
Industrial Policy and Social Engineering at the Beginning of the Twentieth Century: The Case of Sümerbank Nazilli Textile Factory in Turkey*

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ABSTRACT

Following the Turkish War of Independence at the beginning of the twentieth century, the new government of the late-late developing country engaged in industrialization. In the absence of adequate accumulation of private savings and capital, a state-owned universal bank, Sümerbank acted as a state-agent of industrialization. It financed industrialization as well as regional economic development establishing industrial plants in different towns. Meanwhile, Turkey would receive technical and financial assistance from Russia. Simultaneously, the government was engaged in a social engineering campaign aimed at Westernization of the society. This paper puts these early Turkish industrialization attempts and industrial-cum-social engineering policies into perspective. The Sümerbank's industrial plants served as state-driven nuclei of industrial clusters in various underdeveloped parts of Turkey. In the course of time, these towns became growing industrial centres of private enterprise. The Sümerbank industrial enterprises also served the Westernization-based social engineering objectives of the new government.

Keywords: *industrial policy, state-led industrialization in Turkey, regional development, social engineering, five-year industrial plans, Sümerbank, Nazilli cotton textile factory.*

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INTRODUCTION

The industrial revolution that started in Britain in the second half of the eighteenth century spread rapidly throughout Western Europe in the nineteenth century. Towards the end of the century, late developers (the United States, Japan and Germany) in different continents became major industrial countries. However, in Eastern Europe and Asia along with other parts of the world, the dissolution of the traditional feudal system and the advent of the full-scale industrialization took more time.

In the Ottoman Empire, another important actor in world politics, the nineteenth century was a period of political disintegration and military defeats. The authorities realized that the Empire was lagging behind the industrialization process and implemented industrial policies. However, the attempt was mostly unsuccessful. The incomplete industrialization process was relaunched in the early period of the new Turkish State, established on the ruins of the Empire. The late-late developing country's industrialization attempts constitute an interesting case study of industrial policies and also of social change.

The prevailing world economic conditions along with those of Turkey led to a peculiar state-led industrialization model. The new Republic was established after a fierce independence war fought against Great Britain, France, Italy and Greece. Victory meant political independence. This experience probably played a role in the shaping of economic policies; Atatürk, the founder of the new republic identified the new war as 'the war of economic independence which would be primarily based on industrialization.' The development policy was based on the pillars of contemporaneous regional industrialization and social change made possible by a newly forming state structure. Simultaneously, the new government aimed at transforming the traditional society into a modern and westernized one. The industrial policies thus went hand in hand with social engineering policies. In the process, Turkey received financial and technical assistance from Russia which was passing through similar transformations.

In this paper, in the next section, the initial conditions are examined by looking at the industrial policy and state-led industrialization attempts during the late Ottoman Empire. Based on this premise, in the following section, the industrial policy framework in the newly established Republic is analysed. In particular, Sümerbank, a state-owned universal bank, is examined together with its role in Turkey's industrial revolution and social change. Finally, the case study of one

of Sümerbank's textile plants in a backward region is analysed as an example of a peculiar outcome of the overarching industrial policy. Particularly taken into consideration are the industrial and social change aspects of the policy. The role of industrial-cum-social engineering policies in various parts of the country aiming at regional economic development as well as at shaping the new social structure is discussed through the example of Nazilli Textile Factory. The last section concludes the paper.

INDUSTRIAL POLICIES AND THEIR PERFORMANCE DURING THE LATE OTTOMAN PERIOD

Once an agriculture-based economic powerhouse, the Ottoman Empire could not experience the Industrial Revolution. The Turkish Republic naturally inherited the economic structure and conditions, and in particular, the industrial base from the Ottoman Empire. Thus, in this section, the late Ottoman industrial development is examined.

In the nineteenth-century Ottoman era, two schools of thought competed with direct reflections on the Empire's economic development policies. One is the liberal movement following Adam Smith's classical economic thought. Sakızlı Ohannes Pasha and Mehmet Cavit Bey were two prominent proponents. The second was American School and German Historical School of Economics which emphasized national economic policies, industrialization and protection.¹

In the early nineteenth century, liberal policies were in vogue in the Empire. In the second half of the eighteenth century, the first Industrial Revolution led to an increase in production capacity, productivity and welfare in Britain followed by some other Western European countries. The Ottoman Empire's authorities noticed this primarily starting with the nineteenth century and opted for catch-up. Industrialization efforts in the Ottoman Empire received a stimulus under the reign of Emperor Abdulhamid II in the last quarter of the nineteenth century coinciding with the Meiji restoration period in Japan; both efforts were state-led (Yülek 2015: 25).

In the nineteenth century, three developmental regions were selected by the state to establish industrial facilities – all in Istanbul: Golden Horn and its surroundings, Beykoz region, and Zeytinburnu-Bakırköy region.

A small number of priority sectors were selected in founding industrial facilities relatively with large scale compared to artisanal production capacities: textiles, lighting materials leather, footwear and tobacco and cigarette. A number of industrial facilities were estab-

lished in the three priority regions some of which are Beykoz Leather and Footwear Factory (1810), Bakırköy (Small) Foundry (1840), Zeytinburnu (Large) Foundry (1843), Bakırköy Cloth Textile Plant (1850), Unkapanı Mill (1870), Yedikule Lighting Gas Factory (Gazhane) (1880), Cibali Tobacco and Cigarette Factory (1884), Paşabahçe Sperm Candle (İspermeçet) Factory (1846), Veliefendi Printed Cotton Cloth (Basma) Factory (1848). Apart from these, industrial facilities were established in other parts of the Empire which were located close to Istanbul (Gür 2020: 192–243).

However, industrialization policies and attempts produced mixed results and the Empire could not achieve an industrial revolution akin to the European one. One of the reasons for this was that the industrial policy at the outset primarily aimed at meeting the needs of the Believed army (Yülek and Yağmur 2020: 269–270). The nineteenth century was the period of dissolution of the Ottoman Empire. In the face of increasing waves of wars and land losses during this period, Imperial governments were aware of the need for the army and navy to be modernized and strengthened with armaments of new technology. For this reason, industrialization in the Ottoman Empire was initially viewed as a tool to produce equipment for the military rather than for the market.

