. That emerged in this period, and Keynes, the solution genius of the crisis, showed that the state's intervention in the economy was a must and demand should be increased. The failure of liberal economic policies implemented between 1923-29 and the period of the statist policies of the Soviet Union in the same period led the Republic of Turkey to implement statist policies.

3.7 The Status of Cooperatives Atatürk's Period

Cooperatives are important in terms of organizing a professional group. In the first years of the republic, the importance of cooperatives increased. They were subject to many new legal regulations and were able to establish themselves legally. In 1924, the law on agricultural unions was enacted. Ankara Civil Servants Consumption Cooperative was established with a law no. 586 dated March 24, 1925. The year 1935 is an important year for cooperatives in terms of the entry into force of two laws. The ‘‘Agricultural Sales Cooperatives and Unions Law’’ No. 2834 and the ‘‘Agricultural Credit Cooperatives Law’’ No. 2836, in 1935 with Atatürk's directives. Hundreds of cooperatives have been established (Mülayim, 1998)

3.8 Banking in The Early Years of The Republic

The economic crisis that started to be experienced in foreign countries since the second half of the 1920s affected the banking system based on export and import activities. During the depression years, the high import demand against the decline in foreign commercial loans, which played an important role in the financing of foreign trade, increased the prices of bank loans and profit rates, which were already high . This situation also affected the importing companies selling goods to the interior regions, and the unpaid loans caused by the losses caused the banks to act more cautiously in lending. Therefore, there was a

contraction in the credit market, which also led to the inability to meet the money and credit demand of the domestic market. The year 1927 was entered with a great shortage of money, and internal and external resources were very insufficient to meet the increasing demand for money, especially in the export season. Thereupon, many local banks with small capitals were established after 1927 in order to overcome the shortage in the markets and to meet the need for credit. On the other hand, the shrinkage of agricultural production volume due to weather conditions made local Anatolian banks with small capital more functional for financing.

Figure 1 Existing National Banks in Turkey in 1931

Ç — Bankalar — Les banques

Millî bankalar ve sermayeleri — Banque nationales

1931

Banka isimleri <i>Noms des banque</i>	Sermaye Capital Lira—Ltqs	Banka isimleri <i>Noms des banque</i>	Sermaye Capital Lira—Ltqs
Türkiye Ziraat Bankası	30,000,000	İstanbul Esnaf Bankası	100,000
Emlâk ve Eytam Bankası	20,000,000	Karaman Çiftçi Bankası	100,000
Cumhuriyet Merkez Bankası	15,000,000	Şarki Karabağ Bankası	100,000
Türkiye Sanayi ve Maden Bankası	6,699,782	Mersin Bankası	100,000
Türkiye İş Bankası	5,000,000	Karadeniz Bankası	100,000
Selânik Bankası	[1]1,800,000	Trabzon Bankası	100,000
İstanbul Emniyet Sandığı	1,566,800	Niğde Çiftçi ve Tüccar Bankası	100,000
Adapazarı Türk Ticaret Bankası	1,200,000	Aydın Millî Bankası	100,000
Türkiye İmar Bankası	1,000,000	Neveşehir Bankası	100,000
Akhisar Tütünçüler Bankası	1,000,000	Kocaeli Halk Bankası	100,000
İzmir Esnaf ve Ahali Bankası	1,000,000	Aksaray Halk İktisat Bankası	100,000
Akşehir Bankası	1,000,000	Ermenek Ahali Bankası	100,000
Türk Ticaret ve Sanayi Bankası	1,000,000	Karaman Millî Bankası	100,000
Konya Türk Ticaret Bankası	500,000	Bor Zürra Bankası	100,000
Eskişehir Bankası	500,000	Elâziz İktisat Bankası	100,000
Akseki Ticaret Bankası	500,000	Emvali Gayrimenkule İkrizat Bankası	60,000
Konya Ahali Bankası	500,000	Kırşehir Ticaret Bankası	50,000
Manisa Bağcılar Bankası	300,000	Kastamonu Bankası	50,000
Denizli İktisat Bankası	250,000	Lüleburgaz Birlik Ticaret Bankası	40,000
Adapazarı Emniyet Bankası	200,000	İstanbul Küçük İkrizat Sandığı	30,000
Afyonkarahisar Terakkii Servet Bankası	200,000	Ürküp Zürra ve Tüccar Bankası	30,000
Konya İktisadi Millî Bankası	150,000	Bor Esnaf Bankası	25,000
		Yekûn — Total	91,151,802

[1] Otuz milyon frank mukabili — 30 millions francs français.

Resource: Devlet İstatistik Enstitüsü, 1931 İstatistik Yıllığı, İstatistik Umum Müdürlüğü Neşriyatı, Sayı 21, 1932, s.273.

3.9 First Five-Year Industry Plan

The increasing effect of the 1929 world economic crisis on Turkey shook the belief in the market economy and made state intervention necessary and a plan has been made in this direction. Atatürk's emphasis that political independence cannot be maintained without

"economic independence" basically, it is possible to say that some features of the economy have socialist conditions. Emphasis is placed on the use of domestic resources. The leaders of the state, management staff and investments have progressed in this direction and this has been accepted as a policy. The statist policies, which have been implemented since the 1930s, begin with the economic policies task prepared for the Ali Economics Council in 1929. The studies started under the chairmanship of the deputy responsible for the economy of the period were transferred to the Ministry of Economy. and a "Report on Our Economic Situation", which mainly includes the textile, paper and iron-steel sectors, is written. After the 1929 Depression, there are planning experiences that necessitate state intervention throughout the world economy. The Soviet Union, which was less affected by the crisis in this process, draws attention with its successful planning. When it was decided to implement the planned industrialization approach in Turkey, the opinions of Soviet experts were consulted.

The Soviet delegation, mainly consisting of academicians, came to Turkey in 1932 and conducted studies on different industrial sectors in various provinces. As a result of all these investigations, Soviet experts, who wrote a report titled "Cotton, Linen, Hemp, Chemistry, Iron Industry in Turkey", propose a series of industrial projects to Turkey. The Turkish government is not content with only Soviet experts, it is agreed with a New York-based company to conduct an economic investigation of Turkey, and the opinion of US experts is sought. The US experts who came to Turkey in June 1933 completed their comprehensive reports only in May 1934. Studies on the reports prepared by Soviet and US experts, and the reports themselves, form an accumulation in the process of forming the idea of statism and plan. In 1933, the ministry of economy presents the document titled "Reports on Industrial Installations and Operations and Additions to the Ministry of Health" to the government. This document, which will later be referred to as the First Five-Year Industrial Plan, includes two separate reports, one on industrial installation and operations and the other on the ministry of economy, in addition to the information on the factories to be established. The First Five-Year Industry Plan, which was prepared in 1932 and was approved on January 9, 1934 and entered into force on April 17, 1934 (Öztürk, 1987).

3.10 Second Five-Year Industry Plan

With the second five-year industry plan that started in 1934 the following factories (table 2) were planned to be established.

Table 2 Factories planned to be opened in the second 5-year industry plan

1. Bakırköy Cloth Factory on 13 August 1934.
2. Isparta Rose Oil Factory on May 1935.
3. Keçiborlu Sulfur Factory on 25 August 1935.
4. Kayseri Weaving Factory on 16 September 1935.
5. Paşabahçe Bottle and Glass Factory on 29 November 1935.
6. İzmit Paper Factory on 6 November 1936.
7. Ereğli Cloth Factory on 4 April 1937.
8. Nazilli Basma Factory on 9 October 1937.
9. Gemlik Sungipek Factory on 1 February 1938.
10. Bursa Merino Factory on 2 February 1938.
11. Malatya Fabric Factory and Yarn Factory on 14 December 1939.
12. Karabük Iron and Steel Factory in 1939.

Resource: T.R. Prime Ministry State Planning Organization

Considering that there were almost no factories before, it can be said that great gains could be achieved with the Second five-year development plan. It is seen that the implementation of the second five-year development plan before the end of the first five-year development plan is quite effective in this sense

Deputy Minister of Economy Celal Bayar started to work with the expert committee of the Ministry of Economy to make preparations for the Second five years industry plan. An “Industry Congress” was held in Ankara on 20-24 January 1936 with a delegation headed by the Deputy Minister of Economics Celâl Bayar, representatives of all other deputies, delegates of the General Staff, representatives of national banks, experts and well-known personalities to work on the plan, gathered.

With the outbreak of the second world war, the budget was reserved for defense and this plan did not materialize, but it was an important planning for the following years.

3.11 Abolition of the Tithe

Tithe tax's place in the Ottoman state treasury is important. It corresponds to 10% of agricultural production. Until 1925, there was a profession called "multezim", and rented certain lands on behalf of the state. This tax (Aşar tax in Turkish. The tax that collected from farmer's production) given by the villagers engaged in agriculture constituted 22% of the budget. And as it was mentioned, most of the tax collected was confiscated because the state did not collect it directly, but through people called mültezim. In the first years of the republic, it was abolished due to reasons such as the contradiction of this situation with the principles of the republic, putting the farmers in a difficult situation and the desire of the republican control to follow a new path. This is the state that chooses authoritarianism as a type of understanding and uses its political sanctions to dominate the market, changing this view and emphasizing a relationship from scratch (Keyder, 1982).

The abolition of the tithe was carried out on February 17, 1925, and incentives were introduced to agricultural producers, resulting in an increase in the consumption of agricultural products, but this created a noticeable gap in the economy. In order to close this gap, it was decided to charge a tax of 8% or 10% from the market price of commercial products (Dinler, 1993). In addition, indirect taxes were levied on the amounts of agricultural products placed on the market by sea and rail. In addition to this, the steps taken to close the budget deficits were continued by increasing the road and income tax.

