



## EMERGENCE OF THE TURKISH BOURGEOISIE AND BUSINESS-POLITICAL RELATIONS IN TURKEY

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### Abstract:

*There was no bourgeoisie class in Turkey in the early years of the Republic. The Turkish bourgeoisie developed in the following years as the special efforts and help from the state played a central role in its creation. One of the major objective of this study is to analyze the emergence and the development of Turkish bourgeoisie or Turkish business elites. Secondly, social backgrounds of Turkish Business elites will be examined. Also ,business-political relations in Turkish society will be investigated.*

### Key Words:

*Turkish Business Elites, Turkish Economic Elites, Turkish Bourgeoisie, Business-Political Relations In Turkey*

### 1. EMERGENCE OF THE TURKISH BOURGEOISIE

Turkish business or economic elites can be defined as those people who occupy the major decision making positions and who hold the economic power in the corporate institutions of Turkish society. In other words, Turkish economic elites are those people who have economic power and may influence/control the decisions in the economic system.

There was no national bourgeoisie or business elite in Turkey in the early years of the Republic. Turkish

industry and the wider Turkish economy were controlled by the non-Muslim minority groups at the beginning of the 20th century. According to Ayse Bugra (1995: 67-68), the number of factories which employed more than 10 workers was 264 in Turkey around 1910. Only 19.6 % of their owners were Muslim Ottoman citizens. The vast majority of them, which is 80.4 %, were controlled by non-Muslim minorities.

The efforts to create a national business elite (entrepreneur class) was started in the time of the Committee of Progress and Union (Young Turks) between 1908-1918. In addition to those people who had close relations with the Union and Progress Party, some members of the party entered in to business life too. This meant that, the party not only supported the Turkish entrepreneurs but also some of its members became business elites. These endeavors were continued during the Republican period. As a result of these special efforts, the Turkish private sector became the most powerful sector in the Turkish economy in a relatively short time. The size of the power of the Turkish private sector can be clearly seen in **Table 1**.

**Table 1**

The Place of the Turkish Private Sector in Manufacturing Industry in the Period 1950-1986

Years	Number of the Establishments		Annual Wages		Fixed Capital Investments		Value Added	
	State (%)	Private (%)	State (%)	Private (%)	State (%)	Private (%)	State (%)	Private (%)
1950	3.93	96.07	59.37	40.63	53.98	46.02	58.33	41.67
1951	4.04	95.96	58.68	41.32	55.90	44.10	59.24	40.76
1952	3.80	96.20	55.74	44.26	46.89	53.11	61.34	38.66
1953	4.25	95.75	53.98	46.02	44.79	55.21	55.77	44.23
1954	3.79	96.21	51.38	48.62	61.55	38.45	50.55	49.45
1955	3.66	96.34	50.42	49.58	59.51	40.49	50.14	49.86
1956	3.66	96.34	50.77	49.23	61.13	38.87	47.03	52.97
1957	3.95	96.05	47.39	52.61	54.36	45.64	44.47	55.53
1958	3.81	96.19	44.28	55.72	57.09	42.91	45.09	54.91
1959	3.95	96.05	47.30	52.70	36.55	63.45	54.34	45.66
1960	3.98	96.02	49.08	50.92	48.36	51.64	59.11	40.89
1961	3.29	96.71	45.78	54.22	47.80	52.20	51.41	48.59
1962	5.71	94.29	48.24	51.76	78.21	21.79	52.64	47.36
1963	7.87	92.13	51.09	48.91	51.74	48.26	51.69	47.31
1964	8.03	91.97	49.09	50.91	59.24	40.76	51.73	48.27
1965	9.26	90.74	50.46	49.54	44.60	55.40	57.13	42.87
1966	9.35	90.65	50.76	49.24	36.56	63.44	54.67	45.33
1967	8.68	91.32	49.19	50.81	36.84	63.16	62.89	37.11
1968	8.65	91.35	48.32	51.68	35.05	64.95	61.99	38.01
1969	-	-	-	-	-	-	-	-
1970	-	-	-	-	-	-	-	-
1971	6.73	93.27	41.40	58.60	37.79	62.21	56.01	43.99
1972	6.72	93.28	40.46	59.54	38.47	61.53	51.81	48.19
1973	6.37	93.63	38.36	61.64	36.39	63.61	46.52	53.48
1974	6.60	93.40	38.85	61.15	38.84	65.16	50.24	49.76
1975	6.41	93.59	41.74	58.26	32.96	67.04	48.05	51.95
1976	5.65	94.35	44.05	55.95	31.69	68.31	35.54	64.46
1977	5.81	94.19	43.15	56.85	30.69	69.31	39.89	60.11
1978	5.34	94.66	42.39	57.61	38.10	61.90	33.40	66.60
1979	5.31	94.69	44.35	55.65	18.38	81.62	33.14	66.86

