THE STRUGGLING TOBACCO POLICIES: POLITICAL ECONOMY OF TOBACCO IN TURKEY, 1938 – 1984

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THE STRUGGLING TOBACCO POLICIES: POLITICAL ECONOMY OF TOBACCO IN TURKEY, 1938 – 1984

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ABSTRACT

This study examines the political economy of the Turkish tobacco market between 1938 and 1984. It discusses the struggling tobacco policies of the market actors, including TEKEL, the merchants, experts, and producers. The discussion is based primarily on documents from the Prime Ministry State Archives and personal archives of two high-ranking Monopoly managers, four different sector journals, newspaper reports, congress proceedings and interviews with sector representatives.

The conclusions reached are both informative and challenging for the modern Turkish historiography. This dissertation first concludes that the policy formulation and implementation were not top-down processes, but shaped by the political and social power balance among the market actors during the era under discussion. Second, the organizational representation of the merchants, experts and producers was crucial in policy-making as early as the 1940s. Besides their organizational activities, the market actors provided short-term benefits via petitioning, negotiating, sale boycotting and holding demonstrations through the period. Third, tobacco market resembled less to an arena of effective state intervention and smooth functioning under legislations. Rather, conflicts over the forms of state intervention and the institutional failures determined the relations among the market actors as well as the tobacco policies.

Fourth, this dissertation reveals the compulsory levy imposed on tobacco producers for eleven years from 1947 to 1957 with a promise to establish a regulatory institution. Given the promise never kept and a substantial fund raised, the direct monetary cuts from producers were a hidden taxation practice in the Turkish agriculture. The fate of the producer fund brings the fifth conclusion of this study.

Support purchases in the Turkish tobacco market were primarily financed with producers' own money. Sixth, the Turkish political authorities, including seemingly more agriculture-friendly center-right parties, were never dare enough to shoulder the structural transformation the tobacco market needed. The crisis at the end of the 1970s and the following liberalization in the early 1980s owed so much to such a lack of reform initiative for the existing market order.

ÖZET

Bu çalışma, 1938-1984 yılları arasında Türkiye tütün piyasasının ekonomi politik bir analizini sunmaktadır. Çalışma, tütün politikalarını, piyasanın aktörleri olan Tekel, tüccarlar, eksperler ve üreticilerin birbiriyle mücadeleleri bağlamında tartışmaktadır. Yapılan analiz, Başbakanlık Devlet Arşivleri belgelerine, iki üst düzey Tekel yöneticisinin kişisel arşivlerine, dört ayrı sektör dergisinin, ulusal ve yerel gazetelerin, tütün kongreleri raporlarının, ilgili kitap ve broşürlerin ayrıntılı incelenmesine ve sektör temsilcileri ile yapılan birebir mülakatlara dayanmaktadır.

Varılan sonuçlar, modern Türkiye tarihyazımı açısından hem öğretici hem de sorgulayıcıdır. İlk olarak, ilgili dönemde politika oluşum ve uygulanma süreçlerinin yukarıdan aşağıya değil, piyasa aktörlerinin aralarındaki sosyo-politik güç dengesinin sonucu olarak şekillendiği sonucuna varılmaktadır. İkinci olarak, tütün politikalarının oluşum süreçlerinde, 1940'lar gibi erken tarihlerde dahi tüccarların, eksperlerin ve üreticilerin örgütsel temsiliyetinin şekillendirici olduğu gösterilmektedir. Süregiden örgütlü temsil faaliyetlerinin yanı sıra, piyasa aktörleri, dilekçeler, müzakere toplantıları, satış boykotları veya protesto gösterileri yollarıyla tütün politikalarına etki etmişler ve kısa süreli kazanımlar elde etmeyi başarmışlardır. Üçüncü olarak, yaygın kanının aksine, ilgili dönem boyunca Türkiye tütün piyasası, etkili bir devlet müdaheleciliğinin ve yasalar ile birebir uyumlu şekilde aksamadan çalışan bir piyasa görüntüsü sunmamaktadır. Daha ziyade, piyasa aktörleri arası ilişkiler ve tütün politikaları, devlet müdaheleciliğinin biçimleri ve kurumsal başarısızlıklar üzerinde oluşan muhtelif ihtilaflarca belirlenmiştir.

Dördüncü olarak, bu tez 1947-1957 arasında hükümetlerin tütün üreticilerinin gelirlerinin bir bölümüne zorla el koyduklarını ortaya çıkarmaktadır. On bir yıl

boyunca yapılan zorunlu parasal kesintiler, piyasayı düzenleyici bir kurum kurmak taahhüdü ile yapılmıştır. Böylesi bir düzenleyici kurumun hiçbir zaman kurulmamış olduğu ve hükümetler emrinde büyük bir fonun oluşturulduğu gerçekleri göz önüne alındığında, ilgili dönemde tütün üreticileri üzerinde uygulanan zorunlu parasal kesinti politikası, tezde önerildiği üzere, Türkiye tarımında gizli bir doğrudan vergilendirme pratiği olarak adlandırılmayı hak etmektedir. Üretici kesintileriyle oluşturulan bu büyük parasal fonun kaderi, bu tezin bir diğer orijinal bulgusunu sunmaktadır. Türkiye tütün piyasasında ilgili dönemde yapılan destekleme alımları, temelde tütün üreticilerden zorla toplanarak oluşturulan kaynak ile finanse edilmiştir. Son olarak, daha tarım-sever gözüken merkez sağ partiler dahil olmak üzere politik partilerin hiçbiri, Türkiye tütün piyasasının ilgili dönem boyunca ihtiyaç duyduğu yapısal reformu yapmaya cesaret edememişlerdir. 1970'lerin sonundaki kriz ve ardından 1980'ler itibariyle başlayan ekonomik liberalizasyon politikaları, mevcut piyasa düzenini reforme etmeye dönük güçlü bir inisiyatif eksikliğine çok şey borçludur.

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CHAPTER 1

INTRODUCTION

In mid-December 2011, I went to Izmir and Manisa for a week to work on the archival sources and to interview tobacco sector representatives.[1] The interviews were conducted almost a decade after the enactment of the controversial tobacco law of 2002. The law had changed the rules of the game in Turkish tobacco market by eliminating support purchases, privatizing the state-led monopoly, TEKEL, establishing a regulatory body, the Tobacco and Alcohol Market Regulatory Authority (*Tütün ve Alkol Piyasası Düzenleme Kurumu, TAPDK*), and introducing contract farming.[2] The shadow of the market liberalization permated the narratives of the previous era, that of the "protectionist" and/or "statist" decades I sought. My subjects made the inevitable comparisons with the circumstances of the post-liberalization years while answering my questions about the conditions of the tobacco market before the 1980s.

Following the enactment of the 2002 tobacco law, TEKEL experts had taken jobs either for TAPDK or had been appointed to some local branches of the Ministry of Agriculture. Regardless of where they were working at the time of my interviews, they were all spoke of how after the 1980s TEKEL had been "swallowed" by an alliance of transnational tobacco companies and collaborative politicians. Tobacco producers who managed to survive under contract-farming also spoke of the differences between the current so-called free market system and the older one

[1]For the full list of the interviews, see Bibliography.

[2]For more on the 2002 tobacco law and the changes it brought, see Ebru Kayaalp, "Livelihoods up in Smoke: Tobacco Farming in Turkey," *Middle East Report*, no. 252 (Fall 2009).34-7.; Huricihan İslamoğlu, "Yeni Düzenlemeler ve Ekonomi Politik: IMF Kaynaklı Kurumsal Reformlar ve Tütün Yasası," *Birikim*, no. 158 (2002).20-7.

orchestrated by TEKEL. However, the producers did not glorify the older system over the current, probably because of their ongoing relations with the contractors. Yet, they were well aware of the overall declining trend in the tobacco sector. As related by my producer interviewees, tobacco is now over as an income-earning crop, although "tobacco money" had made even the"smallest investment" in Akhisar, the most important tobacco district in the Aegean region for many years. As evidence of the fall, the producers cited the recent replacement of the tobacco-leaf statue in Akhisar Square with one of an olive branch. Both the former tobacco experts and current tobacco producers drew attention to the total loss of tobacco's economic and social significance.

The most striking statement, however, was not made by experts or producers, but by one of the tobacco merchants. I conducted an interview with Ali Borovalı, the owner of today's Anadolu Frana Tobacco Company as the successor of the Vefa Borovalı Company established in 1954, at his office in the now-disused factory of the company in Izmir. While I was asking questions about the market conditions of the years before the 1980 turn, Borovalı made an interesting point: the pre-1980 years, especially the 1970s, were the "golden age" for the tobacco market. Tobacco merchants had been a highly influential interest group, had had the ability to access to politicians and policy-makers easily, and tobacco had been dealt within a serious spirit.

To hear these words, especially the "golden age" metaphor, from the successor of a long-standing tobacco company was thought-provoking in the light of the historical facts discussed in my dissertation. As Chapter 7 shows, the 1970s were an era in which tobacco merchants mostly were marginalized, continuously complained about being kept away from decision-making processes, and were

confronted with serious problems due to mismanaged market policies and the competitive pressure of TEKEL. Even the powerful merchant organization, the Aegean Tobacco Exporters Association, of which Ali Borovalı's father, Vefa Borovalı, was an influential member, described those years in late 1977 as "absolute chaos." Then, there is an obvious metaphorical contrast between the fathers and their sons: the "absolute chaos" of tobacco merchants living and working in the 1970s is glorified as a "golden age" by their successors thirty years later.

The discrepancy between the two images of the tobacco market as "absolute chaos" versus "golden age" arises from neither the merchants' misperceptions nor the peculiarities of the 1970s. The history of the Turkish tobacco market before the first liberalization moves in the 1980s in recent discussions is generally seen as a story of heavy regulation, dominance of TEKEL, and successful state protectionism. Indeed, there is a significant tendency to glorify the market conditions of the pre-1980 years. The nostalgia is fed mainly by the substantial changes due to the economic liberalization of the market. The seeming dissolution of the tobacco market has led many people to see the past subjectively. However, the nostalgia about the pre-1980 period is also triggered by the lack of, academic or non-academic, works attempting to move beyond the standard explanations on those years. This dissertation aims to fill that gap by providing extensive and unconventional knowledge about the Turkish tobacco market before liberalization, and eventually to mitigate the power of such nostalgic views on the monopolistic era.

This dissertation analyzes the political economy of the Turkish tobacco market between 1938 and 1984. Strikingly, the history of the tobacco market in the Republican era receives little attention in the literature, despite the overall popularity of the tobacco issue. Rather than the Republican period, two other historical periods

draw more academic attention regarding tobacco market: 1883 to 1925, the Regie era, and the post-1980 years, the neoliberal era.[3] The studies on the first era search either for Regie practices in certain localities or for the political conjecture which led to the liquidation of the organization in 1925. While the Regie practices are discussed in terms of the conflicts between the foreign Regie officials and Ottoman bureaucrats or local people in tobacco producing districts,[4] the elimination of the Regie concessions is generally seen as a policy shift of the new Republic to acquire economic independence.[5]

The studies on the neoliberal era of tobacco market focus on the significant legal, economic, and social changes that occurred particularly in the first decade of the 2000s. The tobacco law of 2002 is the main turning point for these studies. Some of them depend on legislative texts and recent political debates, and try to contextualize the law within the broader developments of the post-1980s world.[6] Others investigate the impacts of the changes on the country and the tobacco sector in general, and the producers in particular by means of fieldwork in tobacco regions.[7]

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[3]For more on the history of tobacco and tobacco policies in Turkey, see Chapter 3.

[4]Donald Quataert, *Social Disintegration and Popular Resistance in the Ottoman Empire, 1881-1908: Reactions to European Economic Penetration* (New York: New York Univ. Press, 1983).13-40; Oktay Gökdemir, "Aydın Vilayeti'nde Tütün Rejisi" (Ph.D. diss., Dokuz Eylül Üniversitesi, 1994); Nuray Ertürk Keskin and Melda Yaman, *Türkiye'de Tütün: Reji'den Tekel'e, Tekel'den Bugüne* (Ankara: NotaBene Yayınları, 2013).35-190.

[5]François Georgeon, *Osmanlı-Türk Modernleşmesi, 1900-1930* (İstanbul: Yapı Kredi Yayınları, 2006).179-86; Cemil Öztürk, "Milli Mücadele Döneminde Reji Sorunu," in *Tütün Kitabı*, ed. Emine Gürsoy Naskali (İstanbul: Kitabevi, 2003).107-18; Metin Öner, "Tarihsel Gelişim Sürecinde Milli Tütün Politikalarımız," in *Tütün Kitabı*, ed. Emine Gürsoy Naskali (İstanbul: Kitabevi, 2003).119-38; Keskin and Yaman, *Türkiye'de Tütün: Reji'den Tekel'e, Tekel'den Bugüne*.191-229.

[6]İslamoğlu, "Yeni Düzenlemeler ve Ekonomi Politik: IMF Kaynaklı Kurumsal Reformlar ve Tütün Yasası."; Cangül Örnek, "Tobacco Law: Transition from State Regulation to Market Regulation" (MA thesis, Boğaziçi University, 2004).

[7]Ebru Kayaalp, "From Seed to Smoke: The Re-Making of the Tobacco Market in Turkey" (Ph.D. diss., Rice University, 2009).; Ahmet Hamdi Gümüş, *Türkiye'de Tütün Politikaları,*

These works have developed a multifaceted approach to the current economic, political, and social conditions, and considerably improved our understanding of the tobacco industry today. However, disproportionally with their sophistication for recent developments, the studies of the neoliberal tobacco market generally take a simplistic vision of the past for granted. In their narratives, the past appears as a more stable, less stormy times, and free of conflicts of interests. That kind of a historical perception, intentionally or not, contributes to the canonization of nostalgic views of the tobacco market under the monopoly regime, which this dissertation challenges.

The richness of the literature on tobacco market in the Regie and/or neoliberal eras is hardly seen for the Republican period. Among the limited number of studies analyzing the developments in the Turkish tobacco market between the Regie and neoliberal eras, three are worth to mention due to their relevance for this dissertation; Coşkun Ceylan's doctoral dissertation titled, "The Historical Development of Tobacco Policies in Turkey (*Türkiye'de Tütün Politikasının Tarihsel Gelişimi*)"; the articles of Öner, Mercimek and Ökten about the tobacco policies in the Republican period three of which have been published in Naskalı's edited book of *Tobacco Book* (Tütün Kitabı), and the second chapter of Ertürk and Yaman's recently published book *Tobacco in Turkey* (Türkiye'de Tütün.)[8]

These sources claim to present tobacco policies under the monopoly regime in Republican Turkey. Despite being written from different disciplines or angles, or

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Pazarlama Sorunları ve Çözüm Önerileri (İzmir: Tütün Eksperleri Derneği, 2009).; Keskin and Yaman, *Türkiye'de Tütün: Reji'den Tekel'e, Tekel'den Bugüne*.369-562.

[8]İ. Coşkun Ceylan, "Türkiye'de Tütün Politikasının Tarihsel Gelişimi" (Ph.D. diss., Ankara Üniversitesi, 1995).; Öner, "Tarihsel Gelişim Sürecinde Milli Tütün Politikalarımız."119-38; Vakıf Mercimek, "Türkiye'de Tütün," in *Tütün Kitabı*, ed. Emine Gürsoy Naskali (İstanbul: Kitabevi, 2003).139-54; Ertuğrul Ökten, "Cumhuriyetin İlk Yıllarında Tütün," in *Tütün Kitabı*, ed. Emine Gürsoy Naskali (İstanbul: Kitabevi, 2003).155-90; Keskin and Yaman, *Türkiye'de Tütün: Reji'den Tekel'e, Tekel'den Bugüne*.229-367.

even in different decades, the works share a similar plot: a detailed discussion of the emergence of the monopoly system after the liquidation of the Regie, an official description of TEKEL's institutional progress, a rapid overview of the tobacco laws enacted in 1938 and 1969, a quick skip over the macro economic and political aims for the tobacco sector, and finally, an abundance of statistics. Given the assumed lack of organized interest group activity, tobacco policies supposed were determined by the absolute dominance of TEKEL, so the state. Given the direct state protection over the market through price policies and support purchases, the tobacco market is said to have been functioning smoothly. Given the improvement visible in the statistical trends, the tobacco policies are presented as having been successful.

The common scheme offered by the studies on the tobacco market of Republican Turkey includes multilayered problems. First, they make no examination of the possible reasons behind the legal or institutional changes. Second, the differences among historical conjunctures lose their importance. Then, for example, TEKEL of the 1940s appears to have been the same institution in the 1970s. Moreover, the trivial usage of unprocessed statistics worsens the problems. It is almost impossible to reach reliable serial data, for example, on tobacco production or real tobacco prices from the complicated and sometimes conflicting statistics used in all of the sources.

Along with the absence of basic historical questioning, the lack of consideration of the conjectural changes or the reliability issues about the used statistics, the works on the history of the Turkish tobacco market have another common problem: they underestimate the roles of market actors other than TEKEL/state. Except for TEKEL, the tobacco market was comprised of merchants, experts, and producers, whose impacts on the policies were much more decisive than

assumed by the standard narratives. However, the social history blindness leads to the overrating of TEKEL as the sole determinant and omnipotent executer of tobacco policies, resulting in ignorance of not only TEKEL's incapabilities or failures, but also of the individual, collective and/or organized activities of other market actors.

All in all, in the literature the Regie and neoliberal era of the Turkish tobacco market are addressed more than the Republican/monopolistic period. As a relatively understudied subject, the Republican tobacco market is most comprehensively discussed in Ceylan, Naskalı, and Ertürk and Yaman. Despite the differences between them, each tells a similar narrative depending on similar historical sources. Although my dissertation examines the same country, the same historical period, and the same market as these works, its story is totally different from theirs. The main difference stems from both analytical and methodological choices. Historiographically, this study does not follow the state-centrist vision of the existing literature. It integrates the responses of market actors to the policy-making process as well as the intentions of the state/TEKEL. Methodologically, with the help of extensive archival work, it develops a microscopic view for substantial cases the different market actors confronted. Consequently, this dissertation hopes to contribute to the existing literature by both providing an alternative analytical approach and introducing new archival materials.

The epistemological insistence on the state/elites characterizes not only the studies on the tobacco market during the Republican era. The basic works of modern Turkish historiography also have a deep concern for investigating the intentions, projects, and actions of state elites. The state-centrism is based generally on the argument that the Turkish Republic received the legacy of "strong state–weak civil

society" from the Ottoman Empire. While Kemalist and modernist historiography celebrates the power of "progressive" state elites/bureaucrats, liberal and critical historiography criticizes them as the "oppressors of civil society."[9] Despite opposite conclusions the different historiographies have reached on the net impact, the absolute dominance of the state elites over the economic and political life is the consensus point of the leading studies on modern Turkey.

The rich political economy literature that emerged in the 1980s can be seen as the first serious challenge to the state-centrist analysis on modern Turkey. With the help of economic history, these studies, particularly those of Keyder, Pamuk, and Boratav, explain the Turkish experience with an approach sensitive to the divisions within the society. [10] They have searched for the peculiarities of capitalist development in Turkey by incorporating different classes, the bureaucracy, industrial bourgeoisie, mercantile class, large-medium-small peasants, and workers, as units of analysis into their narratives.[11] Together with the pioneering works on the political

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[9]For some examples of the former position, Bernard Lewis, *The Emergence of Modern Turkey* (New York: Oxford Press, 2002).; Suna Kili, *Türk Devrim Tarihi* (İstanbul: Boğaziçi Üniversitesi, 1980).; Patrick Balfour Kinross, *Atatürk: Bir Milletin Doğuşu* (İstanbul: Sander Kitabevi, 1988). For some examples of the latter, Şükrü Karatepe, *Türkiye'de Tek Parti Yönetimi* (İstanbul: Altın Kitaplar Yayınevi, 1983).; Levent Köker, *Modernleşme, Kemalizm ve Demokrasi* (İstanbul: İletişim Yayınları, 1990).; Metin Heper, *The State Tradition in Turkey* (Beverley, North Humberside: Eothen Press, 1985).

[10]Çağlar Keyder, *State and Class in Turkey: A Study in Capitalist Development* (London; New York: Verso, 1987).; Çağlar Keyder, "The Cycle of Sharecropping and the Consolidation of Small Peasant Ownership in Turkey," *Journal of Peasant Studies* 10, no. 2 (1983).130-45; Korkut Boratav, *Türkiye İktisat Tarihi, 1908-1985* (İstanbul: Gerçek Yayınevi, 1995).; Şevket Pamuk, "Chapter 1: Turkey, 1918-1945," in *A History of the Middle East Economies in the Twentieth Century*, ed. Roger Owen and Şevket Pamuk (London: I.B. Tauris, 1998).10-29; Şevket Pamuk, "Chapter 5: Turkey, 1945-1990," in *A History of the Middle East Economies in the Twentieth Century*, ed. Roger Owen and Şevket Pamuk (London: I.B. Tauris, 1998).93-126.

[11]Apart from the political economy literature, the criticisms about the elite/state centrism in historical writing have been raised in the last three decades from many different theoretical positions, such as history from below, the subaltern school, Foucaultian histories and post modernism. For some examples from Ottoman/Turkish studies employing these criticisms, see Nadir Özbek, "Policing the Countryside: Gendarmes of the Late-Nineteenth-Century

economy of modern Turkey, a great number of studies emerged on Turkish agriculture around the main problematic of "rural transformation."[12] Property structure and relations, the future of smallholder farming in the face of capitalist development, agricultural policies and economic growth, the effects of marketization and/or mechanization on rural population, and agricultural employment patterns are key themes for these studies.[13] Moreover, agricultural support policies and the political orientation of peasantry are discussed in the works on Turkish agriculture.[14]

The characteristics of Turkish agriculture before the 1980s are described in the political economy literature such that Turkey was an overwhelmingly agricultural country. Regarding sources of agricultural production, labor and capital were scarce but not land. The state intervened into the sector by investing in research and development, providing necessary inputs and credits, regulating sale systems, determining prices, and making support purchases. After the abolition of the tithe in

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Ottoman Empire (1876-1908)," *International Journal of Middle East Studies* 40, no. 1 (2008).47-67; Yiğit Akın, "Fazilet Değil, Vazife İstiyoruz: Erken Cumhuriyet Dönemi Sosyal Tarihçiliğinde Dilekçeler," *Toplum ve Bilim* 99(2004).98-128; Murat Metinsoy, *İkinci Dünya Savaşı'nda Türkiye: Savaş ve Gündelik Yaşam* (İstanbul: Homer Kitabevi, 2007).; Cengiz Kırlı, "Coffeehouses: Public Opinion in the Nineteenth Century Ottoman Empire," in *Public Islam and the Common Good*, ed. Armando Salvatore and Dale F. Eickelman (Brill Academic Publishers, 2004).75-97. For the purposes of this dissertation, the discussion here is limited to the works from Turkish political economy in general and agricultural history in particular.

[12]For a literature review of still-valuable studies focusing on rural transformation problematic, see Bahattin Akşit, "Kırsal Dönüşüm ve Köy Araştırmaları (1960-1980)," in *Türkiye'de Tarımsal Yapılar (1923-2000)*, ed. Şevket Pamuk and Zafer Toprak (Ankara: Yurt Yayınları, 1988).179-95.

[13]Ibid.; Oya Baydar, ed. *75 Yılda Köylerden Şehirlere* (İstanbul: Tarih Vakfı, 1999).

[14]Kutlu Somel, "Agricultural Support Policies in Turkey: A Survey of Literature," *METU Studies in Development* 6, no. 24/25 (1979).275-323; Arnold Leder, "Party Competition in Rural Turkey: Agent of Change or Defender of Traditional Rule?," *Middle Eastern Studies* 15, no. 1 (January 1979).82-105; Dani Rodrik, "Rural Transformation and Peasant Political Orientations in Egypt and Turkey," *Comparative Politics* 14, no. 4 (July 1982).417-42; A. A. Gürkan and H. Kasnakoğlu, "The Political Economics of Agricultural Price Support in Turkey: An Empirical Assessment," *Public Choice* 70, no. 3 (1991).277-98.

1925 and except for the war years, no direct tax was levied on agriculture until the tax reform in 1963. Turkey experienced no land reform either. Being predominantly smallholder farmers, Turkish peasants were transformed into petty commodity producers of a simple market model as a result of the post-war policies. They had no independent organizations to represent their interests and used no collective action to push their demands. Sector-specific decisions were always taken under the shadow of populism serving the political aims of ruling parties. The peasants did not turn back to landlords, and even supported them at election times, because of their lack of lobbying power, mildness of commercialization, durability of patron-client ties, and power of economic populism. Depending on these postulates, the literature analyzes mostly wheat and cotton as indicative crop markets, and socio-economic relations in the eastern and southeastern regions as exceptions.

The political economy literature has laid the foundations for the current knowledge on Turkish agriculture. Adopting its main arguments, recent studies have tried to improve the literature in the light of the new theoretical debates. The problem of historical agency has become the most influential concern for recent researches. Peasants have appeared either as a numerical component of agricultural statistics or as obedient voters acting under the impact of the patron-client tie in the classical accounts of Turkish socio-economic history. Contrary to the traditional perspectives, recent studies have examined the everyday lives, struggles, and resistances of peasants. While peasant resistances against extraordinary policies and taxes implemented during World War II years are shown in the works of Pamuk and Metinsoy,[15] Akçetin discusses the "survival and/or aggressive strategies" undertaken

[15]Şevket Pamuk, "War, State Economic Policies and Resistance by Agricultural Producers in Turkey, 1939-1945," in *Peasant and Politics in the Modern Middle East*, ed. F. Kazemi and J. Waterbury (Miami: Florida International University Press, 1991).125-42; Metinsoy, *İkinci Dünya Savaşı'nda Türkiye: Savaş ve Gündelik Yaşam*.132-94.

by them to cope with the difficulties caused by the Great Depression.[16] Depending on new archival sources such as local newspapers or deputy reports, these studies document the rich repertoire of peasants' reactions apart from conventional forms, such as voting or revolting, including acts of smuggling, misinforming or cheating state authorities, land seizure, petitioning, crop diversification and/or adulteration.

This dissertation is completely in line with the focus of recent studies on the agency of the peasants. Turkish peasants were not passive recipients of policy decisions. Their ways of showing reaction were not limited to voting or rebelling. Furthermore, I argue that the roles played by agricultural producers were influential not only in extraordinary times such as war or depression years, but also in normal years not requiring unusual measures. They remained active shapers of policies in the phases of both formulation and execution. However, this study acknowledges the difficulty of conceptualizing the complex relations between producers and state authorities or other market actors under the single theme of "resistance" as earlier works have done. The relations among historical actors – for this study, political authority, TEKEL, tobacco merchants, experts and producers - cannot be analyzed without an approach sensitive to market actors' interactions in terms of specific matters or policies. Only such a perspective can explain the compliances and alliances among actors as well as their struggles and resistances against each other. In this sense, this dissertation tries to take the discussion one step further than the axis of peasant resistances, and to make a dynamic power struggle analysis of the contentious issues of the tobacco market by which the historical actors entered the scene with their own affirmative or dissenting responses.

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[16]Elif Akçetin, "Anatolian Peasants in the Great Depression, 1929-1933," *New Perspectives on Turkey*, no. 23 (2000).79-102.

The question of historical agency lies at the heart of this study examining the political economy of tobacco market from the perspectives of not only the state but also of other market actors. By doing so, it hopes not only to contribute to recent studies testing agricultural policies from the perspective of the peasants, but also to improve the agency composition by enhancing the research for the responses of all market actors, including merchants and experts. It investigates which actors gave what kind of struggles over the formulation of tobacco policies, how those policies were implemented or not, and why they succeeded or failed. In the end, it seeks to relativize the assumed power of the state, even in a crop market subjected to extensive state intervention, and shows the policy-shaping impacts of other historical actors.

In addition to newer studies, this dissertation also aims to contribute to the classical political economy accounts on Turkish agriculture with its original findings. The archival work presented here reveals crucial facts that can provide a reasonable basis for questioning some of the main postulates of the literature. First, despite the common belief of the lack of organizations formed by agrarian groups, Chapter 4 of this study shows that tobacco merchants, experts, and even the producers of the most important production districts organized their own independent associations as early as the 1940s. Second, Chapter 5 presents many cases of contentious conflicts and institutional failures which the state intervention failed to overcome or even worsened. Considering the "eternal anarchy" of the tobacco market, as it is frequently called in the primary sources, it no longer is possible to take the argument of effective state intervention and the image of smoothly functioning market for granted.

Third, Chapter 5 reveals a compulsory levy imposed on tobacco producers for eleven years from 1947 to 1957 with a promise to establish a regulatory institution, originally a tobacco bank. Given that the promise was never kept despite several attempts, the involuntary cuts from producers' incomes deserve to be called "hidden taxation," as Chapter 5 does. Although the tobacco bank levies, or "producer premiums," as they are called in primary sources, were sector-specific, the following of such a policy until 1957 poses a moderate challenge to the acceptance that Turkish peasants were not directly taxed until 1963. Fourth, Chapter 6 offers to change the scope of the existing literature on tobacco support purchases from their existence per se to actual policing process. Such a shift enables us not only to recognize the conjunctural changes, but also to reach original evidence of an overlooked but vital reality: Tobacco support purchases were substantially financed by "producer premiums," meaning the producers' own money, not governmental funds.

The last two contributions of this dissertation to the Turkish political economy literature are about the political orientations of the producers and continuity among political parties. The direct linkage between peasants and center-right wing parties in the literature seems to be an overgeneralization concerning a good number of examples discussed in especially Chapter 4, 5 and 7. During the many years the Democrat and Justice Party tradition ruled the country, tobacco producers showed no hesitation to respond to market conflicts and to push their demands via making vehement speeches in meetings and congresses, sending scathing telegraphs to authorities or letters to the media, collectively boycotting sales, protesting ministers, directly supporting opposition parties, holding demonstrations, and unionizing. Given the menu and complexity of forms of showing dissidence against ruling parties, it becomes necessary to fine tune our approach regarding the relations

between peasants and center-right political tradition. At least, it can be argued that not all segments of producers had unproblematic relations with the center-right parties as much as the literature assumes.

Last, but not the least, all of the chapters of this dissertation show that Turkish political parties, including seemingly the more agriculture-friendly center-right parties, showed no great differences regarding their path-breaking ability. Neither the Republican People's Party, the Democrat Party nor the Justice Party dared to shoulder the responsibility needed for the structural transformation of the tobacco market. Except the Ecevit's social democratic RPP's coalition government of 1974, none of the governments tried to draw a policy path different from that of the preceding party. Rather than radically and foresightedly reforming the sector with a change of settled rules, the Turkish political authorities chose to govern the market by issuing annual decrees in a short-sighted and pragmatist manner. As Chapter 7 shows, the lack of political courage to impose a structural reform added much to the collapse in the last years of the 1970s, and eventually opened the way for the liberalization policies of the 1980s.

This study scrutinizes the economic, political, and social history of the tobacco market from 1938 to 1984. The period begins with the enactment of the most comprehensive sector law, Law No. 3437 Tobacco and Tobacco Monopoly (*3437 Sayılı Tütün ve Tütün İnhisarı Kanunu*,) that set new rules for the market as a whole for the first time after the liquidation of Regie. The analysis closes with the early 1980s when the market liberalization acts were first recorded. Throughout the era, I search for struggling policies of different market actors – the political authority, TEKEL, merchants, experts, and producers – which determined the fate of the

"tobacco problem," one of the most popular questions of debate in Turkish economic and political life. Given that the research focuses on the crop market, and so production and marketing, this study has no words about tobacco export and/or manufacture (cigarette) markets. The consumption patterns and smoking culture are not discussed either.

Chapter 2 discusses the four theoretical schools that inspired this study. Because tobacco had revolutionary impacts on political, economic, social, and cultural relations following its colonial discovery, there are a great number of studies on tobacco history. I first present relevant pieces of that literature, which is rich in terms of themes, historical periods investigated, and the diversity of actors and countries involved. Documenting a vivid social and political history of the tobacco market in one of the most significant tobacco producing countries, Turkey, through the twentieth century, this study hopes to contribute to the literature on tobacco. Second, I explain recent discussions on political economy and economic sociology. The latest perspectives focus mainly on the relations between the realms of economic (market) and political/social (state/society) in the context of neoliberal globalization. Borrowing the emphasis on "political and social construction of markets" and "institutional context" from the literature, I try to show the peculiarities of a market formation under state-interventionism.

Another theoretical school discussed in this study is historical institutionalism. Among other institutionalist schools (rational choice and sociological), it is the one having the most emphasis on the the burden of the past in the present conditions. This dissertation shares the argument of the school that the institutional context has a decisive impact on the power balances, which encapsulate the historical component. It analyzes each and every element of the institutional

context (laws, regulations, political structure and actions of societal groups) covering the tobacco market in detail, and shows their impacts on the formation of different policy agendas. It also highlights the historical peculiarities of that context, which were inherited from the Regie legacy, and had formative roles on the composition of the market actors. However, my study has a critical stand to the path-dependency argument in the literature, which veils the importance of political conflicts within the path-dependent periods and relates the change just to the critical junctures. It discusses the struggling nature of the tobacco policies, and shows the uncertainities of policy-making during a seemingly stable period. The analysis enables to be more sensitive to incremental changes beside the critical junctures.

The fourth theoretical inspiration is taken from the historiographical debates on agency. Despite their significant differences, the studies following the "history from below" legacy have a common point about the mode of history-writing: relativizing dominant classes and/or the state by a revelation of the political and social roles of lower classes. This dissertation resembles the literature with special interest on the impacts of historical actors other than the state on the policy formation and implementation processes. However, it does not narrow the analysis to a search for typical forms of resistance, such as false compliance or smuggling. It explains a great deal of other ways of responding to market conflicts available for producers, such as negotiating or petitioning, as well as resisting.

The recent works on the question of historical agency are fed by the critiques of gender, subaltern or cultural studies. They suggest the irreducibility of diverse identities, discursive character of the experience, or irretrievability of the consciousness of the subaltern. Their questionings are directed towards the subjectivity of the lower classes, which the original history-from-below perspective

assumed. This study has little relevance with these types of critiques. It takes the market actors as they interacted with each other in the production and marketing relations. Rather than their identities or consciousness, their organizations, responses to market conflicts, and influences on the market policies are discussed in this study.

As a prelude, Chapter 3 presents an overview of the Turkish tobacco market considering history, geography, economy, and law. It opens with a brief history of tobacco from its introduction to the Ottoman Empire in the seventeenth century to present. The second section of the chapter explains the characteristics of tobacco cultivation in Turkey, differences among regional markets, and typical production cycle. The third section aims to sort out the statistical deficiencies in the tobacco literature, and develops a macro economic analysis of significant indicators through the period under discussion. I discuss the changes in tobacco production, productivity, real prices, share in total export value, and number of producers during the historical period. Following the approach viewing laws as constitutive elements of social reality, the last section focuses on two comprehensive sector laws, the Tobacco and Tobacco Monopoly laws of 1938 and 1969. I not only report the content of the two laws in detail, but also compare and contrast them to better understand the changes in legal terms. The reasons behind those legal changes are analyzed in the following chapters.

Chapter 4 introduces the historical actors of the Turkish tobacco market. The first two sections present the buyer side of the market, meaning TEKEL and merchants. The first section on TEKEL reveals the under-known histories of the two companies, the Turkish Corporation of Domestic Products and the Turkish Tobacco Limited Company, which were the implementers of state intervention between 1938 and 1948. This section also shows the historical process in which TEKEL became

the monopoly of the market as a result of shouldering new responsibilities in the late 1940s and early 1950s. The second section opens with an introduction of different merchant groups, their companies, and historical roots. Then, I discuss their professional representation through associations in the focused period, and exemplify lobbying, information-gathering and controlling functions of merchant organizations with some cases. The second section ends with a discussion of the merchants' relative position in the market and their changing relations with TEKEL, which acted both as a competitor and a regulator.

The third section of Chapter 4 continues with tobacco experts, a small but influential occupational group linking buyers and sellers in the tobacco market. According to for whom the experts worked, their educational backgrounds, work manners and priorities, and professional organizations differed as early as the 1940s. The section highlights the theme of "resistance," against both threatening pressures and manipulative incentives, as the main brick of relations between especially TEKEL experts and other market actors. The fourth section is about the biggest group, the producers. Situating producers as active historical actors, it first explains their different ways of responding, including representation in meetings, petitioning, boycotting sales, holding demonstrations, and unionizing. Then, their organizational activities dating back to the early 1940s are presented. The last part of the fourth section discusses the dynamics of relations between producers and buyers. It concludes that tobacco producers wanted market conditions neither totally competitive nor fully governed by TEKEL. They benefitted from both the regulations of TEKEL and the existence of the merchants.

Chapter 5 consists of two big sections. The first section focuses on the contentious issues bringing market actors against each other between 1938 and 1969,

and the second on the informative yet unknown story of the failure of the tobacco bank project. Inspired by the primary historical sources' describing tobacco market as an arena of "eternal anarchy," the first section shows the unending conflicts in a supposedly well-regulated market in six subsections, market opening, price policy, quality and grading, discounting and discarding, warehousing conditions, and credits. The first component of the so-called "eternal anarchy" is the determination of market opening dates. Despite lacking a clear legal base, the Turkish governments officially declared dates for starting trade in the regional tobacco markets by 1938 as a result of merchants' demands. This part shows how the determination of dates became an issue of the contradicting concerns of merchants, producers and TEKEL from its beginning. The second part analyzes the conflicts over price policy as the main cause of the hottest struggles among actors. The problems involved the prime price system, real and perceived price levels, and price stability. This part discusses the synchronicity between price movements and different reactions: while merchants criticized "political pricing" in the years of rapid real price increases, the producers called for a "just price" in years of decreases. In years of no dramatic price change, struggles were over price instability.

Chapter 5 discusses quality and grading next. It points to tensions between experts and producers due to the lack of bale standardization, imperfect expertise, misinformed producers, and time lags between the determination-purchasing-and-warehousing phases. The fourth part shows that problems for producers worsened as a result of discounting and discarding practices that were extensively used by buyers in the warehousing phase. Despite the legal ban on discounting and discarding, the deficiencies of prevailing expertise and sale system paved the way for those acts of breaking contract terms with quality excuses in favor of buyers. Warehousing-related

problems set producers once more against experts and TEKEL. Poor conditions and the insufficient capacities of TEKEL warehouses, redundancy of paperwork obligatory for warehousing transactions, and sale-in-warehouses system in Black Sea and Marmara regions led to conflicts. The sixth part focuses on the credit system, concerning the financial needs of both merchants and producers. Regarding merchants, it concludes that their predominant financial source was credits despite occasional complaints from credit volumes and terms, and interest rates. Producers opted for either fraudulent representation or advance payment sales, rather than borrowing from money lenders, due to the lack of adequate volume of agricultural credits.

Chapter 5 reveals the six main conflicts making tobacco market an arena of "eternal anarchy." The exemplary cases show the continuity and intensity of those problems during the years between two sector laws as well as different responses of the market actors to deal with such "anarchy." As a whole, the first section reveals the contradiction between two images of the tobacco market, on the one hand as a site of heavy regulation and effective state intervention, and on the other as an arena of irregularities, uncertainties, and the struggling policies of market actors. The second section asks about whether any comprehensive policy package was formulated at any historical moment to solve the so-called chaos in tobacco market. The answer brings us to the long history of an institutional failure, the Turkish Tobacco Bank.

The second section opens with the emergence of the idea to establish a tobacco bank as an absolute solution to the unending problems. The tobacco experts began suggesting the formation of new regulatory institutions (cooperatives, exchange markets, and a tobacco bank) in professional journals in the early 1940s.

The first part of the section presents the merchants' harsh opposition to the institutional reform idea, contrary to experts' defense during the war years. Without any sign of consensus, the government initiated a compulsory levy on tobacco producers to raise the start-up capital for a "regulatory institution" in 1947, as shown in the second part. Between 1947 and 1950, there was no legal or organizational attempt to establish the institution, but governments kept cutting money from producers. The second part closes with a discussion of the sudden legal attack launched by the government in March 1950 and the content of the enacted Tobacco Partnership Law.

Chapter 5 then analyzes how there was no chance to implement the partnership law during the 1950s. Because the law triggered many more divisions of opinion between and within market actors, there was no consensus on the mission, capital, or managerial structure of the institution. Producers however were subjected to compulsory monetary cuts until 1957. The last part focuses on what the policy-makers of the 1960s took over and what they did with that legacy. The final output was the 1969 Law of Tobacco Agricultural Sale Cooperatives, including the elements of the original reform package (cooperatives, exchange market, and tobacco bank,) all at once. Chapter 5 ends with a discussion of how reform attempts were not implemented, if not to be born, during 31 years in which a substantial fund for institutional change was raised with a hidden taxation of the tobacco producers.

Chapter 6 addresses the support purchase policy in the Turkish tobacco market between 1938 and 1969. The first part covers the period from 1940 to 1947, when the policy was partial, had institutional uncertainties, and was considered a temporary extraordinary wartime measure. The turning point was the 1948 governmental decree clarifying policy details for the first time. The second part

shows that the 1948 decree made two significant and irreversible merges, one institutional and the other financial. From then on, TEKEL made support purchases mainly with the money cut from producers for establishing a regulatory institution. The subsequent Democrat Party governments did nothing but extend the scope of the support policy with the populist motto of "even to the last leaf." As the third part explains, the 1960s were not so different from the previous decade although the decade opened with a critique of the 1950s. Apart from a legal change and seemingly more restrictive scope, the support policy showed little change, and even gained momentum in the second half of the 1960s. On the whole, Chapter 6 offers new information about the continuity, financing method, and popular backing of the support purchase policy. It eventually poses some challenges to three perspectives that approach support purchases as a cause of market distortion, a means of political populism, and/or a simple manifestation of state interventionism.

Chapter 7 ends the story with a discussion of the 1970s as an atypical decade compared to the previous historical periods covered. The first part begins with an overview of expectations and realities. It presents both the sharp and rapid macroeconomic movements and the total failure of the 1969 legal reform which aimed to change production and sale system by creating new institutions. The second part is about what political pluralism, especially the leftist-populism of the RPP, meant for tobacco market. The third part searches for extra-parliamentary opposition in general and tobacco producers' activism in particular. These two parts show the change of the configuration of market actors: TEKEL became a gigantic institution by carrying all the burden of the expansionist policies; the producers experienced a golden age, thanks to the populist policies, the pro-producer ideological climate and their own struggles; and merchants experienced economic, political and ideological

marginalization. The last part investigates the peculiarities of the crisis in tobacco market by the end of the decade. Chapter 7, as well as this dissertation, end with the explanation of crisis years, and show the functional use of the crisis moment for the justification of subsequent changes in the 1980s.

The primary sources of this dissertation are depended on an extensive archival work. The first group of historical materials was gathered from the Republic of Turkey Prime Ministry Republican Archives, located in Ankara. The documents are comprised of cabinet decrees, correspondences among ministries, official reports, and petitions to state authorities. The *Assembly Minutes Periodical* forms the second primary source. The *Periodical* presents laws, commission reports, and assembly discussions. Third, I used the personal archives of two high-ranking TEKEL officials, Adnan Raşit Günay and Orhan Özet. Their archives are located at the library of Tobacco Experts Association (*Tütün Eksperleri Derneği*) in Izmir. The folders include a great deal of official reports, memorandums, and internal correspondences belonging to TEKEL as well as significant personal notes about certain issues.[17]

Four sector journals published in different periods constitute the fourth archival group this dissertation uses, *Türk Tütünü* (1938 – 1952,) *Tütün Mecmuası* (1938 – 1940,) *Tütün* (1958 – 1960) and *Tütün Dünyası* (1959 – 1962.) Edited by prominent tobacco experts, the journals are valuable sources by showing both the ongoing conditions of specific years with up-to-date news and reflecting the market actors' views with opinion pages and letter columns.

[17]For the fate of the non-existent TEKEL archives, see Chapter 4, footnote 133.

In addition, a comprehensive search was done in newspaper archives of *Milliyet* (1950–1984) as a national, and *Yeni Asır* (1949–1967) as a local news source. The sixth group of written documents consisted of books, booklets, reports, articles, association memorandums, and congress and seminar proceedings published during the era under discussion.

The statistical discussion is based on the serial data at the Statistical Indicators (*İstatistik Göstergeler* (1923 – 2008)) published by Turkish Statistical Institute, which is the most reliable source compared to plenty of others presenting numerous partial, and sometimes contradictory, statistics. Last, but not the least, I conducted personal and group interviews with tobacco sector representatives in Izmir and Manisa in December 2011. The interviews give me inspirational ideas about not only current market conditions but also manners of thinking about the past.

This dissertation focuses on almost five decades of the Turkish Republic. During the period, Turkey underwent significant economic and political changes. Table 1 helps to present a chronology of these changes and relate them with the findings of my study. The table follows the periodization in Boratav's classical account of Turkish economic history. The column of general economic and political conditions includes basic information on Turkish history, which is collected from the works of Boratav, Pamuk and Zürcher.[18] The column of peculiarities and policies of tobacco market classifies all information of this dissertation offers in different chapters by historical periods. The following chapters discuss historiographical insights such rich evidence provides for different periods in detail.

[18]Boratav, *Türkiye İktisat Tarihi, 1908-1985*.; Pamuk, "Chapter 1: Turkey, 1918-1945."; Pamuk, "Chapter 5: Turkey, 1945-1990."; Erik Jan Zürcher, *Modernleşen Türkiye'nin Tarihi* (İstanbul: İletişim Yayınları, 2003).

Table 1: General versus Tobacco Market Conditions by Different Historical Periods

Historical Period	General Political and Economic Conditions	Pecularities and Policies of the Tobacco Market
1939 -1945	* Single-party regime - two RPP governments * Not participation in the War, but full-scale mobilization * Import and GDP decline --> Shortages * Spreading black markets, stockpiling and profiteering * Extraordinary measures depending on the National Defense Law of January 1940: Taxation in kind, price controls, forced employment, rationing	* Enactment of the most comprehensive sectoral law- Tobacco and Tobacco Monopoly Law in June 1938 * No significant change in tobacco sown area and number of producers, but significant increase in real tobacco prices and the share of tobacco exports in total export value * State intervention through the Turkish Corporation of Domestic Products and the Turkish Tobacco Limited Company * First recording of direct purchases in the name of the state * Emergence of the earliest organizations of both merchants and producers * Introduction of the policy of government declaration of market opening dates and prime prices by 1938 * Tobacco Congress of 1943 in Izmir * Problems of bale standardization * Introduction of a market reform package, including the establishment of a tobacco bank-cooperatives-and-exchange market, by experts in sector journals

Historical Period	General Political and Economic Conditions	Pecularities and Policies of the Tobacco Market
1946 - 1953	* Transition to multi-party regime * Change of government by 1950 election victory of Democrat Party * More liberal trade and foreign exchange regime, Marshall Aid * Agricultural-led growth and rapid increase in GNP	* Increase in tobacco production, fluctuations in real prices and number of producers, decrease in tobacco share in exports * Revival of TEKEL, taking many missions other than cigarette-manufacturing, at the expense of two other state-controlled companies * Tobacconists Meeting of 1947 in Ankara * Tobacco Congress of 1950 in Ankara * Problems of quality determination and sale system having time lags between evaluation, purchase and transfer of crop * Warehousing-led conflicts * Depending on the National Defense Law, the beginning of cutting 5% of producer incomes in January 1947 to create the necessary start-up capital for the establishment of a regulatory institution * Clarification of support purchase policy and financial linkage of producer-premium fund with purchases in 1948 * Enactment of the Law of Turkish Tobacco Partnership in March 1950

Historical Period	General Political and Economic Conditions	Pecularities and Policies of the Tobacco Market
1953 - 1962	* Democrat Party governments until the military intervention of May 1960 * Stagnation of agricultural growth * Restrictions imports by 1954 * Short-term expansionist policies until 1958 * Balance of payment crisis and devaluation in 1958	* Steady production and real price levels, increase of export share between 1952 and 1957 followed by a falling trend until 1963 * Contention over price stability despite relatively steady prices * Problems of quality determination and sale system having time lags between evaluation, purchase and transfer of crop * Merchants' complaints from state-controlled credit system vs. Producers' complaints from the lack of adequate volume of agricultural credits * Elimination of regional, qualitative and subjective restrictions over support purchases being financed mainly by producer-premiums * Ending the compulsory premium-cutting policy in 1957 but no establishment of a regulatory institution * Direct subsidies to producers between 1956 and 1958, and direct purchases from merchants in 1959

Historical Period	General Political and Economic Conditions	Pecularities and Policies of the Tobacco Market
1962 - 1969	* Coalition governments until 1965, Justice Party until 1971 * Pluralism in politics and emergence of new social movements * Protection of domestic market and import substitution industrilization through planning --> Steady increase of GNP * Populist distribution policies including expansion of agricultural price support programs	* Abolition of the National Defense Law in late 1960 and enactment of the Support for Sale Markets of Producer Tobacco in early 1961 * Significant increases in number of producers and tobacco production * Declining real prices between 1963 and 1972 followed by rapid increases until 1977 * Steady yet declining levels of share in total exports * Rising tensions over market opening policy * Producers' calls for "just price" in years of declining real prices vs. Merchants' complaints from "political pricing" in years of rising real prices * Problems of quality determination and sale system having time lags between evaluation, purchase and transfer of crop * Merchants' complaints from state-controlled credit system vs. Producers' complaints from the lack of adequate volume of agricultural credits * Still-financing TEKEL’s support purchases with producer-premium fund

Historical Period	General Political and Economic Conditions	Pecularities and Policies of the Tobacco Market
1969 - 1977	* Military intervention of March 1971 and interim regime until 1973 * Coalition governments led either by RPP or JP until 1980 * Pluralism in politics and emergence of new social movements * Protection of domestic market and import substitution industrilization through planning → Steady increase of GNP * Populist distribution policies including expansion of agricultural price support programs	* Enactment of new Tobacco and Tobacco Monopoly Law and Law of Tobacco Agricultural Sale Cooperatives Law in 1969 * Partial implementation of the Tobacco Monopoly Law and non-implementation of the Cooperative Law in the 1970s * Significant increases in number of producers and tobacco production * Rapid increases of real prices between 1972 and 1977 * Steady yet declining levels of share in total exports * Significant political and ideological impacts of leftist-populism in the 1970s * Emergence of producer demonstrations and unions * TEKEL's dominance over the market by huge support purchases and extensive advance payments * Economic, political and ideological marginalization of merchants in the 1970s
1977 - 1980	* Political turmoil and chaos * Crisis of ISI and the severest balance of payment crisis ever * High inflation rates * Shortages, black markets and rationing * Stabilization program of January, 24 1980 * Coup d'état of September, 12 1980	* Sharp fall in tobacco production and real prices * Tobacco Seminar of 1977 in Izmir * Institutional crisis of TEKEL due to partisan staffing, corruption, mismanagement, excess tobacco stocks, and inability to meet increasing cigarette-demand * Failure of implementing legal reform * Lack of working negotiation channels * Increasing (political) violence among market actors

CHAPTER 2

REFLECTIONS ON TOBACCO, POLITICAL ECONOMY, INSTITUTIONS AND HISTORICAL AGENCY

> Tobacco from its beginning has been more than a crop;
> it has been rather a crucible in which the diverse ingredients were mingled.[19]

World history is full of different types of human inventions of natural sources to use for palliative, analgesic and pleasing purposes. Caffeine, alcohol, sugar, coca, opium, cannabis, betel, qat, and kava are first to be mentioned among humankind's "cultures of dependences."[20] However, tobacco and smoking habit have always occupied a special place in the history of psycho-actives. As Courtwright asserts, the combination of several factors led to the distinct triumph of tobacco and cigarette smoking through the twentieth century.[21] Material factors such as rapid urbanization, easy access to and use of cigarettes after the standardization by mass production, the unending wars of the century and changing gender roles led to the worldwide triumph of tobacco. The dominance was enhanced more by the daydreaming effect of smoking on the human living in a totally materialized world, and the social-

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[19]E. P. Thompson, *The Making of the English Working Class* (Harmondsworth: Penguin Books, 1968).12.

[20]The expression "culture(s) of dependence" is derived from Jordan Goodman, *Tobacco in History: The Cultures of Dependence* (London, New York: Routledge, 1994).14. Goodman argues that "dependence unifies the history of tobacco whether seen from the vantage point of the consumer, of the producer or of the institutions concerned with its promulgation."

[21]David T. Courtwright, *Forces of Habit: Drugs and the Making of the Modern World* (Cambridge, Massachusetts;& London, England: Harvard University Press, 2002).17-8. The triumph of cigarette over other habits is valid for developed European countries and the USA as well as less developed and/or underdeveloped parts of the continents of Asia and Africa. For example, Anthony Reid presents the changing patterns in Indonesia from betel chewing which was charged with several symbolic and ritualistic meanings for the Indonesian society to tobacco-smoking as an indicator of "modernity," especially among men in the twentieth century. See Anthony Reid, "From Betel-Chewing to Tobacco-Smoking in Indonesia," *The Journal of Asian Studies* 44, no. 3 (May 1985).529-47.

discriminatory symbolic role in the identity struggles between the old and the young, men and women, and the affluent and the lower classes.[22] Hence, tobacco has become one of the most significant cash crops of the world due to the dominance of cigarette smoking over all other forms of dependence in the twentieth century.

The end of the twentieth century, however, marks an end for the ideological glorification of cigarette and economic expansion of tobacco-related activities. In the last quarter of the century, medical professionals have reached an overwhelming consensus on the dangers of smoking, especially as a direct cause of lung cancer. The smoker has been labeled a "victim," rather than a "rational modern individual/man," and the public cries for economic and social marginalization of tobacco have gained strength faster.[23] Both the perceptions of tobacco and the policies governing the tobacco sector have changed as a result.

For a better understanding of the change, it is first necessary to investigate the economic, political, social, and cultural meanings of tobacco since the mid–nineteenth century. The history of tobacco production goes back to the fifteenth

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[22]For an interesting account of the struggles of Canadian women to qualify the "freedom to smoke," see Jarrett Rudy, *The Freedom to Smoke: Tobacco Consumption and Identity* (Montreal: McGill-Queen's University Press, 2005). For a depiction of smoking as a social-discrimination symbol and the role of cigarette in constructing the *effendi* identity in modern Egypt, see Relli Shechter, *Smoking, Culture and Economy in the Middle East: The Egyptian Tobacco Market 1850-2000* (London; New York: IB Tauris, 2006).119-154. For a description of the history of smoking among women and working-class men through the twentieth century in Britain, see Matthew Hilton, "Leisure, Politics, and the Consumption of Tobacco in Britain since the Nineteenth Century," in *Histories of Leisure*, ed. Rudy Koshar (Oxford, New York: Berg, 2002).319-336. For an account searching the "social life" of tobacco in Bulgaria from the late nineteenth century to present with a focus on smoking culture, see M. C. Neuburger, *Balkan Smoke: Tobacco and the Making of Modern Bulgaria* (Ithaca, NY: Cornell University Press, 2012).

[23]Shechter, *Smoking, Culture and Economy in the Middle East: The Egyptian Tobacco Market 1850-2000* .155-166; Hilton, "Leisure, Politics, and the Consumption of Tobacco in Britain since the Nineteenth Century."326-329.

century in the American continents,[24] but the major momentum was gained in the nineteenth century as a result of colonialism.[25] By the twentieth century, tobacco has already become the most widely grown and consumed non-food crop in all Europe, Asia and Africa. Due to the worldwide prevalence and the economic and political significance, tobacco has always aroused a vivid interest from different scientific disciplines. Hence, there is a rich literature on tobacco in history, economy and sociology. In the first section, some relevant pieces of this huge literature will be introduced. As the first inspiring literature for this dissertation, the histories of tobacco show that it has always been a special cash crop changing political, economic and social relations dramatically.

In the second section, new perspectives in political economy and economic sociology will be discussed. The literature provides two significant paradigms for this dissertation, the social and political construction of markets, and the significance of the institutional context in the formation of the markets. The third section reviews historical institutionalism, which is the institutionalist school most sensitive to the complexities of historical development. This work takes a critical stand on the path-dependency argument of the literature by highlighting the changes and uncertainties inclusive in policy-making processes, and the role of political agency.

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[24]Marcy Norton, *Sacred Gifts, Profane Pleasures: A History of Tobacco and Chocolate in the Atlantic World* (Ithaca and London: Cornell University Press, 2008). In this detailed and well-depicted account, Norton tells the story of different consumption patterns of tobacco and chocolate encapsulating various symbolic, ritualistic and popular meanings by the people of Atlantis before its "discovery" by the Europeans.

[25]Goodman, *Tobacco in History: The Cultures of Dependence*.3-4. For an different example from Latin America showing the emergence of tobacco sector independent from the colonial administration, see Michiel Baud, "A Colonial Counter Economy: Tobacco Production on Espanola, 1500-1870," *New West Indian Guide / Nieuwe West-Indische Gids* 65, no. 1/2 (1991). Baud argues that the tobacco sector was created as a peasant sector, and maintained itself during three centuries in Espanola. It can be called as "counter – economy" because it existed in opposition to the Spanish colonial economy.

This chapter ends with a historiographical discussion of the question of agency after the "history from below" turn. It follows the social history logic regarding the necessity to of focusing on common people, in my case tobacco producers, and their responses. However, this dissertation has no bias for the forms of responses. In other words, it presents compliances and negotiations as well as resistances and collective actions of producers in their interactions with the state and other market act.

Histories of Tobacco

There is a great number of works on the economy, politics and culture of tobacco from diverse regions including from the cigarette capital of the world, the estates of America like Virginia and North Carolina, to famous "Orient tobacco" producers like Lebanon, Turkey and Greece or to colonial producers like Zimbabwe, Malawi, and Indonesia.

The works on the ex-colonies generally focus on the economic and social changes that emerged as the result of tobacco's intrusion to the countries by colonial administrations. In the articles about the emergence of tobacco cultivation and industry in the British colonies, the scholars are generally interested in "underdevelopment" problem specifying certain class-positions and class-struggles within the colony and the metropolis among the settler planters, Africans, tobacco companies, and administrators. They analyze the formation of tobacco policies in different historical conjunctures, and aim at a theoretical revision in the African historiography regarding the role of colonial state and its relation with the colonial people and metropolitan capital. As Kanduza asserts, the introduction of Virginia leaf

in Northern Rhodesia and the preservation of settler monopoly could not be achieved, and so not be understood, without the critical function of the colonial state.[26] This position is more obviously claimed by McCracken, saying "the state in colonial Malawi operated as an arbiter between various types of interest, unable to support any one too fully, in the knowledge that the triumph of a particular interest group would lead to the collapse of the whole."[27]

The focus on the state as the major actor also can be seen in the studies on non-colonial countries. While some of these studies give priority to the legislation about tobacco-related activities, others focus on diplomatic negotiations about the issue orchestrated by state bureaucracies. As an example of the former priority, Badger cites the New Deal programs regarding the flue-cured tobacco market in North Carolina between 1933 and the World War II. While he explains the legislations of "Agricultural Adjustment Act(s)" and their special provisions on tobacco, he claims to show "what actually happened – the program was to increase incomes," regardless of the conditions of "forgotten farmers" of the New Deal.[28] Mogen Pelt's account on the specific trade policies of Germany and Greece during the interwar era exemplifies the second stand of addressing diplomacy behind tobacco policies. Pelt criticizes traditional views about the power balances in the

[26]Ackson Kanduza, "The Tobacco Industry in Northern Rhodesia, 1912-1938," *The International Journal of African Historical Studies* 16, no. 2 (1983).204.

[27]John McCracken, "Planters, Peasants and the Colonial State: The Impact of the Native Tobacco Board in the Central Province of Malawi," *Journal of Southern African Studies* 9, no. 2 (April 1983).192.

[28]Antony J. Badger, *Prosperity Road: The New Deal, Tobacco, and North Carolina* (Chapel Hill: The University of North Carolina Press, 1980).xv-xviii,195-237. For one of the works aiming to fulfill this "omission" in the New Deal historiography, see Christina Elizabeth Whitfield, "No Time to Play: Tobacco-Growing Families and the Great Depression" (Ph.D. diss., University of Minnesota, 1999). Whitfield focuses on the poor whites of the rural South, especially of Kentucky, and their experiences in the 1920s and 1930s, the period when tobacco-agriculture was still highly labor-intensive and had not been mechanized yet.

south-east Europe after German penetration in the 1930s by analyzing the nature of bilateral trade agreements inaugurating the clearing trade of that Greece sold tobacco to Germany in exchange for armaments.[29] In both Badger's and Pelt's accounts, tobacco appears as merely a source of income and/or an item of diplomatic negotiation package for states. However, the isolated focus on either economy or diplomacy entertains the risk to confuse the intentions of the state with its capacity to fully realize these intentions.[30] Moreover, it has also a shadowing effect on the search for the historical roles of social groups other than the state over the policies.

The academic interest in underdevelopment and state is shaken by the from the bottom up initiative of social history searching for the historical roles of different agents, especially of the workers and peasants. Social history works concentrate on certain social segments and/or events, and reveal the historical and political role of the lower classes. The findings have significance especially for tobacco, the cultivation, harvest and industry of which is heavily labor-intensive. One of the most important questions of these studies is about the labor forms generated in tobacco farming and industry by colonial empires. They look at whether large-scale farming with slavery labor or small-scale production with free peasants was dominant in various colonies.

Moreover, the reactions of either the slaves or the independent peasants to market mechanisms are on the research agenda. As Baud shows in the context of the emergence of the tobacco industry in Villa Gonzales, a tobacco village in the northern Dominican Republic, the small-scale producers "do their best to resist the

[29]Mogen Pelt, *Tobacco, Arms and Politics: Greece and Germany from World Crisis to World War, 1929 – 1941* (Copenhagen: Museum Tusculanum, 1998).11-15, 255-263.

[30]For more on the issue of state capacity, see Theda Skocpol and Kenneth Finegold, "State Capacity and Economic Intervention in the Early New Deal," *Political Science Quarterly*, no. 97 (1982).255-78.

most pernicious aspects of the market, while at the same time, make use of all the opportunities it afforded them to retain as much economic autonomy as possible."[31] Hence, he places the Cibao peasantry in an active and influential position in the Caribbean economic and social history.

Like Baud, Teresita Levy underlines the active role of the Puerto Rican small peasantry in enhancing tobacco farming in the highlands during the era of US colonialism. According to Levy, tobacco peasants were neither docile nor intimidated. They manipulated, challenged, and redefined the colonial system to effect changes impacting their daily lives. As Levy's work shows, Puerto Rican tobacco peasants not only organized cooperatives to participate in an institutional credit structure to purchase their inputs and to sell their product in the market, but also supported scientific research on how to better cultivate tobacco.[32]

Similar to Baud and Levy, Steven Rubert situates the tobacco peasantry at the center in the history of tobacco farming in colonial Zimbabwe. However, as opposed to Dominican and Puerto Rican small-scale peasants struggling to preserve their autonomy against the market and the state, the colonial settler farmers of Southern Rhodesia seem to be the creators of the market mechanisms and a labor-disciplining farming system.[33] Rubert represents various work types of African tobacco laborers, and their working and living conditions in the farms of Rhodesia. His account shows not only the disciplinary practices generated by the farmers such as ticket system,

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[31]Michiel Baud, *Peasants and Tobacco in the Dominican Republic, 1870–1930* (Knoxville: University of Tennessee Press, 1995).3-10.

[32]Teresita A. Levy, "The History of Tobacco Cultivation in Puerto Rico, 1899-1940" (Ph.D. diss., City University of New York, 2007).

[33]Steven C. Rubert, *A Most Promising Weed: A History of Tobacco Farming and Labor in Colonial Zimbabwe, 1890-1945* (Athens: Ohio University Center for International Studies, 1998).

violence, withholding wages or holding onto registration certificates until the end of the season but also "moral economy" practices developed by the laborers such as working only within the negotiated conditions, refusing to work if these conditions were not well, theft, desertion, or witchcraft against "malevolent farmers."[34]

The theoretical interest in the lower classes is also vital for the reason that both tobacco peasants and workers have formed two of the most politically active parts of their classes since the emergence of the modern class struggles in world history. Regarding peasant activism, the so-called "tobacco wars" in Kentucky and Tennessee between 1905 and 1909 can first be mentioned due to having been an "unprecedented achievement in the annals of agrarian protest movement," as Tracy Campbell asserts.[35] According to Campbell, in the beginning of the twentieth century, farmers in Kentucky and Tennessee relying on tobacco as their cash crop consequently found themselves up against the world with a debilitating financial system, an unresponsive political structure, and one of the most effective industrial monopolies in American history, the newly-emerging trust of the American Tobacco Company. In response to the dictation of low prices by the ATC, farmers formed cooperatives through which they could pool their crops and withhold tobacco from the market until a satisfactory price was offered. The farmers strike in 1906 and 1907, and the American Tobacco Company had to purchase the pooled crops at prices demanded by the burley growers in 1908. Constituting one of the final defenses in America of the eighteenth century republican tradition, as Campbell

[34]Ibid.59-122, 166-186.

[35]Tracy Campbell, *The Politics of Despair: Power and Resistance in the Tobacco Wars* (Kentucky: The University Press of Kentucky, 2005).3.

argues, the Tobacco Wars permit us a rare glimpse into the "forgotten people" of the countryside who are invisible unless they engage in concerted political activity.[36]

Through the twentieth century, the episodes of political activism similar to Campbell's story are more common for tobacco workers rather than peasants. Due to serious economic and social consequences of tobacco workers' movements in several countries, several studies are done on worker activism. They focus on either to depict the working lives and everyday experiences of tobacco workers or to historicize one specific event, especially a strike or unionization effort.[37]

In other accounts on tobacco workers, gender perspective gets into the analytical framework as a key concept because of the structure of tobacco industries employing high levels of women, or with Rivera-Giusti's phrase, due to being a "feminine industry."[38] In her account on the working-class activism in colonial Puerto Rico in the first quarter of the twentieth century, Rivera-Giusti represents not only the gendered dimension of the United States colonial order, but also the ambivalent relationships between the male leaders of the working class movement

[36]Ibid.1-5, 53-75, 117-133.

[37]For some examples, see Robert Rodgers Korstad, "Daybreak of Freedom: Tobacco Workers and the CIO, Winston Salem, North Carolina, 1943-1950" (Ph.D. diss., University of North Carolina at Chapel Hill, 1987). Korstad narrates the "Daybreak to Freedom," that is, the rise and fall of unionism among tobacco workers in Winston-Salem, North Carolina. He underlines the specific dimension of "race" in this unionization struggle. For one more account on the "relationship between race and class in a stratified, segrageted, southern city, see Richard Love, "The Cigarette Capital of the World: Labor, Race, and Tobacco in Richmond, Virginia, 1880-1980" (Ph.D. diss., University of Virginia, 1998). Beverly Jones explains this centrality as a result of "dirty jobs like stemming, sorting, hanging and pulling having been seen as 'Negro work' for which whites would not compete." Beverly W. Jones, "Race, Sex, and Class: Black Female Tobacco Workers in Durham, North Carolina, 1920-1940, and the Development of Female Consciousness," *Feminist Studies* 10, no. 3 (Autumn 1984).441.

[38]Ivette Marie Rivera-Giusti, "Gender, Labor and Working-Class Activism in the Puerto Rican Tobacco Industry, 1898-1924" (Ph.D. diss., State University of New York at Binghamton, 2003).9.

and women workers, which sometimes broke the motto of "unified class struggle."[39] Commitment to the epistemological prerogatives of labor and gender histories is also undertaken by Malek Hassan Abisaab. He delineated the history of working-women in Lebanese's tobacco industry during the twentieth century. Depending on his investigation, Abisaab questions the cultural approach that conceptualizes the categories of class, sect and gender as constantly and inherently contradictory; the static definitions and fixed accounts of patriarchy; and the labor histories of Middle Eastern societies focusing on the unionized and/or socialist activities.[40] For both Rivera-Giusti and Abisaab, tobacco and tobacco industry have specificity by encapsulating the complex and multi-layered interests and struggles of several groups, despite their isolated interest in tobacco workers and their movements.

The specificity and complexity of the tobacco issue on which tobacco historians have a consensus is what inspired Relli Shechter for his history of the Egyptian tobacco market since the mid-nineteenth century within a Polanyian framework.[41] Shechter sees the market "as such a web of interactions embedded in society, social relations, and institutions," and represents the changes in tobacco industry, marketing, and consumption in Egypt since the 1850s. Rather than focusing on one certain social group, Shechter offers information about various historical actors, their impacts on the policies and on the public opinion about smoking in different conjunctures. He concludes that the power balances among the state,

[39] Ibid.96-153.

[40]Malek Hassan Abisaab, *Militant Women of a Fragile Nation* (Syracuse, NY: Syracuse University Press, 2011).xv-xxx.

[41]Shechter, *Smoking, Culture and Economy in the Middle East: The Egyptian Tobacco Market 1850-2000* .1-11.

multinationals, traders, manufacturers, workers and consumers have determined the final conditions in which the market operates.[42]

The literature on tobacco is rich regarding the themes arisen, the historical periods investigated, the diversity of the actors and the geographically-global extent, as the above discussed examples show. My first hopeful contribution is to this productive literature by an account of the Turkish experience during the Republican era to the discussion. All studies on tobacco, as well as mine, have shared more or less the belief in E. P. Thompson's saying of tobacco "being more than a crop from its very beginning." Especially through the last two centuries, tobacco has been a crucial income generating sector for states, a market-opening chance for producers and an employment opportunity for workers. As a result, the tobacco sector provides researchers a good opportunity to write vivid political and social histories. While this dissertation derives theoretical and empirical benefits from histories such as Baud, Levy, Abisaab, and Shechter, it remains critical of the diplomacy- and/or state-centered studies of Badger, Pelt, and Goodman. In addition, my work has no interest in the manufacture of tobacco and the demand side of the tobacco market. Thus, neither tobacco/cigarette industry nor consumption patterns are discussing in the following pages.

The reason for my work's closeness to social and political histories, rather than the state-centered accounts in tobacco literature is the inspirations taken from three other theoretical schools: new perspectives in political economy, historical institutionalism, and social history after the "history from below." Now, I would like to discuss the analytical insights relevant to this dissertation.

[42]Ibid.79-116.

New Perspectives in Political Economy

This dissertation attempts to depict the political economy of the Turkish tobacco market assumed to have been shaped by economic, social and political struggles among market actors, that of the state, merchants, experts and producers. Such an aim requires a brief discussion of the latest perspectives in economic sociology and political economy. Both economic sociology and political economy attempt to theorize the complex relationship between the economic (mainly referring to the market) and the social/political (mainly referring to society/state) realms. The long-lasting theoretical debate on the relation between economy and politics has been revitalized in the context of neoliberal globalization proclaiming the victory of market over all kinds of social and political structures. The new schools of economic sociology and political economy mainly question the changing relation in the post-1980s conjuncture.

In his review essay on the new economic sociology, Mauro F. Guillén states that economic sociology has evolved as an umbrella theoretical enterprise focusing on what makes markets, industries, and firms stable arrangements for organizing economic exchange by the prominent studies of Fligstein, Trigilia, and DiMaggio.[43] The theoretical umbrella of the subfield is engendered by mainly the North American sociologists basing their work on mainly two fundamental ideas, social construction and embeddedness.[44] One of the leading scholars of the field, Carlo Trigilia puts that the new economic sociology rejects basically the definition of the economy as the

[43]Mauro F. Guillén, "The Economic Sociology of Markets, Industries, and Firms," *Theory and Society* 32(2003).

[44]For a brief depiction of the fast-growing of the subfield and its "structural" reasons, see Bernard Convert and Johan Heilbron, "Where did the New Economic Sociology Come from?," *Theory and Society* 36(2007).

"activities which involve the rational allocation of scarce resources in order to obtain the most from the means available," and seeks a broader interpretation of economic activity seen as an institutional process.[45] Economic institutions like markets, industries, or firms are socially (and politically) constructed for economic sociologists. With these theoretical prerogatives, the literature concerns not only the roles of actors in the overall outcome, but also the different historical paths of different countries.

Despite the popularity of the new economic sociology, the pioneering examples of the literature also have received serious criticisms. One of the most frequent objections involves the US-centrism of the literature. Scholars like Gilding, Sklair, Convert and Heilbron point to the discipline's limits in both explaining less developed countries and articulating the themes raised by their European counterparts like Bourdieu.[46] The US-centrism is evident in the research agenda, including innovation, changing organizational schemes, trust, intellectual property emerging from the new (information) industries developed in California, the heartland of the "new economy," and generated "social networks" by the 1980s.

Apart from this geographical bias, two other shortcomings of the literature are the lack of interest in the political economy, especially the role of politics and the relationship of law and economy, and the epistemological distance from the contesting identities of class, gender, and/or race while theorizing market actors. Carlo Trigilia agrees with the first criticism by stating that a "separation between

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[45]Carlo Trigilia, *Economic Sociology: State, Market and Society in Modern Capitalism* (Oxford: Blackwell, 2002).2.

[46]Michael Gilding, "The New Economic Sociology and Its Relevance to Australia," *Journal of Sociology* 41, no. 3 (2005).; Leslie Sklair, "The Nature and Significance of Economic Sociology," *Review of International Political Economy* 4, no. 1 (1997). For specifically the criticism on even the literature's unawareness of Bourdieu, see Convert and Heilbron, "Where did the New Economic Sociology Come from?."

economic sociology and comparative political economy does not favor a full exploitation of the potential contribution of economic sociology to policies."[47] Whether a further convergence among economic sociology and political economy brings the expected practical benefit or not, recent studies in political economy indeed have similar themes with those of economic sociology.

The main question of political economy before its separation into different disciplines in the nineteenth century was how wealth was produced and distributed and the close connection between wealth-generating processes and modern state formation and inter-state relations. The ways of responding to that main question changed significantly during the twentieth century. In the last decades, however, the process of globalization has been the major research topic for political economists. Hence, the newer studies of political economy have the same chronological focus on the post-1980 period as the new economic sociology.[48] Moreover, the overall theoretical shifts of conceptualizations of state, market and their relations have a determining influence on the mode of political economy studies like economic sociology. Recent works are close to viewing neither the market as a purely self-

[47]Carlo Trigilia, "Unbalanced Growth: Why is Economic Sociology Stronger in Theory than in Policies?," *Current Sociology* 55, no. 1 (2007).

[48]For some basic works for the new political economy approach to elucidate the changes in agriculture, see William H. Friedland, ed. *Towards a New Political Economy of Agriculture* (Oxford: Westview Press, 1991).; Philip MacMichael, ed. *The Global Restructuring of Agro-Food Systems* (Ithaca: Cornell University Press, 1994).; E. Peine and P. McMichael, "Globalization and Global Governance," in *Agricultural Governance: Globalization and the New Politics of Regulation*, ed. V. Higgins and G. Lawrence (London: Routledge, 2005). Newer studies on agricultural political economy are mainly two broad themes: one, the impact of neoliberalism on certain markets, and the other, the agricultural commodity chains and global networks. For the first, see Bruno Losch, "Global Restructuring and Liberalization: Cote d'Ivoire and the End of the International Cocoa Market?," *Journal of Agrarian Change* 2, no. 2 (2002). For the latter, see Lawrence Busch and Arunas Juska, "Beyond Political Economy: Actor Networks and the Globalization of Agriculture," *Review of International Political Economy* 4, no. 4 (1997).; Christina Stringer and Richard Le Heron, eds., *Agri-Food Commodity Chains and Globalising Networks* (Aldershot: Ashgate, 2008).

regulating mechanism hidden in the well-known "invisible hand" metaphor, nor the state as merely a concrete administering apparatus.

In the political economy literature, one of the most influential schools is the intuitionalist approach pioneered by the Nobel–prize winning economic historian, Douglas North. As he writes, "institutions are the rules of the game in a society or, more formally, are the humanly devised constraints that shape human interaction," and institutional change is the key to understand historical change.[49] In addition to the institutional turn, the newer studies on political economy also have been influenced by the so-called "cultural turn." In the forum "in which the leading scholars offer reflections upon the central intellectual challenges facing those committed to the project of constructing a 'new political economy,'" Stuart Corbridge asserts that some of the most exciting interventions, like the works of Kaviraj, Chatterjee, Migdal and Escobar have joined cultural anthropology with political economy.[50] He emphasizes these studies because of their clarification of the discursive and sociological constitutions of the key institutions of political economy, including the state and market between which the boundaries can be blurred in many settings. The insistence on the importance of discursive analysis by reminding the "social construction of knowledge and truth regimes" is also shared by Jessop and Sum, offering the "cultural political economy" approach in the same forum.[51]

Concerning the influence of the paradigms such as "social/political construction" and "embeddedness" on the recent debates within economic sociology

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[49]Douglass Cecil North, *Institutions, Institutional Change and Economic Performance* (Cambridge: Cambridge University Press, 2009).3.

[50]Stuart Corbridge, "Beyond Developmentalism: The Turn to Cultural Anthropology," *New Political Economy* 6, no. 1 (2001).81-8.

[51]Bob Jessop and Ngai-Ling Sum, "Pre-disciplinary and Post-disciplinary Perspectives," *New Political Economy* 6, no. 1 (2001).89-101.

and political economy, it becomes necessary to mention "Polanyian" point. As Fred Block asserts, Polanyi's work *Great Transformation* has achieved the status of a canonical work for economic sociology and international political economy in the last decades.[52] Polanyi states the book is concerned with the political and economic origins of the collapse of nineteenth-century civilization resting on four institutions: a balance-of-power system, the international gold standard, a self-regulating market, and the liberal state. Among these, the key lies in the laws governing the market economy. Polanyi's most cited thesis is that the "idea of a self-adjusting market implied a stark utopia."[53] Hence, in the heyday of neoliberal economic policies and ideological atmosphere preaching the victory of the market, the widespread remembrance and revitalization of Polanyi as a powerful critique of market liberalism is not surprising. The main points of this critique will be helpful to follow its influence on recent debates.

The concept of "embeddedness" is a good starting point. This term states that the economy is not autonomous, as the nineteenth century classical economists, especially Malthus and Ricardo, radically argued, but subordinated to politics, religion, and social relations. The classical economists' system of self-regulating markets required subordinating society to the logic of the market, as contrary to the historically normal pattern.[54] However, in the book, Polanyi insists that they did not

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[52]Fred Block, "Karl Polanyi and the Writing of *The Great Transformation*," *Theory and Society* 32(2003).275-306.

[53]Karl Polanyi, *The Great Transformation: The Political and Economic Origins of Our Time* (Boston: Beacon Press, 1957, 2001).3.

[54]In his "Introduction" written for the new release of *Great Transformation*, Fred Block warns against the common misunderstanding of the concept, that of saying "with the rise of capitalism in the nineteenth century, the economy was successfully disembedded from society and came to dominate it." He underlines that the originality of the concept lies at the impossibility of this disembeddedness, explained by the fictitious commodites. Moreover, Block insists that "Polanyi's use of the term suggests more than the now familiar idea that

and could not achieve this goal because, as the consequences of unstrained market become apparent, people resisted. This "double movement" among two opposing movements – the laissez-faire movement to expand the scope of the market, and the protective counter-movement emerging to resist the disembedding of the economy - depends on the idea of "fictitious commodities," land, labor and money. Because they were not produced to be sold on the market, they are not real commodities. Hence, "to allow the market mechanism to be sole director of the fate of human beings and their natural environment, indeed, even the amount and use of purchasing power, would result in the demolition of society."[55] To avoid this demolition, the supply and demand of these fictitious commodities in even actual market societies must be managed through the political process, meaning the active role of state.

These original versions of the new concepts and theoretical insights represented by Polanyi have been critically elaborated by both his followers and opponents. One of his well-known followers, Fred Block, explains the central tensions and complexities of Polanyi's thought as the problem of determinism, the Speenhamland problem, and the ambiguities of embeddedness and disembeddedness. To avoid the ambiguity of embeddedness and the dualism between markets and society assumed in the original version of the concept, Block argues that the "economy has to be embedded in law, politics and morality," and this "always-embedded market economy" was the discovery of Polanyi, although he was not able to name or elaborate it.[56] However, Block's suggestion of an "always-embeddness"

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the market transactions depend on trust, mutual understanding, and the legal enforcement of contracts" as aroused by the newer literature mentioned above. See Ibid.xviii-xxxviii.

[55]Ibid.73.

[56]Block, "Karl Polanyi and the Writing of *The Great Transformation*."

has a serious risk of an ahistoricity by blurring the distinctions between different societal forms, political structures, and ages of market economy.

Besides Block's criticisms within the literature, there are also questions rising from a postcolonial framework. Discovering that "the economy" is a surprisingly recent product of socio-technical practice, Timothy Mitchell argues that the concept of embeddedness is of limited use in understanding the making of the economy because it "always invokes some essential form of the economic referring either to rational action, which in different social and cultural 'contexts' is more or less restricted by cultural and social ties, or to materiality, which in different 'contexts' is differently stabilized or imagined." Arguing that economic sociology assumes an "always already existing economic calculation (or the market, or the economy) as the expression of some sort of pure self interest," he proposes to "explore the rival metrological projects that brought economy into being" to rethink economy.[57] It should be stressed that Mitchell has no similarity with the epistemological and theoretical pillars of other examples in the literature. Then, his critiques result in proposing a totally different research agenda.

To make a summary of the above discussion, Berndt and Boeckler's threefold classification of heterodox approaches to markets is useful to mention.[58] They argue that the first school, socioeconomics, socializes markets by dissolving them in social networks; the second group, the political economy, portrays the market as a destructive force by stressing the damage inflicted on "the social"; and the third group sees the abstract market model as performative by pointing to the practical

[57]Timothy Mitchell, "Rethinking Economy," *Geoforum* 39(2008).1116-21. He takes the term "metrology" from Latour, meaning "the gigantic enterprise to make of the outside a world inside the facts…can survive."

[58]Christian Berndt and Marc Boeckler, "Geographies of Circulation and Exchange: Construction of Markets," *Progress in Human Geography* 33, no. 4 (2009).

self-realization of economic knowledge. They cite economic sociology studies as examples of the first, "varieties of capitalism" school for the second, and the "actor-network theory" proponed by mainly Michel Callon and Bruno Latour for the third.

The offerings of the recent studies in economic sociology and political economy to this dissertation are significant yet conditional. First of all, this dissertation is on a historical conjuncture before the globalization of markets by the 1980s, which is the main temporal focus of these newer studies. Hence, it is difficult to be inspired by their depictions of the current era's economic, social, and political atmosphere. The periodical focus of this dissertation is the "past" for recent studies, assuming everything was really different from the present. That past consists of the decades of Hobsbawn's "Golden Age," characterized by rapid economic, social and cultural change, social revolutions, the Cold War, the emergence of the social welfare state, and progressive technological innovations.[59] Then, it is difficult to compare the economic, social, political and cultural setting of pre-globalization years to what followed. Still, some theoretical and methodological insights given in recent literatures are significant for a better understanding of the past.

The revelation of social and political construction of markets is one of the most important propositions of the newer works regarding the aims of this dissertation. The economic realm has never been totally independent from the political/social realms, or from state interventions and the actions of historical actors. Although this point seems not surprising for the focused historical period of this study, which was the heyday of government regulation over markets, it says more even for this era. Since the state could not have been the sole and competent

[59]Eric Hobsbawn, *The Age of Extremes: A History of the World, 1914-1991* (New York: Vintage Books, 1996).

authority throughout the interventionist era, the emphasis on the continuous construction of markets opens the way to think of a more dynamic market atmosphere, including the actions of other actors. Such an understanding of market construction necessitates the integration of different actors' responses, as well as state interventions, to the policy-making processes. This dissertation tries to accomplish exactly this kind of an analytical integration for the Turkish tobacco market during the Republican era.

In addition to the "social and political construction of the market" paradigm, the emphasis on the "institutional context" was also inspirational for this dissertation. Now, I would like to discuss the significance of "institutions" by means of a literature review of historical institutionalism.

Historical Institutionalism

The new institutionalism emerged as an analytical approach in economics, sociology, and political science in the 1980s. In the broadest terms, institutionalists put emphasis on the role of institutions, meaning laws, formal rules and organizations, and informal rules or norms, which play in shaping of politics. Skocpol, Thelen, Hall, Steinmo, March and Olsen, and surely North introduce the path-breaking works of the literature. Hall suggests a three-fold distinction of different schools of thought within the tradition, historical institutionalism, rational choice institutionalism, and sociological institutionalism.[60] The rational choice institutionalists focus mainly on the study of American congressional behavior in

[60]Peter A. Hall and Rosemary C. R. Taylor, "Political Science and the Three New Institutionalisms," *Political Studies* 44, no. 5 (1996).936-57.

political science and firm-based analysis in economics. Sociological institutionalism defines institutions in cultural terms, and emphasizes the role of norms, beliefs, and ideas. As called by two significant literature review pieces, the most hybrid and eclectic version of the tradition is historical institutionalism, the primary motto of which is "history matters."[61] Within historical institutionalism, there are studies that adopt some assumptions of either rational choice or sociological versions, regarding the explanations for the relationships between institutions and behavior, and the institutional origination and change.[62]

Thelen and Steinmo state that the works of historical institutionalism are in general interested in the whole range of state and societal institutions, shaping how political actors define their interests and structure their relations of power to other groups.[63] They seek to understand policy continuities over time within countries and policy variations across countries. The great concerns for the school are political interactions among contending groups, strategy-shaping intermediate institutions, the process of politics and policy-making, and the roles of political agency, conflict, and choice. Researchers, then, focus on macro questions such as state institutions,

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[61]Ibid.; Kathleen Thelen and Sven Steinmo, "Historical Institutionalism in Comparative Politics," in *Structuring Politics: Historical Institutionalism in Comparative Analysis*, ed. Sven Steinmo, Kathleen Thelen, and Frank Longstreth (Cambridge: Cambridge University Press, 1992).1-32.

[62]The extent of the dialogue between three schools of institutionalisms leads to divisions of opinions. While the scholars Thelen or Hall and Taylor welcome the "border crossing" among perspectives and find the borrowing of concepts beneficial for historical institutionalism, Hay and Wincott insist on the necessity of advocating the distinctiveness of the "basic (ontological and foundational) premises of historical institutionalism." See, respectively, Kathleen Thelen, "Historical Institutionalism in Comparative Politics," *Annual Review of Political Science* 2(1999).369-404; Peter A. Hall, "Historical Institutionalism in Rationalist and Sociological Perspective," in *Explaining Institutional Change: Ambiguity, Agency, Power*, ed. James Mahoney and Kathleen Thelen (New York: Cambridge University Press, 2010).204-23; Colin Hay and Daniel Wincott, "Structure, Agency and Historical Institutionalism," *Political Studies* 46, no. 5 (1998).951-7.

[63]Thelen and Steinmo, "Historical Institutionalism in Comparative Politics.":2.

working class formation, tax policies, health insurance systems, union movements or revolutions, depending on comparisons and contrasts either in time or across countries.

Historical institutionalism rejects the theory that the same economic and political forces result in the same outcomes everywhere. Rather, causation is mediated through the specialties of societal contexts carrying the burden of the past. The persistence of history in institutions is said to lead to a path-dependency as the governing principle of economic and political development. Conceived as a discrete process, public policy-making is assumed to remain stable in long path-dependent periods. Stability is to be broken in "critical junctures," opening a new path for historical development. These kinds of formative moments are generally economic crise and military conflicts.[64] Then, the historical perspective emphasizes institutional continuity more than change.

The underdevelopment of analytical instruments for explaining change has been got criticisms from some recent works within historical institutionalism. As Peters et al. argue, the primary attention to structural variables prevents the development of a clear conceptualization of policy change, and consequently causes two interrelated problems: "first, the inability to incorporate adequately political change in the analytical framework; and second, a failure to identify the political conflict and dissensus within what at the surface might appear to be stable, path-dependent time periods."[65] To overcome these two problems, they offer the inclusion

[64]Hall and Taylor, "Political Science and the Three New Institutionalisms."; Thelen, "Historical Institutionalism in Comparative Politics."; B. Guy Peters, Jon Pierre, and Desmond S. King, "The Politics of Path Dependency: Political Conflict in Historical Institutionalism," *Journal of Politics* 67, no. 4 (2005).1275-300.

[65]Peters, Pierre, and King, "The Politics of Path Dependency: Political Conflict in Historical Institutionalism.":1277.

of a dynamic conception of agency and a greater role for political conflict in the approach. Attention to agency and conflict provides insights for incremental changes, complexity and uncertainty in the creation of policies, and cases of institutionalization failures.

Overall, historical institutionalism has significance within the institutionalist perspectives by focusing on the burden of the past in the present. Although the literature has no clear-cut answers for the relations between structure (institutions) and agency (behavior) as rational choice or sociological institutionalism have, it brings historical complexity into the discussion. The belief in such kind of intricacy is also shared by this dissertation. State-society relations in general, and market relations in particular, are too complex to be analyzed under assumptions of instrumentalist behaviorism or cultural approach. Institutional context including laws, regulations, political structure and actions of societal groups both determines and is determined the relations and power balances in a history-oriented calculus. Then, this study applies an approach intertwining history with institutional setting for tobacco market.

Along with emphasis on historical constituent in institutional structure, historical institutionalism has a compare-and-contrast orientation. The studies within the literature explore the reasons for differences of policy-making processes both in time and across countries. Economic and political developments are thought to be tied with different historical paths which could only be broken in critical junctures, such as wars or crises. In that sense, path-dependency brings institutional stability. Such an understanding, however, not only fails to explain institutional change, but also masks the importance of political conflicts within the so-called path-dependent periods. Concerning these shortcomings, this dissertation does not follow the path-

dependency argument of the literature. Rather, it aims to reveal the incremental changes, uncertainties of policy-making and role of political agency in the Turkish tobacco market during a seemingly stable period.

Last, but not least, this study is inspired by the historiographical discussions on agency, mainly after the "history from below" turn. Now, I would like to review the debate, and show to what degree the literature is appropriate or inappropriate for my work.

"History from Below" and Afterwards

The "history from below" perspective was originally brought up by the British Marxist historians with a powerful criticism of the accepted meanings of class, class struggle, and class experience.[66] The most prominent figures of the school, Edward Palmer Thompson and Eric Hobsbawn, reformulated class analysis as an examination of class struggle in the 1960s. They introduced the working classes and peasants to the historical narrative as active agents warring "with their enemy classes."[67] Despite several criticisms the original version of the "history from below" perspective has received in recent years, the historiographical objections of the school have had path-breaking results for political and social history.

The most compelling challenge to the original form of "history from below" has been posed by gender and post-colonial studies since the 1980s. For these schools, the biggest problem of the "from the bottom up" approach has been the

[66]Harvey J. Kaye, *The British Marxist Historians: An Introductory Analysis* (New York: St. Martin's Press, 1984).7-8.

[67]Ibid.201.; Thompson, *The Making of the English Working Class*.; Eric Hobsbawn, *Primitive Rebels: Studies in Archaic Forms of Social Movement in the 19th and 20th centuries* (New York: W. W. Norton, 1959).

conceptual unification of multilayered diversities and identities under the generic name, "class." Joan W. Scott offers one of the most sophisticated critiques, and asks what the evidence of the experience is. She states that "when class becomes an overriding identity, other subject-positions and discursive character of experience are subsumed by it, those of gender, for example (or, in other instances of this kind of history, race, ethnicity, and sexuality.)"[68] The emphasis of gender studies on the diversity of identities also has been shared by the subaltern studies. The subalternity is conceptualized beyond the boundaries of class. The most influential thinker of the subaltern school, Dipesh Chakrabarty, argues that the subaltern classes carry the perceptual categories of gender, sect, and religion "in their own heads," and are invariably prevented by the rigidity of these categories from developing rationalized national and class identities.[69]

Recent labor histories have followed the emphasis of gender, subaltern, and cultural studies on the irreducibility of diverse identities. Being aware of multiple subjectivities, the labor scholars abstain from reducing one to another. Rather, they aim to determine the relations among different subjectivity categories (gender, race, ethnicity, etc.) under certain circumstances.[70] Along with attention for identity politics, newer labor studies reformulate their research questions. While earlier

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[68]Joan Wallach Scott, "The Evidence of Experience," in *The Historic Turn in the Human Sciences*, ed. Terrence J. McDonald (Ann Arbor: Michigan University Press, 1996).391-2.

[69]Dipesh Chakrabarty, "Labor History and the Politics of Theory: An Indian Angle on the Middle East," in *Workers and the Working Classes in the Middle East: Struggle, Histories, Historiographies*, ed. Zachary Lockman (Albany: SUNY Press, 1994).332, cited in Abisaab, *Militant Women of a Fragile Nation*.xxii.

[70]For some examples, Abisaab, *Militant Women of a Fragile Nation*.; Rivera-Giusti, "Gender, Labor and Working-Class Activism in the Puerto Rican Tobacco Industry, 1898-1924".; Gary M. Fink and Merl E. Reed, eds., *Race, Class and Community in Southern Labor History* (Alabama: University of Alabama Press, 2003).; Alpkan Birelma, "Three Cases of Worker Mobilization in Contemporary Turkey" (MA thesis, Boğaziçi University, 2007).

examples of "from the bottom up" approach focused on "eventual" issues like strikes and/or the political campaigns of organized labor, recent ones have addressed the "everyday" lives and/or resistances of ordinary workers.

The gender and post-colonial critiques on the all-encompassing working class identity has affected peasant studies less than labor history. The reason is the already-existing dissension on taking peasants as a unified class even in the classical accounts.[71] In the 1970s, the Achilles' heel of the debates on peasantry has been their political roles, not so much class structure. To reveal the peasantry's capacity, Eric Wolf documented the political involvement of peasant groups in six revolutions and rebellions of the twentieth century in his book, *Peasant Wars*.[72]

More influentially, James C. Scott, referring himself a "wholehearted follower" of the Thompsonian analysis of class struggle, proposes an influential framework for peasant politics. Scott opposes the views treating the peasantry as "political nullity" due to the non-existence of formal and organized political activity among them, and defines everyday forms of peasant resistance as the "prosaic but constant struggle between the peasantry and those who seek to extract labor, food, taxes, rents and interests from them."[73] He conceptualizes the acts such as foot dragging, dissimulation, desertion, false compliance, pilfering, feigned ignorance, slander, arson and sabotage as ordinary weapons of the weak. While peasants almost

[71]For different theoretical positions of Marx, Kautsky, Lenin and Chayanov regarding peasants, see Karl Marx, "Peasantry as a Class," in *Peasants and Peasants Societies*, ed. Teodor Shanin (Harmondsworth, Eng: Baltimore: Penguin Books, 1971).229-37; Teodor Shanin, *Defining Peasants: Essays Concerning Rural Societies, Expolary Economies, and Learning from Them in the Contemporary World* (Oxford, Cambridge: B. Blackwell, 1990).251-279, 280-312, 319-340.

[72]Eric Wolf, *Peasant Wars of the Twentieth Century* (New York: Harper & Row Publishers, 1973).

[73]James C. Scott, *Weapons of the Weak: Everyday Forms of Peasant Resistance* (New Haven: Yale University Press, 1985).xv-xvi.

always intend survival and persistence by the everyday forms of resistances, the appropriating classes see these acts as truculence, deceit, shirking, pilfering, or arrogance to denigrate the many faces of resistance.[74]

Scott's framework received a great number of responses, both positive and negative, and become one of the canonical accounts of peasant studies. On the one hand, Teodor Shanin, the notable Russian sociologist of peasant studies, appreciated Scott's work by pointing at his specific juncture of culture and politics explicating ways of peasant/non-peasant interdependence as "excellent examples of modern rural history."[75] On the other hand, his framework was criticized mostly by the Indian subaltern studies in the late 1980s. Scholars of the subaltern school oppose both the Scott's emphasis on the intention(s) of subordinate classes while describing the resistance and assumed "homogeneity" of the subaltern. It is argued that subaltern subjects are non-subjects due to their fragmentary, multilayered, opaque and episodic characters represented in the archive of the dominant. As a result, the retrieval of the experiences and consciousness of the subaltern is difficult, if not impossible, for the historian.[76]

Along with the subaltern questioning on the subjectivity, Foucaultain approaches cast doubt on Scott's conception of power. Timothy Mitchell criticizes the dualistic language of "power and resistance" due to its inability to explain the complexities of modern methods of domination. He opposes to the "master metaphor" of power as the distinction between persuading aimed at the

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[74]Ibid.289-97, 300-1.

[75]Shanin, *Defining Peasants: Essays Concerning Rural Societies, Expolary Economies, and Learning from Them in the Contemporary World*.10,14.

[76]Joel Beinin, *Workers and Peasants in the Modern Middle East* (Cambridge, New York: Cambridge University Press, 2001).1-5; Necmi Erdoğan, "Devleti "İdare Etmek": Maduniyet ve Düzenbazlık," *Toplum ve Bilim*, no. 83 (Winter 1999-2000).10-12.

mind/ideology and coercing aimed at the body that dominates the social sciences. Rather, influenced by Heiddeger, Mitchell proposes depicting the process of "enframing," meaning a "variety of modern practices that seem to resolve the world's shifting complexity into two simple and distinct dimensions," in order to describe the modern modes of power.[77] As well as power, in his later work, Mitchell addresses the category of "peasant" as a textual construction by showing its genealogy within colonial texts.[78]

The works of Wolf and mostly Scott bring the active roles of peasants into the historical discussion despite their shortcomings. Such a trigger continues to draw the attention of historians. However, the insistence on resistance has been shaken by not only the above-discussed theoretical questionings, but also the revelation of compliances in the everyday lives of the lower classes for survival.[79] In addition, the activity of peasants is no longer limited to rebellions or everyday forms of resistances. Scholars focus on relations between peasants and the state or merchants or legal authorities, and try to find out their overall policy-shaping impacts.[80] Then, it is possible to argue that recent studies on peasants, like the ones on labor history, attempt to approach the "common peasant" by abstaining from reduction to an extension of the state, market, and/or their "historical mission."

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[77]Timothy Mitchell, "Everyday Metaphors of Power," *Theory and Society* 19, no. 5 (October 1990).566.

[78]Timothy Mitchell, *Rule of Experts: Egypt, Techno-Politics, Modernity* (Berkeley: University of California Press, 2002).123-52.

[79]For an example of compliance theme from Ottoman historiography, see Milen V. Petrov, "Everyday Forms of Compliance: Subaltern Commentaries on Ottoman Reform, 1864-1868," *Comparative Studies in Society and History* 46, no. 4 (2004).730-759.

