The Nonlinear Dynamics of the Varlik Vergisi (Turkish Wealth Tax)

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B.A. in Philosophy, May 2010, Kent State University

A Thesis submitted to

The Faculty of
The Elliott School of International Affairs
of The George Washington University
in partial fulfillment of the requirements
for the degree of Master of International Affairs

May 17, 2020

Thesis directed by

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Abstract of Thesis

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In this study the nonlinear causal dynamics which produced the *Varlik Vergisi* (Turkish "Wealth Tax") are explored within the scope of an historical-deductive methodological approach. As a highly discriminatory tax, the *Varlik Vergisi* is a notable example of economic policy directed towards the goal of nation-building. While narrative accounts of the *Varlik Vergisi*'s creation exist, there has been little work done to analyze the causal factors influencing its development. References to the tax within the existing literature tend to assert straightforward, linear, simplistic explanations for the tax's creation, neglecting the impact of complex nonlinear dynamics. This study employs an historical-deductive methodological approach centered around three categories of historical processes: economic, ideological, and bureaucratic. The three historical processes are analyzed not only within the context of their endogenous dynamic capabilities, but also with respect to the combinatorics available through their mutual interaction. The results of the study find that the interplay of such nonlinear dynamics were essential to the creation of the *Varlik Vergisi*, and that its creation should therefore be construed as an emergent phenomenon. From a policy standpoint, this analysis contributes to the development of a theoretical framework in which an understanding of the nonlinear dynamics at play in such processes – rather than the merely contingent elements of such phenomena themselves – allow for the generation of policy recommendations.

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Chapter 1: Introduction

On November 11, 1942, the *Varlik Vergisi* (or "Wealth Tax") was adopted by the Turkish parliament, levying a one-time tax on the citizens of Turkey. Proposed by the Şükrü Saracoğlu government, this tax had the stated aim of raising funds for a standing army in the event of Turkey's possible entry into World War II. While the tax ostensibly targeted the entire eligible population of Turkey, it was levied against the country's minority population[1] at exorbitantly high rates, leading to charges that the true aim of the tax was to "turkify" the economy and punish minorities.[2] Those most severely impacted were generally non-Muslims such as Jews, Greeks, Armenians, and Levantines – minority groups which were perceived to have outsized influence within the Turkish economy.

The *Varlik Vergisi* had a considerable impact upon those affected. Most immediately, many were required to pay inordinately high rates, sometimes far in excess of even that which the taxpayer held in non-liquid assets. Matters were worsened by arbitrarily difficult constraints, as the levy was expected to be paid within one month, in cash, and without the benefit of an appeals process. Many taxpayers were forced to sell their property, businesses, and even homes. For those who were unable to pay, their properties were confiscated and they were sent to the labor camp of Aşkale in the

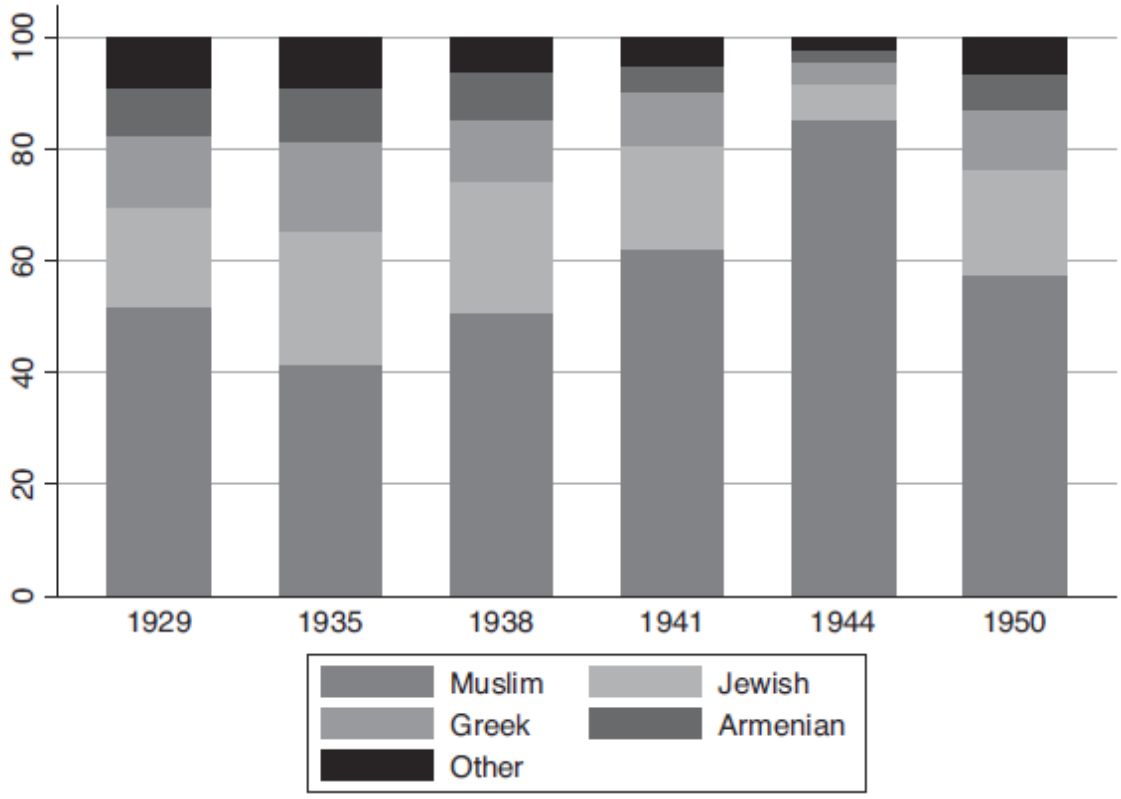
[1] The phrase "minority population" is somewhat of a misnomer with respect to Turkey, given that various groups have not always been legally recognized as separate, and have at times not perceived their own identity as separate. An alternative phrase might be "non-core groups." See Harris Mylonas, *The Politics of Nation-Building: Making Co-Nationals, Refugees, and Minorities* (Mylonas, *The Politics of Nation-Building* 26).

[2] For a popular account, see Sidney Nowill: "In reality, the idea was to reduce the influence of the minority non-Turkish citizens on the country's affairs" (Nowill 77). For a more scholarly example, see Sait Çetinoğlu: "The aim was to destroy the economic and cultural base of these minorities, loot their properties and means of livelihood, and, at the same time, "turkify" the economy of Turkey" (Çetinoğlu 14).

inaccessible mountains west of Erzurum, a kind of Turkish Siberia. During this period, 1,400 people were sent to work at the camp, and 21 people died (Aktar *Tax Me* 194).

A peculiar series of events led to the eventual dissolution of the tax. In the summer of 1943, *New York Times* journalist and proprietor Cyrus L. Sulzberger visited Turkey. A few months later, in September, he published a series of articles about the *Varlik Vergisi* in The Times. The publication of such articles seems to have had an effect upon the government in Ankara, as a mere four days later the Turkish parliament authorized the Ministry of Finance "to absolve those who are [1] employees or [2] persons subject to income tax on gross daily income, and who have proved incapable of paying their tax, of their outstanding debts" (Aktar *Tax Me* 195). A few weeks later, the Foreign Minister in Ankara, Numan Menemencioğlu, spoke with U.S. Undersecretary Robert F. Kelley, who was then representing U.S. Ambassador Steinhardt (Aktar *Tax Me* 195). Menemencioğlu complained, with reference to Sulzberger's articles, soon receiving assurances from the proprietor of the *New York Times* that no further such articles would appear in the newspaper (Aktar *Tax Me* 195). This led to a process on the Turkish side by which the *Varlik Vergisi* was to be eliminated. By March 15, 1944, the state passed a law renouncing all claims on outstanding debt with respect to the tax (Aktar *Tax Me* 195). In total, the *Varlik Vergisi* was in effect for 16 months, ultimately collecting TL (Turkish Lira) 314,920,940 (Ökte 89), over $4 billion in terms of 2020 USD.

Figure 1: Ethno-Religious Distribution of Single Proprietorships and Partnerships in Turkey



Source: *The Wealth Tax of 1942 and the Disappearance of Non-Muslim Enterprises in Turkey* (Ağır and Artunç 219).

While the tax boosted the share of Muslim enterprises within all business and industrial sectors (see Figure 1) (Ağır and Artunç 207),[3] it had a number of other detrimental effects upon Turkish society. To the extent that liquidated firms were more productive than their replacements, the tax certainly contributed to a worsened TFP (total factor productivity) growth of the national economy.[4] The tax effectively liquidated many

[3] Interestingly, the distribution swung back sharply by 1950, as shown in the graph on page 3, with the share of Muslim enterprises even *below* their 1941 level. According to Ağır and Artunç, the evidence suggests that liquidated non-Muslim enterprises were used to finance the entry of Muslim-owned firms, which quickly dissolved due to the new owners' lack of entrepreneurial experience and know-how (Ağır and Artunç 236).

[4] An analysis by Altug, Filiztekin and Pamuk found that TFP had an especially salient impact upon output growth during the period of 1930-1949 (Altug et al. 408).

mature businesses, misallocating resources away from productive businesses and towards comparatively unproductive ones. In addition, as will be seen, many of the confiscated commercial and industrial properties were subsequently mismanaged by the state, leading to a further misallocation of assets. The tax also contributed to a growing sense of lawlessness and disorder, as well as economic instability, given what was seen as the evident capriciousness of the government. Many citizens, Muslim and non-Muslim alike, lost confidence in the state. International confidence in Turkey was also shattered, as the tax destroyed the country's reputation for financial probity, as well as galvanized Christian opposition against Turkish finance (Ökte 94). Perhaps worst of all, the incident vindicated foreign intervention in the republic (Ökte 95), damaging the sovereignty which Turkey had so jealously guarded by staying neutral in the Second World War.

In the wake of such considerations, we are confronted with the following puzzle: What was it that led to the implementation of the *Varlik Vergisi*? If, as many commentators allege, the tax was the product of preexisting prejudices, then why the almost two decade lag between the founding of the Republic of Turkey and the tax's proposal? Was the proximate cause of the tax the opportunity presented by the Second World War? Or was it something endogenous to Turkish politics? Was it rather a confluence of factors?

This provides us with the research question for this paper: What were the causal conditions which made possible the implementation of the *Varlik Vergisi*? I will propose three categories of salient processes: economic, ideological, and bureaucratic. What follows is an analysis of each category, and a consideration of the way in which these three historical processes stimulated or inhibited the development of each other, thereby

resulting in the emergence of the *Varlik Vergisi* as an historical phenomenon. While the three categories are considered separately so as to emphasize the dynamic processes endogenous to each one, it will quickly become apparent to the reader that the three are nevertheless deeply and inherently entangled.

Chapter 2: Methodology

A fundamental problem facing problems of inquiry within the social sciences concerns its preferred method of inquiry. In economics, the classical economists of the nineteenth century employed what was essentially an *historical-deductive* method: they tried to generalize out of their observations of the economic reality around them (Bresser-Pereira 493). By contrast, the *hypothetical-deductive* method proposes the initial adoption of basic assumptions or principles, and then proceeds abstractly in a mathematically precise manner. This latter method became dominant following Kenneth Arrow's and Gérard Debreu's neoclassical formalization of the general equilibrium model in 1954 (Blaug 36). However, in recent years the shortcomings of such an approach within the field of economics have become increasingly clear. Descriptive claims following from such a method devolve into what has been called "blackboard economics," a model which "can be written down on blackboards using economic terms like "prices," "quantities," "factors of production," etc. but which nevertheless is blatantly and even scandalously unrepresentative of any recognizable economic system" (Blaug 37).

Both methods are surely of some utility, and so we are faced with the question of determining which is appropriate for an analysis of the causal roots of the *Varlik Vergisi*. Luiz Carlos Bresser-Pereira argues for a distinction between the uses of the two methods based upon a binary classification of sciences. He distinguishes between what he terms "methodological sciences," such as mathematics, statistics, econometrics, or game theory, which have no proper object of study, but are rather instrumental to reasoning, and "substantive sciences," which do have an object, and include the natural sciences, such as physics and biology, as well as the social sciences, such as economics and sociology

(Bresser-Pereira 496). Whereas the methodological sciences presuppose the adoption of the hypothetical-deductive method and seek models with logical consistency and truth as criterion, the substantive sciences primarily presuppose the historical-deductive method, with coherence or predictive capacity as their truth criterion (Bresser-Pereira 496). In considering the *Varlik Vergisi*, we are undoubtedly considering a socioeconomic phenomenon, suggesting an historical-deductive methodological approach.

It is notable, then, that the methodological approach for our inquiry should share its structural formulation with the natural sciences. In fact, in much the way that Bresser-Pereira and others have called for the reintroduction of history into economic inquiry, the natural sciences have seen similar developments over the last half-century. In the 1960s, Ilya Prigogine revolutionized thermodynamics by showing that classical results were valid only in closed systems, where overall quantities of energy are conserved.[5] However, in an open system, external flows of matter-energy can push a system far from equilibrium, greatly increasing the number and type of historical outcomes. Moreover, such systems tend to exhibit dynamics which are also *nonlinear* in nature, featuring processes in which there is mutual interaction between components. As a result, when studying a physical system one needs to know its history in order to understand its present dynamic state. Parallel developments have proceeded in biology as well: *arms races* between predator and prey, for example, exhibit a nonlinear process by which two species iteratively stimulate mutual development – their present biological features may appear unexplainable given their environments, without having understood the temporal arms race which the two species underwent through generations.

[5] See Ilya Prigogine and Isabelle Stengers' *Order Out of Chaos: Man's New Dialogue with Nature*.

Given their congruity in methodological inquiry, we should be able to extend these insights to our historical-deductive analysis of the *Varlik Vergisi*. In this respect, I am drawing heavily upon the work of Manuel DeLanda, a philosopher of science well-known for his work on the dynamics of historical action.[6] As a realist philosopher of science, DeLanda's ontology provides a materialist account of the nonlinear dynamics at play in various socioeconomic processes. While I will occasionally depart from his terminology, the structural forms organizing the dynamic processes are taken largely from his work.

[6] See Manuel DeLanda's *A Thousand Years of Nonlinear History* for a representative work of his within this field of inquiry.

Chapter 3: Economic Processes

The first set of processes contributing to the creation of the *Varlik Vergisi* are what I have termed "economic processes." Given that the *Varlik Vergisi*, as an aspect of fiscal policy, was proposed within a specific economic context, these processes constitute, as it were, the situational geography of the agents, defining the conditions in which actors found themselves confronted with in 1942 at the time of the proposal of the tax. An analysis of these processes will consist primarily in a consideration of macroeconomic processes following the establishment of the Turkish republic, up to the Second World War and the creation of the *Varlik Vergisi*. As we shall see, by the time of the tax's proposal, Turkey would adopt a state-led economic regime, popularly known under the name of *étatism*. As this state of affairs is crucial to understanding the context under which the *Varlik Vergisi* was proposed, we shall need to understand how this economic regime came about.

Contemporary studies in nonlinear market dynamics demonstrate the value of accounting for friction (often in the form of delays, bottlenecks, regulations, imperfect information, etc.) within our explanatory models. Eliminating friction, for example, by postulating an optimizing rationality, removes any possibility of accounting for *dynamic* processes. The classical paradigm, Smith's "invisible hand," operates within a world entirely devoid of friction, one in which resources are presented as given, agents are granted perfect foresight, and monopolies do not exist. The market mechanism is taken to supply a process of extreme social coordination, accounting for behaviors of production, consumption, buying, and selling, while assumptions of rationality and information compel Pareto optimal equilibriums. This model's implementation via the neoclassical

paradigm generalizes these insights to society at large, underpinning linear conceptions of ideal societal economic equilibrium and efficiency optimization. As useful as this frictionless model has been for generating broad insights, it is clearly a fiction. Greater clarity can be gleaned from introducing the realities of friction into our analyses.

By contrast, nonlinear approaches to market dynamics emphasize the role of uncertainty in decision making, as well as the inherent costs of information gathering. Herbert Simon's conception of "bounded rationality" suggests that the rationality of actors is limited by a host of factors, including the information they have, the cognitive limitations of their minds, the finite amount of time they have to decide, or even poor problem-solving skills.[7] The result is a picture of actors and agents which operate under rules of thumb, whose decisions aim not at maximization or minimization, but at *satisficing*. By extension, governments and institutions will be subject to similar constraints, and decisions will not proceed formally from cause to effect. More importantly, this conception also allows for *dynamic* processes. As opposed to a global optimum towards which *homo economicus* – and by neoclassical extension society itself – is inexorably drawn, there may exist multiple dynamic forms of stability. Markets may, for example, get caught in cyclical processes of growth and decay. In other words, markets may be both *self-regulating* and yet *non-optimal*.[8]

With respect to the development of Turkey's *étatist* economy, we shall be primarily concerned with the way in which material economic factors interacted with satisficing human behavior, producing the consolidated *étatist* economic structure. While

[7] See chapter 2 of Herbert Simon's *The Sciences of the Artificial* (Simon 1996).
[8] The possibility of this result has been known since Richard Goodwin's pioneering work applying nonlinear systems theory to macroeconomics in the 1940s and 1950s. See, for example, *Essays in Nonlinear Economic Dynamics: Collected Papers 1980-1987* (Goodwin 1989).

the economy's direct connection to the *Varlik Vergisi* will come late in our story, the process generating the *étatist* economy began long before, developing in concert with concurrent processes consolidating ideological uniformity and bureaucratic hegemony. As with any historical inquiry, we are first faced with the question: Where to begin? The situation of the country following the abolition of the sultanate on 1 November 1922 affords us perhaps the most reasonable starting place.

Economic Situation (1922-1929)

In 1923,[9] the nascent Republic of Turkey inherited an economically precarious state. The end of the Ottoman Empire and the ravages of the First World War had left the economy in deep disorder. Available data suggests that per capita income declined by as much as 40 percent through World War I to the end of the War of Independence in 1922 (Pamuk *Economic Development* 185). Infrastructure had been devastated, yet the prospect of rebuilding was stymied as the country found itself with a sudden lack of national entrepreneurs and technicians. The Ottoman Empire, with its strong central state apparatus, had discouraged capitalist development (Bayar 775), leaving an outsized portion of its merchant and entrepreneurial class to non-Muslim minorities.[10] Over the process of the Empire's dissolution, much of its former non-Turkish merchant class

[9] The republic was formally granted international recognition of its sovereignty with the Treaty of Lausanne on 24 July 1923, and the republic was officially proclaimed later that year on 29 October in Ankara.

[10] Donald Quataert provides an excellent account of non-Muslim and Muslim stratification patterns in job hierarchies in *Labor History and the Ottoman Empire, c. 1700-1922*, in which he notes that European-capitalized enterprises proliferated in the late Ottoman period, with such enterprises forming the modern sector of the Ottoman economy and exhibiting the stratification patterns in which non-Muslims prevailed (Quataert *Labor History* 104). For additional descriptions of structural incentives promoting a non-Muslim merchant class, see also Cihan Artunç's account of the sale of exemption licenses (Artunç 2013) and Bruce Masters' account of the organization of the *Avrupa tüccaris* (Masters 1992).

disappeared – many of them had either been left outside the borders of the new republic, immigrated, been the subject of forced population transfers, or were exterminated. Furthermore, while the Ottomans had bequeathed certain benefits that come from avoiding European colonialism, this also meant that Turkey could not enjoy the advantages of Western colonialism, such as more highly developed industries, significant capital accumulation, and developed infrastructure.

