

The "Varlik Vergisi" Affair



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The "Varlik Vergisi" Affair

A Study on its Legacy With Selected Documents

Rifat N. Bali



The Isis Press, Istanbul



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KEY TO ABBREVIATIONS

ABCFM	= The American Board of Commissioners for Foreign Missions
AHİK	= Azınlık Hakları İzleme Komisyonu (Commission for the Monitoring of Minority Rights)
AJA	= American Jewish Archives
AJC	= American Jewish Committee
AJJDC	= American Jewish Joint Distribution Committee
AKP	= Adalet ve Kalkınma Partisi (Justice and Development Party)
ANAP	= Anavatan Partisi (Motherland Party)
ASALA	= Armenian Secret Army For The Liberation of Armenia
BBC	= British Broadcasting Company
CHP	= Cumhuriyet Halk Partisi (Republican People's Party)
CMP	= Cumhuriyet Millet Partisi (People's Republican Party)
DP	= Demokrat Parti (Democrat Party)
DSP	= Demokratik Sol Parti (Democratic Left Party)
DYP	= Doğru Yol Partisi (True Path Party)
EU	= European Union
FP	= Fazilet Partisi (Virtue Party)
HMG	= His/Her Majesty's Government
HP	= Halk Partisi (People's Party)
İHD	= İnsan Hakları Derneği (Human Rights Association)
İP	= İşçi Partisi (Worker's Party)
JICA	= Joint Intelligence Collection Agency
JICAME	= Joint Intelligence Collection Agency, Middle East
L.T.	= Turkish Liras
£.T.	= Turkish Liras
Ltqs	= Turkish Liras
MGK	= Milli Güvenlik Kurulu (National Security Council)
MHP	= Milliyetçi Hareket Partisi (Nationalist Action Party or MHP)
NARA	= National Archives and Records Administration
ONI	= Office of Naval Information
OSS	= Office of Strategic Services
OWI	= Office of War Information
PICME	= Political Intelligence Center-Middle East
PKK	= Partiya Karkerên Kurdistan (Kurdistan Worker's Party)
PRO	= Public Record Office

RP	= Refah Partisi (Welfare Party)
RTÜK	= Radyo Televizyon Üst Kurulu (High Council of Radio and Television)
SP	= Saadet Partisi (Felicity Party)
T.C.	= Türkiye Cumhuriyeti (Republic of Turkey)
TBMM	= Türkiye Büyük Millet Meclisi (Parliament of Turkey)
TGNA	= Turkish Grand National Assembly
TRT	= Türkiye Radyo Televizyon Kurumu (Turkish Radio and Television)
TÜSİAD	= Türk Sanayicileri ve İşadamları Derneği (Turkish Industrialists' and Businessmen's Association)
U.K.	= United Kingdom
U.K.C.C.	= United Kingdom Commercial Corporation Ltd.
WJC	= World Jewish Congress
YMCA	= Young Men's Christian Association
YWCA	= Young Women's Christian Association

INTRODUCTION

On November 11, 1942 law number 4305, otherwise known as the Capital Tax Law (*Varlık Vergisi Kanunu*), was passed by Turkey's Grand National Assembly (*Türkiye Büyük Millet Meclisi*, or TBMM). For the two-decade-old Turkish Republic, which both saw, and proclaimed, itself abroad as a 'modern and secular' republic, this law and its implementation were irreconcilable with, and even in violation, of its founding principles. For Turkey's non-Muslim minorities, who were the principal targets of its arbitrary and discriminatory implementation, and who in many cases were impoverished by its extractions and sent off to work camps, this law remains an indelible tragedy in their minds; as such the term 'Capital Tax' immediately calls forth painful memories that have been passed down from generation to generation even unto our day.

Indeed, it was the blatant discrimination of the law's implementation that acted as one of the main impetuses for the emigration of roughly half of Turkey's Jews to Israel when the latter was founded five years after the Capital Tax affair.¹ The Capital Tax, which was the last in a series of anti-Jewish events that took place in the fledgling republic's so-called 'Single-Party Period' (*Tek Parti Dönemi*), (1923-1946), ultimately served to reinforce the opinion among many of the country's Jews—and other minorities—that they would never be treated as full citizens in Turkey. The fact that after the Second World War drew to a close and any pretext of security threat had passed the Turkish Republic made no effort whatsoever in the direction of either compensating the minorities, who had in many cases been materially and emotionally destroyed by the discriminatory actions of the war years, nor embracing them as equal citizens reinforced the view then prevalent among many of Turkey's Jews that they 'had no future in Turkey'. This, then, was the foundation stone of the mass outward migration to Israel. In addition to the existential insecurity it instilled in Turkey's minority population, the Capital Tax also convinced many non-Muslim businessmen of the insecurity

¹Regarding the emigration of Turkish Jewry to Israel, see: Rifat N. Bali, *Cumhuriyet Yıllarında Türkiye Yahudileri Aliya Bir Toplu Göçün Öyküsü 1946-1949* (Istanbul: İletişim Yayınları), 2002. The reader can also refer to the memoirs of Eli Şaul, *Balat'tan Bat Yam'a*, (Istanbul: İletişim Yayınları, 1999); Walter Weiker, *The Unseen Israelis: The Jews From Turkey in Israel*, (Maryland, London: University Press of America, 1989), a study of Turkish Jews living in Israel and the reasons for their emigration.

of any money or property held in Turkey, and discouraged any significant investment on their part for years to come.

During the electoral campaigns of the multi-party democratic period following the war, the issue of the Capital Tax and who was to blame for it would gradually come to occupy a significant part in the political rhetoric of the two main parties, the Republican People's Party (*Cumhuriyet Halk Partisi*, or CHP) and the Democrat Party (*Demokrat Parti*, or DP). For the latter's part, its members repeatedly brought up the fact that the law had been the work of the CHP and criticized them for it, particularly during the elections, while in response the CHP would remind their opponents (and the voters) that during the years of the Capital Tax Law (1942-43), the leaders of the DP had been parliamentary deputies for their party and therefore shared at least partial responsibility for the affair. During the years between the first, flawed parliamentary elections and the DP victory in 1950, great hopes were aroused by the DP's promise that, should they come to power in the coming elections they would draft and pass a law that foresaw the financial compensation of those who had been hurt by the Capital Tax. Yet the DP was indeed brought to power during the elections of 14 May, 1950, and for the following ten years of their rule they failed to make good on the promises made to their non-Muslim supporters, to the latter's immense disappointment. Like the CHP before them, the new Turkish government neither compensated nor even apologized to those affected by the Capital Tax and its illegal and unjust imposition. This failure by successive Turkish governments to make even the slightest gesture of recognition of the tax and its victims remain in the collective memories of the country's minority populations.

The arbitrary and discriminatory manner in which the Capital Tax Law was imposed against the minorities was a blatant violation of the 69th Article of the country's 1924 Constitution, which states that "In the eyes of the law, [all] Turks are obliged to observe the law equally and without exception". Furthermore, this affair represented the bankruptcy of the founding principles of the Turkish Republic, which aimed at establishing a sense of 'citizenship' in place of that of the 'reaya', or 'protected' minorities that had been valid under the Ottoman state. The most important aspect of this sordid affair, however, was in its effectively showing that one of the alleged central aspirations of the republic's founding fathers, that of wrenching both their state and society from its Ottoman past and constructing a new, modern and secular society in its place had yet to be realized. Although this founding generation, which had victoriously fought the Turkish War of Independence,

claimed to be willing to forget mutual suspicion and the bitterness that had characterized past relations between the minorities and the state, -particularly during the Armistice and War of Independence periods-, and to turn a new page in their approach to the country's non-Muslims, in a situation in which similar conditions of existential threat once again emerged the state and its elite once again fell into the almost reflexive pattern of retaliation and revenge for past misbehavior. The country's Constitution was thereby blithely disregarded as the Capital Tax was imposed and implemented in a manner that discriminated heavily against the country's non-Muslim minorities.

