
II.nd WORLD WAR AND TURKISH ECONOMY

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Introduction

Turkey as being a country which was aiming to protect her territorial integrity more than being a neutral one managed to reach her aims. It would be a true statement to say that she carried out her cyclic relationships with the countries which were less threatful to her. Turkish State felt the need to adhere to the agreements it had made with France and Britain on one hand, and on the other hand to set up relations with Germany and Soviet Union not to engage a combat. ¹ This political attitude showed itself in economic behaviours. The primary method to accomplish this problematic process was turning to equity.

Economic Prospect in Turkey and in the World Before the War

The Republic of Turkey which had adopted and implemented “mixed economy model” in İzmir Economy Congress, managed to reach some of her targets, but after the Great Depression seen all over the world in 1929, she started to have a more regulatory role in economy administration with 1930 policies. Subsequently, by the establishment of Central Bank, and the laws like “*Protection of the Value of the Turkish Currency Law*”, “*The Prohibition of Mixture in Trade and The Inspection of Exportation Law*”, the republic started to apply the principle of etatism in economy instead of mixed economy model which also had some point of views containing liberal approaches. One of the biggest indicators of this is the raise of the number of State Economic Enterprises from 31 to 111 between 1932-1939. ² The economy direction which got into an etatistic point of view against the difficulties seen before the war started to take harder hedges after the burst of the war in Europe in 1939. The First Five-Year Industrial Plan which was one of the samples of etatistic approach was started implementing in 1934 and it managed to reach targets just in two years before the integration of 5 years. However, the same success level could not be achieved when the second Five-Year Industrial Plan announced in 1936 which had more challenging areas such as energy and mining instead of producing domestic consumption materials in the first plan. The Second Five-Year Industrial Plan which was proceeding by postponements because of both technical difficulties and economic deficiencies encountered serious paralysations. Coming to 1950's it was seen that just in chrome, copper and iron-steel corporations could have developed.³

¹ KÖYLÜ Murat, *Türk Siyasi Tarihi 1789-1980*, Kripto Publications, Ankara, 2017, p. 399

² ÖZTÜRK İbrahim Mert, İkinci Dünya Savaşı Türkiye'sinde Olağanüstü Ekonomik Kararlar: Milli Korunma Kanunu ve Varlık Vergisi, Ankara University Turkish Revolution History Institute Atatürk Yolu Journal, 2013, V:2, I:54, p.137

³ Bkz. BORATAV Korkut, *Türkiye İktisat Tarihi 1908-1985*, Gerçek Publishing House 3.ed., İstanbul, 1990; KOÇAK Cemil, *Türkiye'de Milli Şef Dönemi (1938-1945)* 2. Baskı., C.2, İletişim Publications, İstanbul, 1996

Naturally, Turkey was not the unique country that had developed precautions against the constrictions seen in economy. Especially the problems seen in the siding countries in the war made them get out of the conventional layouts. Even before the burst of the war, under the lights of the indications, most of the countries started applying war economies. In 1939 the consumption of the vital needs was rationered, by the help of a law named as “*Emergency Power Acts*” in Britain on August 1939. The government started to regularize the economy by the hands of the state. Britain prohibited the workers to leave the job and limited them to go on strike by the help of a law named as “*Essential Works Order*”⁴

Defence Economy and National Protection Law

These implementations which were brought by the compulsory conditions swept the humans and the social life to problematic processes and created some sociological problems. Turkish nation which was generally formed as low-income or indigent people lived some complications to resist against the production restrictions and black-marketings. Almost all of the previous commercial partner countries’ were participating in the war and this caused the lack of the compulsory consumption needs in the country. This challenge led serious problems accompanying the acquittances of the debts from Ottoman Empire, the charges coming from Turkish Independence War, and onto the 1929 Great Depression. Even though the volition’s success on not joining the war, Turkey had to get prepared in half-mobilization after the Axis Powers took the Balkans accompanying to those economic challenges.⁵

The population of young men who were enlisted climbed over one million. Not just taking this most prolific group out of the economy by fulfilling the needs of these soldiers while waiting ready at the front, the challenges in economy and society piled up. Nearby the gap in rural areas created by the absence of these young and strong people who were mostly farming, their consumption as being soldiers were more than their consumption as being villagers. The population of animals were very high adding to human population and those animals were taken out of the economy like humans and they turned to be consumers instead of producers as well. Those all were big costs and they are overlooked at first sight.⁶

Turkish State took care of the signs of the war and started the discussions of etatism which was called as “*Defence Economy*” by the President of Industry Survey Commission, Şevket Süreyya Aydemir’s 23 items of article on defending the economy.