<b>1980</b>	4.68	95.32	46.49	53.51	-	-	40.41	59.59
<b>1981</b>	4.63	95.37	44.47	55.53	24.57	75.43	49.26	50.74
<b>1982</b>	4.48	95.52	40.46	59.54	29.01	70.99	46.84	53.16
<b>1983</b>	8.93	91.07	40.77	59.23	29.09	70.91	43.52	56.48
<b>1984</b>	8.37	91.63	37.53	62.47	-	-	38.47	61.53
<b>1985</b>	8.05	91.95	34.73	65.27	-	-	39.44	60.56
<b>1986</b>	7.86	92.14	33.01	66.99	32.24	67.76	40.72	59.28

**Source:** *Adopted and Translated from Bugra, 1995, 91.*

Agriculture and trade were the major economic sectors in the early years of the Republic. The necessary conditions for developing industry in those years were not present: there was not enough capital, there was not the necessary technology, there was not enough accumulation of knowledge and there was not the necessary infrastructure. Also, the psychology of the enterprise had not developed yet. There were only a couple of factories, but all of them were under the control of foreigners or minority groups.

Ataturk and his associates made enormous efforts to create the necessary conditions to develop Turkish industry. The state provided the necessary financial resources to the KITs (Kamu İktisadi Tesekkulleri-The State Enterprises) to achieve strategic but unprofitable investments (such as sub-structure investments) which were essential for industrialization. This was the most characteristic peculiarity of Etatism (the policy of state control) in the Turkish economy.

On the other hand, co-operative investments with the state or public sector owned companies gained many privileges and extra benefits for the private companies. Therefore, most of the large holding companies have formed joint ventures and corporations with state enterprises. Also, the state assigned the most profitable and less risky sectors to the large private sector companies.

The state has supported the development of Turkish industry in several different ways: in addition to the above mentioned supports, tax allowances and exemptions, cheaper state loans, large infrastructure investments were some of them. It can be said that the Turkish bourgeoisie was created and developed by the state. As a result of these very generous state supports, Turkish economic elites gained enormous power in the Turkish power structure. Furthermore, this economic power was concentrated in the hands of a small number of people in a very short time.

As in other societies, the concentration of economic power is a reality in contemporary Turkey. The concentration of economic power can be seen in almost every sector in Turkey. The special support of the state has played a substantially important role in the growth of capital in the Turkish private sector. This support also assisted the Turkish bourgeoisie to establish very powerful monopolies in several sectors. As stressed by Mustafa Sonmez (1992: 14), the Turkish economy was overwhelmingly controlled and directed by around 50 large business corporations. According to his findings, the size of the total income of the two largest business giants in Turkey, which are Sabanci and Koc holdings, is higher than half of the national budget. These two business groups ultimately control the major economic sectors and markets. Although the situation has begun to change slightly, it is still possible to observe the major problems associated with the concentration of economic power, such as imperfect competition, monopoly and the other socio-economic problems related to these facts.

The managerial revolution has not developed in Turkey. Owner directors, rather than the managers, of the large holding companies hold the real power in the economic power structure. Although managerial elites have an

important place in the business life of Turkey and their power has been rapidly increasing, ownership and control are still linked: owners of the corporations have the ultimate control of economic power and they finalize the decisions.

It can be said that, the contemporary Turkish economy is controlled by a very small number of people known as Turkish business elites who are owners and directors of the largest holding companies. Their number is not more than one hundred. The Sabanci and Koc business empires are the largest and the most powerful family holding companies in Turkey. The presidents (the top directors) of Koc and Sabanci groups are both second generation sons of the Koc and Sabanci families. The most effective and well known name is Rahmi Koc in the Koc group. He is the son of Vehbi Koc who was the founder of the Koc Empire and died in 1995. The most popular and the most colorful figure in the Sabanci Holding group is Sakip Sabanci. He is the son of Haci Omer Sabanci who was the creator of the Sabanci Empire.

In brief, more than 400 hundred of the “500 largest companies of Turkey” are privately owned firms. More than half of the private companies are controlled by the “25 largest industrial groups” in Turkey. Also, the top 5 largest groups take more than half of the total company profits. These numbers provide a clear idea about the power of the economic elites and the degree of monopolization in the Turkish economy. The ranking of the giants may change from year to year, but the names of the first 25 holding companies appear again and again.