As for this book, it consists of two sections. The first contains five articles, some previously published, on the Capital Tax Law and the research and debate surrounding it; the second section contains various documents connected to the law and its implementation. The first article is titled "Existing Publications and Documents Concerning the Capital Tax Law". As its title implies, it provides an account of existing research publications on this subject as well as a discussion of the various potential sources for the affair which have yet to be used by researchers. The second article, "The Capital Tax Law and its Implementation" describes the Single Party Period's implementation of its Turkification policy vis-à-vis its non-Muslim population, a policy which reached its peak with the Capital Tax Law, and shows that the various motivations that brought the law into existence have their roots in the past. The third article "A Narrative of the Capital Tax Law, Based on Documents From The National Archives of the United States" is a narrative of the implementation of the Capital Tax Law based on the despatches of the American Embassy of Ankara and Consulate General of Istanbul to the State Department. The fourth article concerns "The Capital Tax Debates in the Multi-Party Period", which continues from 1946/50 until our day, and examines the issue of how politicians, the Turkish press and the minorities remember and portray the Capital Tax. Finally, the fifth article, "Social Memory and the Capital Tax" examines the debates surrounding the release of film adaptation of *Salkım Hanım'ın Taneleri*, a novel treating the Capital Tax and the people affected by it, and which, through this means, shows how the subject has retained its sensitive character even, now more than half a century later, and how the bitter memory of these events has remained an inexorable scar on the social psyche in Turkey.

The documents in the book's second section comprise four separate groups. The first is a selection of reports sent home by the American and British Ambassadors in Ankara on the dates during the period in which the

Capital Tax Law was implemented. The second group consists of reports sent by the leaders of the Turkish Jewish community to the American Jewish Committee (AJC). In these reports one can find a detailed documentation of the discriminatory manner in which the law was imposed. The aim of those reports was to get the AJC or the World Jewish Congress (WJC) to persuade the State Department to take the initiative and pressure the Turkish Foreign Ministry to halt the imposition of this law. In the end the State Department, which was fully aware of what was going on, deemed the matter to be an internal Turkish matter and did not intervene. This policy of non-interference continued after the war in regard to all of the various initiatives to return the monies and properties taken through the Capital Tax. Marcel Franco, who had served as head of the Lay Council in the Chief Rabbinate during the Single Party Period, departed Turkey in 1945 and settled in America, where he was appointed as head of the the AJC's Near Eastern Affairs Committee. Franco was the brother of the well-known legal scholar *Milash* Gad Franco, who had been sent to the Aşkale labor camp for being unable to pay the Capital Tax assessed to him, despite having sold his property (Bahtiyar Han) to pay it. During the years 1946-48, Marcel Franco was the central figure in efforts — including those by the AJC to the State Department — to persuade the government to return the funds and properties confiscated through this tax. Unfortunately, they bore no fruit. The State Department, fearing that if pressured Turkey might react by throwing in their lot with the Soviet Bloc, did not respond to AJC overtures and made no entreaties to its Turkish counterpart. The AJC, which tirelessly persisted in its efforts until the founding of the State of Israel in 1948 now, fearing that by stubbornly persisting in this matter it might damage relations between Turkey and the fledgling Jewish state, dropped the issue almost immediately in a move that favored *Realpolitik* over principle.¹

The third group of documents includes the translations of the actual Capital Tax Law itself, the Regulations Concerning the Manner of Implementing the 12th and 13th Articles of the Capital Tax Law, Including Statutes Regarding the Obligation of Labor [for Tax Delinquents], articles by *New York Times* reporter C. L. Sulzberger on the implementation of the Capital Tax Law, sections from the memoirs of *Vatan* Editor-in-Chief Ahmet Emin Yalman concerning the Capital Tax and various letters sent by Istanbul Jews to their relatives abroad, mainly in America, during the Capital Tax era.

¹For the various efforts to recoup the properties and monies lost through the Capital Tax, see Rifat N. Bali, *Aliya Bir Toplu Göçün Öyküsü 1946-1949*, (İstanbul, İletişim Yayınları, 2002), pp. 63-74; 359-360.

The fourth group is made up of a selection of caricatures and articles published in the popular Turkish satirical magazines, *Karikatür*, *Şaka* and *Akbaba*. They are very telling examples of the atmosphere that prevailed in Turkey before the passage of the Capital Tax Law by the Turkish Parliament. The authors of the articles, Orhan Seyfi Orhon and Yusuf Ziya Ortaç, were no ordinary figures. Orhan Seyfi Orhon (1890 – 23 August 1972) was a poet, writer and literature teacher, known for his nationalistic views. He became a member of the parliament in 1965 and was a columnist for the *Ulus*, *Zafer*, *Havadis*, *Son Havadis* newspapers. Yusuf Ziya Ortaç (1895–11 March 1967) was also a poet, writer and literature teacher who in 1923 began publishing what would become the leading humoristic magazine of the epoch, *Akbaba*.¹

The iconography used in these caricatures is representative for the formative years of the Turkish Republic, 1923-1945.² It represents the Jew with the same physical features as portrayed in anti-Semitic cartoons in Europe in those years.

As is usually the case with humor, these pieces provide an accurate reflection of the overall public mood during this period. They have been arranged in chronological order to allow the reader to more easily follow the developments as they took place.

For converting the amounts mentioned in Turkish Liras in the book to today's values, one has to bear in mind that the exchange rate valid in November 1942 was 1.3083 Turkish Liras for one dollar,³ and that 1.000.- US Dollar of 1942 was worth 12.930.- in December 2004.⁴

I would like to offer my warmest thanks for my friend and colleague Paul Bessemer for translating the articles in this book from Turkish to English, to Rachel A. Bortnick for translating a document from Spanish to

¹These biographical informations have been compiled from Şükran Kurdakul, *Şairler ve Yazarlar Sözlüğü*, İnkılâp Yayınevi, 6th edition, İstanbul, 1999.

²For a study on anti-Semitic Turkish cartoons please refer to the following studies; Laurent Mallet, "Dessins Satiriques et Représentations du 'Juif' dans l'Entre-deux-guerres en Turquie: D'un Préjugé à L'autre ?", pp. 247-266 in Bernard Heyberger, Sylvia Naef, (eds.), *La Multiplication des Images en Pays d'Islam: De l'Estampe à la Télévision (17e-21e siècle). Actes du colloque Image: fonctions et langages. L'incursion de l'image moderne dans l'Orient musulman et sa périphérie. İstanbul, Université du Bosphore (Boğaziçi University), 25-27 Mars 1999*. Orient Institute, Würzburg, 2003 Hatice Bayraktar, "Türkische Karikaturen über Juden (1933-1945)", pp. 85-108 in *Jahrbuch für Antisemitismusforschung* 13, Metropol Verlag, Berlin, 2004.

³T.C. Başbakanlık İstatistik Umum Müdürlüğü, *İstatistik Yıllığı Volume 15, 1942-1945*, Hüsnütabiat Basımevi, İstanbul, 1946, p. 334.

⁴Erol Haker's communication dated 19 June 2005.

English, to İzel Rozenal and Aptülrika who kindly gave me permission to use their caricatures, to Erol Haker who calculated the purchasing power of the US Dollar, to The Isis Press for publishing the book, and to the various libraries and archives too numerous to mention whose collections I have consulted and from which I have benefited greatly during the course of my research.