A related second set of reasons was that the policies neglected the commercial dimension of production while concentrating on the final stages of production process. The initially neglected issues, like the access to local raw materials and transportation and supply chain issues were partially handled under the industrialization attempts that originated under the reign of Emperors Selim III and Mahmud II. These efforts were accelerated with the Tanzimat Reforms in the 1840s.

During the Reform (Tanzimat) period, the empire's comparative advantages in terms of workforce, certain raw materials and skills in traditional products were noticed and integrated into the policy framework. This led to the selection of certain priority sectors of textile and ready-made clothing, leather and footwear, food, china and ceramic factories. In addition to these, large-scale industrial enterprises such as cement and brick factories, machinery, metal, chemical, military equipment and electricity generation facilities were established. Technical schools were opened. Agriculture and animal breeding zones were established to sustain textile and other industries. Merinos sheep were imported from Australia in 1842 in order to reduce dependence on foreign wool imports. A model sheep farm was estab-

lished in Bursa. In 1840, a model cotton plantation was established in the west of Istanbul by an agricultural specialist from the USA. In 1845, iron ore (in Prince Islands and Maltepe) and limestone mining in Istanbul and coal mining in Ereğli started. The assistance from foreign geologists and mining engineers and technical manpower was required for these attempts. They helped install and operate the machinery and train local workers. However, the unwillingness of the foreign experts in training the local unskilled workforce and the latter's reluctance to get trained under the new techniques led to continued dependence on foreign technical workforce.

The importance of railways in terms of transportation was recognized and there was made an attempt to establish a railway network that could ensure territorial integrity. Since railways required large amounts of capital and technical knowledge, the constructions were mostly undertaken by public-private partnership arrangements with British, German and French companies in return for financial concessions. The railway segments of Alexandria-Cairo (1856), Cernovoda-Constanta (1856), and Izmir-Aydin (1856) were constructed this way. The well-known Istanbul-Hejaz railway was financed by the Ottoman budget as well as supported by the German capital and engineers (Yülek and Yağmur 2020: 269–270).

This leads to the third obstacle that hindered a large-scale industrialization in the Ottoman Empire. In 1834, the domestic custom tariffs² were abolished in order to support the growing domestic industrial production and domestic trade. The efforts to implement political and economic reforms while preserving the territorial integrity of the empire combined with the efforts of industrialization. At the same time, the government needed financial support from European countries; however, that obliged the government to grant a constant stream of economic and commercial concessions to the European countries.

As the economy opened to international trade, it became hard for the domestic industrial companies to compete with international competitors and many factories were closed over time, gaining momentum after the 1834 Tanzimat (Reform) Edict (Pamuk 2013: 202–209) and 1838 Baltalimanı Free Trade Agreement with England which granted broad commercial concessions to European countries. This was followed by similar commercial agreements with many other industrialized European countries. With the Baltalimanı Trade Agreement, the Tekel (monopoly) administration was abolished;³ previously accorded capitulations were revalidated and new ones were added; the mo-

nopoly on foreign trade granted to domestic merchants was abolished; domestic trade was opened entirely to foreign merchants; and British merchants gained most favoured Merchant status; customs tariffs on exports were reduced to 12 per cent and those on imports to 5 per cent. In the Kanlıca Trade Agreement signed with France on April 29, 1861, the privileges granted to foreigners with the Baltalimanı Agreement were preserved; foreigners were given the right to operate in the artisan branch of their choice, to trade salt and tobacco in the status of the most favoured local traders, without being subjected to any customs. The effect of these trade liberalization measures effectively made Ottoman Empire an open market for strong European industrial companies. Major local industries such as cotton, silk, embroidery, silk thread, and tannery collapsed while some industries such as shoe making and tailoring survived. Consequently, the foreign trade deficit grew rapidly (Kütükoğlu 2013: 149–150).

The fourth obstacle to industrialization was the two economic pillars of Ottoman economics: traditionalism and provisionism. Traditionalism was reflected in the strongly rooted and dominating guild organization of economic life. Guild members were not profit seeking in the capitalistic sense and their manufacturing techniques were traditional. The guilds thus hindered the transformation towards a capitalistic industrialization process. On the other hand, provisionism forced the Ottoman economic policy focus on ensuring that the markets would supply the basic needs of the population. As a result, opposite to European mercantilism, imports were welcomed and exports were not encouraged. The result was that economically competitive and profit-maximizing firms did not appear as in the case of Western Europe. Liberal economic ideas started to flourish only after the Tanzimat (1834) and Islahat Reform (1856) (Gür 2020: 195–196). However, unlike the Ottoman Empire, the newly emerging German states and the USA implemented protective policies against the emerging British and French colonialism and commercial expansion in the same period. The USA, which fell into an economic crisis after the trade liberalization policy between 1836 and 1838 returned to protectionism in 1842. The German principalities took more radical measures, expanding the domestic market by abolishing domestic customs while raising external customs to protect domestic industry from British competition (Kazgan 2009: 20).

In the Ottoman Empire, while the advocates of free trade under Tanzimat and Islahat Edicts were gaining strength, there were also

those who defended protection policies. The advocates of mild protection policy got stronger in the second Constitutional Era (1908). They argued that economic development in countries such as Germany and the USA were positively impacted by protectionism. After the Balkan Wars, the Union and Progress Party (UPP) launched Turkish nationalism and protective economic policies. During the First World War, imports of food and different types of finished products which constituted one-fifth of total consumption in the Empire almost completely stopped. The UPP used this in order to unilaterally abolish capitulations and introduce a customs regime of selective protection in 1916 (Pamuk 2013: 226–227).

In 1908, the UPP helped form the *National Capitalism* movement encouraging the formation of local companies especially by Muslim Turks. Until then, Muslim Turks were mostly occupied in the military ranks and in agriculture. Between 1908 and 1918, 236 joint-stock companies were established (76 of them – during the First World War). These enterprises were mostly established in a few towns led by Konya (19) and Izmir (11). Of the 129 companies that had been active as of 1918, 120 consisted of companies established during the Union and Progress period. Following the First World War, the national incorporation movement continued rapidly into the years of the War of Independence and in the first years of the Republic, and between 1919 and 1926, on average 18.5 companies were established annually. Some companies with foreign or national status went bankrupt especially during the First World War due to reasons such as mismanagement and growing losses or corruption (Erdem 2016: 26–27).

