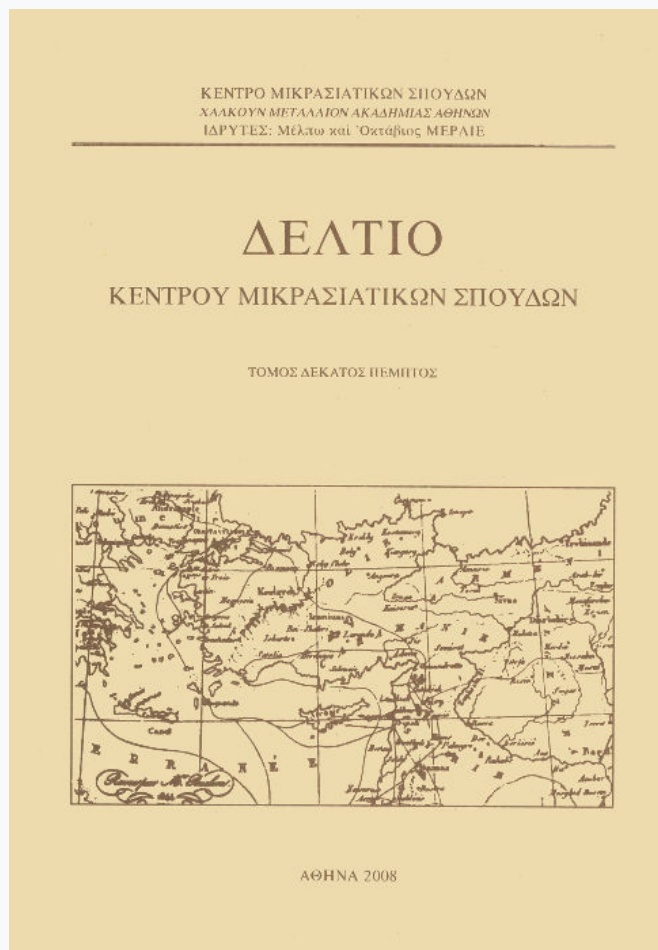


## Δελτίο Κέντρου Μικρασιατικών Σπουδών

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### Ο φόρος περιουσίας

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GEORGE ANGELETOPOULOS

## THE TURKISH CAPITAL TAX (*VARLIK VERGİSİ*): AN EVALUATION

*“While article 14 was debated, the chairman of the commission said:  
‘It is fair to exclude the brother’s property as well,  
otherwise it would be contradictory to the Principles of Law’.  
I could not hold myself from jesting:  
‘For God’s sake Prime Minister! Which of the articles of this law  
is compatible with the Principles of Law’  
... Saraçoğlu laughed: ‘Minister of Economics, are you listening?  
Look what they are saying about your bill’  
he said and, among laughter coming from all sides [of the Assembly]  
the debate on this article and the entire bill came to an end.”*  
Deputy Faik Ahmet Barutçu, *Siyasi Anılar* [Political Memoirs]  
(İstanbul: Milliyet Yayınları, 1977).

### *Introduction: Prevailing Conditions*

On the eve of the Capital Tax implementation, Turkey was caught in the midst of the World War II turmoil. In the diplomatic field Turkey had signed a Treaty of Alliance and Mutual Assistance with Great Britain and France on October 19, 1939, according to the stipulations of which it pledged full and immediate common action with them in the eventuality of an Axis offensive in the Mediterranean or the Balkans. Nevertheless, in the wake of successive German victories that led to the military occupation of Europe’s largest part, Turkey refused to comply with the treaty obligations, and on June 14, 1940 declared its neutrality, thus inaugurating a policy that has been characterized either as one of “active neutrality”, or as “evasive”<sup>1</sup>.

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1. “Active neutrality” is a term introduced by Professor Selim Deringil: see Selim Deringil, *Turkish Foreign Policy during the Second World War: An Active Neutrality*, Cambridge: Cambridge University Press, 1988. It serves probably as an answer to the description of World War II Turkish foreign policy as “evasive” by Frank Weber. See

As the war had amassed a number of difficulties on the belligerent European countries, problems of wartime expenditure soon arose. In order to deal with them these countries took recourse to certain measures, such as increasing taxation, utilization of stock exchange, blocking of bank deposits, internal borrowing from their citizens' salaries and wages, market and production interventionism. Britain and Germany of that period are two typical examples of increased taxation and domestic loans.

In the 1942-1943 British budget the overall expenditure amounts to 5,3 billion pounds, out of which 4,5 billions were allocated for war expenditures, divided in 2,4 billions estimated tax revenues and 2,1 billions from domestic loans. Thus, the tax proportion approximated 50% of the total state revenues. On the other hand, Britain imposed special taxes on the extreme war profits, extending in some cases at 100% of the overall gains, money which was returned after the war. Noticeably, these kinds of taxation were imposed equally and inseparably on the whole spectrum of the English society according to the paying ability of its members. From the total amount collected 1/5 was returned to the taxpayers during the war in the form of money for repair and renewal of machinery and spare parts<sup>2</sup>.

Nazi Germany was also another example of the rise in taxation. In the early phase of the war, the income tax was increased up to 50%, while taxation on companies' profits culminated up to 40%. Additionally, the German state took recourse to internal borrowing by issuing state bonds valid for a period of three years with a 112% interest rate. Apart from Britain and Germany, a number of other countries such as Switzerland, Australia, Bulgaria, Portugal, U.S.A., Italy and Japan had imposed extraordinary taxation on profits, as well as increased the rates of taxation on individual incomes. Nevertheless, the total sum of money extracted in the form of extraordinary profit tax, amounted to a rather small percentage of the overall tax income:

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Frank Weber, *The Evasive Neutral*, Columbia: University of Missouri Press, 1979. By far the best account of the Turkish foreign as well as domestic policies of that period can be found in Cemil Koçak, *Türkiye'de Millî Şef Dönemi (1938-1945)* [*The National Leader Era in Turkey, 1938-1945*], İstanbul: İletişim Yayınları, 1996.