Ankara's initial foray into economic development may be marked by the convention of the İzmir Economic Congress on 17 February 1923. Mustafa Kemal set the stage for Turkey's economic policy with an hour and a half long speech, in which he criticized the policy of the Sultans on two accounts: First, for neglecting to assimilate the conquered populations and allowing them to constitute an economic force with a separate identity, and second, for negotiating foreign loans which had led toward bankruptcy (Finefrock 378). While Kemal only vaguely hinted at what the new republic's economic policies would look like, more concrete resolutions would materialize over the following days. Notably, many of the individuals who actively participated in drawing up the various motions had been influenced by *laissez-faire* economic theories during the years of their youth, and yet, though receptive to European liberalism, it was not the influence of their own state which they sought to resist, but domination by foreign states (Finefrock 382). As a result, while many of the proposals were comparatively liberal, they accorded a relatively stronger role to the state than would have been countenanced by their European counterparts. In any case, Kemal had left much of the final economic decision-making to Prime Minister İsmet İnönü, who found the proposals entirely too *laissez-faire* regardless (Finefrock 383).

İnönü's protectionist plans were thwarted, however, by the constraints of the Lausanne Treaty. In two important respects, the treaty induced limiting factors upon Turkish economic policy. First, while Turkey was exempted from payment of war reparations, it was nonetheless held responsible for the large commercial debt of the Ottoman Empire, and would be expected to begin annual payments after 1929 (Bayar 774). In addition, and of more crucial importance, Turkey was also forced to maintain the Ottoman tariff schedule, though this requirement would *expire* in 1929 (Bayar 774). Since the government had no ability to set tariff rates, it was effectively prevented from enacting most of its protectionist plans.

By most accounts, the most salient economic outcome of the İzmir Economic Congress was the abolition of the traditional tithe.[11] The *Aşar* was a tithe on agricultural output that the Ottoman Empire had adopted based on traditional tithes in conquered territory. Given that the practice had been kept in place relative to the locations in which it was found, this resulted in widespread variation in taxes throughout the empire, effectively leading to discriminatory rates, and hence economic distortions and inefficiencies as peasants reoriented their behavior around them.[12] The abolition of the tithe had two important consequences. First, it certainly had a salutary effect on domestic production, particularly given the economy's reliance upon the agricultural sector. The removal of its distortionary effects would have served to increase the marketable surplus as well as the potential for marketization. Second, its abolition represented a powerful

[11] It has been suggested that the government's intention behind convening the congress was in truth not motivated by economic concerns in the first place, but rather by politics, as it may have been a tactic to put pressure on the allies to conclude a treaty by presenting tangible proof of Turkish determination to exercise national sovereignty (Finefrock 384).

[12] For an in-depth analysis of the tithe and its effects within the region, see *Taxes, Efficiency, and Redistribution: Discriminatory Taxation of Villages in Ottoman Palestine, Southern Syria, and Transjordan in the Sixteenth Century* by Metin Coşgel (Coşgel 2006).

signal that the new state had renounced its claims on traditional political authority, freeing up more of the economy and indicating a new relationship in which the economy would hold a greater degree of autonomy from the authority of the state. It is likely that this signal served a catalytic function, subsequently inviting a greater degree of much needed foreign finance by mitigating the concerns of foreign investors.

Another important factor inhibiting economic development during this time was Turkey's shortage of labor. By 1923, the region had experienced nine years of war, and its richest agricultural areas had been under occupation since 1919. War deaths and the loss of minorities had cumulatively reduced the labor force by three to four million individuals, mostly men of working age (Keyder *The Definition* 129). According to one estimate, the agricultural labor force decreased by more than 20 percent (Keyder *State and Class* 91).[13] Many fields were left fallow, and homes were abandoned. Economic policy would need to aim towards facilitating the reconstruction of infrastructure as well as labor expansion. It would have been a poor time to levy any taxes incentivizing further outbound migration, and there would have been little purpose to the confiscation of further property when there was already much abandoned property to sort through and land to fill with occupants.

Fortunately, the combination of a labor shortage and the exodus of the region's minority populations did much to spur the development of a Turkish bourgeoisie. Since Greek farmers had been disproportionately involved in export-oriented agriculture

[13] In giving this estimate, Çağlar Keyder notes, however, that this decline consisted mostly of subsistence farmers, and was perhaps not of great consequence to the commercial classes. Regardless, the loss of such a sizable labor pool in an economy in which 80-90 percent of the population lived off the land must represent a sizable lost opportunity cost in taxes, particularly given the Ottoman Empire's reliance on agricultural taxes, as the tithe and the land tax alone contributed about 40 percent of all taxes collected within the empire (*The Ottoman* 130).

(Keyder *State and Class* 92), their departure, while having a detrimental immediate impact on the Turkish economy, left a vacuum to be filled by émigrés to the republic. Though there appears to have been no systematic effort to match immigrants by specialization (Keyder *State and Class 92*), 90 percent of the immigrants from Greece were nonetheless skilled farmers, and given that export performances in the 1920s were not far from pre-war levels, the vacuum seems to have been more or less filled. The Ottoman Empire's main export crops of figs, raisins and tobacco resumed their commercial importance, and cotton and hazelnuts rose to prominence as well, leading to a recovered domestic agricultural export economy by the late 1920s.

However, the development of commercial agriculture required the organization of markets and credit provided by a proficient merchant class. Credit, as Manuel DeLanda notes, functions as a great accelerator for capitalist transactions, historically through wholesale and long-distance trade (DeLanda 49). More specifically, Compound interest functions as an example of the explosive growth hidden behind autocatalytic processes, as money begets more money, and an economy becomes self-stimulating. However, while the expulsion of the Christian bourgeoisie created a vacuum here as well, allowing for the development of domestic trading ventures, banks, merchant houses, and direct participation in the distribution of credit, domestic capital was still insufficient to power the demand of the growing Turkish economy, and foreign capital would be required.

Therefore, in order to stimulate the dynamics of economic growth it was necessary for Turkey to allow for fairly free capital movement. Data compiled by Çağlar Keyder suggests that foreign banks subsequently controlled around 70 percent of total deposits and between two-thirds and three-fourths of total credit (Keyder *Credit and*

Peripheral Structuration 585). Export credit came to be the means through which sources of foreign capital were able to dominate the Turkish export sector. Whereas local merchant middlemen were initially used to contract with producers, foreign merchants gradually came to realize they could leverage their monopoly on credit to implement debt traps on local producers. Keyder provides a fantastic example: In 1924, the Italian textile firm SICMAT established a branch in Adana (Keyder *Credit and Peripheral Structuration* 590). As SICMAT was heavily subsidized by the Italian government and had easy access to credit from Italian banks, the firm was able to liberally extend credit to cotton growers. However, due to increasing price stagnation since 1926, many growers were unable to pay their debts. Forced to mortgage their lands, the growers gradually became so dependent that they were obliged to provide all their cotton to the company. A French consul is reported to have said, "It might be presumed that in a short period the cultivation and export of cotton in these provinces will be exclusively handled by Italians" (Keyder *Credit and Peripheral Structuration* 591). Moreover, such practices were not limited to agriculture. Between 1923 and 1929, foreign capital gradually came to dominate manufacturing as well, contributing twice the amount of investment as domestic sources (Keyder *State and Capital* 94).

As unpalatable as it may have been to subordinate the country's agricultural development to foreign financial dependence, the development of a properly *commercial* agricultural sector was a necessary step in creating the dynamic, self-stimulating processes necessary to truly modernize Turkey's economy. In contrast to subsistence agriculture and small-scale farming, the intensification of commercial agriculture promotes greater positive feedback in the surrounding economy. In terms of physical

capital, the need for mechanical equipment has a catalyzing tendency on (and may be catalyzed *by*) iron and other metalworking enterprises. This point would become especially salient following the government's later attempt to develop the domestic iron industry. In addition, the efficiency gains brought to agricultural production would remove a greater pool of labor from the sector, freeing them up for integration into urban industry.[14] At the same time as commercial industry creates reserves of unskilled labor for industrial development, it also creates skilled labor by developing the technical and organizational expertise of those within its employ. As DeLanda describes it, skills and know-how provide what might be referred to as "catalytic information," that is, information capable of bringing together and amplifying flows of energy and materials (DeLanda 79). As a resource, catalytic information can be an incredibly powerful economic stimulus, as workers transfer their skills and know-how to alternative industries and stimulate innovation and development outside of their initial zone of education. The role of technical expertise and skilled knowledge in fostering industrial development has been well highlighted by the engineer Eugene S. Ferguson:

"The historical significance of workers' knowledge had hardly been noticed until the English economic historian John R. Harris, in 1971, connected it to the technological lead that Great Britain held over the Continent during the Industrial Revolution. In the seventeenth century, Britain had converted to coal as an industrial fuel while the Continent had continued to use wood… The list of changes of techniques and apparatus is very long, but these changes are unappreciated because many (probably most) of them were made by workers – "especially the senior skilled workmen," Harris notes – rather than by the owners or the supervisors of the works" (Ferguson 58).

In addition to commercial agriculture, domestic catalytic information was accumulated by another class – a domestic Muslim commercial class. Despite the

[14] For a discussion of the influence of agriculture in leading industrial transformation, see *The Perspective of the World* (Braudel 558-564).

dominance of foreign finance, intermediate positions between foreign capitalists and domestic producers – where they existed – were almost exclusively filled by a growing Muslim bourgeoisie. Vacant positions and abandoned assets were put to use by this emerging class, which was able to gradually build up its strength through the accumulation of capital and organizational ability. As before, the utility of accumulated experience and organizational experience would provide for future economic stimulus. Though the situation was somewhat socially and politically tenuous, so long as leftover resources existed for appropriation conflict over distribution could be avoided. As Turkish merchants enjoyed greater opportunity than before, they remained generally content with the division of labor organized by foreign capital. In any case, the bureaucracy for its part was in no position to direct or orient this process regardless, given their internal fracture and commitment to reform (Keyder *State and Capital* 95).

In addition to a relatively liberal trade and investment system, the Turkish government worked to modernize its monetary regime through the issuance of new bank notes to supplant the old Ottoman notes – in 1927 the Turkish Lira was born. Despite lacking a central bank, and being backed by neither gold nor any form of hard currency, the government displayed wise restraint from issuing excessive notes. A somewhat crude yet effective currency board regime ruled, and relative price stability was secured.[15] The banking system modernized as well, adopting the multiplier mechanism and granting credit through deposits. During this time, the amount of bank notes increased by only 7.7 percent, while bank deposits increased by 178 percent (Gürsel 12).

[15] According to Seyfettin Gürsel, calculations suggest an average annual rate of inflation of a little more than 3 percent (Gürsel 12), surprisingly ideal by modern standards.

From the perspective of foreign investors, Turkey's investment climate could therefore be seen as having been relatively attractive throughout the 1920s. After having begun its post-war recovery in 1923 with a GDP per capita approximately 40 percent below its 1914 levels (Pamuk *Economic Change* 9), by the end of the 1920s, GDP per capita once again attained the levels prevailing before the first World War (Pamuk *Economic Change* 10). By all accounts, Turkey had recovered, and was well on the road to prosperity.

Economic Situation (1929-1939)

Despite these generally positive trends, a number of factors contributed to the country being predisposed towards economic precaution. One continuing source of trouble consisted of the uncovered paper money inherited from the Ottoman Empire. Scarcity in supply – only equaling about 14-15 percent of the economy's GNP – and a slow velocity continually hampered commerce (Yücel 39). In addition, seasonal fluctuations[16] due to a heavily agriculture-based structure of exports incentivized speculation, as well as seasonal alternations between appreciation and depreciation of the currency. Furthermore, alternating extremely hot and then extremely cold winters had damaged agriculture and stock-breeding since 1925 (Yücel 37). All of these factors contributed as well to continued price stagnation, making the economic situation increasingly unbearable for the Turkish independent peasantry. With respect to the domestic merchant class, the need for finance of trade via foreign sources of credit became a growing source of strain. The entrance of foreign commercial credit began to

[16] Yelda Yücel notes that such fluctuations reached as high as 16 percent during some seasons (Yücel 39).

slow after 1926 as Turkish exportable goods found it increasingly difficult to compete with American and British goods buoyed by heavy protective tariff rates (Yücel 37). Unfortunately, Turkey was unable to respond to foreign rates, as it was still bound under the Lausanne Treaty to operate under the Ottoman trade regime until 1929. While the relevant clause did not preclude protectionism *per se*, as Turkey was still allowed to institute state monopolies over particular commodities, it nevertheless required specific duties and trade schedules. As a result, the Turkish economy was forced under the yoke of foreign trade schedules without being able to respond in kind. In dynamic terms, the drying up of foreign finance inhibited the catalytic stimulation of domestic development, yet domestic finance had not reached a level sufficient to begin its own autocatalytic processes. Furthermore, the fall in foreign credit frustrated the demand for foreign exchange, and the Lira began to depreciate against the pound sterling (see Table 1). Though this would have made Turkish exports more competitive, it was unable to make up for the difference of increased foreign tariffs, and so the depreciation only served to devalue domestic holdings.

Table 1: Foreign Exchange Rates and Terms of Trade (1925-1940)

Year	Sterling	Dollar	International Terms of Trade	Domestic Terms of Trade
1925	8.945	1.874		
1926	9.345	1.933		
1927	9.505	1.962	0.97	0.96
1928	9.564	1.966	1.03	1.04
1929	10.088	2.075	0.84	0.94
1930	10.324	2.122	0.8	0.65
1931	9.655	2.113	0.77	0.55
1932	7.4122	2.112	0.69	0.49
1933	7.022	1.656	0.61	0.45
1934	6.369	1.266	0.65	0.49
1935	6.168	1.25	0.72	0.68
1936	6.245	1.263	0.81	0.73
1937	6.24	1.263	0.78	0.74
1938	6.16	1.26	0.61	0.74
1939	5.69	1.278	0.71	0.73
1940	5.23	1.378	0.57	0.58

Source: *Macroeconomic Policies During the Great Depression in Turkey* (Yücel 40).

By 1929, the same year the Great Depression hit the world stage, Turkey's accumulating troubles reached a fever pitch amidst heavy deflation. Prices had declined by more than 50 percent, leading to the wholesale collapse of domestic markets (Keyder *Small Peasant* 71), leaving many sharecroppers at the mercy of usurer-landlords. Defaults on debts became common, and taxes which had been fixed in money terms became exceedingly onerous. Over the next few years, the prices of wheat and other cereals would decline by more than 60 percent, and the external terms of trade would decline by more than 25 percent for non-agricultural goods and 31 percent for agriculture

(Pamuk *Turkey's Response* 7-8). In addition, the economy suffered from a severe foreign exchange crisis in 1929, both real and speculative, as import volumes spiked ahead of anticipated tariff increases and due to the anticipation of the first annual payment on the Ottoman debt (Pamuk *Turkey's Response* 8).

The arrival of the Great Depression in Turkey thereby vindicated the Kemalist leadership's skeptical attitude towards liberal policy. Turkish elites came to regard the Great Depression as evidence of the failure of *laissez faire* economics, a failure which it had seemed the Soviet Union had managed to escape due to its use of strong state controls (Bayar 775). At the same time, the Kemalist bureaucratic faction managed to cement its hold on the government, to such an extent that it felt sufficiently in control to repeal the notorious Law for the Maintenance of Public Order.[17] In addition, the restrictions of the Lausanne Treaty expired, simultaneously freeing the government of Ankara to pursue its developmental goals. Galvanized by this confluence of factors – economic downturn, political consolidation, and the timeliness of the clause's expiration – the bureaucracy perceived a mandate to initiate a period of economic innovation and transformation. It was at this point when the regime began to pursue what has been broadly termed an economic policy of broad state control, or *étatism*.[18]

The economic background of the 1920s thereby contributed to a fundamental paradigm shift in Turkish economic policy.[19] In other words, what changed was not

[17] Passed on 4 March, 1925, this law was initially prompted by the Sheikh Said Rebellion, in which Kurdish forces seized government offices and marched on cities in an effort to restore the Caliphate and Islamic Law. The law gave the government exceptional powers and included the authority to shut down subversive groups.
[18] For an excellent summary of étatism in Turkey, see *The Rise and Fall of Etatism in Turkey, 1932-1950: The Uncertain Road in the Restructuring of a Semiperipheral Economy* (Birtek 1985).
[19] Though initially formulated by Kuhn in a broad sense, for a discussion of paradigm shifts in the field of economics see Peter Hall's *Policy Paradigms, Social Learning, and the State: The Case of Economic Policymaking in Britain* (Hall 1993).

merely the precise settings or levels of some policy instruments (first-order changes), nor the techniques or policy instruments used to attain policy goals (second-order changes), but the very overarching policy goals themselves. The shift from a relatively liberal trade and finance regime to one of autarky inaugurated a series of further secondary policy goals. Rather than trade promotion and capital mobility, the bureaucracy began to exhibit trade aversion while pursuing capital control. The process of industrialization shifted the emphasis away from the private sector and towards the state, while investment policy worked to reorient savings away from private investment – whether domestic or foreign – and towards state investment. Only in monetary matters did the regime hold to the liberal paradigm, making only first- and second-order changes through altered levels and different forms of taxation (Türegün 668).

The fall of the Turkish Lira motivated the government's initial responses to the Great Depression. In 1929, an inter-bank consortium was organized, structured in such a way as to provide the government with only minority share control. During the time in which the consortium acted, the Lira's value stood relatively stable in relation to the pound sterling. However, this institution was deficient in at least two respects: (1) Letting the money in Turkish Lira which had been acquired from the sales of foreign currency into circulation without restriction, hence resulting in an inability to contract the demand for foreign exchange, and (2) having inadequate Turkish Lira to be exchanged with foreign currencies when the latter were abundant (Yücel 55). In other words, though the currency had been stabilized, the consortium was unable to account for dynamic factors of change.

On 30 June 1930, the government would establish the Central Bank of the Republic of Turkey (CBRT) by Law No. 1715, allowing the bureaucracy to exercise greater control over the banking system and credit market. The establishment of the Central Bank was made possible after attaining an enormous 10 million dollar investment from the American-Turkish Investment Corporation in return for a match monopoly (Yücel 56). By August, a fixed exchange rate system had been established, fixing the currency at 10.30 TL to the pound sterling, and 2.12 TL to the U.S. dollar (Gürsel 19). On 3 October 1931, the bank began operations. The bank's guiding mandate was to stabilize the value of the Lira and to function as one of the main actors in the economy. According to available data, almost no change in the money supply took place until 1935, and it was not until 1938 that advances to the government became more prominent, inflating the money in circulation (see Table 2). Interestingly, Turkish monetary policy ran increasingly counter to world trends as Turkey refused to follow the countries which started to quit the gold standard by 1931, necessitating revaluations of the Lira in 1933. Gürsel argues that, from the perspective of the Turkish bureaucracy, this may have been an entirely rational decision, given that agricultural products constituted almost all of Turkish exports and their prices depended heavily on world prices, hence the decision to allow the Lira to appreciate put greater pressure on exporters (Gürsel 19).

Table 2: Money Supply in Turkey During 1929-1940 (Thousand TL)

Year	Banknotes in Circulation	Coinage in Circulation	Total Deposits Excluded all Foreign Banks	Money Supply
1929-31	158749	8572	106624	265373
1932	148576	8572	111929	260505
1933	147341	8572	121105	268446
1934	157617	9279	124045	281662
1935	163638	16001	138645	302283
1936	171371	21081	172025	343396
1937	164773	25359	196560	361333
1938	188683	25452	224369	413052
1939	281460	26589	195379	476839
1940	402883	30244	215816	618699

Source: *Macroeconomic Policies During the Great Depression in Turkey* (Yücel 58).