INDUSTRIAL POLICIES AND SOCIAL ENGINEERING AT THE OUTSET OF THE NEW REPUBLIC AND THE ESTABLISHMENT OF SÜMERBANK

Changes in the production technology bring about not only economic efficiency and development but also social transformations. Thus, the impact of economic policy is wider than the economic realm. Industrial and developmental policies in the early Turkish Republic had a similar scope. In this section, firstly industrial policies and industrialization in early Turkish Republic are discussed. Subsequently, the first and second industrial plans which acted as the basic strategic documents of this industrialization policy are explained in terms of funding methods and implementation results. In particular, Sümerbank is examined as the main actor for the implementation of the FFIP and to ensure not only economic development but also social transformation.

Early Industrialization Struggle in Turkey: Statist Policies and Practices

Victory in the independence war meant political independence. This traumatic experience probably played a role in the shaping of the economic policies; Atatürk, founder of the new republic identified the new war as the war of economic independence which would be primarily based on industrialization. The implementation of the industrialization and protectionism policies in late Ottoman period was mostly left to the new Republic.

In the first decade of the new Republic, the new government struggled to form an economic development model. The main debate was whether the economic development would be based on a private-sector led liberal model or on statism. Izmir Economy Congress was held in 1923 (just before the proclamation of the Republic on October 29, 1923) to design the new economic policy framework. The invitees were the representatives of farmers, traders, industrialists and labour organizations. Among many decisions – many of which were minor – some emphasis has been placed on supporting industrialists and merchants in order to assist economic development. In accordance with the general tendency in the Congress, the government decided to implement a private sector led economic development.

Following the Congress, a private commercial bank (İşbank) was established in 1924 followed by state-owned Bank for Industry and Mining (Sanayi ve Maden Bankası) in 1925 to support the private sector initiatives. The Law of Encouragement of Industry (1913), which was enacted in the last years of the Ottoman Empire, was re-enacted in 1927 expanding incentives and tax exemptions to industrial investors (İnan 2020).

These initiatives brought some results. In the first five years of the enactment of the law, a four-fold increase was achieved in the number of private sector industrial enterprises and industrial employment (Yülek 2018: 290). The real growth rate of the industry in the period between 1923 and 1929 reached an annual average of 10 per cent. However, the share of the industrial sector in the gross national product remained at 11 per cent while that of the food, leather and textile sectors was 87 per cent (1927) – not very different from 1913 (88 per cent). During the same period, the average growth rate of the agricultural sector, which constituted about half of the total GDP, was 8.9 per cent (Yülek and Yağmur 2020: 273).

It is evident that some achievements were recorded in terms of industrialization. However, although a local bourgeois class started to rise, a meaningfully strong pace of industrialization could not be achieved due to the lack of accumulation of savings and capital as well as the conditions of the Lausanne Treaty that restricted industrialization and protection (Yülek and Yağmur 2020: 273). At this time, the effects of the 1929 depression became more and more evident and the need for more intensive and direct intervention of the state in the economy became apparent to policy makers.

With the onset of the 1929 global depression, statism gained prominence among the Turkish policy makers. This was not a simple policy of state intervention limited to protective measures. Rather than an emulation of the Soviet-type socialism (an alternative to Western capitalism), it was a developmental attempt where, in the absence of private capital accumulation, the state would take the lead in industrialization through a set of tools and actors while keeping the gate open to private enterprise and initiative. Statism would temporarily assist industrialization, complementing private sector initiatives to develop over time. It would be based on three pillars directly shaped by Atatürk himself (Gür 2006: 212–213):

1. State-led industrial investments were a necessity not an ideological principle;
2. Statism would be confined to industrial development;
3. Sectors in which the state invested would be kept open also to private investments.

The philosophy of the developmental statism (or, statist industrialization policy) was defended by Cadreist movement and their *Kadro* journal (Tekeli and İlkin 2003). The movement was founded by Yakup Kadri Karaosmanoğlu and brought together some prominent intellectuals of the time. They considered the French Revolution as bringing the bourgeois rule against feudalism and creating a class-based society, while the Russian revolution established the proletarian rule contrary to the French Revolution. As a result, both revolutions were considered resulting in the rule of a social class (Sezen 1999: 152). The Cadreists defined their statist policy as the *Turkish National Revolution* and expressed statism as a temporary necessity compelled by the conditions of the time. Statism was a national social order constituting the basis of the national economic structure elevating the interests of the nation above those of the individuals (Aydemir 1934: 5–13). It was an expression of nationalism and not a class struggle (Tör 1933: 13–19).

Statism in this period can be divided into two sub-periods: firstly, the period from 1932 to 1934, when measures were taken to strengthen the private sector; and secondly, from 1935 to 1937, when state interventionism expanded by taking the form of the preparation of micro level industrial investment plans. In 1939, when the Second World War started, the 2nd Five Year Industrial Plan (SFIP) could not be implemented; and this year can be identified as the year when developmental statism lost its importance (Gür 2006: 213).

In the first period, two state-owned banks – Sümerbank and Eti-bank – were established to invest in the private sector textile, mining and metallurgy. Although both are officially deposit banks, their main purpose was to undertake development banking through mobilization of private and governmental financial savings and finance industrialization and development (Yülek 2018: 290).

First Five-Year Industrial Plan: The Beginnings of Industrialization and the Establishment of Sümerbank

The official document that guided the industrialization effort was the First Five-Year Industrial Plan (FFIP) promulgated on 17 April 1934 and covered the period of 1934–38. FFIP was basically a list of selected industrial facilities to be established. The prioritization (industrial targeting) was based on three pillars (Tekeli and İlkin 1982: 189):

1. The industrial facilities would produce goods needed in the domestic market; exports would not be a priority.
2. Raw materials (such as cotton) would be readily available domestically.
3. Private enterprise in the same sector would not be precluded.

