

The Transaction Taxes in Turkey (1926-1934):  
Negotiation between Industrialists  
and Republican Governments

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## Abstract

“The Transaction Taxes in Turkey (1926-1934): Negotiation between Industrialist and Republican Governments”

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Professor Nadir Özbek, Thesis Advisor

This thesis investigates four taxes, which are the General Consumption Tax that was enacted in 1926 and three different Transaction Taxes that were enacted in 1927, 1931 and 1934; in addition, it focuses on the creation processes of these taxes and the negotiation between taxpayers and governments. In the existed structure of taxation after the abolition of the *Âşar*, tithe tax in 1925, these four taxes, which had vital share in the all tax revenues, constitutes the main headlines of this thesis and negotiations during creation processes of every single tax between taxpayers and taxpayers’ organizations such as chambers of commerce and industry unions and governments are examined. Also, the study investigates how taxpayers reacted against taxes; how they criticized the tax and which arguments were used; and which methods were developed in order to negotiate. Main sources of this thesis are necessary reasons texts, law texts and reports and documents that are written by chambers of commerce.

34,000 words

## Özet

“Türkiye’de Muamele Vergileri (1926 – 1934): Sanayiciler ve Cumhuriyet Hükümetleri Arasında Pazarlık”

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Profesör Nadir Özbek, Tez Danışmanı

Bu tez 1926 yılında ihdas edilmiş olan Umumî İstahlâk Vergisi ve 1927, 1931 ve 1934 yıllarında ihdas edilmiş olan üç farklı Muamele Vergisinin ihdas süreçlerini ve bu vergilerin mükellefleri ile hükümetlerin arasındaki pazarlık süreçlerini incelemektedir. Âşar vergisinin 1925 yılında kaldırılmasından sonra ortaya çıkan vergi sisteminde, vergi gelirleri içerisinde önemli yerleri olan bu dört vergi, bu tezin ana başlıklarını oluşturmaktadır. Her bir verginin oluşum sürecinde vergi mükellefleri ve onların oluşturduğu kurumlar olan Ticaret odaları ve sanayi birlikleri ile hükümetler arasındaki pazarlık, bu tezde incelenmektedir. Bu çalışma, bu vergilere karşı, mükelleflerin nasıl karşılık verdiğini, hangi argümanlarla eleştirdiğini ve hangi metotlarla pazarlık edildiğini ele almaktadır. Bu tezin ana kaynaklarını esabab-ı mucibe layihaları, kanun metinleri ve ticaret odalarının hazırladıkları raporlar dokümanlar oluşturmaktadır.

34.000 kelime



To people who devoted their lifetimes  
to create a contemporary country  
from “a ruined country at the edge of the abyss”



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## Abbreviations and Acronyms

ICC	İstanbul Chamber of Commerce and Industry
IZTO	İzmir Chamber of Commerce
GNAT	Grand National Assembly of Turkey

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## Introduction

The Republic of Turkey inherited the Ottoman economic and financial institutions and one of them was the Ottoman taxation system. The transformation of the system begun in the mid-1920s with the abolition of the tithe. The ideas that purposed to abolish its *ancient* elements such as *Aşar*, the tithe and *ağnam*, the animal tax, occurred during the independence war (1920-1922) and finally, the tithe was abolished in 1925. The share of tithe tax among all tax revenues was 22 per cent and the government had to compensate this amount via new revenue sources, in other words, new taxes. This point was the beginning point of the transformation in the taxation system. After this, the government enacted new taxes consisting of indirect taxes that were levied on consumption and the balance between direct and indirect taxes changed and turned in favour of indirect taxes. The general consumption tax, which is called “first transaction tax” by some sources written in the 1930s and 1940s, and its follower transaction taxes, 1927, 1931 and 1934 had significant share among the indirect taxes. The general consumption tax law was enacted in 1926 and the tax law levied a tax on all consumption goods at the rate of 2,5 per cent. However, the tax was opposed by especially merchants and their organizations, chambers of commerce, especially, İstanbul and İzmir chambers of commerce, the ICC, Istanbul Chamber of Commerce and Industry, and IZTO, Izmir Chamber of Commerce. Problems in the application of the tax

law forced the government to abolish the tax itself. Thus, the government abolished it and enacted the first transaction tax law in May 1927.

Apart from the general consumption tax, the transaction tax law levied a tax on all production by industrial institutions at the rate of 6 per cent and the taxpayers consisted of only industrial institution owners/ industrialists. The scope of the tax was determined according to motive power capacities that factories had. However, this tax was opposed by the taxpayers and it caused new problems in markets. In the 1930s, the governments enacted another three transaction tax laws in, respectively, 1931, 1934 and 1940. Every single tax law changed the scope, tax amount or immunities according to the altered conditions in the economy and the governments' necessities.

The first transaction tax was criticized by industrialists in different platforms such as the industry congress in 1930 and the congress of the ICC. Due to the fact that it caused the tax burden significantly on endorsements and caused de-mechanisation in the industrial institutions, the tax was abolished in 1931. Although the new tax law brought about the basis of endorsement and new immunities, during every step of the creation of it, the industrialists continued their oppositions. However, in this instance, the opposition came to existence not only from out of the GNAT, the Grand National Assembly of Turkey, *Türkiye Büyük Millet Meclisi*, or from chambers of commerce but also in the GNAT. The industrialists could find a chance to represent themselves in the GNAT in the 1931 election. Thanks to this representation, industrialist deputies not only opposed the laws in the assembly to protect their interest but also took responsibilities in the councils; by this way, they could be a part of policy makers that amended law drafts. In addition, the unbalanced representation between industrialists and merchants in the chambers of commerce caused to establish Industry Unions in İstanbul and İzmir. The law, which regulated the legal conditions of the chambers, did not allow to found an independent industry union. This thesis shows that the İstanbul Industry Union played an active and essential role during the creation processes of the tax laws in 1931 and 1934.

Finally, the tax was abolished in 1934 again by another transaction tax law. Here the government wanted to dissolve the immunities that were given by

the former tax law and to increase its revenues. Differently from previous creation processes and industrialists' point of views, in 1934, industrialists focused on the scope and the application of tax law rather than ratio. Every single process shows us how the government and industrialists changed their attitudes under different conditions and current situations in these periods.

This thesis focuses on the creation processes of these four taxes, the general consumption tax and three transaction taxes. Four moments in eight years had different conditions and for this reason, despite the agencies were mainly similar, their situations and priorities changed in this short period. Thus, the relations between them changed several times and the main problematique of this thesis rises at this point: Which factors shaped the creation process of tax laws and how negotiations between agencies proceeded? In order to answer these questions, the thesis investigates and asks how the negotiation between the government and the chambers of commerce or taxpayers took form? How the chambers created communication and negotiation tools to bargain with the government? How relations and balances between different groups in the chambers in terms of professions - industrialists and merchants - impacted the oppositions against the taxes? And, how the altered conjunctures from the mid-1920s to the mid-1930s reflected the government and the chambers or industrialists groups' approaches?

It can be argued that although the industry within Turkey was undeveloped in the 1920s and 1930s and its share in the GDP was small, can it be identified an industry class and mentioned the importance of negotiations between industrialists and the governments? Apart from this discussion, the thesis agrees with the definition of an industry institution in the law for the encouragement of industry. The law was enacted in 1927 and according to it, an industrial institution was a place that changes or shapes materials via machine, tools or looms. The critical point for this study is that all transaction tax laws identified their scoops according to this definition. Moreover, thanks to the law, an important part of the factories within the country were immunised from the income tax; therefore, the transaction tax appeared the highest tax in front of factory owners.

As it is stated above, this thesis focuses on four tax laws that were enacted between 1926 to 1934. The fourth transaction tax law in 1940 was enacted under the Second World War conditions and in order to investigate it, I need to set a new historical background and problematique. Because these necessities may exceed limits of a master thesis, the study merely focuses on these four tax laws. Similarly, the discussions on the other taxes on industrial production such as the octroi duty or the income tax, which merchants always complained in the period, could be a part of the study but this also means expanding the limits.

In the literature on the modern Turkish history, economic history as a section is large and remarkable. Extensive works on the issues in the late Ottoman Empire's and early Republican era's economies focus on the major data, indicators, institutions, tendencies, and developments such as the developments in industries, agriculture, foreign trade.<sup>1</sup> Most of the works on the economic history of Turkey have tendencies to focus on the history of taxation system on the basis of the abolition of the tithe or the developments in the state budgets. In terms of the history of the taxation system in Turkey, these works mainly have concentrated on the abolition of the tithe and its importance in terms of economy, public finance and social. Of course, the importance of the tithe and its abolition are central for the economic, social and political history and hence, the abolition process has been investigated thoroughly. This tendency is understandable; however, the Turkish historiography has not paid attention to the superseding taxes and their creation processes that were enacted after the abolition to compensate the loss of tithe tax and that altered the balance between direct and indirect taxes. These works have discussed and investigated the all aspects of the tithe economically, socially, and politically; however, the followers of the tax, which are land crop tax and one of the main topics of this study such as the general consumption tax, have been underestimated. In addition to this problem, the studies on the existed structure have

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1 Şevket Pamuk, *Türkiye'nin 200 Yıllık İktisadi Tarihi: Büyüme, Kurumlar Ve Bölüşüm* (İstanbul: Türkiye İş Bankası Kültür Yayınları, 2014); Korkut Boratav, *Türkiye İktisat Tarihi: 1908-2007* (Ankara: İmge Kitabevi, 2008); Yahya Tezel, *Cumhuriyet Döneminin İktisadi Tarihi* (Ankara: Yurt Yayınevi, 1982); Çağlar Keyder, *The Definition of a Peripheral Economy: Turkey 1923-1929* (New York: Press Syndicate of the University of Cambridge, 1981).

focused on the taxation of agricultural production for justifiable reasons as well because Turkey had a rural population until the 1980s and its economy has been based on mainly agricultural production for decades. In this situation, concentration on this angle of the issue is reasonable, but at the same time, it is a fact that the taxation of other sectors such as industry and tax laws, which were enacted to do it, must be studied.

The works on the history of the structure of taxation in Turkey have tendencies to focus on the laws, scope, immunities, and contributions to the state budgets. Although these are *sine qua non* for a study, they underestimate or ignore the negotiations between taxpayers and the policy makers during the creation processes of taxes. On the other hand, in terms of the history of economy and public finance of the early republican era, the abolition of the tithe is, probably, the most studied issue. However, the literature tends to underestimate the superseding taxes after the abolition. To illustrate, there are three important works on the abolition of the tithe. İzzetin Önder's article, Nevin Coşar's articles<sup>2</sup>, which covers main approaches about the abolition of tithe tax, and Nadir Özbek's encyclopaedia article<sup>3</sup> on the abolition of the tithe examine the whole process of the abolition in terms of political, economic and social reasons and also consequences. Although these articles underline the abolition of the land crop tax, which was enacted to tolerate the loss of the tithe a year later, they do not highlight the importance of the general consumption tax in this transformation. Even though these three works point out that the land crop tax was abolished in 1926, they do not state that it was abolished by the general consumption tax. The underestimated and ignored point is that the articles of the land crop tax, which maintained the burden of tax on agricultural production, were abolished by the general consumption tax. In short and in other words, the continuity between the land crop and general consumption taxes in terms of to achieve the abolition of the tithe is underestimated.

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2 İzzetin Önder, "Âşârın Kaldırılması," *Toplum ve Bilim*, no. 13 (1981); Nevin Coşar, "Aşar Vergisinin Kaldırılma Nedenleri," *Toplumsal Tarih*, no. 35 (1996).

3 Nadir Özbek, "Köylü "Aşar" Yükünden Kurtuldu," in *Cumhuriyet Ansiklopedisi 1923-1940*, ed. Feridun Aksın (İstanbul: Yapı Kredi Yayınları, 2003).

In addition to these works, *Vergi Tarihi*<sup>4</sup>, written by İlham Küsmenoğlu, *Mali İdare*<sup>5</sup>, written by Erdoğan Öner and *Atatürk Dönemi Maliye Politikaları*<sup>6</sup>, written by Güneri Akalın are works that focus on all taxes and alterations in the structure of taxation; nevertheless, these works are too descriptive and do not address the tax laws' creation processes.

In the literature, the most focused works on the transaction taxes were written in the 1930s and 1940s. *Muamele ve İstihlak Vergileri*<sup>7</sup>, written by İsmail Hakkı Ülkmen, *Muamele Vergisi and Tatbikatı ile Şerh ve İzahları*<sup>8</sup>, written by Nihat Âli Üçüncü and *Türkiye'de Vergi Sistemi: Vasıtalı Vergiler*<sup>9</sup>, written by Cezmi Emiroğlu, are far away to investigate the history of the process of taxes. They are mostly commentaries of the tax laws and try to emplace them in the taxation system. Orhan Dikmen's article, *Türkiye'de Muamele Vergisinin İnkişafı* focuses on the genesis and history of the tax from its existence in Europe to the tax in 1940.<sup>10</sup> However, as he stated, the article focuses on the short history of the transaction taxes rather than critiques of it.<sup>11</sup>

Selim İlkin and İlhan Tekeli's two books, *1929 Dünya Buhranında Türkiye'nin İktisadi Politika Arayışları*, and *Uygulamaya Geçerken Türkiye'de Devletçiliğin Oluşumu*, are the exception in the literature. Their two works highlight the role of the chambers of commerce as an actor in history. In their first book, they underline the importance of the chambers of commerce, especially chambers in İstanbul and İzmir, and identifies them as a tool in which

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- 4 İlham Küsmenoğlu, *Cumhuriyet Dönemi Vergi Tarihi* 2vols., vol. 1 (Ankara: Oluş Yayıncılık, 2010).
  - 5 Erdoğan Öner, *Osmanlı İmparatorluğu Ve Cumhuriyet Döneminde Mali İdare* (Ankara: T.C. Maliye Bakanlığı Araştırma Planlama ve Koordinasyon Kurulu Başkanlığı, 2005).
  - 6 Güneri Akalın, *Atatürk Dönemi Maliye Politikaları* (Ankara: T.C. Maliye Bakanlığı Strateji Geliştirme Başkanlığı, 2008).
  - 7 İsmail Hakkı Ülkmen, *Muamele Ve İstihlak Vergileri* (İstanbul: Maarif Matbaası, 1939).
  - 8 Nihat Âli Üçüncü, *Muamele Vergisi Ve Tatbikatı ile Şerh Ve İzahları* (İstanbul: Cumhuriyet Matbaası, 1942).
  - 9 Cezmi Emiroğlu, *Türkiye'de Vergi Sistemi: Vasıtları Vergiler*, 2 vols., vol. 2 (Ankara: Damga Matbaası, 1932).
  - 10 M. Orhan Dikmen, "Türkiye'de Muamele Vergisinin İnkişafı," İstanbul Üniversitesi İktisat Fakültesi Mecmuası 5, no. 1-4 (1945).
  - 11 Ibid., 99.

business circle benefited to protect their interests. Their second work considers discussions on the transaction law in 1931 in the GNAT and industrialists' a couple of expressions reflected on the newspapers when they investigate the amendments in the tax law. However, their attention is based on limited data, focus on only the tax law in 1931 and far away to show the alteration in the agents' attitudes in different moments. In addition to these significant works, Bilsay Kuruç's documental works on the parliamentary minutes of the laws on economic issues, *Belgelerle Türkiye İktisat Politikası*, have several arguments on the transformation in the transaction taxes in 1931 and 1934. However, these arguments have the characteristics of shorts introduction texts above the minutes.

