ΙΔΡΥΜΑ ΜΕΙΖΟΝΟΣ ΕΛΛΗΝΙΣΜΟΥ

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Capital levy "varlık vergisi" in Istanbul

Summary :

The law on Capital Levy was debated and approved by the Turkish parliament on 11 November 1942. It was clearly an important legislation, not only from an economic, but also from a political and cultural point of view. It was apparent to taxpayers that the tax was ‘anti-Minority’ legislation par excellence. According to the law, those taxpayers who were unable to pay their tax within one month began to be sent to labour camps with the aim of performing physical labour and working off their taxes.

Date

1942-1944

Geographical Location

Istanbul

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1. Introduction

The law on Capital Levy that was debated and approved by the Turkish parliament during World War II (on 11 November 1942) was clearly an important legislation, not only from an economic, but also from a political and cultural point of view. The introduction of Capital Levy essentially involved a number of component processes such as: drafting the law, its approval by the parliament, the support given by the Turkish press, the procedures by means of which so called ‘independent’ committees would determine who was to pay how much tax, the announcing of taxpayers’ names and their tax-assessments, the period in which payment was to be made, the compulsory sale of the property of those who failed to pay their tax in time, and the sending of those individuals who were still unable to pay their tax to Aşkale labour camp, so that they might ‘work off their debts with physical labour’. When all these stages are examined together, the Capital Levy serves as a perfect example of the ‘anti-minority’ policies implemented during the Single Party Period in Turkey (1925 – 1945).

2. Non-Muslims and ‘Turkification’ policies

It is always argued that the Capital Levy was introduced with the aim of taxing extraordinary profits made under war conditions, and reducing the amount of money in circulation. Istanbul certainly had a special status in that it was the city where the commercial bourgeoisie was most strongly represented. But the extent to which the Capital Levy was concentrated on Istanbul cannot be accounted for solely in economic terms. The multi-ethnic structure of the city, a legacy of Ottoman times, and the official pressures exerted on the non-Muslim minorities in other regions of the country to migrate to Istanbul in 1930s made the city particularly vulnerable to anti-minority policies. The ‘special treatment’ given to Istanbul people by the Ankara bureaucracy during this period had as much to do with the city’s social, cultural and demographic features as with its economy. It is sufficient to say that ‘cosmopolitanism’ was not something desirable for the Ankara government.

The Ankara government, which had responded to the outbreak of war in 1939 by mobilising around a million men and was attempting to meet rising defence expenditure by printing money only, began in the spring and summer of 1942 to seek ways of taxing extraordinary profits.[1]A commission set up by Fuat Ağralı, the Minister of Finance, was in the process of drafting a new legislation.At that time, certain newspaper columnists, noting that in particular non-Muslim merchants were benefiting from shortages of goods that were caused by high inflation and reduced imports, were calling for a commission to be established that would tax the speculative profits which they were making.[2]

Throughout the summer of 1942, prominence was given in the Istanbul press to news that tended to associate non-Muslims with acts of theft, black marketeering, extortion, profiteering and speculation.[3] Comics appearing in that summer mainly used caricatures of Jews in anti-minority cartoons. The cartoons on Jews published in the magazines made fun not only of Jews, but of all non-Muslims by association.

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On September 12, financial inspector Faik Ökte was appointed as the director of Istanbul Public Revenue Office. On his first day in the office, he was shown an official letter that had been sent from Ankara fifteen days earlier. This letter contained a formal request: “After it was stated that our laws failed to tax extraordinary profits made as a result of war conditions and profiteering, and that consequently minorities in particular had amassed vast wealth, let by means of making an urgent investigation into the market be determined who had made extraordinary profits in this manner and **minorities be shown in a separate table**.”[4]

Faik Ökte was trying to work on this by gathering information from various tax offices in Istanbul; he listed taxpayers who were believed to have made extraordinary profits, classifying them according to their ethnic and religious origins.[5] Slowly the ground-work was done for the Capital Levy: the appropriate propaganda was disseminated in the press and technical preparations were made. The law already conceptualized in the minds of state-men; all that needed was to be drawn up on paper and voted on in the parliament.

President İnönü, making a speech on 29 October 1942 on the occasion of the Day of the Republic celebrations, said the following: “The ability of the nation to give everything to the armed forces and endure every kind of hardship in the interests of the well-being of the fatherland is our main guarantee against great calamity. Have no doubt that those degenerates who depart from the straight and narrow path, however adept and deceptive they may be, will without fail sooner or later be apprehended”.[6]

Two days later, President İnönü, when he officially opened parliament on the 1st of November, spoke in similar terms: “Old-school crooked landowners who consider these turbulent times to be a unique opportunity, and voracious, profiteering merchants who would turn the very air we breath into a commodity if they could, and a number of politicians who think that all of these hardships are a great opportunity for realising their political ambitions and with respect to whom it is hard to determine which foreign nation they are working for, are brazenly seeking to sabotage the entire life of a great nation”.[7] The storm was approaching.

