

## THE ECONOMIC ASPECTS OF TURKIFICATION POLICIES IN THE EARLY REPUBLICAN PERIOD: WEALTH Tax (1942-1944)

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### Özet

Türkiye Cumhuriyeti'nin kurulduğu ilk yıllarda, bir çok alanda bir ulus devlet kurmak adına Türkleştirme politikaları uygulanmıştır. Bu uygulamalar ağırlıklı olarak, Türkiye'de yaşayan olarak Gayri-Müslim ve Gayri-Türk gruplar üzerine odaklanmıştır. Türkleştirme politikaları siyasi, sosyal ve ekonomik bir çok alanda bireylerin hayatlarını etkilemiştir. Bu noktada, ekonomik olarak Türkleştirme politikaları varlık vergisi ve ekonominin Türkleştirilmesi olarak iki temel politika ile yürütülmüştür. Bu çalışmada, gayri-müslim ve gayri-türk gruplara uygulanan varlık vergisinin boyutları, sosyolojik olarak etkileri ve sonuçları değerlendirilmiştir. Bu bağlamda, varlık vergisinin Türkiye Cumhuriyeti üzerindeki sosyal ve ekonomik olumsuzlukları tartışılmıştır.

**Anahtar Kelimeler:** Türkleştirme Politikaları, Ekonominin Türkleştirilmesi, Varlık Vergisi, Gayri Müslim ve Gayri-Türk gruplar

### Abstract

In the first years of the establishment of the Republic of Turkey, on behalf of establish a nation-state, Turkification policies were implemented in many areas. These applications focused mainly on non-Muslim and non-Turk groups who were living in Turkey. Turkification policies have affected the lives of individuals in political, social and economic fields. At this point, economically Turkification policies were carried out with two main policies: Wealth Tax and Turkification of the economy. In this study, the dimensions, sociological effects and results of the wealth tax applied to non-Muslim and non-Turk groups were evaluated. In this context, the presence of social and economic disadvantages of the tax on the Republic of Turkey were discussed.

**Key Words:** Turkification Policies, Turkification of Economy, Wealth Tax, Non-Muslim and Non-Turkish Groups

### Introduction

In the period when the Turkish Republic was established and called as an early republican period, Turkification policies were implemented by the political elites in many realms of social and economic life in Turkey. Turkification policies covered many fields by means of political power such as education, language, economics, trade, law and history both in the society and in the country. Turkification policies are political policies aimed at the adoption of Turkish ethnic identity in the mentioned fields and acceptance of the superiority of this Turkish identity against others. However, it has a quite different character that Turkification policies have rather from the nationalization movements experienced in the late Ottoman period. "The Turkification policies experienced during the early republican period

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do not resemble neither the imperial nationalism of Sultan Abdülhamit II, nor the cultural nationalism of Ziya Gökalp.”<sup>1</sup> It defends the superiority of only one specific ethnic identity as being Turk and marginalizes all other ethnic groups who lived in Turkish lands. Turkification policies had been accepted by the political elites as the main policies to be applied in every aspect of the social life of the society during the single party period. However, for a country which came from a multinational social and political past of the Ottoman Empire, these standardization policies have caused many problems. The significant issue of these policies were the problems of non-Muslim and non-Turkish communities during Turkification process and their efforts to find a place in both economic and social life. The fact that Turkish ethnic identity was dominated in all areas of life by means of these policies has left the non-Turkish ethnic groups out of the ring and became them marginalized. In other words, the systematic Turkish nationalism approach that made by Turkish political authority had been discriminatory and not inclusive in terms of the other ethnic communities in the territory of Turkey. In the single-party period, each group who were not be Turkified by Turkish authorities such as Armenian, Rum or Jewish groups was discriminatively treated and these discrimination was supported by legal policies so called Turkification policies. In short, during the process of establishing a new nation-state in Turkey, “we and others” appeared as perception and the government was forced to implement discriminatory policies in this regard. One of the significant areas where implementation of the policy of Turkification in the Republic of Turkey was the economy. Turkey's economy in the post-war period and the collapse of the empire has faced a wide variety of problems and stagnations. In this period, in order to improve the economy, the interventions and fiscal policies by political elites were tried to be made according to the basic tenets of the period in which the policies of Turkification exists. In this regard, there are two important concepts mentioned in order to identify that period, these concepts are as follows, national economy and Turkification to the economy. There is an important distinction between these two concepts used in on behalf of the economy. Murat Koraltürk explained this distinction as follows; National Economy is that all citizens of the Republic of Turkey is to obtain advantages in the economy against the foreigners and foreign countries. By contrast, the Turkification of the economy is the giving privilege to the Turkish ethnic group in the scope of economy among the citizens against non-Turk groups. That is, Turkification of the economy was a kind of fiscal policy that aimed to