Foreign investment also holds an important place in Turkish industry. The large majority of Turkish holding companies (include the Is Bankasi, Koc and Sabanci Holding) have an important share of joint investments with multi-national companies. Turkish firms were working as the branches or representatives of foreign companies until the 1950s.

In 1950s, a new era began in Turkish business life. Although some of the largest Turkish holding companies started their business activities in the 1920s and 1930s (like Is Bankasi, Koc, Sabanci, Cukurova holding companies) , most of the largest holding companies entered into Turkish business life after the Second World War, (in the late 1940s and 1950s). Cheaper state loans, high customs on foreign goods, large tax reductions and other substantial supports from the state made attractive the domestic production of goods to Turkish companies and their foreign partners.

Also, the 1950s were highly important years for those companies which had a “construction-trade-industry” type of capital accumulation. Most of the construction companies, which would later become some of the largest Turkish holding companies, began their business life with state contracts. Construction companies gained large amounts of money from these contracts. Enka, Tekfen, Alarko and Dogus holdings can be counted among these kind of companies (Bugra, 1995: 180).

The capital which was accumulated from trade assisted in the development of industry in Turkey. This transformation accelerated during the 1960s. A large majority of the representatives or agents of the international companies had become local business firms. A large number of Turkish companies began to produce commodities in co-operation and partnership with their foreign partners. Investments of foreign capital also increased in the same period.

The partners of the Turkish companies were/are mostly multi-national American, European (German, British, French, Swiss, Italian, Austrian, Swedish, Dutch, Belgian and Danish) and Japanese companies. The first American capital entered Turkish industry in the late 1940s. Vehbi Koc established an electric bulb factory in co-operation

with the American General Electric Company at the end of the Second World War (Koc Holding have partnerships with more than 15 American companies). The second major investment in co-operation with foreign companies was carried out by Is Bankasi and the British-Dutch trust company Unilever. In addition to capital transfer, the transfers of licenses and technology were other important relationships with foreign investors. These transfers consolidated the integration of the Turkish business companies with multi-national firms.

The Turkish Industrial Development Bank (TSKB-Turkiye Sinai Kalkinma Bankasi) played a special role in the development of Turkish industry and also in the growth of foreign investment in the Turkish economy. TSKB was founded in the late 1940s. As the researcher has already pointed out, the state played the leading role in the accumulation of capital in the Turkish private sector. It gave every possible special help to Turkish enterprises to develop the private sector and a Turkish bourgeoisie. The Turkish bourgeoisie began to accumulate their capital in the 1920s and 1930s. The development of the Turkish bourgeoisie accelerated in the 1970s and 1980s.

## 2. SOCIAL BACKGROUND OF TURKISH BUSINESS ELITES

The state sector played a substantial role in the development of the private sector. As stated by Bugra (1995: 96), a majority of Turkish business elites come from the state sector. Former traders also occupy an important place among the Turkish business elites. It is still difficult to distinguish the industrialist and merchant from one another in Turkish business life. Both of them still carry out activities in both areas.

Although some Turkish business elites were originally large scale landowners, the proportion of land owners and farmers among the Turkish business elite is very small (3.14 per cent). Only owners of one large family holding company, Cukurova Holding, falls into this category. Bugra (1995: 42) argues that in contrast to some other countries (for example Latin America), large scale landowners have not played an important role in the development of the Turkish bourgeoisie.

**Table 2**

Occupational Backgrounds of the Turkish Business Elites (in Terms of the Establishment Years of the Firms) (%)

	Merchant	Industrialist	Farmer	Free-enterprise	Civil Servant	Shop Owner	Craftsman	Professional
<b>Before 1900</b>	19.17	-	-	-	10.83	-	-	70
<b>1901-1910</b>	-	-	-	-	-	-	-	-
<b>1911-1920</b>	3.85	-	-	-	3.85	-	-	92.30
<b>1921-1930</b>	27.03	-	-	2.70	10.81	27.03	-	32.43
<b>1931-1940</b>	3.23	1.61	-	-	74.19	-	1.61	19.36
<b>1941-1950</b>	35.71	-	-	4.55	31.17	6.49	-	22.08
<b>1951-1960</b>	18.92	4.30	5.16	6.45	18.93	-	1.51	44.73
<b>1961-1969</b>	22.97	0.35	4.24	13.08	26.15	4.59	-	28.62
<b>Total</b>	20.83	1.83	3.14	6.54	24.41	2.88	0.7	39.67

**Source:** *Reorganized and Translated from Bugra, 1995, 91.*

As discussed by Alpendor (1966), Bates (1973) and Bugra (1995), a large majority of Turkish elites have some degree of relationship to trade: whereas some of them have a solely trading background, most of them have businesses straddling both trading and industrial sectors. Farmers and craftsmen constitute only a small minority

group among the Turkish business elite.