In 1933, three significant banking laws were passed. The Law for the Protection of Deposits set minimum capital requirements with respect to banking establishments. The aim of the law was to concentrate capital and undermine small bankers ostensibly engaging in usurious loan activities, providing a guarantee for the deposits of the common folk. Similarly, the Law for Lending Money was designed to inhibit usury by setting maximum interest rates at 12 percent (Yücel 60). Finally, the Law for Undervaluation of Real Estate in Case of Indebtedness was passed to provide relief to those who were indebted during the depression. If the price of any property was sold at less than 75 percent of what was offered by buyers, the debt would be postponed for five years, and only 20 percent of the debt would require immediate payment, while the remainder would be subject to payment with 7.5 percent interest (Yücel 60). While ostensibly in the social and economic interest of the folk, these laws also signaled the

government's new stance on the relationship between the economy and the state, fundamentally as one in which the state increasingly took the lead in all aspects.

In addition to these significant advancements being made in the banking sector, another unique innovation during this time was the government's organization of the Association for National Economy and Parsimony in 1930, an association ostensibly dedicated to promoting frugality and reducing the consumption of imported commodities. Following the 1930 Industrial Congress, the association proceeded on a sectoral basis, reminiscent of Italian *corporazioni*. Although conceived and constructed by the government, the association was a formally private organization. Despite this, Çağlar Keyder describes how it quickly became an avenue through which the state gradually colonized control of the economy and formed ideological apparatuses functioning as economic stakeholders (Keyder *State and Class* 98). Having assumed dominance over the banking system, the bureaucracy was quickly assuming power over the direction of the economy as a whole.

With respect to its macroeconomic strategy, the Turkish government abruptly shifted towards protectionist measures following the expiration of the Lausanne Treaty's clauses in September 1929. At the Great Economic Assembly in June 1929, bureaucrats had already drawn up an import-substitution strategy. By October, new specific tariff rates were introduced. The average effective rate of protection increased from 26 percent to 38 percent, and was regularly increased – owing to deflation – reaching 54 percent by 1933 (Gürsel 24). Throughout the 1930s,[20] Ankara would impose numerous quotas,[21]

[20] The following list is taken from Yücel (1996), pp. 76-85.
[21] Decree No. 2/11940 (1931); Decree No. 11986 (1931); Decree No. 121131 (1931); Decree No. 12266 (1932); Decree No. 12442 (1932); Decree No. 13019 (1932); Decree No. 13213; Decree No. 13344 (1933); Decree No. 13887 (1933); Decree No. 13888 (1933)

restrict imports,[22] increase supervision over exports,[23] establish monopolies,[24] sign bilateral trade treaties,[25] establish offices of oversight,[26] and issue various governmental and regulatory decisions.[27]

Import-substitution policies stimulate a particular set of economic dynamics. In general, peripheral zones of economic production must import most of their manufactured goods and export raw materials. While this has the tendency to create path dependence on low-skill aspects of the value chain, a policy of import-substitution aims to reduce this dependence through the local production of industrialized products. Properly implemented, such a policy should lead to meshworks of small producers within a city which interlock their skills to replace imports, further catalyzing trade dynamics by in turn functioning as domestic suppliers to local hinterlands. The process should generate the accumulation of technical experience and know-how, producing autocatalytic stimuli as enhanced production calls for more advanced imports, which in turn become the raw materials for another round of import-substitution.[28] In Turkey, these results seem to have been the case. Yelda Yücel notes three important findings for the period of 1930-1937: (1) A trade surplus was achieved, taking place despite the declining value of both export earnings and import expenditures; (2) the export volume in general increased while the import volume decreased to a great extent; and (3) the import

[22] Law No. 1873 (1931); Law No. 1918 (1932); Law on "New Import Regime" (1937)
[23] Law for Avoiding Abuses and for Controlling and Protecting the Exports (1930); Administration of Tea, Sugar and Coffee Imports through a Monopoly (1932); Supplementary Law to Law No. 1705 (1936)
[24] Law for Tobacco Monopoly (1930)
[25] Soviet Union (1931)
[26] Law for Establishing the State Industry Office (1932); Law for the Establishment of Industry Credit Bank (1932)
[27] In 1932, a decision by Icra Vekilleri Heyeti abolished export committees, widened quota lists, and made for an easier provision of foreign exchange.
[28] For a detailed analysis of urban import-substitution dynamics, see Jane Jacobs' *Cities and the Wealth of Nations* (Jacobs 133).

structure changed so as to include more intermediate goods and less consumption goods while exports remained traditional, increasingly food in content (Yücel 96-97).

If the dynamics of import-substitution seem to have failed in any respect, it would follow from the continued reliance upon food exports. With that in mind, it should not be surprising that the government subsequently began to implement detailed plans for industrialization. In 1933, Ankara drew up its first five-year plan. The plan called for a number of state-owned enterprises, particularly in iron and steel, textiles, paper, ceramics, glass, and chemical products. In addition, two state-owned banks, Sümerbank and Etibank, were organized to provide finance for public enterprises (Bayar 775). A second five-year plan was adopted in 1938, providing for the planning of over 100 new enterprises. Efforts would be made to create a heavy-industrial growth pole, built around coal, steel, cement, and serviced by its own Black Sea port (Bayar 775). In addition to the formation of state-owned enterprises, the government initiated a wave of nationalization, taking over a variety of foreign firms, including railways, utilities, transportation, and port facilities in the early 1930s, as well as dozens of mines and factories owned by foreign capital in the latter half of the decade (Berberoglu 98).

While domestic industrialization and nationalization may have been motivated by the ideological proclivities of the Turkish leadership, there is no doubt that it must have received further impetus due to the lack of available credit following the retreat of foreign capital after the Great Depression. The state therefore took upon itself to provide where it deemed private initiative incapable. This had a dynamic effect upon the economy by virtually ending the outflow of capital, improving the country's balance of payments and accelerating the process of independent capitalist industrialization (Berberoglu 98). This

process should also have stimulated accumulations of human capital, as a greater number of workers gained access to technical know-how and expertise, and as Soviet advisors intervened to provide additional knowledge and guidance as well.[29] While the efficacy of state industrialization always depends to a large extent upon the wisdom of its implementation by the state (and indeed later we shall see certain deficiencies in this respect), its early implementation had generally salutary economic effects.

From a budgetary perspective, Turkey's industrial policy therefore required large amounts of expenditure for heavy investment, while still needing to account for reparations from the first World War. Yet, the government chose to maintain a balanced budget, going into deficit only in two years: 1931 and 1933 (Yücel 64). Expenditures on economic development, though initially high during the depression years, gradually fell. At the same time, defense spending, which had been reduced during the early 1930s, began to record significant increases, growing from a low of 29 percent in 1932 to 39 percent in 1938 (see Table 3). According to Yelda Yücel (Yücel 67), the impact of such immense expenditures on defense was twofold: On the one hand, it provoked aggregate demand as demand for food, feather, and cloth industries must have risen. On the other hand, funds, which might otherwise have been used by private entrepreneurs for capital formation which was then crucial to the country's development, were channeled towards the military, a redirection which is by definition less productive.

[29] In 1931, it was arranged that a Russian group should visit Turkey with the aim of drawing up a report on industrialization (Okyar 100).

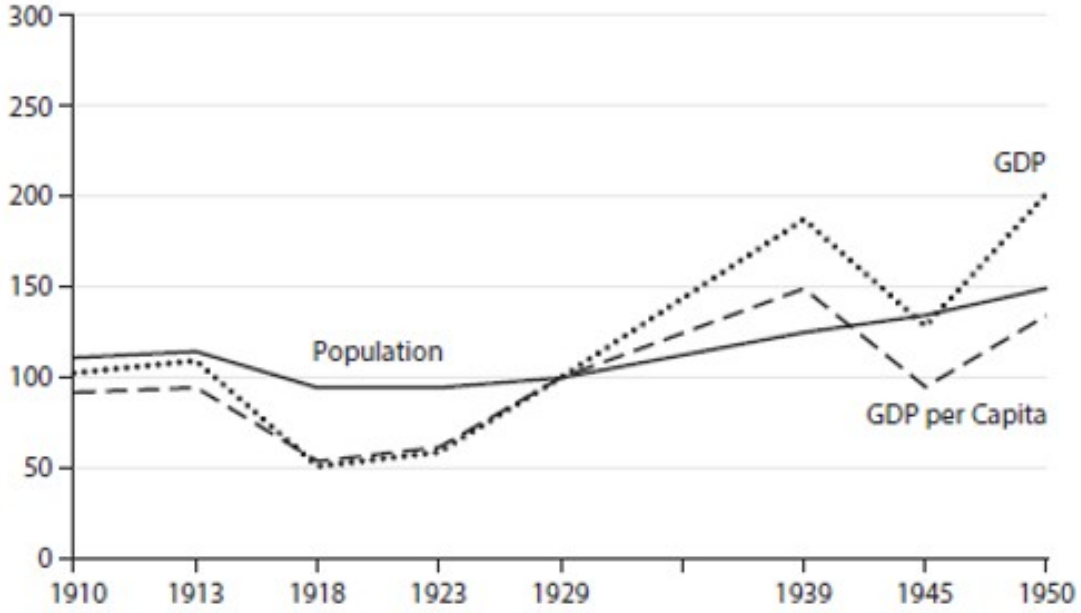
Table 3: Functional Distribution of Expenditures (as Percentages)

Year	General Administration Expenditures				Economic and Social Expenditures					
	Administrative %	Defense %	Services %	Total %	Education %	Health %	Agriculture %	Development %	Other %	Total %
1926	27	39	12	78	4	2	2	11	3	22
1927	24	39	12	75	4	2	2	16	1	25
1928	23	36	12	71	5	2	-	17	5	29
1929	24	35	12	71	5	2	-	17	5	29
1930	28	32	11	71	5	2	-	17	5	29
1931	28	32	13	73	5	2	-	16	4	27
1932	35	29	13	77	4	2	2	13	2	23
1933	32	32	13	77	4	2	3	13	1	23
1934	29	37	12	78	5	3	2	12	0	22
1935	31	35	11	77	5	2	2	12	2	23
1936	27	37	10	74	4	3	4	12	3	26
1937	25	37	11	73	5	5	2	13	2	27
1938	23	39	11	73	5	4	2	14	2	27
1939	17	50	9	76	5	3	2	12	2	24
1940	14	61	7	82	4	2	1	10	1	18

Source: *Macroeconomic Policies During the Great Depression in Turkey* (Yücel 68).

In sum, the early implementation of étatist policies appears to have been relatively successful. As seen in Figure 2, Turkey's GDP recorded steady increases prior to the start of the Second World War. The ratio of imports to GDP declined rapidly from 13 percent in 1928-29, to less than 9 percent in 1932-33, and below 7 percent by 1938-39 (Pamuk *Economic Development* 187). This created attractive conditions for domestic manufacturing, allowing small- and medium-sized producers to achieve relatively high rates of output growth up until World War II. Manufacturing output increased at annual rates above 8 percent and more than doubled from 1929-39 (Pamuk *Economic Development* 189). GDP per capita increased at an average annual rate of 2.5 percent, and nearly doubled over the ten-year span (Pamuk *Economic Development* 186). Overall, available estimates suggest that GDP and GDP per capita grew at average annual rates of 5.4 and 3.1 percent respectively during the 1930s (Pamuk *Economic Change* 11).

Figure 2: Basic Indicators for Turkey's Economy, 1910-1950 (all indexes = 100 in 1929)



Source: *Economic Development and Institutional Change, 1914-1950* (Pamuk 186).

Economic Situation Prior to the *Varlik Vergisi* (1939-1942)

The initiation of the Second World War had an immediate impact upon the Turkish economy. Foreign trade's share of GNP fell suddenly by almost 39 percent, from 11.5 percent in 1939 to 7.5 percent in 1940, remaining at around 6.9 percent throughout the war (Günçavdı and Tokdemir 8). Furthermore, despite trade surpluses continuing through the 1940s, the economy continued to suffer from consistently poor terms of trade, indicating that Turkey was regularly paying more for imports than it was earning from exports (Günçavdı and Tokdemir 8).

Foreign trade was also becoming increasingly subject to political concerns. Due to it's geopolitical location between the Balkans and the Middle East, Turkey represented an attractive trading partner for Germany. The Reichsbank continually allowed Turkey to

clear a positive trade surplus, with one report suggesting that Germany paid TL 26 million more for Turkish exports in 1938 than their value on the world market for imports, while allowing Turkey to pay TL 18 million less than their market value for imports, providing an almost TL 8 million in additional cash flows to Turkey (Günçavdı and Tokdemir 9). In order to avert what was becoming a fearful dependence, Ankara acted to remove trade restrictions against Britain, France, Holland, Switzerland, Sweden, Spain and Greece, as well as to reduce the country's exports to Germany in 1937. However, this liberalization quickly resulted in a trade deficit, and Turkish foreign trade was subsequently left once again largely dependent on Germany.

As the war began, partisans from both sides sought to influence Turkey into the war on their side. However, It was clear to the Turkish leaders that the republic was in no condition to take part in the war, and they repeatedly sought to ensure Turkey's neutrality. On 19 October 1939, the Turkish Republic signed a treaty of mutual assistance with Britain and France. Then Member of Parliament Faik Ahmet Barutçu quotes İnönü as saying at the time that:

"The aim of Turkey is [in the case of British entry into the war…] to remain out as long as possible. For us this is the ideal… Turkey is now no longer alone, she has insured herself with the world's strongest insurance firm… For us war is out of the question unless we are left absolutely no choice" (Deringil 30).

While the Turkish leadership sought to mollify British appeals for aid by providing arguments of military weakness, German leadership nonetheless appears to have taken the Anglo-Turkish treaty as an indication of a very real threat. On 14 March, German Ambassador Von Papen proposed to İnönü a German-Turkish treaty including a statement from the Turkish government that Turkey would defend its neutrality, 'even

with the force of arms' against the Allies (Deringil 31). Though no such agreement was made, on 26 June 1940, Turkey issued a declaration of non-belligerency:

"The Government of the Turkish Republic has considered the situation which has arisen from Italy's entry into the war and have decided on the application of Protocol 2… Turkey will preserve her present attitude of non-belligerency for the security and defence of our country. While continuing on the one side military preparations, we also have to remain more vigilant than ever. We hope by this position of watchfulness and by avoiding any provocation, we shall preserve the maintenance of peace for our country and for those who are around us" (Deringil 40).

Hardly pleasing to the allies, Turkey was walking a fine line, attempting to extract resources from whichever side could provide them while maintaining its neutrality. However, the rapid defeat of France and the fall of Paris in June 1940 came as a sudden shock. Many had expected a protracted war along the Maginot line, but in a matter of weeks the Germans were occupying Paris, angering Turkish leadership which perceived recent appeals from French representatives to enter the war on their behalf as irresponsible, given France's apparent gross inability to defend itself (Deringil 34). Furthermore, with Italy's entry into the war, the Axis appeared to be gaining the upper hand. Subsequently, during the period of 1941-1942, Turkey moved closer to Germany once again. In June 1941, Turkey signed a treaty with Germany which centered on a ten-year friendship and trade agreement (Günçavdı and Tokdemir 10). Turkey agreed to provide Germany with certain food stuffs and raw materials in exchange for steel and war materials (ironically for defenses against any eventual German aggression).

Alongside this dramatic turn of events, Turkey's foreign trade underwent similar transformations (See Tables 4 and 5). In 1940, exports to France represented a high of 6.04 percent, but only 0.83 percent in 1941 following the fall of Paris. At the same time, exports with Germany surged from 8.85 percent up to 21.83 percent in 1941, and nearly a

quarter of all exports by 1942. Turkey became increasingly reliant on Germany for imports as well, from a low of 11.68 percent in 1940 to a high of 38.13 percent by 1943.

Table 4: Import Shares by Origin (Percent)

Year	Germany	UK	Italy	USA
1936	45.64	6.67	2.22	9.83
1937	42.35	6.23	5.32	15.12
1938	47.00	11.21	4.75	10.47
1939	50.86	6.25	8.48	9.88
1940	11.68	13.96	16.22	10.76
1941	11.95	24.58	3.19	5.36
1942	27.77	23.47	3.00	4.85
1943	38.13	16.10	1.72	2.43
1944	30.45	17.90	0.29	4.63
1945	0.61	23.32	0.02	17.58

Source: *World War II and Capital Market Development in a Neutral Country: The Case of Turkey* (Günçavdı and Tokdemir 14).

Table 5: Export Shares by Destination (Percent)

Year	France	Germany	UK	Italy	USA
1936	3.25	51.00	5.40	3.69	11.14
1937	3.82	36.54	7.08	5.27	13.92
1938	3.28	42.92	3.41	10.05	12.26
1939	4.45	37.54	5.77	10.08	14.40
1940	6.04	8.85	10.55	16.40	14.38
1941	0.83	21.83	16.23	2.32	13.47
1942	0.32	24.70	15.29	3.07	17.04
1943	0.70	23.76	10.83	1.84	20.52
1944	0.02	22.74	22.10	0.04	23.92
1945	1.36	0.00	14.90	0.06	43.83

Source: *World War II and Capital Market Development in a Neutral Country: The Case of Turkey* (Günçavdı and Tokdemir 12).

In absolute terms, however, international trade was dramatically curtailed. As an indicator of the general collapse in trade, revenue from customs duties fell from TL 24 to 20 million between 1941 and 1944 (Ökte 6). Official statistics suggest that GDP declined by as much as 35 percent and wheat output by more than 50 percent until the end of the war (Pamuk *Economic Change* 12). At the same time, the reality of the war precipitated declines in developmental expenditures and, despite being formally neutral, the government initiated an enormous outlay into military expenditure and wartime defense, which it financed primarily through a gross expanse in the Treasury's note circulation. This depreciation of the Turkish Lira in turn led to massive inflation and a general upsurge in the price of goods and commodities. While the government initiated price controls on bread, coal, and rents, these were unsuccessful in curbing the inflation (Ökte 12), and the paper money in circulation ballooned (see Table 6). The social effects of inflation were exacerbated as it produced opportunities for commodity speculations and black market operations. While a rationing scheme and intensified government controls were introduced to address the issue, such policies failed to mitigate the problem as the price of consumer goods skyrocketed (see Table 7), and in any case the policies were interrupted by the sudden death of Prime Minister Refik Saydam in 1942 and his succession by Şükrü Saracoğlu, who preferred to allow market forces to solve the issue, and hence removed all price controls and rationing schemes soon after coming to power (Günçavdı and Tokdemir 30).

Table 6: Currency in Circulation, 1937-1944 (Turkish Lira)

Year	Paper Money	Coins	Total
1937	168,630	25,538	193,988
1938	193,970	25,452	219,431
1939	281,460	26,589	308,649
1940	403,556	30,344	433,800
1941	512,473	31,029	543,502
1942	733,944	31,601	765,545
1943	802,110	31,544	833,664
1944	960,834	33,707	944,541

Source: *The Tragedy of the Turkish Capital Tax* (Ökte 10).

Table 7: Average Wholesale Price of Consumer Goods, 1940-1944 (1938=100)

Year	Agricultural Products	Meat and Dairy Products	Industrial Raw Materials and Industrial Goods	General Index
1940	123.3	121.8	134.5	126.6
1941	179.8	174.8	176.3	175.3
1942	424.9	386.6	261.2	339.6
1943	894.5	752.8	319.0	590.1
1944	539.4	520.9	355.6	458.0

Source: *The Tragedy of the Turkish Capital Tax* (Ökte 10).

Given that Turkey had exhibited fairly conservative monetary policy throughout the Great Depression and the 1930s, one might be tempted to ask why the government chose to issue money rather than borrow domestically. Günçavdı and Tokdemir suggest that the government's recourse was likely limited by the lack of a well-developed capital market (Günçavdı and Tokdemir 26). In fact, they note that much of the limited available

credit had already been directed towards the public sector during the war. Prior to 1939, only 9 percent of total credit had been allocated to the public sector, and 73 percent to the non-agricultural private sector (Günçavdı and Tokdemir 26). During the war, the public sector's claim on credit ballooned to 35 percent of the total available volume, while the non-agricultural sector only received 43 percent (Günçavdı and Tokdemir 26). The fundamentally agricultural basis of the economy was also a factor limiting the capital market's allocation of any further resources to either public or private investment.