3.12 Encouragement Industry Law

Encouragement Industry Law was last enacted in 1913 during the time of the Committee of Union and Progress. It remained in until 1942, the purpose of this law is to support private enterprises. Lease of state-owned land without charge includes tax and customs exemptions. With the proclamation of the Republic, this law was revised and expanded, because the staanted to develop the private sector and implement liberal policies. The most important law concerning the industrial financing of the period was the Encouragement Industry Law dated 28 May 1927. This law provided extensive and generous

exemptions, concessions and incentives to industrial investments and industrial enterprises (Boratav, 2015).

The incentives and exceptions provided for industrial establishments are as follows:

- The government provides the necessary connections for communication and the engine power to be used in the law
- The transportation of vehicles and equipment to be imported at the establishment stage of the enterprise with a 30% discount on railways and seaways
- The state in the sale of 10% of the annual production.
- Obligation to purchase domestically if the prices of public institutions and organizations are not more than 10% of the prices of their foreign counterparts and if the quality is sufficient.
- Selling public products to these enterprises at a discount (Çavdar, 1992). Emphasis was placed on the use of large and modern techniques by industrial establishments that benefit from this law scope. The number of industrial establishments benefited from within the scope of this law increased and reached the highest level in 1932 and 1473 industrial establishments benefited from the incentives (Şahin, 2002).

In 1927, the Âli İktisat Council, whose honorary president was the prime minister, was established to accelerate Turkey's economic development and to create new opportunities in this process. The number of members of the board was 24. This assembly, which met twice a year for a period of 15 days, had an unusual composition. Although it did not have the power of sanction, the Supreme Economy Council, which had 11 economists, 12 experts from institutions dealing with the economy, and a representative from the army, was a remarkable formation in terms of the duties it took.

Duties undertaken by the Assembly:

- A) To give an opinion on the economic laws and by-laws to be prepared by the government.
- B) To submit a reasoned proposal to the government for the necessary changes in the economic legislation.
- C) To conduct research on economic needs.
- D) By examining other economic methods, their relationship with the country's economy to investigate the effects (Ülken, 1986).

3.13 The Turkish Economy of The World Economic Decrease Effects On

The Great Depression, triggered by the stock market crash on Wall Street in 1929, severely affected the industrialized rich countries. The classical economics doctrine, which continued until the 1930s, was permanently discredited (Piketty, 2014). With the crisis in the world, governments in all nations have felt the obligation to intervene in the financial situation. Interventions differed from management to management. However, many states have tried to reduce the stock of goods in large numbers by following the method of decreasing the value of the goods, and to reduce the effect of this depression by increasing and limiting the import taxes (Zarakolu, 1982).

The fact that Turkey's share in the world is more limited, foreign capital does not want to come and the relations with the world economy have not developed much have also reduced the extent of the Great Depression's impact on Turkey (Işık and Duman, 2012). In the light of these developments, Turkey, which conducts most of its trade with the countries affected by the crisis, started to take various measures. Although the removal of capitulations and restrictions in accordance with the provisions of the Treaty of Lausanne, which was signed, is a positive development, Turkey was caught prepared for this crisis with the customs policies it implemented before the crisis occurred. Nevertheless, it is not possible to say that Turkey was not affected. Turkey has emerged from this crisis with less damage than its surroundings compared to other nations. Despite this, although the renewed taxes

increased by 8-9% and reached the level of 19-20%, a rapid decrease in revenues began with the effect of the crisis.

3.14 Atatürk's Economic Strategies

These are the economic strategies that Atatürk wanted to implement in the new Turkey. These strategies are important in terms of illuminating what is explained in the next chapters.

- Income distribution should be fair and privileges should not be given to a particular community or group, and if a group is seen to be unfairly privileged, it should be prevented and economic comfort should be ensured. This thought was embodied in Mustafa Kemal's principle of populism.
- Atatürk actually defended the market economy. The principle of statism covers only the areas where private enterprise is insufficient. Market economy will ensure economic integration and economic efficiency will increase.
- Private capital is important, it should be protected and encouraged. This is actually one of the most important features of democratic policies and is the enabler of economic development. The government should supervise and encourage the private sector. The establishment of İşbank and the Central Bank of Turkey is the best example of Atatürk's sensitivity to the issue.
- The state's economy must be very delicate. Actions that limit private enterprise should be avoided. This is the only way to work harmoniously. It is essential to be compatible with the private sector. This is how democratic policies should be.
- The most suitable areas for investment for the government are infrastructure investments and these investments should have the highest priority for the government. This issue is very important for establishing a national economy and a rapid industrialization move. While making investment expenditures by the public, the basic functions of the state should not be forgotten (İnan, 1974).

3.15 In Ataturk Period Renovation Movements In Agriculture

In the last period of the Ottoman period, the state of the agricultural sector was not very pleasant. There was famine in the country. The main reason for this is the incessant wars, as mentioned before. The second reason is the primitive methods of agriculture in the country,

the lack of necessary technological agricultural tools (this period has changed rapidly with the Republic and industrialization has begun in agriculture). Eighty percent of the working population was working in the agricultural sector, which is even higher than the conditions of the period and about half of the country's income depended on agriculture. The villagers were taxed for road construction, and they were also taxed based on the number of animals the villagers owned and that was heavy burden on villagers. There was a system called the landlord system in the country, and problems such as unjust income distribution and self-justice were causing unrest among the people. In addition to the difficulties encountered in the production of agricultural products, the difficulties encountered in their transportation within the country caused the prices of the products to be different in different regions. Despite everything, the country's agricultural areas, agricultural products and incomes had to be increased in order for the country to industrialize.

The agricultural production of the Ottoman state, whose economy was based on agriculture, had collapsed. Most of the young and dynamic population who could work in the agricultural sector died in the wars. In some regions (eastern and southeastern Anatolian regions of Turkey), agricultural products were not delivered to other regions due to the inadequacy of transportation means and roads, and a closed economic model emerged. This situation led to weak trade with the western provinces where the population is dense. The products grown in western regions and Mediterranean cities could be imported abroad and are popular in foreign markets (grapes, figs, tobacco, etc). The backwardness in agricultural activities in these regions is not only due to transportation, differences in soil richness or technological inadequacies, but also due to the fact that there are large land owners and most of the people work as farmhands in these lands, and the productivity is low (Kongar, 1983).

3.16 Innovation Movements in the Field of Agriculture

Mustafa Kemal Atatürk, the founder and first president of the Turkish Republic, knew that being a fully independent country requires economic independence. But only economic independence was not enough, it was necessary to adapt to the times both in the economy and in the society, and to have a modern structure.

Therefore, before going to the Lausanne conference again, he arranges a congress in Izmir to make a comprehensive economic planning. Farmers, peasants, workers and industry

representatives took part in the congress, in which 1135 people participated on February 17, 1923, and the congress lasted for 15 days. In the opening speech of the congress, Mustafa Kemal proposes a model of society that will no longer be guided by anyone.

At the end of the congress, the oath was accepted for a progressive economic model that would not compromise the independence won by bloodshed. Important decisions such as reforms in the tax system, giving land to landless farmers, arranging credit institutions, and improving agriculture by recovering from old methods are taken in the congress (Mumcu, 1994).

With a law enacted in 1925, it became legal for the state to allocate land to farmers, provided that the rent is paid within twenty years. Ziraat Bankası (a bank established to support farmers and still operating) started to provide loans with low interest to small-scale agricultural producers. By giving importance to cooperatives in this period of time, the government opens Agricultural Credit Cooperatives, Agricultural Schools, Higher Agricultural Institute, seed improvement stations and sample farms in order to be beneficial and provide assistance to the villagers. In this period, the government encourages the use of tractors and distributes cheap tools and machinery. Atatürk sets an example for farmers by establishing farms and applying modern methods.

Mustafa Kemal attaches great importance to agriculture in the economy, and because he knows very well that the capital required for the development of the country is the work of the farmers, he first abolished the Tithe Tax with the Law No. 552 on February 17, 1925. Thus, the farmers are more motivated and accumulate their own capital and capital starts to accumulate in the bank's vault.

3.17 The Understanding of Social Aid in the Atatürk Era

Despite all the efforts of the Turkish Grand National Assembly, the state of Turkey after the war was not very pleasant. With the *tekalif-i milliye* orders (1921) issued in the War of Independence, each family had to dress a soldier, 40% of the food and drink items were confiscated (with the condition of being reimbursed), the people had donated all their weapons and ammunition to the army, and with a series of orders like this, they were already poor. The people had lost almost everything they had. The ruins and effects of the war were

felt by all segments of society. However, the main task was left to the governments of the new Turkish Republic established after the war. The understanding of cultural and religious aid, which came from the pre-republican era, has evolved into a more systematic and legal form with the republic. The contribution of secular and modern understanding is also great. In fact, although the populism of the National Struggle period exhibited an understanding that aimed at establishing a nation-state and was more political than social content, it basically prioritized individual rights and freedoms. Political power based on national sovereignty brought with it social power (Toprak,1977).

The understanding of political populism, which was important in the success of the National Struggle, left its place to the understanding of community-based populism after the proclamation of the Republic. In this sense, social assistance can also be seen as a part of the understanding of populism. The main purpose of the social aid policies in 1923, the year the Turkish Republic was founded. The aim was to meet the needs of the people who suffered from hunger and misery after the First World War and the War of Independence, and enacting legislation in this framework was not the main goal. After the basic needs of the people such as subsistence and shelter were settled to a certain extent, it was necessary to correct the existing institutions or create new institutions in order for these aids to become systematic.

Despite all these impossibilities and the fact that the state had just come out of the war, social assistance was seen as the main duty of the state. Within the framework of this understanding, existing institutions related to social assistance were modernized or the needs of the people were tried to be met in order of priority (Makal, 1997) . The results of the state's understanding of institutional aid began to be received mainly after 1930. Until this year, while the traditional understanding in social assistance was continued, on the other hand, efforts were started to bring Western methods and methods to Turkey.