⁴ ARSLAN Mahmut, *2.Dünya Savaşı ve Türkiye’de Savaş Ekonomisi*, Aydın Toplum ve İnsan Journal, Year 2, Issue 2, 2016(1-14), s.2

⁵ GÖZCÜ Alev, İkinci Dünya Savaşı Türkiye’sinde Ekonomik Durumun Sosyal Hayata Etkilerine Dair Tespitler, Ankara University Turkish Revolution History Institute Atatürk Yolu Journal , I.62, Spring 2018,p.87-89

⁶ TEKELİ İlhan, İLKİN Selim; İktisadi Politikalarıyla ve Uygulamalarıyla İkinci Dünya Savaşı *Türkiyesi*, İstanbul,2016,V.2, p.83-84

Recep Peker submitted the project to the Parliament for approval with a 70-point law proposal under the criticism of whether the state has a lot of authority in accordance with the constitution. This regulation, known as the “*National Protection Law*”, put all economic institutions under the control of the state at low or high levels. The proposal for the approval of the Parliament on January 18, 1940, was enacted on February 19, 1940. It was determined that the National Protection Law, which was amended with 51 articles in time, was adopted with 72 articles in the first place and 359 regulatory actions were taken. At the time of the National Struggle, the Price Detection Commissions, which were likened to the Tekalif-i Milliye Orders, could confiscate the products on condition that the price was paid by the state in order to prevent speculative gains and to prevent the black market and the costs were paid to the seller in installments. In 1941, the Undersecretariat of Subsidiaries, Distribution Offices, and Petrol Ofisi were established. The Undersecretaries of the Board of Directors were organized with the Board of Directors in the major provinces. Excessive working hours were compulsory, similar to the practice in the UK, without the public or private sector being imposed, and the requirement to transport public goods to private transport vehicles.⁷

State institutions, which were drafted by legal regulations, were not prepared enough to fulfill these issues in practice. Grain and cereal products, which were decided to be distributed by rationing, were not kept in open areas and distributed to the public. The economic and sociological problems, planned to be prevented by the National Protection Law, could not be solved. The black market could not be prevented, gold prices increased, product prices went out of control and speculative riches occurred especially among non-Muslim merchants holding the country’s imports.⁸

When the conditions imposed by the period, the dynamics constituting the society, the conditions imposed by the economic difficulties outside the country rather than the domestic difficulties, it was difficult to expect the National Protection Law, which was applied at 5 different stages until the end of the war, to be more successful. Governments were not very keen to be interventionist, but they had to enforce this law as the circumstances forced them to do so.

Asset Tax

Second World War period has been applied in the most dramatic Wealth Tax measures from one area of the economy Turkey. To check prices with National Protection Law and social ground in moving the Republic of Turkey in order to avoid economic abyss, governments referred to efforts emerged the issues that are shown to avoid purged failure due to various internal and external factors to last. As the prices could not be controlled

⁷ AKIN Rıdvan, *Türk Siyasi Tarihi 1908-2000*, XII Levha Publications, İstanbul,2005, p.323-325

⁸ ÖKTE Fatih, *Varlık Vergisi Faciası*, İstanbul, Nebiloğlu Publishing House,1951,-- conductor: ERSOY Lale, *Osmanlı'dan Günümüze Türkiye'nin Siyasal Hayatı*, Edit: Adem Çaylak, Seyit Ali Avcu, 13th Chapter *1939-1945 Döneminde Türkiye'de Siyasi Gelişmeler*; Savaş Publications. Ankara, 2017, s.331

in the markets, people with low incomes became more impoverished and the owners of large wealth both made the economic structure difficult and sociological differences emerged. The idea arose of taxing the excess of those who made excessive profits in order to cover the budget deficits arising in the state.⁹

The fact that the periodically controlled media organs were constantly criticizing the speculative riches and that the government supervising them allowed these publications was a sign that the state would develop some policies on this issue. Following these criticisms, the President of the time, İsmet İnönü, targeted these new riches in an extremely harsh manner. His speech in history was held on November 1, 1942, in the Assembly as follows:

“We must remember with pain that the efforts of the Republican Governments to organize the subsistence of the nation have not been assisted by our community for two years. The first issue to be solved today is the return of general trust. The turbulent time, the old swamp farmer who never sees an untold opportunity and the insatiable profiteer merchant who tries to make the commodities we breathe in the air we can breathe, and a few politicians who think all these troubles are great opportunities for their political ambitions they are trying to put arson in an arrogant manner. There is, of course, a way to eliminate the obvious damages of these people who do not exceed three or five hundred people.”¹⁰

After this speech, which can be seen as a kind of flare, on November 11, 1942, Prime Minister Şükrü Saraçoğlu stated in his presentation speech that the wealth gains of the three main sectors during the war years would be taxed. These; merchants, real estate and mite owners and large farms. According to the statements of Prime Minister Saraçoğlu, traders will naturally be taxed the most because they earn the most money and there will be no hesitation in this practice. Secondly, inns, baths, and apartments come. Last but not least, large farmers come, but will not exceed 5% of the tax assets to be collected from them.¹¹

Although wealth tax was criticized as unfair taxation, which was mentioned by many researchers in the following periods, it was considered as a just and fair practice at the time.¹²

The points where the criticisms are concentrated; the tax is not a criterion in the application of the newly introduced wealth tax, including 55% of the total tax revenue obtained from minorities, the tax to be collected by the local authorities to determine the personal opinions, such as the absence of the right to object to the collection authorities.¹³