This practice delineates a marked contrast with that of other developed nations. In many other countries – whether belligerents such as Germany and France or neutral countries such as Switzerland – the use of cheques in lieu of cash was heavily encouraged. By contrast, Turkey's use of inflationary finance resulted in the expansion of domestic demand, a dilemma which Keynes famously showed could be mitigated through the use of domestic borrowing and/or compulsory savings.[30] Unfortunately, income levels in Turkey were comparatively low, and domestic savings were likely insufficient to finance a sudden increase in public expenditure (Günçavdı and Tokdemir 27). As a result, the banking sector would have been unable to provide the necessary liquidity unless the government injected money by increasing the money supply. While such an inflationary process could have been offset by the selling of gold or currency reserves, the only way to accumulate such reserves would have been through international trade and capital flows, further intensifying Turkey's reliance on what meager international trade it could find.

[30] See Keynes' *How to Pay for the War: A Radical Plan for the Chancellor of the Exchequer* (1940).

At the same time, nearly one million men were drafted and mobilized into the army in 1940 (Aktar, *Tax Me* 189). Given that the entire population of Turkey consisted of less than 20 million people at the time and that nearly 90 percent of them lived in the countryside, this resulted in a significant withdrawal of working-age men from the labor force, heavily reducing production and economic output, further compounding Turkey's economic woes.

As the government became increasingly unable to finance its budget expenditure, the public debt grew extreme. While in 1939 the public debt had stood at TL 447 million, by 1943 it had nearly tripled to TL 1,217 million (Ökte 7). Turkey also became increasingly dependent on foreign capital, as the amount of foreign loans rose from TL 183 million to TL 725 million over the same time span (Ökte 7), with the percentage of public debt being financed by foreign loans rising from roughly 41 percent to nearly 60 percent.

The government responded to these conditions by raising various domestic taxes. Revenue from the Monopolies Tax rose from TL 66.2 million to TL 186.8 million, and purchase taxes were similarly increased (Ökte 6). This had the major drawback of taxing both the poor and the rich indiscriminately, while the income tax, which would have allowed for a more equitable burden, was kept low, further depressing the poor and lower middle classes. Public tax revenues ultimately rose as high as TL 950 million, yet these were insufficient to pay for the public expenditure, which had risen to TL 1,550 million.

In addition to taxes, the government had one other crucial avenue of raising revenue from the public. Given the state's dominance in the economy, it could have leveraged its state-owned enterprises to assist in raising revenue. If companies held

monopolies in markets for final goods or raw materials, the government should have been able to mobilize financial resources in favor of the state through the price mechanism – an implicit form of taxation on the general public. Looking at the data, from 1939-1940, there was a substantial increase in the profits of public sector companies – 198 percent in nominal terms, far in excess of the 26 percent inflation rate (Günçavdı and Tokdemir 32). While this form of capital transfer seems to have continued, starting in 1943 the rate of profits appear to fall lower than inflation, suggesting a lack of coordinated policy with respect to this form of revenue collection.

The Étatist Economy and the *Varlik Vergisi*

Though attributed by many economic historians as having facilitated the economy's recovery in the 1930s, the Turkish étatist economy nevertheless contributed to the creation of the *Varlik Vergisi* in a variety of ways. In particular, changing external conditions related to the onset of the Second World War, poor implementation of étatist principles, and certain other interaction effects all exacerbated the economic situation.

One of the most prominent effects of étatism was the rapid proliferation and misuse of state-owned enterprises. Throughout the 1930s, Ankara produced two five-year plans, leading to the creation of hundreds of such enterprises. The primary drawback of state-owned enterprises is that they are well known for resulting in increased production costs and corruption. However, their proper employment can yield benefits if used for the purposes of nurturing strategic infant industries or protecting industries of national interest. Unfortunately, in many instances these strategies were poorly implemented, and

projects were often undermined by their contamination with nationalist ideals. For example, many of the newly constructed industries were dispersed in order to benefit backward areas, especially within Eastern Anatolia (Bayar 775). While the inspiration behind such dispersion may have had the admirable goal of providing economic benefits to impoverished areas, choosing a location without proper consideration of the attendant monetary costs can lead to obvious harm to the profitability of such an enterprise. Similarly, other locations were chosen for their strategic or military value. A striking illustration of this is the construction of the iron and steel works at Karabük, which was built far from crucial iron and coal reserves (Ökte 3). What's more, such state-owned industrialization was financed through short- and long-term credit loans extended by the Treasury, which led to strains upon the currency, facilitating the rise of inflation (Ökte 3), exacerbating the deleterious economic processes taking place within the material sphere.

Inefficiencies endemic to state-owned enterprises were compounded by their combination with the confiscatory aspect of the Varlik Vergisi. In cases where impounded assets represented significant capital which could clearly not be sold to the general public, they were sometimes given to state-owned enterprises. Faik Ökte details perhaps the most notorious and extravagantly wasteful instance of this phenomenon in the case of the Barzilay and Benjamin Company, a coal transport company which paid the heaviest tax in the country (Ökte 84-5). At the time of the *Varlik Vergisi*'s assessment, the ships of the company were valued at then-present prices, which had gone up dramatically since the beginning of the war, resulting in an exorbitant assessment which the owners were unable to pay. In the end, the assessors decided to have the ships turned over to the state-owned Maritime Lines in return for a fixed price determined by

assessment experts. Yet, Maritime Lines would prove to have no use for the ships, and they simply left them idle at port.

Another aspect in which étatism strained the economy was through its promotion of a growing government bureaucracy, as the 'big push' of the 1930s necessitated the expansion of the civil service. By 1938, the number of government employees, not including military personnel, already numbered 127,000 employees, and by 1945 this number grew further to 184,000 (Bayar 775). Given that Turkey's population in 1945 was not even 19 million, this yielded a civil service percentage of 0.98 percent of the population. While received theory provides no consensus on the optimum size of a civil service,[31] the expansion of outlays on civil service salary, which reached 35 percent of the government's budget by 1945 (Bayar 775), was no doubt a contributor to the budgetary strains which led to the proposal of the *Varlik Vergisi*.

At the same time as budgetary outlays for the civil service and public sector were rapidly increasing, sources of public finance were drying up. The Great Depression and the closing down of international trade had led foreign investment to fall from £63 million in 1923 to £18 million in 1933 (Issawi 1982). Given this situation, the wise application of what financing was available would have been even more crucial. Furthermore, the dearth of foreign financing contributed to the sense amongst Turkish elites that the country needed to become self-sufficient, compounding poor choices around maximizing comparative advantage.[32]

[31] See the introduction to *An Empirical Approach to the Optimal Size of the Civil Service* for a brief account of the literature (Rajaraman and Saha 2008).
[32] Osman Okyar notes, for example, the decision to build a self-sufficient sugar industry in Turkey despite the large difference between home costs and world prices (Okyar 330).

Finally, the Turkish bureaucracy held certain erroneous beliefs with respect to what the *Varlik Vergisi* might accomplish. In addition to the straightforward goal of levying of revenue for the government, influential elements of the Turkish leadership (Faik Ökte cites Premier Saracoğlu) viewed the tax as part of the state's price policy, as it was thought that, because of their tax liabilities, merchants would flood the market with hoarded goods, bringing equilibrium to supply and demand (Ökte 75). This seems not to have been the case, as hoarding remained widespread throughout the period of the war (Ökte 12). In addition, it was also thought (and this time Ökte cites a discussion with President İnönü) that the tax would have a salutary effect on the price of gold, which was viewed as an indicator of economic conditions. The rationale was that the price of gold would drop as a result of taxpayers selling their gold to pay the levy. However, the tax was just as likely to have the opposite effect as well, as the appearance of an *ad hoc* tax likely incentivized the hoarding of what gold taxpayers had left, as well as by Muslims who may have been fearful of future increases in their own tax burdens. Finally, it was thought that compulsory sales of confiscated goods would bring down the prices of immovable property and gold. However, as Ökte notes, the sale of household effects quickly proved counterproductive. Transaction costs clearly infringed on the profits realizable, particularly given that, "amidst the cries of women and children the household auctions yielded only limited returns" (Ökte 79), and it often became necessary to transfer seized goods to alternative markets.

Chapter 4: Ideological Processes

The second set of processes contributing to the creation of the *Varlik Vergisi* are what I have termed "ideological processes." To supplement the analogy of economic processes describing the evolution of the situational landscape of the actors, these ideological processes describe the mental paths by which those actors would navigate such a landscape. In order to produce a materialist conception of such processes, we may turn to Cavalli-Sforza's notion of a "cultural object." As an example, correct use of the knife and fork may be recognized as part of the cultural object called "table manners" (Cavalli-Sforza and Feldman 18). The various traits of such an object may differ greatly among populations, and while some may have no obvious adaptive rationale, others may originate through considerations of aesthetics, respect, hygiene, convenience, or other contingent considerations. These objects may take the form of norms, values, or institutions (in the sense of an established law, practice or custom). Moreover, a single trait may also be transmitted as part of a complex, and that complex may have adaptive utility even if its individual parts are trivial or even counterproductive. However, unlike a physical object – say, an heirloom – which obtains one form and is then transmitted through generations or between individuals unchanged, cultural materials evolve, grow, and change during transmission and over time. In other words, these cultural materials act as replicators, which accumulate and are transmitted through human society in much the way that genes flow via biological processes. In terms of means of transmission, these cultural replicators may flow vertically in a one-to-one structure (as from parent to offspring) or in a many-to-one structure (as when adults in a community exert pressure on a child), and they may flow horizontally from one-to-one (as between two adults) or also

in a many-to-one structure (as from leaders to followers) (DeLanda 145). Furthermore, replication may be voluntaristic, propagating through imitation, or forced, propagating through enforced repetition.

Prima facie, the crucial role which cultural replicators play in determining behavior appears obvious. In more specific and dynamic terms, cultural replicators act as catalysts that facilitate or inhibit the self-organizing processes made possible by intense matter-energy flows (DeLanda 147). While those flows determine the nature of the stables states available to a system, the catalysts act as control mechanisms, accelerating movement and choosing one stable state over another. A dynamic feature of these processes is that the catalytic action of these replicators have the capability to set off disproportionately large flows of energy. Failure to adhere to a cultural norm, for example, could destroy a social relationship; alternatively, subjection to a cultural norm could influence behaviors as wide as choice of mate or profession.

Cultural replicators do not, however, transmit within a vacuum. Yet, unlike biological replicators, they do not appear to be subject to purely Darwinistic natural selection; rather, they are subject to a form of *social* selection, defined by two processes: selection pressure and socialization. Selection pressures function as a type of abstract sorting mechanism – replicators which are socially salutary (or at least not deleterious) are sifted through repetitive social interactions. At the same time, the process of socialization functions as a consolidation mechanism, hardening the replicator into a widely accepted creed, dogma, social institution, or more specifically for our purposes, an ideology.

With respect to the *Varlik Vergisi*, we will be chiefly concerned with two cultural replicators: étatism and Turkish nationalism.[33] Both of these functioned as catalysts, directing economic flows as well as structuring bureaucratic hierarchies, and both were consolidated in their pre-*Varlik* form by a variety of historical selection pressures, both economic and bureaucratic. Given the previous chapter's extensive coverage of the economic conditions of the period, let us first turn to étatism.

The Foundations of Étatism

Even since before the founding of the republic, the Kemalist faction had held ideological preferences towards étatism. Influenced by France's third republic, Mustafa Kemal had read descriptions of the étatist doctrine through the works of Charles Gide (Hanioğlu 134). Moreover, foreign capital was considered responsible for the chronic financial crises of the late Ottoman Empire, and the republic's initial leadership hoped to eliminate the budget deficit without any recourse to international capital markets (Grigoriadis and Kamaras 55). At the opening ceremony of the 1923 İzmir economic congress, Kemal argued that, during the era of the Ottoman Empire, the state had not been free to build railways and factories to meet the economic needs of the nation, stating that, "full independence should reinforce national sovereignty with economic sovereignty" (Grigoriadis and Kamaras 55).

[33] I have designated the prevailing political ideology as "Turkish nationalism" rather than "Kemalism" so as to avoid its secular, non-ethnic conception of Turkish identity. I have also refrained from simply terming it "prejudice" or "racism," as the term is meant to connote a broader set of beliefs and to avoid entangling it within the confines of religious, ethnic, or racial prejudice alone.

While the Kemalist leadership clearly desired to take greater control over the economy, their aims were nevertheless inhibited by material factors. Following the destruction of the first World War, development was regarded as the bureaucracy's most immediate task. Initial catalysts for a liberal trade regime arose not only from external constraints such as the Lausanne Treaty, but also from internal demands. Onerous taxes such as the tithe and the animal tax were quickly abolished, signifying a departure from the traditional Ottoman policy of placing the largest tax burdens on the agricultural producers as well as indicating a tendency towards liberal modernization. At the 1923 İzmir Economic Congress, farmers, merchants, and industrialists all expressed their demand for a national economy led by the private sector, with foreign capital to be allowed under specified conditions (Pamuk *Economic Development* 170). While the congress nevertheless adopted certain protectionist resolutions (though stymied by the Lausanne Treaty), the central paradigm was one in which the state was to have a secondary and supporting role within the economy to that of the private sector. The founding of the İşbank (Business Bank) in 1924 provides a formative example of the private-sector oriented economic model of the 1920s. Founded by prominent figures such as Atatürk himself as well as Celâl Bayar – who had previously served as Minister of the Economy and would later serve as Prime Minister and President – the bank's mission could be summarized as aiming to support and develop Turkey's private sector (Pamuk *Economic Development* 171).

So long as economic recovery seemed to be making headway, and so long as liberal trade regimes seemed to be supported by international standards, Turkish leadership may have been content with such a state of affairs, despite their own

proclivities towards more protectionist measures. Indeed, they could hardly have afforded to do otherwise – tax receipts had increased by 60 percent during this time (Okyar 98). However, even prior to the Great Depression, both man-made and natural phenomena acted as selection pressures, increasing skepticism towards economic liberalism and providing additional pretext for the Kemalists to inaugurate stricter economic controls. Though initially in dire need of foreign capital, the experience of many sharecroppers in the 1920s with usurious foreign lenders[34] not only increased skepticism against liberal financial regimes in general, but galvanized grassroots support for a more inwardly focused national economy. At the same time, even natural phenomena seemed to indicate the necessity for greater state control. Seasonal fluctuations, exacerbated by an economy overly reliant on agricultural exports, encouraged speculation, much to the detriment of the lower and middle classes.

By the time the Great Depression arrived in 1929, Turkish leadership, already predisposed towards protectionism, was adequately provided with all the rhetorical ammunition to make a strong case against a liberal order. Prime Minister İsmet İnönü characterized the need for étatism as a defensive measure, one necessary to struggle against the ineffectiveness of the old system and as a reaction to the economic problems of the time (Barlas 66). Indeed, the prevailing actions of world powers at that time would have easily provided many examples of other modern states intervening to save their economies as well – the turn towards greater state intervention would not have been seen as reactionary. Mustafa Özkan, who served as Minister of the Economy between 1930 and 1932, similarly characterized étatism as a defensive strategy and a reaction against

[34] See Çaglar Keyder's *Credit and Peripheral Structuration: Turkey in the 1920's* (1980) for a detailed analysis of Turkey's experience with foreign finance in the 1920s under a framework of dependency theory.

the past. During parliamentary debates in 1930, he derided previous governments for not having taken the initiative in the national economy, stating that in the old days, not only was discussion of the economy discouraged, but it was even regarded as a misdemeanor (Barlas 72-73).

Concerns over the ability of liberal policy to produce domestic industrialization also fueled justifications for étatism. In 1933, İnönü stated that, "the most important and difficult task facing us is, with the means of the state, to build up immediately the industrial and economic underpinnings of a grand nation – which was left with underdeveloped and insufficient means" (Barlas 66). However, it was felt by many that domestic private capital was insufficient to finance industrialization, and many statesmen saw developments in Soviet Russia as pointing the way towards a solution (Okyar 99). The first Soviet five-year plan had begun in 1927, and in spite of certain shortcomings, it seemed to be producing impressive results. Could the Turkish state not replicate its methods? Celâl Bayar argued for such action, stating that, "if industrialization was left in the hands of the private initiative, the country still had to wait for two centuries for its accomplishment" (Barlas 68). In a speech to industry and trade leaders in Nazilli he cited a specific example requiring state intervention, asserting that insufficient capital necessitated the state's involvement in the establishment of a domestic textile industry (Barlas 68).

The need for rapid, independent industrialization, further justifying étatism, was made especially salient by fears over Turkey's peripheralization to Europe as an agricultural supplier. Prevailing wisdom held that the road to wealth followed through the export of finished goods, and that foreign capital would only endeavor to put Turkish

agriculture at its mercy as a supplier of raw materials, a view reinforced by the experiences with foreign lenders in the 1920s. In the words of Mahmout Soydan, then president of İşbank and a Member of Parliament:

"Everyone knows the political and economic necessities which force Turkey to establish its national industry. Our struggle is simple. We want to rescue the homeland from being an exporter of raw materials, a colonial economy. Instead of this, we have decided to establish a national economic system. To achieve this target, we have a launched a war for national economic development. All the financial, economic and national institutions of the homeland have been assigned duties in this war, according to their strength. Those firms which always stood in the forefront of homeland affairs were assigned duties in the state industrialization program" (Grigoriadis and Kamaras 55).

Another particularly salient justification for étatism argued from social terms, contending that liberalism produced class struggle and was detrimental to the nation. One of the foremost proponents of this view was Recep Peker, who would serve in multiple cabinet positions before ultimately succeeding to the position of Prime Minster in 1946, and who was one of the leading figures in the interpretation of étatism in the 1930s. According to Peker, the restricted role of the state in liberal regimes created an anarchic atmosphere in which social classes were forced to struggle against each other (Barlas 70). By contrast, Peker advocated national unity, stating in 1935, "We do not have a state system based on either a class revolution or an individual dictatorship. The Turkish Republic is completely a national state" (Barlas 70). Similar arguments were made by Mustafa Özkan, who contended that if the government were to offer a free hand to the "anarchic" climate of the liberal system, it would destroy the advancements made by the republic in the previous ten years (Barlas 73). Concerns over class conflict materialized in the form of bureaucratic regulations. In 1936 the first Labor Code was passed (Law no. 3008), which forbade the right to strike, and in 1938 the Law of Associations (Law no.

3512) outlawed the formation of associations on the basis of class, amongst other criteria (Ciddi 22).

The experiences of the 1920s also fueled resentment against perceived foreign control over domestic economic processes. The restrictions of the Lausanne Treaty were seen as having prevented Turkish leadership from adopting protectionist measures after the war, measures which states around the world then seemed to be advocating. In addition, grassroots peasant support was mobilized in favor of greater national control in part because of many farmers' experiences with foreign lending.

Not only did the influence of foreign capital in the 1920s stimulate caution against foreign lending, it stimulated caution against *private* lending as well. That many Turkish merchants had been accomplices in usurious practices was not lost on the agricultural peasant class. Turkish leadership was receptive to this concern, which reinforced their beliefs that liberal economic regimes stimulated class conflict to the detriment of the nation. Mustafa Özkan in particular was concerned with reliance upon a banking system, arguing that state intervention in the industrialization process could help to avoid financial capital's domination of the industrial sector (Barlas 74).