Even though social assistance was not enacted in the first constitution of the republic, the issue of social assistance was heavily involved. The reason for this can be thought that if the state enacts a social assistance law, it may be insufficient financially. Social assistance provided by the state in the first years of the republic can be divided into two groups. firstly, providing shelter and food aid to those in need, and secondly, giving a salary to those in

need. Salaries, which were paid to provide a regular income to the needy, were among the issues that the state prioritized in long-term social benefits. In the first group, the widows and orphans of the martyrs were included, and the disabled and orphans were included in the second group. The Republican People's Party administration, on the one hand, wanted to alleviate the economic burden of the state by including the orphans who were able to the production process, while providing state security to the widows, orphans and orphans through salaries. In this sense, draft laws were also prepared to give real estate such as fields, vineyards, orchards from the treasury land to the orphans and the needy, then the mentioned movables were given.

3.18 Atatürk's Thought Structure

As stated before, Gazi Mustafa Kemal was aiming the results of their struggle to create a "national economy" that he had set out in the days of liberation, and he continued this excitement until his last breath.

For example, on November 1, 1937, one year before he passed away, he said the following in the opening speech of the 5th Term 3rd Legislative Year of the Turkish Grand National Assembly:

'Industrialization is among our greatest national causes. We will establish and operate all kinds of industries, large and small, whose raw materials are available in our country so that they can work and live. This is a must in order to evaluate our products, especially for homeland defense, and to reach the ideal of Turkey, which is the most advanced and rich, in the shortest way.'

3.19 Railway Policy

As of 1923, Turkey's railway adequacy was not very good and far from what was needed. There are only 4138 km of railway lines, 118 (steam) locomotives and 2,196 wagons, of which 203 are passenger wagons and 1.983 are freight wagons throughout the country (Avci, 2014). Some railways were run by foreigners and transportation fees were very high in those railways and the lines designed by and railways were designed by the designing countries from the coast to the interior (Avci, 2014).

In case of any war, the support of the Ottoman army was prevented. Transportation is extremely expensive and the scarcity of transportation vehicles is one of the most important problems of the country. With the proclamation of the Republic, one of the most important issues of President Atatürk was railway policy. When Mustafa Kemal was the President, the situation of the railways was taken seriously, and a national and independent railway policy was followed in accordance with the real needs of the country.

Atatürk saw the expansion of the railway network as a reason for national independence. While planning the railway networks, an economic concern was pursued and consumption and production centers were tried to be connected with each other. In this way, it is aimed to revitalize the social and economic life in the regions where the railway passes. The nationalization of railways was pursued in two ways; the first is to build new railways and the second is to buy railways owned by foreign companies.

One of the main objectives of the railway policy of the Republic of Turkey is to expand the railway network as soon as possible. For this purpose; Ankara-Sivas, Samsun-Sivas and Fevzipaşa-Diyarbakır in 1924, Kütahya-Balıkesir and Filyos-Irmak in 1925, Ulukışla-Kayseri in 1926, Yolçatı-Elazığ, Afyon-Burdur, Sivas-Erzurum and Malatya-Çetinkaya in 1933. The construction of the Bozanönü-Isparta lines in 1934, and the Diyarbakır-Kurtalan lines in 1937 started (Avcı, 2014).

In the 15-year period between 1924 and 1938, the construction of 3302 kilometers of new railway was completed with the state's own budget. Again, the construction of an important part of the railway lines, which will be put into service in the following years, was started in this period.

3.20 War Time

The Republic of Turkey felt the difficult economic conditions of the 2nd World War even though it did not enter the war. After the great depression, imports had already suffered a great loss and decreased by half and the foreign trade balance continued to give a surplus during the war years. In particular, the reduction in imports of raw materials led to a reduction in production and problems related to intermediate goods and investment goods were observed.

With the decrease in production, the inflation problem and economic contraction were effective in shaping the policies during and after the war. Although the Republic of Turkey did not participate in the World War II, it experienced the economic and political problems caused by the war. In the difficult conditions of this period, As understood the most important goal and problem is to cope with the limited commercial opportunities and meet the basic needs of the country. Because export and import opportunities are very limited.

3.21 Lausanne Peace Treaty

At the time the Lausanne Peace Agreement was signed, the administrative staff in the country consisted mostly of soldiers who led the struggle for the national liberation war. General İsmet İnönü, one of the most important actors in the national liberation war, was representing the Turkish side at the Lausanne Conference and the lack of information about the economy was obvious. For this reason, certain difficulties arose in the negotiations at the Lausanne conference. Ismet Pasha, who was educated in the Ottoman military institutions, was strict and authoritarian about the economy because he was an imperial military background.

The reason for their failure is shown to have a worldview stemming from their Ottoman and military origins. Their approach to the concept of the state was centralized and authoritarian. They knew very well that Turkey had serious economic problems and they sincerely wanted to bring permanent solutions to them. However, despite all these good intentions, their expertise was in a different field (Deringil, 1994). İsmet İnönü and his team fought hard for economic independence in Lausanne, and the issue of abolishing the privileges given to foreigners was not even open to discussion. Foreign capital enterprises were nationalized and the negativities of the Ottoman period were tried to be eliminated. He showed the whole world how much Turkey attaches importance to an independent economy.

The newly established state rejected foreign dependence in the political arena and took a firm stand against it in economic matters. Turkey has adopted self-sufficiency as its main target (Deringil,1994). The Lausanne peace agreement was politically successful. Turkey has made it known to the whole world that it is economically independent. However, it is difficult to say that it has achieved the same success in accordance with the economic conditions of the agreement.

With the Lausanne Peace Treaty, the capitulations were abolished and Turkey reached the independence that could determine its own destiny economically. However, in the short term, some economic provisions of Lausanne brought heavy burdens to our economic life. For example, having to keep customs duties at 1916 levels from 1923 to 1929 created a significant pressure on the economy. The fact that most of the privileges given to foreigners remain in force and can only be nationalized within 15 years is also an important problem. With the economic provisions of the Lausanne Peace Treaty, Turkey's authority to determine customs tariffs was taken away, even for a while, and this negatively affected economic relations. Turkey is faced with an underdeveloped industry and a dangerously unfavorable trade balance.

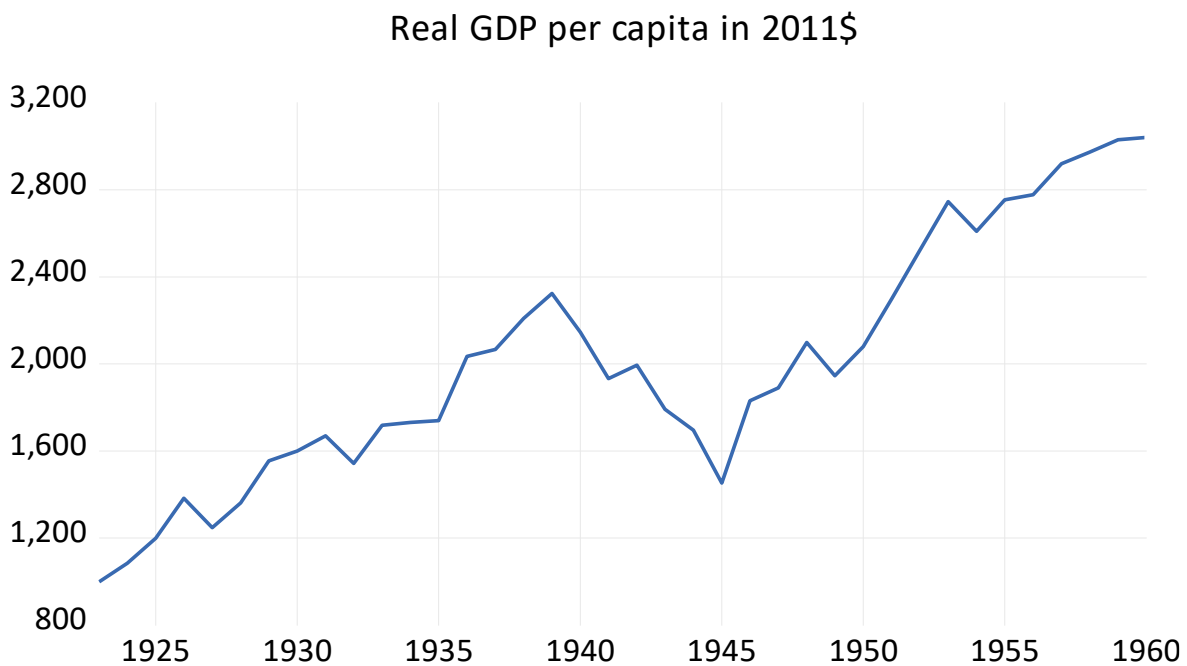
4. Practical Part

This part of the diploma thesis focus on the practical application of the economic policy in Turkey during the monitored period. Unfortunately not all the data are available, therefore, it is necessary to use time period or there are also missing values.

4.1 Gross Domestic Product at 1948 Prices, Annual Averages 1923-1950

Gross domestic product is a key indicator of economic development of the country. The following figure 2 display the development of the GDP per capita from 1923 up to 1960. These data were obtained from the Madison project.

Figure 2 Real GDP per capita in 2011 USD



Resource: Madison project (database 2020)

It is evident that while in the beginning of the period the GDP per capita was growing then during the second world war Turkey witnessed a decline. However, after the war the growing tendency is evident again.

Very important thing is also the structure of the economy. The following table 3 displays its structure.

Table 3 GDP in 1948

Year	Agriculture		Industry		Transport and communication		Government services		Other services		Output per capita
	Million (TL)	Index	Million (TL)	Index	Million (TL)	Index	Million (TL)	Index	Million (TL)	Index	Million (TL)
1923-25	1.52	68	421	64	115	69	255	75	949	80	254
1926-30	2.254	100	662	100	167	100	338	100	1.188	100	330
1931-35	2.490	110	1.019	154	209	125	566	167	1.452	122	370
1936-40	3.791	168	1.423	215	307	184	755	223	1.830	154	474
1941-45	3.176	141	1.363	206	321	192	597	177	1.756	148	392
1946-50	3.744	166	1.585	239	439	263	729	216	2.128	179	430
1926	2.237		527		148		293		1.129		324
1936	3.393		1.552		348		911		2.000		500
1950	4.115		1.759		493		820		2.308		453

Resources: Tuncer Bulutay, Yahya Sezai Tezel and Nuri Yıldırım (1974). Türkiye milli geliri (1923-1948).