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<sup>1</sup> M. Koraltürk, **Ekonominin Türkleşmesi**, İstanbul: İletişim Yayınları, 2011, p.21.

weak and marginalize of the non-Muslim or non-Turkish group in the finance of Turkey. Therefore, in the process of Turkification, the concept of the Turkification of the economy is outweighs against the concept of the national economy in the case of creating an national economic model for a country. From this point of view, Wealth Tax was the most important example for economy during the Turkification process. It was applied for various reasons during the Second World War and also characterized as social and political discrimination rather than other ordinary taxes. In other words, the wealth tax stands out not only as an economic but also as a political and cultural practice. It was also an example of the anti-minority policies that have been faced many times in the single-party period. Wealth tax was enter into the force in 1942 at Turkish Grand National Assembly by acceptance of the majorities' votes. Majority of them were non-Muslim groups, non-Turkish minorities who were lived in Turkish lands during the WW2 years, paid capital tax through their properties, capitals and consumption behaviours. When the tax place was evaluated over the factors such as its coverage, way of application, amounts and penalties, it can be accepted that the Wealth Tax was fine example of anti-minority policies and triggers to spread concept of Turkification over the society. In this study, the general characteristics, implementation process, political influence, fiscal bureaucracy and penalties of the Wealth Tax will be discussed over the Turkification of the economy. This research paper offers a case study investigating how wealth tax and Turkification of economy failure and damaged the Turkey's socio-economic spheres.

### **1. General Assessment of Wealth Tax**

Wealth tax in Turkey was took into practice in the years 1942 to 1944 while Second World War happened most part of the world. Although it has been implemented for a very short period of time, it is still debated today due to the impact it had on society and economy during that time. The Wealth Tax relates to many areas in terms of its general characteristics and application processes. Therefore, it is essential to examine the processes of Wealth Tax one-step one from the reasons to results, in order to reach results that are more accurate. In this paper, the Wealth Tax will be also evaluated in regards to each step separately. Reasons of the collecting Wealth Tax, political process, application and punishments will be the main steps for evaluating Wealth Tax.

### **1.2. Reasons of Collecting Wealth Tax**

As mentioned before, Wealth Tax implemented in the years Second World War. During that time, even though Turkey was not part of the war, Ankara administration raise up

the military expenses to extreme level. Capital in Turkish economy was flow to military due to war threat in that time. For this reason, as looking for a new capital source for itself, Turkish officials turned their faces to wealthy non-Muslim and non-Turk groups for money supply. The Prime Minister of the period, Şükrü Sarçoğlu, expressed the economic measures to be taken and the target point with his following words; “In particular, this tax should be taken from those who prosper after the First World War in order to prepare our economy and army to the war. These taxes will also prevent the corruption through using money by the profiteers.” In addition, in his speech to media institutions he said that

*“Our military expenses are high, our budget has deficit; it is not possible to balance it with current taxes and with state revenues. In our country, some capital owners, brokers, black market traders who have the opportunity to do business with foreign countries gained great wealth. While our people are in misery, struggling with the difficulties of war, they have provided great profits. Now, with the wealth tax, the government needs to impose such a tax, both to meet the challenges of the government and to resolve the livelihood of the low-income class.”<sup>2</sup>*

On the other hand, although war conditions were the primary reason for Wealth tax according to the government, Saraçoğlu clearly targeted to non-Muslim groups in his another speech in 1942, “We have a chance to gain our economic independence, we will abolish all foreigners from our economy and hand over the Turkish citizens!”<sup>3</sup> From this point of view, although political authority expressed the reason of this wealth tax as military expenditure or economic problems, unofficially suppressing the non-Turkish high-class group was also the reason of wealth tax.