As discovered by researchers (like Alpender, Bates and Bugra), Turkish business elites are very well educated. A large majority of them have had a university education. In addition, an important proportion of them possess postgraduate degrees. According to Bugra (1995: 100), 194 out of 217 businessmen (who are members of TUSIAD-The Association of Turkish Industrialists and Businessmen) have both first degrees and master degrees. Also, a large majority of them possess at least one foreign language ability. Not only the younger members of the Turkish business elite have received a high level of education, but also a large majority of the older generation.

Business elites rooted in the military also had an important place in the economic life of Turkey in the early years of the 20th century. According to Bugra (1995: 107-116), Sureyya Ilmen and Selahattin Adil Pasa (both came from the Ottoman army and both were former pashas) are among the well known members of this category: both were very well educated in military schools.

Vehbi Koc and Haci Omer Sabanci have a very special place among the business elite: both have no formal education and yet are creators of the two largest business empires in Turkey. Vehbi Koc entered to business at the age of 15 before completing his high school education. Haci Omer Sabanci received almost no formal school education, but he was literate.

### 3. BUSINESS-POLITICAL RELATIONS IN TURKEY

With the special support of the state, Turkish economic elites gained enormous power. Especially during the 1950s and 1960s, they became highly effective not only in the economic life but also in socio-political life. As stated by Sonmez (1992: 112), in the 1980s and 1990s they started to have the final say in the making and unmaking of Turkish governments. All the political parties and governments compete to curry favor with the business elites.

In fact, developing good relations and organic ties with the political elite is one of the most advantageous ways to maximize their financial relations with the state and state sector. The method of elite transfers from/to the state sectors is the easiest and most profitable and effective strategy for the business giants. The direction of these elite transfers is two sided: sometimes business firms send their managers or somebody from the family into the state apparatus or into politics. At other times they transfer popular bureaucratic and political elites or members of the elite who occupy strategic positions in the state bureaucracy and politics to their own companies. These transfers lead to extra profits and privileges for the holding companies. The goal is the same for both procedures: to enhance good relations with the state and the state bureaucracy, and to control the political decision making/taking process.

The two Turkish business giants Sabanci and Koc holdings used these transfer methods very efficiently and gained a lot of privileges when they were creating their empires. There has been a hidden competition and struggle between the Koc Family and Sabanci Family. Whereas the Koc family have good relations with the political elites, the Sabanci Family have established good relations with the bureaucratic elites, especially the directors of banks and military commanders. **Table 3** gives an idea of the dimensions of business-political relations in Turkey.

Business elites uses the media (like other elite groups) to influence the state and population, and to create a positive public image. Also, to support particular social-cultural activities and voluntary works are highly effective

ways to do this. These types of activities have become a part of the business activities of some economic elites. For example, Sakip Sabanci and Nejat Eczacibasi (who are among the most powerful Turkish economic elites) engage in these kinds of activities.