With the political and economic experiences of the 1920s having functioned as selection pressures catalyzing protectionist and statist norms and beliefs,[35] étatism took firm root within the Kemalist leadership. Following this, it began to become an increasingly consolidated cultural object through both formal and informal socialization. Its formal consolidation as a party (and by extension state) platform took place at the

[35] Faruk Birtek describes étatism as "the culmination of a search for structures to support a particular political center" (Birtek 409). See his *The Rise and Fall of Etatism in Turkey, 1932-1950* (Birtek 1985) for a greater in-depth study of the process.

1931 Third General Congress of the CHP, when étatism became an official party tenet (Cagaptay *Islam, Secularism* 44). One of the most notable informal channels of consolidation consisted of its formulation within the monthly review *Kadro*. Appearing between 1932-34, the review received considerable attention both inside and outside Turkey (Okyar 100). Theorists at the magazine advocated for absolute state control of the economy, believing that Turkey could avoid the problem of class conflict if capital remained in the hands of the state rather than specific classes. In its early years, *Kadro* was an important channel in consolidating the theoretical underpinnings of étatism and acting as a medium of socialization, both by outlining the theory for neophytes and by creating pressure to maintain a consistent position. The main propositions formulated by the magazine can be summarized in three points (Okyar 100):

1. The reform movement started by the Revolution in Turkey should not be considered finished. Turkey had to continue to change fast, and many more reforms were called for.
2. A group of small elite (*kadro*) was to be trained which could carry out these reforms.
3. The idea of planning should be applied to all fields of Turkish life: economic, social, health and education. Such planning should be comprehensive, wholesale planning embracing the totality of each field where it was applied.

Despite the influence of *Kadro*, the government would not go so far as to introduce total planning in the economic sector, let alone the other fields suggested. To do so would have meant the complete abandonment of free enterprise in favor of socialistic planned activity. In fact, most Turkish officials explicitly argued that étatism was *not* a form of socialism, and that not only did it preserve room for a private sector, but that the private sector even depended for its existence upon proper statist policy. İnönü contended that any small commerce or business would be ruined because of

foreign competition if the government did not follow a protected customs policy, citing as an example the special measures that the state had taken at that time to protect the domestic tobacco industry (Barlas 66-67). Furthermore, he argued that the state should also do things that an individual or an enterprise was capable of doing if it would be in the better interest of the nation to have that industry under the public sector (Barlas 67). The state railway, for example, offered a powerful example of this at the time – previously owned by British, French, and German financiers, nationalization of the railways and their centralization allowed the government to provide low-cost transportation and serve Turkish financial interests. Industries regarded as crucial for industrial growth, such as iron, steel and coal were prioritized, and wheat could be more easily shipped to major urban areas in the western regions of the country from Central and Eastern Anatolia (Pamuk *Economic Development* 172). In other words, state control of rail lines provided not only a public utility for private entrepreneurs, but also facilitated industrial policy as well as strengthened national consciousness and political unity. Celâl Bayar made similar appeals to the necessity of cooperation between the private and public sectors, stating that, "It is important to have a planned and sincere coordination among national forces which would be mobilized for the progress of the national economy" (Barlas 69). Many officials were also careful to retain concerns against class conflict – Mustafa Özkan intertwined arguments against social division alongside economic interests, describing part of the state's responsibilities as controlling, protecting, and inspecting so as not to allow various economic interests to harm each other or violate each other's rights (Barlas 73).

Turkish Nationalism – Who is a Turk?

In terms of cultural identity, the inhabitants of Anatolia represented an increasingly problematic point of classification during the Ottoman Empire's slow decay. By the early 20th century there would be three competing views: Islamism, Turkism, and Westernism[36] – in dynamic terms, three competing cultural replicators interacted and vied for dominance. While none of them succeeded wholesale, Turkism would dominate for most of the interwar period, its place in the social structure exemplified through the inclusion of "nationalism" as one of the six arrows of Kemalism. Ultimately, its interpretation and its implementation would be influenced by both purely ideological precepts as well as by pragmatic concerns informed by material realities. Given that the ideological roots of pan-Turkism predate the immediate material exigencies motivating its Kemalist interpretation, we shall start there.

Yusuf Akçura, a prominent writer of Tatar origin, was one of the earliest proponents of pan-Turkism. He initially garnered attention in 1904 for his work entitled *Three Policies*, in which he called on Turks to abandon the multi-ethnic Ottoman Empire in favor of a turn towards a wholly Turkish identity, an identity which he defined in entirely racial or ethnic terms – with respect to religion, Akçura feared that any form of pan-Islamism would hinder national development. This perspective soon began to influence the ideological development of some members of the Young Turks, who saw in his work and in the works of Turkologists such as Leon Cahun a justification for pride in their Turkish origins rather than their Ottoman or Islamic roots (Kaya 60). External events had also made this doctrine appealing. Russian brutality in Central Asia in the

[36] See *Ziya Gökalp: His Contribution to Turkish Nationalism* (Berkes 1954), for an interesting discussion of Ziya Gökalp's confrontation with and attempt at reconciliation of the three views.

1860s, as well as Bulgarian brutality against Ottoman Muslims in the newly established Bulgarian state helped to fuel a shared identity through adversity, as well as a sense that only through solidarity with co-ethnics could such events be prevented from being repeated in the future. By the 1910s, the doctrine of Turkism had become prominent in journals such as *Türk Yurdu* and *Halka Dogru*, and even materialized as a formal organization in the *Türk Ocagi* (Heart of the Turks) (Kaya 61).

Initially a member of the *Türk Ocagi*, Ziya Gökalp would go on to eclipse Akçura in influence. Heralded by many as "the father of Turkish nationalism," and even "the Grand Master of Turkism," Gökalp's thought would, in many ways, represent a more pragmatic fusion of all three strains. For Gökalp, Akçura's pan-Turkism was too idealistic in nature. He considered the "imagined community" of such a broad pan-Turkism as wholly unrealizable, while similarly holding that the importance of Islam to a Turkish identity was far too important to be disregarded (Kaya 61). His conception of the new Turkish identity was to be a synthesis of East and West, but also one in which the pre-Islamic, unique history and traditions of the Turkish people were to be found. In terms of his own theoretical heritage, much of Gökalp's thought retained elements from the German Romantic tradition, influencing a preoccupation with the nation and the folk. Similar to the German concepts of *Gemeinschaft* and *Gesellschaft*, Gökalp distinguished between two aspects of social life, namely civilization and culture, believing that the former became a matter of mechanical imitation without the latter as its basis (Kadıoğlu 184). He believed that the Turks had "borrowed the institutions of foreign peoples and produced an artificial civilization, instead of creating their own by developing their own institutions" (Türköz 38). For Gökalp, a restoration of the health of the nation would

require a rooting in its own folk traditions – Western technology could be borrowed for the sake of material progress, but not Western culture. The best way for the Turk's to contribute to the development of humanity at large was for the Turkish nation to develop and foster its own culture. Furthermore, he held that the nation was not a construct, but something which existed objectively, arguing that society could not be derived through individual reason, but rather that society exists via the transcendental reality of the nation (Kadıoğlu 183). Berkes summarizes Gökalp's convictions, stating, "As the ultimate reality of contemporary society is the nation, and as national ideals are ultimate forces orienting the behavior of the individuals, so the most urgent task for the Turks consisted of awakening as a nation in order to adapt themselves to the conditions of contemporary civilization" (Berkes 22).

Gökalp offered practical suggestions for strengthening the nation. One of his late essays addressed what he saw as a problem in the disorganization of family names, a symptom of broader familial disarray. Gökalp held that Ottoman policies had resulted in a destabilized familial structure, owing to Islamic marital practices allowing for easy divorce by males and polygamy (Türköz 39). A result of this discord was the lack of organized structure for family names – during the Ottoman era, Muslims carried titles defining their formal profession or informal status within society, but lacked a defining familial surname. In order to rectify this deficiency, Gökalp proposed that a law require each family to register a surname at a population office (Türköz 40). While he would not live to see it, such a plan came to fruition in 1934 with the passage of the Surname Law, which not only required the registration of surnames, but required as well that citizens choose names deemed to be sufficiently Turkish.

Mustafa Kemal, as the most powerful leader within the nationalist movement, also came to exert an outsized influence upon the eventual interpretation of Turkish nationalism, single-handedly representing a potent source of selection pressure. Kemal's belief structure consisted of a populist notion of scientism, combining insights from German vulgar materialism and positivism, influenced by works such as Leone Caetani's *Annali dell'Islām* (Hanioğlu 131). In apparent agreement with the Italian orientalist, Mustafa Kemal eschewed religious revelation as a form of mythology, and viewed the driving force behind Islamic expansion not as religious zeal, but as the rapacity of Arab tribesmen (Hanioğlu 131). He maintained that the Turkish people had developed a great civilization prior to their adoption of Islam, and he saw Europe's dominance as evidence of the need to secularize. In particular, Kemal viewed France's third republic as the most successful regime in the history of mankind, and looked approvingly upon its militant anticlericalism, laïcité (secularism), and idealistic solidarité as espoused by Alfred Fouillée (Hanioğlu 134). While respecting certain practical limitations, Mustafa Kemal thereby came to favor a secular vision of the republic, in which nationalism would replace religion as the primary cultural identifier of the people.

Material realities and political considerations acted as selection pressures, favoring Gökalp and Kemal's more pragmatic theorizations. One of the most immediate factors was the utility of national unity in light of the exigencies of the Turkish War of Independence. Following the collapse of the Ottoman state, the various interests within the post-imperial region lacked a unifying structure. Militarily, Muslim provincial elites established local and regional defense associations to maintain order (Esen 605). Politically, the national parliament was divided between IT diehards (the Committee of

Union and Progress), populists, Kurdish federalists, Turkish nationalists, and Muslims conservatives (Esen 606). In order to consolidate power between these disparate forces and groups, Mustafa Kemal advanced a populist platform to accommodate their diverse demands. Such a platform would need to include a unifying identity that was at once broad enough to appeal to the wide swath of stakeholders, yet grounded enough to provide emotional resonance. Even after the war, the necessity of political unity would remain especially salient – in 1925, the Kurdish revolt of Sheik Said paid testament to this reality. A purely religious identity, while perhaps appealing to much of the peasantry, would have been seen as unacceptable to much of the ruling class which viewed secularism – evidenced by both liberal and non-liberal modern states – as a prerequisite of development. In addition, a purely ethnic or racial account, such as Akçura's, would have alienated much of the recent Muslim émigrés from outside of Anatolia.

The result was (at least ostensibly, and according to popular hagiography) a secular, non-ethnic conception of official national Turkish identity. The program of the ruling party defined the nation as "a social and political formation comprising citizens linked together by the community of language, culture and ideal" (Mateescu 234). In other words, one had to speak Turkish, respect Turkish culture, and strive to uphold the ideals of the republic. Notably absent from this definition are any references to ethnicity or religion. Furthermore, the state refused to recognize the existence of sub-national identities. Şener Aktürk locates the definition of this regime type intermediate between monoethnic and multiethnic – *antiethnic*: While membership was not limited to one ethnicity, the institutionalization of multiple ethnicities was not permitted (Aktürk 120).

In other words, one did not need to be of a particular racial profile to be considered a Turk, but outside of the Turks there could be no competing identities.

The inclusive nature of this conception of Turkishness was frequently lionized by the leadership. Kemal sought to immortalize this ideal through his adoption of the name Atatürk, meaning "Father of the Turks," and in 1933 he gave to the republic what would become one of its most famous mottos: "*How happy is the one who says I am a Turk!*" encapsulating the voluntaristic aspect of Turkishness. The following statement from one of his public speeches highlights the civic and pragmatic nature of this conception:

"I am neither a believer in a league of all the nations of Islam, nor even in a league of the Turkish peoples. Each of us here has the right to hold his ideals, but the government must be stable with a fixed policy, grounded in facts, and with one view and one alone – to safeguard the life and independence of the nation within its natural frontiers. Neither sentiment nor illusion must influence our policy. Away with dreams and shadows! They have cost us dear in the past!" (Mateescu 235)

However, the status of minorities was still of some confusion. In the *millet* system of the Ottoman Empire, the word "Turk" had been used to signify any Muslim inhabitant of the empire. On the other hand, there were also linguistic and ethnic associations with the term. Could a Christian or Jew be a Turk? What about Muslim co-religionists from outside Anatolia? Peker attempted to clarify the status of religious minorities in a 1931 speech at the Istanbul Darûlfünun when he stated that:

"We need to voice our ideas on our Christian and Jewish citizens with equivocal clarity. Our party sees these citizens as full Turks, on the condition that they participate in… the unity in language and in ideals" (Cagaptay *Islam, Secularism* 45).

Unfortunately for those looking for "equivocal clarity," Peker followed by inserting a caveat, stating that even then, non-Muslims would not be considered full

Turks since, "according to daily-progressing historical evidence, the matter of blood ties and historical links between us and these masses is beyond our contemporary debate" (Cagaptay *Islam, Secularism* 45). However, even this caveat came with a further qualification, as Kemal himself wrote that the need to be cautious toward the Jews and Christians would disappear after they would "tie their futures and fortunes with ours" (Cagaptay *Islam, Secularism* 45). Peker made somewhat more allowance on the issue of ethnicity, maintaining that non-Turkish Muslims could be considered full Turks, stating, "We accept those citizens in the contemporary Turkish political and social community, as part of us, those citizens who accepted the ideas such as Kurdism, Circassianism, and even Lazeism and Pomakism. It is our duty to correct these false conceptions [among them]" (Cagaptay *Islam, Secularism* 45). The definition of a Turk seemed not to be so clear cut after all, rather, it appeared to involve a mixture of an ethno-religious element, mixed with certain pragmatic qualifications.

This more pragmatic conception of Turkish identity began to take on a consolidated form through gradual legal and bureaucratic institutionalization. One of the earliest instances of this process can be found in the country's post-war immigration policies. In the 1926 Memorandum of Settlement, the last paragraph of the first article states that:

"Pomaks, Bosnians, Tatars are deemed as bounded to Turkish culture and the application of Albanians, who came to Turkey before and were registered, with respect to the admission of their families are being granted" (Ülker §20).

Interestingly, bureaucrats seemed to have regarded Pomaks, Bosnians, and Tatars as culturally Turkish, though not the Albanians, with immigration of the latter group being restricted to the families of those who had already migrated. As for Gypsies, their

immigration claims were to be rejected entirely (Ülker §21). In addition to determining *who* would be allowed to immigrate, these policies also determined *where* they would be allowed to immigrate to, reflecting further pragmatic concerns, particularly over homogenization processees. A decree passed in 1923 declared that:

> "By taking into account that the most difficult obstacle to the civil and social improvement is the dissimilarity in the language and customs, the proportion of the immigrants, regardless of race or nationality, whose language and customs belong to another race shall never be over 20 percent in any Turkish town and village" (Ülker §26).

Similar actions were taken with respect to immigration in the 1930s as well. A 1933 directive to the Kars and Artvin provinces delineated the conditions under which refugees from the Soviet Union were to be admitted into the republic. People who "are Turkish or share the Turkish culture," were to be accepted as refugees and sent into the First Inspectorate-General (an area with a heavy Kurdish population) for resettlement, while others, "who are not Turkish, but speak Turkish or are married to a Turkish girl, are to be arranged for resettlement in Central Turkey", and the rest, "who do not belong to the Turkish race or share the Turkish culture" were to be refused (Cagaptay *Islam, Secularism* 160).

Pragmatic considerations seemed to be acting as further selection pressures, somewhat mitigating the high ideal of a secular, non-ethnic conception of Turkish identity. Given the need for social unity and cohesion, the regime took a practical orientation towards nationhood – racial or ethnic traits may very well be taken into consideration, but primarily in the interest of limiting proportions in a given area so as to facilitate assimilation. Accordingly, those refugees which appeared to be neither Turkish in ethnicity nor culture could only have served to further increase division wherever they

were settled. In some respects, we might contend that the bureaucracy's pragmatic attitude towards identity reflected a double-edged sword: On the one hand, it left open the possibility that ethnic or religious minorities could assimilate and avoid discrimination; on the other hand, the bureaucracy's obvious contempt for division could also leave open the possibility of oppressive measures in the name of homogenization.

This conception of Turkish nationalism became increasingly consolidated in party and state institutions as well. In 1927, the Kemalist party adopted a regulation in which it stated that it "recognizes the unity of language, sentiments, and ideas as the strongest bonds of the national solidarity and attaches a special priority to the development of the Turkish language and Turkish culture" (Çelik 20). Consolidation of the concept under party formulation became increasingly salient as the Kemalists consolidated political power through the establishment of the one-party state. The 1935 congress of the party was an especially important milestone, systematizing Kemalism as having four cardinal principles, one of which was "Fatherland," as well as six principles, one of which was "Nationalism" (Çelik 20).

Having taken root within the minds of the Kemalist leadership, the function of Turkish nationalism as a cultural replicator accelerated the development of nation-building policies by catalyzing a variety of Turkification programs. Many of these policies were sporadic, and did not represent a coordinated effort. One of the first instances of such a policy was article 12 from the 1924 Turkish Constitution, which forbade citizens who could not speak and read Turkish from becoming members of parliament.[37] Another example includes the 1926 Civil Servants Law, which limited civil

[37] See: https://www.worldstatesmen.org/Turkeyconstitution1924.pdf.

service only to Turks, explicitly excluding Armenians and Greeks, as well as non-Turkish Muslims such as Kurds (Bayir 122). There was also the previously mentioned Surname Law in 1934, as well as the changing of various geographical and even animal names.

Language has historically been a chief determinant in establishing the unity and homogenization of a population. Describing France's experience with standardizing its language in the 18th century, DeLanda states that, "a national language was felt necessary because only through linguistic unity could the emerging elites mobilize the masses for peace and for war" (DeLanda 231). Linguistic homogenization would have served a similar purpose in Turkey as an emerging nation state. We have already seen the degree to which proponents of Turkish nationalism emphasized unity of language, and this was no doubt in part due to the selection pressures offered by the efficiency gains and reduction in transaction costs which a unified language could provide in both economic and political terms. Economically, a unified language would have served to both facilitate transactions at a micro level between individuals, and at a macro level by promoting the development of a national market. Politically, linguistic homogenization would have greatly served to centralize control for the new bureaucracy in Ankara, helping to mitigate the threat posed by provincial leaders. Moreover, the economic and political consequences of homogenization would have had interaction effects as well – economic improvements would have served to provide added legitimacy to the central government, and the concentration of political control would have continued to facilitate the means for easier state direction of the étatist economy.

While a process of linguistic homogenization had been proceeding at least since 1911, when usage of the Turkish language become compulsory in all Ottoman schools, it

remained a concern in the era of the new republic, as many minorities continued to use their native language both in private and in public. One of the most notorious episodes of the era's Turkification efforts took place in the "Citizen, speak Turkish!" (*Vatandaş Türkçe konuş!*) campaign. Initially launched by a student society at the Istanbul Darülfünun Law School in 1928, with sanctioning from the republican government students placed signs around the city commanding "Citizen, speak Turkish!", targeting non-Muslim minorities, many of which spoke French, Judeo-Spanish, or Greek in public (Ertürk 148). The messages began to spread through the mass media, press, and political circles within the country. Through a process of social pressure and even outright harassment, minorities were being compelled to speak Turkish in public. The campaign gained legal institutionalization later that year as arrests were being made throughout the country in order to "incorporate Turks with foreign dialects into the Turkish community by making Turkish their mother tongue" (Özkirimli and Sofos 167).

Educational institutions also functioned as crucial channels for Turkification. Gökalp had long made the use of education in the service of Turkish nationalism a central pillar of his thought. In his words, "a nation is not a racial or ethnic or geographic or political or volitional group but one composed of individuals who share a common language, religion, morality and aesthetics, that is to say, *who have received the same education*" (emphasis mine) (Çelik 23). According to Gökalp, the proper use of an educational apparatus could induce in the citizenry a sentimental allegiance to the nation which could in no way be erased from their souls (Çelik 23). Though perhaps not the guarantee he expected, there is no doubt that schools have excellent nation-building

utility, functioning as institutions of consolidation, homogenizing its heterogeneous inputs into a reservoir of "normal" citizens.