On 11 November, Prime-Minister Saracoğlu made a lengthy speech in the parliament and revealed an economic program that also covered a detailed presentation of the Capital Levy. Prime-Minister Saracoğlu explained the aim of the Capital Levy to the parliament in the following terms: “The aim which we are pursuing with this law is to reduce the amount of money in circulation and create reserves to meet our national requirements. Along with this, the existence of secondary benefits that will result from the implementation of this law, such as a strengthening of Turkish currency, the dispelling of popular rancour felt towards profiteers, and the moderating effect on prices which will be exerted as property is of necessity put up for sale to pay the taxes, cannot be discounted.”[8]

However, at the Republican People’s Party (CHP) group meeting two days earlier, which was closed to the press , Prime-Minister Şükrü Saracoğlu presented the same law to the party members as follows: “This law [on Capital Levy] is at the same time a revolutionary law. We are presented with an opportunity to obtain our economic independence. The foreigners who dominate our market will thus be eliminated and we will place the Turkish market in the hands of the Turks!”[9]

3. The new law

The Capital Levy Law was approved with very little debate at the parliament’s afternoon session on 11 November 1942. The law was promulgated in the *Official Gazette* the following day and took effect.

Article 7 of the Capital Levy Law (No. 4305) provided for the formation of committees in every city for tax assessment under the direction of governors who were at the same time the leaders of local branches of the ruling party, CHP. Article 11 of the law stated that the amounts of tax assessed by the committees cannot be altered and no objection was permitted. As soon as the law took effect, three separate committees were established in Istanbul and other cities. These committees, along with the Ministry of Finance bureaucracy that supplied them with information, completed their business within one month, 12 November -17 December 1942.

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After the commissions had completed tax-assessment, the lists showing the amounts of tax to be paid were displayed on notice boards at Public Revenue Offices on 18 December 1942.

The lists were a cause of shock for taxpayers. It became immediately apparent to taxpayers that the tax was ‘anti-Minority’ legislation par excellence. Faik Ökte, the Director of Istanbul Public Revenue Office, admitted as much in his memoirs: “The immeasurable difference between the amount of tax imposed on two citizens, one Muslim and one non-Muslim, operating from neighbouring shops, paying the same rent and possessing the same skills, gave our game away on the day the tax was posted.”[10]

Article 12 of the Capital Levy Law provided for payment of the tax within fifteen days. This period ended with the close of business on 4 January 1943. Moreover, according to the same Article, interest on arrears at the rate of 1% for one week and 2% for two weeks was to be applied in the case of taxpayers who failed to pay their taxes within this period. Since a number of public holidays intervened, these period was slightly extended and came to an end on 20 January 1943.

Official visits were made to the homes and businesses of those taxpayers who failed to pay their tax within the above-mentioned periods and, initially, distress was levied over their property, and later tax began to be collected by means of the sale of such property and furniture (21 January 1943).

Those taxpayers who were unable to pay their tax within one month began to be sent to labour camps with the aim of performing physical labour and working off their taxes.The first party of 32 persons, consisting entirely of Istanbul non-Muslims, set off for Aşkale on 27 January 1943.

4. Imposition of a new tax

Between February and September 1943, a total of 1865 people were arrested by the police and brought to the waiting centre at Sirkeci train station. Of these taxpayers, 1229 people were sent, initially to Aşkale and Erzurum, to work. The remaining 636 people, on the other hand, paid their tax debt while waiting at Sirkeci or after having been sent to labour camps. At the labour camps of Aşkale and Erzurum, 21 people died ‘in debt’. Since the obligation to work was only imposed on non-Muslims, all of those who died were non-Muslims and all of them had been sent to labour camps from Istanbul.

The process of collecting Capital Levy by means of selling taxpayers’ property by public auctions continued throughout the summer of 1943. Meanwhile, on 8 August 1943 approximately 900 people working at Aşkale were loaded onto train and sent to labour camp prepared at Eskişehir – Sivrihisar.

The journalist Cyrus L. Sulzberger, member of the family who owned the *New York Times*, visited Turkey that summer and wrote a series of articles about the Capital Levy which were published in the *New York Times* between 9 - 13 September 1943. Sulzberger noted in his articles that certain observers to whom he spoke on his visit said that an attempt was being made by means of the Capital Levy to eliminate all the minorities who occupied an important role in Turkey’s economic life. I believe that Sulzberger’s articles had a considerable effect on the Ankara government. Precisely four days after the articles were published in the *New York Times*, the parliament, convening on 17 September 1943, authorised the Ministry of Finance to ease up conditions in respect of Capital Levy defaulters.