Two works are also important in the literature. The first is Murat Koraltürk's work on the development of the chambers of commerce and industry from the late Ottoman era to the mid-20th century in Turkey, *Türkiye'de Ticaret ve Sanayi Odalarının Tarihsel Gelişimi (1880-1952)*<sup>12</sup>, addresses the genesis and development of the chambers in different eras and under different conditions and more importantly, the ICC's role in the Turkification of the economy; however, it focuses on mainly their legal status and their internal regulations rather than their relations or conflict with the political power – state in terms of implemented economy policies. The second is Asım Karaömerlioğlu's master thesis, *Merchants and the State in Turkey – From Empire to Republic*<sup>13</sup>. The thesis mainly focuses on the relation between the state and merchants or the ICC in the inter-war era in Turkey and similarly to Koraltürk's work, the ICC's role in the Turkification. On the other hand, the work, in comparison with Koraltürk's work, pays more attention to the ICC's efforts and published reports on different issues. The chapter on the law for the encouragement of industry and the ICC shows how the industrialists in the chamber approached to the law and what they expected from the law.<sup>14</sup>

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12 Murat Koraltürk, "Türkiye'de Ticaret Ve Sanayi Odalarının Tarihsel Gelişimi (1880-1952)" (Marmara Üniversitesi, 1999).

13 M. Asım Karaömerlioğlu, "Merchants and the State in Turkey: From Empire to Republic," *History* (İstanbul: Boğaziçi University, 1992).

14 *Ibid.*, 114-138.

In my thesis, official records of the GNAT have crucial importance in order to introduce the discussions and negotiations among agencies. These records can be divided into two groups: The parliamentary minutes and the necessary reasons of the government and councils. The minutes are remarkably detailed and useful to see the attitudes approaches of different groups among parliament members. Secondly, the necessary reasons are also important to see both the government's and councils' point of views about different issues. In addition to that, their compositions are other their significant point and the thesis considers attitudes and composition together.

In addition to the government documentation, both İstanbul Chamber of Commerce's and İzmir Chamber of Commerce's documents have a central role in the thesis. The congress reports of the ICC and reports on different issues such as taxes written by the sections in the ICC are highly detailed documents to introduce the chamber's point of views. Especially, two published works by the ICC, the general reports<sup>15</sup> on the actions of the ICC from 1923 to 1926 and from 1926 to 1928, are composed of memorandums, telegraphs, and reports, which were sent to officials or received from the officials or the members of the chamber. For the IZCC, unfortunately, there are no detailed documents as much as the ICC published. There a published record of the meetings of the IZCC.<sup>16</sup> Differently, from the ICC documentations, the IZCC documentations show every single member's speech in the chamber assembly on the issues.

In addition to the chambers' documents, the Republican Archive documentations are used in this thesis, although the archive is not useful and rich as much as the Ottoman Archive is. Nevertheless, the documents are vital for this thesis. Finally, the newspaper, Cumhuriyet, provides essential information about the processes that the thesis focuses on and also the Industry Union.

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- 15 *İstanbul Ticaret ve Sanayi Odası, İstanbul Ticaret Ve Sanayi Odası Eylül 1923-Mayıs 1926 Faaliyet Ve Muamelâtına Dair Umumî Rapor* (İstanbul: İstanbul Ticaret ve Sanayi Odası Neşriyatı, 1926); *İstanbul Ticaret Ve Sanayi Odası 1926 -1927 -1928 Seneleri Faaliyet Ve Muamelâtına Ait Umumî Rapor*, (İstanbul: Sinan Matbaası, 1935).
- 16 Fikret Yılmaz, ed. *İdare Heyeti Defterleri I-II (1926-1930)* (İzmir: İzmir Ticaret Odası Kültür, Sanat ve Tarih Yayınları, 2008).

Even though the union used to play important roles during the creation processes of tax laws relevant to the industry, in comparison with its importance, it was an informal institution and did not have a legal entity. For this reason, there are no documents as congress reports or assembly records. However, their meetings were reported considerably by *Cumhuriyet*. Thus, its archive provides important information for the study.

The thesis has three main chapters except for the introduction and conclusion chapters. Chapter 2 aims to set a historical background about the 1920s and 1930s. It has two headlines. The first summarizes the main tendencies in the economy in Turkey during the era. The governments in Turkey created new institutions and policies in these two decades. In the 1920s, the governments tried to recover the economy and develop branches; afterwards, the governments endeavoured to handle the consequences of the great depression in the 1930s. In addition to these efforts, the structure of taxation transformed dramatically in the 1920s and also reformed and gained new taxes in the 1930s. The second sub-headline aims to summarise this transformation and the existed structure of taxation within Turkey.

Other two chapters are based on entirely primary sources. Chapter 3 focuses on two taxes, the general consumption tax, and the first transaction tax. The chapter has two sub-headline and under the first, the creation process of the general consumption tax, the government's effort, both the İstanbul Chamber of Commerce and İzmir Chamber of Commerce's oppositions against it, the chambers arguments, communication methods to contact with the government, the conditions after that the tax law entered into force, problems that it caused and reasons that forced the government to abolish it are investigated. Secondly, the first transaction tax is examined in terms of similar aspects under the second sub-headline.

The main border between chapters 3 and 4 is that the great depression and its impacts on the taxes. The fourth chapter focuses on the transaction taxes that were enacted in 1931 and 1934 and similar to chapter 3, it has two sub-headlines. The first investigates taxpayers' complaints and critiques that were expressed in the Industry Congress and the congress of the ICC in 1930. In addition to these oppositions, in the 1931 election, the industrialists' candidates were elected, and their opposition moved into the GNAT. In the second

part of the chapter, I lastly focus on the tax law, which was enacted in 1934. Even though it was the last transaction tax law in the era, there were two crucial amendments in 1937 and 1938. Towards the end of the era, the ICC published a well-prepared report on the consequences of the tax, and it reflects on the amendments

## The General View of Economy and Structure of Taxation in Turkey (1923-1939)

At the beginning of the war of independence, the first Grand National Assembly of Turkey (1920-1923), the GNAT, accredited Yusuf Kemal [Tengirşenk], who was the first economy commissar of the GNAT, and Bekir Sami [Kunduh], who was the first foreign affairs commissar of the GNAT, to Russia to contact with the Bolsheviks and learn their opinions about current condition. Yusuf Kemal's observations during the journey to Russia exemplifies the situation of Anatolia after the Balkan and Great wars:

So then we moved forward to the Plain of Eleşkirt which is fruitful lowland of our country. According to people said, Armenian peasants were forced to leave by Muslim peasants, and Armenian peasants forced to leave Muslim peasants as well. There was nobody. Wild plants covered everywhere; due to the length of these plants, even a cavalier could not be seen.<sup>1</sup>

Yusuf Kemal's short memory shows what Turkey's economy was at the end of the war period. Due to the high numbers of men who were killed during wars, Turkey lost its important part of the workforce and also widows, and orphans were an essential part of the population; consequently, even most productive

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1 Yusuf Kemal Tengirşenk, *Vatan Hizmetinde* (İstanbul: Bahar Matbaası, 1967), 148.

lands had not been ploughed for a decade. In 1922, even though the Government of Ankara reached victory, the decade of wars (the Balkan Wars, 1912-13, the Great War, 1914-18, and the War of Independence, 1920-22) led to long-term economic and demographic consequences. The best summary of the effects of the war period on Turkey's economy is that per capita income was about 30 per cent lower in 1923 than its level in 1914, which could return in 1929 to their level in 1914.<sup>2</sup> This recovery was based on several factors, which were the legal obligation such as the economic articles of the Lausanne peace treaty or demographics such as the recovery in the primary workforce.

This chapter aims to set the main points of this recovery process in Turkey and set a historical background in terms of economy, institutions, laws, policies in the first part. Secondly, it aims to summarise the structure and transformation of the taxation system during the 1920s and 1930s.

## § 2.1 The Economy of Turkey between 1923 - 1939

The impacts of the wars period were destructive to the Empire's economy. The economy was based on mainly agricultural production and due to mobilisations and deportations, a labour shortage existed in both cities and rural regions; hence the agricultural production regressed dramatically throughout the war period. The level of agricultural production from 1913 to 1916, for example, decreased by 30 per cent. The regressions in exportation goods such as wheat, tobacco, and cotton were approximately 50 per cent. Not only agricultural production but also numbers of livestock decreased by 50 per cent approximately in 1918.<sup>3</sup>

The war conditions and lack of workforce affected the industry either, even though women were hired in the production. From 1913 to 1918, coal production decreased 75 per cent and the other mines productions decreased ranging between 50 and 80 per cent. Regression in all industrial branches, according to Pamuk, is predicted between 30 and 50 per cent. As a result, the Empire's

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2 Şevket Pamuk, *Türkiye'nin 200 Yıllık İktisadi Tarihi: Büyüme, Kurumlar Ve Bölüşüm* (İstanbul: Türkiye İş Bankası Kültür Yayınları, 2014), 180-87.

3 Ibid., 166-67.

national income regressed 40 per cent in comparison to its level before the war.<sup>4</sup>

At the end of the period, the Ankara government reached the victory and the first elements would shape the 1920s economic conditions that occurred in 1923. The Izmir Economy Congress was organised in 1923, which was important to decide the way that Turkey would follow throughout the 1920s. Secondly, the articles about the economy of the Lausanne peace treaty had influences on the economy in the post-war period.

### 2.1.1 *Lausanne Peace Treaty and Izmir Economic Congress 1923*

The Lausanne peace treaty was signed on 24 July 1923 and its articles about the economy were the factors that shaped Turkey's economy during the 1920s. According to the treaty, capitulations were abolished, which had had influences on external trade dominantly in the Empire. The great powers were given these capitulations, and the Empire could not manage its external trade policies in favour of itself.<sup>5</sup> Secondly, in the late Empire era, a customs policy was considered as a vital issue that was an obstacle in front of economic development and because of free trade agreements, the Empire could not change them. According to the treaty, the customs tariff, which was 13 per cent and determined in 1916, would not be changed until 1929; in other words, Turkey lacked protective tariffs to develop and protect domestic production.<sup>6</sup> According to a study, the arranged tariffs provided a degree of protection at the rate of 12,9 per cent for the economy.<sup>7</sup> Finally, the Ottoman Empire's debts were restructured. Turkey undertook two out of three of the debts and payments began in 1929.<sup>8</sup>

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4 Ibid.

5 Zafer Toprak, "Tanzimat'tan Sonra İktisadî Politika," in *Tanzimat'tan Cumhuriyet'e Türkiye Ansiklopedisi*, ed. Fahri Aral (İstanbul: İletişim Yayınları, 1985), 671.

6 Pamuk, *Türkiye'nin 200 Yıllık İktisadi Tarihi: Büyüme, Kurumlar Ve Bölüşüm*, 175-76; Yahya Tezel, *Cumhuriyet Döneminin İktisadi Tarihi* (Ankara: Yurt Yayınevi, 1982), 187-91.

7 Korkut Boratav, *Türkiye İktisat Tarihi: 1908-2007* (Ankara: İmge Kitabevi, 2008), 45.

8 Pamuk, *Türkiye'nin 200 Yıllık İktisadi Tarihi: Büyüme, Kurumlar Ve Bölüşüm*, 176.

### 2.1.1.1 İzmir Economy Congress

When the Lausanne peace conference was interrupted, the Ankara government organised the İzmir Economic Congress to determine the economic way that would be implemented in the following years. The congress was held between 17 February and 4 March 1923. Three thousand delegates were expected to participate, but only 1135 delegate joined to the Congress.<sup>9</sup> Even though delegates came from different classes and professions such as landholders, merchants, workers, factory owners, and deputies, the most powerful group was the Turkish merchants from Istanbul. The congress aimed to reconcile the government and participated groups about the economic route in the following period. At the end of the Congress, *Misak-ı İktisadî Esaslar*, the principles of the economic pact, consisting of 12 articles, was agreed. In addition to the principles, some of the participants' suggestions were agreed, which were the abolition of tithe tax, promotions and protective tariffs for the industry and founding a commerce bank.<sup>10</sup> These principles implemented throughout the following years such as the tithe was abolished in 1925, *İş Bankası*, the business bank, and *Sanayî ve Maadin Bankası*, the bank of industry and mines were founded in respectively 1924 and 1925 to provide loan for merchants and industry and the law for the encouragement of industry was enacted in 1927.<sup>11</sup>

### 2.1.2 Demographic Consequences on the Economy

The demographic alteration has importance for this study because its impacts on the economy caused to change the composition and structure of chambers of commerce within Turkey as well and the alteration, which is called as the Turkification of the economy, was referred by the members of chambers when the taxation laws were negotiated in the GNAT. For this reason, the demographic change and condition of chambers are investigated together under this sub-headline.

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9 "İzmir İktisat Kongresi," in *Cumhuriyet Ansiklopedisi 1923-1940*, ed. Feridun Aksın (İstanbul: Yapı Kredi Yayınları, 2003), 21.

10 Ibid.

11 Tezel, *Cumhuriyet Döneminin İktisadi Tarihi*, 179.

The demographic consequences of the war period were determinant for Turkey's economy. The population of Turkey within the current borders in 1914 was 16,5 Million, and 20 per cent of the population consisted of the non-Muslim population such as Greek, Armenian and Jewish. This structure changed dramatically from 1914 to 1925 due to the wars and deportation of Armenian. According to Şevket Pamuk, the decreasing of the population was at the rate of 20 per cent and approximately, 1,5 - 2 Million Muslim died during the World War I. Similarly, the non-Muslim population decreased during the same period. Two points caused to decrease in the population of non-Muslims, which were the deportation law for the Armenian population in 1915 and population exchange between Greece and Turkey in 1923. The deportation law was enacted to deport the Armenians, and millions of them were killed or died due to starvation or diseases during the deportation.<sup>12</sup> The population of them decreased from 1,5 million to 100.000 from 1914 to 1927. The second point is population exchange with Greece, which agreed in the Lausanne peace conference and required to the deportation of Rum Orthodox who used to live in Turkey to Greece and Muslims who used to live Greece to Turkey. Consequently, 1.200.000 Million Rum and 100.000 Armenian left Turkey and 500.000 Muslim migrated to Turkey.<sup>13</sup>

The demographic consequences of the wars and the population exchange led to occur economic outputs. Due to the non-Muslim population's domination in the late Ottoman Empire's economy, the influences of the population movements were crucial for the early Republic era. According to Koraltürk's calculation, in 1912, 85 per cent of 18.063 businesses that engaged in internal commerce and 89 per cent of 6507 factories were owned by non-Muslims. In addition, the share of non-Muslims' workforce that was hired in the industry was 85 per cent. The number and rates show the importance of the non-Muslim population in the economy. In terms of agricultural production, Turkish

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12 Pamuk, *Türkiye'nin 200 Yıllık İktisadi Tarihi: Büyüme, Kurumlar Ve Bölüşüm*, 68-69.

13 Murat Koraltürk, *Erken Cumhuriyet Döneminde Ekonominin Türkleştirilmesi* (İstanbul: İletişim Yayınları, 2011), 56.

immigrants from Greece were settled on lands where Rums left and they accorded with new regions in a short time; moreover, they could increase agricultural production in spite of difficulties during their settlements.<sup>14</sup>

More importantly, an effort appeared to dominate the economy by the Turkish merchants and their capitals. The government wanted to construct a national economy, which was based on the idea that was emphasised the importance of Muslim-Turk bourgeois class by Ziya Gökalp.<sup>15</sup> This aim was not a new idea. The aim, *Milli İktisat*, national economy, existed during the second constitutional era and the new regime maintained it during the 1920s.<sup>16</sup> In this context, *Milli Türk Ticaret Birliği*, The National Turkish Trade Union was founded on 1st December 1922 to bring close together Muslim-Turkish merchants.<sup>17</sup> In order to introduce in the İzmir Economy Congress, the union wrote a report, which emphasized the lack of Turkish merchants' representation in chambers of commerce and industry and it was argued that the chamber had not been "Turkish" commerce chamber. Turkification of the İstanbul Chamber of Commerce and Industry was one of the crucial points for this purpose. Indeed, the union had already begun to attempt to change the administration of the ICC in favour of Turks. By order of the commissar of economy, the election of chamber was held between 1st and 2nd of August 1923 and the union played an active role in the election. Ultimately, Kavalalı İbrahim Paşazade Hüseyin, who was the president of the Union, was elected as a new chairman of the chamber; hence, a significant element of this process was completed.<sup>18</sup>

The significance of Turkification of the economy for Turkish merchants can be observed when the government endeavoured to levy new taxes on. As it is going to be seen in the next chapter, one of the merchants' critiques about the taxation issue underlined that Turkish merchants would be able to lose their positions that had taken by the Turkification process.