The Kemalist bureaucracy seems to have agreed, and in this connection a remarkable figure makes his appearance in the history of Turkish education – in 1924, the Turkish Ministry of Education invited world-renown American philosopher John Dewey to observe and analyze the Turkish educational system and make recommendations for restructuring and reorganizing it (Turan 543-44). Dewey accepted the offer, and after two months in the republic, he prepared two reports on the Turkish educational system. While much of his recommendations focused on mundane improvements to the efficiency of the system from a practical standpoint, Dewey clearly had the ideals of the republic in mind as well, summarizing the primary object of Atatürk's ideas as aiming to secure the development of Turkey as a "vital, free, independent, and lay republic in full membership in the circle of civilized states" (Dewey 275). Toward that end, Dewey listed three overarching recommendations:

> "Schools must (1) form proper political habits and ideas; (2) foster the various forms of economic and commercial skill and ability; and (3) develop the traits and dispositions of character, intellectual and moral, which fit men and women for self-government, economic self-support and industrial progress, namely initiative and inventiveness, independence of judgment, ability to think scientifically and to cooperate for common purposes socially" (Dewey 275).

While subsequent curricula in 1926 and 1930 would attempt to implement many of Dewey's recommendations, they fell short in one notably important respect. Dewey had emphasized the importance of tailoring education to local needs, noting a distinction between "unity" and "uniformity" (Dewey 281). However, the central Ministry of National Education established only two curricula: urban and rural. Raşit Çelik suggests

that the possibility of using different curricula in different localities was a suggestion that had been considered by the state, but was rejected to ensure the domination of the central power (Çelik 29). Yet, the state's construction of two curricula suggests that it was at least open to the pragmatic exigencies of multiple curricula, but its limitation to only the two seems to have been influenced by various selection pressures, likely political pressures against allowing for provincial autonomy, and by extension those seeking to preserve centralized power within the party and within Ankara.

Étatism, Turkish Nationalism, and the *Varlik Vergisi*

Étatism and Turkish nationalism, as economic and social doctrines respectively, did not merely coexist, but created a mutually stimulating dynamic in their broad calls for national unity and state intervention. For étatist hardliners, organized around the monthly review *Kadro*, étatism represented a third way between socialism and capitalism, in which the emerging society would have little or no class conflict, and state control could function as a means to achieve harmony (Bayar 776). Étatism was thus conceived not merely as an economic end in itself, but as a means to achieve the ideological goal of national harmony. At the same time, national harmony was viewed as being conducive to achieving a harmonious economy – a lack of class struggle would allow the various industries and social classes to work together for the benefit of the nation as a whole. Even for moderates, étatism was interpreted as a transitory phase designed to supplement an industrial structure which would later be supplanted by a strengthened private sector (Bayar 776). By comparison, nationalist moderates also could have seen certain

discriminatory or state-led social policies as temporary necessities in service of the greater good of achieving a united and homogeneous society.

Rhetoric in both the economic and social spheres also increasingly concerned the prevailing wisdom opposing competition in favor of cooperation. With respect to economic policy, there was a convergence of opinion that relations between the public and private sectors should be complementary rather than antagonistic (Yalman 29). Galip Yalman notes that "Turkish policymakers categorically rejected 'competition' on the grounds that it would have a deleterious impact on the formation of national wealth" (Yalman 29). And as this doctrine of domestic cooperation took hold within the economic sphere, it strengthened a tendency towards a similar movement in social thought. Social divisions of the 1920s, exemplified by the Kurdish rebellion, were associated with the economic hardships of that era as well. Just as economic nationalism would pave the way to material prosperity, so was it thought that Turkish nationalism would pave the way to social harmony. A speech given in 1930 to the Turkish National Assembly by the Minister of Economics, Mustafa Şeref, well highlights the socioeconomic expectations which prevailed through the combination of the two doctrines:

"Every individual, [i.e. every entrepreneur] is expected to act with the consciousness of complementing the activities of others, so that he would conceive of himself as a constituent unit of an organic whole. That is what is meant by '*etatisme*'. Hence the government reserves the right to intervene in order to accomplish this objective" (Yalman 30).

Given such such an emphasis on economic and social cohesion, the commercial bourgeoisie of Istanbul[38] became a highly salient symbol of differentiation,

[38] The Christians and Jews of Istanbul had been exempted from the 1923 population exchange with Greece, allowing much of the minority community in the city to retain their stations of power and wealth.

cosmopolitanism, and the seductions of conspicuous consumption, perfectly exemplifying the bête noires of both doctrines. Despite efforts to the contrary, by the arrival of World War II, Turkey was still heavily dependent on European imports. While peasants and even high-level bureaucrats queued for supplies, a class of *Harb zenginleri* (war-rich) became fantastically wealthy through black-market activities, particularly in Istanbul, the country's commercial capital. Considerable resentment of merchants built up among urban dwellers, especially salaried bureaucrats who saw themselves as victims of price gougers (Clark 206). Given the existence of such popular resentment at both the peasant and bureaucratic levels, it is not difficult to imagine the political leadership believing that the *Varlik Vergisi* would receive broad approbation, and it is likely that this process reinforced norms at the individual and political level as well, likely influencing the implementation of the tax.

The salience of the two ideological doctrines were combined in the form of Turkification policies being extended to the economic sector. In fact, formal attempts by the Kemalist bureaucracy at Turkifying the private sector had begun as early as 1923. At that time, private companies were asked to prepare lists of employees according to their religion; the state then signed agreements (*itilafname*) with these private companies to secure the replacement of non-Muslim and foreign employees with Turks within six months (Bayir 123). There seems to have been hesitance on the part of businesses to comply, as in October of that same year, the Ministry of Public Works felt compelled to issue warnings to businesses for compliance, on pain of having their authorization to conduct business in Turkey revoked (Bayir 123). According to a quote from the Ministry of Public Works, "At the end of the six-month time limit they will all be fired, because

the aim is to place Turkish personnel. This course of action is in the public interest" (Bayir 123). Codified legal discrimination also closed minorities off from employment opportunities. The 1926 Law on Civil Servants barred non-Turks from employment with central state bodies and municipalities (Bayir 122), while the 1931 Law no. 2007 restricted numerous private sector jobs exclusively to Turkish citizens, mainly impacting the non-Turkish Greek citizens of Istanbul (Bayir 123). Discrimination was carried out informally as well, as non-Muslim commercial operators were frequently harassed and threatened with closure by various means, undermining their competitiveness (Bayir 122).

The most obvious manifestation of this prejudice with respect to the direct implementation of the *Varlik Vergisi* would be the exorbitant rates levied against those deemed to be non-Turkish. From the very beginning, the prejudicial intent of the Wealth Tax was belied by the Finance Ministry's division of taxpayers into two categories, a non-Muslim one consisting of Greek, Armenian, and Jewish taxpayers, and one for Muslim Turks (Ökte 29-30). Following this division, Ankara demanded that the Finance Ministry levy rates in which the non-Muslim group was taxed at five to ten times the amounts levied on Muslim Turks (Ökte 35). By the end, the "extraordinary class of non-Muslim taxpayers" alone was required to pay 54 percent of the total amount of tax assessed for Istanbul, and, without including joint enterprises, the non-Muslim classes as a whole paid 83 percent of the *Varlik Vergisi* (Aktar *Tax Me* 196).

Prejudicial attitudes were also influenced by evolving norms outside of Turkey. Midway through the assessment of the *Varlik Vergisi*, Ankara gave verbal instructions to categorize a new class of taxpayers, consisting of *Dönme*, Jewish converts to Islam. This

class was taxed at rates double those for Muslims (Ökte 39). In other words, Nazi Germany's "scientific" approach to race seemed to be permeating normative structures within the Turkish leadership. Whereas, historically, converts to Islam from any religious background could expect to avoid paying the *jizya*, it would seem that converts had become marked by the indelible trait of race.[39] Indeed, the success of the Fascist front in the early years of the war likely made it easier for the Turkish administration to pursue such a discriminatory agenda in the first place, and it is telling that the *Varlik Vergisi* was eventually abolished around the same time as the tide seemed to be turning against the Axis, and when Turkish officials began working to improve relations with the Allies.

Normative judgments and prejudices against minorities factored into individual decision-making as well. Ayhan Aktar recounts the case of a young Armenian who had an affair with a famous film star (Aktar *Tax Me* 204). According to Aktar, the man was punished on two counts: on the one hand, he was heavily penalized as a result of a mentality which deemed his extravagant and decadent lifestyle to be forbidden, and on the other hand, it was as if he was punished as a handsome Armenian who had overstepped his bounds. Due to the arbitrary nature of the tax assessments, the normative beliefs and personal prejudices of the commissioners were able to contaminate the implementation of the tax.

Finally, such norms and prejudices influenced actors outside the direct decision-making process of the *Varlik Vergisi* as well. The Turkish press, for example, reinforced

[39] For an excellent analysis of how Turkey approached the understanding of race in the 1930s, see *Race, Assimilation and Kemalism: Turkish Nationalism and the Minorities in the 1930s* (Cagaptay *Race, Assimilation*). It is also interesting to note that the *Dönme* were only assessed at a rate double the Muslim rate, far lower than non-Muslims, indicating a regime intermediate between complete disregard for ethnicity and outright racialism.

these prejudices within the greater ambit of society through a vitriolic anti-Jewish and anti-minority campaign (Ökte x). Given the power that so many individual actors had within the decision-making process, pressure from the press upon government officials or efforts to influence normative prejudices may have resulted in alternative outcomes. However, the tax was supported by much of the national press, with only a few national newspapers raising objections, for which they faced political persecution (Ağır and Artunç 212). In the case of the first newspaper to criticize the tax, the *Vatan*, the government swiftly reacted by suspending its publication (Ökte 87). Meanwhile, much of the rest of the press accused non-Muslim merchants of profiteering, speculation, hoarding, and participating in the black market (Ağır and Artunç 209), facilitating the narrative for the *Varlik Vergisi* as a levy against the extraordinary profits made during the war. It is also possible that such attitudes influenced the actions of domestic banks as well. Ökte notes that the national banks "appeared reluctant to extend a helping hand to their long-standing customers" (Ökte 75). This reluctance appeared to exist even in spite of the monetary incentive that such an opportunity afforded. The *Emlak* Bank, for instance, managed to achieve profits equal almost to its entire capital within a year and a half by extending short-term loans to its customers on trustworthy security (Ökte 75). That other banks forewent the opportunity for such profits may suggest their actions were constrained by normative beliefs or judgments.

Chapter 5: Bureaucratic Processes

The third and final set of processes contributing to the creation of the *Varlik Vergisi* are what I have termed "bureaucratic processes." This set concerns those administrative and governmental conditions which factored into the creation of the *Varlik Vergisi*. To complete the analogy, the economic provides the geography, the ideological delineates possible paths of navigation, and the bureaucratic constrains those paths which may or may not be taken, foreclosing what it deems deleterious to society and incentivizing that which it considers salutary.[40]

Bureaucracies function within societies as means of extracting energy surpluses – whether through taxes, tribute, rents, or forced labor – and they expand in proportion to their ability to control and process those flows (DeLanda 31). In much the way that economic processes are influenced by norms and institutions guiding economic behavior (in this case, étatism), norms and informal institutions influence political behavior as well, consolidating in the form of formal institutions such as political parties, agencies, departments, and other governmental and para-governmental bodies. However, unlike economic processes, which take the natural form of distributed and decentralized markets, bureaucracies take the form of centralized and internally homogeneous units. As a result, though formed and influenced by economic and ideological factors, their hierarchical nature makes them more susceptible to the influence of individual actors,

[40] The reader should not, however, be misled into thinking the analogy prescribes the bureaucratic to a role like that of the mind in Plato's three parts of the soul – the bureaucracy does not stand above society and direct economic and ideological flows *sub species aeternitatis* – economic and ideological flows turn inward and affect bureaucratic processes as well. Moreover, the appearance of intentionality can only exist to the extent that a given faction exerts a unified force of will.

whether in the form of dominant political parties, influential cliques, or powerful individuals.

Bureaucracies function as more than mere parasitic extraction or allocation mechanisms. In addition to the somewhat broad, Hobbesian notion of providing social order, bureaucracies also provide other such intangible goods as civil rights or political and social legitimacy, as well as codes of conduct, laws, and other conventions for regulating behavioral conduct. In modern states, the most rarified manifestation of such an object takes the form of a state constitution. In other words, while a bureaucracy may be formed by various factors acting as selection pressures, it also produces outputs which in turn alter the landscape in which it acts within, recursively affecting its own future development. This process gives bureaucracies the capacity to develop sets of mutually stabilizing institutional norms through a nexus of contracts and routines constituting an apparatus for collective action (DeLanda 31).

While we have already seen to some extent the processes at work within the bureaucratic state, at least with respect to its relations with concurrent economic and ideological flows, the dynamics internal to the development of the bureaucracy deserve an accounting as well. As with any open system it will be impossible to omit outside influences, yet, the development of a bureaucracy is also subject to its own form of internal dynamics, distinct from those which inhabit economic and ideological processes. As the Kemalist bureaucracy owes much of its rise to the rise of Mustafa Kemal himself, we first turn to the formative years of his political activism, following the end of the first World War.

Formative Years of the Kemalist Bureaucracy

On 30 October 1918, the defeated Ottoman Empire signed the Armistice of Mudros, formally agreeing to surrender and conclude hostilities. However, prevailing attitudes amongst influential leaders and decision-makers held that the age of multi-ethnic empires had come to a close, and that the future belonged to homogeneous nation-states. In his statement on the British war aims, Prime Minister David Lloyd George deployed a consistent avowal for the self-determination of nations (George 1918), as did President Wilson in his Fourteen Points (Wilson "President Wilson's Message to Congress" 1918), while the Bolshevik regime in Russia was similarly calling for the "self-determination of all peoples" (Woodward 27). However, the implementation of national self-determination would be exceedingly problematic within the Ottoman Empire. In some cases there were cities or regions which were inhabited by a mixture of peoples who would make competing claims over ownership, while in others there were provinces which were clearly controlled by a given group, but where conflict arose over whether that region should be a minority province within a larger state, or attain its own independence. Disputes over borders also arose due to political factors outside the prerogatives of the actual inhabitants: Britain and France quarreled over the implementation of the Sykes-Pictot Agreement, as well as over conflicting promises given to Italy and Greece; there was even a conflict of opinion among three major British institutions – the Foreign Office, the India Office, and the War Office – concerning the disposition of the empire (Hanioğlu 88). An inability to come to terms meant that the Peace Treaty of Sèvres would not be signed until almost two years later in August 1920, and would in any case never be properly implemented regardless. Competing claims on

Ottoman territory seemed to be coming from every direction – from Arabs, Armenians, Greeks, Kurds, and Zionists – and many Turks became increasingly wary of partition and fearful of being dealt with unfairly by the victorious allied powers.

It is at this point which Mustafa Kemal emerged as one of the early leaders against partition. In Istanbul, he discovered a fractured and leaderless political climate. The previously dominant Committee of Union and Progress (CUP) – a broadly Turkish nationalist reform party during the Ottoman era – had been formally disbanded, and most of its leadership had either fled the country or were court-martialled and imprisoned by the sultan. Nevertheless, the CUP had interwoven itself so thoroughly into society that CUP members were still an overwhelming majority in the bureaucracy and the military, and had kept the strategic services of intelligence, law enforcement, and communications entirely under their control (Hanioğlu 93). Ottomanism had been discredited on the world stage, yet the primary vehicle of Turkism – the CUP – had been effectively decapitated.

Kemal's initial attempts at self-promotion – including attempts to become minister of war, initiating numerous meetings with the sultan, and a brief career in journalism (Hanioğlu 94) – proved fruitless. However, the coming Turkish War of Independence would provide the catalyst for Kemal's rise. As it was becoming increasingly clear that Western powers were intent on aiding Greece in obtaining control over Western Anatolia, remnants of the CUP began to form a network of localized resistance in the region. With the Greek occupation of İzmir on 15 May 1919, the nationalists became convinced that war was the only option. Though seeking an appointment in Anatolia, Kemal was sent by the imperial government to the area of Samsun near the Black Sea on account of clashes between local Greeks and Muslims.

Fortunately for Kemal, this provided him the opportunity to condition his deployment on the receipt of extraordinary powers that effectively subordinated the military and civilian administration in parts of Anatolia to his authority (Hanioğlu 97). Upon his arrival, he immediately established himself as a resistance leader in open defiance of the sultanate.

Mustafa Kemal succeeded in consolidating his position as a leader of the nationalist movement through two successive political congresses. On 23 July 1919, eastern resistance leaders met in Erzurum and created the Easter Provinces Defense of Rights Society, in which Mustafa Kemal was selected for a seat on the nine-man executive Board of Representatives (Hanioğlu 98-99). Having established himself as a leader within the movement, Kemal subsequently led an initiative to hold an all-Turkey congress in Sivas in September. The most significant achievement of this second congress was the announcement of a parallel government in Anatolia with Kemal at its head, overseeing the new national resistance movement called the Anatolia and Rumelia Defense of Rights Society (Hanioğlu 99).

Hopelessly outmaneuvered, the sultan attempted to appease the nationalist movement by recognizing the society as the provisional authority in Anatolia, as well as promising to hold free and fair elections to form a new Chamber of Deputies (Hanioğlu 100). Given their strong networks, common concerns over partition, and the impotence of the anti-nationalist and imperial powers, the nationalists won an overwhelming victory in the elections. At its first convention, the new chamber adopted a resolution known as the National Pact, containing two main provisions: (1) that the territories that had not been under occupation at the signing of the Armistice of Mudros formed the indivisible homeland of the non-Arab Ottoman Muslims; and (2) that the future of the occupied Arab

provinces, the Russian provinces of the Kars, Ardahan, and Batumi, as well as Western Thrace, would be determined through plebiscites (Hanioğlu 101). This was an astonishing series of demands from a defeated nation, and the British responded heavy-handedly by occupying the Ottoman capital, arresting leading nationalist deputies, and banishing them to Malta (Hanioğlu 102).

In fact, the actions of the British played directly into the hands of the nationalists – British retaliation effectively legitimized the nascent regime in the minds of the populace, which now perceived an even greater need for a nationalist and strong government to defend Turkish Anatolia. In addition, it provided a pretext for Kemal to form a new assembly in Ankara, entirely circumventing the sultanate. A circular was issued to the provinces and army corps commanders, inviting them to organize elections to choose deputies to send to Ankara (Hanioğlu 102), and a new chamber, the Grand National Assembly, under the watchful auspices of Mustafa Kemal, was formed.

The Grand National Assembly thereby emerged as the body in control of legislative, executive, and judicial powers, with Mustafa Kemal as its elected speaker, granting him extraordinary authority (Hanioğlu 115). In other words, the legitimacy which Kemal and the nationalists had previously wielded through informal means had now been consolidated and institutionalized. Having done so, the emergent institution wielded new capacities and capabilities, specifically through its authority to create new laws and regulations, which could in turn either facilitate or inhibit concurrent processes of bureaucratic or political legitimization. As with any new born state, the Grand National Assembly's first significant legal act was to replace the Ottoman Constitution

with a new document, euphemistically referred to as the Law of Fundamental Organization.