Turkey received financial and technical assistance from Russia starting with the preparations in 1931 (Tekeli and İlkin 1982: 198; Yazman 1974: 78). In the 1930s, Russia had a higher technological and engineering capacity and a developmental approach based on industrialization to offer to Turkey. Between the Russian Civil war (1918–1920) and the outset of the Second World War (1941), Russia conducted rapid industrialization. In 1921, the New Economic Policy (NEP) was launched basing on a mixed economy paradigm; that is preservation of free markets with a strong emphasis on state industrial enterprises. NEP led to a significant rise of industrial investments by the state at the expense of investments in other sectors such as railways and defence (Wheatcroft, Davies, and Cooper 1986: 266–268). Agriculture and agricultural development were also relegated to secondary importance. The latter was criticised by some Russian econo-

mists and experts. In the 1930, the actual volume of investments in industry continued growing, again at the expense of other sectors such as residential buildings. However, the industrial policy now was more focused and targeted in certain technological areas such as machine tools, machinery (such as lathes and grinding machines, automobiles, motor cycles, wristwatches, cameras, excavators), chemistry (*e.g.*, rubber), heavy industries (*e.g.*, cement and steel). The defence industry had become a priority as well. Technological progress was achieved mostly by imitation and reverse engineering from Western countries. Certain towns were selected by Gosplan for the establishment of selected industrial investments.

Thus, Russia's 'technical assistance' to Turkish industrialization was justified and based on this technical and technological capacity and policy experience. The assistance was based on Russian industrialization policy; namely, a mixed economy with targeted industrial development in certain parts of the country. The Russian assistance also carried a significant financial component as the Turkish repayment for the technical assistance and imports of machinery, equipment and other components such as cement was made through agricultural exports to Russia.

The Soviet assistance was also a result of the Turco-Russian political rapprochement in the light of growing competition between Russia and the West. The anti-imperialistic ideology prevailing in the governments of both countries helped the process of economic rapprochement (Korhan 2012). Meanwhile, following the October Revolution, Russia had achieved rapid economic development based on industrialization in the 1920s and 1930s. It had also developed human capital with technical abilities helped by engineering schools. The Turkish governments opted to benefit from Russian technical capacity and financial assistance.

Under the FFIP, the industrial development in all regions of the country was targeted. Budgetary resources for industrial investments would be found in a fiscally conservative and transparent manner. The plan supported positive side effects in the development of agricultural raw materials and mining. Nevertheless, it covered mostly the non-agricultural sector. Also, only a selected set of sub-sectors were included, as the plan principally comprised a list of factories in the sub-sectors of textile, hemp, combed yarns, iron, cellulose and paper, rayon, ceramic, chemical and materials industries (sponge, rose oil, semi-coke (artificial anthracite), gold, petrol, copper, and sulphur). In addi-

tion, the FFIP targeted other auxiliary areas such as electrification and establishing an energy management organization, establishment of a geological institute and offering vocational training (İnan 1972: 3). The FFIP's focus was on the domestic production of essential goods in certain sectors, it lacked linkages covering the overall economic structure (Beyarslan 1982: 6). Investment decisions in the plan were made at the enterprise or project level, not at the sector level. For this, the FFIP included decisions not only on production capacity but also on location of facilities (Tekeli and İlkin 1982: 190).

During the FFIP period, twenty factories were established: artificial silk in Gemlik, rose oil in Isparta, match acid factories in Izmit; Ceramics in Zonguldak, bottle and glass factory and cement factories in Paşabahçe, iron-steel combination in Karabük, paper and cellulose plants in Izmit, a merino wool fabric factory in Bursa, sulphur facilities in Keçiözümlü, sponge diving in Bodrum, Hemp industry facilities in Kastamonu and yarn and weaving factories in Istanbul/Bakırköy, Konya, Kayseri, Ereğli, Nazilli and Malatya, and yarn factories in Iğdır (Kuyucuklu 1993: 189).

A major investment was the Bottle and Glass Factories (which still exists as a conglomerate), financed (credit and equity) by İşbank. Likewise, the state-owned Agricultural (Ziraat) Bank contributed to the initial capital of some other industrial enterprises (Yazman 1974: 80). The fastest implemented investment projects of the FFIP were weaving (excepting hemp-based products), semi coke, bottle and glass, sulfur and paper mill factories. In the second wave, Karabük Iron-Steel Plant, Ergani Copper Smelting Plant, Gemlik Artificial Silk Plant. This latter group of facilities were initiated during the FFIP period but could be completed before the Second World War. The most critical establishment was Karabük Iron and Steel Plant the first modern steel works in the country (Tekeli and İlkin 1982: 198).

Sümerbank: A State-Agent of Industrialization

Industry and Maadin Bank (Industry and Mining Bank) was established in 1925 to finance the private sector, to operate businesses created or financed by the Ministry of Commerce until 1924 until they transferred them to private companies, and grant loans to industrialists and those operating in the mining sector. But as part of the banks' capital was distributed to modernize existing public factories and others to lend to support private business investment, it lacked the financial strength to meet its obligations. With that, in 1932, taking into account the separation of the management of the bank and the function of the

banking sector, the State Industrial Bureau and the Industrial and Credit Bank of Turkey were established. However, soon after, one of these institutions which served as a bank proved to be insufficient and the State Industrial Office could not be created anyway, and the *Sümerbank* was created in 1933 by being assigned the functions of these two institutions (Yazman 1974: 56–57).

The official purposes of the establishment of Sümerbank were as follows: ‘to develop the industrialization of the country according to national needs, benefit from national resources and economic elements, remove the negative effects on production activities and ensure continuity in the development of industry and the training of a workforce yielding qualified work’ (Aktin 2020: 3).

In practice, Sümerbank, was established to finance the FFIP industrial investments. The rest of the outlays were financed from the state budget. During the FFIP period, total investment outlays for the FFIP investments were realized at approximately TL 100 million (5.9 per cent of 1936 (mid-period year) GDP and 46.9 per cent of 1936 budgetary expenditures; Table 1) which amounted to more than double the original target (TL 45 million). On the other hand, during the same period, a total of TL 311 million was spent on railway investments, TL 31 million on bridges and canals and TL 50 million on municipalities (Sezen 1999: 157).