2. Rıdvan Akar, *Varlık Vergisi. Tek Parti Rejiminde Azınlık Karşısı Politika Örneği* [*The Capital Tax. An Example of Anti-Minority Policy during the Single Party Regime*], İstanbul: Belge Yayınları, 1992, p. 21. (An expanded and enriched version of this specific study was published by the author in 1999, cf. Rıdvan Akar, *Aşkale Yolcuları. Varlık Vergisi ve Çalışma Kampları* [*On the Road to Aşkale. The Capital Tax and the Concentration Camps*], İstanbul: Belge Yayınları, 1999.)

7% in England for the period 1940-1942, 6,7% in Canada, 6,7% in Japan and 19% in Switzerland<sup>3</sup>. The aforementioned states were trying to cope, by and large, with the overwhelming war expenditures, while at the same time were extremely careful to avoid any unequal or discriminatory implementation of their wartime tax policies.

Undoubtedly, it was extremely difficult – if not impossible – for Turkey to remain intact in the vortex of the World War II period. Refik Saydam's government, already in power since January 1939, promulgated the "National Protection Law" (*Milli Korunma Kanunu*), in order to cope with the strained situation. The Law came into power on January 18, 1940. It provided for strict governmental control over domestic market through the fixation of prices, as well as for combating against profiteering and black market vis a vis state organizations such as the "Maintenance Secretariat" (*İlâçe Müsteşarlığı*), the "Trade Office" (*Ticaret Ofisi*) and the "Petroleum Office" (*Petrol Ofisi*). Nevertheless, these measures fell short of dealing effectively with the predicament that Turkish economy was in.

The new government headed by the former Minister of Foreign Affairs Şükrü Saraçoğlu, which succeeded the one of Refik Saydam after the sudden death of the latter on July 7, 1942, considered state intervention as the main reason for the malfunction of the economy. Consequently, it abrogated all institutions and organizations previously set up to control it and adopted a new economic policy based on the principles of supply and demand. On the other hand, cautious to avoid a possible negative effect on provisioning policy, the government introduced certain interventionist measures (such as the "25% Law") which, nonetheless, in view of the general liberal policy of free prices, proved to be fruitless. Prices began to increase and inflationary tendencies began to appear. Despite the relative increase in the total volume of exports, the situation appeared no different in the foreign trade sector, with a decreasing volume of imports between 1939 and 1946<sup>4</sup>.

More discouraging was the existence of an outmoded and ineffective tax system, a fact that brought closer the possibility of a governmental shift towards a stricter state intervention in the economy. Almost a year before the implementation of the Capital Tax a committee attached to the Ministry of Economics was assigned with the task of preparing a report with suggestions for the modification of the Turkish tax system. In that report, present-

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3. *Ibid.*, pp. 22-24.

4. *Ibid.*, pp. 27-29.

ed on December 12, 1941, the committee proposed, among other measures, the implementation of an extraordinary tax on the purchase and sale of real estate, prompted by an increase in numbers of the taxpayers levied on a profit tax basis. The proposal was not taken into consideration at that time and, consequently, the measure was not implemented<sup>5</sup>. Nevertheless, throughout 1942 there was constant reminding of the fact that such a thought had not been abandoned permanently; on the contrary, clear signs were given that it might be reconsidered in the future. As Minister of Economics Fuat Ağralı had put it “it doesn’t escape our minds to levy tax on fortunes”<sup>6</sup>.

### *The Implementation of the Capital Tax*

Before the Capital Tax bill was introduced in the Turkish Grand National Assembly (T.B.M.M.), the draft was discussed in a secret meeting of the ruling Republican People’s Party (*Cumhuriyet Halk Partisi* = C.H.P.). To this day the minutes of this meeting have not been found and, consequently, never published, being presumably lost or destroyed. At the meeting Premier Şükrü Saraçoğlu explained to the party members the aim of the bill and, after a prolonged debate, it was agreed upon.

The debate on the draft in the T.B.M.M. followed suit. Saraçoğlu undertook again the task of explaining its necessity and expounding its aims this time to the deputies. In his speech he focused on the economic ordeal besetting Turkey, the budget deficits, the rising inflation, as well as the hoarding and speculation. This dim economic picture was invoked so as to justify the idea of the Capital Tax. In Saraçoğlu’s words: “Our target ... is to limit the money volume in circulation and to prepare the country for responding to our needs. During the implementation of the Law we don’t consider as non-feasible secondary benefits, such as the increase of value of the Turkish money, the wiping out of Turkish hostility against speculators and the establishment of a consolidated rate for the prices of the fortunes that were necessarily sold, so that taxes could be paid”<sup>7</sup>.

The bill passed unanimously in the Turkish Grand National Assembly. All of the 350 deputies who participated in the debate voted for it, save the 76

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5. *Ibid.*, p. 44. Faik Ökte, *The Tragedy of the Turkish Capital Tax*, London : Croom Helm, 1987, pp. 15-17.

6. Akar, *op. cit.*, p. 45.

7. *Ibid.*, pp. 47-49.

ones that didn't take part in the session at all. Interesting enough, though during the secret meeting held at C.H.P. headquarters actually a debate did take place and different opinions were articulated, the scenery in the T.B.M.M. changed thoroughly, presenting a picture of consent and unanimity. Thus, Capital Tax Law No. 4305 was enacted on November 12, 1942.

In all appearances the Capital Tax served the purpose of decreasing the inflated volume of money in circulation and combating hoarding and speculation by imposing an extraordinary levy on profits. Nonetheless, the tax was far from being applied equally and indiscriminately. Upon explicit instructions from Ankara and at Finance Inspector Mehmet İzmen's suggestion taxpayers were divided in two main categories: M (*Muslim*) and G (*Gayrimüslim* = *Non Muslim*). Later two more categories were added: E (*Ecnebi*) for foreigners and D (*Dönme*) for converts to Islam of Jewish origin, members of the 17th century religious sect of Sabbatai Sevi<sup>8</sup>.