[80]For some examples from different countries and historical periods, see Baud, *Peasants and Tobacco in the Dominican Republic, 1870–1930*.; Merle L. Bowen, *The State against the Peasantry: Rural Struggles in Colonial and Postcolonial Mozambique* (Charlottesville: University Press of Virginia, 2000).; Jane Burbank, *Russian Peasants Go to Court: Legal Culture in the Countryside, 1905-1917* (Bloomington, IN: Indiana University Press, 2004).

All in all, the historiographic questionings of "history from below" about the historical agency have had long-lasting influences on the mode of history-writing even after its heydays in the 1970s. Either under the name of "working class(es)," "people," or "subaltern(s)," historians address the political and social roles of the lower classes by standing clear of the "eyes of dominant classes and/or the state" as much as they can. This dissertation is also inspired by the theoretical queries of social history, and shows special interest in tobacco peasants. The attention given to producers does not necessarily mean taking their relations with other market actors and agency roles for granted. The relations may have been conflicting as well as harmonious, and the responses include resistances as well as compliances in different conjunctures. In either case, one thing is certain: tobacco producers were active participants in the processes of policy formation and implementation.

Concluding Remarks

This dissertation is fed broadly by four different areas of studies: histories of tobacco, new perspectives in political economy, historical institutionalism and social history after "history from below." First of all, this study shares the common belief of the studies on tobacco that it has always been a special cash crop with distinctive characteristics. Providing an extensive history of Turkish tobacco during the Republican period, I first aim to contribute to the tobacco historiography in general. Second, I discuss the new perspectives in political economy and economic sociology. Despite the temporal incompatibility of this literature with my work, it offers two significant paradigms, the social and political construction of markets, and the significance of the institutional context in the formation of the markets. I hope to add

to the debate by illustrating market construction as a continuous social and political process including the responses of different groups during the state-interventionist period of Turkey.

Among the institutionalist schools, historical institutionalism is the one underscoring the share of history in the formation of the institutional context. Above, the literature has reviewed, and joined its emphasis on historical formation. However, it is necessary to rethink the path-dependency argument by taking incremental changes, uncertainties of policy-making and role of political agency into account. The last section was devoted to the question of historical agency, and presented the historiographic discussions after the "history from below" turn. While the "from the bottom up" perspective brought common people to the center of historical writing, it later was criticized from gender and subaltern studies mainly regarding the concerns of subjectivity.

This dissertation hopes to contribute to the discussion by presenting rich historical evidence for tobacco producers' active participation in policy-making processes. That evidence shows compliances, conflicts, negotiations as well as resistances and collective actions, and thus producers' ways of responding are difficult to be necessarily disobedient.

CHAPTER 3

AN OVERVIEW OF THE TURKISH TOBACCO MARKET: HISTORY, GEOGRAPHY, ECONOMY, AND LAW

This chapter presents an overview of the Turkish tobacco market. The first section gives a brief historical background including the introduction of tobacco to the Ottoman Empire, the first instances of governmental measures in the seventeenth century, the Regie period by 1883 and the Regie's liquidation in 1925. The second section addresses the geographical and agricultural characteristics of tobacco production in Turkey. It introduces production regions, differences of marketing conditions, and typical production cycle. The third section analyzes the macroeconomic indicators of tobacco during the period under discussion. Respectively, statistics for tobacco production and productivity, real prices, exports, and number of producers are explained for the whole era. The fourth section focuses on the major tobacco and tobacco monopoly laws enacted in 1938 and 1969. It compares and contrasts the contents of the laws, and comments on the reasons for the changes.

A Brief History of Tobacco in Turkey

Tobacco was known in the Ottoman territories for at least the four centuries. It is generally assumed that European ships brought tobacco to the Empire in the early years of the seventeenth century.[81] As a result of the rapid expansion of

[81]In his doctoral work on the economic and social history of tobacco in the Ottoman Empire between 1600 and 1883, Fehmi Yılmaz stated that tobacco entered to the territories of the Empire around the 1570s. See Fehmi Yılmaz, "Osmanlı İmparatorluğu'nda Tütün: Sosyal, Siyasi ve Ekonomik Tahlili (1600-1883)" (Ph.D. diss., Marmara Üniversitesi, 2005).15.

tobacco consumption through the empire, there emerged a necessity to determine a policy. Ahmet I was the first sultan to introduce prohibitive measures because of the unending discussions on whether smoking tobacco had to be regarded as a sin or not. Murat IV extended the content of prohibitions by giving death penalty for smokers after the Cibali Fire, which had been started by a cigar thrown away by a drunk. The prohibitions on tobacco consumption were lifted slightly after the death of Murat IV in 1640.[82] According to Yılmaz, the production, trade and consumption of tobacco had expanded throughout the Empire in the first half of the seventeenth century despite the official ban.[83]

By the end of the seventeenth century, tobacco began to be understood as a source of revenue for the state. Tobacco trade was firstly taxed in 1688, and then tobacco appeared as an account of public revenue. After the failure of the imposition of a heavy taxation in kind (*nısıf vergi*) between 1691 and 1696, tobacco production was lump-sum taxed per *dönüm*[84] by 1696. In the first quarter of the eighteenth century, the system of customs and taxes on tobacco was almost set. Despite some changes, the Ottoman Empire continued to implement the levy system until the 1870s. Although there were some attempts to change the system in the 1870s,[85] the decisive moment for the tobacco sector came in 1883. The Ottoman Public Debt Administration, which had been established by the Decree of Muharrem in 1881 to collect Ottoman debts to European companies, decided to manage tobacco revenue

[82]Kamran İnan, *Başlıca İhracat Mallarımızdan Tütün Hakkında Etüd* (Ankara: Ankara Ünv. Hukuk Fak. Ekonomi ve Maliye Enstitüsü, 1950).9-11.

[83]Yılmaz, "Osmanlı İmparatorluğu'nda Tütün: Sosyal, Siyasi ve Ekonomik Tahlili (1600-1883)".22-6.

[84]*Dönüm* is an Ottoman square measure approximately equal to 1,000 m^2.

[85]Yılmaz, "Osmanlı İmparatorluğu'nda Tütün: Sosyal, Siyasi ve Ekonomik Tahlili (1600-1883)".149-249.

by means of a separate French-dominated company, named *Regie des Tabacs de l'Empire Ottoman* (Regie Company), in 1883.[86]

The Ottoman Empire gave a thirty-year concession to the Regie for controlling tobacco production, purchasing, and manufacturing. The concession was renewed in 1913 for fifteen years. The Regie was to buy the entire tobacco yield with the exception of that to be exported. Producers had to apply annually to the Regie to acquire production permission. On plots of less than one-half dönüm, tobacco cultivation was not permitted. The dönüm-restriction was the keystone of the Regie's control system to prevent cultivation for personal use or for sale to neighbors. For further control, its representatives had the right to make quality and quantity controls whenever they wanted. The final price was set by the monopoly. After an annual payment of a fixed fee to the Debt Administration and dividend, the profits up to one-half million liras were divided among the Ottoman government, the Regie and the Debt Administration on a 30, 35 and 35 percent basis.[87] As Quataert explains in detail, the establishment of the Regie triggered a prolonged conflict between the corporation, Ottoman society, and the government which left a corrupt legacy for the Turkish Republic.

The Regie legacy is mostly remembered for the violence of Regie's guards (*kolcu*) against tobacco producers and with foreign economic dominance at the time when new Turkish Republic was established. As a crucial symbol of "national independence," the new Republic decided to liquidate the Regie and its economic concessions on 1 March 1925. The liquidation was first welcomed with a discourse

[86]Habip Edip, *Türk Şark Tütünleri ve İhracatı* (İstanbul: Siyaset ve İktisadiyat Kütüphanesi Burhaneddin Matbaası, 1933).; İnan, *Başlıca İhracat Mallarımızdan Tütün Hakkında Etüd*.

[87]Quataert, *Social Disintegration and Popular Resistance in the Ottoman Empire, 1881-1908: Reactions to European Economic Penetration*.13-40.

of "getting rid of the Regie's tyranny." However, the alternative visions for the management of the huge tobacco revenues triggered a heated public debate. The first example of the debates on the "tobacco question"[88] was between the camps of the "monopoly" versus the "tax stamp" system supporters. While supporters of the monopoly system defended the necessity of state control over tobacco production, manufacture, and sale, those of the tax stamp system stood for only levying taxes on tobacco consumers. As Georgeon states, the monopoly defenders were comprised of a disconcerted bloc of bureaucracts, small tobacco producers, and merchants, and those hoping to buy the monopoly from the state. The representatives of the commercial and industrial bourgeois such as bigger producers and merchants or economic liberals, like Ahmed Hamdi Başar spoke in favor of the tax stamp system.[89]

The public debate on the post-Regie period resulted in the victory of the proponents of the monopoly system. On 25 February 1925, the government was authorized to "manage of purchasing all kinds of tobacco oriented to domestic consumption, manufacturing, and selling tobacco and cigarette, and controlling all other transactions about tobacco."[90] In 1926, the monopoly right was extended for five years, and confirmed by Law No. 1701 of the Tobacco Monopoly (*1701 Sayılı*

[88]The "tobacco question" stands for a constant and crucial part of both high and low politics in Turkey until the 1980s. For the popularity of the "tobacco question" among Turkish people as an indispensable part of coffeehouse conversations, the well-known Cem Karaca song "*Bindik Bir Alamete*" and its famous part about peasants discussions on "government" and "tobacco" may be remembered. Cem Karaca, *Bindik Bir Alamete* (İstanbul: Majör Müzik, 1999).

[89]Georgeon, *Osmanlı-Türk Modernleşmesi, 1900-1930*.179-86.

[90]Fatma Doğruel and A. Suut Doğruel, *Osmanlı'dan Günümüze: TEKEL* (İstanbul: TEKEL, 2000).132-134.

Tütün İnhisarı Kanunu) in 1930.[91] However, the 1930-dated law was not long-standing and replaced in 1938 by Law No. 3437 of the Tobacco and Tobacco Monopoly (*3437 Sayılı Tütün ve Tütün İnhisarı Kanunu*). The 1938 law was the most comprehensive legislation made since the Regie's liquidation. Because of its thoroughness, it is the starting point for this dissertation.

The 1938 law was in effect for thirty years until the enactment of Law No. 1177 of the Tobacco and Tobacco Monopoly (*1177 Sayılı Tütün ve Tütün Tekeli Kanunu*) in 1969. As the following chapters will show, there were other significant turning points for the Turkish tobacco market between 1938 and 1969: the beginning of direct purchases by the Turkish Corporation of Domestic Products (*Yerli Ürünler Türk Anonim Şirketi*) in the name of the state in 1940, the tobacco congresses held in Izmir in 1943 and in Ankara in 1950, the authorization of TEKEL for support purchases in 1947 depending on the National Defense Law, the compulsory levies cut from tobacco producers' incomes from 1947 to 1957, market reform projects through the establishment of a tobacco bank as from 1940s, and Law No. 196 of Support for Sale Markets of Producer Tobacco (*196 Sayılı Ekici Tütünleri Satış Piyasalarının Desteklenmesine Dair Kanun*) in 1961. The second biggest legislation on tobacco market came after these developments, in 1969. The 1970s were characterized by a failure of legal enforcement, political polarization, populism, and a resultant crisis for the tobacco market.

The economic liberalization program implemented after the 1980 coup included also the tobacco policies and TEKEL. TEKEL was authorized to import foreign cigarettes in 1984, and the private sector was allowed to produce cigarettes

[91]Georgeon, *Osmanlı-Türk Modernleşmesi, 1900-1930*.; Ökten, "Cumhuriyetin İlk Yıllarında Tütün."

by establishing a partnership with TEKEL in 1986. The gradual opening of the tobacco industry to private sector reached a new stage with the inclusion of TEKEL into the privatization program in 2001.

This dissertation focuses on the Turkish tobacco market from 1938 to 1984. The projected era begins with the most comprehensive sector law, and ends in the year of the first recording of liberalization policies. Roughly speaking, I study the monopolistic interval between the Regie and liberal periods. Now, I would like to present the geographical and agricultural characteristics of tobacco production in Turkey.

Tobacco Cultivation in Turkey[92]

As stated above, production of tobacco began in Turkish territories in the eighteenth century. The climatic and soil conditions of hot summers and barren land were suitable for agricultural expansion in the Balkans, Anatolia and the Middle Eastern parts of Ottoman Empire. Anatolia produced mostly Oriental tobacco, which is a highly aromatic, small-leafed, and sun-cured kind of tobacco.[93] Turkish tobacco has a pronounced wild flavor and contains less nicotine. These characteristics make it

[92]This section is written depending on these sources: *Türkiye'de Tütün* (İstanbul: Yapı ve Kredi Bankası A.Ş., 1970).; Sabri Alınak, *Ege Bölgesinde Tütüncülük* (Ankara: Ziraat Vekaleti Çiftçi Broşürleri Serisi: A-6, 1960).; Tütün Eksperleri Derneği, "Türkiye'de Üretilen Tütünler," http://www.tutuneksper.org.tr/index.php?option=com_content&view=article&id=161:turkiyede-uretilen-tutunler&catid=46:turkiyede-tutun&Itemid=325 Accessed on 17 May 2012.

[93]There are many tobacco types classified mainly according to the curing methods: 1) Air-curing is to hang tobacco in well-ventilated barns, and allow it to dry over a period of four to eight weeks. Cigar and Burley tobacco are air-cured. 2) Flue-cured tobacco is strung onto tobacco sticks and hung from tier-poles in curing barns. These barns have flues that run from externally-fed fire boxes, heat-curing the tobacco without exposing it to smoke. Virginia tobacco is generally flue-cured. 3) Sun-cured tobacco dries uncovered in the sun. Oriental tobacco is sun-cured. 4) Fire-curing is to hang tobacco in large barns where fires of hardwoods are kept on continuous or intermittent low smoulder. Pipe tobacco, chewing tobacco and snuff are fire cured.

ready to blend with more robust tobacco varieties like Virginia or Burley. Turkish tobacco is mostly used for American blend cigarettes, and has always been a significant export item for Turkey.

Ninety eight percent of Turkey's total tobacco production was the sun-cured Oriental tobacco in the period under discussion of this dissertation. The remaining two percent was comprised of the dark air-cured (cigar), flue-cured (Virginia), and light air-cured (Burley) tobacco kinds. Oriental tobacco cultivation became widespread in Turkey because of both the suitable climatic and soil conditions, and the fact that the crop needed no irrigation or fertilizers. Turkish tobacco varieties were generally classified into four groups according to cultivation regions, soil structure, and ecological factors: Aegean region tobacco, Black Sea region tobacco, Marmara region tobacco, and Eastern region tobacco.

The Aegean region was the most important tobacco production area in Turkey. Almost sixty-five to eighty percent of the total tobacco yield was produced by the Aegean region during the Republican period. Known as Izmir tobacco in the international markets, its characteristics were small leaves, without petiole, light yellow or red in color, fine veined, low nicotine content rate, slow combustion, mild, and fragrant. These qualities increased the flavor and quality of cigarettes. Aegean tobacco was demanded to improve blends.

The second important region was the Black Sea, in which produced fifteen to twenty percent of the total tobacco yield per year. Compared to the Aegean region, the Black Sea tobacco was more heterogeneous in terms of shape, size, smoking characteristics, flavor, smell and color. Due to the heterogeneity, there were four sub-groups of Black Sea tobacco: the Samsun–Bafra group having small leaves, aromatic with their low nicotine rate; the Taşova–Tokat group having medium leaves, mild

with a low nicotine rate; the Trabzon–Artvin group having big leaves, fast combusting with their highest nicotine rate; and Gümüşhacıköy group, or *basma* tobacco with very small but high quality leaves, the cultivation of which was begun by the refugees (*mübadil*) who came after the Greek–Turkish population exchange of 1923.

The Marmara region was the third important tobacco production area. Its share in total tobacco yield was around five percent until the 1980s. The characteristics of Marmara region tobacco were like those of the Aegean and Black Sea regions. It was generally used to give hardness to blends. The least significant production was made in the eastern cities, such as Malatya, Diyarbakır, Adıyaman, and Siirt. Eastern tobacco was unique. It had smoking and flavor characteristics similar to Virginia tobacco. Having nervate leaves, Eastern tobacco was difficult to blend.

Along with the Oriental tobacco kinds, Turkey was also a producer of imported tobacco kinds. Tobacco for cigars was cultivated in Pazar, a town in Rize, Persian tobacco for *nargile* (waterpipes) was produced in Hadım, a town in Konya, and İskenderun. Hasankeyf tobacco for chewing and pipes was produced in Gaziantep. The American Virginia and Burley varieties were also experimented within Turkey. The Virginia leaf was planted in Bucak, a town in Burdur in the post-war period. The Burley leaf was experimentally cultivated around Adapazarı starting from 1965.

The ecological conditions of different regions affected not only the physical and chemical features of the tobacco varieties. Different varieties also had different marketing conditions. Aegean and Black Sea tobaccos were in greated demanded by export markets due to their blendable characteristics than Marmara and eastern

tobacco. Indeed, eastern tobacco was used only in domestic cigarette manufacturing. Hence, while TEKEL was the sole purchaser of eastern tobacco, the Aegean and Black Sea tobacco markets were highly competitive with many other buyers in addition to TEKEL.

Last, but not least, the typical production circle of Turkish tobacco should be explained. The cultivation cycle began with the preparation of proper seedbeds in November and December. Tobacco seeds were sown in the beds in January, and then transplanted to the fields generally in March and April. After transplantation, fields were hoed two or three times, depending on the weather conditions. As an annual crop, tobacco leaves were harvested by hand from May to September. The labor-intensive harvesting in which every tobacco leaf was picked by hand was the most important agricultural job because it had a direct impact on the quality of the final crop. After harvesting, tobacco leaves were strung onto special iron sticks lined up on a grid often covered by an oilskin. When leaves were dried enough to be baled, they were re-classified according to their hands,[94] lengths, and qualities. Then, they were re-aligned from August to the end of December. The re-aligned leaves were baled, and wrapped by sack clothes and canvas. The weight of the bales was not to exceed a certain weight limit specifically determined for each region. Tobacco was ready for sale only after proper preparation of the bales. While the agricultural jobs were done in all tobacco producing regions within a similar sequence of sowing, harvesting, stringing, classifying, baling, the timing changed according to the

[94]Hand (*el*) is the technical name of the tobacco leaves. The naming is done from the bottom of the crop up: 1st hand (*Dip*), 2nd hand (*Dipüstü*), 3rd hand (*Birinci ana*), 4th hand (*İkinci ana*), 5th hand (*Üçüncü ana*), 6th hand (*Uçaltı*), and 7th hand (*Uç*). This classification determines which hands should be harvested and which should not. Among the harvested hands, the quality of the leaves could also be predicted depending on this classification.

climatic conditions. In general, the production cycle was finished in the Black Sea and Marmara regions two months later than the Aegean region.

Having taken a brief look at the history and geography of tobacco, we can now turn to its economy and law. First, I would like to discuss macro economic outlook of tobacco during the projected era.

The Macro Economic Indicators of Tobacco during the Republican Era

This section presents an analysis of certain macroeconomic indicators to follow the general trends, changes, ruptures, and continuities through 50 years from the late 1930s to the early 1980s. It begins with the examination of indicators of production, price, export and producers separately in the era. Then, the trends within different historical periods are evaluated. The cross-reading both within one certain indicator through the 50 years and within one certain historical period for all relevant indicators will provide a basis for identification of the characteristics in time. However, the macro economic conclusions remain preliminary unless they are re-read in the light of political and social history. Such a rethinking is made in the following chapters. For now, the question is how tobacco production, price, and export changed from 1930s to 1980s in Turkey.

Tobacco Production and Productivity

Figure 1 shows the total area of sown tobacco in Turkey from 1925 to 1985. There is an increasing trend in the area especially since 1933, despite some sharp decrease years such as 1948, 1961 and 1974. The area of tobacco cultivated almost

tripled in the 1960s compared to the 1930s. Moreover, figure 1 shows that the area changed more rapidly in the 1960s and 1970s. The historical bottom of the tobacco cultivated area is seen in 1932, with approximately 28,000 hectares, and the historical peak was reached in 1972, with 350,000 hectares. Overall, the total area under tobacco cultivation increased.

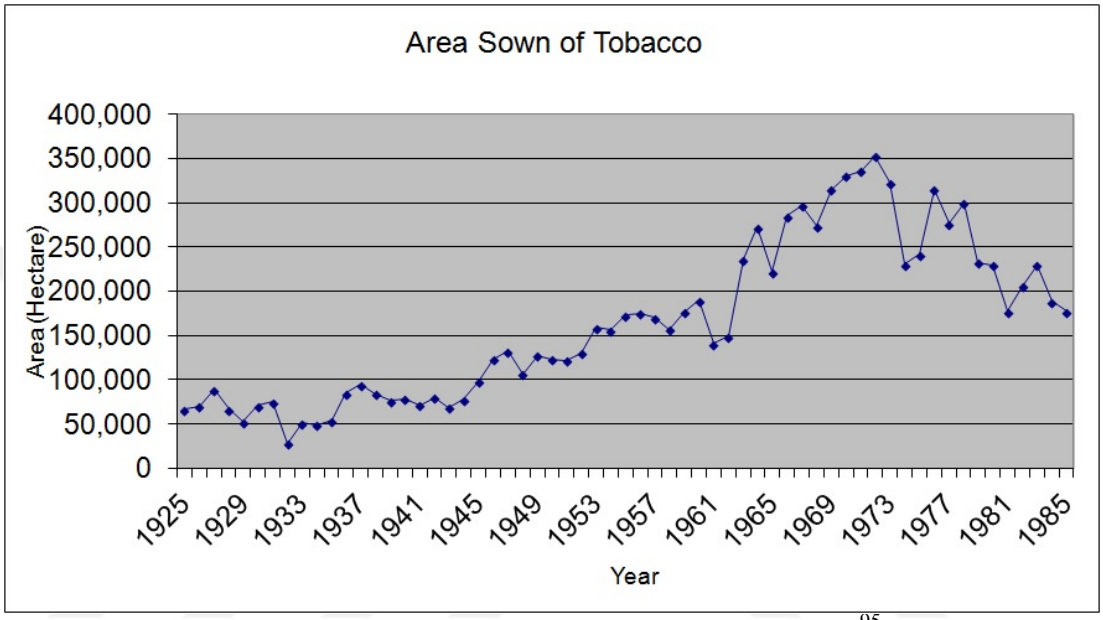

Figure 1: Area sown of tobacco in Turkey between 1925 and 1985.[95]

While thinking about possible reasons for the increasing trend, it is first necessary to understand whether the tobacco cultivation area increase resulted from the general increase of sown areas in Turkey or not. To exclude this effect, I take the sown area of tobacco as a percentage of total area sown. Figure 2 shows the percentage from 1948 to 1985.

[95]Source: *Statistical Indicators, 1923-2008* (Ankara: Turkish Statistical Institute, 2009).202.

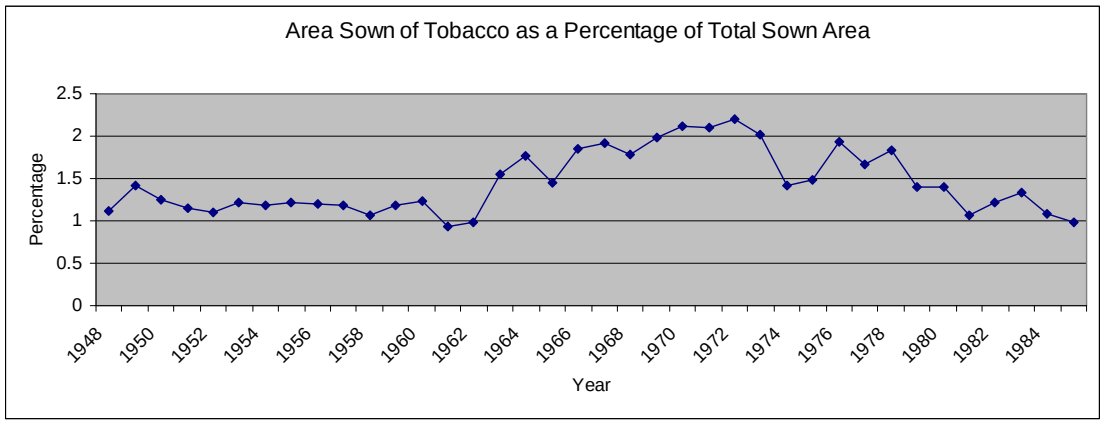

Figure 2: Area sown of tobacco as a percentage of total sown area in Turkey between 1948 and 1985.[96]

Figure 2 shows no significant change of the share of tobacco in the total cultivated areas until the 1960s. This means that the increase of tobacco area was mainly due to the increase of total sown areas until the 1960s. However, a dramatic increase occurred in 1963, and the share of tobacco cultivated area in total area sown rapidly rose from 0.98 to 1.54 percent. The upward trend continued during the 1960s, and reached a historical peak in 1972 with 2.20 percent. Following the peak, there was a fluctuated decrease in the share of tobacco within the total area sown until 1980. By 1981, the percentage returned to its level in 1962. All in all, the increase of tobacco cultivated areas between 1963 and 1972 cannot be explained by the increase of total area sown in Turkey. There should be some other reasons for the upward trend, such as price incentives, legal imperfections, agricultural diseases, subsidies and/or perceptions of the market actors about the market conditions.

The impact of area increase on production level can be tested by yield statistics. Figure 3 shows tobacco production in tons from 1925 to 1985. Like tobacco cultivated area, tobacco production had an increasing trend during the period. The historical bottom was in 1932 with 18,040 tons of tobacco yield, and the historical peak was reached with a sharp increase from 199,935 to 323,963 tons in

[96]Source: Ibid.195, 202. See Appendix A for the data table of the graph.

1976. Apart from the general upward trend, there are certain sub-periods that tobacco production has decreased such as 1960–1962 and 1967–1970. While the production level changes seem steadier in the post-war era, stricter fluctuations were seen in the 1960s and 1970s.

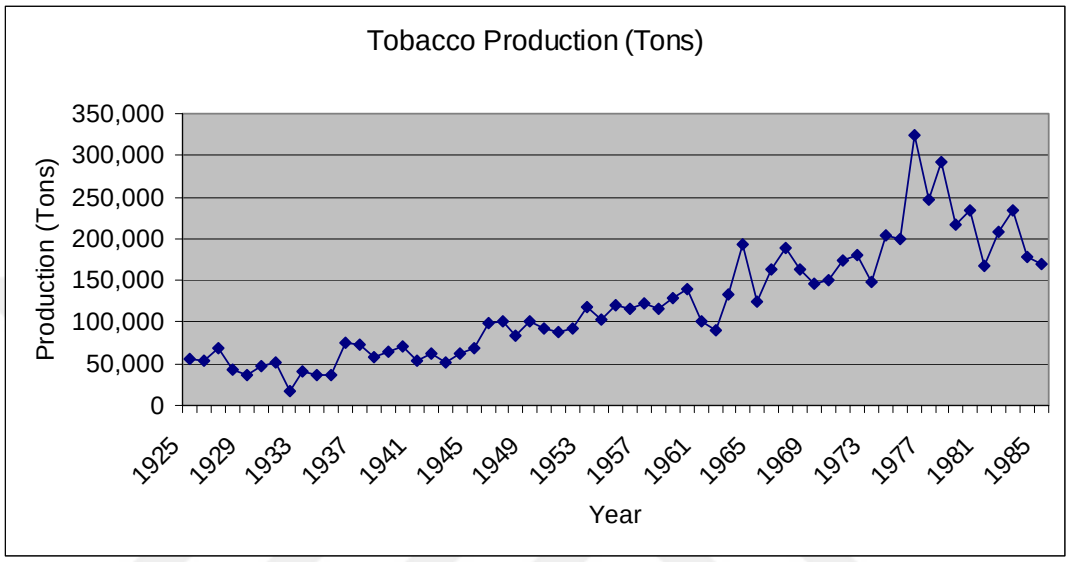

Figure 3: Tobacco production in Turkey between 1925 and 1985.[97]

Considering the figure for tobacco cultivated area together with the figure of yield, it can be said that the larger tobacco cultivated areas meant more tobacco production in tons. An analysis of productivity helps to understand other possible reasons behind the production increase beside the area factor. Figure 4 presents the changes of productivity per hectare between 1925 and 1985. Before interpreting the figure, it is necessary to keep in mind that no significant changes in the agricultural technology of tobacco production occurred in the period.

[97]Source: Ibid.203.

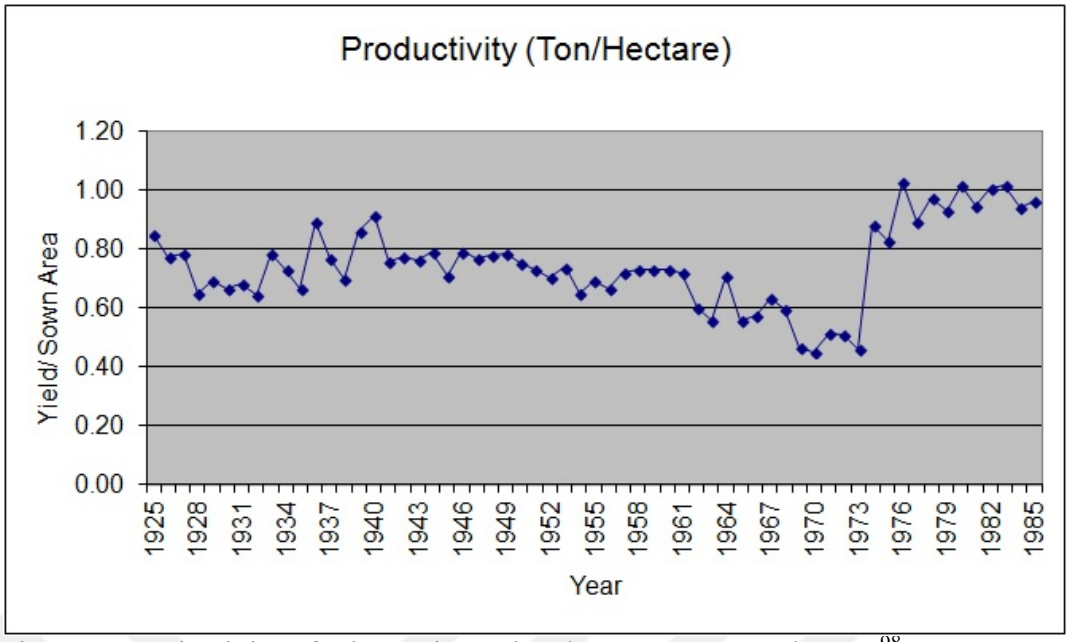

Figure 4: Productivity of tobacco in Turkey between 1925 and 1985.[98]

Figure 4 shows that productivity did not change significantly after 1938, except for the first two years of the war. It generally moved around 0.7 tons per hectare. The steadiness, however, was broken by the 1960s. In 1962, while tobacco cultivated area did not change much, the yield dropped significantly due to the agricultural disease of blue mold.[99] The production fall directly decreased the productivity of that year. As a response, the tobacco cultivated area increased approximately one-and-a-half times the previous year level in 1963. However, the noteworthy expansion of sown area did not lead to a corresponding increase in the production, and so the productivity continued to decrease. Although the attempts were made to cover the decrease by the substantial production increase of 1964, the downward trend of productivity rate was persistent until 1974. The reason for the decrease is that while tobacco cultivated area strikingly increased during the period,

[98]Source: Ibid.202-3, 206-7.

[99]Blue mold is a downy mildew disease of tobacco, and caused by Peronospora tabacina, a fungus-like organism that is highly destructive to tobacco seed beds, transplants and production fields. See K. L. Ivors and A. L. Mila, "Tobacco-Blue Mold," http://www.cals.ncsu.edu/plantpath/extension/fact_sheets/Tobacco_-_Blue_Mold.htm Accessed on 17 May 2011.

the production did not increase as much as needed to meet that rapid increase. In 1974, the cultivated area dramatically dropped to two-thirds of the previous year's level. However, the production almost doubled the productivity rate, rising from 0.46 to 0.88 tons per hectare. The upward trend more or less continued until the mid-1980s.

There are several reasons for the increases of cultivated area and production, such as prices, the impact of governmental policies, legal imperfections, economic and political behaviors of producers and market conditions. The following chapters provide a detailed discussion of these factors. For now, I limit the examination to a discussion of prices.

Real Prices of Tobacco

Figure 5 presents the real prices of tobacco between 1938 and 1985. As seen, real tobacco prices showed no steady pattern through the focused fifty years.[100] Starting from the historical bottom of 0.33 TL per kilogram in 1941, producer prices fluctuated during the 1940s with a sharp increase in 1942, slight changes until 1947, and again a sharp decrease in 1948. During the following decade, price volatility was low. Real tobacco prices moved between 0.4 and 0.6 TL per kilogram during the 1950s. The steady pattern, however, suddenly changed in the early 1960s. Real prices reached a historical peak of 1.03 TL per kilogram in 1963 by almost doubling the previous year's level. After that, there was a downward trend until 1972 when the

[100]While examining real prices, it should be kept in mind that the prices belong to the previous year's production and yield levels due to the structure of the market. In other words, the prices of, for example, 1941 are the declared and given prices for the crop cultivated and harvested in 1940. Hence, to review the market in one certain year, the production and yield levels of that year and the real prices of the following year in the data should be taken into account.

prices returned to the 1950s' level. In the following five years, real prices dramatically increased, and reached to a new historical peak of 0.99 TL/kg in 1977. A sharp fall was recorded from the historical peak in 1977 to the historical bottom in 1980. During the early 1980s, real prices were almost steady. In fact, even small changes in real prices had a strong impact on the market conditions, as will be seen in the following chapters. In this section, the discussion is confined to the explainations of the dramatic movements in the figure.

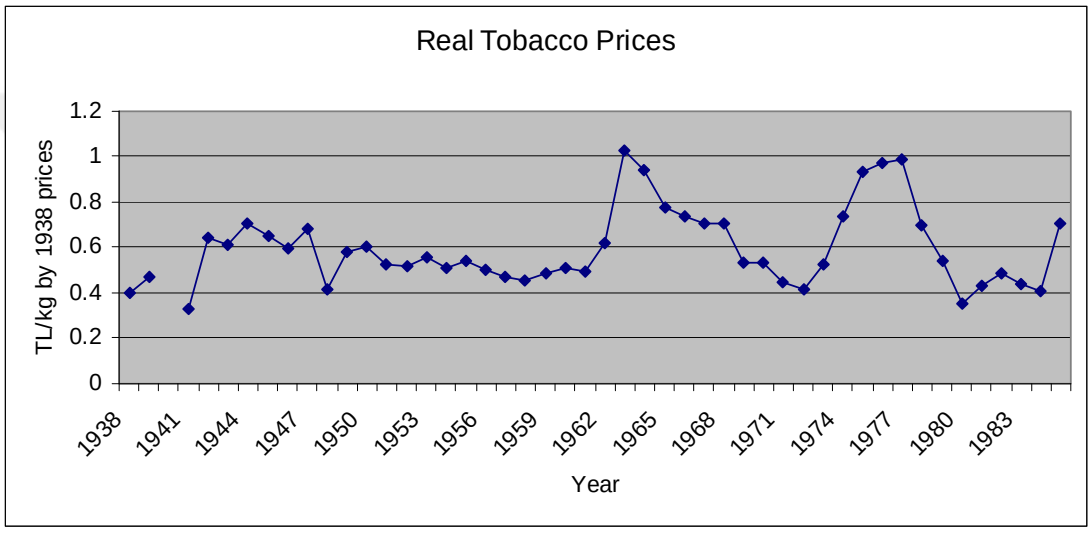

Figure 5: Real tobacco prices in Turkey between 1938 and 1985.[101]

The most striking increase is seen in 1963, when real tobacco prices almost doubled in one year. This high price was given for the (blue mold) diseased crop of 1962, when both production and productivity significantly dropped, as seen in Figure 3 and 4. The price increase was a kind of subsidy given to tobacco producers for unexpected losses due to the agricultural disease. After the gradual decrease of this level until 1972, the five years from 1972 to 1977 were a "golden age" for domestic tobacco market as a result of a continuous increase in real prices. To understand

[101]Source: *Statistical Indicators, 1923-2008*.235, 241. The data for "Prices received by farmers" is used. There are two kinds of prices in these statistics, one is simple arithmetic mean (A), and the other is weighted arithmetic mean (B). Because the data of B starts from 1960, I use the data of A. I convert nominal to real prices by using the Consumer Price Index data on page 598-9 since the Producer Price Index is not available for the period.

whether the real price increases of the 1970s are a domestic phenomenon or not, I compare Turkey with Greece, which is the most important competitor of Turkey in the world tobacco market as another Oriental tobacco producer.

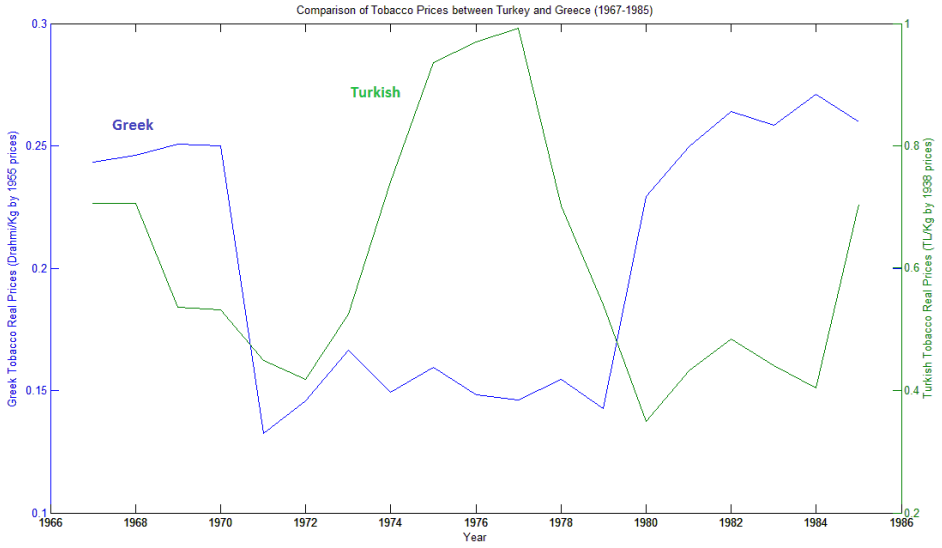

Figure 6: Comparison of real tobacco prices of Turkey and Greece between 1967 and 1985.[102]

This is a striking figure because the Turkish real prices clearly diverged from those of Greek between 1974 and 1978. During the period, Turkish real prices were significantly higher than the Greek ones. After 1980, this trend was reversed, meaning that Greek real prices were higher than the Turkish ones. This opposing movement of Turkish and Greek tobacco markets after 1974 seems to show that real price increases in the Turkish tobacco market were determined by domestic conditions for the most part. The very high real prices, not-resembling those of

[102]The price and CPI data for Turkey is taken from Ibid. It is confirmed that the price data of both the FAO and Turkish Statistical Institute are the same. The price data of Greece is taken from FAO. These nominal prices are adjusted with the inflation data for Greece taken from "Historic Inflation Greece-CPI Inflation," http://www.inflation.eu/inflation-rates/greece/historic-inflation/cpi-inflation-greece.aspx Accessed on 13 April 2011.

Turkey's competitors, indicate unusualness between 1972 and 1977 compared to the previous periods. The "domestication" of the Turkish tobacco market is related with domestic and foreign political conditions of the 1970s, including the US embargo, unstable coalition governments, populism, and the tobacco producers' movement, which will be discussed below. For now, it should be specified that those years saw decreasing tobacco exports in volume and increasing export prices.[103] The overall reasons and results of the expansionist production policies and export difficulties will be discussed below.

Tobacco Exports

Tobacco has always been one of the most important export crops of Turkey. Figure 7 demonstrates the share of tobacco in the total value of Turkish exports between 1935 and 1977.

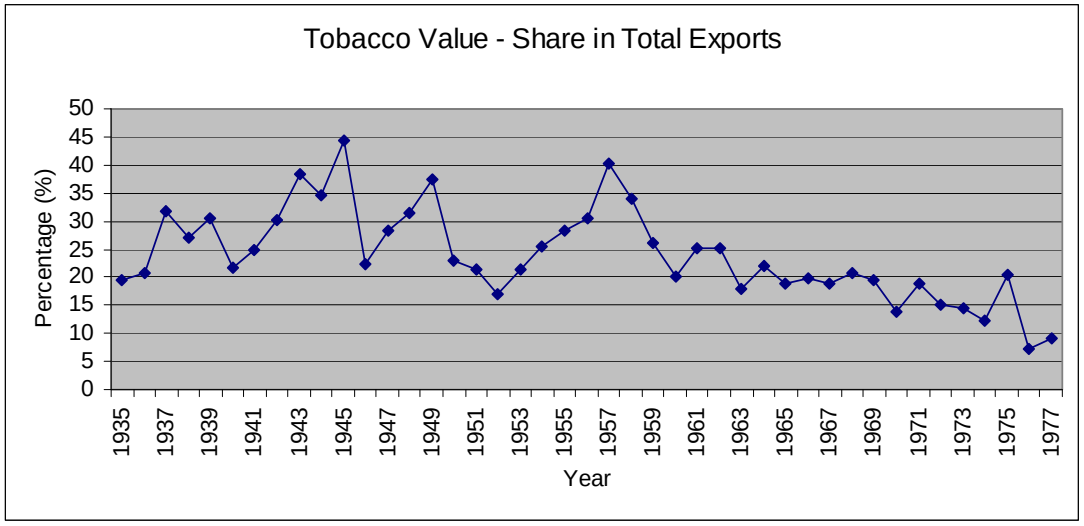

Figure 7: Tobacco value share in total Turkish exports between 1935 and 1977.[104]

[103] *Ege Tütün İhracatçıları Birliği 1978 Yıllığı* (İzmir: Ege Tütün İhracatçıları Birliği, 1979).24.

[104] Source: The figures for the period between 1935 and 1956 are taken from *Türkiye Ekonomisinde Tütün* (Ankara: Birlik, 1957).32. The ones between 1950 and 1977 are collected from *Ege Tütün İhracatçıları Birliği 1973 Yıllığı* (İzmir: Ege Tütün İhracatçıları

The share was strikingly high throughout the era. Even in certain years such as 1945 or 1957, Turkey generated approximately half of its total export revenue just from tobacco sales. Until the 1960s, the share fluctuated, which indicates a more instable export market.

During the war years, the value share of Turkish tobacco in total exports reached its historical peak of 45 percent after a continuous increase. The five-year period from 1952 to 1957 also witnessed another steady increase, indicating the strong dependence of the Turkish export structure on tobacco. The high level reached as a result of this increase was followed by a sharp decrease up to 1960. The share remained more or less stable during the 1960s, comprising around 20 percent of total export revenues. The stability was broken by the gradual decrease until 1975, when a sharp but only one year increase was seen. Then, the downward pattern continued after 1975. While the changes before the 1960s are better explained by the instability of export markets for Turkish goods including tobacco, the transformation of the Turkish foreign trade regime by import substitution industrialization should be more influential for the post-1960 era.

Tobacco Producers

The changes in the number of tobacco producers during the era are discussed as the last explanatory macro economic indicator. While analyzing the number of producers, however, it should be kept in mind that the changes in the tobacco

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Birliği, 1974). and *Ege Tütün İhracatçıları Birliği 1979 Yıllığı* (İzmir: Ege Tütün İhracatçıları Birliği, 1980). The figures for the period between 1950 and 1956 are the same in both sources.

producer population can arise from the general trends within Turkish agricultural population. Hence, I take the number of tobacco producers as a percentage of total agricultural employment to understand the specificity of tobacco. Figure 8 shows the share of tobacco producers in total agricultural employment from 1935 to 1976.

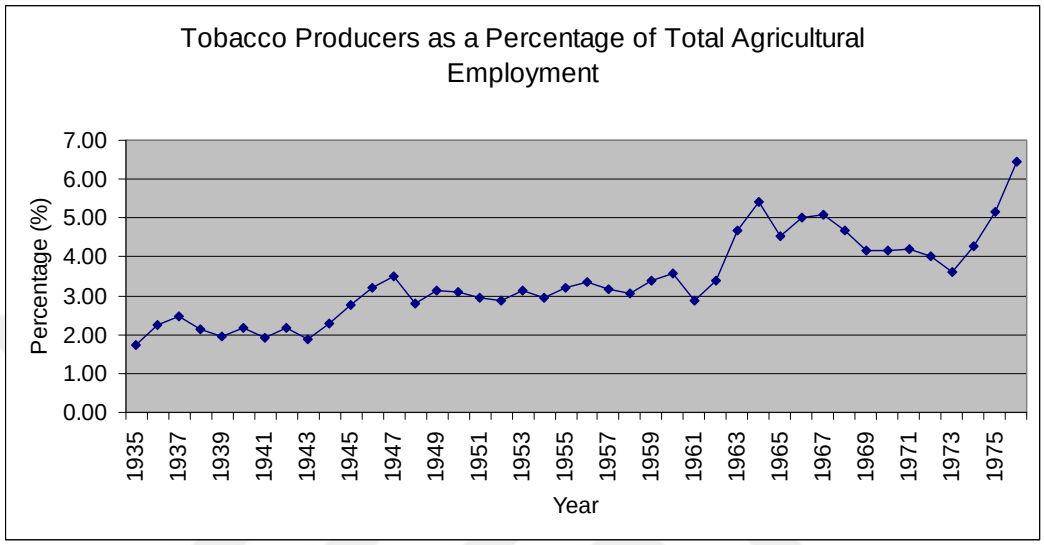

Figure 8: Tobacco producers as a percentage of total agricultural employment in Turkey between 1935 and 1976.[105]

The figure clearly shows that the share of tobacco producers in total agricultural employment increased from 1935 to the late 1970s. This means agricultural producers turned towards tobacco production more than other crops. Along with the overall increasing trend throughout the era, there were sub-periods in which the share rapidly and continuously increased and created a new steady state, such as the periods from 1943 to 1947, from 1961 to 1964, and from 1973 to 1976. While 1.88 percent of total agricultural employment was engaged in tobacco cultivation in 1943, it increased to 3.50 percent only after four years. During the following fifteen years, the share moved around 2.8 percent. The three years from 1961 to 1964 witnessed one more rapid and sharp increase of the share of tobacco producers, from 2.87 to 5.43 percent. After the local peak in 1964, the share fell into

[105]The data of the figure may be seen in the Appendix B.

a decreasing tendency, but it was still above the 1961 level in 1973 when a local bottom emerged with 3.63 percent. In the next three years following the local bottom, producers turned towards tobacco cultivation rapidly and massively, making up 6.45 percent of total agricultural employment in 1976.

The price incentive may be one of the greatest reasons for the increase of tobacco producers' share in total agricultural employment. To observe the relationship, it is good to compare both variables in the same figure.

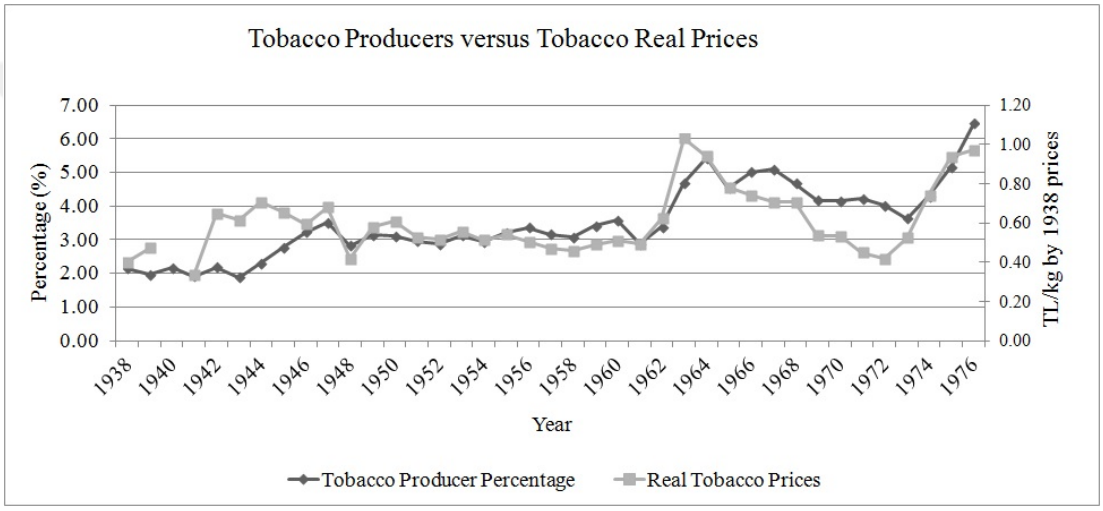

Figure 9: Tobacco producers as a percentage of total agricultural employment versus real tobacco prices in Turkey between 1938 and 1976.

Figure 9 shows a positive relationship between real tobacco prices and the share of tobacco producers. Hence, the cultivation behavior of the producers was directly affected by real price movements. However, as seen in the graph, the series of tobacco producer percentage lags behind the series of real tobacco prices, which means that producers were unable to adjust their cultivation pattern as rapidly as the real prices changed. The real prices continuously decreased from 1963 to 1972, reaching a historical low of 0.42 TL in 1972. The share of tobacco producers also decreased during those years, but it declined more gradually compared to the prices. While the real prices of 1972 were even lower than the 1961 level, the share of

tobacco producers was still higher than its 1961 level. The same phenomena can be observed between 1941 and 1947, when real prices increased rapidly while the percentage of tobacco producers in total agricultural employment increased more gradually.

The Changes of the Macro Economic Indicators in Different Sub-Periods

The macro economic indicators also may be examined according to the changes in different sub-periods. Starting with the war years, tobacco cultivated area, production, and number of tobacco producers showed no significant changes. The most dramatic change was seen in the productivity rate in 1940. It rapidly increased to 0.91 tons per hectare in 1940, followed by a sharp decrease to 0.76 in 1941 due to the production fall. By the price index of 1938, real prices shifted up from 1942 to 1945. The most striking feature of the war period was the continuous increase of tobacco exports' share in total export value, even reaching 44.5 percent in 1945. The increase mainly resulted from the increase of tobacco export volume in tons in 1942 and 1943. Despite the decrease of tobacco export volume in tons in the following two years, the share in total export value continued to increase because the value of other exports decreased and the relative export price of tobacco as compared to other export goods increased. Hence, it can be argued that tobacco as an export crop was not negatively affected by the war conditions as much as other export goods.

In the post-war period, it is seen that tobacco cultivated area increased, but the increase was mainly correlated with the general increase of total area sown. As the war ended, agricultural production including tobacco recovered quickly. For example, tobacco production first exceeded 100,000 tons in 1947, which was twice

the 1941 level. The production increase was more about the increase of area sown and the population recovery than the productivity change in the post-war era. In the five years until 1950, real prices were not stabile. The sharp decline from 0.68 to 0.41 TL per kilogram in 1948 was followed by a rapid increase to 0.57 TL in 1949. The number of tobacco producers and its share in total agricultural employment also increased rapidly within the two years following the end of the war. While the number of tobacco producers was 182,129 and its share in total agricultural employment was 2.78 percent in 1945, the former increased to 244,144 and the latter to 3.50 percent in 1947. However, both parameters suddenly declined in 1948, like real prices, and then started to increase from those local bottoms in 1949 and 1950. The pattern of tobacco exports resembles other indicators less in post-war years. In 1946, the value share in total exports sharply decreased to half of the 1945 level. Hence, it can be said that tobacco gained a relative export importance in the war years. After a continuous but slight increase in the following two years, tobacco exports reached a local peak in 1949, recording a crucial increase of volume in tons, value in TL, and share in total exports.

During the 1950s, the tobacco cultivated area approximately doubled as compared to the level of post-war years. While production moved to around 100,000 tons per year, productivity decreased to the range of 0.65 – 0.75 tons per hectare. This means that the opening of new lands for tobacco cultivation led the increase of production levels, but the new fields were not as productive as the previously cultivated lands. During the decade, real prices fluctuated between 0.45 and 0.55 TL per kilo, which was well below the level of previous periods. The number of tobacco producers and its share in total agricultural employment had a more stable pattern with slight changes. Following the 1949 peak, tobacco exports decreased both in

volume in tons and value in dollar until 1952. Between 1952 and 1957, tobacco exports continuously developed again, and the share in total exports reached 40 percent in 1957. The five-year dramatic increase was followed by a falling trend until 1963. The decrease in the share of tobacco was mainly because of the inability to export tobacco in these years, rather than the changes in other export goods. Compared to 1957, export revenues derived from tobacco halved in 1963.

In 1961 and 1962, tobacco cultivated area as a percentage of total area sown dropped to under one percent for the first time. In these two years, production also decreased even fewer than 100,000 tons per year for the first time since 1952. The reason for the production decline was the decrease of tobacco cultivated area in 1961 and the blue mold disease in 1962. However, those two years were incidental compared to the following ten years until 1972. The amount of tobacco cultivated area suddenly increased from 149,346 to 235,669 hectares in 1963. The area continuously expanded, and the share in total area sown reached 2.19 percent in 1972. Although the area expansion triggered production increases, the productivity per hectare tended to decrease in these years. It also should be emphasized that the expansion of tobacco cultivated areas persisted with a non-decreasing pattern under the level of 200,000 hectares until 1980s.

Real prices reached a historical peak in 1963 with an increase from 0.62 to 1.03 TL per kilogram. From 1964, prices began to decline continuously until 1972, when they were 0.41 TL per kilogram. As for the number of tobacco producers, the three years from 1961 to 1964 witnessed the most striking change. In only three years, the number of producers cultivating tobacco doubled, and the share in total agricultural employment rapidly reached from 2.87 to 5.43 percent. Although the number of producers changed during the 1960s, it protected the shift up between

1961 and 1964, and never decreased to the pre-1960s' level. Throughout the 1960s, the value of tobacco exports did not change much in real terms. The share in total exports moved about 20 percent, showing noteworthy increases in the value of other exports. In 1970, the share decreased to the lowest level of thirteen percent until that time. Hence, tobacco gradually lost the central place in the Turkish export structure with the development of other export goods in the 1960s.

For the last sub-period, the tobacco cultivated area suddenly and dramatically decreased by one third in 1974. However, production increased by one-third in the same year, pointing to a doubling of productivity per hectare. For the first time, tobacco production exceeded the level of 200,000 tons in 1974. Tobacco cultivated areas and tobacco production had an increasing tendency in these years. The striking characteristic of the 1970s was high productivity rates. Even in 1976, productivity exceeded one ton per hectare for the first time while production also reached over 300,000 tons.

The period after 1974 had another distinctive feature, that of rapid and striking increases in real tobacco prices. In 1977, the real price reached to 0.99 TL, the second highest level after 1963. The high real prices were followed by a sharp and continuous decline until 1980. The number of tobacco producers also reflected the "golden years." Between 1973 and 1976, the number suddenly increased to 536,699 producer households, making up 6.45 percent of total agricultural employment cultivating tobacco in 1976 forming a historical peak.

In the 1970s, a floating tobacco export market emerged. While the share of tobacco exports in total export value was twenty percent in 1975 due to the dramatic and sudden increase of tobacco export price from 2.61 to 3.57 dollar, the share sharply decreased to seven percent in the following year. The decline of tobacco

exports' share in total export value rose from both the lowering of tobacco exports in tons and the increase of other export goods' values relative to tobacco. At the end of the period, the share was moving around ten percent, indicating that tobacco had already lost the significance in Turkish export goods.

The above analysis shows the general economic situation of tobacco from a bird's-eye perspective and hints at certain historical trends. However, this dissertation aims to go beyond the bird's-eye view, and see the human/group dynamics behind the data. The following thus recall the macro analysis with a social and political history perspective. Now, it is time to complete the overview of Turkish tobacco market with a discussion of tobacco laws.

Tobacco and Tobacco Monopoly Laws

This section introduces the laws and regulations on tobacco in a comparative manner. For this dissertation, law is neither a technical issue nor a mere ideological instrument of the ruling classes. Rather, this work follows social history's conceptualization of law as an arena of class/power struggles.[106] How laws are formulated and executed reflect the negotiations, consensus, and conflicts among various interest groups.[107] Hence, I take tobacco laws as both constitutive elements of market conditions and sites of struggles among different market actors. This

[106]For the classical work bringing law into the enquiry of social history, see E. P. Thompson, *Whigs and Hunters: The Origin of the Black Act* (London, New York: Penguin Books, 1990). Thompson studies the Black Act and how different trials implemented it in the eighteenth century England. He opposes the approaches of both "liberal academism" and "schematic Marxism" regarding the rule of law, and defines the law as an arena of class struggles.

[107]For a similar perspective about the relation of law and interest groups and an analysis of 2002 Tobacco Law by such a perspective, see Huricihan İslamoğlu, "Yeni Düzenlemeler ve Ekonomi Politik: IMF Kaynaklı Kurumsal Reformlar ve Tütün Yasası," *Birikim* 158(2002).

section is devoted to showing how the laws were formulated with a detailed textual examination. While introducing two major sector laws, the examination also includes the differences between them. Indeed, the following analysis hints at the main problematic issues between different market actors. The following chapters discuss those issues in detail, and reveal the actual implementation processes of the laws.

Law No. 3437 of the Tobacco and Tobacco Monopoly

The first legislation on the tobacco sector, Law No. 1701 of the Tobacco Monopoly Law (*1701 Sayılı Tütün İnhisarı Kanunu,*) was enacted in 1930. However, the 1930 law was short lived due to various executive shortcomings. To overcome those shortcomings, a commission was established just four years after the enactment of the law, in February 1934. The preamble of the new law specified that the commission was comprised of participants from the ministries of Economy, Agriculture, Custom and Monopoly, and of the commerce and agriculture chambers of Istanbul, Izmir and Samsun. The preamble underlined also that the new draft of Law No. 3437 was prepared depending on the negotiations with several actors on the commission. Last, the preamble of the new law noted that the "spirit" of the Law No. 1701, the monopoly system, would be kept with changes to the advantage of the producers and empowered measures against smuggling.[108]

The Assembly discussion for Law No. 3437 occurred on 10 June 1938. The Minister of Customs and Monopolies asked for discussion priority to make the law go in effect four months later. The Assembly approved the law without any debate on

[108]Republic of Turkey, *TBMM Zabıt Ceridesi*, term 5, session 3, vol. 26, 10 June 1938.1.

the articles.[109] Although the 1938 law did not trigger heated discussions in the Assembly, the draft had been on the agenda of the related ministries since 1934. The commissions of the ministries of Customs and Monopolies, Agriculture, Economy, Finance and Justice had made several changes to the original version proposed by the government.[110] In the end, the law was comprised of 119 articles classified under ten chapters: 1) General provisions with ten articles, 2) Tobacco production with fourteen articles, 3) The procedure for the crop forecast with fourteen articles, 4) The procedure for warehousing with ten articles, 5) Tobacco purchase and sale with ten articles, 6) Merchant's warehouses with ten articles, 7) Leaf tobacco processing types with five articles, 8) Dealers with five articles, 9) Penalty provisions with thirty three articles, and 10) Miscellaneous provisions with eight articles.

Law No. 3437 starts with a description of the scope of the monopoly. TEKEL had no monopolistic power on buying but just on manufacturing tobacco. The fourth article put that leaf tobacco trade was free within the provisions of the law. TEKEL had the right to export tobacco and tobacco products. In the first chapter, the law gave permission to private sector to establish cigarette factories, but only for export purposes. In other words, TEKEL was the only supplier of cigarettes for the domestic market. The law restricted the amount of cigarettes and cigarette paper for people coming abroad, and banned the export of tobacco seeds.

The first chapter of the law regulated two more issues. The sixth article stated a ban on cutting tobacco. Even people using tobacco for personal use had to buy the hand rolling tobacco and cigarette paper TEKEL sold. This meant that even the producers of tobacco were excluded from the right to separate some part of their own

[109]Ibid.76-92.

[110]Ibid.1-152.

crop for personal consumption. The seventh article put a restriction on storing leaf tobacco. Only producers who had a control license and merchants registered by TEKEL could keep leaf tobacco.

The second chapter included regulations on tobacco production. First, Law No. 3437 specified "tobacco production banned regions" in a separate table, and banned positions in the permitted regions.[111] The banned regions and positions were to be determined by an authorized committee. In fact, the regional and local restriction of tobacco production would be one of the main grievances of producers in the implementation process. Moreover, the public and/or TEKEL officials were prohibited from cultivating tobacco as a preventive measure against possible corruption. The second chapter of the law also regulated the amendment of tobacco seeds, the free distribution of seeds to the producers, and the preparation of tobacco seed beds. TEKEL was to organize an annual competition to reward producers growing good seeds, good-quality tobacco, and baling properly. Last, the second chapter also defined how to cultivate tobacco. Producers had to submit a declaration approved by the board of village headmen, and bring a control license in return from TEKEL. Hence, tobacco cultivation was dependent on the declaration of producer and the approval of local administrative authority.

Following the regulations on production side, Law No. 3437 provided a procedure for the forecast and register of the crop in the field. The forecast was to be done by a committee comprised of one TEKEL official and two members of village aldermen's board in the presence of the producers. The committee would agree on

[111]The table classified cities to three: totally banned cities, partially banned cities and totally permitted cities. The specifically banned positions of the permitted regions were the riverbeds, submersible fields in the winter, marshes and slow flowing water. The fields near to the producer's house at a certain distance were also banned within the positional restriction.

the yield of the fields, and that would be registered on the producers' license. The procedure of objection to the forecasts also was defined in the law. After crop harvest, tobacco leaves had to be baled separately as the unfit product (like rotten, crushed, squashed leaves), out of function (*görmez*), and the crop (*mahsul*). Another committee could weigh the tobacco leaves at the stacks, on the strings, or as bales in the curing place or house of producers or TEKEL warehouses.[112] The weight was also registered on the producers' licenses. Including the high uncertainty and openness to personal impacts, all three phases – the forecast in fields, separate baling and weighing – were at the very heart of the market conflicts among market actors, as Chapter 5 will show.

Furthermore, the producers who had transportation license had to deliver the entire crop to the warehouses within time limits regionally specified in the appendix of the law.

Compared to the 1930 law, the 1938 tobacco law was comprised of new articles on the protection and insurance of the crop delivered to TEKEL warehouses. Tobacco bales were to be re-weighed as soon as they were delivered to the warehouses. The weight would be compared with the amount registered on producers' licenses. While the 1930 law had accepted just a maximum five-percent difference between those two weights, the new law of 1938 stated no necessity to investigate differences of more than five percent if there were "reasonable excuses." Despite the disclaimer, the new law defined another investigation type for bales containing foreign materials, sprouts, or being wet even if there was no difference between two weights. Such detailed articles tell us that one of the most contested

[112]According to the Tobacco and Tobacco Monopoly Statute, it was not compulsory to make the weighing in every production place every year. If not done, the weighing of bales would be done only in the warehouse phase.

issues of the tobacco market was the determination of bale quality. Chapter 5 examines the issue at length.

Law No. 3437 readjusted the warehouse fees paid by producers, and changed what was to be done to the confiscated and pledged tobacco bales in warehouses. According to Law No. 1701, the producers had to pay a monthly warehouse rental fee of five kuruş per kilo. They no longer would pay for the first two months following the delivery to the warehouse. After the first two months, the monthly rent of the warehouse would be two lira per kilo until the end of the sixth month. The change aimed to encourage producers to sell their crops as soon as possible. If the producer could not sell in the period from the sixth month to the end of the second year, he would be excluded from the warehouse fee 18 months. However, at the end of two years, TEKEL would gain the right to auction those unsold bales, even if they were pledged or had been seized, after giving one more month to the owner for sale. The extra time was only fifteen days in Law No. 1701.

The fifth chapter of Law No. 3437 regulated the purchase and sale of tobacco with ten new articles. The purchase and sale of tobacco among producer and buyer could only be done in the form of bales with written contracts. This restriction was intended to prevent both smuggling and advance sales, when a producer would agree with a merchant before the harvest in return for advance payment. However, the prevention seems not have to happened as expected since advance sales were always on the table for producers facing financial difficulties, as Chapter V will show.

The law explained the arbitration mechanism for solving trade conflicts between tobacco seller and buyer. According to the mechanism, the complainant had to petition the Chamber of Commerce, or the Municipality if there was no Chamber of Commerce in the locality. In the petition, he had to identify his own arbiter. The

complainee also would name his own arbiter within three days after being informed by the Chamber or the Municipality. The last arbiter would be elected by the chamber. The arbiter committee would reach a decision on the conflict within five days. To object to the committee decision, the parties had to appeal to the court of peace within three days after the decision notification. The expenses of the arbitration process would be paid by the party found to have been in the wrong.

Three more statements from Chapter 5 of the law are worth to mention. First, acts of discarding, discounting, or any other name for either cutting price, decreasing weight, or separating some parts of the crop, were banned. Second, both TEKEL and other buyers had the right to make advance payments to producers for the crop, either in the field or harvested. The payment would vest the payer party with the right to preference. Third, after the producer delivered his crop to TEKEL warehouse and prepared the transfer transactions, the buyer had to pay the producer and take crop within ten days following the notification, declaring the transfer transaction had been completed. All three issues, discarding and discounting acts, advance payments, and transfer and warehousing transactions, were in fact sources for several conflicts during the era, as the following chapters explain.

Law No. 3437 defined the responsibilities and obligations of tobacco merchants in the sixth chapter.[113] Like the tobacco producers, the merchants also had the right to benefit from TEKEL warehouses by paying a fee. Another novelty of Law No. 3437 was about TEKEL authority over the merchants' warehouses. It was clearly specified that TEKEL had no right to lock merchants' warehouses or to keep an official waiting in front of warehouses. However, TEKEL kept the right to control

[113]Law No. 3437 conditioned merchants' submission to TEKEL with a petition and TEKEL's register for working as a tobacco merchant. However, the complementary statute of the law specified that tobacco merchants had to be registered at the chambers of commerce. Hence, the one had to be a member of the chambers of commerce, and submit to TEKEL at the beginning of the purchasing season to be able to buy tobacco from producers.

their warehouses. Merchants had to book tobacco inventories on a daily basis. While merchants were free to manage the task of tobacco processing as they wished, the acceptable waste rates of warehouse and processing were fixed in a table annexed to the law. Merchants did not need to have a transportation license for transporting tobacco within the same city or town. They could transport such parties by just reporting the amount and destination to TEKEL. However, when they wanted to transport to another city or a foreign country, they had to acquire a transportation license given by TEKEL. The transportation procedure was valid for both merchants' and producers' tobacco. The arrival of the transported parties had to be confirmed by the authorized official of TEKEL at the destination. The last regulation on the transportation of tobacco parties was on the issue of sample. The samples should not exceed five kilograms, and the merchants and producers had to send them via the post.

The seventh chapter of the law illustrated processing types of tobacco leaf. A committee would be established to determine the best fit processing types for different production regions. It was comprised of three experts on tobacco processing, one elected by the Ministries of Economy and Agriculture, one by local Chambers of Commerce and agriculture, and one elected by TEKEL. The committee would complete the determination work within three years. Its report would be reexamined by the relevant ministries, known experts, and tobacco exporters. The final version of the processing type lists would be decided after the reexamination. When merchants exported tobacco bales processed in accordance with the determined types, they had the right to obtain a testimonial from the local TEKEL administration. In so far as, the certificate of origin was exempted from the

provisions.[114] However, merchants were free to process tobacco of their own types and export those bales without obtaining a processing type testimonial. In other words, having a testimonial was optional, but instrumental for distinguishing the exporters and the quality of their bales. The remaining chapters of the law were about dealers and penalties which had little relevance to my work.

The statute of tobacco and tobacco monopoly was immediately prepared after the law enactment. The statute was published in the *Official Journal* on 4 January 1939.[115] It was comprised of 122 articles, classified in five chapters: The first chapter was about tobacco seedbeds, tobacco cultivators and forecast and weighing transactions, the transportation of producers' tobacco to warehouses, merchant's warehouses and procedures for tobacco merchants. The second chapter was about dealers, the third on tobacco experts, the fourth on the establishment of factories for manufacturing and exporting cigarettes, and the fifth on the manufacturing of cigarette paper within the country. The first two chapters provided only more explicit definitions of execution processes and examples of the obligatory documents. However, the articles of the other three chapters were completely new. Among them, the most important chapter for this dissertation was the third one on experts because the other issues (private cigarette and cigarette paper factory) had never occurred. Hence, I introduce just the third chapter of the statute.

According to the statute, it was necessary to have a license to work as a tobacco expert. Expert candidates had to be Turkish, have contractual capacity, have graduated at least from secondary school, to have completed internships defined in the statute, and have acquired the license. In addition to the general conditions, those

[114]A certificate of origin is a document used in international trade. It establishes proof of the origin of goods imported to any country. It is prepared by the exporter, and approved by the chamber.

[115]*Tütün ve Tütün İnhisarı Nizamnamesi* (İstanbul: İnhisarlar Matbaası, 1940).

who wished to work for TEKEL had to have graduated at least from high school and have the qualifications to be a public officer. Experts had to specialize on at least one region, the Aegean, Marmara or Black Sea. TEKEL had to register applicants as candidates after they had submitted their documents. Only candidates who had been registered by TEKEL had the right to begin five year internships, either at the organizations of TEKEL or in merchants' workshops registered with the Chambers of Commerce. After completing the internships, the candidates had to apply to TEKEL to take an exam. They could acquire a license, on which the expertise region of the expert was written, as soon as they passed the exam. They could work as experts only in the regions in which they were licensed. They could be punished for the following: causing someone's or a firm's loss, arbitrating or determining the quality or price improperly, misinforming buyers or related parties, reporting the wrong origin of tobacco on the certificate of origin, and taking any kind of action against the domestic and export markets of Turkish tobacco. Now, we can make an overall assessment of Law No. 3437 and its complementary statute.

Law No. 3437 of the Tobacco and Tobacco Monopoly was the first and the most comprehensive legal regulation on the Turkish tobacco market. It introduced new rules for each phase of market operations and defined the market actors, their rights, and obligations, drawing new borders for the legal acts and actors in the tobacco sector. The monopoly system lay at the heart. However, the system presumed not a completely monopolistic market. TEKEL had no right to declare the price or was the sole buyer in market. Rather than on tobacco production and trade, TEKEL had monopolistic power only on the cigarette industry for the domestic market. Manufacturing cigarettes for foreign markets was open to the private sector.

Despite the limited monopolistic capacity, it should be emphasized that TEKEL was the administrative and bureaucratic center of the tobacco market.

In addition to the definition of the monopoly system, the law also identified market actors. The necessary requirements for being a tobacco producer, merchant, or expert were delineated. While producers needed to have a control license issued by TEKEL in return for the declaration documents approved by the local authority, the merchants needed to be registered to the Chambers of Commerce and apply to TEKEL to participate in the market. To become an expert also necessitated a kind of licensing, but it was a more difficult process: an obligatory five-year internship period, passing an examination, and then applying to get a license. Moreover, market transactions also required licensing. For example, it was necessary to acquire the relevant licenses for transporting tobacco from one city to another or exporting to another country. Hence, it can be concluded that the purpose of Law No. 3437 was to register and license market actors and transactions.

Moreover, the 1938 law put regional and positional restrictions on tobacco production. Tobacco could only be cultivated in the approved kind of field located in the permitted towns or cities. The law also sequenced the market order: Tobacco yields would first be forecasted in the fields, and registered to the licenses of producers. The final crop would be weighed two times, once in the village and then at the warehouse, and the results would be compared. Tobacco could only be purchased and sold as bales comprised of the same quality leaves. Bale adulterated with foreign substances, sprouts, or crushed leaves by the producers were banned as were discounting and discarding practices for buyers.

In conclusion, the Law No. 3437 regulated how the different phases from tobacco cultivation to export were to be managed. The law also addressed possible

market conflicts and how to deal with those conflicts. However, it triggered many new conflicts and unrest because certain articles were not clear enough and there were important legal gaps in the law.

The criticisms of the law started immediately after its enforcement,[116] but reform demands were not compactly raised until the tobacco congress held in Izmir in 1943.[117] The complaints about the law and reform demands were at the heart of another significant tobacco congress held in Ankara in 1950.[118] The criticisms, complaints, demands and reform attempts are elaborated more in the following chapters according to their relevance to market conflicts. For now, it should be emphasized that the Turkish tobacco market was governed by Law No. 3437 for 31 years from 1938 to 1969. The second comprehensive legislation was implemented by Law No. 1177 of the Tobacco and Tobacco Monopoly, enacted in 1969. The 1969 law will now be discussed in comparison with the 1938 law.

Law No. 1177 of the Tobacco and Tobacco Monopoly

The legislative attempts to change the tobacco law of 1938 accelerated in the early 1960s. The 1963 Program of the Five-Year Development Plan underscored the urgent necessity for legal amendment. The Inönü governments between 1961 and 1965 prepared a draft bill, but failed to bring it to the Assembly. After the 1965 elections, the Justice Party cabinet sent a draft of Tobacco and Tobacco Monopoly

[116]For some examples, see Cahit Koyutürk, "2506 ve 3437 Sayılı Kanunların Tütüncülüğümüze Olan Tesirleri," *Türk Tütünü*, no. 15 (1 January 1939).8; Hakkı Ocakoğlu, "Tütün İşleri Nizam Altına Alınmalıdır," *Türk Tütünü*, no. 68 (15 March 1941).4.

[117]*Tütün Kongresi - İzmir, 18/X/1943* (İstanbul: İnhisarlar Matbaası, 1944).

[118]*Türkiye Tütün Kongresine ait Zabıtlar, 10.8.1950–17.8.1950* (Ankara: T.C. Ekonomi ve Ticaret Bakanlığı Neşriyatı, 1950).

bill on 25 May 1966. The government draft was coupled with two other motions, one on tobacco agriculture submitted by Reşat Özarda on 7 January 1966,[119] and the other on the tobacco and tobacco monopoly law submitted by Sami Binicioğlu and Hilmi İşgüzar on 13 September 1966.[120] All three drafts were sent to the interim commission, comprised of three members from each of the commissions of agriculture, commerce, internal affairs, justice, customs and monopolies, and planning. The interim commission completed the report on the draft on 4 March 1968. The report and the bill came on to the agenda of the assembly on 7 January 1969. The assembly discussions continued for one month, and the law was approved on 7 February. After the approval of the Senate and the President, it was published in the *Official Journal* on 30 May 1969.

The preamble of the law stated ten principles characterizing the new legislation. Those ten principles are worth discussing because they hint at the nature of the changes offered as the remedy for the so-called "chaotic atmosphere of tobacco market:" the adjustment of tobacco production considering economic and commercial necessities, the auction sales in tobacco sale centers to prevent the

[119]Reşat Özarda was one of the Aydın deputies for two periods from 1961 to 1969. He was first from the Justice Party (JP), then became an independent deputy, and last joined to the Republican Peasants' Nation Party (RPNP). He was a lawyer but at the same time worked as a journalist. For more information on biographies of deputies, see *TBMM Albümü (1920-2010)*, vol. 2 (1950-1980) (Ankara: TBMM Basın ve Halkla İlişkiler Müdürlüğü Yayınları, 2010). His motion proposed that the Ministry of Agriculture should be totally authorized on tobacco agriculture, and the Ministry of Customs and Monopolies should only deal with the issues of smuggling and tobacco industry. For the motion, see Republic of Turkey, *TBMM Tutanak Dergisi*, term 2, session 4, vol. 30, 7 January 1969.16-25.

[120]Sami Binicioğlu was one of the Manisa deputies for one period between 1965 and 1969. He was elected from the Nation Party (NP), then joined the RPNP, and last joined to the JP. He was a lawyer. Hilmi İşgüzar was one of the Sinop deputies in the same period. He was elected from the NP. He was both a lawyer and a senior forest engineer. Both the preamble and the bill itself proposed by the government resemble very much their motion, but the government version seems to be better formulated and organized. For the motion, see Republic of Turkey, *TBMM Tutanak Dergisi*, term 2, session 4, vol. 30, 7 January 1969.26-38.

abnormal price fluctuations and primitiveness of current sale system, the creation of a national tobacco policy, the development of an education system for experts, the prevention of the cheating of tobacco producers, the protection of the quality of Turkish tobacco, the standardization of processing types, the control of technical standardization of tobacco exports, the relaxation or total exclusion of unnecessary burdens or expenses for the State, producers and merchants, and the avoidance of the mentality of punishment with delusions and anxieties.[121]

Unlike those for the 1938 tobacco law, the Assembly discussions for the 1969 law were heated. There were several objections and change motions on the articles, which will be discussed in the following chapters considering their relation with certain market conflicts. For now, I would like to explain the law's content, and discuss the changes it introduced.

Law No. 1177 of the Tobacco and Tobacco Monopoly was comprised of 120 articles in two chapters. The first chapter had 37 articles in six sections titled "Tobacco Agriculture," "How Tobacco Cultivation should be Done," "The Leaf Tobacco Trade," "The Inter-Ministerial Tobacco Board and the National Tobacco Board," "Tobacco Expertise," and "Miscellaneous Provisions." The second chapter had 83 articles under in sections titled "The Tobacco Monopoly," "Provisions Regarding Tobacco Producers," "Provisions about the Tobacco Trade," "Leaf Tobacco Waste," and "Miscellaneous Provisions," including the punitive articles. In addition to the sections, the law opened with a general provision stating that "tobacco agriculture and leaf tobacco trade were free within the limits of this law."

[121]Republic of Turkey, *TBMM Tutanak Dergisi*, term 2, session 4, vol. 30, 7 January 1969.1-2.

The section on tobacco agriculture defined first who was able to cultivate tobacco. While Law No. 3437 had excluded only TEKEL officials, the new law extended the production ban to all public officials in their places of duty. The regional production restriction was kept by the 1969 law, but it determined only the production-free cities and towns, not the banned ones. A local committee would be established for determining the positional restriction within production-free towns. The committee was comprised of three persons, a TEKEL expert, an agricultural technician from the town, and a tobacco producer elected by village aldermen. In addition to restrictions on production, the law also described another way to limit tobacco cultivation. The Inter Ministerial Tobacco Board (IMTB) was authorized to take the measures necessary to decrease production in order to harmonize that level with general economic and commercial needs and sale opportunities. Moreover, the Ministry of Customs and Monopolies (MCM) and Agriculture (MA) was given the power to issue a three-year permission for experimental tobacco cultivation in banned regions, but only the IMTB had the right to lift the ban. The production bans would be controlled through the board of village headmen who had to inform TEKEL or the highest civilian authority about anyone violated the law.

The section on tobacco agriculture brought two more changes. The first was about the determination of tobacco kinds for permitted regions. The MCM and MA would determine together the proper kinds within two years following the implementation of the law. The decisions of the ministries would go into effect after the IMTB's approval. The second change was another measure for production restriction. According to the thirteenth article, tobacco cultivation in fields smaller than half decare was banned. However, in proper places with narrow agricultural fields, tobacco could be cultivated within the same town at most in three places on

the condition that the total area of those three places was equal to a half decare. Hence, the 1969 law not only changed the rules of regional and positional production restriction, but also introduced an acreage limit on tobacco cultivation.

Law No. 1177 changed the declaration system explained above. According to the new licensing system, producers would first give a "request document" stating their field's location, borders, and acreage in decare to the village headman before cultivation. The village headman would examine the document, and decide whether it was contrary to the provisions of the law or not. Depending on that decision, he would approve the document and forward to TEKEL within 15 days. In return, TEKEL would send a tobacco cultivation license for each producer via the village headman within 15 days. Producers were not to cultivate in larger fields than the registered acreage stated on the licenses. If they cultivated in a smaller field than that registered, they were to inform TEKEL within one week following cultivation and correct their license.

Another novelty involved the control of bale quality. Bales had to be examined by TEKEL expert before the weighing in sale centers or in warehouses, and the control in comparison with the leaf tobacco debt amount registered on the cultivation licenses. At this pre-examination, it was determined whether the bales contain lower leaves and sprouts or not. If they did, the owners were asked to clean the bales. During the pre-examination, if some of the tobacco had been injured because of the conditions of the transportation vehicles or from rain, these parts were determined, but the producers would not be held responsible for them.

The 1969 law changed the rules for not only leaf tobacco production, but also trade. First of all, the tobacco markets would be opened on the date announced by the IMTB for each region. Purchasing and selling tobacco before that date was

forbidden, and sales after the date could be made only as bales. Moreover, sales had to be made with written contracts with three copies, one for the seller, one for the buyer, and the last one for either the Tobacco Agricultural Sale Cooperative or TEKEL. Moreover, the law clearly described the prohibitions on tobacco purchase and sale: taking a letter of attorney with the sale authority from more than one producer, making undated contracts arranged before market openings, and collecting tobacco cultivation licenses were banned.

The new law kept the advance payment system and resultant right to preference in the former law, but altered the arbitration mechanism to solve contractual conflicts. As discussed above, the Chambers of Commerce was at the heart of the previous arbitration mechanism. Now, the application for arbitration would be done directly to the local courts. The court would assign one of the arbiters, and the parties would elect their own. The three arbiters would decide on the conflict within five days, and the parties had the right to appeal to the Supreme Court. Another significant legal change involving the organization of tobacco sales was the tobacco sale centers. The sale centers were thought of as a kind of stock exchange for tobacco trading. From then on, producers' tobacco had to be purchased and sold in tobacco sale centers if a center was established. In other words, if there was a tobacco sale center in a region, tobacco could no longer be purchased or sold in villages or warehouses.

As declared in the preamble, Law No. 1177 aimed to coordinate studies on the tobacco sector and to form a national tobacco policy. To achieve these aims, a new committee was to be established. The Inter-Ministerial Tobacco Board (IMTB) was comprised of the representatives from the ministries of Finance, Customs and Monopolies, Agriculture, and Commerce. Along with the IMTB, the law targeted to

reactivate one existing committee, the National Tobacco Board (NTB), as an advisory body. The NTB was thought to be more representative than the IMTB, and would have members from the Ministries of Customs and Monopolies, Agriculture, Finance, Foreign Affairs, Commerce, State Planning Organization, TEKEL General Directorate, the Agricultural Protection and Quarantine General Directorate, the Turkish Republic Central Bank, the Agricultural Bank, the Tobacco Agricultural Sale Cooperatives,[122] the Turkish Tobacconists Federation, the Chamber of Agricultural Engineers, the Tobacco Experts High School, the Union of Tobacco Experts, the Union of Agricultural Chambers, the faculties of agriculture, and the Confederation of Turkish Trade Unions.

The issues about tobacco experts had been regulated in the statute of Law No. 3437 in 1939. Because Law No. 1177 had changed the education system, the new rules for experts were included in the law. To become a tobacco expert, it was necessary to graduate from the high school that would be established by the Ministry of Customs and Monopolies. The experts, having acquired a license according to the previous statute, were to receive education at least for one year and pass an exam to continue their jobs.

The second chapter of the law regulated the issues about the tobacco monopoly, and production and trade control. The articles on the definition of monopoly, tobacco products, cigarette paper and dealers just rearranged similar articles of the previous law, rather than bring a significant novelty. However, the ones about producers and merchants included serious changes. Producers were required to fill out a "crop declaration" form within one week following the harvest.

[122]The cooperatives could never be established. At the same time with Law No. 1177, Law No. 1196 of the Tobacco Agricultural Sale Cooperatives and Regional Associations and the General Association of Turkish Tobacco Agricultural Sale Cooperatives was enacted, but not implemented. Chapter 5 will discuss the issue in detail.

The village headmen would approve the forms by registering the amount declared on the form by the producer onto his "cultivation license," and send them to TEKEL within ten days. The amount registered on the licenses would constitute the leaf tobacco debts of the producers to TEKEL, which had the right to investigate those debts whenever and wherever it wanted. It was thought the system would work better than the previous practice of crop forecasting in the fields. Hence, another important characteristic of the 1969 law was the elimination of forecasts in the field, which had triggered many conflicts during the previous period.

Law No. 1177 also regulated warehousing transactions. Producers were now required to carry tobacco bales within the determined warehousing periods for each region. They could deliver either to TEKEL warehouses or directly to the buyers' warehouses after getting TEKEL's permission. However, if there was no warehouse at a distance of 30 kilometers at most, producers could deliver their crops to a warehouse proper for storing on the condition that TEKEL had one of the keys to that warehouse. As soon as the tobacco bales were carried to the warehouses, they would be weighed. The producers would be blamed neither for excess quantity nor five-percent less than their debts. If the difference between the crop and debt was more than five percent, the producer was to make a "reasonable" explanation to a committee made up the highest civilian authority or his representative, one TEKEL official, and one agricultural technician. Moreover, a new condition was established to start transfer transactions. Producers now were required to clear their debts to TEKEL, including respectively advance payment, warehouse rent, final penalties, and money spent by TEKEL for the producer to implement the law. The last change involving warehousing was that producers would not pay warehouse rent for the first

two years. Hence, the previous rent taken from producers for four months was eliminated.

As well as producers and experts, the 1969 law tightened the conditions for working as a tobacco merchant. Merchants had to have a residence certificate in the trading activity. In addition, they were obliged to have a license registered by the General Directorate of TEKEL, not by local branches of TEKEL. For that registration, TEKEL would obtain affirmative information about the financial condition and commercial standing of the applicant from the chamber of commerce, banks, and professional organizations. A license would not be given anyone who had not followed through on his obligations in terms of the producer in sales within the previous three years. Moreover, purchases and sales among merchants were regulated in a separate article. According to that article, the parties should declare the trade to TEKEL with two copies of notices including the origin, crop year, kind, number, and weight of bales.

The last significant change involving tobacco merchants concerned transportation and exports. Merchants were free to transport tobacco bales within the same city or town without having a transportation document. However, transportation to other cities required documentation obtained from TEKEL. The document would be prepared in three copies, one for the seller, one for the buyer, and one for the local TEKEL branch at the destination. As a result of the Assembly discussions, the commission added one more condition that TEKEL would give the transportation license only after the merchant had submitted the receipt showing he had paid the total value to producer already. Two new changes were brought for tobacco exports in the 1969 law. First, the IMTB had the right to totally or partially ban the export of Turkish tobacco without fumigation. In the case of banning, the

IMTB had to declare the decision at least one year in advance.[123] Second, tobacco exports would be examined by a committee of three licensed and sworn experts. The committee decision would constitute the basis for the export license. The law was closed with the punitive articles in accordance with the provisions.

Law No. 1177 of the Tobacco and Tobacco Monopoly dramatically changed the rules of the Turkish tobacco market. The shortcomings of the previous law actually had created a "chaotic market," rather than regulate it. Indeed, the following chapters focus on that chaos in even a seemingly regulated and monopolized market. However, it also should be stressed that the 1969 law could not be implemented as rapidly as the 1938 law. The statute necessary for the implementation even barely was approved six years after the law, in 1975. Like the statute of the 1938 law, the 1975 statute described the execution processes, necessary documents, and time limits in detail.[124] Moreover, it also defined new practices and techniques complementary to the law: the definition of production quotas and restriction tables, allowable contents of bales, baling styles, necessary qualities of baling packages, the ten-percent tolerance for bales, the bureaucratic procedures for the IMTB and NTB, the rights and obligations of tobacco experts, the introduction of new documents, and calculations of three-year productivity rates as the base of production quotas and restriction tables.

A summary of the 1969 law will be given here even though it found little chance to be implemented in the 1970s, as Chapter 7 will discuss. The 1969 tobacco

[123]Fumigation is a method of pest control that completely fills an area with gaseous pesticides, or fumigants, to suffocate or poison the pests within. The fumigation of tobacco is carried out either in warehouses and or in containers.

[124]TMMOB Ziraat Mühendisleri Odası, "Tütün ve Tütün Tekeli Tüzüğü," http://www.zmo.org.tr/mevzuat/mevzuat_detay.php?kod=116 Accessed on 24 November 2013.

law kept the both regional and positional production restriction. It also added new types of restriction by not only defining an acreage limit for tobacco cultivation, but also the authorization of the IMTB to decide on temporary production bans. The previous production ban on TEKEL officials had been extended to all public officials. Two new boards were authorized to govern tobacco policies, the Inter Ministry Tobacco Board and the National Tobacco Board. The requirements for working in the tobacco sector increased for all market actors. Tobacco experts were required to be graduates from the newly established high school. Producers had to fill out a request document before cultivation. Only after the approval of the village headmen and TEKEL, they could obtain cultivation licenses. Yields were no longer estimated in the fields. Rather, the crop declarations of producers would be registered to the licenses after the harvest. Merchants now had to prove their financial and commercial credibility. Regional markets were to be opened on the specific date annually declared by the IMTB, and pre-opening sales were banned. Sale contracts and arbitration mechanisms were better defined to prevent contractual conflicts.

A comprehensive legal change was made in 2002 for the tobacco sector. However, the tobacco market had already been restructuring since the early 1980s after the economic liberalization program of the 1980 military intervention. 1984 stood for a symbolic date of that restructuring when several articles of the 1969 law were changed by the governmental decrees. This dissertation stops in the early 1980s.

Conclusion

This chapter presents an overview of the Turkish tobacco market. First, a brief historical background was given including the entrance to the Ottoman Empire, the first instances of governmental measures, the Regie period and its liquidation. The geographical and agricultural characteristics of tobacco production in Turkey were described. It is followed by an analysis of the macroeconomic indicators of tobacco during the period under discussion. The fourth section explains the major laws governing the tobacco market in a comparative manner. The following chapters benefit a great deal from the basic information provided by this chapter. Next the historical actors in the Turkish tobacco market will be discussed in Chapter 4.

CHAPTER 4

THE HISTORICAL ACTORS IN THE TURKISH TOBACCO MARKET FROM THE 1930s TO THE 1980s

A general overview of the Turkish tobacco market was presented regarding the history, geography, economy and law in the previous chapter. Thinking of market as an economic unit, the overview showed that the tobacco market underwent significant developments from the 1930s to the 1980s. All macro economic indicators shifted considerably and two major legal changes were made during the period. This study aims to situate these changes within a historically specific social and political context. To understand the non-economic determinants of the Turkish tobacco economy, it is necessary to move one step further, and examine the second layer in the definition of market: market as the arena of political and social struggles.

The Turkish tobacco market as an arena of political and social struggles was formed by four historical actors. The first of them Turkish state was mainly represented by TEKEL after the adoption of the Tobacco and Tobacco Monopoly Law in 1938. However, there was no institutional singularity or mission clarity in the representation of the Turkish state by TEKEL until the early 1950s. Besides TEKEL, the state intervened into the tobacco market during the 1940s via two other institutions, a semi-private corporation, the Turkish Corporation of Domestic Products (*Yerli Ürünler Türk Anonim Şirketi*), and a state-owned partnership, the Turkish Tobacco Limited Company (*Türk Tütün Limited Şirketi*). TEKEL became the monopoly by both replacing those two companies and undertaking new roles on

behalf of the state by the 1950s.[125] The second actor of the tobacco market was merchants. They were comprised of three groups, big domestic companies, foreign firms, and small buyers. While the first two had their own tobacco warehouses and manufacturing plants, the small buyers just played an intermediary role between the big buyers and producers. Purchasing around half of the total production, the tobacco merchants and their long-lived companies played market-shaping roles as significant as that of TEKEL.

Third, tobacco experts were the actual implementers of a special know-how to value the quality and price of the crop. Since 1936, the experts were required to have license issued by TEKEL. The licensed experts could work for either TEKEL or the merchants' companies. Although experts were never a large professional group, they had a decisive position in the market by playing a pivotal role between buyers and producers. Last, tobacco producers were the largest and most heterogeneous actors of the market. They were divided by lines of ecological and regional differences, ownership patterns and agricultural economies of scale. Despite the divisions, their number and share within the total agricultural employment always increased in the 40 years discussed in this dissertation.

The historical actors of the Turkish tobacco market organized their own associations to represent their views, interests, and demands before other actors and to affect market conditions as early as the 1940s. Merchants formed first the Turkish

[125]The state intervention into the tobacco market, including new missions given to TEKEL, took the legal power not from the tobacco laws, but from the National Defense Law (*Milli Korunma Kanunu*.) The 26th article of the National Defense Law gave broad authority to the government to intervene in markets whenever it saw necessary to "supply people's needs, regulate exports and protect producers." Depending on this article, a great number of interventionist policies were implemented in the Turkish tobacco market as both this and following chapters discuss. For the full text of the National Defense Law, see "Milli Korunma Kanunu," https://www.afad.gov.tr/UserFiles/File/3780%20say%C4%B1l%C4%B1%20milli%20korunma%20kanunu.pdf Accessed on 15 August 2012.

Tobacconists Association (*Türkiye Tütüncüler Birliği*) and then the Turkish Tobacconists Federation (*Türkiye Tütüncüler Federasyonu*) as a roof organization. While experts working for the private sector founded the Izmir Tobacco Experts Association (*İzmir Tütün Eksperleri Cemiyeti*), the ones working for TEKEL established the Tobacco Experts Association (*Tütün Eksperleri Birliği*) in Istanbul. Among many others, the local producer associations in Akhisar, Bergama, Bursa, Bafra and Samsun actively worked for the benefit of their producer members. Hence, the associational representation for all historical actors was influential in the formation of market conditions after the 1940s.

In addition to the long-lived associations, the organizational activity in the tobacco market was diversified in the post-1960s period. Merchants formed two other organizations, the Union of Turkish Tobacco Employers (*Türkiye Tütün İşverenleri Sendikası*), and the Aegean Tobacco Exporters Association (*Ege Tütün İhracatçıları Birliği*); the experts, the Union of Tobacco Experts (*Tütün Eksperleri Sendikası*); and the producers many others, such as the Aegean Tobacco Producers Federation (*Ege Tütün Ekicileri Federasyonu*), the Black Sea Tobacco Producers Federation (*Karadeniz Tütün Ekicileri Federasyonu*), the Union of Turkish Tobacco Producers (*Türkiye Tütün Üreticileri Sendikası*), and the Alaçam Tobacco Producers Association for Union and Solidarity (*Alaçam Tütün Üreticileri Birleşme ve Dayanışma Derneği*).

Despite the heavily regulated and state-controlled image of the Turkish tobacco market, there were several sources of controversy and conflict through market actors interacting with each other. The problematic issues led to tensions not only between them, but also within the actors. I discuss the nature of the conflicts in detail in the following chapter. For now, let me just mention them: the scope and

extent of TEKEL's missions in the market, support purchases, timing of market opening, the determination of quality and price of the crop, the prevailing purchasing regime, credit volume and accessibility, and warehousing conditions. Market actors responded differently to the problems according to the political and economic conjuncture, their socio-economic positions, and their plausible instruments and power to change the scene for their benefit. Indeed, this dissertation argues that it is impossible to historicize the political economy of tobacco if the conflictual base of the market policies and struggles of the different actors are not taken into account.

The ways of responding to different market conflicts varied widely during the forty years under discussion. First of all, negotiating with governmental bodies was the most common form. Preceding market openings, there were always annual meetings in which the representatives of each actor participated. In addition to the meetings, bigger events were organized to discuss the "tobacco question." The government called four congresses on the issue in 1934, 1943, 1947 and 1950. Every congress was well attended by representatives from governmental bodies, experts, merchants, producers, economists, and journalists. Apart from the government-initiated ones, other market actors organized congresses and seminars. While tobacco producers from the Marmara and Aegean regions gathered in Akhisar in 1952 and Bursa in 1953, the Izmir Chamber of Commerce initiated two important seminars on tobacco in 1965 and 1977. All these meetings were arenas in which different actors represented their views, criticisms, complaints, and demands.

Another common way to reach the governmental authorities was to send telegrams on specific issues, requesting that the necessary measures to be taken. There were many examples of such applications to statesmen either individually or in the name of an organization. More importantly, the telegrams were not filed away in

the state archives; rather the related governmental bodies dealt with and reviewed the demands, and responded with affirmative or negative conclusion. Hence, the market actors sought to affect and change the market conditions in favor of themselves by calling on the higher authorities by petitioning.

The vivid social and political history of tobacco market involved people willing to negotiate at meetings, congresses, or in telegrams. Nonnegotiable and personalized tensions also existed among the actors. The face-to-face relations especially between experts and producers resulted in personal conflicts. Overshadowing the market decisions of experts, the personal component of the relation had in fact a two-fold effect. It led to, on the one hand, the usual suspicions and unending rumors about bribery, and on the other, to serious clashes which sometimes ended in violent encounters, and even in murder. The individualization of relations was, however, not always the most predominating means of responding to market failures. There were also many collective actions taken by producers to push their demands. In some years, as early as 1946 or 1959, the high-quality tobacco producers collectively boycotted sales until their price demands were satisfied. Moreover, in the post-1965 period they began to organize public demonstrations especially in the biggest tobacco producing areas such as Akhisar, Ödemiş, and Bafra.

The responses given by different market actors were highly diverse, and indeed intended to change the balance of the relations among actors. Although it is very difficult to label the complexity of relational dynamics with words like "resistance," "compliance," or "exploitation," it is still necessary to specify certain forms and changes. During the 1940s, the relations between merchants and TEKEL were mainly determined by the merchants' worries about the uncertainty of

TEKEL's mission, and by the merchants' opposition to "competitive acts." However, the merchants seemed to learn to live with TEKEL in the following decades. They welcomed some of the responsibilities taken on by TEKEL which removed some of the uncertainties of the tobacco market. Moreover, they benefitted from the existence of TEKEL loaded with several missions that they had sought for their own necessities, for example, their excess stock problems.

On the other hand, the tobacco producers wanted market conditions neither totally competitive nor fully governed by TEKEL. In this sense, the bottom line of the producers' relations with other market actors is that the producers did not have a fundamental opposition to competitive market conditions as such, but also welcomed the regulation. They confronted the merchants as often as TEKEL. Yet, the producers wanted the merchants' existence in the market so as not to be constrained by TEKEL, and TEKEL's regulatory role as a guarantee.

This chapter depicts an informative picture of real historical agents acting in the Turkish tobacco market. The first section focuses on the state in the name of TEKEL, the second on the tobacco merchants, the third on the experts, and the fourth on the producers. Each section is devoted to a different actor to answer the seemingly simple questions of who they were, what roles they played in the market, and how they represented themselves. I also focus on certain exemplary cases to discuss the actors' ability and power to affect the formation and implementation of market policies. The discussion maps the way of how tobacco market actually operated contrary to the legal projections and/or intentions of the governors.

