

THE PRACTICE OF STATISM IN TURKEY: SUMERBANK

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Abstract - The Republic of Turkey was founded in 1923. The republican government aimed to establish national industry. Especially, after 1929 economic crisis, the politics of statism became sovereign. Within this policy, Sumerbank was founded in 1933. Sumerbank was far more privileged than a conventional bank form. Sumerbank supported the factories that each the state would build. It also supported the private sector factories. Sumerbank invested in many areas.

Keywords - Republic of Turkey; Statism; 1929 Crisis; Sumerbank; Six Arrows of CHP

I. INTRODUCTION

The Republic of Turkey, founded in 1923, was ruled by the Republican People's Party (CHP) for about three decades. The basic principles of CHP were symbolized by six arrows seen in the logo of the party. These pillars are Republicanism, Nationalism, Populism, Secularism, Evolutionism, Statism [1] (Hershlag, 1988: 4, 5).

Statism had a separate prescription among the six arrows because it was the most prominent principle in the first years of the foundation of the Republic of Turkey. Statism increased its effectiveness especially in the 1930's. Since the 1931 CHP congress, the statism principle started to come to the fore among the six arrows. The statism policy was not limited only in financial and monetary issues, it also included in banking and mining sector, military production and the like [1] (Hershlag, 1988: 5).

In the 1930s, the government established many institutions to improve the economy. These institutions named economic state enterprises. One of the most important of these institutions was Sumerbank. An important point separating Sumerbank from other state institutions is its wide scope of activity.

II. 1929 CRISIS and STATISM

Sumerbank was established in 1933. For the deep understanding of Sumerbank, firstly the conditions of Turkey in the 1930's should be examined. The most important event affecting the economic situation of the 1930s was the 1929 World Economic Crisis. With this crisis, the economic preference of the state switched and a more statist policy was introduced than the system which was close to the liberal economy.

The foundations of the economy of the republic had been determined in the Congress of the Izmir economics gathered in February 1923. The principles accepted in the Congress set the sovereign economic policy of the state until 1931. One of the important decisions taken at the congress was the encouragement of foreign capital [2] (Boratav, 2006:

42, 43). Another important agreement reached in the Congress was that development would be realized by the private enterprise [3] (Akbank Science Committee, 1980: 78). Between the years 1923-1931, state intervention in the economy and state management was kept to a minimum. For this reason the term may be called partly a liberal period. [2] (Boratav, 2006: 29). This relative liberal process ended with the economic depression of 1929 and a more statist policy in the economy began to be followed.

In 1929, the economic crisis first exploded in US stock exchanges. Later, this crisis soon affected international raw material markets [4] (Yenal, 2003: 62). As the 1929 economic crisis was all over the world, Turkey was also deeply affected. The prices of agricultural products and raw materials exported by Turkey fell by one third. The sectors opened to foreign trade such as agriculture, mining, trade and foreign banks were more influenced by the crisis. As the Turkish lira depreciated, the debts of the importers increased and a considerable part of them went bankrupt in this process. Even in this process, Turkey failed to pay its foreign debt and declared a moratorium [5] (Kazgan, 2008: 57-59).

At the beginning of 1930s the capacity of private capital (domestic and foreign) was not developed enough. There was no hope that the private sector, which was already weak, would be successful in the field of investment. For this reason, the only option was government intervention to economy [6] (Başkaya, 2004: 107-114). Then many economic measures were taken in this period. Thus in the 1930s the scope of economic statism was expanded and the state invested in many sectors [7] (Keser, 1993: 86). In the light of these developments, since the 1931 CHP congress, the statism principle started to come to the fore among the Six Arrows.

The Economic Depression of 1929 was an opportunity for industrialization that must be used without delay for all underdeveloped countries and Turkey. The government played a pioneer role in industrialization. In this process the state reached a synthesis of protectionism and statism. After 1932, the protectionism was completed with statism. [8] (Boratav, 2009: 64-66). After the Economic

Depression of 1929, Turkey decided to implement an industrialization plan. After Soviet Russia, Turkey became the first country to implement planning in the world [9] (Kazgan, 1999: 60). The first industrial plan was prepared with the help of the Soviet expert committee [10] (Beriş, 2009: 175). The first five-year industrial plan was prepared between 1931 and 32 and put into practice in May 1934. The purpose of this industrial plan was to satisfy both the needs of the country and the establishment of industrial enterprises in the country [11] (Ülken, 1984: 104). In this period, the government expropriated many foreign companies such as Bursa-Mudanya Railways, İstanbul Tram Company, İzmir Coal-gas Company, İstanbul Telephone Company, İstanbul-Ankara Radio Company, Adana Electricity Inc [12] (Kayra, 2013: 202, 203). In general, the Turkish statism policy aimed not to prohibit private sector enterprises but to invest in risky areas which the private sector could not invest [13] (Aysan, 2001: 80). This approach was summarized in CHP's 1935 Program. In this Program of CHP, statism was defined as investing in key sectors and also leading the private initiatives and organizing the works being done [14] (Parla, 2008: 43).