Table 1

Summary of FFIP Outlays (1934–1939)

	Million TL	% of 1936 GDP	% of 1936 budget expenditures
Total FFIP Investment Budget	100	5.9	46.9
Financed by Sümerbank	49	2.9	23
Direct financing by Sümerbank	38.5	2.3	18.1
Financing by the Soviet Union	10.5	0.6	4.9
Financed by İşBank	51	3	23.9

Source: Sezen 1999: 157; TURKSTAT 2012: 635, 691.

Investments made by Sümerbank amounted to 49 million TL (see Table 1) including the Russian loan. The rest of the financing (TL 10.5 million) was covered by the Soviet Union (Beyarslan 1982: 8; Tezel 1982: 304). During the FFIP period, it was decided to allocate TL 6 million (2–3 per cent of annual state budget expenditures) from the budget annually, and in order to realize the investments within the scope of FFIP, the capital of Sümerbank was raised from TL 20 mil-

lion to TL 62 million through a law (The Grand National Assembly of Turkey 1934: 448).

Sümerbank was established as a universal bank, meaning it could collect deposits, extend credits, directly establish industrial companies and fund them through equity or credits. Over the years, Sümerbank became a bank-cum-industrial holding company with a large banking operation as well as with over 40 large industrial plants and a large retailing network selling its products.

National investment policy based on public-private partnership *mixed development* had a special place in Atatürk's economic statist policy at the start of the era; public-private investments would be expanded to all regions of the country. Due to loss of confidence in liberal policies in the aftermath of the world crisis of 1929, against the tendency in Izmir Economic Congress, the role of state as a pioneer and financier of industrialization gained weight. In accordance with this aim and vested responsibilities, Sümerbank financed the FFIP on the basis of the domestic production of consumer goods and intermediate goods until the end, it would also finance the SFIP, which would force the doors of heavy industry if the conditions of the imminent World War II allowed it (Kalaycı, Kaya and Çokgüngör 2019: 321).

Sümerbank's factories (including the factories in which it was a partial shareholder) had an important economic function in the regions where they were located and they influenced the texture of the urban areas and contributed to the employment of the local population.

The factories of Sümerbank had become a *place of social memory* for city dwellers and the workforce. Although factories are generally regarded as places fulfilling the function of industrial production, the Sümerbank is not limited to this. Sümerbank factories are institutions that paved the way for social functions as well as production functions. Social amenities such as housing, kindergartens, mosques, sports grounds, recreation areas, movie theatres and libraries in factories were at the root of this social transformation. Through these social opportunities, factory workers had the opportunity to engage in cultural activities while improving their social relationships. Moreover, with the use of certain social facilities by the townspeople, the factory campus became the centre of attention, and it did not hesitate to be involved with all kinds of activities and investments aimed at responding to the social, cultural and basic needs of the city and its inhabitants (Aktin 2020: 3).

The Second Five-Year Industrial Plan: Instituting the State Actors of Industrialization

Preparations for the SFIP started in 1936 and it was put into effect in 1938. The SFIP's basic premise was the same as the FFIP; industrialization was the way to economic independence and development. Nevertheless, the objectives and contents of the SFIP were broader than those of the FFIP: the industrial analysis was more comprehensive and the priorities were concentrated on production and intermediate goods. Unlike the FFIP, the SFIP was richer in maps showing the location of construction sites. Another distinctive feature of the SFIP as compared to FFIP was that it received financial and technical assistance from Britain instead of the Soviet Union. The SFIP objectives were not completed in time due to the start of the Second World War.

The SFIP targeted broader social and economic impacts than the FFIP (Yazman 1974: 81). It included mining, coal mines, regional power plants, household (fuel for use in houses) industry and trade, soil industry, food industry and trade, chemical industry, machinery industry and maritime (The Turkish Historical Society 1973: 5). Consequently, the SFIP had more focus on industrial linkages suggesting new industries that processed intermediate goods or by-products of other industries. Unlike the FFIP, which primarily targeted domestic consumption, the SFIP also targeted export-oriented industries.

The SFIP attached a special importance to mining operations and infrastructure (Sezen 1999: 158). In addition to the establishment of more factories than in the FFIP, the SFIP also focused more on the provision of energy which was a key requirement for the industries. In mining, prime products were chrome, copper, hard coal, lignite. In agriculture, the objective was set as increasing the number and diversity of agricultural products, tools and machinery. In the industrial sector, other than on textiles, the focus was on metal products and producing heating devices such as stoves and radiators.

New factories would be established to produce aluminium products to be used for military purposes, metal products required by ports and maritime transport, and to switch to the production of aircraft engines. Other new plants would produce soda, resin, rose oil, morphine, glycerine and soap, synthetic gasoline, nitrogen, and semi coke, cement, fireproof brick, canned food, olive oil and sugar. Coal-based energy plants would be established in Zonguldak Çatalağzı and Kütahya. In logistics, ports in Istanbul would be expanded and new ports in Trabzon and Zonguldak would be constructed (Kuyucuklu

1993: 307–309). In 1935, Etibank, a state-owned bank specialising in mining and metallurgy, was established along with the Mineral Research and Exploration Institute and Electrical Works Administration established in order to undertake the mining exploration and operations, and electrical works required under the SFIP (Derin 1940: 97).

In 1938, uncompleted investment projects of the FFIP targets (mainly those under the responsibilities of Sümerbank, Etibank, Denizbank (Maritime Bank) and Turkish Grain Board) required additional investment outlay of 164 million TL (9.7 per cent of the 1936 GDP). With the outbreak of the Second World War, it was decided to postpone or cancel some of those works within the narrow budget opportunities (Yazman 1974: 5). Among the continued projects, there were Guleman Chromium Facilities, Ergani, Murgul and Kuvashan Copper and Divriği Iron Mining Facilities, new pipe factory in Karabük steel complex, all of them were completed by 1950 (Tezel 1982: 56).