Rıfat N. Bali
September 2005

I – THE VARLIK VERGİSİ AND ITS LEGACY

A) EXISTING SOURCES AND PUBLICATIONS ON THE CAPITAL TAX LAW

The Absence of Official Documentation

Despite the deep impression left on the Turkish Republic, on its minorities and its financial history by the Capital Tax Law (adopted on 11 November, 1942), the number of publications that have taken up this subject, even more than six decades after the event, remains extremely small. There are two main reasons for this paucity of published sources. The first is that the primary sources, meaning the official documents containing the minutes of the secret meetings which took place within the Finance Ministry, the Public Works Ministry and, during the deliberations of the proposed law, within the cadres of the Republican People's Party (*Cumhuriyet Halk Partisi*, or CHP) are either non-existent or closed to researchers. One journalist, Faruk Bildirici, who investigated the fate of the minutes of these CHP meetings, was unable as a result of his research to find those minutes in any of the various places he looked, including the Turkish Prime Ministry's Republican Archives (*T.C. Başbakanlık Cumhuriyet Arşivleri*). According to Bildirici, these minutes were to be found in the CHP's own Archives, but were destroyed in the wake of the Military Coup of 12 September, 1980 when all of the country's political parties were abolished and it was feared that their archives would be confiscated. Nevertheless, Bildirici also allowed that some material may well be sitting in the personal archives of various relevant individuals, or in the storeroom of some or other antiquarian book dealer, just waiting to be discovered.¹ Years before Bildirici's attempt, the journalist Rıdvan Akar sought out documents relating to the Capital Tax as a part of his research in the Office of the Istanbul Province's Director of Finance (*Defterdarlık*) and various other relevant provincial administrative offices. He also arrived at the conclusion that due to the length of time since the events in question the documentation has ceased to exist.²

¹Faruk Bildirici, "Salkım Hanım'ın Gizli Zabıtları Kayıp", *Hürriyet Pazar*, 23 December, 2001.

²Rıdvan Akar, *Varlık Vergisi Tek Parti Rejiminde Azınlık Karşısı Politika Örneği* (Istanbul: Belge Yayınları), 1992, p. 9.

The primary reason for the continued inaccessibility of the official archives is that the sources upon which the existing scholarly literature on the subject rely consist largely of the press reports of the day, personal recollections of and interviews with those taxpayers who experienced the Capital Tax or with the bureaucrats and politicians who either formulated or implemented the law in question, and the reports sent back to their capitals by the various foreign consulates and embassies in Turkey. Likewise Ayhan Aktar, the author of *Varlık Vergisi ve 'Türkleştirme' Politikaları* (*The Capital Tax and the Politics of Turkification*) recounts in the foreword to his book (where he also explains his research methods), a meeting with the famous Middle East scholar Bernard Lewis. Upon complaining to the British-born professor that the Prime Ministry's Republican Archives were closed, Lewis suggested that he take a look at the American and British archives. Aktar explains that he took Lewis' advice and actually found rich and numerous sources. One can only share in Aktar's wish as expressed in the forward of his book:

I want to hope that one day the documents found at least in institutions like the President's Office and the Foreign and Finance Ministry Archives, and the minutes of the meetings of the CHP cadres, at which the real questions of the state were discussed during the Single Party Period, will be opened up for researchers to use. But until that day, it appears that the road that social scientists studying our recent history will have to tread passes through the foreign archive[-al collection]s.¹

Official Documents in Existence

As of the time of this writing (September, 2005) the Catalogue of the Prime Ministry's Republican Archives provides the following completed classification of documents pertaining to the Capital Tax Law:

Series No.	Date	No.	File No.	Reference (Fon) No.	Place No.
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1	13/11/1942		12433	30..10.0.0	135.970..8.
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A document produced by the Ministry of National Defense concerning the times and places at which the Capital Tax Regulations Commission (*Varlık Vergisi Talimatı Komisyonu*) was to convene.

¹Ayhan Aktar, *Varlık Vergisi ve 'Türkleştirme' Politikaları* (Istanbul: İletişim Yayınları), 2004, [7th printing], pp. 13-14.

Series No.	Date	No.	File No.	Reference (Fon) No.	Place No.
2	26/12/1942	4899	30..10.0.0.	54.353..13.	The formation of the commission to prepare a book of regulations with the purpose of determining the principles by which those not paying the Capital Tax assessed them are to be set to work within the country.
3	7/1/1943	2/19291	30..10.01	100.110.17.	The rules concerning the operation whereby persons paying the Capital Tax are to be held liable during the payment stage.
4	20/1/1943	2/19453	30..18.1.2	101.10..19.	The order stating that taxpayers over the age of 55 who fail to pay their tax debt in the time allotted are also to be obliged to perform forced labor.
5	23/1/1943	2/19351	30..18.01	100.113.17	A document concerning the wages to be received by Capital Tax delinquents for their forced labor
6	6/2/1943	14630	30..10.0.0	144.31..13.	A request by the owners of Kanaat and Cihan bookstores for the purchase of the books in their possession in order to be able to pay their Capital Tax debt
7	17/3/1943	85289	30..10.0.0	85.560..19.	The translation of a piece on the Capital Tax titled 'Annual Report', which originally appeared in the monthly journal published by the British Chamber of Commerce in Istanbul
8.	2/7/1943	87117	30..10.0.0	89.590..12.	A request by the Office of the Provincial Governor of Erzurum for 70 tents to shelter the Capital Tax delinquents to be put to work outside the city
9	22/7/1943	2/20384	30..18.01	102.57.10	A document stating that permission has been given for the sale of the immovable properties of Syrian and Lebanese citizens in Turkey for the purpose of paying their Capital Tax debts

Series No.	Date	No.	File No.	Reference (Fon)	No. Place No.
10	9/8/1943		2/20406	30..18.01	102.58.12.
					A list of the wages to be paid in exchange for the forced labor of Capital Tax delinquents.
11	10/11/1943		12460	30..10.0.0	35.971..23.
					A memo stating that an investigation of the Capital Tax status of Bünyamin Nahum in İzmir has made clear that there has been no illegality in his behavior in regard to the tax's implementation.
12	6/12/1943		12461	30..10.0.0	135.971..24
					Permission given for those forced to labor to pay off their Capital Tax debts to work within family or business circles in order to pay off their outstanding debts.
13	24/1/1944		8668	30..10.0.0	86.569.8
					A report regarding the anti-Capital Tax article published in the Istanbul Greek newspaper <i>Metapolitefisis</i> .
14	6/5/1944		3/523	30..18.1.2	104.16.8
					A draft bill regarding the Capital Tax Law

At present, the only publication written on the basis of these sources is an article by Cemil Koçak.¹ Apart from these known sources, the archives of both private and public banks are as yet unexplored and appraised sources. To give but one example, in the archives of the operations division of the Ottoman Bank, which are listed in the catalogue of their Archival and Research Center, there appear 138 items listed as 'Capital Tax checks' for the years 1942-1944. Another source awaiting perusal and evaluation are the archives of Turkish Grand National Assembly. The petitions submitted to the TBMM's Petition Commission after the Capital Tax Law was passed are another subject yet to be investigated. Other two very interesting sources would be the archives of the National Intelligence Agency (*Millî İstihbarat Teşkilatı* or MİT) and the General Directorate of Security (*Emniyet Genel Müdürlüğü*). Among the foreign sources awaiting exploration are the archives of the foreign ministries of the various countries whose citizens residing in Turkey were subjected to the Capital Tax in the 'E'[-cnebi, or 'Foreigner']

¹Doç. Dr. Cemil Koçak, "Varlık Vergisi'ne Tepkiler", *Toplumsal Tarih*, No. 122 (February, 2004), pp. 22-25.

category. These files may give us a better understanding of the quantity and nature of complaints made by foreign emissaries on behalf of their citizens.