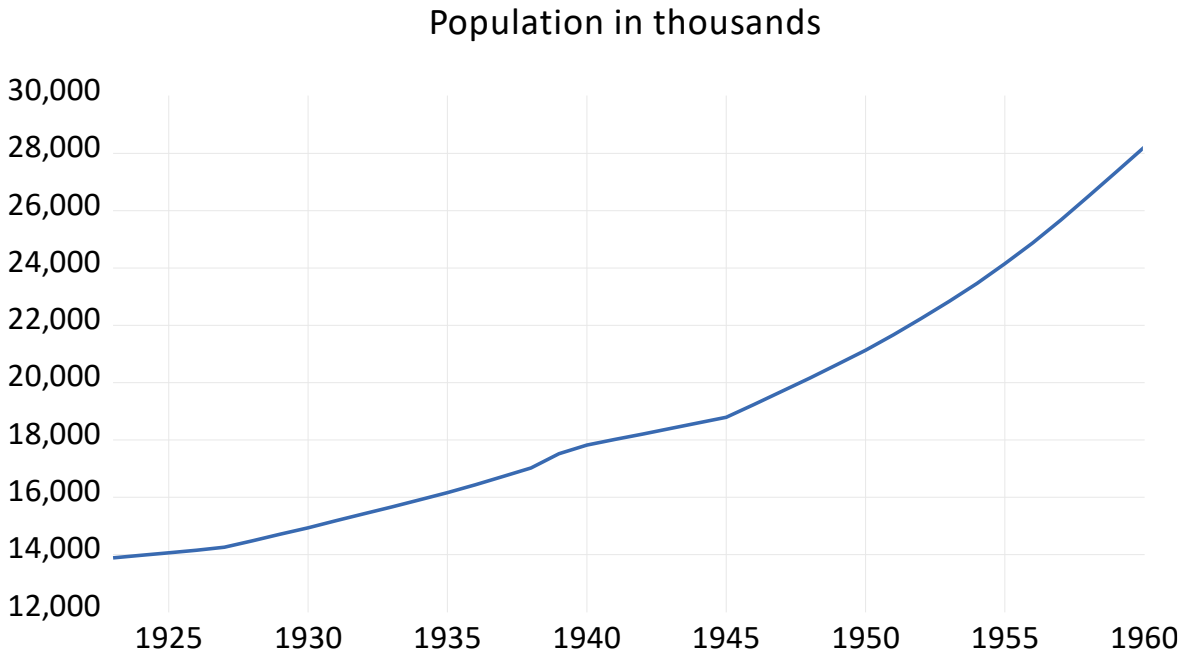
Since agriculture serves as the engine of the economy, it is clear that by 1926, the average income level per capita had surpassed that of the years prior to the Turkish War of Independence (1919–1923). This is because agricultural production increased between 1923 and 1926 (Table 3), while population in Turkey decreased between 1913 and 1926.

The difference between GDP per capita between 1946-1950 and 1923-1925 is notably high. During the Second World War, a decrease was observed compared to the end of the 1930s. Due to the effects of the Second World War, the economic recovery was weak, and even in 1950, it could not reach the level of 1940.

4.2 Ratios of The Working Population by Sectors

The population of Turkey has witnessed a significant growth during the monitored period (figure 3)

Figure 3 Population in Turkey (thousands)



Resource: Madison project (database 2020)

The ratios of the working population according to the sectors are given in the table 4. The agricultural sector has had the highest working population from 1927 until 2012. In 1950, just after the Second World War, the ratio of those working in the agricultural sector increased by approximately one percent. According to the data of 1935 in the industrial sector, although there was a slight increase, there was a decrease of approximately one percent in 1950. Later, the sector followed an increasing trend and reached 26 percent as of 2012. The service sector followed a similar trend. While it was 10.2 percent in 1927, it increased to 12 percent in 1950 this trend was similar for all societies.

Table 4 Ratios of working population

	1927	1935	1950	1962	1972	1982	1992	2012
Agriculture	80,9	76,4	77,7	77,1	65,0	53,7	43,7	24,6
Industry	8,9	11,7	10,3	10,9	14,5	19,3	20,2	26,0
Services	10,2	11,9	12,0	12,0	20,5	27,0	36,1	49,4
Total	100	100	100	100	100	100	100	100

Resource: Turkish Statistical Institute; economic and social indicators 1923-2013.

According to the general population census made in 1927, the population of the Republic of Turkey was determined to be 13 648 000 people. 47.71% of the general population were farmers (4 368 061), 3.7% were craftsmen (299 000) and 2.8% were traders (257.000) constitutes. This shows that in the Republic's first years, agriculture's place in the economy was quite large (Coskun,2015). Data from 1950 onwards were used to allow readers to make comparisons. In addition, in light of these national data, it can be concluded that not everyone in the agriculture sector is engaged in farming.

4.3 Structure of Gross Domestic Product by Sectors, in Percentages.

From 1913-14 until 1962, the sector with Turkey's largest Gross Domestic Product was agriculture. However, as seen from table 5, it is possible to say that the share of the agricultural sector is on a decreasing line. When it comes to the years 1936-40, it is seen that the share of the agricultural sector decreased by about 6 percent, and the industrial sector experienced an increase of about 1 percent, the transportation and communication sector by 0.5 percent and other services by around 4 percent.

Table 5 Structure of GDP

	1913-14	1926-35	1936-40	1941-50	1962	1972	1982	1990	2012
Agriculture	52,8	48,9	46,8	43,4	34,5	25,3	23,5	19,8	9,3
Industry	16,5	14,4	17,6	18,4	22,5	29,5	28,8	31,7	32,8
Transport and Communication	3,2	3,6	3,7	5,1	6,5	8,2	9,2	8,8	NA
Other services	27,5	33,1	31,9	33,1	36,5	37,0	39,7	39,7	57,9

Resources: DİE, Turkey national income (1973), Turkish Ministry of Finance Annual Economic Reports.

4.4 Share of Banks in the Banking System

In the table 6, between 1924 and 1950, the percentage of foreign, private and state banks in the total sector in terms of total deposits and total loans is indicated.

Table 6 Share of banks

Years	Shares in Total Deposits			Shares in Total Loans		
	Foreign Banks (%)	Private Turkish Banks(%)	State Banks(%)	Foreign Banks (%)	Private Turkish Banks(%)	State Banks(%)
1924	78	12	10	53	5	42
1924-29	57	20	23	47	15	39
1930-34	30	27	43	32	23	45
1935-38	22	35	43	25	26	49
1939-45	19	33	48	15	28	57
1946-50	17	39	44	13	28	59
1950	14	41	45	12	30	58

Resource: Central Bank of the Republic of Turkey

The share of foreign banks in total deposits remained in a downward trend. In 1924, it was 78%. Moreover; It decreased to 57% in the period between 1924-1929, 30% in the period between 1930-1934, 22% in 1935-1938, 19% between 1939-1945, 17% in the period 1946-1950 and 14% in 1950. In the same period, while the share of private Turkish banks in total deposits was 12% in 1924, it reached 41% in 1950 with an upward trend. State banks increased their share in total deposits from 10% in 1924 to 45% in 1950 with an upward trend.

The shares of the total loans are in a comparable condition. While the percentage of foreign banks, which was 53% in 1924, fell to 12% in 1950, the percentage of private Turkish banks increased from 5% to 30%, and the percentage of state banks increased from 42% to 58%.

It is possible to say that between 1923 and 1950, foreign capital experienced a decline in Turkish banking. It was considering the great influence of foreign capital on the economy in the last period of the Ottoman Empire. In the Republic's first years, it was observed that this effect began to break down.

4.5 Distribution of Total Bank Loans by Sectors

Table 7 shows the distribution of bank loans regarding the part of the economy. Although there is a slight increase in the rate of loan allocation to households between 1924 and 1950, no significant data has been observed yet.

Table 7 Distribution of bank loans

Years	Agriculture (%)	Non-Farm Jobs (%)	Household(%)	State (%)
1924	14	79	-	7
1924-1929	14	78	1	7
1930-1934	18	71	4	7
1935-1938	15	73	3	9
1939-1945	15	46	3	35
1946-1950	26	49	5	20
1950	31	47	5	17

Resource: Central Bank of the Republic of Turkey

The sector with the highest amount of loans allocated between 1924 and 1950 is the business sector (non-farm jobs) other than agriculture. In this period, due to weak production relations and a fragile capital class, the business sector was the sector to which the most loans were allocated. While the share of the agricultural sector was 14% in 1924, it reached 31% in 1950. While the state that took loans from banks had a share of 7-9% between 1924 and 1938, with the start of the second world war, banks allocated their loans to the state to a large extent. Between 1939 and 1945, the share of the state in total credit rose to 35%. The loan allocation ratio in non-agricultural business sectors decreased from 73% to 46% in the same period.

4.6 Number of Students and Literacy Rate

Table 8 shows the number of students studying in primary, secondary and higher education institutions. In addition, the literacy rate is shown as side information.