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14 Ibid., 60-65.

15 Pamuk, *Türkiye'nin 200 Yıllık İktisadi Tarihi: Büyüme, Kurumlar Ve Bölüşüm*, 180.

16 Koraltürk, *Erken Cumhuriyet Döneminde Ekonominin Türkleştirilmesi*, 95-97.

17 Ibid., 130.

18 Ibid., 141-42.

### 2.1.2.1 Chambers of Commerce and Industry

Chambers of commerce, industry, and agriculture appeared first time in the 19th century in the Empire. Although there had been attempts to regulate them in the Empire era<sup>19</sup>, there was no legal foundation about them until the government enacted the law for the chamber of commerce and industry in 1925.<sup>20</sup> Thanks to the law, the chambers were given public legal personality and chamber registration became obligatory for merchants and industrialists. The commerce circle welcomed the law and the ICC's bulletin wrote: "chambers were disentangled from, *gayri milli*, non-national circles and has just become an institution of the Turkish national economy."<sup>21</sup> Therefore, business communities, both merchants and industrialists, could find a chance to represent themselves against policies about their professions. Especially, the ICC wrote many reports and some of which, I investigate in the following chapters, about the economy and trade within not only Istanbul but Turkey. These reports became an efficient tool to express their opinions about the economic policies of the government. On the other hand, the law, despite welcomed legal regulation, did not allow an independent chamber of the industry to be established until the 1950s and this caused conflicts within the chambers and appear industry unions.

#### INDUSTRY UNIONS

Because of the undeveloped condition of the industry, merchants were more dominant in the chambers and their interest could chance to be represented more than industrialists'. Mainly, when the chambers had to take an attitude about an issue or law or policy that would be able to impact trade and industry, the uneven representation between them caused a conflict. Several factory owners in İstanbul and İzmir founded industry unions in 1927 due to

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19 *Türkiye'de Ticaret Ve Sanayi Odaları (1880-1952)* (İstanbul: Denizker Kitabevi, 2002), 36-37, 51-53.

20 İlhan Tekeli and Selim İlkin, *1929 Buhranında Türkiye'nin İktisadi Politika Arayışları,, Türkiye Belgesel İktisat Tarihi* (İstanbul: Bilge Kültür Sanat, 2009), 58; Ticaret Ve Sanayi Odaları Kanunu, 655.

21 Koraltürk, *Türkiye'de Ticaret Ve Sanayi Odaları (1880-1952)*, 85.

the situation.<sup>22</sup> The aims of the Istanbul National Industry Union were determined as to develop Turkish industry, to declare opinions about laws related with the industry, to struggle unfair competition, to decrease the cost of production, to encourage consumption of domestic goods. In the following decades, the union tried to connect with the government many times; moreover, they could find a chance to nominate their member in the general election in 1931. Their efforts about the transaction taxes are going to be investigated following chapters.

### 2.1.3 *The Development and Condition of Agriculture and Industry*

After the war period, both the world economy and Turkey's economy were recovered. However, this trend changed after the great depression in 1929. This sub-headline aims to summarise both the economic conditions in the 1920s, the great depression impacts on it and the government's reaction against the depression in Turkey.

#### 2.1.3.1 Agriculture

Thanks to that workforce came back to agricultural lands and passive lands were brought into use, production volume could reach the level in 1914 in a short time and the tendency continued between 1923 and 1929.<sup>23</sup> In addition to these factors, mechanisation in the sector was crucial for recovery and development. According to Çağlar Keyder, import of agricultural machinery advanced between 1924 and 1929 dramatically and a number of tractors, for example, increased five times from 1923 to 1929. In this period, production in agriculture, with constant prices, grown 115 per cent despite a vital regression in 1927.<sup>24</sup> To illustrate, the wheat production was a million ton in 1923, but at the end of the era, the production reached two-million-ton capacity. Hence, the averagely annual growth rate of agriculture between 1923-1929 was 8,9 per

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22 Tekeli and İlkin, *1929 Buhranında Türkiye'nin İktisadi Politika Arayışları*, 58; Murat Koraltürk, "İstanbul Milli Sanayi Birliği," *Toplumsal Tarih*, no. 68 (1999).

23 Şevket Pamuk, *Uneven Centuries: Economic Development of Turkey since 1820* (Princeton, New Jersey Princeton University Press 2018), 172.

24 Çağlar Keyder, *Dünya Ekonomisi İçinde Türkiye :1923-1929* (Ankara: Yurt Yayınevi, 1982), 58.

cent. The driving force of the era was the agricultural production and reconstruction of the economy took place.<sup>25</sup> This development also showed itself in exportation. The level of wheat and tobacco production exceeded the level of 1914 in 1924; similarly, fig and grape production recovered themselves. These four products constituted almost 60 per cent of all exportation in the 1920s. Finally, the exportation rate of agricultural production was 20 per cent for all type of products between 1923 and 1929.<sup>26</sup>

#### 2.1.3.2 Industry

In this period, the growth rate of the industry was 10,2 per cent, and its share in the GNP was 11 per cent. However, the advancement in the rates was based on the conditions that existed in the post-war era rather than industrial development. These conditions accelerated especially small industrial units. The comeback of the male workforce to production, as there was in agricultural production, increased small industrial production. In 1927, the government took the industry census. The results are profoundly clear to show the main character of Turkey's industry in terms of production methods. According to it, Turkey had 65245 industrial institutions and 76,5 per cent of them hired less than three and only 4,32 per cent of all institutions utilised motive power.<sup>27</sup> According to the census, 46 per cent of workers, who were working in the manufacturing industry, was hired in factories that had less than four workers. The composition of the primary sector in the industry did not alter from 1913 to 1927 as well. For example, the share of food, leather and textile production in manufacturing industry regressed 88 per cent to 87 per cent. The situation in the first years of the Republic era, Boratav argues, structural elements of the Empire's industry protected its elements and there was no significant industrial development.<sup>28</sup>

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25 Korkut Boratav, *Türkiye İktisat Tarihi: 1908-2007* (Ankara: İmge Kitabevi, 2008), 51.

26 Çağlar Keyder, *The Definition of a Peripheral Economy: Turkey 1923-1929* (New York: Press Syndicate of the University of Cambridge, 1981), 39.

27 Şevket Süreyya Aydemir, *Cihan İktisadiyatında Türkiye* (Ankara: Ankara Ticaret Mektebi Müdürü, 1931), 61-62.

28 Boratav, *Türkiye İktisat Tarihi: 1908-2007*, 51-52.

On the other hand, the government sought out ways to develop the domestic industry. For this purpose, several policies were brought about in the era. Some were already expressed by the governments or demanded by the merchants and industrialists before. Banks, railways, and an encouragement law were the important elements of the economic policies.

#### 2.1.4 *New Institutions and Laws to Develop the Industry*

The government took the lead to found banks such as the business bank and the bank of industry and mines and enacted laws to promote industrial institutions. In the İzmir economy congress, founding a bank in order to support both industry investments and merchants was already expressed and in 1925, the bank of industry and mines was established. The aim was to provide medium and long-term loans to private industrial institutions. In order to financially support the private sector, the business bank was founded as a joint-stock company in 1924. There were deputies, bureaucrats, merchants from different cities among the founders. The bank took under, *İtibar-ı Milli Bankası*, which had been established by the CUP in the second constitutional era and grown in a short time.<sup>29</sup> The bank has played a crucial role in the process of consolidation between political power and domestic and foreign capital. However, this expectation and other policies that endeavoured to create national bourgeoisie caused corruption, the resources of the bank transferred to people who were close to the party.<sup>30</sup> This process was narrated explicitly by Yakup Kadri Karaosmanoğlu in his political novel *Ankara*.<sup>31</sup>

In this period, over and above these, several institutions were founded to help to develop economic policies such as *Âli İktisat Meclisi*, the high economy assembly, which aimed to prepare suggestions and studies on necessary poli-

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29 Tezel, *Cumhuriyet Döneminin İktisadi Tarihi*, 175.

30 Boratav, *Türkiye İktisat Tarihi: 1908-2007*, 41; Şevket Pamuk, *Uneven Centuries: Economic Development of Turkey since 1820* (Princeton, New Jersey Princeton University Press 2018), 185.

31 Yakup Kadri Karaosmanoğlu, *Ankara* (İstanbul: İletişim Yayıncılık, 2004).

cies about the economy, and the general statistics department in 1927. The department censused the population, industry, and agriculture of Turkey in 1927 and the result were benefited to develop economic policies.<sup>32</sup>

#### 2.1.4.1 Railways

The railways policy of the young Republic was vital and constructing new railroads was implemented in two different ways. While new railroads were constructed, railroads which were inherited from the Ottoman Empire were being nationalized by the government. The government constructed 3000-kilometer new railways until 1939 and Turkey had in total 7000-kilometre railways in 1939; however, constructing railways was expensive and was financed from the national budget.<sup>33</sup> This situation caused many political discussions. Especially, the *Serbest Cumhuriyet Fırkası*<sup>34</sup>, the Liberal Republican Party's one of the arguments was about the policy. There were two main goals behind the nationalising railways and constructing new railways. The government had concerns about national security and wanted to create an integrated internal market.<sup>35</sup> Despite all critiques and opposition, İsmet [İnönü] Pasha paid attention to construct new railways. Lack of sufficient railways caused to occur in an advanced market and triggered basic consumption goods, despite the agricultural production increased after the wars. Because the zone of interiors could not transfer their production to İzmir or İstanbul: "The railways were not enough, and transportation was expensive. To illustrate, even in 1926, potato, which came from Adapazarı, was more expensive than came from Marseille and Merzifon rice could not compete against Indochina rice."<sup>36</sup> In addition to economic reasons explained below, he pointed out the vitalness of them in

32 Tezel, *Cumhuriyet Döneminin İktisadi Tarihi*, 273; Tekeli and İlkin, *1929 Buhranında Türkiye'nin İktisadi Politika Arayışları*, 58-62.

33 Pamuk, *Uneven Centuries: Economic Development of Turkey since 1820*, 172.

34 The party was founded in 1930 by command of Mustafa Kemal Pasha and under the leadership of Fethi [Okyar]. The founder and members of the party, indeed, were from the circle of the RPP; in other words, the party was controlled by the RPP. Finally, it could maintain its political activity for three months.

35 Tekeli and İlkin, *1929 Buhranında Türkiye'nin İktisadi Politika Arayışları*, 35.

36 Şevket Süreyya Aydemir, *İkinci Adam*, 3 vols., vol. 1 (İstanbul: Remzi Kitabevi, 1966), 356.

terms of military and security issues: “Railways are more and more important security weapon than a cannon and rifle for a country.”<sup>37</sup>

#### 2.1.4.2 1927 Law for The Encouragement of Industry

In order to advance the industry, the government enacted a law for the next 15 years that had a similar name in 1913. The law retained in force until the new law was enacted and the law promoted industrial institutions within Turkey. The numbers of factories that benefited from the law in 1913, 1923, and 1927 were respectively 239, 342, and 470. Finally, in May 1927, the government enacted the new law for the encouragement of industry, which brought about important promotions for domestic industry, to promote the developing industry and maintain advancement in the industry sector.<sup>38</sup>

The new promotion law, as the former had been, was enacted for 15 years but expanded the definition of an industrial institution in contrast with the former. According to the first article of the law, an industrial institution was identified as places that change shapes or qualities of material or power completely or partially in order to increase values of them via machines, tools, or looms.<sup>39</sup> According to İlkin and Tekeli, since the former promotion law included small businesses and this caused an inefficiency to advance the industry, the new law enlarged the scoop and categorised industrial institutions into four groups:<sup>40</sup>

- The first group was consisting of factories that were producing through at least ten motive power and workers at least 1500 work-day within a year.
- The second was factories that were producing through either at least ten motive power or workers at least 1500 work-day within a year or at least ten workers for every single work day and without motive power
- The third was factories that were producing through less than ten motive power and workers less than 750 work-day within a year.

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37 Ibid., 345.

38 Tezel, *Cumhuriyet Döneminin İktisadi Tarihi*, 262-63.

39 *Teşvik-i Sanayi Kanunu*, 1055.

40 Tekeli and İlkin, *1929 Buhranında Türkiye'nin İktisadi Politika Arayışları*, 66-67.

- The fourth was factories that were producing via looms or hand to produce carpet, textile or lace etc.

The first group was given immunities that could reduce production costs. In addition to them, these producers were given privileges that increase their investors' income such as immunity for income tax. Therefore, the government targeted to protect the domestic industry under the condition where it could not increase tariffs due to the Lausanne's economic articles.<sup>41</sup> The importance of tax law for this study is that because the law immunised the producers from the income tax, the transaction tax appeared the highest tax in front of their investments. Also, the transaction tax laws 1927, 1931, 1934 identified their scopes by referring the classification in the encouragement law.

#### 2.1.5 *The Influence of the Great Depression*

The Great War caused imbalances in the world economy; in addition, faulty economy policies in developed countries entailed the world economy to the Depression. Even though there were some regression years such as 1921 and 1926-1927, the world economy recovered itself after the Great War. When the Great Depression occurred on 24 October 1929 in New York, known as Black Friday, no one anticipated an economic depression. No country had will to stabilise to the world economy; moreover, even developed countries turned to protectionism and raised their tariffs. The Depression expanded towards all the world and triggered unemployment especially in developed countries; yet, it also led to a decline in the prices of agricultural commodities.<sup>42</sup> The latter consequence affected adversely all peripheral countries which had an economy based on agriculture such as Chile, Egypt, Greece, and Iran, these countries' export rates declined dramatically from 1928-29 to 1932-33.<sup>43</sup> On the other hand, the 1930s was a turning point for undeveloped economies. In

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41 Ibid., 66.

42 Ibid., 12; Pamuk, *Uneven Centuries: Economic Development of Turkey since 1820*, 187.

43 Tekeli and İlkin, *1929 Buhranında Türkiye'nin İktisadi Politika Arayışları*, 31.

many peripheral countries, the share of external trade and the share of foreign investment decreased, and the policy of import substitution had a chance to be implemented.<sup>44</sup>

Although Pamuk states that “the expectations that tariffs on imports would be raised and payments on the external debt would start had already caused a minor crisis by increasing demand for foreign currency”<sup>45</sup>, the government had some positive expectations. There were two reasons behind them. Firstly, the government anticipated that agricultural production would be favourable and they did not err. The wheat production in 1929 was more 1.5 times than production in 1928. Not only wheat harvest but also all agricultural products increased. This situation could reduce the demand for the importation of grain and increase exportation. The second reason was that limitation on the tariffs would end up on August 1929 and finally, the government could raise tariffs. Thanks to tariffs, domestic industry would find opportunities to be developed. Moreover, new tariffs could provide new revenue sources and provoke foreign investments into the country. At the same time, the government started to work on policies which would take turn the country’s economy.<sup>46</sup>

The influences of the Great Depression occurred firstly in November. During the 1920s Turkish Lira was attached with Pound and in the free-floating market, and Turkey did not have a central bank; for this reason, Turkey could not control emission. Thus, Turkey’s economy was open to external factors.<sup>47</sup> Before the Depression, Turkey’s economy was already in foreign exchange depression: a) Because of bad harvests in 1927 and 1928, Turkey had to import grain, and it import grain valued at 18 million Lira but exported grain valued at only 5 million Lira. The first indication of the Depression occurred in the decrease in value of Turkish Lira against Pound. Turkish Lira decreased in the value of 5 per cent. b) The government could raise tariffs in 1929 and it

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44 Gülten Kazgan, *Türkiye Ekonomisinde Krizler, 1929-2001* (İstanbul: İstanbul Bilgi Üniversitesi Yayınları, 2005), 33.