⁹ Akın , *ibid.*, s.325

¹⁰ İnönü'nün Söylev ve Demeçleri, Turkish Revolution History Institute Publications:2,İstanbul,1946

¹¹ Tekeli,İlkin,*ibid.*,s.41

¹² Tekeli,İlkin,*ibid.*,s.41

¹³ WEISBAND Edward, *2.Dünya Savaşı ve Türkiye*, M.A.Kayabağ,Örgen Uğurlu (translator.), Örgün Publications, İstanbul,2002,s.221—conductor: Ersoy Lale, *ibid.*, s.333

When it is determined that the taxation applied in the following periods includes a number of coercion and injustices, it is seen that the conditions of the period are examined and that this small segment has gained the hatred of the large part of the society and this hatred may have greater social consequences. During the implementation, the most external objection came from the Allied front of the war. Britain protested the situation with notes, and the US ambassador of Jewish origin informed Washington that the law was of a racist character.¹⁴

In order to clarify the objections that he thinks will be put forward by Prime Minister Saraçoğlu, in his presentation speech to the parliament, he declared that those who are most profitable from the conditions of war and that they will naturally give the most taxes and those who are poor and weak will be exempted from this tax. In addition to this, the Prime Minister announced the sanction to be applied to those who could not pay the tax as to be employed in physical affairs and said that the supply of workers could be provided in this way.¹⁵

The “Wealth Tax” Law No. 4305 was adopted and enacted in the afternoon session on the same day when 350 of the 429 deputies participated and all voted in favor. Among the 79 deputies who did not participate, among the 350 deputies who participated, there were those of non-Muslim origin. When the tax list announced on December 18, 1942, was examined, it was revealed that 68% of the taxes would be collected from Istanbul, 5.8% from Izmir, 2.2% from Ankara and 1.8% from Adana. Istanbul, which served as the center of the economy, met the highest rate in this tax. When it is examined as ethnicity, this tax shows that it pays 87% of the non-Muslims who make up 22.74% of the population of Istanbul.¹⁶

This is the case of the CHP deputies Suat Hayri Ürgüplü, as in the War of Independence in this war as it is necessary to sacrifice; However, he commented that the provinces of Istanbul and Izmir should contribute more to this war, since they had no economic contribution to the War of Independence.¹⁷

The payment period granted to the taxpayers of the Asset Tax was notified as 15 days. it was announced that those who do not pay at the end of the total one month will be subject to foreclosure. In addition, for those who do not pay the price, they are decided to work in general or municipal works according to their abilities. On January 27, 1943, 2057 people who do not pay their taxes are taken into custody, 657 of them pay their taxes while they are in the collection center and the others are sent to Aşkale and Sivrihisar for labor.¹⁸

¹⁴ AKAR Rıdvan, *Varlık Vergisi ve Türkleştirme Politikaları*, İletişim Publications İstanbul,2000,s.73—conductor: Ersoy Lale, *ibid.*,s.333

¹⁵ ÖZTÜRK İbrahim Mert, *ibid.*, s.148

¹⁶ Tekeli,İlkin,*ibid.*,s.45

¹⁷ ÖZTÜRK İbrahim Mert, *ibid.*, s.147

¹⁸ Tekeli,İlkin,*ibid.*,s.48

For non-Turkish citizens, the proportion generally applied to Muslims was applied; however, like the Allies who objected before the application of the tax, the Axis states also objected during the application of the tax. The government, which aims to maintain the balance in foreign policy, postponed the remaining portion after it has collected 2/3 of the amount that the Ministry of Finance aims to collect from foreigners.¹⁹

In 1943, some reliefs were observed in practice. It was decided that those who were subjected to forced labor should work in their families' places and even pay their debts by working in their own businesses.²⁰

Since it was seen that the amount that could be collected in mid-1943 was reached. In 1943, the Ministry of Finance was instructed to work on tax debts that could be deleted. Remaining debts on March 15, 1944, have been deleted. The tax that will be collected in this 16-month period is 465.3 million, while the tax that can be collected is 314.9 million.²¹

Conclusion

Turkish Republic, which tried to avoid getting involved and succeeded in the Second World War, tried to take some measures against the economic problems which would inevitably be encountered in, which have not been successful. Although not as much as the countries entering the war, the country has experienced a serious economic strain. The most important measure is the National Protection Law. The implementation of this law has not been successful due to some internal and external factors. It was not possible to prevent the black market that was tried to be prevented, fair distribution of the products could not be realized and the social gaps that should not arise in the society emerged. Not being able to share the gains with the public and the state by people who are rich at the same time with speculative moves fueled both the budgetary problems and social problems. The President of the State, who could not be adequately protected through the National Protection Law, deemed it necessary to take tax on the excessive earnings of the rich in question, and even today, the Asset Tax, which is still being debated, was imposed for 16 months.

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¹⁹ Tekeli, İlkin, *ibid.*, s.49

²⁰ AKAR Rıdvan, *Varlık Vergisi ve Türkleştirme Politikaları*, İletişim Publications İstanbul, 2000, s.73— conductor: Ersoy Lale , *ibid.*, s.333

²¹ Tekeli, İlkin, *ibid.*, s.49

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