Table 8 Literacy rate

Years	Primary Schools		Secondary Education Institutions		Number of Higher Education		Literacy rate (%)
	1000(x) Number of Students	Number per 10,000 people	1000(x) Number of Students	Number per 10,000 people	1000(x) Number of Students	Number per 10,000 people	
1923/24	342	266	14	11	3	2	No Info
1926/27	436	320	25	18	4	3	11
1934/35	647	400	67	41	7	4	20
1939/40	905	508	132	74	12	7	22
1944/45	1.247	663	147	78	20	11	30
1949/50	1.591	759	145	69	25	12	35

Resource: DİE, Devlet İstatistik Enstitüsü (State Institute of Statistics)

It has been observed that the number of students studying in primary education institutions increased more than 2.5 times in the 16 years between 1924-1940. After the Atatürk period, it continued without breaking this line. The number of students studying in primary schools reached more than 4 times the number from 1923 to 1950. A similar development took place at the secondary school level, and the number of secondary school students in 1950 reached 10 times higher than the number of secondary school students in 1923. In 1923, only about 3000 university students were studying in the Republic of Turkey. Although the number had increased considerably in 1950, around 25,000 university students studied in the Republic of Turkey. Despite all these developments, by 1950, nearly two-thirds of Turkey's population was still illiterate.

4.7 Medical analysis

During the 1923-1950 period, the number of doctors and hospital beds increased significantly compared to the population, while the health campaigns against diseases such as malaria, tuberculosis and syphilis were successful (B.Helling, G.helling; 1958). 06 to 2.17% between 1945-1950, 2.78% between 1950-1955 and 2.85% between 1955-1960.

Table 9 Medical analysis

Years	Population per doctor			Hospital beds		
	Number of doctors in private institutions	of in public institutions	Doctors in	All doctors	Number of beds	population per bed
1923	No data	No data	No data	No data	4.595	2.738
1927	1.078	12.660	5.516	No data	No data	No data
1935	1.287	12.555	No data	10.548	1.532	1.532
1940	1.500	11.881	No data	11.883	1.500	1.500
1945	1.945	9.661	No data	13.663	1.378	1.378
1950	3.020	9.936	3.437	18.837	1.112	1.112

Resource: DİE, Devlet İstatistik Enstitüsü(State Institute of Statistics)

4.8 Transport and Roads

In this section, some information will be given first to understand the changes in the transportation sector. The first railway built in Anatolia was the İzmir-Aydın railway, which was started in 1856 and completed in 1866. The railway was built during the Ottoman Empire period. It was built with the concession granted to England, and railroad constructions by foreigners gained momentum.

In total, 6296 kilometres of railway remained from the Ottoman Empire, and 4138 kilometres remained in the territory of the Republic of Turkey. The railways built in the Republican period were built by both Turkish and foreign companies, and the state determined the route. One of the main goals of the Turkish republic is to expand the railway network as soon as possible (Yıldırım, 2001). In this direction, it was decided to build some railways. Ankara-Sivas, Samsun-Sivas and Fevzipaşa-Diyarbakır in 1924, Kütahya-Balıkesir and Filyos-Irmak in 1925, Ulukışla-Kayseri in 1926, Yolçatı-Elazığ, Afyon-

Burdur, Sivas-Erzurum and Malatya- Çetinkaya in 1933, Bozanönü-Isparta in 1934, Diyarbakır-Kurtalan in 1937 the construction of the lines has begun (Yıldırım, 2001)

Between 1924-1938, 3302 kilometers of railway construction were completed, all of which were covered by the state budget. In addition to the railways built by the state, it was aimed to nationalize the privileged railways. In this context, between 1928-1935; Ankara-Eskişehir-Afyon-Ulukışla line, Mersin-Tarsus-Adana line, Adana-Fevzipaşa section of Samsun-Çeşamba and Baghdad line, Mudanya-Bursa railway lines, İzmir-Kasaba and Manisa-Bandırma railway lines, İzmir-Aydın Railway Company, Ereğli Company, Eastern Railways was purchased. The purchase of all foreign-based and owned railways was completed in 1938.

4.9 The Effect of Railways on The Economy

Table 10 Some products transported by rail and their weight in tons

Type of goods transported	Year 1924, tons	1932-1933 Years, tons
Wheat	47.467	181.085
Barley	22.721	39.540
Fame	13.973	55.235
Rice	1.395	5.695
Coal	8.271	33.686
Chromium	2.777	27.483

Resource: Yavuz, Ü. (1989). *Cumhuriyet devri demiryolu politikasına yaklaşım biçimi*. Ankara: Türk Tarih Kurumu.

In addition to that, the author also computes the correlation coefficient between the tons of goods transported and the operated lines:

Table 11 Operated lines and transported tons

Years	Operated Lines, km	Transportation, tons
1924	1378	96604
1934	3878	342724
1938	6890	642724

Resource: Tekeli, I. and Ilkin, S. (2011). *Cumhuriyetin Demiryolu Politikalarının Oluşumu ve Uygulaması*. Kebikeç Dergisi.

The output of correlation analysis is presented below:

Table 12 Correlation computation between transportation and railroads

	<i>Goods transported</i>	<i>Operated Lines, km</i>
<i>Goods transported</i>	1	
<i>Operated Lines, km</i>	0.999994482	1

Source: own calculations

Evidently, the correlaton between the two is astonishingly high.

4.10 Statistics of Goods and Passenger Transport by Rail

During the monitored period there was evident increase in the number of passangers as well as the cargo (table 13).

Table 13 Average number of passengers per kilometer and cargo carried according to the line length

Years	Operated Line, km	Passenger/Km	Load(ton)/Km
1924	1.378	-	158
1928	2.453	300	283
1932	3.878	269	362
1935	5.842	630	653
1939	6.890	1.430	1.564

Resource: Tekeli, I. and Ilkin, S. (2011). *Cumhuriyetin Demiryolu Politikalarının Oluşumu ve Uygulaması*. Kebikeç Dergisi.

Table 14 Correlation Coefficient

	<i>Operated Line</i>	<i>Passenger/Km</i>	<i>Load(ton)/Km</i>
<i>Operated Line</i>	1		
<i>Passenger/Km</i>	-0.164103641	1	
<i>Load(ton)/Km</i>	-0.169178735	0.983844676	1

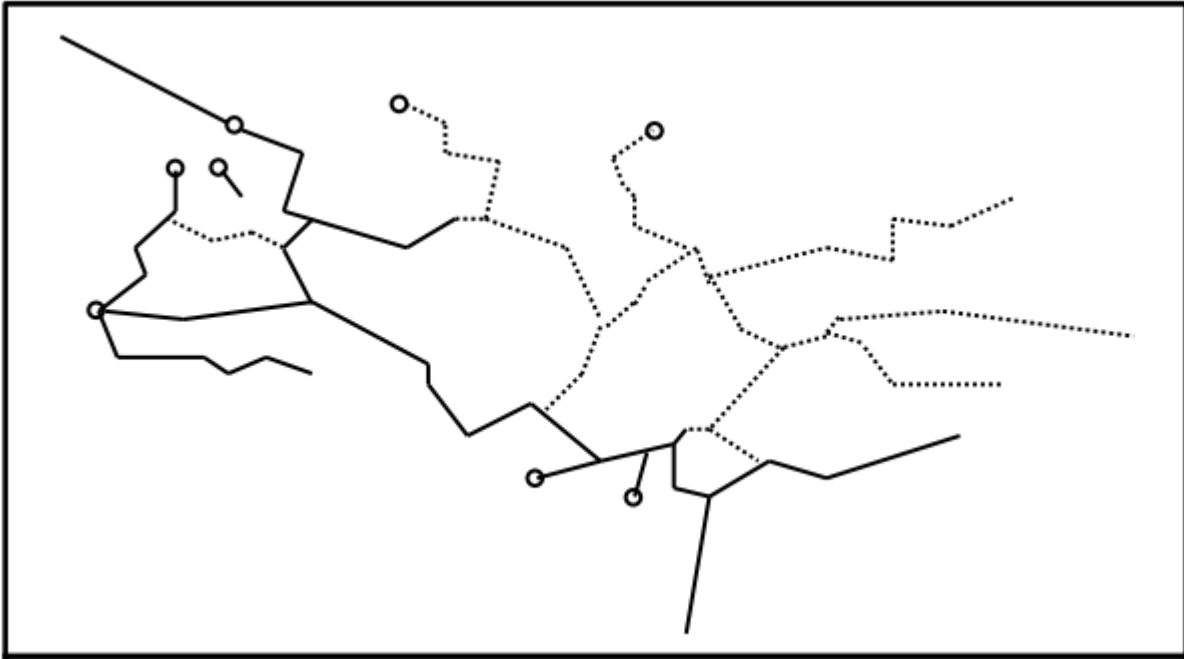
Source: own calculations

As seen in both table 12 and 14, as the number of lines operated increased, goods and human transportation gradually increased and indirectly had positive reflections on the economy.

4.11 The Difference Between Foreign-Designed and Government-Designed Routes.

The Figure 5 shows the routes designed by foreigners (as a straight line) and designed by the government (as a dashed line). The points are illustrating ports.

Figure 4 Map of railroads built by foreigners and built by the government



Source: Turkish state railways

Since the main purpose of railway lines built by foreigners is to connect one country to another country or region, railway networks pass through the coastline and ports. It is not intended to connect the interior parts of the country. The railway networks built by the state were built in a way that connects the country's domestic market

4.12 Electricity Production and Consumption between 1923-1937.

The table 15 shows the electricity generation and consumption by power plants in Turkey between the years 1923-1937.