Change of the Social Policies

The state, markets, and society are three important institutional actors examined by political economists. Political, economic and social transformations are interconnected and mutually affecting. For its leaders, the establishment of the new Turkish state in the first quarter of the twentieth century involved the formation of not only a new political organization but also of a new economic structure and even of a new society.

In human history, the endogenous economic, political and social change may happen simultaneously: a change in one sphere would trigger changes in others. In certain cases, governments engineer changes in one or two of the three and such reforms would trigger others. Some examples are Prussia (in the eighteenth century), Russia (various episodes in the twentieth century ending in the major changes), the United Kingdom (in the sixteenth – eighteenth centuries), and Japan (in the second half of the nineteenth century).

In the early twentieth century, Turkey was one of the countries where governments with nationalistic ideologies employed social engineering tools for nation building and change of regime. Under the so-called republican revolutions led by the Republican People's Party, these tools aimed at changes in social life, religion, education, government bureaucracy and political life and were instrumental in the realization of sweeping changes. These changes included a new alphabet, the way people dressed, the education system and curricula, relegation of the control of the religious system to the government

bureaucracy, and most importantly the regime change from monarchy to a parliamentary system.

The Sümerbank plants became hubs both for regional industrialization and for social engineering policies. This is reminiscent of a unique combination of industrial, economic and social policies. The new government was undertaking social engineering policy to transform the Turkish nation into a self-contemplated modern society. 'Ideal' Turkish people and society in the new era were to be created by such policies. They would be obedient to the new government's social vision. It would be an ethical society and health and cleanliness would be nurtured. The government would support Westernization of the culture (Ergin 1977: 34; Sezen 1999: 147).

The drastic government-led social engineering policies in Turkey were contemporary with those in Russia. Russia went through a regime change from Tsarist monarchy to socialism. It was also implementing a transformation of its rural/agricultural economy towards industrialization and its mostly feudal society into a socialist one. In the international political relations, it pursued an anti-imperialistic policy against greater powers. These similarities are the major reason of the rapprochement between the two countries in the early twentieth century and the Russian assistance, especially in the Nazilli case, is fitting Turkey's circumstances.

CASE STUDY: NAZILLI SÜMERBANK COTTON TEXTILE FACTORY

The process of creation of a new industrialized economic structure of the new administration went hand in hand with the process of building a new society. Within the framework of the FFIP, more than twenty industrial facilities were established in different regions of the country. These facilities would not only generate economic development and value, but also act as social tools shaping the society in the regions where they were constructed. Nazilli Sümerbank Textile Factory, which was among the FFIP investments, is a good example of industrial-cum-social engineering policies of the new administration.

Economic Aspects of Nazilli Factory

Nazilli factory was the first large-scale cotton industrial textile facility in Turkey while the town and the region for centuries had been home to cotton agriculture and cotton fabric production at artisanal level. In the Ottoman official annuals of economic statistics (*Salname*) of 1890, a large number of traditional artisanal cotton and silk textile

products of Nazilli were listed. Further, according to the Salname, in the Aydın province nine industrial plants were listed (see Table 2) in addition to flour mills and olive oil processing facilities.

Table 2

Industrial Plants in Aydın Province in 1890

Aydın	Nazilli	Gelenbe	Atça	Çine	Söke
Beverage plant	Steam-powered flour mill	Water-powered cotton ginning and flour mill	Steam-powered cotton mill	Water-powered flour mill	Steam-powered licorice plant
Olive oil mill	Steam-powered cotton ginning and flour mill				
Steam-powered cotton mill					

Source: Cavid (2010). URL: <https://aydin.bel.tr/detail/4379/sosyo-ekonomik-yapi>.

As Aydın constituted the major agricultural production area, in the nineteenth century a railway line was constructed to transport the exportable products, including cotton, to Izmir Port. The railway network in Western Anatolia grew by time (İnal 2021). However, the area was economically damaged during the First World War and the following independence war. The 1927 Industrial Business Statistics (Prime Ministry State Statistics Institute, 1969) reveal that while Aydın was still a region with some business activity it was less developed compared to major business towns (see Table 3).

Table 3

Top Provinces in Terms of Number of Industrial Firms and Employment by Province

	No of businesses	No of employees	Average no of employees per business
Istanbul	8,636	42,582	0.20
Izmir	3,520	27,281	0.12
Bursa	3,209	9,886	0.32
Balıkesir	2,597	10,102	0.25
Konya	2,245	5,327	0.42

Table 3 (continued)

Manisa	2,122	5,338	0.39
Gaziantep	2,016	7,887	0.25
Kastamonu	1,882	4,867	0.38
Denizli	1,582	3,801	0.41
Ankara	1,276	4,243	0.30
Aydın	1,285	10,259	0.12
Zonguldak	1,341	11,325	0.11

Source: Prime Ministry State Statistics Institute, 1969; Şahinkaya 2019: 195–197.

Thus, the establishment of Nazilli Factory in 1937 would represent an industrial policy aiming at triggering industrialization and economic developing in the region. The plant would represent a convenient Project in line with the FFIP first principle: industrialization vertically integrating upon basic raw material (cotton) produced in the country.

Under the FFIP, the state-owned textile plants inherited from the Ottoman Empire such as Feshane (hat factory), Bakırköy Cotton Textiles Factory, Hereke Carpet Factory, Beykoz Leather and Shoe Factory were transferred to Sümerbank. Sümerbank established ten new factories – including Nazilli – apart from those taken over: Kayseri Cloth Factory, Ereğli Cloth Factory, Bursa Merinos Factory, Malatya Cloth and Yarn Factory, Bünyan Carpet Factory, Isparta Factory, Gemlik Artificial Silk Factory, Kastamonu Kendir Industry, Halkapınar Weaving Factory (Bigat 2017: 62–66).