45 Pamuk, *Uneven Centuries: Economic Development of Turkey since 1820*, 188.

46 Tekeli and İlkin, *1929 Buhranında Türkiye’nin İktisadi Politika Arayışları*, 75.

47 Kazgan, *Türkiye Ekonomisinde Krizler, 1929-2001*, 45.

prompted merchants to stockpile speculatively. c) Railways policy of the government increased the demand for currency d) The debts of the Ottoman Empire would be started to pay in 1929. These four reasons created currency demand valued at 9 million pounds. Turkish Lira decreased in value against Pound and foreign trade deficit raised to 101 million Lira.<sup>48</sup> the Government observed this regression because of speculative import, extreme foreign exchange demand, government expenditures and lack of institution which could control money and government expenditures. Nevertheless, the Government took a measure. Turkish Lira had already begun to decrease value for a few months and, the government enacted the Act of Chattels and the Stock Markets of Foreign Exchange on May 1929 in order to prohibit speculation, but the act was not enough to overcome; for this reason, the Act of Protecting Turkish Currency was enacted on 20 February 1930. In addition, Turkey had not had a central bank yet; consequently, the Consortium of Banks was founded to prevent speculation and to manage commerce of foreign exchange.<sup>49</sup> Four months later the Central Bank of Turkey Republic was established by the government, but the bank came into action in 1931.<sup>50</sup> Thanks to these measures, the government reduced the impact of the Depression. Although developing countries generally used monetary policy to overcome the consequences of the Depression, Turkey did not opt this way; its principle was “balanced budget-strong money”.<sup>51</sup> The government did not increase the number of note in circulation until 1938. Thus, the parity of Lira against gold was protected; in this way, Lira increased in value against 40 per cent in years between 1931-1934.<sup>52</sup>

Pamuk summarises declining in the prices of agricultural products: The prices of wheat and other grains regressed 60 per cent from 1928-29 to 1932-33

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48 Ibid., p. 57.

49 Tekeli and İlkin, *1929 Buhranında Türkiye'nin İktisadi Politika Arayışları*, 78-82.

50 Ibid., 139.

51 Pamuk, *Uneven Centuries: Economic Development of Turkey since 1820*, 195.

52 . *Dünya İktisadi Bunalımı Ve 1930'lara Yeniden Bakış*, vol. 2, Bilanço 1923-1998: “Türkiye Cumhuriyeti'nin 75 Yılına Toplu Bakış” Uluslararası Kongresi, Cilt 2: Ekonomi-Toplum-Çevre (İstanbul: Stil Matbaası, 1999), 35-37.

and the prices of export products such as tobacco, raisin, cotton, and hazelnut regressed averagely 50 per cent during the same period.<sup>53</sup> With this declining, internal terms of trade turned against agricultural production. People had to sell more product to satisfy their needs. As it can be seen below, the prices of basic consumption goods increased dramatically in a short time:<sup>54</sup>

Turkey's employment structure in 1927 consisted predominantly of people who worked in agriculture; the ratio of employment in agriculture was 81,6 per cent in this year. If this ratio is considered, the consequences of declining in the prices of agricultural products can be imagined. Another indicator is the positive correlation between agricultural value-added and GDP. In the agricultural economy, all regressions and progressions reflect on the GDP. Because of the ratio of agricultural production in Turkey's economy, a chain index between the GDP and agricultural value-added existed.<sup>55</sup>

## § 2.2 The Structure of Taxation in Turkey in the 1920s and 1930s

The periodisation of the structure of taxation in Turkey until the Second World War (1939) could be separated by the abolition of the tithe. The abolition in 1925 and superseding taxes altered completely the structure, the balance among direct and indirect taxes, and tax of burden on rural and cities. The amount of indirect taxes increased, and it protected its own domination in all state tax revenues by different rates throughout the period. Also, even though the depression's impacts on taxes did not cause an alteration in the structure as the abolition of tithe did, the government amended remarkable tax laws or enacted new taxes.

### 2.2.1 *The legacy of the Ottoman Empire*

The structure of taxation the Ottoman Empire was based mainly on direct taxes. Because of the Ottoman Empires' debts, *Duyun-u Umumiye*, public

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53 Pamuk, *Uneven Centuries: Economic Development of Turkey since 1820*, 187.

54 Şevket Raşit Hatipoğlu, *Türkiye'de Ziraî Buhran* (Ankara: Yüksek Ziraat Enstitüsü, 1936), 57-64.

55 Kazgan, *Türkiye Ekonomisinde Krizler, 1929-2001*, 35.

debts had right to sequester some revenues and the Régie Company also had the right to collect the tithe in some regions. Due to the existence of the tithe and *Ağnam*, the tax on the number of livestock, Empire's main revenue sources already had an ancient character; in addition, these taxes were collected by the Régie and paid by agricultural producers. In other words, the burden of tax was on peasants and the Empire could not benefit from the sources.<sup>56</sup> According to Gülten Kazgan's calculation, the Ottoman Empire's revenues in 1911 were composed of 47,67 per cent direct taxes and 18,88 indirect taxes. The share of the tithe among all direct taxes was 50 per cent.<sup>57</sup>

In the first year of Turkey Republic, despite the distribution between direct and indirect taxes had a similar view, it altered, and the amount of direct taxes decreased to 34 per cent and the indirect taxes increased to 21,8 per cent. The tithe had still an important share among all direct and indirect taxes. Its rate in the direct taxes and all revenues was respectively 62,5 per cent and 21,2 per cent. Despite the significance of it for the state budget, it was abolished in 1925 and for this reason, the abolition is the most important point for the transformation of the structure of taxation.

### 2.2.2 *The Abolition of Aşar*

The tithe was based on Islamic Law, which required agricultural producers to pay tax amount through their products; in other words, it was a tax in kind. Throughout the history of the Ottoman Empire, the tax rate changed from 10 per cent to 50 per cent at different times. The state contracted out taxing power via auction to revenue – tax farmers, *mültezim* and they collected the tax amounts from the peasants. However, in both the late Ottoman Era and the first year of the Republic, the tax on exportation goods was paid during transactions in ports. By this way, the tax became a monetary tax in some cases.<sup>58</sup>

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56 Ibid., 51-52.

57 Güneri Akalın, *Atatürk Dönemi Maliye Politikaları* (Ankara: T.C. Maliye Bakanlığı Strateji Geliştirme Başkanlığı, 2008), 54.

58 Nadir Özbek, "Köylü "Aşar" Yükünden Kurtuldu," in *Cumhuriyet Ansiklopedisi 1923-1940*, ed. Feridun Aksın (İstanbul: Yapı Kredi Yayınları, 2003), 67-68.

There was a social dimension of the tax on the other side of the medallion. Whether peasants, who used to produce small or subsistence scale, could maintain their consumption and hold a part of outputs as a suitable for seed or not, all agricultural producers' outputs were levied the tax on. The Empire's economy was based on mainly agricultural production and the production was based on mainly small-scale production as well; therefore, the tax involved peasant population largely.<sup>59</sup> Tax farmers' attitudes and oppressions against peasants were one of the fundamental elements of the Empire's taxation system. Throughout the 19th century, the tax, which caused different corruption cases, became tax farmers', notables', or local administrators' oppression tools.<sup>60</sup> In the first year of the Republic, the agricultural production, even at the level of subsistence scale, became difficult and the tax maintained its destructive character on the agricultural producers.<sup>61</sup>

Even though the tithe, which was the vital revenue source in the budget at the amount of 27,5 million Lira and at the rate of 22 per cent, was abolished in 1925, the discussions on it had occurred during the national struggle. The tax was discussed in the GNAT in 1920 and the commissar of finance declared that there was no such a plan to change the structure of taxation in detail and the abolition or amendment of the tax needed long-time efforts; for this reason, he stated that this issue would be done after the independence. As Nevin Coşar underlines, it is obvious that the tax was a very crucial revenue source for the government to fund the army during the independence war.<sup>62</sup> After the war, the tax was discussed in the İzmir Economy Congress and the abolition of the tax was demanded by the group of peasants and accepted.<sup>63</sup>

The government offered a draft about the abolition of the tax on 20 October 1924 in the assembly and the assembly began to discuss it on 10 February

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59 Nadir Özbek, *İmparatorluğun Bedeli: Osmanlı'da Vergi, Siyaset Ve Toplumsal Adalet (1839-1908)* (İstanbul: Boğaziçi Üniversitesi Yayınevi, 2015), 39.

60 Ibid., 92, 97-98.

61 "Köylü "Aşar" Yükünden Kurtuldu," 67-68.

62 Nevin Coşar, "Aşar Vergisinin Kaldırılma Nedenleri," *Toplumsal Tarih*, no. 35 (1996): 22.

63 Gündüz Ökçün, ed. *Türkiye İktisat Kongresi 1923-İzmir: Haberler-Belgeler-Yorumlar* (Ankara: Ankara Üniversitesi, 1971), 394.

1925. In a very short time, the tax was abolished on 17 February 1925 without enough discussion.<sup>64</sup> Indeed, the tax was abolished by a new tax law, which levied a tax on tradable products at the rate of 10 per cent and increased tax amount that was paid for lands had subject to tithe tax. However, the tax law would be abolished either one year later by another tax law, *Umumî İstihlâk Vergisi*, the general consumption tax, that would levy a tax on consumption.<sup>65</sup> In terms of the burden of tax on agricultural production, the abolition decreased the tax rate only 2,5 per cent; on the other hand, the new tax law dissolved the tax farming method. In this perspective, it can be said that the reform peasants relieved of the tax farmers' oppression rather than the burden of the tax.<sup>66</sup>

### 2.2.3 *Structure of Taxation after 1925*

The direction of the structure of taxation in Turkey altered in favour of indirect taxes after the abolition of the tithe. As we summarize above, the shares of direct taxes were dominant in both the late Empire's budgets and the Republic's budgets in the first years. After the abolition of tithe tax, the government sought out new revenue sources to compensate the amount of the tax and endeavoured to compensate via two ways. The first way was that the government levied a tax on the number of livestock and also it, as it is mentioned above, increased the amount of land tax eight times. However, these direct taxes suffered from erosion due to price increases and lost their importance. The second way was that indirect taxes were enacted. The government enacted the general consumption tax in 1926, which remained in force for one year. And in the following year, the transaction tax was enacted. In addition to them, sugar, fuel, coffee, glass, paper and monopoly goods were levied on private consumption taxes. As a result, consumer of taxed goods used to live in cities and thus, the burden of tax and also indirect taxes shifted to the cities.<sup>67</sup>

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64 Coşar, "Aşar Vergisinin Kaldırılma Nedenleri," 24.

65 *Aşarın İlgisiyle Yerine İkâme Edilecek Vergi Hakkındaki Kanun*, 552.

66 Özbek, "Köylü "Aşar" Yükünden Kurtuldu," 68.

67 İzzettin Önder, "Tarımın Vegilendirilmesi," in *Türkiye'de Tarımsal Yapılar*, ed. Şevket Pamuk and Zafer Toprak (Ankara: Yurt Yayınevi, 1988), 129-32.

#### 2.2.4 *Impacts of the Great Depression on Taxes*

After the great depression, Turkey faced with deflation and under the condition, while the budget incomes were decreasing, the expenses were not decreasing as much as the incomes due to its rigid elements; therefore, the government was forced to find new revenue sources against the possible budgetary deficit. Hence, one of the ways was to increase revenues based on taxes.<sup>68</sup> In June and July 1931, land, livestock, building taxes were amended. The revenues from land and livestock taxes decreased due to deflationist conditions caused to increase the amount of taxes against taxpayers' income; thus, tax payments regressed. Through new taxes laws, the government endeavoured to accommodate the taxes with the conditions to increase its own revenues. At the same time, the building tax was amended, and it brought about new immunities. In addition to amendments, the government levied new taxes to increase revenues, which were the depression and equalisation taxes. The depression tax law was enacted in October 1931 and all kinds of income were taxed by it except agricultural workers.<sup>69</sup> However, the tax could not be effective to handle deficit; thus, the government enacted the new economic depression tax to levy a tax on the building tax. The equalisation tax was levied on people who were hired in return wage in June 1932. The tax increased the burden of tax of workers and officials because the tax amount was paid over from the final wages after tax cuts for income and economic depression taxes.<sup>70</sup>

As it can be seen on the chart, the indirect taxes had a main share in the budget revenues, and they were amended as well in the era. In 1931 and 1934, not only the transaction tax was amended two times but also in 1932, the amount of the tax was increased. By the two amendments, their key articles were altered such as the scope of the tax. Because the tax already is investigated in the following chapters, here the other amendments in indirect taxes are summarized.

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68 Selim İlkin and İlhan Tekeli, *Uygulamaya Geçerken Türkiye'de Devletçiliğin Oluşumu*, Türkiye Belgesel İktisat Tarihi (Ankara: Orta Doğu Teknik Üniversitesi, 1982), 264.

69 Ibid., 267-68.

70 Ibid., 269.

The consumption taxes were a significant part of the taxation system. Fuel oil, sugar, and glucose were taxed by the internal consumption tax that was enacted in June 1930. The tax law planned to increase the tax rate every year gradually for the following year; however, because of the development of sugar production than expected and budget necessities, the tax rate was enhanced to 8 piastres per kilogram, which had been predicted five piastres per kilogram. The government had levied a tax on the consumption of electricity and water gas in 1926. The scope of this tax was enhanced but the tax rate was reduced. By these amendments in the taxes and enactments new taxes, the government endeavoured to overcome the economic condition. In addition to the budget necessities as a reason of efforts on taxes, İlkin and Tekeli underlines that taxes were considered not only revenue sources but also a political tool that was, on the one hand, implemented to retrench consumption and reduce importation; on the other hand, to enhance exportation and production within the country.<sup>71</sup>

After the great depression, the government had to levy new taxes or enhance the amount of some taxes such as the economic depression and aid of air forces taxes at the beginning of the 1930s to increase state revenues. In short, indirect taxes maintained their domination among state revenues. Fazıl Pelin's comparison<sup>72</sup> is profoundly clear to see the transformation that new taxes caused. As it can be seen on the chart, the indirect taxes dominated throughout the second half of the 1920s and the 1930s.

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71 Ibid., 277.

72 İbrahim Fazıl Pelin, *Finans İlmî Ve Finansal Kanunlar* (İstanbul: İsmail Akgün Basımevi, 1945), 207.

Table 1.1 Income, wealth, transaction, and consumption taxes<sup>73</sup>

Year	Income and Wealth Taxes (per cent) <sup>74</sup>	Transaction and Consumption Taxes (per cent) <sup>75</sup>
1926	24,9	75,1
1927	22,8	77,2
1928	21,7	78,3
1929	24	76
1930	25,8	74,2
1931	26,4	73,6
1932	26,4	73,6
1933	37,6	62,4
1934	35,6	64,4
1935	36,2	63,8
1936	33,2	66,8
1937	33,5	66,5
1938	33,7	66,3
	100	100

SOURCE Pelin (1945)

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73 The numbers show paid amounts.