The Memoirs of the Istanbul Director of Finance, Faik Ökte

By far, the first published and still most important source for the Capital Tax Law and its imposition are the memoirs of Faik Ökte, who served as the Director of Finance for the Province of Istanbul during the years of the law's implementation. Ökte completed the writing of his recollections of the period in 1948, but it was not until 1951, after Turkey's first democratic regime change, that they were published. As one of the principal actors in the law's implementation, his memoirs retain their importance as a primary source for those studying the period. Indeed, the source was considered central enough to the period as to be translated into English in 1987.¹ According to Prof. Stanford J. Shaw the translation was done by Armenians:

In their efforts to get the support of American and British Jews for the Armenian nationalist cause, Armenians in London recently published an English translation of the book, trying to put the worst possible light on Turkish-Jewish relations as well as to show that Turks have always persecuted Jews as well as Armenians.²

As for the work itself, Professor Ayhan Aktar gives the following assessment:

[T]his book, which was written with openness so rarely encountered among the state bureaucrats of the Republican Period and with a highly critical tone, tells the story of the Capital Tax which was imposed in the years 1942-1943. Finance Director Faik Ökte, who headed Finance Ministry institution which carried out the toughest Capital Tax impositions in Istanbul, discusses his subject in the most detailed fashion and as an individual with a conscience, without giving in to indifference or rationalization for the events. Faik Ökte's book has been written with the intention of atoning for this type of sin, [an action] of which one encounters very few examples in Turkey.³

When Ökte published his memoirs, he was unanimously accused by the Istanbul press of treachery against the homeland, to which the author responded that it was necessary to reveal the truth about events so that it

¹Faik Ökte, *The Tragedy of the Capital Tax Levy*, translated by Geoffrey Cox, (London: Croom Helm) 1987.

² Stanford J. Shaw's letter to Eli Aciman, dated 31 August 1989. Manajans Thompson A.Ş. Archives, The Quincentennial Foundation papers.

³Ayhan Aktar, *op. cit.*, p. 9.

would be possible to draw lessons from the past and avoid the repetition of such mistakes in the future.¹ The debate in the press over Ökte and his work passed quickly, after which the subject of the Capital Tax went almost entirely unmentioned either in the press or at the universities. Despite Bernard Lewis' having devoted a small section of his 1961 work *The Emergence of Modern Turkey* to the issue of the Capital Tax and the work's eventual translation into Turkish, the issue consistently failed to attract the attention of Turkish historians and researchers for more than two decades.²

The Situation During the 1980s: Suppression and Reemergence

This situation would gradually begin to change during the second half of the 1980s. Three years of martial law followed the military coup of 12 September, 1980, which saw the closure of various non governmental organizations and the arrest of hundreds of writers, journalists and university faculty of various ideological stripes produced a climate which did not allow for detached and objective research in any branches of historical and social research, including the study of Turkey's 'minorities' or government policies towards them. When the period of martial law came to an end, the Turkish intellectual intelligentsia experienced something of a rebirth. It was natural perhaps that with this rebirth the intelligentsia, who had felt the oppression of the military rule as much as any, would begin to reexamine the country's past history with an extremely critical eye. For these reasons and others, the second half of the 1980s witnessed the appearance of a number of academic works that adopted an increasingly critical approach to the Single-Party Period (1923-1945). In 1984 a translation appeared in Turkey of an English-language article which examined the Capital Tax appeared in the prestigious journal *Middle Eastern Studies*. The article, by Edward C. Clark,³ was based on his doctoral thesis examining textile manufacturing in Turkey.⁴ But the first original work in Turkish to deal with the subject was Cemil Koçak's published doctoral thesis (1982-83), which appeared in 1986 as *The 'National Chief' Period in Turkey (1938-1945)*.⁵ Koçak's book, which remains the 'classic' work on the

¹On this subject, see the article in this book, "The Capital Tax Debate during the Multi-Party Period".

²Bernard Lewis, *The Emergence of Modern Turkey* (London: Oxford University Press), 1961. In the 2nd, corrected (1965) edition, the relevant pages are 297-302.

³Edward C. Clark, "The Turkish Varlık Vergisi Reconsidered", *Middle Eastern Studies*, vol. VIII, no. 2 (May, 1972), pp. 205-216.

⁴Edward C. Clark, *The Emergence of Textile Manufacturing Entrepreneurs in Turkey, 1804-1968*, [PhD dissertation, Princeton University, 1969]

⁵Cemil Koçak, *Türkiye'de Millî Şef Dönemi (1938-1945)* (İstanbul: Yurt Yayınları) 1986.

subject in Turkish, examines, among other things, the period of the Capital Tax Law and its implementation. Following soon thereafter was the B.A. thesis written by Rıdvan Akar at Istanbul University under the direction of Dr. Nihat Falay. The thesis, simply titled 'The Capital Tax', was the first monograph to be published on this subject in 1992.¹

The Situation During the 1990s

In the late 1980s the leaders of Turkey's Jewish community began to organize themselves in preparation for the 500th anniversary of the Expulsion of Spanish Jewry and the subsequent acceptance of many of them within the Ottoman realm. For the purpose of commemorating this event, the Quincentennial Foundation was established in 1989. In the three years between its foundation and the events themselves the subject of the Jews of Turkey would become a frequent topic of interest in both the foreign and domestic press and at various academic conferences and lay gatherings. During the major public relations campaign which accompanied these observances, and which reached their crescendo in 1992, the thesis was frequently repeated that 'Turkey's Jews had lived in peace and toleration both during the Ottoman and Turkish eras'. Interestingly, this notion eventually gave rise to its anti-thesis, which was expressed in a number of academic works examining both the Capital Tax (such as those of Ayhan Aktar and Rıdvan Akar) and the history of Turkish Jewry. But while it might well have been expected that these pioneering works would be received by the public with interest and enthusiasm (especially those of the latter author),² the reception turned out to be anything but warm, with both scholars and journalists criticizing the authors for dredging up these issues and placing them on the public agenda. The main reason for this hostility was that the critical view of events presented by these authors ran directly counter to both the philosophy and strategy of the aforementioned public relations campaign, and to the long-term objectives of those circles devoted to refurbishing Turkey's image abroad. Rıdvan Akar at one point gave his own assessment of the thought processes behind the negative reaction to his work:

In 1986 I wrote several pieces in the journal *İlk Adım* (a socialist journal) questioning the official version [of Turkish history]. During this process I became familiar with the Capital Tax. I submitted a proposal to [my advisor] Nihat Falay, because my aim was to study history, even if that

¹Rıdvan Akar, *Varlık Vergisi* (Istanbul: Istanbul Üniversitesi Sosyal Bilimler Enstitüsü), 1987.