On 6 October 1943, Numan Menemencioğlu, the Turkish Foreign Minister, spoke in Ankara with Robert F. Kelley, the First Secretary of the USA Embassy, who was representing the Ambassador Lawrence Steinhardt. Menemencioğlu complained, with reference to Sulzberger’s articles, about anti-Turkish articles in the US press. Kelley immediately informed Steinhard.[11]Steinhard, in the telegram he sent by way of reply on 8 October 1943, stated that he had discussed this matter with Sulzberger, and had received assurances that no further articles concerning the Capital Levy would appear in the *New York Times*.[12]

In the wake of these developments, a process aimed at eliminating the Capital Levy was initiated. In the first week of December, the taxpayers who had been freed from Eskişehir-Sivrihisar labour camp were finally returned to Istanbul.On 15 March 1944, the state

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renounced all claims that remained outstanding until that date in respect of this tax.

Within the process that began with the 'Turkification' policies practised in the first years of the Turkish Republic, the implementation of the Capital Levy constitutes a veritable 'breaking point'. First, I would like to consider this 'breaking' in terms of the emotional impact it had on those involved. It is quite obvious that the implementing of the Capital Levy had a negative impact on the process of integrating members of non-Muslim minorities into society. The advent of the Capital Levy finally destroyed the hopes of those who believed that anti-minority policies that had been implemented earlier would soon be lifted.

In consequence, quite a few members of the non-Muslim minorities emigrated to European countries, Israel or America. In particular, following the founding of the state of Israel, about 30,000 members of the Jewish community migrated to Israel between 1948 and 1949. The draining of non-Muslims continued throughout the 1950s. As a consequence of the 6-7 September 1955 events and finally with the deportation of Istanbul Greeks in 1964, Turkey finally attained the status of a country whose population is '99.9 per cent Muslim and Turkish'. As a consequence of these changes, the non-Muslim minorities, which the republican administration had inherited from the Ottoman Empire, had effectively been eliminated.

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1. In this period, the price of a basket of goods that in 1938 was indexed at 100 had risen to 339.6 in 1942. Similarly, the amount of money in circulation, which in 1938 had been TL 219.4 million, had grown to 765.5 million by 1942. See, Ökte, F., *Varlık Vergisi Faciası***,** (İstanbul 1951), pp. 31-32.

2. Ahmet Emin Yalman, in his leading column in the 29 May 1942 edition of the *Vatan* daily newspaper, having established that, "[t]here is in general terms certainly a lower degree of attachment to the fatherland among minorities", sketched the first outlines of the Wealth Tax Law: "If it were up to me, especially in the large cities, extraordinary committees should be established with the aim of assessing this tax on an one-off basis, and leading bankers, leading members of chambers of commerce and honest people capable of representing every sphere of commerce should serve the motherland on these committees. They should be guided in their work, along with ledgers and so forth, by certain comparisons and conjectures, and they should create the circumstances under which the real profiteers are forced to pay their debt to the fatherland. In any case, since the real profiteers numbers in hundreds, solutions can be found."

3. Some examples of headlines accompanying such news: "Two Jewish Children Stole Rosette Money Collected for Charity Organizations," 'A Jewish Contractor made the Treasury to lose Thousands of Liras" and "Two Jewish Hoarders Arrested."

4. Ökte, F., *Varlık Vergisi Faciası,* (İstanbul 1951), p. 47.

5. Faik Ökte described the classification of taxpayers in his memoirs as follows: "The tables were divided in two with the labels **M** and **N**. **M** was the Muslim group, and **N** represented the non-Muslim minorities. To these letters were later added **C** for converts [Crypto -Jews from Salonica] and **F** for foreigners." See Ökte, F., *Varlık Vergisi Faciası*, (İstanbul 1951), p. 48.

6. *Ayın Tarihi*, No. 107 (Ekim 1942), p. 11.

7. *Ayın Tarihi*, No. 108 (Kasım 1942), p. 23.

8. *Ayın Tarihi*, No. 108 (Kasım 1942), p. 41.

9. Barutçu, F. A., *Siyasi Anılar (1939 - 1954)* (İstanbul 1977), p. 263.

10. Ökte, F., *Varlık Vergisi Faciası*, (İstanbul 1951), p. 15.

11. Telegram sent by the First Secretary of the US Embassy Robert F. Kelley in Ankara to the American Ambassador Lawrence Steinhardt, dated October 6, 1943, in the Records of the Department of State Relating to Internal Affairs of Turkey, 1930 -1944, 867. 512/245 PS/FLH.

12. Telegram sent by the First Secretary of the US Embassy Robert F. Kelley in Ankara to the American Ambassador Lawrence Steinhardt, dated

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