The process of the assessment and the imposition of the tax was as follows: Local tax assessment boards were making the first – and usually the last – estimation of the taxpayer's financial status, as well as the amount of money the latter had to pay. Due to lack of reliable and dependable statistical data their calculations were based, by and large, on their subjective arbitrary estimation. A conversation between two assessors, cited by Faik Ökte, reveals the extent to which allocated amounts were the product of guesswork:

- In which category does he belong?
- In that of TL 500,000.
- No, I think he should be in the million category.
- How so? How do you know?
- How do you know that he should be in TL 500,000?
- OK. Let's find a middle solution.
- So, it is 750,000 then<sup>9</sup>.

The list of the assessors' estimations next to taxpayers' names was forwarded to a committee established at the capital town of each province. In these committees participated appointed inspectors, C.H.P. representatives, as well as local governors (*valiler*). There they put the last touch on the allocated

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8. Ökte, *op. cit.*, pp. 18-19. (Faik Ökte's book *Varlık Vergisi Faciası*, İstanbul : Nebioğlu Yayınevi, n.d., is an invaluable source of information on the conception, implementation and the side scene details of the Capital Tax. Ökte was director of Finance in İstanbul and his book serves as his personal testimony of the *Varlık* affair.)

9. *Ibid.*, p. 33. Akar, *op. cit.*, p. 55.

amounts and eventually ratified the capital levy on the taxpayers. For Istanbul, the big urban center that gathered the bulk of the economic activities amenable to the extraordinary Capital Tax, a table presenting the taxpayers' categories, their numbers and the respective tax amounts appears as follows:

<i>Group</i>	<i>No. of Taxpayers</i>	<i>Tax in TL</i>
Extraordinary rich Muslims	460	17,294,54
Extraordinary rich non-Muslims	2,563	189,969,980
Muslims submitting tax statement on earnings	924	3,128,310
Non-Muslims submitting tax statement on earnings	1,259	10,364,466
Muslims paying profits tax on gross earnings	2,589	4,005,100
Non-Muslims paying profits tax on gross earnings	24,151	72,811,850
Non-Muslims wage earners	10,991	6,880,500
Limited liability companies	159	7,490,910
Large Farmers	222	1,122,450
Commission Agents	217	5,866,372
Property Owners	1,937	15,467,045
Other Districts of Istanbul Prefecture	788	
<b>TOTAL</b>	<b>46,260</b>	<b>334,401,532</b> <sup>10</sup>

The table provides a clear-cut picture of the Capital Tax allocation: The main portion of the Tax burdened basically the non-Muslim minorities of the city, namely the Armenians, the Greeks and the Jews. Progressively, increasing numbers of taxpayers amenable to the Tax were added, raising their number to 62,575 individuals who were expected to pay a total amount of TL 349,989,922<sup>11</sup>. Apart from Istanbul, which gathered by far the largest proportion of the Capital Tax, certain assessments were made for other regions of the country as well. Thus, in Çukurova 311 taxpayers were levied with TL 3,214,000, in Aydın 950 with TL 1,381,000, in Adana 1,057 with TL 8,500,000 and, last but not least, in the cities of Ankara and İzmir the total amount of tax was estimated at TL 14,000,000 and 27,000,000 respectively<sup>12</sup>.

Another astonishing trait of the Capital Tax was that it made no provision for a potential legal appeal to a court of the first or higher degree. As a matter of fact it explicitly prohibited any legal action to that direction: "The sec-

10. Ökte, *op. cit.*, p. 48.

11. *Ibid.*, pp. 48, 65.

12. Akar, *op. cit.*, p. 59.

ond paragraph of Article 11 and the last paragraph of Article 13 of the Capital Tax Law No. 4305 stipulated that tax assessments were final and that there could be no appeal against them, either through administrative or legal channels. Furthermore, Article 14 specified that no action could be taken for recovery of property based on claims of leasing rights or holding in pledge<sup>13</sup>. The only recognized and acceptable forms of appeal were those of “error of fact” with respect to tax liability, and the one concerning cases of duplication.

This legislated deficiency of the Law caused Professor Fazıl Pelin’s verbal reaction. Professor Pelin was Faik Ökte’s teacher at the Faculty of Economics and on the day the Law was published he spoke on the telephone with the latter rather surprised and concerned:

- Faik, my boy, the text of the capital tax appeared in this morning’s paper.
- Yes, Professor.
- Naturally, the journalists got it wrong, they have an incomplete text ...
- No, in all the newspapers I saw the text was complete.
- How so, complete? No provision for objections or appeal!
- No indication for the rate of taxation ...
- That is the kind of tax it is, Professor.
- My boy, have you all gone mad?<sup>14</sup>

Under the provisions of the Capital Tax Law the allocated tax ought to be paid in cash within a fortnight. If that was impossible another 15 days were allowed, but the total amount was charged with a 1-2% interest rate. In the event that the tax was still unpaid after 30 days “the entire property of the taxpayer and his next of kin was to be confiscated and ... to be sold at a public auction”<sup>15</sup>. Taxpayers who failed to pay their debts were temporarily concentrated in Istanbul’s suburb Kadıköy, in order to be sent to labour camps in inner Anatolia. Thus, according to the Regulation No. 21/19288 which decreed forced labour for non-payment of the tax, defaulters were to be sent to Aşkale, a mountainous area west of Erzerum, where they would engage in road construction “until their debts to the state were fully paid”<sup>16</sup>. The first group of

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13. Ökte, *op. cit.*, p. 51.

14. *Ibid.*, pp. 28-29.

15. *Ibid.*, p. 25. A full text of the Capital Tax Law, its accompanying administrative regulations, as well as the laws providing for its abolition can be found in the original Turkish version of Faik Ökte’s book *Varlık Vergisi Faciası*, pp. 217-228.