III. SUMERBANK

The government put the liberal economic policy on the second plan and adopted protective policy and statism. Within this policy framework, state economic institutions such as State Industry Office, Turkey Industry and Mine Bank, and Turkey Industrial Credit Bank were established. Another important statist policy was the establishment of Sumerbank. Sumerbank was the biggest institution in the establishment of the industry in Turkey. At this date, the institutions such as Industry and Mining Bank, Industry and Credit Bank, Turkey Industry Office were united under the roof of Sumerbank [12] (Kayra, 2013: 233).

Sumerbank was founded as a state institution to work together with the state and private enterprises in the industrial branches foreseen in the State Industry Program. The industrial program was sent to Sumerbank for implementation [10] (Beriş, 2009: 175). Sumerbank became a powerful organization that also carries a characteristic of a company for the efficiency of the industrialization by utilizing the domestic resources [15] (Oyal, 1981: 95).

The task of Sumerbank was to take over all state enterprises, establish new businesses, become partners in establishments and provide loans to them [7] (Keser, 1993: 97). Another aim of Sumerbank was to research and invest in the sectors that are essential for the country's development [10] (Beriş, 2009: 171). For these purposes, Sumerbank invested in many industries. Sumerbank investments made within the framework of industrial program are as follows: Cotton, iron, paper, chemistry, hemp, worsted,

cellulose, porcelain, copper, artificial, silk, sulfur and student payment [16] (Reports, Part I, (1933): 141). In this context, the enterprises that Sumerbank took over and new businesses established are [17] (Altıntaş, 1988: 205, 206):

Aegean Electric Inc.
Antalya Cotton Weaving Industry Inc.
Aydın Textile Yarn Weaving and Vegetable Oils Industry Inc.
Balıkesir Cotton Weaving Industry Inc.
BASF Sumerbank Türk Chemistry Industry Inc.
Bergama Cotton Weaving Industry Inc.
Central Anatolia Clothing Inc.
Country Products Industry and Trade Inc.
Cyprus Turkish Industrial Enterprises Holding Limited Company
Employee Credit Bank Inc.
Ereğli Iron and Steel Mill Inc.
Food and Supplies Inc.
Gemerek Soil Industry and Trade Inc.
General Metal Industry and Trade Inc.
Güven Insurance Inc.
Kepez and Antalya Power Plants Inc.
Kütahya Porcelain Inc.
Machine Tools Industry and Trade Inc.
Manisa Cotton Weaving Inc.
MANNESMANN Sumerbank Pipe Industry Inc.
Public Stores Inc
Sivas Weaving Industry Inc.
Soda Industry Inc.
South Industry and Trade Establishments Inc.
State Industry and Employee Investment Bank Inc.
Synthetic Yarn Factories Inc.
The Central Bank Inc.
Turkey Cement Industry Inc.
Turkey Estate Credit Bank Inc.
Turkey Fertilizer Industry Inc.
Turkey Foundation Bank Inc.
Turkey Sugar Factories Inc.
Turkey Winegrower Bank Inc.
Turkey Wool and Mohair Inc.
Turkish Commercial Bank Inc.
Turkish People's Bank Inc.
Turkish Petroleum Inc.
Van Wool Yarn Industry and Trade Inc.
Yeşilyurt Textile Industry and Trade Inc.

41.6 million of 44 million foreseen for the first five-year industrial plan were received by Sumerbank operated these public economic institutions under its roof. Therefore Sumerbank became a driving force for industrialization [11] (Ülken, 1984: 106).

Statism played a role in increasing profitability in the field of investment for many years. Until 1979, the activity field of Sumerbank expanded and the number of other public economic organizations increased [9] (Kazgan, 1999: 73). Due to the liberal and free market policies since 1980, Sumerbank operations and other state-owned enterprises began to get privatized. After 1980, public economic enterprises

were presented as a burden on the economy. The IMF, the World Bank Reports and the January 24, 1980 Decisions required the privatization of these institutions, and privatization policies entered the governments' programs. The privatization process of Sumerbank officially began with the 1986 privatization of state-owned enterprises [19] (Sönmez, 1992: 110-113). Between 1987 and 2000, Sumerbank's 390 stores, 49 bank branches and 23 enterprises were privatized. In this period the number of personnel of the institution decreased from 39,136 to 10,346 [20] (Dilek, 2006: 74). Sumerbank gradually closed many branches. The last branch of Sumerbank was closed on January 30, 2007 [21] (<http://www.sumerholding.gov.tr>).

CONCLUSION

The Republic of Turkey founded in 1923, experienced economic problems for many years. Especially the 1929 crisis affected the whole world as well as Turkey deeply. With this crisis, the private sector which was already weak almost completely bankrupted, and the state decided to make industrial investments itself. Since the 1930s, statism became dominant in Turkey until 1980s. Many public economic institutions were established in this period. One of the most important and most comprehensive of these institutions was Sumerbank. Sumerbank established in 1933, invested in many areas until 2007 when it was closed.

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