Though not explicitly referred to as a "constitution," the law's first article contained what philosopher of language J. L. Austin has described as a "speech act" – a linguistic expression which does not merely present information, but performs an action as well.[41] Austin emphasizes that a speech act cannot be performed by anyone – it requires an accepted conventional procedure having a certain conventional effect, uttered by certain persons under certain circumstances (Austin 26). One cannot, for example, merely declare oneself to claim a position of authority – such a declaration can only be made by someone with the legitimacy to do so, and the existence of such legitimacy is a complex function of normative beliefs, chains of command, hierarchies, and enforcement mechanisms. In the case of the Grand National Assembly, the body had gained the necessary and sufficient degree of legitimacy to issue just such a speech act, and as so many national constitutions do, it inaugurated the Law of Fundamental Organization with Article I, stating: "Sovereignty belongs without restriction to the nation, and the method of administration depends on the people's direct administration of its own destiny" (Hanioğlu 115). Though the sultanate would formally remain in power, this speech act effectively rendered the sultan and his administration invalid in the eyes of the functional Ankara bureaucracy, as well as the people and partisans which recognized it. Indeed, by 1922 this article would be used to force the formal dissolution of the sultanate. Furthermore, it baptized the nascent political authority in the mandate of the Turkish

[41] The notion derives from J. L Austin's *How to do Things with Words* (1962).

nation, establishing a guiding social contract mythos by which Turkey would no longer be a multi-ethnic empire, but rather a homogeneous nation-state.

The ongoing war with Greece also served to legitimize the power of both Mustafa Kemal and the new central government in Ankara. On 4 August 1921, Kemal introduced a bill stipulating his right to employ all the powers and prerogatives of the Grand National Assembly, as well as granting him command of the army (Hanioğlu 126). Despite opposition from those who feared that it would make him a dictator, the bill passed. Kemal assumed control of the army and took command of it in person. Following a series of military successes, international political mediation, and aggressive brinkmanship, the Greeks withdrew from Eastern Thrace and an armistice was signed. Kemal and the nationalists had succeeded where the Ottomans and the sultanate had failed.

Nonetheless, though in practice a republic, Anatolia was still nominally subject to the sultanate and the caliphate. Mustafa Kemal had justifiably feared that any explicit reference to republicanism – with its implication that the sultanate or caliphate was to be abandoned – would jeopardize the war effort (Hanioğlu 134). He began to hint at a republican future in speeches and statements. In an address to the Turkish nation after the war, he cleverly drew a parallel between the Greek king and the sultan, stating that, "The reason you do not find the Greek king among our prisoners of war is that royal sovereigns are inclined to partake only of their nation's pleasures. In times of catastrophe, they think of nothing but their palaces" (Hanioğlu 135). He had also to initiate an acceptance of a doctrinal point: the separation of the caliphate from the sultanate. Despite his personal affinity towards secularism, religious sympathy was too strong both within Anatolia and

amongst important neighboring regions – the nationalists would not have been able to explicitly disavow the caliphate. It was therefore necessary to effect a split between the two institutions, thereby allowing the caliph to remain as a religious figurehead, but as one which did not rule. In an innovative and detailed speech, Kemal drew parallels with historical examples of the caliphate as a separate institution from ruling temporal powers, an arrangement which supposedly allowed the caliphate to preserve its virtue apart from worldly temptations.

Whether Kemal's speeches swayed the hearts and minds of the common man may be difficult to say. In any case, the conditions for dissolving the sultanate were sufficiently hospitable – on 1 November 1922, the Grand National Assembly issued a decree separating the caliphate from the sultanate, and declared the latter retroactively annulled from the time of the Allied occupation of Istanbul in March 1920 (Hanioğlu 140). The international legitimacy of this decree was solidified with the signing of the Lausanne Treaty on 24 July 1923, which officially recognized the "Republic of Turkey." Domestically, the country was declared a republic on 29 October 1923, and an official constitution was ratified on 20 April 1924. At the same time, Kemal began laying the foundation for his own political party to operate under the new republic – soon known as the Republican People's Party (*Cumhuriyet Halk Partisi* – CHP). Elections were held in April 1923, with the party winning by a sweeping landslide, and Mustafa Kemal was elected the first president of the new republic. Kemal and the nationalists had not only forged a new state, they had already taken near complete political control over it.

Creation of a Post-War Bureaucracy

The initial development of the Kemalist bureaucracy was primarily formed by the political and military exigencies of the Turkish War of Independence. However, those same exigencies also supplied the leadership with near *carte blanche* to act as necessary to save the Turkish homeland. With the war behind them, the realities of material life once again gained gained salience in the process of bureaucratic development. At the same time, the ideology of Turkish nationalism, combined with Kemal and the CHP's strong control of the government, created a self-stimulating dynamic whereby the accrual of power facilitated the development of even greater power.

In order to ensure its continued control over the state, the entrenched Kemalist bureaucracy took advantage of both available resources as well as vulnerabilities in the legal and political system. One of its immediate goals was the elimination of effective political competition, particularly as tensions with former CUP leaders and loose alliances with other nationalist generals became sources of increasing friction. The Kemalist strategy for consolidating power was achieved in two stages. First, the Kemalists needed to deal with their political rivals. In 1924 an opposition party (the Progressive Republican party) was organized within parliament, which aimed to check and limit Kemal's personal power, institute a greater separation of powers, provide the assembly with greater control over the government, and put an end to the somewhat *ad hoc* judiciary, as represented by the independence courts (Keyder *State and Class* 85). However, the Kurdish Rebellion in 1925 furnished the Kemalists with a pretext for banning the opposition party. Wielding near total control over the judiciary, the Kemalists had opposition party leaders arrested and imprisoned – many of those who

avoided arrest fled, mostly to Germany (Keyder *State and Class* 72). The following year, an assassination attempt on Mustafa Kemal provided the Kemalists with an opportunity for further measures – kangaroo courts tried all significant dissidents, linking them to the assassination plot; some were executed, others were imprisoned, and those which were set free were compelled to retire from politics (Hanioğlu 144). While their political opponents had been dealt with for the time being, there could be no guarantee against future opposition. To that end, the second part of the bureaucracy's consolidation of power consisted of rigging the electoral process. The Kemalists thereby instituted an election mechanism in which designated deputies (representing various regions of Anatolia) cast votes ratifying names sent to them from Ankara (Keyder *State and Class* 85). With this mechanism in place, Mustafa Kemal was able to directly prune the list of potential candidates and remove local authorities which had resisted his party project (Esen 607). In this way, Mustafa Kemal and the CHP secured effective dominance over not only the parliament itself, but even its electoral mechanisms.

Another competing force of power within the early republic came from the caliphate. Though the Kemalists had succeeded in separating it from offices of political institutions, the caliph continued to wield significant symbolic and informal power. Conservative circles decried the reduced stature of the caliph, and called for an increase in its powers. A leading Islamist, Eşref Edib, penned a widely circulated pamphlet maintaining that the caliphate and legislative authority are inseparable, calling for the caliph to be granted the power to approve laws issued by the assembly and to appoint preachers and *imāms* (Hanioğlu 148). The Kemalists combated Islamist arguments on two fronts: politically and theologically. Politically, leadership stressed the sovereignty of

the nation, with Kemal stating that the assembly was responsible only to the nation, and that "the law of the revolution [was] above all other laws," implicitly referring to sharīʿa and Islamic law (Hanioğlu 148). Theologically, the Kemalists advanced arguments from *hadīths* and classical fiqh works such as the *Hidāyah* of the authoritative jurist al-Marghīnānī, contesting claims that the caliph should be invested with any form of temporal authority (Hanioğlu 148-49). At the same time, the bureaucracy began to wield more than rhetoric against the Islamists. In December 1923, the prosecutor of the Independent Court ordered the arrest of the newspaper editors which had published dissident Islamist missives (Hanioğlu 150). They also used their own state-run newspapers to propagandize the irreconcilability of the caliphate and national republican sovereignty (Hanioğlu 150). On 2 March 1924, three bills were approved by the CHP. Among other things, they proposed the abolition of the caliphate and the Ministry of Sharīʿa Affairs and Pious Foundations, the unification of the religious and secular educational systems, and the expulsion of all members of the Ottoman royal house from Turkey (Hanioğlu 150). The following day, the Grand National Assembly voted for the abolition of the caliphate.

Ever the prudent and shrewd politician, Mustafa Kemal nonetheless realized the importance of Islam within Anatolia – his administration could not simply oversee the abolition of the caliphate without making at least some nominally convincing attempt at upholding the Islamic religion. On the very same day as the caliphate was formally abolished, Kemal authorized the establishment of the Directorate of Religious Affairs, a new institution to oversee – under careful state control – the development of Islam within the country (Hanioğlu 152). In this way, the replication and flow of Islamic norms and

social institutions were put in the service of the state, and effectively relegated under Mustafa Kemal's secularist preference for Turkish nationalism as the guiding ideological norm of the country.

Having secured most of the formal and informal reins of power, the Kemalist bureaucracy could then embark on its extensive nation-building policies, especially social Turkification. As detailed in the previous chapter, Turkification policies took a variety of forms, but they all aimed at the homogenization of society and the establishment of a uniform social apparatus. In much the way that the bureaucracy's concentration of formal and informal power facilitated its capabilities to further increase its access to power, Turkification should have also functioned in such an autocatalytic manner. By reinforcing the values and social institutions being promulgated by the Kemalists, Turkification would have reinforced the new ruling paradigm. Moreover, a thoroughly Turkish social apparatus would have provided the bureaucracy added protection against divisive independence or social movements.

In all of these efforts, the Kemalists were facilitated by prevailing economic conditions as, owing to the material realities following the first World War, the bureaucracy as an institution found itself with greater relative power than the bureaucracy ever had under the sultanate. During the Ottoman era, much of the bourgeoisie consisted of non-Muslim merchants, bankers, and middlemen. The drastic demographic reduction of the minority populations during the war meant that much of the region's commercial class had been lost, leaving the bureaucracy unchallenged, situated as it was alongside a domestic bourgeoisie which was too weak to constitute a class with autonomous interests (Keyder *State and Class* 79). In addition, what was left of the surviving commercial class

was largely concentrated within Istanbul and İzmir, two cities which were not only less powerful in economic terms than before the war, but which then operated largely outside of the new political capital in Ankara. In terms of population, it has been estimated that urban dwellers constituted a quarter of the region's population before the war – by the 1927 census this figure had dropped to 18 percent (Keyder *State and Class* 80). Muslim immigration from former Ottoman territories served to bolster the ranks of the merchant class, but, owing to their status as new citizens, the majority became fervent supporters of domestic nationalism and hence did little to constitute a rival political class to the then dominant bureaucracy (Keyder *State and Class* 80-81). In addition, the population transfer with Greece resulted in a substantial amount of wealth and assets which had been left behind. The bureaucracy was able to leverage this by offering wealth transfers, providing further impetus to support the nationalist bureaucracy. According to one estimate, the departure of the Greek population left behind one-fifth of the best land in Western Anatolia (Keyder *State and Class* 82), while the abandoned property, assets, and business positions in the cities was likely even of greater value. The bureaucracy used this remunerative leverage in an explicitly political manner – burghers which rallied early to the nationalist cause became the prime benefactors (Keyder *State and Class* 82).

Despite an ostensibly hegemonic control over the domestic bourgeoisie and merchant class, the bureaucracy was constrained by a variety of factors from exercising complete control over the economy. Stipulations from the Lausanne Treaty required the Turkish republic to maintain the Ottoman Empire's tariff schedule, inhibiting the ability of the state bureaucracy to control economic flows. In addition, a dearth of credit meant that it would remain dependent on foreign capital for some time. Regardless, the

economy was growing, and so long as tax receipts were increasing and peasant's lives improving, the bureaucracy could both grow its power while also maintaining control over the political system. As a result, the bureaucracy was largely inactive during the 1920s with respect to controlling the macroeconomy. Certainly, this was in part due to the prevailing economic wisdom of the time in favor of a liberal trade regime. The weak economy which the Kemalists had inherited would have suffered from a lack of domestic capital during the early years of the republic, and any economic missteps would have endangered the legitimacy and aims of the regime. In addition, viable alternatives to a broadly liberal regime were not yet present within the zeitgeist. It would not be until the later years of the 1920s that Italy and the Soviet Union would begin their pioneering examples of state-led industrialization. As detailed in the chapter on economic processes, it would not be until after the Great Depression that conditions would allow for the bureaucracy to exert full control over economic flows.

The dynamics of the bureaucratic processes throughout the 1920s could therefore be summarized as a series of consolidation efforts on the part of the Kemalists. Weak and ineffectual opposition resulted in a fairly centralized state and the successful paradigm change from empire to republic. Power accrued by the Kemalist faction had a self-stimulating dynamic, as they were able to extend their influences to blunt both political and religious opposition. Moreover, external economic conditions were fairly conducive to the centralization of power as well, though certain external conditions served as inhibiting factors preventing complete control over economic flows. Though these constraints inhibited the full development of étatism, the state had sufficient control to begin exerting control over certain facets of the economy while propagating rhetoric with

protectionist aims. At the same time, as the Kemalists became increasingly entrenched within the bureaucratic apparatus, they were able to more effectively implement policies in line with an ideology of Turkish nationalism. However, in some respects the goals of the Kemalist leadership remained frustrated. It would not be until 1929 that external events would provide the conditions necessary for the full adoption of étatism and formal one-party rule.

Formalizing the Étatist One-Party State

On 29 October 1929 – Black Tuesday – the U.S. stock market crashed. Economies around the world were sent reeling as a result of the interconnected economic flows which had built up during the 1920s. In Turkey, the Lira began a precipitous drop, and it became immediately clear to the administrative bureaucracy that it lacked the instruments of control necessary to respond to the crisis. The most immediate deficit to be remedied was the lack of a central bank with monetary authority – the Ottoman Bank was still the country's issuer of currency. In addition, the republic had only that year reacquired the ability to set its own tariff rates, having been restricted by the Lausanne Treaty. At the same time, the nations of the world seemed to be responding to the crisis by turning towards greater protectionism, vindicating the Kemalists' position vis-a-vis foreign trade and a national economy. In a logical extension of its political dominance, the Turkish leadership concluded that it would need to extend its control to the economic sector as well.

One of the regime's most innovative practices with respect to extending bureaucratic control over the economy was its fostering of the Association for National Economy and Parsimony. Formally a private association (though initiated by the government), the association was notable for displaying what Çağlar Keyder has described as, "the emerging propensity of government activity to colonize the society; not only directly but also through the formation of strictly ideological apparatuses which were *de facto* under the control of the central authority. It also became clear that Turkish republicans had discovered the organizational innovations brought to the European scene by Italian fascism. This was most apparent in the self-conception of the ruling party and its place in the society, with the 1931 Congress defining the political order as a single-term regime where the party assumed the responsibility to rule in the name of the nation" (Keyder *State and Class* 98). Through the association, the ruling party was able to promote ideological conformity amongst industry leaders, buoying the legitimacy of the state, while at the same time direct such representatives from above, consolidating the regime's control over the economy.

At the same time, an interesting episode took place within the political arena. Party officials decided to restore a token opposition party to provide a safety valve for popular discontent. In July 1930, Fethi Okyar, who had been sent to Paris as an ambassador, was recalled to Ankara. In his memoirs, he recalls a discussion with Kemal in which Kemal assured him that he did not want Turkey to resemble a dictatorship, nor did he desire to leave his nation with a legacy of a totalitarian regime (Ahmad 59). Okyar was urged to establish an opposition party, the Free Republican Party (Serbest Cumhuriyet Fırkası – SCF). Despite the initial intent of the party functioning as

controlled opposition, it soon evolved into an impromptu party of discontent. Okyar was met by thousands of demonstrators when he traveled to İzmir, protesters stoned CHF offices and clashed with the police, and the SCF was soon faring better in elections than anticipated, and had even managed to capture a number of seats in various municipalities (Cagaptay *Islam, Secularism* 41-42). Moreover, the SCF was receiving extensive minority support and fielding minority candidates, much to the disapproval of Kemalist leadership. According to British diplomatic records, the party believed that "5 percent of the electors will vote for the Free Party," and that these people were "convicts enjoying temporary liberty, reactionaries… knaves who have sold their souls… fools who believe that their sugar and petroleum taxes will cost less and that taxes and military service will be reduced; communists and finally Greeks, Jews and Armenians" (Cagaptay *Islam, Secularism* 42).

Fearing that the situation could get out of control, Atatürk disbanded the party on 17 November 1930, a mere three months after the party's formation (Ahmad 60). As if to compound the regime's frustrations, in December, Derviş Mehmet, a Cretan Muslim who belonged to the suppressed Nakşibendi Sufi order, had taken up arms and attacked government soldiers in Menemen, a small agricultural town north of İzmir (Cagaptay *Islam, Secularism* 42). Though the uprising was swiftly put down, it caused great indignation within the inner circles of the party. Yakup Kadri Karaosmanoğlu captured the anger and bewilderment within the party, writing that, "it is as though nothing has happened all these years, as though… the idea of any of our radical reforms has not altered anything in this country" (Ahmad 60). Such experiences pushed the Kemalist leadership to conclude that the relatively liberal approach towards religion and ideology

of the 1920s had been a failure, that the mass of people did not identify with the new state. Moreover, the liberal approach towards economic policy of the 1920s had similarly failed, giving the party little success to hang their hats upon. Both developments pushed party leadership further towards desiring the establishment of a more monolithic state.

At the 1931 Third General Congress of the CHP, the party established a new program and by-laws. In addition to the main party tenets of republicanism, nationalism, and populism were added étatism, secularism, and populism (Cagaptay *Islam, Secularism* 44). A focus on a state-led economy had formally become part of the party platform, and with the dissolution of the SCF, Turkey had in effect become a one-party étatist state.

The Impact of the Bureaucratic Apparatus on the *Varlik Vergisi*

The administrative bureaucracy continued to function as a hegemonic power exercising single-party rule within Turkey through to the end of World War II. The nature and structure of this administrative apparatus, specifically as a one-party étatist structure, would influence the adoption of the *Varlik Vergisi* in several ways, interacting with and mutually reinforcing both ongoing economic and ideological processes.

Perhaps the most impactful bureaucratic factor was the outsized role that certain crucial decision-makers held, and the lack of constraints upon them, with the office of then Prime Minister Şükrü Saracoğlu being foremost among them. According to a conversation held between Faik Ökte and the transcriber of the *Varlik Vergisi*, Esat Tekeli, the tax was dictated directly by Saracoğlu to the Finance Minister, of which alterations were not to be made, and unfavorable opinions were not welcomed (Ökte 21-

2). A telling remark by Saracoğlu indicates his conception of his role: When confronted with a warning that foreign embassies would undoubtedly protest, Saracoğlu replied, "Friend, I am not an Ottoman Vizier. They cannot forward such protests to me" (Ökte 23). The actions of Saracoğlu, in turn, were no doubt informed by the prevailing doctrines of étatism and the prejudicial attitudes of Turkish nationalism. The motivation for the tax itself was, according to him, connected to his understanding of Turkey's price policy, which assumed that taxpayers would be forced to sell assets and put commodities on the market, a policy which was motivated by his statist doctrine according to which it was the rightful place of the state to enact such a policy. In addition, that such a policy could target the non-Muslim minorities for the good of the country was surely motivated by the prevailing attitudes of Turkish nationalism. Finally, the very opportunity for such a tax was likely conditioned by the opportunity presented by the material factors of the Second World War and the deteriorating economy. However, had there been avenues for constraining the Prime Minister through checks and balances within the government, it is likely that there would have been objections by other actors. Faik Ökte records that the Finance Minister, Fuat Ağrali, was clearly disturbed by the content of the tax (Ökte 20), and Ökte himself, who was charged with implementing the tax in Istanbul and İzmir, records his own desire to confront the Prime Minister (Ökte 22).

