The Second World War and Capital Market Development in a Neutral Country: The Case of Turkey

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Abstract

This chapter examines the effects of World War II on the Turkish capital market and capital accumulation process. Though Turkey took no part in this worldwide conflict, its economic effects were enormous, and the country had to rely largely on her own resources. Although Turkey was granted various types of financial assistance by both Allied countries and Germany, these were of no use for civilian purposes. The war and the lucrative economic environment created by the black market created opportunities to make profits for domestic and foreign elements in the country. Private capital accumulation accelerated in a lucrative economic environment created by the war. The priority of the government was, however, to find additional resources to finance the war. Various indirect measures, such as inflation taxing, rationing, price ceilings and heavy taxation (particularly on war-inflated profits) were used for this purpose. Germany had been one of Turkey’s crucial trade partners before the war, and remained so until 1944. German companies occupied an influential place in Turkish commercial life, and even institutions such as Deutsche Bank were able to benefit from the extraordinary opportunities to make a profit in the free gold market.