TEKEL (The Monopoly)

TEKEL (The Monopoly) was one of the most controversial institutions in Turkey from its establishment in 1932 to its privatization in the early 2000s. It symbolized state intervention in the economy, and a typical real-life case study of public debates on etatism versus economic liberalism. According to the dominant political and ideological atmosphere of different historical periods, TEKEL was either praised for its regulatory role in the economy or blamed for its malfunctioning, unprofitability, or political dependence on the state.[126] Whatever the public attitude, TEKEL had a crucial place in Turkish socio-economic history throughout the Republican period until the early 2000s.

A very brief institutional history of TEKEL may be started from the 1930s. In 1932, the Monopolies Public Directorate (*İnhisarlar Umum Müdürlüğü*) was established under the Ministry of Customs and Monopolies. With Law No. 4036 on the Organization and Missions of the Monopolies Public Directorate (*İnhisarlar Umum Müdürlüğü Teşkilat ve Vazifeleri Hakkında Kanun*)" enacted in 1941, TEKEL was defined as "state-owned enterprise" with an annexed budget administration. According to the second article of the law, the Monopolies Public Directorate was supposed to control and manage the monopoly on tobacco, alcohol and alcoholic beverages, salt, tea, coffee, gun powder and explosive substances, shooting materials, cartridges, and revolvers.[127] Moreover, it was supposed to monitor the smuggling of

[126]For an institutional history of TEKEL, see Doğruel and Doğruel, *Osmanlı'dan Günümüze: TEKEL*.

[127]Coffee was taken under state monopoly in 1942 and released from it in 1946, matches taken in 1946 and released in 1952, gunpowder and explosives taken in 1934 and released in 1955, beer taken in 1939 and released in 1955, tea taken in 1942 and released in 1984, and tobacco taken in 1932 and released in 1986. See TTA Gayrimenkul Anonim Şirketi Genel

both those materials as well as that of matches, flint and lighters, and playing cards. The name was changed to "TEKEL General Directorate (*Tekel Genel Müdürlüğü*)" in 1946, under which name it operated until 1987.[128]

As being one of the biggest and strategic state-owned enterprises of the country, TEKEL was directly related to the government in office. TEKEL's policies reflected more or less the political priorities of each government although there was not full control of political power over it. At least, due to the annexed budget administration, TEKEL's financial decisions and the general budget affected each other.[129] Moreover, the general directorate of TEKEL was appointed by the Ministry of Customs and Monopolies. Because TEKEL functioned under this ministry, it deserves a closer look. The Ministry of Customs and Monopolies was established on 29 December 1931, and abolished under the Özal government in 1983.[130] During 52 years, 33 ministers were appointed to the ministry. The longest term of office was held by Ali Rana Tarhan, for seven-and-a-half years, during the single-party era. After the transition to the multi-party regime in 1946, the terms of the office of the ministers were shortened. Some ministers were changed under the same government. For example, there were five different ministers of Customs and Monopolies under the two cabinets formed by Adnan Menderes between 1950 and 1954, and two under

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Müdürlüğü, "Kronolojik Tarihçe," http://ttagayrimenkul.gov.tr/tr/kurumsal/sirket/tarihce.aspx Accessed on 16 July 2013.

[128]Halil İbrahim Aytaş, "Türkiye'de Tütün Piyasasının Oluşumu, Gelişimi ve Küresel Dönemde Dönüşümü" (MA thesis, Türkiye ve Orta Doğu Amme İdaresi Enstitüsü Kamu Yönetimi Yüksek Lisans Programı, 2011).93-4.

[129]For more on the annexed budget administration, see "İşletmelerin Sınıflandırılması," http://www.ekodialog.com/isletme_ekonomisi/isletme_ekonomisi_siniflandirilmasi.html Accessed on 17 July 2012.

[130]Gümrük ve Ticaret Bakanlığı, "Tarihçe," http://www.gtb.gov.tr/kurumsal/hakkimizda/tarihce Accessed on 17 July 2013.

the first Süleyman Demirel cabinet from 1965 to 1969. Following the transition to the multi-party regime, the longest term of office was held by İbrahim Tekin, from 1965 to 1968, and the shortest by Mehmet Can, for one month under the second Ecevit cabinet in 1977.[131] All in all, it can be argued that holding a post at the Ministry of Customs and Monopolies was even more instable than the government formation during the years after the single-party era.

As a state-owned enterprise subordinate to the Ministry of Customs and Monopolies, TEKEL was identified more closely with tobacco-related operations despite managing alcoholic beverages, tea, and salt. Hence, it is necessary to define the regulatory roles of the TEKEL in the tobacco market, and explain the changes over time. First of all, TEKEL was the only manufacturer of cigarettes and other tobacco products for domestic markets. However, it had no monopolistic power as a buyer since leaf tobacco trade was set free in the tobacco laws. Therefore, TEKEL was just one of the buyers among others. However, unlike merchants, TEKEL purchased tobacco from producers as raw material in the cigarette industry, not as an export item.[132] Moreover, TEKEL was the bureaucratic center for the documents prescribed by the regulations to have been obtained, as Chapter 3 discussed in detail. The documents contained the declaration forms of producers, their control licenses, crop forecasts, and registers of the experts, transportation licenses, warehousing documents, merchants' registers, and purchasing contacts.[133] Along with the

[131]All calculations are done depending on Türkiye Büyük Millet Meclisi, "Hükümetler," http://www.tbmm.gov.tr/kutuphane/e_kaynaklar_kutuphane_hukumetler.html Accessed on 21 March 2010.

[132]TEKEL also made support purchases more than its own manufacturing needs. Chapter 6 will present a comprehensive discussion on the support purchases.

[133]During my research, I searched through the archives of TEKEL with the hope of finding the documents, but could come to nothing than that there does not exist a protected archive of TEKEL. In my interview conducted with İsmail Bostancı, the head of the communication

bureaucratic missions, TEKEL was also responsible for the training of experts, the development of agricultural techniques, and execution of production restrictions.

TEKEL was the key institution working in the tobacco market in the name of the Turkish state as one of the biggest buyers, the sole cigarette manufacturer, the bureaucratic center, and educator and employer of experts. However, it did not carry out such a central position after its establishment in 1932. Indeed, there were some other institutions working in the tobacco market in the name of the state. The consolidation of TEKEL at the expense of the other institutions was settled only in the late 1940s. Moreover, TEKEL was always the target of public criticisms in those early years. However, it gained new missions after a transformation into the "caring hand of the state" over the tobacco market by the 1950s. Hence, the strengthening of TEKEL in the Turkish tobacco market was a contingent historical process embodying other possible options and particular tensions among alternatives. To elucidate this contingency, I will first introduce other tobacco-related institutions and their activities before the 1950s. Then, the new duties performed by TEKEL will be explained to ascertain the actual role of TEKEL.

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and archive department of the TTA Limited Company (the name of TEKEL after privatization), on 2 November 2010, he told that the documents dating before 1980 had been sent to SEKA (state-owned enterprise in paper industry) after the 1980 coup d'état. Bostancı said that the only accessible folders were personnel registration files. Lastly, he wished me good luck find out some documents possibly in the libraries of "curious" experts working for TEKEL. The non-existence of a systematically kept archival documentation of TEKEL was also confirmed by two experts from the Tobacco and Alcohol Market Regulatory Authority, Ahmet Hamdi Gümüş and Halil İbrahim Aytaş, in our interviews held in December 2011. As a result, this dissertation had to rely on TEKEL's remaining documents that I was able to find in the State Archives in Ankara and in the library of Tobacco Experts Association in Izmir.

The Turkish Corporation of Domestic Products and The Turkish Tobacco Limited Company

The articles of the association of the Turkish Corporation of Domestic Products (*Yerli Ürünler Türk Anonim Şirketi*) were approved by the cabinet on 18 March 1938. The company was incorporated for 25 years to engage in all kinds of trading activities involving the necessary materials for the production, management, sale, and consumption of domestic products. The registered capital was 500,000 Turkish liras, divided into registered shares of 5,000 of 100 Turkish Liras each. Seventy-four percent of the registered capital was owned by the Agricultural Bank, 20 percent by Hüseyin Kavalalı, and the remaining six percent by three other shareholders. The fully paid capital of the corporation in total amount was 200,000 Turkish Liras, equal to 40 percent of the registered capital.[134] Although the corporation was established in Istanbul, the headquarters were moved in August 1944 to Izmir, where the main circle of trade was concentrated.[135] The corporation had 26 permanent staff members comprised of eleven salaried and 15 part-time employees.[136]

The Turkish Corporation of Domestic Products was directed by Hüseyin Kavalalı as the biggest shareholder. However, rather than a private company, it was considered one of the state-owned enterprises because of the three quarters capital share of the Agricultural Bank. Hence, the corporation was audited by the General

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[134] *Yerli Ürünler Türk Anonim Şirketi Esas Mukavelenamesi* (İzmir: Yavuzdil Basımevi, 1945).

[135] *Yerli Ürünler Türk Anonim Şirketi 1944 Yılı Umumi Murakabe Heyeti Raporu* (İzmir: Hanri Zelliç ve Mahdumu Basımevi, 1945); "Türk Tütün Limited Şirketi İzmir Teşkilatı," *Türk Tütünü*, no. 153-154 (1-15 August 1945).

[136] *Yerli Ürünler Türk Anonim Şirketi 1944 Yılı Umumi Murakabe Heyeti Raporu*.

Supervisory Council (*Umumi Murakabe Heyeti*), which had been established in 1938 by Atatürk's order as the second supreme audit institution of Turkey for "financial, administrative and technical supervision and audit of the state-owned enterprises in the name of the parliament."[137]

The first state interventions into the tobacco market were made via the Turkish Corporation of Domestic Products. Since the whole story of "direct purchases" (known as "support purchases" hereafter) will be discussed in Chapter 6 in detail, here only one example will be given from a very early date. One of the most long-lived and influential local newspapers published in Izmir, *Yeni Asır*, reported on 6 January 1940 that the Ministry of Commerce had immediately intervened into the tobacco market when it had identified slackness of trade. According to the news, the Ministry had ordered the Turkish Corporation of Domestic Products to purchase five thousand tons of tobacco. Upon the order, the company had prepared the purchasing organization in eighteen centers, and began the operations.[138]

The Turkish Corporation of Domestic Products continued its activities, including purchases in the name of the state, especially from the Aegean tobacco market until the late 1940s. However, it fell into disrepute as a result of scandalous corruption claims, which received widespread press coverage in 1949. According to the claims, the corporation had entered into "collusive transactions" with the two American companies, Gerry Tobacco Company and American Tobacco Company, exporting Turkish tobacco.[139] Domestic Products had used dummy documents to

[137]T.C. Başbakanlık Yüksek Denetleme Kurulu, *2008-2012 Dönemi Stratejik Planı* (Ankara: T.C. Başbakanlık, 2008).9.

[138]"Tütün Piyasasına," *Yeni Asır,* 6 January 1940.1.

[139]İhsan Arif, "Hataların Hatası," *Türk Tütünü*, no. 215 (1 May 1949).3,5.

show tobacco trade with the Americans as a barter transaction with Mexico. In this way, the dollars were directly taken from the Americans, and were deposited to the Central Bank at the official exchange rate of 280 kuruş. However, the exchange holdings could be transferred to anybody at any rate thanks to the display of the transaction as barter.[140] Although the Domestic Products denied the allegations and declared that there was nothing improper in the transactions, it failed to be convincing. The corrupted character of the transactions was widely accepted, despite the cries of excuses such as financial losses due to excess tobacco stocks which the Domestic Products had been forced to purchase in the name of the state.[141] All in all, the corruption claims shook the position of the Domestic Products in the tobacco market. The corporation continued to carry out small scale purchases in the Aegean tobacco market during the 1950s but not in the name of the state. Rather, it worked as a private firm owned by Hüseyin Kavalalı.[142]

Preceding TEKEL's dominance in the tobacco market in the name of the state, another institution shared fate similar to that of the Domestic Products was the Turkish Tobacco Limited Company. The company's articles of association were approved by the cabinet on 4 February 1936. It was incorporated for ten years with registered capital of one million Turkish liras. Of the total capital, 55 percent was

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[140]"Yerli Ürünler," *Yeni Asır,* 25 March 1949.1,3; "Bu Muamele Durdurulmalı ve Hesabı Sorulmalı," *Yeni Asır,* 27 March 1949.1,3. According to the news, there was an intermediary firm at these transactions to show the trade as barter with Mexico. Two companies' names were mentioned as intermediaries, the Ititi Company and the Kavalyero Company from Istanbul. It was also claimed that the Domestic Products would sell the dollars to the Vehbi Koç Company at 360 kuruş. Besides the Koç Company, many other importers had already made offers to the Agricultural Bank on behalf of the Domestic Products to buy those dollars, as reported.

[141]Arif, "Hataların Hatası."

[142]"40 Milyon Tütün Satıldı," *Yeni Asır,* 13 January 1956.1,5.

invested by the Monopolies Administration, 22.5 percent by the Agricultural Bank, and the remaining 22.5 percent by Is Bankası. It was headquartered in Istanbul, and its director was to be appointed by the Minister of Customs and Monopolies. The principal mission was defined as introducing monopoly products in foreign countries, developing export markets, and establishing factories abroad. Along with the principal mission, the company would engage in domestic trade and export leaf tobacco. The company had a requirement for its employers of being Turkish. Foreigners could be employed only if the Ministry of Economy permitted.[143] In 1943, the company had 47 employees, including ten experts.[144]

The Turkish Tobacco Limited Company started to operate in 1936. By 1939, the capital had already increased to two million Turkish liras.[145] It managed both warehouses and manufacturing plants in Istanbul and Izmir.[146] Having such financial power and structural logistics, the company was one of the biggest employers in the tobacco market. According to a 1945-dated introductory article about the company, at only the new manufacturing plant in Izmir, 1,800 workers were employed.[147] Moreover, the company had established a small cigarette factory in Egypt.[148] It also

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[143]*Türk Tütün Limited Şirketi Esas Mukavelenamesi* (İstanbul: n.p., 1936).

[144]*Türk Tütün Limited Şirketinin 1943 Ticari Yılı Bilançosunun Tetkik Neticesini Gösterir Uzman Denetçiler Raporu ve Şirket Mütalaası* (İstanbul: n.p., 1947).

[145]*Türk Tütün Limited Şirketi Müdürlüğüne Bağlı Muvakkat ve Daimi Müesseselerin Yeksenak Dahili Talimatnamesi* (İstanbul: Ekspres Basımevi, 1940).

[146]Ibid. There were two warehouses and manufacturing plants in Kuruçeşme and Beşiktaş, and one warehouse in Salıpazarı in Istanbul. There was one warehouse and manufacturing plant, named "Salamon Celardin," and two warehouses, named "Orozdibak" and "Paker," in Izmir.

[147]"Türk Tütün Limited Şirketi İzmir Teşkilatı."6.

[148]İsmail Ziya, "Tütün Limited Şirketi ve Mısırdaki Sigara Fabrikası," *Tütün Mecmuası*, no. 13 (15 April 1939).4-5; *Türk Tütün Limited Şirketi 1943 Yılına Ait Bilanço, Kar ve Zarar Hesapları ve İdare Meclisi Raporu (Toplantı Tarihi: 29 Mart 1944)* (İstanbul: n.p., 1944).

had subscribed to the capital of the Gaziantep Hasankeyf Tobacco Exporters Association Limited Company (*Gaziantep Hasankeyf Tütünü İhracatçılar Birliği Limitet Şirketi)* at rate of 50 percent.[149]

Like the Domestic Products, the Turkish Tobacco Limited Company was authorized to make state intervention purchases from the tobacco market at a very early date, in 1940.[150] The company was tasked with other interventionist policies in the name of the state during the 1940s. It was audited by the Turkish Court of Accounts because more than a half of the company's capital was paid by the working capital of TEKEL.[151] TEKEL and the Tobacco Limited were partners working under the same ministry. This made the reshuffling of their personnel, especially the managerial posts, among the two easier. Among many others, two examples may be given for this point. The two-year director of Tobacco Limited, Celal Umur, was appointed as a chief technician to TEKEL, and one of the ex-branch directors of TEKEL, Ekmel Azmi Seçel, as the director to the Tobacco Limited in September 1943.[152] Another example shows that the reshuffling mechanism seemed to be used for removing the managers on target from their posts in some cases. The director of TEKEL, Hürrem Şeren, who, in the words of the journal *Türk Tütünü*, "had lost his

[149]*Türk Tütün Limited Şirketi 1943 Yılına Ait Bilanço, Kar ve Zarar Hesapları ve İdare Meclisi Raporu (Toplantı Tarihi: 29 Mart 1944)*.

[150]Prime Ministry Republican Archives (PMRA) Fon Kodu: 30.18.1.2 Yer No: 93.116.20 (18 December 1940).

[151]*Türk Tütün Limited Şirketinin 1943 Ticari Yılı Bilançosunun Tetkik Neticesini Gösterir Uzman Denetçiler Raporu ve Şirket Mütalaası*.

[152]"Türk Tütün Limited Şirketi Müdürlüğü," *Türk Tütünü*, no. 127 (1 September 1943).5.

desire due to the official investigation opened upon some gossipy news," had been appointed to the general directory of the Tobacco Limited in 1946.[153]

The Tobacco Limited Company was established with great hopes of developing the export of monopoly products as a separate state institution dealing only with foreign trade. However, its main activity became to export leaf tobacco, rather than tobacco products in time. For example, 98 percent of the company's profit for 1943 was generated from leaf tobacco export.[154] The export activities of such a big state-owned company led to serious discontent, especially among tobacco exporters. The company was accused of competing against exporters, rather than opening new export markets for Turkish tobacco.[155] Moreover, like the Domestic Products, the Tobacco Limited Company also was subjected to accusations of engaging in corrupt barter trade transactions with American firms in early 1945.[156] The claims were officially investigated. The Minister of Customs and Monopolies declared in June 1945 that no irregularity or malpractice had been found in the transactions.[157] However, both the criticisms about the competitive attitude against the tobacco exporters and the corruption claims discredited the Tobacco Limited. While the company undertook some other tasks in the tobacco market, by the early 1950s it had already lost significance.

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[153]Sait Coşkun, "Tütün Müstahsil Birlikleri İş Başına," *Türk Ürünleri*, no. 253 (1 May 1952).5.

[154]*Türk Tütün Limited Şirketinin 1943 Ticari Yılı Bilançosunun Tetkik Neticesini Gösterir Uzman Denetçiler Raporu ve Şirket Mütalaası*.

[155]İsmail Ziya Bersis, "İnhisarlar İdaresi Tütün Limited Şirketini Ne Maksatla Teşekkül Etti ve Neler Yaptı?," *Tütün Mecmuası*, no. 10 (15 January 1939).3-5; "Haberler," *Tütün Mecmuası*, no. 11 (15 February 1939).11-3.

[156]M. Tuncer, "Tütün ve Prim: Dolar Primi Çiftçiden Kapılmamalıdır," *Türk Tütünü*, no. 144 (1 January 1945).3,11.

[157]"Tekel Bakanının Demeci," *Türk Tütünü*, no. 149-150 (1-15 June 1945).12-4.

The legal time limitation for the incorporation of the Turkish Tobacco Limited Company was terminated on 4 February 1955. The company staff applied to the Ministry of Customs and Monopolies for the cancellation of termination. In a petition dated on 7 March 1954, they declared that the company had had a 45 profit rate per year on average, and had achieved significant economic benefits in foreign markets. They requested "just and fair orders" of the Minister to correct the decision to liquidate such a successful firm. However, as explained in the Ministry's reply on 8 March 1956, two of the shareholders, the Agricultural Bank and Is Bankası, had decided on the liquidation, claiming that the company was no longer economically viable anymore. The Ministry officially approved the shareholders' decision, and the Turkish Tobacco Limited Company was liquidated in 1955.[158]

All in all, there had been no institutional singularity or mission clarity in the representation of the Turkish state in the tobacco market during the 1940s. Indeed, the intervention mechanisms might have been implemented via all three institutions, regardless of their actual incorporation purpose: a semi-private corporation, Domestic Products; a state-owned partnership, Tobacco Limited; and TEKEL, the state-owned enterprise for manufacturing cigarette and other tobacco products. Among them, the first two were known for their poor management and corrupt transactions by the late 1940s. Although TEKEL did not have a better public record,[159] it gained a central position as the "caring hand of the state" over tobacco market by the 1950s. Apart from manufacturing cigarettes, TEKEL began to take on many more tasks in the name of the state in the 1950s, despite the general ideological

[158]PMRA Fon Kodu: 30.1.0.0 Yer No: 78.492.4 (13 March 1956)

[159]For the decision of the supreme court on the case that was sued against seven managers of TEKEL, including the general director Mithat Yenel, with the claim of abuse of power in the establishment of the cigarette factory in Egypt in 1936, see PMRA Fon Kodu: 30.10.0.0 Yer No: 179.238.18 (25 January 1945)

atmosphere propagandizing the transition from etatism to economic liberalism. The reset part will discuss the new phase for TEKEL, which was opened in the early 1950s and closed more or less in the 1980s.

The Revival of TEKEL

Let me start with two descriptions of TEKEL and its role in tobacco market. The first one is from a report prepared by the tobacco department of TEKEL for the First Village and Agriculture Development Congress, held in Ankara in 1938:

> Our difference from other monopolies: tobacco cultivation is not subject to license; prices are determined by the market, not by the government; the government does not make an expertise on tobacco; it is only a buyer, like the merchants in the market.[160]

Almost all of these distinctive features of the Turkish Monopoly, except the last one, changed only 20 years after the Congress. Exemplifying the atmosphere of tobacco market openings in the 1950s, the below vivid report of the Aegean market opening of 1957 clearly shows the type of change:

> Tobacco market was opened at 8.30 a.m. yesterday by the Minister of Customs and Monopoly, and TEKEL purchasing committee in Akhisar. The Minister made a speech to the excited crowds gathered in front of TEKEL building, and said: "Please, don't worry about anything…Your whole production will be bought to the last leaf. We now declare our prices, and will not change them. I hope you are comfortable!" His speech was interrupted by cheers and applauses. Then, he made TEKEL's first purchases at the ceiling price.[161]

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[160] *Türk Tütünü ve Tütüncülüğü: Birinci Köy ve Ziraat Kalkınma Kongresi İçin Hazırlanan Rapor* (İstanbul: İnhisarlar Tütün İnstitüsü Neşriyatından A Serisi No: 4, 1938).27.*"Diğer inhisarlardan farkımız: Tütün ekimi ruhsatnameye bağlı değil, fiyatı hükümet tespit etmez piyasada şekillenir, tütün ekspertizi hükümetçe yapılmaz, piyasada hükümet de diğer tüccarlar gibi bir alıcıdır. Amaç ekiciyi korumak, tüccara kolaylık sağlamak ve memleket gelirini arttırmaktır."*

[161] "Akhisar ve Ödemişte," *Yeni Asır,* 5 February 1957.1,4.*"Ege tütün piyasası, dün saat 8.00'den itibaren Gümrük ve İnhisarlar vekili Hadi Hüsman ile İnhisar İdaresi Umum Müdürü Ömer Refik Yaltkaya ve beraberindekilerce Akhisar'da açılmıştır. Kalabalık bir müstahsil kitlesi tarafından tezahüratla karşılanan Hüsman, Tekel alım merkezi*

As seen, TEKEL began to undertake missions beyond its original one. It not only replaced the other two institutions, Domestic Products and Tobacco Limited, but also assumed new regulatory roles in the name of the state.[162] The new roles first included the responsibility to open tobacco market on a pre-determined date. Based on extra-ordinary conditions and the necessities of the war, the determination of market opening dates had first been executed in 1938 upon the demands of merchants from Izmir. Following the meeting of the Prime Minister with merchants, the government had decided to open Aegean tobacco market on the 15 November 1938.[163] The government kept the practice during war years, and opened the tobacco market on a definite date by negotiating with other buyers. Indeed, especially the conditions of the bigger buyers had a significant impact on the negotiations during the war years. For example, while a declared date was changed to three days later because of the "late arrival of the Glen[n] Company director to Izmir" in 1939,[164] the market opening was delayed two times in 1942: first, from 15 December (1941) to 12 January due to "ongoing negotiations with Germans," and second, to 15 January due

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balkonundan hitap ederek demiştir ki: 'Tütünleriniz için hiç endişeniz olmasın… Mübayatımız hızlandırılacak ve bütün tütünler son yaprağına kadar alınacaktır. Fiyatlarımız sabittir ve piyasanın son gününe kadar da öyle kalacaktır. Müsterih ve rahat olmanızı dilerim.' Müstahsil nezdinde heyecan ve memnunlukla karşılanan konuşması tezahüratlar ve alkışlarla kesilmiştir. Konuşma sonrasında, Bakan baş fiyatı açıklamış ve Tekelin ilk alımını yapmıştır."

[162]Chapter 5 will provide a more detailed discussion on the reasons for and results of the responsibilities taken on by TEKEL in the 1950s.

[163]Haydar Aryal, "Mıntıkaların Piyasa Tarihlerini Tespit Etmek Zarureti " *Türk Tütünü*, no. 5 (25 July 1938).5; Erol Kösearif, "Ege Tütün Piyasası ve Satışların Borsaya Alınması," *Türk Tütünü*, no. 12 (15 November 1938).3.

[164]"Egenin 1939 Piyasası," *Tütün Mecmuası*, no. 20-21 (2 November-December 1939).16-8.

to "waiting for the Americans to receive purchasing orders from their headquarters."[165]

The determination of the market opening date received negative initial reactions from producers. In a 1938-dated letter written by one of tobacco producers from Seydiköy, a district of Izmir, it was perceived as a "secret agreement" among merchants against the producers. The author of the letter preferred the markets open on different dates, according to the "importance" of districts.[166] However, in the following years a consensus on the policy was reached among the merchants and producers. Four years later, none of the participants of the 1943 Tobacco Congress, including the producer representatives from Akhisar, Gavurköy, Ödemiş, Salihli, and Izmir Chamber of Agriculture, and merchants from Izmir Chamber of Commerce, objected to the practice as such, but rather they disagreed on its timing.[167]

The general consensus on the market opening policy as such and the disagreements on the timing were appropriated by the market actors in the post-war years. As stated in the report of the Domestic Markets Regulation Commission formed during the second tobacco congress held in Ankara in August 1950, this policy was to be maintained for the sake of both producers and merchants although it was seen as contrary to "liberal economic regime."[168] Hence, a policy which had been regarded as an extra-ordinary measure necessitated by the war conditions was

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[165]İhsan Arif, "Piyasaların Açılma Tarihleri," *Türk Tütünü*, no. 89-90 (1-15 February 1942).3,12.

[166]"Serbest Köşe: Seydiköy Tütün Ekicilerinden Ahmet Eker," *Türk Tütünü*, no. 12 (15 November 1938).3. For other complaints of producers voiced during the First Village and Agriculture Development Congress in 1938, see "Tütün Satışlarında Borsa Usulüne Doğru Gidilmek Mevzuu Bahis Midir?," *Türk Tütünü*, no. 16 (15 January 1939).5.

[167]*Tütün Kongresi - İzmir, 18/X/1943*.

[168]*Türkiye Tütün Kongresine ait Zabıtlar, 10.8.1950–17.8.1950*.84-7.

continued in the post-war era, specifically as late as 1948. From that time until 1986, TEKEL opened the tobacco market on the government-declared date when all buyers began the purchases.[169]

Along with the regulation on the market opening, TEKEL also began to play a more active role in price formation. The government first intervened into tobacco prices by declaring a minimum price for the Aegean market in 1942.[170] After the war, the pricing strategy was reexamined, and TEKEL formed a scale of price list according to quality and districts in 1945. As seen in the minutes of the Tobacconists Meeting called by the government and held in Ankara in 1947, the scale of the price list was used in the Aegean market after 1945. During the meeting, producers from Ödemiş, a district of Izmir, and Söke, a district of Aydın, requested the scale system be continued.[171] Hence, TEKEL began to make expertise for valuing quality and price in the mid-1940s.

The scale list method was used in the following years for other regions. TEKEL priced tobacco according to yield scales in the Aegean region and some parts of the Black Sea region, to a six-fold sort table in Black Sea and Marmara regions, and to a threefold sort table in eastern regions.[172] It meant the enhancement of the TEKEL's expertise services to value crop, and an increase in experts. Moreover, TEKEL declared "prime prices (*baş fiyat*)" for each region on market opening dates

[169]For the table of the market opening dates according to the crop year and regions until 1984, see Appendix C.

[170]"Mıntıkalara Göre Fiyat Tespiti," *Türk Tütünü*, no. 111-112 (1-15 January 1943).

[171]*Tütüncüler Toplantısı (17-19 Aralık 1947)* (Ankara: Ticaret Bakanlığı, 1948).

[172]Yeşne Aren, *Tekelin İlk Madde Alımları Fiyat Politikası: Tütün, Anason, Şerbetçiotu, Çekirdekli Kuru Üzüm ve Yaş Üzüm* (İstanbul: Tekel Genel Müdürlüğü, 1978).

every year.[173] The prime price was paid by TEKEL for the highest quality tobacco, meaning the highest yield (*randıman*) in the Aegean region or classified as the "first sort" in the Black Sea and Marmara regions. As long as TEKEL had a more central place in the tobacco market, prime prices became the key determinant of the price formation process.

By the early 1950s, TEKEL was the main regulatory institution in the tobacco market by opening the market on the declared date, determining prevailing sorts, and declaring prime prices. In addition to these responsibilities, it also was assigned support purchases. On 9 December 1948, the cabinet authorized TEKEL to make support purchases from the Aegean and Black Sea markets in the name and on the account of the state for the 1948 season.[174] In the following year, TEKEL was again authorized to make support purchases, but now without a region restriction.[175] It kept making support purchases in the name and on the account of the state with the annual authorization of governmental decrees during three decades after 1948.

All in all, the historical process in which TEKEL had become the monopoly was discussed above. There was a kind of institutional plurality in the representation of state in tobacco market during the 1940s as the legacy of two companies, the Turkish Corporation of Domestic Products and the Turkish Tobacco Limited Company, shows. TEKEL was revived by replacing the two companies and undertaking new roles. In addition to cigarette manufacturing and being the bureaucratic center, TEKEL began to open tobacco markets, value crops, declare prime prices, and make support purchases. All of these tasks fulfilled were directly

[173]For the table of the prime prices declared by TEKEL from 1955 to 1984, see Appendix D.

[174]PMRA Fon Kodu: 30.18.1.2 Yer No: 118.79.13 (9 December 1948)

[175]PMRA Fon Kodu: 30.18.1.2 Yer No: 121.87.16 (20 December 1949) Further discussion on the support purchases will be done in Chapter 6.

determined by the governments. The additional missions were introduced in the late 1940s, and institutionalized in the 1950s, the heyday of the victory of economic liberalism over etatism. The evidence shows that TEKEL was actually revived by the Democrat Party governments.

TEKEL occupied an essential, but not isolated, place in the tobacco market during the four decades on which this dissertation focuses. Now, it is time to leave TEKEL and introduce the second significant market actor, the tobacco merchants.

The Tobacco Merchants

The merchants were the second prominent group on the buyer side of the tobacco market. Let us first remember the legal requirements for working as a tobacco merchant from Chapter 3. According to the 1938 tobacco law, tobacco merchants had to be members of local chambers of commerce, and make the necessary application to their local TEKEL branches before purchasing season permits. The 1969 law added one more condition, that of having a residence certificate in the trading activity. Moreover, trading licenses would be registered by TEKEL after an investigation into the applicant's financial and professional situation. The new requirements were imposed to prevent common fraud cases in which the so-called merchants were cheating producers. Last, it was also necessary to have an exporter's license for which submission had been done by chambers of commerce since 1936.[176] Hence, those who were members of a chamber of commerce and had the required licenses could engage in tobacco business, at least in legal terms.

[176]Kemal Evliyaoğlu, *Özel Teşebbüs Rehberi* (Ankara: Tisa Matbaacılık, 1971).388-9.

Although it seems that legal barriers to entry into the tobacco market as a merchant were not high, the composition of merchants was stabile during the 45 years under discussion, except for the war years.[177] The stability owed a great deal to the importance of the special technical know-how necessary to purchase tobacco from producers, and to operate manufacturing factories. Especially in early years, the know-how was mainly carried by refugees who had fled from the fertile tobacconist regions of Macedonia, either before or after the compulsory population exchange between Turkey and Greece in 1923. Among many examples of the refugee impact, three are noteworthy: Mehmet Kavala, who immigrated from Kavala with his father, Tahir Kavala, in 1922. Their family business had been one of the biggest companies in the tobacco sector by the 1920s.[178] Like the Kavala, Hacı Bayram Kozluca also immigrated from Kavala. After the population exchange, the Kozluca family was settled first in Izmit, a city near Istanbul in Marmara region. He initiated tobacco agriculture and trading there, and then moved his business to Istanbul in 1927. After his death in 1955, the company was inherited by his son, Şevket Kozluca, and was active until the late 1960s.[179] The last example is the Akev Leaf Tobacco Trading Company. The company had been established in Salonika in 1870, and then moved to Istanbul in 1911. Abdi Fuat Akev inherited the company from his father. The

[177]During the war years, it was mainly criticized in the tobacco press that tobacco trading had become "at cross purposes" by lots of mergers and entrances of "irrelevant professions" into the market to "make money." For two examples depicting the "merchant boom" during the war years, see İhsan Arif, "Piyasada Hareketler ve Tütüncüler Birliği," *Türk Tütünü*, no. 85 (1 December 1941).3,6; Tütüncü, "Tütün Piyasasında Tipler - 10," *Türk Tütünü*, no. 132 (1 January 1944).6,11.

[178]"Kapaktaki Portre: Mehmet Kavala," *Tütün Dünyası*, no. 13 (January 1960).4.

[179]"Röportaj: Kozluca Yaprak Tütün Ticaret Müessesesi," *Tütün Dünyası*, no. 12 (December 1959).16-7,21. For the information on whether all of the companies mentioned in this section were still active in tobacco market by the early 1980s or not, see the tables of the merchants' lists according to the region in Appendix E.

Company became one of the biggest firms in the tobacco sector with several warehouses and branches all over the country,[180] at least until the late 1980s.

The influx of population from the productive tobacco regions of Macedonia to Turkey in the first two decades of the century provided the main human capital necessary for the development of the tobacco sector. The institutionalization of TEKEL by the 1930s led to the emergence of other source: after working for TEKEL and being promoted to the managerial positions, several TEKEL officials went into private tobacco enterprises. Three illustrative cases exemplify this type of transfer from state-led institutions to the private sector. After working ten years at TEKEL, including holding the positions of chief expert in Izmir and Manisa, Haydar Aryal went into the private sector in 1936. He worked as the expert of Herman Spierer Company, and at the same time engaged in big scale tobacco agriculture in Gavurköy. In the middle of the 1950s, he set up his own tobacco trading company and became one of the significant buyers in the Aegean market,[181] until the mid-1980s.

Unlike Aryal, the other two former officials of the state-led institutions established their own tobacco firms immediately after their resignations. Celal Umur worked for TEKEL for fourteen years and for the Turkish Tobacco Limited as the general director for six years until 1943. Then, he incorporated his Istanbul-centered company,[182] which was carrying on operations in Izmir. Finally, Nuri Yağlıkçı, who worked at TEKEL in the positions as an expert and chief expert for 20 years, opened

[180]"Röportaj: AKEV Yaprak Tütün Ticaret Şirketi," *Tütün Dünyası*, no. 4 (April 1959).20-3.

[181]"Kapaktaki Portre: Haydar Aryal," *Tütün Dünyası*, no. 8 (August 1959).2.

[182]"Kapaktaki Portre: Celal Umur," *Tütün Dünyası*, no. 6 (June 1959).2.

his own firm in Istanbul in 1949.[183] Yağlıkçı's firm was still a member of the Istanbul Tobacconists Association in 1984. All in all, the former officials who had gained their professional experience while working for TEKEL played constructive roles on the private side of the tobacco sector.

In addition to the Macedonian refugees and former officials of TEKEL, there was one last root of the bigger domestic companies in the Turkish tobacco market. As Chapter 3 discussed, the Black Sea tobacco market was always different from that of the Aegean regarding crop quality, purchasing methods, manufacturing types, and export markets. Due to the characteristic differences, there were tobacco companies operating only in the Black Sea market. The bigger ones of such companies were mainly owned by the long-standing and wealthy families of the region. Among them, the Nemlizade and Kefelizade families are worth discussion. Mithat Nemli inherited his 70-year-old firm in 1908. Centered in Istanbul, the Nemli Tobacco Company purchased Black Sea tobacco, and exporting mainly to one of the biggest German cigarette producer, Reemtsma, and to the Czech Monopoly. It had several warehouses in Istanbul, and branches in Samsun and Bafra.[184] The almost 200-year-old Nemli Company was still a member of the Istanbul Tobacconist Association in 1984.

The other outstanding family from the Black Sea region was the Kefelizades. The company had been established around 1880 by Hacı Mehmet Kefelizade, who also had been engaged in tobacco agriculture. With time, the company had opened

[183]"Röportaj: Nuri Yağlıkçı Yaprak Tütün Ticaret Müessesesi," *Tütün Dünyası*, no. 25 (January 1961).9-10.

[184]"Türk Tütünün Röportajları-6: 100 Senelik Bir Müessese: Mithat Nemli," *Türk Tütünü*, no. 6 (10 August 1938).10-1. For more on the Nemlizade family history and the fate of their warehouses in Istanbul, see Nalan Türkmen, "Nemlizade Tütün Deposu," http://www.uskudar.bel.tr/tr-TR/bilgi/Lists/Sunumlar/Attachments/1449/T07.pdf Accessed on 8 August 2012.

warehouses and manufacturing plants in Samsun, Bafra, and Erbaa. Like the Nemli Company, it exported to the German and Czech markets.[185] The company kept operating as a family business until the early 1960s.

To sum up, there were three main roots for the long-lived and powerful private firms in the Turkish tobacco sector: the Macedonian refugees, who already knew the tobacco business very well and had come to Turkey either before or after the 1923 population exchange; the former high ranking officials of TEKEL, who had gained professional experience at state institutions and decided to practice in the private sector; and the long-standing, wealthy families of the Black Sea region who had been engaged in the tobacco business since the late nineteenth century. These three groups established and ran the bigger domestic companies, and constituted the backbone of the private sector in the tobacco market. However, there were also two other group of buyers in the tobacco market, the foreign buyers and small-scale intermediaries.

The foreign buyers resembled the big domestic firms regarding business scales. They also purchased tobacco directly from the producers through their own local branches, stored crops in their own warehouses, manufactured in their own plants, and employed experts and workers in their operations. Indeed, their business activities were different from other importers who only bought manipulated tobacco from domestic firms. Such kind of foreign buyers in the Turkish tobacco market can be separated broadly into two groups, the American firms and companies partnered by other countries' tobacco firms or monopolies. For the former, American Tobacco, Gerry Tobacco and Glenn Tobacco should be mentioned due to the degree of their influence on the market; and for the latter, Herman Spierer, Austro-Turkish Tobacco,

[185]"Röportaj: Kefeli Yaprak Tütün Ticaret Müessesesi," *Tütün Dünyası*, no. 5 (May 1959).20-3.

and Dutch-Turkish Tobacco due to their longevity in the market. To take a closer look at their histories, the latter group is a good starting point.

Herman Spierer was a Geneva-centered company that opened a branch in Izmir in 1912. It owned tobacco manufacturing plants both in Istanbul and Izmir.[186] It mainly bought tobacco from the Aegean market until the mid-1980s. Dutch-Turkish Tobacco was also established in 1912 in Rotterdam, the Netherlands. It purchased tobacco from both the Aegean and Black Sea markets. The company had a modern manufacturing plant at Galata, Istanbul.[187] Austro - Turkish Tobacco was a company established by the Austrian tobacco monopoly in 1927. Similar to Dutch-Turkish Tobacco, Austro-Turkish Tobacco also bought tobacco from all regions, except the eastern market. It owned a big manufacturing plant at Hayrettin Ferry Port in Beşiktaş, Istanbul.[188] As a result of a great deal of mergers among the Turkish tobacco buyers by the late 1980s, Dutch-Turkish Tobacco and Austro-Turkish Tobacco were first merged under Dumont Tobacco, which then amalgamated with Herman Spierer under today's Alliance One Tobacco Company.[189]

Among the American companies, Gerry Tobacco and Glenn Tobacco were centered in North Carolina, and the American Tobacco of the Orient in New York. Gerry Tobacco had a big manufacturing plant at Kabataş, Istanbul, and several warehouses in production regions. According to an interview conducted with its executor in 1938, the company employed approximately 5,000 workers in its plants

[186]"Türk Tütününün Röportajları-4: Herman Spierer Ticarethanesi," *Türk Tütünü*, no. 4 (10 July 1938).10-1,13.

[187]"Türk Tütününün Röportajları-2: Felemenk Türk Tütün Şirketi," *Türk Tütünü*, no. 2 (10 June 1938).10-1,14.

[188]"Türk Tütününün Röportajları-3: Ostro Türk Tütün Şirketi," *Türk Tütünü*, no. 3 (25 June 1938).:10-1.

[189]Aydın Demir, interview by the author, note-taking, Manisa, Turkey, 14 December 2011.

in Turkey.[190] American firms purchased both from producers and imported from their domestic intermediaries or other domestic companies. While Glenn Tobacco and the American Tobacco were active in the Aegean market under their own names until the late 1960s, Gerry Tobacco was active until the mid-1980s.

The American companies were the biggest foreign buyers of Turkish tobacco, and thus had a decisive position in the market, which made their purchasing strategies and attitudes either appreciated or criticized. For example, while the demands of the American companies delayed the market opening date two times in 1939,[191] the postponement request for the 1948 market opening of Mr. Baxalys, the general director of the American Tobacco's operations in the Orient, was seen as an "informal and imperial demand."[192] The already-declared date for that year was not changed, and the Aegean tobacco market was opened on 20 December 1948. Moreover, the attitude towards Americans' pricing policies was also controversial. On the one hand, the American companies were appreciated for their high prices for best quality tobacco which exceeded even TEKEL's prime prices, especially before 1960.[193] One the other hand, they were criticized for the continual "price pressure" and "threatening attitudes" in the post-1960s period.[194]

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[190]Aryal, "Mıntıkaların Piyasa Tarihlerini Tespit Etmek Zarureti ".10-1,13.

[191]"Ege Piyasası Niçin Açılamadı," *Türk Tütünü*, no. 36 (15 Novermber 1939).3.

[192]"1948 Ege Kumpanyası," *Türk Tütünü*, no. 211 (1 January 1949).4,10-1.

[193]For some examples of the appreciative news, see İsmail Ziya Bersis, "Türk Tütünleri Karşısında Amerikan ve Alman Alıcıları," *Tütün Dünyası*, no. 12 (15 March 1939).2-3; "Ege Tütün Piyasası Dün Açıldı," *Milliyet,* 12 January 1954.7.

[194]For some examples of the blaming news, see Türkiye İş Bankası Genel Müdürlüğü İktisadi Araştırmalar Müdürlüğü, *Tütün Hakkında Rapor* (İstanbul: Türkiye İş Bankası, 1961).; "Ege Tütün Piyasası Bu Ay Sonundan Önce Açılmayacak," *Milliyet,* 4 January 1964.2.

The last group of tobacco buyers was made up of relatively small merchants and/or intermediaries. As the link between producers and big companies, these buyers purchased tobacco from producers, and sold to bigger domestic or foreign firms without manipulating the crop. They either worked as "agents" of a particular firm or made purchases in the name of several firms.[195] At the same time, they generally engaged in tobacco production themselves. Indeed, they were large scale and wealthy tobacco producers.[196]

In conclusion, the Turkish tobacco market was comprised of three groups of buyers besides TEKEL, big domestic companies, foreign firms, and small buyers. While the first two were manipulating the crops in their own warehouses and manufacturing plants, the small producers played only an intermediary role between big buyers and producers. At the same time, the small intermediaries were large scale tobacco producers.

The bigger domestic companies successful over the long term were established by mainly three groups, Macedonian refugee tobacconists, such as the Kavala or Akev companies; high ranking former officials of TEKEL, such as the Umur and Aryal companies; and wealthy, long-standing families from the Black Sea region, such as the Nemlizades and Kefelizades. Last, foreign companies also made large scale purchases from the Turkish market, either in their own names or via intermediaries. Among them, the American firms, the American, Glenn, and Gerry

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[195]For an example from the Akhisar merchants, Müzmin Karakaş, working as the agent of the Glenn Tobacco Company, see Tütüncü, "Akhisar Tütüncülerinden Tipler-2," *Türk Tütünü*, no. 213 (1 March 1949).6,13. For an example from the Akhisar merchants, Hüseyin Yenilmez, working for several firms, see Tütüncü, "Akhisar Tütüncülerinden Tipler-1," *Türk Tütünü*, no. 207 (1 September 1948).7-8. Both of them was large scale producers.

[196]For two examples of such merchant-producers; one from Samsun, Kemal Yemenici, and the other from Akhisar, Ali Raşit Karamanlı, see successively Tütüncü, "Tütün Piyasasındaki Tipler-3," *Türk Tütünü*, no. 117-118 (1-15 April 1943).6,10; Tütüncü, "Akhisar Tütüncülerinden Tipler-3," *Türk Tütünü*, no. 209 (1 November 1948).12-3.

Tobacco, had a powerful sphere of influence in the market. Hence, their policies received more public reactions, either appreciative or critical. Although the other foreign companies, Herman Spierer, Austro-Turkish and Dutch-Turkish Tobacco, did not play roles as decisive as the Americans, they survived as crucial participants of the Turkish tobacco market until the late 1980s. The above discussion presented who the tobacco merchants were. Now, I would like to explain first the forms of professional representation of merchants, and then their place in the market relative to TEKEL.

The Professional Representation of the Merchants: Their Organizations

Tobacco merchandise in Turkey historically relied on both long-lived and deep-rooted family businesses and foreign companies. Those powerful groups established professional organizations to represent their interests and impose their demands as early as the late 1930s. There had been separate tobacconist groups working under the chambers of commerce of Istanbul, Akhisar, and Bafra before this date,[197] but the foundation of an independent organization was initiated by the biggest and wealthiest tobacco merchants from Istanbul. Headed by Mithat Nemli, the Turkish Tobacconist Association (*Türkiye Tütüncüler Birliği*) officially applied for foundation status on 3 March 1938. The other managerial members were also well-known and respected figures of tobacco business, such as Hüseyin Kavalalı, Hasan Kozluca, and Munis Tekinalp.[198] Because of the duration of the bureaucratic

[197]İhsan Arif, "Tütüncülükte Birliklerin Rolü," *Türk Tütünü*, no. 74 (1 June 1941).3.

[198]"Haberler," *Tütün Mecmuası*, no. 15 (2 June 1939).22-4.

process, the charter of the Association was approved two years later in March 1941.[199]

The Turkish Tobacconists Association organized the first general meeting in May 1941. During the meeting, the board informed the members about the "businesses followed-up in Ankara," such as the recovery of debts from importer monopolies, tax issues, easing the export licensing process, and increasing the validity periods of licenses.[200] Following the first meeting, the association was not very active during the war years, except for participating into the 1943 tobacco congress. The short congress report of the Association was far from well-prepared or reflecting a well-defined organizational policy package compared to the one of leaf tobacco merchant group from the Izmir Chamber of Commerce.[201] Such inactivity led to rumors about the liquidation of the association. However, it was re-activated in 1944 by the newly-elected administration.[202] In the following years, the first separate organization founded by tobacco merchants from Istanbul, the Turkish Tobacconists Association, was kept active until the foundation of the Turkish Tobacconists Federation (*Türkiye Tütüncüler Federasyonu*) in 1952, after which it was called the Istanbul Tobacconist Association.

The Turkish Tobacconists Federation was founded under the presidency of Celal Umur in Istanbul on 10 October 1952. As stated in a 1952-dated memorandum written by Umur to the Prime Minister immediately after the foundation, there had been many prior attempts to establish one sole federation uniting tobacconists

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[199]"Tütüncüler Birliği Umumi Heyeti Toplanıyor," *Türk Tütünü*, no. 69 (1 April 1941).5.

[200]"Tütüncüler Birliğindeki Toplantı," *Türk Tütünü*, no. 73 (1 June 1941).6,12.

[201]*Tütün Kongresi - İzmir, 18/X/1943*.75-8,83-90.

[202]"Türkiye Tütüncüler Birliği," *Türk Tütünü*, no. 138 (1 July 1944).9.

associations all around the country, but those attempts had all failed.[203] The local tobacconists associations in Istanbul, Izmir, Bursa, Samsun, and Bafra were organized in the federation.[204] Among the federated local associations, the one in Bafra had been actively representing merchants' interests since 1940.[205] A former manager of the Kefeli Company, tobacco merchant and journalist Süleyman Türk, presided over the Bafra association for more than 20 years until the early 1960s.[206] Similar to the Bafra association, the one in Samsun was founded in the early 1940s.[207] The traces of the exact name of the Izmir association, the Aegean Tobacconists Association (*Ege Tütüncüler Derneği*), can be found earliest in 1950 in a report presented to the tobacco congress held in Ankara.[208] Indeed, the Aegean Tobacconists Association was the most active one among others in the following decades. In addition to representing members' interests and demands before other market actors like the other associations did, the Aegean Tobacconists Association began to gather and publish useful statistics and information about the tobacco

[203]PMRA Fon Kodu: 30.1.0.0 Yer No: 18.104.47 (12 October 1952)

[204]İhsan Arif, "Türkiye Tütüncüler Federasyonu," *Türk Ürünleri*, no. 264 (17 October 1952).2. The journal *Türk Tütünü* was published under the new name, *Türk Ürünleri*, by 1 April 1952.

[205]"Bafra Tütüncüler Birliğinin Toplantısı ve Kararları," *Türk Tütünü*, no. 62 (15 December 1940).5.

[206]"Bafra Tütüncüler Birliğinin Yeni İdare Heyeti Seçildi," *Tütün Dünyası*, no. 26 (February 1961).14-5. Süleyman Türk is the father of Hikmet Sami Türk, who was first the Minister of National Defense, and then Minister of Justice between 1999 and 2002.

[207]"Samsun Tütüncüler Birliği," *Türk Tütünü*, no. 107 (1 November 1942).7-10.

[208]*(Tütün Kongresi Münasebetiyle) Ege Tütüncüler Derneği Tarafından Hazırlanan Rapor* (Ankara: Dernek, 1950).

market by 1962.[209] The tables listing merchant members of local tobacconist associations in 1962 and 1984 can be seen in Appendix E.

Along with active local associations and the Turkish Tobacconists Federation, two new organizations were founded by group of tobacco merchants in the 1960s. The first, the Union of Turkish Tobacco Employers (*Türkiye Tütün İşverenleri Sendikası*), was founded on 29 March 1963, and chaired by Haydar Aryal by nine big merchants who employed workers in tobacco manufacturing plants.[210] The union signed the first collective labor agreement in the tobacco sector with the Aegean Food-Work Union (*Ege Tüm Gıda-İş Sendikası*) on behalf of 44 tobacco factories in the private sector in 1966.[211] The number of Union members increased during the 1960s. The thirty-four tobacco companies were affiliated with the Union in 1972, and 44 in 1984, as can be seen in Appendix E. The other organization, the Aegean Tobacco Exporters Association (*Ege Tütün İhracatçıları Birliği*), was founded by 14 exporters on 17 April 1969.[212] The chair of the association never changed during the period under discussion in this dissertation: Esin Özgener, the owner of the Özgener Company, headed the Association until 1984. The chair of the Turkish Tobacconists Association and one of the founders of the exporters' association, Haydar Aryal, explained why it was necessary to establish an exporter organization separate from

[209]In *Ege Tütün İhracatçıları Birliği 1984 Yıllığı*, it was stated that the annual publications were firstly issued in 1958 as "Descriptive Market Notes" (*İzahlı Piyasa Notları*). However, I can find the 1962 annual book as the earliest.

[210]Friedrich Ebert Stiftung, "Türkiye Tütün İşverenleri Sendikası," http://www.fes.de/fulltext/bueros/istanbul/00253030.htm#E11E214 Accessed on 10 August 2012.

[211]Can Şafak, "Türk-İş Tarihinden Bir Yaprak: Gıda İşkolunda Toplu Pazarlığın Ortaya Çıkışı ve Ege Tüm Gıda-İş Sendikası (1964-1967)," http://www.sendika.org/2007/11/turk-is-tarihinden-bir-yaprak-gida-iskolunda-grup-toplu-pazarliginin-ortaya-cikisi-ve-ege-tum-gida-is-sendikasi-1964-1967-can-safak/ Accessed on 16 February 2011.

[212]"14 Tütün İhracatçısı Ege Tütün İhracatçıları Birliğini Kurdu," *Milliyet,* 23 May 1969.9.

the Tobacconists Association. They had different interests from the intermediaries and agents.[213] Hence, the above-discussed structure of Turkish tobacco merchants led to an organizational separation in the early 1970s, when the bigger tobacco merchants preferred to create their own association. The Exporters' Association took over the informative mission of the Tobacconists Association, and began to publish annual books containing significant data about the tobacco market.

The tobacco merchants were organized under local chambers of commerce until the late 1930s. They initiated their own independent organizations, first the Turkish Tobacconists Association and then the Turkish Tobacconists Federation as a roof organization, to represent their interests and demands, especially before the government. The initiator merchants were mostly the owners of the biggest and well-known tobacco companies. In time, the organizations both expanded their membership and diversified in a way to reflect the interest differences among merchants. The structural differentiation and organizational diversification revealed in the foundation of two new organizations in the most developed tobacconist region in the 1960s, the Union of Turkish Tobacco Employers and Aegean Tobacco Exporters Association.

Representing the views and interests of the merchants, the organizations played the active roles in shaping the market. They held meetings before market openings every year, and negotiated with the government for market opening date determination. Besides negotiating with the governmental authorities on the opening date, they always kept their contacts to push their demands on issues such as credits, exchange and interest rates, supply and the distribution of cloth necessary for tobacco exportation. Moreover, the Turkish Tobacconists Federation was authorized to issue

[213]"İzmir'de Tütün İhracatçıları Birlik Kuruyor," *Milliyet,* 23 October 1968.2.

the required export licenses to tobacco exporters by the 1958 export season.[214] In the name of the Federation, the tobacconists associations of Aegean, Istanbul, and Samsun continued to execute licensing processes.

Merchants' organizations also played an information generating and gathering role in the Turkish tobacco market. The annual books contained serial data on the macro economic indicators of the market, and information about buyers and all merchant organizations. By the 1970s, they included a review article about the previous year's conditions from the merchants' points of view. In addition to the publications, they actively participated in tobacco congresses organized by the government in 1943 and 1950. They also organized important seminars and conferences on the Turkish tobacco sector in 1966 and 1977.[215] Hence, merchant organizations acted as information gathering centers and think-tank institutions.

Last, the separate organizations of tobacco merchants functioned as a kind of control mechanism over members, who were competitors in the market. Indeed, the first organizational attempts were met with suspicion by the older generations. For example, in 1941, one of the older merchants replied to the invitation of a younger colleague to the newly founded association that unity among tobacconists was

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[214]"Türkiye Tütüncüler Federasyonu Kongresi," *Tütün Dünyası*, no. 12 (December 1959).12-4,27-9. The export licenses had been issued by the Ministry of Commerce. To shorten the bureaucratic process, the Federation applied to the Ministry, and took the mission onto its own shoulders in the early 1950s. However, it led unrest among the merchants since some of them did not approve the authorization of certain merchants over others. Then, the regional directorates for trade were authorized for licensing in 1955. For these changes, see "Tütün İhracatçılarının Lisansını Vekalet Verecek," *Milliyet,* 22 February 1955.5; "Tütün İhraç Lisansları," *Milliyet,* 8 June 1955.2. The institutional uncertainty was removed in 1958 by the re-authorization of the Federation.

[215]I found the seminars' folders in the personal archive of Orhan Özet, ex-general directorate of TEKEL. Özet donated his archive to the library of Tobacco Experts Association in Izmir. The folders were named "Izmir Chamber of Commerce-Tobacco Seminar, 13-15 June 1966" (*İzmir Ticaret Odası Tütüncülük Semineri, 13-15 Haziran 1966*) and "The Seminar on the Problems of Tobacco and Tobacco Products Industry, 24-26 October 1977" (*Tütün ve Tütün Mamulleri Sanayi Sorunları Semineri, 24-26 Ekim 1977*).

impossible since each of them resembled a "lion hunting alone."[216] The suspicion and distrust among merchants seems not to have changed very much even though their organizations developed in time and worked more efficiently for their overall interests. As stated by Ali Borovalı, the owner of today's Anadolu Frana Tobacco Company as the successor of Vefa Borovalı Company established in 1954, tobacco merchants shake with one hand, and hold a gun in the other.[217] If we continue with Borovalı's metaphor, merchant organizations not only ensured the persistence of the "shaking hands" image, but also removed the possibility of firing "guns" at each other.

One episode from 1961 may be helpful to exemplify the second point. On the eve of the 1961 Aegean market opening, "underhand sales" became very widespread in December, especially following the official declaration of the opening date as 8 January 1962 despite the official ban on such kind of sales. The board of the Tobacconists Federation resigned as a body arguing that such sales "dragged the market into a deadlock." When word of the mass resignation was heard in the region, the merchants met at "midnight" and signed a protocol to put a stop to those sales until the official market opening date.[218] The protocol promised provided not to "fire loaded guns" against each other, and the board of the Federation was persuaded to remain in office until the next annual meeting.

To sum up, the tobacco merchants represented their views and interests before other market actors through their own professional organizations. They actively pushed their demands about market conditions, credits, interest rates, and

[216]Arif, "Piyasada Hareketler ve Tütüncüler Birliği."

[217]Ali Borovalı, interview by the author, note-taking, Izmir, Turkey, 13 December 2011.

[218]"Ege Bölgesi Mübayaalarında Tüccarlar 'Elaltı' Anlaşmaları Yapıyorlar," *Tütün Dünyası*, no. 36 (December 1961).4.

export-easing policies. They represented themselves not only in the government-initiated meetings and congresses, but also organized several seminars. The organizations also produced useful publications presenting annual market conditions in detail. In addition to their roles as interest representatives, market information gatherers and public discussion initiators, the merchant organizations also acted controller bodies within their own profession. They intervened into business conduct and competition strategies of their members whenever it was necessary to frame the rules of the game. Hence, rephrasing Borovalı's powerful metaphor, merchant organizations not only made their members shake the competitor's hands, but also kept guns at least unfired. Now, a closer look at the merchants' relative position in the tobacco market will be taken.

Tobacco Merchants in the Market

The buyers in the Turkish tobacco market were comprised of both tobacco merchants and TEKEL. To understand merchants' position relative to TEKEL in the market, it is first helpful to compare their activity level throughout the era. Figure 10 shows the percentages of merchants' purchases from total production between 1943 and 1982.[219]

[219]The data used in the figure are gathered from these sources: *Yaprak Tütün* (Ankara: TEKEL, 1955).; *Ege Tütün İhracatçıları Birliği 1971 Yıllığı* (İzmir: Ticaret Matbaacılık, 1972).; *Ege Tütün İhracatçıları Birliği 1984 Yıllığı* (İzmir: n.p., 1985). For the years 1953 and 1954, I can find no data in the sources.

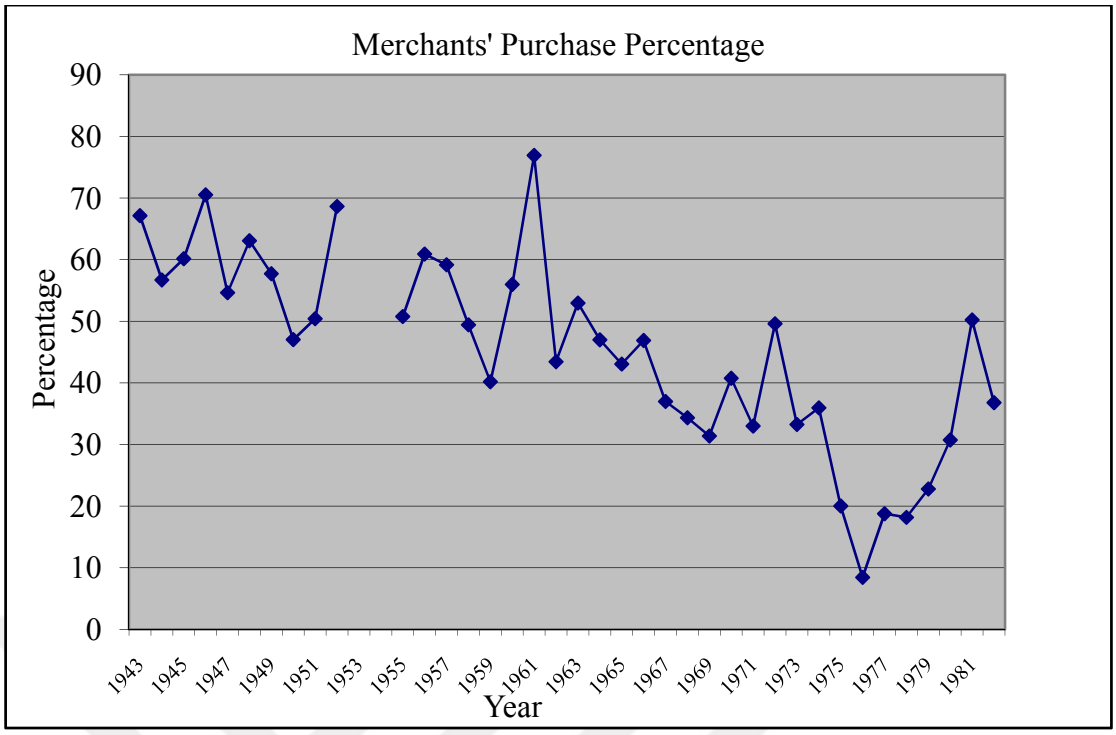

Figure 10: The percentages of merchants' purchase from total tobacco production in Turkey between 1943 and 1982

Figure 10 shows that the merchants' share in total purchases had a highly volatile movement of around 60 percent in the first two decades. After the historical peak of 76 percent in 1961, there was a downward trend until 1978, when merchants could buy only 18 percent of the total production. Following the historical bottom, the share rapidly recovered to the level of 50 percent in 1981. Figure 10 indicates that the merchants were more active participants of the tobacco market compared to TEKEL until the early 1960s. Except for the downward trend before and after the 1958 devaluation,[220] the merchants managed to buy more than half of the total tobacco production. Although the share was well below the level of 50 percent during the 1960s, they still occupied a significant place in the market by purchasing amounts around the two-fifths of total production. A striking change in their relative

[220]The 1958 devaluation increased the exchange rate of Turkish Lira to US dollar from 2,8 to 9. For more on the 1958 economic crisis, see Gülten Kazgan, *Türkiye Ekonomisinde Krizler, 1929-2001* (İstanbul: İstanbul Bilgi Üniversitesi, 2005).

position, however, was seen in the 1970s when TEKEL dominated the market, especially from 1972 to 1979.

The general declining trend seen in Figure 10 leads us to examine historical dynamics of the relation between TEKEL and tobacco merchants, at least until the atypical decade, the 1970s. Merchants were at first skeptical about the newer roles worn by TEKEL during and after the war years, which the previous section analyzed. They were prone to see some of the enhancing missions of TEKEL as consequences of extra-ordinary wartime conditions, and therefore as temporary. This attitude was exemplified by their complaints about TEKEL's leaf tobacco exportation in the 1940s.

TEKEL began to buy more tobacco than its industrial needs in the 1940s. To sell excess stocks, it engaged in the leaf tobacco export business, as the tobacco merchants did. The merchants raised their voices against the "competition" of TEKEL for the first time in 1943. They criticized the competition severely during the 1943 tobacco congress, and asked TEKEL not to supply export markets with stocks to the "detriment of merchants."[221] Then, they brought up the issue again in the tobacconists meeting called by the government to discuss the 1947 market. The merchants demanded the government not allow TEKEL's exports "in and out of season" since those acts were "damaging free market conditions."[222]

The tobacco merchants formulated their complaints and prohibitionist demands more explicitly in the 1950 congress. In reports prepared for the congress, both the Turkish Tobacconists Association and the Aegean Tobacconist Association argued that TEKEL was acting like a competitor, trying to "steal their clients." The

[221] *Tütün Kongresi - İzmir, 18/X/1943*.

[222] *Tütüncüler Toplantısı (17-19 Aralık 1947)*.

leaf tobacco trade of TEKEL was allegedly leading to "unjust" situations. Both associations said that TEKEL should "mind only its own business," and leave their own business to them.[223] During the congress discussions, the representatives of tobacco producers opposed the merchants' criticisms more than the government representatives. All of the producers who spoke on the issue defended the necessity of the TEKEL's "protection" in the market. As one of these representatives, İbrahim from Gavurköy, said that the "real tiger" was not TEKEL confronting the merchants, but was really "some merchants" confronting "them, the poor producers."[224]

With a calmer language than the producers, the government representatives pointed out the link between the TEKEL's trade and support purchases hinting the inevitableness of leaf tobacco exporting. In the end, the congress rejected the merchants' proposal on the prohibition of TEKEL's leaf tobacco trade. The majority decided to keep TEKEL out of restriction completely in its commercial decisions.[225] As a result, the 1950 tobacco congress put an end to merchants' prohibitionist demands. Still, they kept arising criticisms about the TEKEL's competition during certain incidents in the post-1950 era.

Merchants began to learn to "live with" TEKEL, which took over many more responsibilities in the tobacco market by the 1950s. They understood that TEKEL's new missions were not temporary, and had particular socio-economic meanings. Indeed, they also benefitted from some of the TEKEL's regulations, such as the official declaration of market opening or pricing scales, which cleared the traditional uncertainties of the tobacco market. In addition to the benefits of regulatory

[223]Türkiye Tütüncüler Birliği, *Türkiye Tütüncüler Birliği'nin 1950 Tütün Kongresine Sunduğu Rapor* (İstanbul: n.p., 1950).; *(Tütün Kongresi Münasebetiyle) Ege Tütüncüler Derneği Tarafından Hazırlanan Rapor*.

[224]*Türkiye Tütün Kongresine ait Zabıtlar, 10.8.1950–17.8.1950*.114.

[225]Ibid.115.

certainty, the tobacco merchants transformed some instruments of the new system to their own interests. While TEKEL had been directly buying from tobacco producers as usual, the merchants sometimes pushed for an unusual implementation of that purchasing policy. Seemingly as an extra-ordinary measure, they wanted TEKEL to purchase their own stocks they had been unable to sell in previous years. The merchants reached their goals for such an unusual sale to TEKEL, at least in the late 1950s.

On 13 January 1958, seven merchants from Bafra sent a telegraph to the Prime Minister, Adnan Menderes, requesting his "favorable guidance" to make TEKEL buy their tobacco, which remained unsold from the 1955 season. In the reply, the Ministry of Customs and Monopolies expressed disapproval at purchasing the stocks in the hands of merchants, reminding them of the previous refusal of similar requests made by the Turkish Tobacconists Federation in December 1957. As the reason for the disapproval, the Ministry stressed that making purchases from merchants was not only contrary to the laws, but also seen inadvisable.[226] Despite the refusal, however, TEKEL was authorized to purchase approximately four million kilograms of tobacco belonging to 1955 and earlier seasons from merchants with a governmental decree issued on 9 June 1959.[227] Moreover, the delegated authority to TEKEL was broadened for the unsold stocks remained from 1956 and 1957 seasons only two months later, on 14 August 1959.[228] Both decrees were based on the National Defense Law.

[226]PMRA Fon Kodu: 30.1.0.0 Yer No: 79.495.10 (14 February 1958)

[227]PMRA Fon Kodu: 30.18.1.2 Yer No: 152.29.20 (9 June 1959)

[228]PMRA Fon Kodu: 30.18.1.2 Yer No: 153.45.4 (14 August 1959)

TEKEL's purchases from merchants began immediately after the issue of the decrees. Three expertise committees were formed by TEKEL, and they managed the purchasing process in collaboration with the Turkish Tobacconists Federation.[229] As stated by one of the most important professional journals of tobacco sector, *Tütün Dünyası*, the purchase was historically exceptional since it was the first time TEKEL had bought such a big amount from merchants.[230] Indeed, the "exceptionality" caused financial difficulties for TEKEL that it could not pay the total debt of 70 million lira generated by the purchase at once. Merchants used TEKEL's inability to pay the total debt as a trump card, and declared that they could not enter into the 1960 market until the payments had been made.[231] The card was seen by the government, and in the end, by another government decree on 13 February 1960, TEKEL was authorized to take over merchants' bank debts in return for purchases.[232] All in all, in the last days of the Democrat Party government, TEKEL was obliged not only to purchase the unsold stocks of merchants, but also to take over their bank debts.

The successful result reached by tobacco merchants in the late 1950s encouraged them to raise similar demands once more in the mid-1960s. In 1964, the Istanbul Chamber of Commerce applied to the Ministry of Customs and Monopolies to sell unsold crop from the 1962 season.[233] During the negotiations between merchants and ministry representatives, the issue became a heated public debate. In

[229]"İnhisarlar Mübayaası," *Tütün*, no. 116 (22 November 1959).319.

[230]"İnhisarların Tüccarlardan Yaptığı Yaprak Tütün Alımı," *Tütün Dünyası*, no. 11 (November 1959).3.

[231]"Ege Ekici Tütün Piyasası Yirmi İki Şubatta Açılıyor," *Milliyet,* 12 February 1960.3.

[232]PMRA Fon Kodu: 30.18.1.2 Yer No: 154.78.19 (13 February 1960)

[233]"Tüccar Geçen Yıldan Kalan Tütünü Tekelin Almasını İstiyor," *Milliyet,* 21 July 1964.2.

influential articles, Çetin Altan, a leftist journalist and deputy of the Workers' Party of Turkey from 1965 to 1969, questioned the relation between the merchants and the state.[234] Altan described the intended operation as "plunder" meant to enrich certain individuals with state resources. In the reply of the Tobacconists Federation to Altan's articles, Celal Umur defined the situation as "exceptional." Their demand should be seen as a non-distorting measure to "save" local merchants, especially those from the Black Sea and Marmara regions. To normalize the "exceptionality," Umur also reminded that one of the competitor tobacco exporting states had been already guaranteed to purchase exporters' stocks.[235]

In addition to the Tobacconists Federation, the Turkish Union of Chambers of Commerce, Industry and Commodity Exchanges defended TEKEL's purchase as the "sole remedy" to "rescue" the small merchants in their negotiations with the government.[236] However, this time, the tobacco merchants could not persuade the government authorities on TEKEL's purchase not only because of the general public criticisms initiated by Altan, but also because of the new mentality of the planned economy period opened by the 1960 coup d'état. In March 1965, the Minister of Customs of Monopolies declared that the government had decided not to authorize TEKEL to purchase from merchants in accordance with the advices of technocratic committees formed under the ministry for the issue.[237] At the end, tobacco merchants

[234]Çetin Altan, "Taş: İki Milyon Gitmek Üzere," *Milliyet,* 11 October 1964.2.; Çetin Altan, "Taş: Mızraklar ve Çuvallar," *Milliyet,* 14 October 1964.2.; Çetin Altan, "Taş: Tütüncülerin İddiası ve Cevabımız," *Milliyet,* 25 October 1964.2.; Çetin Altan, "Taş: Süzgeçten Geçirince," *Milliyet,* 13 November 1964.2.

[235]Altan, "Taş: Tütüncülerin İddiası ve Cevabımız."

[236]*1966'da Türk Tütüncülüğünün Durumu* (Ankara: Türkiye Ticaret Odaları, Sanayi Odaları ve Ticaret Borsaları Birliği, 1966).

[237]"Tüccar Elindeki Tütünü Tekel Satın Almayacak," *Yeni Asır,* 19 March 1965.5.

had to content themselves with an export tax rebate for the previous seasons' tobacco stocks decided on by the first Demirel government on the eve of the 1969 elections, on 3 March 1969.[238]

To sum up, the tobacco merchants played market-shaping roles as significant as that of TEKEL. They ran powerful companies for years, and organized their own professional associations to represent their own interests. Until the mid-1960s, they purchased around half of the total production. The dynamics of their relations with TEKEL underwent significant changes throughout the period under discussion. While their opposition to TEKEL's "competition" left marks on the relationship in the 1940s, the merchants seemed to have learned how to "live with" TEKEL in the following decade. They welcomed some of the responsibilities newly taken by TEKEL, such as the declaration of market opening dates or pricing scales, which removed the uncertainties of the tobacco market. Moreover, they benefitted from the existence of the revived TEKEL loaded with several missions that they had pushed in line with their own interests, for example the excess stock problems.

As discussed in detail, the buyer side of tobacco market was comprised of both TEKEL as the representative of the public sector and the tobacco merchants as the private sector. Now, we can draw our attention to those who formed links between buyers and producers, tobacco experts.

The Tobacco Experts

Tobacco experts played a pivotal role in the tobacco market as the apparent representatives of the buyers before the seller producers. They were technicians who

[238]PMRA Fon Kodu: 30.18.1.2 Yer No: 230.14.7 (3 March 1969)

actually determined and decided on the quality of tobacco from the production in the fields to the manufacture in the cigarette factories. They were also the authorized arbitrators in resolution of disputes between buyers and producers. To be able to work as an expert, it was necessary to have a valid license as of the approval of the first regulation, the Tobacco Experts Regulation (*Tütün Eksperleri Nizamnamesi*) on 30 March 1936.[239] According to the regulation, the requirements for getting a license were stated as "to be Turkish, have contractural capacity, be at least a secondary school graduate, having completed the necessary internship and passed the licensing exam."[240] The requirements were also kept in the 1939 statute of Law No. 3437, as stated in Chapter 3.

By the beginning of the licensing process as of the approval of the first regulation in 1936, those already working as experts had applied to TEKEL. Depending on the regulation, 662 applicants had taken their licenses between 1936 and 1941. Among them, there were also well-known tobacco merchants, such as Mithat Nemli, Mehmet Kavala, Abdi Akev, Süleyman Borovalı, and Recep Kozluca.[241] Following the first licensed experts, the education of new tobacco experts was carried on by TEKEL. It opened five-year courses including two-year internships from 1937 to 1973. During 36 years, 379 tobacco experts were graduated from the courses.

The 1969 tobacco law stated that the Tobacco Experts High School was established by TEKEL in Istanbul in 1975. The school first gave a two-year education until 1978, and then a three-year between 1978 and 1982. The High School

[239]PMRA Fon Kodu: 30.18.1.2 Yer No: 63.24.5 (30 March 1936)

[240]Naşit Yılmaz, *Türkiye'de Tütün Eksperliği Mesleği ve Tarihsel Gelişimi* (İzmir: Tütün Eksperleri Derneği, 1995).41-6.

[241]Ibid.85-93.

granted a diploma to 98 experts in seven years.[242] All in all, there were not many tobacco experts during the fifty year period under discussion. From the 1930s to the 1980s, approximately 1100 individuals were licensed, including all kinds of experts working in different phases of tobacco purchasing, blending, manipulation, and handling.

For Whom to Work? Divisions among the Experts

Tobacco experts could work for TEKEL or the merchants. While course graduates continued their professional life in TEKEL, merchants' experts mainly had been trained in "practice." From different backgrounds, the two expert groups had different priorities. As stated by one of the still-prominent tobacco merchants, Ali Borovalı, the merchants did not like to employ course graduates because they were not of the same mind as TEKEL on the "job definition" of experts. The course graduates used to have a business conduct governed by a "statist" mentality, not an "entrepreneurial" one. They had not even known how to bargain.[243] On the other hand, the TEKEL-trained experts thought that TEKEL education had overcome the inherited elitism of the tobacco sector. As stated by Ahmet Hamdi Gümüş, "Istanbul gentlemen" had dominated the profession before TEKEL opened courses which enabled "Anatolian people" to serve the public interest.[244] The striking difference of the two perspectives, indeed, had its roots in the prevailing division of "schooled versus self-taught" among tobacco experts that had existed from the beginning.

[242]Ibid.23-33.

[243]Ali Borovalı, interview by the author, note-taking, Izmir, Turkey, 13 December 2011.

[244]Ahmet Hamdi Gümüş, interview by the author, note-taking, Izmir, Turkey, 12 December 2011.

TEKEL's dominance in training new experts was not welcomed by private sector when it first initiated. To protect their rights and push their own demands, the experts working for the private sector formed their own organization in Izmir in 1944, the Izmir Tobacco Experts Association (*İzmir Tütün Eksperleri Cemiyeti*). In a report presented to the 1950 Tobacco Congress, the association severely criticized TEKEL mainly because of the "deliberate ineffectiveness" to train experts for the private sector. Arguing that the current regulation restricted private sector efforts to train experts, they proposed the adoption of a new regulation. According to the Izmir association, the new regulation should remove the obligation to be a high school graduate, and find literacy sufficient for the qualification for an expert license. Moreover, the private sector experts, like course graduates, should have the right to do internships at TEKEL factories to become blending experts. In other words, the proposed regulation sought to abolish TEKEL's "monopoly" on expert training.[245] The first fully formulated opposition of private sector experts, however, had no power to change the system. TEKEL continued to train its own experts first by courses and then high school education, and the private sector by "employing in practice."

The professional duality between TEKEL and private sector experts also diversified their organizations. While the private sector experts founded their association in Izmir, the ones working for TEKEL established the Tobacco Experts Association (*Tütün Eksperleri Birliği*) in Istanbul in 1949.[246] In a report prepared for

[245]İzmir Tütün Eksperleri Cemiyeti, *İzmir Tütün Eksperleri Cemiyetinin 10 Ağustos 1950 Tarihli Tütün Kongresi İçin Hazırladığı Rapor* (Ankara: Cemiyet, 1950).

[246]There was actually one another organization formed by tobacco experts. Depending on the 624 No State Personnel Law, the Union of Tobacco Experts (*Tütün Eksperleri Sendikası*) was established in July 1965 in Istanbul. However, I could find nothing about the union except a paper named "*Türk Tütüncülüğünde Enformasyonun Yeri ve Önemi*" presented in a tobacco seminar organized by the Izmir Chamber of Commerce on 13-15 June 1966. The

the 1950 Tobacco Congress, the association called for the necessity of "strengthening the expertise institution as a whole" in the face of "professional authority crises."[247] However, the Tobacco Experts Association failed to meet the defined need. At the general meeting held on 12 October 1958, the members complained about the ineffectiveness of the association in the previous ten years, even about bringing solutions to their professional problems. Although the administration met the criticisms with an excuse of members' neglect,[248] the meeting was a turning point of the process. The administration was changed,[249] and the association became an active organization in the following two decades. As an indication of the activation, the association published a professional magazine, *Tütün Dünyası* (Tobacco World), from 1959 to 1962. It worked for regulatory changes to the State Personnel Law to improve personal rights of Monopoly experts in the first half of the 1960s, and actually achieved their demands in 1966.[250] Moreover, the association had a great influence on the preparation of Law No. 1177 of the Tobacco and Tobacco Monopoly, enacted in 1969.[251]

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seminar papers are found in the personal folders of Orhan Özet, located in the archives of the Tobacco Experts Association in Izmir. The 1969 tobacco monopoly law named the "Union of Tobacco Experts" as a part of National Tobacco Board. However, I think it meant the Tobacco Experts Association, rather than the Union.

[247]Tütün Eksperleri Birliği, *Tütün Eksperleri Birliği Raporu* (İstanbul: Birlik, 1950).

[248]"Tütün Eksperleri Birliği Kongresi," *Tütün Dünyası*, no. 1 (January 1959).36,42.

[249]For the next general meeting of the association in which the cricitisims against the administration were raised, see "Tütün Eksperleri Birliği Kongresi," *Tütün Dünyası*, no. 9 (September 1959).3-8,17. For the 1960 general meeting of the association in which Orhan Özet, one of the most influential managers of TEKEL from the early 1960s to 1980, was elected to the administration, see "Tütün Eksperler Birliği Yıllık Kongresini Yaptı," *Tütün Dünyası*, no. 21 (September 1960).16.

[250]Orhan Özet, *Tütün Üzerine Konuşmalar, 1965-1980* (İzmir: Güney Ajans, 1992).9-11.

[251]Yılmaz, *Türkiye'de Tütün Eksperliği Mesleği ve Tarihsel Gelişimi*.25.

The increasing forcefulness of the Tobacco Experts Association was concurrent with improvements in the TEKEL experts' professional conditions. Indeed, working as a TEKEL expert generally had been associated with hard, backbreaking and miserable conditions, especially before the 1960s. They suffered low wages, bureaucratic barriers to be promoted, and backbreaking working conditions under which they travelled all around the country year round and not stay at TEKEL facilities.[252] Moreover, their workload increased as a result of the increased duties of TEKEL in the 1950s. Starting in 1953, TEKEL experts began receiving an additional service payment to compensate the increasing workloads.[253] This additional service payment was significantly improved under the name of "support premiums" in the 1960s. The financial and material conditions of the experts were made better not only by changes in the State Personnel Law but also in upgrades of the training requirements. As reported by two of my interviewees who had worked as tobacco experts until the privatization of TEKEL, tobacco expertise became a prestigious and comparatively high earning profession among other civil servants by the late 1960s, despite the still-difficult working conditions.[254]

[252]*Tütün Eksperleri Toplantısı, 23-26 Ağustos 1954* (İstanbul: İnhisarlar Umum Müdürlüğü, 1954).; Bir Eksper, "Bu Mesleğin Dertleri," *Tütün Dünyası*, no. 18 (June 1960).3-4.

[253]The compensation was mentioned in the report named "V-The Report about the Trading (Leaf Tobacco) Department" (*Ticaret Grubu (Yaprak Tütün Dairesi Başkanlığı) Konuları Hakkında Rapor*), dated on August, 24 1980. The report is a part of the personal folders of Adnan Raşit Günay in the library of the Tobacco Experts Association in Izmir.

[254]Ahmet Hamdi Gümüş, interview by the author, note-taking, Izmir, Turkey, 12 December 2011.; Vakıf Mercimek, interview by the author, note-taking, Manisa, Turkey, 14 December 2011.

Resistance to What? Experts in the Market

Tobacco experts were the actual face of the buyer from the producers' point of view whether they worked for TEKEL or merchants, and whether under harsh or improved conditions. Before market openings, the experts went to every production region, and determined the crop yields with a special calculation method for each producer. Purchases in the Aegean market were done according to those determination notes. The final crop bales were transferred to the buyer within the warehousing period, which was almost one to three months after purchases. In other production regions, experts purchased final bales in either the villages or the warehouse by experting them once more after their determination trips. All in all, they were the ones who decided on the quality and price of the producer's crop at the subsequent moments of determination, purchasing and warehousing. Having a face-to-face relationship with the producers at those specific moments, the tobacco experts were either the targets of appreciation or of serious conflicts as a result of their decisions.

TEKEL became a more significant actor in the tobacco market by the late 1940s, and the process was far from free of problems, as discussed above. In this period, TEKEL experts were seen as the main source of the problems, especially by producers. There were many complaints about the insufficient number of experts. For example, according to a letter written by the Manisa Tobacconists Association to the Manisa Chamber of Commerce and Industry in December 1948, there was only one TEKEL expert on duty in the whole region. The Association requested the Chamber to make the necessary contacts to increase the number of experts in the region.[255]

[255]"Şikayetler Artıyor, Tütün Fiyatı Kırılıyor," *Yeni Asır,* 25 December 1948.1,4.

Indeed, the lack of staff was admitted by TEKEL managers. As declared by Kenan Yalter, the general director of TEKEL of the time, they were aware of the problem, but did their best under the given conditions.[256] During TEKEL's "revival" process, although TEKEL tried to schedule the activities of experts better by seasonal tasks and regions, the necessity for more experts remained a problem in the mid-1950s. Forty-six men did the work of 74 during the 1954 Aegean market. There were only 12 of the needed 49 experts in the Black Sea region.[257]

Along with the insufficient number of experts in the early years, TEKEL experts were widely accused of professional inadequacy. The producers thought that they were inexperienced and unable to determine crop value fairly. According to an incident told by a producer during a meeting of the Tobacconists Association held in Manisa in February 1949, while the tobacco bales of a producer from Papazlı village had been classified as "to be burnt (*ihrakiyelik*)" by TEKEL expert, they had been bought as first grade by the American Tobacco Company expert who, in the producer's own words, "rescued him from falling off a absolute cliff."[258] The complaints about incorrect assessments by TEKEL experts were also voiced by producers during the 1950 Tobacco Congress. They demanded TEKEL take the necessary actions immediately against the malpractices. One producer from Gönen declared "TEKEL should cast out unqualified experts."[259] The face-to-face and open

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[256]"B. Kenan Yalter Resmi Bir Dille Herşeyin Yolunda Olduğunu Söylüyor," *Yeni Asır,* 24 December 1948.2.

[257]"Ege Tütün Piyasası Dün Açıldı."

[258]"Tütüncüler Derneği," *Yeni Asır,* 12 February 1949.2. *"Benim enfes tütünüme Tekel eksperi ihrakiye adını verdi. Aynı tütünü The American'ın eksperleri birinci diye aldılar. Beni muhakkak bir uçurumdan kurtardılar."*

[259]*Türkiye Tütün Kongresine ait Zabıtlar, 10.8.1950–17.8.1950*.91. *"Gönen'den İhsan: Ehil olmayan eksperi kolundan tutup atmak gerek."*

to personalization relationship between experts and producers sometimes paved the way for producers to take their own actions to "cast out the experts," as seen in the dramatic events that occurred in 1952.

In the first months of 1952, there were three successive incidents in which tobacco producers used violence against experts as a consequence of unresolved disagreements about the expertise. In Düzce, the chief expert of the local TEKEL branch in Kocaeli, Mustafa, was beaten in the middle of the street by the tobacco producers. In Samsun, some producers attempted to shoot one expert, Bülent, as he was leaving for work in the morning. The most violent incident was a murder that occurred in Bafra. TEKEL expert Kemal was strangled by four tobacco producers in front of TEKEL building following an argument about his expertise.[260] All successive violent incidents alarmed both experts and TEKEL administration. The professional journals of the tobacco sector condemned violent actions in the strongest terms, and called on the producer associations to take action. In the journal articles, it was underlined that the real value of tobacco was determined by the producers themselves, not by experts who could only act upon the instructions. The producers could get what they wanted only if they would fulfill the agricultural requirements of high-grade tobacco cultivation as defined in the regulations.[261] TEKEL warned the experts not to act as "gendarme or tax collectors." As they represented TEKEL in public's eyes, the administration requested an understanding for the "nervous psychology of the producers" during the purchases. The experts should behave in a

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[260]Coşkun, "Tütün Müstahsil Birlikleri İş Başına."5,12.

[261]Ibid.; "Kısa Öğütler: Utandım Doğrusu," *Türk Ürünleri*, no. 253 (1 May 1952).9; Sait Coşkun, "Tütüne Nasıl Kıymet Biçilir?," *Türk Ürünleri*, no. 262 (15 September 1952).4-5.

"soft, good-humored manner" with the producers, and strive to convince, not coerce or argue with them.[262]

The tobacconist public and TEKEL took condemnatory stands against the 1952 incidents. However, these events were not the sole example of violent confrontation between experts and producers. Such incidents occurred once more in 1960. Unlike the 1952 events, the 1960 one is still remembered by today's experts as the "sole murder case" in their history.[263] On 5 July 1960, TEKEL expert Abdullah Dölgen was shot by a tobacco producer in TEKEL building in Erbaa following an argument about the quality of the producer's bales.[264] After the shocking event, four experts working in Erbaa were immediately withdrawn to the center, and a group of five experts from Manisa were appointed there.[265] According to the Black Sea region-based journal *Tütün*, the incident dramatically showed the life-threatening extreme of pressure caused by government concessions made to the producers in the previous years. For that causation, the journal gave another example of the banishment of four experts from Samsun on the Minister's order upon the producer complaints. It called protecting the experts, whose "only mistake was doing their job honestly by resisting all kinds of pressure."[266]

The themes of "honesty" and "resistance to external threats" recurred in the construction of the expert professional identity in the following years. The insistence

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[262]*Tütün Eksperleri Toplantısı, 23-26 Ağustos 1954*.

[263]Ahmet Hamdi Gümüş, interview by the author, note-taking, Izmir, Turkey, 12 December 2011.

[264]"Şehidimizin Ardından," *Tütün Dünyası*, no. 19 (July 1960).6-7; "Kahpe Kurşun Bir Eksperimizin Canına Kıydı," *Tütün*, no. 132 (22 July 1960).182,188.

[265]"Erbaa Faciası," *Tütün*, no. 133 (7 August 1960).203.

[266]"Tütün Eksperlerinin Hayatlarını Taht-ı Ziman ve Kekalete Alalım," *Tütün*, no. 134 (22 August 1960).211-3; "Abdullahın Ardından," *Tütün*, no. 134 (22 August 1960).214-6.

on "resistance to threat" was fulfilled mainly with the memories of previous tragic incidents. As expressed by Orhan Özet in a speech made at the opening of the Tobacco Experts' High School in 1977, experts were supposed to be the successors of the "tradition rejecting non-technical intervention into their technical decisions."[267]

For the tobacco experts, on the one side of the coin, there were "external threats" including pressure from local groups or the government, banishment risks, and violence which could result even in death. They had to resist such menacing factors with the professional values of "justice, honesty and standing in dignity." However, the moral codes were made mottos only for not perils, but were also possible "incentives." Hence, for experts there were also risks of bribery and abuse of power on the other side of the coin. The working conditions which were face-to-face and open to personalization made their decisions easier to influence. Although there were not any well proven claims or cases, rumors about experts accepting bribes were common. For example, one of the producer participants of the 1950 Tobacco Congress, Emin, from Tokat described the mechanism as:

> TEKEL expert checks tobacco, and then goes to his office. From then on, only rich producers matter. If you have money to see the expert a few days in advance and give him fifty lira per *koçan*, then your tobacco gets a higher price. To prevent this, the tobacco should be sold before a committee.[268]

Indeed, TEKEL administration was well aware of the accusations of bribery kinds of claims that Emin openly expressed. In the first collective meeting of TEKEL

[267]Özet, *Tütün Üzerine Konuşmalar, 1965-1980*.61-3.

[268]*Türkiye Tütün Kongresine ait Zabıtlar, 10.8.1950–17.8.1950*.101. *"Tekel eksperi tütüne bakar, odasına gider, artık mesele zengin müstahsil meselesidir. Eğer eksperi birkaç gün önce görüp koçan başına ellişer lira vermiş ise tütünün değerlenir. Bunun önüne geçilmesi için tütünler bir komisyon önünde satılsın."*

experts held in 1954, the deputy general manager, Münir Karacık, declared the administration's decisiveness on the "presentation of generality and objectivism over singularity and subjectivism." He explained that they had found those trying to provide "personal gains" as wrong as those mistreating producers.[269] The emphasis on the "objectivism" over "personal gains" was kept as a central theme in the subsequent collective meetings of experts in 1965 and 1974.[270] Moreover, as Gümüş said in our interview, being a small and impenetrable professional community always played a preventive role in possible abuses of power. All of the experts knew each other, and the unnamed control within their community kept them from getting into "wrong relations."[271] However, despite the inner warnings and assumed hidden control mechanisms, experts were generally thought of as guilty of accepting bribes. In my interviews with tobacco producers in Akhisar, they told many stories from the 1960s and the 1970s when they were doing their best, such as "cutting their chickens for dinner," to entertain the TEKEL experts who came to their villages for price determination.[272] As Ali Borovalı said, there were some villages "gifting even cars" to experts in those years.[273] All in all, whether the claims were true or not, tobacco expertise was never seen as a "purely objective" job by market actors, except by the self-assertions of experts.

[269]*Tütün Eksperleri Toplantısı, 23-26 Ağustos 1954*.

[270]Özet, *Tütün Üzerine Konuşmalar, 1965-1980*.9-11, 27-37,61-3.

[271]Ahmet Hamdi Gümüş, interview by the author, note-taking, Izmir, Turkey, 12 December 2011.

[272]Tobacco producers, interview by the author, note-taking, Manisa, Turkey, 14 December 2011.

[273]Ali Borovalı, interview by the author, note-taking, Izmir, Turkey, 13 December 2011.

To sum up with some concluding remarks, tobacco experts were the actual implementers of a special know-how to value quality and price of the crop. Since 1936, individuals who wanted careers as experts had to obtain a required license given from TEKEL. Licensed experts could work for either TEKEL or merchant companies. According to which experts worked for, their educational patterns, work manners and priorities, and professional organizations differed as early as the 1940s. While merchant experts were "grown in practice" and worked for the sake and profit of their own firm, TEKEL experts were educated for five years to value "producers' hard work" in the name of "public interests." Expert decisions were widely questioned despite TEKEL experts' claims of a depersonalized and objective expertise. The face-to-face nature of the expert-producer relationship paved the way for such questionings which sometimes resulted in violence against the experts. On the other hand, the never-ending bribery rumors indicated that "personal" factor might have been abused to manipulate the experts' decisions. Hence, the theme of "resistance" that was dominant in the construction of expert professional identity had a two-fold meaning, one for threatening pressures and the other for manipulative incentives.

All in all, the experts were the apparent face of the buyers to the producers. Now, the last but the most complicated market actor, tobacco producers, will be discussed.

The Tobacco Producers

The tobacco producers were the largest and most heterogeneous group in the tobacco market. As Chapter 3 discussed, both the number of producers and their

share in the total agricultural employment significantly increased from the 1930s to the 1980s. While about 100,000 producers, constituting two percent of total agricultural employment cultivated tobacco in the late 1930s, this rose to around 500,000 producers and five percent after 40 years, in the late 1970s. The increasing pattern of both the number and share over the years shows that both the producers kept cultivation and new producers joined them. This means tobacco was an earning, or at least thought to be earning, crop for a considerable number of producers during the 40 years discussed in this study.

The tobacco producers, as the largest group, had more differences among themselves compared to the other market actors. The first broad was geographical factors. As Chapter 3 explained, four different tobacco producing regions – the Aegean, the Black Sea, the Marmara and the Eastern regions - had different soil structures and ecological conditions, and hence different kinds of tobacco with different physical, chemical, and marketing features. While the Aegean region was the heart of the tobacco sector with heavy purchasing activities by many competitors, the eastern region tobacco was bought only by TEKEL. The differences of crop kind and of consequential market demand also differentiated the producers by changing their relative positions and power in the market.

Along with ecological and regional differences, the tobacco producers also were divided by ownership patterns and agricultural economies of scale. There were historically four types of producers in tobacco agriculture: small family farms owning land and depending on family labor, big farmers employing agricultural workers in their own fields, sharecroppers and tenants, and capital owners and/or big merchant-tobacconists investing capital in tobacco agriculture by either leasing their

fields or giving credits to producers.[274] Although small family farms were the most common form among these types, there was always a disagreement about which type was the real tobacco producer.

Chapter 3 showed that both the 1938 and 1969 tobacco laws brought production restrictions. Tobacco cultivation was totally banned in some cities and for TEKEL officials. In addition, certain requirements were defined for producers, such as the submission of declaration forms or having obligatory licenses. Despite the registers, demands for further restriction were continuously raised by "real" producers as early as the 1940s. In both the 1943 congress and 1947 meeting, the producer representatives requested a cultivation ban on those who already had other professions yet engaged in tobacco production for "commercial purposes." Tobacco cultivation had to be reserved for "real tobacconists."[275] In the later decades, the entrance of "urban people with capital (such as doctors or public servants)" into tobacco cultivation to "make more money" was a continuous complaint of the "real" tobacco producers who raised prohibitive demands through every possible channel.[276] The constant appeals of producers resulted in the 1969 legal change which prohibited tobacco production for not only TEKEL officials, but also all other public servants in their places of duty. Indeed, this example hints at the inadequacy of the historiographical commitment to envision producers as ineffective actors who

[274]The classification was first made by the "Committee of Production, Credit and Purchase" formed in the 1943 Tobacco Congress. See, *Tütün Kongresi - İzmir, 18/X/1943*.170-9. It was taken for granted in the afterwards.

[275]Ibid.117-8,143-5.; *Tütüncüler Toplantısı (17-19 Aralık 1947)*.3-5.

[276]Among many others, see these two news, one from 1951 and the other from 1965, about the producers' demands for the prohibitive measures, "Tekel Bakanı İzmir'de Tütüncülerle Konuştu," *Milliyet,* 27 January 1951.3.; "Bayındırlı Müstahsile Tüccardan Davetiye Geliyor," *Yeni Asır,* 12 February 1965.4.

were visible only at election time.[277] Regardless of the inner differences and divisions, the tobacco producers were far from passive observers of market actions.

The producers frequently sent telegrams to statesmen to convey their complaints and demands apart from participating in meetings or congresses or making statements to newspapers. Petitioning sometimes gave them what they wanted, as a case from 1943 shows. On 1 April 1943, four producers from Tire, a district of Izmir, sent an urgent telegram directly to President İsmet İnönü with a complaint about TEKEL. They said that TEKEL had not yet given them their money for two months although it was obliged to pay within fifteen days after purchase, according to the law. They asked İnönü to order the necessary measures immediately because their children were "hungry and miserable." Eleven days later than the original telegram, on the 12 April, the Ministry of Customs and Monopolies replied that the producers would be paid in a few days. The Ministry also informed the President that there might be other similar complaints due to the financial difficulties of TEKEL.[278]

The problems addressed in the producer telegrams were taken seriously, and generally dealt with by the related bodies as quickly as possible. However, the review process did not always result in favor of the producers as in the Tire case. On 28 February 1956, Mustafa Karaoğuz, a producer from Çarşamba, sent a telegram "in the name of 50 producers" to Prime Minister Adnan Menderes. Claiming that there were no buyers except for TEKEL, Karaoğuz complained about low prices, and said in a dramatic tone:

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[277]For a study approaching the producer activity just from the perspective of the elections, see Üstün Ergüder, *Türkiye'de Tarımsal Ürün Destekleme Politikasının Tayininde Siyasi Faktörler: Tütün* (İstanbul: Boğaziçi University, 1973).