**Table 3**

## Business-Political-Army Relations in Turkey

<b>Business-State Relations</b>		
<b>Name</b>	<b>The Position in the State</b>	<b>The Company</b>
<b>Turgut Ozal</b>	Former Prime Minister and the President of the State	Sabanci Holding
<b>Naim Talu</b>	Former Prime Minister	Akbank, Akcimento, Olmuxsa, YKB
<b>Fahir Ilkel</b>	Former Minister for Power	Koc Holding
<b>Sahap Kocatopcu</b>	Former Minister for Industry	Koc Holding, Metas, Sise- Cam
<b>Memduh Yasa</b>	Member of the Parliament (DYP)	Akbank, AEH, Enka, Veb Holding
<b>Nimet Ozdes</b>	Former Secretary of State	Ercan Holding
<b>Faruk Sukan</b>	Former State Secretary, Minister for Health, Minister for Internal Affairs	Ercan Holding
<b>Agah Oktay Guner</b>	Former Minister for Trade, Minister of Culture	Bagfas
<b>Kemal Kurdas</b>	Former Minister of Finance	AEH, STFA, Celik Halat
<b>Vefa Poyraz</b>	Former Governor	Ercan Holding
<b>Yildirim Akturk</b>	Former Councilor, Member of Parliament	Enka, Uluslararası Bankasi
<b>Sebati Ataman</b>	Former Minister for Industry	Koc Yatirim
<b>Mustafa Aysan</b>	Former Minister of Communication and Transport	Koc Yatirim, Yapi Kredi
<b>Erhan Isil</b>	Former Minister for Power	Profilo Holding
<b>Serbulent Bingol</b>	Former Minister of Public Works, Minister for Power	Rabak, Akin Grubu, Tekstilbank
<b>Ihsan Soyak</b>	Former Minister for Power	Akbank, Rabak
<b>Zeki Baloglu</b>	Former Minister for Youth and Sport	Demirdokum
<b>Ferruh Bozbeyli</b>	Former Deputy Prime Minister	Is Bankasi
<b>Ismail Rustu Aksal</b>	Former Minister of Finance	Is Bankasi
<b>Ferit Melen</b>	Former Minister of Finance, Former Prime Minister	Is Bankasi
<b>Munir Guney</b>	Former Minister of Agriculture	Is Bankasi
<b>Mesut Erez</b>	Former Minister of Finance	Esbank
<b>Hayrettin Erkmen</b>	Former Minister of Foreign Affairs	Titibank
<b>Kemal Satir</b>	Foreign Deputy Prime Minister	Yapi Kredi
<b>Zeyyat Baykara</b>	Former Minister of Justice	Basak Sigorta
<b>Ilhan Evliyaoglu</b>	Former Minister of Agriculture	Ist. Um. Sig., Garanti Bankasi
<b>Dogan Ozgocmen</b>	Former Commander	Yapi Kredi
<b>Mustak Kacmaz</b>	Retired General	Turk Ticaret Bank
<b>Namik Kemal Senturk</b>	Former Governor, Member of Parliament	Akbank

Name	Business-State Relations	
	The Position in the State	The Company
<b>Yusuf Bozkurt Ozal</b>	Former Councillor, Member of Parliament	Ercan Holding
<b>Korkut Ozal</b>	Former Minister for Internal Affairs	Akabe, Akoz, Oztrans
<b>Sadi Pehlivanoglu</b>	Member of Parliament	Turk Ticaret Bankasi
<b>Selahattin Cetinel</b>	Former Minister for Internal Affairs	Garanti Bankasi
<b>Sefa Giray</b>	Former Minister of Public Works	Akardan
<b>Vehbi Dincerler</b>	Former Secretary of State, Minister of Education	Pilsa
<b>Kazim Oskay</b>	Former Secretary of State	Soytas Holding
<b>Zeki Yavuzturk</b>	Former Minister of Defence	Keban Holding
<b>Vural Arıkan</b>	Former Minister of Finance, Member of Parliament	Enka Holding
<b>Adnan Baser Kafaoglu</b>	Former Minister of Finance, Member of Parliament	Dogus Holding
<b>Namik Kemal Ersun</b>	Former Commander of Land Forces	Kutlutas Holding
<b>Danis Koper</b>	Former Minister of Public Works	STFA
<b>Cavit Oral</b>	Former Minister of Agriculture	Pamukbank

**Source:** *Translated and Reorganized from Mustafa Sonmez, 1992, pp. 141-143.*

There was a strong organic relationship between Turkish business elites and political/ bureaucratic elites in the 1940s. Several state bureaucrats and political elites passed from the state sector or politics to the private sector. Corruption and black-marketeering became a daily routine of business life during the Second World War. This involved members of the bureaucratic and political elites as well. The state tried to introduce radical measures to prevent this corruption. Nevertheless, the various measures were ineffective in stopping it. Although it did not enter the Second World War, Turkey kept itself in a state of readiness because of serious pressures from Germany and Russia. These extra-ordinary conditions were highly expensive for the Turkish economy and Turkish people. Also, this war atmosphere made a small group of people very rich.

The large holding companies not only control government but political parties as well. Although some of them have traditionally good relations with specific political parties, such as the Koc Family with the social democratic parties, and the Sabanci Family with conservative and liberal rightist parties. They have always supported more than one political party as an insurance policy to achieve their long term economic plans. They always paid great attention to their relations with the major political parties. They know very well that “clever bourgeoisie never plays to one horse”.

Briefly, as highlighted by Bugra (1995: 39), the state has no serious control over the business elites. It can be said that the influence of the business elites over the state apparatus is greater and more effective than the influence of the state over the business elites.

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