16. Ökte, *op. cit.*, p. 26. In September 1943 a number of defaulters was sent from Aşkale to Sivrihisar, in Eskişehir, Akar, *op. cit.*, p. 72.



deportees consisted of 45 individuals, of which 21 Jews, 14 Greeks and 10 Armenians. Out of the total number of 2,057 persons interned for debts and waiting their turn for deportation 1,869 were from Istanbul. The final number of deportees was 1,400, out of which 1,229 originated from the erstwhile glorious capital of the late Ottoman Empire. In the place of exile 21 individuals perished (11 of which were Greeks). The last remainders of the 1,400 deportees returned home from Aşkale in December 1943, after the first law that abolished the Capital Tax had been published in September of the same year<sup>17</sup>.

### *Abolition and Effects of the Capital Tax*

The procedure of abandonment and final abolition of the Capital Tax took place in two phases: in the first place, the law 4501/17-09-1943 provided for the cancellation of the uncollected debts of taxpayers such as private employees and peddlers. Six months later, on March 15, 1944, the law 4530 signaled the abolition of the Tax altogether, releasing tax defaulters from labour camps and writing off debts still unpaid. According to this particular law "cancelled taxes amounted to TL 112,612,167, of which TL 9,002,696 were to be paid by Muslim Turks and TL 103,609,471 by Greeks, Armenians and Jews ... The receipts from the Capital Tax were as follows:

Number of Taxpayers	114,368
Overall Assessed Tax	TL 465,384,820
Actually Paid Tax	TL 314,920,940

For Istanbul the initially assessed tax amounted to TL 317,275,642 (75% of the total for Turkey) and the receipts from the tax collected there were TL 221,307,642 (70% of the total for Turkey)"<sup>18</sup>. The unjust distribution of the Tax becomes conspicuous when one takes into consideration the revealing figures of the final allocation of Capital Tax for Istanbul. Thus, out of TL 349,483,419, a number of 4,195 Muslims (consisting only 7% of the taxpayers liable to C.T.) were allocated TL 25,600,409 (7% of the Tax), whereas 54,377 non-Muslims (87% of the taxpayers liable to C.T.) were respectively allocated TL 289,656,246 (83% of the Tax)<sup>19</sup>.

17. Ökte, *op. cit.*, pp. 70-72.

18. *Ibid.*, p. 89.

19. Ayhan Aktar, "Varlık Vergisi Sırasında Gayrimenkul Satışları. İstanbul Tapu Kayıtlarının Analizi" [Immovable Property Sales during the Capital Tax. An Analysis of the Istanbul Title Deeds Register], *Toplumsal Tarih* 69 (Eylül [September] 1999), p. 12.

Regarding the tax allocation to the taxpayers with respect to their religious/ethnic origin and the amounts they finally paid, the picture appears equally disproportionate: “the non-Muslim share approximated TL 425 million (52 per cent of the total), Muslims were assessed TL 122,5 million (29 per cent), and foreigners TL 79,5 million (19 per cent). Non-Muslims actually paid TL 166,0 million, Muslims TL 115,5 million, and foreigners TL 33 million. Thus, of a total TL 315 million in receipts, non-Muslim citizens paid 53 per cent, Muslims 36,5 per cent, and resident foreigners 10,5 per cent.”<sup>20</sup>.

Alexandris aptly remarks that the disproportionate tax allocation at the expense of the non-Muslim minorities is better illustrated in view of the Turkish population statistics, according to which from a total population of 16,188,767 in 1935, the non-Muslim population of Turkey did not exceed 300,000 persons<sup>21</sup>. The share of tax levied particularly on the Greek community was estimated by the Greek consular authorities to be at least TL 60,000,000. A great number of Greek charitable institutions were held liable to Capital Tax and the overall tax imposed on them was calculated at TL 400,000. The Greek element of Istanbul (both Greeks from the mainland and Constantinopolitans) was assessed to no less than TL 80,000,000, meaning that 0,55% of the total population of Turkey was burdened with approximately 20% of the overall allocated Capital Tax<sup>22</sup>.

The taxpayers that were unable to discharge their debts immediately had to take recourse to selling their real property, otherwise the state itself would proceed to a public auction. The total value of the 885 items of real property sold in auction solely in Istanbul amounted to TL 2,700,883. Of these, 330 were houses, 97 shops, 190 plots of vacant land, 80 apartment blocks, 42 warehouses, 7 large commercial buildings and 8 factories. Some 43 properties were absorbed by the Treasury<sup>23</sup>. Due to the extremely short period of time within which individuals liable to the Capital Tax had to find cash, they were often obliged to sell “a large but indeterminate quantity of property and personal belongings”<sup>24</sup>, usually for a mere song.

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20. Edward C. Clark, “The Turkish Varlik Vergisi Reconsidered”, *Middle Eastern Studies* 8 (May 1972), pp. 208-209.

21. Alexis Alexandris, *The Greek Minority of Istanbul and Greek-Turkish Relations, 1918-1974*, Athens: Centre for Asia Minor Studies, <sup>3</sup>1992, p. 217.

22. *Ibid.*, p. 227.

23. Ökte, *op. cit.*, p. 76. Akar, *op. cit.*, pp. 73-74.

24. Clark, *op. cit.*, p. 209.

The total value and quantity of these “voluntary” sales (if one accepts that public auctions were the “compulsory” ones) had not until recently been estimated. Nevertheless, Ayhan Aktar in his recent article sheds some light to this yet uninvestigated aspect of the Capital Tax affair<sup>25</sup>. Aktar conducted research at the Beyoğlu, Şişli, Eminönü, Fatih, Kadıköy and Princes’ Islands Public Deeds Registers, in order to specify the kind, number and total value of the sales pertaining to the Capital Tax. The research dealt with sales carried out between December 28, 1942 and June 30, 1943. According to his findings, the overall value of the privately sold properties was TL 11,077,949 (48,5% of the overall sales’ value of the period under examination). Value distribution among ethnic/religious minorities was as follows: Jews TL 4,404,820 (39%), Armenians TL 3,275,747 (29%), Greeks TL 1,370,440 (12%), minority-owned companies TL 1,100,375 (10%), foreigners TL 605,700 (5%), mixed (non-Muslim & Muslim) companies TL 189,500 (2%), other minorities TL 37,700 (0,3%), Muslims TL 92,642 (0,8%)<sup>26</sup>.