### **1.3.Political Process of the Wealth Tax and Involving Media**

After the economic stagnation and high inflation, political authorities worked on some began to work on wealth tax in Turkish Grand National Assembly. Finance Minister of this period Fuat Ağvalı was prepared resolution for wealth tax with his commission. Moreover, during that time Prime Minister Şükrü Saraçoğlu were also joined to process with this speech in both Turkish Grand National Assembly and on public. Some arguments on the issue of wealth tax were made in Turkish Grand National Assembly intensively and most of the member of the parliament had positive outlook about to put into force to this law. While political debate and assessment continue, there were also Media contribution to triggered

<sup>2</sup> A. Aktar, **Varlık Vergisi ve Türkleştirme Politikaları**, İstanbul: İletişim Yayınları, 2000, p.143.

<sup>3</sup> A. Aktar, **Varlık Vergisi ve Türkleştirme Politikaları**, p.142.

wealth tax process. During the summer of the year 1942, non-Muslim people depicted as profiteer, black marketer, thief or robber in the İstanbul newspapers.<sup>4</sup> During to process of wealth tax entering into the force many articles and columns were be prepared to support the validity of the tax.<sup>5</sup> Moreover, the humour magazines published in this period also targeted the group and demanded the government to introduce the wealth tax. There were a lot of example how media positively manipulated the process of wealth tax as being opponents to non-Muslim people. For instance, in the *Ulus* newspaper published in January, 1943 non-Muslim people were directly warned as “We can serve our guests the food, but we never let them steal the spoon and knife on our table.”<sup>6</sup> After manipulating news, the finance ministry Fuat Ağralı ordered the discovery of non-Turkish minorities in the market for discovery of assets. Tax lists and amounts have been prepared according to their wealth, religious beliefs and ethnicities. As is seen, before to the application of the Wealth Tax, the propaganda was carried out with the help of the media organs, then it was accepted in the Turkish Grand National Assembly and then moved to technical preparations of the wealth tax. On the other hand, while all these regulations, manipulations and other things about wealth tax happened in Turkey, non-Muslim people were also expressed their defending to the government. A commission composed of representatives of non-Muslim groups convened and visited Ankara, the Prime Minister Şükrü Saraçoğlu. They bring an offer to Şükrü Saraçoğlu. Their offer was as follows: “Mr. Prime Minister, how much tax do you aim to collect? Tell us, we collect that money between us and let's pay our state.”<sup>7</sup> However, Şükrü Saraçoğlu rejected this offer as “we are a modern state!” The reason behind that Şükrü Saraçoğlu rejected this offer is non-Muslim group’s offer was similar to traditional Ottoman taxation system as called *Millet* system. It is known that in the single-party period reject all type of features that based on Ottoman tradition in both political and social realm. Şükrü Saraçoğlu’s rejection to non-Muslim commission’s offer was a fine example to it.

#### *Implementation of Wealth Tax.*

November 11, 1942 Wealth Tax was accepted by a majority of votes in the Turkish Grand National Assembly. The law was published in the official newspaper the next day and entered into force. The most fundamental issue after the law came into force was about the

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<sup>4</sup> A. Aktar, **Varlık Vergisi ve Türkleştirme Politikaları**, p.144.

<sup>5</sup> A. S. Çetinoğlu, **Varlık Vergisi 1942-1944 Ekonomik ve Kültürel Jenosid**, Belge Yayınları, İstanbul, 2009, p.98.