74 Land, building, livestock, income, inheritance and transfer taxes. After 1932, depression, equalisation, aid of air forces taxes.

75 Tariff, transaction, private consumption, electricity, play tools, hunt, transport, sefine, stamp, fees, livestock health, financial monopolies, abolished taxes, and wheat protection (after 1936) taxes.

## The Genesis of Transaction Tax in Turkey

*In that case, the dominant character of the Turkish industry is handicraft based. In that case, we need to get rid of handicraft based and mechanize our industry.*

– Şevket Süreyya Aydemir, *Cihan İktisadiyatında Türkiye*<sup>1</sup>

The general consumption tax and its follower the first transaction tax were two of taxes in the transforming structure of taxation in Turkey. During the creation processes of these taxes, the ICC and IZCC tried to impact the government to ease possible influences of taxes on the economy and more importantly for them. Both of two organized several assembly meetings, prepared reports and memorandums and sent representatives to Ankara in order to express their own point of views.

This chapter aims to investigate the chambers' point of views and attempts; whether they could influence the government and ease the tax law in terms of their benefits; what were their arguments and predictions about the tax; how the negotiation and connection continued between the government and the

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1 Şevket Süreyya Aydemir, *Cihan İktisadiyatında Türkiye* (Ankara: Ankara Ticaret Mektebi Müdürü, 1931), 61.

chambers after the enactment of the taxes, and whether the chambers and their complaints could have influence on the government during the abolition process of the taxes.

### § 3.1 The Enactment of the General Consumption Tax

#### 3.1.1 *The Government's Efforts and Creation of the Tax Law*

On 9 October 1925, the government sent the necessary reasons of the General Consumption Tax, which was prepared by the Ministry of Finance and approved by the Cabinet Council, to the GNAT, to be represented. The tax, in the necessary reasons, was identified as an indirect tax which would be in compliance with both direct and indirect taxes involved production and consumption, and also the necessary reason identified roughly the rate of tax and scope of the tax. According to it, the government would levy a tax on values of sales and reparations at the rate of 2 or 3 per cent. The necessary reasons pointed out that although this tax and similar taxes could not secure the justice of taxation merely if the tax would be amended slightly, it could involve basis that was out of other taxes' scope.<sup>2</sup>

The necessary reasons were sent to, *Kavanin-i Maliye Encümeni*, the Council of Acts of Finance and the council studied and negotiated on it. Finally, the outputs of studies were reported at the GNAT as an official report on 22 November 1925. The council emphasized that the tax would not have a negative influence on the economy and sent the draft of tax to *Muvazene-i Maliye Encümeni*, the Council of Equilibrate of Finance to be studied.<sup>3</sup>

The official report of Council of Equilibrate of Finance was introduced in the GNAT on 20 December 1925. In the preparation process of the official report, the ICC sent a report to the member of the government and represented its own objection and expectations. The official report of council summarized and answered the chamber's point of view and arguments (The ICC's report

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2 T.B.M.M. Zabıt Ceridesi, "Period: 2, Legislative Year: 3, Volume 22, 1 February 1926 – 28 February 1926," (Ankara: T.B.M.M. Matbaası, 1977), 13.

3 Ibid., 13-14.

will be examined below under another subhead). The report reminded this attempt and highlighted that the objection of ICC was considered during its etude.<sup>4</sup> According to the official record, the tax was an example of taxes that were implemented in France and Germany and the council accepted that the tax would be able to cause to increase the cost of living, but it, at the same time, reminded that defence, administration, and progression in all fields of motherland were causing continuously to increase expenditures; for this reason, state revenues had to be increased.<sup>5</sup> According to the council's calculation, the expectation from the tax was annually 20 million Lira by means of tax ratio at the rate of 2 per cent. The council considered not only the volume of trade of Turkey but also a number of turnovers. The council assumed that a product was handed on averagely three times. In this way, the *de facto* rate of tax would be able to be 6 per cent.<sup>6</sup>

The most accentuated objection was the possible impacts of the tax on exportation. According to the official report, the council calculated the burden of taxes on exportation 14-16 per cent due to the other taxes on it, and consequently, this condition of the structure of taxation obviously could have a negative influence on the exportation. For this reason, in order to protect producers and export merchants and prevent an increase in the cost of living, measurements had to be taken. These obligations brought about two options. These were that the law on substitute tax through the abolition of tithe tax<sup>7</sup> would have to be abolished or the production which was taxed by land crop tax had to be exempted from the general consumption tax. Ultimately, the Council decided to abolish the land crop tax completely and to levy a tax on the agricultural production for the only exportation at the rate of 5 per cent. Thus, the record argued that the possible influences of tax on exportation and cost of living would be eliminated; in addition, the land crop tax as a variant or residual of tithe tax would be abolished; by this way, the effects and pressure of tax on the agricultural producers would be eliminated. To abolish the land

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4 Ibid.

5 Ibid.

6 Ibid., 15.

7 Aşarın İlgasıyle Yerine İkâme Edilecek Vergi Hakkındaki Kanun, 552., 17 February 1925.

crop tax, completely for the domestic market and partially for exportation, the council demanded to determine the ratio of tax as 2 per cent. Finally, the council decided to report a new proposed law for the tax to the assembly.<sup>8</sup> Thereafter, the government's proposed law was represented, and the Council of Finance of Acts and the Council of Equilibrate of Finance represented their own amended on the proposed law, despite the fact that there was no a remarkable alteration.<sup>9</sup>

Before the proposed law of the general consumption tax was put to the vote; lastly, the Ministry of Commerce represented its own official report on 28 January 1926. It can be said that this record shaped the tax essentially. In comparison to the councils of finance's reports, the record determined the main problems of the economy of Turkey. In addition, these deductions were the problems such as the foreign trade balance which the governments of the early republic era endeavoured to fix.

The Ministry of Commerce approached the issue more comprehensively. According to its official report, the opinion of that the tax would be able to increase the cost of living was a right determination; however, it emphasized that the main reason was triggering an increase in the cost of living was the value of Turkish Lira against gold because gold was valuable eight times more. To improve this situation, the report highlighted the importance of the balance of foreign trade and suggested that Turkey's economy had to increase its own agricultural exportation due to the fact that it was still based on agricultural production. The Ministry of Commerce amended the article, which was about the rate of tax, to achieve its suggestion. According to the 4th article of the report, although the assembly had endeavoured to abolish the tithe partially, the tithe was not abolished altogether. Since this situation was an obstacle in front of balanced foreign trade and improving exportation, the report decided to amend the 4th article as the rate of tax would be increased 0,5 per cent and it would be 2,5 per cent; thus, the land crop tax, which had been abolished partially by the Ministry of Finance, would be abolished entirely. Ultimately, the final state of the proposed law was put to the vote on 8 February

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8 "Period: 2, Legislative Year: 3, Volume 22, 1 February 1926 – 28 February 1926," 15.

9 Ibid., 17-20.

1926, accepted and gazetted on 22 February 1926. But it entered into force on 1 May 1926, according to the 16th article.<sup>10</sup>

According to the general consumption tax law, commercial transactions were levied the tax on, except sales of bread, the state monopolies' transactions, all transactions in the stock markets of a commodity, stock shares, and exchange. The tax rate was 2,5 per cent. All merchants had to keep the accounts, and the tax amount was collected through impressing a stamp on these accounts books and another stamp was given to a consumer. In addition to these articles, in accordance with the 15th article, *âşarın ilgasıyla yerine ikame edilecek vergi hakkında kanun*, the 2nd, 3rd and 4th articles of the law on substitute tax through the abolition of tithe tax were abolished. Hence, the tax burden of the agricultural production that was levied through the abolition of the tithe was abolished.

There were two important points about tax law. The first was that the tax was a turnover tax or cascade tax, which means that "A Tax on transactions of goods and services at all levels of production and distribution. (...) [T]he result of a general turnover tax is a tendency to pyramid the amount of the tax from stage to another so that the final selling price of an article includes the sum of all the taxes paid on the goods materials during its production."<sup>11</sup> This point was criticized as a cause of the possible cost of living and obstacle in front of exportation by the chambers. The second point was that the tax collected via impressing a stamp in the amount of transaction. This procedure slowed transactions and caused difficulties. In addition, merchants, at times, could not find sufficiently stamps and this caused another difficulty and fines.

### 3.1.2 *The Attitude of the Istanbul Chamber of Commerce*

The İstanbul Chamber of Commerce held an extraordinary meeting to discuss new taxes which government was planning to enact, and the chamber constituted a commission consisting of 20 members who were merchants, managers

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10 Ibid., 21-22; Umumi İstihlak Vergisi Hakkında Kanun, 735., 10 February 1926.

11 Douglas Greenwald, "The McGraw-Hill Dictionary Modern Economics," (The United States of America: McGraw-Hill Book Company, 1973), 601.

of the Chamber, managers in companies, and a member of a faculty of economics. The record of the chamber on the issue explained the aim of the commission; according to it, the commission was founded to ease and make extensive examination that was being conducted in the sub-commissions of the GNAT.<sup>12</sup>

On 2 December 1925, the commission divided itself into three sub-commission to accelerate its studies, and the commissions prepared reports that were approved by the assembly of the chamber and sent them to the Ministry of Finance and sub-commissions of the GNAT, the Commerce, the Council of Finance of Acts, and the Council of Equilibrate of Finance.<sup>13</sup> The sub-commissions of the chamber had two aims: The first was to find new revenue resources via new and scientific taxation policies to construct and regenerate the country. The second, which served as a warning as well, emphasized that the conditions and economic structure of Turkey and issues of national production and exportation, which identified as the significant elements of civilization, should have been considered; for this reason, levying new taxes should have been progressive for the country and turned out an advantage in terms of an application.<sup>14</sup>

In the report on the General Consumption Tax, the tax was identified as the heaviest tax among the new taxes. Even, this tax, according to the report, was practised fairly in France by name “*Import sur le chiffrr d'affaires*”, it had been criticized frequently due to its contractionary impact on exportation and enhancive impact on the cost of living.<sup>15</sup>

The cumulative character of tax, which was identified as an operating mechanism in both the necessary reasons and the records of commissions,

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12 İstanbul Ticaret ve Sanayi Odası, *İstanbul Ticaret Ve Sanayi Odası Eylül 1923-Mayıs 1926 Faaliyet Ve Muamelâtına Dair Umumî Rapor* (İstanbul: İstanbul Ticaret ve Sanayi Odası Neşriyatı, 1926). For the Latinized facsimile edition: Ali Yılmaz, ed. *İstanbul Ticaret Ve Sanayi Odası, İstanbul Ticaret Ve Sanayi Odası: Eylül 1923 - Mayıs 1926 Faaliyet Ve Uygulamalarına Dair Genel Rapor* (İstanbul: İTO Yayınları, 2011), 309.

13 *İstanbul Ticaret Ve Sanayi Odası: Eylül 1923 - Mayıs 1926 Faaliyet Ve Uygulamalarına Dair Genel Rapor*, 311.

14 Ibid.

15 Ibid., 321.

was the first criticized issue in the report. The report stated that endorsed goods in the quickest way were relayed averagely two or three times until arriving consumer, and in this process, their costs would increase like a snowball. In the report, the quantity, value in cash, number of handover and transaction volume of handovers of most exported goods such as tobacco, poppy, grape etc., were shown via a schema.<sup>16</sup>

The report built its one of objection on these exportation figures. According to it, if the other taxes levied a tax on exportation such as transportation tax are considered, exportation goods would be levied tax at the rate of 8 per cent, approximately. It stated that although Turkey's exportation goods were on a par with other countries' goods, prices were the determinative element. The report exemplified that in the grape exportation, Turkey could not compete against Greece and Bulgaria. When Bulgaria and Greece had levied a tax on their own tobacco exportation, they had lost their consumers; for this reason, they had abolished these taxes immediately.<sup>17</sup> The report identified the tax as a new form of the former act on the abolition of exportation tax<sup>18</sup> and argued that the "helpless" exportation would be influenced negatively and agricultural producers/ peasants as the most vital elements of the production of exportation goods would be the most affected social category.<sup>19</sup>

In the second section of the report, it stated that 10th article of the draft law that said the amount of tax must have been paid by the consumer unless there was a contrary stipulation would be able to trigger the cost of living at least 20 per cent, roughly. In addition, although bread production was the out of the scope of the tax, wheat would be taxed, and this would trigger the cost of living and if the general economic condition of the population was considered, mostly part of the population would be influenced due to the elasticity of demand of bread.<sup>20</sup>

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16 Ibid.

17 Ibid., 323.

18 *İhracat Resminin İlgasına Dair Kanun*, 143.

19 Yılmaz, *İstanbul Ticaret Ve Sanayi Odası: Eylül 1923 - Mayıs 1926 Faaliyet Ve Uygulamalarına Dair Genel Rapor*, 323-25.

20 Ibid., 323.

The report, in the third part, argued that the government would be another profoundly influenced agent because of tax. Due to the government spending at the amount of 75 million Lira in 1925, the government would have to pay the amount of 4,5 million Lira, if it would spend a similar amount. As a natural consequence, the government would be obligated to decrease its spending at this amount. The report highlighted that this regression in the government spending would be an obstacle in front of recovering the country and stated that the politic revolution must have been achieved by only wealth and the recovery and rebuild process of the country must have been completed as soon as possible.<sup>21</sup>

In the last part of the report, it emphasized that the “National Merchants”, which was the crucial part of economic policies in the era, would be influenced by the consequents of the tax on the economy. According to the report, due to the cumulative character of tax, final consumers would select to buy goods from first producers consisting of non-national merchants to bypass second and third merchants. For this reason, consequences would be in favour of non-national merchants and disadvantageous to national merchants.<sup>22</sup> The report summarized its objection and remarked points and emphasized that the tax was contrary to the policy of Turkification of economy and trade: “We believe that taxation on export will be detrimental to the economy and trade of the country, especially in the case of the removal of the intermediary class merchant, who has a tendency to overtake the Turks, and of the consequences of the gathering of trade in the hands of non-national foreign merchants.” If the tax law would be levied, the chamber summarized its own demands as four articles: exemptions in respect of all exportation goods at the all steps; consumer goods that have a rigid elasticity of demand such as bread, wheat, oil, meat and milk; agricultural instruments and their accessories that were immunized in the law for the encouragement of industry<sup>23</sup>; and the rate of tax 0,5 per cent for all other products.<sup>24</sup>

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21 Ibid., 325.

22 Ibid.

23 Mentioned law is the first law for the encouragement of industry, which was enacted in 1913.

24 Yılmaz, *İstanbul Ticaret Ve Sanayi Odası: Eylül 1923 - Mayıs 1926 Faaliyet Ve Uygulamalarına Dair Genel Rapor*, 325.

### 3.1.3 *After Creation of the Tax Law*

In general, the preparation processes of laws are significant for negotiations and discussions. However, for the general consumption tax, it was anomalous. During the time gap between enacting and entry into force of tax law, the IZCC discussed exhaustively the issue within its assembly, both the ICC and IZCC prepared detailed reports, and both tried to negotiate the issue with the government through a mutual commission and offer their reports to the government.

The reason why this time gap occurred was that the 14th article of the tax law stated that the tax would be implemented by a book of instruction<sup>25</sup>. Another reason was that because all taxpayers had to keep their transactions records and tax amounts were collected through impressing stamp, the ministry of finance stated that the government and taxpayers needed time to prepare both records books and stamps.<sup>26</sup> For these reasons, the book of instruction was not published until April. Thus, the chambers could find a time to try to impact the government about the book and amend the tax law.