It is particularly interesting to observe the distribution of the properties bought among their buyers. Thus, Muslim Turks obtained immovable properties of some TL 7,434,593 (67,1%) and Muslim Turks’ companies TL 65,500 (0,6%). Moreover, the Turkish state appears to have taken great advantage of these sales, since it acquired 30% of their total value, being distributed between Public Sector Enterprises, National Banks, National Insurance Companies on the one hand (TL 1,693,584 - 15,3%) and the Istanbul Municipality and the General Directorate of Pious Foundations on the other (TL 1,624,530 - 14,7%)<sup>27</sup>.

Bearing in mind that the above figures regard only a part of the sequestered and sold property allegedly made of the amassed war profits of the minorities, the picture of the overall capital drain is probably gloomier. The capital transfer from the minorities to either the Turkish state, or the then

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25. Aktar, *op. cit.*, see ft. 19. A part of this article had previously been comprised in his “Varlık Vergisi ve İstanbul” [The Capital Tax in İstanbul], *Toplum ve Bilim* 71 (Kış [Winter] 1996), pp. 97-149. Aktar has repeatedly dwelt on this, as well as other aspects of the so called “turcification policies” of the Single Party Period in Turkey (1923-1946) in Turkish journals and periodicals, such as the *Toplumsal Tarih* [Social History] and *Toplum ve Bilim* [Society and Science]. He has recently gathered them all in his *Varlık Vergisi ve ‘Türkleştirme’ Politikaları* [The Capital Tax and ‘Turcification’ Policies], İstanbul: İletişim, 2000).

26. *Ibid.*, p. 14.

27. *Ibid.*, p. 15.

nascent Turkish bourgeoisie that took place via the Capital Tax, though often delineated in great detail in books and articles, leaves a lot of archival work still to be done. The opening of the Turkish National Archives<sup>28</sup> of the specific period under examination to unimpeded and unprejudiced research could pave the way for a better understanding and evaluation of the Capital Tax and its impact upon the Turkish society and economy.

### *The Role of the Press*

After the establishment of the Republican regime in Turkey in 1923, the country witnessed a period of rapid and radical transformation in a wide spectrum of issues, ranging from public policy to script and calendar. The newly emerged kemalist elite had pledged to lead the country firmly on the road to modernization, despite top echelon grievances or grass roots opposition<sup>29</sup>. In order to pursue better its “modernization” policies the state had on the one hand to indoctrinate the population with the new kemalist principles, and on the other to sustain control over the public opinion by preventing all differentiated political views from gaining publicity. Thus, it maintained a steady grip on the Turkish Press, introducing a combination of legal and institutional checking measures.

In July 1931 the government adopted the law 1881, the most important stipulation of which (article 50) reserved for the Cabinet the right to shut down a newspaper on the grounds of a vague “harm to the general policy of the country”. Furthermore, in May 1933 the “Press General Directorate” (*Matbuat Umum Müdürlüğü*) with Vedat Nedim Tör serving as its chairman was reinstated and brought under the Ministry of Interior. In 1935, 117

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28. This general term applies to the Archives of the Prime Minister’s Office (*Başbakanlık Cumhuriyet Arşivi*), as well as the ones of the Turkish Ministry of Foreign Affairs (*Dışişleri Bakanlığı*).

29. A full account of this process can be found in Bernard Lewis, *The Emergence of Modern Turkey*, London: Oxford University Press, 1968, Erik J. Zürcher, *Turkey. A Modern History*, London-New York: I.B. Tauris & Co., 1994, Kemal Karpat, *Turkey’s Politics: the Transition to a Multi-Party System*, Princeton: Princeton University Press, 1959, and the collective Sina Akşin (ed.), *Türkiye Tarihi [History of Turkey]*, İstanbul: Cem Yayınları, 1995, vol. 4. Mete Tunçay’s exceptional work provide us with further details for and insight to this particular period, see Mete Tunçay, *T. C.’nde Tek Parti Yönetimi’nin Kurulması (1923-1931) [The Establishment of the Single Party Regime in the Republic of Turkey, 1923-1931]*, İstanbul: Cem Yayınları, 1989.

journalists attended the first Press Congress organized under strict governmental orders; there, Minister of Interior Şükrü Kaya and Press Directorate Chairman V. N. Tör declared the desirable characteristics Turkish newspapers should obtain<sup>30</sup>. Stricter provisions were further adopted with the promulgation of specific modifications to law 1881, in June 1938<sup>31</sup>.

After Mustafa Kemal Atatürk's death in 1938, the new leadership under the "National Leader" (*Millî Şef*) İsmet İnönü took advantage of this restrictive legal status, so as to continue steering the Press towards the desired direction. This development was facilitated by the outbreak of World War II, a period during which the last vestiges of journalistic freedom were totally wiped off. In April 1940 two more articles that were added to law 1881, provided for the prohibition of publication of articles offending the national feeling of the Turks or referring to governmental measures for the country's security. Moreover, under the stipulations of article 3 of the Martial Law (May 1940) the military commander acquired the right to censure, prohibit the publication and shut down newspapers<sup>32</sup>.

The main trait of the period 1923-1945, though, that attests to the overwhelming presence of the Turkish state in Press affairs had to do with the so-called "deputies-journalists" (*Gazeteci-Mebuslar*)<sup>33</sup>. A number of prominent journalists, owners and editors-in-chief of the country's biggest newspapers, members of the ruling Republican People's Party (C.H.P.), were at the same time C.H.P. deputies in the Turkish Grand National Assembly (T.B.M.M.). Consequently, they were entrusted with the task of communicating the Party's policies to the public and disseminating kemalist concepts and views on all issues of domestic and foreign concern<sup>34</sup>. This close connection between the Executive and the Press presented the government

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30. Hıfzı Topuz, *100 Soruda Başlangıçtan Bugüne Türk Basın Tarihi* [The History of the Turkish Press from its Inception to this Day in 100 Questions], İstanbul: Gerçek Yayınları, 1996, pp. 88-91. Nuri İnüç, *Türk Basın Tarihi* [History of the Turkish Press], İstanbul: Gazeteciler Cemiyeti 37, 1992, pp. 105-108.