²Rıdvan Akar, *op. cit.*

meant doing a project dealing with a boring subject like finance. My teacher suggested that I should conceive this thesis I was doing, as a book and that set me to the task. A summary of [my] thesis was published in the journal *Ekonomik Panorama*. At one point I held conversations with İshak Alaton, Ferit Melen and Parseh Gevrekyan. For this work I received the ‘Journalistic Research of the Year’ Prize. During the interviews I conducted in this period with the leaders of the Jewish community such as Jak Kamhi -interviews which were undertaken within the framework of my reporting news from the Turkish business world- I remember that I was received with a striking lack of enthusiasm, and with expressions such as ‘What need is there to bring these historical events back to life?’ From the [Jewish] community’s point of view, the publication of [my] book in 1992 was a great misfortune. During this period the only person who expressed any interest in the Capital Tax was Yılmaz Karakoyunlu. Ayhan Aktar was still working [on his book on the subject]. Yılmaz Karakoyunlu and I were on a panel at the Atatürk Library [in Beyoğlu, İstanbul] moderated by Soli Özel. [During this gathering] I engaged in an intense polemic with Karakoyunlu who was of the opinion that those who implemented the Capital Tax were acting with ‘nationalist’, ‘well-intentioned’ and other similar ‘positive’ approaches. Since then I’ve never been invited back to the debates [on this subject] that Karakoyunlu has held. Instead, I’ve gone and spoken [about the subject] on my own initiative.¹

Yet, despite these discouraging events, the 1990s did witness an increased interest in the subject in the press. This came about as a result of several factors. In fact, it partially emerged as a side effect of the revival of the Kurdish question, which had been a subject largely taboo in Turkey for several decades at least, in the form of a reinvigorated Kurdish nationalist and separatist movement. Another factor was the ‘discovery’ by the country’s intellectual elite—and above all, leftist and liberal circles—of other ethnic and religious minorities in the country other than just the Kurds. This was reflected in the interest that ‘minority’ subjects — a field of research that had heretofore gone largely untouched in Turkey—now attracted among writers, journalists, researchers, graduate students as well as historians and other social scientists, as the country’s intelligentsia and cultural elites began, for the first time, to adopt a critical approach to Turkey’s Single Party Period (1923-1946). Former Workers’ Party (*İşçi Partisi*) member and a financial expert A. Başer Kafaoğlu has interpreted this development from a ‘nationalist’ standpoint:

As it entered the third millennium, the country has come face to face with a situation in which it has met with a variety of unjust attacks. The greatest criticism and ill-speaking [about Turkey] has been [about] the oppression and discrimination [carried out] against those who were not Turks or Muslims. Nor do they limit themselves to claims that extreme discrimination and illegal oppressions have been undertaken by the

¹E-mail communication to the author, 19 August, 2004.

Turkish State against the Kurds and against regions in which they are in the majority; now the Armenian Deportations [of 1915], which were carried out 85 years ago, have been brought back on the agenda. While certain parliamentarians of [various] nationality and location have taken decisions that the Turkish State must admit to [having committed] the Armenian Deportations, a writer with great influence on politics has now recounted in a book (*Salkım Hanım'ın Taneleri*), whose literary quality is beyond doubt, that injustices were performed against the non-Muslims during the Capital Tax [Law], which was passed and carried out 60 years ago.¹

Those who showed the most interest in the topic were writers from the left end of the political spectrum and members of the Human Rights Association (*İnsan Hakları Derneği*, or İHD), which had been founded by a group of human rights activists in 1986. The İHD's Commission for the Monitoring of Minority Rights (*Azınlık Hakları İzleme Komisyonu*, or AHİK) (established at the Association's Istanbul branch in 1994) held a number of seminars and gatherings at which the issue of the Capital Tax was discussed. Even though these assemblies were limited in attendance and scope, they would nevertheless serve to broaden the public's knowledge of these events of the past. Other contributing factors in disseminating knowledge of the Capital Tax among the public—or, at least, in leftist circles—were the book by Rıdvan Akar, the articles published by AHİK member Yelda in the leftist journal *Söz* (which were later published in book form),² and various articles by other İHD's commission members.³ Such modest efforts would also have the effect of creating a greater sensitivity and empathy in leftist circles on the subject of Turkey's minorities. This can be seen, for example in the various articles appearing in the special issue of the journal *Birikim*, devoted to the subject of 'The Minorities' (March-April, 1995).

The Film *Salkım Hanım'ın Taneleri* and its Effect

If there was one thing that can be identified as having brought the subject of the Capital Tax to the attention not only of the minorities and the business world but of 'the man in the street', it was the debates that followed the film and television debuts of the film *Salkım Hanım'ın Taneleri*, in 1999 and 2001, respectively. The film, which is based on the novel of the same name by the politician/author Yılmaz Karakoyunlu and which concerns itself

¹A. Başer Kafaoğlu, *Varlık Vergisi Gerçeği* (Istanbul: Kaynak Yayınları), 2002, p. 15.

²See, for instance Yelda, *İstanbul'da Diyarbakır'da Azalırken*, (Istanbul: Belge Yayınları), 1996, pp. 22-24.

³For instance, Ayşe Günaysu's "T.C. Tarihinde İrkçi Bir Yaprak Vergisi", *Ekgündem* (supplement in *Özgür Gündem*), 10 October, 1998. This piece is based on a paper Günaysu presented to a Minority Rights Seminar held at the İHD's Central Headquarters.

with the events accompanying the passage of the Capital Tax Law, created a stir when the team making the film decided to transform the book's Jewish protagonists into Armenians.¹ Yet, despite the fact that the debates themselves quickly turned polemical and were colored by the ideological alignments of the participants, the film itself was still beneficial in at least two ways. The first of these was in exposing the average Turk, who previously had no knowledge of the issue, to the reality of the Capital Tax. The second was that, in the wake of the film's premiere and the relatively unrestrained debates that followed, many members of the affected minority communities gained the courage to come forward with their remembrances of this previously taboo subject, and with their critiques of the law and its implementation. When Rıdvan Akar was researching his thesis in 1986-87 he established contact with members of the Turkish Armenian press but found them unwilling to impart their views on the period²; by 1999, this wall of silence could no longer be discerned, at least in regard to the Armenian community. This change is due in large part to the relative expansion of the permissible in Turkish public discourse, and in this the influential role of this film is undeniable.

One of those groups that during the debates spurred by the film argued as to the justice of the manner in which the Capital Tax Law was implemented was the Workers' Party (*İşçi Partisi*, İP). İP argued for the general justice of excluding Turkey's minorities of the Single Party Period and of viewing them as minorities instead of as Turkish citizens. A. Başer Kafaoğlu, a finance expert, who wrote a series of articles for the party press organ *Aydınlık* in the 1990s (which were later published as a book), tended to view the Capital Tax from a position that was decidedly nationalist—even chauvinist. For instance:

Ever since 1999, the [number of] books concerned with the incident [of the Capital Tax] has increased. Essentially, a great part in this [phenomenon] has been due to the efforts of those who wish to denounce Turkey abroad.³

Although Kafaoğlu's perception of the increasing number of publications on the subject is accurate, his explanation for this phenomenon is unconvincing, as the Capital Tax Law, the anti-Greek riots of 6-7 September, 1955, as well as other anti-minority actions in recent Turkish history have long been known by foreign and Turkish researchers dealing with the subject, as well as by human rights advocates, and some foreign-language publications on these issues have long existed.

¹ See the article in this collection "Social Memory and the Capital Tax".

² E-mail communication to the author 19 August, 2004.

³ A. Başer Kafaoğlu, *op. cit.*, p. 66.

Existing Scholarly Publications on the Capital Tax Law

Even though—or perhaps because—more than 60 years had passed since the events in question, beginning in the mid-1980s and continuing to our day the subject of the Capital Tax has become a topic of interest to a number of scholars and researchers, yet, until recently, the subject had not been exhaustively studied. Rıdvan Akar's *Varlık Vergisi: Tek Parti Rejiminde Azınlık Karşısı Politika Örneği* ("The Capital Tax: An Example of Anti-Minority Policy During the Single Party Period"), which was the first book devoted solely to the Capital Tax Law and reflected the mood of the period in a sparse, clear language, was published in 1992 and reprinted in an enlarged version in 1999, the same year in which the film adaptation of *Salkım Hanım'ın Taneleri* appeared at the theaters. One of the book's shortcomings is the fact that it made little or no use of foreign-language sources. This becomes understandable when we take into consideration the fact that his book was largely based upon his B.A. thesis and, the extraordinarily poor state of Turkey's research funds, which until recently were unable of providing any individuals or institutions with material support for such research. Despite these shortcomings, the book also had many positive aspects, one of which was the interviews with the Armenian merchant Parseh Gevrekyan, who had been sent to the labors camps for tax delinquents in Erzurum and Sivrihisar, and with Ferit Melen, who had served as Finance Ministry Inspector and Director-General of Indirect Taxes.