[278]PMRA Fon Kodu: 30.10.0.0 Yer No: 182.253.17 (15 April 1943)

> We, hundreds of families, are walk in poverty in front of the 'doors of TEKEL' in the rain while TEKEL wants to purchase our tobacco, that we, as a family, produce by working the whole year and is our last hope, at the price of beets. We request you, as the Prime Minister, rescue us![279]

The acting minister of the Customs and Monopolies Ministry replied to Karaoğuz a day later. He stated that he had informed the local purchasing committee about the complaint, although they had known that neither TEKEL was the sole buyer nor the prices as low as he claimed. Six days later, on 6 March, the Ministry forwarded the final decision. There was nothing to be done because TEKEL had already bought two low-grade bales of Karaoğuz at a fair price, and could not increase the determined price for his two other lower-grade bales.[280]

Among several other similar examples, these two cases from different regions and years with different results point to a common pattern: tobacco producers, either individually or as a group, did not hesitate to complain about their problems and ask for help from statesmen by means of telegrams. The petitions were not fled away in the dusty shelves of the archives; rather, the related governmental bodies reviewed the demands, and brought an affirmative or negative conclusion to them. Hence, the producers attempted to affect and change the market conditions in favor of themselves by calling on the intervention of higher authorities in their telegrams. In some years, however, they took a more active stand than just calling attention to their immediate situations. They used their power based on their production, so to speak, in certain districts and years, and pushed their demands collectively.

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[279]PMRA Fon Kodu: 30.1.0.0 Yer No: 78.492.1 (6 March 1956) *"Bir yıl çoluk çocuk çalışarak ve büyük masraflar yaparak meydana getirdiğimiz ve bütün ümidimizi bağladığımız tütünümüz pancar fiyatına elimizden alınmak istenmesi karşısında yüzlerce aile yağmur altında Tekel kapılarında sokaklarda perişan halde dolaşmaktayız. Hükümet Başkanı olarak size iltica ediyoruz ve bizi kurtarmanızı istirham ediyoruz."*

[280]Ibid.

As a very early instance of collective stand, the producers in Ödemiş refused to sell their tobacco until buyers had increased prices to the level they wanted in 1946. Following their four-day collective resistance, the mayor of Izmir went to Ödemiş to intervene in the situation. As a result of the mayor's negotiations, producers got what they wanted, and both TEKEL and the Domestic Products raised prices by fifteen kuruş.[281] Thirteen years later, in 1959, the producers of Gavurköy and Seydiköy, two districts that grew high quality tobacco, boycotted sales. None of producers in either districts sold even one leaf of tobacco until prices were raised. The solidarity brought them victory. The merchants raised their prices to 660 kuruş on the second day of the boycott while TEKEL's declared prime price for that year was only 490 kuruş. Following the price increase, their crop was sold in entirely in a rush of sales within one day.[282]

The method of boycotting sales was used by producers from Alaçam and Bafra in 1960. As tobacco journal *Tütün* stated, the minister of Customs and Monopoly, Hadi Hüsman, had to personally deal with the boycott and "rain of telegrams sent to Ankara." He traveled to Bafra to "bring a solution to the problem." He raised the declared prime price from 9 to 10 lira, and guaranteed the producers' right to sell their bales to the highest bidder even if they had received an advance from TEKEL.[283]

The tobacco producers' collective stand for their demands was not limited to sale boycotts. Starting from the mid-1960s, they also used open political forms to

[281]"Gölge Etme, Başka İhsan İstemem," *Türk Tütünü*, no. 163-164 (1-15 January 1946).3-5.

[282]"Boykot Eden Müstahsil Satış Rekoru Kırdı," *Milliyet,* 11 February 1959.3; "Boykot Eden Müstahsil," *Tütün*, no. 98 (22 February 1959).24.

[283]"Sayın Hadi Hüsman'ın Samsun'daki Tetkikleri Münasebetiyle," *Tütün*, no. 125 (7 April 1960).67-9.; "Sayın Hadi Hüsman'ın Samsun'daki Tetkikleri Münasebetiyle."69.

push their demands, such as organizing demonstrations. They first organized a demonstration in the City Hall Square of Akhisar upon the call of the Tobacconists Association on 19 March 1965. According to the Izmir-based newspaper, *Yeni Asır*, the producers did not participate in the demonstration in such great numbers. The number of buyers' representatives watching the meeting was more than the number of producers participating into the demonstration. Despite the low level of participation in the demonstration, the producer representatives made speeches criticizing both TEKEL and merchants for their "damaging" actions in the 1965 market.[284] Four days after the Akhisar meeting, almost 3,000 producers organized a demonstration in front of TEKEL building in Adıyaman on the 23 March. They protested the purchasing sequence declared by TEKEL, which would last until the end of November. Upon refusal to end the demonstration until TEKEL would had the sequence scheme, the police dispersed the producers, and took four of them into custody.[285] The two demonstrations organized in 1965 were followed by many others and unionizing efforts in later years. Chapter 7 will discuss these events in detail. For now, it should be emphasized that the tobacco producers began to use organized political forms more frequently by the 1960s.

All in all, the producers were the largest group in the tobacco market. In the 40 years discussed by this dissertation, both the number and the share within the total agricultural employment increased. As stated above, despite the increase, "real" tobacco producers were not welcoming to the new comers who engaged in tobacco production for "commercial purposes." They raised the issue and their complaints on many occasions. They got partially what they wanted with the more restrictive

[284]"Tütün Ekicileri Akhisar'da Miting Yaptı," *Yeni Asır,* 20 March 1965.2.

[285]"Adıyaman'da Tütün Alımları Protesto Edildi," *Milliyet,* 24 March 1965.7.

provisions of the 1969 law. Moreover, the producers forwarded their demands to governmental bodies by sending telegrams, which sometimes changed the course of market conditions in their favor. Contrary to approaches that claim producers were passive agents who were visible only at election times, tobacco producers showed no hesitation to express their claims during meetings and congresses, petition, or push their demands by sale boycotts. Last but not least, they began to organize public demonstrations and make efforts to unionize in the post-1960 period. Yet, the producers' desire for collective representation and movement dated back earlier than the 1960s. There had been producer organizations working for the attainment of these objectives as early as the 1940s. Now, the producer organizations and their roles in the market will be presented.

"Tobacco Producers, Unite!" The Producer Organizations

The motto "Tobacco producers, unite!" is taken from a 1944 article in *Türk Tütünü*. The article discussed the necessity and urgency of organizing tobacco producers in associations, and called on them to unite.[286] The non-organized status of producers before the buyers was seen as the main problem of the Turkish tobacco market by groups besides the professional journals. As stated in the proposal of two producers from Bergama submitted to the 1950 Tobacco Congress, for example, "all disasters that happened to tobacco producers" were fully because they were unorganized.[287] The "mother of all evil" in the tobacco market was the lack of

[286]"Kısa Öğütler: Tütün Müstahsilleri Birleşiniz!," *Türk Tütünü*, no. 133 (1 February 1944).4.

[287]*Türkiye Tütün Kongresine ait Zabıtlar, 10.8.1950–17.8.1950*.67-8. *"Bergama'dan Mustafa Yasa ve Rıza Alkan'ın birlik hakkındaki takrirleri: Tütün ekicilerinin başına gelen felaketlerin hepsi teşkilatsızlık yüzünden, bu yüzden toplanılmalı."*

producer organizations. Efforts were made to solve the problem with the establishment of a "tobacco bank," as will be seen in the following chapter. The tobacco producers, however, had already formed local associations in certain districts from the early years.

The oldest association organized by tobacco producers was located in Akhisar. The association participated in the 1943 Tobacco Congress with one representative, and presented a comprehensive report on the congress agenda.[288] Among other 170 producer participants in the congress, the representative of the Akhisar association was the sole representative of a producer organization.[289] Between 1943 and 1945, tobacco producers formed associations in Bursa, Bergama, and Bafra, although the exact dates of establishment are unknown.[290] The four associations were initiated mainly by producers themselves, and actively worked for the benefit of their members for years. However, there were also other short-lived and ineffective associations. As stated by Sait Coşkun, one of the prominent experts of TEKEL from 1931 to 1953, and owner and editor of the Samsun-based professional journal, *Tütün (1954-1960)*,[291] he initiated the establishment of 12 producer associations in Balıkesir, 14 in Manisa, one in Düzce, and one in Hendek while he had been working as a TEKEL expert in these regions between 1947 and 1950. None of these associations survived in later years.[292]

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[288]*Tütün Kongresi - İzmir, 18/X/1943*.95-108.

[289]"Kısa Öğütler: Tütün Müstahsilleri Birleşiniz!."8-14.

[290]For Bursa, see "Türk Tütün Limited Şirketi İzmir Teşkilatı."7,10-1. For Bergama, see "Bergama Tütüncülerinin Dilekleri," *Türk Tütünü*, no. 145 (1 February 1945).6,10. For Bafra, see Arif, "Hataların Hatası."6,11-2.

[291]"M. Sait Coşkun'un Tercüme-i Hali," *Tütün*, no. 136 (22 September 1960).247.

[292]Sait Coşkun, "Tütün Ekicileri Cemiyeti," *Tütün*, no. 78 (23 April 1958).83-4.

The producer associations of Akhisar, Bursa, Bergama, and Bafra-Samsun played special roles as local organizations from the mid-1940s. They represented the producer side in the meetings held before market openings. They defended the producers' views and demands about market conditions such as date, price, or contractual conflicts. If they failed to get their demands passed in the meetings, they applied to higher authorities for the necessary measures. For example, all three associations of Akhisar, Bafra, and Bergama sent lengthy telegrams to the Prime Ministry in 1946 detailing the worsening market conditions and decreasing prices in their districts. All of them asked the government to protect the producers, who were trying to "survive in miserable conditions."[293]

The active producer associations also contacted other market actors to solve specific problems. For example, the Bergama association, representing 1056 members, worked with TEKEL experts to decide on the districts in which tobacco production would be restricted in 1943, and with the Agricultural Bank for the allotment of tobacco credits among producers, as stated in its annual report dated 19 December 1944.[294] In addition to TEKEL and the Agricultural Bank, producer organizations negotiated some problems with provincial administrations, like the Samsun association did in 1958. According to the 1958 annual meeting report, the Samsun association ensured the fixation of porterage per bale at the maximum level

[293]For the telegram of the Akhisar Association, see PMRA Fon Kodu: 30.1.0.0 Yer No: 123.782.1 (3 January 1946); of the Bafra Association, see PMRA Fon Kodu: 30.1.0.0 Yer No: 84.530.4 (21 March 1946); of the Bergama Association, see PMRA Fon Kodu: 30.10.0.0 Yer No: 182.253.24 (25 April 1946)

[294]"Bergama Müstahsiller Birliğinin Raporu," *Türk Tütünü*, no. 149-150 (1-15 June 1945).6-7,14.

of 10 kuruş by contacting the municipal committee, and managed the distribution of cloth to producers with the provincial administration.[295]

Last, producer associations took on the role of advisor and arbitrator during market conflicts. In some years, they published declarations or booklets to warn producers about possible conflicts, and to inform them about their options in dealing with these conflicts. In the 1956 booklet titled "Important Advice of the Tobacco Producer Association to Tobacco Producers," the Samsun association presented a detailed picture of contractual conflicts. The association warned the producers about the importance of clear expression of contract terms, such as amount, quality, price, addresses and hand-written signs.[296]

Like the Samsun association, the Akhisar association's declaration of 1965 warned producers about contractual conflicts which were said to arise from legal gaps. Moreover, in the declaration, the head of Akhisar association, Veli Serdaroğlu, asked the producers not to engage in black market sales, which opened the way for merchants to exploit producers.[297] In the advisory publications, both associations stressed that producers could, and actually should, apply to them whenever they faced any kind of conflict since the associations were their real arbitrators.

All in all, these local associations undertook the roles of representing, problem-solving, advising, and arbitrating in the name of their producer members from the early 1940s. Beginning from the late 1950s, there were some attempts to unite these associations in one federation. The Akhisar association initiated first

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[295]"Samsun Tütün Ekiciler Derneğinin Umumi Kongrede Okunan Raporu," *Tütün*, no. 94 (22 December 1958).341-5.

[296]*Türkiye Ekonomisinde Tütün*.

[297]Hayrullah Gülal, "Akhisar Bölgesi: Sabırlı Olan Tütüncü Kazanır," *Yeni Asır,* 14 February 1965.5.

federative efforts in the summer of 1959, and called a meeting in Ankara. Eight associations from the Aegean region, one from Bursa, and one from Samsun participated in the meeting, and formed the federation. The Akhisar delegate was elected as the president of the federation, and the Samsun delegate as the vice president.[298] However, the federation did not become an active organization in the years after the foundation.

Another federation named the Aegean Tobacco Producers Federation (*Ege Tütün Ekicileri Federasyonu*) was founded in Izmir by a retired colonel pilot, Korkut Efe, on 15 February 1961.[299] As seen in the charter, the federation aimed at acting as the authorized institution representing the Aegean region in the projected "tobacco bank."[300]

The Aegean Tobacco Producers Federation, led by Korkut Efe prepared a draft law for the tobacco bank and issued many declarations in the name of the producers between 1962 and 1965.[301] However, "real" producer associations began to deny the federation had the right to represent them by 1964. The refusals depended on both "bad intentions" of the federation about the tobacco bank and the "pro-merchant stands" it took. While the local associations of Gavurköy, Akhisar, Muğla, and Yatağan declared the "non-functionality" of the federation in the summer

[298]"Tütün Ekiciler Birlikleri Federasyona Bağlanıyor," *Tütün*, no. 107 (7 July 1959).166,169; "Tütün Ekiciler Birlikleri Federasyona Bağlandı," *Tütün*, no. 108 (22 July 1959).183-4.

[299]Ege Tütün Ekicileri Federasyonu, *Türk Tütün Ekicileri Bankası Kanun Tasarısı* (İzmir: Karınca Matbaacılık, 1962).

[300]Ege Tütün Ekicileri Federasyonu, *Ege Tütün Ekicileri Federasyonu Ana Tüzüğü* (İzmir: Karınca Matbaacılık, 1963). For more about the project of the tobacco bank, see Chapter 5.

[301]For the draft law, see Ege Tütün Ekicileri Federasyonu, *Türk Tütün Ekicileri Bankası Kanun Tasarısı*. For some examples of Efe's declarations, see "Ege Tütün Piyasası Aralık'ta Açılıyor," *Milliyet,* 20 September 1962.3; "Ege Tütün Ekicisi Acele Tedbir İstiyor," *Milliyet,* 17 December 1963.2; "Tütün Müstahsilinin Kaderi Tesadüflere Bırakılmamalıdır," *Yeni Asır,* 22 January 1965.7.

1964,[302] the Izmir Chamber of Agriculture accused Korkut Efe for acting as a "merchant representative."[303] The two sides slugged it out in the general meeting of the federation, held on 18 March 1965. The meeting had a high level of attendance. "131 delegates from Izmir, Manisa, Aydın, Muğla and Balıkesir came for the significant gathering," as *Yeni Asır* reported.[304] In the meeting, the Korkut Efe administration and his speeches on the 1964 Aegean market were harshly criticized by the delegates. As the most heated speaker, the delegate of the Akhisar association, Veli Serdaroğlu, accused Efe for attempting to show the terrible conditions of the market as a "bed of roses." Speaking of the power of the federation, Serdaroğlu said:

> If the federation wants, it can take thousands of producers to Ankara… Not only students can organize public demonstrations in Kızılay, thousands of tobacco producers can do the same![305]

Although Efe personally responded to the criticisms by blaming the market conditions, he could not prevent the administrative change in the elections. His top-down administration, which had no real popular base, was replaced by members of the local tobacco associations, Seyfi Uran from Seferihisar and Veli Serdaroğlu from Akhisar.

The Aegean Federation acted as a roof organization in the years following the administrative change in 1965. It undertook the representative role of local associations in dealing with other market actors in the name of the Aegean producers throughout the next fifteen years. Moreover, it prepared a draft law for the planned

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[302]"Tütün Ekicileri Federasyonu Kongre Yapacak," *Milliyet,* 16 July 1964.2.

[303]"Efe: Tütün Ekicileri Durumdan Memnun," *Milliyet,* 14 March 1965.3.

[304]"Ege Tütün Ekicileri Bugün Federasyonu Sıkıştıracaklar," *Yeni Asır,* 28 March 1965.3.

[305]"Ege Tütün Ekicileri Efe Yerine Uran'ı Başkanlığa Getirdi," *Yeni Asır,* 29 March 1965.1-2. *"Federasyon isterse binlerce ekiciyi Ankara'ya götürür…Kızılay meydanında, yalnız gençlik değil, yüzbinlerce tütün ekicisi de miting yapar."*

change of Law No. 3437 in 1966. In the draft law, the federation mainly proposed the removal of production and sale issues from TEKEL's authority. The draft also emphasized the need to form a National Tobacco Board.[306] Although the new tobacco law enacted in 1969 did not fully satisfy the main idea of the federation draft, it legalized the formation of the Board.

Modern Turkish historiography generally assumes that the producers were deprived of their own organizations that would represent their interests. Most of the problems of Turkish agriculture indeed have been explained by the lack of organization. Contrary to the hegemonic assumptions and explanations, the tobacco producers organized their own associations at least in the most significant production regions as early as the 1940s. The active local organizations of Akhisar, Bergama, Bursa, Bafra, and Samsun played essential roles for the benefit of the tobacco producers from the mid-1940s. They defended the producer perspective during meetings on tobacco, pushed their demands on market conditions, and acted as arbitrators during market conflicts. Although one single country-wide organization uniting all local associations was not formed, a federation was established in the name of the Aegean region producers in the early 1960s. The Aegean Tobacco Producers Federation became an active roof organization for the local associations in the Aegean region especially after, so to speak, the democratization of its administration in the 1965 general meeting.

Last, I would like to take a brief look on producers' relations with buyers, merchants and TEKEL.

[306]Ege Tütün Ekicileri Federasyonu, *Tütün ve Tütün Tekeli Kanun ve Gerekçesi* (İzmir: Ege Tütün Ekicileri Federasyonu, 1966).

The Relations of the Producers with Other Actors

The relations of the tobacco producers with other market actors are difficult to generalize and discuss under one single theme. This arises from the complex inner structures of the market actors and the changing socio-political atmospheres of the different historical eras. As seen so far, some producers complained, criticized, or pushed to change certain market behaviours of both TEKEL and merchants at certain conjunctures. At some other times, they appreciated the buyers' actions. While the producers sometimes sought personal solutions, such as petitioning statesmen or violent arguments with experts, there were also several examples of collective movements against other actors, such as sales boycotts or public demonstrations. Hence, it is impossible, and indeed not intended by this study, to explain all those complex dynamics with one magical phrase, like "resistance," "compliance," "exploitation," or "harmony." Yet, it is still necessary to specify certain notions about the roots of the relations between them.

Regarding the relations between producers and merchants, profession experts working for state institutions generally assumed that the producers were helpless in their dealing with the merchants. The Tobacco Experts Association's report presented to the 1950 Congress explicitly states:

> The producers are always dependent on the buyers' willpower. They do not know what and how the buyer expert determines, or of what grade, yield or relative value their crop is. They only agree with the price imposed in the market.[307]

[307]Tütün Eksperleri Birliği, *Tütün Eksperleri Birliği Raporu*.11.*"Ekici daima alıcının iradesine bağlıdır. Alıcı eksper neyi tespit eder, nasıl tespit eder, ekicinin tütünlerinin sınıfı, randımanı ve nisbi değeri nedir, mal sahibi için meçhuldur. O sadece piyasa zamanı kendisine empoze edilmiş fiyata mütavaat eder."*

Contrary to the negating vision of TEKEL experts, the tobacco merchants always defended that there existed coherence between themselves and the producers. In a report prepared for the same congress, the Turkish Tobacconists Association stated the "harmonious" relation despite some minor conflicts, since the "tobacco issue was a national question."[308] The merchants repeatedly said they had complementary relationships with the producers in later years, especially when they faced serious public criticisms in the post-1960s. In the name of the tobacco merchants, Haydar Aryal, for example, in reply to the complaints from their 1967 purchase strategy, said that "merchants and producers were indeed as inseparable as two sides of a coin despite the malicious accusations of some circles."[309]

The producers seemed not totally to share the merchants' claims of peaceful relations. Indeed, several conflicts tested their relations such as disagreements on market opening date, price, quality, or discarding acts, as Chapter 5 will discuss in detail. Moreover, the producer organizations pointed out the theme of "merchants' exploitation," and declared it was necessary to "rescue producers from being the merchants' toy" more and more in the post-1960s.[310] On the other hand, the tobacco producers always wanted the merchants to be in the market. They preferred a market in which both merchants and TEKEL purchased than one governed only by TEKEL. For example, the producers from Balıkesir stated in a report for the 1947 tobacconists meeting that purchasing affairs should not be left to TEKEL; merchants should also participated.[311] Indeed, the producers were well aware of the fact that

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[308]Türkiye Tütüncüler Birliği, *Türkiye Tütüncüler Birliği'nin 1950 Tütün Kongresine Sunduğu Rapor*.35-7.

[309]"Ege Tütün Piyasası Ağırlaştı," *Yeni Asır,* 2 February 1967.1-2.

[310]"Uran 'Tütün Ekicisi Sömürülüyor' Dedi," *Milliyet,* 25 December 1965.9.

[311]*Tütüncüler Toplantısı (17-19 Aralık 1947)*.

they benefitted from the competition. For example, in *Yeni Asır*'s interviews with tobacco producers from the important production districts of Seydişehir, Cumaovası, Torbalı, and Kemalpaşa on 10 January 1956, the producers said they were all waiting for the merchants to begin sales although the market officially had been opened by TEKEL on the previous day.[312] They were also conscious of the fact that if they seemed needy before merchants, they would lose their bargaining power. That is why the Akhisar association warned producers not to wait in a crowd in front of the merchant offices on the eve of the market opening in 1967. As stated by the association's chair, if the merchants thought the producers needed them, they would not hesitate to do whatever they could to decrease prices.[313]

The tobacco producers were not helpless in their dealing with the merchants as imagined by the TEKEL officials. Nor were their dealings as harmonious complementary as claimed by the merchants. Despite several market conflicts, the producers preferred the merchants' existence in the market than not. They did not want TEKEL to govern the tobacco market alone. However, this does not mean that they were opposed to the increasing duties of TEKEL. Indeed, despite the highly contentious relationship between the producers and TEKEL, the producers benefitted from its regulatory role. As exemplified above, they welcomed the declaration of market opening dates and prime prices. Also, they demanded, and gladly accepted, the extension and continuity of the support purchases of TEKEL. As said by a producer from Cumaovası in an interview with *Yeni Asır*, the producers thought

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[312]"İnhisarlar Vekili: 'Ege Tütün Zürraı Müsterih Olsun' Diyor," *Yeni Asır,* 11 January 1956.1,3.

[313]"Akhisarlı Ekiciler, Sakin Kararlı," *Yeni Asır,* 28 January 1967.2.

TEKEL as a "guarantee" against the merchants despite their complaints about several of the problems they faced.[314]

All in all, the tobacco producers wanted market conditions neither totally competitive nor fully governed by TEKEL. In this sense, the bottom line is that they did not have a fundamental opposition to competitive market conditions as such but also welcomed the regulation of those conditions. They confronted the merchants as much as they did TEKEL. However, they wanted both the merchants' existence in the market not to be constrained only by TEKEL, and TEKEL's regulatory role as a guarantee.

Conclusion

This chapter presented real historical agents acting in the Turkish tobacco market: the state in the name of TEKEL, the merchants, the tobacco experts, and the producers. For all actors, I discussed their special roles in the market and organizational forms. The discussion also included significant historical changes in these roles and organizations. Moreover, the dynamics governing the relations among market actors also were examined with exemplary cases. The cases showed the ability and power of the historical actors to affect the policies, and hinted at how the Turkish tobacco market actually functioned. The following chapter will expand on this hint and explain the "eternal anarchy" of market and the failure of the tobacco bank project.

[314]"Tütüncü Derdini Kimseye Anlatamıyor," *Yeni Asır,* 11 February 1965.5.

CHAPTER V

THE "ETERNAL ANARCHY" OF THE TOBACCO MARKET AND THE FAILURE OF THE TURKISH TOBACCO BANK, 1938-1969

This chapter examines the market conflicts in the Turkish tobacco market and the failure of the Turkish tobacco bank project in two big sections. The first section analyzes the contentious problems of tobacco market one by one: timing of market opening, determination of crop price, methods of quality and grading, discounting and discarding acts, the conditions of warehousing, and the availability of credits. All of these problems led to conflicts between different actors during the period between the two major tobacco laws. Hence, for each problem, I first discuss the nature of conflicts within their own historical trajectories, and then the reactions of the different actors over some exemplifying cases. The first section of this chapter is devoted to revealing the vivid social and political history of the Turkish tobacco market as an arena for "eternal anarchy and chaos," as it was called in a great deal of primary sources, which contradicts with the image of heavily-regulated and smoothly-functioning order.

A discussion on market opening opens the first sections. The Turkish governments began declaring regional market opening dates in 1938 so that the market actors began leaf tobacco trade all at the same time. The market opening policy was contentious because TEKEL, merchants, and producers had different priorities. While the producers asked for earlier dates with financial and crop quality concerns, the merchants preferred later dates after the export season ended and the credit was released. Although the governments tried to take adverse interests into

account while determining the date, conflicts happened due to buyers breaking the policy, and the early or late timing of the opening and the official declaration.

This is followed by a discussion on the price policy. Tobacco prices were always one of the hottest public debates during the period. My discussion classifies the conflicts around price policy according to the prime price system, real and perceived price levels, and price instability concerns. It introduces how the prime price system worked and was received in different periods. The three types of overlapping between price movements and hegemonic discourses over tobacco prices will be observed: the "over pricing" complaints of merchants in years of real price increases, the "just price" calls of the producers in the years of rapid decreases, and the "gambling game" accusations made with price stability concerns in the years of slight real price change.

Quality and grading conflicts are then explained. Despite the legal efforts at bale standardization, separate baling of high and low quality tobacco leaves was barely achieved, in a way making grading contentious for experts and producers. The ambiguity inherent in the grading and valuing of tobacco was deepened by the sale system valid in Turkish tobacco market during the era under discussion. The difficulties of bale standardization combined with imperfect expertise in determination phase. Time lags between the phases of determination, purchasing, and warehousing added more to quality conflicts. Consequently, the producers distrusted the experts, and generally accused them of the abuse of power, malpractice, and mistreatment.

Discounting and discarding practices are discussed later in the first section. Following actual crop transfer to warehouses, the contract terms set during purchases were broken by buyers with excuses involving crop quality or making arbitrary

monetary cuts, allegedly for transaction costs. In the end, tobacco was purchased from producers at prices lower than the one set in the contract. Despite legal bans on such tactics, both TEKEL and merchants implemented discounting and discarding practices. The market order, depending on time lags between sale and actual transfer of the crop, left the producers unprotected against those practices. They sought to limit the extent of price-cutting techniques as much as they could through the media, politicians, and their own organizations.

Warehousing-related problems set the producers once more against the experts and TEKEL. TEKEL warehouses were always criticized for poor conditions and insufficient capacity. Partial solutions found in renting idle buildings, however, worsened problems by creating quality conflicts. Weight checks in warehousing period sometimes ended in smuggling allegations, rising tensions between experts and producers. Last, the sales-in-warehouses system implemented in the Black Sea and Marmara regions caused the problems of redundant paperwork, fair sequencing of producers, quality protection, delaying sales, and overshadowing competition among buyers.

Next, the problems that derived from credits from the perspectives of both the merchants and the producers will be discussed. Regarding the merchants, their predominant financial source was credits even though they showed continuous efforts at increasing the credit volumes, consistency in interest rates, credit continuity during high seasons, and credit terms better fitting to time lags of the tobacco business. Producers also complained of the lack of adequate volume of agricultural credits. However, credit insufficiency did not lead them to money lenders as much as was feared. Rather, they opted for two other practices more frequently than usury, fraudulent representation and advance payment sales.

Overall, the first section analyzes the "eternal anarchy" of Turkish tobacco market in between two major sector laws. The exemplary cases show the continuity and intensity of the different market conflicts as well as the different responses of the market actors. The second section of this chapter asks whether any comprehensive policy package was formulated at any historical moment to solve the so-called chaos in tobacco market. The answer brings us to long yet informative history of an institutional failure case, establishing the Turkish Tobacco Bank. It first presents the origins of the idea to establish a tobacco bank as the absolute solution to the unending problems. The tobacco experts suggested forming new regulatory institutions (cooperatives, exchange markets and tobacco bank) in the professional journals in the early 1940s. The suggestion was met with harsh opposition of the merchants during the war years. Without any sign of consensus, the government initiated a compulsory levy on the tobacco producers to raise the start-up capital for a "regulatory institution" in 1947. Between 1947 and 1950, there was no legal or organizational attempt for the institution but the governments kept cutting money from the producers. The second part closes with a discussion of the sudden legal attack launched by the government in March 1950 and the content of the Tobacco Partnership Law.

Next, how the enacted partnership law found no chance of implementation during the 1950s is discussed. Because the law triggered many more divisions of opinions between and within the market actors, there was no consensus on the mission, capital and managerial structure of the institution. Yet, the producers were subjected to the compulsory monetary cuts until 1957. The last part focuses on what the policy-makers of the 1960s took over and what they did with that legacy. The final output was the 1969 Law of Tobacco Agricultural Sale Cooperatives including

the elements of the original reform package (cooperatives, exchange market and tobacco bank) all at once. Overall, the second section discusses how reform attempts could not find a chance to be implemented, if not to be born, during the 31 years, in which a substantial fund for institutional change was raised with a hidden taxation of tobacco producers.

The "Eternal Anarchy in the Tobacco Market": Struggling Policies on Market Failures

The phrase "eternal anarchy ointobacco market" refers to a 1944 article describing the "catastrophic" structural problems of the tobacco market.[315] Although the article was a direct response to the huge uncertainties and chaotic conditions of wartime, the expressions of "anarchy" or "catastrophe" continued to have the metaphorical power to define the tobacco market in the following years. Indeed, whatever their date, historical sources on the tobacco problem most commonly used the adjectives "chaotic," "unsystematic," "disorganized," or "unregulated" to describe market conditions. Hence, during the historical period under discussion, the tobacco market was characterized more by disorder and conflict than by smooth-functioning under the regulations and state control. To reveal the basis for the deep-rooted consensus of the troublesome structure of the tobacco market, the components of that structure will be examined now one by one with some exemplary cases.

[315]"Ege Piyasası Ne Zaman Açılacak?," *Türk Tütünü*, no. 141 (1 October 1944).12.

Market Opening

The tobacco market began to be opened on a date declared by the government on the eve of World War II. From the late 1930s to the mid-1980s, governments determined and declared the opening dates for different production regions every year. The idea of a government-declared market opening date was first proposed by Haydar Aryal in an article published in July 1938,[316] in which he said he had witnessed several uncertainties causing "extraordinariness" in villages due to the lack of a specific market opening date. He had observed producers gathering at coffeehouses and waiting all day to get news about the prices of different companies. Any automobile coming to the villages triggered rumors. Producers, believing in those rumors, began to prepare their tobacco bales earlier than the optimal date for baling. In order to avoid such trouble, Aryal called on the government to adopt the policy of determining market opening dates.

Aryal's call was supported by Izmir merchants. After a meeting with the Prime Minister, the decision was made to open the Aegean tobacco market on 14 November 1938. At the beginning, some tobacconists interpreted the policy as a "secret agreement" among merchants that would be to the detriment of the producers. The journal, *Türk Tütünü*, apologized for publishing Aryal's article which had paved the way for the determination of the market opening date. The journal asked that the policy be ended.[317] However, despite such objections, the government kept the policy during the war years. Indeed, a consensus on the policy per se seemed to emerge as neither the producers nor merchants spoke out against the policy at the

[316]Aryal, "Mıntıkaların Piyasa Tarihlerini Tespit Etmek Zarureti ".

[317]"Dilekler ve Neticeler," *Türk Tütünü*, no. 24 (15 May 1939).13.

1943 Tobacco Congress. Instead, the merchant representatives from the Izmir Chamber of Commerce emphasized the necessity of keeping the declaration policy, and the producer representatives asked for an earlier opening date in their congress reports.[318] Hence, the official declaration of market opening dates was kept as a result of the consent of the market actors.

The governments continued to determine market opening dates in the post-war period. In general, the Aegean market was opened in January-February, and the Black Sea and the Marmara markets in March-April.[319] The governments first negotiated with market actors, and then declared the official date roughly one month in advance. As put by the Turkish Tobacconists Association's report for the 1950 Tobacco Congress, the policy became a "tradition (*anane*)" with time, thanks to the benefits for both buyers and sellers, despite the objections of some circles, who viewed the policy as a restriction to free market action at first. According to the Association's report, the market opening date policy enabled the producers to complete baling preparations without being influenced by unexpected news and rumors, and to face all buyers at once. Moreover, the buyers could better schedule their trips into the fields for grading, organize their purchases, estimate their credit and warehousing needs, and have the ability to purchase from more regions with fewer employees.[320] Despite the positive aspects of the policy, however, there were some years in which the "tradition" was broken and the majority of tobacco sales were completed before the official opening date. In other years in which the tradition

[318]*Tütün Kongresi - İzmir, 18/X/1943*.

[319]See the market opening dates table in Appendix C.

[320]Türkiye Tütüncüler Birliği, *Türkiye Tütüncüler Birliği'nin 1950 Tütün Kongresine Sunduğu Rapor*.18.

was kept, struggles over the market opening policy centered on the date rather than the policy itself.

The tradition of beginning purchases on a government-declared date was first broken in 1954. The government declared 10 January 1955 as the opening date of the Aegean market for the 1954 season crop. However, the American companies violated the official market opening date and began to purchase in Akhisar during the last week of December. Their activities triggered competition among buyers, and the domestic merchants also engaged in pre-opening sales by increasing prices. Despite the warnings of TEKEL and the chambers of commerce, purchases continued in high-quality tobacco districts even at night. In the end, the government had to step back by accepting the reality, and rescheduled the official opening date to one week earlier, 3 January 1955.[321]

The first example of breaking the tradition led the government to question the non-obligatory policy. In the meetings on the issue, however, the Turkish Tobacconists Federation asked for the continuation of official determination and declaration of market opening dates despite the events of the previous year. Upon the demands of domestic merchants, the government decided not only to keep the policy, but also to take harder measures to prevent pre-opening sales.[322] In September 1955, a government circular banned any kind of pre-market opening sales. The circular underlined that pre-market opening sales had already been banned by the National Defense Law, and the circular was just empowering the ban by increasing the

[321]"Ege Tütün Piyasası Resmen Pazartesi Açılıyor," *Milliyet,* 30 December 1954.7; "Piyasa Açılmadan Tütün Satışları Sona Eriyor," *Milliyet,* 31 December 1954.1,7.

[322]The report named "Article II - The Determination and Declaration of the Opening Dates of Producer Markets by the Government" (*Ekici Piyasalarının Açılış Tarihlerinin Hükümet Tarafından Tespit ve İlanı*), dated 1955. The report is a part of the personal folders of Adnan Raşit Günay in the library of the Tobacco Experts Association in Izmir.

penalties.[323] Having the first example of "breaking tradition" in mind, the government kept issuing annual decrees prohibiting pre-opening sales and increasing the penalties in later years.[324] However, the tradition was re-broken mainly in the Aegean region, especially when the official date was declared late or the market actors thought the declared date was late.

The determination of the market opening date was dependent on the conditions of all of the market actors: the producers had to have completed all prior phases of production and prepared crop bales ready for sale; the merchants had to have exported the previous season's stocks, had warehousing capacity necessary to store new purchases, and arranged credits from the Central Bank; and TEKEL had to have been endowed with the legal power and financial means by the government, and had enough staff to run purchasing and enough space in the warehouses for the new season's crop.

On the one hand, the producers asked for earlier opening dates, like November-December for the Aegean region and December-January for the Black Sea and Marmara regions. The later dates both tightened their financial constraints and complicated the protection of their crops from downgrading in the insufficient storing conditions in the villages.[325] On the other hand, merchants did not want dates as early as the producers did. They proposed market openings only after the credits were released and the export season had ended. Considering the declared dates from

[323]"Piyasa Açılmadan Tütün Mübayaası Yasak Edildi," *Milliyet,* 11 September 1955.1,7.

[324]"Piyasa Açılmadan Tütün Satışı Yasak," *Milliyet,* 24 November 1956.3; "Piyasa Açılıncaya Kadar Tütün Satışı Yasak Edildi," *Milliyet,* 14 January 1958.5; "Müstahsil Avans Karşılığı Tütün Satışını Durdurdu," *Milliyet,* 17 January 1961.3.

[325]Among many others, see successively these two sources, which most explicitly formulated the producer complaints from the late opening and their demands for earlier dates, *Türkiye Tütün Kongresine ait Zabıtlar, 10.8.1950–17.8.1950*.84-7; Türkiye Ziraat Odaları Birliği, *Tütüncülüğümüzün Halihazır Durumu* (Ankara: Güven Matbaası, 1964).23-4.

the late 1940s (see Appendix C), it can be concluded that the merchants' excuses were more decisive than the producers' demands in the timing of market openings. However, the conflicts in the "tradition-breaking" years slightly challenge such an overall assertation.

As one of the most contentious years, 1965 witnessed serious debates on the issue of market opening date. In late January 1965, the market opening date had not been declared yet. Uncertainty about the opening date caused discontent, especially among the producers. The head of the Aegean Tobacco Producers Federation, Korkut Efe, met with ministerial authorities (the Ministry of Customs and Monopolies) on the issue, and asked for the opening to be in the first half of February.[326] On the other hand, the merchants thought that the market could not be opened before 22 February.[327] Following long negotiations between the merchants and the the Ministry of Customs and Monopolies, a compromise was reached the Aegean market by which would be opened on the 15 February.[328] However, the market opening was postponed due to the fall of the minority government on 13 February.[329] According to the local newspaper, *Yeni Asır*, the postponement to an unknown date "dropped like a bomb on the production districts," and had led to panic and anger among the producers. Indeed, the uncertain atmosphere paved the way to breaking with tradition once more, and pre-opening sales were made widely despite the "lower patience" calls of TEKEL and producer organizations.[330] Although the market was officially

[326]"Tütün Müstahsilinin Kaderi Tesadüflere Bırakılmamalıdır."

[327]"Tütün Tüccarları 'Efe'nin Sözlerini Benimsemediler," *Yeni Asır,* 23 January 1965.7.

[328]"Tütün Piyasası 15 Ocakta Açılacak," *Yeni Asır,* 29 January 1965.7.

[329]Gülal, "Akhisar Bölgesi: Sabırlı Olan Tütüncü Kazanır."

[330]"Tütün Piyasasının Tehiri Tepki Yarattı," *Yeni Asır,* 15 February 1965.1,2.

opened on 25 February, immediately after the formation of the new government, the date remained symbolic since a significant share of crop had been already sold.

The exceptional conditions after the government fall raised tension about the market opening policy in 1965. Similar to 1955, the market actors broke with tradition, and began sales before the official opening date in 1965. In addition to 1955 and 1965, the market opening policy was heatedly debated in both 1966 and 1967. Those two years were characterized not by booming sales before the opening, but rather by rising disagreement between the government and merchants on the official date and late declaration. On 4 January 1966, the Minister of Customs and Monopolies declared that Aegean tobacco market would be opened on 17 January.[331] However, the merchants opposed the date considering it early, and declared they could not be held responsible for such an early opening." They asked for a postponement because the banks had not made the necessary arrangements for credits and export transactions could not be completed until the declared date. Haydar Aryal, the chair of Turkish Tobacconists Federation, said that the tobacco market of the year would be a total "adventure" for merchants unless their demand was met. To avoid the "adventure" and push the postponement demand, the Federation not only sent an urgent telegram to the Prime Minister and other ministers, but also arranged for negotiations with ministerial authorities in Ankara.[332] However, the government insisted on the date, claiming that the conditions of both the merchants and producers had been taken into account. In the end, the Aegean market was opened on the declared date, 17 January. As Aryal had stated earlier, the merchants could not be as active as they had been in the previous year. In 1966, the

[331]"Ege Tütün Piyasası 17 Ocak'ta Açılıyor," *Milliyet,* 5 January 1966.7.

[332]"Tüccar, Tütün Piyasasının Geri Bırakılmasını İstedi," *Milliyet,* 6 January 1966.7.

total amount of merchant purchases dropped by 34,000 tons from the previous year.[333]

The controversies about the market opening in 1967 were centered not on the date, as in 1966, but on the government's late declaration. The Aegean market for the 1966 season crop was opened on 28 January 1967, and the date was declared just five days before, on 23 January.[334] The declaration was a great surprise to the merchants since the government had violated the established customs by declaring the date on such short notice without holding negotiations. Despite the merchants' complaints about the unnegotiated decision and the late declaration, they did not disagree with the date.[335] From the producers' point of view, the opening date was unusual because it coincided with Saturday, not with Monday as it had been until that year. So, they asked TEKEL not to stop purchasing on Sunday with the excuse of weekly holiday.[336] However, the general secretary of the RPP, Bülent Ecevit, argued that TEKEL did not make purchases on Sunday because it was the weekly holiday, and left producers alone with the merchants.[337] Whether TEKEL actually stopped purchasing on Sunday or not, it was less active than the merchants in 1967. While the merchants purchased 63,000 tons of tobacco from the Aegean market, TEKEL bought only 37,000 tons, according to *Milliyet*'s news based on TEKEL's official statements.[338] Hence, it seems that the merchants had lost no time getting over the

[333]*Ege Tütün İhracatçıları Birliği 1978 Yıllığı*.14.

[334]"Ege Tütün Piyasası 28 Ocakta Açılıyor," *Yeni Asır,* 24 January 1967.1,2.

[335]"Tütün Piyasasına 80 Firma Katılıyor," *Milliyet,* 25 January 1967.2.

[336]"Akhisarlı Ekiciler, Sakin Kararlı."

[337]"Ecevit: Tekel, Tütün Alıcısını Yalnız Bıraktı," *Milliyet,* 25 March 1967.1.

[338]"Ege'de 105 Milyon Tütün Satıldı," *Milliyet,* 10 February 1967.2.

government's violation of "established customs," and actively participated in the market despite the late declaration.

To sum up, the market opening date policy was maintained for 31 years until 1969 without depending on a clearly formulated legal obligation. The regulative policy became a "tradition" in the time following the first initiation in 1938 upon the demands of the domestic merchants. From then on, the governments declared the annual market opening dates for each production region, and the market actors generally waited for those dates to start the transactions all at the same time.

Although the policy was approved per se by both the producers and merchants immediately after the introduction, the determination of dates was always a contentious issue in which the interests and demands of different actors clashed. On the one hand, the producers wanted to be able to sell their crops within the cultivation year just after they made tobacco bales ready to sale. A late market opening date was disadvantageous for them because they faced financial constraints generated by the simultaneity of surviving until sales and making preparations for the new season's crop. Also, the longer tobacco bales were stored in the insufficient conditions in the villages, the more their quality decreased. Hence, in the meetings and congresses, the producers generally expressed their demands for the market opening of Aegean region in November-December and of the Black Sea and Marmara regions in December-January.

On the other hand, the merchants sought to purchase the new season's crop only after completing the exportation of their current stocks so they could calculate the necessary warehousing capacity. They also took their financial abilities into consideration, and proposed dates after the credit releases of banks. Hence, the

tobacco merchants usually pushed for the Aegean market to open in January-February, and the Black Sea and Marmara markets in February-March.

In addition to the preferences of producers and merchants, TEKEL's conditions were also significant. Before the official market opening date, TEKEL needed to been equipped with regulatory power and necessary budget by the government, and to have the warehouse capacity and staff sufficient for the purchases. The different priorities of different actors were mostly influential for the Aegean market opening date since the Black Sea and Marmara markets were usually opened almost one-and-a-half months later than the Aegean market.

The table of market opening dates by regions from 1938 to 1983 can be seen in Appendix C. It shows that the merchants' conditions were more decisive than the producers' demands because the Aegean region's dates, which coincided in January-February, fit more to the merchants' priorities. Therefore, the unending discussions on market opening date usually resulted in the privileging of the buyer side. To put it another way, the governments never decided to open a tobacco market on such a date that could make the merchants' entrance into the market impossible. However, this does not mean that the winner of market opening policy was always merchants. There were also some years in which not only producers and merchants broke with "tradition" altogether but also the government and merchants opposed each other.

As the first of the most contentious years, the "tradition" of an official market opening date was broken in 1955 by the American companies in the Aegean market. They started purchasing especially in high-quality tobacco production districts before the official date, claiming that the policy had no legal basis. The American firms were followed by all domestic merchants in order not to lag behind the competition. Faced with the spontaneously early market, the government had to reschedule the

official date, and opened the market one week early. The events of 1955 led the government to revise the policy by removing the non-obligatory responsibility. However, the domestic merchants stood for the policy once more, and opposed the revision in return for their approval of the government's harder measures to prevent pre-opening sales.

In the following years, the governments issued decrees and circulars banning pre-opening sales, but failed to prevent them totally, as understood from the many newspaper articles about "time bargaining sales (*alivre/avans satışlar*)."[339] Whatever the real volume of pre-opening sales in the subsequent years, it was not probably as high as in 1965 when the "tradition" was once more broken, as it had been in 1955. The Aegean market opening was postponed in 1965 due to the government's fall. While postponement to an unknown date engendered panic and anger, especially among the producers, the uncertain atmosphere made the official date null and void. Tobacco sales boomed within a few days, and the official date declared immediately after the formation of the new government remained just symbolic. Along with the "tradition-breaking" years, the market opening policy raised disagreement between the government and merchants also in 1966 and 1967. The bone of contention for the former year was that the date was considered early by the merchants, and for the latter year, the late declaration. Merchant organizations showed strong reactions in these years, and blamed the government for breaking the "established customs" of the tobacco market.

The market opening policy gained a legal basis with the second major tobacco law, enacted in 1969. According to the law, the Inter Ministerial Tobacco

[339]Among many news, for three randomly selected examples from different decades, see "Yeni Rekolte ve Ege Piyasası," *Türk Tütünü*, no. 221 (1 November 1949).4-6; "Akhisar Tütün Piyasası Açılmadan Satışlar Başladı," *Milliyet,* 25 October 1957.3; "Egede Karaborsa Tütün Satışı Var," *Milliyet,* 15 December 1967.2.

Board would declare annual market opening dates for each region, and it was prohibited to commerce leaf tobacco bales before the declared dates. Indeed, the 1969 law just named the mechanism of a regulatory "tradition" which had already been practiced for the previous 31 years.

During the historical period under discussion, the market opening policy was always one of the most contentious problems over which tobacco market actors, TEKEL, the merchants, and the producers, faced each other. Now, the discussion turns to the most heated debate issue, price policy.

Conflicts over Price Policy: "Political Price," "Just Price," or "Gambling on Prices"

Price policy was the hottest subject of not only the tobacco market, but also public discussions on the relation of economy and politics in Turkey. A great majority of studies on the tobacco market either have focused specifically on price policy or discussed it at greatest length among the other market problems.[340] The prime prices for tobacco the governments annually declared always hit the headlines since tobacco prices were seen as a basic indicator of general economic conditions in the country and of the government's political priorities. In that respect, tobacco prime prices were one of the constant issues in both media debates and political competition among parties, at least until the mid-1980s.

Chapter 4 showed that the governments began to intervene in tobacco prices during the war years. After that, the pillar of interventionist policy was prime prices, which were set to the highest quality crop. Prime prices were officially declared by

[340]For some examples, see Aren, *Tekelin İlk Madde Alımları Fiyat Politikası: Tütün, Anason, Şerbetçiotu, Çekirdekli Kuru Üzüm ve Yaş Üzüm*.; *Türkiye'de Tütün*.; *1966'da Türk Tütüncülüğünün Durumu*.; Halime Oygur, *Türkiye'de Tütün ve Sorunları* (İstanbul: Boğaziçi University, 1972).

the ministers of Customs and Monopolies on market opening dates. As Yeşne Aren states in her study on the TEKEL's purchasing policy of raw materials, TEKEL took the following factors into account while setting annual prime prices: producers' cost of production, export prices, amount of stocks, price level of the previous year, prices of other agricultural crops, inflation, and social policy concerns. Prices were determined according to the yield (*randıman*) method for the Aegean region and certain districts of Black Sea region, and to the grad (*nevi*) method for the Black Sea and Marmara regions.[341] The prime price system existed together with regional determination methods and official declaration on market opening dates, and were implemented from the 1930s to the mid-1980s. The system was revised in 1985 when both determination methods were changed and prices were declared earlier, in October, without waiting for an official market opening.[342]

The prime price system had been criticized since 1960s, especially by the private sector. As stated in a 1966 sector report of the Turkish Chambers of Commerce, prime prices had become symbolic and created to a lot of discontent. Rather than prime prices, the Chamber proposed a price floor system, in which minimum prices were set and the rest was left to free competition, like in the USA.[343] TEKEL managers responded to the proposal of private sector representatives for a price floor system by arguing that a price floor had already been

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[341]Aren, *Tekelin İlk Madde Alımları Fiyat Politikası: Tütün, Anason, Şerbetçiotu, Çekirdekli Kuru Üzüm ve Yaş Üzüm*.11-2.

[342]*Tekel'in Tütün Alımlarına Başlaması Nedeni ile İzmir'de Maliye ve Gümrük Bakanı Sayın Ahmet Kurtcebe Alptemoçin Tarafından Düzenlenen Basın Toplantısı* (İzmir: n.p., 1986); *Tekel'in Tütün Alımlarına Başlaması Nedeni ile İzmir'de Maliye ve Gümrük Bakanı Sayın Ahmet Kurtcebe Alptemoçin Tarafından Düzenlenen Basın Toplantısı, 1 Aralık 1986*, (İzmir: N.p., 1986); "Tütünde Fiyatlandırma," *Tütün Eksperleri Derneği Bülteni*, no. 27 (1995).5-6.

[343]*1966'da Türk Tütüncülüğünün Durumu*.10-1.

implemented in Turkey. For example, in a 1971 panel organized by the Economic Research Foundation (*İktisadi Araştırmalar Vakfı*), Orhan Özet, a high-ranking manager of TEKEL, argued that TEKEL in fact set a price floor. It was because TEKEL as the interventionist institution had been determining quality of the whole production before market opening, and so setting floors for all quality levels and all producers.[344] Hence, the difference of opinion between the tobacco merchants and TEKEL officials had stated in the 1960s.

The prime price system was not the only component of tobacco prices heatedly debated. Price levels and the stability of declared prices were even more contentious than the prime price system. Indeed, conflicts over tobacco prices and discussions on price policies were mainly governed by the following discursive triad: While the governments were always blamed for political (over)pricing, and the merchants for opportunism and gambling on prices, the producers kept seeking for just price (*eder fiyat*). Before focusing on the roots of the discursive triad with the help of examples, price movements during the period should be discussed.

As seen in the table in Appendix D, tobacco prime prices never decreased nominally during the period under discussion. Inflation adjusted prices are a better measure with which to comment on than nominal ones. Since Chapter 3 presented an examination of real price movements in detail, now just the main points will be mentioned. While real tobacco prices relatively increased during the war years, they sharply decreased in 1948. Following a slight increase in 1949, real prices had a steady pattern with low price volatility in the 1950s. The most dramatic increase is seen in the pricing of the 1962 season crop, and real prices almost doubled the previous year's level in 1963. The radical increase was cleared by slight but

[344]Özet, *Tütün Üzerine Konuşmalar, 1965-1980*.20-6.

continuous decreases over the period 1963-1972. In the five years after 1972, real prices jumped once more up to the historical peak level of 1963. The five-year rapid increase was followed by a sharp decrease just in three years, from 1977 to 1980. Therefore, real tobacco prices rapidly increased in 1963 and the five years from 1972 to 1977, and decreased in 1948, the nine years from 1963 to 1972, and the three years from 1977 to 1980.

The movements of real tobacco prices indicate contentious years in which conflicts over pricing policy flared. To start with the first element of the discursive triad, criticism about "political pricing" rose during the historical periods in which real tobacco prices rapidly increased. Especially the representatives of the private sector complained about the government's "over pricing" under the pressure of political influences. The private sector strongly accused the government of "political pricing" for the first time in 1963 upon the sharp price increase. The tobacco merchants accused TEKEL of "distorting the 1963 market price balance by a 60-percent raise depending just on some unreasonable political concerns," as stated in the Aegean Tobacco Exporters Association's review article published in the 1973 annual.[345] The most substantial damage of the rapid price increase was, according to one of the biggest domestic merchants, Akın Umur, that Turkey had in fact pushed its traditional buyers to competitor countries.[346] In addition to the potential loss of export markets due to high prices, the tobacco merchants also argued that the price increase caused over production. In the Turkish Chambers of Commerce and Industry's report analyzing the situation of the tobacco sector in 1966, it was claimed that overpricing had triggered overproduction, as seen in the jump of, as it said,

[345]*Ege Tütün İhracatçıları Birliği 1973 Yıllığı*.5-11.

[346]Akın Umur, "Tütün Piyasası ve Türkiye'de Durum," *Milliyet,* 18 March 1965.7.

"production yield from 90 million to 193 million kilograms within just two years from 1962 to 1964."[347]

In the second historical period in which tobacco prices continuously increased in real terms from 1972 to 1977, the tobacco merchants complained about political pricing once more. However, this time, the phenomenon was not limited to one year, but rather for five. Therefore, the tobacco merchants more severely criticized the governments. In the review article published in the 1977 annual, the Aegean Tobacco Exporters Association pointed such an alarming situation in which "the country's traditional export crop has been drifting into a serious crisis."[348] The powerful merchant organization defined the main reason of the alleged "crisis" as over-(domestic) pricing causing overproduction and blocking export opportunities.[349] Describing a chain crisis triggered by the high prime prices declared by TEKEL, the tobacco merchants blamed political concerns for the unsustainable policy. In the 1977 seminar proceedings on the problems of tobacco and tobacco products industry, the chair of Tobacco Exporters Association Esin Özgener, stated that there had been no reason but political concerns for the price increases during the previous four years. Özgener called for urgency to "keep the tobacco sector free from political abuse."[350]

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[347] *1966'da Türk Tütüncülüğünün Durumu*.3-5.

[348] *Ege Tütün İhracatçıları Birliği 1977 Yıllığı* (İzmir: Ege Tütün İhracatçıları Birliği, 1978).5.

[349] Ibid.5-6.

[350] "Yaprak Tütün İhracatında Özel Kesim ve Sorunları," Esin Özgener - Ege Tütün İhracatçıları Birliği Başkanı. The paper is located in the folders of Orhan Özet's personal archive in the archives of the Tobacco Experts Association in Izmir. The folder is named "The Seminar on the Problems of Tobacco and Tobacco Products Industry, 24-26 October 1977" (*Tütün ve Tütün Mamulleri Sanayi Sorunları Semineri*).

The rapid price increases in 1963 and between 1972 and 1977 were met with criticism by the tobacco merchants. They expressed dissidence and complained about the over pricing policies of the governments which privileged only the political concerns. On the other hand, tobacco prices decreased in real terms during certain historical periods although prime prices were never declared nominally less than the previous year's level. Indeed, there is no reason to think that the market actors, especially the producers, were fully informed about the complicated calculations of real prices, and adjusted their reactions according to that information. However, the periods of decreasing real prices mostly coincided with the increased demands of the tobacco producers for a "just price." Hence, it seems that the producers were well aware of the fact that the price was not "just" enough compared to those of the previous year(s) in spite of the slight nominal increases. For example, according to *Yeni Asır*, the "cries" of the tobacco producers were raised because of low prices in 1948, which was in fact the year of a sharp decrease in real price. Based on letters sent from Bergama, Kuşadası, and Soma, the newspaper described the "suffering conditions" of the producers. According to those letters, the producers were miserable because of the very low prices even for the highest quality crop. Apart from the low price levels which were far from bearing production costs, the producers bitterly complained about the "pricing games" played by both the domestic merchants and TEKEL to lower the prices more. Putting the producers' cries for just prices in the headlines, the newspaper highlighted the "abnormality" of the 1948 market up, until which the "Aegean producers had never been subjected to such kind of unfair treatment."[351]

[351]"Bergama'da Feryat Ediliyor," *Yeni Asır,* 22 December 1948.1,2; "İkinci Hafta, The American Piyasada," *Yeni Asır,* 28 December 1948.1,6.

Similar to 1948, real tobacco prices rapidly decreased in 1965. As discussed above, the delay of the market opening had already led to social unrest in the Aegean region in that year. The tension increased further when prime prices were declared at the same level as those of the previous year. Producers who had already been nervous due to the mishandled market opening policy disapproved of the unfair prices, as recorded by *Milliyet*. According to the news, sales were collectively boycotted in Seydiköy and Cumaovası until the settlement of a "just" price.[352] Furthermore, the troubled conditions of the 1965 market provoked angry reactions among the Aegean producers. In Kırkağaç, a district of Manisa, almost 2,000 producers protested against the deputy of the Justice Party, Nahit Yenişehirlioğlu, who had traveled to the district to observe the tobacco market. *Milliyet* reported that the producers had yelled "you sold us to merchants! You bankrupted us within three days!" Facing the producers' anger, Yenişehirlioğlu was unease to make a public speech as had been done in previous years. He was not able to leave the district in his own car since the protestors had damaged it.[353]

Sharp shifts in real tobacco price movements indicate the two different extremes of conflicts over pricing policy. On the one hand, rapid price increases were met by heavy criticism by merchants of the governments due to "political/over pricing." On the other hand, the producers reacted to sharp declines, and accused the governments of "unfair" pricing policies. They raised demands for just prices,

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[352]"Tütün Piyasası Düşük Fiyatla Dün Açıldı," *Milliyet,* 26 February 1965.7.

[353]"Tütün Ekicisi, Hükümetin Alım Fiyatını Protesto Etti," *Milliyet,* 28 February 1965.1. *"Kırkağaç'ta 'Bizi tüccara sattınız, biz mahvolduk. 3 gün içinde bizi mahvettiniz.' diye bağıran 2 bine yakın tütün müstahsili, ilçeye gelen Manisa AP milletvekili Nahit Yenişehirlioğlu'nu konuşturmamıştır. Belediye binasından tütün ekicisine hitap etmek isteyen milletvekili, ancak, 'Tekel Bakanına telefon ettim. Tütününüz satılacaktır.' cümlesini söyleyebilmiştir. Müstahsil, milletvekilinin arabasını da bozmuştur. Yenişehirlioğlu başka bir vasıta ile ilçeden ayrılmıştır."*

especially in the years prices dramatically decreased. Besides these two extremes, conflicts over prices had another dimension that occurred in "normal" years without significant price changes in nominal or real terms. This dimension involved the stability, or rather instability, of prices during the purchasing period. As much as the price level itself, the issue of keeping prices stable around the levels declared on the first day of the market led to conflicts among the market actors. Indeed, the never-attained stability was the basis of the last element of the discursive triad signifying market conflicts over price policy.

Due to the great price instability, the tobacco market was described as a gambling game by a spokesman of the Trust Party, Turan Şahin, in the parliamentary discussions on the RPP's 1967 motion to investigate the income distribution between tobacco merchants and producers.[354] This metaphor of "gambling game" perfectly highlights the inherent uncertainty and instability of the pricing process. To better understand the game's nature, two exemplary cases will be presented now.

The chair of the Bafra Tobacco Producers Association, Ömer Güriş, wrote a long letter to the Minister of Commerce on 22 February 1946 describing market conditions and asking that the necessary measures be taken. Güriş stated that TEKEL had opened the market on 11 February, and had declared the prime price to be 300 kuruş and the price for very low grade (*görmez*) as 80 kuruş. Following TEKEL, the Domestic Products Corporation had decreased the maximum price, which had been already declared as 325 kuruş. The producers had "sunk into despair" as soon as they had heard the prices, which were below the cost of production for that season, 304 kuruş per kilo, as calculated by the Chamber of Agriculture. While producers were

[354]Republic of Turkey, *TBMM Tutanak Dergisi*, term 2, session 3, vol. 22, 8 December 1967.410. *"Bugün Türkiye'de bütün Ege mıntıkasında, Karadeniz sahillerinde tütün ekilen her yerde ekicisi için de, satıcısı için de tütün bir kumar gibidir. Kaça satacağını bilmemektedir, kaça alacağını bilmemektedir…"*

waiting "hopelessly," the prices had once more been decreased by "official institutions," TEKEL and the Domestic Products Corporation. They had dropped the percentage of high-grade crop in the total yield from the initial level of 80 percent to 60 percent. Since prices were depended on that percentage, the change meant a decrease of the average price from 256 kuruş to 212 kuruş. Stating the facts and reminding the Minister of the "miserable conditions of the producers," Güriş ended the letter by "begging" for "government protection and appointment of auditors to the region."[355]

The episode described in Güriş letter was not peculiar to Bafra, or that specific year, 1946. As a general characteristic of the tobacco market, the prices declared on the market opening date were not kept at that level. Immediately after a few purchases at the prime prices, the buyers began to offer lower prices, even for the same grade tobacco bales. In general, TEKEL initiated the decrease, and the merchants followed by cutting prices further, which was exactly the reason for the "opportunism" accusations against them. Because of this general pattern, the producers always strived to sell as quickly as possible within the first days of the market. Nobody knew exactly when prices would begin to decrease or how low they would go. That is why tobacco market called a "gambling game." The events in the Aegean and Black Sea markets in 1967 illustrate the nature of that "game."

The 1967 Aegean tobacco market was opened on 28 January. On the first day, while TEKEL declared the prime price as 13.25 lira, the merchants offered nine lira for the highest grade. After a few purchases at the prime price, TEKEL dropped its prices to six to eight lira for high-grade, and even to 2.5 lira for low-grade. Merchants followed TEKEL, and prices decreased even to 1.5 lira on the tenth day of

[355]PMRA Fon Kodu: 30.1.0.0 Yer No: 84.530.4 (21 March 1946)

the market.[356] The same pattern was repeated in the Black Sea market. On 10 March 1967, the market was opened by the Minister of Customs and Monopolies with a prime price of 21 lira. Aware that prices would fall immediately after the Minister's visit, the producers said to the Minister that he had better declare the price as 15 lira, not 21 lira, at least to keep prices stabile, as reported by *Milliyet*.[357] As the producers guessed, TEKEL began to offer eight lira for high-grade only three days later. While the merchants made purchases at 13 lira on the first day of the market, they cut prices further after TEKEL's lowering. According to the Samsun correspondent of *Milliyet*, the producers summed up their displeasure from market conditions with these words: "TEKEL freaked us out; the merchants exploited us."[358]

All in all, prices were one of the most controversial issues throughout the period under discussion. The studies on the Turkish tobacco market discuss the price policy as the major problem. The issue always made the headlines of the newspapers and journals as a significant indicator of the governments' political orientations and course of the economy. In this sense, there is an abundance of archival sources about tobacco prices in general and price policies in particular. To be able to make a meaningful analytical classification of the sources, successively, the prime price system, movements of real tobacco prices, and the struggling discourses of the market actors were discussed. The discussion showed first that the Turkish state began direct intervention into tobacco prices during the war years by pursuing the

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[356]"Ege Tütün Piyasası Açıldı," *Milliyet,* 29 January 1967.1; "Egede Tütün Fiyatı 250 Kuruşa Düştü," *Milliyet,* 31 January 1967.2; "Ege'de Tütün 150 Kuruşa Düştü," *Milliyet,* 7 February 1967.2.

[357]"Karadeniz Tütün Piyasası Açıldı," *Milliyet,* 11 March 1967.2. *"Tütün üreticileri, Tekel Bakanına 'Baş fiyatı 21 lira gibi yüksek bir fiyatla açmayın. Siz gidince bu fiyat hızla düşecektir. Baş fiyatı 15 liradan açın, fakat istikrar devam etsin.' demişlerdir."*

[358]"Karadenizde Tekel ve Tüccara Tepki Artıyor," *Milliyet,* 14 March 1967.2. *"Ekiciler son durum için 'Tekel ürküttü, tüccara sömürttü.' demektedir."*

policy of prime price declaration. In compliance with the policy, the governments determined the maximum prices for the highest quality crop, and declared those prices on the market opening date. Although there was no legal restriction for merchants to overbid the TEKEL's prime prices, prime prices were the primary determinant of overall level. Especially from the mid-1960s to the 1980s, tobacco merchants complained about the prime price system, and defended the price floor system as an alternative. The prime price system was implemented until the mid-1980s, contrary to the demands of the private sector.

The review of annual prime prices shows that the prices never decreased nominally during the period under study. On the other hand, there were certain years and/or periods in which tobacco prices sharply fluctuated in real terms. Although this study does not take fully and equally informed market actors for granted, there is a remarkable synchronicity between real price movements and the reactions of different market actors. Focusing on the simultaneity, I describe two different discursive elements coinciding with the rapid shifts of real tobacco prices: the overpricing complaints of the merchants in years of real price increases, such as 1963 and 1972 – 1977, and the just price calls of the producers in years of rapid decreases, such as 1948 or 1965. In addition to the synchronicity of sudden real price movements with two distinctive discursive elements, a third overlapping between years of slight real price changes and rising price stability concerns was observed. The prime prices declared on market opening dates usually remained symbolic in the following days of the market. In fact, tobacco prices began to decrease immediately after a few purchases at the prime prices on the market opening day. Epidemic price instability led observers to describe the tobacco market as a gambling game.

Prices were always the most contentious issue of the tobacco market. The market actors conflicted with each other on the prime price system, the real and perceived price levels, and price stability. Now, another contested issue of the tobacco market, the determination of crop quality and grading, will be discussed.

Quality and Grading

The tobacco was priced according to quality grading by experts. To simplify the grading process, in 1934 the content of tobacco bales was regulated for the first time by Law. No 2506 of Purchasing Tobacco from Producers (*Ekiciden Tütün Alma Kanunu*) enacted. The law stated that producers had to separately bale tobacco leaves as useless (*görmez*), including very low quality leaves, and crop (*mahsul*). Crop bales should not contain unfit leaves that were rotten, or crushed. If unfit leaves were seen in crop bales, the experts were to report this, and apply to court. The court could impose a fine of a minimum of five and a maximum of one hundred lira on the producer. However, the provisions were far from being easily implemented under the poor socio-economic conditions of the 1930s.

In a letter published in *Türk Tütünü*, one of TEKEL experts described the difficulties of the implementation process reporting that he was obliged to appear in person in court for all wrongful baling trials.[359] Besides the obligation, the court dropped cases since all of the producers explained how they had signed the official reports of wrong baling by claiming illiteracy or ignorance about the legislations, so the judge declared them not guilty. The inconclusiveness of the process, together with extra personal burdens, seemed to discourage the experts as stated by the

[359]"2506 Sayılı Kanunun Tatbikindeki Müşküller," *Türk Tütünü*, no. 9 (1 October 1938).5,12.

anonymous sender of the letter that he would not report these kinds of wrong baling incidents ever again.

The 1938 tobacco law only rephrased the provisions of the 1934 Law about bale content even though TEKEL experts had asked for an increase in penalties and improvement of the practicability of the penalties.[360] Hence, the legal deterrence was not great enough to wake the producers to follow the obligatory baling standards in the post-legislation period. Efforts were made to compensate for the partial lack of legal enforcement by the regular press in the 1940s. In the tobacco journals, several articles were published to support the new regulations that a separated baling of the useless leaves and crop and "cleanliness" of crop bales from ill leaves were necessary for, in fact, the benefit of producers themselves.[361] Moreover, every year before the market opening, TEKEL distributed brochures to the villages, and broadcasted on the radio to warn producers about baling obligations, as stated by in a 1948-dated parliamentary speech of the Minister of Customs and Monopolies.[362]

In general, the propaganda practices of either the journals or TEKEL assumed that the responsibility of meeting the prescribed baling standards rested on the shoulders of the producers. However, in addition to the producers there were other retarding factors before a quick transition to the legally imposed separation and composition of bales. One of those factors was local classification methods, as can be followed in a heated debate on tobacco sales in Bafra in 1940.

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[360]For an article written by a TEKEL expert who described the problems and suggested new measures to make the legal provisions more implementable, see Koyutürk, "2506 ve 3437 Sayılı Kanunların Tütüncülüğümüze Olan Tesirleri."

[361]For just two examples from 1942 and 1948, see "Kısa Öğütler: Görmez Yerine Mahsul Toplamayınız!," *Türk Tütünü*, no. 100 (15 July 1942).8,10; "Tütün Ekicisi, Bindiğin Dalı Kesme!," *Türk Tütünü*, no. 206 (1 August 1948).3,8.

[362]"Tütün Satışları Millet Meclisinde Konuşuldu," *Yeni Asır,* 18 December 1948.1.

In September 1940, an article appeared in the journal, *Tütün*, criticizing the Turkish Corporation of Domestic Products due to a purchase from Bafra. In the article, it was argued that the Domestic Products had purchased unfit bales which had been locally classified as "tenth grade (*onluk*),"[363] at a price of crop bale. Since the overpriced purchase was seen as not compatible with the legislations, the article questioned whether the expert in charge had taken an official report and applied to the court. The Bafra Tobacco Producers Association "regretted" the article, and published a reply in the journal, *Türk Tütünü*. The Association said that the classification of tenth grade had been used locally since 1931, when a merchant named Hacı Vahan had introduced it to distinguish lower quality bales from higher ones. Indeed, the Association itself also had seen the tenth-grade classification disadvantageous for producers, and had been negotiating with all local buyers to phase it out. However, the Association's dissatisfaction with the local method did not mean that the tenth grade was to be replaced by the "unfit" category of the new classification; rather, it had to be regarded in the "crop" category. Hence, the Association claimed the Domestic Products did the right thing by not offering the price of unfit for the bales classified as tenth grade. The producers association concluded the reply article by calling both buyers and producers to abandon the harmful and old-dated local classification of tenth grade, and to follow the legal categorization of unfit and crop.[364]

TEKEL introduced a new sorting schedule in 1944 to standardize the grading process and eliminate the local grading methods, which caused problems, as seen in the Bafra case. The schedule was about the classification of crop bales primarily

[363]Tenth grade was locally used for lower quality bales, but not for the lowest ones.

[364]"Bafra Tütüncüler Birliği Yanlış Neşriyata Cevap Veriyor," *Türk Tütünü*, no. 62 (15 December 1940).7-9.

separated from unfit bales. According to the sorting, Aegean tobacco would be graded with three classifications as 1-2-*kapa*, and the Black Sea and Marmara regions in a four, as 1-2-3-*kapa*.[365] In the later years, the number of classification scales was raised at most to six, including *kapa*, indicating lowest quality crop bales except useless bales. However, even a six-category scale was not varied enough for an agricultural crop like tobacco that had a high variety of quality. In the 1960s and 1970s, especially the agricultural experts and chambers discussed the inadequacy of the six-category scale by comparing Turkey with two other tobacco producing countries, the USA which used 126 categories, and Rhodesia which used 128 categories to value the crop.[366] Despite such proposals to increase the number of categories, Turkey continued to use the six-category scales denoted by numbers from 1 to 5, and *kapa* until the early 1980s.

Using valid categories of scale, experts visited all of the production districts to determine crop quality roughly two months before market openings. They recorded the determination for every producer in registers called determination notebooks (*tespit el defteri*). Figure 11 shows the determination notebook of Adnan Raşit Günay, a TEKEL expert. It shows the results of Günay's expertise in Selçikli, a village of Akhisar, Manisa on 16 November 1946.[367]

[365]"İnhisarların Yeni Nevi Esasları," *Türk Tütünü*, no. 132 (1 January 1944).4.

[366]Sabri Alınak, *Tütünlerimizin Modern Esaslara Göre Kıymetlendirilmesi* (Ankara: Güzel Sanatlar Matbaası, 1961).; Türkiye Ziraat Odaları Birliği, *Tütüncülüğümüzün Halihazır Durumu*.

[367]The notebook is a part of Adnan Raşit Günay's personal folders in the library of the Tobacco Experts Association in Izmir.

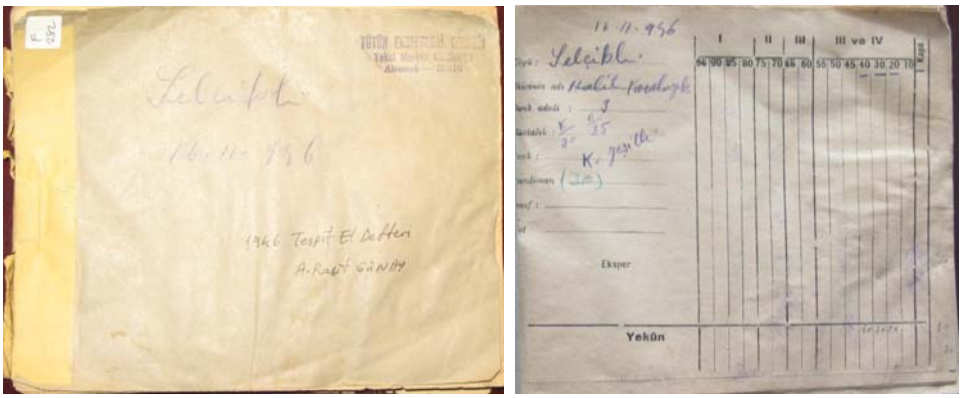

Figure 11: The Determination Notebook of Adnan Raşit Günay

As seen, for each producer, experts determined categories, recording the number of bales corresponding to each category, measuring yield (*randıman*), and noting agricultural illnesses with special denotations.

The bale grades recorded by the experts in the determination notebooks were important since they provided the basis for purchases and pricing at the market opening. In the Aegean region, the determination records were the only information available to the buyer since sale contracts were signed before the actual transfer of the crop. The bales were brought to the warehouses of the buyers one or two month after the purchases. In the Black Sea and Marmara regions, on the other hand, sale contracts were generally made in warehouses by comparing the quality of the actual bales with the grades in the determination notebooks. Hence, the determinations were always possible problem sources between the experts and producers due to their importance during the sales.

As stated in an Izmir Tobacco Experts Association paper presented to a tobacco sector seminar organized by the Izmir Chamber of Commerce in 1966, many issues made determinations controversial. As an external factor, weather conditions on the determination day were highly influential on the expertise. As factors of working conditions, first, an expert had to determine the quality of 4,000 bales per day although he was physically capable of determining at most 1,000 bales at his

best. The workload made the expertise not necessarily wrong but of course questionable for producers. Moreover, the tobacco bales were supposed to be determined one month after baling. Because of the time limitations of expertise period set by TEKEL, however, the waiting the required period of one month was not possible. Determinations were made immediately after the completion of baling. As a last factor, bales were supposed to be determined in an open and well-lit place. However, neither the experts nor the producers paid attention to the material conditions required for a good expertise.[368]

The problematic issues of the determination period described in the Experts Association's paper showed the actual impacts during the two subsequent periods, in the purchasing and warehousing periods. To start with the first, since expert determinations were not declared until the market opening date, the producers were unable to learn their crop's grade. As analyzed in an article written by Feridun Osman Menteşeoğlu, the editor of the prominent national newspaper, *Cumhuriyet*, and a member of parliament from Muğla between 1943 and 1946,[369] the producers demanded to know the results of the determinations before the market opening. He said that only one expert, unwatched by a committee, determined crop. Some of the experts did not even go to villages, and just recorded the determinations according to the previous years' grades. To top it off, these kinds of imperfect determinations remained secret until market opening. Menteşeoğlu concluded the article by

[368]"Tütüncülükte Ekici-Alıcı Münasabetleri," İzmir Tütün Eksperleri Cemiyeti. The paper is located in the folders of Orhan Özet's personal archive in the archives of the Tobacco Experts Association in Izmir. The folder is named "The Tobacconist Seminar of Izmir Chamber of Commerce, 13-15 June 1966" (*İzmir Ticaret Odası Tütüncülük Semineri, 13-15 Haziran 1966*).

[369]For more on the biography of Feridun Osman Menteşeoğlu, see *TBMM Albümü (1920-2010)*, vol. 1 (1920-1950) (Ankara: TBMM Basın ve Halkla İlişkiler Müdürlüğü Yayınları, 2010).

emphasizing the necessity of getting rid of the "unjust and wrongful" determination and purchase system, which was totally disadvantageous to the producers.[370]

The adverse points highlighted by Menteşeoğlu were also cited by several other sources. As reported by the journal *Türk Tütünü*, the producers complained that the experts did not go to remote villages to make determinations.[371] In addition, their visit to a village did not mean that the expert did his expertise as expected. According to *Tütün*, the determination notebooks were mostly filled out in coffeehouses, not before tobacco bales.[372] The determination process, hence, was wide open to abuse, and caused conflicts in the purchasing period, as exemplified by the events happened in Bergama in 1949. Hakkı Korkmaz, a tobacco producer from Zeytindağı, a village of Bergama, wrote a letter to *Yeni Asır* in January 1949. Stating that he was "ready to prove all of his claims," Korkmaz described in detail the mechanism that posed an obstacle to the sale of crop:

> Our village has always been one of the good quality tobacco producing places. This year, 88 cultivators produced 32,648 kilograms of tobacco. We, producers, cultivated on moorland, and did our best for crop excellence. In the last week of September, before the completion of the baling, TEKEL expert came to make so-called determinations. He saw the stacked crop of eight or nine friends. He looked either by taking tobacco strung on sticks or by breaking some leaves from stacks, and showing his dissatisfaction. Then, he got in his car, and said 'Your crop is ruined, you do not have good quality tobacco!' and went.
> … The experts of the other buyers accepted TEKEL expert's determination of our crop as diseased. For twelve days, we have not been able to show our crop to any buyer. Even if we succeed at showing it, buyers leave displeased after hearing the origin, Zeytindağı.
> … When the market opened, hundreds of cultivators gathered in front of TEKEL building, in very cold weather, waiting for the

[370]Feridun Osman Menteşeoğlu, "Tütün İşinde Çaprazlar," *Türk Tütünü*, no. 240 (1 June 1951).12-3.

[371]"Müstahsil Bölgelerinden Haberler," *Türk Tütünü*, no. 247 (1 January 1952).10-3.

[372]"Ayıp Şey," *Tütün*, no. 111 (7 September 1959).236-7.

> announcement of their names and the results of the determinations. No names from Zeytindağı were read. We heard that only one of our friends, who has a personal relationship with the expert, was able to sell his crop to TEKEL at a price of 225 kuruş. In fact, that producer's bales were bought under the village name of Şakran, not Zeytindağı, and were recorded in TEKEL's determination notebooks like that![373]

The case told in Korkmaz's letter encapsulates all of the determination-related problems: early determination before the end of baling, insufficient and careless expertise, expert malpractice and abuse of power, and consequently, the sale difficulties of producers. Purchases or non-purchases, as in the Bergama case, depending on poor mechanism of determinations, were inherently controversial. The determination system led to conflicts between the experts and the producers not only during the purchasing phase, but also during the warehousing period. The Experts Association's seminar paper reported a long time lag between the determination of bales in villages and the actual transfer to buyers.[374] Roughly speaking, in the Aegean region, experts recorded the grades in September or October, and the sale contracts, based on determination records, were made the following the market opening, in December or January. Then, crop bales were transferred to the buyer warehouses during the warehousing period, in February or March. This schedule

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[373]"Zeytindağı Tütünleri Nasıl Satılamadı?," *Yeni Asır,* 7 January 1949.3. "*Bucağımız eskiden beri iyi tütün yetiştiren yerlerdendir. Burada (88) ekici 32.648 kilo tütün yetiştirmişlerdir. Ekiciler kır arazide tütün ekmişler ve nefaseti için azami gayret göstermişlerdir. Kurutulmuş tütünler kalıp yapılmadan, eylül ayının son haftasında güya tesbit maksadiyle Tekel eksperi geldi. Sekiz dokuz arkadaşın istifteki tütünlerini gördü. Ya çomakta dizili tütünü alarak, yahut istiflerin kenarından üç beş yaprak koparark bakıyor ve beğenmediğini izhar ediyordu, nihayet otomobiline bindi. Bizi çağırarak: 'Tütünleriniz çok bozuk, iyi tütününüz yok!' dedi ve hareket etti. ...Tekel eksperinin bizim tütünlere atfettiği bozukluk diğer alıcıların eksperlerine de sirayet etmiş. Satış başlıyalı bugün 12 gün olduğu halde tütünlerimizi gösteremiyoruz. Göstersek bile, Zeytindağ tütünü olduğunu işitince alıcı burun kıvırıp gidiyor. ....Ertesi gün piyasa açıldı. Yüzlerce ekici Tekelin bahçesinde toplanmışlar, tesbit neticesinde isimlerinin okunmasını soğukta titriyerek bekliyorlardı. Zeytindağından kimsenin ismi okunmadı. Yalnız tesbite gelen eksperin hususi olarak görüştüğü bir arkadaşımızın tütününü 225 kuruştan sattığını öğrendik. Meğer onun tütünü Şakran köyü tütünü diye alınmış ve Tekel defterlerinde öyle yazılı imiş!*"

[374]"Tütüncülükte Ekici-Alıcı Münasabetleri," İzmir Tütün Eksperleri Cemiyeti.

means that there were approximately six months between the first and second times the experts saw the crop. During those months, the quality of tobacco bales changed, and mostly deteriorated. Quality changes gave rise to common practices of "discounting and discarding" breaking the contracts during the warehousing period. These practices are discussed below. However, besides quality changes, the huge time lag between the determination and warehousing periods made the control of quantity changes more difficult, if not impossible.

TEKEL experts discussed the difficulties of bale control during the warehousing period in their first joint meeting, held in August 1954. A numbering and marking system was used by the experts first in the determination period, and then in the warehousing period. However, the system did not function well enough to prevent the misidentification of existing bales, or even the addition of new bales. The experts stressed the necessity of renewing TEKEL stencils, which could be, and in fact had already been, easily copied. Moreover, there were many old-stencils on the cloths used for baling, which made distinguishing the newest one more difficult. So, either the use of old cloths needed to be banned or an additional label besides the stencils needed to be stuck on the bales. They asked for the introduction of the measures as soon as possible since they, as they wrote, had been "affronted by producers during warehouse controls, indeed very often."[375]

Despite the urgent calls for new measures, it seems the numbering and marking system could not be reformed enough to prevent the troubles of warehousing period. A decade after the first joint meeting of experts, in 1966, complaints were still being raised about the insufficiency of the system. The numbers assigned to the tobacco bales during determinations were erased in time, and so it

[375] *Tütün Eksperleri Toplantısı, 23-26 Ağustos 1954*.

was almost impossible to distinguish the new bales made by producers after the determinations. Since this kind of baling was against the regulations, the experts tried to prove the later-baled status of added bales. The producers denied the accusations. As stated by the experts association, this caused the biggest conflicts between experts and producers during the warehousing period.[376] Indeed, to overcome these unending conflicts, in 1969, the sale system, based on determinations, was replaced by the auction system in the new tobacco law enacted, as discussed in Chapter 3.

Conflicts about quality expertise were caused not only by the characteristics of the determination system, but also by the always-ambiguous nature of the grading process itself. As the fate of the producer crop was sealed by the experts, their decisions were always questionable for the producers, if not seen as wrong or unjust. During the whole 40 years under discussion, the producers kept complaining about either experts' professional inadequacy or their mistreatment of producers through every possible channel, or both. In addition to the examples given so far, in the Turkish Tobacco Producers Congress held in Bursa in 1953, for example, several producers made speeches criticizing experts for their inexperience and wrongful conducts.[377] Or, Aziz Özcan, a producer from Balıkesir, spoke of the favoritism practiced by the experts, and defined the difference between attitudes towards the high standing and poor producers as "so dramatic as to make someone cry," in a 1968 letter published in *Milliyet*. Because of favoritism, the poor producers faced mistreatment, as stated by Özcan with these words: "we, the poor producers, were

[376]"Tütüncülükte Ekici-Alıcı Münasabetleri," İzmir Tütün Eksperleri Cemiyeti.

[377]Türkiye Tütün Müstahsilleri Kongresi, *Türkiye Tütün Müstahsilleri Kongresi, Bursa, 26/10/1953* (Bursa: Bursa Tütün Müstahsilleri Cemiyet, 1954).

always treated badly by rude experts."[378] Last, disputes over grading might have become more threatening than the never-ending complaints of the producers about injustices or mistreatment. Conflicts between experts and producers might have ended even in murder, as seen in the two violent cases described in Chapter 4.

All in all, the grading and valuing of tobacco led to conflicts between experts and producers. The legal obligation to separately bale as crop and unfit could not be implemented smoothly, and the replacement of the local grading methods with nationally standardized ones rapid and problem-free. Moreover, each phase of the market sequence, determination, purchasing, and warehousing, deepened tensions even more. The determination system was based on expertise, the recording and marking of tobacco bales before market openings. While grading records formed the basis for purchasing decisions, the markings were used to check the bales in the warehouses in order to prevent possible confusions. However, the determination system itself, which included long time lags among the different phases of the market sequence, opened the way for other conflicts. First, the required weather, material and working conditions necessary for an efficient determination were rarely present. Moreover, it was usually declared by the tobacco journals that some experts had made their determinations according to the previous years' records without actually going to villages and seeing bales. Therefore, determinations were not made as perfectly as their centrality in the whole marketing cycle deserved.

Producers found out the results of determinations on the market opening day. The secrecy, together with the imperfections of the determinations, made the records

[378]"Tütün Piyasasında Fukara Köylü Yine Kadere Kaldı," *Milliyet,* 14 April 1968.2. "*Şu tütün piyasası açıldı ya, çektiğimizi bir Allah bilir, bir de biz…Tekel Bakanı piyasayı açışta, 'köylüyü sonuna kadar destekleyeceğiz' dedi ama çoğu yerde zavallı köylü ürününü bir liraya dahi satamadı…Bu arada bazı kaba tekel eksperlerinin yaptıkları haksızlık ve kötü muamele de yanımıza kar kaldı…Fiat takdirinde itibarlı kişilere yapılan özel muamele ile biz zavallı fakir köylülere yapılan işlemin farkı insanı ağlatacak kadar acı idi…Aziz Özcan - Savaştepe, Balıkesir"*

questionable to them. As exemplified by the Zeytindağı case, producers faced many sale problems because of the determination system. Indeed, the inherent ambiguity of the grading process itself was deepened by the shortcomings of the determination system. Consequently, the producers distrusted the experts and blamed them for the abuse of power, malpractice and mistreatment.

Tobacco bales were transferred to buyers during the warehousing period, in fact almost six months after the determinations. During those months, not only the quality of bales changed but also the markings on bales were likely to disappear, which made identification difficult. Therefore, during the warehousing period, the buyers and their experts clashed the producers once more on how to handle the changes. Their ways of handling these changes now lead us to the fourth issue of conflict of the tobacco market, practices of discounting and discarding.

Discounting and Discarding

The sale system in the Turkish tobacco market had three different phases, determination in villages, purchases in district centers, and warehousing. There were two-month intervals between each of these phases. As stated above, while sale contracts were made based on determination records during the purchasing period, the tobacco bales were transferred from the producers to the buyers during the warehousing period. The acts of discounting and discarding (*iskonto ve ıskarta*) were usually practiced during the warehousing transactions. In his 1938 book, Orhan Kösearif, one of the oldest experts of TEKEL, called the acts "cheat or chopper (*hile veya satır*)," and described the mechanism like this: Depending on the contract clause about damaged leaves, "unmerciful" experts discounted a certain weight per

bale when they found even one bad leaf. They also claimed that the "party had already failed," and so they took one or two bales free of charge.[379]

Efforts to put an end to the "chopper" mechanism described by Kösearif began at a very early date by regulations initiated in 1934. The Ankara Tobacco Congress focused on the issue, and in Celal Bayar's words, was organized to "take the necessary measures to end the corruption in discounting and discarding practices which have been damaging tobacco producers and buyers, and consequently the high interests of the State, for years."[380] Such "necessary measures" were taken two months after the Congress. Law No. 2506 of Purchasing Tobacco from Producers regulated baling standards and banned the acts of discounting and discarding. Four years later, the 53rd article of the Tobacco and Tobacco Monopoly Law restated same provisions of the 1934 Law, and banned all kinds of "discounting or discarding or any other named acts of cutting value or weight or separating free-of-charge part, except reductions of tare, mold and rot."[381] The 27th article of the second most comprehensive legislation on the tobacco market, Law No. 1177 in 1969, repeated the ban with only one difference: the article also defined the arbitration mechanism

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[379]Orhan Kösearif, *Türk Tütünü ve Tütüncülüğü* (İstanbul: n.p., 1938).30-1. *"Hile veya 'Satır': Bazı insafsız tüccar ve eksper tarafından yapılır. Manası zürrayı ezerek hakkını yemek ve bu suretle 'kaime maliyet fiyatı'nı düşürmektir…Bundan istifade ederek bir yeşil veya yanık yaprağa tesadüf edildiğinde hemen 5-10 okka iskonto edilir ve sonra denk başına ve okka olarak dara ve fira düşürülür. Bundan maada partinin bozukluğu bahanesile bir iki balya bila bedel alınır."*

[380]PMRA Fon Kodu: 30.10.0.0 Yer No: 182.253.1 (15 April 1934) *"Tütün Ekici ve Alıcılarını senelerden beri ızrar eden ve binnetice memleketin yüksek menfaatlerini sarsan iskonto ve ıskarta tatbikatindaki yolsuzluklara nihayet verecek tedbirleri almak üzere alakadarların Mümessillerinden mürekkep bu gün Ankarada toplanan Kongrenin…."*

[381]"Tütün ve Tütün İnhisarı Kanunu," *Official Journal*, no. 3943 (25 June 1938). *"Elli Üçüncü Madde - Dara, küf ve su çürüğünden ileri gelen azaltmalardan başka iskonto veya ıskarta veya diğer namlarla bedel veya sıklet veya bedelsiz alınacak kısım ayrılması her iki taraf için yasaktır."*

for conflicts over reductions of tare, mold, and rot.[382] In sum, the laws in effect banned all acts of discounting and discarding.

The existence of laws, however, did not necessarily mean that they were implemented successfully. Rather, there was a high possibility for non-overlapping or even incompatibility between legislations and real life. So, it is better to move one step further than the textual content of legislations, and search for what actually happened. Such a perspective shows us that all kinds of discounting and discarding acts led to the most intricate conflicts of the tobacco market during the period under discussion. To take a closer look at different kinds of discounting and discarding acts, we can start with the most common form, quality excuses. In this form, buyers claimed that either bad leaves were mixed in bales or crop quality had decreased since the determinations. During the warehousing period, buyers broke the terms of contracts set during the purchasing period depending on quality claims.

A letter published in *Yeni Asır* in 1950 written by Rüstem Özdemir, a prominent tobacco producer from Gavurköy,[383] exemplifies how quality claims were used by the tobacco merchants. Titled "The Dramatic Conditions of Orphaned Tobacconists," the letter starts with a description of intolerable discounting acts with the words: "a merciful man cannot stand such big injustices that happen in the tobacco warehouses." According to Özdemir, the merchants, with no exception,

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[382]"Tütün ve Tütün Tekeli Kanunu," *Official Journal*, no. 13210 (30 May 1969).

[383]Rüstem Özdemir had been an influential local figure among tobacco producers in Izmir from 1950s to 1970s. Özdemir was one of the participants of the Turkish Tobacco Producers Congress held in Bursa in 1953, see Türkiye Tütün Müstahsilleri Kongresi, *Türkiye Tütün Müstahsilleri Kongresi, Bursa, 26/10/1953*. He, then, appeared as the representative of the tobacco producers from Gavurköy and the mayor of Cumaovası in his petition sent to the Prime Minister Adnan Menderes in 1958, see PMRA Fon Kodu: 30.1.0.0 Yer No: 79.498.15 (11 September 1958). In the 1960s, Özdemir chaired the Izmir Chamber of Agriculture, and was elected as the head of the Aegean Tobacco Producers Federation in 1967, see "Tütün Piyasası Arefesinde Ege - Gavurköy," *Yeni Asır,* 21 January 1967.1,5; "Ege Tütün Ekicileri Federasyonunun Yeni Yöneticileri Seçildi," *Milliyet,* 28 November 1967.7.

discounted "at least one kilo per bale" by claiming there were moldy or rotten leaves. They also tried to discard "at least one out of four bales belonging to an already-poor peasant," and to take the discarded bale free of charge. Özdemir concluded his letter by emphasizing the validity of his claims, which already had been confirmed by "new apartments worth millions and built by tobacco merchants in Izmir."[384]

The generalizing tone of Özdemir's letter seems to be intentional in order to make a point on the prevalence of the discounting and discarding practices. He was trying to persuade the readers that these practices were not limited to one simple example of an "already-poor peasant" selling his "four bales." Rather, such practices had reached an intolerable level of injustice for a "merciful man," and so for everybody. On the other hand, his language takes on a kind of self-protective function by not specifying the identity of either that "already-poor peasant" or the "apartment-builder merchant(s)." Surely, Özdemir himself was the usual suspect of the "already-poor peasant," but the merchant(s) owning "apartments worth millions" was not so identifiable. Not explicitly naming that merchant(s) was probably a personal precaution so as not to damage potential market relations with those buyers in the future.

In addition to the implicit but pitiful description in Özdemir's letter, there were other explicit complaints about the discounting practices of the buyers, surprisingly including TEKEL which should have acted as the executive body of the law. Hasan Eroğlu, a producer from Alaşehir, Manisa, wrote a short letter to *Yeni Asır*'s column of "Together with People (*Halkla Başbaşa*)" in March 1949, and said:

[384]"Öksüz Tütüncülerin Acıklı Hali," *Yeni Asır,* 9 January 1950.4. *"O kadar haksızlıklar oluyor ki merhameti tam olan bir adamın buna tahammül etmesine imkan yoktur ve olamaz da. 150 kuruşa kadar alınan zavallı köylünün 'dört balya' tütünlerinde gözleri kalarak buna biz (150) kuruş gibi büyük bir para verdik diyerek bir azını da geri almak için vesile aramaktadırlar. ....Zaten bu yazdıklarım doğru olmamış olsaydı tütün tüccarlarımız İzmirin yanıklıklarını her biri milyonları mütecaviz apartmanları dolduramazlardı."*

> Two months ago, I applied to TEKEL expert, B. Hakkı, and sold all of my ten bales at a price of 275 kuruş to TEKEL, and made my contract. The bales were stenciled. When I went to Alaşehir ten days after the delivery, Hakkı told me that three of my bales were water–rotten and he would give 75 kuruş for each of these three. I told him that his treatment was not right since he had already determined the bales and stenciled them, and there were no terms in our contract about discounting. I could not make him listen to me. I kindly request you to publish my case for the attention of the authorities."[385]

Eroğlu's letter shows that discounting and discarding were not practiced just by the merchants. TEKEL also broke the contracts at the producers' cost during the warehousing period, based on the claims of quality change. Another way of discounting and discarding was occurred when buyers made several monetary cuts under many different names and forms. One kind was the "cloth cut (*çul kesintisi*)," reducing the value proportional to the weight of the cloth wrapped around the bales. Cloth cuts were made mainly during the war years. Producers from Muğla and Ödemiş, for example, complained about the cloth cut at the Tobacco Congress of 1943. According to their congress reports, not only did the buyers made cloth cuts, but they did not give the cloths back to the producers. Both the Muğla and Ödemiş producers asked for either the termination of the cut practice or making it required for buyers to return the cloth to them.[386]

Such complaints and demands during the war years make sense considering the scarcity of basic goods, including cloth. However, it seems that the problem of

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[385]"Tekel Böyle Yaparsa," *Yeni Asır,* 13 March 1949.3. *"İki ay evvel tekel tütün eksperi B. Hakkı vasıtasıyla müracaatta bulundum ve 10 balya tütünümü hiç (dışarı) olmadan 275 kuruştan sattım ve kontratımı yaptım. Balyalara damgaları vuruldu. Tütünlerin tesliminden 10 gün sonra Alaşehire gittiğimde 3 balyanın su çürüğü olduğuna ve bunları 75 ten alacağını söyledi. Ben bu tütünleri muayene ettiklerini, damgaladıklarını, yapılan kontratta hiç bir balya dışarı olmadığını ve muamelenin doğru olmadığını söyledim. Dinletemedim. Halimizin ilgili makamlara duyurulmasına tavassutunuzu rica ederim. Alaşehir, Sarıgöl Hasan Eroğlu"*

[386]*Tütün Kongresi - İzmir, 18/X/1943*.109-10,117-8.

cloth cuts was not solved in the post-war years. A TEKEL-based report dated 1955 mentions the poor condition of the cloths and the necessity to renew them because they caused many conflicts between buyers and producers. Moreover, the report called for urgent and more forceful measures to make merchants give cloths back to the producers.[387] Thus, the cloth cut issue was a source of conflict for market actors still in the 1950s.

Cloths were not the sole excuse of buyers to make monetary cuts during the warehousing transactions. The Samsun Producers Association's 1956 booklet comprised of a well-described list of cuts. Buyers tried to lower prices under the terms of "handling charge" (*hammaliye ücreti*), "transaction cost" (*muamele parası*), and "stamp cost" (*pul parası*). The Association specified that its insistent efforts to put an end to handling charges had given their first fruit in 1955. It had succeeded at ending the extra reduction of handling charge from producers for the transportation of bales from TEKEL warehouse to the buyer's warehouse. The cut also was limited to the cost of transferring bales from the villages to TEKEL warehouse.

However, other costs were still being cut arbitrarily by buyers, except for the American companies and TEKEL. As stated by the Association, seven to ten lira might be cut by different buyers under the name of "transaction cost." Or, the cuts under the name of "stamp cost" were very divergent even though the total stamp costs obliged by regulations should not have exceeded 85 kuruş. The Association assured that it would keep negotiating with the market actors about these illegal cuts, and would stand for producers' rights. Yet, until negotiations ended in positive

[387]The report named "Article VI - The Issues of Producer Bales Cloth and Tare" (*Ekici Balyalarının Ambalajı ve Dara Meselesi*), dated 1955. The report is a part of the personal folders of Adnan Raşit Günay in the library of the Tobacco Experts Association in Izmir.

results, as warned by the booklet's last call, the producers should apply to the Association whenever they had been cheated by the buyers.[388]

Indeed, the Samsun Tobacco Producers Association managed to keep its promises in the following years. According to an article written by the Association titled "Advice to Tobacco Producers," published in *Tütün* in 1958, the Association was campaigning against the inconsistency of transaction costs. Thanks to the Association's running battle, the municipal board had decided to fix transaction costs at 5 lira per *koçan* (counterfoil) up to 1500 kilograms, and at 7.5 lira above 1500 kilograms. The decision put an end to arbitrary and unjust determination of transaction costs by buyers. Moreover, the Association negotiated with TEKEL over the handling charge cut from the producers, and succeeded at fixing it at 10 kuruş per bale.[389]

The association's booklet and article illustrate the different forms of arbitrary cuts from the Black Sea market in the 1950s, and the associational activities against those cuts. The descriptions in the booklet and the article, together with the producer letters cited above, show that discounting and discarding practices were mainly based on quality changes and different transaction costs. Yet, these cases may be seen instantaneous or contingent because of their temporal and regional differences. This possibility, however, is weakened by several other examples showing the wide extent of discounting and discarding practices that was revealed in the parliamentary discussions on the tobacco problem during the 1960s, especially in the one of 1967.