31. Topuz, *op. cit.*, pp. 94-95.

32. O. Murat Güvenir, *2. Dünya Savaşında Türk Basını. Siyasal İktidarın Basını Denetlemesi ve Yönlendirmesi* [The Turkish Press during World War II. The Political Power's Control of and Guidance on the Press], İstanbul: Gazeteciler Cemiyeti Yayınları 31, 1991, pp. 48-49.

33. *Ibid.*, p. 65.

34. For the deputies-journalists of the period 1920-1957, see Frederic W. Frey, *The Turkish Political Elite*, Massachusetts: MIT Press, 1965. See also Uygur

with the opportunity to exert public control and manipulate public opinion in an unprecedented fashion.

The Capital Tax in the way it was dealt with by the Turkish Press exemplifies exactly the close relations between these two Powers, the Executive and the Press, in World War II Turkey. As early as 1932, when the Turkish government had adopted the Law 2001 (June 4) on “the Crafts and Professions reserved for Turkish Citizens in Turkey” (*Türkiye’de Türk Vatan-daşlarına Tahsis Edilen Sanat ve Hizmetler hakkında Kanun*), the first anti-minority articles of a similar economic content had appeared in the Press. The deputy-journalist Mehmet Asım (Us) castigated in the daily *Milliyet* all those who preferred to take their money out of the country and deposit them in foreign banks, accusing them of being “traitors of their country” (*vatan hainleri*). Mehmet Asım concluded his article by pinpointing the “perpetrators”: All these who were “alien to Turkish blood”, for who the state had to come up with a solution so as to “stop their catastrophic behaviour”<sup>35</sup>.

In the same fashion the Turkish Press, already from the spring of 1942, undertook the task of “preparing” the public opinion for the Capital Tax to come. Thus, Zekeriyâ Sertel in his daily *Tan*, called upon the government to take certain measures against war profiteering<sup>36</sup>, while a few days later he eloquently rated the benefits of a Capital Tax Law: “the promulgation of [such a] law will appease the hatred felt for those who accumulated illegal war properties, will strengthen the government’s position and influence and, moreover, it will secure the state a revenue”<sup>37</sup>. Another prominent journalist – noticeably of *dönme* extraction – Ahmet Emin Yalman called for the implementation of extraordinary measures (*fevkâlâde usûller*) for the detection of the

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Kocabaşoğlu, “1919-1938 Dönemi Basınında Toplu bir Bakış” [An Overall View of the Press of the Period 1919-1938], *SBF Basın ve Yayın Yüksek Okulu Yıllık* (1981), VI (1982), pp. 95-127, and Güvenir, *op. cit.*, pp. 65-79, for the period 1939-1945.

35. “... zararları büyük olan ve hemen hepsi Türk kanından olmıyan bu adamların millî iktisadiyatımız için tahripkâr hareketlerine mani olmak çaresini aramak lâzım.”, M. Asım, “İktisadî Hiyanet” [Economic Treachery], *Milliyet* 16/6/1932 (my emphasis).

36. Z. Sertel, “Harp Kazançlarının Önüne Geçmeliyiz” [We Must Stop War Profiteering], *Tan*, 17/5/1942.

37. “... kânunun da çıkması, harb yüzünden kazanılmış gayri meşru servetlere karşı duyulan kini tatmin edecek, hükûmetin mevkiini ve nüfûzunu kuvvetlendirecek, ayrıca devlete bir gelir teminine yarayacaktı.”, idem, “Fevkâlâde Kazançlar Kânunu Niçin Çıkarılmıyor?” [Why an Extraordinary Profits Law is not Promulgated?], *Tan*, 10/6/1942.

rich and the implementation of additional tax on the minorities<sup>38</sup>. In September the same journalist elaborated on the duty of the Turkish traders to inform the police of their economic activities<sup>39</sup>. Throughout the summer of 1942 the minorities were portrayed in the Istanbul dailies as involved in acts of swindling, blackmarketeering, spoliation, profiteering and hoarding<sup>40</sup>.

Immediately after its promulgation in November, the Capital Tax Law was hailed by the Turkish Press as a positive measure aiming at the recovery of the Turkish economy. Koçak states that, despite the criticism previously directed against the government's economic policies, the unanimous support of this new measure by the Press leads to the inescapable conclusion that the latter functioned under strict governmental instructions<sup>41</sup>. Throughout the period of Capital Tax implementation the Turkish Press was systematically publishing reports of the Tax amounts collected, names of taxpayers presumably evading their Tax obligations, as well as articles praising the Capital Tax Law and its beneficial impact on the economy<sup>42</sup>.

After the 15 days period stipulated by the Law for debt discharging had expired, the Press hardened its attitude. The names of persons to be deported to Aşkale appeared in the Istanbul dailies, along with lists of confiscated and auctioned properties.<sup>43</sup> Obviously, the publication of all the above data, apart from bolstering governmental decisions, served also as a clear demonstration of its will to make an example of the minorities. As put by *Tan*, "the effects of pressure exerted via confiscations started to become evident immediately. As soon as deportations began there is no doubt that those reluctant to understand that state resolutions are not to be joked with, this time will understand that they were wrong"<sup>44</sup>.

38. Ahmet Emin Yalman, "Harb Kazançlarından Alınacak Vergi" [The Tax that will be Collected from War Profits], *Vatan*, 29/5/1942.

39. Ahmet Emin Yalman, "Tüccarlardan Polis" [Police consisting of Traders], *Vatan*, 2/9/1942.

40. Aktar, "Varlık Vergisi ve İstanbul", p.103. Rıfat Bali, *Cumhuriyet Yıllarında Türkiye Yahudileri. Bir Türkleştirme Serüveni* [The Jews of Turkey in the Republican Era. The Adventure of a Turcification], İstanbul: İletişim Yayınları, 1999, pp. 424-441.