Another work on the Capital Tax, one which did use foreign (British and American) archives as well as interviews with former officials who served during the time of the tax's imposition, was Ayhan Aktar's *Varlık Vergisi ve 'Türkleştirme' Politikaları* ("The Capital Tax and the Politics of 'Turkification'"). The book was, in essence, a collection of published articles examining three separate events: the Turkish-Greek population exchange, which was signed at Lausanne on 30 January, 1923 under the heading "Convention concerning the Exchange of Greek and Turkish Populations", the attempts to loot and expel the Jewish populations of Eastern Thrace in 1934, and the implementation of the Capital Tax in 1942-43. The article "Turkification Policies Carried Out During the First Years of the Republic" (*Cumhuriyet'in ilk Yıllarında Uygulanan 'Türkleştirme' Politikaları*) is an attempt to provide an intellectual framework in which to evaluate these events. The factor that makes Aktar's article on the Capital Tax so valuable is the concrete data he provides, regarding the volume of capital transfer that took place during the implementation of the Capital Tax Law, on the basis of

research he conducted in the archives of the Directorates of Land and Population Registry (*Tapu Sicil Müdürlükleri*) of greater Istanbul in which there had been a non-Muslim majority (e.g., Beyoğlu-Şişli, Eminönü, Kadıköy, and the Princes' Islands).

The conclusion reached by both Rıdvan Akar and Ayhan Aktar is that the implementation of this law, which was carried out with the intent of forcefully 'Turkifying' the country's commercial and industrial sectors in favor of the Muslim-Turkish majority, represented the 'high tide' of the Turkification policies that the regime had implemented during the early years of the Republic, and a 'breaking point' for the country's non-Muslim citizens.¹ This conclusion has been disputed by the aforementioned A. Başer Kafaoğlu, whose book *Varlık Vergisi Gerçeği* ('The Truth About the Capital Tax') is a compilation of articles written in reaction to the debate surrounding the cinematic premiere of *Salkım Hanım'ın Taneleri*. In the preface to the book, Kafaoğlu clearly states this as his intent :

I can't stand [the fact] that, having taken Yılmaz Karakoyunlu's book *Salkım Hanım'ın Taneleri* as its basis, efforts have been made to explain to the tens of thousands of persons viewing the film of the same name, which was filmed with recourse to public funds, that our government carried out Hitleresque cruelties against the minorities during the [implementation of the] Capital Tax. [In writing these pieces] I intended to make clear what 'Hamide', 'Şehriban', 'Hikmet', 'Şaziye', 'Elbis', 'Yeter' [and the other] elder sisters suffered [during this period].²

In this work, which reflects the nationalist 'reaction' felt by the author, Kafaoğlu examines the general economic climate of the period, and, while he doesn't cite his sources, it's clear that much of his information derives from Akar and Aktar's books, all the while accusing these two authors in the most polemic of tones. He writes:

Those who remain silent before the oppression suffered by the villager while writing books of hundreds of pages on the Capital Tax, go on for no reason about the labor camps at Aşkale. This is the literature of a non-existent oppression.³

In his investigation of the events, Kafaoğlu expresses no objection whatsoever to the discriminatory and arbitrary manner in which the Capital Tax was imposed. In his book, which is full of citations of news articles and

¹Rıdvan Akar, *Varlık Vergisi...*, *op. cit.*, p. 96; Ayhan Aktar, *Varlık Vergisi...*, *op. cit.*, p. 215.

²A. Başer Kafaoğlu, *op. cit.*, p. 16.

³*Ibid.*, p. 82.

pieces by journalists with views similar to his own, he reminds the reader that in those days non-Muslims were dominant in Turkey in the fields of commerce and industry, and that those who lost their possessions as a result of the Capital Tax were able to grow wealthy again after 1946. He also argues that it wasn't just the non-Muslims, but also the poor villagers who suffered great hardships during the war years, and thus concludes that those who write 'oppression literature' for the minorities are doing so in bad faith.

Kafaoglu himself is a typical example of Turkey's 'nationalist left' camp. Those sharing this view understand the term 'national bourgeoisie' to mean 'Muslim bourgeoisie', and thus find it perfectly fair and reasonable that non-Muslims should be subjected to the type of discriminatory measures witnessed under the Capital Tax.

In the 1990s the Capital Tax Law began to draw the attention of the graduate students, and a number of theses were prepared on various aspects of the subject. Among these were Muhammed Güçlü's noteworthy B.A. thesis on the manner in which the law was imposed in the provinces of Ankara, İzmir and Adana, while Şakir Alpsoy did a similar study in regard to the province of İçel.¹ Regarding those non-Muslims who were unable to pay the Capital Tax assessed them and who were subsequently sent off to Aşkale to physically work off their outstanding debt, no complete list regarding the confessional or ethnic breakdown of the deportees has yet been published. Tomris Giritlioğlu, the director of the film *Salkım Hanım'ın Taneleri*, claimed at one point during the debates surrounding the film's premiere that she had secured the four main deportation lists for Aşkale while doing research for the film's script, but she has yet to publish them.²

Since it has now been over sixty years since the events in question, anyone who was at least 30 years old at the time would now be over 90 years old, and such persons are few in number. It should thus be pointed out that, from the viewpoint of oral history at least, a great opportunity has been or is now in the process of being lost. It is hoped that those surviving persons who lived during this period and were subjected to the law's terms would be interviewed as soon as possible, and the fragments of their recollections gathered up. We should note here two worthy efforts in the field of collecting oral histories. One is the "One Thousand Live Witnesses to the History"

¹See Bibliography at the end of this article.

²İpek Çalışlar, "Salkım Hanım'la Yüzleşme...", *Cumhuriyet Dergi*, no. 718 (26 December, 1999), pp. 8-9.

("Tarihe 1000 Canlı Tanık") project of Turkish Economic and Social History Foundation. The other is the oral history project that the Ottoman-Turkish Sephardic Culture Center of Istanbul has undertaken among the Jews of Istanbul on behalf of Central Europe Center for Research and Documentation (Centropa) of Vienna. The emergence of this subject from the realm of the 'taboo' in recent decades has at least made such a process easier. Additionally, one can only hope that various documents ferreted away in personal archives will eventually be brought to light, such as was the case with the letters which Nurten Yalçın presented in her series of articles that she would edit and publish in book form. It is even more necessary that the recollections of persons living through the era—and especially those concerning the Capital Tax, be exhaustively recorded, examined and published. While all of these resources are naturally valid for secondary sources as well, by far the most important wish is that the classification of the documents found in the Archives of the Prime Ministry of the Turkish Republic (*Türkiye Cumhuriyeti Başbakanlık Cumhuriyet Arşivleri*) be completed as soon as possible and the material be opened up to researchers.