On 1, 8 and 11 December 1967, the Parliament discussed the proposal of five RPP deputies to "open a parliamentary inquiry into the issues of revenue generated

[388] *Tütün Ekiciler Cemiyeti'nin Tütün Müstahsiline Mühim Tavsiyeleri* (Samsun: Cemiyet, 1957).

[389] "Tütün Ekicilerine Öğütler - Samsun Tütün Ekiciler Cemiyeti," *Tütün*, no. 74 (22 February 1958).24,28-9.

by the tobacco sector, credits given to tobacco producers and exporters, and the taxes paid by them in return for their profits."[390] With long and heated debates on the tobacco problem, the discussions on the motion became an arena for the parties to clarify their political positions on the issue of income distribution between the merchants and producers. The proposing party, the RPP, was supported by the Workers Party of Turkey and the Trust Party, despite their differing opinions on the issue, and opposed by the governing Justice Party. Although the motion for a parliamentary inquiry was defeated by the votes of the governing party in the end,[391] the discussions, especially the speeches of Mustafa Ok as the main proposer of the motion,[392] present a valuable historical source for understanding the role and extent of discounting and discarding practices in the tobacco market.

In a speech that lasted five hours, Mustafa Ok focused mainly on discounting and discarding practices, describing them as the "most grievous problem of tobacco producers, if not the second after the yield determination system."[393] He gave several examples depending on some complaint letters written by producers to him and other

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[390]Republic of Turkey, *TBMM Tutanak Dergisi*, term 2, session 3, vol. 22, 1 December 1967.265-266. *"Manisa Milletvekili Mustafa Ok ve 4 arkadaşının, tütünden elde edilen gelirin tütün ekicileri ve ihracatçılarına verilen kredi ve bunların sağladıkları kara karşı ödedikleri vergi miktarı konularında bilgi edinmek üzere Anayasanın 88 inci maddesi gereğince bir Meclis araştırması açılmasına dair önergesi."*

[391]For all minutes of the discussions, see successively Republic of Turkey, *TBMM Tutanak Dergisi*, term 2, session 3, vol. 22, 1 December 1967.293-304; Republic of Turkey, *TBMM Tutanak Dergisi*, term 2, session 3, vol. 22, 8 December 1967.386-411; Republic of Turkey, *TBMM Tutanak Dergisi*, term 2, session 3, vol. 22, 11 December 1967.421-53.

[392]Mustafa Ok was one of the RPP deputies from Manisa between 1965 and 1977, an ex-soldier and writer. He was the Minister of Village Affairs and Cooperatives in the first Ecevit cabinet in 1974. For more on his biography, see *TBMM Albümü (1920-2010)*.

[393]Republic of Turkey, *TBMM Tutanak Dergisi*, term 2, session 3, vol. 22, 11 December 1967.440. *"Hepinizden istirham ediyorum, bir tütün ekici aileyi bulun ve sorun, en çok ıstırap çektiğiniz konu nedir deyin. Başta ıskartayı söylemezse, ikinci mutlaka ikinci konu ıskartadır. Belki birincisi randıman tespitidir. Çünkü randıman tespitinde de çok ıstırap çekiyor ekici."*

statesmen, and more significantly, 73 invoices he had collected from producers of Izmir and Manisa in his field trips to observe the tobacco market. Ok said that he always asked the producers for their contracts, but had been able to find just one. The reason for this was that the merchants took the contracts from the producers when they transferred the bales to the warehouses. Indeed, there was no legal obligation regarding the number of contract copies in the 1938 Tobacco Law, and so Ok's failure to find contracts makes sense. It should be added that the 1969 Tobacco Law defined contractual requirements more explicitly by obliging the buyers make three copies of each contract, so the producers could keep a copy.

The sole contract found by Mustafa Ok during his trips showed the differences between contracts made at purchasing time and invoices given during the last stage, warehousing. The contract and invoice belonged to a producer from İğdecik, a village of Manisa, Mehmet Özmen. The contract stated that three bales of tobacco had been bought at a price of 850 kuruş, and a 5-lira advance payment had been made. However, the examination of the invoice showed something different. According to the invoice, 118 kilograms of tobacco had been bought at 850 kuruş, while 25 kilograms were just at 10 kuruş. Then, as specified by Ok, the terms of the contract agreed upon by both sides at the purchasing stage had been unilaterally broken by the buyer at the delivery stage.[394]

In his parliamentary speech, with the aim of proving the extensiveness of the discarding practices, Ok also introduced other invoices collected from tobacco producers who did not have contracts. According to the invoice of a producer from Akhisar, Sadullah Bilen, 224 kilograms out of 1472 kilograms of tobacco had been

[394]Republic of Turkey, *TBMM Tutanak Dergisi*, term 2, session 3, vol. 22, 8 December 1967.389.

discarded. Out of the discarded amount, 124 kilograms had been bought at 50 kuruş, and 100 kilograms at 10 kuruş, even though the contracted price had been 9 lira at purchase. The invoice of another producer from Akhisar, Hasan Onbaşıoğlu, showed that 534 kilograms out of 1938 kilograms had been discarded. While 284 kilograms out of the total discarded amount had been bought at 75 kuruş, the remaining 250 kilograms had been purchased at 10 kuruş.[395] After giving some other striking examples, in the end, Ok estimated the average discarding rate as 15 percent based on those 73 invoices.[396]

Moreover, according to Ok, it was not right to assume that discarding was practiced by just some small, unknown merchants or snatch thieves (*kapkaççı*). Rather, big and well known merchants were widely breaking contracts and lowering prices by discarding. In the first place, Ok had been reluctant to speak the company names out loud since this might be thought of as "denunciation or tarnishing somebody's reputation." However, following the non-consenting speeches of the governing party deputies, he said he was forced to declare the names to be able to "highlight the significance of the issue." He read the names on the invoices, which were really big and well known tobacco companies, such as Abdi Fuat Akel, Şükrü Tezel, Socotab, Nuri Boyalı, Ostro Türk, Karagözoğlu, Nuri Rodop, and Mehmet Kavala.[397]

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[395]Ibid.

[396]Ibid.390.

[397]Republic of Turkey, *TBMM Tutanak Dergisi*, term 2, session 3, vol. 22, 11 December 1967.444-5. *"Şimdi, söylendiği için arz edeceğim, geçen sefer arz etmedim. Bakınız, hangi firmalar yapıyor görünüz. ...Arkadaşlarım, görüyorsunuz ki kapkaççı tüccar değil, 20-30 milyon lira ile her yıl piyasaya giren ihracatçıdır. Kapkaççı olsa üzerinde durmam. Ama mesele ciddidir.*"

Besides the widespread discarding practices, the invoices introduced by Ok also gave proof that many cuts were made during the finalization of accounts during the warehousing phase. The cuts were made under different names, he said, like "contract and stamp, handling, village debt, municipality, transaction, insurance, discount, Agriculture Bank and Cooperative, tax, notary, transportation fee, weighage, lottery ticket, and Stamp Duty."[398] In two of the invoices, the reason for the cuts was not even given, but recorded as just "cuts." Moreover, the cuts were not regular they involved large sums. One buyer, for example, cut 10 kuruş per bale as transaction and stamp fees, and another buyer 80 kuruş per bale. Or, although tobacco producers transported the bales themselves to warehouses, a handling charge was cut. Like the others, the handling charges could vary from 50 kuruş per bale to 4 lira. Indeed, as Ok argued, the arbitrary and irregular cuts under different names functioned on behalf of the buyers to clear the balances as they wanted, without constraint by strict regulations or rules.[399]

Backing his arguments up with the invoices and some complaint letters, Ok declared the necessity of investigating the situation further, and that the parliament open an inquiry. However, the deputies of the governing Justice Party said the cases were exaggerated and non-representative of all of the producers and/or buyers. The Minister of Customs and Monopolies, İbrahim Tekin, for example, accused the deputies from the tobacco producing regions of "making politics and exploiting tobacco problem." To deal with the problem "sincerely," so "not to propagandize,"

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[398]Republic of Turkey, *TBMM Tutanak Dergisi*, term 2, session 3, vol. 22, 8 December 1967.392. *"Mukavele ve pul, hammaliye, köy borcu, belediye, muamele, sigorta, iskonto, Ziraat Bankası ve Kooperatif, vergi, noter, nakliye ücreti, kantariye, piyango bileti ve Damga resmi olmak üzere çeşitli kesintiler vardır."*

[399]Ibid.

Tekin called on the parliament to enact the tobacco law that waited in the commissions, rather than to investigating some people's incomes.[400]

Following long discussions between the governing and opposition parties, in the end, the motion was rejected by the votes of the Justice Party.[401] Although the issue could not be further investigated by the parliament as a result of the decision, the examples given by Ok were at least enough to reveal that the discarding and discounting practices were neither incidental nor peculiar to some unknown buyers. Moreover, the producers did not really have the opportunity to disapprove or oppose these practices since they faced the consequences in not the purchasing but warehousing period.

All in all, discounting and discarding practices had been a characteristic problem of the Turkish tobacco market since the 1930s. In 1934, discounting acts had been legally banned first in 1934. This policy was kept in the subsequent tobacco laws, but was far from effective. Despite legal prescriptions, discounting and discarding were extensively practiced by buyers in the warehousing phase, as seen in the cases given so far. After tobacco was actually transferred to the buyers' warehouses, the contract terms set during purchases were broken with claims about quality. In addition, several monetary cuts were made arbitrarily under different names to cover the alleged costs of transaction. In the end, tobacco was purchased at a lower price than the one set in the contract.

Discounting and discarding practices were one of the most important reasons for the being accused of merchants "gambling on prices" described above. Indeed, it

[400]Republic of Turkey, *TBMM Tutanak Dergisi*, term 2, session 3, vol. 22, 11 December 1967.428-30. *"...fakat maalesef tütün üzerinde geçmiş devirde ve bugünlerde ve her zaman ve bilhassa tütün bölgesi mebusları tarafından daima politika yapılıyor ve istismar ediliyordur,..Muhterem arkadaşlarım, bu işi samimiyetle ele almak mı istiyoruz yoksa propaganda mı yapmak istiyoruz?..."*

[401]Ibid.453.

was not only small and unknown local merchants who were involved in the speculation, but also big and well known tobacco companies. However, thinking that discarding acts were undertaken only by the private sector would be wrong. The "discarding game" could not have been played without the biggest buyer, TEKEL. As exemplified, there were certain cases in which TEKEL experts used discarding mechanisms to the detriment of the producers. On the other hand, it can also been argued, at least depending on the cases discussed so far, that TEKEL seemed to have played a minor role compared to that of the merchants in this game.

The tobacco producers did not have many ways to protect themselves from the discounting and discarding acts. Since they found out the exact amount of discarded bales and monetary cuts during the warehousing period, it was too late for them to abandon the sale and look for other buyers. Hence, the inherent ambiguity of the quality expertise together with the harm of the determination system left them vulnerable in the face of discounting and discarding practices. In fact, the legislations defined an arbitration mechanism to solve these kinds of conflicts. However, I could not find any evidence showing that the arbitration mechanism was initiated by the producers. Rather, complainant producers called the attention of the authorities via letters to newspapers or forwarding their problems to the deputies. Moreover, the producer associations worked to confine discarding practices to a reasonable limit, as seen in the case of the Samsun association. In whatever form the producers responded, discounting and discarding practices, as one of the most contentious conflicts feeding the "eternal anarchy of the tobacco market," remained a problem.

Warehousing Conditions

After 1925, TEKEL administration took over all buildings, factories and warehouses owned by the Regie. Until the early 1940s, it invested in the infrastructure in just the eastern regions, and kept operating former-Regie plants in other regions without major renovations. However, there were not enough of the old plants and warehouses, and they were poorly equipped. They were unable to meet the requirements of increasing production. A TEKEL publication in 1940 described the sate of the Aegean region. According to the booklet, despite the renovations, the ex-Regie warehouses in Akhisar, Urla, Tire, and Milas did not have enough capacity and were in poor conditions. The warehouses in Selçuk, Izmir, and Manisa were really old since they had been built years earlier of massive stone. Besides the ones that remained from the Regie, TEKEL had built only one new warehouse, in Ödemiş in the Aegean region. Apart from those, the other warehouses used in the region had not been built specifically to store tobacco, but some other crops. In order to solve the region-wide problem, TEKEL initiated the construction of a "modern warehouse" in Alsancak, Izmir, as specified in the booklet.[402]

The detailed descriptions in the TEKEL booklet of the poor condition and low capacity of the existing warehouses were not specific to the Aegean region. The situation in the Marmara and Black Sea regions were more or less the same.[403] Indeed, the 40th article of the 1938 Tobacco Law authorized TEKEL to improve the

[402] *Ege Çevresi Tütünleri I* (İstanbul: İnhisarlar Matbaası, 1940). The construction of the Alsancak warehouse mentioned in the booklet was completed in the 1940s, and served as the biggest warehousing center of TEKEL in the Aegean region for years until the privatization of TEKEL in the 2000s. Since then, those TEKEL buildings in Alsancak have been derelict.

[403] *Marmara Çevresi Tütünleri II* (İstanbul: İnhisarlar Matbaası, 1940).; *Karadeniz Çevresi Tütünleri III* (İstanbul: İnhisarlar Matbaası, 1940).

conditions of tobacco warehouses throughout the country. The article obliged TEKEL to provide proper warehousing conditions by making the necessary investments, and to pay for any costs arising from poor conditions. The 1940 TEKEL booklets showed that the warehouse conditions did not improve much in the late 1930s.

The 1940s was no better than the late 1930s. The 1950 tobacco congress reports of both the Turkish Tobacco Limited Corporation and the Turkish Tobacconists Association stated that TEKEL had not met its legal obligations about warehouses yet. Although it had been a decade since the enactment of law, TEKEL's warehouses were still insufficient and in poor conditioned. Both institutions, a state enterprise and a merchant association, underlined the urgency of taking the necessary measures since the present situation had been causing problems for years.[404]

A closer examination of the warehousing problems first displays quality conflicts. According to the 1938 tobacco law, when tobacco bales were transferred to the warehouses by the producers, TEKEL expert was to check both the weight and quality of the bales, and compare them to the determination records. During the warehouse check, if the expert saw that the bales had been adulterated with foreign objects, litter or shoot, and/or had been watered to increase the weight, he had to report fraud, and discount those parts from the total amount. After deducting that suspicious amount, if the weight was less than the determination record, the expert could interpret the deficiency as smuggling. So, the warehousing checks were very important for the producers due to the risk of smuggling accusations in the end. As the most influential factor on the checks, of course in addition to the expert's

[404] *Türk Tütün Limited Şirketinin Tütün Kongresi Münasebetile, Tütüncülüğümüzün ve Tütün İşlerimizin Üzerine Düşünceleri* (İstanbul: Işıl Matbaası, 1950).; Türkiye Tütüncüler Birliği, *Türkiye Tütüncüler Birliği'nin 1950 Tütün Kongresine Sunduğu Rapor*.

professional competence and general attitude, warehousing conditions mattered for first the producers and then the other market actors. In the TEKEL experts meeting of 1954, for example, an expert named Cavit Gülersu said that warehouse checks had been causing several difficulties for them. The producers brought even very low quality bales in order not to be accused of smuggling, and the experts were "frequently challenged" when they attempted to record the case or separate those low quality bales.[405]

The warehousing checks were the third moment after the determination and the purchase when the experts and the producers faced each other. As Gülersu said in the 1954 expert meeting, they could often cause disagreements and arguments between them. Warehousing-related problems, however, were not limited to those checks. The tobacco law gave the producers the right to store their bales in the depository warehouses of TEKEL at most for two years in return for a small fee. The right to use the depository warehouses was beneficial to producers faced with sale problems or preferred to hold on to the crop for some reason. Therefore, the condition of the warehouses had an influence not only on the weight and quality checks, but also on the fate of the tobacco bales pending for sale. The producers were well aware of the potential negative impacts of warehousing conditions on the quality of bales, as exemplified by a 1950 letter. On 11 February, seven producers from Cumaovası sent a complaint letter about a TEKEL warehouse to the newspaper *Yeni Asır*. They had transported 71 bales of tobacco to an old wine warehouse in accordance with the orders of the local TEKEL administration. However, the floor of that warehouse was made of concrete, and the building was humid and dark. Their bales could not be checked properly in that warehouse and their crop would

[405] *Tütün Eksperleri Toplantısı, 23-26 Ağustos 1954*.10-6. *"Bu muayeneler yüzünden bazılarımızın çok defa hakarete maruz kaldıkları da vakidir."*

definitely begin to downgrade in just a few days. They asked that their bales be transferred to a better warehouse in which the "real value" of their crop could be seen.[406]

Besides showing how the producers did not hesitate to express their demands via the press, the letter shows three main points about warehouse conditions. First, the producers had had to transport their bales to the warehouse indicated by TEKEL; however, the conditions of that warehouse were substandard. Second, in the early 1950s, tobacco was still being stored in inappropriate warehouses not specifically built for tobacco, even in one of the most developed tobacco districts. Third, TEKEL was still renting warehouses in localities to find partial solutions for warehousing problems. In addition to quality-centered problems, as in Cumaovası case, the first and third points might have led to spatial disagreements shown by an official correspondence in 1946.

On 10 June 1946, Ahmet Şengöz, a producer from the village of Kışla in Düzce, sent a telegram to the Prime Minister. He said that the local TEKEL administration in Düzce had forced them to warehouse their crops in Çimli, a district 20 kilometers away from their village. Depending on his own calculations, he argued that not only they, the producers, but also TEKEL were losing money from that decision. To avoid those losses, he requested the Prime Minister allow them to warehouse in their own village.

In the reply of the Ministry of Customs of Monopolies on 5 September, it was stated that there were two buildings suitable for tobacco storage in Kışla, but their

[406]"Cumaovası Tütüncülerinden Bir Şikayet," *Yeni Asır,* 11 February 1950.2. "*9 Şubat günü Cumaovasından (7) çiftçiye ait (71) balya tütünü Tekel idaresinin gösterdiği mezarlık başındaki bölge eski şarap deposuna indirdik. Deponun altı beton ve rutubetlidir. Aynı zamanda karanlıktır. Burada tütünümüz muayene edilirken iyi görülemeyeceği gibi burada bir kaç gün kaldığı takdirde bozulacağına da hiç şüphe yoktur. ….Mallarımızın bu fena depodan kaldırılmasını, ve değeriyle muayenesini rica ediyoruz. Cumaovası tütüncülerinden Mustafa Akın."*

capacity was at most half of the total production of the region. Hence, it was better to continue using the warehouse in Çimli, where not only TEKEL had its own warehouses, but other buyers had been operating their own plants for years. The Ministry accused the complainants, in the name of Şengöz, of opportunism. Those warehousing complaints had arisen from the "ambitions of building owners who had an eye on the fifty kuruş rent per bale." The Prime Ministry informed Şengöz that his demand was rejected since warehousing in Çimli was compatible with the tobacco law, better fitting to other buyers' conditions and did not cost more than the legal obligations.[407]

This case shows the basis of spatial disagreements between TEKEL administration and the producers. The location of the warehouse was a problem because producers were required to store their crops at the places TEKEL had addressed. While they legitimized their demands on transportation costs and the availability of idle warehouses in nearer districts, TEKEL and the Ministry of Customs and Monopolies insisted on the legality of their decision, which had been decided as the best among other possible alternatives.[408] Even, the producers might have been under the suspicion of seeking personal gains since there were not enough warehouses and it really should have opened a way for such rent-seeking behavior. Then, the determination of warehousing centers, together with the poor condition of the existing warehouses, led to quality and spatial conflicts among the market actors. However, warehousing-related problems were not limited to quality and spatial conflicts because they also had an impact on sales.

[407]PMRA Fon Kodu: 30.1.0.0 Yer No: 78.487.7 (11 September 1946)

[408]For another rejected application of warehousing rescheduling of the village council of Sason, a district of Siirt, in 1958, see PMRA Fon Kodu: 30.1.0.0 Yer No: 79.497.12 (12 June 1958)

The warehousing problems had a greater impact on sales in the Black Sea and Marmara regions because sales were made in the warehouses there, unlike to the village sales of the Aegean region. According to the system of sales-in-warehouses, local TEKEL administrations issued transportation licenses for the producers to optimize capacity allocation. Without the license, producers were not allowed to bring their bales to TEKEL warehouses and put them up for sale. The speed of license-issuing was surely dependent on the capacity of the warehouses. Slower issuing speed meant longer waiting periods for the producers. During the waiting period, the producers not only missed possible sale options, but also faced the risk of their crop downgrading due to the poor conditions of their village houses.

During the 1947 tobacconists meeting, the producer representatives from the Black Sea and Marmara regions expressed many complaints from the transportation licensing system. Each report presented by the producers from Tokat, Kocaeli, and Trabzon stated that they suffered great losses from the insufficient capacity of the warehouses, and the current transportation licensing system. The system not only delayed sales but also downgraded their crops. Moreover, the licensing mechanism allegedly created a kind of unfair competition because TEKEL decided on whose bales could be up for sale when. According to the report of the Tokat Chamber of Commerce and Industry, TEKEL used the mechanism to other buyers' disadvantage since it gave priority to the highest quality tobacco producers, and consequently was able to purchase the highest quality crop before the merchants. The bureaucratic paper work obliged by the laws further exacerbated the alleged unfair competition.[409]

The report of Kocaeli producers claimed that the local TEKEL administration had not issued the delivery certificates immediately at the warehouses but sent them

[409] *Tütüncüler Toplantısı (17-19 Aralık 1947)*.

to the chief bureau. The producers had had to go the chief bureau to take the certificates required before they could put their bales up for sale. The prolonged bureaucratic procedure made them unable to show their crop to other buyers on time.[410] In this way, both the merchants and the producers from the Black Sea and the Marmara regions criticized the sale system depending on transportation licensing as a generator of several kinds of sale problems and of unfair competition in favor of TEKEL.

As seen in the proceedings of the 1947 tobacconists meeting, the prevalent sale system was identified as being harmful by keeping the producers waiting for their turn, making quality preservation more difficult, delaying sales and overshadowing competition among buyers. In a 1946 case of unsold tobacco that remained in the hands of the producers encapsulates all of the potential harm of the system. A group of producers from Alaçam, a district of Samsun, sent a telegram to the Prime Ministry on 15 August 1946, and said that:

> Due to the inadequate capacity of TEKEL warehouses in Alçam, transportation of our stack tobacco was scheduled. And, until our turn, TEKEL stopped purchasing stack tobacco. The market was left unbalanced. We have applied many times in the last two months for the purchase of almost 20,000 kilograms of stack tobacco that has remained in the hands of 50 or 60 families, but our applications have been unanswered. The money offered by the intermediaries could just cover our debts to the State. I beg you to find an urgent remedy to our pains, and make our children happy in the coming festival. Kaşif and his friends.[411]

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[410]Ibid.

[411]PMRA Fon Kodu: 30.1.0.0 Yer No: 78.487.6 (5 September 1946). *"Alçam ilçemizde Tekel idaresinin kafi deposu bulunmadığından dizi tütünlerimizin piyasaya getirilmesi sıraya konulmuş. Ve sıra bize gelinceye kadar İdarede dizi tütün almasını kesmiş. Piyasa muvazenesiz kalmıştır. Bu yüzden satılmayıp elimizde kalan ve yekunu elli, altmış köylü ailenin malı olan yirmi bin kilodan ibaret dizi tütünlerimizin alınması için iki aydan beri yaptığımız müracatlar yanıtsız kalmıştır. Karşılaştığımız mıutavassıtların verdiği para Devlet borçlarına kafi geliyor. Derdimize acil çare bularak önümüzdeki bayramda bizim çocuklarımızın da sevindirilmesini derin saygılarımla yalvarırım. Ellerinizden öperim. Kaşif ve arkadaşları."*

Just ten days later than the original telegram, on 24 August, the Ministry of Customs and Monopolies sent an "urgent and confidential" reply to the Prime Ministry about the complaint. The Ministry first explained the reason for the unanswered applications as the inability to meet the large number of those kinds of demands on time because of insufficient capacity. Second, it claimed that the problem of low warehousing capacity had already been solved with the shipment of bales from Alaçam warehouse to the main warehouse in Samsun, and using the warehouses of the Turkish Tobacco Limited Corporation in Alaçam. Third, about the specific sale problem defined in the telegram, the Ministry had ordered to the local TEKEL administration to immediately buy 10,000 kilograms of unsold tobacco, and to do its best for the purchase of the remaining half as soon as possible.[412]

The Alaçam case reveals all of the problems of the sales-in-warehouses system. First of all, the case shows that at the end of August, there were still some producers whose turn had not yet come to bring their crop to the TEKEL warehouse. This meant at least six months of waiting for those producers, since the Black Sea market was opened in February at the latest. Second, the producers did not just sit and wait their turn over those six months. They applied to TEKEL many times, but had been unable to receive a reply. However, they kept making complaints to the necessary authorities to find a lawful solution to their worsening problem. On the other hand, they were not far from finding unlawful solutions as they had already considered selling to intermediaries, contrary to the legal obligation of selling at the warehouse. The reason producers chose not to sell to the intermediaries was the offered low price, rather than legal concerns. So, it may be argued that sales-in-warehouses system made producers more vulnerable to underpriced offers by

[412]Ibid.

intermediary merchants. Last, the unsold tobacco problem was solved, even though only partially and late, thanks to both the insistent applications of the producers and TEKEL's initiatives to create new warehousing capacity.

The sale system depending on the TEKEL's scheduling of transportation licensing and warehousing was itself a problem generator in the Black Sea and Marmara regions. It received many reactions from the producers in the 1940s, as seen above. As the target of those reactions, TEKEL administration brought the issue up in the first nationwide experts meeting in 1954. During the meeting, TEKEL authorities acknowledged that the producer complaints about the sale system were right. In a meeting report titled "The Commission of Tobacco Market and Purchases," four measures were proposed in order to "overcome the difficulties and troubles seen in the previous years": increasing warehousing capacity, assigning a sufficient number of experts, better scheduling of transportation licenses, and unloading warehouses before purchases. Moreover, the commission discussed the necessity of building new warehouses owned directly by TEKEL, rather than the current practice of renting warehouses in localities.[413] However, it seems that those measures, indeed sharing the same fate as the legal prescriptions described above to improve warehousing conditions, were not taken.

According to a producer letter published in *Tütün* in 1960, for example, TEKEL was still renting inappropriate buildings as a depository warehouse in Vezirköprü, a district of Samsun, rather than building a new one. One of the rented warehouses was actually the building of the winter cinema. What was worse, the capacity of those rented buildings was insufficient for storing the district's production. Because of this, they always had to wait their turn to get a transportation

[413] *Tütün Eksperleri Toplantısı, 23-26 Ağustos 1954*.6-7.

license. In the letter, the producer asked for a new warehouse in Vezirköprü as the definite solution to their problems.[414] The author of the letter was not alone. Nor was Vezirköprü the sole district that needed a new warehouse in the 1960s, however. The building of new warehouses was one of the most frequenly requested items from the Ministry of Customs and Monopolies regarding tobacco-related activities, as recorded by an official correspondence from 1968. More specifically, producer demands for new warehouses in Bafra-Samsun, Şarköy-Tekirdağ, Burdur, Adıyaman, Varto-Muş, and Yenişehir-Bursa were forwarded to the Ministry by the deputies of those cities. Among them, only the one for Bafra was approved.[415] Whether approved or not, the frequency and geographical extensiveness of the demands show that warehousing-related issues remained a problem in the 1960s.

All in all, warehousing conditions were always a matter of conflict for the producers, experts, and TEKEL. In the first place, TEKEL had taken over warehouses that had left over from the Regie. Those warehouses were badly equipped and too small. TEKEL was supposed to be making necessary investments to improve the conditions according to the tobacco law, however, because of either financial problems or the priority of eastern regions, TEKEL failed to fulfill the responsibility of solving the problems of the warehouses. TEKEL warehouses, either newly built or former Regie ones, were always criticized for their poor condition and insufficient capacity. Moreover, those criticisms were not specific to the poverty-stricken years of the 1940s. Warehousing-related problems were still an issue in the 1960s.

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[414]Bir Zürra, "Vezirköprüye Bir Tütün Anbarı Yapılmalıdır," *Tütün*, no. 136 (22 September 1960).254.

[415]PMRA Fon Kodu: 30.1.0.0 Yer No: 79.502.5 (1968). Other demands about the Ministry's tobacco-related activities from various districts were experimental cultivation permission, adjustment of prime prices, new legislation, and the opening of local TEKEL offices.

To find a partial solution at least, TEKEL rented empty buildings in localities on a wide scale. However, the partial solution found in idle but inappropriate buildings, such as the wine warehouse or the winter cinema discussed above, led to other problems. The preservation of the quality of the tobacco bales became a subject of dispute between the producers and the experts once again because of the improper warehouses.

Warehousing-related problems were not just about physical conditions. More conflicts were trigged by the legal obligations involved in the warehousing transactions and the existing sales-in-warehouses system. For the first, TEKEL experts had to check the quality and weight of tobacco bales during warehousing transactions as a precaution against smuggling. Those checks were inherently contentious because a significant difference in weight between the determination and warehousing periods could lead to smuggling accusations. As a kind of safeguard measure against potential allegations of smuggling, producers paid less attention to quality concerns and more to weight liabilities. Then, the experts were confronted with and, in a TEKEL expert's own words, "usually challenged by producers" once again as a result of those checks. Besides warehousing checks, there was another legal obligation forcing producers to bring their crop to the warehouse addressed by the local TEKEL administration. That obligation might have led to spatial disagreements between TEKEL and producers about the location of the warehouses.

The final category of warehousing-related problems was caused by the sale system in the Black Sea and Marmara regions. The producers of these two regions were obliged to deliver their bales to TEKEL warehouses for sale. The sequence of delivering, however, was determined by the local TEKEL administrations through the issue of transportation licenses. Without the license, producers were not allowed

to bring their crops to the warehouses and put them up for sale. Under the poor conditions and insufficient capacity of the warehouses, this sale system made quality protection harder, delayed sales, overshadowed competition among buyers, and sometimes left producers with unsold crops. Then, the sales-in-warehouses system of the Black Sea and Marmara regions was as problematic as the determination-based sale system of the Aegean region.

As seen above, the tobacco producers were far from unresponsive to their warehousing-related problems. By using different means, they complained about the issues of capacity, suitability, location, redundant paperwork, and sale difficulties. Also, they did not hesitate to fidn partial and instantaneous solutions to their problems. Moreover, the obvious weaknesses of both the warehousing conditions and the existing sale system also were criticized by the tobacco merchants on the terms of unfair competition. On the other hand, TEKEL authorities were not deaf to those complaints and criticisms as they decided on what to do in their first nationwide meeting in 1954. However, it is difficult to say that the solutions decided upon were fully implemented when we look at official documents involving the demands for the improvement of warehousing conditions during the 1960s. This temporal persistence about warehousing-related conflicts makes discussing on it as a separate category of market failures.

Now, we arrive at the last tension amplifier, the availability of credits.

Who Takes What and When? The Availability of Credits

The credit system was one of the most important issues of the tobacco market as it was for many other agricultural markets. The importance of the credit system

stemmed from the direct impact on the financial sustainability of the market actors. Specifically, in the tobacco market, agricultural credits enabled the producers mostly to survive during the six months between the completion of agricultural jobs (in September-October) and the reception of money from sales (roughly in February-March.) During the six months in between, the producers also needed money for the cost of production for the following year's agricultural cycle, such as the costs of clearing land or preparing seed beds. In addition to the most financially difficult months, the producers also used agricultural credits for production costs throughout the year.

The tobacco merchants needed credits as much as the producers. They took out bank loans most often before the market openings to be able to make leaf tobacco purchases from the producers. In addition, the merchants used credits to run their plants and warehouses until the moment of exportation. In the historical period under study, the main institution for agricultural credits was the Agricultural Bank, and the most common credit type for tobacco merchandise was rediscount credits[416] granted by the Central Bank to national banks. Hence, the credit policy was very much related to the financial capacities and decisions of the governments as the owner of the Agricultural Bank and the supervisor of the Central Bank. Due to the essentiality of the issue for both the producers and the merchants, the credit system was always an issue for the market actors in their relations with the government authorities. Their agenda was comprised of several problems and demands about credit volumes, interest rates, timing of credits, and who could and how could to use credits.

[416]According to the OECD Glossary of Statistical Terms, "rediscount credit" means "credit which a central bank grants financial institutions against the purchase of bills of exchange." See OECD, "Rediscount Credit," http://stats.oecd.org/glossary/detail.asp?ID=2264 Accessed on 22 November 2012. Hence, the Central Bank granted rediscount credits to the banks, and then the banks opened credits proportional to the value of the merchant's tobacco stocks/transactions.

We can first discuss the issue from the merchants' point of view. As discussed above, the credit issue was one of the constant themes discussed in regular meetings before market openings. In those meetings, the government representatives and merchants negotiated the details of that year's credit policy, such as volume or interest rate. For an early example from 1945, the representatives of the Ministry of Commerce approved the merchants' demands for more credits during their joint meeting, and "ordered to national banks to increase the credit volume", as recorded by *Türk Tütünü*.[417] The representatives of the private sector welcomed the willingness of the governments to negotiate from earlier years, and asked for the continuation of that attitude during the 1950 Tobacco Congress. The reports of both the Turkish Tobacconists Association and the Turkish Tobacco Limited Company underlined that negotiations on credits between government representatives and merchants had a positive impact by easing some procedures. However, the partial facilitation was far from satisfactory, as specified during the Congress by both the Association and the Company. It was stated that credit volumes needed to be extended and interest rates decreased to improve the system.[418]

The tobacco merchants pushed their demands about the credit policy in regular meetings preceding annual market openings. In addition to meetings, the merchant associations sometimes requested the direct intervention of higher ranking authorities, even the Prime Minister himself, into credit problems, as seen in a 1955 case. On 14 November 1955, the Aegean Tobacconists Association sent a telegram to the Prime Minister Adnan Menderes, and asked his help for three main demands:

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[417]"Tüccarların Kredi İşi," *Türk Tütünü*, no. 161-162 (1-15 December 1945).5.

[418]*Türk Tütün Limited Şirketinin Tütün Kongresi Münasebetile, Tütüncülüğümüzün ve Tütün İşlerimizin Üzerine Düşünceleri*.; Türkiye Tütüncüler Birliği, *Türkiye Tütüncüler Birliği'nin 1950 Tütün Kongresine Sunduğu Rapor*.

the extension of the time limits of the credits taken in 1954, an increase of the volume of credits for the 1955 market, and the decrease of the interest rate for tobacco credits from nine to seven percent. As soon as the Prime Minister received the telegram, he called the president of the Central Bank and ordered all demands be met. To decrease the interest rate, the Prime Minister and the president of the Central Bank discussed even the option to authorize just big banks, not smaller ones, for tobacco credits. In a telephone conversation, they decided to use that option of discriminating between banks on their sizes, if necessary.[419] Hence, the merchant association got all it wanted in a rapid and decisive way, very much thanks to the loose and unplanned financial policies of the Democrat Party government.

The credit system under total state control had been negotiated with merchants to a certain extent since the early 1940s, as seen so far. As they had a high financial dependence on credits, the tobacco merchants welcomed those negotiations, either in the form of annual meetings or of the Prime Minister's personal assistance. In addition to the demands specific to the current year, we can find a more explicit overall assessment by the tobacco merchants on the state-controlled credit system in an official document dated 20 October 1956. In response to the order of the Prime Minister, the Turkish Tobacconists Federation prepared a memorandum on the problems of credit system and proposed solutions.

The memorandum had three main suggestions, a known and fixed interest rate under definite conditions, the necessity of credit stability, and credit terms in accordance with the peculiarities of tobacco sector.[420] For the first, the merchant

[419]PMRA Fon Kodu: 30.1.0.0 Yer No: 123.786.12 (14 November 1955)

[420]PMRA Fon Kodu: 30.1.0.0 Yer No: 123.788.4 (20 October 1956) *"Tütüncülerin temel konularından biri olan kredi işinde aşağıdaki hususları arz eylemekteyiz: 1- Muayyen şartlarda malum ve sabit bir faiz haddi temini…2- Kredilerde istikrar lüzumu…3- Tütün kredilerinde, tütüncülüğün husussiyetlerine uygun vade…"*

federation complained about the changing interest rates and expenses charged by the banks above the Central Bank-determined rediscount rate of 6.5 percent. Since those expenses had a direct impact on the cost, the federation asked for a preventive measure to fix the maximum interest rate, including bank charges, at 10 percent. For the second issue of credit stability, the Turkish Tobacconists Federation stressed the importance of the non-restriction of credits during the period between the start of leaf tobacco purchases and the end of exportation. Any kind of restriction or retention of credits within the period was detrimental to the tobacco manufacture, workers' conditions, and exportation, according to the memorandum. Not to face those harms, tobacco had to be considered an exception from other consumption goods, and thus general restrictions on credits needed to be excluded tobacco credits.

Last, in the memorandum, the tobacco merchants criticized the existing obligatory practice of the repayment of rediscount credits within the same year. Since tobacco necessitated long-term credits, the merchants faced many difficulties repaying within the same year, as argued by the federation. Because of those difficulties, credit terms had always been a problem between the government authorities and merchants, especially in the last months of the year. To solve the problem, the government authorities extended the terms month by month every year upon merchants' applications (indeed, the above mentioned 1955 case in which the Prime Minister intervened in the extension of credit terms upon the application of the Aegean Tobacconists Association is a good example for this point). Although the month-by-month extensions were easing difficulties a bit, they were just a partial solution for the merchant federation. To take a definite measure to the ongoing problem, the terms of rediscount credits should have not expired in the same year. Rather, the term should have been fixed as the end of the May of the following year,

the month when the export season closed. Even that expiration date might have been extended more if it was necessary because of any stock problems or export market difficulties, as proposed by the federation.[421]

The merchants' memorandum outlines the main problems that arose from the state-controlled credit system. On the one hand, credits could be restricted or retained by the government in the middle of the business cycle. On the other hand, the rediscount credit system did not fit very well with the time lags inherent to the tobacco business. The obligation to close rediscount credits in the same year caused financial difficulties for the merchants. Moreover, inconsistencies between the interest rates charged by the different banks above the Central Bank rate increased costs unnecessarily. The problems led the merchants to ask for consistency, certainty, and exception for tobacco. However, the demands about rediscount credit system were not satisfied in the later years. During the 1960s, tobacco credits were not excluded from the general credit squeeze in the country, and the interest rates charged by the banks were not fixed.[422] Moreover, the merchant associations had to keep applying for extension of credit terms in the last days of each year.[423] Hence, while the problems put in the 1956 memorandum of the Turkish Tobacconists Federation persisted, their proposed solutions could not be implemented to a satisfactory degree.

The problems arising from the rediscount credit system discussed above, however, were not serious enough to discourage the merchants from the extensive

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[421]Ibid.

[422]For two news from the early 1960s, one on the credit squeeze's impact on the tobacco sector and the other on the volatile interest rates, see successively "Egede Tütüncüler Mali Kriz Geçiriyor," *Milliyet,* 8 March 1960.1; "Tütün Kredi Faizi Yüzde 7 İndirildi," *Milliyet,* 3 March 1961.3.

[423]"Tütünde Reeskont Kredisinin Vadesinin Uzaması İstendi," *Milliyet,* 26 December 1964.2.

use of credits to run their businesses. The importance of bank loans in financing their business was well explained in a 1972 study, "Tobacco and Its Problems in Turkey" (*Türkiye'de Tütün ve Sorunları*) by an economics professor, Halime Oygur. As a part of the study, Oygur investigated the financial sources in the tobacco business. Depending on the Central Bank data of the tobacco rediscount credits from 1960 to 1969, Oygur calculated that at most 25 percent of the total merchandise activity was covered by the merchants' own capital. Almost three-fourth of the total private sector activity in the tobacco sector was financed by bank credits. She explained the low capital/ high credit structure in the sector as the relatively low interest rates of the banks, and the high loan-to-value ratio of up to 90 percent, meaning the merchants could borrow up to 90 percent of the value of their total tobacco stocks.[424] Therefore, it seems the merchants' complaints about the credit system did not discourage them to use bank loans excessively, as shown by Oygur's study.

It should last be noted that the high financial dependence of the tobacco merchants on rediscount credits also was a matter of political debate in the late 1960s. As mentioned before, the credits given to the tobacco producers and exporters had been one of the issues cited by the RPP as reason to open a parliamentary inquiry in 1967. In the parliamentary discussions for the motion, the RPP deputies had highlighted the unequal distribution of credits between producers and merchants, and criticized the widespread financial dependence of the merchants on bank credits as an indicator of social injustice. In response, the governing Justice Party had insisted on the necessity of such a large amount of credits in terms of the insufficient capital accumulation in Turkey.[425] As Chapter 7 will show, the huge difference between the

[424]Oygur, *Türkiye'de Tütün ve Sorunları*.27-8.

[425]In the discussions, Mustafa Ok argued that merchants were covering 98 percent of the total expenses with the state credits. In his speech in the name of the Republican People Party, Ok

total credits used by producers and merchants kept being questioned by the political discourses in the 1970s. However, for now, the issue of unequal distribution of credits between merchants and producers can be left aside to pass on to a discussion of the credit problem from the producers' point of view.

The credit problem of the producers generally was considered within the essential role of the credits in the preservation of small family farming in tobacco agriculture. In this consideration, if agricultural credits were not made available to the producers on time, this might force them to borrow from moneylenders and eventually create a kind of debt bondage. Since the spread of relations resembling debt bondage would definitely carry the risk of damaging the dominance of small family farming, the credit policy was seen as the main barrier against that risk.

As a manifestation of this consideration, in both of the 1943 and 1950 Tobacco Congresses, the credit issue was discussed around the theme of the "preservation of small family farming." Pointing to the potential harms of usury, the 1943 Congress called for the necessity of an increase in credit volumes and simplification of bureaucratic procedures to get bank credits.[426] Unlike the 1943 Congress's emphasis on the negative impacts of usury, the 1950 Congress approached the issue from a positive angle. The 1950 Congress discussed the issue from the angle of reinforcing small family farming in tobacco agriculture. As a result of the discussion, among other actions to be taken, the Congress declared the credit-

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calculated that a merchant could use 6 million lira credit while a producer household used just 531 lira. In the reply speech of Süleyman Çağlar in the name of Justice Party, Çağlar linked the credit issue with the lack of capital accumulation in Turkey. For the discussion, see Republic of Turkey, *TBMM Tutanak Dergisi*, term 2, session 3, vol. 22, 8 December 1967.394,407. In the post-1967 period following the parliamentary discussions, the RPP very much used that "6 million versus 531 lira" ratio as a part of political propaganda on social injustice. For just one example, see "Ecevit: Sınıflar Arası Uçurum Gittikçe Büyüyor," *Milliyet,* 20 March 1968.1,7.

[426] *Tütün Kongresi - İzmir, 18/X/1943*.177-8.

related measures necessary: increasing credit amounts per decare, granting credits in two to four installments on time, opening Agricultural Bank credits in every production district throughout the country, and decreasing interest rates and fees charged by the bank for credits.[427]

The two biggest events in Turkish tobacco history, the 1943 and 1950 Congresses emphasized the linkage between credit policy and agrarian structure. By pointing to either the risks of credit insufficiency or the benefits of a working credit system, the congresses defined the necessary actions to be taken to preserve small family farming. However, it seems that those measures were not implemented enough to solve the credit-related problems of the producers. First of all, credit insufficiency was a constant complaint of the tobacco producers through the period under discussion. Either in a 1947 report of the Samsun producer association or in 1965 newspaper interviews with producers from the villages of Izmir, producers complained about the inadequacy of Agricultural Bank credits. In such complaints, the producers justified themselves by denouncing money lending. As expressed in a dramatic tone in a report by the Samsun producer association, many of the producers were "hooked by some sly money lenders," because of credit scarcity.[428] Those money lenders had taken advantage of the producers' neediness, and asked for very high interest rates, as stated by the producers of Değirmendere, a village in Izmir, in

[427] *Türkiye Tütün Kongresine ait Zabıtlar, 10.8.1950–17.8.1950*.68-9. *"Tütünün aile ziraatinin teşviki ve diğer maliyet kalemleri için istenen tedbirler: 1. Kredinin dekar başına 60 tl'ye çıkarılması ve zamanında 2-4 taksitle verilmesi…3. Faizlerin indirilmesi ve 500 liradan fazlası için faiz alınmaması 4. Ziraat Bankası kredilerinin her yerde verilmesi…7. Banka tarafından istikraz sırasında alınan %1 eksper ücretinin indirilmesi."*

[428] *Tütüncüler Toplantısı (17-19 Aralık 1947)*.52. *"Bir taraftan maliyet unsurları yükselmiş diğer taraftan kredi kapıları daraltılmış menfi istikamette işliyen bu iki kıskacın arasında çiftçi ezilirken kursak düşkünü bir takım açık göz mürahabacılara da kendini kaptıranlar çok olmuştur."*

interviews carried out by *Yeni Asır* in 1965.[429] Because it was impossible to set a maximum limit for this kind of transactions by its very nature, even some extreme cases occurred. For example, as reported by Mustafa Ok in the parliamentary discussions, he had documentary evidencing of a case in which the borrower producer had signed a note worth 18,000 lira for a debt of just 8,000 lira.[430]

The insufficiency of agricultural credits was one of the issues the producers complained about most. However, credit scarcity did not necessarily result in the exploitation of the producers by the money lenders. Indeed, borrowing from money lenders and falling into a vicious debt circle was not as common as argued by the producers. Surely, there were money lenders and needy tobacco producers, and there should have been certain examples of usury, as documented by Mustafa Ok. However, that documented case was the only one Ok was able to give in his parliamentary speeches. There were no other examples either documented or that Ok had witnessed. In any case, that case was not so enough to generalize the pattern as Ok did about the discounting and discarding practices.

Moreover, the other two complaints discussed above, one from 1947 and the other from 1965, did not adequately describe the situation in detail or calling the authorities to take action, as contrary to the general plot of the producer complaints about other market conflicts referred to so far. Thus, the non-specific language of the complaints about the prevalence of usury, together with the rarity of well-documented real life cases, indicates that in fact the instrumentalized discourse of usury threat was more important than its reality. This point is supported by two other, and actually more common than usury, practices implemented by producers faced

[429]"Dert Hep Aynı: Yüksek Faiz," *Yeni Asır,* 9 February 1965.4.

[430]Republic of Turkey, *TBMM Tutanak Dergisi*, term 2, session 3, vol. 22, 8 December 1967.394.

with an insufficiency of credits, fraud in declaration papers and advance payment/black market sales.

Agricultural credits were granted by the Agricultural Bank to tobacco producers based on the size of cultivation area. Thus, the larger the cultivation area, the more credit available to producers.[431] As a result of this credit system, the producers frequently over-reported the size of their tobacco-cultivated fields, surely enough to get more credits, but not enough to cause smuggling suspicions in the end, in their declaration papers. As told in Chapter 3, TEKEL issued control licenses without checking the declaration papers filled out by producers themselves. The first moment the declarations were checked coincided with the forecast and determination visits of the experts. During those checks, the producers tried to make the experts record the cultivated area the same as that in their declarations, as stated by an expert.[432] Indeed, the producers usually succeeded at making their declarations and experts' recordings consistent with each other, since the forecasts had not been perfectly done, as described above. Thus, the personal declaration system, together with the imperfections of forecast checks, left an open door for fraud in the documents, and the producers usually used that mechanism. They misrepresented the

[431]Certainly, there was an upper limit of the size of cultivation area to increase the granted credits. No more credits were given if the cultivated area was larger than a certain limit. That limit was not constant in all over the country and in time. It could differ among production districts even in the same year. For example, according to the proceedings of the 1950 Tobacco Congress, in 1950, the maximum credit limit was 25 decares in Akhisar while 5 decares in Iskenderun, see *Türkiye Tütün Kongresine ait Zabıtlar, 10.8.1950–17.8.1950*.66,71. Despite the variety, in general, the maximum credit limits were set at a level to discourage large scale farming. For the discussions on the limit and the Congress's recommendation to "hold the limit at 50 decares at most to protect amateur agriculture," see *Türkiye Tütün Kongresine ait Zabıtlar, 10.8.1950–17.8.1950*.71-3.

[432]Nail Sepkin, "Tütün Tahmininde İsabetli Yol," *Tütün Dünyası*, no. 21 (1 September 1960).18-9.

size of the tobacco-cultivated fields to get more credits, and in fact to cope with the financial difficulties arising from a shortage of credits.

The misrepresentations of area size for more credits, however, were neither hidden by the producers nor unrecognized by the authorities. Indeed, that kind of fraud was known by everybody. For example, in the village interviews done by *Yeni Asır* in 1965, the producers from Develi and Cumaovası, two districts of Izmir, made no secret of their lies to the authorities. The producers unreservedly said that they had declared their fields to be bigger than the actual size to get more credits although they did not want to do so. They committed fraud because they had no other means in face of credit inadequacy.[433]

Moreover, TEKEL authorities were also aware of fraudulent representation. In a paper presented in the 1977 Seminar on the Problems of Tobacco and Tobacco Products Industry, Adnan Raşit Günay, the director of the Tobacco Production and Information Department of TEKEL, explicitly stated their awareness. He said that the time series of productivity did not reflect reality since the "producers had always declared the cultivated areas to be more than the actual sizes to get more credits." He said that the situation had begun to change by the mid-1970s, thanks to the replacement of the declaration system with the certification system with the new tobacco law of 1969.[434] Then, the high ranking officials of TEKEL accepted the prevalence of fraud.

The insufficient agricultural credits never put an end to the producer complaints about the money squeeze. The lack of funds compelled the producers to

[433]"Tekelin Tutumu Ne Olacak?," *Yeni Asır,* 10 February 1965.4; "Tütüncü Derdini Kimseye Anlatamıyor."

[434]Adnan Raşit Günay, "Türkiye'de Tütün Üretim Politikasının Oluşturulması, Uygulanması ve Sorunları" (paper presented at the Tütün ve Tütün Mamülleri Sanayii Sorunları Semineri, Izmir, 1977).1-29.

commit fraud in their declaration papers more frequently than to borrowing from money lenders, despite the ever-existing discursive threat of usury. The tobacco producers lied about the size of their cultivated fields, and eventually succeeded at getting more credits than the amount attached to their real field sizes. On the other hand, at times of credit scarcity, there was another practice as widespread as fraudulent representation used by the producers, instead of going to usurers. Referred to as "advance payment sales" (*avans satışları*), "time bargaining sales" (*alivre satışlar*), or "black market sales" (*karaborsa satışları*), the practice was mainly comprised of sales against regulations. In a TEKEL report dated 1955, different ways to engage in such sales were analyzed. According to the report, black market sales were done in one of these ways: transferring control licenses, selling some part of the crop without having any official records, purchasing crop with a procuration, or making a producer sign an undated contract. As correctly analyzed by the report, two of the most important reasons for those sales were the necessity for credits and the late opening of market.[435] The producers might have sold their crops in return for advance payment before the market openings when they faced a money squeeze because of both credit scarcity and the long waiting time for the market opening.

The advance payment sales always hit the headlines of newspapers and tobacco journals throughout the period under discussion. As discussed above, advance payment sales were more widespread in the years when the market opening

[435]The report named "Article I –The Forms of Black Market" (*Karaborsa Şekilleri*), dated 1955. The report is a part of the personal folders of Adnan Raşit Günay in the library of the Tobacco Experts Association in Izmir. This report did not make a distinction among different types of unlawful sales, and labeled all of them "black market sales." However, while "selling some part of the crop without having any official record" is an explicit smuggling act, the others are not. In this sense, it is better not to follow the report's non-discriminative pattern since the issue of smuggling needs to be discussed more elaborately. For the purposes of this dissertation, I cannot deal with the smuggling in as much detailed as needed, and thus confine the discussion just to advance payment sales.

date was delayed. When the producers did not have enough credits during the months they waited for the market opening, advance payment sales became an indispensible option. As reported by *Milliyet* in September 1967, almost the whole production of Akhisar was sold in advance payment sales because of the insufficiency of credits.[436] Surely, the terms of those sales were generally more unfavorable to the producers than they would have been under normal conditions. According to the same article, for example, the given prices were six to eight liras even for the highest quality crop (to be able to make a comparison, it is enough to remember that the prime price for that year was 13.25 liras).

It should be added that the prevalence of advance payment sales initiated some policy proposals to reform the credit system. In a 1970 report prepared by the Tobacco Committee of TEKEL, the experts underlined the necessity of rehabilitating the agricultural credit system to be able to prevent time bargaining sales. Apart from the well-known policy proposals of increasing credit volumes or easing bureaucratic procedures, the report mentioned another necessary action, such as granting the seasonal loans of the Agricultural Bank in two installments, one in February and the other in July, as a cure for the ongoing problem of advance payment sales.[437] Despite such policy proposals, in the 1970s, advance payment sales continued, not only between merchants and producers, but also between TEKEL and producers. Hence,

[436]"Ege'de Aracılar Düşük Fiyatla Tütün Kapatıyor," *Milliyet,* 26 September 1967.2. For some similar news from different years, see Bir Tütüncü, "Anketimizin Cevapları," *Tütün Mecmuası*, no. 16 (2 July 1939).8-10.; "Yeni Rekolte ve Ege Piyasası."; "Ege Havalisinde Tütün Kalmadı," *Milliyet,* 28 December 1954.1; "Tütün Piyasası 29 Ocak'ta Resmen Açılıyor," *Milliyet,* 16 January 1968.2.

[437]The report named "IX –The Note on the Evaluation of Tobacco as a Crop" (*Tütün Ürününün Değerlendirilmesi Hakkında Tebliğ*), dated 28 May 1970. The report is a part of the personal folders of Adnan Raşit Günay in the library of the Tobacco Experts Association in Izmir.

regardless of either the reform proposals or existing regulations, advance payment sales continued as an option for producers in the face of money shortage.

All in all, the credit policy was a contentious issue for the relations of both the tobacco merchants and producers with the government authorities since their financial sustainability mainly depended on it. Despite total state control on the system, the credit policies had begun to be negotiated during joint meetings as early as the 1940s. The tobacco merchants welcomed the willingness of the government to negotiate, and benefitted from those meetings to push their demands about the credit policy of that specific year. Besides their constant calls for an increase in credit volumes, the merchants complained mainly about the problems that stemmed from the rediscount credit system. Either during the joint meetings with the ministerial authorities or by appealing directly to the Prime Ministry, the merchants asked for consistency in interest rates, credit continuity during high seasons, and credit terms better fitting to the time lags in the tobacco business. Although they were unable to reach long-lasting and decisive solutions that fulfilled all of their wishes, the merchants generally got what they wanted for that specific year by negotiating with the governmental authorities. Hence, the problems of the rediscount credit system did not keep merchants from using extensive credits. This point is also confirmed by Oygur's findings that the tobacco merchants financed their business predominantly with credits, rather than with their own capital.

Credit policies also mattered for producers. Since a credit scarcity might have led to the expansion of usury and eventually a kind of debt bondage in the agrarian structure, the agricultural credit policy was always addressed with the aim of protecting small family farming. Indeed, the agricultural credits were never plentiful enough to defuse the unending complaints about their insufficiency. However, the

lack of an adequate volume of credits did not engender usury as much as scared the policy-makers. Rather, in the face of a money shortage, the producers opted for two other practices more frequently than borrowing from money lenders: fraudulent representation and advance payment sales. Since the amount of agricultural credits was proportional to the declared area of cultivated field, the producers mispresented their fields to get more credits. Since the declarations were individual and not checked closely enough, the producers usually succeeded at receiving more credits than the amount attached to the actual sizes of their fields. The other option commonly used by producers was selling their crops to buyers before the market openings in return for an advance payment enough to relieve the financial pressure. Despite the unending efforts of the governmental authorities to prevent advance payment sales, the producers continued to engage in unlawful transactions because of credit scarcity or late market opening dates.

After the liquidation of the Regie in 1925, the Turkish tobacco market was most comprehensively regulated by Law No. 3437 of the Tobacco and Tobacco Monopoly enacted, in 1938. Until the second major legislation in 1969, the tobacco market was governed under a state monopoly in accordance with the 1938 law. At first glance, a 31 year period of legal validity may lead us to think that the tobacco market functioned smoothly, and so did not need any kind of change in the institutional setting. However, if we take just one step further, we see a market embodying plenty of imperfections and multi-layered conflicts. Although uncovering the contentious face of the tobacco market takes effort now, that face was obvious for those who lived through it. Otherwise, describing market conditions in terms such as

"anarchical," "catastrophic," "chaotic" and "unregulated" would not be observed so frequently in the primary historical sources on the tobacco market. The above discussion was dedicated to revealing the contradiction between the two images of the tobacco market, on the one hand, heavily-regulated and smoothly-functioning in compliance with the laws, and on the other hand, the arena for "eternal anarchy and chaos" and eventually struggling social and economic policies of the market actors.

To be able to develop a better understanding of the contradictory images of the tobacco market, I carried out archival research, moving beyond the secondary sources since they do nothing but reproduce the first peaceful image. I looked material in the state archives, assembly minutes, tobacco journals, national and local newspapers – generally for small pieces of news, not for headlines - as well as books, articles, congress reports, brochures, and booklets. Depending on such broad sources, I pinpointed six main types of conflicts in which the market actors encountered with each other, the market opening policy, pricing policy, quality and grading, discounting and discarding practices, warehousing conditions, and the credit system. The contentious issues of these six main conflicts were concentrated on the timing of market openings, the inclusiveness of decision-making mechanisms, the prime price system, real and perceived price levels, price stability, standards of baling, grading and valuing, the determination system, the marketing cycle having long time lags, the infringement of contracts by discounting and discarding practices, the poor conditions and capacity insufficiency of warehouses, weight and quality checks in warehousing period, sales-in-warehouses system, credit scarcity, and the unsatisfactory conditions of the state-controlled credit system. For the 31 years between the two major legislative changes in the tobacco market, I discussed the tension-rising issues by paying attention to the historical trajectories and turning

points of each. The above discussion about market conflicts is also sensitive to the roles of the historical actors, and so includes their own responses as an integral part.

The discussion not only shows the persistent imperfections of the tobacco market, but also offers insights on the relations between the state, the merchants, and the producers. The Turkish tobacco market was controlled by a state monopoly but, a monopoly suffering from the actors' criticisms because of delayed market openings, political pricing, causing unfair competition, loosely fulfilling its legal duties about crop determination and warehousing, and even breaking the rules by getting involved in discounting and discarding practices. On the other hand, the merchants as the private sector of the market did not stand for free-market economy. They initiated some regulatory policies themselves, like the institutionalization of the government's declaration of the market opening date; or welcomed some others, like the prime price mechanism and rediscount credit system. Their negotiations with the governments were not always, but mostly decisive in shaping market policies since the state tried to ease the merchants' activities, not to block them.

Last, the tobacco producers had several problems generated by the so-called "eternal anarchy" of the tobacco market, such as late market openings, unjust prices, sale difficulties, the unilateral violation of contracts by buyers, the suspicion of smuggling, and credit insufficiency. They did not hesitate to look for solutions to their problems by applying to the state authorities, sending letters to the newspapers, or expressing during tobacco congresses, and at least some of them, individually or in the name of their associations, got what they wanted. However, even those solutions were not absolute and overarching, but rather context-bounded and partial.

The persistence of the "chaotic" atmosphere that lasted for 31 years was interesting in itself. Surely, the economic, political and social conditions of the etatist

single-party regime had little in common with the ones under the liberal Democrat Party or of the mixed-economy in the 1960s. Thus, I also try to trace what changed, and did not change to what extent for each topic as far as possible. However, it is still interesting to find two articles, one from the late 1930s and the other mid-1960s, on the same problems and proposing similar solutions, or two pieces of news 31 years apart but reporting similar complaints about similar issues. Then, it becomes relevant to ask whether any comprehensive policy package was formulated at any historical moment. Indeed, the search for an answer to that question addresses an institutional failure case, the history of the Turkish Tobacco Bank. The following section discusses the failure of the Bank from the early 1940s to the late 1960s.

The Failure of the Turkish Tobacco Bank

It is a prevailing belief in modern Turkish historiography that the agricultural sector was not properly included in taxation, if not excluded totally, during the Republican era. A prominent scholar on the Turkish tax system, İzzettin Önder, for example, argues that agriculture was never directly taxed in the period between the abolition of the tithe in 1925 and the tax reform in 1963. Rather than direct taxation, different types of indirect taxes were levied: the agricultural products tax (*toprak mahsulleri vergisi*) between 1943 and 1945, the cattle tax (*ağnam/hayvanlar vergisi*) until 1961, the land tax (*arazi vergisi*), and the road tax (*yol vergisi*). Analyzing those taxes and the revenue generated from them, Önder comes to the conclusion that the

agricultural sector was under-taxed after the abolition of the tithe, and that under-taxation eventually prevented the dissolution of traditional agrarian relations.[438]

Önder's views on the non-taxation of agriculture during the Republican era were largely accepted by the leading Turkish scholars in one of the most important symposiums ever held on the political economy of Turkish agriculture, The Development of Agricultural Structures in Turkey, 1923-2000, in 1987. Although some of the scholars were probably not strong supporters of Önder's causation between the lack of a proper taxation system and the preservation of agrarian relations, his overall assessment on non-taxation reflected the consensus among different approaches to the Turkish agricultural structure. Then, one of the characteristics of pre-1963 agriculture, in fact as one of the first-to-be-knowns, is that it was never taxed enough, or more correctly was never directly taxed enough.

During the same symposium, Gülten Kazgan moved one step forward and related the issue to politics. She argued that in order to redistribute wealth from agriculture to other sectors, the right-wing governing parties preferred to "play" with the internal terms of trade rather than impose direct taxes on the farmers. The reason for that preference was those right-wing parties thought of farmers as "vote reservoirs," and did not want to scare them with an open and visible mechanism, taxation, but used the seemingly anonymous one, the price system.[439] Therefore, the non-existence of direct taxation is seen as an apparent populist manifestation of right-wing political parties.

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[438]İzzettin Önder, "Cumhuriyet Döneminde Tarım Kesimine Uygulanan Vergi Politikası," in *Türkiye'de Tarımsal Yapılar (1923-2000)*, ed. Şevket Pamuk and Zafer Toprak (Ankara: Yurt Yayınevi, 1988).113-33.

[439]Gülten Kazgan, "İzzettin Önder, Ergün Kip ve Çağlar Keyder'in Tebliğlerine İlişkin Yorum," in *Türkiye'de Tarımsal Yapılar (1923-2000)*, ed. Şevket Pamuk and Zafer Toprak (Ankara: Yurt Yayınevi, 1988).175-8.

Below, I will pose a partial challenge to the prevailing assumption of non-agricultural taxation by revealing a direct but hidden taxation practice which has never been mentioned in any classical accounts of Republican history. The practice was direct since a certain percentage of the tobacco producers' income was levied by the state, and at the same time, hidden in the sense that it was not called a tax. Rather, the state instituted income cuts with an excuse of establishing an institution. Moreover, the hidden taxation on the tobacco producers was initiated by the Republican People's Party government in 1947, a crucial year in the process of transition to the multi-party regime, so probably not the best moment for such kind of monetary imposition. Although the policy was not an invention of the so-called "right-wing parties," however, the mother of those right-wing parties, the Democrat Party, kept the practice for years. There was a continuity, rather than rupture, in the policy of imposing a hidden tax on tobacco producers between the so-called left-wing party, the RPP, and right-wing party, the DP.

This does not satisfy the arguments for the non-existence of direct taxation or that for the populist orientations of right-wing parties as the barrier to agricultural taxation. Then, the revelation of a direct and hidden taxation practice in the tobacco market has the potential, however small, to cast into doubt some of the prevailing assumptions about the characteristics of agriculture during the Republican era.

Between 1946 and 1957, a compulsory levy was imposed on tobacco producers to raise the necessary startup capital for a projected institution, the Turkish Tobacco Bank (*Türk Tütün Bankası*). The idea to establish a bank had emerged as a radical and absolute solution to the unending problems of the tobacco market, which the above section discussed in detail. After the war, the implementation was initiated with cuts from producer incomes in the late 1940s. The law for the bank

establishment was enacted in 1950, and the targeted capital was raised by 1957, but the bank was never established. In the 1960s, the project was modified from a bank to an agricultural sales cooperative, and in fact the cooperative's formation was legislated in 1969. However, like the tobacco bank, the tobacco agricultural sales cooperatives were never. From now on, the informative and challenging history of the institutional failure of the tobacco bank will be discussed.

The Idea to Establish a Tobacco Bank, 1939-1945

An earlier formulation of the necessity to establish a tobacco bank can be found in an article from 1939 published in *Türk Tütünü*. The writer of the article remained anonymous since he signed only with his initials, K. H., and described himself only as "a reader of the journal from Izmir." In the article titled "How to regulate tobacco sales? (*Tütün satışlarına nasıl bir şekil vermeli?*)," K. H. proposed a "tobacco exchange market." According to the proposed project, tobacco producers would borrow money from the bank for production costs, and eventually transfer the crop to the bank's warehouse. At the transfer, the producers would receive an advance payment. Then, the bank would announce two days, the first for buyer expertise and the second for purchases. Sales were to be made in the bank's warehouse on an auction basis on the pre-announced purchasing day. Following the completion of a sale, the necessary monetary transfers would be deposited in the producers' accounts in the bank.

In the system, the producers and the buyers had no need to know each other since the bank would run auction sales. K. H. further explained some other details, such as borrowing requirements, grading and control mechanisms, and interest and

confiscation conditions. Consequently, he argued that the project would "rescue" not only the buyers from making unnecessary expenses for "months-long village travels to find good quality tobacco," but also the producers from "running after and begging buyers to sell their crop and waiting at the doors of TEKEL, merchants' shops, treasury offices, banks, and municipalities day after day."[440]

Following the publication of such a detailed proposal on the tobacco bank, the issue remained on the agenda of the tobacco journals. A number of articles discussed the necessity of establishing an exchange market and a bank as a solution to market irregularities.[441] Since the articles were largely written by experts, it can be said that the idea of creating a totally new institution gained popularity among the professional circles of tobacco experts in the early 1940s. Indeed, the writer of the original proposal, K. H., was most probably an expert working in Izmir. However, the tobacco bank project went beyond the limits of the experts profession, and first became a matter of public debate mainly in the 1943 Tobacco Congress. The discussion was - so to speak - democratized by the Congress because the seventh article of the agenda asked all participants to express their views on the question of

[440]K.H., "Tütün Satışlarına Nasıl Bir Şekil Vermeli?," *Türk Tütünü*, no. 18 (15 February 1939).5-6. *"Bu suretle alıcılar köylerde birçok memurlarını aylarca gezdirmekten, iyi tütün almak için türlü türlü çarelere başvurmaktan kurtulur, havaya bu işler için sarfettikleri paraları iyi cins tütüne verirler. Diğer taraftan zürra tütün işlerini terk ederek alıcıların peşinden koşmadan, sırasına gore yalvarmadan sattıktan sonra günlerce İnhisar kapılarında, tüccar yazıhanelerinde maliye daireleri, icra, bankalar, belediye, hatta köy bekçisi aramaktan beklemekten kurtulur, köyündeki mevsimlik diğer işi başına gider."* Ertürk Keskin and Yaman record that establishment of a tobacco bank for producers was one of the decisions taken in the 1932 tobacco congress.See Keskin and Yaman, *Türkiye'de Tütün: Reji'den Tekel'e, Tekel'den Bugüne*.268. Then, the emergence of a tobacco bank idea dates back to the early 1930s.

[441]Bir Tütüncü, "Anketimizin Cevapları."; Ocakoğlu, "Tütün İşleri Nizam Altına Alınmalıdır."; İhsan Arif, "Tütün Piyasamızda Nizam ve İstikrar Kurmak Mecburiyetindeyiz," *Türk Tütünü*, no. 87 (1 January 1942).3,10.

whether production and sales cooperatives, and a bank financing those cooperatives were necessary or not.[442]

The perspectives of the market actors on the seventh article of the Congress agenda differed greatly. The differences were reflected in both the reports and discussions. To start with the reports, two of the eleven reports prepared by TEKEL experts focused directly on the seventh article. The first one was on the measures to be taken to increase tobacco production and exports. It was written by Sadık Şendil. Situating the "state" as the sole capable body for those measures, Şendil proposed that both cooperatives and "tobacco bank" (or, a "tobacco export association or office," in Şendil's words) should be established for agricultural development and creating new export opportunities.[443]

The other report of TEKEL was on tobacco production and sales cooperatives, and was written by Fahri İpekoğlu. Like Şendil, İpekoğlu underlined the necessity to establish both cooperatives and a bank financing those cooperatives. Cooperatives needed to be authorized to provide for all of the needs of the producers, from credits to agricultural equipment and materials, from well-equipped warehouses to the ability to sell at just prices. As a solution to the problem of financial feasibility, İpekoğlu proposed that the necessary capital could be raised by the shares of cooperative partners and from the bank, meaning from producers and the tobacco bank.[444] Then, TEKEL experts answered "yes" to the question of the Congress's

[442]*Tütün Kongresi - İzmir, 18/X/1943*.8. *"18 İlkteşrin 1943 gününde İzmirde toplanacak Kongre ruznamesi g) İstihsal ve satış kooperatifleri finanse edecek bir bankaya lüzum olup olmadığı,"*

[443]Ibid.15-9.

[444]Ibid.34-5.

seventh article. They proposed certain, but indeed not well-specified, solutions to possible the problems of putting the idea into practice.

More support for the cooperative idea came from Alaeddin Cemil Topçuoğlu. As a former member of parliament from Istanbul and former general secretary of the Turkish Cooperative Society,[445] Topçuoğlu was the author of the sole Congress report prepared by an individual, and not presented in the name of an organization. In his one-page report, Topçuoğlu argued that establishing tobacco producer cooperatives was not only necessary, but also easy as both the number and names of producers and the amount of cultivated area had already been registered and were known.

It is also worth mentioning Topçuoğlu's formulation of the method for raising capital because it was exactly same as the one that would be implemented just a few years later. According to him, the necessary capital might be provided by taking a small fee from every transaction of tobacco sales. Those cuts could be registered in the name and account of producers. Cooperatives could begin their operations at exactly the moment when the accumulated capital was enough to finance all producers, not before.[446] Topçuoğlu said nothing about "tobacco bank" in his report but just explained the necessity and feasibility of establishing cooperatives. However, although he did not address the bank issue directly, his approach to the issue resembled in many aspects the one defended by TEKEL experts. Therefore,

[445]The Turkish Cooperative Society was established in Istanbul in 1931 as a result of Mustafa Kemal's personal directive. Seven of nine founders of the Society were university professors, and two of them were members of parliament. The society was renamed the "Turkish Cooperative Association" in 1948. For more information, see Türk Kooperatifçilik Kurumu, "Tarihçe," http://www.koopkur.org.tr/tarihce.htm Accessed on 14 December 2012.

[446]*Tütün Kongresi - İzmir, 18/X/1943*.111-2.

Topçuoğlu, as a leading representative of the cooperative movement in Turkey, was on the same side as the experts.

The question asked in the seventh article of the Congress agenda was also answered in the reports or wish lists prepared by the producers and/or producer associations. The idea of the establishment of cooperatives and a bank was welcomed in the majority of producer reports, namely in the "wish lists" of the producer delegates from Ödemiş, Muğla, Gavurköy (Değirmendere), the Bursa Producer Association, and the "reports" of the producer associations of Akhisar and Bafra.[447] Among these documents, the report of the Akhisar Producer Association was the most elaborated. Unlike the other producer participants, the Akhisar Association did not confine itself to a yes/no answer to the cooperative/bank question, but rather prepared a detailed report. For this reason, the Congress discussions on the issue based on the Association's report, so it is better to mention the main points. In the report, the Akhisar Producer Association vehemently criticized the existing market conditions characterized by uncertainties, price speculations, the helplessness of producers before the buyers, discounting and discarding practices, and the lack of any arbitration mechanism. As "the remedy" to those "weaknesses," the Association called for institutionalization, which was necessary for the transition to auction sales. Indeed, cooperatives and tobacco bank were supposed to be the implementers of the structural reform proposed by the Association. While the cooperatives were to build auction houses and manage all sale operations, the tobacco bank was to finance cooperatives. After describing the institutions' missions, organizational schemes, and

[447]Ibid.95-108,109-10,113-5,117-8,143-5,158.

sale mechanisms in detail, the report also proposed a nine-article draft bill to be implemented by the Ministry of Commerce.[448]

The Congress report of the Akhisar Tobacco Producers Association went one step further than both TEKEL experts and other producer participants. It merged the idea of establishing cooperatives and a tobacco bank with the proposal of replacing the existing sales system with auction sales. Since the report was the most sophisticated defense of the institutionalization idea ever made, it strengthened the hands of the supporters. However, not all the Congress participants thought that new institutions were needed. The main objection to the idea of forming cooperatives and a bank appeared in the Congress report prepared by the leaf tobacco merchants group of the Izmir Chamber of Commerce. In their report, the tobacco merchants from Izmir stated that the establishment of cooperatives and a tobacco bank were not necessary. According to the report, the Agricultural Bank had been meeting the credit needs of the producers, and tobacco sales already were under the control of official and semi-official institutions such as TEKEL, the Turkish Corporation of Domestic Products, and the Turkish Tobacco Limited Company. If the producers, themselves, were to organize cooperatives, that – in the report's words – would be a "beneficial experience" and definitely would not be banned. So, the report labeled "discussing the issue in a congress initiated by TEKEL," not by the producers themselves, to be "irrelevant."[449]

The reports presented to the Congress, indeed, revealed the divisions of opinions on the cooperative/bank issue for the first time. The idea of establishing cooperatives and a tobacco bank was supported in the reports prepared by TEKEL

[448]Ibid.95-108.

[449]*1943 İzmir Tütün Kongresine İzmir Ticaret Odası Yaprak Tütün Tacirleri Grubu Tarafından Hazırlanan Rapor* (İzmir: İzmir Yavuzdil Matbaası, 1943).14-5.

experts and producers/producer associations, and objected to in the report of the tobacco merchants from Izmir. The divisions seen in the reports left their mark also on the Congress discussions. The talks on the issue started by the speech of Fevzi Karaosmanoğlu, who summarized the committee discussions as the chair of the interim committee formed in the Congress. Describing the camps in the committee as pro- and anti-cooperatives, Karaosmanoğlu situated himself as a member of the pro-camp. He forwarded the two main arguments of the anti-camp, the failure of cooperatives in other countries, and the potential shortcoming of cooperatives to prevent "some dishonest customs inherent to tobacco sales." Karaosmanoğlu objected to both of the arguments in his agitating speech, which received continuous applause and cheers. As a response to the first argument, he cited the successful cooperative experiences both in tobacco agriculture in Bulgaria and the USA, and in grain, cotton, and fig agriculture in the Aegean region. For the second excuse of "dishonest customs," he insisted on the necessity of organizing sale cooperatives, regional associations and a tobacco bank as the remedy to the tobacco producers' unending suffering from the existing sale system.[450]

As a leading merchant representative from Izmir, Talat Erboy responded to Karaosmanoğlu, saying they were not against cooperatives if they were initiated by the producers themselves. Rather, the merchants opposed to the sales cooperatives as experienced in Turkey which caused unfair competition by not only being exempt from taxes, but also being entitled to an import monopoly of some goods. Labeling institutions like sales cooperatives as "coercing," Erboy intimidated the Congress participants with a potential loss of foreign buyers as a result of such "coercions."

[450] *Tütün Kongresi - İzmir, 18/X/1943*.193-6.

Erboy's opposing views in the name of the tobacco merchants were responded to by two producer speakers, Hüseyin Gürsoy from Cumaovası and Naci Kurtul from Bursa. The first speaker, Gürsoy, declared that neither the merchants nor the officials had the right to speak on the cooperative issue. Only small producers had the right to express their views and decide whether they wanted those new institutions. Supporting Gürsoy, the second producer speaker, Naci Kurtul, also emphasized that producers had the ability and power to think on their own problems and stand upon their own rights. He showed a nine-article telegram sent by five producers from four different villages. The telegram was comprised of demands for the establishment of a producer tobacco bank and sales cooperatives. Calling that telegram as the "voice of nation," Kurtul called on the Congress to hear that voice and not to take decisions discouraging the formation of cooperatives. The discussions on the most controversial subjects of the Congress agenda, producer cooperatives and the tobacco bank, ended with Hüseyin Kavalalı's proposal to call on the government to make an indepth examination of the issue and make the final decision.[451]

The idea of forming new regulatory institutions in the tobacco market was initiated by the professional circles of experts in the early 1940s. The scope of discussing the feasibility of such an idea was, however, extended by the 1943 tobacco congress. The Congress not only democratized the debate by asking all participants about their views, but also revealed the different positions of different actors toward the issue. TEKEL experts defended the necessity of the state's initiation of the formation of producer cooperatives, a tobacco bank, and an export office. The idea of establishing cooperatives and a bank was also supported by

[451]Ibid.196-9.

producers/producer associations as a remedy to their sales and credit-related problems even though they did not give the State as a big role as the experts did. Unlike the experts and producers, the merchants thought the cooperatives and tobacco bank were not necessary. The merchants explicitly opposed the idea of establishing new institutions, thinking of a possible state domination in the tobacco market. Despite the heated discussions arising from the divisions of opinions among the actors, the Congress ended without arriving at a consensus. Instead they indeed passed the buck onto the government.

A year and a half after the 1943 Congress, the debate on the issue once more heated with the completion of a draft bill by the Ministry of Customs and Monopolies, in 1945. Although I was unable to locate the original version of this first draft in the archives, its content is accessible in detail in a 1945 report titled "The Report of the Tobacco Association" (*Tütün Birliği Raporu*), which was prepared by the Izmir and Istanbul chambers of commerce together.[452] The preamble of the draft bill cited in the ten-page report had been inspired by the 1943 Congress. After presenting an article-by-article summary of the preamble, the report highlighted six main points of the draft bill: first, prohibiting tobacco merchants, commissionaires and experts from tobacco cultivation; second, obliging tobacco producers to become cooperative members; third, the improvement of tobacco seedbeds and drying floors by TEKEL; fourth, the establishment of tobacco exchange markets within five years

[452] *Yerli Ürünler Türk Anonim Şirketi 1944 Yılı Umumi Murakabe Heyeti Raporu*. The report does not explicitly say which chamber of commerce prepared it, but just says that the "draft bill is examined by our institution depending on Law No. 3455 of Chambers of Commerce." On the other hand, the report was mentioned in an article published in *Türk Tütünü*. According to the article, the tobacco merchants immediately took negative actions against the draft bill. They met in Izmir and Istanbul, prepared an opposing report together and presented it to the government. "Yeni Kanun Etrafında," *Türk Tütünü*, no. 149-150 (1-15 June 1945).3,9-11. Depending on this article, I think that the cited report is most probably the one mentioned in *Türk Tütünü*'s article as having been prepared by the Izmir and Istanbul merchants. Hence, I conclude that the "The Report of Tobacco Association" (*Tütün Birliği Raporu*) was prepared by the Izmir and Istanbul chambers of commerce together.

by TEKEL and the obligation to make sales only in those markets; fifth, benefitting from secondary products of tobacco; and sixth, the foundation of a tobacco bank in order to assist cooperatives and make interventional purchases in tobacco exchange markets.

The report reviewed and severely criticized the six points one by one. It concluded with an overall assessment of the merchants on the issue. According to the assessment, the tobacco merchants totally opposed the draft bill not only because it had been prepared without asking their opinions, but also it imposed heavy restrictions on the freedom of economic action by intervening at all points of the whole business cycle. The merchants argued that the draft bill prescribed a "de-facto monopoly," especially on tobacco trade and export by replacing the merchants, who had "special know-how, market relations, accumulated capital and entrepreneurship for generations," with "inexperienced officials."[453]

The strong opposition of the merchants to the draft bill was responded to both by the Minister of Customs and Monopolies and the tobacco journals. As the first response, the Minister denied the allegations of top-down law-making. The Ministry sent the minutes of the 1943 Congress to all of the chambers of agriculture and commerce and asked their opinions by means of questionnaires and reviewed those responses. However, in the Minister's words, the draft bill was "misrepresented as disadvantageous to a certain class and advantageous to the other." To correct mistaken understandings, the Minister expressed his "sincere wishes" to see the "country's qualified, well-informed and honest merchants as managers of all projected institutions including the tobacco bank" when it was accomplished to find the "best and most beneficial" formulation of the draft bill, and to establish the

[453] *Yerli Ürünler Türk Anonim Şirketi 1944 Yılı Umumi Murakabe Heyeti Raporu*.8-10.

institutions.[454] Hence, the Minister tried to assure the tobacco merchants about non-restriction of their activities after the establishment of cooperatives, exchange markets, and a bank. He claimed that those institutions would create new opportunities for "qualified, well-informed and honest merchants."

İhsan Arif (Gökpınar), a former TEKEL expert and the chief editor of *Türk Tütünü*, however, severely criticized the tobacco merchants' oppositions to the draft bill in a series of articles published in the newspaper *Tasvir* and re-published in *Türk Tütünü*.[455] He accused the merchants of adopting the report's arguments (top-down law-making, risk of the loss of foreign buyers, restriction of free enterprise, and the intent to monopolize tobacco trade/export) for privileging their own personal interests over national ones. Replying to all arguments in a harsh tone, İhsan Arif insisted that the projected institutions would be beneficial also for the merchants since they would be able to to run their businesses under more secure and regulated market conditions. They would even be able to become partners of the tobacco bank by investing some part of their capital. Therefore, such a project should worry only "conscienceless and merciless people who are taking advantage of the market anarchy and producers' financial squeeze, and buying tobacco at a bargain price," not real merchants. Gökpınar ended his articles by declaring once more the necessity for the institutionalization of the Turkish tobacco market in order to improve the underdeveloped conditions of tobacco agriculture, cheapen credits, and regulate the anarchical sale system.

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[454]"Tekel Bakanının Demeci." "B*u tasarı bir sınıfı himaye veyahut bir sınıfın zararına diğer bir sınıfın lehine bir tasarı değildir. Yapılan neşriyat ve bazı zihinlerde hasıl olan bu gibi telakkiler yanlıştır. ...Temenni ederim ki, bu tasarı en iyi şekli aldığı ve millet faydalı hale geldiği zaman ve eğer bankanın ve diğer müesseselerin kurulması müyesser olursa başlarına temiz ömürlerini bu işe vakfetmiş ve yetişmiş bilgili tüccarlarımız geçsinler. Samimi, öz temennimiz budur."*

[455]"Yeni Kanun Etrafında."

The draft bill prepared by the Ministry of Customs and Monopolies sharpened the debate over the formation of new institutions. Considering the draft as a part of a hidden agenda of the statist camp in the government, the tobacco merchants strengthened their opposition to the institutional reform package. They published a highly critical report and negotiated with governmental authorities not to pass the draft. Faced with allegations of anti-free enterprise intentions, the Ministry stepped back, and declared that the draft would not be legislated until a consensus which was "most beneficial for the nation" was reached.

The tension-defusing statements of the Minister were, however, not shared by the public opinion generators of the tobacco sector. The tobacco journals published articles condemning the merchants' opposing report, and insisting on keeping and enacting the draft. The institutional triad of cooperatives, exchange markets, and tobacco bank, as proposed in the draft bill, would have been the ultimate solution to the "anarchical" market conditions, according to the leading journalists who rose from the ranks of the tobacco experts. Indeed, the draft bill emerged in the mid-1945 irrevocably revealed and publicized the divisions of opinions which had been moderately expressed in the 1943 Congress. The issue moved to another level in 1946 when the necessary capital for the projected but unnamed "institution" began to be raised.

Next, the period from 1946 to 1950, in which a compulsory levy was imposed on tobacco producers without enacting any law will be discussed.

First Levying, Then Legislating, 1946-1950

The idea of establishing new regulatory institutions was suggested by tobacco experts in their professional journals in the late 1930s. During the first half of the 1940s, the idea initiated a public debate, mainly at two moments: first, in 1943 Tobacco Congress, and second, upon the emergence of a draft bill in 1945. The division of opinions between market actors left its mark on the heated discussions in which no consensus was reached. Despite the lack of compromise, the new Republican People's Party government, formed by Recep Peker in August 1946, brought the issue up again. As one of the measures noted under the heading of "commerce," the government program included an article on a tobacco bank:

> To be able to establish a tobacco bank of which capital is subscribed by TEKEL, producers, and commercial enterprises, is an essential matter for us *on the condition that it* [establishment of the bank] *will not worry tobacco producers or free enterprises working in domestic and foreign tobacco trade.*[456] [emphasis added]

This article was the first official declaration of the government's intention to establish a tobacco bank. Despite explicitly mentioning the bank, the government program, however, did not refer to the institutional triad of cooperatives, exchange markets, and tobacco bank, which had been stated as complementary constituents of reform package in the previous years. Rather, it named just a tobacco bank as the sole element of the institutional renovation project. Moreover, the conditional statement about the "worries of market actors" reflected the ongoing lack of a consensus on the establishment of a tobacco bank. During the uncertain days of the

[456]Türkiye Büyük Millet Meclisi, "Peker Hükümeti Programı," http://www.tbmm.gov.tr/hukumetler/HP15.htm Accessed on 30 January 2013. *"Tütün mahsulünün istihsalinde, iç ve dış ticaretinde serbest teşebbüslerde endişe yaratacak bir karakter arzetmemek kaydı altında sermayesine, tekel idaresinin ve müstahsil ile ticari müesseselerin iştirak edecekleri bir tütüncüler bankasının kurulmasını sağlamak çok önemli saydığımız bir konudur."*

transition to the multi-party regime and economic liberalism by the beginning of the Cold War, the newly formed government was probably reluctant to revive old "worries" or create new ones, especially for "free entrepreneurs," meaning the tobacco merchants.

Then, it can be argued that although the 1946 government program was the first official declaration of the intention to establish a tobacco bank, its formulation was partial, more obscure and cautious compared to previous discussions. Indeed, the triad of partiality, obscurity, and cautiousness was to characterize the future of institutional reform proposals and attempts, including tobacco bank project, in the following years. The partial, obscure and cautious official language on institutional reform also appeared in a governmental decree issued just six months after the approval of the government program, in January 1947.

On 6 January 1947, the government issued a decree about the establishment of an institution to regulate tobacco market. Finding the legal basis in the 29th article of the National Defense Law, the decree ordered that five percent of the sale value of producers' 1946-season tobacco would be levied as a "premium" to be used for the "establishment of a 'regulatory institution' in the tobacco market." The five-percent premiums would be collected by TEKEL and registered to payer accounts when the tobacco transfer transactions were made. The collected premiums would be deposited under the name "tobacco part" to the fund opened in the Agricultural Bank in accordance with the 27th article of the National Defense Law.[457]

The decree marks one of the most important turning points in the complicated and long history of the institutionalization policies of the Turkish tobacco market. First of all, the decree left the nature of "regulatory institution" aside. It even

[457]PMRA Fon Kodu: 30.18.1.2 Yer No: 112.86.17 (6 January 1947)

abstained from naming the projected institution a bank as the government program had six months earlier. Second, contrary to the program's declaration to raise the capital for the institution with subscriptions of TEKEL, producers, and commercial enterprises, the decree bypassed the buyer side – TEKEL and merchants - and imposed a levy just on the seller side, on the producers. Then, only tobacco producers were obliged to pay a certain share of their sale earnings for an unknown "regulatory institution." Third, the political and legal suspense about the "institution" was covered up through the instrumentality of a wartime law, the National Defense Law. The government continued to implement extraordinary measures of the Defense Law in "ordinary" days of the post-war period, rather than finding an open and well-defined way to reconcile the conflicting interests of different market actors about the issue.

The first reactions to the decree and its impacts were expressed during the annual meeting of tobacconists preceeding the 1947 market opening. The five-percent premiums were mentioned in the producer reports sent to the meeting from Akhisar, Balıkesir, Manisa, Muğla, Söke, and Turgutlu. Despite different phrasing, all reports specified the producers' demands for the immediate establishment of a tobacco bank with the accumulated capital of their premiums.[458] Apart from the reports, the issue was also discussed during the meeting. According to the summary of the meeting proceedings, first the nature of the projected institution was discussed, whether it should be a sales cooperative, a bank or a regulatory institution. Then, the representatives of the Ministry of Commerce informed the participants about the financial results of the decree, and asked their opinions about the extension of compulsory levies for one more year. As put by the proceedings, the extension was

[458] *Tütüncüler Toplantısı (17-19 Aralık 1947)*.27-47.

supported in the meeting. Upon the questions of why the institution had not been established yet, the ministrial representatives assured the necessary arrangements would be made in 1948.[459]

The 1947 meeting proceedings show that the first gathering of the market actors after the decree ended with impatient calls for the establishment of the bank and non-opposing, if not supportive, responses to the five-percent premiums. Hence, the government did not face any kind of initial criticism of or opposition to the policy of collecting compulsory monetary cuts for an unnamed institution.

The lack of negative reaction empowered the government to renew the decree for the 1947-season tobacco sales on 15 January 1948.[460] With just date changes, the new decree was exactly the same word-for-word as that of the previous year, and the authority delegated to TEKEL to collect the five-percent premiums from tobacco producers. On the eve of the market opening of the 1948-season crop, the decree for that year was issued once more, on 9 December 1948 with the same wording as the previous two years' decrees.[461] However, the third year of the policy, 1949, was different. The media and the producers abandoned their wait-and-see attitude.

In 1949, the tobacco journals and local newspapers began to follow the fate of the projected institution more closely and the tobacco producers began to take a more active role. *Türk Tütünü* and *Yeni Asır* published several articles and reports questioning why the institutions had not established yet despite the considerable amount of money levied from the producers. In one of them, for example, İhsan Arif criticized the length of time spent on "examining and assessing the project," saying

[459]Ibid.3.

[460]PMRA Fon Kodu: 30.18.1.2 Yer No: 115.83.16 (15 January 1948)

[461]PMRA Fon Kodu: 30.18.1.2 Yer No: 118.79.11 (9 December 1948)

that period would have been enough to establish an entire state, not just an institution.[462] Three years of compulsory levies but non-fulfillment of promises also triggered the producers to take action. According to *Yeni Asır*, some tobacco producers met in Manisa to organize an association for which the single mission would be dealing with the issue. The producers wanted either the repayment of the collected premiums to the cultivators or the establishment of an institution beneficial to them without further delay.[463]

This organization was not established in Manisa, but the tobacco producers kept expressing their displeasure. Producers from Akhisar prepared a petition including a critical description of the current situation and their demands. In the petition, producers stated their "definite disapproval for holding their own money in the cash boxes of the Agricultural Bank" while they were "under total pressure of lacking an organization and sufficient credits." They demanded a meeting be held in one of the tobacco-producing centers, not in Ankara, and the establishment of an institution belonging to no one but the producers, before the market opening of 1949. After it was signed also by the Manisa and Izmir producers, the petition was sent to the Ministry of Commerce.[464]

The escalation of criticism and reactions during the years were expressed once more during the annual joint meeting on the 1949-season crop market. The producer committee formed in the meeting insistently called on the government authorities for the establishment of a tobacco bank. However, the producer representatives were not able to receive a clear answer from the ministerial

[462]İhsan Arif, "Tütün Müessesesini Ne Zaman Kuracağız?," *Türk Tütünü*, no. 211 (1 January 1949).3,14.

[463]"Tütün Müstahsilinden Kesilen Yüzde Beşler," *Yeni Asır,* 30 January 1949.2.

[464]"Tütüncülerin Kesilen Yüzde Beşler ile İlgili İstekleri," *Yeni Asır,* 27 March 1949.2.

authorities, only why the required start-up capital had not been raised yet.[465] The seemingly delaying attitude of the government authorities to enact the necessary legislation for the institution did, however, not restrain them from issuing a new decree in December 1949 once more for the 1949-season crop. Although the decree had wordings similar to the previous ones, a major change was made this time. Probably because of media criticisms and rising dissidence among the producers, the levy percentage was dropped from five to four for the sale transactions of the 1949 harvest.[466]

The unclear and inconclusive official declarations about the "institution" fed public discussions and producer reactions in the first half of 1950. Both the suspense about the nature of the institution and the official excuses of undercapitalization were criticized in the media. The critics accused the government of being "under the thumb of the big interest groups opposing cooperatives," and not focusing on the main problem of the tobacco market, organization issue, as much as needed.[467] On the other hand, the producers kept asking the governmental authorities about the fate of the institution and their premiums. According to *Yeni Asır*, during the Akhisar visit of the Minister of Customs and Monopolies in the last days of January, the producers presented a written statement of their seven demands of which the first four were directly related to the legislation, organization, and capital structure of the projected institution.

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[465]"Tütüncüler Toplantısı," *Türk Tütünü*, no. 222 (1 December 1949).5,11.

[466]PMRA Fon Kodu: 30.18.1.2 Yer No: 121.87.15 (20 December 1949)

[467]"Ekiciler Ne İstiyor? Temsilcileri Tekel Sözcüleriyle Görüştüler," *Yeni Asır,* 25 December 1949.2; M. Tuncer, "Tütün Kooperatifleri," *Türk Tütünü*, no. 223 (1 January 1950).3,14; İsmail Ziya Bersis, "Tütün Bankası ve Tütün Müstahsilleri," *Türk Tütünü*, no. 223 (1 January 1950).10,13.

The Minister's reply to the Akhisar producers hinted at the opening of a new period in the whole history of the tobacco bank, so it is worth mentioning here. The Minister stated the government would introduce a bill on "the tobacco institution" within a month, and try to pass it into law as soon as possible.[468] Contrary to the previous promises given but not fulfilled, the statements made by the Minister in the early 1950 were put into practice, at least legally, just a few months later.

On 23 March 1950, the parliament enacted Law No. 5628 of the Turkish Tobacco Partnership as published in the *Official Journal* on the 29 March.[469] The first article of the law described the mission of the partnership as to "trade tobacco and assist the duties of evaluating tobacco, regulating tobacco markets, and organizing the tobacco producers." The partnership was to be incorporated for 50 years, and headquartered in Istanbul. Its capital was to be 100,000,000 Turkish Liras, divided into four types of stocks with a value of at least 10 Turkish Liras each. (A) type of stocks, with a total value of 83,500,000 Turkish Liras, were to belong to the premium-collected producers. The remaining part of the capital, divided into B, C, and D types of stocks, was to be owned by TEKEL, the Agricultural Bank, and other national banks with, respectively, a share of 8,250,000; 6,050,000 and 2,200,000 Turkish Liras. Registered in the producers' own names, (A) type of stocks was to be nontransferable and non-seizable for ten years. Until the total capital raised by producer premiums reached the targetted amount of 83,500,000 Turkish Liras, TEKEL would continue to cut two percent from the sale value of the producers' transactions.

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[468]"Tekel Bakanının Akhisar Tütüncüleri ile Görüşmesi," *Yeni Asır,* 28 January 1950.6.

[469]Türkiye Büyük Millet Meclisi, "Türk Tütün Ortaklığı Kanunu," http://www.tbmm.gov.tr/tutanaklar/KANUNLAR_KARARLAR/kanuntbmmc032/kanuntbmmc032/kanuntbmmc03205628.pdf Accessed on 4 February 2013.

Regarding the management of the partnership, Law No. 5628 defined four mechanisms of general stockholders' meeting, executive board, general manager, and auditors. In the general stockholders' meeting, the principal or agent representer of ten stocks would have one vote, and no partner has more than 50 votes. Partners would not be allowed to have themselves represented by tobacco traders. The executive board of the partnership would be comprised of seven members: four producer representatives, each from the four different tobacco-producing regions, the Aegean, the Marmara, the Black Sea, and the East; one from TEKEL; one from the Agricultural Bank; and one from national banks. The general director would be elected from those seven board members. The board members would not be allowed to trade tobacco directly or indirectly.

The provisional articles of the law described the founding committee and other practical details of transition, from premium collection to stock holding partnerships. Like the executive board, the founding committee would be comprised of seven members, four producers for each region, and three representatives for each of other partners, TEKEL, the Agricultural Bank, and the national banks. The cabinet would select four regional representatives of producers among eight proposed by the Ministry of Agriculture. The articles of incorporation would be prepared by the seven-member founding committee within two months after the law taking effect. Among the transitional details, the most important register was the fifth provisional article, which stated the holders of premium receipts other than producers themselves would not have any rights in the partnership. If those receipts were not returned to their owners, the partnership could have bought from them interest free five years after its the establishment.

Like the 1943 tobacco congress and the 1947 decree of compulsory levying, Law No. 5628 of 1950 marked another turning point. First, the law was the first piece of legislation related to the institution to regulate the tobacco market. The ten-year debate on what kind of an institution was needed, who would establish that institution and how to finance it, found at least an official answer with the law: the institution would be a "partnership" between the producers, TEKEL, the Agricultural Bank, and other national banks. The majority of partnership stocks, exactly 83.5 percent of the total capital, were to belong to the producers, and the remaining part to other partners, with respective shares of 8.25 percent to TEKEL, 6.05 percent to the Agricultural Bank, and 2.2 percent to other national banks. Until the targeted capital of producers' stocks was raised, the law prescribed the continuation of cutting sale premiums from the producers. In 1950, the compulsory levies ordered by the annual government decrees for the last four years were now legalized.

Moreover, the law followed the official attitude shown in the second half of the 1940s in two aspects: First, breaking the institutional triad of the original reform package (cooperatives, exchange markets, a tobacco bank,) and second, stating the nature, especially the missions, of the institution in an inexplicit official language. The "partnership" was defined as neither a cooperative nor a bank. What it would do, or was allowed to do, to "evalute tobacco, regulate markets and organize producers" was highly obscure. Such ambiguity led to questions about the status, organization, and functions of the new institution. Was it supposed to be an agricultural marketing cooperative regulating sales system or a bank that financed producers? Would it have local branches organizing producers even in the smallest production districts or function just as a roof organization? Would it attempt to replace the current sales system with an exchange market system as proposed in the original reform package

or otherwise how could it“regulate markets”? Those questions remained unanswered in the law and, as can be expected, triggered conflicts between the market actors.