<sup>6</sup> A. S. Çetinoğlu, **Varlık Vergisi**, p.98.

<sup>7</sup> A. Aktar, **Varlık Vergisi ve Türkleştirme Politikaları**, p.144.

way in which the Wealth Tax would be applied to who and how much tax would be paid. Prime Minister Saraçoğlu appointed the finance minister to settle these technical issues. Finance Minister Fuat Ağvalı started to establish a financial commission under his leadership to determine the taxpayers and amount of taxes to be applied. Faik Ökte who was the head of provisional treasury (*defterdar*) in Istanbul of the period was taken to this commission with an official letter from Ankara. It is stated in the official article that “the extraordinary gains earned by the war are obliged to tax based on our laws, therefore, those who earn large fortunes should be identified and hasty investigations in the market should be made.”<sup>8</sup> Clarifying the taxpayers and the amount of tax were made in two different steps and commissions. First of all, financial commissions that appointed by finance ministry, began to designate focus group who would pay the Wealth Tax, during that process this commissions were worked together with local municipalities and authorities. The determining the taxpayers was took only a month in all around the Turkey’s region. Majority of the taxpayer population existed in the İstanbul. The ratio of the non-Muslim groups in the determined taxpayer was %87, Muslim but non-Turk groups was around %7 of them.<sup>9</sup> The ranking of the groups that will give tax according to their profession is as follows, merchant, traveller (*seyyah*), owners (field, real estate, etc.), white-collar employees (doctors, journalists, lawyers etc.) and worker-officer groups.<sup>10</sup> Second of all, in order to determine which taxpayer would pay how much money for Wealth Tax, there were also establish another commission by finance ministry. In this step, many misleading and infraction in the law and process can be seen. This process is essential to show how early republican period had inadequate supervision mechanism and how punish the luxury consumption in order to prevent class conflict among the society. Finance ministry appointed the specific groups for determining amount of tax, called *Estimators* who work on behalf of the Ministry of Finance at that time were determined how much tax would be collected from which groups. This group consult to banks, municipalities and local finance groups in order to clarify taxpayers’ total amount of capital and properties. However, the information service of the official institutions that the Estimators apply at that time was extremely weak. Since the official statistics were weak in the determination of assets, national intelligence services (*MİT*) was also used but still did not gather coherent information. Therefore, Estimators was used very primitive and relevant ways to determine amount of tax. Due to the lack of information, the Estimators were asking the neighbours of

<sup>8</sup> F. Ökte, *Varlık Vergisi Faciası*, Nebioğlu Yayınevi, İstanbul, 1951, p.154.

<sup>9</sup> F. Ökte, *Varlık Vergisi Faciası*, p.154.

<sup>10</sup> A. Aktar, *Varlık Vergisi ve Türkleştirme Politikaları*, p.154.

the taxpayer to understand the existence of minorities, or passing in front of their shops and did relative observations. Faik Ökte indicated such conversation existed among Estimators many time:

- *“How much this man?*
- *500,000 million*
- *How do you know that?*
- *Same as what you know...*
- *OK, I post an average number on the list!”<sup>11</sup>*

Form this point of view, it can be seen that the amount of Wealth Tax determined was arranged according to the arbitrary decisions of the Estimators since there was not enough financial and commercial intelligence and well-working institutional structure. The determination of the Wealth Tax did not based on a reliable source. On the other hand, the other and culturally essential determinant of the amount of Wealth taxes were taxpayer’s consumption behavior. The government called a specific group called “Extraordinary class non-Muslim taxpayers”. These group who mostly lived in the İstanbul, formed the %54 of the total amount of Wealth Tax, despite their population was only covered %4 of the taxpayers.<sup>12</sup> These non-Muslim groups was known as the richest people in the İstanbul at that time. These people’s consumption behaviour was similar with their wealth as such they consumed luxurious compared with ordinary society. In other words, the group, which is targeted by economic and social aspects of the Wealth Tax, was not only those who were rich in income, but also only those who displayed their wealth through luxury consumption. Ayhan Aktar gave a specific example to explain this as follows,