41. Koçak, *op. cit.*, pp. 486-487; Bali, *op. cit.*, pp. 442-449.

42. Aktar, "Varlık Vergisi ve İstanbul", p. 130.

43. *Ibid.*, p. 133. Koçak, *op. cit.*, p. 500.

44. "Haciz yolu ile tazyikin derhal tesiri görülmeye başlamıştı. Sevkıyat başlayınca artık tereddüde mahal kalmıyacak, devlet kararlarının şakaya gelmediğini anlamamak isteyenler, bu sefer yanıldıklarını anlayacaklardır", *Tan*, 22/1/1943, cited in Aktar, "Varlık Vergisi Sırasında Gayrimenkul Satışları", p. 17.

A new term was coined for those who failed to discharge their debts: “suiniyet sahibi mükellefler” or “suiniyet erbab”, namely “bad intentioned taxpayers”. The first group of these “bad intentioned” defaulters was interned in Moda Palas hotel and Apergis Pension at Kadıköy, in order to be sent to Aşkale. Unfortunately, their stay there caused the protest of the Turkish Press, as they were supposedly staying in comfortable pre-exile residences, unbecoming to their attitudes towards the country. The Turkish state turned a sympathetic ear to this protest and decided to transfer them to a less “convenient” internment location, a building previously used as a storehouse in Sirkeci-Demirkapı<sup>45</sup>.

This “minorities-treacherous-to-the-Turkish-state” discourse was prevalent in the Turkish Press, whenever the latter referred to them in the frame of the Capital Tax implementation. Memories of the erstwhile “privileged” economic position of the minorities during the late Ottoman era seemed to survive in the collective mind of the journalistic elite and shape accordingly its attitudes and its minority stereotypes. What is interesting is that these stereotypes were not echoed only in newspapers of a more statist or stricter kemalist approach (e.g. *Tan* or *Cumhuriyet*), but permeated the majority of the Turkish dailies. Thus, the presumably more “liberal” Ahmet Emin Yalman reflected the same spirit when he wrote in his *Vatan* about “some circles that have established in this country a secret tradition of privileges and monopolies since the old times, evaded their obligations and their paying taxes and remembered of their being Turkish citizens only when this was beneficial to them ... they sought to perpetuate in full the levantine environment created by the capitulations, with all its evils”<sup>46</sup>.

Surprisingly enough, it was this same journalist that published the first articles criticizing the Capital Tax, shortly after the first phase of its abolition. In his article “Biz ve Dünya” (Us and the World, *Vatan*, 1/10/1943), Yalman acknowledged that “we are all human beings. Under the pressure of [certain] developments it is imperative to consider as natural and normal our limited violations of principles and traditions, so long as these violations

45. Aktar, “Varlık Vergisi ve İstanbul”, pp. 136-137.

46. “Eskiden beri bu yurttaki gizli bir imtiyaz ve inhisar ananeleri kuran, vergilerden kaçan, vazifelerden kaçan, yalnız istifâdeleri olduğu zaman Türk vatandaşları olduğunu hatırlayan bazı muhitler...Kapitülasyon devrinin yarattığı levanten muhiti, bütün kötülükleri ile, olduğu gibi devâm ettirmek istediler”, A. E. Yalman, “Ya Hep, Ya Hiç...” [All or Nothing], *Vatan*, 10/2/1943.



are corrected in a short time and we return to normality. The Capital Tax is undoubtedly such a violation"<sup>47</sup>. His criticism against the Capital Tax continued in the following months and culminated in three articles published in his daily *Vatan*, on September 25, 26 and 27, 1944. Despite the fact that Capital Tax Law had been abolished since March 15 and that developments in the war front had turned the scale permanently in favour of the allies, Yalman's expressed antithesis to the Tax cost him the closure of his newspaper on September 30, for 6 months<sup>48</sup>. This incident did not change Yalman's view of the *Varlık Vergisi* affair; in his memoirs he repeated his declared opposition against the implementation of that Law, considering it to be "a blunder" that had "endangered greatly the country's honour and prestige"<sup>49</sup>.

Save Yalman's posterior criticism against the Capital Tax, as well as a minor one by Hüseyin Cahit Yalçın<sup>50</sup>, the rest of the Turkish dailies appeared aligned with the official state attitude. Their writings provided full and unconditional support to the Turkish government's Capital Tax Law facilitating, thus, its legitimization before the Turkish public opinion. Moreover, preexisting views and stereotypes with respect to the minorities surfaced once again. The wording employed by the Turkish Press in support of the Capital Tax Law revealed a deep mistrust for the economic and civil role of the minorities, depicting them as "guest" entities in Turkey, whose loyalty to the state was highly questionable<sup>51</sup>.

### *Capital Tax: Results and Conclusions*

The implementation of an unjust and disproportionate Capital Tax Law had short, as well as long term impact on the Turkish economy. First, it con-

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47. "Hepimiz insanız, hadiselerin baskısı karşısında bazan prensip ve anelerden muvakkat inhiraflarda bulunmamızı tabii ve normal görmek icap eder. Yeter ki bu inhiraflar az bir zaman içinde düzelsin ve ana yola dönlüsün. Varlık vergisi hiç şüphe yok ki, böyle bir inhiraftır...", A. E. Yalman, "Biz ve Dünya: 5", *Vatan*, 1/10/1943.

48. Akar, *op. cit.*, p. 98. Güvenir, *op. cit.*, p. 102. Yalman's article of September 25 was entitled "Berbat bir Rahatsızlık" [A Great Discomfort], and those of September 26-27 "Tasfiye Nasıl Olmalı" [How the Abolition must Take Place], 1 and 2.

49. Ahmed Emin Yalman, *Yakın Tarihte Gördüklerimiz ve Geçirdiklerimiz* [What I Saw and Have Been Through in Recent History], vol. 2 (1922-1971), İstanbul: Pera Turizm ve Ticaret A.Ş., 1997, pp. 1250-1260.

50. *Yeni Sabah*, 15/3/1943, cited in Akar, *op. cit.*, p. 98.