Table 15 Sources and percentage representation of the electrical energy produced

Years	Total Production by Power Plants (x 1 million)	Thermal Power Plants (x 1 million)	(%)	Hydraulic (x 1 million)	(%)	Consumption (x 1 million)
1923	44.5	44.3	99.6	0.2	0.4	41.3
1924	44.6	44.4	99.6	0.2	0.4	41.3
1925	45.3	45.1	99.6	0.2	0.4	41.9
1926	65.8	65.5	99.5	0.3	0.5	60.6
1927	70.1	69.7	99.4	0.4	0.6	63.4
1928	89.4	89.0	99.6	0.4	0.4	81.4
1929	97.8	97.2	99.4	0.6	0.6	88.9
1930	106.3	104.4	98.2	1.9	1.8	96.7
1931	117.9	114.5	97.1	3.4	2.9	106.0
1932	131.6	127.6	97.0	4.0	3.0	117.5
1933	151.9	147.9	97.4	4.0	2.6	136.2
1934	195.2	189.7	97.2	5.5	2.8	157.7
1935	212.9	205.9	96.7	7.0	3.3	199.6
1936	231.1	221.7	95.9	9.4	4.1	206.8
1937	289.8	280.0	96.6	9.8	3.4	257.7

Measuring Unit= GWH (Gigawatt Hour)

Resource: YURTOĞLU,N. (2018) *Cumhuriyet türkiyesinde elektrik Enerjisi üretimi ve ENERJİ*

In addition to that, the author also computes the correlation coefficients between the total production and total consumption per years:

4.13 Operation of Ports

In the Republic's first years, the Turkish naval fleet showed significant growth. There has been an increase in both the number of ships and the tonnage. In 1926, the tonnage of cargo and passenger ships affiliated with the Republic of Turkey was 63,298 tons. 12,858 tons were added to this figure in the first 10 months of 1927, and the figure reached 76,156.

When all other ships in Turkish ports are added, this figure reaches 127,200 tons. Compared to the past, the tonnage of Turkish ships was 69,000 tons in 1914, some of which were sunk during the First World War. Although the Turkish naval fleet has shown a great increase in tonnage and number, there is doubt about how suitable the ships are for commercial activities. One of the most important parameters of maritime trade is security. An unsafe ship can cause millions of dollars in property and human losses. The main source of these doubts is that the average age of the vessels at hand exceeds 30 years. Besides, another security problem is the insurance problem. National insurance institutions were insufficient and many insurance institutions were operated by foreigners.

Table 16 Local Insurance Companies

Local Insurance Companies		
Name of The Company	Year of Foundation	Capital (Lira)
Türkiye Milli	1917	176.000
İttihadı Milli	1918	150.000
Istanbul Umum Insurance Company	1920	200.000
Milli	1920	100.000
Şark	1923	200.000
Avrupa	1924	100.000
Anadolu	1924	500.000
İtimadi Milli	1925	100.000
Güneş	1925	500.000
Bozkurt	1926	250.000
TOTAL:		2.276.000

Resource: İstatistik Yıllığı 1929 , Cumhuriyet Matbaası, 1929, s. 175

When the data of the above domestic and-foreign insurance companies (table 16 and table 17) are examined, it is observed that foreign insurance companies have a great advantage in Turkish maritime trade. Considering that the average age of the ships is over 30, it is estimated that foreign insurance companies apply very high insurance premiums.

Table 17 Foreign Insurance Companies

Foreign Insurance Companies			
Nationality	Number	Capital	
French	13	139.071.900	Frank
German	13	92.300.000	Mark
British	11	8.705.753	Sterlin
Swiss	7	47.000.000	Swiss Frank
Italian	5	77.000.000	Lire
Austrian	3	740.000.000	Crown
Bulgarian	3	10.000.000	Leva
American	1	43.335.825	Dolar
Spanish	1	2.000.000	Peseta
Danish	1	17.000.000	Crown

Resource: İstatistik Yıllığı 1929 , Cumhuriyet Matbaası, 1929

The ships in the fleet were indeed extremely old. Nearly 10 of the ships in the fleet were over 50 years old and there were many ships between 35-50 years old. It was observed that most of the ships were taken out of inventory by other countries. There was also the problem that the costs were high due to the old ships consuming more fuel and thus the maritime trade was negatively affected. But these ships were still useful, as they provided added value in human transportation and domestic trade when needed.

Because of such old ships, it was difficult for Turkey to win the maritime trade race with rival countries in its immediate geography(Russia, Bulgaria, Romania, Syria, Greece, Egypt and Yugoslavia).

In addition to the lack of ships and ports, which were the main problems of Turkish maritime trade, it was also a problem of bureaucratic multilateralism, and as a result, things were progressing very slowly. 6-7 different institutions, including health, port management and police, had responsibilities in ports. The law allowed this situation.

4.14 The Effects of the 1929 World Economic Crisis on Turkey

At the start of 1929, a positive atmosphere was expected for the Turkish economy. It was thought that the agricultural yield would be high due to the very favorable climatic conditions. In addition, an agreement was signed with Ford Motors and according to this agreement, Ford Motors company will establish a factory in Istanbul and in this factory,

automobiles, truck, tractor, aircraft material and assembly. However, this agreement could not be made due to the 1929 economic crisis (Tekeli, İlkin 1983).

In addition to all these, the shrinkage of export volume (table 18) and as a result of the expansion of the real money supply, the number of companies that went bankrupt increased and as a result of this, the unemployment rate increased (Parasız, 1998). The economic crisis began to manifest itself in Turkey with the depreciation of the Turkish currency compared to the British currency.

Against this situation, the Turkish government established a national economy and savings society. Some of the activities of this society are as follows;

1. Organizing congresses related to the branches of activity that have an important place in the economic structure.
2. Organizing an exhibition of domestic goods to continue for fifteen days each year and
3. Presenting the savings made by the nation at the same time to the public with numbers and graphics
4. On this occasion, savings weeks are organized in primary and secondary schools.
5. Openings in foreign countries whenever possible to promote Turkish industry participation in exhibitions

Table 18 Weight amounts of exported and imported products

Years	Export	Import	Foreign Trade Balance	Foreign Trade Volume
1928	173.537	223.532	-49.995	397.069
1929	155.214	256.296	-101.082	411.510
1930	151.454	147.550	3.903	299.005
1931	127.275	126.660	615	253.935

Resource: (Tekeli, İlkin; 1977)

The government prepared an economic program in 1930, and it was decided to establish the Central Bank of the Republic of Turkey in this economic program. Founded in 1930, this bank started foreign exchange transactions in 1932. Furthermore, shortly before the 1929 economic crisis, Turkey increased its customs duties due to the requirements of the Lausanne Treaty. Thus, Turkey has come to an advantageous position. Because many countries

implemented this measure during the crisis, not before the crisis. Despite this, Turkish foreign trade was negatively affected.

Table 19 Distribution of Foreign Trade Amounts by Years (Ton)

Years	Export Amount(Ton)	Import Amount
1928	626.682	965.482
1929	669.664	965.606
1930	776.668	616.229
1931	883.221	496.609

Resource: (Tekeli,İlkin;1977)

As can be seen in the table 16, the export of the Republic of Turkey has increased in quantity. However, due to the decrease in prices, foreign trade balance decreased. By 1929, it had decreased to -100,000 units. When the financial burden brought by the new railway constructions and investments mentioned in the previous section is added to this, it can be concluded that the crisis forced the economy.

Despite these negativities, the Republic of Turkey; succeeded in increasing the amount of exports, and this situation relieved the Republic of Turkey to some extent in this period when the world economy was in great trouble. Arrangements have been made in the following subjects; Providing premiums for export goods, establishing an export bank and achieving standards in export goods.

4.15 Turkish Economy in World War II

With the start of the Second World War, the entire world economy had to face significant economic problems. Turkey is one of the rare countries that did not participate in the Second World War militarily. However, both Turkey and other countries that were able to stay out of the war still could not get rid of economic problems. During the Second World War, almost all nations had to devote their resources to defence items. In addition, large budgets have been allocated for human and raw material opportunities.

Turkey followed a policy of neutrality in the Second World War and was able to protect the country from destruction, but the burdens of the war economy placed a serious burden on the country. While 40% of the budget revenues were allocated to defence expenditures in the previous periods, it increased to 60% with the start of the war(Cillov,1970). The

increasing army population due to the war meant feeding a larger army. Due to this situation, the state pulled consumer goods from the market and offered them to the army. Because consumer goods cannot be imported easily, the imbalance between supply and demand in the country has increased.

4.16 Annual retail prices for Istanbul

The following table 20 displays the annual retail prices in Istanbul before and during the war. It is evident that the increase was enormous.

Table 20 Annual retail prices for Istanbul

Product name	1938	1941	1943	Rate of Increase(%)	1945	Rate of Increase(%)
Beef (kg)	35.46	46.27	172.87	387.3	163.95	362.3
Bread (kg)	10.04	13.25	170.12	298.2	33.00	228.6
Chickpeas (kg)	18.54	30.98	90.53	388.2	70.60	280.7
Egg (piece)	1.74	2.66	8.06	363.2	7.97	358
Olive oil (kg)	49.25	81.51	208.55	323.4	180.59	266.6
Live chicken (Piece)	63.22	82.11	279.11	341.4	339.17	436.4
Potatoes (kg)	8.49	13.20	38.79	356.8	26.41	211.5
Rice (kg)	27.78	46.76	170.12	512.3	150.54	441.9

Currency Unit: TL-Turkish lira

Resource: own calculation based on Prime ministry general directorate of statistics, price statistics (1936-1947)

It has been determined that prices peaked in 1943 and increase has shifted to a decreasing trend in 1945.

A significant price increase was observed in all products except eggs. The biggest increase from 1938 to 1943 was seen in rice with 512.3%. This is followed by beef with 387.3% and chickpeas with 388.2%. In the period from 1943 to 1945, however, an increase in prices was observed again and the product that rose the most was rice with 441.9%. It is followed by live chicken with 436.4% and beef with 362.3%.

5. Results and Discussion

As mentioned in the Objectives section of the thesis, it is not fully possible to understand this period by making purely mathematical calculations. When the scientific studies examining the economy in the early periods of the republic were examined, it was seen that some results were tried to be reached by comparing different indicators and making various calculations. The reason for this is the historical record culture, which is not yet fully established in the country and also in the world. In this part of the thesis, possible analytical calculations will be made and an attempt will be made to provide an indication for the reader.