#### 3.1.3.1 The Attitude of İzmir Chamber of Commerce

The assembly of IZCC convened five times to negotiate the General Consumption Tax and its possible effects on the economy. The assembly of Chamber convened first time on 10 April 1926.

The tax law stated that the tax would enter into force on 1 May 1926 and, the book of instruction, which indicated how the tax law would be implemented, would be published later. However, when the assembly of Chamber convened, the instruction had not been published yet. The first issue that was negotiated in the meeting was about the absence of the book of instruction. İzzet, who was a member and from Aydın, pointed out that while the instruction had not been published yet, the negotiation on the tax would have been imaginary. But the other members emphasized that although the instruction

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25 Maliye Vekaleti Varidat Mudiryeti-i Umumiyesi, "Umumî İstihlak Vergisi Hakkında Kanun Ve Talimatname," (Ankara1926).

26 "Period: 2, Legislative Year: 3, Volume 22, 1 February 1926 – 28 February 1926," 111.

was not ready yet, the possible influences and consequences of tax had to be discussed and determined.<sup>27</sup>

In the first meeting, a couple of suggestions were expressed. The first critique was the cumulative feature of tax. As it is explained above, the tax increased cumulatively and Cezmi, was a member of the trade union, highlighted that although the government reduced the tax rate, an amount of tax would increase because of turnover. Finally, he suggested that the volume of exportation and importation in Turkey was 350 million Lira and if this amount would be taxed at the rate of 2,5 per cent, the government could reach its own expectation from the tax; in other words, he suggested to levy a tax on only foreign trade.<sup>28</sup>

The other idea shows how the tax provoked a tax evasion. According to the 2nd article of tax law, transactions in the community exchanges were immunized. Filibeli Ferid, who was a member, reminded the article and suggested that products could be moved to the community exchange to rescue them from the scope of the tax. Otherwise, he continued, prices of commodities would increase and there would be no opportunity to compete in the European markets; hence, "Our economy is going to be sabotaged by ourselves," he argued.<sup>29</sup> Finally, the assembly decided to constitute a group and send it to Ankara to carry a report that expressed the point of view of Chamber and demand the instruction.

The second meeting of the Chamber's assembly was short on 12 April 1926. The assembly continued the discussion, and all speakers emphasized that the scope of tax had to be only exportation and importation. In addition, Filibeli Ferid suggested to investigate and criticize the tax item by item and scientifically and to compose a group consisting of specialists.<sup>30</sup>

At the first meeting, some of the members argued that discussing without the instruction was imaginary; for this reason, the members said that the Chamber had to find out the instruction as soon as possible. The assembly of

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27 Fikret Yılmaz, ed. *İdare Heyeti Defterleri I-II (1926-1930)* (İzmir: İzmir Ticaret Odası Kültür, Sanat ve Tarih Yayınları, 2008), 80.

28 Ibid.

29 Ibid., 81.

30 Ibid., 84.

Chamber discontinued its own meetings for 10 days, and the instruction was delivered to the Chamber during this period. Thus, on 22 April 1926, the assembly gathered to negotiate the tax.

The third meeting, after the instruction was published, was more highly-charged and deep more than the first two meetings. The first issue at the meeting was that the tax would have caused that domestic products would not be able to compete in the foreign markets or in the domestic market against imported goods. Several members<sup>31</sup> emphasized that the tax did not levy imported goods; hence, imported goods would be able to dominate the domestic markets in a short time as both final products and raw materials.

Another critique was about the cumulative feature of tax. This issue had been discussed before, but at the third meetings, all members submitted again according to their own professions. Especially, members had factories that produced durable consumer products such as carpet, argued that the tax would provoke inflation; due to the fact that, the tax rate could have reached more than 10 per cent number of turnovers. Ruscuklu Fahri emphasized that this feature of tax could have influenced and annihilated especially small business owner because while the first seller attached the tax to products, subsequent sellers had to attach more share of tax to products. Thus, consumers would opt, naturally, first sellers.<sup>32</sup>

Consequently, the assembly of chamber agreed that the main problem of tax was its cumulative aspect and also agreed that constitute a commission which would prepare a report demonstrates the point of views of the chamber and shows the possible impacts of the tax. After the report was prepared, the assembly planned to present it to both the assembly of the chamber and the government.<sup>33</sup>

The commission completed its report, which was composed of four articles, and the report was read at the following meeting on 24 April 1926. Indeed, the report did not say a new thing differently from previous meetings; instead, it was a good summary of previous meetings. Three articles criticized the tax and pointed out the possible influence of tax, and the last article suggested a

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31 Their names are Şükri, Şerif, Kazım, and Yılcıncıâde Hüseyin.

32 Yılmaz, *İdare Heyeti Defterleri I-II (1926-1930)*, 90.

33 *Ibid.*, 92.

tax regulation. The first article underlined the cumulative increase in the tax and predicted that it would cause to increase the cost of living at least 15 per cent. Differently from previous meetings, the report argued that the possible inflation would impact mainly the working class and peasants. Especially, peasants would be under the influences since peasants had to endure increasing prices as a consumer, and also their production costs would increase. As a result, their production, which could not be already unable to compete in those days, would incapacitate to compete in the foreign markets, and finally, the trade balance of the country would be terrific traumatized.<sup>34</sup>

The second article pointed out that another possible effect of the tax. According to the report, due to the fact that the tax would increase the cost of living at the rate of 15 per cent, people's consumptions, who were already living on with difficulty, would decrease as a rule of economics. As a result of this process, quite likely, craftsmen and small capital owners would not be able to live on and would be able to walk out their own jobs.<sup>35</sup> These predictions were already declared in the previous meetings but the following sentences indicate more crucial "danger" for Turkey's economy, if the efforts for Turkification of the chamber of commerce are considered during the early Republican era:<sup>36</sup> "Thus, small merchants, who are composed of national components, will have abandoned their positions, and also their majority in important centres to non – national (Gayr-i Milli) components."<sup>37</sup>

The third article pointed out a corollary of the tax which downgraded import and export rates. According to the article, due to the possible decrease in exportation and importation, tariff revenue would regress; in addition, the decrease in the government's revenue expectation from the income tax and general consumption tax itself would not be compensated.<sup>38</sup>

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34 Ibid., 94.

35 Ibid.

36 Murat Koraltürk, *Erken Cumhuriyet Döneminde Ekonominin Türkleştirilmesi* (İstanbul: İletişim Yayınları, 2011).

37 Yılmaz, *İdare Heyeti Defterleri I-II (1926-1930)*, 96.

38 Ibid.

All in all, the Chamber demanded that the should have been levied on the importation and exportation at the rate of 2,5 per cent only once without double taxation and the domestic production, which should have been patronised, was immunized against the tax. Consequently, both the economic depression would be obviated, and the government would find out a significant revenue source.<sup>39</sup>

After that the report was read, the member of the assembly of chamber emphasized that while the commission was working on the report, it had not seen a necessary reason of government and a necessary reason which was written by Istanbul Chamber of Commerce. In other words, the commission did not know what the government's goals and expectation from the tax were. For this reason, the assembly agreed that the commission would come together the next day to work on the report again.<sup>40</sup>

The following meeting was on 26 April. İbrahim Hakkı, who was the secretary general, summarized the commission's point of view. According to him, the commission agreed to seek a mitigation of impacts of heavy tax; to prevent the cumulative taxation; to find out revenue source which the government demanded, and to reduce the official employee costs to a minimum.<sup>41</sup> Eventually, the commission approved a tax on exportation and importation at the rate of 4 per cent. According to the secretary general, this was more reasonable rather than to be taxed three times and totally at the rate of 7,5 per cent.<sup>42</sup> Although some members reminded that the commission had agreed 2,5 per cent as a rate of tax and objected the specified rate, Balcıade Hakkı, who was a chairperson<sup>43</sup>, responded to them and he said "When we agreed 2,5 per cent, we did not know what the government expects from the tax. Now, we learned it is 20 million Lira. The commission investigated it a lot and collected statistics from banks and establishments. Eventually, we were obligated to agree 4 per cent."

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39 Ibid., 98.

40 Ibid., 102.

41 Ibid., 104.

42 Ibid.

43 İzmir Ticaret Odası, 19. *Yüzyıldan 21. Yüzyıla İzmir Ticaret Odası Tarihi* (İzmir: İzmir Ticaret Odası, 2002), 288.

Afterwards, the chairperson put the commission's decision and sending a commission to Ankara to the vote, and both were accepted largely.<sup>44</sup> Consequently, the assembly of chamber determined members who would go to Ankara and decided to make contact with the İstanbul Chamber of Commerce to make a common attempt.<sup>45</sup>

### 3.1.3.2 The Mutual Attempts of ICC and IZCC

During the creation process of the tax, the ICC attempted several times to impact the government about the possible effects of the tax on the economy and, for this reason, to make it appropriate. After the enactment of the tax law, the chamber endeavoured to persuade the government to both amend the tax law itself and shape the book of instructions, whose importance was that some immunities and conveniences would be able to be ensured by it. Both the İzmir and İstanbul Chambers of Commerce put the book of instructions in the centre during the discussions in their assemblies. Although both of two discussed and negotiated the issue and prepared the reports in their assemblies detachedly, their attempts in Ankara were mutual and they contacted together with the government after a bit the tax law entered into force on 1 May 1926.

After the IZCC's offer to the ICC to conduct together with the government, the ICC prepared two reports, which were prepared by the section of information and publication and the commission of taxes of ICC, to submit to the government and the Ministry of Finance.

The reports that were prepared by the commission and section of ICC were brought together to submit to the government as a memorandum by Hüseyin Hüsnü, who was the president of the chairmanship council of ICC. The report stated despite the fact that the abolition of tithe tax by the government was a significant attempt to develop the economy, the government had to admit that

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44 Yılmaz, *İdare Heyeti Defterleri I-II (1926-1930)*, 106.

45 Ibid.

the amendment of general consumption tax caused difficulties in the economy. The report summarized sector by sector the economic condition which occurred after the tax.<sup>46</sup>

According to the report, due to the fact that the tax was imposed on consumers, the prices of goods increased, and this caused to reduce the competitive capacities of exportation goods. Thus, it demanded immunity for exportation goods. Another issue that influenced the exportation adversely was that manufacturing was identified as to process or change a character of materials, and which was within the scope of it. However, the main agricultural exportation products such as tobacco, grape, fig, hazelnut, and acorn must be processed before they were exported. The report argued that this process was a kind of classification and for this reason, demanded immunity for these products that were the main products of exportation.<sup>47</sup>

Another sector affected by the tax; according to the report, was a brokerage. Brokers were taxed twice due to their own working mechanism. They bought products from producers and sold to the next merchants, and who could collect their assets in the following months or even a year. During this process, the tax identified brokers as a consumer and for this reason, the tax arranged a tax amount. On the other hand, the tax law involved the remunerations of brokerage, and thereby, brokers were taxed again.<sup>48</sup>

The report stated that according to the 2nd article of tax law, sugar was immunized from the tax; however, *İstanbul Defterdarlığı*, the Office of the Director of Finance of İstanbul said that sugar produced within Turkey was not in the scope of the 2nd article. Therefore, the report argued that this situation was contrary to the tax law and that an immunized material should have had an exemption at the all stage of production and trade. Otherwise, domestic sugar production would not be able to compete against imported sugar.<sup>49</sup>

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46 *İstanbul Ticaret Ve Sanayi Odası 1926 -1927 -1928 Seneleri Faaliyet Ve Muamelâtına Ait Umumi Rapor*, (İstanbul: Sinan Matbaası, 1935), 247-50.

47 *Ibid.*, 248.

48 *Ibid.*, 248-49.

49 *Ibid.*

The general consumption tax was the first step of the transformation process in the structure of the taxation system in Turkey. This situation caused another problem. Tobacco and other agricultural production had already been taxed by the tithe, and these goods were not sold yet. For this reason, these goods would be able to be taxed again by the tax. The report emphasized that also this situation would be able to reduce the competitive capacities of these goods.<sup>50</sup> In addition to these points, the report, finally, demanded immunity for the mining. Because the mining was sliding into depression due to high wages in the sector.<sup>51</sup>

After the negotiation with the government, results were offered to the general secretary of ICC as a report. The report stated that until the member of IZCC arrived Ankara, Hüseyin Hüsnü and other members of ICC contacted with high officials from the Ministry of Finance, members of council of finance, and members of parliament, and also İsmet Pasha, who was the Prime Minister of the Republic of Turkey, accepted for the most part the report prepared and offered to the government by ICC.<sup>52</sup>

Before the final negotiation with the Ministry of Finance on 10 May 1926, both ICC and IZCC members made early negotiations with the high officials of government and İsmet Pasha. According to the report, although IZCC demanded a fixed rate as 5 per cent, its impossibility was understood in early negotiations. In another early negotiation with İsmet Pasha on 9 May 1926, İsmet Pasha said that the occurred problems would be considered and stated the necessity of a discussion with the high officials of the Ministry of Finance to solve these problems.<sup>53</sup>

The points and objections that the chambers highlighted responded in the meeting between the members of the chamber and the general director of revenue of the Ministry of Finance. The results were:

- The officials argued that if consignment goods would be exempted from the tax, it could trigger exportation via this way, and this could cause tax evasions.

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50 Ibid., 249-50.

51 Ibid.

52 Ibid.

53 Ibid., 250-51.

- Manufacturing was immunized.
- Only tobacco that was taxed by the tithe or land crop tax was immunized. The other agricultural products were taxed by these taxes were not given immunity. The officials argued that an expanding the scope of this immunity would be able to a tax evasion due to the fact that it could not be determined whether which products had been taxed or not before the general consumption tax entered into force.
- The brokers' demands were accepted, who would be able to pay their taxes by instalments.
- Objections to immunize finished sugar and mining were not accepted.<sup>54</sup>

The final state of the tax occurred after these negotiations. From creation to entry into force, both ICC and IZCC performed a very active process. The tax was discussed and criticized in the assemblies, and possible influences and problems of it were put forward scientifically. As there will be seen below, the predictions, especially about the application of the tax law, occurred in a short time and these problems caused an abolition of the tax only in the following year.

### 3.1.3.3 Problems in the Application and the Way to Abolition

After the tax law entered into force, problems in the application of the tax law arose in a short time. Telegraphs which were sent to authorities by the ICC show what these problems were. One of the reasons that led to force the government to abolish the tax was that the method of tax collection caused difficulties during commercial transactions. A telegraph that was sent to the Office of the Director of Finance of İstanbul and the Ministry of Commerce on 7 October 1926 shows how the method caused difficulties. Exporter merchants, the telegraph illustrates, could not find stamps in the amount of their bills to pay the tax during bulk sales to foreign countries. For this reason, they used stamps in the amount of 10 Lira. Thus, an odd situation occurred; for instance, merchants obligated to use stamps in the amount of 10 Lira for a bill in the amount of 1000 Lira. In other words, the bill was stamped with 100 stamps;

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54 Ibid., 251-52.

hence, there were occurred bills 2-3 meters long. The ICC demanded stamps in the amount of 50, 100 or 500 Lira to end this situation which caused both losses of time and difficulties.<sup>55</sup>

Another example was reported to the Office of the Director of Finance of İstanbul on 16 November 1926 via a telegraph. According to it, a merchant was served with a fine for 20 Lira since the merchant was obligated to use a stamp which was in proportion to the accrued asset because of a lack of suitable stamps. In addition to it, the same merchant was served with a fine for 50 Lira on account of the fact that s/he inadvertently stamped the tax roll with a stamp which was for a consumer. The telegraph stated that there was no possibility for small businesses to survive toward these fines; therefore, a depression would be inevitable.<sup>56</sup> Even for those days' Turkey, the method of the collection appears as a primitive way. Especially, the problems in the application of the tax law such as metric bills, and fines due to lack of stamps must have been important obstacles in front of a country which endeavoured to recovery and develop its own economy.