*“About two people who do the same job and have similar earning, if one lives in a rich neighbourhood of Istanbul, attends luxury parties and balls and spends his summer vacation in Princess Island (Büyükkada) and if the other one leads to a more modest life, probably the higher amount of Wealth Taxes will be gathering from the first one.”<sup>13</sup>*

In the İsmet İnönü’s leadership period, there was a corporatist –solidarist understanding on behalf of the government ideology that based on provide egalitarian environment among the Turkish society without reinforced to class conflict between rich and poor. Therefore, during the Wealth Tax process, behind the Turkification of economy, there

<sup>11</sup> F. Ökte, **Varlık Vergisi Faciası**, p.158.

<sup>12</sup> A. Aktar, **Varlık Vergisi ve Türkleştirme Politikaları**, pp.154-154.

<sup>13</sup> A. Aktar, **Varlık Vergisi ve Türkleştirme Politikaları**, p.155.

were also punishment to luxury living in order to assimilate all people's consumption behaviour as similar to each other.

## 2. **Bright Future: How was the positions of the Bureaucrats after the Wealth Tax?**

The most important role had been for the bureaucrats throughout the entire period of the Wealth Tax. During the process of determining and collecting taxes and giving penalties, bureaucrats took part in various tasks for Wealth Tax. In terms of bureaucrats, those who were participated during the Wealth Tax process had a new chance for their future. The Wealth Tax practitioners were then brought to important positions in both government and state institutions. Hence the Wealth Tax has been a kind of reference to its practitioners. In short, the Wealth Tax paved the way not only for the Turkish bourgeoisie but also for the Turkish bureaucracy.<sup>14</sup> For instance, Ferit Hamal and Fuat Hayri Ürgüplü, who took part in the tax collection process as bureaucrats, were appointed as deputies to Turkish Grand National Assembly. Indeed, Fuat Hayri Ürgüplü had been the Minister of Customs in the following years.<sup>15</sup> These two names were showed the most important rise. Apart from these two people, many bureaucrats had also risen in the party (*CHP*) and in the state institutions as well.

## 3. **Impressment and Exile to Aşkale**

Due to the disproportionate rate of the tax and the short duration of the payment period, many payments could not be paid within the required period of time. According to the law, the period of time to pay for the taxpayer was determined as 15 days. At the end of this 15 days, the taxpayer of those who could not pay their debts, faced with doubled of their debt and suppressed to pay within 1 month, however if still could not pay these doubled debts, their goods and money to be put in impressment and decided to pay their debts by working physically at the Aşkale. Firstly, during the impressment process, properties of the minorities that were collected during the impressment process was went on the auction sale in Grand Bazaar. In addition, houses and lands of minorities, at the end of the Wealth Tax changed some situation particularly in İstanbul region. The confiscation of the impressment goods changed the real estate market in Istanbul. It has led to the Turkification of the Beyoğlu region, in which minorities and foreigners live and the luxury consumption is exhibited. The most coercive rule of the Wealth Tax was all properties of the close family of the taxpayers accepted as deposit of the tax without their permission. "Article 14 of the Wealth Tax Law, which includes this issue, was considered as a legal guarantee for the tax to be taken from the

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<sup>14</sup> A. S. Çetinoğlu, *Varlık Vergisi*, p.129.