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B) THE CAPITAL TAX LAW AND ITS IMPLEMENTATION

The Capital Tax (Law No. 4305), which was adopted by the Turkish Grand National Assembly (*Türkiye Büyük Millet Meclisi*, or TBMM) on 11 November, 1942 was both a sort of ‘high-point’ in the Turkish Republic’s so-called Single-Party Period (*Tek Parti Dönemi*) as well as the beginning of its end. In the opinion of some of those few researchers who have studied state-minority relations in Turkey, this law, which despite more than 60 years since its revocation has left deep scars of anger and sorrow in the memories of the country’s minorities, must be viewed as but one stage of the regime’s long-standing ‘Turkification’ policy in regard to its ethnic and religious minorities. Others¹, who have opposed this view and have instead found both the law and its implementation justified, have claimed that even though during the Single-Party Period the unacceptable situation reigned wherein Turkey’s non-Muslim minorities [i.e., the Jews, Armenians and Greeks] dominated the country’s economy the manner in which the law was implemented simply constituted a stage in the policy of “Turkifying the economy”. In the collective memories of Turkey’s non-Muslim minorities however, the words ‘Capital Tax Law’ call up memories of the country’s two main political leaders during that period: Prime Minister Şükrü Saracoğlu and President İsmet İnönü, the two persons whose names are most intimately linked with the law. Furthermore, because the belief has become established in the minds of the minorities that had Atatürk still been alive at the time the law would have never been implemented, a number of negative folk sayings have grown up around the persons of İnönü and Saracoğlu, such as ‘Along came İsmet — and that sealed our *kismet*’ (*‘geldi İsmet, gitti kismet*’)² and referring to the former prime minister as ‘Haracoğlu’ (alluding to the *harac*, or ‘protection tax’ paid by non-Muslims during the Ottoman period).³

¹ See, for instance, A. Başer Kafaoğlu, *Varlık Vergisi Gerçeği* (Istanbul: Kaynak Yayınları) 2002.

² Several writers have stated that this expression has been used to condemn the entire İnönü period. See: Ege Cansen, “Sadrazam kellesi isteme geleneği...”, *Hürriyet*, 5 October, 2001 / Güngör Uras, “Kelle isteriz”, *Milliyet*, 6 July, 2002 / Mustafa Ünal, “Abdest suyuna CHP eli değince...”, *Zaman*, 25 April, 2004. Within the Jewish community, at least, this image of a ‘good’ Atatürk and ‘bad’ İnönü—however incorrect—had been present at least since the anti-Jewish actions in Eastern Thrace in 1934. See: Avner Levi, *Türkiye Cumhuriyetinde Yahudiler* (Istanbul: İletişim) 1998 [2nd printing], pp. 119-120.

³ Rifat N. Bali, *op. cit.*, p. 482.

What was the Capital Tax Law?

The Capital Tax Law is one of the most important laws in Turkish financial history, having produced enormous trauma in those subjected to it through its discriminatory and often arbitrary imposition. The intent of the law, which was similar to legislation encountered in other countries during the war, was to tax the excessive profits earned by those taking advantage of the difficult wartime conditions through black market dealings, price speculating and hoarding. But while such laws may have derived from legitimate concerns, in the case of Turkey the tax was imposed in such a manner that foreigners, non-Muslim citizens and those of 'Dönme'¹ descent were assessed at far greater rates of payment than Muslims of equal wealth. As such, it remains one of the most grievous and shameful pages of the Republic's history. Through imposition of this tax, which was assessed in an entirely arbitrary and discriminatory fashion and on the basis of no objective criterion whatsoever, the authorities hoped to 'unseat' non-Muslim and Dönme merchants and industrialists from their prominent positions in the Turkish economy and to replace them with Muslim Turkish ones. As stipulated by the law, those unable to pay the tax obligation assessed to them were obliged to pay off the outstanding debt by performing hard labor at work camps, which were set up in the harsh climatic conditions of Eastern Anatolia. It is notable that not a single Muslim Turk can be found among those who were sent off to the camps.

Although not expressed openly as such, this inequitable implementation largely achieved its goal of creating a 'national bourgeoisie', which in the minds of the regime's leaders meant a Muslim Turkish bourgeoisie. As they saw it, a central component of this policy entailed a serious paring down of the influence and power of the country's non-Muslim bourgeoisie in the fields of commerce and industry, and filling this vacuum with Turkish Muslim businessmen.

¹The term 'Dönme', which in Turkish can mean either the gerund 'revolving', '[re-]turning' or 'convert', 'turncoat' has been used in Turkish history to refer to the followers of the mid-17th century Jewish messianic pretender Sabbatai Sevi, who converted to Islam before the Ottoman Sultan Mehmet IV (and under threat of death) in 1666. While most of his believers returned chastened to the Jewish fold, several hundred families followed him into conversion, eventually settling (primarily) in Salonica where they lived outwardly as Muslims while continuing to observe their heretical Jewish practices in private. In addition to 'Dönme', the adherents of this sect were also referred to as 'Salonicians' (*Selânikli*) due to their preponderance among that city's Muslim population. For the purpose of the 1924 population exchange between Greece and Turkey (signed 30 October, 1923), the Dönmes were considered Muslims and thus forced to resettle in Turkey.

But the tax was also intended as a way to acquire desperately needed capital for the ailing Turkish wartime economy. Yet, for all the social and economic chaos it produced, it failed to produce the amounts foreseen by its creators. The following excerpt from the memoirs of the late Ambassador Zeki Kunalalp confirms and summarizes this situation:

Only one stain marred this excellent policy. In the October of 1942 — by which time Saracoğlu had become Prime Minister and Menemenciöglü Foreign Minister — an extraordinary tax had been devised. Its purpose was in itself reasonable. As happens always and everywhere, the shortage which the state of war had brought to the market had given certain businessmen the opportunity to make large profits. The purpose of the Wealth Tax was to transfer these excessive gains to the Treasury. No one could object to this. Because of the war situation, the State's expenditure had increased. The continued mobilization was a heavy burden. In these circumstances it was natural to seek additional source of revenue. There was no state that did not do this, but with us the right idea was put into practice in the wrong way.

In that period, most of the citizens engaged in commerce were members of the minorities, and there were some foreigners too. Liability to the Wealth Tax hit these people particularly hard. Thus far everything was normal; from here on mistakes were made. Authority to assess the amounts of tax was given to special boards. These boards behaved arbitrarily, setting the tax for members of the minorities and for foreigners disproportionately high. Foreign powers intervened to save their own nationals. The others paid their taxes; those who could not pay were exiled to remote areas. The injustice became even more obvious. Just at that time I happened to be in Geneva as a courier and saw in the *Journal de Genève*, in large type, "Le Gouvernement turc fait du brigandage". Our reputation had been needlessly damaged.¹

What's more, by its heavy-handed and unjust implementation of this law the state fatally damaged its own credibility as a 'secular nation-state' attempting to assimilate and transform its non-Muslim 'subjects' into 'equal citizens' of the Turkish Republic. All told, the Capital Tax remained in effect for sixteen months before being abolished with the TBMM's passage of "The Law on the Abrogation of the Capital Tax Law" (*Varlık Vergisi Bakayasının Terkine Dair Kanun*) on 15 March, 1944.

¹Zeki Kunalalp, *Just a Diplomat*, translated by Geoffrey Lewis, (Istanbul, The Isis Press), 1992, pp. 118-119.

Understanding the Logic of the Capital Tax Law and its Implementation

In order to understand the reasons for the tax's arbitrary and uneven imposition and the attempt to destroy the power of non-Muslim and Dönme influence in commerce and industry, we must return for a moment to the last years of the Ottoman Empire, its collapse, and its 'resurrection' in the form of the Republic of Turkey.