Last, the 1950 law deepened the “representation” problem of to what extent of which actor had a voice in the institution. It put serious restrictions on tobacco merchants from becoming hidden partners of the institution, such that the non-transferability and non-seizability of A-type stocks for ten years, or the ban on the representation of partners by tobacco traders in general stockholder meetings. These restrictions, together with any mechanism available for merchants to become open partners, were enough to arouse the merchants’ older “worries” about facing a kind of state-monopoly.

On the other hand, it is difficult to say that the law allocated managerial positions proportional to the actors' demographic shares and their financial contribution. While there were approximately 230,000 tobacco producers in the country and 83.5 percent of the partnership’s capital would be raised from their premiums, the law gave them just four seats among seven on the executive board and founding committee. Those four seats were to be allocated between four production regions without taking into account their economic significance. Each region was to have one seat. In that sense, the Aegean region, which produced more than half of the total production, would be considered equal to the eastern region, which produced at most three or four percent of the total production. Therefore, the managerial positions were unequally distributed not only between the producers and other partners, but also among the four producer regions. Last but not least, the four producer managers of the partnership would be selected, if not appointed, by the cabinet among only eight alternatives proposed by the Ministry of Agriculture. That

kind of a selection, or appointment, mechanism seemed undemocratic, and did not satisfy the representational needs of the tobacco producer groups.

In sum, the period opened by the 1947 decree was closed by the first legislation of Law No. 5628 in 1950. Now, the market actors were faced with new dilemmas created by the law about capital-raising, mission-clarifying, and representational distribution. However, the vital question was whether the law would be implemented or not. All possible answers to that most crucial question were first and most diversely given in the biggest event of Turkish tobacco history, the 1950 Tobacco Congress, held in Ankara for a week from 10 to 17 August. Now, starting with the 1950 Tobacco Congress, the discussion will move to the 1950s as the decade of the non-implementation of Law No. 5628.

The Non-Implementation of Law No. 5628 in the 1950s

Law No. 5628 of the Turkish Tobacco Partnership was enacted in the last days of March 1950, just one-and-a-half months before the historical 1950 general election, which resulted in an overwhelming victory for the Democrat Party over the Republican People's Party, which had ruled the Republic since its foundation. The new Democrat government decided to discuss the tobacco issue as a whole with all interested parties, and so to democratize the policy-making process. On behalf of the government, the Ministry of Economy and Commerce called for a one-week congress to be held in August in Ankara. The Congress was attended by representatives of all market actors. Among the 236 total participants, 123 were the representatives of tobacco producers from 29 different cities, nine participants representing four different producer associations, 17 from five different merchant

associations, 27 from 16 different chambers of commerce and industry, seven representing five different big tobacco companies, five from two different expert associations, ten bank representatives, three representatives from the Turkish Agricultural Engineers Association, and 35 ministrial representatives from seven different ministries.[470]

As well as the broad participation, the 1950 Congress was also significant for its comprehensive agenda. The participants were supposed to discuss seven main topics: "issues about production, the Law of Tobacco and Tobacco Monopoly, issues about domestic market regulation, the Turkish Tobacco Partnership, issues about the manufacturing phase, issues about export, and miscellaneous issues."[471] For each topic, commissions were formed at the beginning of the Congress. The commissions

[470]*Türkiye Tütün Kongresine ait Zabıtlar, 10.8.1950–17.8.1950*.7-12. I calculate the numbers of the participants from the list of participants given in name, district and represented organization.

[471]Ibid.5-6. The Congress agenda set not only the main topics of discussion but also their subheadings. To see the comprehensiveness of that agenda, I here mention the subheadings of each main topic: "I - Issues about production: 1) Kind and quality, 2) Yield and field, 3) Cost of Production, 4) Tobacco Institute, 5) Improvement of producer bales, fulfillment of legal requirements, cloth and tare, 6) Agricultural insurance, 7) Streghtening tobacco producing as a profession, 8) Promotion of careful producing, organizing competitions, 9) Organizing tobacco producers; II - The Law of Tobacco and Tobacco Monopoly: a) With regard to domestic tobacco sector, b) With regard to TEKEL; III - Issues about domestic market regulation: 1) Determination of market opening dates, 2) Sale forms, 3) Support purchases, 4) Commercial credits, 5) Depository warehouses and protection in warehouses; IV - The Turkish Tobacco Partnership; V - Issues about manufacturing phase: 1) Review of already-determined manufacturing types, 2) Fumigation, 3) Humidity problem, 4) Review of the laws of labor and social insurance with regard to tobacco sector and easing their implementation; VI - Issues about export: 1) Tobacco in foreign trade regime, 2) Issue of non-processed tobacco export, 3) TEKEL and tobacco trade, 4) Development of new options in already-buyer foreign markets and search for new markets, 5) Propagandazing Turkish tobacco in foreign markets, 6) Enhancing the enterprises and activities of Turkish exporters in foreign markets, 7) Decreasing the costs, 8) Organization of the International Tobacco Congress and tobacco-products exposition in Turkey; VII - Miscellaneous issues: 1) Education of experts, blenders and interns both in Turkey and other foreign countries, 2) Establishment and continuation of the harmony of cooperation among producer and merchant, 3) Following-up the international tobacco movements, and establishment of a central bureau to manage tobacco business, 4) Formation of a committee to cooperate with the Tobacco Bureau continuously."

separately met to write up topic-specific reports on which the general discussions would be based and then voted on by all attendees of the Congress.

The fourth topic of the Congress agenda, the Turkish Tobacco Partnership, was the most heatedly discussed one in the commission meetings and the plenary sessions of the Congress, as seen in the proceedings. Indeed, due to the controversial nature of the issue, the representation of the commission report to the Congress and the general discussion were done not as scheduled between the third and fifth topics, but rather postponed to the last session of the Congress, even after the miscellaneous issues. The chair of Congress explained the postponement by the importance of the issue, or in his own words, since it was "the most important topic ever discussed in the Congress."[472]

The divisions of opinions on the Partnership could be no surprise considering the last decade's debates. Those divisions already had been reflected in the Congress reports prepared by the Turkish Tobacco Limited Company, the Izmir Tobacco Experts Association, and the Turkish Tobacconists Association. While the report of the Turkish Tobacco Limited Company put the complemantarity of all three components of the original reform package (cooperatives, bank, exchange markets), the Turkish Tobacconists Association stated the merchants' doubts once more, but now their doubts about possible problems (capital raising, mission clarifying, and representational distribution) that the new law could generate.[473] The brief call of the Izmir Tobacco Experts Association to "let producers take the decision themselves"[474]

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[472]Ibid.138.

[473]*Türk Tütün Limited Şirketinin Tütün Kongresi Münasebetile, Tütüncülüğümüzün ve Tütün İşlerimizin Üzerine Düşünceleri*.17-21; Türkiye Tütüncüler Birliği, *Türkiye Tütüncüler Birliği'nin 1950 Tütün Kongresine Sunduğu Rapor*.21-3.

[474]İzmir Tütün Eksperleri Cemiyeti, *İzmir Tütün Eksperleri Cemiyetinin 10 Ağustos 1950 Tarihli Tütün Kongresi İçin Hazırladığı Rapor*.6.

was, however, the main point generating many more divisions of opinion in the Congress, this time within producer representatives. Then, surprisingly, disagreements among producers from different regions, not among different market actors as seen in the previous years, left their mark on the Congress session about the partnership.

The chair of the Congress opened the session by reading the commission report. As a result of, in the report's words, "long, and sometimes inclonclusive discussions," the commission decided to propose important changes for the Turkish Tobacco Partnership Law, which had been enacted a few months earlier, but not yet implemented. According to the report, first and foremost, the name of the institution, the Turkish Tobacco Partnership, should be replaced by the "Turkish Tobacco Producers Bank." In addition to the name, the capital structure of the institution was to be re-defined by the commission report. Apart from producers themselves, only the Agricultural Bank was to be permitted to become a partner since the institution would belong exclusively to the producers. Thus, the Congress commission was unwilling to keep TEKEL and the national banks, but the Agricultural Bank as shareholders of the partnership/bank contrary to the law. Rather, the bank was to have just two partners, producers with an 80 percent capital share (80,000,000 Turkish Liras) and the Agricultural Bank with 20 percent (20,000,000 Turkish Liras).

For the targeted part of the producers, the commission confirmed the capital raising method of the law, cutting two-percent of sales values. Last, the commission proposed to change the representational distribution in the executive board of the bank. According to the report, the number of board members was proposed to be proportional to the amount of capital raised by the production regions. Hence, rather than the law's provision of one producer board member from each of the four

regions, the executive board would be formed by eleven producer representatives, five from the Aegean, three from the Black Sea, two from the Marmara, and one from the eastern regions.[475]

The congress commission proposed significant changes about the enacted law, especially about the institution's name and nature, capital structure and executive representation. However, the commission report was far from reflecting a consensus among all participant producers. Indeed, the divisions among producers were explicitly seen in the opposing report and motions read just after the commission report in the Congress. The opposing report was written in the name of the "producer representatives from Black Sea region, Taşova, Marmara region and Izmit." The opponent producers claimed that the commission report did nothing but subordinated the institution to one single region, and they called the government to prevent the subordination. Thus, they did not approve the commission's proposal to distribute the board members proportional to the amount of the capital raised by each region. Moreover, the Black Sea and Marmara producers were reluctant to keep TEKEL and other national banks out of the partnership. Even, their opposing report suggested increasing those institutions' total share at least to thirty percent because of the "high inherent risk of founding the new institution." The opponents formulated one more revision in the law's provisions which, what they put, was not "seen worth even mentioning in the commission report despite long discussions in the commission meetings." They wanted to decrease the time limit for the untransferability and non-seizability of producer stocks from ten to five years. Through those five years, in addition, the producers would be able to hold the right to

[475] *Türkiye Tütün Kongresine ait Zabıtlar, 10.8.1950–17.8.1950*.138-42.

use their stocks as collateral and to receive bank credits equal to fifty percent of their stocks, as stated in the opposing report.[476]

Beside the opposing report of the Black Sea and Marmara producer representatives, there were also motions contrary to the commission report and made by some Aegean participants. In one of those motions, Bergama producers objected the institution visioned in both the law and the commission report. As they claimed, that institution left no room for the representation of small producers making up 95 percent of total producers. The claim was made due to the silence of the commission report on the law article that each holder of ten stocks would have one vote. Hence, according to the Bergama producers' motion, the projected institution was nothing but "another merchant" since the "producer invested 100 lira would have just one vote while the one with 5000 lira had fifty votes." The motion stated that small producers did not need that kind of "merchant institution," which would definitely work in favor of the large farmers.[477] Hence, unlike the Black Sea and Marmara producers who sought major revisions in the commission report, the Bergama producers totally disagree with the drafted institutional form, which they thought would pave the way for the dominance of the large farmers over the smaller ones. Like Bergama producers, the Ödemiş representatives also declared a total rejection of revision proposals in their motion, but they did not mention any specific reason or make any reference to the institution. The producer participants from Ödemiş presented a short but clear motion demanding just the "repayment of the five-percent cuts immediately to producers."[478]

[476]Ibid.143-5.

[477]Ibid.146.

[478]Ibid.147.

The 1950 Congress session was the first and broadest gathering of market actors to discuss the situation after the enactment of Law No. 5628 of partnership. The already-known differences of opinions between the merchants and officials/experts were not dominant in the discussion session, but just reflected in the congress reports. Rather, the divisions among producers marked the commission's meeting and report, and also the congress session. Producer representatives from the different regions disagreed on the partners of the institution and the distribution of board members among regions. The disagreement resulted in two reports, one in the name of the commission (of which the producer members were overwhelmingly from the Aegean region) and an "opposing" one in the name of the producers from the Black Sea and Marmara regions. In addition to the regional division, the opponent motions of the Bergama and Ödemiş producers showed that even the seeming consensus among the producer representatives from the Aegean region was not reached. Hence, the 1950 Congress revealed many more layers of conflict not just among but also within the market actors. Thus, it made it more difficult to make a final, and perhaps impossible, decision that satisfied every actor. Because of that complication, the chair of the Congress abstained from pushing for a congressional consensus. He only asked the "consent to forward the two reports" of both the commission and the opposing delegates, and "all related motions to the government."[479] In the end, the Congress was unable to even take an advisory decision about the producer partnership/bank, but just passed the issue onto the government.

By the end of the 1950 Tobacco Congress, the Democrat government took over not only the enacted but not yet implemented Turkish Tobacco Partnership Law,

[479]Ibid.148.

but also the conflicting revision proposals that had left their mark on the Congress discussions. The government's first response to that controversial legacy was to prepare the draft bill No. 1/234 Tobacco Producers Partnerships and Associations on 24 July 1951 to replace Law No. 5628 of the Turkish Tobacco Partnership. According to the preamble of the draft bill, the tobacco producers would have a voice in sales by organizing partnerships and associations. The draft bill proposed to organize partnerships by producers in production districts, and then, four regional associations by partnerships, one for each of the four production regions, and lastly, a central office for the regional associations, the location of which would be decided by the Ministry of Economy and Commerce. The partnerships and associations would be established by the producers' fund of five-percent cuts, and financially and bureaucratically guided by the Agricultural Bank. The partnerships were supposed to protect the producers only by guaranteeing minimum advance price. They would not be obliged to become a partner or sell their whole product to the partnership.

When the draft bill was submitted to the Assembly, 14 deputies made a motion to immediately discuss it in an interim commission. The motion was accepted on 27 July 1951, and an interim commission was formed by three representatives from each of the commissions of agriculture, commerce, customs, and budget.[480] The interim commission prepared a report on the draft bill within one week, and submitted it to the assembly on 6 August. According to the report, the commission did not "dwell on the legal structure and form of the partnerships because the government representatives stated that they were compatible with the demands tobacco producers expressed in the 1950 Congress." Depending on the assuring

[480]Republic of Turkey, *TBMM Tutanak Dergisi*, term 9, session 1, vol. 9, 27 July 1951.348-9.

statements of the government representatives, the commission did not make significant changes to the main idea of the draft, but made minor revisions and thematic rearrangements to the articles.[481] The draft bill of partnerships and associations was ready for the plenary discussions by the end of 1951 summer.

The draftspersons of the 1951 bill seemed to have taken the Congress report of the partnership commission into account. Like the report, the draft bill kept TEKEL and national banks out of the partnerships. Partnerships and associations would be established just by the producers' fund and the Agricultural Bank. However, the draft bill had also significant differences from the Congress report. The biggest difference was the name, which would reflect the main structure of the institution. While the Congress commission proposed a bank called the Turkish Tobacco Producers Bank, the draft bill preferred partnerships and associations resembling to cooperatives, rather than a bank. Moreover, the draft bill proposed an equal representation of regional associations in the central office, not proportional to the amount of regional capital as demanded in the Congress report. Besides the Congress commission's report, it is difficult to say that the draft bill was responsive to the opposing views expressed by the tobacco producers during the 1950 Congress. Among the demands made in the opposing report and Congress motions, just the equal regional representation was appeared in the draft. Neither the capital structure of the institution nor the stock characteristics were arranged as to satisfy the opponents' wishes. Hence, the draft bill gave rise to new questions and conflicts, rather than reconciled already-existing ones.

Discussion of the draft bill of the Tobacco Producers Partnerships and Assosiations began just after its submission to the Plenary. Reflecting mainly the

[481]Republic of Turkey, *TBMM Tutanak Dergisi*, term 9, session 2, vol. 14, 7 April 1952.1-17.

experts' perspectives, the tobacco journals published opposing articles claiming the draft was contrary to not only the interests of the producers, but also the 1950 Congress decisions and the discussions of the previous decade.[482] In one of those articles, Ihsan Arif stated that they had been shocked when they had seen the draft bill which did nothing but project to establish decentralized cooperatives that would eventually waste the producers' money. Arif called on the producers to "keep their eyes open and force their deputies to work on the real need," the need of a bank to "organize and protect tobacco sector as a whole."[483]

Arif's call was answered by the tobacco producers from the Marmara region, who met in the Congress of Tobacco Producers from the Marmara region held in Bursa on 22 October 1951. The Congress was not a small gathering. One hundred producer participants attended from Bursa, 62 from other cities of the Marmara region and two deputies, Sadettin Karacabey of Bursa and Mümtaz Kavalcıoğlu of Izmit. The Congress elected a six-member committee to prepare a report and submit it to the deputies and ministries.[484] The committee report argued that the tobacco producers wanted a bank, not a sales cooperative like the proposed in the draft bill. According to the report, the reasons for the superiority of a bank over a sales cooperative were the producers' stronger trust in the bank form, their perception of the bank as their "own equity," and the ability of the bank to operate throughout the

[482]İhsan Arif, "Tütün Müstahsilleri, Mukadderat Saati Çalıyor!," *Türk Tütünü*, no. 242 (1 August 1951).3,14; "Kısa Öğütler, Müstahsil Uyan!," *Türk Tütünü*, no. 242 (1 August 1951).4-5; "Meclise Sunulan Yeni Tasarı," *Türk Tütünü*, no. 242 (1 August 1951).6-10; Cahit Koyutürk, "Müstahsil Müessesesi Banka Olmalı!," *Türk Tütünü*, no. 242 (1 August 1951).18.

[483]Arif, "Tütün Müstahsilleri, Mukadderat Saati Çalıyor!."

[484]"Bursa'da Tütüncüler Toplantısı ", *Türk Tütünü*, no. 245 (1 November 1951).6-8.

country as an integral whole.[485] In accordance with the 1951 Congress promise, the committee sent the final report to the deputies and the ministries to represent the point of view of the tobacco producers from the Marmara region.[486]

The criticisms of the draft bill by both the tobacco journals and the producers from the Marmara region were also raised in the plenary sessions in the early days of April 1952. The draft bill was criticized and opposed by many deputies, mostly members of the governing Democrat Party. Surprisingly, some of the opposing deputies had already worked in the interim commission that had submitted the opposed draft to the plenary. The biggest objection concerned the decentralized structure of the proposed partnerships, which was claimed would lead to a total waste of the producers' money. Hence, the opposing deputies argued for centralizing capital in a powerful bank instead of the partition of capital among small and local partnerships. In addition, they objected to the lack of an obligation of the producers to become partners of the institution, claiming that without such an obligation, those partnerships were to be nothing but just another example of the already failed agricultural cooperatives. The opponents also stated that the "spirit" of the bill drafting a cooperative form without explicitly calling it a cooperative was antipodal to the producers' demands expressed in both the 1950 and 1951 congresses. They demanded the bill be sent back to the interim commission, and re-evaluated by taking these controversial points into account.

In the plenary sessions, some deputies, including the Minister of Economy and Commerce, and the Minister of Customs and Monopolies, tried to persuade the opponents by reminding them that the cooperatives operated successfully and the

[485]Türkiye Tütün Müstahsilleri Kongresi, *Türkiye Tütün Müstahsilleri Kongresi, Bursa, 26/10/1953*.28-30.

[486]"Marmara Tütüncülerinin Ortaklık Hakkındaki Düşünceleri," *Türk Tütünü*, no. 246 (1 December 1951).14.

urgent problems in the tobacco market. However, their explanations fell short of defusing the rightful criticisms of the opposition. In the end, both the speaker of the interim commission and the Minister of Customs and Monopolies had to ask for the withdrawal of the bill for further deliberation in the commissions. On 9 April 1952, the plenary decided to send the draft bill of the Tobacco Producers Partnerships and Assosiations back to the commissions of agriculture, commerce, customs and monopolies, finance and budget.[487]

Following the return of the draft bill to the commission in the Assembly in April 1952, the tobacco producers did not end their efforts to keep public interest alive in the partnership/bank issue. On 23 November 1952, producer representatives from the Aegean and Marmara regions met in Akhisar under the name of "The Congress of the Tobacco Producers from the Aegean and Marmara Regions" (*Ege ve Marmara Tütün Müstahsilleri Kongresi*). They decided to work for both the enactment of the partnership law and the establishment of local associations and a central federation. As stated by the 1952 congress report, each tobacco producer was proposed to be legally obliged to become a member of those local associations.[488] Regarding the institutional form of the partnership, the 1952 congress of tobacco producers was not as clear as the 1951 one which asked a tobacco bank by rejecting any other possible options, including cooperatives. Rather, the 1952 congress highlighted the need for an "institution" and a new piece of legislation rather than the nature of that institution, exactly which had been the source of controversies among the market actors for years.

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[487]Republic of Turkey, *TBMM Tutanak Dergisi*, term 9, session 2, vol. 14, 7 April 1952.259-80; Republic of Turkey, *TBMM Tutanak Dergisi*, term 9, session 2, vol. 14, 9 April 1952.307-25.

[488]Türkiye Tütün Müstahsilleri Kongresi, *Türkiye Tütün Müstahsilleri Kongresi, Bursa, 26/10/1953*.31-2.

The highlights of the 1952 congress were expressed once more in two successive letters written by Ahmet Fikri Bozkaya, the head of Bursa Tobacco Producers Association. The first letter was published in the newpaper *Vatan* on 30 September 1952, and the second in *Son Posta* on 15 December 1952. In both of the letters, Bozkaya criticized the dilatory attitude of the Democrat government, which had neither implemented the Republican-government enacted law No. 5628, nor enacted a new law for years. He stated that they were well aware of the "lobbies" blocking the establishment of the producer institution, and even knew their names. In addition to the government's passivity, another factor worrying the producers was the uncertainties about the nature of the institution, which provoked rumors day by day. Producers said they had become distrustful of the future of their money because of those rumors. Then, Bozkaya asked to be informed about the promised institution and the funds raised by the five-percent sale cuts.[489]

Besides the letters published in the newspapers, Bozkaya also sent a memorandum to the Prime Minister on 29 December 1952.[490] He complained that his previous letters had been unanswered, and asked for the personal assistance of the Prime Minister to enact the law as soon as possible. This time, he received an answer one-and-a-half month later, on 10 February 1953, but it was an answer just stating that the related bodies were working on a new project.[491] Indeed, the Prime Minister asked the Office of the Speaker of the Parliament to return the draft bill of the

[489]Ahmet Fikri Bozkaya, "Serbest Kürsü: Tütün Ekenlerin İstekleri," *Vatan,* 30 September 1952.6; Ahmet Fikri Bozkaya, "Serbest Sütun: Müstahsil Tütün Bankası," *Son Posta,* 15 December 1952.5,8.

[490]PMRA Fon Kodu: 30.1.0.0 Yer No: 79.493.2 (10 February 1957). Although the dates on this correspondence are 29 December 1952 for Bozkaya's letter and 10 February 1953 for the reply of the Ministry of Customs and Monopolies, the document is classified with a date of four years later, 10 February 1957, probably because of an archival mistake.

[491]Ibid.

Tobacco Producers Partnerships and Assosiations on 1 April 1953,[492] well after the reply given to Bozkaya.

Apart from the regional 1952 congress and Bozkaya's media efforts, the Congress of the Turkish Tobacco Producers was the last big attempt of producers to keep the bank issue on the public agenda in the first half of the 1950s. The Congress was held in Bursa on 26 October 1953 with the participation of producer representatives from the Aegean and Marmara districts. As stated in the congress minutes, the producers of the Black Sea and eastern regions could not participate because of transportation problems, but sent telegrams to support the decisions taken in the Congress.

In the opening speech by Ahmet Fikri Bozkaya, the most important issues to be discussed were the "non-enactment of the tobacco bank law for three years and the fate of their money," and more importantly, the "falsification of the beliefs that tobacco producers are worthless, ignorant or in need of tutelage."[493] To be able to focus on that sole agenda, the Congress participants first elected delegates to vote on the decisions. Then, the commission decision of the 1950 Congress was read to remind everyone of the demanded changes in Law No. 5628 about the institution's name and nature, capital structure, and executive representation. The chair of the Congress declared their aim as to "push the enactment of the law after the necessary changes done," and opened the issue for general discussion.[494]

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[492]Republic of Turkey, *TBMM Tutanak Dergisi*, term 9, session 3, vol. 21, 1 April 1953.158.

[493]Türkiye Tütün Müstahsilleri Kongresi, *Türkiye Tütün Müstahsilleri Kongresi, Bursa, 26/10/1953*.4-5. *"Eğer bizi seviyesiz, bilgisiz, vasayete mühtaç bir topluluk zannediyorlarsa, o devrin çok geride kaldığını bütün memleket müvacehesinde bugün bilfiil göstermek gayesile bu kongreyi tertiplemiş bulunuyoruz."*

[494]Ibid.7-10.

In the general discussion, the elected delegates made speeches claiming that they had been stalled by the government for three years. They were worried about their own money, that it was rumored that it was being used for unacceptable purposes such as in TEKEL's support purchases or the credits given to the merchants. Complaining about well-known market conflicts like prices or the market opening date or warehousing conditions, the speakers expressed their impatience with any further delay. Upon the rising criticisms against the government, Sadettin Karacabey, the deputy of Bursa, took the floor, and explained that neither the government nor the deputies had sought to inhibit the enactment of the law, as argued in the previous speeches. Rather, Karacabey stated, the delay was occurring because of disagreements on the nature of the institution, whether it would be a bank or a cooperative. Subsequent speeches were made to clear the doubts Karacabey indicated by emphasizing that the producers wanted a bank to be established with their own money, not any other kind of institution. In the end, the Congress decided to send the final decision on the establishment of a tobacco bank without any further delay to the ministries, the President, and the Prime Minister. Also, the delegates elected a representative committee consisting of 26 members from 25 districts to go to Ankara and negotiate for the tobacco bank.[495]

The 1953 Congress was the last producer gathering to act as a pressure group in the intense discussions about the legislation of an institution with funds that had been raised during the previous six years. The Congress based the discussion upon the revisionist commission report produced in the 1950 Congress. By doing so, indeed, it ignored the differences of opinions among the producers about the partnership and executive structure of the institution, which had been expressed in

[495]Ibid.10-27.

the opposing report of the Black Sea producers in the 1950 Congress. Although the 1953 Congress was referred to as belonging to the "Turkish tobacco producers," the non-participation of producers from the Black Sea region overshadowed the ability to represent a so-called consensus among producers. The Congress thus may be viewed as another attempt of the producers from the Aegean and Marmara regions to push the establishment of the tobacco bank. Whomever the Congress represented, it gave a clear message that the producers were neither in favour of cooperative-like institutions as proposed in the 1951 draft bill, nor ignorant of the fate of the money that had been taken from them for years.

The first three years of the 1950s passed with congresses, meetings, and plenary sessions in which an enacted but not-implemented law, revisionist proposals, and alternative draft bills were discussed heatedly. However, these lively public debates remained inconclusive since a consensus among the different groups was not reached and the government did not pursue a constructive policy, let alone any kind of policy, except to keep levying the two-percent cuts from producers. That inconclusiveness marked the second half of the 1950s.

Although many reports and articles were published in the newspapers and journals declaring the forthcoming establishment of a tobacco bank or the producers' will to take their money back,[496] no developments occurred about the institutionalization of the tobacco sector until the 1960s. Even though the new draft bill of the Tobacco Producers Bank was introduced by the government on 18 May 1955, it did not pass the committees and was not included in the plenary agenda in

[496]For a selection of some examples from newspapers and tobacco journals from different years, see "Tütün Bankası Kuruluyor," *Milliyet,* 12 September 1954.3; "Tütün Müstahsillerinin Dünkü Kararları," *Yeni Asır,* 4 January 1956.1,5; "Tütüncüler %5 lerin İadesini İstiyor," *Milliyet,* 21 March 1956.3; "Tütün Ekicileri Bankasına Ait Kanun Tasarısı B. M. Meclisinde," *Tütün Dünyası*, no. 1 (1 January 1959).47.

the next five years.[497] The only noteworthy change was recorded in 1957, when the government decided not to cut the two-percent of sale values anymore since the fund had reached the targeted amount of 100,000,000 Turkish Liras.[498]

Before a discussion on the fourth era of the history of the tobacco bank in the 1960s, a financial summary of the premium-cutting policy up until 1957 will be useful.

Table 2: Producer Premiums, 1947-1957

Producer Premiums						
Decree or Decision						
Date	No.	Year	Premium Percentage	Premium Deposited to the Agricultural Bank	Interest Paid by the Bank	Balance with Interest
06.01.1947	3/5214	1946	5	11,442,211.66	6,806,442.04	18,248,653.70
15.01.1948	3/6843	1947	5	8,517,244.32	4,394,394.33	12,911,638.65
20.12.1948	3/8380	1948	5	8,649,661.91	3,947,986.89	12,597,648.80
20.12.1949	3/10254	1949	4	6,970,706.07	2,744,781.16	9,715,487.23
23.03.1950	5628	1950	2	3,221,722.46	1,070,179.26	4,291,901.72
23.03.1950	5628	1951	2	3,040,621.43	890,525.83	3,931,147.26
23.03.1950	5628	1952	2	4,086,138.71	1,074,853.22	5,160,991.93
23.03.1950	5628	1953	2	5,621,727.05	1,302,896.84	6,924,623.89
23.03.1950	5628	1954	2	5,676,359.72	1,155,011.03	6,831,370.75
23.03.1950	5628	1955	2	5,954,962.31	1,027,966.81	6,982,929.12
23.03.1950	5628	1956	2	6,329,309.55	900,229.74	7,229,539.29
				69,510,665.19	25,315,267.15	94,825,932.34
				15.39% saved from the profit of the 1947 Season of Tobacco sales		3,338.66
				46.15% saved from the profit of the 1947 Season of Tobacco sales		3,170,729.00
					Total	98,000,000.00

[497]Republic of Turkey, *TBMM Tutanak Dergisi*, term 2, session 4, vol. 35, 3 April 1969.3.

[498]Tütüncü, "Tütüncüden Kesilen Aidat," *Tütün*, no. 73 (7 February 1958).6.

The above table was found in the personal archives of Adnan Raşit Günay, a high ranking bureaucrat of TEKEL, in a folder titled "Planning of Tobacco Production."[499] Günay noted on the document that the numbers in the table were taken from an officer, Hilmi Yıldırım, working in the accounting department of the Agricultural Bank. The table presents the legislative grounds, premium percentages, premiums deposited with the Agricultural Bank, and interest paid by the bank year by year from 1947 to 1957. As seen in the table, the government generated a fund of 98,000,000 Turkish Liras in eleven years by cutting a certain percentage of sales values from the producers. During those eleven years, a bill was enacted but not implemented, a draft bill was discussed but not passed, four major congresses were held, several meetings were gathered, and numerous news and articles were published about the issue. However, no institution was established, or even a consensus reached about the nature of the institution needed. Then, the policy-makers of the 1960s took over two unimplemented laws, many reports presenting conflicting visions and a significant fund raised by producers' money. Now, it is time to discuss what this legacy meant in the 1960s.

From the Tobacco Bank to Agricultural Cooperatives: Legislation in the 1960s

The 1960s opened with a military intervention which ousted the Democrat Party from power. The transition period passed with instable coalition governments and unsuccessful coup attempts until 1965. In 1965, the Justice Party came into

[499]The document is in the folder "Planning of Tobacco Production" (*Tütün Üretiminin Planlanması*), which is a part of the personal folders of Adnan Raşit Günay in the library of the Tobacco Experts Association in Izmir.

power as the successor of the Democrat Party, and remained in office for the rest of the decade. Regardless of and well-beyond the initial aims of the military plotters, the coup of 1960 marked the beginning of an era in modern Turkish history with rapid political, economic, and social change.

The dynamism of the new socio-political atmosphere, however, did not so much apply to the tobacco bank issue in the first half of the 1960s. The only significant development was the establishment of the Aegean Tobacco Producers Federation, founded by a retired military officer in 1961. As Chapter 4 discussed, the Federation seemed to be established to take a central role by holding the managerial posts in the projected tobacco bank. With a political sleight of hand, the founders put an article in the charter of the federation so to give the selection right of the Aegean representatives, who were to be future managers in the board of the tobacco bank.[500] The intent of the federation-founders about the tobacco bank was obviously seen in its first public activity of preparing a draft bill of the Turkish Tobacco Producers Bank. The federation's draft had two main differences from the previous drafts and laws: First, national banks, neither TEKEL nor the Agricultural Bank, were to have a twenty percent capital share. Second, the proportional distribution of executive board members according to production regions was to be in favor of the Aegean region, such that the number of representatives from the region would be equal to the number of representatives from all other regions.[501] Although the federation sent the draft to the governmental authorities, in the federation's own words, "as a gift to the

[500]Ege Tütün Ekicileri Federasyonu, *Ege Tütün Ekicileri Federasyonu Ana Tüzüğü*.

[501]Ege Tütün Ekicileri Federasyonu, *Türk Tütün Ekicileri Bankası Kanun Tasarısı*.

Turkish tobacco sector,"[502] that "gift" did not go beyond being another ineffective proposal like those that had gone before it.

Besides the establishment of a regional federation to take an active role in the projected institution, the tobacco bank issue became a matter of discussion during the first half of the 1960s, mostly in the election year, 1965. In their election campaigns, both the Workers' Party of Turkey and the Republican People's Party spoke of the necessity to form a producer institution by using the money raised by the five-percent cuts.[503] Indeed, the emphasis on the necessity of organizing producers was not new as long as the previous two decades' discussions are concerned. Yet, there was still a significant shift in the discourse. Now, the leftist parties called the desired institution a cooperative, not a bank.

The discursive shift from tobacco bank to cooperative in the 1960s was evident not only in the policy formulations of the leftist parties, however. The well-known right-wing politicians also stood for the necessity of forming tobacco cooperatives. Especially in the second half of the 1960s, when market conflicts were more troublesome, the absence of cooperatives was more often blamed for the chronic problems of the tobacco market by the right-wing intellectuals as well. As one of them, Behzad Bilgin, the editor of the influential local newspaper *Yeni Asır* and a Democrat deputy between 1950 and 1960, wrote two critical articles in February 1967, just a few days after that year's market opening. In those articles titled "So-Called Tobacco Market (*Sözde Tütün Piyasası*)," and "If Tobacco Producers Want (*Tütün Ekicileri İsterse*)," Bilgin likened the tobacco market to a

[502]"Türk Tütün Ekicileri Bankası Kuruluyor," *Tütün Dünyası*, no. 32 (1 August 1961).16.

[503]For the Workers' Party of Turkey, see Türkiye İşçi Partisi, *Akhisar İlçe Yönetim Kurulu Türkiye İşçi Partisi İlçe Yönetim Kurulu Tütün Raporu* (Akhisar: Türkiye İşçi Partisi, 1965). For an example of the Republican People's Party propaganda, see "CHP'li Arif Ertunga da Hükümetin Tütün Politikasını Tenkit Etti," *Yeni Asır,* 8 February 1965.2.

"gambling table," at which the producers were being cheated by either the merchants or TEKEL since they were unorganized. Explaining the possible benefits of cooperatives, Bilgin called on the producers to "speak with a single voice" and "push the government to establish cooperatives with their own money."[504]

The shift towards cooperatives as if they were the already-projected institutional form also left its mark on the legislative discussions during the 1960s. The first draft bill on the tobacco bank was proposed by Osman Saim Sarıgöllü, one of the Republican senators from Aydın, in 1962. Sarıgöllü's draft on the Turkish Tobacco Producers Bank was rejected for inclusion in the plenary agenda in 1963.[505] Unlike Sarıgöllü draft for a tobacco bank, two draft bills proposing agricultural cooperatives were included in the plenary agenda in 1965. One of those drafts titled "Turkish Tobacco Producers Partnership" was prepared by Mustafa Uyar, a RPP deputy from Izmir, and the other draft titled "Tobacco Agricultural Sale Cooperatives and Regional Associations, and General Association of Turkish Tobacco Producers" by the government.[506] After four years with the process of deliberations in the committees, both of the cooperative drafts finally reached the plenary discussion in April 1969.

Law No. 1196 of the Tobacco Agricultural Sale Cooperatives and Regional Associations, and the General Association of Turkish Tobacco Agricultural Sale

[504]Behzad Bilgin, "Sözde Tütün Piyasası!," *Yeni Asır,* 3 February 1967.2; Behzad Bilgin, "Tütün Ekicileri İsterse," *Yeni Asır,* 5 February 1967.2.

[505]Republic of Turkey, *TBMM Tutanak Dergisi*, term 1, session 1, vol. 15, 27 March 1963.33.

[506]Republic of Turkey, *TBMM Tutanak Dergisi*, term 1, session 4, vol. 42, 30 June 1965.576-7.

Cooperatives began to be discussed in the parliament on 3 April 1969.[507] Although all of the political parties in the parliament supported the law in principle, the plenary discussions were very heated. Since it was not only the law in discussion, but also the institutional structure of the tobacco market as a whole –indeed, the complete lack of an institutional structure,- the parliamentary debates were tough. The legislation process in the plenary took one month, and eventually, a law consisting of eleven articles was passed on 3 May 1969.

According to the first article of Law No. 1196, tobacco agricultural sales cooperatives, regional associations and a general association of the Turkish tobacco agricultural sales cooperatives were to be established. The second and third articles defined the rights and obligations of cooperative partners. The producer-premium fund was to be the initial capital of the cooperatives and the list of partners' names and their capital contributions were to be provided by TEKEL and Agricultural Bank. The right-holders registered on that list could be partners of cooperatives by applying within ten years following the establishment. If they or their heirs did not apply within the deadline, their capital share would be transferred to the reserve fund of cooperatives. Moreover, those who applied to become partners would not have the right to withdraw from the partnership for ten years. Although the ten-year limits on partnership rights were strongly criticized and found "unconsititional" by opposition deputies, they were not changed since the government speakers insisted on their essentiality for cooperatives to survive and be institutionalized.

The fourth article of the law gave the cooperatives and associations the right to distribute advance in cash or kind to the partners. By the fifth article, the long-

[507]For all the discussion here on the articles of the law, reports and plenary discussions on the law, see Republic of Turkey, *TBMM Tutanak Dergisi*, term 2, session 4, vol. 35, 3 April 1969.406-37; Republic of Turkey, *TBMM Tutanak Dergisi*, term 2, session 4, vol. 35, 10 April 1969.547-95; Republic of Turkey, *TBMM Tutanak Dergisi*, term 2, session 4, vol. 36, 8 May 1969.282-92.

lasting confusion about the needed institutional form – a bank or a cooperative – was cleared since cooperatives and associations were vested with the right to either establish a new bank or an insurance agent, or become a partner of the already-existing ones. In addition to the premium fund, the fund generated from the sale of the 1947 season crop and deposited at the Agricultural Bank was to be transferred to regional associations, according to the sixth article. With this transfer, the money raised by the premium-cuttting policy (see Table 2) was to be given to the cooperatives and associations. According to the seventh article, new institutions were expected to undertake the most crucial duty of establishing "tobacco sale centers," thanks to the financial and institutional power given in these successive articles.

Regional associations were to establish tobacco sale centers either by themselves or by entering into partnerships, if necessary. They were to propose locations for these centers, and then the general association of Turkish tobacco producers, and the Ministries of Commerce, Agriculture, Customs and Monopolies all together were to decide on those proposals. Tobacco was to be sold only in those centers through auction sales. Any kind of sales executed in other places were to be declared invalid. Regional associations had to use 25 percent of the fund to establish sale centers. The deputies from both the governing party and opposition parties saw the seventh article on tobacco sale centers as the final solution to the chaotic atmosphere in the tobacco market. While Şükrü Akkan, the Justice Party speaker during the plenary discussions, described the article as the "backbone" of the law, Mustafa Ok, the Republican People's Party speaker, said the article was the "rescuer of tobacco producers from suffering."[508] Then, the article was approved

[508]Republic of Turkey, *TBMM Tutanak Dergisi*, term 2, session 4, vol. 35, 10 April 1969.575-6.

enthusiastically without leading to any further clash of opinions. There even emerged a concensus on calling the government to allocate additional budget to cooperatives.

Before the last two executive articles, the 1969 law consisted of two more articles and a provisional clause. By the eighth article, the secondment of officials who were to be appointed to cooperatives, regional associations and general association was regulated. The ninth article annulled Law No. 5628 of tobacco partnership, which had not been implemented except for the article on the continuation of collecting producer premiums. Last, the provisional clause addressed additional budget allocation. Despite the government's strong opposition, the parliament approved Şükrü Akkan's proposal that the government should subsidize 100,000,000 Turkish liras to the cooperatives and regional associations as soon as the law was enacted.[509] Then, it was decided to give an additional government subsidy almost equal to the existing premium fund to the cooperatives. Law No. 1196, with its eleven articles and a provisional clause, was enacted on 3 May 1969.

Law No. 1196 of the Tobacco Agricultural Sale Cooperatives and Regional Associations, and the General Association of Turkish Tobacco Agricultural Sale Cooperatives may be seen as an accomplishment considering all of the stages the issue had passed in the previous thirty years. It meant that the original reform package proposed in the early 1940s was eventually legislated. Although it was a cooperative law, it did not close the door to the establishment of a tobacco bank. Rather, it gave the cooperatives the right to either establish a bank by themselves or become partners of existing ones. By doing so, then, it put an end to the 1950s' debate over tobacco bank versus cooperatives. Moreover, it did not exclude auction sales, unlike the enacted but not implemented Turkish Tobacco Partnership Law of

[509]Republic of Turkey, *TBMM Tutanak Dergisi*, term 2, session 4, vol. 36, 8 May 1969.290.

1950, or the drafted but not enacted Tobacco Producers Partnerships and Assosiations bill of 1951. Therefore, the 1969 law contained all of the elements of the institutional reform package at once. Cooperatives were to organize producers, and exchange markets in which auction sales were to be held, and the tobacco bank was to finance operations.

In addition to the introduction of new institutions all at once, the law removed the indefiniteness about the partnership and capital structure of cooperatives and regional associations. Neither TEKEL nor the banks, including the Agricultural Bank, were to be the partners of cooperatives. Only the producers who had paid premiums for eleven years or their heirs were to be partners. Moreover, the cooperatives and regional associations were to be established only with the fund generated by the producers' premiums. Hence, the previous disagreements on the identity of shareholders and the distribution of shares were settled. The law even promised to grant a government subsidy equal to the premium fund without making state-led institutions a partner of the cooperatives.

Beside the institutional form and partnership structure, the 1969 law described the organizational scheme and missions of the new institutions more clearly than the previous legislative attempts. Rather than the ambiguous institutional form of "partnership," the law adopted "agricultural sales cooperative" to organize producers in districts. Regional associations were to be formed by those local cooperatives. The general association of Turkish tobacco agricultural sales cooperatives was to be at the top of the scheme. Regarding their missions, regional associations were tasked with establishing sale centers to conduct auction sales, which were in fact the backbone of the law. The reasons for the establishment of a general association were stated as:

> To examine the problems of the Turkish tobacco sector by making regions work in cooperation, assure order in tobacco sales, take the necessary measures for the development of the tobacco sector and the reinforcement of the organization, and reach a conclusion about the decisions taken by cooperatives and associations.[510]

Although the 1969 law brought clarity to the long-lasting issues about the tobacco bank, there were still significant, unanswered questions. Indeed, the law left essential practical matters to the new institutions' articles of incorporation. Until the approval of the articles of incorporation, the managerial structure of the cooperatives, the division of the initial capital and the distribution of duties among cooperatives were left uncertain. Recalling conflicts over the distribution of managerial positions among the regions as one of the main factors blocking a legislative consensus in the early 1950s can help to better understand the significance of leaving those details uncertain. Yet, it was also uncertain whether the 1969 law was to be implemented or to be another dead-born legislation. Hence, the 1969 law was neither an end to long-lasting conflicts nor a legal success as it seemed at first sight.

Concluding Remarks

Let us return to the underlying discussion of agricultural taxation in Turkey. What makes an agricultural tax a "tax"? In the simpliest terms, tax is defined as a "compulsory levy made by public authorities for which nothing is received directly

[510]Republic of Turkey, *TBMM Tutanak Dergisi*, term 2, session 4, vol. 35, 3 April 1969.426. *"Türk tütüncülüğünün mevzu ve meselelerini bölgeler arasında işbirliği temin etmek suretiyle incelemek, tütün alım-satımının nizam içinde cereyanını sağlamak, tütüncülüğün kalkındırılması ve teşkılatın takviyesi için gerekli tedbiri almak, birlikler ve kooperatiflerce tatbik edilecek kararlar ittihaz etmek gayesiyle Türkiye Tütün Tarım Satış Kooperatifleri Genel Birliği kurulur."*

in return."[511] On the one hand, the Turkish governments imposed a compulsory levy on tobacco producers for eleven years, from 1947 to 1957. In that sense, it satisfies the simpliest definition of taxation. On the other hand, the compulsory levy was neither called a tax by the governments at the time nor even mentioned since then by the prominent scholars of Turkish taxation system and/or Turkish history. The governments preferred to refer to the levy as a kind of "entrance fee" for producers to become partners of the projected regulatory institution, rather than to call it an "imposed tax." Since the compulsory levies were not announced or imposed as a tax, they are not considered as a part of Turkish taxation history. Then, it becomes possible to label the years between 1925 and 1963 as an "untaxed period" regarding the agricultural sector.

In the above section, I posed a slight and partial challenge to the prevailing assumption of non- (agricultural) taxation by revealing a direct but hidden taxation practice. I argued that the compulsory premiums cut from the tobacco producers' income during the eleven year period were a hidden tax imposed on a particular sector of Turkish agriculture, that of tobacco. Turkish governments, whether the Republican People's Party or the Democrat Party, forced tobacco producers to make an involuntary contribution pursuant to the promise of establishing a regulatory institution. If that promise had been kept, it would be difficult to describe the policy as a hidden tax. However, the promise was never kept despite numerous political and legislative attempts, and in the end, no regulatory institution was established. Yet, governments raised a substantial fund under their conrol, and this is exactly what a tax means. As a more striking fact, the fund was used for financing support

[511]S. R. James and Christopher Nobes, *The Economics of Taxation* (New York: Prentice Hall, 1996).10.

purchases in the tobacco market. I will elaborate the linkage between the fund and support purchases, and what that linkage meant in the next chapter.

The first section of this chapter analyzed the contentious and unending problems of the tobacco market which provoked observers to describe those conditions as "eternal anarchy." For the 31 years between the two major legislative changes, one in 1938 and the other in 1969, I explained and exemplified the tension-rising issues by paying attention to their own historical trajectories and turning points. Considering the historical actors played leading roles, the discussion included their own responses as an integral part of market imperfections. In the end, it left us with the interesting reality that the so-called "chaotic" atmosphere seemed to persist for 31 years despite major changes in the economic, political and social conditions of different historical periods. Then, I raised the relevant question of whether any comprehensive policy package had been formulated at any historical moment to end the chaos of the tobacco market. Indeed, the search for an answer to that question led to the most significant solution, that of the Turkish Tobacco Bank. Based on assembly minutes, newspapers, congress proceedings, sector-specific reports, and archival documents, I traced the history of the Turkish Tobacco Bank project, indeed the failure of the project, in the period between 1938 and 1969.

The second section of this chapter presented the origins of the idea to form a new institution, tobacco bank, in the period between 1939 and 1945. The idea to establish new regulatory institutions (cooperatives, exchange markets and a tobacco bank) had been suggested by tobacco experts in their professional journals in the late 1930s. In the first half of the 1940s, the idea became a public debate at mainly two moments: first, during the 1943 Tobacco Congress, and second, upon the emergence of the draft bill of the tobacco bank in 1945. The main division of opinion in these

early years was between the experts and the merchants. While the experts defended the institutional reform package as a whole and drafted the 1945 bill, the merchants strongly opposed the bill which they argued aimed to create a "de-facto monopoly" to dismiss them. Faced with the strong opposition of merchants, the government had to withdraw the 1945 draft to establish a tobacco bank.

The next stage was begun by the government to implement a controversial project in the early 1947 without even having a proper legal basis. In 1947, a compulsory levy was imposed on the tobacco producers to raise the necessary startup capital of a "regulatory institution." Four years, from 1947 to 1950, passed with the RPP governments cutting a certain percentage of tobacco sale values of producer transactions, depending on annual decrees, but made no effort to establish the promised institution. However, it decided to launch a legal attack almost suddenly in the early 1950s, and Law No. 5628 of the Turkish Tobacco Partnership was enacted in March 1950.

Although the law of tobacco partnership provided the legal basis for the establishment of the projected regulatory institution, there were serious loopholes left in the law. Rather than defusing tensions, it raised new dilemmas for the market actors, dilemmas about the institution's mission, capital raising method, and managerial structure. As a result of its failure to create a consensus among market actors, the law could not be implemented during the 1950s despite the enactment. The earliest signs of disagreements on the law were occurred during the 1950 Tobacco Congress, which was the biggest event in Turkish tobacco history. The Congress ended with two main revision proposals to change the enacted law, and revealed many more divisions of opinions. Unlike in the 1940s, the opinion differences were not only among the experts and the merchants, but also between the

producers themselves. In the end, the Congress failed to take an advisory decision about the law, and let the government decide what to do.

After the 1950 Congress, the Democrat Party government drafted a new bill proposing regional partnerships and associations, instead of a tobacco bank, in 1951. However, the producers opposed this draft since they did not want cooperatives, but a bank to be established with their own money. The 1951 draft could not be enacted upon the continuous opposition of the producers against the institutional form of the agricultural sale cooperatives. The last legislation attempt was recorded in 1955 when the government introduced the law of the Tobacco Producers Bank. However, that law did not pass from the committees or come to the plenary sessions. Then, in the 1950s, the enacted law of 1950 was not implemented and a new law failed to be enacted.

Governments began to implement the premium cutting policy in 1947, and kept levying different rates for eleven years. The last monetary cut was taken in 1957, the year when the targeted start-up capital was raised in the producers' fund. As Table 2 shows, a fund of 98 million Turkish Liras had been raised. Then, the money was ready to be used for the establishment of a "regulatory institution" by the end of the 1950s but there was still no sign of a consensus or clarity on what kind of an "institution" would bring "regulation" to the "anarchy" in the tobacco market.

The policy-makers of the 1960s took over one enacted but not implemented law, many draft bills, several congress reports and articles defending conflicting visions, and a significant fund raised with producers' money. Although the 1960s' debates on the issue were not as heated as those of the previous two decades, there was a crucial discursive shift. In the new decade, no one suggested establishing a

tobacco bank anymore. Rather, agricultural sales cooperatives were to be supported as the needed institutional form.

In accordance with this discursive shift, Law No. 1196 of the Tobacco Agricultural Sale Cooperatives and Regional Associations and the General Association of Turkish Tobacco Producers was enacted in May 1969. The 1969 law was the most well-defined text concerning a great number of inconclusive legislative attempts since the early 1940s. It formulated all institutions to be established, their partnership and capital structure, organizational schemes and missions as clearly as possible. Covering the elements of the original reform package (cooperatives, exchange markets and a tobacco bank) all at once, it may even be viewed as a legal accomplishment. However, it postponed the determination of essential practical matters, which were to make new institutions work properly, to the adoption of their articles of incorporation. Indeed, that postponement would have made the law a stillborn one, and unfortunately, share the same fate as the previous law. It was not implemented in the 1970s, either.

All in all, the Turkish tobacco market was always associated with anarchy, chaos, irregularity, or even a gambling game, contrary to its image as the most regulated crop market controlled by TEKEL. On the one hand, the lack of powerful institutional structures received many complaints, but on the other hand, no reform package was to be implemented.

Two more discussions needed to be undertaken to understand the Turkish tobacco market in the Republican era. Support purchases as a case of "everlasting distortion" will be in Chapter 6, and the 1970s as the atypical decade of Turkish tobacco history in Chapter 7.

CHAPTER 6

THE EVERLASTING "DISTORTION:" TOBACCO SUPPORT PURCHASES IN QUESTION, 1938-1969

The world entered a new historical era with the 1980s that was generally called "globalization" or "neo-liberalism," involving dramatic changes in the political, economic, ideological and cultural ordering. Regarding agriculture, the era has meant the victory of the free market economy and trade liberalization over welfare state interventions in the broadest sense. Agricultural policies privileging production over trade have been labeled "trade–distorting," and decisions were made to vitiate them. Former interventionist mechanisms such as payments to producer farmers, market price supports, and product-specific subsidies have been eliminated in several countries with similar excuses.[512] Support purchases, having the alleged characteristics of unbalanced supply-demand and blockage of the development of free market relations, have been also one of the "distortive" policies dismissed in the new era.

As predominantly an agricultural country by the 1980s, Turkey took its peculiar place within the new world order. The Turkish agricultural sector was re-structured in accordance with the shifting priorities of the neoliberal era.[513] Among others, the most significant shift regarding the aims of this dissertation was the gradual adoption of a disparaging attitude towards support purchases as a market

[512]Peine and McMichael, "Globalization and Global Governance."; L. Cheshire and G. Lawrence, "Re-shaping the State: Global/Local Networks of Association and the Governing of Agricultural Production," in *Agricultural Governance: Globalization and the New Politics of Regulation*, ed. V. Higgins and G. Lawrence (London: Routledge, 2005).35-49.

[513]Murat Öztürk, *Agriculture, Peasantry and Poverty in Turkey in the Neo-Liberal Age* (Wageningen: Wageningen Academic Publishers, 2012).67-119; Zülküf Aydın, *The Political Economy of Turkey* (London: Pluto Press, 2005).138-78, Huricihan İslamoğlu et al., "Türkiye'de Tarımda Dönüşüm ve Küresel Piyasalarla Bütünleşme Süreçleri," (Ankara: TÜBİTAK, 2008).

distortion. Tobacco received its share of the changing conjuncture as one of the most important cash crops which had been governed by interventionist policies for years. Support purchases in the Turkish tobacco market triggered heated public debates from the 1970s until their termination by the Tobacco Law of 2002.[514]

Blaming the tobacco support purchases for market failures actually had begun in the late 1960s. Three short statements from the 1970s may be helpful to exemplify the condemning attitude towards support purchases:

> It is an urgent necessity to *seriously revise* the policy of support purchases for tobacco.[515]
>
> Support purchases made by social concerns have always had a *deteriorating effect* on normal trade.[516]
>
> An economic data analysis of the years in which support purchases have been made will show the reasons of today's *chronic problems of overproduction and stocks*.[517] (All emphasis is added.)

The first quote belongs to a 1972 study by a prominent Turkish professor of economics, Halime Oygur; the second to the second biggest merchant organization of the country, the Izmir Chamber of Commerce; and the third to a high-ranking

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[514]For a leading discussion of the Tobacco Law of 2002, see İslamoğlu, "Yeni Düzenlemeler ve Ekonomi Politik: IMF Kaynaklı Kurumsal Reformlar ve Tütün Yasası."

[515]Oygur, *Türkiye'de Tütün ve Sorunları*.37. *"Herşeyden önce destekleme politikasının ciddi olarak gözden geçirilmesi gerekmektedir."*

[516]"Tütünün Yurtiçi Ticaretinde Özel Kesimin Rolü ve Sorunları," İzmir Ticaret Odası.6. The paper is located in the folders of Orhan Özet's personal archive in the archives of the Tobacco Experts Association in Izmir. The folder is named "The Seminar on the Problems of Tobacco and Tobacco Products Industry, 24-26 October 1977" (*Tütün ve Tütün Mamulleri Sanayi Sorunları Semineri, 24-26 Ekim 1977*). *"[Sosyal değerlendirme ölçüleri ile belirlenen] Destekleme alım sistemi bugüne kadar normal piyasa şartlarını bozacak şekilde süregelmiştir."*

[517]"Tütünün Yurt İçi Ticareti, Önemi ve Sorunları," Hakkı Tekeş – Tekel Genel Müdürlüğü Ticaret Grup Müdürü.2. The paper is located in the folders of Orhan Özet's personal archive in the archives of the Tobacco Experts Association in Izmir. *"1947 yılından itibaren geçen 30 yıl içinde üretim, tüketim ve ihracata ait rakamların incelenmesi tütüncülüğümüz tarihinde rastlanılan ve bugün de karşısında bulunduğumuz ekonomik problemleri [aşırı üretim ve stoklar] ve nedenlerini kısmen ortaya koymaya yeterli olacağı kanısındayım."*

manager of TEKEL, Hakkı Tekeş. All of the statements show that the support purchases for tobacco were in the crosshairs in the 1970s. Then, it is highly important to search for the early stages of the policy to be able to historicize the negative public assessment of support purchases in the 1970s. This chapter examines the introduction and institutionalization of support purchases in the Turkish tobacco market in the period preceding the 1970s. The context of the 1970s will be discussed in detail in Chapter 7.

This chapter discusses what the support purchase policy in the Turkish tobacco market meant to both the governments and the market actors in the period from 1938 to 1969. In Turkey, tobacco was one of the earliest crops taken into the scope of support purchases policies. First, in 1940, the government decided to make direct purchases from producers in tobacco market. The essence of direct purchasing in the name of the state was maintained for years –even until 2002 - despite significant changes made to the scope, content, and execution of the policy. The tobacco market was, so to speak, everlastingly "distorted" via support purchases from the very beginning of the Republican period. Hence, the history of support purchases before the 1970s enables us to question the relevance of the "distortion" argument by showing the continuity and persistence of the policy.

This chapter underscores not only the continuity of the support purchases, however. It also focuses on the changes in the scope, content, and execution of the policy during the 31 years from 1938 to 1969. Those changes are contextualized within both sector and country specific developments. Comprehensive answers are sought for the questions of when, where, by whom, and why the support purchases were implemented, how they were financed, and how the market actors responded to the policy during the period under discussion. The answers given to these questions

depend on many -and mostly understudied- archival sources and present two striking historical realities. First, the institutionalization of the support purchases in the Turkish tobacco market was not just a simple manifestation of state interventionism. Rather, the market actors themselves determined its fate, and transformed it from being an extraordinary wartime measure into a permanent and institutionalized policy. Second, the support purchases were financed not by government budget allocation, but by a substantial fund raised by compulsory levies imposed on tobacco producers. The financing method, originally revealed by this dissertation, went beyond the boundaries of political populism, and invites a rethinking of the simple linkage between the support purchases and populism.[518]

The support purchases in the Turkish tobacco market were introduced in 1940. Until 1947, the governments had launched a support purchase policy without naming it as such.The first section of this chapter discusses the partial and seemingly temporary policies between 1940 and 1947. The clarification and institutionalization of the policy occurred with a 1948 governmental decree, which marked a turning point in the history of support purchases. Until 1961, TEKEL was authorized to make "support purchases in the name and account of the State" by annually issuing decrees inspired by the 1948 decree. The second section presents the "even to the last leaf" policy that began with the 1948 decree and was revised in 1961.

[518]Many of the studies focusing on the tobacco market address the relationship between support purchases and politics, or more specifically, the political populism. Among them, Üstün Ergüder's 1973 seminar paper is worth mention by discussing the role of political factors in the determination of the tobacco support policy. Ergüder bases his discussion on both statistical methods and in-depth interviews with market actors. He can find no significant correlation between election years and support prices. Despite having no convincing proof given by either quantitative or qualitative methods, he insists on arguing that political factors determined support purchase policy. Ergüder, *Türkiye'de Tarımsal Ürün Destekleme Politikasının Tayininde Siyasi Faktörler: Tütün*. Indeed, Ergüder's insistence makes sense concerning the dominant postulate about support purchases, that governments allocated money to the producers via purchases to secure their votes.

The first law about support purchases, Law No. 196 of the Support for the Sale Markets of Producer Tobacco (*196 Sayılı Ekici Tütünleri Satış Piyasalarının Desteklemesine Dair Kanun,*) was enacted in 1961. Then, 1961 marked another turning point by legalizing the 21 year old policy. The third section explains what the support purchases that had already been institutionalized meant in the 1960s. I conclude with the historiographical insights presented by the findings of my study in their relation with the approaches viewing support purchases as market distortion, simply manifestation of state interventionism and/or of populist politics.

"Direct Purchases:" Support Purchases in the Turkish Tobacco Market, 1940-1947

Turkish governments intervened into tobacco market through purchases for the first time in 1940. On 18 December 1940, the government issued a short decree stating that a credit of up to 2 million Turkish Liras was to be granted to the account of the Ministry of Commerce and on behalf of the Turkish Corporation of Domestic Products and Turkish Tobacco Limited Company.[519] Two companies were assigned to make direct purchases from the tobacco producers. The duty was legally based on the 26th article of the National Defense Law. Just one month after the 1940 decree, on 21 January 1941, the government released another decree on the same issue, increasing the credit amount of working capital from two to four million Turkish Liras.[520] Ten weeks later, on 2 April 1941, the same decree was re-issued, only with a change of the credit amount from four to five million Turkish Liras.[521] While the

[519]PMRA Fon Kodu: 30.18.1.2 Yer No: 93.116.20 (18 December 1940)

[520]PMRA Fon Kodu: 30.18.1.2 Yer No: 93.125.9 (21 January 1941)

[521]PMRA Fon Kodu: 30.18.1.2 Yer No: 94.27.17 (2 April 1941)

first increase in the credit amount was to expand the purchasing ability of the companies in the Aegean market, the second one was about the Black Sea and Marmara markets.

The first support purchases were recorded in 1941, and executed by two companies which primarily traded tobacco; the semi-private corporation, the Domestic Products, and a state-owned partnership, the Tobacco Limited. The "direct purchases" found their legal basis in an extraordinary wartime law. Tobacco journals headed by the experts responded to the first experience of support purchases. In a number of articles, they welcomed the policy, and congratulated both the government as the inventor of the policy and the two companies as the implementers.[522] Along with the congratulations, the tobacco journalists tried to contextualize the policy by the urgent conditions of that year, 1940. For example, Ihsan Arif, the chief editor of *Türk Tütünü*, wrote an article titled "The Protection Policy of the Government" (*Hükümetin Himaye Siyaseti*) in May 1941. He argued that the government had taken the measure of direct purchasing in the Aegean, Black Sea and Marmara markets upon complaints of declining prices. By doing so, the government "normalized" market conditions and protected the producers, despite the risk of not being able to export the product due to the war conditions.[523]

Neither the urgent conditions of 1940 nor the unceasing complaints about prices were the sole motivations of the policy, however. In the following year, on 13 January 1942, the government issued another decree about direct purchases from tobacco producers. The new decree was the same as the original 1940 decree except

[522]"Ege Tütün Piyasası Tam Bir Muvaffakıyet ile Kapandı," *Türk Tütünü*, no. 66 (15 February 1941).4; Ocakoğlu, "Tütün İşleri Nizam Altına Alınmalıdır."

[523]İhsan Arif, "Hükümetin Himaye Siyaseti," *Türk Tütünü*, no. 71 (1 May 1941).3-4.

for an increase in the amount of the working capital, to ten million Turkish Liras.[524] Then, while the financing had been given in parts in the first year, the whole necessary amount was allocated at once in the second year, 1942. The increased working capital was still to be used by the Domestic Products and Tobacco Limited in tobacco market.

In 1943, the government did not issue a decree authorizing any state-related institution for direct purchases, and let the tobacco market free. However, that decision could not be kept so long. According to a 1943 report written by the Ministry of Customs and Monopolies to the Prime Ministry, TEKEL was tasked with making purchases just a few days after the opening of the Aegean tobacco market since the "merchants did not purchase as much as expected."[525] In accordance with the duty assigned by the government, TEKEL purchased one-and-a-half times of the amount it had planned to buy from the Aegean market. The unexpected task caused a deficit of at least 30 million Turkish Liras for the TEKEL budget. Moreover, TEKEL revised its purchasing scheme for the Black Sea and Marmara markets, and decreased the projected amounts. Under those conditions, however, it was impossible to "protect those two markets in favor of the producers," as the report underscored. The Ministry of Customs and Monopolies had already submitted a report on the situation to the Ministry of Commerce, which replied by stating its inability to do anything because of the lack of funding from the National Defense Fund, and asking TEKEL to play a regulatory role also in the Black Sea and Marmara markets. The report stated that if TEKEL also had been tasked with the other regions, it would have needed money for those purchases. Hence, additional funding for the Black Sea

[524]PMRA Fon Kodu: 30.18.1.2 Yer No: 97.108.12 (13 January 1942)

[525]PMRA Fon Kodu: 30.10.0.0 Yer No: 182.253.16. (11 March 1943)

and Marmara markets was needed to allocate to TEKEL, besides the credit necessary for closing the outstanding deficit from the operations in the Aegean region.[526]

The 1943 report of the Ministry of Customs and Monopolies shows the instability of the previous two years' policy. First, the government had not intervened into the market via direct purchases as it had done in 1941 and 1942. However, it had had to change its decision for the Aegean region after the market opening due to the slowness of the merchants' purchases. The prompt decision-making led TEKEL to buy much more from the Aegean market than its projections, revise the purchase projections for the Black Sea and Marmara markets and face a financial deficit. The worse thing was the ongoing uncertainty about what would be done in the not-yet opened Black Sea and Marmara markets. Was TEKEL to be tasked with making direct purchases from these markets as well? If so, how would it afford those purchases?

Indeed, the risks rising from the uncertainty noted in the Ministry of Customs and Monopolies' report occurred in the Black Sea and Marmara tobacco markets. According to a 1943 article in *Türk Tütünü*, TEKEL had been authorized to make direct purchases also from the Black Sea and Marmara markets in 1943. However, the intervention decision for those markets had been taken two months after the market opening when sales were already stagnant and prices were low. The article criticized the timing of the intervention, which was so late. It favored only the producers who had had financial ability to wait for two months to sell their crops. The writer ended the article by asking rhetorically what kind of measure this was,

[526]Ibid.2-3.

and called on the authorities not to repeat the delayed and misguided intervention policy that followed in 1943.[527]

The policy of government intervention into the tobacco market via direct purchases was not better defined and scheduled in 1944, contrary to the lessons of the previous year. In 1944, not TEKEL but the Domestic Products and the Tobacco Limited were tasked with the purchases in the Aegean market.[528] However, the companies were informed late about the decision, just three days before the market opening, as stated in the 1944 Audit Report of the Turkish Corporation of Domestic Products. The management of Domestic Products complained about the late notification of the government decision, which had caught them unprepared both financially and organizationally, and eventually increased the costs of the company.[529] The managers of the delegated institutions were not alone in complaining about the lack of a clear and planned policy. As recorded by a 1944 article in *Türk Tütünü*, the producers also had sounded off about the insufficiency of the policy, which had fallen short of their actual needs. Their complaints were that "the purchases could not arrive at the most needed but faraway production districts" due to the organizational and financial inabilities of the tasked institutions.[530]

Neither the problems arising from uncertainties nor the complaints from those problems compelled the government to clarify the policy. Until 1948, the duty

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[527]"Kısa Öğütler: Tedbirlerimizde Geç Kalıyoruz!," *Türk Tütünü*, no. 123 (1 July 1943).4.

[528]"Ege Piyasası Açıldı," *Türk Tütünü*, no. 133 (1 February 1944).4-5.

[529]*Yerli Ürünler Türk Anonim Şirketi 1944 Yılı Umumi Murakabe Heyeti Raporu*.

[530]Cihat Baban, "Tütün Davamız," *Türk Tütünü*, no. 143 (1 December 1944).9-11. *"Müstahsil, bu müdahalenin kifayetşizliğinden şikayet etmiş, icap eden yerlerde [uzak köyler] yapılmadığını ileri sürmüş; vakıa tesbit edilmiş fakat müdahale mübayaası yapan, İnhisarlar İdaresi de, yerli ürünler de, tütün limited de, kabahatin kendilerinde olmadığını söylemekle iktifa etmişler mevcut noksanı olduğu gibi ortaya atmaktan çekinmemişlerdi."*

defined as to “make direct purchases from producers” was kept to be fulfilled by one or two or three of these institutions: a semi-private corporation, the Turkish Corporation of Domestic Products; a state-owned partnership, the Turkish Tobacco Limited Company; and the cigarette manufacturing monopoly, TEKEL.[531] These three made direct purchases, in amounts greated than their own commercial needs. Purchases were mainly financed by working capital raised by government credits. Although we are deprived of sufficient archival sources to have more information about the financial results of the policy for companies, the 1943 report of the Ministry of Customs and Monopolies and 1944 audit report of Domestic Products hinted that the delegated institutions had faced additional burdens, sometimes difficult to deal with.

In the early days of 1947, an interesting solution was found for the financial burdens taken by the Domestic Products. It is worth mentioning because it was the first governmental decision linking the financing of direct purchases to the fund which was being raised by the compulsory levies imposed on the tobacco producers. According to the decree issued on 3 January 1947, the Turkish Corporation of Domestic Products, which was tasked with “regulating the Aegean market via purchasing tobacco,” would pass profits generated from this task to the “fund created at the Agricultural Bank depending on the 27th article of the National Defense Law.”

[531]It seems that there was a regional distribution system among the three institutions delegating which would purchase from where. While the Domestic Products and the Tobacco Limited were generally tasked with the Aegean market, TEKEL was with the Black Sea and Marmara markets. For example, see the 1945 decree authorizing the Domestic Products and the Tobacco Limited by granting an additional working capital just before the market opening of the Aegean region, PMRA Fon Kodu: 30.18.1.2 Yer No: 107.90.1 (2 January 1945); and the 1946 news reporting TEKEL as the “intervener” of the Black Sea region, "Bafra'da Yapılan Bir Toplantı," *Türk Tütünü*, no. 169-170 (1-15 April 1946).6-9. However, there are also contradicting examples with this scheme. For example, the Bergama Producer Association reported an episode from 1944 that TEKEL and the Domestic Products together had been ordered by the Ministry of Commerce to make purchases in Bergama upon sale problems. See "Bergama Müstahsiller Birliğinin Raporu."

If the Domestic Products made a loss from regulatory operations in the Aegean market, that loss would be compensated from the same fund.[532] This decree shows how the fate of the fund raised for the promised regulatory institution, the tobacco bank, was directly linked to support (or direct, with the term used in the pre-1948 period) purchases from the very beginning. Even, the government guaranteed to cover the losses of Domestic Products with the money collected from the tobacco producers.

In sum, the Turkish governments followed a support purchasing policy in the tobacco market without naming it as such from 1940 to 1947. The purchases found legal basis in the extraordinary measures of wartime law, the National Defense Law. Until 1947, direct purchases were financed by the working capital raised by government credits. In 1947, the government established a financial linkage between purchases and producers' premiums. The implementers of the direct purchasing policy were three different institutions. The government separately determined the financial and institutional details of the policy for each year. Considering these characteristics, the policies of the period from 1940 to 1947 were partial, fraught with institutional uncertainties, and seemed temporary as extraordinary wartime measures.

The first general overview of the inconsistent policies between 1940 and 1947 was done in a government-initiated meeting held in December 1947. Producer representatives, merchants, tobacco experts, and ministerial officials participated the meeting, and discussed market problems. Two committees were formed during the two-day meeting, one by producer representatives and the other by merchants.

[532]PMRA Fon Kodu: 30.18.1.2 Yer No: 112.85.7 (3 January 1947). Indeed, the fund of producers' premiums had been created by a governmental decree issued on 6 January 1947. Although the decree about the Domestic Products operations dated three days before the premium fund-decree, it mentioned the fund. There may be a kind of bureaucratic mistake on dating or issuing the decrees.

Regarding government intervention into tobacco market, the producer committee demanded continuation of the policy which they called "intervention purchases" despite the lack of a full consensus on the institution to make those purchases. While the producers from Manisa stood for TEKEL as the "regulatory institution," the report of producers from Ödemiş argued that Domestic Products should make "intervention purchases" as it had gained experience during previous years.[533] Surprisingly, the merchant committee also supported intervention purchases. The tobacco merchants said that intervention purchases were necessary in that year, 1948, due to high production. However, merchant support for the policy was temporally and operationally conditional. As underscored in their report, purchases should not have been "traditionalized," and it was necessary to make an open declaration stating that 1948 would be the last year of intervention purchases. Merchants also warned the tasked institutions not to violate purchasing plans of foreign buyers while intervening into the market.[534]

The 1947 meeting, as a broadly attended gathering of market actor representatives in the post-World War II era, made one thing clear. The seemingly temporary and doubtful intervention policies of the war years were backed by the producers, and conditionally accepted by the merchants. Any representative - including the complaining managers of the authorized institutions, merchants who were to face with more empowering competitors on the buying side or experts whose workloads would increase as a result of intervention purchases - openly opposed the policy. Nobody brought up the legal basis of depending on an extraordinary wartime law. Nor was the linkage between the financing of purchases and producer premiums

[533] *Tütüncüler Toplantısı (17-19 Aralık 1947)*.11-6,26-7.

[534] Ibid.65.

questioned, probably because nobody was aware that such a financial transfer which the government had decided to make with a sleight of hand in the early days of 1947, yet. Hence, the positive, if not encouraging, feedback from market actors led the government ascertain the support policy in 1948, which marked a turning point in the political economy of Turkish tobacco by opening an irrevocable path for the institutionalization of support purchases. Now, the era opened by the 1948 decree that continued until the first legalization of support duty in 1961 will be discussed.

"Even to the Last Leaf:" Support Purchases in the Turkish Tobacco Market, 1948-1961

1948 was a turning point in the history of the institutionalization of support purchases in the tobacco market. Two subsequent decrees were issued by the government in the last months of 1948, one for clearing the residuals of the inconsistent policies of the war years, and the other for officializing the support purchases and ascertaining the details of the policy. The first decree was issued on 2 October 1948, and contained three provisions: First, the institutions tasked with direct purchases would sell the crop that they had bought as a part of those purchases in accordance with market offers. Second, the profit and loss accounts of those institutions would not be associated with the five-percent producer premiums. Third, the service fees for the sales of those institutions would be determined by the Ministries of Commerce and Customs and Monopolies together.[535]

The first decree of October 1948 seemed to make a clean break for a new era in terms of tobacco support purchases. It let the institutions free, or left them alone, in dealing with overstocks of tobacco purchased upon government orders. They

[535]PMRA Fon Kodu: 30.18.1.2 Yer No: 117.63.15 (2 October 1948)

could sell the crop in accordance with "market offers." More importantly, the decree cut the linkage between the financial results of the purchases and the producers' money. The institutions could not transfer their profits to or compensate losses from the premium fund, but were just paid a service fee. However, the second decree, issued just one month after the first, would show that was not the case regarding the financial linkage between the support purchases and the premium fund.

The Turkish government issued the second decree about tobacco purchases on 9 December 1948. Indeed, this decree was the first official document that mentioned support purchases explicitly. It was comprehensive in its content, unlike the short decrees of previous years which had stated just the authorized institution and the amount of allocated credit. The 1948 decree clearly specified which institution was to make support purchases for what kind of tobacco, from where and whom, and with which money, and what the institution was allowed to do what with the purchased crop: TEKEL was authorized to "make support purchases in the name and account of the State from the Aegean and Black Sea tobacco markets." Unfit and low grade tobacco was to be left to market offers, so as not to be included by support purchases. Moreover, TEKEL was to purchase only from those who had "acquired a profession of a tobacco producer." In addition to a seasonal credit of 20 million Turkish Liras, TEKEL would use the producer-premium fund at the Agricultural Bank in return for a 4.5 percent interest. Last, the decree allowed TEKEL to sell the support purchase crop "in accordance with market offers."[536]

The December 1948 decree was a turning point in the institutionalization of support purchases in the tobacco market. First, with the decree, tobacco was included officially in the support purchase policy, which covered just five basic crops – wheat,

[536]PMRA Fon Kodu: 30.18.1.2 Yer No: 118.79.13 (9 December 1948)

barley, rye, tea, and sugar beet[537] – at that time. Indeed, it was the first cash crop taken under the protection of support purchases. Second, the decree clarified the confusion about which of the three institutions, the Domestic Products, the Tobacco Limited, or TEKEL, would make purchases, and decide on the cigarette-manufacturer, TEKEL. Moreover, it defined the institutional, regional, operational, and financial details of the policy all at once for the first time since the introduction of intervention purchases in 1940.

The last crucial point was the financing method defined by the December 1948 decree. As Chapter 5 discussed in detail, five-percent of sale transaction values were imposed as compulsory levies on the tobacco producers in 1947 in order to raise the initial capital of a regulatory institution. Only two years after this imposition, it was decided to use that money for support purchases. Then, while the first October 1948 decree seemed to cut the linkage between the support purchases and the producer-premium fund, the second December 1948 decree connected their fates to each other forever. The December 1948 decree confirmed that the tobacco support purchases were to be financed with producers' own money, not by an allocation of the government budget. Literally, the Turkish government was to put money in one of the producers' pocket, and to take it from the other.

In the year following the 1948 turning point, the government decided to extend the scope of the support purchase policy, on the one hand, and on the other, to fund the ex-intervener institutions. With two successive decrees, one on 13 October 1949 and the other on 15 December 1949, the Turkish Corporation of Domestic

[537]Gökhan Günaydın, "Türkiye Tarım Sektörü," *Tarım ve Mühendislik*, no. 76-77 (2006).20.

Products was to be paid a two percent service fee over the purchase value of tobacco it had bought upon government orders in 1946 and 1947.[538]

Along with monetary transfers to the Domestic Products, the scope of the support purchase policy was extended regionally in 1949. First, with a decree issued on 8 November 1949, TEKEL's authority to make support purchases for the 1948-season tobacco from the Aegean and Black Sea markets was extended for other regions.[539] Hence, TEKEL was allowed to buy tobacco from the Marmara and eastern regions within support purchases. Then, the support purchase policy was renewed for 1949-season tobacco by a decree issued on 20 December 1949. The December 1949 decree resembled the December 1948 decree, but with three changes: First, the regional specification of the December 1948 decree was removed. The December 1949 decree let the Ministry of Customs and Monopolies decide the location and volume of support purchases. Second, the fund given on TEKEL's order was increased by adding a minor fund raised from some other operations of the Ministry of Economy and Commerce in addition to the already-existing funds of the seasonal credit and the producer premiums. Third, TEKEL would be paid a service fee of a rate to be determined by the Ministries of Customs and Monopolies, and Economy and Commerce.[540] Then, the December 1949 decree both extended the regional scope of the policy, and increased the financial power of TEKEL.

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[538]PMRA Fon Kodu: 30.18.1.2 Yer No: 120.73.8 (13 October 1949); PMRA Fon Kodu: 30.18.1.2 Yer No: 121.90.11 (15 December 1949). The timing of this monetary transfer from government budget to the semi-private company, the Domestic Products, is interesting because it coincided with scandalous corruption allegations against the firm (see Chapter 4). Despite the lack of enough archival sources to definitely argue, a modest claim may be made that the monetary transfer looks like a kind of "rescue operation" for the company having hard times because of corruption allegations.

[539]PMRA Fon Kodu: 30.18.1.2 Yer No: 120.77.14 (8 November 1949)

[540]PMRA Fon Kodu: 30.18.1.2 Yer No: 121.87.16. (20 December 1949)

The public response to the new route followed since 1948 were most broadly expressed in the government initiated tobacco congress of August 1950. The Congress was the largest event in Turkish tobacco history, with the attendance of 236 delegates representing all different market actors to discuss the tobacco issue in all aspects, as stated in the Congress call. Support purchases were planned to be discussed under the third main topic, "issues about domestic market regulation," on the Congress agenda. Two of the reports prepared for the Congress responded to the discussion topic: one written by the merchant organization, the Turkish Tobacconists Association, and the other by the organization founded by experts working for private sector, the Izmir Tobacco Experts Association. Both reports made some objections to the current implementation of policy with concerns about overproduction, the downgrading of crop quality, unfair competition, and political pricing. Despite the objections, neither the merchants nor the experts proposed the termination of the policy per se. While the merchants asked the Congress to clarify under which conditions, by which channel, and how the purchases would be done, the experts suggested that the purchases should be maintained for some time, like a "rescue operation," not like a tool of competition with the private sector.[541]

In the Congress, the support purchase policy was heatedly discussed through the mediation of TEKEL's commercial activities. The disagreements were not about whether TEKEL was to continue to make support purchases or not, but rather about what TEKEL was to do with purchased crop. The proposal given by the merchants to prohibit TEKEL from exporting leaf tobacco ignited the Congress discussions. The producers themselves, not TEKEL officials, opposed the measure which they thought

[541]Türkiye Tütüncüler Birliği, *Türkiye Tütüncüler Birliği'nin 1950 Tütün Kongresine Sunduğu Rapor*.; İzmir Tütün Eksperleri Cemiyeti, *İzmir Tütün Eksperleri Cemiyetinin 10 Ağustos 1950 Tarihli Tütün Kongresi İçin Hazırladığı Rapor*.

would result in a blockage of the support purchases. While the Minister of Customs and Monopoly confined himself by stating that TEKEL's exports were contingent and not to be kept in the future, the producers passionately defended TEKEL. A producer speaker, Kemal from Akhisar, said that merchants did not have the right to criticize TEKEL because their unfair pricing and purchasing decisions left TEKEL no choice but to intervene into the market in favor of the producers. In another speech, a producer from Gavurköy, İbrahim, dramatically expressed that they "gave a regulatory role to TEKEL" since merchants stood against producers "like a tiger."[542] At the end of the discussions, the Congress approved two clauses by majority, one on the continuation of support purchases, and the other on letting TEKEL free in commercial decisions.

Once more, the support purchase policy was backed by popular consent in the 1950 congress, as it had been in the 1947 meeting. Neither the concerns addressed by the merchants and experts nor the financing method likely to be conflictual led to a questioning sufficient to change the course of the policy. Taking the Congress' support for the policy, the new Democrat Party government did not hesitate to extend the scope of the policy once more. As specified above, the original December 1948 decree excluded unfit and low-grade tobacco from the scope of support purchases. That exclusion was removed by an additional government decree in September 1950, just a few days after the Congress. The decree gave TEKEL the duty to purchase three million kilograms of low-grade tobacco of the 1949-season. The duty was fulfilled with four million Turkish Liras, part of the producer premium fund which had been allocated to TEKEL.[543]

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[542] *Türkiye Tütün Kongresine ait Zabıtlar, 10.8.1950–17.8.1950*.108-15.

[543] PMRA Fon Kodu: 30.18.1.2 Yer No: 123.70.9 (5 September 1950)

The quality-indifferent attitude showed in 1950 was kept in the following years, first shyly and then openly. In addition to other policy details, the decree issued for the support purchases of 1950-season crop was also the same as the December 1949 decree regarding the exclusion of unfit and low-grade tobacco from the scope of purchases.[544] However, the government issued an additional decree just three weeks later, and extended the scope of support purchases to unfit and low-grade tobacco.[545] In the following years, the Democrat governments abandoned their shy attitude towards the quality problem. Indeed, regional (which markets would be supported?), qualitative (would unfit or low-grade tobacco be purchased?) or subjective (would the crop of those who did not "acquire a profession of a tobacco producer" be purchased?) restrictions on the scope of the policy were dismissed all at once. The decree issued on 31 December 1953, for example, did not include any articles about where, from whom, and for what kind of tobacco the support purchases would be done. It authorized TEKEL without specifying any restrictions on the authority, and by only stating the financing method.[546] Hence, TEKEL had already begun to make support purchases without discriminating any region, quality, or producer by the early 1950s.

The phrase "even to the last leaf" symbolized the non-discriminative support purchase policy followed by the Democrat governments by the early 1950s. The opening of tobacco markets by the Ministers of Customs and Monopolies had been traditionalized in the 1950s which was exactly the decade for the institutionalization of an unrestricted support purchase policy. The tobacco markets in production

[544]PMRA Fon Kodu: 30.18.1.2 Yer No: 124.95.7 (15 January 1951)

[545]PMRA Fon Kodu: 30.18.1.2 Yer No: 124.104.12 (7 February 1951)

[546]PMRA Fon Kodu: 30.18.1.2 Yer No: 134.102.3 (31 December 1953). In addition to authorization and financing, the decree included three more articles: one for TEKEL's sales, one for permitting TEKEL to rent warehouses, and one for the service fee paid to TEKEL.

regions were opened with the ceremonies organized in front of TEKEL buildings. The Minister of Customs and Monopolies made a speech in which the purchasing policies of TEKEL and prime prices were declared. The phrase "even to the last leaf" became an integral part of those speeches, meaning that TEKEL would offer an unlimited guarantee of purchase. To give an example among many similar ones, the Minister told producers during the 1956 market opening of Akhisar that they did not need to panic since TEKEL was there to purchase "even to the last leaf of tobacco," as had been reported by the local newspaper, *Yeni Asır*.[547] The populist tone inherent to the phrase shows how the policy gained political instrumentality.

What happened in the mid-1950s was that the Democrat Party governments pursued a policy of populism by following an unrestricted support purchase policy, which had already been financed with the producers' own money. All restrictions limiting the scope of the policy in the late 1940s were removed in the early 1950s, and TEKEL began to purchase "even to the last leaf tobacco" without making any regional, qualitative, or producer discrimination. One consequence of such an unfettered policy was the instrumentalization of purchases in politicians' hands, as if the State was buying "even to the last leaf" to manifest generosity and subsidize the producers. Since it was not publicly known that those purchases and producer premiums were wired into each other, the populist discourse had more chance to live.

Along with the rise of populism, the other result of the 1950s' policy was the revival of TEKEL. As support purchases were further institutionalized, the role played by TEKEL on the buyer side of the tobacco market became more significant. According to a 1957 study done by the Turkish Chambers of Commerce and Industry and Union of Stock Exchanges, while TEKEL's share in total tobacco purchases had

[547]"İnhisarlar Vekili: 'Ege Tütün Zürraı Müsterih Olsun' Diyor."

been 30 percent on average in the war years, it increased to 47 percent in 1955. In relation to the increase, the share of tobacco merchants had dropped from three-fourths to half of the total purchase volume from the war years to 1955.[548] Hence, the role played by TEKEL as a buyer in the tobacco market had increased at the expense of the merchants in the 1950s.

The government subsidies to the tobacco sector were not just through support purchases in the 1950s. Especially between 1956 and 1958, the Democrat Party government also granted direct subsidies to the tobacco producers.[549] First, in 1956, the decree being issued for support purchases included one more article on a direct subsidy. According to that article, TEKEL would pay a 25 kuruş premium per kilogram to tobacco producers for each sale transaction of the 1955-season crop. The premiums would be financed by the National Defense Fund.[550] In the next year, two separate decrees were issued, one for the direct subsidy per kilogram and the other for the support purchases. The first decree was issued on 17 January 1957, and guaranteed a payment of 25 kuruş premium per kilo for every sale transaction of the 1956-season crop.[551] The second decree was issued on 2 February 1957, and did not vary much from the previous decrees on the support purchases.[552]

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[548]Türkiye Ticaret Odaları Sanayi Odaları ve Ticaret Borsaları Birliği, *Türkiye Ekonomisinde Tütün* (Ankara: Ajans-Türk Matbaası, 1957).10.

[549]Gülten Kazgan marks the two years between 1956 and 1958 as a time in which the "worst examples of unplanned and arbitrary dirigisme were shown in the economy (translated by me)." Gülten Kazgan, *Türkiye Ekonomisinde Krizler (1929-2001): "Ekonomi Politik" Açısından Bir İrdeleme* (İstanbul: İstanbul Bilgi Üniversitesi Yayınları, 2008).115. The successive and seemingly unplanned subsidies granted to tobacco producers in these years can be seen as perfect examples of the DP's economic misgovernment, and so support Kazgan's argument.

[550]PMRA Fon Kodu: 30.18.1.2 Yer No: 141.110.9 (4 January 1956)

[551]PMRA Fon Kodu: 30.18.1.2 Yer No: 145.4.1 (17 January 1957)

[552]PMRA Fon Kodu: 30.18.1.2 Yer No: 145.5.1 (2 February 1957). The single difference of the 1957 decree was the doubling of the loan given to TEKEL. While the loan was 25

The direct subsidy per kilogram was applied for two years, in 1956 and 1957. However, the policy changed in 1958 as a result of revision proposals by the merchants and TEKEL. The 1957 report of the Turkish Chambers of Commerce and Industry and Union of Stock Exchanges stated that the subsidy per kilogram was "much more a social than an economic help." Crop quality should have been taken into account to be able to make it a more economic measure. A subsidy per kilogram encouraged more production regardless of quality. Then, the merchants' report proposed to grant a subsidy proportional to sale price, rather than a subsidy per kilogram.[553]

TEKEL managers agreed with merchants, and proposed to grant a subsidy proportional to sale price, not volume. In a memorandum prepared in October 1957 by TEKEL and submitted to the Prime Minister, the financial feasibility of subsidizing according to sale price was analyzed from the points of both the producers and TEKEL. The memorandum concluded with a recommendation to give a subsidy equal to 20 percent of sale values.[554] In line with the proposals of merchants and TEKEL, the government revised the policy in 1958. According to a decree issued on 23 January 1958, TEKEL would pay a subsidy equal to 15 percent of sale values to the tobacco producers for the 1957-season crop. If the sale price was

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million lira in 1956 decree, it increased to 55 million lira in 1957. Even just this data reveals the increasing financial burdens of the support purchases and myopic solutions of the DP government.

[553]Türkiye Ticaret Odaları Sanayi Odaları ve Ticaret Borsaları Birliği, *Türkiye Ekonomisinde Tütün*.20.

[554]PMRA Fon Kodu: 30.1.0.0 Yer No: 2.16.6 (20 October 1957)

more than the current prices in the market, a four-person committee would determine the price according to which the subsidy would be calculated.[555]

The subsidy policies followed from 1956 to 1958 were excused by the producers' complaints about prices.[556] The policy was presented as a good solution to satisfy producers without rising domestic prices and correlatively decreasing exports.[557] However, the policy of the first two years, 1956 and 1957, cost 57 million Turkish Liras in total, and TEKEL estimated that a 15 percent subsidy of 1958 would cost on average 52.8 million Turkish Liras.[558] How did the government finance these costs, then? Indeed, as clearly seen in the decrees, the government ordered TEKEL to borrow from the National Defense Fund at the Agricultural Bank. Those loans were promised to be offset by a fund that would be allocated to the Ministry of Finance in the subsequent year's budget. However, the government did nothing but delayed that promise year after year between 1956 and 1958.

The government promise of a budget allocation became impossible to keep with the economic crisis of 1958. One of the decisions of 4 August (1958) was about the subsidies granted to the tobacco producers. The government repealed the two decrees, one giving 25 kuruş per kilogram for the 1956-season crop, and the other

[555]PMRA Fon Kodu: 30.18.1.2 Yer No: 148.5.2 (23 January 1958). The committee was comprised of a representative appointed by the highest civil authority, a TEKEL manager or official, a TEKEL expert, and a representative from the local chamber of agriculture or commerce. That committee had nothing to do with the provisions of Law No. 3437 on sale contracts. It would determine only the price on which the premium calculations were based.

[556]In fact, hearing about producer complaints from prices in the years between 1956 and 1958 is not surprising. As shown in Chapter 3, real tobacco prices declined from 1955 to 1960.

[557]Türkiye Ticaret Odaları Sanayi Odaları ve Ticaret Borsaları Birliği, *Türkiye Ekonomisinde Tütün*.20; PMRA Fon Kodu: 30.1.0.0 Yer No: 2.16.6 (20 October 1957)

[558]PMRA Fon Kodu: 30.1.0.0 Yer No: 2.16.6 (20 October 1957)

granting a subsidy equal to 15 percent of sale prices for the 1957-season crop.[559] Hence, the 1958 decisions put an end to the subsidy policies that the DP government had followed in a save-the-day manner between 1956 and 1958.

Support purchases in the tobacco market, however, did not share the fate of additional subsidies. On 28 January 1959, the government issued the decree for support purchases, as it had before the openings of tobacco market in the previous years. It was the same with the previous year's decree, word for word.[560] The last decree issued by Democrat Party governments about support purchases was dated 13 February 1960. It included three additions compared to the previous decrees, for new funding (besides others, for a financial audit of TEKEL, and for allowing TEKEL to transfer stocks between accounts.[561] Among these three, the second – the authorization of the Economic Coordination Committee (*İktisadi Koordinasyon Heyeti*)[562] to audit TEKEL's financial situation after purchases - was the most important one. The importance comes from the fact that the Democrat Party government had admitted the necessity of monitoring the financial results of the support purchase policy for the first time.[563] This necessity was more publicly discussed, and led to substantial changes about support purchases in the post-coup era of the 1960s.

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[559]PMRA Fon Kodu: 30.18.1.2 Yer No: 150.42.4 (2 August 1958)

[560]PMRA Fon Kodu: 30.18.1.2 Yer No: 151.72.11 (28 January 1959)

[561]PMRA Fon Kodu: 30.18.1.2 Yer No: 154.79.1 (13 February 1960)

[562]The Economic Coordination Committee was founded on 5 September 1958 to implement the decisions of 4 August. The committee was formed by the Ministries of Coordination, Foreign Affairs, Finance, Commerce and Industry. It was dissolved after the 1960 coup d'état, on 31 May 1960. Republic of Turkey, *TBMM Tutanak Dergisi*, term 1, session 1, vol. 7, 28 September 1962.6.

[563]The admission of a monitoring necessity for TEKEL may be because of the conditions of the 1958 IMF stabilization program. For more on the IMF program, see Kazgan, *Türkiye Ekonomisinde Krizler (1929-2001): "Ekonomi Politik" Açısından Bir İrdeleme*.115-8.

In sum, what do all these government decrees continuously issued from 1948 and 1960 tell us? First and foremost, they say that the tobacco support purchases were made depending not on a law specific to the tobacco sector, but rather on an extra-ordinary wartime law. Although the war had ended and abnormal conditions requiring extraordinary measures had passed, the governments did not hesitate to use those measures in the post-war period. The abundance of decrees depending on the National Defense Law was because of lack of a sufficient, transparent, and well-defined legislation. That legal deficit allowed the political authority to intervene into the tobacco market via support purchases whenever and under whatever conditions it wanted.

Second, the Republican People's Party government clarified and officialized the support purchase policy in 1948 compared to partial, having institutional uncertainties, and seemingly temporary policies of the period between 1940 and 1947. The 1948 decree was a turning point in the institutionalization of support purchases in the tobacco market since it defined institutional, regional, operational, and financial details of the policy all at once for the first time. Although the regional and operational scope of the policy would be extended several times in the following years, two specifications of the 1948 decree would never change: First, TEKEL would be the single institution authorized to make support purchases in the name and account of State. The Domestic Products and the Tobacco Limited would no longer have an institutional role in government intervention. Second, the fund of producer premiums was subordinate to TEKEL to use in support purchases. The fate of "regulatory institution" promised to be established by producer premiums and the support purchases became wired to each other by the Republican People's Party government. Indeed, the common fate shared by these two from the very beginning

well explains why long-lasting attempts to establish a “regulatory institution” always failed.

The new Democrat Party government took over this legacy in 1950. The first thing it did was to organize a large congress to get the opinions of the market actors about tobacco issue in general. As a part of the agenda, the support purchase policy was also discussed in the 1950 Tobacco Congress. The producers dominated discussions, and wholeheartedly defended TEKEL as the policy implementer before the merchants. The Congress decided to continue support purchases despite some objections made by the merchants and experts. Backed by the Congress, the Democrat Party government extended the scope of the policy, first regionally, then qualitatively, and finally, regarding agency. By the mid-1950s, TEKEL was making support purchases without excluding any region, quality, or producer. The policy was now to purchase “even to the last leaf,” and so offered an unrestricted guarantee of purchase.

The expansion of the support policy resulted in two interconnected consequences: On the one hand, support purchases were instrumentalized in politicians’ hands, which opened up more space for populism. On the other hand, TEKEL gained an irrevocable foothold on the buyer side of the tobacco market. Along with the support purchases, the subsidies uncontrollably granted to producers between 1956 and 1958, which triggered the promotion of populism and the revival of TEKEL again. Although the economic crisis of 1958 put a forced end to such kind of arbitrary subsidies, it was not powerful enough to dismiss the already-institutionalized policy of the support purchases. The crisis gave rise to just an attempt to audit TEKEL for the support purchases, the effects of which could not be

seen in the long-term due to the changing conjuncture by the 1960 military intervention.

All in all, the era opened by 1948 decree was closed by the 1960 coup d'état. Support purchases in Turkish tobacco market were institutionalized in these years. While the Republican People's Party government framed the policy, the successive Democrat Party governments took it further into the market by the unrestricted extension of the policy and rise of populist politics. Yet, one thing never changed in this story: As originally revealed by this dissertation, tobacco support purchases were financed by producers' own money. The governments, whether Republican or Democrat, pretended to subsidize producers through support purchases, but in fact had already taken the cost from producers. The new period after the military intervention was opened by serious criticism of former policies and governments. Then, what the new governments formed in the post-coup period did with this legacy is also worth telling. Now, what support purchase policy meant in the period between 1961 and 1969 will be discussed.

Legislate but not Change: Support Purchases in the Turkish Tobacco Market, 1961-1969

Turkey experienced its first military intervention on 27 May 1960. Regarding economic policies, Pamuk notes that the Democrats were mostly criticized for the "absence of coordination and long-term perspective," and this led the military regime to decide on planning.[564] The post-coup discussions on the tobacco market were fully in line with Pamuk's general observation. Tobacco journals published several articles which were accusing the Democrat Party governments of "exploiting tobacco market

[564]Pamuk, "Chapter 5: Turkey, 1945-1990."110.

for political gain." At most, a short-sighted support purchase policy drew fire as seemingly the main reason for the political corruption and economic hardships of overproduction, crop downgrading, increasing stocks and financial burdens. The new administration was called to put an end to the "even to the last leaf" policy, regulate production, and generate policies caring crop quality.[565]

Along with the rising criticisms towards the policies of the fallen DP government, a significant legal change was also influential regarding the tobacco market in the post-coup period. On 10 September 1960, the National Unity Committee formed after the military intervention abolished the National Defense Law,[566] which had been the legal basis for all kinds of interventions into economic sectors, including the one of tobacco since 1940. Both the corrupt legacy of the DP and the loss of a legal basis for the support purchases created an uncertain atmosphere about what the military regime would do in the new period. However, the legal suspense over support purchase policy was not kept for long, and Law No. 196 of the Support for the Sale Markets of Producer Tobacco was enacted on 2 January 1961.[567]

According to Law No. 196, the Cabinet was authorized to "charge proper institutions with making support purchases in the name and account of the State whenever and wherever it was thought to be necessary." The Cabinet also would

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[565]M. Sait Coşkun, "Tütün Konusu Yeniden Ele Alınmalıdır," *Tütün*, no. 130 (22 June 1960).147-9; M. Sait Coşkun, "Milli İnkilap Muvacehesinde Tütüncülüğümüz," *Tütün*, no. 131 (7 July 1960).163-5; M. Sait Coşkun, "Milli İnkilap Muvacehesinde Tütüncülüğümüz," *Tütün*, no. 132 (22 July 1960).179-82.