Thanks to Nazilli Factory, Nazilli became a district with the highest industrialization rate and it was the most industrially developed after Aydın. The factory was also the best example of the modern industrial city project that the Republic was trying to implement. Turkey received financial and technical support in industrialization from the Soviet Union. The latter had recorded a high rate of industrialization during the 1920s and 1930s and accumulated a significant capacity to provide Turkey with technical assistance in industrial policies and industrialization. Professor Orlof, one of the experts invited from the Soviet Union within the framework of the preparations of the FFIP, conducted research on the establishment and development of the textile industry and improvement of cotton production in the region. The government was informed about the choice of factories, costs, *etc.* and reports containing detailed information on the subjects were present-

ed. Nazilli was identified as the most suitable place for a cotton textile plant (Eren 2019; Gür 2006).

In this way, it was aimed at integrating the industry with domestic production of agricultural raw materials and increasing the economic added value by creating a value chain. Soviet experts assisted the preparations before the FFIP with regard to determining the regions where the weaving industry should be established and analysing the costs. They prepared manuals and handbooks 'to assist the technical personnel in the Sümerbank weaving factories including the Nazilli factory, and to ensure efficient use of the machines, and continued to support them after the transition to production' (Soviet Government Textiles Commissariat, 1944).

Nazilli Fabric Printing Factory was included in the scope of the agreement signed with the Soviet Union in 1934 to provide credit and technical support to the factories to be opened under the FFIP. The factory would cost TL 5 million and a large part of this amount would be provided from Russia; the loan would be paid for by citrus fruits after the factory was opened. The factory would have a capacity of 2,914 tons of cotton, 3,000 tons of 20 denier cotton yarn and 18,000,000 meters of cotton per year. It would employ 2,500 workers (Bigat 2017: 119–120).

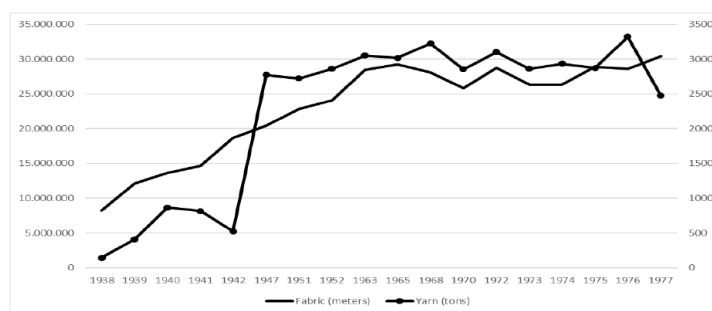


Fig.1. Fabric and yarn production in the factory

Source: based on data from Doğan (2007: 671).

In the 1930s and 1940s, because of the lack of manpower due to skill deficiencies and war the employment and production proceeded slowly (Doğan 2007). That reversed after the war; the production volume tripled after the war by the 1950s (see Figure 1). Employment was volatile declining from 3,155 in the early 1950s to 1,750 in 1990, a decade before privatization of Sümerbank (see Figure 2).



Fig. 2. Employment and profits

Source: Doğan 2007: 672.

Regional Industrialization and Development

Nazilli Factory contributed to regional industrialization and development. With the establishment of the factory, an industrial product was not produced only in the region. Positive impact was observed in many aspects of economic and social spheres. Large scale industrialization attracted inorganic migration and, after the establishment of the factory, the population growth in the Aydın province literally exploded. While by 1927–1950 the average annual population growth was 25 per thousand, the rate reached 61.2 per thousand between 1950 and 1955 (Uğur 2003: 52).

Industrial plants in other sectors in the region developed following the Nazilli Factory. Between 1948 and 1959, a total of 37 industrial enterprises were established. Similar to Nazilli Factory, the majority of these new enterprises worked in the agroindustry sector. Apart from the textile sector, the factory generated regional demand for the production of different industrial products such as tools, construction materials, electricity generation and even irrigation facilities (<https://aydin.bel.tr/detail/4379/sosyo-ekonomik-yapi>) (see Table 4). In addition, in order to meet the demand for higher amount and quality of textile production in the factory, the amount and quality of cotton produced in the region also increased (Bigat 2017: 210).

Table 4

Newly Established Factories in Nazilli (1937–1959)

Years	Industry, Manufacturing and Mining	Banks and Financial Institutions etc.	Apparel, Piece Goods, and Notions	Wholesale and Retail Food Trade	Construction and Building Materials Trade	Transportation and Fuel	Production and Trade of Fresh Vegetables, Fruit Products and Vegetable Oils	Electrical Appliances and Durable Goods Trade	Others	TOTAL
1927	-	1	-	-	-	-	-	-	-	1
1937	-	1	-	-	-	-	-	-	-	1
1948	-	-	-	-	-	-	2	-	-	2
1951	-	1	-	-	-	-	1	1	-	3
1953	-	-	-	-	1	1	-	-	-	2
1954	-	-	2	-	-	-	-	-	-	2
1955	-	1	2	-	-	-	2	-	-	5
1956	-	1	1	-	-	1	1	-	-	4
1957	-	1	-	-	1	1	-	-	5	8
1958	-	5	4	2	1	-	4	-	-	16
1959	-	2	-	-	1	-	1	1	1	6
TOTAL	0	13	9	2	4	3	11	2	6	37*

Note: It is the sum of the manufacturing and trading enterprises excluding the banking activity branch. Banks and Financial Institutions.

Source: Nazilli Chamber of Commerce 2021.

Human capital in the region also improved thanks to the facilities provided by the factory. As seen in the example of Nazilli, highly qualified human capital was trained in Sümerbank's weaving factories and it also contributed to the development of modern society structure. In the post-World War II period, the senior executives started to play an important role in the development of the private sector not only in the regional sense but also throughout the country. In the following years, they became sought-after figures to establish and manage large-scale private sector businesses in different sectors of the country (İnce 2016). A new and modern social structure consisting of educated, cultured and qualified individuals was created, and an example of social engineering

was exhibited in order to develop qualified workforce. That supported the government's objectives of social engineering and Westernization.

Social Engineering Aspects of Nazilli Factory

Though economic change drives social change, the latter is often slower than the economic one. The Nazilli case is an example of how the government attempted at triggering both changes at the same time. The new factory facilities in Nazilli had a lot of new and modern aspects for the traditional Turkish society. Nazilli Factory was not only an economic but also a social organization possessing a campus that contained various non-production components of socialization, formal and informal education and residence. Among other roles, it has become a model for creating *a modern, cultured, highly educated, rational, and productive human archetype* that the new Turkish State aimed at creating. It is an interesting example of how the state became the driving force of social modernization through devising a policy and implementing it in the public space (Aritan and Sayar 2009).