Table 21 Comparison of rises and falls in gross domestic product at 1948 prices, annual averages 1923-1950 and Changes in the sectoral share of gross domestic product

Comparison of years	Agriculture	Industry	Transport and communication	Government services	Other services	Output per capita
1923-25 1926-30	+48%	+57%	+45%	+32%	-99%	+29%
1931-35 1936-40	+52%	+39%	+46%	+33%	+26%	+28%
1941-45 1946-50	+17%	+16%	+36%	+22%	+21%	+9%

Source: own calculation

Between 1926 and 1940, while the return of agriculture on a sectoral basis increased by 31% on average, it was observed that its share in the market decreased by 4% in the period of 1926-1940. In the period until 1950, although agriculture continued to decrease its share in sectoral basis, it followed a stable return on average. As a result, it has been observed that agriculture's share has decreased, albeit slowly.

Table 22 Changes in the sectoral share of gross domestic product.

Years	1926-40	1926-40 1941-50
Agriculture	-4%	-7%
Industry	+22.2%	+4.5%
Transport and communication	+2.7%	+3.7%
Other services	-3.6%	+3.7%

Source: own calculation

The industry sector increased its sectoral return by 46% on average in the 1926-1940 period. In this period, the share of the sector showed a great increase and increased by 22.2%. In the period until 1950, the return of the sector continued to increase on average, but a decrease was observed in the growth rate of the sector.

Between 1926 and 1940, the revenue of the transportation and communication sector increased by 35% on average. Despite this, the share of the communication sector could not grow as big as this and increased by 2.7%. It followed an increasing trend again until 1950, but the sector share could only grow by 3.7%.

Sectoral returns of other services increased by 3% on average. However, within the same years, its share in the sector decreased by 3.6%. The sector entered a rising trend in the period until 1950 and the share of the sector increased in the same way.

Table 23 Comperation of Share of Foreign, Private and Turkish State Banks In The Banking System and Distribution of Total Bank Loans by Sectors

	Changing in Share of Total Deposits			Changing in Share of Total Loans		
	Foreign Banks (%)	Private Turkish Banks (%)	State Banks (%)	Foreign Banks (%)	Private Turkish Banks (%)	State Banks (%)
1924-1929						
1930-1934	-47%	+35%	+86%	-31%	+53%	+15%
1935-1938						
1939-1945	-13%	-5.7%	+11%	-40%	+7%	+16%
1946-1950						
1950	-17%	+5%	+2.2%	-7%	+7%	-1.6%

Source: own calculation

Table 24 Distribution of Total Bank Loans by Sectors

	Agriculture	Non-Farm	Household	State
1924-1929				
1930-1934	+28%	-8%	300%	0
1935-1938				
1939-1945	0	-36%	0	288%
1946-1950				
1950	+19%	-4%	0	-15%

Source. Own calculation

When the 1924-1929 and 1930-1934 periods are compared, the highest bank loan ratio belongs to the household. During the specified period, the loan rate has increased by 300% and has more than 10 times the rate of Agriculture, which is the nearest sector. Looking at the same period on the basis of banks, it is observed that the change in the total loan rates of the banks is as follows; foreign banks -31%, private Turkish banks +53% state banks +15%. As a result, it is thought that the decline of foreign banks and the rise of Turkish banks in the republic's first years changed the household's loan habits.

When the period between 1935-1938 and 1939-1945 is compared, an increase of +288% is observed in the state's total bank loans (table 23 and table 24). The only sector to rise again is the state. It is thought that the reason for this is the expenditures in the 2nd world war. When viewed on the basis of banks, an increasing decrease is observed in the total loan rates of foreign banks. This time, state banks achieved a higher increase than private Turkish banks. Considering the policies of the Turkish state in the 2nd world war, it is thought that there is a reciprocity between the state and Turkish banks.

Examining the 1946-1950 and 1950 period, it was observed that private Turkish banks were the only ones that increased with +7% in terms of total loans. On a sectoral basis, it was observed that the only rising sector was the agriculture sector with +19%.

5.1. Comparison between export import rates and Percentage Change of Goods Transported by Railways

In Table 25, the average of the export-import rate of 1924 and the export-import rate of 1933-1934 is taken to examine the change in the percentage export rate. As seen in Table 25, an increase of 37% was observed within the specified periods. Although the causality of this increase with the railways alone cannot be proven, the share of the railways in the trade is a fact known by everyone due to the conditions of the period.

Table 25 Percentage Change In Export Import Rate

Percentage Change In Export Import Rate	
Years	
1924-1933 and 1934	+37%

Source: own calculations

The struggle for railways' development in the Republic's first years was mentioned in previous chapters. The positive contribution of the increase in the capacity of the railways to the economy was observed. As seen in Table 26, when the average of the years 1924 and 1932-1933 is compared, an increase of 914% was observed in the transportation of the chrome mine used in the industry by railways. Considering that the industry in Turkey in 1933 is still in its infancy, it is understood that this mine is mostly transported for export.

Table 26 Percentage Change of Goods Transported by Rail

Percentage Change of Goods Transported by Rail	
YEAR	1924 and 1932-1933
Wheat	+285%
Barley	+ 697%
Fame	+ 297%
Rice	+330%
Coal	+ 309%
Chromium	+ 914%

Source: own calculations

Although it is not clear that other products were transferred to the domestic and foreign markets, great increases were also observed in other products in table 26. It is thought that the railways took a significant share of this increase in the export rate

5.2. Discussion

The aspects that emerged at the social, economic, and socio-economic levels from the latter years of the Ottoman Empire to the 1950s were presented in this thesis (sometimes using subsequent years as an indicator). The reason for including the last years of the Ottoman state is to provide a full understanding of the indicators that indirectly affect the economy and the economy of the post-1923 period. This part is mostly included in the literature review part.

On the other hand, in the practical part, the economic change of the period was tried to be conveyed year by year through the tables. Different indicators are used to describe the country's performance. It has been observed that Turkey has made an effort to transition from an import-based economy to an export-based economy. Some investments have been made for this change. Trying to increase the length of the railway networks and trying to

renew the existing railways is an indicator of this. Furthermore, the addition of 12,858 tons in the 10 months of 1927 to the capacity of the passenger and cargo ship fleet, which was 63,298 tons in total in 1926, indicates this. The upward change in export rates shows that this effort leads to development. The export/import ratio, which was 82 in 1924, reached the level of 121 in 1937 and increased to 141 levels until the Second World War broke out.

Another important indicator is electricity production. Electricity production is one of the most important factors for the industry. It is observed that the investments made in the infrastructure in the first years of the Republic were also reflected in the electricity production. Electricity production, which was 44.5 gigawatt hours in 1923, increased to 195.2 gigawatt hours in 1934.

Another issue is the GDP situation of the sectors, to put it simply, whether the value added to the country has increased. In this regard, it has been tried to conclude by using table 21 and table 22 comparatively. It has been observed that the added value brought by the agriculture sector to the country increases when the 2nd world war period is ignored. Despite this, it has been observed that the area covered by agriculture on a sectoral basis has started to decline. Again, in the same tables, it is possible to say that both the area occupied by the industry sector in GDP and the GDP return have increased significantly. A general rise was observed in the transport and communication sector. In light of all this information, the effort to move from the consumption economy to the production economy has been determined.

The table 27 displays the comparison of GDP per capita in selected regions. It is evident that Turkey lag behind the Western of Eastern European countries as well as Latin America. However, compare the Asia it was performing better.

Table 27 Comparison of GDP per capita (2011 USD)

Region	Western Europe	Eastern Europe	Latin America	Asia (East)	Middle East	Turkey
1920	4 884	1 343	2 331	1 160	900	999
1930	6 409	2 464	2 700	1 273	1 600	1 600
1940	7 185	3 209	3 024	1 361	2 146	2 146
1950	7 263	4 082	3 713	1 122	2 393	2 076
1960	10 974	5 779	4 751	1 735	3 110	3 041

Resource: Madison project (database 2020)

It is thought that the railways affected the economy. The efforts to develop the railways were mentioned in the previous sections. An increase of 37% was observed in export rate between 1924-1934. At the same time, a significant increase was observed in the increase in the products transported by railways. In particular, the increase of 914% in the chromium mine within the specified years constitutes an important example in this respect.

In banking, it has been calculated that the share of foreign banks in total deposit and total loans indicators decreased. Moreover, it has been calculated that the shares of private and state banks have increased. In the republic's first years, it was determined that while it was the household that used the loan the most, it was the state the most in the years of the second world war.

6. Conclusion

The political past, historical and socio-economic structures of the Turkish republic in the first years were examined, and different indicators were analysed, comparisons and comments were made on Turkey's economic performance in the first years.

When all the indicators were examined, the following conclusion was reached.

- Considering its geography and considering that it was founded after the 624-year-old Ottoman Empire, Turkey showed a great social and economic development in its first years.
- Turkey has made revisions in its institutions that indirectly affect the economy and has tried to bring a modern system.
- Turkey has taken successful steps in the transition from a consumption economy to a production economy.
- The export rate in Turkey has increased significantly.
- The foreign influence on the Ottoman Empire's economy was reduced during the Turkish Republic period.

In the first years of Turkey, the direct and indirect effects of investments made in education, health, industry, agriculture, infrastructure and many other fields on the economy were determined. It is illustrated in the analytical part that these investments lead to change and development in the economy.