[566]Mustafa Albayrak, "Demokrat Parti Döneminde Milli Korunma Kanunu Uygulamaları (1955-1960)," http://www.atam.gov.tr/dergi/sayi-67-68-69/demokrat-parti-doneminde-milli-korunma-kanunu-uygulamalari-1955-1960 Accessed on 13 September 2012.

[567]TMMOB Ziraat Mühendisleri Odası, "196 Sayılı Ekici Tütünleri Satış Piyasalarının Desteklenmesine Dair Kanun," http://www.zmo.org.tr/mevzuat/mevzuat_detay.php?kod=6 Accessed on 17 September 2012.

decide on and allocate the financial resources necessary for all kinds of transactions to make those purchases. The charged institutions would prepare a separate balance sheet for transactions of support purchase, and hand it over the High Supervisory Council (*Yüksek Murakabe Heyeti*).[568] The High Supervisory Council would audit and control all of the accounts of the institutions charged with support purchases. The costs assessed by the Council would compensate be earmarked in the Ministry of Finance's following year budget, and profits would be recorded as revenue in the same budget.

Law No. 196 gave an open-ended authority to the Cabinet by letting it free about the decisions on which institution would make support purchases, when, from where, and by which money. Indeed, it did nothing different from the abolished National Defense Law by authorizing the Cabinet to take the final decision on support purchases. The particular novelty brought by the 1961 law was the integration of audit requirement to the support purchase policy per se. Apart from the audit aspect, Law No. 196 seemed not to determine the details of the support policy. However, the National Unity Committee followed the previous two decades' legacy, and ascertained the policy details by two successive decrees issued on 13 February 1961. The first decree was to fill the legal gap that emerged after the abolition of the National Defense Law. With the decree, TEKEL was permitted to use the already-given funds and sell tobacco that it had bought from the producers and merchants from 1956 to 1960. It also was allowed to transfer stock between accounts, and it would be paid a service fee.[569] The first decree did nothing but recognize the rights

[568]The General Supervisory Council was replaced by the High Supervisory Council after the 1960 military intervention. Kutlu Karaca, "Türkiye'de Kamu İktisadi Teşebbüslerinin Etkinlik Ölçümü Üzerine Bir İnceleme" (Ankara Üniversitesi, 2003).26.

[569]PMRA Fon Kodu: 30.18.1.2 Yer No: 158.42.11 (13 February 1961)

and liabilities of TEKEL regarding the organizational and financial results of the previous policies, just as the former support decrees had defined.

The second decree was about support purchases for the 1960-season crop. Depending on Law No. 196, TEKEL was authorized to make support purchases from the tobacco market in the name and on the account of the State. It was to purchase only "complete crops" owned by people who had "acquired a profession of a tobacco producer." Tobacco bales prepared contrary to the law would not be purchased until the bales fixed. In addition, the support purchases would exclude low grade tobacco, and the Ministries of Finance, Commerce, Customs and Monopolies, and Agriculture together would decide what to do with that low grade crop at the end of the market. The Ministry of Customs and Monopolies would determine the amount of money necessary for the support operations that the Ministry of Finance would provide. TEKEL was allowed to sell the crop in accordance with "market offers," and transfer stocks between accounts. Last, TEKEL officials would be paid a service fee equal to one percent of the purchase or sale price.[570]

The 1961 decree was both similar to and different from the previous decrees. The first continuity with the past was the charged institution, TEKEL. The sole cigarette manufacturer of the country would keep playing a regulatory role via support purchases in the tobacco market, either because of the non-availability of any other institutional option or unwillingness of the military regime for a radical institutional change. Beside the institutional choice, another similarity was the equipment of TEKEL with facilitative rights, such as stock transfer or marketing freedom. Last, the decree also kept the service fee payment to TEKEL which had

[570]PMRA Fon Kodu: 30.18.1.2 Yer No: 158.42.10 (13 February 1961)

been implemented since 1949, but defined it in more concrete terms as “one percent of the sale value” to be paid directly to the official.

Despite the parallels with the decrees of the 1950s, the 1961 decree took a precautious approach against the uncontrolled economic policies of the fallen Democrats. The decree restricted the scope of the support purchase policy by explicitly stating which bales and what kind of tobacco would be purchased from whom: tobacco bales prepared in accordance with the current law No. 3437 would be purchased from “real” tobacco producers, those who were professional tobacco producers. Low grade tobacco would be out of the policy scope. Its more specific language made the 1961 decree resemble the original 1948 decree of the RPP government more and the non-discriminative support decrees issued by the DP governments in the 1950s less. It seemed to respond to the criticisms of the post-DP period that the support purchases led to overproduction, the unlawful degeneration of tobacco bales, and the downgrading of crop quality, and tried to formulate a more restrictive policy.

The 1961 decree had final feature regarding the financing method. Unlike the previous decrees, either issued by RPP or DP governments, the 1961 decree did not include any specification about which money would be used for the purchases. It just assigned the Ministry of Customs and Monopolies to determine the financial amount and the Ministry of Finance to provide the necessary funds. The issue of how much money would be allocated from which funds was not ascertained by the Cabinet, but left to the authority of the ministries. Would the producer-premium fund be used in the purchases? How much seasonal credit would be available for TEKEL? Or, if the ministries disagreed, what would be done? These kinds of questions remained unanswered in the decree. The military regime broke the tradition for the first time in

the history of tobacco support purchases, and did not clarify the financial sources of the policy.

The military regime changed the legal basis of support purchases by enacting Law No. 196, and attempted to restrict the qualitative and subjective scope of the policy by issuing the more cautious 1961 decree. The coalition governments formed after the 1961 elections followed the new route regarding tobacco support purchases. The first coalition government formed by the Republican People's Party and the Justice Party issued almost the same decree as the 1961 one on the eve of 1961-season crop market opening, on 16 December 1961.[571] The December 1961 decree included only two slight differences from the February 1961 one: First, it removed the inter-ministerial mechanism to decide on the fate of the low grade crop excluded from the scope of the purchases. Second, the decree opened the way to decrease the percentage of the service fee paid to TEKEL officials by stating it as "at most one percent," not "one percent" like the original decree.

In the following year, on 2 December 1962, the new coalition government issued a decree similar to the December 1961 one.[572] The only difference of this decree from two previous ones was it did not specify which season crop would be supported. The phrase might have been omitted either because of a bureaucratic oversight or a need for a kind of an open gate to make TEKEL purchase older season crop. Although I came across no documents that stated unsold tobacco remained in the hands of producers from 1961 and 1962, it might have occurred because of the mentioned quality restrictions of the support decrees (the exclusion of wrongful bales, of not "complete crop," and of low grade crop.) Whatever the reason, the 1962

[571]PMRA Fon Kodu: 30.18.1.2 Yer No: 163.62.20 (16 December 1961)

[572]PMRA Fon Kodu: 30.18.1.2 Yer No: 167.55.1 (2 December 1962)

support decree was the first, and indeed the sole, decree not to mention for which season's crop TEKEL was authorized to buy.

Just one-and-a-half months after the December 1962 decree, the government issued another decree about financing support purchases. As underlined above, the support decrees issued after the military intervention did not include an open statement on which funds would be used in purchases. They let the Ministry of Customs and Monopolies decide the amount and the Ministry of Finance provide the necessary funds. Seemingly, the financial linkage between the producer-premium fund and support purchases had been broken. However, after a while, it became apparent that was not the case. According to the decree issued on 30 January 1963, the producer-premium fund was given to TEKEL to use for all kinds of costs generated by support operations.[573] The fund had reached 98 million Turkish Liras, and TEKEL would pay a two percent interest for use of the fund. The decree also ordered that TEKEL would repay money as long as it sold the crop. The time limit for the repayment was set at no more than one year in the decree. The decree shows that the tradition of supporting producers with their own money would be kept also in the new period opened by the 1960 military intervention.

No significant change was recorded in the following years regarding support decrees until the end of 1965. Preceding tobacco market openings, the governments issued decrees by which TEKEL was authorized to make support purchases. Those decrees were the same, word for word, as the December 1961 decree (which had just two slight differences from the original February 1961 decree, one about the administrative mechanism to deal with low quality crop and the percentage of the

[573]PMRA Fon Kodu: 30.18.1.2 Yer No: 168.6.17 (30 January 1963)

service fee paid to TEKEL.)[574] Yet, another policy became a tradition in these years along with the unchanging support decrees: issuing decrees to prolong the time limit for TEKEL's repayment of the producer-premiums. The first prolonging was done on 21 February 1964 when the one-year deadline set by the original 1963 decree was over.[575] The repayment term of one year was once more extended in January 1965.[576] Then, the decrees of term extension began to be issued year by year, like the support decrees. It meant that TEKEL was using the fund of the producer-premiums without any reimbursement pressure by 1963.

The 1965 elections closed the period of unstable coalition governments, and the Justice Party began to rule country as a result of an overwhelming election victory. Nothing changed regarding tobacco support purchases after this significant political turn, but an extension of the policy scope. The support decree issued by the Justice Party government on 8 January 1966 had almost the same wording as the previous decrees of the 1960s,[577] except for two changes. The first difference from the previous decrees involved what to do with low quality crop. According to the 1966 decree, TEKEL would prepare instructions by the end of regional markets about the purchase of low quality crops, which should not be "unusable" and should be baled as "complete crops." Those instructions would become effective after the approval of the Ministry of Customs and Monopolies. These kinds of purchases would exclude bales which were not comprised of "customary hands (*mutad eller*)," were separated from "entire crop" by merchants, and were in the hands of

[574]For the 1963-season crop market, PMRA Fon Kodu: 30.18.1.2 Yer No: 175.3.14 (13 January 1964). For the 1964-season crop market, PMRA Fon Kodu: 30.18.1.2 Yer No: 183.6.19 (28 January 1965).

[575]PMRA Fon Kodu: 30.18.1.2 Yer No: 176.10.17 (21 February 1964)

[576]PMRA Fon Kodu: 30.18.1.2 Yer No: 183.5.18 (22 January 1965)

[577]PMRA Fon Kodu: 30.18.1.2 Yer No: 191.82.3 (8 January 1966)

intermediaries. The other difference removed the phrase "at most one percent," and fixed the percentage of the service fee paid to TEKEL as one percent, like the original February 1961 decree.

The new Justice Party government maintained continuity with the governments of the post-military regime. It changed neither TEKEL's supportive role in the tobacco market or its rights of stock transfer and marketing freedom. Adding, low grade crop was included in the scope of support policy within certain restrictions. Although the constraints on the inclusion were defined, the 1966 decree indeed left an open gate for purchasing all tobacco bales whatever the grade. Moreover, the financing method of using the producer-premiums with an unkept promise to repay also consolidated its place in the post-1965 years. The repayment term was prolonged for one more year by a governmental decree issued on 15 April 1966.[578] Up until 1969, the Justice Party governments changed nothing, but kept issuing annual decrees for both the support purchases and the prolongation of the repayment term.[579]

In sum, it is difficult to say that the support purchase policy changed very much in the period between 1961 and 1969 compared to the previous two decades. While purchases had been made depending on an extraordinary wartime law in the 1940s and 1950s, in the 1960s a support policy-specific law provided the legal basis. Except for this legal change, many things remained same: the governments kept issuing annual decrees, TEKEL continued to make purchases, and the money taken

[578]PMRA Fon Kodu: 30.18.1.2 Yer No: 195.31.3 (15 April 1966)

[579]For the support decrees of 1966, 1967 and 1968-season crop markets, see respectively, PMRA Fon Kodu: 30.18.1.2 Yer No: 202.8.10 (26 January 1967); PMRA Fon Kodu: 30.18.1.2 Yer No: 215.8.21 (27 January 1968); PMRA Fon Kodu: 30.18.1.2 Yer No: 229.4.5 (16 January 1969). For the prolongation decrees of 1967, 1968 and 1969, see respectively, PMRA Fon Kodu: 30.18.1.2 Yer No: 204.19.13 (11 March 1967); PMRA Fon Kodu: 30.18.1.2 Yer No: 216.16.10 (29 February 1968); PMRA Fon Kodu: 30.18.1.2 Yer No: 230.12.3 (20 February 1969).

from tobacco producers was still entitled to TEKEL for support operations. Despite these continuities, it should also be noted that the support policy of the 1960s was responsive to the lessons taken from the economic mismanagement of the 1950s' Democrats. The support decrees of this decade included certain restrictions on from whom, for which grades, and what kind of bales the purchases could be made, at least literally. In that sense of framing the policy, they resembled more the original 1948 decree and less the short and non-discriminative decrees of the 1950s. However, the policy was formulated by the governments, it was yet so important to understanding how the policy was discussed and responded to by market actors. Hence, let's take a step further than the governmental decrees, and focus on the perceptions, discussions, criticisms, and demands of the market actors.

The governments formed after the 1960 military intervention pretended to change the support purchase policy, especially the "even to the last leaf" version implemented by the Democrat Party during the 1950s. Despite the more cautious formulations of the policy in the governmental decrees, the state of affairs satisfied none of the market actors. The merchants, experts, and even producers raised their voices against the support system in particular and current market conditions in general, especially in the second half of the 1960s. They had different reasons to object to the current system, but all of them agreed on the necessity to reform the market through legislation. Indeed, the replacement of Law No. 3437 with Law No. 1177 of the Tobacco and Tobacco Monopoly (see Chapter 3) and the enactment of Law No. 1196 of the Tobacco Agricultural Sale Cooperatives and Regional Associations and the General Association of Turkish Tobacco Agricultural Sale Cooperatives (see Chapter 5) in 1969 were a consequence of this critical atmosphere and reform demands by the market actors.

The tobacco merchants had not stood against the support policy per se from the beginning, as discussed above. They had made no principal objection to the purchasing guarantee provided by TEKEL via support purchases. They had excused the policy as some extraordinary conditions necessitated those kinds of interventions, and even supported the policy, yet reluctantly, for the sake of market balance. The merchants had raised their voices against what TEKEL had done with the purchased crop more than how TEKEL had made purchases. They had been concerned about TEKEL as a tobacco seller, so a competitor to them, more than TEKEL as a buyer. Although their general attitude did not change much in the 1960s, the merchants became more critical towards the politicization of support purchases in this decade.

A report titled "The Condition of Turkish Tobacco Sector in 1966" (*1966'da Türk Tütüncülüğünün Durumu*) was prepared by the Turkish Chambers of Commerce, Industry and Union of Stock Exchanges. The report analyzed the "stability of Turkish tobacco sector and reasons for distortion."[580] The merchant institution thought the main reason for the distortion as the "TEKEL's support purchases done with only political concerns from the 1962 market." For 1962, the report accepted that extraordinary conditions had emerged due to the damage that the agricultural disease blue mold had done to tobacco production. Despite that excuse, the merchants complained about the high support prices, which eventually resulted in overproduction, poor quality crop, and export difficulties.

The merchants criticized the support purchase policy in another booklet, this time published in 1967, in the name of the Turkish Tobacconists Federation. In fact, the booklet was prepared as an "answer to various accusations that would endanger

[580] *1966'da Türk Tütüncülüğünün Durumu*.3-7.

the tobacco sector."[581] In the booklet, the merchants replied to the "misleading news about their high profits" by explaining their business cycle in detail and their costs of production one by one. Besides this reply, the merchants' booklet also questioned the support purchase policy and the role of TEKEL in the market. The tobacco merchants argued that the non-selective support purchases caused the production increase, the downgrading of crop quality, the excess stocks in TEKEL and eventually TEKEL's competition against the merchants in the export markets.

Both the 1966 report of the Chambers of Commerce and Industry and the 1967 booklet of the Tobacconists Federation blamed the support purchase policy for the "distorted" market conditions. Both ended with an urgent call to enact the new tobacco law and reform the current system. The merchants underlined that the law should include production restrictions, the replacement of the declaration system with the license system, the replacement of prime price system with the floor price system, and the constitution of a national tobacco board for coordination.[582] The merchants were not, however, alone in criticizing the support purchase policy and demanding new legislation. The experts and producers agreed with them even though they had different reasons.

Orhan Özet, a high-ranking TEKEL official and expert, made an important presentation during the 1966 tobacco seminar organized by the Izmir Chamber of Commerce.[583] Özet's presentation was about TEKEL's tobacco sales and

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[581]Türkiye Tütüncüler Federasyonu, *Türk Tütüncülüğü ve Sorunları* (n.p.: n.p., 1967).3. The booklet was published as a response to the public discussion about merchants' profits triggered by Çetin Altan, and Mustafa Ok's proposal to open a parliamentary inquiry about profits generated and taxed paid by tobacco merchants. For the details, see Chapter 4 and Chapter 5.

[582]*1966'da Türk Tütüncülüğünün Durumu*.10-1; Türkiye Tütüncüler Federasyonu, *Türk Tütüncülüğü ve Sorunları*.18.

[583]Özet, *Tütün Üzerine Konuşmalar, 1965-1980*.12-9.

relationship between TEKEL and merchants regarding tobacco sales. He mainly argued that TEKEL was not in competition with the merchants, but had to sell support-purchased tobacco, not the crop purchased for its manufacturing needs. Yet, TEKEL paid attention not to distort the market balance, and always sold tobacco within the price limits that emerged in the export market. Underscoring these points, Özet also stated that TEKEL was not willing to make support purchases, either. The support functions and monopoly functions were "poles apart," and, in Özet's words, the former negatively influenced the achievement of the latter, "principal business activities of TEKEL." He cautioned against making the support purchase policy the scapegoat because abnormal conditions had invited it, not vice versa. Özet concluded that the tobacco market necessitated an institutional reform as a whole. Like the merchants, he also called for a change, including new legislation, the constitution of a national tobacco board, and production restriction. Moreover, his reform package moved ahead of that of merchants by proposing the establishment of tobacco sale centers at which auction sales would be done.

Özet's 1966 presentation clearly shows the dissatisfaction of TEKEL experts and managers with the market conditions. On the behalf of TEKEL, Özet complained of the overloading of the institution. While he accepted that selling leaf tobacco was not, and should not be, the principal activity of TEKEL, he excused those sales with stocks accumulated as a result of support purchases. The institutional reform should take the support responsibility from TEKEL's shoulders, and let it fulfill its main duties, manufacturing and selling tobacco products.

The point made by Özet about the troubles caused by TEKEL's double mission was also the subject of media debates and scholarly inquiries in the second half of the 1960s. Haluk Cillov, a prominent professor of economics and a columnist

of the newspaper *Milliyet*, constantly wrote about the support purchase policy, especially before and after tobacco market openings. He argued that the support purchases supposedly were to help the producers, but actually they had not done so. Purchases were costly and open to political misuse. Rather than such a drain on resources, Cillov wrote, establishing cooperatives would be the best solution both to decreasing the financial burdens on TEKEL and the chronic problems of the tobacco market.[584]

Like Cillov, Abdi İpekçi, the influential editor-in-chief of *Milliyet*, questioned the growing costs of the support policy which had begun to fall short of the market needs. Depending on an interesting claim that support purchases favored large landowners, İpekçi promoted the policy of organizing small landholders as a radical solution to the "tobacco problem."[585] İlhan Özer, a leading auditor, agreed with Cillov and İpekçi about the damages of overloading TEKEL, although he did not propose a cure-all policy like them. In his study on TEKEL, Özer argued that TEKEL was forced to work under social, political and economic pressures. It could not operate effectively in its core business, the tobacco sector, because of the additional duties of support purchases, the protection of producers and the price determination. He underscored the necessity of disburdening TEKEL, "leaving the price policy that encouraged more cultivation," and finding a solution to continuously increasing production.[586]

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[584]Haluk Cillov, "Tarım Destek Alımları," *Milliyet,* 4 October 1967.2; Haluk Cillov, "Tütün Piyasası," *Milliyet,* 31 January 1969.2.

[585]Abdi İpekçi, "Durum: Madalyonun Öbür Yüzü," *Milliyet,* 15 October 1966.1; Abdi İpekçi, "Durum: Tütün Piyasası," *Milliyet,* 24 January 1967.1; Abdi İpekçi, "Durum: Tütün Meselesi-2," *Milliyet,* 1 February 1968.1,9.

[586]İlhan Özer, *Tekel* (İstanbul: Fakülteler Matbaası, 1967).28-44.

These intellectuals discussing support purchases in particular and tobacco market in general spoke with a single voice about the improper fit of TEKEL's roles as a cigarette manufacturer and a support institution. All of them pointed to the increasing financial burdens on and operational problems of TEKEL, like Özet did, and called for a change. The TEKEL expert-managers and intellectuals shared the same opinion with tobacco merchants about asking for market reform even though they had different reasons and different solutions. What about the tobacco producers? Did the revisionist consensus include the biggest and most heterogeneous part of the tobacco market? Available archival sources may present some hints to find a sufficient, yet not absolute, answer to this question.

The 1964 report of the Union of Turkish Agricultural Chambers clearly stated what the largest producer association expected from the market reform. It first described the problems generated by the current market conditions. To solve those problems, it concluded that a "national policy" was needed including the enactment of a new law, the establishment of "tobacco agricultural sale cooperatives and regional associations and general association of Turkish tobacco agricultural sale cooperatives" to regulate and support tobacco sales, opening a high school to educate experts, the organization of tobacco producers like merchants, and the constitution of a national tobacco board.[587] The reform package proposed by the agricultural chambers highlighted the organizational problems of the producers as a whole, while it still resembled the other actors' proposals by first and foremost underscoring the necessity for a legal change. Along with the report, the focus of which was market reform in general, local and national newspapers may have provided an insight what producers thought about support purchases in particular.

[587]Türkiye Ziraat Odaları Birliği, *Tütüncülüğümüzün Halihazır Durumu*.32-8.

Yeni Asır interviewed tobacco producers in the most important Aegean production districts (namely Gavurköy, Seydiköy, Tepeköy, Urla, Seferihisar, and Akhisar) on the eve of the 1967 market opening. The interviews show that the producers were not very interested in support purchases per se. Rather, they expected TEKEL to support the market to the end, meaning not to slow purchases and/or decrease purchasing prices, and eventually not to "make them dependent on the merchants." Moreover, almost all of the producers brought up the necessity of a new tobacco law. They complained of the well-known market conflicts, such as the market opening date, the discarding and discounting practices, and credit insufficiency, and expressed their hopes that the new law would put an end to those conflicts. Along with these, they asked for measures against increasing production and the price policy, which they thought indifferent to quality.[588]

The 1967 interviews shared a theme with the pieces in *Milliyet* and *Yeni Asır*, including an insight into the producer responses towards the support purchases. The 1960s'-tobacco producers considered TEKEL's purchasing strategy as a whole, or in their words, "TEKEL's stance."[589] The support purchases had already been institutionalized for them. How TEKEL would implement the support duty (slow or fast purchases, at unchanging or decreasing prices, high or low discarding and discounting rate, etc.) was more important than whether they existed. What was more, the tobacco producers of the 1960s neither questioned the financial linkage between the support purchases and producer-premium fund nor asked for the

[588]"Tütün Piyasası Arefesinde Ege - Gavurköy."; "Tütün Piyasası Arefesinde Ege - Seydiköy," *Yeni Asır,* 22 January 1967.4; "Tütün Piyasası Arefesinde Ege - Tepeköy," *Yeni Asır,* 23 January 1967.4; "Ege Tütün Piyasası 28 Ocakta Açılıyor."; "Tütün Piyasası Arefesinde Ege - Seferihisar," *Yeni Asır,* 26 January 1967.4; "Akhisarlı Ekiciler, Sakin Kararlı."

[589]Abdi İpekçi, "Tütün Piyasası Açılırken," *Milliyet,* 22 January 1969.1,7; "Tütüncü Derdini Kimseye Anlatamıyor."

establishment of a "producer institution" as passionately as they had done in the 1950s. They had come to terms with TEKEL's constitutive role in tobacco market as a shield against the merchants. Last, the tobacco producers agreed with the merchants, TEKEL experts, and economists that a new legislation was necessary. However, they did not expect as much change about the support policy as the others did. Rather, the pricing policy and production restrictions were at the center of their demands from the new laws.

The Turkish tobacco market came to the legal changes of 1969 in this atmosphere, fed by a critique of the support purchase policy and extension of reform demands. As Chapter 3 argued, the new regulations emerged not as a simple consequence of the top-down law-making process of politicians. Rather, they reflected the struggling policies of the market actors. The exact meaning of the new laws regulating the tobacco market (Law No. 1177 of the Tobacco and Tobacco Monopoly Law and Law No. 1196 of the Tobacco Agricultural Sale Cooperatives and Regional Associations and the General Association of Turkish Tobacco Agricultural Sale Cooperatives) cannot be understood without having that historical background, elaborated in the above pages, taken into account. The new laws introduced important changes into the tobacco market that all of the market actors had long proposed and asked for with different reasons and emphases: production restriction, the establishment of tobacco sale centers at which auction sales would be done, and the establishment of agricultural sale cooperatives to organize the producers, the constitution of an inter ministerial tobacco board and a national tobacco board, opening a high school to educate experts, and new measures to prevent contract conflicts. The 1969 legal reform was indeed a real development considering the chronic problems of the tobacco market. However, the enactment of

the laws did not necessarily mean that they were implemented. Turkey would experience exactly that kind of political retention in the 1970s regarding the implementation of legal reform, as Chapter 7 will discuss.

Before closing this chapter, I would like to present a quantitative summary of the support purchase policy from the beginning of TEKEL's authorization in 1948 to the legal reform of 1969. Figure 12[590] shows the support purchases and merchants' total purchases in thousand tons between 1948 and 1978. In order to eliminate the impact of sharp annual fluctuations, I take three-year moving averages of the purchase volume data. Then, the purchase amount of the year 1950 stands for the average of the 1948-1949-and-1950 amounts, the 1951 for the average of the 1949-1950-and-1951, and so on.

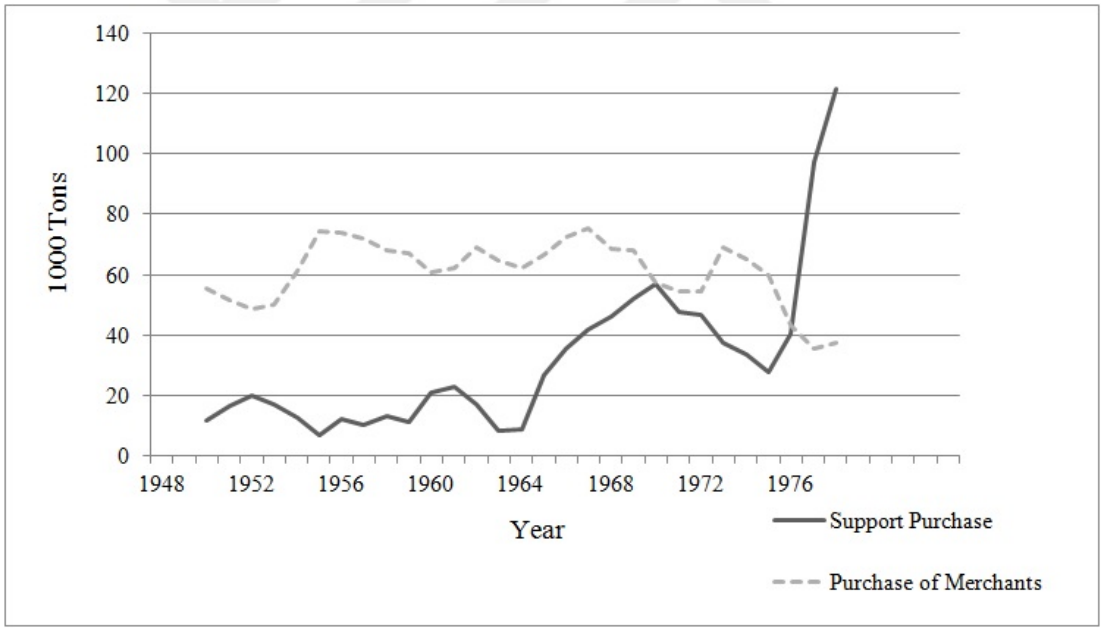

Figure 12: Support purchases and merchants' purchases in Turkey between 1948 and 1978 (in 1000 tons).

Figure 12 demonstrates two striking realities about merchants' purchases and TEKEL's support purchases. First, the purchasing ability of the tobacco merchants

[590]The data of Figure 12 and Figure 13 are seen in the table of "The Purchase Volume of TEKEL and the Tobacco Merchants, 1948–1978" in Appendix F.

changed less until the 1970s, as Chapter 4 argued. The merchants bought around 50 to 80,000 tons of tobacco on average from 1948 to 1970. The volume never drops under the level of 60,000 tons in the 15 years between 1954 and 1969. Then, the implementation of the support purchases and increasing role of TEKEL did not mean the marginalization of the merchants in the market until the 1970s. Working for a not-so-much changing export market, the tobacco merchants managed to purchase similar amounts on average. The merchants' purchases sharply and continuously decrease in the 1970s. The amount drops to the historic bottom of 35,000 tons in 1977. This trend was, however, unusual compared to the two previous decades.

The second reality Figure 12 shows is that support purchases gained momentum in the second half of the 1960s. Before 1965, TEKEL's support purchases fluctuate between 10 to 20,000 tons on average, and do not exceed the 20,000 ton threshold even in the decade of "even to the last leaf" policy, in the 1950s. However, the support purchase volume increases continuously between 1965 and 1970. The relative decrease of the first years of the 1970s is followed by a sharp increase in the second half of the decade. With that jump, TEKEL's support purchases reach the historic peak of 120,000 tons on average in 1978. Then, the volume of support purchases dramatically changes in two periods, one with a continuous increase between 1965 and 1970, and the other with a sharp jump between 1975 and 1978.

To understand the relative place of support purchases in the total tobacco purchases, another figure may be more helpful. Figure 13 charts the rate of support purchases in total tobacco purchases, including TEKEL's purchases for its own needs, TEKEL's support purchases, and the merchants' purchases in the period from

1948 to 1978. Like Figure 12, I also use three-year moving averages of purchase volume data in Figure 13.

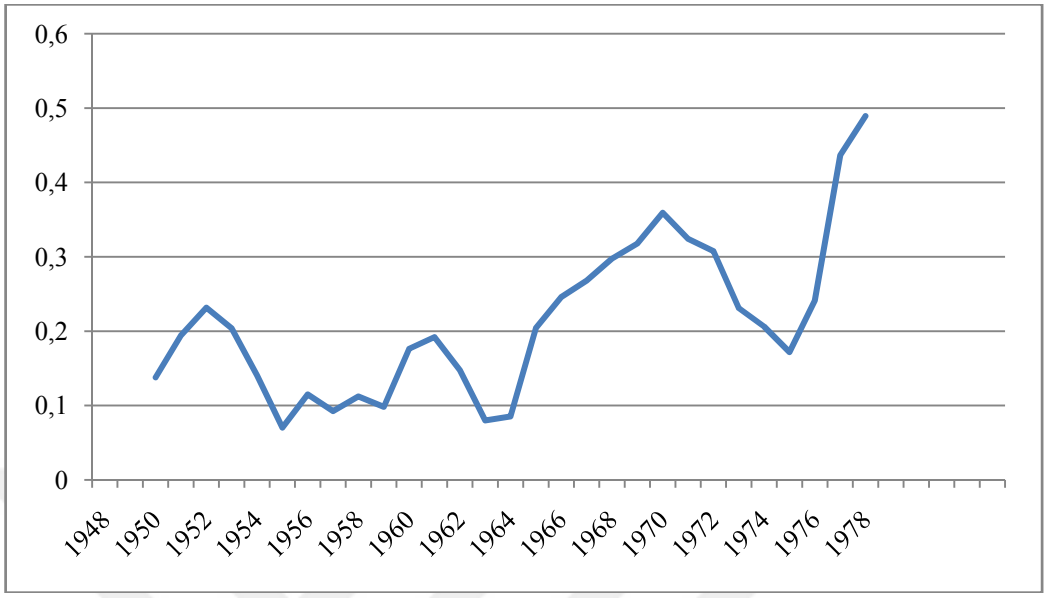

Figure 13: Support/total tobacco purchase, 1948 – 1978.

Figure 13 shows the overall increasing trend of the rate of support purchases in the total tobacco purchases. The percentage of support purchases in total purchase volume fluctuates around 0.1 to 0.2 until 1965. The noteworthy increases of this period are seen in the first three and last two years of the 1950s. Except for the early 1950s, the rate of support purchases never exceeds one-fifth of total purchases between 1948 and 1965. However, the rate continuously increases from 1965 to 1970, and 35 percent of total purchases is comprised of support purchases in 1970. Following a steady decrease in the first half of the 1970s, the rate makes a sharp jump between 1975 and 1978, and reachs the historic peak in 1978. That year, almost half of total purchases were done by TEKEL as support. In addition to this striking move of the second half of the 1970s, Figure 13 also points to the significant fact that TEKEL had been purchasing more than twenty percent of total tobacco production as support purchase in the post-1965 period.

Unfortunately, we lack any kind of serial and reliable data showing what the support purchases financially meant in the period under discussion. However, the available data processed in the above figures give a quantitative idea about the course of the support purchase policy. The decade of "even to the last policy," the 1950s, seems to have lessons given from the non-discriminative and populist support purchase policy. While the 1960s opened with a new law and seemingly more precautious policy content, the 1965 turn changed the scene. Both the volume of the support purchases and their rate in the total purchases continuously increased until the early 1970s. The expansionist trend fed the criticism of the policy and made revision calls urgent in the late 1960s, and eventually resulted in two new laws in the tobacco sector. However, in the 1970s, the tobacco sector suffered even more from the uncontrollable support policy, sharpening the market conflicts and eroding the administering power, as will be seen in the following chapter.

Concluding Remarks

This chapter discussed the introduction and institutionalization of support purchases in the Turkish tobacco market in the period between 1938 and 1969. The discussion focused on how the governments defined and implemented the support purchase policy, and how the market actors responded. Given the historical differences of the three sub-periods examined, I compared and contrasted the policy determinations and actors' responses for each period. In addition, a quantitative summary of the support purchase policy was presented with the help of data on the period under discussion.

The first period discussed for the support purchase policy was from 1940 to 1947. During the period, the governments followed a support purchase policy in the tobacco market without naming it as such, but as "direct purchases." Three different institutions, the Turkish Corporation of Domestic Products, the Turkish Tobacco Limited Company, and TEKEL, were authorized to make "direct purchases from tobacco producers" by annually issued decrees. The legal power for purchases came from the extraordinary measures of the wartime law, the National Defense Law. Direct purchases were financed with working capital raised by government credits. With these characteristics, the support purchase policy of the first period was partial, having institutional uncertainties, and seemed temporary, as if it had been implemented due to wartime difficulties. The policy overall was assessed in the 1947 tobacco meeting. None of the market actors, including the tobacco merchants, objected the policy per se, and even excused and/or backed it. The government decided to clarify and institutionalize the policy in 1948, based on both the lack of a public objection to the policy and the changing conditions of the post-war era.

Regarding tobacco support purchases, 1948 was a turning point, opening a new period until 1961. It was because the 1948 support decree both cleared the residuals of inconsistent policies during the first period and clarified the details of the support policy all at once for the new period. The new policy made two significant and irreversible mergers, one institutional and the other financial. From then on, TEKEL made support purchases in the name of and on the account of the State, mainly with the money accumulated in the producer-premium fund. The new route was discussed most broadly in the 1950 tobacco congress during which the producers' wholehearted defense of TEKEL and support policy silenced the merchants' objections to the TEKEL's tobacco exports. Neither the role played by

TEKEL as a buyer nor the financing method chosen for the purchases ignited discussion, and the Congress ended with widespread social support for the continuation, and even increase, of TEKEL purchases.

The new DP government relied on this support, and showed no hesitation at removing all regional, qualitative, and subjective restrictions on the policy. By the early 1950s, support purchases were already being non-discriminately made with the populist slogan of "even to the last leaf." The 1950s version of the support policy combined with additional and uncontrolled subsidies granted to the producers and merchants, and left a legacy of political abuse and a troubled support system to the new decade.

The lessons learnt from the 1950s seemed to set the policy framework of the next period, from 1961 to 1969. A legal gap emerged as a result of the abolition of the National Defense Law, and was filled by the enactment of a support policy-specific law, Law No. 196 of Support for the Sale Markets of Producer Tobacco, in 1961. From then on, the governments delegated the support duty depending on this law. In addition, the annual support decrees were worded in a more cautious tone, imposing some restrictions on what kind of bales and qualities would be purchased and from whom.

Apart from the legal change and scope restrictions, the policy did not change much: TEKEL made the support purchases, and the producer-premium fund was used for the purchases as from 1963. Even the Justice Party government had extended the scope of the policy by 1965. As seen in the above figures, tobacco support purchases gained momentum in the second half of the 1960s by showing significant increases in the purchased amount and the ratio of support purchases to total purchases. This, along with other chronic market problems, led the market

actors drop their active support and/or accept of the policy reluctantly, and voice criticisms. Indeed, there was a consensus among the market actors in the late 1960s on the necessity of a radical reform of the tobacco market, despite their different reasons for a change. The 1969 laws on the tobacco monopoly and sale cooperatives were fruits of this critical atmosphere. At least legally, both laws reconstructed the rules of the game played in the Turkish tobacco market, including the support purchase policy.

Now, it is time to stress the main points of this discussion about the historiography on support purchases. The prevailing arguments about the support purchases discussed in the introduction of this chapter are that the policy led to market distortions, it was a means of political populism, and/or a simple manifestation of state interventionism. By revealing significant historical facts, the present account of the tobacco support purchases raises some basic questions: If a policy was being implemented from the very beginning as a constitutive component of market relations, is it still possible to label it "distortive"? How and when exactly did the policy "distort" the tobacco market? Moreover, to what extent is the heart of the populism argument - give money and get votes – valid, given that the support policy was financed directly by the money cut from tobacco producers? Could it be that the populist discourse around the support purchases function as a mask to cover the possibly controversial financial linkage more than a vote-hunter? Last, can we still think of the support purchases just as an imposition of state interventionism into the economy given the popular backing of the market actors at crucial turning points?

This chapter did not give absolute answers to these questions, but it presented challenging insights, and by doing so, hopes to contribute to the existing literature. First, the distortion argument was most loudly expressed at specific historical

moments at which the price policy caused more trouble than the support policy alone. As long as the price policy satisfied or did not bother the market actors, nobody raised criticism to support purchases. The support purchases had a constitutive role in the Turkish tobacco market, and were an integral part of market relations from the beginning. Because of that, the Turkish tobacco market was distorted (or not) throughout the Republican period. The distortion criticisms of the 1970s were made as if the support purchases had been newly injected into the tobacco market, contrary to the long history of the policy. Hence, nothing but just a historical comparison of the pre- and post-1940 period may make the distortion argument reasonable.

Second, this chapter revealed that the tobacco support purchases mainly were financed by premiums compulsorily cut from the tobacco producers with the promise to establish a regulatory institution, not by an allocation from the government budget. Although nobody can disprove populist politics around the purchases, this original financial linkage may offer an alternative reasoning for the populist discourse. The constant guarantees of the statements of politicians kept the controversial financial transfer of the producers' money under wraps. The governments, regardless of their political inclination or era in which they were in power, did not hesitate to pretend as if they were putting the money in the pockets of the producers when in fact they were taking it from the other, while using the support policy as a manifestation of their generosity.

Third, the market actors were as responsible as the political authority in the final analysis of the support purchase policy. The tobacco producers benefitted from the purchasing guarantee in particular, and the balancing role of TEKEL in the market in general. They did nothing to break the financial linkage established

between their own money and the support purchases either because they were not fully aware of the fact or were satisfied with the redistribution policy. The tobacco experts had a higher workload due to the purchases, but also financially benefitted from the policy thanks to the service fee paid to TEKEL. The tobacco merchants found the chance to work in a more balanced market. Except for the years the price policy caused trouble, the merchants made no complaints about, even sometimes backed, TEKEL's support purchases. Their problem was not TEKEL as a buyer, but TEKEL as a seller of tobacco, allegedly an unfair competitor in the export markets. In sum, no market actor struggled to put an end to the support purchase policy even though they had certain criticisms. It was a kind of win-win game for the tobacco market actors, at least until the second half of the 1960s, except for a few years when the market conflicts intensified and paralyzed the "ordinary" course.

The 1969 legal reform had the potential to change the market relations radically. Finally, tobacco production could be restricted, producers organized, experts better educated, merchants well represented, sales auctioned, and tobacco issue taken as a "national matter." What happened after this legal reform in the 1970s is the topic of the next chapter.

CHAPTER 7

AN ATYPICAL DECADE: THE BRACKET OF 1970S

> The existence of the institution so-called TEKEL and its system have never improved the conditions of tobacco producers. The Prime Minister said that Turkey has been undergoing a radical change. We believe that it is also time for a radical change in the tobacco sector, and we demand and expect personally that dear Mr. Özal rescue the suffering tobacco producers of the Aegean region.[591]

İhsan Yalkın, a former mayor of Akhisar and former deputy of Manisa,[592] wrote these lines in 1986 in his book titled, "The Tragedy of Aegean Tobacco Producers and Rescue Remedies" (*Ege'de Tütüncünün Dramı ve Kurtuluş Çareleri*). Yalkın stated that he had been working as a doctor in Akhisar for years, and so personally had witnessed all of the "sufferings of tobacco producers." As suggested by the title, Yalkın's book is full of dramatic descriptions of those "sufferings," which occurred mainly by the political exploitation of the producers and the oppression of TEKEL. The way of rescuing the producers from the strong hand of TEKEL was a free market order, the achievement of which was to be reached through administrative and technical reforms. As first steps towards liberalization, he welcomed the legal changes of 1984 and 1986 by which foreign cigarette imports were permitted and the monopoly on tobacco agriculture and cigarette manufacturing was abolished.

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[591]İhsan Yalkın, *Ege'de Tütüncünün Dramı ve Kurtuluş Çareleri* (İzmir: Serkan Matbaacılık, 1986).5-6. *"Tekel denilen kuruluşun varlığı ve bugüne kadar uyguladığı sistem hiç bir zaman tütüncünün kalkınmasına ve düzelmesine uygun bir mevzuat değildir…Sayın başbakan Türkiye bir kabuk değiştiriyor derken tütüncülüğümüzde bu gün bir kabuk değiştirme zamanının geldiğine inanıyor egenin çileli tütün üreticinin kurtarılmasını hasseten sayın Özal'dan rica ediyor ve bekliyoruz.*"

[592]İhsan Yalkın was a Democrat Party deputy of Manisa from 1957 to 1960. He worked as a doctor in many districts, and was the mayor of Akhisar, the most important tobacco producing district of Manisa. For more on his biography, see *TBMM Albümü (1920-2010)*.740.

The welcoming attitude towards liberal market reform of the early 1980s belonged not only to İhsan Yalkın. Rather, the tobacco merchant organizations also praised the attempts of the Özal government to liberalize the tobacco market. Esin Özgener, the head of the Aegean Tobacco Exporters Association, made one of the clearest statements in 1986 by declaring that they, the representatives of the private sector, appreciated and wholeheartedly adopted the system the government had implemented since 1983. They found the new order beneficial in all aspects for the whole country.[593] The consensus on the necessity for a liberal reform became hegemonic in the early 1980s, mostly because of the infamous legacy of the previous decade. Regarding the tobacco market, the decade was remembered as an era in which TEKEL was over politicized, and market was mostly misgoverned under short-sighted political calculations. To what extent such remembrances are well-grounded is the subject matter of this chapter. It discusses what happened in the Turkish tobacco market in the 1970s by comparing and contrasting with the basics of all of the previous three decades. By doing so, it shows the characteristics that make it possible to name the 1970s an atypical decade as the title of the chapter suggests.

The 1970s are an overall understudied decade in modern Turkish historiography. Bounded by two military interventions, the decade is generally approached as an era of unstable coalition governments, political instability and terror, economic shortages, a black market and resultant crise. In his foreword to a *Toplum ve Bilim* issue featuring the 1970s, Ömer Turan raises the question of what remains from the decade if one step can be taken further than the hegemonic themes

[593] *Tekel'in Tütün Alımlarına Başlaması Nedeni ile İzmir'de Maliye ve Gümrük Bakanı Sayın Ahmet Kurtcebe Alptemoçin Tarafından Düzenlenen Basın Toplantısı*.7.

of terror-chaos-crisis. [594] He contextualizes the 1970s within a broad framework of three categories, the crystallization of class perspectives, populist modernity, and escalating violence spiral and crisis. Reviewing the current literature under this framework, Turan asks the methodological and historiographical possibility of approaching the 1970s as a dynamic decade in which society became politically more active, alternative imaginations proliferated, and new ways of struggle emerged.

This chapter contributes to the general framework Turan depicts. It discusses the decade through the mediation of a specific context, the tobacco market. By doing so, I hope to contribute to our knowledge about the economic, political and social history of the 1970s, which lacks sufficient studies, as Turan rightfully underlines. Second, the chapter reveals what leftist populism meant in the tobacco market when the policy found implementation chance for the first time with the 1974 Republican People's Party government. It also searches for the impacts of leftist populism on the tobacco market in the rest of the 1970s. Third, this chapter strengthens the possibility of a positive answer Turan's question about approaching the decade as a dynamic era full of political activism. It is because the discussion below presents a detailed account of how the struggles of the tobacco producers diversified, their sphere of influence expanded, and what the long-term results showed. Last, the history of 1970s' tobacco market demonstrates political instabilities, economic mismanagement, and a lack of legal and institutional power that resulted in a total collapse and crisis. What happened after the crisis moment owed much to the snowballing but unsolved problems of the last years of the decade.

[594]Ömer Turan, "Alternatif Tahayyüller, Devingenlik, Populizm: 1970'ler için Bir Çerçeve Denemesi " *Toplum ve Bilim*, no. 127 (2013).3-25.

The Turkish tobacco market seemed to start off with a clean slate with the 1969 legal reforms. Two tobacco laws, the tobacco monopoly and the tobacco agricultural cooperatives laws, enacted in 1969 were supposed to find particular solutions to the long-lasting problems. Tobacco production was to be restricted regionally, positionally and areally (*mıntıka, mevzi, alan tahdidi*). Also, the Inter Ministerial Tobacco Board (IMTB) was enabled to take additional restrictive measures whenever further decrease of production was needed. New licensing requirements were imposed on all market actors, including the tobacco producers, the merchants, and the experts. Producers were obliged to have a tobacco cultivation license, heavier conditions were imposed on merchants to obtain a trading license, and experts were required to have graduated from the high school to be established by the Ministry of Customs and Monopolies. TEKEL was to be the bureaucratic center for all of the new licensing procedures.

The relations both among the ministries dealing with the tobacco market and between market actors were regulated. The IMTB was to coordinate relations among ministries, and the National Tobacco Board (NTB) was to put market actors and governmental authorities together. Adding, the regulatory mechanism of declaration of the market opening dates by the governmental authorities was also legalized. The IMTB was to announce dates for each region annually. Last, the sale system was totally changed which had been causing unending conflicts of advance payment sales, pricing, grading, discounting and discarding, warehousing, and credit availability, as discussed above. Tobacco sales were supposed to be done on auction basis in sale centers that would be established by agricultural sale cooperatives. This system aimed to eliminate village sales, sales before market opening, quality determination in fields, arbitrary discounting and discarding practices, and credit

availability problems. Also, the new sale system was expected to fulfill organizational necessity for producers and to clarify the fate of producer premiums fund.

The institutional and legal reform of 1969 aimed to change the rules of the game in the Turkish tobacco market radically. However, the new rules were not implemented in the 1970s, which was the first decade in which the applicable laws were implemented to a small degree or not at all, compared to the previous three decades. In addition, the macroeconomic trends of the decade were highly divergent from the previous periods. All macroeconomic indicators made sharp movements. The number of tobacco producers, total production, real prices, and the share of tobacco export showed rapid increases, followed by sudden decreases within very short periods of time. The first part of this chapter focuses on two atypical characteristics of the decade, diverging macroeconomic trends and failure to implement the laws in effect, within a discussion of the responses of the market actors to these developments.

The 1970s saw differing political agendas regarding the tobacco issue. Turkey had been experiencing political pluralism since the mid-1960s. The cornerstones of that political pluralism were the emergence of new political parties (both left- and right-wing, such as the Workers' Party of Turkey, the National Salvation Party, and the Nationalist Movement Party), the RPP's adoption of "left-of-center" position, and the development of an extra-parliamentary opposition. However, the turn for the tobacco market occurred in 1974, when the RPP's legendary Minister of Customs and Monopolies, Mahmut Türkmenoğlu, opened and governed the market. 1974 was a turning point for several reasons. It saw the first realization of the RPP's leftist populism, the implementation of a totally different policy by TEKEL, and the

beginning of economic and political marginalization of the tobacco merchants. The Türkmenoğlu turn overshadowed the succeeding governments which had to determine their annual policies for tobacco market with regard to the discursive and political setting generated in 1974. The second part of this chapter is on the peculiarity of the 1970s on which the differences among political parties were most visibly reflected in the implementation. Considering Türkmenoğlu's ministerial term a turning point, I discuss the meaning of leftist populism for tobacco market and its consequences in the second part of this chapter.

The third part focuses on the extra-parliamentary opposition that emerged in the 1970s' tobacco market. This dissertation argues the organized political activity (unions, demonstrations etc.) was not the single form of political agency and the lack of organized political movements did not mean less influential historical actors. Until this point, the tobacco producers have been considered as active market actors who influenced the end result by negotiating with the other market actors, organizing associations, holding meetings, petitioning and boycotting sales. Still, their activism in the 1970s was unique compared to the previous decades: The movement showed continuity and a wide sphere of influence, (extreme) leftist political engagement was explicit, and the ways of protest proliferated. Mass mobilizations, known as "tobacco demonstrations," hit the most important production regions both in the late 1960s and 1970s; an agricultural union was established, and the tobacco producers created a new struggle repertoire, including workshop occupations, taking experts hostage and assaulting merchants' offices. The third part of the chapter reveals the political and social inventory of the tobacco producers' activism based on the national newspapers, a limited number of written accounts (booklets and leaflets,) and interviews conducted in December 2011 in Izmir and Manisa.

The last part presents the total crisis by the end of the decade. By the late 1970s, TEKEL had developed a bad reputation for over-politicization, partisan staffing, and corruption allegations. It also showed great weaknesses in fulfilling its main duties. At the same time as it found no better solution for tobacco overstocks than burning them, there was an acute shortage of cigarettes. The whole country suffered simultaneously from both long queues to buy a packet of TEKEL cigarettes, and a boom of smuggled cigarettes. Exporting difficulties and foreign exchange shortages added more to the economic problems. The crisis was worsened by governmental instabilities, continuing unimplemented tobacco laws, and increasing political polarization and violence. The tobacco market experienced economic, political and social mismanagement all at once between 1977 and 1980. That collapse paved the way for the degradation of the market order and the empowerment of calls for radical change in the early 1980s.

In sum, this chapter argues that the 1970s was an atypical decade compared to the previous 30 years discussed in this dissertation. The difference comes from the diverging macroeconomic indicators, unimplemented laws, the bifurcation of political agendas and their implementation, the unrivalled dominance of TEKEL, the marginalization of tobacco merchants, the emergence of the mass movements of tobacco producers, and the proliferation of new ways of protest. In the end, the tobacco market was shaken by a serious crisis that led to the liberal program of the post-1980 coup era. Based on a variety of historical sources, this chapter discusses the economic, political and social history of the Turkish tobacco market in the 1970s.

An Overview of Expectations and Realities

One of the characteristics that made the 1970s atypical compared to the previous decades was the presence of diverging macroeconomic indicators. Chapter 3 presented an overview of the decade. Regarding production, four indicators are helpful: area sown of tobacco to see how much area tobacco covered, area sown of tobacco as a percentage of total sown area to eliminate the impact of changes in general area sown, tobacco production in tons, and productivity per hectare. The first two indicators reached their historical peak in 1972, when area sown of tobacco exceeded 350,000 hectares, forming a 2.2 percent of total area sown. The peaks were followed by a fluctuating but decreasing trend until the mid-1980s. Unlike sown area, tobacco production had an increasing trend in the first half of the 1970s. 1976 marked the historical peak of tobacco production, which jumped from 200,000 to 320,000 tons only in one year. The sharp increase of 1976 was followed by erratic decreases until the end of the decade. Still, tobacco production was between the range of 170,000 and 220,000 in the early 1980s, being well above the maximum level of the 1960s. Last, productivity per hectare had a general increase since dramatic production increases were not met by proportional increases of area sown.

Tobacco production experienced booms busts just in ten years in the 1970s. The progress of real tobacco prices throughout the decade also presents striking facts. Real tobacco prices gradually decreased after the sharp increase in 1963, the year tobacco production was hit by an agricultural disease, until 1972. The ten year downward trend, however, reversed between 1972 and 1977. During those five years, real tobacco prices constantly and dramatically increased until the final level was one-and-a-half times higher than the starting point. Indeed, rapid price increases from

1972 to 1977 were a domestic phenomenon more than a global one. Compared to Greek real prices, Turkish prices were disproportionally higher during those five years. The abnormal rise was followed by continuous and sharp falls in the subsequent three years until 1980, the year of historical bottom for real tobacco prices. In short, real tobacco prices jumped to peak and dropped to their historical lowest points in only eight years.

The price incentive of the first half of the 1970s had a direct impact on how many producers turned towards cultivating tobacco. The share of tobacco producers in total agricultural employment was 3.6 percent in 1973, and gradually increased to 6.5 percent in 1976. Then, in addition to tobacco production and real prices, the share of tobacco producers in agricultural employment dramatically increased until 1977, and then decreased sharply in the rest of the decade.

The tobacco exports did not perform as well as other domestic indicators did. The share of tobacco value in total export value declined during the 1970s, except for an increase in 1975. While tobacco's contribution to total export revenue was around 20 percent in 1970, it gradually dropped to ten percent in 1978. The decrease was not only because of a relative increase of other export goods in total exports. The value share of tobacco fell due to export difficulties. Tobacco export volumes were reduced by approximately half in 1978 as to 1971.

In sum, all statistics belonging to the 1970s diverged dramatically from thoese of the previous decades. Rather than gradual movements, all indicators showed sharp fluctuations in a very short period of time. A greater number of producers cultivated more tobacco, the volume of which reached its highest level ever. As well as production volume and number of producers, real tobacco prices in the domestic market continuously increased until the late 1970s. Dramatic, and

seemingly uncontrolled, rises of production volume and real prices were followed by rapid decreases in the last three years of the decade. Given a stagnating export market, sharp fluctuations in production and price meant worsening problems of overstock, price instability, and production planning.

One of the reasons for such rapid fluctuations in relevan statistics was the lack of law enforcement. The Turkish tobacco market had been governed under Law No. 3437 of the Tobacco and Tobacco Monopoly between 1938 and 1969. Beside that main law, a tobacco partnership law had been enacted but unimplemented in the pre-1970 era. In addition, several decrees for both the tobacco bank and support purchases had been issued depending on the National Defense Law (1940) and Law of Support for the Sale Markets of Producer Tobacco (1961). Although the legal framework was regarded as outdated by the 1960s, there was no sign of proving a weakness of implementation of the main law and annual decrees during the period. All laws governing the tobacco market were changed in 1969 with the enactment of Law No. 1177 of the Tobacco and Tobacco Monopoly and Law No. 1196 of the Tobacco Agricultural Sale Cooperatives and Regional Associations and the General Association of Turkish Tobacco Agricultural Sale Cooperatives. However, these new laws proved ineffective in the following decade. The 1970s were the first period in which even the main tobacco law was enforced partially or not at all.

In the early 1970s, both producers and merchants began to demand that the process of implementing the enacted tobacco laws be expediated. Reşit Kurşun, the head of the Aegean Tobacco Producers Association, made a public statement in August 1972, calling the government to immediately implement the tobacco monopoly law. According to Kurşun, any further waste of time would have devastating effects on producers. Sale centers and cooperatives needed to be

established, the exchange market system introduced, and the relevant regulations passed as soon as possible.[595] The tobacco merchants agreed with the head of the producer organization about the urgency of the enforcement of the existing laws. In the foreword of the 1973 Memorandum of the Aegean Tobacco Exporters Association, the board of powerful merchant organization stated that the non-implementation of the laws was the most important problem of the sector. While the exporters association kept silent on the producer cooperatives, it raised its voice about the immediate necessity of implementing the production restriction and licensing system, establishing sale centers, making the relevant regulations, and activating new institutions, the Inter Ministerial Tobacco Board and the National Tobacco Board. In addition, the tobacco merchants asked for a new law on support purchases to "put an end all kinds of arbitrary and political interventions."[596]

The market actors wanted the government to put the new laws into effect. To be able to do this, first it was necessary to pass a number of regulations. The articles of incorporation of the tobacco sale cooperatives were prepared by the Ministries of Customs and Monopolies, Commerce and Food, Agriculture and Livestock together, and approved in July 1973 by the Cabinet.[597] The approval of the articles of incorporation technically completed the legal process, meaning that no legal obstacles remained to the establishment of cooperatives. However, the tobacco agricultural sale cooperatives and regional associations were never established, which resulted in a loss of the structural, organizational, and financial benefits expected from cooperatives. Hence, tobacco sales could not be rehabilitated through

[595]"Kurşun: Tütün Tekeli Kanunu Hemen Uygulanmalı," *Milliyet,* 26 August 1972.9.

[596]*Ege Tütün İhracatçıları Birliği 1973 Yıllığı*.X-XI.

[597]Türkiye Büyük Millet Meclisi, http://www.tbmm.gov.tr/tutanaklar/TUTANAK/CS__/t15/c027/b048/cs__150270480273.pdf Accessed on 24 November 2013.

sale centers and the producer premium fund was not transferred to the money owners, the tobacco producers, who lost their ability to have a country-wide organization.

There was no promising outlook for the implementation of the tobacco monopoly law, either. The Tobacco and Tobacco Monopoly Regulation (*Tütün ve Tütün Tekeli Tüzüğü*) was published in the *Official Journal* in March 1975, six years after the enactment of the law.[598] According to the 1975 Memorandum of the Aegean Tobacco Exporters Association, the merchant organization had made every effort to develop the regulation.[599] Among 96 articles of the Regulation, the ones about the licensing system, production restriction, Inter Ministerial Tobacco Board and National Tobacco Board had the most importance. Regarding production planning and the IMTB, the Regulation technically described how to determine production quotas and fields in detail, and charged the IMTB with executing the decisions of production restriction. It also clarified the working principles of the NTB: the NTB would meet biannually on the call of the Ministry of Customs and Monopolies and discuss the agenda set by the secretary general.

The Tobacco and Tobacco Monopoly Law became applicable with the approval of relevant regulation in March 1975. The political authority was equipped with right to take the necessary measures to decrease production and bring the market actors together in new institutional forms. However, none of these rights were used by the governments. Especially after production boom in 1976, the legal failure was brought into question more and more. It became almost a tradition for the merchants to warn against the uncontrollably increasing production and call on the

[598]TMMOB Ziraat Mühendisleri Odası, "Tütün ve Tütün Tekeli Tüzüğü," Accessed on.

[599]*Ege Tütün İhracatçılar Birliği 1975 Yıllığı* (İzmir: Ticaret Matbaacılık, 1976).1-2.

authorities to enforce the laws and regulations whenever they made a public statement in the second half of the 1970s.[600]

Like merchants, TEKEL managers also spoke on the problems arising from unimplemented laws. In a 1977 seminar on tobacco sector, Adnan Raşit Günay, the head of tobacco production and information department of TEKEL, openly admitted that the production policy was unable to go beyond the anti-smuggling measures and support purchases because of the non-enforcement of the tobacco laws. However, Günay, as a high-ranking TEKEL manager, also pointed to possible conflicts of interests the production restriction might trigger in a country like Turkey, which still lacked a complete cadastral survey.[601] Günay epmhasized the bone of contention for production restriction: the positional and areal restriction of tobacco production might cause property disputes, and thus, such a restriction was easier said than done. Then, the IMTB took no decision to impose bans or quotas on tobacco production in the 1970s despite the urgent calls of the market actors to use the legally given rights.

In addition to production restrictions, the 1975 tobacco monopoly regulation also clarified how the new institutional mechanism, the National Tobacco Board would work. However, the NTB was unable to meet during four years following the approval of the regulation. The first meeting of NTB was finally held in 1979, on 23 and 24 January, with the attendance of legally authorized representatives of the ministries, producers, merchants and experts. The meeting participants included no

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[600]For some examples from post-1976 years, *Tütün Konusunda Zorunlu Bir Açıklama* (İzmir: Ege Tütün İhracatçıları Birliği ve Türkiye Tütüncüler Federasyonu, 1976).12; *Ege Tütün İhracatçıları Birliği 1976 Yıllığı* (İzmir: Ticaret Matbaacılık, 1977).1-2; *Ege Tütün İhracatçıları Birliği 1976 Yıllığı*.1-2.

[601]"Türkiye'de Tütün Üretim Politikasının Oluşturulması, Uygulanması ve Sorunları," Adnan Raşit Günay. The paper is located in the folders of Orhan Özet's personal archive in the archives of the Tobacco Experts Association in Izmir. The folder is named "The Seminar on the Problems of Tobacco and Tobacco Products Industry, 24-26 October 1977" (*Tütün ve Tütün Mamulleri Sanayi Sorunları Semineri, 24-26 Ekim 1977*).

representatives of the regional associations and the general association of cooperatives as prescribed in the tobacco monopoly law because those associations had not been established yet. Production restriction was at the top of the meeting agenda, and in the end of the discussions, the NTB decided to establish a subcommittee under the IMTB to discuss the issue.[602]

The second meeting of the NTB was held on 23 October 1979. The hottest topic of the meeting was again the production restriction, but now it was discussed in the light of the report of the subcommittee. The participants of the NTB acknowledged the difficulty of areal restriction despite the urgent necessity to decrease tobacco production.[603] To overcome the difficulties of areal restriction, the subcommittee report proposed a comprehensive package comprised of quantity restriction via a licensing system, the adjustment of price policy, abandoning production-encouraging policies such as advance payments or permissions given for experimental cultivation, the promotion of substitute crops, and propaganda for producers.[604] In the end, the subcommittee report was accepted unanimously.[605]

The National Tobacco Board held no meetings in the 1970s except for the ones in January and October 1979. Although the production restriction was not the only agenda item discussed in those two meetings, it dominated the other issues discussed in the meetings, such as the residue problem or coordination of agricultural

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[602]Faruk Gülpınar, "Türkiye'de Milli Tütün Komitelerinin Tarihsel Gelişimi" (Diploma thesis, Celal Bayar Üniversitesi, 1996).4-21.

[603]Ibid.22-9.

[604]The content of the subcommittee report is found in a TEKEL document titled “Note on Tobacco Production Planning” (*Tütün Üretiminin Planmasına Dair Not*), dated 15 December 1980. There is a hand-written note on the document stating it was prepared for a briefing that would be given to the President. The document is located in the folder “Planning of Tobacco Production” (*Tütün Üretiminin Planlanması*), which is a part of the personal folders of Adnan Raşit Günay in the library of the Tobacco Experts Association in Izmir.

[605]Gülpınar, "Türkiye'de Milli Tütün Komitelerinin Tarihsel Gelişimi".27.

studies. The Board neither provided an institutional continuity nor produced enforceable policies in the 1970s. It seemed not to work properly as an advisory body to "determine and regulate national tobacco policy, and ensure coordination in tobacco sector," as expected in its mission statement in the 1969 tobacco monopoly law.

In sum, what happened in the 1970s was a total failure of legal enforcement. Neither the tobacco agricultural cooperatives nor the sale centers were established. New institutions – the Inter Ministerial Tobacco Board, and the National Tobacco Board – barely began to work in the last years of the decade. When they began to operate, their institutional performances fell well below the expectations prescribed by the laws and regulations. The IMTB was not able to take the necessary measures to decrease production and the NTB failed to formulate the far-reaching policies. The 1969 legal reform aimed to both change the production and sale system, and create new institutions, but none of these aims realized. The only exception to this legal failure involved the education of experts.

The 1969 tobacco monopoly law changed the requirements to become a tobacco expert. Before the 1969 law, to acquire an expert license, it was necessary to complete a five-year course opened by TEKEL. The 1969 law imposed a graduation requirement that instead of a course certificate, a two year high school diploma was necessary to become a tobacco expert. Unlike course participation, entrance to the high school required having a secondary school diploma. The educational requirements to be an expert were increased with the 1969 law. TEKEL was authorized to establish a Tobacco Experts High School, which was officially opened on 10 January 1976 on the Cevizli Campus of TEKEL.[606] Until 1978, the High

[606]"Tütün Eksperleri İçin Okul Açıldı," *Milliyet,* 10 January 1976.3.

School gave a two-year education course which was increased to three years to 1982. Ninety-eight experts graduated from the High School until its integration to the university system in 1983.[607] In sum, increasing education requirements for experts was the only promise kept of the 1969 legal reform.

The Turkish tobacco market underwent no major structural change in the 1970s, contrary to the fresh start promised by the 1969 legal reform. Despite the overall ineffectiveness of the laws during the decade, the political authority showed no hesitation to remember them for support purchases. After the enactment of the new tobacco laws, the first decree on support purchases was issued on 19 January 1970. Like the ones of the 1960s, the 1970 decree was comprised of articles on the authorization of TEKEL, the qualitative and subjective limits of support policy, the financial sources of the purchases, the sale and transfer rights given to TEKEL, and the service fee paid to TEKEL officials.[608] Compared to the 1960s' decrees, the only difference was the mention of the provisions of Law No. 1177, not of Law No. 3437, regarding the quality standards of tobacco bales. In addition to support purchases, there was another decree issued on the same day, the decree about prolonging the time limit one more year for TEKEL to repay the producer-premiums.[609] Then, TEKEL would continue what it had done in the 1960s, making support purchases by using the producer-premium fund.

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[607]Yılmaz, *Türkiye'de Tütün Eksperliği Mesleği ve Tarihsel Gelişimi*.23-33.

[608]PMRA Fon Kodu: 30.18.1.2 Yer No: 245.8.8 (10 January 1970). The 1970 decree explicitly referred to which account in the Ministry of Finance budget would be used for support transactions. This reference was also different from the 1960s' decrees that had no clear definition about the relevant budget items of the Ministry of Finance.

[609]PMRA Fon Kodu: 30.18.1.2 Yer No: 246.12.9 (10 January 1970)

The governments kept issuing annual decrees for support purchases in the years after 1970. The decrees had almost the same wording as the 1970 one. The only change occurred in the service fee payment. No special service payment was made to TEKEL officials in 1971, 1973 and 1974, but "hazardous duty pay" was made in 1972, the amount of which was determined in accordance with wage scales.[610] However, in 1975, the method of paying a service fee equal to one percent of the purchase price was recalled. As understood from the document attached to the 1975 decree, the re-inclusion of the service fee payment had been a proposal of the Ministry of Finance.[611] Apart from decisions on the service fee payment and its method, the support decrees showed no significant difference from one to the other.

All in all, the 1970s opened with great expectations, but ended with unexpected realities regarding the tobacco market. If the promises of 1969 law reform had been kept, the tobacco market might have had established agricultural sale cooperatives and sale centers, rehabilitated tobacco production and sales, had better educated experts, negotiated by means of the new institutional forms of the IMTB and the NTB, and hence formed a new order. However, none of these goals that the new laws had aimed were realized, except for an upgrade in experts' education. The decade was characterized by a lack of law enforcement. No effort to establish cooperatives and sale centers, barely accepted regulations necessary for the implementation of the laws, a NTB that met rarely, continuation of support purchases, and avoidance of using political authority against the highly unstable market conditions.

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[610]For the support decrees from 1971 to 1974, see respectively PMRA Fon Kodu: 30.18.1.2 Yer No: 262.15.2 (11 March 1971); PMRA Fon Kodu: 30.18.1.2 Yer No: 276.4.5 (18 January 1972); PMRA Fon Kodu: 30.18.1.2 Yer No: 293.1.11 (22 January 1973); PMRA Fon Kodu: 30.18.1.2 Yer No: 311.6.1 (21 January 1974).

[611]PMRA Fon Kodu: 30.18.1.2 Yer No: 325.4.3 (10 January 1975)

The instabilities of the tobacco market were evident in the fluctuating indicators of the decade. Only in ten years, tobacco production volume, number of producers, and real prices fluctuated to the extremes. The macroeconomic indicators had never changed as profoundly as they did during the decade: Both the share of tobacco producers in agricultural employment and tobacco production in tones continuously increased until 1975, boomed in 1976, and then erratically decreased until 1980. Following a constant rise since 1972, real prices hit their peak in 1977 and their bottom in 1980. Given a stagnant export market, such rapid expansions and collapses meant nothing but more serious problems.

The failure to enforce the laws was one of the causes for the volatilities of the tobacco market obviously seen in the statistical fluctuations. Another reason for such rapid changes was the political instability during the 1970s. In fact, political differences among parties were never as visible as they were during the decade. Since both the left- and right-wing parties had terms in power, the country experienced the implementation of different political agendas. Regarding tobacco market, the turning point for the occurrence of political differences was the formation of the Republican People's Party-National Salvation Party coalition in January 1974. Below, how the left-of-center Republican People's Party approached the tobacco problem, why the ministerial term of Türkmenoğlu marked a turning point, and which political and social consequences the Türkmenoğlu turn led to will be discussed.

The Republican People's Party versus the Tobacco Merchants

The Republican People's Party adopted a "left-of-center" position by the mid-1960s.[612] The social democratic turn of the party occurred under the leadership of Bülent Ecevit, who won the intraparty competition to be elected as the RPP chair in 1972. As Yunus Emre indicates in his pioneering work on the early stages of the RPP's social democratic turn, Ecevit's ultimate victory within the party changed both party organization and voter profile, which eventually brought general election success two times in the 1970s.[613] The changing orientation of the RPP had had a determining role in shaping the political debates well before the electoral successes of the 1970s, in fact since the mid-1960s. Discussions and differences of opinions on the tobacco issue perfectly exemplify the significance of the RPP's new route and its impacts on other parties.

The tobacco issue had always presented a rich collection of multilayered social and economic problems, as Chapter 5 discussed in detail. Such a collection was, however, most comprehensively brought up on the agendas of both the Assembly and public by the RPP deputies in the mid-1960s. Mustafa Ok, the RPP deputy from Manisa between 1965 and 1977, was the main party speaker on the tobacco issue. Depending on his investigations into the Aegean tobacco market, Ok, with four other RPP deputies, proposed to open a "parliamentary inquiry into the

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[612]For some accounts of the left-of-center turn, see Feroz Ahmad, "Military Intervention, Social Democracy, and Political Terror, 1971-1980," in *The Making of Modern Turkey* (London and New York: Routledge, 1993).148-80; Emin Alper, "Milliyetçilik-Modernleşme Geriliminde 'Ortanın Solu' ve Ecevit," *Toplum ve Bilim*, no. 93 (2002).110-41; Yunus Emre, *CHP, Sosyal Demokrasi ve Sol: Türkiye'de Sosyal Demokrasinin Kuruluş Yılları (1960-1966)* (İstanbul: İletişim Yayınları, 2013).

[613]Emre, *CHP, Sosyal Demokrasi ve Sol: Türkiye'de Sosyal Demokrasinin Kuruluş Yılları (1960-1966)*.250-3.

issues of revenue generated by tobacco sector, credits given to tobacco producers and exporters, and taxes paid by them in return for their profits" in November 1967.[614] Although the motion was defeated by the votes of the governing Justice Party in the end, the parliamentary discussions revealed the positions of the political parties on the tobacco issue most clearly for the first time.

The Assembly sessions of December 1967 witnessed a war of statistics. Ok and governing party speakers argued using different calculations of the cost of production, average export price, export profits, and average annual earning of producers. The disagreements about numbers demonstrated the underlying political divisions: Ok, in the name of the RPP, spoke of unfair income distribution between the merchants and producers, "corrupt order" (*bozuk düzen*), and exploitation, and positioned the RPP as standing on the "producers' level/side."[615] In response, the speakers and ministers of the governing Justice Party blamed Ok for "promoting class warfare" by exaggerating exceptional cases of market failure. According to them, the problems of the tobacco sector could be solved by enacting the laws that had been waited in the commissions for years, not by "investigating some people's income." The RPP was supported by the Workers' Party of Turkey (WPT) and the Trust Party (TP), despite their having different perspectives. While the WPT thought landlessness was the main problem of tobacco producers, the TP laid the blame on governmental policies and unsteady prices. After all, despite its inner contradictions,

[614]For the motion and parliamentary discussions, see successively Republic of Turkey, *TBMM Tutanak Dergisi*, term 2, session 3, vol. 22, 1 December 1967.293-304; Republic of Turkey, *TBMM Tutanak Dergisi*, term 2, session 3, vol. 22, 8 December 1967.386-411; Republic of Turkey, *TBMM Tutanak Dergisi*, term 2, session 3, vol. 22, 11 December 1967. 421-53.

[615]For a striking passage from Ok's speech, see Republic of Turkey, *TBMM Tutanak Dergisi*, term 2, session 3, vol. 22, 11 December 1967.444. *"Evet böyledir. Amma ben meseleleri ekici seviyesinde biliyorum. Sizler, üst seviyede biliyorsunuzdur, belki de anlaşamayışımız bundandır."*

the social democratic view Ok presented on the tobacco question showed the first round effects in the 1967 parliamentary discussions.

The left-of-center RPP did not stop following the tobacco issue after the defeat of its motion in the parliament. Rather, Ok's calculations and arguments had more place in the propaganda of the party. His parliament speeches were collected in a booklet published in 1970 by the RPP's youth branch.[616] The huge discrepancies between the producers and merchants in terms of both the amount of credits and earnings would mostly be used as signifiers of the "corrupt order" in the social democratic propaganda. For example, in a speech at the party congress of Aydın in 1968, secretary general Ecevit argued that TEKEL had become the "merchants' tool," depending on a comparison of average credit amounts per producer versus per merchant. The first cause of the credit imbalance and misuse of TEKEL was the "corrupt order" that could only be changed by the left-of-center.[617]

The increasing propaganda of the RPP led the tobacco merchants to face accusations of tax evasion in the early days of 1970. The argument between the two sides received wide media coverage that eventually worsened relations more. The head of the Turkish Tobacconist Association, Haydar Aryal, rejected Ok's tax evasion accusations with a public statement.[618] He claimed that Ok's arguments had occurred from confusion of the annual exports with the seasonal ones. Despite that

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[616]"Akev: "Ok'un İddiası Yalan" Dedi," *Milliyet,* 7 February 1970.1,11.

[617]"Ecevit: Sınıflar Arası Uçurumlar Gittikçe Büyüyor," *Milliyet,* 20 March 1968.1,7. For another interesting speech of Ecevit about the tobacco merchants, see "Ecevit Tütüncülerden Bahsedince Dinleyenler 'Eşkiyalar' Diye Bağırdı," *Milliyet,* 30 March 1967.1. According to the news, when Ecevit said in Tekirdağ that each of 120 tobacco merchants annually earned 1.5 million Turkish Liras, the listeners cried as "Bandits!" In response, Ecevit stated that they were not bandits, but the order was corrupt.

[618]"Ege Tütüncüleri Ok'a Cevap Verdi: Hesaplarımız İncelenebilir," *Milliyet,* 24 January 1970.1,11.

confusion, Aryal gave Ok, together with a committee, a blank check to audit their accounts whenever they wanted. In response, Ok gave an example of the Dutch - Turkish Company, which was the fifth biggest company in the sector yet had announced losses in the last five years. He said merchants had never contributed to the Turkish economy as much as they claimed.[619] He blamed them for exploiting both the state and producers by causing tax and currency losses. He called on merchants to make their paid taxes public and to convene an open session to discuss the issue.

The conflicting reports continued that Ok raised new cases of tax evasion and/or fraudulent representation while the merchants refuted all of the allegations, either in the name of their organization, the Turkish Tobacconists Association, or on behalf of one specific company mentioned in Ok's claims.[620] The tax evasion debate heated up again in June 1970 upon Ok's conditional acceptance of the merchants' call for an open session. Ok claimed that the merchants had been "denouncing" him to İnönü because of his allegations. However, his "rightful actions" were "against self-seekers, not honest people," and so he would not give up. He accepted the open session on the condition that it was to be before the public.[621] Yet, the tobacco merchants thought Ok's condition inappropriate since it would turn the issue into a political show. The merchants repeated their call for an open session, but the session

[619]"Tütün Piyasasından Dönen CHP Milletvekili Ok Tütün Tüccarına Cevap Verdi: Vergileri Açıklayın," *Milliyet,* 5 February 1970.1,11.

[620]"Ok: Tütün İşine Savcılar Elkoymalı," *Milliyet,* 6 February 1970.1,11; "Aryal "Vergi Ödemeyenler Yabancı Şirketlerdir" Dedi," *Milliyet,* 6 February 1970.1,11; "Akev: "Ok'un İddiası Yalan" Dedi."1,11.

[621]"Ok Halk Önünde Tütüncülerle Tartışacak," *Milliyet,* 13 June 1970.1,11.

should be held in the studios of TRT Radio in Izmir. A radio discussion would be an open session, and serve to "uncover the truths."[622]

In the end, Ok participated in a meeting held by the Akhisar RPP organization, showed documents to the producers, and told them about the "robbery in tobacco sector."[623] In response, the board of the Turkish Tobacco Exporters Association made a public statement in which they accused Ok distorting the facts not only by labeling them tax evaders and exploiters, but also by claiming that they had retreated to defend themselves before the producers. Despite being "confused and upset" by these, the Association underscored that they continued keeping their demand for an open session at the earliest time convenient to Ok.[624]

The heated tax debate of 1970 gave the first sign of conflicts between the left-of-center RPP and the tobacco merchants. As evident in Ok's arguments and Ecevit's speeches, the tobacco merchants were in the crosshairs of the new RPP. As open manifestations of "corrupt order," the RPP propagandized against disproportionality between their earnings and paid taxes, the high amounts of credits they got, and the price-cutting techniques used for producers' disadvantage. In response to the RPP's disparaging remarks, the tobacco merchants went on the defensive. Remaining silent on specific cases, they countered only with the argument that the TEKEL records, which held all kinds of tobacco-related transactions, were open to public. The battle of words between the speakers of left-of-center and the tobacco merchants entered a

[622]"Tütün İhracatçıları Ok'un Açık Oturum Çağrısına Gitmeyi Reddettiler," *Milliyet,* 24 June 1970.1,11.

[623]Ibid.; "Ok, 'Rakibim Kaçtı' Dedi," *Milliyet,* 25 June 1970.1.

[624]"Ege Tütün İhracatçıları Birliği Yönetim Kurulu'nun Açık Duyurusu," *Milliyet,* 29 June 1970.8.

new phase when the RPP won the 1973 elections and formed a coalition government with the National Salvation Party.

Mahmut Türkmenoğlu was the Minister of Customs and Monopolies of the coalition government headed by Ecevit. Indeed, Türkmenoğlu was not the most likely candidate for the position. Mustafa Ok was closer to having a seat concerning his special interest and know-how on tobacco issue, as discussed so far. Rather, Türkmenoğlu was well-known for his passionate work in the cooperative movement. He was not only the founder of the most successful cooperative, the Agricultural Production and Sales Cooperative of Bademler Village (*Bademler Köyü Zirai İstihsal ve Satış Kooperatifi*),[625] but also one of the most noteworthy organizers of country-wide agricultural development cooperatives and their central organization, *Köy-Koop*.[626] Surprisingly, Ecevit appointed Türkmenoğlu as the Minister of Customs and Monopolies, and Ok as the Minister of Village Affairs and Cooperatives.[627] Concerning Ok's previous direct confrontations with the tobacco merchants, Ecevit's unexpected cabinet appointment was probably an attempt to avoid appearing like an anti-merchant government in the first place. However, the worst came true when Türkmenoğlu took office in January 1974.

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[625]Bademler is a village of Urla, Izmir. For more on the history of Bademler cooperative, see "Olaylar ve İnsanlar: Anayasa'nın 51'inci Maddesi Der ki," *Milliyet,* 18 October 1963.2; Zeynel Kozanoğlu, *Mahmut Türkmenoğlu ve Bademler Kooperatifi* (İzmir: Meltem Ofset, 1995).51-8,69-81,127-33. The Bademler cooperative project came in third in the prestigious social research competition, Ali Naci Karacan Competition, in 1965. See "Ali Naci Karacan Yarışması: Bademler Köyünde Eğitim Ön Planda," *Milliyet,* 7 September 1965.5.

[626]Kozanoğlu, *Mahmut Türkmenoğlu ve Bademler Kooperatifi*.82-5,133-44; Köy-Koop Merkez Birliği, "Köy-Koop Merkez Birliği Tarihçe," http://www.koykoop.org/tarihce.aspx Accessed on 1 December 2013.

[627]The writer of Türkmenoğlu's biography, Zeynel Kozanoğlu, defined Ecevit's appointment decision as an act of "putting Türkmenoğlu's on the line." Hinting at intra-party competition, he saw Türkmenoğlu's appointment to the Ministry of Customs and Monopoly, not of Village Affairs and Cooperatives, as an inconclusive attempt of "some people" to stop his political rise. See Kozanoğlu, *Mahmut Türkmenoğlu ve Bademler Kooperatifi*.91-2.

The Aegean tobacco market was opened on 11 February 1974. For the market opening, Türkmenoğlu went to Izmir with a large delegation, including Mustafa Ok. In the meetings before market opening, Türkmenoğlu explained their policy to the experts and producers with the slogan "Quick Purchase, No Discarding, and Prompt Payment" (*Hızlı alım, Iskarta yok, Çabuk ödeme*).[628] After the meetings, the moment of market opening became more exciting than usual upon a technical mistake. Traditionally, the Ministers declared prime prices at an official ceremony at 8:00 a.m. on the market opening day in the selected village. Then, the TRT would broadcast the recorded speech of the Minister at noon. Although this was also the scenario to be implemented in 1974, TRT accidentally broadcast Türkmenoğlu's speech at 7:30 a.m., half an hour before the time of the official market opening in Değirmendere. As soon as the speech was broadcast and the producers heard the prime price, 25 Turkish Liras, they took to the streets to welcome and show appreciation to the Minister. The excitement and enthusiasm reached fever pinch when Türkmenoğlu arrived at production districts where there was dancing, cheering, fainting, animal sacrifices, and the villagers raised him on their shoulders.[629]

The public shows of appreciation seen in the Aegean region occurred in every region the Minister visited for the tobacco market in 1974. The main reason for such rapture was the prime prices Türkmenoğlu had declared. The prime price for the Aegean region rose from 16.50 in 1973 to 25 Turkish Liras in 1974, for the Black Sea region from 21.50 to 34, and for the Marmara region from 18 to 33. In other words, prime prices nominally increased more than 50 percent in 1974. In fact, it was

[628]"Bakan: Tütün Üreticisine Parası Hemen Ödenecek," *Milliyet,* 11 February 1974.1,11.

[629]Kozanoğlu, *Mahmut Türkmenoğlu ve Bademler Kooperatifi*.96-104.

also the moment that prices jumped in real terms. Real tobacco prices increased 50 percent in one year. Hence, the earnings of the tobacco producers grew both in nominal and real terms, thanks to the prime price policy of the Ecevit government.

High prime prices were, however, not the only novelty of tobacco policy during the Türkmenoğlu's ministerial term. For the first time, TEKEL made advance payments per bale during purchases, if the producer so desired.[630] Rapid payments of earnest money during purchases strengthened the financial abilities of producers. Moreover, TEKEL engaged in quicker purchases as a "full competitor to merchants," in Türkmenoğlu's own words. The Minister explained that the competitive activity of TEKEL pushed merchants to increase prices and accelerate purchases, and eventually favored producers.[631] In fact, there was no slackness in tobacco sales, which ended almost within a week. With high prime prices, rapid payments of earnest money, and quicker sales, 1974 was the golden age for tobacco producers.

Heaven for producers does not necessarily mean hell for merchants. Despite facing higher prices and a more competitive TEKEL, the tobacco merchants managed to purchase one-third of the 1973 season crop. The main trouble for 1974 was, however, the inflammatory political language used by Türkmenoğlu. The Minister spoke ill of the tobacco merchants wherever he went after being backed by the great support of the producers as a result of the somewhat legendary Aegean market. Especially his speech before the Black Sea market opening drew a reaction from private sector representatives. He said that they had spoiled the game of the American and domestic merchants, and restrained them from exploiting tobacco

[630]"Tütün Piyasası Birçok Yerde Kapandı," *Milliyet,* 14 February 1974.1,11; Kozanoğlu, *Mahmut Türkmenoğlu ve Bademler Kooperatifi*.98.

[631]"Tüccarla Anlaşmasını Bozan Üreticinin Tütününü Tekel Alacak," *Milliyet,* 16 February 1974.1,11.

producers.[632] As soon as the speech was broadcast on the national radio channel, TRT, the chair of the Ankara Chamber of Commerce, Cahit Aydoğan, sent urgent telegrams to the President, Prime Minister, and the Minister of Customs and Monopolies. Speaking for "honest tradesmen," Aydoğan condemned the Minister's statements as "ill-suited to being a statesman." He called on Türkmenoğlu to stop using the rhetoric of "exploitation" and to be more kind to and respectful of the community he represented.[633]

The private sector reactions to Türkmenoğlu increased more upon his statements and actions about other sectors for which the Ministry had responsibilities. In the last days of March 1974, the Minister accused the duty free shops of smuggling, and prohibited them from selling alcoholic beverages, cigarettes, and coffee. Then, he continued his condemning language against "intermediaries – profiteers" in the coffee and tea markets similar to the tobacco market. Last, the ministerial interventions into the customs warehouses which claimed to be "exploited by smuggling lobby" added to the criticism of Türkmenoğlu.[634] As he became a controversial political figure, several allegations of corruption, malpractice, and favoritism were raised about him both within and after his ministerial term.[635] Although those allegations were inconclusive, they were damaging enough to keep him out of the Ecevit governments formed in the second half of the 1970s.

The ministerial term of Türkmenoğlu marked a turning point for the tobacco market in the rest of the decade. For the first time, Turkey experienced what the left-

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[632]Kozanoğlu, *Mahmut Türkmenoğlu ve Bademler Kooperatifi*.103.

[633]"Aydoğan: Gümrük Bakanı'nın Konuşmaları Devlet Adamlığıyla Bağdaşmıyor," *Milliyet,* 23 March 1974.1,11.

[634]Kozanoğlu, *Mahmut Türkmenoğlu ve Bademler Kooperatifi*.104-14.

[635]Ibid.119-26.

of-center version of social-democratic policy meant regarding government intervention. It recorded a golden year for the tobacco producers by offering high prices, heated sales, rapid payments, competitive buyers, and unreserved protection. The tobacco market management of 1974 was truly a success story for the Ecevit government. It made Türkmenoğlu a legendary figure for the producers.[636] In the subsequent years, the RPP leader constantly promoted the 1974 tobacco market as a model for "fair and independent policy" implementation. According to Ecevit, that model accomplished all at once protecting producers, raising the value of Turkish tobacco in the export markets, overcoming all traditional and bureaucratic obstacles to purchases, implementing a fair policy for advance payments and credits, and consequently preventing producers from being exploited. [637]

The 1974 tobacco market was exemplary not only for the RPP. The following National Front governments had to work under the shadow of that legacy. Although Türkmenoğlu was criticized for "distorting market harmony," especially by the Justice Party in the mid-1970s,[638] the coalition governments led by the Party had difficulty breaking the policy line the former Minister had drawn during the rest of the decade. The most apparent policy ingredient was prime prices, which the governments nominally increased year by year. Tobacco prices followed a constant increasing trend until 1978 also in real terms. Thus, because of political dependence on the path Türkmenoğlu started, the National Front governments had to keep the

[636]Kozanoğlu records a striking episode from the late 1980s. While a committee from the Social Democratic Populist Party, including Türkmenoğlu, was visiting some tobacco villages, an old woman ran up to Türkmenoğlu, kissed his hands and cried "Can we forget you? We have still your money in our pockets!" Then, the son of that woman told the story that they had been able to make money exceeding their survival requirements for the first time under Türkmenoğlu's term, and had bought a tractor. See Ibid.304.

[637]"Ecevit: Tütün Piyasasındaki Adaletli Düzen Bozulmamalı," *Milliyet,* 12 January 1975.1,10.

[638]"Bir Günde Tütünün Yüzde 75'i Satıldı," *Milliyet,* 15 January 1975.1,10.

high prime price policy as long as allowed by the general economic conditions. In additio, new producer movements challenging the boundaries of institutional politics had a direct impact on increasing prices, as will be discussed below.

Türkmenoğlu's ministerial term appeared also as an encounter with the tobacco merchants. The anti-merchant discourse inherent to the RPP's policy had long-term effects in the rest of the decade. Indeed, in the second half of the 1970s, the tobacco merchants experienced the most marginalization ever. Even under the more pro-private sector governments of the National Front coalitions, the tobacco merchants had several new difficulties. First and foremost, they were excluded from the decision-making processes. In all forewords of the Aegean Tobacco Exporters Association memorandums from 1975 to 1977, the merchant organization reported that the political authority did not take their opinions about the determination of the market opening dates or prime prices.[639] Negotiations before market openings had been a tradition for years as well as a legal obligation, as underlined in the Association memorandums. The merchants had become ineffective in market decisions as a result of the failure of either the traditional negotiation mechanisms or legally obliged National Tobacco Board.

In addition to the negation of their power by the political authority, the tobacco merchants complained that their commercial activities were disrupted because the rediscount credits granted before market openings for the use of the merchants were provided late or not at volumes needed for full operations.[640] Moreover, the partial gains won by merchants such as indicative export price and export tax refunds were far from being satisfactory in practice. The indicative export

[639] *Ege Tütün İhracatçılar Birliği 1975 Yıllığı*.1-2; *Ege Tütün İhracatçıları Birliği 1976 Yıllığı*.1-2; *Ege Tütün İhracatçıları Birliği 1977 Yıllığı*.1-2.

[640] *Ege Tütün İhracatçıları Birliği 1978 Yıllığı*.1-2.

price had been determined each year by the Ministry of Commerce together with the merchants to set a binding floor price since 1972.[641] Despite being a protective measure for the export market balance at first, the tobacco merchants thought that the Ministry perfunctorily had asked their opinions, and imposed the price unilaterally especially since 1975.[642] Like the indicative export price, the export tax refunds were determined regardless of the merchants' demands. The decree for refunds was not only issued late, three days after the market opening, in 1976, but also had an inexplicit formulation of it was to be implemented.[643] Tax refunds were declared with better timing the following year in 1977, but now the problem was the disproportionality of rates to the importance of regional origins. While a 15 percent refund was given for the 1977 season Black Sea tobacco, it was only 10 percent for the Aegean crop.[644]

Between 1975 and 1978, tobacco merchants faced serious difficulties. They were deprived of the power to influence market decisions, suffered from credit shortage, and had trouble with the uncertain and inconsistent policies imposed on them. What was worse was the dominance of TEKEL in the tobacco market. Indeed, increases in TEKEL's workload were not historically peculiar to the 1970s. As discussed above, TEKEL had played ever powerful roles since the early 1950s by declaring prime prices, opening the regional markets, making support purchases, or even buying excess stocks from the merchants. However, it began to perform another

[641]Gümüş, *Türkiye'de Tütün Politikaları, Pazarlama Sorunları ve Çözüm Önerileri*.62.

[642]"Yaprak Tütün İhracatında Özel Kesim ve Sorunları," Esin Özgener - Ege Tütün İhracatçıları Birliği Başkanı.

[643]*Ege Tütün İhracatçıları Birliği 1977 Yıllığı*.1-2.

[644]"Yaprak Tütün İhracatında Özel Kesim ve Sorunları," Esin Özgener - Ege Tütün İhracatçıları Birliği Başkanı.

additional duty in the second half of the 1970s, which significantly changed market relations. In 1975, TEKEL began to allocate advance payments to producers before market openings. The payments were made first in the Aegean region, and then extended to other regions.[645] Legally, the payments gave TEKEL right of priority in purchases. Making interest- and cost-free payments turned TEKEL into a kind of credit-institution.[646] As a result of the advance payments, together with its existing duties, TEKEL gained a huge competitive advantage over the merchants. In 1977, for example, TEKEL bought 286,000 tons of tobacco while the merchants managed to purchase only 26,000 tons.

The tobacco merchants had been targeted ideologically by the left-of-center RPP since the mid-1960s. The direct impacts of the RPP's anti-merchant ideology were seen during the ministerial term of Türkmenoğlu in 1974. However, the years after 1974 were no better for the merchants than the short-lived RPP period. Under the seemingly more private-sector friendly governments of the National Front coalitions, the tobacco merchants were confronted with unprecedented problems: they were kept out of the decision-making processes, faced mismanaged policies of credit allocation, indicative export price and export tax refunds, and had to work under the pressure of a gigantic competitor, TEKEL. Esin Özgener, the head of the Aegean Tobacco Exporters Association, described the situation in late 1977 with these heavy words:

> Recent policies seem to aim at killing the private sector completely…The tobacco market has been governed by only short-term political concerns…All market decisions have been taken under

[645]"Tütünün Yurt İçi Ticareti, Önemi ve Sorunları," Hakkı Tekeş – Tekel Genel Müdürlüğü Ticaret Grup Müdürü.

[646]The Note on the Advance Payments and Tobacco Credits (28 November 1979). The document is located in the personal folders of Adnan Raşit Günay in the library of the Tobacco Experts Association in Izmir.

> the pressure of the producer organizations. In recent years, the tobacco market has been suddenly opened, and finished within three to five days. Literally, it looks like absolute chaos.[647]

Özgener was right about producer pressure over the policies. Indeed, Türkmenoğlu term opened the Pandora's Box that a more pro-producer/anti-merchant ideological atmosphere shaped. Even the political rhetoric of the right-wing parties shifted in the late 1970s. It was no surprise even to find rightist politicians accusing their rivals of implementing pro-merchant policies. In the second Ecevit government of 1978, for example, the vice president of the Justice Party, Sadettin Bilgiç, accused the RPP of "crushing the producers and providing profits for the merchants."[648] To be able to understand this striking ideological climate, it is time to have a closer look at both how the tobacco producers' movement developed and what kinds of effects the political organizations/groups further left than the RPP had in the 1970s.

The Unionization and Different Ways of Protest of the Producers

The Turkish tobacco market showed different characteristics in the 1970s compared to the previous decades in which state regulation had been the constituent force. During the 1970s, all macroeconomic indicators were subject to volatile fluctuations. Market reform failed due when the enacted laws were not implemented. Political differences among parties became most visible when its social democratic

[647]"Yaprak Tütün İhracatında Özel Kesim ve Sorunları," Esin Özgener - Ege Tütün İhracatçıları Birliği Başkanı. *"Tütüncülüğümüz için ibret verici bir sonuç oluşmuş, sanki özel sektörü silmek istercesine politikalara devam edilmiştir…Başfiyat ve piyasa açılışı, son yıllarda politik hesaplarla ve üretici teşekküllerin baskısı altında belirleniyor, piyasa günü ilan ediliyor ve tam bir keşmekeş içinde üç-beş günde piyasa bitiriliyor."*

[648]"Bilgiç: Hükümet, Tütün Ekicisini Eziyor, Tüccara Kar Sağlıyor," *Milliyet,* 21 February 1978.11.

turn brought the RPP to power. Facing serious problems in lobbying, the tobacco merchants were marginalized both ideologically and commercially. Besides already being the biggest purchaser and bureaucratic center of the whole business cycle, TEKEL began to act like a credit institution, and consequently dominated the market more than ever. In addition to all of these features, the 1970s witnessed the mass mobilizations of tobacco producers, so that the limits of party politics were exceeded and ways of protesting proliferated.

The political interest in the tobacco issue preceded the 1970s producer movements, as seen in the RPP's activities since the 1960s. In addition to the left-of-center RPP, the newly founded socialist party, the Workers' Party of Turkey, also paid growing attention to the issue in the mid-1960s. The WPT's views on the tobacco market were first recorded in a congress report prepared by the board of the Akhisar party branch.[649] According to the report, the tobacco producers were suffered from landlessness, or not having enough land; insufficient necessary equipments for warehousing, seedbeds, stringing and transporting; credit insufficiency or misallocation disadvantaging producers; insufficient information and protection; and cheap market games, such as demoralizing news before market openings and never-ending rumors about the market opening date, prices, and yields. The solution was "pro-producer etatism," which should include land provision to the producers, credit increase, declaration of yields and prices by TEKEL before market opening, and the establishment of agricultural cooperatives with the producer-

[649]Türkiye İşçi Partisi, *Akhisar İlçe Yönetim Kurulu Türkiye İşçi Partisi İlçe Yönetim Kurulu Tütün Raporu*. The date at the end of the report is 4 November 1964. That date was in between the first Congress of the WPT held in January 1964, and the second in November 1966, see Ergun Aydınoğlu, *Türkiye Solu (1960-1980)* (İstanbul: Versus Kitap, 2008).101-120. Hence, the report was probably prepared by the Akhisar party branch for the second Congress of 1966.

premium fund. The WPT's local branch called the party congress to shape the public opinion and to put pressure on the Parliament and Ministries.[650]

The WPT accepted the report of the Akhisar branch, and shaped its policies according to that report in the following years. On the eve of the 1967 tobacco market opening, Mehmet Ali Aybar, the leader of the WPT, visited the Aegean region together with other party executives, Nihat Sargın, the secretary general, and Tarık Ziya Ekinci, deputy from Diyarbakır.[651] The WPT committee went to Manisa, Izmir and Aydın in January 1967, and conducted meetings in the local branches. In all of these meetings, they discussed the ideas the Akhisar report had put forward in 1964. They said that they had observed tobacco producers feeling anxious, and offered as a solution a package comprised of land reform, credit increase, early declaration of prices, and cooperatives.[652] Moreover, the WPT deputies' parliamentary speeches were based on the arguments of the 1964 Akhisar report. Whenever the tobacco issue was discussed in the Assembly, they always talked about the problems of landlessness, credit insufficiency and lack of protection for producers, and proposed the solutions of land reform, cooperatives, and pro-producer policies.[653]

The mid-1960s witnessed the emergence of leftist political views on the tobacco problem for both the social democratic RPP and the socialist WPT. While

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[650]Türkiye İşçi Partisi, *Akhisar İlçe Yönetim Kurulu Türkiye İşçi Partisi İlçe Yönetim Kurulu Tütün Raporu*.3-8.

[651]"Ege Tütün Piyasası Şubat Başında Açılacak," *Milliyet,* 21 January 1967.2.