Outside the main buildings, the complex included a canteen for a thousand people with a stage and cinema, two warehouses, a garage, a management building, an administrative building, four civil servants' apartments, four apartments for master technicians, a pension for single people with 32 rooms and two dormitories to accommodate up to 720 workers. Accommodation buildings for the staff are considered as the first example of a planned modern residential complex in Turkey. A railway line was constructed connecting the factory facilities to the town center. A shuttle train named *Gıdı Gıdı* belonging to the Factory would help commute when necessary. An artesian well was built for water supply, and the sewerage infrastructure was completed. Apart from these, the factory's twenty-bed hospital, operating room, pharmacy, analysis laboratory, examination and treatment units were established and radio broadcasts were made to increase the motivation of the workers. Green areas were built for the employees, tennis courts, mini golf courses, skating rink, football field, swimming pool were built. An electricity power station was constructed to supply to both the plant as well as the town (Bigat 2017; Güneş 2007).

Another novelty of the state-assisted industrialization culture and an Etibank-Sümerbank tradition from the 1930s, the '*Ekonoma*' was another contribution made to the economic life of the workers in the Nazilli printing factory. In many industrial establishments, the *Ekonoma* was meeting all the needs of workers, civil servants and engineers. *Ekonoma* operated workers' and civil servants' cafeterias, cinema

buildings, reading and sitting places, engineer and civil servant clubs, workers' pavilions and even lodgings, summer camps, recreation and social facilities in many industrial establishments. These organizations, which were established to meet various food and clothing needs of the workers for a small fee, turned into a cooperative in the following years for all kinds of needs of the workers from carpet to white goods. *Ekonom*a is one of the examples of cooperatives in Turkey. It can even be considered as one of the smaller, more local applications of today's big market business in those years. And through this practice, the grocery concept came to Nazilli for the first time with Nazilli Cloth Printed Factory (Bigat 2017).

Considered as a whole, Nazilli Printed Cloth Factory was Atatürk's Social Factory Project and represented the industrial application of his general development strategy. In these institutions, basic information on literacy, science, culture, arts, sports, agriculture, health and economy was given and applied training was provided. The plant carried responsibilities in the form of spreading the republican culture and organizing social, cultural and social activities as well as economic development. In short, Sümerbank factories became schools of modernity for the new society. In this regard, the services provided were not just for the employees but involved the region. The factories generated employment and contributed to the regional development of infrastructure services, culture, education, health and sports (Bigat 2017), cinema, theatre, concert, artistic events, balls, New Year's events, and parties *etc.* The organizations were held open not only to factory workers but to all Nazilli people. Founded within the factory in 1937, Nazilli Sümerbank Football Team trained modern and professional football players and reached a professional level in sports competitions with the country's three major football teams (İnce 2016). Nationally well-known theatre actors have been raised at the factory's own theatre stage. The factory employee designers sometimes drew landscape paintings of Nazilli and opened painting exhibitions in the city (Güneş 2007; İnce 2016). In his opening speech at Nazilli Printed Fabric Factory, Atatürk described the sound of machines as music. The plant was a production unit while its lodgings and social facilities were a part of the city life of Nazilli. The plant played an important role in the modernization of social life in Nazilli (Koraltürk n.d.; Aydemir 2020) in line with the social engineering objectives of the new Republican administration.

CONCLUSIONS

The administrators of the newly founded Turkish Republic set industrialization as a key strategic target. At the same time, economic de-

velopment and industrial policies were part of a broader policy agenda covering social change. Consequently, a new set of industrial-cum-social engineering policies were designed and implemented.

In the absence of adequate private savings and capital accumulation together with devastated and absent infrastructure, the new administrators adopted statist policies. This did not reflect an ideological preference. Nor was it a result of the rapprochement with Russia. Rather, the Turkish statism of the period under study was a pragmatic and temporary policy based on the preference of a *mixed economy* with close cooperation between the private sector and the state. While the Soviet Union provided financial and technical assistance, the new Turkish administration did not tend towards socialism.

Turkey adopted two industrial plans during this early phase of statism and established a number of state developmental agents in order to implement the plans. The created state-owned universal banks financed and guided industrialization by establishing a significant number of industrial enterprises and thus playing a key role in Turkey's textile-based industrialization. At the same time, Sümerbank's factories in different towns acted as schools of modernity and Westernization. Thus, Sümerbank acted as a unique state-owned developmental agent of the industrial-cum-social engineering policies of the new administration.

In this respect, Sümerbank's textile factory in Nazilli is a good case in point. Turkey received technical and financial assistance from Russia in Nazilli factory investment. The technical assistance was offered on the basis of Russia's experience and capacity acquired during its rapid industrialization in the 1920s and 1930s. Soviet technical assistance to Turkey in the establishment of Nazilli plant was in line with the Soviet industrial policy of the time, based on state-led industrialization but in a mixed economy. In other words, the private sector economic activity and physical investments were allowed but the state still took the lead in industrialization. Therefore, the industrialization and industrial policies in both countries had some similarities.

Nazilli factory led regional industrial development in western Anatolia and helped form a growing regional industrial development by private sector. Thus, it acted as a nucleus of a growing private sector entrepreneurial activity in addition to generating economic benefits including but not limited to provision of employment and physical infrastructure. At the same the developing plant acted as a social engineering tool driving change in culture, education, health and sports. The plant also served as a school for development of technical human

capital in technical areas as well as in social areas such as arts. All these were in line with the Republican governments' objectives of industrialization and social engineering.

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NOTES

¹ See Penn (2005) and Dorfman (1955) for the main tenets of German Historical School; and Morrison (1986) for Carey's economic ideas.

² Domestic customs in the Ottoman Empire were levied on goods that were moved from one town to another within the Ottoman borders and on imported goods Tabakoğlu (2012).

³ The *monopoly* laws effectively functioned as export restrictions of domestically produced goods.

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