<sup>15</sup> A. S. Çetinoğlu, *Varlık Vergisi*, p.128.



shops, houses, lands, factories and similar properties belonging to the taxpayer's parents, wife, children and siblings.”<sup>16</sup> On the other hand, apart from the impressment, the painful punishment over the taxpayers was exile. After the expiry of the payment period of the asset tax on the evening of January 20, 1943, the process of sending taxpayers to Aşkale who were unable to pay their taxes within one month had been started. Aşkale is located in a district of Erzurum in eastern part of the Turkey. Taxpayers was sent there were physically employed in the quarry. Process to exile Aşkale was began with the arrest taxpayers who did not pay their taxes, after arrest these taxpayers gathered in some places as Sirkeci Train Station and Moda Palas, then they were sent to Aşkale with trains. However, during the way they were got on the third class quality vagoons that normally animals carried. Almost 40 people from Sirkeci Train Station and 32 people in Moda Palas were sent with these wagons to Aşkale region in the first stage. The only purpose of keeping borrowers in bad conditions from Sirkeci to go to Aşkale was to accelerate the tax gathering. Because the debtors were taken from the police from their houses, taken to Sirkeci, and then kept in bad conditions showed them that how state serious in this issue.<sup>17</sup> In total, 1869 people were sent there.

#### 4. Termination of the Wealth Tax

After about 10-12 months of exile, the taxpayers returned from their work camps in Aşkale to their homes. However, the impressment and debts on them continued for a while according to the law. The date on which the Wealth Tax was completely eliminated was 15 March 1944. After that date, all debts of the taxpayer had been deleted. However, although all pressure on taxpayers was removed, all these groups lost more than half of their wealth and their position in the class of bourgeoisie was completely felled.

#### Conclusion

Although Wealth Tax accepted as an assistance to helped economy during the Second World War years in order to fulfil military expenses, there were also variety of reasons about it when we considered the whole process. Application process, media influence, political reinforcement, exile and impressment showed that there was a tragic pressure to change something in Turkey by political elites. Besides the military expenses, Wealth Tax had helped to process of Turkification to economy, and creating Turkish bourgeoisie instead non-Muslim and non-Turk ones. After the Wealth Tax many non-Muslim lost their wealth, highest status

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<sup>16</sup> Varlık Vergisi Hakkında Kanun, 1942, p.3.

<sup>17</sup> A. Aktar, Varlık Vergisi ve Türkleştirme Politikaları, pp.196-197.

and luxury living. In addition, many of them decided to migrate to United States and Israel because of created fear over them. Particularly, after the establishing of Israel, 30.000 Jewish who faced with Wealth Tax was migrated to Israel.<sup>18</sup> The people who believed that somehow discriminative policies and Turkification process would be over, lost their hope after the Wealth Tax. Moreover, media manipulation increased the tension among Turkish society and non-Turkish groups. Ali Sait Çetinoğlu claimed that Wealth Tax was started to process that went to 6-7 September incidents.<sup>19</sup> Therefore, ethnically and culturally Wealth Tax caused many painful results for not only non-Muslim and non-Turk groups but also for all society. In other respect, Wealth Tax had also impact on Turkish economy in both short and long run. After the elimination a great capital of non-Muslim group, Turkish economy lost a significant trade and capital capacity. In that time, gathered taxes were went to military expanses and did not used for long-term investments. Therefore, Turkey also lost great amount of capital and merchant group after the Wealth Tax. About Turkification to economy, it is still in question to argue that was Turkish merchant group fill the gap of these non-Muslim bourgeoisies? Overall, in today debate on Wealth Tax still continue whether in favour to country or not. In some cases, it can argued that Wealth Tax over and prevent to possible lobbying activities that may led by non-Muslim capital to the Turkish government, by contrast whether economy would be bad or good if Wealth Tax not implemented also still in question. However, when looking at the socio-economic status during and after the Wealth Tax, it can be accepted that it caused many damages in both social and economic realm. Socially, many non-Muslim group who lived at that time in Turkey lost their trust on Turkish government and many of them left the country. Economically, due to lost great scale of trade and capital volume Turkey lost its sustainability until 1950's and may lost an important group of bourgeoisie which would shaped Turkey's current economy at that time.

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<sup>18</sup> A. Aktar, **Varlık Vergisi ve Türkleştirme Politikaları**, p.207.

<sup>19</sup> A.S. Çetinoğlu, **Varlık Vergisi**, p.495.