51. Akar, *op. cit.*, p. 88.

tributed to a large capital transfer from the minorities to the Turkish state and the emerging Turkish bourgeoisie. In this way, the Turkish traders of Istanbul or Anatolia that occupied a secondary position in the country's trade volume seized the opportunity and filled the gap created by the Capital Tax Law<sup>52</sup>.

It should be noted that the aim of turcification of the country's economic life was not a new concept. During the Young Turk era the government, influenced by the ideas of Yusuf Akçura and Parvus (Alexander Helphand), took measures supportive of the creation of an indigenous Turkish entrepreneurial class, at least in two cases: with the boycott of Greek and Austrian products in 1908-1909, and with the "Law of Encouragement" in 1914<sup>53</sup>. Nevertheless, the most impressive resemblance with the Capital Tax Law bears the 1917 Capital Tax bill prepared by the Young Turk government of the time. The bill, aiming at combating the "war rich" phenomenon during World War I, was never debated in the Ottoman Parliament, as posthaste wartime developments had put it behind<sup>54</sup>.

What had not been achieved in 1917 was put to practice in 1942. Apart from the evident capital transfer, though, the Capital Tax had also long term repercussions, mostly on the economic behaviour of the minorities. Having lost their confidence to state policies, the latter appeared unwilling to proceed to capital investments in Turkey during the post-war era. According to Edward Clark's findings this reserved attitude was manifested especially in the textile manufacturing sector with "non-Muslim entrepreneurs newly establishing and developing large textile manufacturing enterprises in the Istanbul area decreas[ing] markedly after World War II"<sup>55</sup>.

On the other hand, the majority of Turkish scholars and researchers today are highly critical of or even outspokenly repudiating the concept and the implementation of the Capital Tax. Thus, Cemil Koçak views it as a direct con-

52. *Ibid.*, pp. 103-105. Koçak, *op. cit.*, p. 515.

53. Feroz Ahmad, *The Making of Modern Turkey*, London & New York: Routledge, 1993, p. 44. Zürcher, *op. cit.*, p. 129. A full coverage and analysis of "turcification" economic policies of the Young Turk period can be found in Zafer Toprak, *Türkiye'de Milli İktisat, 1908-1918* [*National Economy in Turkey, 1908-1918*], Ankara: Yurt Yayınları, 1982, as well as in his two volume work, *Milli İktisat - Milli Burjuvazi* [*National Economy - National Bourgeoisie*], vol. 1, and *İttihat - Terakki ve Devletçilik* [*The Committee of Union and Progress and Etatism*], vol. 2, İstanbul: Tarih Vakfı Yurt Yayınları, 1995).

54. Toprak, *Türkiye'de Milli İktisat*, pp. 302-303.

55. Clark, *op. cit.*, pp. 209-215.

tinuation of Young Turk policies of economic turcification, denying its shaping according to Nazi influence, whereas Rıdvan Akar traces and verifies Nazi influence on its anti-minority measures<sup>56</sup>. Çağlar Keyder shares the view of pro-German influences and argues that it “had violated the most elementary conditions of capital accumulation”<sup>57</sup>. Çetkin Yetkin and Taner Timur insist on the “racist” (*ırkçı*) character of the Tax, attributing it to the overwhelming presence and dominant ideological influence of Nazi Germany<sup>58</sup>. Adopting a sharper wording, Ayhan Aktar deems the transfer of debt discharging responsibilities to the taxpayers’ next of kin as a trait “befitting only to talitarian fascist regimes”<sup>59</sup>. It is worth mentioning that Aktar and Akar place the Capital Tax Law in a sequence of political initiatives and legal measures, which, in the course of the following post-war decades, eliminated the presence and the economic influence of minorities and especially of the Constantinopolitan Greek minority<sup>60</sup>.

The above provide an explanatory frame, within which “sporadic” incidents such as the Capital Tax can be placed and interpreted. The domestic, economic and political needs of the Kemalist regime, the totalitarian foreign ideological influences, and the crystallized stereotypes of the political, as well as the journalistic Kemalist elites of Turkey led to the adoption of such a law. Faik Ökte acknowledging its “shameful” character did not hesitate to confess that “I am still astonished that we were not all, with the Prime Minister at our head, indicted before the High Council for this blow struck at the honour and dignity of the state”<sup>61</sup>. “...and its various peoples”, one could add.

56. Koçak, *op. cit.*, pp. 514-515. Akar, *op. cit.*, pp. 82-89.

57. Çağlar Keyder, *State and Class in Turkey. A Study in Capitalist Development*, London-New York: Verso, 1987, pp. 113-114.

58. Çetin Yetkin, *Türkiye’de Tek Parti Yönetimi, 1930-1945* [*The Single-Party Regime in Turkey, 1930-1945*], Altın Kitaplar Yayınevi: 1983, pp. 213-214. Taner Timur, *Türk Devrimi ve Sonrası* [*The Turkish Revolution and the Subsequent Developments*], Ankara: İmge Kitabevi, 1994, p. 188. For other scholars that share the same approach on Capital Tax’s “racist” character, see Akar, *op. cit.*, p. 87, n. 22.

59. “Vergi mükellefinin birlikte oturduğu yakın akrabalarının malının mükellefin borcuna teminat gösterilerek satışına gidilmesi, ancak totaliter faşist rejimlerde söz konusu olabiliirdi...”, Aktar, “Varlık Vergisi Sırasında Gayrimenkul Satışları”, p. 17, and idem, “Varlık Vergisi ve İstanbul”, p. 135.

60. Aktar, “Varlık Vergisi Sırasında Gayrimenkul Satışları”, p. 20. Akar, *op. cit.*, p. 76. See also Hülya Demir & Rıdvan Akar, *İstanbul’un Son Sürgünleri. 1964’te Rumların Sınırdışı Edilmesi* [*The Last Exiles of Constantinople. The Exile of Greeks in 1964*], İstanbul: İletişim, 1994, p. 11.

61. Ökte, *op. cit.*, p. 95.