Istanbul at the Turn of the Century¹

Istanbul's current ethnic and religious demographics are vastly different than those of the late 19th century. At that time, out of a city of roughly one million inhabitants the Muslim population was approximately 480,000, or 49.4 percent of the total, while the remainder were non-Muslim. What's more, while Muslims constituted more than 95 percent of the government officials, they were only 15 percent of the merchant wholesalers. If we combine the categories of wholesalers and retailers this figure rises somewhat to 24 percent, meaning that three quarters of the city's commerce was in the hands of non-Muslims. In the bustling commercial center of İzmir (Smyrna) and in other cities in Anatolia the picture is much the same. A glance at the ethno-religious backgrounds of those persons receiving Ottoman mining concessions in the period between 1870-1911 will show that only 38 percent of the concessionaires were Muslims, the remainder foreign and Ottoman non-Muslims. The Ottoman industrial statistics for the year 1915 show that only 15 percent of the capital and labor were Muslim, the rest belonged either to Ottoman minorities (the overwhelming majority) or to foreign non-Muslims. Import and export activities were almost entirely in the hands of non-Muslims, both foreign and Ottoman. At the outset of the twentieth century, as the Ottoman Empire was moving rapidly toward collapse, the situation of the Muslim majority, which was largely engaged in agriculture and administration, declined precipitously. With the collapse of the empire and the occupation of Istanbul by the Entente forces, the non-Muslims—with some exceptions—demonstrated themselves to be in favor of the occupation and in many cases openly collaborated with the Entente forces. During the Turkish War of Independence this stance continued to be seen, as the non-Muslim

¹The arguments found in this and the following sub-sections are taken from pages 196-220 of: Rifat N. Bali, *Cumhuriyet Yıllarında Türkiye Yahudileri Bir Türkleştirme Serüveni (1923-1945)* (Istanbul: İletişim Yayınları) 1999.

minorities continued their economic activities in occupied Istanbul and İzmir. This behavior has become permanently embedded in the collective memory of the Muslim majority, where it is recalled with great bitterness and resentment.

Istanbul after the War of Independence

As the Turkish War of Independence came to an end and the young soldiers of the victorious Nationalist Forces were gradually decommissioned, those that returned to Istanbul were met with a grim sight indeed. After having repelled the invading Greek force and lifted the occupation of Istanbul, they soon discovered that the mercantile agents, the import and export business and the overwhelming majority of the market in the capital were all in the hands of non-Muslims. These captains of trade and industry all employed local and foreign non-Muslims in their institutions, due to their knowledge of foreign languages and trade. This situation was equally in force in foreign banks and insurance firms. For the young Muslims returning from the war, who neither possessed language skills nor commercial experience, it was nearly impossible to find work or establish businesses themselves. For their part, the empire's non-Muslims, who had not been trusted to bear arms for the Nationalist forces were, in the eyes of the Turkish Muslims, people who had not helped the war effort, remaining instead in Istanbul or İzmir, where they continued throughout the struggle to engage in and profit from their commercial activities. In such a situation, it was almost inevitable that when the newly-founded Turkish Republic would begin the task of reconstruction, those who had not shed blood for their homeland would not be seen as deserving a voice in the country's affairs, being instead marginalized in favor of the 'true sons of the country'. Such was the mindset of the founders of the fledgling state as the war ended. The 1915 Armenian deportations had weakened the demographic and economic base of the Armenians considerably. After the defeat of the Greek expeditionary force in Western Anatolia, the Turks demanded the inclusion in the agreement signed between the warring sides at Lausanne on 30 January 1923¹ a mandatory population exchange of all Muslim Turks living in Greece (outside of Western Thrace) for all of those Greek Orthodox Christians living in Turkey (apart from Istanbul and two islands in the northern Aegean), leading to a sizeable reduction of the country's Greek

¹This agreement preceded the comprehensive peace treaty signed at Lausanne on 24 July, 1923 between Turkey and various allied nations. An English-language text of both can be found in *Treaty of Peace with Turkey and Other Instruments, Signed at Lausanne on July 24, 1923...* (London: H.M. Stationary Office) 1923. The Turkish-Greek Agreements are on pp. 175-186.

population (and commensurate increase of its Muslim population). The expectation of the Turkish architects of this plan was that the Turkish Muslims would come to occupy the commercial and financial vacuum left by the dead or departing Greeks and Armenians, but this hope was not to see immediate fulfillment. The Jewish population living in the large cities, where commercial life had not been utterly disrupted by the decade of wars, now moved in to fill the places vacated by the Greeks and Armenians. This was a great disappointment and frustration to the country's ruling cadres. When it became clear that the process of transferring control of the country's economic life into Muslim hands would not occur naturally, the ruling elite began to seek out alternative routes—particularly legislative ones—to realize their plans.

'Turkifying' the Economy – The First Step: The National Turkish Commercial Union and its activities

The first legislative step taken to Turkify the economy was actually taken shortly before the Republic's establishment. The 'National Turkish Commercial Union' (*Millî Türk Ticaret Birliği*) was established on 1 December, 1922 under the chairmanship of Ahmet Hamdi [Başar]. The union was actually something of a successor of the Association of Muslim Merchants (*Müslüman Tüccar Cemiyeti*), which had been established in 1914 by gathering under its auspices the leading Muslim merchants of Istanbul and had acted as a powerful counterweight to the minority-dominated Istanbul Chamber of Commerce. The goal of the new organization was to replace non-Muslim merchants, commissionaires and foreign representatives, a large part of whom would soon be subject to the aforementioned population exchange, with leading Muslim merchants. With this goal in mind, the union quickly set about proposing to the foreign companies seeking agents in Turkey that they replace their non-Muslim representatives with Muslims. Earlier, in June of 1922, the union had established the 'Economic Investigations and Transactions Company' (*İktisadi Tetkikat ve Muamelat A.Ş.*) under the pretext of publishing the Turkish Trade Registry. With the stated intention of reviewing this registry, in which the company's goals were published, the union's actual goal was to determine the religious confessions of the various merchants active in Istanbul, in order to see how many there were and in what branches of trade they were located. As a result of this investigation, it was determined that only four percent of the import-export trade in Istanbul was in the hands of Muslims, and only three percent of commission agents were

Muslim. As for port services, there were no Muslims whatsoever. Non-Muslims comprised 95 percent of the brokers active on the Stocks and Foreign Currency Exchange. The same condition could also be seen in the banking sector, the majority of whose institutions represented foreign capital. Only 'National Credit Bank' (*İtibar-ı Millî Bankası*) and the Adapazarı Islamic Commerce Bank (*Adapazarı İslam Ticaret Bankası*) belonged to Turkish entrepreneurs. Urban services such as water, electricity, streetcars and natural gas were all provided by foreign companies.

'Turkifying' the Economy – Other Steps

The First Economic Conference

The results of the National Turkish Commercial Union's investigations reinforced the new regime's belief that the 'Turkification' of the country's economic life was an urgent matter. The first step toward this goal was the First Economic Congress (*Birinci İktisat Kongresi*), held in İzmir on 17 February, 1923. In their speeches opening the congress, both President Mustafa Kemal and Finance Minister Mahmut Esat [Bozkurt] dwelled on the issue of 'national sovereignty being achieved through economic sovereignty'. In other words, the political-military War of Independence would now be completed by an economic war of independence. But in this new war, its leaders were not only intending to nationalize foreign companies but also to free Turkey from 'the minorities who have not fought or spilled their blood, but instead have grown rich'. From the point of view of the new Turkish leaders, these minorities were a foreign element, one which made constant recourse to the special privileges they had enjoyed under the Ottomans. In keeping with this spirit, not a single non-Muslim was to be found among the delegates invited to the congress—despite their predominant place in Turkish commerce and industry. The daily *İkdam*, in writing about the congress, expressed the mood of the period well, stating that "The İzmir Economic Congress has caused our non-Muslim economic foes extraordinary confusion".¹

¹ Rifat N. Bali, *Bir Türkleştirme Serüveni 1923-1945*, (İstanbul: İletişim Yayınları), 1999, p. 203.