The ICC reported that precious metal trades in return for paper currency were taxed by officials in accordance with the first article of law. In other words, the law involved crafts such as goldsmiths due to their service, but a subsequent command said that all type of precious metal trades was in the scope of the tax and must have been taxed. The ICC stated that on those days, the gold currency was both constituted capitals of small businesses and a means of exchange in some regions, the ICC also argued that it was wrong to identify gold and silver as ornaments because a gold trade in return for paper currency would influence to increase the gold price. On the other hand, because of an increase in gold prices, small businesses owners would like the United States Dollar or British Pound that were not taxed. Thus, the inclination would influence the foreign exchange market of Turkey adversely.<sup>57</sup>

As it can be remembered, the Ministry of Commerce determined the main reason for an increase in the cost of living as the value of Turkish Lira against gold in its own necessary reason. Because of stated points by ICC, if the tax

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55 Ibid., 254.

56 Ibid., 256.

57 Ibid., 256-57.

had stayed in force long time, the tax would be able to be a regressive impact on gold and silver trade, whether the government aimed to do it or not. On the other hand, this impact would cause a depreciation in Turkish Lira against Dollar or Pound. This possibility shows that there was no way to remain in force for the tax because this impact of tax was diametrically opposed to the economic understanding of the era.

Despite the government agreed the objection of ICC about the taxed tobaccos by the tithe and decided to immunize them, a telegraph reported that tobaccos which were taxed by the tithe or land crop tax were taxed by the general consumption tax because the Office of the Director of Finance of İstanbul did not receive an official communique. The telegraph stated this condition affected excessively exportation of tobaccos that were already subjected to compete and demanded to deliver the decision of the government.<sup>58</sup> There is no date on the collected reports of ICC when the telegraph was sent. However, the documents are published chronologically, and its date can be determined as October. Although the government decided to immunize tobaccos that were taxed already in May, the officials did not implement it until November 1926, according to the telegraphs. Consequently, this shows that the tax was collected from these goods for months.

In addition to these problems in the application of the tax law, the tax could have influenced Turkey's exportation and competitive capacity in the foreign markets. As the ICC predicted, the share of main agricultural exportation elements of Turkey such as tobacco, grape, and fig in all exportation revenue regressed from 1926 to 1927.<sup>59</sup> Of course, the regression did not appear depends on one-year tax but at the same period, the competitors of Turkey such as Bulgaria and Greece in the tobacco markets, as ICC's reports stated, tried to increase their tobacco production and to export them by agricultural credits or increasing calculated areas.<sup>60</sup>

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58 Ibid., 255.

59 Çağlar Keyder, *Dünya Ekonomisi İçinde Türkiye :1923-1929*, 192 vols. (Ankara: Yurt Yayınevi, 1982), 108-09.

60 John R. Lape and Marvin R. Jackson, *Balkan Economic History, 1550-1950 from Imperial Borderlands to Developing Nations* (The United States of America: Indiana University Press, 1982),

After all these problems and complaints, in the fall of 1926, the government began to work to abolish the tax and create a new tax law, the transaction tax, which would levy a tax on transactions. While this new tax was being created by the government for the necessary reasons for the new tax and studied by the councils, other problems of the general consumption tax were declared.

The necessary reasons emphasized that on the one hand, the tax law of general consumption tax imposed the tax amount to consumers, but consumers were not responsible for it; on the other hand, the law obligated merchants to keep tax records too detailed, which hindered economic transactions. In addition to that, the tax law could not ensure to transfer accrued taxes to the state budget and, it argued that 30 per cent of the accrued taxes left in the shops. In short, the tax could not secure the justice of taxation for both the treasury and people and caused a heavy tax burden.<sup>61</sup> In addition, the necessary reasons stated that the cumulative character of tax led to abuse and official peccadillos and delinquencies.<sup>62</sup> This point is especially important because one of the reports of ICC warned the government and highlighted that this character of tax would cause to liquidate the intermediary merchants between producers and final consumers consisting of mainly Turks. All these problems forced the government to abolish the tax and create a new tax. Although the general consumption tax caused many problems in the application and to supply revenue to the budget, it was an important part of the transformation of taxation of structure in Turkey.

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371-72; Mark Mazower, *Greece and the Inter-War Economic Crisis* (Oxford: Clarendon Press, 1991), 87-88.

61 T.B.M.M. Zabıt Ceridesi, "Period: 2, Legislative Year: 4, Volume 32, 2 May 1927 – 30 May 1927," (Ankara: T.B.M.M. Matbaası, 1977), 225-26.

62 *Ibid.*, 226-27.

## § 3.2 The First Transaction Tax

### 3.2.1 *The Creation Process and ICC's Attempts*

On 18 November 1926, the necessary reason of the transaction tax was represented in the assembly, which summarized and criticized the general consumption tax and pointed out that the tax burden was not identified clearly by the law who was imposed to pay the tax amount. Indeed, an article imposed it; however, consumers never accepted to pay tax amount, and the tax amount was shared between consumer and producer. In addition, the tax law did not ensure to bring out tax payment to the government budget totally. In short, the tax did not provide justice for both the people and the budget; hence, it brought out the cost of living and caused complaints.<sup>63</sup>

According to the first article in the necessary reasons, the first issue was to avoid the cumulative structure of the general consumption tax, which caused to increase the tax rate 12,5 per cent in some cases. The second point is that the tax caused transactions and abuses esoterically. As the ICC stated before that “non-national groups” would be able to dominate the economic domain, this associates with that the government might have observed the same tendencies. For this reason, the government aimed to levy a tax on products where they were produced.<sup>64</sup>

After the government represented its own bill, councils began to study on it. The council of finance reported its own record on 26 December 1926. The council stated that the method of collection of general consumption tax caused a tax evasion and especially, during high amount transactions, consumers and merchants neglected an attaching a stamp for their own joint interest. The council required to amend specific articles. Accordingly, the council considered that the tax would be able to influence productions negatively for exportation due to the tax on production at the rate of 6 per cent and also exportation at the rate of 2,5 per cent. Thus, it suggested a tax refund at the rate of 3 per cent for those productions.<sup>65</sup>

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63 Ibid.

64 Ibid.

65 Ibid., 228.

At this point, the ICC's attempts and requests should be investigated to see how the relation and negotiation between the government and ICC shaped the councils' works. Because it can be argued that after the ICC's memorandums, the commissions' attitudes were shaped collaterally with the chamber's critiques. There are two memorandums that were sent to various ministries and commissions.

The first memorandum was sent to the Council of Equilibrate of Finance and the Ministries of Finance and Commerce on 16 December 1926 and the first issue in the report was the article about exportation in the proposed law. The government was planning to levy a tax on the exportation at the rate of 2,5 per cent and for this reason, the chamber, as it had been about the general consumption tax one year ago, argued that the tax would influence Turkey's exportation. The report stated that especially tobacco and the other exportation goods could compete against other countries' exportation goods and Turkey's exportation could do it thanks to price gaps between Turkey's and other countries' in favour of Turkey. However, the price gap was the consequence of other countries' taxes on exportation, and these countries abolished taxes; thus, the competition among these countries and Turkey deepened.<sup>66</sup> The report demanded immunity for exportation, but if the tax would be levied due to the budget obligation, it compiled the requests of the chamber. These were to levy a tax on exportation goods only in production areas; to levy a tax on new harvested tobaccos only once at the rate of 2,5 per cent and to collect from taker and by the tobacco monopoly; and to levy a tax on tobaccos in merchants' silos, that were already taxed by the tithe, only once at the rate of 2,5 per cent and according to prices determined by the tobacco monopoly.<sup>67</sup>

On 21 December 1926, the second report was sent to the Council of Commerce, the Council of Acts of Finance, and Refik İsmail, who was the Istanbul Chairman and member of parliament of RPP<sup>68</sup> which was about immunity for the importation of raw materials. The proposed law planned to levy the tax on imported goods including raw materials. These materials after the production

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66 Ibid., 267-68.

67 Ibid., 267.

68 TBMM Genel Sekreterliği, *T.B.M.M. Albümü (1920- 2010)* (Ankara: TBMM Basın ve Halkla İlişkiler Müdürlüğü Yayınları, 2010), 107.

process would be final products, and these final products would be taxed again by the tax; thus the total amount of tax would be 12 per cent. Therefore, due to the fact that domestic production often utilized imported raw materials, it would be able to compete against imported final products. Ultimately, the memorandum demanded immunity for imported raw materials.<sup>69</sup> In order to determine which imported products were raw materials, the memorandum suggested that factories were to inform their raw materials; in this way, when factories imported informed materials, they would not pay the tax for them.<sup>70</sup>

The importance of these memorandums in terms of timing is that they were sent to Ankara when the commissions were studying on the draft of the bill. Especially, the second memorandum was sent to the ministry and commission when the council of finance declared its own report. If similarities between the ICC's memorandum and the commission's report such as possible impacts on exportation are considered, it can be argued that the ICC could impact the government about possible influences of tax on the economy and themselves.

The council of commerce reported its own record on 13 January 1927. The critical point on the record was a taxed material which was raw materials for other factories. To avoid double taxation, the council immunized materials which were being utilized in another factory from the tax.<sup>71</sup>

After the council of commerce, the council of budget studied on the draft with Mustafa Abdülhalik's participation, who was the Ministry of Finance. The record, which also summarized problems due to the tax, stated that the new tax would provide convenience for both imposition and collection and assessment; however, small businesses and exportation goods would be influenced adversely.<sup>72</sup> The prediction of the council as a government branch is vital because both during the creation process and after it, while the chambers and industrialists themselves criticized the tax and its impacts, they mainly emphasized the condition of small businesses. This emphasizing shows that the

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69 "Period: 2, Legislative Year: 4, Volume 32, 2 May 1927 – 30 May 1927," 269-70.

70 *Ibid.*, 270.

71 *Ibid.*, 230.

72 *Ibid.*, 231.

chambers' attempts and warnings reflected the government's studies on the tax.

The important point that the council altered was that if a factory paid a tax amount for its own raw materials, this amount would be deducted from the amount. Finally, the tax law was created on 19 May 1927 and published in the official gazette and also the general consumption tax was abolished by this way.<sup>73</sup> Ultimately, according to the tax law, production via 10 motive power or more within the country would be taxed ad valorem at the rate of 6 per cent, and exportation would be taxed ad valorem at the rate of 2,5 per cent. An obligation to pay was imposed on consumers. And finally, if a factory bought its own raw materials and was taxed due to it, its final product and production would not be taxed again; thus, the company would not pay the tax amount. In other words, the government avoided increasing the costs of products.<sup>74</sup>

### 3.2.2 *Reactions against the tax in the Economy*

Immediately afterwards the tax law entered into force, the impacts of tax occurred among producers as efforts to move out of the scope of the tax and to evade tax. As there are mentioned, the government levied a tax on the production of factories which utilized motive power. A correspondence between the Istanbul electricity company and the ministry of commerce shows that the tax induced a crisis for small businesses such as mills of coffee and salt. According to it, small businesses began to recede to use engine power because they did not compete against production by human or animal power. In addition to the reported situation, the company reminded the law for the encouragement of industry and its aims. It stated that if the tax would maintain to tax small businesses, the aim of law for the encouragement of industry would not be able to achieve its own objection.<sup>75</sup>

In another report that was sent to the commissariat of İstanbul electricity, water, and aeroplane, the company stated that due to the fact that the tax increased sale prices, their clients begun to avoid using electricity for motive

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73 Ibid., 233-42.

74 Muamele Vergisi Hakkında Kanun, 1039.

75 BCA, 230-0-0-0 / 30-29-4, (30.07.1927).

power and this occurrence was inconsistent with the government's objections. The report argued that although the government had been endeavouring to create a developed industry, the influences of tax on the economy would be able to be an obstacle in front of the development of industry within the country. Notably, an oppositeness between the law for the encouragement of industry's aims and the influences of the tax was emphasized in the report. Another report and list showed that the government was aware of the tax's consequences. On 9 August 1927, the director general of public works had demanded the list of factories which had cut off their own electricity.<sup>76</sup> On 4 September 1927, the company sent the list of factories that had cut off their own electricity to the tax to the director general of public works, and 42 factories were listed.<sup>77</sup>

The ministry of commerce considered complaints and answered them. According to the documents sent to the ministry of public works, as a result of Recai Bey's, who was director general for industry, observations, the complaints were discussed and decided that immunity for these businesses would not be able to be a legal application.<sup>78</sup>

As it will be seen below, one of the consequences of tax was that factories avoid using engine power and this problem deeply was an important topic in the 1930 Industry Congress. These documents show that this tendency started as soon as the tax entered into force. Only one month later, the problem appeared and was reported to the authorities. If it is considered that same complaint maintained in the 1930 Congress, it can be argued that this was not a sudden reaction to the tax; instead, it continued until the beginning of the 1930s.

These complaints were reported by the Istanbul electricity company rather than ICC or Industry Union, but the company also was affected by the tax indirectly by the tendency among factories. This shows that the negotiation between industrialists started in the creation process of tax law and also continued after the process. As the reports emphasized, despite the government tried to subsidize the industry, the tax occurred as an obstacle in front of the

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76 BCA230-0-0-0 / 30-29-12, (17.09.1927).

77 The document consists of three pages, but the final page's number is four. There is no 3rd page. For his reason, we can assume that there were at least more 40 factories in the list.

78 BCA, 230-0-0-0 / 30-30-5, (12.11.1927).

aim. Especially, small-businesses were forced to select to use either motive power or primitive methods. This situation caused unfair competition among these factories.

## Under Depression Condition: 1931 and 1934 Transaction Taxes

At the beginning of the 1930s, the economies in the world were suffering the economic depression from the fall of 1929. As detailed summarized in the historical background chapter, Turkey's economy including all sections was affected either. From 1929 to 1932, the incomes and expenses of the state budget turned against incomes.<sup>1</sup> In this atmosphere, the government had to increase its own revenues and this necessitated amendment in the taxes or enactment new taxes. The transaction tax as a part of this legislative process was enacted two times as a new tax law in 1931 and 1934. During its re-enactment process, industrialists' commitments or wishes were declared in different ways. Both the ICC and the Industry Union, which had been trying to point out the problems of the tax via different ways for three years, expressed their most detailed arguments in the congress of ICC and the Industry Congress in 1930. On the other hand, in the 1931 election, deputies, who had industrial institutions, were elected. Thus, the opposition from the industrialists moved into the GNAT. Thanks to this success, they could be a part of the policy making process directly. Moreover, throughout the decade, they reinforced their own position and could have influences on the evolution of the tax laws.

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1 Selim İlkin and İlhan Tekeli, *Uygulamaya Geçerken Türkiye'de Devletçiliğin Oluşumu*, Türkiye Belgesel İktisat Tarihi (Ankara: Orta Doğu Teknik Üniversitesi, 1982), 52.

## § 4.1 Reactions against the Tax and the Second Transaction Tax

### 4.1.1 1930 ICC Congress

The Congress of ICC in 1930 was held between 30 January and 9 February, which had three main agenda topics. One of them was on the law for the encouragement of industry and the transaction tax and the reporters of publications and credit prepared a report on the topic.<sup>2</sup> The importance of Congress was that it was the first congress after the Great Depression, and it can be argued that the agenda topics might have been selected to discuss the post-depression conditions. In the congress of ICC in 1929, only industry credit issue was discussed in terms of the problems of industry; however, after the depression, the transaction tax and its impacts on the industry appeared as an agenda topic.<sup>3</sup> While the structure of taxation of Turkey did not change from 1929 to 1930, why ICC's attitude changed, and the transaction tax became an agenda topic? It can be said that the influence of the depression on the industry had already reduced profits and the impacts of the tax on the profits became a part of this regression. Thus, the tax became a more vital problem.