7. References

1. Armaođlu, F. (2002). 20.Yüzyıl Siyasi Tarihi. (Genişletilmiş 12. Baskı). İstanbul: Alkım Yayınevi.
2. Atatürk, M.K. (2006). Nutuk. Bugünkü Dille Yayına Hazırlayan Prof. Dr. Zeynep Korkmaz, Atatürk Araştırma Merkezi Yayınları.
3. Avcı, M. (2014). ATATÜRK DÖNEMİ DEMİRYOLU POLİTİKASI. [online] Available at: <https://dergipark.org.tr/en/download/article-file/618563> [Accessed 15 Nov. 2022].
4. Avni, Y., Ankara, Z., Fakültesi, H. and Asistanı, E. (n.d.). MEMLEKETİMİZDE DEMİRYOLU POLİTİKASI. [online] Available at: <https://dergipark.org.tr/tr/download/article-file/638252> [Accessed 15 Nov. 2022].
5. Boratav, K. (2015). Türkiye İktisat Tarihi. (21.Baskı). Ankara: İmge Kitabevi
6. Çavdar, T. (1992). Türkiye’de Liberalizm (1860-1990). Ankara: İmge Yayınevi.
7. Central Bank of the Republic of Turkey
8. Cillov Halûk (1970) Türkiye Ekonomisi. İstanbul: Sermet Matbaası.
9. Coskun, A. (2015) Cumhuriyetin ilk yıllarında turkiye ekonomisi, Academia.edu. Available at: https://www.academia.edu/2992760/Cumhuriyetin_Ilk_Yillarda_Turkiye_Ekonomisi (Accessed: November 15, 2022).
10. Çavdar Tefvik (1973) Türkiye'de toplumsal ve Ekonomik gelişmenin 50 yılı. Ankara: Başbakanlık Devlet İstatistik Enstitüsü.
11. Deringil, S. (1994). Denge oyunu: İkinci Dünya Savaşı'nda Türkiye'nin dış politikası. İstanbul: Türkiye Ekonomik ve Toplumsal Tarih Vakfı.
12. DİE, statistical annuals

13. DİE, Turkey national income (1973), Turkish Ministry of Finance Annual Economic Reports.
14. Dikmen, N. (2005). OSMANLI DIS BORÇLARININ EKONOMİK VE SIYASI SONUÇLARI. [online] Available at: <https://dergipark.org.tr/tr/download/article-file/30059> [Accessed 17 Nov. 2022].
15. Dinler, Z. (1993). Tarım Ekonomisi. Bursa: Ekin Kitabevi Yayınları, No:13
16. Duman, E., Işık, N. (2012). 1929 Ekonomik Buhranı ve 2008 Küresel Krizi'nin Türkiye Ekonomisi Üzerine Etkileri. Çankırı Karatekin Üniversitesi İİBF Dergisi, Sayı:1, Cilt:2, 73-100.
17. EROĞLU, H. (1988) Atatürk ve devletçilik, BELLETEN. Available at: <https://dergipark.org.tr/en/pub/ttkbelleten/issue/64209/973439> (Accessed: November 15, 2022).
18. Helling, B. and Helling, G. (1958) Rural turkey: A new socio-statistical appraisal. İstanbul: Institute of Economics and Sociology.
19. İnan, A. (1974). Vatandaş İçin Medeni Bilgiler ve Mustafa Kemal Atatürk'ün El Yazıları.
20. İstanbul Ticaret ve Sanayi Odası Mecmuası, Kânûn-ı sâni 1928, ss. 26-27; Liman Dergisi, S. 2 (Haziran 1927)
21. İstatistik Yıllığı 1929 , Cumhuriyet Matbaası, 1929, s. 175
22. Kalabak, A.Y. (2014). OSMANLI'NIN SON DÖNEMİNİN SOSYO EKONOMİK BUHRANLARI VE MALİ EMPERYALİZM. Sosyal Ekonomik Araştırmalar Dergisi, [online] Available at: <https://dergipark.org.tr/tr/download/article-file/288858> [Accessed 16 Nov. 2022].
23. Karakütük, K. (2001). Cumhuriyetin Kuruluşundan Plânlı Döneme Kadar Eğitimin Finansmanı: 1923-1960. Milli Eğitim Dergisi, Sayı: 149, Ankara
24. Kaya, Y. K. (1984). İnsan yetiştirme düzenimiz. Ankara: Hacettepe Üniversitesi

25. Keyder, Ç. (1982). Dünya Ekonomisi İçinde Türkiye (1923-1929). Ankara: Yurt Yayınları.
26. Kongar, E. (1983), Atatürk Üzerine, İstanbul: Hil Yayınevi.
27. Makal,A. (1997), Osmanlı İmparatorluğu'nda Çalışma İlişkileri: 1850-1920 (Türkiye Çalışma İlişkileri Tarihi), Ankara: İmge Kitabevi Yayınları.
28. Mumcu, A, (1994), Tarih Açısından Türk Devriminin Temelleri ve Gelişimi. İstanbul: İnkılap Kitabevi.
29. Müderrisoğlu Alptekin (2007) Cumhuriyet'in kurulduğu Yıl Türkiye Ekonomisi. Esentepe-İstanbul: DenizBank.
30. Mülayim Z. G. (1998) Atatürk'Ten Bugüne kooperatifçilik. Ankara: Yetkin Yayınları.
31. Özdoğan, F. and Develi A. (2020). İKTİSAT POLİTİKALARI ÇERÇEVESİNDE TEK PARTİ DÖNEMİ HÜKÜMET PROGRAMLARINDA SOSYAL POLİTİKA HEDEFLERİ (1923-1939). Uluslararası Anadolu Sosyal Bilimler Dergisi, [online] 4(3), pp.4–36. Available at: <https://dergipark.org.tr/tr/pub/ulasbid/issue/56451/765373> [Accessed 15 Sep. 2021].
32. Öztürk, A. (1987). Ekonomik Planlama, Bursa: Örnek Kitabevi.
33. Özyurt, H. (1981). ATATÜRK DÖNEMİ BİRİNCİ VE İKİNCİ BEŞ YILLIK SANAYİLEŞME PLANLARI VE TÜRK EKONOMİSİNDEKİ YAPI DEĞİŞİKLİĞİNE ETKİLERİ (1933-1938). İstanbul Üniversitesi Sosyoloji Konferansları Dergisi, 19(1).
34. Parasız İ. (1998) Türkiye Ekonomisi: 1923'Den günümüze türkiye'de iktisat ve istikrar Politikaları Uygulamaları. Bursa: Ezgi Kitabevi.

35. Piketty, T. (2014). Yirmi Birinci Yüzyılda Kapital. İstanbul: Türkiye İş Bankası Kültür Yayınları.
36. Prime ministry general directorate of statistics, price statistics (1936-1947)
37. Şahin, H. (2002), Türkiye Ekonomisi (Tarihsel Gelişimi-Bugünkü Durumu). Bursa: Ezgi Kitabevi.
38. Songür, B. (2019). ATATÜRK DÖNEMİ EKONOMİ POLİTİKALARININ TÜRKİYE EKONOMİSİNE ETKİLERİ. [online] Available at: <http://acikerisim.dicle.edu.tr/xmlui/bitstream/handle/11468/4283/585036.pdf?sequence=1&isAllowed=y> [Accessed 15 September 2021].
39. Taşkın, M. M. (2003). 1923-2003 Döneminde Türkiye Cumhuriyeti'nin Dış Ticaret Politikaları. Dış Ticaret Dergisi, 131-153.
40. Tekeli İ. and İlkin S. (1977) 1929 dünya Buhranında Türkiye'nin İktisadi Politika Arayışları. Ankara: Orta Doğu Teknik Üniversitesi İdari İlimler Fakültesi.
41. Tekeli İ. and İlkin S. (1983) 1929 dünya Buhranında Türkiye'Nin İktisadi Politika Arayışları. Ankara: Orta Doğu Teknik Üniversitesi.
42. Tekeli, I. and İlkin, S. (2011). Cumhuriyetin Demiryolu Politikalarının Oluşumu ve Uygulaması. Kebikeç Dergisi.
43. Tevfik Çavdar (1992). Türkiye'de liberalizm. ANKARA: İMGE KİTABEVİ YAYINLARI.
44. Tezel, Y.S. (2015). Cumhuriyet Döneminin İktisadi Tarihi (1923-1950). İstanbul: Türkiye İş Bankası Kültür Yayınları.
45. Toprak, Z. (1977). Halkçılık İdeolojisinin Oluşumu. Atatürk Döneminin Ekonomik ve Toplumsal Sorunları. İstanbul: İktisadi ve Ticari İlimler Akademisi
46. Tuncer Bulutay, Yahya Sezai Tezel and Nuri Yıldırım (1974). Türkiye milli geliri (1923-1948). Ankara: Ankara Siyasal

47. Turkish Statistical Institute; economic and social indicators 1923-2013.
48. T.R. PRIME MINISTRY STATE PLANNING ORGANIZATION
49. Ülken, Y. (1986). Atatürk Döneminde İktisadi Arayışlar-Eylemler-Olaylar. İstanbul Üniversitesi İktisat Fakültesi Mecmuası, 42(1-4).
50. Yaşa Memduh and Silier, O. (1980) Cumhuriyet Dönemi Türkiye Ekonomisi: 1923-1978. İstanbul: Apa.
51. Yavuz, Ü. (2010) “Cumhuriyet Devri Demiryolu Politikasına Yaklaşım Biçimi”, Cumhuriyet Döneminde Demiryolları Sempozyumu, Ankara: Atatürk Araştırma Merkezi, s. 83-92.
52. Yavuz, Ü. (1989). Cumhuriyet devri demiryolu politikasına yaklaşım biçimi. Ankara: Türk Tarih Kurumu.
53. Yentürk, N. and Kepenek, Y. (1994). Türkiye Ekonomisi. İstanbul: Remzi Kitapevi.
54. YURTOĞLU, N. (2018) Cumhuriyet Türkiye'sinde elektrik Enerjisi üretimi ve ENERJİ Available at: <https://dergipark.org.tr/tr/download/article-file/583232> (Accessed: November 16, 2022).
55. Yıldırım İ. (2001) Cumhuriyet Döneminde Demiryolları, 1923-1950. Ankara: Atatürk Araştırma Merkezi.
56. Zarakolu, A. (1982). 1929/30 Dünya Ekonomik Krizi Karşısında Türk Ekonomisi ve Krizle Mücadele Tedbirleri. Atatürk Dönemi Ekonomi Politikası ve Türkiye'nin Ekonomik Gelişmesi. Ankara: Ankara Üniversitesi Siyasal Bilgiler Fakültesi Yayınları.