More broadly, the structural conditions by which citizens attained office compounded the issues facing the ruling class in general. Following the Turkish War of Independence, the army and the officer corps were propelled into political service largely because all other political forces were, at least at that time, disqualified from action. The Union and Progress Party had been the driving force behind the alliance with Germany,

maneuvering the Empire into the war on the side of the losing Central Powers, leaving them utterly discredited after the war (Rustow 520). Yet, a decade of Unionist hegemony had concentrated much of the country's political talent within the party and its affiliated organizations (Rustow 521), alienating a great deal of the intelligentsia and foreclosing them from political office following the war. As for the civilian bureaucracy, it had proven to be far more consistent than the Army in its loyalty to the sultan and his cabinet (Rustow 524), leading to a legacy of political difference between military and civilian officials. As a result, the early decades of the Turkish Republic were dominated at the political level by former military officers. It is on this count that Faik Ökte could rightly say that they, "by background and profession, did not belong to the economic and managerial classes that were capable of bringing about the development of the country" (Ökte 1-2). That such a military-political class could remain entrenched within the country's system of governance, nearly twenty years after the founding of the Republic, indicates, at the very least, an administrative structure conducive to their attaining and remaining in office, though this certainly intersects with the economic processes evolving within the country as a whole following the war as well. Furthermore, the personal experiences of this ruling class during the years of the war no doubt had a formative effect on the development of their ideological commitments. It is hard not to imagine former military officials having a higher degree of support for étatist and nationalist policies.

Beyond the political class, those charged with executing the *Varlik Vergisi* had a large degree of power as well, once more without proper recourse for being checked. Though initially a tax on capital, Ankara later dictated that the tax be extended to salary

earners, a decision which was widely regarded as indefensibly unjust. However, the decision contained the provision that sections of the salary-earning group could be exempted. Faik Ökte records how he, serving as director of finance, and Şevket Adalan, who was then the chief of the inspection board, proposed exempting all Muslim Turkish salary earners from the Wealth Tax (Ökte 35). While this saved many poor Muslim salary earners from a crushing tax, it nevertheless widened the discriminatory nature of the tax itself. Yet, below even these posts, individual tax assessors were granted a wide degree of autonomy for making assessments. As they had no data on the thousands of taxpayers they were charged with assessing, they turned to their own imagination and estimations. In this respect, the nature of the taxpayers' consumption patterns and the extent to which their conspicuous consumption brought them to prominence in the public sphere played a significant role in the determination of their payment (Aktar *Tax Me* 197). In some cases, two assessors who provided contradictory assessments might simply split the difference between them. Ökte provides an example in which two assessors debated between assessing a taxpayer TL 500,000 or TL 1 million. The debate was settled in moments with a casual agreement to split the difference at TL 750,000 (Ökte 33). Ayhan Aktar provides a similarly illustrative example from an interview:

"My father [Lawyer Jak Hatem] was a person who was held in high esteem by those around him and, in terms of his social life, was a member of clubs to which the elite of the period belonged. He would go to Yalova for certain months of the year and take a cure at the Termal Hotel. His partner, Bensiyon Garin, on the other hand, led a more family oriented, modest life. He was on very good terms with the famous penal lawyer of the day, Sadi Riza Dağ, who operated his legal practice on the same floor as himself. In fact, at the time when I was graduating from the Law Faculty, I served as an internee with Mr Dağ. When the Wealth Tax lists were displayed, we saw that the amount of tax imposed on my father, Jak Hatem, was 140,000 liras and the amount of tax imposed on his partner, Bensiyon Garin, was TL 90,000 liras. By contrast, the amount of tax imposed on Lawyer Sadi Riza Dağ, who was engaged in the same profession on the same floor,

was 6,000 liras only!" (Aktar *Tax Me* 197).

The arbitrary power wielded by the tax assessors exacerbated the importance of their personal vulnerability to economic or ideological conditions. Perhaps the chief bureaucratic issue was the sheer lack of data. As the assessors had no information regarding the actual wealth of the taxpayers, systematization and equitable assessment was, in principle, nearly impossible. Secondly, without an appeals process, there was a lack of incentive for assessors to properly determine rates. A proper system for appeals would have taken note of which tax assessors' work led to more appeals, and monetary or career incentives could have been applied to pressure them into accurate assessment. Finally, these assessments were required to be completed within a month, inhibiting the ability of the assessors to make accurate assessments in a timely manner. At the same time, these factors compounded the salience of ideological conditions upon the tax assessors. Without objective data to refer to, the personal prejudices and proclivities of individual assessors became more pronounced. Ökte recounts the story of one assessor, Ferid Hamal, who would constantly intervene in assessments with the words "A million, a million," only to be brushed off by Governor Kirdar who would exclaim, "Mr. Ferid, please be reasonable. Are they all millionaires? Is there anybody amongst them with a fortune of even TL 900,000?" (Ökte 45). Furthermore, without an appeals process, such prejudices could not even be challenged.

Finally, there were organizational aspects within the bureaucracy which contributed to the creation of the *Varlik Vergisi* in its discriminatory form. The absence of information that the Finance Ministry had regarding the wealth of the country's citizens was surely due in part to the lack of proper administrative procedures. *Prima*

facie, it would seem that an étatist economy would be more highly compelled to record detailed data on its citizens, and to empower its growing bureaucracy to do so. However, as one observer remarked, "the fact that bureaucracy… was considered to be the vehicle for implementing Kemalism led to the 'bureaucratic' dimension taking precedence over the 'rational' dimension" (Aktar *Tax Me* 200). In other words, the ideological commitments and lack of professional managerialism amongst the leadership influenced this critical deficiency within the procedures of the bureaucracy. Another factor influencing the bureaucracy was the considerable influence that was exerted over bureaucrats' professional life by the Turkish system of professional evaluation. Bureaucrats were assessed according to not only their professional merit, but also their allegiance to Kemalist reforms (Aktar *Tax Me* 200). This politicization of the bureaucracy, conditioned by the prevailing ideology, would have facilitated the promotion of a more narrow-minded bureaucracy, and one no doubt more inclined to overlook the proper standards of managerialism.

Chapter 6: Abstract Framework

We have so far considered the creation of the *Varlik Vergisi* in terms of nonlinear dynamics endogenous to three historical processes: economic, ideological, and bureaucratic. While these analyses have been informative regarding the specific contingent factors producing the *Varlik Vergisi*, our study would be further enlightened by the abstraction of general processes. Specifically, we need to reduce these three processes to something akin to *engineering diagrams*. Manuel DeLanda provides a clarifying example (DeLanda 58): When we say (as Marxists used to) that "class struggle is the motor of history," we are using the word "motor" in a purely metaphorical sense. However, to say that "a hurricane is a steam motor" is *not* a mere linguistic analogy; rather, it is an indication that hurricanes embody the same diagram used by engineers to build steam motors – namely, a reservoir of heat, operating via thermal differences, and the circulation of energy and material through a Carnot cycle. In much the same way, DeLanda distinguishes between two fundamental structural forms generated by dynamic processes: meshworks and hierarchies. By analyzing the dynamic production of these two forms, we should be able to produce a framework similar to such diagrams in that it allows for the generalization of such structures to that which shares their respective dynamic process.

The diagram of a meshwork consists of three elements.[42] First, a set of heterogeneous elements is brought together via an interconnection of diverse but overlapping elements. Second, a special class of operators, or *intercalary elements*, perform the function of catalysts facilitating the interaction between elements. Finally,

[42] The following description is taken from chapter I, section II of *A Thousand Years of Nonlinear History* (1997).

the interlocked heterogeneities must be capable of endogenously generating stable states. An ecosystem, for example, functions as just such a meshwork: heterogeneous elements consist of the various plants and animals in the system; *symbiotic relations* then act as intercalary elements, aiding the process of building food webs; finally, endogenously stable states are generated in the form of food webs (DeLanda 65). Similarly, economic markets are also structured as meshworks. The various goods and services exist as heterogeneous elements, while intercalary elements such as money, property rights, and other various informal (cultural) constraints interlock those elements, producing an endogenously stable state in the form of trading circuits and local economies.

Hierarchies, on the other hand, have a diagram which consists of only two elements: sorting and consolidation mechanisms. DeLanda provides an example of social stratification (DeLanda 61). Group dynamics function as a sorting process, differentiating individuals into ranks of prestige. Then, a second process, via a consolidation mechanism, formalizes the results of the informal sorting, typically through theological interpretations or legal definitions. Both the ideological and bureaucratic processes we have discussed take the form of broadly hierarchical structures. In the case of ideological processes, competing cultural norms or values are sorted through a variety of selection pressures – various factors which sift and select through repetitive social interaction. Consolidation is then achieved through the various forms of institutionalization, producing a – more or less – consistent framework for behavior, whether in the form of a developed ideology, creed or dogma. Similarly, the sorting of bureaucratic elements – whether of individuals or factions – proceeds via political and organizational processes.

Consolidation then occurs as these elements are formalized as official agencies, departments, political parties, and para-governmental organizations.

Meshworks and hierarchies are not, however, antithetical to one another. In many cases, the two not only coexist and intermingle, but even give rise to one another. Local markets and trade routes emerge as meshworks, but then have a tendency to form commercial hierarchies, producing a hierarchy of meshworks. The opposite hybrid also exists with respect to our previous example of social stratification – local elites in a given city or state may function as a strict hierarchy, but they then tend to form meshworks, intermingling with neighboring cities or states through shifting alliances, truces, or marriages.

With respect to the development of Turkey, what the previous chapters have shown is that the country underwent a process of severe hierarchicalization. The bureaucratic state was almost entirely captured by the Kemalists during the Turkish War of Independence. This, in turn, provided bureaucratic actors with the means for more effectively propagating their preferred cultural norms and values, facilitating the development of Turkish nationalism. While the meshwork of economic processes affecting Anatolia remained relatively free during the 1920s, even this became subject to a process of hierarchical control with the emergence of the étatist state. As we have seen, these three historical processes interacted in a variety of ways, at times catalyzing and at times inhibiting the flow of materials.

With respect to the creation of the *Varlik Vergisi*, the conditions necessary to its creation were the long result of these three concurrent processes. It is not as simple as to say: the economy was the pretext, the ideology was the motive, and the bureaucracy was

the means. In fact, as we have seen, in each of these three separate series of processes, a variety of interacting effects worked together to create a complex web of stimulating and inhibiting processes contributing to the tax's implementation. The proper method for conceiving of its creation, then, is not one of strict linear causality – rather, it is the result of nonlinear combinations producing *emergent* behavior, that is, behavior which is more than the sum of its parts. In other words, it is only because of the *interactions* between these three processes that the *Varlik Vergisi* could have emerged – relations between them, stimulating and catalyzing concurrent developments, created the novel situation in which the tax was conceived. An analysis which merely interprets the three processes as direct causal *explanans* would fail to capture the complex interactions which produced the tax's emergence.

Chapter 7: Policy Implications

In terms of possible policy prescriptions, concerns over something similar to the *Varlik Vergisi* occurring again should motivate responses within the three procedural categories we have focused on, with reference to their structural form as being either meshwork or hierarchical. Given that these processes exhibit mutually stimulating and stabilizing behaviors, as such processes become increasingly articulated and consolidated they also become increasingly difficult to blunt or redirect. This fact is made even more salient by the capacity of nonlinear dynamic processes to produce novel emergent behavior and entities. *Prima facie*, proactive policies and constraints should be inordinately more effective than reactive approaches. Moreover, proactive approaches will help to mitigate the unpredictability of their temporal emergence. The nature of autocatalytic, self-stimulating and mutually stimulating dynamics suggests that such processes have the capacity to evolve and develop exponentially, rapidly surprising expectations. Yet, despite the utility of proactive approaches, we must also realize that we are dealing with what are by nature inherently open systems, and so it will be impossible to fully realize in advance what aberrant behavior or processes may be catalyzed by external events – reactive approaches will be necessary as well.

With respect to economic processes, the étatist bureaucracy certainly mishandled a number of economic factors, though in this respect we must in the main defer to the wisdom of professional economists, as a full analysis of the macroeconomic conditions of the Turkish economy lies outside the scope of this study. For our purposes, we should consider the interaction effects which such prevailing conditions had with concurrent ideological and bureaucratic processes, and how such adverse interactions might be

blunted. In the case of the *Varlik Vergisi*, the material reality of the poor economy was exacerbated by the high degree to which the economic meshwork became stratified under non-economic hierarchies. While it is generally agreed that national economies will require to some degree subordination to the national interest and to state direction, this became especially problematic in the case of the *Varlik Vergisi* due to the economy's subordination within the complex of developing étatist and nationalist processes. In terms of monetary policy, for example, the excesses of such a dynamic are generally ensured against through the independence of a country's central bank, which allows the bank to avoid political pressure (say, to print money). With respect to taxation, a check against excessive or unjust taxes generally comes from a state's legislative body. However, in the case of the Turkish republic, the Finance Ministry lacked sovereign control over the collection of revenue. As the *Varlik Vergisi* was unilaterally dictated to the Finance Ministry by the Prime Minister, Şükrü Saracoğlu, there was no possible check which could be made. The doctrine of étatism had produced such a highly stratified command over the economy that revenue collection thereby became captive to Saracoğlu's disposition towards Turkish nationalism.

As it is not the *meshwork* nature of the economic processes which here concerns us (we leave that to the economists), but rather primarily its subordination under concurrent processes of ideological and bureaucratic *hierarchies*, the proper policy implications will therefore need to address the possibility of an economy's interaction with both processes. Bureaucratically, the solution would be to implement procedures ensuring the independence of whatever body administers tax collection, as administrative independence would help to insulate economic flows from political pressures. In

Turkey's case, such independence did not exist due to the Prime Minister's ability to dictate terms to the Finance Ministry. Such independence would have the added benefit of guarding against the ministry's becoming subject to an ideological apparatus (in Turkey's case the Kemalists). However, as we have seen with respect to the *Varlik Vergisi*, many petty bureucrats also employed their own personal prejudices in the application of the tax as a result of their own subjection within the complex of Turkish nationalism. On this count, ideological subjugation of bureaucrats should be combated by the promotion of a professional norm of *managerialism*. While the promotion of such a norm is nonetheless ideological in nature,[43] managerialism has the functional benefit of stimulating professional independence from other ideologies, helping to insulate the bureaucratic apparatus. Formal enforcement mechanisms within departments should be institutionalized through codes of conduct ensuring against discriminatory behavior or negligent conduct. Informally, an ethic of managerial pride should also be promoted.

Given that all individuals are immersed in the cultural complexes of their societies, ideological processes need to be considered on their own terms as well. As we have seen, the hierarchy-generating process inherent to ideological dynamic processes rely upon initial sorting mechanisms to determine the social viability of a norm or behavior. In Turkey's case, a variety of factors acted as selection pressures facilitating the development of étatist and nationalist principles. While the history detailed above should provide insight to any similar, specifically étatist or nationalist developments, a broader lesson can be drawn as well regarding the dynamic interaction between ideological replicators and concurrent economic and bureaucratic processes, namely, that neither of

[43] Per Gunnar Myrdal's oft-quoted mantra: "valuations are always with us." See Gunnar Myrdal's *Institutional Economics* (Myrdal 1978). See also Peter Söderbaum: "value neutrality in economics is an illusion" (Söderbaum 77).

these processes can be construed in a normative vacuum. To take our previous example, even admitting that the complete independence of a government department from political concerns could be achieved, the bureaucrats within that department would still be subject to a complex of invisible normative and behavioral constraints, given that much of our behavior is performed without cognitive awareness of our doing so. That some individuals objected, at least in private, to the discriminatory nature of the *Varlik Vergisi* suggests that there was at least some reflexive consideration of what prevailing nationalist norms consisted of. It is not difficult to imagine that, in other eras, such considerations may not have been made. In some respect, the government must at least reckon with this social fact: that all individuals are subject to normative biases, and that values implicitly underlie all individual behavior.

Whether or not we are comfortable asserting that the state should engage in incentivizing certain social behaviors, it at least seems self-evident that the state has an interest in it, and that in at least some capacity it seems impossible for the state to avoid adding to various selection pressures. If we admit this, then the correlative policy question becomes: How can we ensure that the selection pressures induced by the state are only those conducive to the development of norms which are salutary to society? The solution seems to be to ensure that there is an appropriate mechanism for *accountability*. In the case of the *Varlik Vergisi*, the Kemalist leadership had taken such a strong command of the government that it could not, in any practical sense, be held accountable for the tax. Ideally, in a society in which meaningful opposition exists, it should be easier to maintain accountability, as failure to act in accordance with prevailing societal norms would be detrimental to a party's future elective success. In practice, however, many of

the nonlinear dynamics previously discussed make it exceedingly difficult to alter normative evolutionary processes, as sets of mutually stabilizing complexes reinforce its retention within the social and institutional orders.[44] An argument may be motivated to recommend the classic liberal paradigm, in which an "open society" is taken as a default state by which cultural replicators are free to compete.[45] However, there is no such thing as a societal paradigm which is not value-laden, and any such implemented paradigm will have its own set of capacities and capabilities, opening the door to various interaction and catalytic effects, some of which may be undesirable. Though the philosophical scope of this issue is far beyond the ambit of this study, the key takeaway is this: mere linear analyses will not serve where nonlinear dynamics prevail.

Finally, bureaucratic processes operate under a hierarchy-generating structure similar to ideological processes and hence require their own form of accountability as a check. Unlike ideological processes which operate through social sorting mechanisms, bureaucratic processes are primarily sorted through political and organizational means. Therefore, a society which seeks to address what it perceives to be an excess in stratification should press its thumb on the scales of selection pressures by creating a coded framework by which politics is conducted and by which bureaucratic agencies are organized. Typically, state constitutions function as the most highly coded form of framework by which such processes operate, though correlates typically take the form of a variety of supplementary laws and regulations. In Turkey's case, the immediate subordination of the government under the Kemalist party resulted in laws and regulations being passed which facilitated that faction's further control over the

[44] See Cass Sunstein's *Social Norms and Social Roles* for an influential paper detailing the role which "norm entrepreneurs" can play in facilitating normative change.
[45] See Popper's *The Open Society and Its Enemies* (1945).

bureaucratic state. Moreover, the Turkish constitution was itself written by the Kemalists – it is no surprise that it failed to contain the provisions necessary for inhibiting their eventual subjugation of the bureaucratic state apparatus. As with the ideological process, we see here a similar paradox: just as there can be no societal structure which is not already value-laden, so can there be no societal law which is free from political determinations. The nonlinear dynamics by which hierarchical structures stratify and consolidate suggest that, once strongly articulated, such concretions become exceptionally difficult to alter. Perhaps it is for this reason that fundamental regime changes seem to require overpowering force to change – in a word, *revolutions*.

Chapter 8: Conclusion

"In history, everything is connected; and economic activity in particular cannot be isolated either from the politics and values which surround it, or from the possibilities and constraints which situate it."

- José Gentil da Silva[46]

As we have seen, the *Varlik Vergisi* owed its creation to a variety of concurrent, nonlinear processes. We have here considered what I believe to be the three most salient categories of process in its creation: economic, ideological, and bureaucratic. As we have seen, it can thereby be conceived as an emergent phenomenon, the result of three intertwining and mutually stimulating processes. It is my hope that the description of the processes in this account as inherently historical, and as relying upon a diverse range of mutual interactions, will disabuse the reader of any notions that some "essential" cause of the *Varlik Vergisi* exists. By providing an account of the tax in terms of purely immanent processes, no recourse to essential causes need be required, and explanations which rely solely upon reified generalities such as "the prejudice of the Turks" can be discarded as simplistic and misleading. Moreover, with a better understanding of the frameworks structuring the causal dynamics which contributed to the creation of the *Varlik Vergisi*, perhaps policymakers and academics will have a more comprehensive methodological toolkit for examining similar phenomena in the future.

[46] Quoted by Fernand Braudel in *The Perspective of the World* (1992).

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