[652]"TİP'çilere Göre, Tütün Ekicileri Endişede," *Yeni Asır,* 23 January 1967.2.

[653]Republic of Turkey, *TBMM Tutanak Dergisi*, term 2, session 3, vol.13, 20 February 1967.642; Republic of Turkey, *TBMM Tutanak Dergisi*, term 2, session 3, vol.13, 8 December 1967.404-6; Republic of Turkey, *TBMM Tutanak Dergisi*, term 2, session 3, vol.13, 7 January 1969.381-3.

the representatives of the left-of-center RPP underscored more the income inequality between merchants and producers, and possible tax losses, the WPT paid more attention to the land issue. In addition, the RPP attempted to base its arguments on calculations of significant indicators such as the costs of production, profits, annual earnings, and taxes in contrast to the WPT's more descriptive propaganda. Despite their differences, both parties were the discourse makers for the leftist activists of the following years.[654] Especially, the growing student movement was inspired by that discourse. However, the radicalizing university students were more interested in seeing exploitation on site and inspiring the tobacco producers, rather than discussing what the tobacco problem and possible solutions were.

On 7 February 1969, almost a thousand university students from the Federation of Thought Clubs (*Fikir Kulüpleri Federasyonu*) traveled to Akhisar, and held a demonstration to protest the government's tobacco policy. *Milliyet* reported that the students carried banners saying "Worker Peasant Youth, Shoulder to Shoulder" (*İşçi Köylü Gençlik, Omuz Omuza*), "Floor Price, 12.75" (*Taban Fiyatı 12,75*), "Agricultural Engineers, Why Are You Silent?" (*Ziraat Mühendisleri, Niçin susuyorsunuz?*), and "We Will Rescue You!" (*Sizi biz kurtaracağız*). However, a pro-government group attacked the protestors, yelling, "Communists, Go to Moscow!" (*Komünistler Moskova'ya*!). Two people were injured in the conflict, which was calmed down by the Akhisar district governor in the end. Because of the conflict, the students gave up the second demonstration they had planned to hold in Saruhanlı on the same day.[655]

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[654]The issues raised by the RPP and WPT in the late 1960s were influential for different leftist perspectives and organizations in the 1970s. Using mainly the information base provided by the former, the latter groups determined their views on the tobacco issue within their own ideological and political baggage.

[655]"Akhisar Tütün Mitingi'nde Sağcı ve Solcular Çatıştı," *Milliyet,* 8 February 1969.1,7.

Three days later, students held another demonstration in Ödemiş. *Milliyet* stated that nearly a hundred students had initiated the protest but gave no details about the total number of participants.[656] Compared to the first demonstration in Akhisar, however, the number of students seems to have dropped from a thousand to a hundred, as offered by the two reports by *Miliyet*. Despite being organized by less number of students, the Ödemiş demonstration was peaceful and excited with dramatic speeches and sensation-provoking poems.[657]

The rush of university students to tobacco producing districts inspired the producers. Following the students' political activity in the Aegean region, the first peasant's union of Turkish agriculture was organized. On 16 April 1969, the Turkish Tobacco Producers' Union (*Türkiye Tütün Üreticileri Sendikası*) was established in Akhisar, Manisa.[658] After Akhisar, the union was organized in two other important districts, Ödemiş, Izmir and Alaçam, Samsun.[659] The newly organized producer union was seen in public for the first time at the demonstration held in Akhisar on the second day of the 1970 Aegean market, on 28 January 1970. *Milliyet* reported that "crowds of producers" participated in the demonstration together with university students. Under massive security measures, the protesters marched from the union building to Station Square. They carried banners saying, "Producers Suffer, Merchants Enjoy!" (*Cefa ekicinin, sefa tüccarın!*), "Producers Demand Cooperative!" (*Ekici kooperatif istiyor!*), "What Has Happened to Five-percents?

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[656]"Ödemişteki Tütün Mitingi Olaysız Geçti," *Milliyet,* 11 February 1969.7.

[657]Ibid.

[658]*Tütün Sömürüsü ve Tütün Üreticilerinin Mücadelesi* (İstanbul: Ege Tütün Üreticileri Sendikası, 1977).6.

[659]*Tütün Üreticileri Birleşelim* (Ankara: İşçi-Köylü Gazetesi Yayınları, 1971).12.

(*Yüzde beşlere ne oldu?*), and "We Would Like to Live Humanely" (*İnsanca yaşamak istiyoruz*). The demonstration speeches were mostly made by producers who complained about both TEKEL and the merchants. After the speeches, the crowds dispersed without incident.[660]

Indeed, we lack of sufficient historical sources to find out the activities of the first producer union in the early 1970s. Apart from the newspaper reports, two brochures mention the Turkish Tobacco Producers' Union: one published by the Worker-Peasant Newspaper (*İşçi-Köylü Gazetesi*)[661] in 1971, and the other by the Aegean Tobacco Producers Union in 1977. Given that both were mainly propaganda-oriented sources, the impact of the Union was probably exaggerated. For example, the 1977 brochure specified the number of producers who participanted in the 1970 Akhisar demonstration as "more than 7,000,"[662] while the 1970 *Milliyet* used a moderate language by stating only "crowds of producers," as stated above. Thus, there is a high probability of overstatement of the facts in both historical materials. Yet, it is almost certain that the Union continued to be organized in other tobacco districts after its first Akhisar demonstration. Both the 1971 and 1977 brochures told about the opening of new union branches in several districts of the Aegean region, such as Kiraz, Fethiye, Eşme, or Gördes during 1970.[663]

Depending on the available historical sources, it may be argued that the unionization movement made an improvement in 1970 in the tobacco producing

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[660]"Tütün Mitingi Olaysız Geçti," *Milliyet,* 29 January 1970.1,11.

[661]*İşçi-Köylü Gazetesi* was a publication of Maoist sect led by Doğu Perinçek. It began to be published in July 1969 and banned in April 1971 after the March 1971 military intervention. Aydınoğlu, *Türkiye Solu (1960-1980)*.275-9; "Doğu Perinçek," http://www.biyografi.net/kisiyazdir.asp?kisiid=1653 Accessed on 10 December 2013.

[662]*Tütün Sömürüsü ve Tütün Üreticilerinin Mücadelesi*.6.

[663]Ibid.6; *Tütün Üreticileri Birleşelim*.12.

districts. Despite the impossibility of knowing exactly how big the movement was or how many producers actively engaged, the new producer's organization caused an apparent counter reaction in the Aegean region. The brochure of the Aegean Tobacco Producers' Union stated that even a company union named the Tobacco Producers' Union (*Tütün Müstahsilleri Sendikası*) was established in 1970 by "merchants' collaborators."[664] The political difference of the two unions was self explanatory, thanks to what they call themselves: Both Turkish terms of "*ekici*" and "*müstahsil*" are "producer" in English, but the former is a modern Turkish word while the latter is Ottoman Turkish. The company union hinted at its right-wing political orientation by choosing the Ottoman Turkish term, *müstahsil*, for its name in contrast to the formerly established leftist union using the modern Turkish term, *ekici*.

The company union, the Tobacco Producers' Union, was an unfruitful attempt at dividing the tobacco producers, according to the 1977 brochure. Since the producers showed no interest in that union, it had to shut down after a while.[665] The reaction against the unionization movement was not only comprised of the emergence of a short-lived and ineffective company union. Demonstrations held by the Turkish Tobacco Producers Union became more influential and well attended in the early days of 1971. As a reaction to several protests made in the Aegean districts, the merchants began to close their shops on demonstration days. To prevent any possible encounter with protestors, merchants and their employees concealed themselves.[666]

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[664] *Tütün Sömürüsü ve Tütün Üreticilerinin Mücadelesi*.6.

[665] Ibid.

[666] Ibid.

The Turkish Tobacco Producers' Union was shut down by the 1971 military intervention. Despite lasting only two years, it was a unique political experience for Turkey. It had emerged as a result of the collaboration of leftist university students with the tobacco producers. The union had been organized in the most important tobacco producing districts, and had managed to hold influential annual demonstrations. The improvement of the producer movement also had triggered a counter reaction. The union had not only given birth to a right-wing oriented company union, but also had led the merchants to act cautiously. The legacy of the union would serve as a model for the struggles in the second half of the 1970s when new producer unions and associations in tobacco producing regions emerged.

The Alaçam Tobacco Producers Union and Solidarity Association (*Alaçam Tütün Üreticileri Birleşme ve Dayanışma Derneği*) was established by 12 tobacco producers in 1975. According to its charter, the association aimed to "provide unification and solidarity, and protect and develop all economic and social rights of the tobacco producers within the Atatürk revolutions, the universal declaration of human rights, and the Constitution stating that the Turkish Republic was a national, democratic, secular, and social state governed by the rule of law." [667] As evident in its short but all-inclusive goal statement, the Alaçam Association seemed to act as a non-governmental organization more than a producer-oriented one or union. Scarce sources about the Association also support the hypothesis that it worked as a local non-governmental organization. There are no records about the Association organizing meetings, distributing leaflets, or calling for protests. The only activity I found was a performance of a play written by the head of the Association, İsmail

[667] Alaçam Tütün Üreticileri Birleşme ve Dayanışma Derneği, *Alaçam Tütün Üreticileri Birleşme ve Dayanışma Derneği Tüzüğü* (n.p.: Dernek, 1975).3.

Yeşilyurt. The play *Tobacco* (Tütün) was about exploitation in the tobacco market and rightful struggles of the producers. The Alaçam Association, together with the Alaçam Public House (*Halkevi*,) gave five performances in November 1975 in Bafra and Alaçam.[668]

The Alaçam Association engaged in conscious-raising efforts among the tobacco producers in the Black Sea region in the mid-1970s. The emergence of such an organization in Alaçam was probably the result of the interrupted unionization efforts of the late 1960s, given that Alaçam was the only district from the Black Sea region in which the Turkish Tobacco Producers' Union had organized. The linkage between the unionization movement of the early and late 1970s was, however, more apparent for the Aegean region. The Aegean Tobacco Producers' Union (*Ege Tütün Üreticileri Sendikası*) was established on 2 January 1976. According to the 1977 brochure of the Union, the tobacco producers, who had already had experience with struggle, held meetings in villages and districts and discussed re-unionizing in 1975, preceding the establishment in 1976.[669] The Aegean Union emerged as a result of those discussions.

Only a week after the establishment, the Aegean Tobacco Producers' Union decided to hold a public demonstration in Akhisar. On 10 January 1976, more than 5,000 tobacco producers gathered in the Akhisar Station Square. They demanded not only the implementation of a tobacco policy just like the one during Türkmenoğlu's ministerial term, but also the resignation of the government. In a speech, the head of the Union Hasan Akta, said that "public enemy fascists and their purchased men"

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[668]Süleyman Felamur, "Alaçam'da Yıllardır Oynanan 'Oyunun' Oyunu: TÜTÜN," http://www.memleketmektubu.com/2009/11/%E2%80%98anlatilan-senin-hikayendir%E2%80%99/ Accessed on 10 December 2013.

[669]*Tütün Sömürüsü ve Tütün Üreticilerinin Mücadelesi*.13.

were the ones "attempting to stop producers' struggles and objecting their organizing," and called on producers to join the Union. Akta also declared their expectation of a higher prime price and a "real" floor price from the coming market opening because of rising production costs and inflation.[670]

The first protest of the newly established Aegean Union was held two days before the 1976 Aegean market opening. As soon as the market opened, the Union targeted the government. In the official ceremony in Akhisar, the Minister of Customs and Monopolies, Orhan Öztrak, was protested by some producers, ten of whom were detained.[671] In response to the detentions and current market conditions, the Union issued a protest statement. The Union accused the National Front government of devastating the producers by determining the prime price lower than expectations. According to the Union, TEKEL had added more to the devastation by slowing purchases and leaving producers to the merchants' mercy.[672]

The Aegean Union made a quick start in early 1976. In the following years until the 1980s, the Union organized several demonstrations under the name "Stop Exploitation in Tobacco Production!" (*Tütünde Sömürüye Son*!) in tobacco districts: in November 1976, in Akhisar;[673] in January 1977, in Dikili;[674] in February 1977, in Manisa;[675] and in January 1979, in Akhisar and Çarşamba.[676] The photo below was

[670]"Miting Yapan Tütün Üreticileri Hükümetin İstifasını İstedi," *Milliyet,* 11 January 1976.6.

[671]"Akhisar'da Tekel Bakanı Aleyhine Gösteri Yapanlardan 10 Kişi Gözaltına Alındı," *Milliyet,* 13 January 1976.1,10.

[672]"Ege'de Tütün Üreticisi Alımdan Memnun Değil," *Milliyet,* 14 January 1976.10.

[673]"Ege Tütün Üreticileri Sendikası," *Milliyet,* 16 November 1976.9.

[674]"Dikili'de Tütün Üreticileri Hükümeti Protesto Yürüyüşü Yaptı," *Milliyet,* 3 January 1977.3.

[675]"Sıfır Randımanlı Tütüne 22 Lira Fiyat Verildi," *Milliyet,* 22 February 1977.1,10.

taken at one of those demonstrations.[677] The banner on the front belongs to the Aegean Tobacco Producers' Union, and the protest seems to have been well-participated.

Figure 14: A photo from "Stop Exploitation in Tobacco Production!" protests

The "Stop Exploitation in Tobacco Production" protests were the most significant events organized by the Aegean Union. The protests hold a special place in the history of social struggles in modern Turkey for its show of continuity and wide sphere of influence. The main ideological motive of the demonstrations was "exploitation." The Union's training brochure stated that producers were exploited though the price policies determined by the "imperialist monopolies," credit policies in favor of the merchants, and the tobacco policies implemented by TEKEL. Thus, the struggle whould be against the imperialists and domestic collaborators, TEKEL and the merchants, all at once.[678] In fact, the "exploitation" theme was neither new nor better grounded in terms of the leftist approaches that had been developed about the tobacco problem since the mid-1960s. However, the ideological atmosphere of late 1970s had no hesitation to label the "exploiters" in a more direct manner and

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[676]"Ege'de Tütün Piyasası Gelecek Hafta Açılacak," *Milliyet,* 30 January 1979.10.

[677]*Tütün Sömürüsü ve Tütün Üreticilerinin Mücadelesi*.16. There is no specification about the photo, so it is not clear from which tobacco demonstration it was taken.

[678]Ibid.14-24.

defining the struggle as being against them. An anti-exploitation political discourse thus was dominant in the unionization movement that emerged in the second half of the 1970s.

The politically active tobacco producers succeeded at gathering big, successive protests, and creating a unionization experience in Turkish agriculture for the first time. The repertoire of the producers' struggles, however, involved more than establishing unions or holding peaceful demonstrations. In the early 1970s, tobacco producers introduced another form of struggle as new as unions or repetitive protests: workshop occupation. The 1970-season Black Sea tobacco market was opened on 22 March 1971. The tobacco producers of Alaçam found the prime price declared by TEKEL low, and collectively boycotted sales.[679] Sale boycotts had been used before. As discussed in Chapter 4, there had been successful cases of boycotting sales recorded in Ödemiş in 1946, in Gavurköy and Seydiköy in 1959, and in Alaçam and Bafra in 1960. The distinctive character of 1971 Alaçam case, however, emerged after the four-day sale boycott. On 26 March 1971, the tobacco producers occupied the Alaçam Tobacco Workshop two times in one day. *Milliyet* reported that:

> Ten people, including the head of Alaçam Teachers Union and executives of the Black Sea Tobacco Producers Union, were arrested during the workshop occupation in Alaçam. Finding the declared prime prices too low, the tobacco producers, allegedly with the provocation of the heads of the Teachers Union of Turkey and the Black Sea Tobacco Producers Union, occupied the Tobacco Workshop two times yesterday. The first occupation lasted for twenty minutes, and the occupants dispersed as a result of the district governor's appeasing speech. However, the producers occupied the workshop the second time after noon. The second occupation lasted for one-and-a-half hours, and was forcefully ended by police intervention.[680]

[679]"Karadeniz'de Tekel ve Tüccar, İlk Günde 2 Milyon Tütün Aldı," *Milliyet,* 24 March 1971.3.

[680]"Tütün İşletmesini İşgal Eden 10 Kişi Tutuklandı," *Milliyet,* 27 March 1971.3. *"Alaçam Tütün İşleme Atelyesinin önceki gün tütün ekicileri tarafından işgal edilmesi olayı ile ilgili olarak dün 10 kişi tutuklanmıştır. Tutuklananlar arasında TÖS Alaçam Şubesi ile Karadeniz*

The Alaçam workshop occupation case was unique in the struggles of the tobacco producers. Evidence of another occupation case other than the Alaçam one has not been found. Despite being the only one, it is very informative about the political atmosphere in the 1970s. First and foremost, the occupation occurred at the end of a four-day, but inconclusive boycott. As the producers had not been able to get what they wanted, a price increase, they decided to escalate their struggle by occupying a workshop. Second, the occupation decision appeared to have been taken under the direct impact of the newly established producer's union. However, the producer's union was not alone in the decision to carry out the protest. The local branch of another influential union, the Teacher Union of Turkey (*Türkiye Öğretmenler Sendikası*,) seems to have played an active role in the occupation, at least with the participation of its executives. Third, the negotiating attitude of local governors seems to have been ineffective since the occupation had to be ended forcefully. Last but not least, deciding to occupy a TEKEL workshop hints at a new step in the struggles in which the sides began to clash in a more direct manner. In fact, the producers took that step further later in the decade by showing no hesitation to come face to face with TEKEL officials and the merchants' experts.

The tobacco experts were the actual face of the buyers in dealing with the producers. They received the brunt of the producers' reactions, both appreciative and aggressive. As Chapter 4 discussed, the face-to-face nature of expert-producer relationship made the experts vulnerable, on the one hand, to neverending

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Tütün Üreticileri Sendikası yöneticileri de bulunmaktadır. Tütün ekicileri, Karadeniz Ekici Tütün Piyasasında verilen 17 liralık baş fiyatı az buldukları gerekçesi ile, iddiaya gore TÖS ve Sendika yöneticilerinin tahriki ile, önceki gün direnişe geçmişler ve Tütün İşleme Atelyesini iki kez işgal etmişlerdir. Öğlenden önceki ilk işgal 20 dakika sürmüş ve işgalciler, ilçe kaymakamının yatıştırıcı konuşması ile dağılmıştır. Ekiciler öğlenden sonra atelyeyi tekrar işgal etmişler ve bir buçuk saat süren işgale, zabıta kuvvetlerinin müdahalesi üzerine son vermişlerdir."

complaints, political pressure, and even violent confrontations, and on the other, accusations of bribery and abuse of power. As political and economic conflicts in the tobacco market sharpened during the 1970s, the producers directed their anger at the tobacco experts who worked for TEKEL or the merchants. The second half of the decade was the "hardest times ever" for the experts, as one of my interviewees, Hasan Hüseyin Şindil, a tobacco expert working for private firms in Akhisar since 1975, said.[681]

TEKEL officials were the targets of producers, mainly due to political divisions. On 15 February 1979, *Milliyet* printed a piece of news about an expert taken hostage by producers. TEKEL expert, Talat Gencap, was held in hostage in Karaçlar village of Kula district in Manisa for nine hours after producers thought he had intentionally determined a low price for their crop. He was released after nine hours when TEKEL accepted the villagers' demand for the re-evaluation of their crop by another expert. The village headman and local administrators of the Republican People's Party issued a statement together in which they said the expert Talat had been purposely valued their crop low because he was a sympathizer of the Nationalist Movement Party while the majority of the villagers supported the RPP.[682] The Karaçlar incident shows that the producers reacted to TEKEL experts, who were alleged to take politically-biased decisions.

The experts working for the merchants also received their share of the producers' anger in the late 1970s. The reaction against them, however, was a part of the dominant ideological atmosphere in which the merchants were accused of

[681]Hasan Hüseyin Şindil, interview by the author, note-taking, Manisa, Turkey, 14 December 2011.

[682]"Kula'da Fiyatı Az Bulan Ekiciler, Tütün Eksperini 9 Saat Rehine Aldılar," *Milliyet,* 15 February 1979.14.

exploitation, deceiving producers, playing market games, and collaborating with imperialists. Hasan Hüseyin Şindil said that in the late 1970s it was common for private sector experts to be taken hostage by producers. Experts working for the merchants were torn between the producers wanting written contracts at the moment of sale and their bosses who refused to make contracts before the warehousing period.[683] The experts suffered from the dilemma, and unfortunately were detained by producers to pay the price on the behalf of their bosses, the tobacco merchants. Like the experts, the merchants' offices earned the producers' hatred in the late 1970s. Merchants kept their shops closed, especially on the days of tobacco demonstrations, to avoid random attack of those offices by protestors.[684]

In sum, the leftist discourse about the tobacco problem was developed in the mid-1960s by both the efforts of the social democrat RPP and the socialist WPT. Two main themes of the emerged agenda were exploitation and social inequality between the merchants and producers. The themes revealed in credit distribution or insufficiency, the taxes paid by merchants, profits, the costs of production, and the land or organization issue. The areas of exploitation were heatedly discussed until the late 1960s, which lay the ideological ground for the subsequent struggles. The end of 1960s was a time to act, rather than discuss, especially for leftist university students. They rushed to the tobacco producing districts to mobilize producers against exploitation. They held demonstrations and initiated the establishment of the first Turkish agricultural union, the Turkish Tobacco Producers Union. The drive given

[683]Hasan Hüseyin Şindil, interview by the author, note-taking, Manisa, Turkey, 14 December 2011.

[684]Hasan Hüseyin Şindil, interview by the author, note-taking, Manisa, Turkey, 14 December 2011. In the interview, Şindil said that several assault cases were recorded in the late 1970s. Tobacco producers present at the interview also confirmed Şindil's comment by referring to "broken office windows during tobacco demonstrations." Except these statements, however, I am unable to find any other historical source recording assaults to merchants' offices.

by the radicalized student movement influenced the tobacco producers as evident in the progress of the unionization and continuous demonstrations in the main tobacco districts of the Aegean and Black Sea regions. Emerging producer movement gave also rise to counter-reactions as seen in the formation of a fabricated yet ineffective company union.

The tobacco producers' movement was interrupted by the 1971 military intervention that suppressed the opposition and shut down the producer union. The recovery occurred by the mid-1970s when a new producer union, the Aegean Tobacco Producers Union, and association, the Alaçam Tobacco Producers Union and Solidarity Association, emerged. These new organizations performed both political and ideological duties such as producing popular culture artifacts, providing training materials, and most importantly, triggering successive demonstrations under the slogan, "Stop Exploitation in Tobacco Production." In addition to unionization and organizing influential protests, the tobacco producers increased their ways of showing their anger and reactions against "exploiters" in the 1970s, as seen in the cases of workshop occupation, taking experts hostage, and assaulting merchants' offices. The tobacco producers created a rich collection of struggles, in a way proving Özgener's above-cited reproaches about producer pressure on policies.

The peculiarities of the 1970s merged with the most serious economic and political crisis Turkey experienced ever at the end of the decade. The crisis brought the tobacco market to the brink of collapse. From that moment on, it became clear that the current market order could not be kept, and the rules of the game had to be changed. The ambiguity about the direction of the change was removed by the liberal turn in the economy after the 1980 military intervention, when the tobacco market

would never be same again. Now, I would like to discuss the total crisis at the end of the 1970s and how that legacy opened doors for the 1980s' liberal policies.

Collapse: Total Crisis by the end of the Decade

TEKEL was at the heart of the crisis in the tobacco market by the end of the decade. First and foremost, it was shaken by the most serious allegations of partisan staffing and corruption ever raised in its long history. The partisan staffing was mostly done under the so-called second National Front coalition government, which was in power for just five months in the second half of 1977. It was alleged that the Minister of Customs and Monopolies, Gün Sazak, from the Nationalist Movement Party (NMP), cleared the way for the recruitment of NMP supporters at TEKEL. In October 1977, *Milliyet* reported that 56 new appointments were made only in one-and-a-half month following the replacement of TEKEL's general manager with a pro-NMP bureaucrat. Although the new general manager, Esat Güçhan, rejected the claims of partisan staffing, the speed and lack of merit in some of the recruitments were evidential: A teacher was appointed as a chief of production at a TEKEL distillery, and an accountant assistant as a general manager of a local TEKEL branch. Even, a former head of the NMP young wing in Istanbul was seconded as an "advisor" to TEKEL.[685]

The allegations of partisan staffing at TEKEL were constant during the short-term of the second National Front government. As recorded by *Milliyet*, the schoolmaster of the Tobacco Experts High School was replaced by a pro-NMP

[685]Güngör Gönültaş, "Tekel'de Kısa Sürede 56 Nakil ve Atama Oldu," *Milliyet,* 29 October 1977.5.

bureaucrat just one day before the planned date for the entrance exams to school. The first thing the newly appointed schoolmaster did was delay the entrance exams. The reason of postponement became evident as the exams were held one month after the appointment of the new schoolmaster, in late November 1977. For the first time, an entrance exam included questions about the candidates' personal lives. The exam asked the candidates to specify what their leisure activities were, what kind of books they read, and they recommended reading.[686] Such subjective questions were meant to learn the political orientations of the candidates, which strengthened the claims of partisan staffing and political discrimination.

The second National Front government recruited NMP supporters as TEKEL staff. After the fall of the short-lived second National Front, Ecevit formed a minority government that stayed in power from January 1978 to November 1979. The government change meant the elimination of the pro-NMP employees, including the general manager recruited at TEKEL by the former coalition.[687] The staff elimination led the right-wing parties to attack the Ecevit government by making corruption allegations. The allegations hit the headlines by June 1978 when the scandal began with the anonymous posting of some copies of receipts to certain RPP deputies. The receipts showed payments for "huge amounts of money" to a special account in Swiss banks on behalf of some TEKEL managers. The payments were alleged to have been made under the name of "commissions" in return for tobacco export on credit and cigarette manufacturing in Yugoslavia.[688] With the widespread press coverage, the Ministry of Customs and Monopolies opened an investigation

[686]"Tütün Eksperleri Yüksek Okulu Sınavlarında,'Hangi Kitabı Okumamızı Tavsiye Edersiniz?' Sorusu da Yer Aldı," *Milliyet,* 30 November 1977.12.

[687]"Özet ve Beş Arkadaşı: Rüşvet İddiası İftiradır," *Milliyet,* 25 June 1978.8.

[688]"Mataracı: Komisyon İddialarına Karşı Soruşturma Açtım," *Milliyet,* 22 June 1978.1,14.

into the corruption claims. In addition, the pro-RPP general manager of TEKEL, Orhan Özet, together with other executives, issued a public statement. Özet said that the corruption allegations were designed because he and his friends stood against stuffing TEKEL with "militants of a particular ideology." He insisted that there was no illegality about the tobacco transactions in question that he had no account in Switzerland.[689]

As stated by the Minister Mataracı, the Prime Ministry assigned a commission of inspectors from the Minister of Finance and the Minister of Customs and Monopolies to investigate the corruption allegations. The commission announced in a public statement in mid-January 1979 that they had concluded that the allegations had been using fake documents. The forgery had been revealed by the Swiss bank's official reply to the investigation commission's question that it had no records for the alleged transactions.[690] The commission acquitted TEKEL managers of the corruption and malpractice. Yet, the allegations of both partisan staffing and corruption show how far TEKEL had been politicized. As the site of the toughest political fights to date, TEKEL became an over politicized institution in the late 1970s.

In the last years of the decade, TEKEL also had serious difficulties in managing a variety of its duties. The most compelling problem was the growing stocks of leaf tobacco that it bought either as a part of the support purchases or for its own manufacturing needs. As stated above, TEKEL had to carry all the burdens of the tobacco production boom that occurred between 1972 and 1977. The lack of effective, country-wide production planning left overloaded warehouses to TEKEL.

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[689]"Özet ve Beş Arkadaşı: Rüşvet İddiası İftiradır."8.

[690]"Tütün Dışsatım ve Sigara Yapımında Yolsuzluk Yapılmadığı Başbakanlıkça Saptandı," *Milliyet,* 13 January 1979.1,14.

The unreasonable solution for excess stocks of leaf tobacco was to burn them, what showed how costly the full purchase guarantee was for TEKEL. In January 1978, the head of the Izmir Chamber of Agriculture, Reşit Kurşun, stated that TEKEL had burned the lowest grade 1977-season crop which had had zero yield, and had to be bought. Kurşun hinted at possible overall costliness by specifying that TEKEL had already paid one-and-a-half million Turkish Liras for that kind of unusable crop just in Izmir.[691]

TEKEL had to burn excess stocks of tobacco also after 1978. Since the overstocks problem tied the TEKEL managers' hands, they had to offer, and in fact implement, the burning option as an urgent solution in the following years as well. A 1980 TEKEL report from the personal archives of Adnan Raşit Günay describes the deadlock: Concerning the sum of domestic consumption and export amounts, Turkish tobacco production should not exceed 215,000 tons on a five-year average. However, the realized five-year average was 255,000 tons in 1980. The difference meant that the stocks could only be finished either by increasing exports or decreasing production. However, the measures taken for export increase up to that point - such as discounted sales, credit sales or counter purchases - were doing more harm than good by decreasing export prices and favoring no one but only intermediary companies. Hence, there was nothing to be done except taking radical measures for production planning and burning low-grade tobacco not worth the cost of storing. Indeed, the report mentioned earlier burning cases as being not having been the most wanted, but the only feasible alternative. Still, the 1980 TEKEL report proposed to keep the burning practice unless an effective production plan was

[691]"Tütünde Maliyetin 51 Lira Olduğu İleri Sürülüyor," *Milliyet,* 11 January 1978.11.

devised.[692] The report shows TEKEL had to burn the low quality part of leaf tobacco stocks beginning from 1978, at least until 1980, due to being incapacitated by poor planning.

TEKEL burned tobacco in the last years of the 1970s. Simultaneously, with excess stocks of raw material, tobacco, Turkey suffered a widespread shortage of end product, cigarettes. Cigarette manufacturing was the primary responsibility of TEKEL. In addition to partisan staffing, corruption claims and burning tobacco, the failure to fulfill its main mission added more to its worsening institutional reputation. The bottleneck became the most powerful argument in the hands of those supporting the abolition of the monopoly on cigarette manufacturing. As one of those supporters, economist Mazhar İzmirlioğlu cited a survey by *Ticaret Gazetesi* (Trade Magazine) in a presentation at a 1977 seminar titled "Problems of Tobacco and Tobacco Industry" (*Tütün ve Tütün Mamulleri Sanayi Sorunları Semineri*). According to the survey, the majority of Turkish smokers complained about the non-availability and low quality of domestic cigarettes in the late 1970s. The simultaneous boom of smuggled foreign cigarettes in the domestic market was another indicator of customer dissatisfaction with TEKEL cigarettes. Supporting his anti-monopoly views with the realities of the cigarette shortage, low quality domestic cigarettes, and market penetration of smuggled foreign cigarettes, İzmirlioğlu ended his presentation with a call to privatize the tobacco sector.[693]

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[692]The report is a TEKEL document titled "Leaf Tobacco" (*Yaprak Tütün*), with no date. It ended with a projection for the 1980-season tobacco market. Depending on this, I think the report was most likely written in 1980. The document is located in the folder "Planning of Tobacco Production" (*Tütün Üretiminin Planlanması*), which is a part of the personal folders of Adnan Raşit Günay in the library of the Tobacco Experts Association in Izmir.

[693]"Tütün Mamülleri Sanayi ve Özel Sektör," Mazhar İzmirlioğlu. The paper is located in the folders of Orhan Özet's personal archive in the archives of the Tobacco Experts Association in Izmir.

During the same seminar, two papers presented by the Izmir Chamber of Commerce and the Aegean Tobacco Exporters Association were also in line with İzmirlioğlu. Despite having a more moderate language than İzmirlioğlu, both papers proposed the opening of cigarette manufacturing to the private sector. Like the economist, the private sector representatives thought that letting the private sector manufacture filtered cigarettes for the domestic market might help to overcome the ongoing shortage. However, this was the minor reason for them. The main reason of the tobacco merchants for such a privatization proposal was the continuously growing tobacco stocks. After giving statistics of the alarming stock status, they put forth their proposal as a possible but partial solution to the problem.[694]

The defensive side of the seminar discussions, TEKEL managers, admitted that TEKEL had been having difficulties meeting the domestic cigarette demand both quantitatively and qualitatively for some time. However, this did not mean TEKEL was unable to satisfactorily carry out its duties or that the current TEKEL management was responsible for the lack of fulfillment. Orhan Özet, the vice-general manager of TEKEL, blamed some unnamed lobbies for the situation. Those lobbies made it more difficult for TEKEL to make the necessary investments to meet domestic demand, and "attacked Turkish tobacco" to make Turkish smokers addicted to American-blended cigarettes. The cigarette manufacturing discussion was "unhealthy," according to Özet, without focusing on this broader framework. Thus, rather than the privatization of cigarette manufacturing, the only thing the political

[694]"Tütünün Yurtiçi Ticaretinde Özel Kesimin Rolü ve Sorunları," İzmir Ticaret Odası.; "Yaprak Tütün İhracatında Özel Kesim ve Sorunları," Esin Özgener - Ege Tütün İhracatçıları Birliği Başkanı.

authority should do was equip TEKEL with the necessary funds and investment options.[695]

The 1977 seminar was the first gathering during which the market actors most comprehensively expressed their opinions about the ongoing bottleneck in cigarette manufacturing and possible solutions to overcome the shortage. In the late 1970s, it was an undeniable reality that TEKEL was unable to meet the increasing demand for cigarettes. Whatever the reason for the shortage, either the outdatedness of monopoly form or a lobby conspiracy, it led to high customer dissatisfaction and complaints about TEKEL. The situation favored those who supported the opening of cigarette manufacturing to the private sector. Yet, the supporters were timid proposing privatization as an urgent solution to the current situation in late 1977, not as a part of a well-defined political and/or ideological agenda. However, the cigarette crisis became more chronic day by day in the last two years of the decade, and thus the pro-privatization calls began to be made more loudly.

On 8 January 1979, *Milliyet* broke the news of long queues at TEKEL retail stores with a headline "Turkish Tobacco is World Famousi but We Cannot Smoke Filtered Cigarettes."[696] The article used two photos showing queues in Istanbul, and said those "cigarette queues" could be seen almost every day in the big cities. Since filtered cigarettes could not be found at groceries or dealers, smokers had to wait long queues at TEKEL retail stores from morning to night. The news also included statements by the Minister of Customs and Monopolies, Tuncay Mataracı, who blamed the country-wide economic crisis for the cigarette shortage. Importing the machinery or spare parts necessary to increase domestic production was impossible

[695]Özet, *Tütün Üzerine Konuşmalar, 1965-1980*.58-60.

[696]Özcan Büyükoğlu, "Tütünümüz Dünyaca Ünlü Ama Kendimiz Filtrelisini İçemiyoruz," *Milliyet,* 8 January 1979.11.

due to the ongoing foreign exchange shortage. The article ended with the statement that the queues would continue unless the crisis was over.[697] In fact, the 1980 military intervention would put an end not only to the long queues, but also to a historical period in Turkey. Before that moment, the necessity to privatize tobacco sector were voiced more, and preparatory work had already begun.[698]

The last three years of the 1970s were a time of collapse in Turkey as well as in the tobacco market. Regarding the focus of this dissertation, the tobacco market, TEKEL was institutionally at the center of the crisis: The scandalous allegations of partisan staffing and corruption damaged its credibility. It shouldered the burden of the uncontrollably increasing tobacco production and prime prices. Burning tobacco, one of the least practical methods, had to be used to get rid of excess stocks. Country-wide cigarette shortages also contributed to TEKEL's worsening reputation. It seemed unable to carry out even its primary responsibility, cigarette manufacturing. The growing domestic demand for filtered cigarettes was met by smuggled foreign packages, further indicating its inadequacy. By the end of the decade, most certainly the death tolls were ringing for TEKEL.

Late 1970s was the hardest decade not only because TEKEL was being attacked on every front. Due to the economic crisis and high inflation rates, although tobacco prime prices continued to increase nominally, real prices began to decline by 1978. While the tobacco producers began to complaing about lower real price levels,

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[697]Ibid.

[698]Haluk Cillov, "Tütün Üreten Ülkede Uzayan Sigara Kuyrukları," *Milliyet,* 13 January 1979.13; "CHP Yönetim Kurulu'nda Sigara Yapımının Özel Sektöre Verilmesi İstendi," *Milliyet,* 11 March 1979.7; "Sigara Yapımında Monopolü Kaldıran Teklif Benimsendi," *Milliyet,* 15 February 1980.9; Mehmet Barlas, "Sabancı Holding, 'Marlboro' ve 'Anadolu' Sigarası İmal Etmek İçin 'Philip Morris'le Anlaşma İmzaladı," *Milliyet,* 30 June 1980.1,9.

the merchants welcomed real price decreases.[699] However, the golden age for tobacco producers came to an end by the last years of the decade. As stated in the first part of this chapter, production, real prices and the number of producers declined altogether in the late 1970s. Along with other reasons such as increasing political conflicts or the ideological power of leftist views, the deteriorating economic conditions significantly affected the producers' responses. Then, as discussed above, the producers showed no hesitation to confront the other market actors, detaining experts or attacking merchants' shops in the late 1970s.

The experts also were not at ease in the late 1970s. As discussed above, even one of my interviewees, Şindil, labeled the period the "hardest time" for experts. On the one hand, TEKEL experts were working under the shadow of rising political conflicts. In addition to the potential disagreements inherent to expert-producer relation, now they became suspected of taking politically-biased decisions, as seen above in the case of Karaçlar. On the other hand, experts working for the private sector targeted due to the general reaction against the merchants. They were in the middle of the conflict between the producers pushing their own demands during purchases and the merchants unwilling to change their way of doing business. As the dilemmas were hard to solve, the private sector experts were faced with the anger of the producers, as seen in above mentioned cases of detainment or physical attacks.

The merchants were the only market actors who were relatively better off compared to the pre-1978 years. The economic crisis stopped politicians from keeping the high prime price policy, which had been implemented since Türkmenoğlu term in a way to make everything more difficult for the merchants. Moreover, their continuous calls to open negotiation channels by at least opening the

[699]"Ege'de Tütün İçin 57 Lira Baş Fiyat Verildi," *Milliyet,* 14 February 1978.11.

National Tobacco Board were finally met in January 1979 when the Board gathered for the first time. Also, the merchants' demands began to be taken more into account in the already-open bargaining processes, such that the determination of the indicative export price. For example, the negotiations for the determination of the 1978 indicative export price lasted for one-and-a-half months. While TEKEL stood for a low indicative price, probably to find more export options for the increasing stocks, the merchants pushed for a higher level. In the end, the price was set at the level sought by the merchants.[700]

In the last years of the 1970s, the views of the tobacco merchants garnered more attention through the opening of negotiation channels. Yet, their conditions improved in comparison to the previous years, although not to the previous decades. The anti-merchant political and ideological climate did not end in the late 1970s. It was still no surprise to hear a Minister of Customs and Monopolies saying "anybody can do the business the tobacco merchants do,"[701] or a Justice Party deputy blaming the RPP government for "leaving producers to the mercy of merchants,"[702] or producers accusing the government of "selling them to the merchants."[703]

The corrosion of TEKEL and unsustainability of the expansionist economic policies triggered the crisis in the Turkish tobacco market by the end of the decade.

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[700]"Tütünde Asgari İhraç Fiyatını Belirlemek İçin Çalışmalara Başlandı," 25 August 1978.13; "Tütün İhracatçıları, İhraç Fiyatının 3 Dolar 50 Sent Olarak Saptanmasını İstedi," *Milliyet,* 17 September 1978.1,14; "Tütün Dışsatım Fiyatı 3.50 Dolar Olarak Saptandı," *Milliyet,* 6 October 1978.14.

[701]"Mataracı: Bazı Tütün Tüccarları Amerikalıların Mümessilleridir," *Milliyet,* 15 February 1979.1,14.

[702]"Mataracı: Ege Tütün Piyasasında Üreticiyi Koruyacak Önlemler Hazırlandı," *Milliyet,* 31 January 1979.6.

[703]Atilla Erkoşan, "2.5 Milyar Kredi Verilen Tüccar, Kar Rekoru Kıracak," *Milliyet,* 16 February 1978.11.

What added more to the collapse was the sharpening of the political conflicts. Especially in the last years of the 1970s, political polarization intensified throughout the country, including the tobacco producing regions. The supporters of right-wing parties, the Justice Party and the Nationalist Movement Party, began to pour into streets in rallies against the RPP government, as they did in February 1978 in Cumaovası, Manisa or in March 1979 in Kiraz, Izmir.[704] The increasing polarization, however, prevented the development of a peaceful solution to political conflicts, and eventually provoked violence among different groups. The Turkish tobacco market witnessed the sharpest conflicts, fed by the polarized political climate. Unfortunately, it resulted in dangerous clashes among rival political groups and/or between groups and police. On 10 April 1979, for example, two groups of students clashed with each other at the Tobacco Experts High School due to political disagreements, and thirteen students were detained for one week.[705] In another case, producers from the Aegean Tobacco Producers Union attacked public protest organized by the Justice Party in Akhisar in March 1979. A clash between union members and police resulted in the death of a police officer. Four union member producers, including the murder suspect, were detained, as *Milliyet* reported.[706]

In sum, the end of the 1970s was a period of total crisis for the Turkish tobacco market as well as the whole country. The expansionist policies came to an end due to the country-wide economic crisis. The prime prices began to be determined at levels lower than expected, and the amount of production and the

[704]"Ege'de Tütün İçin 57 Lira Baş Fiyat Verildi."1,11; "AP'nin Protesto Mitingi Bugün Kiraz'da Yapılacak," *Milliyet,* 11 March 1979.6.

[705]"Tütün Eksperleri Meslek Okulu'ndaki Çatışmadan Sonra Tutuklanan 13 Öğrenci Tahliye Edildi," *Milliyet,* 18 April 1979.12.

[706]"Demirel'in Gezisindeki Olayda Öldürülen Polisle İlgili 4 Kişi Gözaltına Alındı," *Milliyet,* 14 March 1979.7.

number of producers decreased. All of the burdens of the former expansionist policies had been carried by TEKEL. However, it showed great weaknesses while trying to pay the price. It was shaken by allegations of partisan staffing, corruption, and malpractice. It found no better solution for the problem of unmanageable stocks than burning tobacco. Last but not the least, it fell short of meeting the growing demand for cigarettes as the sole manufacturer of the country. The worsening impacts of economic stagnation merged with the ongoing inability to keep negotiation channels open and the increasing political polarization. Overall, the result was growing dissidence, sharpening political conflicts, violent confrontations among or within market actors, and finally, a collapse.

This chapter began with a few statements showing the welcoming attitude towards liberalization policies in the early 1980s. Such views sympathetic to changes in the tobacco market took power from the legacy of the total crisis at the end of the decade. Despite the corrupt legacy of the late 1970s, however, it is certain that the liberal turn could not have been made without the heavy-hand of the 1980 military intervention that suppressed every kind of political opposition. The search for what happened after that turning point is interesting, yet beyond the scope of this dissertation.

Concluding Remarks

This chapter focused on the political economy of the Turkish tobacco market through the 1970s. The decade was atypical, as this chapter argues, by showing peculiarities compared to the previous periods. An overview of relevant statistics offers the first characteristic of the decade: All macroeconomic indicators made

sharp moves in a very short time. Only in ten years, tobacco production volume, number of producers, and real prices fluctuated to their extremes. Second, there was a total failure of legal enforcement regarding the tobacco market. The 1970s were the first decade in which the applicable laws were implemented only to a small degree or not at all. The 1969 legal reform was supposed to both change production and sale system and create new institutions, but none of those aims were realized. The enacted laws were used only for ordering support purchases with annual decrees.

The 1970s were also different from the previous decades in that there was a more pluralistic political system and ideological climate. The social democratic RPP played a major role in the creation of a leftist approach to the tobacco issue, and the socialist WPT a minor role since the mid-1960s. The themes of income inequality between merchants and producers, credit imbalance, tax evasion, and long-standing market conflicts were questioned by the left-wing discourse makers under the key word "exploitation." The RPP's election success in 1973 introduced what the leftist viewpoint meant in real life. Marking a political turning point, Türkmenoğlu's term as minister was a time for not only radical implementation of pro-producer policies, but also tension for the merchants. Until the crisis in the end of the decade, all successive governments had to follow the policy line the RPP drew in 1974 because of both the nature of populist politics and the pressure of the producers' movement on the policies.

The decade also had distinctive characteristics regarding the configuration of market actors. TEKEL carried all the burden of the expansionist economic policies, and became a gigantic institution. The tobacco merchants during this time experienced political and ideological marginalization. They faced allegations of tax evasion, lost lobbying power in decision-making processes, confronted mismanaged

sector policies, had to compete with TEKEL, and were ideologically undermined as "exploiters," "cheaters" and/or "imperialist collaborators."

The tobacco producers, however, lived through a golden age as a result of the populist policies and pro-producer ideological climate. Along with the general conditions, the heyday of producers was formed by their own struggles. They developed an influential movement, built an agricultural union for the first time in Turkey, and organized continuous demonstrations under the name "Stop Exploitation in Tobacco Production" from the late 1960s to the end of the 1970s. Moreover, thyey found new ways to protest throughout the decade, such as workshop occupations, detaining experts, or assaulting merchants' shops.

The end of the 1970s saw a collapse, not only for the tobacco market. From 1977 to the 1980 military intervention, Turkey was hit by the most serious economic and political crisis ever experienced. The tobacco market got its share of the crisis. The production increase reversed, and real prices sharply decreased despite the annual nominal increases of prime prices. TEKEL had difficulties maintaining the former expansionist policies. It resorted to burning the stocks of low quality tobacco. The institutional credibility of TEKEL was damaged by the acute shortage of domestic cigarettes and the boom of smuggled foreign cigarettes. In addition to the weaknesses shown in the fulfillment of its main responsibilities, the scandalous allegations of partisan staffing and corruption gave TEKEL a bad reputation. Apart from TEKEL's condition, the crisis was deepened by sharpening political conflicts, which led to increasing violence within or between market actors. The 1980 military intervention put a brutal end to the crisis by suppressing political opposition and clearing the way for unfettered liberalization. The atypical decade, the 1970s, was

closed in this way, and a new historical era for the whole country, as well as tobacco market, began.

At the beginning of this chapter, the framework Ömer Turan suggested for the decade was discussed. He summarizes valuable yet insufficient pieces of studies on the 1970s around three motives - the crystallization of class perspectives, populist modernity, and the escalation of violence spiral and crisis. Then, he states that the existing literature on the decade is neither advanced enough to have a satisfactory understanding of such a dynamic societal context nor able to go beyond the hegemonic themes of terror, chaos and crisis. An approach sensitive to alternative political imaginations and differentiated ways of social struggles may offer a possibility to overcome the shortcomings of the existing works.

This chapter hopes to contribute to the current historiography on the 1970s. Depending on a variety of primary historical sources and oral interviews, the characteristics of the exceptional decade were discussed within the context of the Turkish tobacco market. Although political violence and economic crisis marked the end of the decade, this chapter showed how difficult the oversimplification of the whole decade to a crisis moment. As well as political instabilities, economic mismanagement and lack of legal enforcement, the 1970s also witnessed the rise of leftist populism, heated discussions on exploitation, loud calls for system change, ceaseless demonstrations, unionizing producers, the emergence of new ways of protest, and the ideological marginalization of the merchants. Any historiography focusing only on the crisis moment at the expense of other striking developments in the 1970s has a high risk of making a teleological interpretation. To be able to avoid that risk, this chapter was devoted to discussing the economic and political developments of the pre-crisis years as much as the crisis years.

Yet, the crisis moment had great importance as it opened the way for a military dictatorship, political repression, economic restructuring, and ideological change. Like the whole country, the tobacco market was reshaped after the 1980 coup by the introduction of liberalization policies. The changes were legitimized simply by the bad legacy left by the snowballing but unsolved problems of the crisis years. However, the post-1980 Turkey, which had a totally different context, is beyond the scope of this dissertation. Therefore, this chapter is limited to showing the peculiarities of the crisis and their functional use to justify the subsequent changes.

CHAPTER 8

CONCLUSION

This dissertation scrutinizes the political economy of the Turkish tobacco market from the late 1930s to the early 1980s. Unlike recent times, tobacco was a major crop in the period under discussion. As one of the leading export-oriented cash crops, it was strategic not only for the state, but also for a substantial portion of the population. Developments in the tobacco market were always a generator of heated discussions. Indeed, no other agricultural product attracted as much public attention as tobacco did.

This study brought new insights to the history of the Turkish tobacco market. Despite its significance in Turkish politics, the archival sources and historical materials used here surprisingly had not been uncovered before. These new sources allowed me to challenge the prevailing view on the issue. The Turkish tobacco market was governed by TEKEL during the period under discussion. The monopolistic system seemed to offer a self-evident market order with set prices, purchasing guarantee, and heavy regulation. This image of the tobacco market is assumed to be what actually happened not only in today's public debates, but also in most of the academic studies. The main goal of this dissertation was to question that image.

The image of tobacco market here included a great deal of disagreements, controversies, and conflicts among actors. The uncovering of that contentious face needed effort now. However, it was obvious for those living through. Otherwise, describing market conditions in terms such as "anarchical," "catastrophic," "chaotic" or "unregulated" would not be observed so frequently in the primary historical sources on the tobacco market. This dissertation put the "chaotic" image of the

market up against the peaceful one: The former belonged to those experiencing the "chaos" at that time, and the latter to the ones narrating it today. It tried to reveal the former image considering the different positions of different market actors, and eventually weaken the power of the latter.

The Turkish tobacco market was shaped by social groups' actions as well as governmental policies. Producers, merchants, and experts had decisive impacts on the direction the market went through. They encountered each other due to several conflicts rising from market imperfections, legal uncertainties, and inconsistent policies. Conflicts occurred on the market opening policy, prices, quality determination, discounting and discarding practices, warehousing conditions and credits. They were sometimes solved through negotiation mechanisms. More frequently, they were just delayed. The necessary structural reform was not done during the period studied, despite the continual efforts of different actors. The market was characterized more by stronger conflicts, disagreements, and unsolved problems rather than by smooth functioning and successful regulation.

The literature on the social and political construction of the market reveals that the market relations never had complete independence from the historical context. Institutions, political structure, social configuration, and cultural values had significant effects on the formation of the market. Analyzing a period in which the state intervention was the main force in the economic and social relations, this dissertation contributes to the literature. It discussed how the laws and regulations formed the market relations and what they changed practically. The real-life test showed not only the successes and failures of the formal framework but also the socio-economic dynamics behind the overall result.

The emphasis of this work on the importance of institutional context was theoretically fed by the historical institutionalist school. The institutional context of the Republican tobacco market had both continuities with and ruptures from that of the Regie period. While TEKEL took over the human and capital resources from the Regie, it rejected the Regie's disreputable legacy as an institution of oppression and imperial control. However, I have a critical stand of the path-dependency argument of the historical institutionalism since it assumes path-dependent periods stabile, and limits the change only to the critical junctures. This work showed the incremental changes, the shifts in the power balances, the uncertainities of policy-making, and the influences of social groups during a seemingly stabile, so-called path-dependent, period.

The analysis here owed much to the historiographic discussions on agency. It shared the emphasis of social history on the roles of social groups other than the state. Neither the state had the omnipotent capacity to do what it projected nor were the market actors mere policy-takers. Despite its emphasis on the societal dynamics behind the policies, this study offered a relational perspective. It analyzed a great deal of issues on which the market actors encountered with each other and formulated different policies. The analysis pointed to the complexity of relations between historical actors, who negotiated and complied as much as conflicted and resisted.

The history of Republican Turkey generally is written from the viewpoint of the state, because of either epistemological assumptions or methodological choices. This study involved a critique of such state-centrist perspectives. It integrated the responses of the market actors to the process of policy formulation and implementation. It showed their policy-shaping power as well as the limits of that

power. On the one hand, the policy decisions on the market opening dates and prime prices, or the support purchases were unable to be implemented for years without the backing of the market actors. On the other, the efforts were never enough to eliminate the persistent conflicts over the sale system, the determination of crop quality and grading, or the allocation of credits.

It is generally assumed that Turkish economic and social life lacked the interest-based organizations. However, the organizational activity by different actors was proven as early as the 1940s in the tobacco market. The merchants, experts, and producers established their own independent organizations in the most important production districts, even in the early Republican period. Their associations took active part in the annual meetings with the governmental authorities, represented their members during the tobacco congresses, and lobbied for their interests. The organizational activity diversified, including new unions and federations of both the merchants and producers, by the mid-1960s, as a result of economic developments and political pluralism throughout the country. During the period under discussion, thus, the organizational representation was foundational in market relations.

The tobacco producers did more than establishing organizations to push their demands. Petitioning, sending letters to the media, organizing local meetings and congresses, and boycotting sales were their most common methods through the period under discussion. Holding successive demonstrations, unionizing, and workshop occupations were added to that repertoire in the years from the mid-1960s to the late 1970s.

This dissertation presented the different phases through which TEKEL had passed to become a gigantic institution in the late 1970s. The state intervened into the tobacco market via two other institutions, a semi-private company and a state-owned

enterprise, in the 1940s. TEKEL replaced these two companies as the intervener institution in the late 1940s. In the 1950s, the Democrat Party governments revived the cigarette-manufacturing monopoly TEKEL by assigning many additional duties. The 1970s was another turning point for TEKEL when it dominated the market at the expense of the merchants more than ever. The revelation of the changes in the institutional formation of TEKEL enabled us to test what the state intervention actually meant in the different historical periods.

In addition to the ones of the tobacco producers and TEKEL, this work documented the story from the perspectives of the tobacco merchants and experts. Comprising one of the significant segments of the Turkish merchantile class, the tobacco merchants run long-lived companies. They were always active participants of the policy-making through their independent organizations. While they had serious concerns about the limits of the state intervention into the tobacco market in the 1940s, later they learned to benefit from the regulations. Except the 1970s, they were as powerful as TEKEL in the market. Although their relations with the producers were not as harmonious as they argued, the producers always opted for their existence in the market and competition with TEKEL. Like the producers, the Turkish governments, including the most statist ones, wanted the merchants in the market. They never acted in a manner to block the merchantile activity. Rather, they looked after the merchants' interests, and tried to ease the conditions.

The tobacco experts were the carriers of the special know-how to grade the crop, and actual linkers between the buyers and seller producers. The objectivity of their professional decisions was often overshadowed by the threat of outside pressures or manipulative incentives. As an antidote to the suspicion over their objectivity, the tobacco experts made the "resistance" discourse the main brick of

their professional identity. During the era under discussion, they run long-lived sector journals, in which the chronic problems of the tobacco market were discussed in many aspects. They wholeheatedly worked for the legalization of the market reform, and reached their aim finally in 1969. However, the legal success did not bring a real change in the 1970s because of the country-wide political and economic turmoil.

Another original finding of this study was the discovery of a hidden taxation practice in Turkish agriculture. A compulsory levy was imposed on the tobacco producers for eleven years with the promise of the establishment of a regulatory institution. The policy of cutting a certain percentage of the producers' income was initiated by the Republican People's Party in 1947. Although the Democrat Party government decreased the percentage of the cut, it kept the policy until 1957. The cuts were supposed to be the start-up capital for a regulatory institution, which was never established. Yet, the cuts raised a substantial fund controlled by the governments. Neither the RPP nor the DP showed any hesitation about taxing the tobacco producers without calling it as such.

The story of the premium-cutting policy brought two more interrelated realities. The first one involved the failure of the reform package, comprised of organizing the producers, changing the sale system, and establishing a tobacco bank. The experts proposed the package in their professional journals in the late 1930s. The governments brought the experts' idea up for discussion in the tobacco meetings and congresses during the 1940s. They faced the producers' support and the merchants' opposition. The enactment of a law in 1950, which was significantly different from the original package, complicated the issue more by creating many other divisions of opinions between and within the market actors. The 1950 law was not implemented

in the 1950s, and other draft bills were discussed without reaching any consensus. The original reform package passed into law finally in 1969, but was not implemented in the 1970s.

The Turkish governments cut a part from the tobacco producers' income to carry out the market reform project, which failed in the end. The fate of the money raised by the compulsory levies revealed another striking finding. The support purchases in the tobacco market were funded mainly with the producer-premiums. Literally, the governments put money in one pocket of the producers with the support purchases, and in fact it was the money they had already taken from the other. This dissertation showed the continuity of purchases, the popular backing to the policy, and the controversial financing method. Depending on these facts, it offered an alternative approach for the support purchase policy, which was seen either as a market distortion or a populist tool.

The 1970s were an exceptional decade for the tobacco market. Production and real tobacco prices boomed, and then fell sharply in just ten years. The new laws, which involved a radical reform of the market, were enacted in 1969, but failed to be implemented throughout the 1970s. Both the left-of-center RPP and the producers' movements stood politically and ideologically against the merchants, who had great difficulties in protecting their market positions. The end of the decade was a time for the collapse due to rising political tensions, serious economic hardships, and overgrowth of TEKEL. The 1980 military intervention put a brutal end to the country-wide crisis, and initiated forcibly the economic liberalization program.

This dissertation produced extensive knowledge of the tobacco market during the Republican period. Further research is needed concerning the tobacco market. The manufacturing phase and the export market were beyond the scope of this study.

Yet, analyzing the whole market structure will offer new insights for a better understanding of the developments in the production market. A comparative perspective on the tobacco markets in different producer countries, for example Turkey and Greece, also would give a chance to consider the general trends and country-specific peculiarities. Moreover, horizontal comparisons with other cash crops will help to develop a fine-tune approach regarding crop-specific features.

Overall, this study contributed to the modern Turkish historiography with its methodological and theoretical premises as well as original findings. It posed challenges on the perspectives limiting the political activity to voting behavior and the economic policies to the governments' projections. It followed a political economy approach in which the responses of historical actors were integrated as constituent elements in the policy-making processes. The perspective here hopefully will help to develop new research agendas on the economic and political history of the Republican Turkey.

APPENDICES

APPENDIX A

THE SOWN AREA OF TOBACCO AS A PERCENTAGE OF THE TOTAL AREA SOWN[707]

Year	Sown Area of Tobacco	Total Sown Area	Percentage
1948	106,099	9,477,000	1.12
1949	127,420	8,990,000	1.42
1950	123,345	9,868,000	1.25
1951	121,360	10,600,000	1.14
1952	130,047	11,775,000	1.10
1953	159,026	13,021,000	1.22
1954	156,000	13,208,000	1.18
1955	173,000	14,205,000	1.22
1956	175,000	14,556,000	1.20
1957	170,000	14,392,000	1.18
1958	156,965	14,764,000	1.06
1959	176,785	15,020,000	1.18
1960	189,587	15,305,000	1.24
1961	140,625	15,128,000	0.93
1962	149,346	15,167,000	0.98
1963	235,669	15,276,000	1.54
1964	272,069	15,367,000	1.77
1965	222,063	15,294,000	1.45
1966	284,945	15,454,000	1.84
1967	297,149	15,515,000	1.92
1968	273,717	15,400,000	1.78
1969	314,840	15,848,000	1.99
1970	330,712	15,591,000	2.12
1971	335,627	15,924,000	2.11
1972	352,383	16,047,000	2.20
1973	322,840	16,062,000	2.01
1974	230,149	16,154,000	1.42
1975	241,508	16,241,000	1.49
1976	315,315	16,343,000	1.93
1977	276,550	16,537,000	1.67
1978	299,299	16,349,000	1.83
1979	232,505	16,607,000	1.40
1980	229,932	16,372,000	1.40

[707]Source: *Statistical Indicators, 1923-2008*.195,202. The data for total area sown were available only for the period after 1948. Hence, the percentages were calculated from then on. The data for the total area sown were taken from the Table 10.2, and the statistics for the sown area were used (fallow land was excluded).

1981	177,166	16,711,000	1.06
1982	206,113	16,967,000	1.21
1983	229,544	17,164,000	1.34
1984	188,494	17,453,000	1.08
1985	176,848	17,908,000	0.99

APPENDIX B

THE NUMBER OF THE TOBACCO PRODUCERS AS A PERCENTAGE OF THE TOTAL AGRICULTURAL EMPLOYMENT[708]

Year	Producers	Total Agricultural Employment	Percentage (%)
1935	101,705	5,835,000	1.74
1936	132,357	5,937,000	2.23
1937	148,047	6,040,000	2.45
1938	131,999	6,146,000	2.15
1939	123,770	6,326,000	1.96
1940	135,011	6,243,000	2.16
1941	120,594	6,311,000	1.91
1942	139,443	6,379,000	2.19
1943	121,428	6,448,000	1.88
1944	149,488	6,518,000	2.29
1945	182,129	6,559,000	2.78
1946	220,008	6,825,000	3.22
1947	244,144	6,974,000	3.50
1948	200,829	7,127,000	2.82
1949	227,483	7,246,000	3.14
1950	230,444	7,408,000	3.11
1951	222,783	7,544,000	2.95
1952	221,164	7,681,000	2.88
1953	244,655	7,819,000	3.13
1954	234,814	7,956,000	2.95
1955	259,254	8,093,000	3.20
1956	273,991	8,142,000	3.37
1957	258,456	8,192,000	3.15
1958	252,843	8,242,000	3.07
1959	282,072	8,292,000	3.40
1960	298,499	8,342,000	3.58
1961	239,265	8,344,000	2.87
1962	281,673	8,346,000	3.37
1963	391,683	8,348,000	4.69
1964	453,586	8,351,000	5.43
1965	379,030	8,352,000	4.54
1966	418,882	8,364,000	5.01
1967	425,861	8,375,000	5.08

[708]Sources for the figures for the "Producers" column: The figures between 1935 and 1954 were taken from Türkiye Ticaret Odaları Sanayi Odaları ve Ticaret Borsaları Birliği, *Türkiye Ekonomisinde Tütün*.28; the ones of 1955 and 1956 from Haluk Cillov, *Türkiye Ekonomisi Bakımından Tütünün Önemi ve Gelişme İmkanları* (İstanbul: İstanbul Ticaret Odası Yayınları, 1965).16; and the ones from 1957 to 1976 were collected from *Ege Tütün İhracatçıları Birliği 1973 Yıllığı*.; *Ege Tütün İhracatçıları Birliği 1979 Yıllığı*. Source for the figures of the "Total Agricultural Employment" column: *Statistical Indicators, 1923-2008*.164-5. The figures under the heading "Employed Persons by Kind of Economic Activity – Agriculture, Forestry, Hunting and Fishing" were used.

1968	389,912	8,347,000	4.67
1969	345,491	8,286,000	4.17
1970	342,243	8,243,000	4.15
1971	350,764	8,332,000	4.21
1972	337,951	8,421,000	4.01
1973	305,240	8,413,000	3.63
1974	360,631	8,405,000	4.29
1975	433,271	8,398,000	5.16
1976	536,699	8,319,000	6.45

APPENDIX C

THE TOBACCO MARKET OPENING DATES BY THE REGIONS[709]

Crop Year	Aegean Region	Black Sea Region (Stack)	Marmara Region
1938	14 November 1938	1 November 1938	2 February 1939
1939	4 December 1939	1 December 1939	5 February 1940
1948	20 December 1948	24 January 1949	28 February 1949
1949	26 December 1949	30 January 1950	6 March 1950
1950	15 January 1951	19 February 1951	12 March 1951
1951	14 January 1952	14 February 1952	10 March 1952
1952	5 January 1953	2 February 1953	2 March 1953
1953	11 January 1954	15 February 1954	1 March 1954
1954	3 January 1955	7 February 1955	28 February 1955
1955	9 January 1956	20 February 1956	12 March 1956
1956	4 February 1957	11 March 1957	25 March 1957
1957	29 January 1958	10 March 1958	24 March 1958
1958	9 February 1959	16 March 1959	30 March 1959
1959	22 February 1960	4 April 1960	4 April 1960
1960	20 February 1961	3 April 1961	10 April 1961
1961	8 January 1962	19 February 1962	19 March 1962
1962	17 December 1962	28 January 1963	14 March 1963
1963	6 February 1964	16 March 1964	6 April 1964
1964	25 February 1965	29 March 1965	26 April 1965
1965	17 January 1966	31 March 1966	21 March 1966
1966	28 January 1967	10 March 1967	3 April 1967
1967	29 January 1968	18 March 1968	8 April 1968
1968	27 January 1969	17 March 1969	4 April 1969
1969	26 January 1970	16 April 1970	6 April 1970
1970	25 January 1971	22 March 1971	12 April 1971
1971	2 February 1972	15 March 1972	10 April 1972
1972	29 January 1973	5 March 1973	9 April 1973
1973	11 February 1974	18 March 1974	15 April 1974
1974	13 January 1975	3 March 1975	7 April 1975
1975	12 January 1976	8 March 1976	5 April 1976
1976	21 February 1977	11 April 1977	2 May 1977
1977	13 February 1978	27 March 1978	24 April 1978

[709]The data in the table were gathered by me from these sources: *Türkiye Ekonomisinde Tütün*.; *Ege Tütün İhracatçıları Birliği 1971 Yıllığı*.; *Ege Tütün İhracatçıları Birliği 1984 Yıllığı*. In the Black Sea region, two kinds of tobacco market stack (*dizi*) and bundle (*demet*) were opened. The bundle-tobacco market was generally opened on the same date as that for the Marmara region.

1978	12 February 1979	26 March 1979	30 April 1979
1979	25 February 1980	31 March 1980	28 April 1980
1980	19 February 1981	30 March 1981	4 May 1981
1981	17 February 1982	26 March1982	3 May 1982
1982	17 February 1983	24 March 1983	31 March 1983
1983	14 February 1984	4 April 1984	11 April 1984

APPENDIX D

THE PRIME PRICES OF TEKEL BY THE REGIONS (TL)[710]

Crop Year	Aegean Region	Black Sea Region	Marmara Region
1955	3.30	5.30	4.15
1956	3.30	5.50	4.90
1957	3.30	5.50	5.90
1958	4.90	8.00	7.00
1959	6.30	10.00	8.00
1960	6.20	11.00	8.80
1961	8.20	17.50	12.00
1962	14.00	21.00	18.00
1963	13.25	21.00	18.00
1964	13.25	21.00	18.00
1965	13.25	21.00	19.00
1966	13.25	21.00	16.50
1967	13.50	18.00	16.00
1968	13.25	18.00	16.00
1969	13.25	18.00	16.00
1970	15.25	20.00	18.00
1971	15.25	21.00	18.00
1972	16.50	21.50	18.00
1973	25.00	34.00	33.00
1974	33.00	44.00	41.00
1975	43.00	54.00	51.00
1976	50.00	62.00	61.00
1977	57.00	71.00	68.00
1978	70.00	87.00	84.00
1979	130.00	160.00	159.00
1980	160.00	197.00	190.00
1981	240.00	295.00	285.00
1982	335.00	400.00	395.00
1983	465.00	565.00	555.00

[710]The data in the table were gathered by me from these sources: *Ege Tütün İhracatçıları Birliği 1971 Yıllığı*.; *Ege Tütün İhracatçıları Birliği 1984 Yıllığı*. The prime prices declared in the pre-1955 period could not be found in any historical sources.

APPENDIX E[711]

THE TOBACCO MERCHANTS BY THE ORGANIZATIONS

IZMIR TOBACCO MERCHANTS

(ATA – The Aegean Tobacconists Association, ATEA – The Aegean Tobacco Exporters Association, UTTE – The Union of Turkish Tobacco Employers)

	Name	ATA-1962	ATEA-1971	ATEA-1984	UTTE-1972	UTTE-1984
1	A. L. Van Beek	-	+	-	-	-
2	A. Mikalef ve Şri.	+	+	-	-	-
3	Abdi Fuat Akev ve Şurekası H. K. Şti.	+	+	+	+	+
4	Ahmet Ferda Kahraman	-	-	+	-	-
5	Ahmet İ. Başaran	+	-	-	-	-
6	Ahmet Naim Denizatlar	-	-	+	-	+
7	Akın Umur	-	-	+	+	+
8	Alaettin Tezol	-	+	+	-	-
9	Alem Tütün Ticaret A.Ş.	-	-	+	-	+
10	Ali Erman Fazıl Ataman ve Ort.	+	+	-	-	-
11	Ali İrfan Kalkavan	-	-	+	-	-
12	Alp Sarıgöl	-	+	+	-	-
13	Alper Gabay	+	+	-	-	-
14	Anadolu Frana Tütün	-	+	+	-	+
15	Anadolu Tütün Ticaret Ltd. Şti.	-	+	+	+	+
16	Aranan Tütün	+	-	-	-	-
17	Arcan Koll. Şti. Ali Arcan Kayhan Arcan ve Ort.	+	+	-	-	-
18	Atilla Uras ve Ort. Komandit Şirketi	-	-	+	-	-
19	Atlas İhracat Kom. Şti.	+	+	-	-	-
20	Austro-Türk Tütün A. O.	+	+	+	+	+
21	Birlik Pamuk Gıda Maddeleri T.A.Ş.	-	+	+	-	-
22	Borovalı Tarımsal ve Sınai İt.İh. A.Ş.	-	-	+	-	-
23	Boyalı Kollektif Şirketi	+	+	+	+	+
24	Boytaş-Boyalılar Nakliye Pamuk Tütün Tic. San. A.Ş.	-	-	+	-	+
25	Çakdir Yaprak Tütün Ltd.	+	-	-	-	-
26	Çakın Tütün Tic. Ltd. Şti.	-	-	+	-	-

[711] All the data used in these tables were gathered by me from these sources: *Ege Tütüncüler Derneği Muhtırası* (İzmir: Ege Tütüncüler Derneği, 1962).; *Ege Tütün İhracatçıları Birliği 1984 Yıllığı*.

27	Denk Tütün Ltd. Şti.	-	+	+	-	-
28	Di Amerikan Tobako	+	-	-	-	-
29	Ege Tütün Maurice Aliberti ve Ort.	+	+	+	+	+
30	Egesam Tarım Ürünleri San. Ve Tic. A.Ş.	-	-	+	-	-
31	Ekrem Sarıgöl	-	+	+	-	-
32	Elhan Özgener ve Ortakları Koll. Şti.	+	+	+	+	+
33	Emin Kemal Yemeniciler	-	+	+	-	-
34	Erol İlhami Kösemen	-	+	-	-	-
35	Etablissement Tabacus	-	+	+	+	-
36	F. Solari Ltd.	+	-	-	-	-
37	Fahrettin Gözoğlu	-	-	+	-	-
38	Fatma Zehra Erboy	+	-	-	-	-
39	Felemenk - Türk Tütün A. Ş.	+	+	+	+	-
40	Fevzi Kaplan	+	-	-	-	-
41	Fumaro Türk Tütün T.A.Ş.	-	+	+	-	-
42	Gelen Tütün Ticaret Ltd. Şti.	+	+	-	-	-
43	Gencollar Ticaret A. Ş.	+	+	-	-	-
44	Gençtaş Ticaret	+	-	-	-	-
45	Geri Tobako Kampini	+	+	+	+	-
46	Glenn Tobako Kompano	+	-	-	-	-
47	Göksel Tütün Ticaret ve San. A.Ş.	-	-	+	-	+
48	Gürel Ticaret Ltd. Şti.	-	+	+	+	+
49	Güriz Döküm ve Makine End. A.Ş.	-	-	+	-	-
50	Güven İş F. N. Eğriboz	-	+	+	-	-
51	Halil Aksoy	+	+	-	-	-
52	Halil Bülent Orhon	-	+	+	-	-
53	Halil Kardıçalı	+	+	-	+	-
54	Hamit Demirağlı	+	-	-	-	-
55	Harald Klaeren ve Ort. Koll. Şti.	+	+	+	+	-
56	Harman Kollektif Şirketi Haydar Aryal ve Ort.	-	+	+	-	-
57	Hasan Çakın	-	+	-	-	-
58	Hasan Takışoğlu	-	+	-	-	-
59	Hasan Tütün Halefleri	+	+	-	-	-
60	Hasankeyf Tütünü Tarım Satış Kooperatifi	-	-	+	-	-
61	Haydar Aryal	+	+	+	-	-
62	Haydar Dündar	+	-	-	-	-
63	Herman Tütün Ticaret	-	-	-	-	+
64	Hermes Tütün Ticaret A.Ş.	-	-	+	-	+
65	Hüseyin Bozkaya	-	+	-	-	-

66	Istrati Papahristo	-	+	-	-	-
67	İbrahim Çakıroğlu Halefleri İsmail Çakıroğlu ve Ort.	+	+	-	-	-
68	İbrahim Palabıyık	-	+	-	-	-
69	İka Kollektif Şti.	+	-	-	-	-
70	İlya Celardinoğulları	+	-	-	-	-
71	İlyas Sipahi	+	-	-	-	-
72	İncirtaş Ticaret ve Sanayi A. Ş.	+	+	+	+	-
73	İskender Dramalı	+	-	-	-	-
74	İsmail Parti	-	-	+	-	+
75	İyriboz Tütün Ticaret ve San. Ltd. Şti.	-	-	+	-	-
76	İzmir Deniz Ticaret Kol. Şti.	-	-	+	-	-
77	İzmir Ticaret Limited Şti.	+	-	-	-	-
78	İzmir Tütün Ticaret Limited Şti.	-	+	+	-	+
79	İzmir Yaprak Tütün Kollektif Şti.	-	+	-	-	-
80	İzzet Karadede	-	+	-	-	-
81	Jak Celardin	+	+	-	-	-
82	Kadri Kut	+	-	-	-	-
83	Kamil Tınaz	+	-	-	-	-
84	Karagözoğlu Tütün Ticaret ve San. A.Ş.	-	-	+	-	+
85	Kavadarlı Tütün ve Makina Tic. A.Ş.	-	-	+	-	+
86	Kazım Gözlükaya	-	+	-	-	-
87	Kemal Boyalı	-	+	-	-	-
88	Kemal Gençol	+	-	-	-	-
89	Kortür Tütün Tic. A.Ş.	-	-	+	-	+
90	Kütaş Tarım Ürünleri Tic. Ve San. A.Ş.	-	-	+	-	-
91	M. Ataman ve B. Erman	+	+	+	+	+
92	M. C. Onbaşıoğlu Halefleri Orhan Onbaşıoğlu ve Ort.	+	+	+	-	-
93	M. Kemal Özden	+	+	-	-	-
94	Mahmut Çakın	+	-	-	+	-
95	Mahmut Tınaz	+	+	-	-	-
96	Mehmet Bodur	-	+	+	-	-
97	Mehmet Kavala	+	+	-	-	-
98	Mehmet Kavala ve Ort. Kom. Şti.	+	+	+	+	+
99	Mehmet Tahir Onaran	+	-	-	-	-
100	Menka Ticaret ve Sanayi	-	+	+	-	-
101	Mithat Nemli	+	-	-	-	-
102	Mustafa Kutlu	+	-	-	-	-

103	Muvaffak İyimen	-	+	-	-	-
104	Mübeccel Kardıçalı	-	+	-	-	-
105	Nedim Rodop	+	+	+	+	+
106	Nejat Atalan	-	+	+	-	-
107	Nevres Gökçe	+	+	-	-	-
108	Nihat Vreskala	+	-	-	-	-
109	Nuka Ticaret ve Sanayi	-	+	+	-	-
110	Nuri Boyalı	+	+	+	+	+
111	Nuri Rodop Yaprak Tütün	+	+	-	+	+
112	Orhan Kurul	-	-	+	-	-
113	Ortaş Tütün Tic. ve San. A.Ş.	-	-	+	-	-
114	Ömer Kavala	+	-	-	-	-
115	Ömer Ş. Ataman	-	+	+	-	-
116	Özgener Tütün Tic. ve San. A.Ş.	-	-	+	-	+
117	Öztürk İh. İth. A. Ş.	+	-	-	-	-
118	Pan Tütün A.Ş.	-	-	+	-	+
119	Recep Solak	+	-	-	-	-
120	Rekolte Tütün A.Ş.	-	-	+	-	-
121	Richard De Cramer	-	+	+	-	-
122	Rodop Tütün Tic. ve San. A.Ş.	-	-	+	-	-
123	S. Birsel ve Ort. Ticaret Ltd. Şti.	+	-	-	-	-
124	Sabri Fetvacı ve Ort.	+	+	-	-	-
125	Saim Boysan ve Ort. Koll. Şti.	+	-	-	-	-
126	Sanver Ticaret Ltd. Şti.	+	-	-	-	-
127	Sarper Tütün Tic.	-	-	+	-	+
128	Seyibo Dış Ticaret	-	-	+	-	-
129	Seyit Yusuf Karagözoğlu Halefleri	+	+	+	+	+
130	Sezai Mümtaz Kavalcıoğlu	-	+	-	-	-
131	Sintaş Tütün Tic.	-	-	+	-	+
132	Sipahi Kardeşler Koll. Şti.	-	+	-	-	-
133	Socotab Leaf Tobacco	-	+	+	+	-
134	Socotex S. A. İhr. Ve İth. Şti.	+	+	-	+	-
135	Sönmez Boyalı	-	+	-	-	-
136	Spierer Freres ve Şur. A. O.	+	+	+	+	+
137	Stanley A. Peartrey ve Şur.	+	+	+	-	-
138	Sunel Ticaret T. A. O.	+	+	+	+	+
139	Süleyman Nallıoğlu	+	+	-	-	-
140	Şani Kösemen	+	+	+	-	+
141	Şark Tütün Limited Şti.	+	+	-	-	-
142	Şinasi Boyalı	-	+	+	-	-

143	Şükrü Tezol Halefleri Alaettin ve Erdoğan Tezol ve Ort.	+	+	-	-	-
144	Şükrü ve Halil Aksoy Koll. Şti.	-	+	-	-	-
145	Tahir Merzeci	+	-	-	-	-
146	Tahsin Kavalcıoğlu	-	+	+	-	-
147	Tanat Ticaret T. A. Ş.	+	+	+	+	+
148	Tekbaba Teknik Malzeme ve Tütün Tic. A.Ş.	-	-	+	-	+
149	Tevfik Beset	-	+	-	-	-
150	Tezol Tütün İhracat	-	+	+	+	+
151	The Standard Commercial Tobacco Co. Inc. İzmir Şubesi	-	+	-	+	-
152	Ticaret ve Sanayi Kontuarı	+	+	-	-	-
153	Tikveşli Hakkı Kavadarlı ve Kardeşleri	+	+	+	+	+
154	Transmeka Tütün İthalat ve İhracat	-	-	+	-	-
155	Türel Tütün Tic.	-	-	+	-	+
156	Türkal Ticaret Ltd.	-	+	+	-	-
157	Türkiye Tütünleri A. Ş.	+	+	+	+	+
158	Türktab Tütün İhracat T. A. Ş.	+	+	-	-	-
159	Tütün Komandit Şirketi	-	+	+	-	-
160	Tütün Limited	-	-	+	+	+
161	Tütüntex T.A.Ş.	-	+	+	+	+
162	Union Ticaret Koll. Şti.	-	+	-	-	-
163	Üç Yıldız Sanayi ve Ticaret Ltd. Şti.	+	+	+	-	-
164	Ümit Gündem	+	-	-	-	-
165	Ümit Sanver	+	-	-	-	-
166	Ürüntaş Tarım Ürünleri Tic.	-	-	+	-	+
167	Üzüm Tütün İhracat T. A. Ş.	+	-	-	-	-
168	Vangel Haydopulos	-	+	-	-	-
169	Vasmar Ş. A.	-	+	-	-	-
170	Vefa Borovalı	+	+	+	+	+
171	Vehbi Derebaş Halefleri	+	+	+	+	-
172	Vitali Moroon	-	+	-	-	-
173	Yaşar Dış Ticaret A.Ş.	-	-	+	-	+
174	Yener Tınaz	-	+	-	-	-
175	Yusuf Sever	-	+	+	-	-
176	Yüncüler Koll. Şti. M. Ali Özyüncü ve Şeriki Yılmaz Özyüncü	-	+	+	-	-

ISTANBUL TOBACCO MERCHANTS

(ITA – The Istanbul Tobacco Association)

		ITA-1962	ITA-1984
1	Abdi Fuat Akev ve Ş.H.K.Ş.	+	+
2	Ahmet İ. Başaran	+	-
3	Ahmet Nurettin Ulusoy	+	-
4	Akın Umur	-	+
5	Aleksandr Niklan	+	-
6	Ali Raif ve Şeriki	+	+
7	Ali Rıza Kefeli	+	-
8	Atilla Uras ve Ort. Kom. Şti.	-	+
9	Austro-Türk Tütün A.Ş.	+	+
10	Başaran Kardeşler Ltd. Şti.	+	+
11	Bedrettin Türkoğlu	+	-
12	Boğaziçi Ticaret A.Ş.	-	+
13	Celal Umur	+	+
14	Cemal Çapraşık	+	-
15	Dumeks Ticaret T.A.Ş.	-	+
16	Emin Kemal Yemeniciler	-	+
17	Fahrettin Köken	+	+
18	Fazıl Erman	+	-
19	Felemenk - Türk Tütün A. Ş.	+	-
20	Fesci Zade Biraderler	+	-
21	Fevzi Rıfat Kaplan	+	+
22	Fumara-Türk Tütün A.Ş.	+	+
23	Hans Weidtman Ticaret Ltd.	+	-
24	Hasan Bodur	+	-
25	Hasan Çakın	+	+
26	Hayri Akelli	+	+
27	İbrahim Paşaoğulları	+	-
28	İbrahim Santur	+	-
29	İhsan Ağar	+	-
30	İhsan Doruk	+	-
31	İsmail Işın	+	-
32	İsmail Kavala	+	+
33	Jean Varsamis	+	-
34	Jorj Ksantopulos	+	-
35	Kapatap (V. Haralombof)	+	-
36	Karmen - Kaden Arditti	+	+
37	Kimon Palamidis	+	-
38	Konstantin Sedenko	+	-
39	Kontinental Ticaret K. Ş.	+	-

40	M. Kavala Hlf. N. Kavala ve Ort. Kom. Şti.	-	+
41	Macit Acar	+	-
42	Mahmut Kefeli	+	-
43	Makel Ticaret Ltd. Şti.	+	-
44	Mehmet Alpay	-	+
45	Mehmet Bodur	+	+
46	Mehmet Dölen	+	-
47	Mehmet Filiz	+	+
48	Mehmet Kavala	+	-
49	Mehmet Kavala ve O. K. Ş.	+	-
50	Mehmet Kaya	-	+
51	Mehmet Sabit Tütnar	+	-
52	Mehmet Zeki Ayan	+	-
53	Mekki Halis Hakimoğlu	+	-
54	Menka Tic. Ve San. A.Ş.	-	+
55	Mithat Nemli	+	-
56	Mustafa Baş	+	+
57	Mümtaz S. Kavalcıoğlu	+	-
58	Münir Onur	+	+
59	N. Seyit Karagözoğlu Halefleri	+	+
60	Nejat Çapraşık	-	+
61	Nemli Tütün T. A. Ş.	+	+
62	Nihat Mansur Bayram	+	-
63	Niko Panayotitis	+	-
64	Nuka Tic. ve San. Ltd.	-	+
65	Nuri Yağlıkçı	+	+
66	Oritab Ticaret Ltd. Şti.	+	+
67	Ömer Kavala	+	+
68	Pittaco Enfes	+	+
69	Recep Köken	+	+
70	Recep Solak	+	+
71	Rıza Akduman	+	+
72	S. Mümtaz Kavalcıoğlu	-	+
73	Sabri ve Bekir Tütün O.	+	-
74	Sadullah Birsel ve Ort.	+	-
75	Saffet Fişekçi Halefleri	+	+
76	Strati Papahristo	+	-
77	Şabat B. Benbesat	+	-
78	Şabetay B. Mangubi M.	+	-
79	Şark Tütün Limited	+	-
80	Şevket Kozluca ve Ort.	+	-
81	Şevket Kundakoğlu	+	-

82	Tabador S. A. Ort.	+	-
83	Talat Özdemiroğlu	+	-
84	Transeksport Ticaret A.Ş.	+	+
85	Tutimport Zeki Ekemen	+	+
86	Türkal Ticaret T. A. Ş.	+	-
87	Türkiye Tütünleri T. A. Ş.	+	+
88	Türktab Tütün İh. T. A. Ş.	+	-
89	Tütün Limited Şti.	-	+
90	Umur Koll. Şti.	-	+
91	Union Tic. Koll. Şti.	-	+
92	Vahdettin Aytan	+	+
93	Vangel Haydopulos	+	+
94	Yapan Ticaret ve Sanayi	+	+
95	Yordan Konstantinidis	+	-
96	Yusuf Sever	+	-

SAMSUN TOBACCO MERCHANTS

(STA – The Samsun Tobacco Association)

		STA-1962	STA-1984
1	A. Cemal Çapraşık Halefleri Ticaret Koll. Şti.	+	+
2	Boğaziçi Ticaret T. A. Ş.	+	+
3	Emin Kemal Yemeniciler Koll. Şti.	+	+
4	Fahrettin Gözoğlu ve Ort. Kom. Şti.	+	+
5	Fahrettin Lay	+	+
6	Hüseyin Çepni	+	+
7	Hüseyin Lay	+	+
8	Mehmet Kavala ve Ort. Kom. Şti.	+	+
9	Naci Tarım	+	+
10	Nejat Çapraşık	+	+
11	Abdi Fuat Akev ve Ş.	+	-
12	Abdullah Ürer	+	-
13	Abdülkerim Nadir Köktener	-	+
14	Ahmet Arabacıoğlu	+	-
15	Ahmet Çakın ve Ortakları Kom. Şti.	+	-
16	Ahmet Sezai Aytunç	-	+
17	Ahmet Şahinoğulları Nuri Remzi ve Rüştü Şahin Kol. Şti.	+	-
18	Ahmet Turan	+	-
19	Ali Akgün	+	-
20	Ali Cengizhan	+	-
21	Arif İstifer	+	-

22	Cavit Tekay	-	+
23	Cazip Özsamancı	+	-
24	Celal Şişik	+	-
25	Çepni Kollektif Şti.	+	-
26	Dursun Temel Özdoğan	+	-
27	Emin Arif Tuksal Kollektif Şti.	+	-
28	Emir Tekin	+	-
29	Enver Akgün	+	-
30	Eşref Tarhan	+	-
31	Felemenk - Türk Tütün A. Ş.	+	-
32	Franjo Madzar	+	-
33	Hakkı ve İbrahim Tarhan	+	-
34	Hasan Esen	+	-
35	Hasan Takışoğlu	+	-
36	Haydar Akyel	+	-
37	Himmet Karaçocuk	+	-
38	Hüseyin Cengizhan	+	-
39	Hüsnü Veloğlu	+	-
40	İdris Kalafat	+	-
41	İsmail Köksal	+	-
42	İstirati Papahristo	+	-
43	Jorj Ksantopulos	+	-
44	Karadağalı Kollektif Şirketi	+	-
45	Kemal Erbil Müezzinoğlu	-	+
46	Kerim Ali Çörtük	+	-
47	Mahmut Kefeli	+	-
48	Mehmet Dursunbaş Kardeşler	+	-
49	Mehmet Özakan	+	-
50	Mithat Tuksal	+	-
51	Mustafa Acarsoy	+	-
52	Mustafa Kuru	+	-
53	Mustafa Tevfik Turan	+	-
54	Müezzinoğlu Kemal Erbil	+	-
55	Necat Arat	+	-
56	Necati Tarhan	+	-
57	Osman İralı	-	+
58	Rahmi Draman	+	-
59	Rasim Sabuncu	+	-
60	Rikap Taşkın	+	-
61	Rüştü İstifoğlu	-	+
62	Servet Arat	-	+
63	Sıtkı Çebi	-	+
64	Spierer Freres ve Şur.	+	-

65	Şakir Dikmen	-	+
66	Şevki Pınar	+	-
67	Şükrü Çakıroğlu	+	-
68	T. Yılmaz Çepni	-	+
69	Tahsin Araboğlu	+	-
70	Taşan Kollektif Şti.	+	-
71	Türk Yılmaz Çepni	+	-
72	Türkiye Tütünleri A. Ş.	+	-
73	Yordan Kostantinibis	+	-
74	Yusuf Ceritoğlu - Yusuf Kıran	+	-
75	Ziya Çepni	-	+

BAFRA TOBACCO MERCHANTS

(BTA – The Bafra Tobacco Association)

		BTA-1962	BTA-1984
1	Abdi Fuat Akev ve Ş.H.K.Ş.	+	+
2	Ahmet Aykut	+	+
3	Ahmet Özkeskin	+	+
4	Ali Hepyaz	+	+
5	Austro - Türk Tütün A. Ş.	+	+
6	Besim Sarper	+	+
7	Enver Akgül	+	+
8	Hasan Kaba	+	+
9	Hüsmen Eker	+	+
10	Mehmet Kavala ve Ort. Kom. Şti.	+	+
11	Mehmet Kaya	+	+
12	Recep Andıran	+	+
13	Salih Kiracıbaşı	+	+
14	Şaban Kaba	+	+
15	Vehbi Kabaoğlu	+	+
16	Yusuf Kırayoğlu	+	+
17	Adem Kuşoğlu	+	-
18	Adnan Hızıroğlu	-	+
19	Ahmet Eker	+	-
20	Ahmet Fikri Bozkaya	+	-
21	Ahmet Hepyaz	+	-
22	Ahmet Öndül	+	-
23	Ahmet Saitoğlu	+	-
24	Ahmet Uzunoğlu	+	-
25	Akif Tabakoğlu	-	+
26	Ali Akıncı	-	+

27	Ali Osman Sönmez	-	+
28	Altan Eker	-	+
29	Besim Çorapcı	+	-
30	Çaktir Yaprak Tütün Ltd. Şti.	+	-
31	Eksportab Ltd. Şti.	+	-
32	Erdem Dağlı	+	-
33	Fazıl Erman	+	-
34	H. Kudret İçel	+	-
35	H. Tahsin Tütüncüoğlu	-	+
36	Hacı Resul - Dikmen Tütün Kol. Şti.	+	-
37	Halil Canyakmaz	+	-
38	Halil Kakaç	+	-
39	Halit Akçeşme	+	-
40	Hamdi Dağlı	+	-
41	Hamit Çoksaygılı	-	+
42	Handan Onur	+	-
43	Hasan Alkoçlar	+	-
44	Hasan Bodur	+	-
45	Haşim İşgören	+	-
46	Hayri Terzioğlu	+	-
47	Hüseyin Beloğlu	+	-
48	Hüseyin Tünçakın	+	-
49	Hüsnü Eker	+	-
50	İhsan Doruk	+	-
51	İhsan Terzioğlu	+	-
52	İlyas Üregil	+	-
53	İsmail Ayvaz	+	-
54	İsmail Kavala	+	-
55	Lütfü Günaydın	+	-
56	Mehmet Çakılkaya	+	-
57	Mehmet Pişkin	+	-
58	Mehmet Sabit Tütnar	+	-
59	Mehmet Tahsin Tütüncüoğlu	+	-
60	Mustafa Akkuşoğlu	+	-
61	Mustafa Çoksaygılı	-	+
62	Mümin Gençoğlu	-	+
63	Necdet Mumcu	+	-
64	Nigar Akgül	+	-
65	Nihat Aykut	-	+
66	Nuri Kuru	-	+
67	Osman Avcıl	+	-
68	Ragıp Şekerciler	-	+
69	Ramazan Gençoğlu	-	+

70	Recep Kırayoğlu	+	-
71	Salih Kaba	-	+
72	Salim Cete	-	+
73	Sami Keşoğlu	+	-
74	Sarper Tütün Tic. ve San. A.Ş.	-	+
75	Sedat Kiracıbaşı	-	+
76	Sırrı Baransel	+	-
77	Süleyman Acar	-	+
78	Süleyman Tütüncü	+	-
79	Transmeka İt. İh.	-	+
80	Vahit Akarsu	-	+
81	Veli Kavasoğlu	-	+
82	Yakup Kurtoğlu	+	-
83	Yurdanur Oktar	+	-

BURSA TOBACCO MERCHANTS

(BTA – The Bursa Tobacco Association)

		BTA-1962	BTA-1984
1	Abdi Fuat Akev ve Ş.H.K.Ş.	+	+
2	Ahmet Aykut	+	+
3	Ahmet Özkeskin	+	+
4	Ali Hepyaz	+	+
5	Austro - Türk Tütün A. Ş.	+	+
6	Besim Sarper	+	+
7	Enver Akgül	+	+
8	Hasan Kaba	+	+
9	Hüsmen Eker	+	+
10	Mehmet Kavala ve Ort. Kom. Şti.	+	+
11	Mehmet Kaya	+	+
12	Recep Andıran	+	+
13	Salih Kiracıbaşı	+	+
14	Şaban Kaba	+	+
15	Vehbi Kabaoğlu	+	+
16	Yusuf Kırayoğlu	+	+
17	Adem Kuşoğlu	+	-
18	Adnan Hızıroğlu	-	+
19	Ahmet Eker	+	-
20	Ahmet Fikri Bozkaya	+	-
21	Ahmet Hepyaz	+	-
22	Ahmet Öndül	+	-
23	Ahmet Saitoğlu	+	-

24	Ahmet Uzunoğlu	+	-
25	Akif Tabakoğlu	-	+
26	Ali Akıncı	-	+
27	Ali Osman Sönmez	-	+
28	Altan Eker	-	+
29	Besim Çorapcı	+	-
30	Çaktir Yaprak Tütün Ltd. Şti.	+	-
31	Eksportab Ltd. Şti.	+	-
32	Erdem Dağlı	+	-
33	Fazıl Erman	+	-
34	H. Kudret İçel	+	-
35	H. Tahsin Tütüncüoğlu	-	+
36	Hacı Resul - Dikmen Tütün Kol. Şti.	+	-
37	Halil Canyakmaz	+	-
38	Halil Kakaç	+	-
39	Halit Akçeşme	+	-
40	Hamdi Dağlı	+	-
41	Hamit Çoksaygılı	-	+
42	Handan Onur	+	-
43	Hasan Alkoçlar	+	-
44	Hasan Bodur	+	-
45	Haşim İşgören	+	-
46	Hayri Terzioğlu	+	-
47	Hüseyin Beloğlu	+	-
48	Hüseyin Tünçakın	+	-
49	Hüsnü Eker	+	-
50	İhsan Doruk	+	-
51	İhsan Terzioğlu	+	-
52	İlyas Üregil	+	-
53	İsmail Ayvaz	+	-
54	İsmail Kavala	+	-
55	Lütfü Günaydın	+	-
56	Mehmet Çakılkaya	+	-
57	Mehmet Pişkin	+	-
58	Mehmet Sabit Tütnar	+	-
59	Mehmet Tahsin Tütüncüoğlu	+	-
60	Mustafa Akkuşoğlu	+	-
61	Mustafa Çoksaygılı	-	+
62	Mümin Gençoğlu	-	+
63	Necdet Mumcu	+	-
64	Nigar Akgül	+	-
65	Nihat Aykut	-	+
66	Nuri Kuru	-	+

67	Osman Avcıl	+	-
68	Ragıp Şekerciler	-	+
69	Ramazan Gençoğlu	-	+
70	Recep Kırayoğlu	+	-
71	Salih Kaba	-	+
72	Salim Cete	-	+
73	Sami Keşoğlu	+	-
74	Sarper Tütün Tic. ve San. A.Ş.	-	+
75	Sedat Kiracıbaşı	-	+
76	Sırrı Baransel	+	-
77	Süleyman Acar	-	+
78	Süleyman Tütüncü	+	-
79	Transmeka İt. İh.	-	+
80	Vahit Akarsu	-	+
81	Veli Kavasoğlu	-	+
82	Yakup Kurtoğlu	+	-
83	Yurdanur Oktar	+	-

TAŞOVA TOBACCO MERCHANTS

(TTA – The Taşova Tobacco Association)

		TTA-1962	TTA-1984
1	Ali Önder	+	+
2	Alişan Diktaş	+	+
3	Dündar Say	+	+
4	Eşref Yıldırım	+	+
5	Hakkı Ata	+	+
6	Hüsamettin Tanoba	+	+
7	Mehmet Özbek	+	+
8	Selahattin Başaran	+	+
9	Bilal Uyanık	+	-
10	Mehmet Yavuz	+	-
11	Sururi Say	+	-
12	Şükrü Yaman	-	+

APPENDIX F

THE PURCHASE VOLUME OF TEKEL AND THE TOBACCO MERCHANTS, 1948-1978[712]

Purchase Year	Support Purchase (1000 ton)	Purchase of TEKEL (1000 ton)	Total Purchase of TEKEL (1000 ton)	Purchase of Merchants (1000 ton)	Total Purchase (1000 ton)
1948	11.8	23.2	35	55.7	90.7
1949	9.4	16.4	25.8	52.4	78.2
1950	14.5	18.1	32.6	57.8	90.4
1951	25.6	16.9	42.5	43.9	86.4
1952	19.3	16.2	35.5	44.2	79.7
1953	6.3	16	22.3	62.7	85
1954	13	20.3	33.3	76.9	110.2
1955	1.3	13	14.3	84	98.3
1956	22.8	31.2	54	60.2	114.2
1957	6	36	42	71.1	113.1
1958	10.2	37.6	47.8	72.9	120.7
1959	17.7	36.2	53.9	57.3	111.2
1960	34.8	36.9	71.7	51.9	123.6
1961	15.9	28	43.9	77.7	121.6
1962	0	20.6	20.6	77.9	98.5
1963	8.6	38.7	47.3	39.1	86.4
1964	17.8	37	54.8	70.3	125.1
1965	54.4	39.3	93.7	90.4	184.1
1966	35	35	70	57	127
1967	36	43	79	78	157
1968	67	43	110	70	180
1969	53	45	98	56	154
1970	51	45	96	46	142
1971	39	45	84	61	145
1972	50	61	111	57	168
1973	23	60	83	89	172
1974	27	68	95	50	145
1975	33	93	126	40	166
1976	61	90	151	40	191

[712]The data for the years between 1948 and 1965 are taken from Özet, *Tütün Üzerine Konuşmalar, 1965-1980*.15-16; for the years between 1966 and 1978 from Aytaş, "Türkiye'de Tütün Piyasasının Oluşumu, Gelişimi ve Küresel Dönemde Dönüşümü".115,117,123. I cross-checked the compatibility of the data in two different sources, and created the table. The first column, “purchase year,” stands for the year in which the previous season crop was sold. In other words, the 1947-season crop was sold in the purchase year 1948, the 1948-season crop in 1949, and so on.

1977	198	88	286	26	312
1978	105	90	195	46	241

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