The commission, which was composed to discuss and prepare a report, was consisting of seven members and five of them were either a manager of a factory or a factory owner. As it can be remembered, when the ICC composed a commission to work on the general consumption tax, it consisted of members from different sectors and professions, and it was also more homogenous. The commission in the 1930 congress was closely interlocutor of the tax "sufferer". For this reason, its report and opinions can be identified as industrialists' point of views and approaches.

The report on the law for the encouragement of industry and the transaction tax was written by İbrahim Hakkı, who was a reporter of publication, taxes, and credit in the ICC.<sup>4</sup> On the report, several critiques and requests were

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- 2 İstanbul Ticaret ve Sanayi Odası, *1930 Oda Kongrası Kararları* (İstanbul: Cumhuriyet Matbaası, 1930), 1.
  - 3 *İstanbul Ticaret Ve Sanayi Odası 1929 Kongrası Mukarreratı* (İstanbul: Cumhuriyet Matbaası, 1929).
  - 4 İsmail Hakkı, *Teşviki Sanayi Kanunu Ve Muamele Vergisi Hakkında Rapor* (İstanbul: Cumhuriyet Matbaası, 1930).

summarized. The report also has important examples and explanations that show how the tax caused an uneven situation among industrial institutions, although the given immunities by the laws aimed to protect factories. Firstly, the report compared factories that were taxed by the transaction tax but were not taxed by the income tax and factories that were not taxed by the transaction tax and were taxed by income tax. By this way, the report tried to find which group of factories were taxed more.<sup>5</sup> According to its calculation, the first factory utilized motive power and the second produced through animal power or human power; and, both had 200.000 Lira endorsement and the profit rate was 15 per cent. The factory that benefited from the law for the encouragement of industry was taxed at the amount of 12.000 Lira; on the other hand, the second was taxed at the amount of 7.500 Lira. The report stated that the government amended a law to develop the domestic industry and might not have aimed to cause this situation. Industries of soap, knitting, brick were examples of branches that were in this situation.<sup>6</sup>

The second critique was the repayments for paid tax amounts for raw materials. According to both the transaction tax law and law for the encouragement of industry, if factories had paid tax amount for their raw materials, these amounts would be discounted. In this situation, it could not be possible to protect the factories that benefited the law for the encouragement of industry. Because the transaction tax law equalizes factories whether they benefited the law for the encouragement of industry or not.<sup>7</sup>

Thirdly, the report compared the merchants and industrialists' obligations to maintain their businesses. While merchants must have never sold their goods without profit or at a loss, industrialists always had volume cost and must defray these costs. The tax amount was added to the costs.<sup>8</sup> In addition, the payment method in some sectors was credit sale. If factories sold their

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5 Ibid., 9.

6 Ibid., 9-10.

7 Ibid., 10.

8 Ibid., 10-11.

products via this method, they would have to pay tax amount before they collect. Thus, this situation could increase the volume costs.<sup>9</sup>

Lastly, it was, as the correspondences between the electricity company and government branches in 1927 illustrated, the fact that many factories removed their machinery and settled handlooms to be out of the scope of tax law. In other words, the industry was apt to recede from machine-based production – modern- to handloom-based production – primitive-.<sup>10</sup> For these reasons, the report, all in all, demanded to abolish the tax from both domestic production and production for exportation.<sup>11</sup>

The industry council's report on immunity for factories, which benefited from the law for the encouragement of industry, from the transaction tax was presented in the Congress as well. The report argued that the transaction tax prevented the development and progress of the national industry and the national capital begun to retreat from national industry/ market. On the one hand, the national industry was deplorable in front of Europe's competition, and it obligated to sell their products cheaply to compete against them; on the other hand, in the neighbouring countries, there were neither these types of taxes nor restricted tariff protection as much as Turkey had. For these reasons, these countries' industry significantly developed and even begun to export their productions.<sup>12</sup> The report, in conclusion, demanded immunity for these factories from the government that attributed importance to the development of the industry.<sup>13</sup> Another decision was to join the Industry Congress and also to consist of a commission to prepare a detailed report on the application of the law for the encouragement of industry and the condition of small businesses.<sup>14</sup> As there will be seen below, for the 1930 Industry Congress, the ICC

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9 Ibid., 11.

10 Ibid., 13.

11 Ibid., 13-14.

12 "Teşviki Sanayi Kanunundan İstifade Eden Müesseselerin Muamele Vergisinden İstisnası Hakkında Kongra Sanayi Encümeni Raporu," in *Teşviki Sanayi Kanunu Ve Muamele Vergisi Hakkında Rapor* (İstanbul: Cumhuriyet Matbaası, 1930).

13 Ibid.

14 Ibid., 4.

prepared well-detailed reports on conditions of different branches of industry, their problems and wishes.

#### 4.1.2 1930 Industry Congress

The Industry Congress was held between 22 and 23 April 1930 in Ankara and organized by *Milli İktisat ve Tasarruf Cemiyeti*, the National Economy and Saving Association. The NESAs called chambers of commerce to bring together groups of industrialists within their own regions and economists to prepare reports for every single industry branch. The congress's aim was identified as seeking ways which could assure to develop the modern and national domestic industry. The agenda of Congress had nine items and two of which are important for this study, which were taxes and applications of these taxes.<sup>15</sup>

In the congress, tens of reports about conditions and problems of all industry branches were prepared and represented. Almost all reports criticized the transaction tax and its application and underlined its negative impacts on the sectors. There were two reasons behind why the transaction tax was criticized by all of them: The first was that the tax caused a crucial pressure on the branches by the rate and application. The second was that the law for the encouragement of industry had already immunized factories that utilized ten or more motive power from the income tax; for this reason, the transaction tax appeared highest tax rate for industrialists.

##### 4.1.2.1 The Branches' Reports on the Transaction Tax

The cotton textiles report pointed out that the tax was distributed to consumers and it meant rises in prices for them and this condition forced producers to undertake the burden of the tax to compete and survive in the market. Similarly, for the exportation, the tax led to a decrease in competitive capacities of

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15 *Milli İktisat ve Tasarruf Cemiyeti Umum Merkez, 1930 Sanayi Kongresi: Raporlar, Kararlar, Zabıtlar* (Ankara: Ankara Sanayi Odası, 1930), vi-vii.

domestic production.<sup>16</sup> On the more specific report on cotton textile in Istanbul, the critiques were not repeated, but it demanded to abolish the tax due to the stated reasons.<sup>17</sup>

Atıf Süreyya, who was the manager of Süreyya Paşa factory, wrote very detailed on the impact of the tax on the woollen textile industry. He exemplified conditions of Feshane, Herek, Karamürsel, and Süreyya Pasha factories and calculated their own endorsements and compared the endorsements and taxes. He stated that the industry was overwhelmed intolerable due to the tax; moreover, the tax could be either more than their profits, if they could make a gain or wear away their capital if they could not make a gain. Turkish factories, he continued, struggled to stay alive against the tax which was heavy more than the income tax, which they had already been immunized. Consequently, the main expectation of them was that the government would relieve of the tax.<sup>18</sup> He identified the tax as unfair and stated reasons. Firstly, as it can be remembered on the report of Congress of ICC in 1930, the producers had to pay the tax, whether they had made a gain or not. The second was about difficulty during its application, which was that recalculating a tax amount was depended on tax officers' opinion if consumers returned a product.<sup>19</sup>

Although the tax law imposed the burden of the tax to the consumer, the industrialists argued that the amount of tax was shared between producers and consumers and this was not divided equally between them and producers' pays were more than consumers', according to him. The tax amount for a transaction in the amount of 400 piasters, he illustrated, was calculated as 24 piasters but the consumer demanded discount and a bargain began between them. Consequently, because of the stagnation of business, a low demand for domestic production, and unavailability of producers' capitals, producers had to accept 407,5 piasters rather than 424 piasters, which included the tax. Thus, the amount of tax was calculated as 24,45 piasters ( $0,06 \times 407,5 = 24,45$ ) and, as compared to the first situation, while the consumer paid 7,5 piasters more,

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16 Ibid., 17.

17 Ibid., 23.

18 Ibid., 72-73.

19 Ibid., 73.

the producer had to tolerate a loss of 23,07 piasters.<sup>20</sup> In addition, companies had to hire an accountant more than one to calculate the tax amount, and this caused an additional cost. Atıf Süreyya stated that for these reasons, neither Greece, Romania or Bulgaria had a transaction tax and there was no such a country which imposed a tax like transaction tax in the rate of 6 per cent in the world.<sup>21</sup>

Atıf Süreyya's calculation was unique and based on experiments from only a couple of factories; however, it can reflect general tendencies among producers and consumers. Due to the fact that the tax was levied on production and collected from the production as an origin, transactions, and supplies of factories must have been a vast amount of. If this is considered, it can be argued that a bargain could have been more and more important for consumers. Although there was no another example or statistic what situations were in other branches, similar situations might have appeared in other sectors, especially if similarities among complaints that were expressed by representatives from different sectors are considered. This condition shows that the influence of tax on prices was undertaken by both producers and consumers. However, at least in Süreyya's example, the factory undertook more than consumer but, in another branch, a consumer might have undertaken the tax amount more than a producer. Notwithstanding, the tax amount was shared between them and producers undertook the tax amount more or less, even though the tax law ordered that the tax amount had been to be paid by consumers. In short, the existed circumstance in the market was disadvantageous to producers.

The report on the knitting work industry has different and crucial critiques about the tax. According to the report, the sector, which had to compete against Europe's centuries-old industry, did not have the capacity to tolerate the tax and its impact on itself. Especially, due to the absence of customs protection, the impact of the tax would be able to liquidate the sector.<sup>22</sup>

Another critique in the report was in only the knitting works. The tax amount was collected by the Bank of Mines and Industry, and the bank was, as explained in the historical background chapter, established to support and

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20 Ibid.

21 Ibid., 74.

22 Ibid., 165.

develop domestic industry and to credit private enterprises to achieve these goals. The report argued that the bank did not have the capacity to support other than state industry and, in this situation, the taxes that were collected from the private sector would be utilized for state industry and its development. Thus, the state industry would run against private sector; as a result, the unfair competition between “national factories” and the state industry was an obstacle in front of the development of the domestic industry. Finally, the report stated that all achievements of the domestic industry in the past 30 years were the result of entrepreneurs and 40 years state industry did not do it. In spite of all, the government levied a tax on these factories’ profits and allocated to the state factories.<sup>23</sup>

The report on the cannery factories in İstanbul has a separated headline on the tax and its impact on the sector. In this sector, transactions might have been credit sale; however, producers must have made out an invoice, when they sold their goods. Thus, if they did not make a gain or sold with a loss, they would have to pay a tax amount. Especially in these conditions, due to a lack of credit facility and high-interest rates, the tax could wear away their capitals.<sup>24</sup>

The second critique, as it is seen at the reports from the İstanbul electricity Company, is vital to see how the tax became an obstacle in front of technological development in the industry. Even though the government had just amended the law for the encouragement of industry to advance domestic factories and their capacity, because of the tax, some factories, especially small businesses, opted to utilize primitive tools to maintain producing. As there have been stated, the government levied a tax on only the factories that were utilizing 10 motive power and more. In order to be out of the scope of the tax, some factories remove their machines and this trend caused to obstruct the development of the industry. Moreover, the condition caused unfair competition between these factories and other factories that had to pay the tax

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23 Ibid.

24 Ibid., 185.

amount.<sup>25</sup> In addition to them, another critique was that the tax reduced the competition capacity for exportation.<sup>26</sup>

In the İstanbul bread making report, as the cannery report stated, it is pointed out that the tax caused to regress mechanisation in the sector. the tax provoked to remove machines or electricity wiring in factories. As a result of the condition, producers could not supply products as much as currently demand, and this provoked to import from Europe.<sup>27</sup> In addition to the first report, the commission of millers' report that summarized their own requests stated that capitals of producers were worn away by the transaction and income tax and they were forced to get high-interest rate loan; hence, they were always obliged to be in dept.<sup>28</sup> The abolition request on the report was expressed spiritedly:

The abolition of the tax is a matter of life and death. Probably, the first and important principle, which our congress will accept, should be the abolition of the transaction tax, the abolition of the transaction tax, the abolition of the transaction tax. The disease is unique and general.<sup>29</sup>

In the report on the branch of confectionery, chocolate, biscuit, it pointed out that the structural condition of the sector and the application of tax caused inequality between producers that were the scope of tax law. Small businesses were immunized from the tax due to the fact that they did not use engine power and also, they did not pay octroi duty because they could mobilize production equipment.<sup>30</sup>

The council of the branch's report stated that production of sesame regressed, rendering plants went bankrupt or removed their own machines to be immunized from the tax. Moreover, while the exportation of sesame was at

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25 Ibid.

26 Ibid.

27 Ibid., 207.

28 Ibid., 211.

29 Ibid., 212.

30 Ibid., 289.

the amount of one and a half million Lira in 1925, it regressed to twenty thousand in 1930. The main reason of this regression was, the report argued, the transaction tax and octroi duty and if these taxes, especially the transaction tax, would be abolished, the branch would be able to be mechanized again, and the exportation would be able to increase.<sup>31</sup>

Reports on the cement industry, stone, soil and glass industry, chemical industry, leather industry, and soap industry stated the same points. According to these reports, the tax should have been abolished to both develop exportation and also protect domestic production against imported goods. In addition, as there were in other branches, in these sectors, the tax provoked undeveloped methods and producers avoided mechanized ways in the production.<sup>32</sup>

At the end of the Congress, the general council of Congress studied on more than 50 reports and prepared reports on the main issues discussed in the congress. In terms of our study, two of which were about taxes, chambers of commerce and industry and industrialists.<sup>33</sup> The report focused on two impacts of tax, which were that the tax forced producers to avoid to utilize motive power in the industry and that factories had to pay the tax amounts although they had not made a profit.<sup>34</sup> The report divided the issue into two categories, which were the amount and impacts of tax and the impacts due to its application of it and these headlines have sub-headlines as well.<sup>35</sup>

Firstly, the report stated that the tax law levied a tax on amounts of transactions; in other words, factories had to pay tax amount whether they made a profit or not. Especially, in sales on credit, tax amounts might already have been paid despite the fact that factories had not received payment yet. In this situation, factories had to pay tax amounts by their own capitals, and this was the crucial problem for Turkish industry which did not already have enough capital to develop. The report reminded to illustrate its argument: The Hereke

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31 Ibid., 294.

32 Ibid., 365, 72, 79, 17, 29, 404.

33 Ibid., 475.

34 Ibid., 481.

35 Ibid.

textile factory paid 38.000 Lira, although it had lost money at the amount of 23.000 Lira.<sup>36</sup>

Secondly, the tax law involved factories that utilized motive power during producing and others were not levied a tax. As a result, many, as pointed out in several branches reports, removed their own machines and opted to use human power to produce. That caused unfair competition between factories, which utilized motive power and were obliged to pay tax amount, and factories, which produced by human power and were not obliged to pay it. If it is considered that this tendency appeared in 1927, it can be seen that the tendency continued throughout the period that the tax law was in force. On the other hand, the law for the encouragement of industry's patronage, which aimed to create a modern and strong industry within the country, cancelled out because of the transaction tax.<sup>37</sup>

Actually, the last point stated in the first headline was an application problem. It stated that although the burden of the tax was imposed on consumers, consumers never accepted raised prices and tended to buy imported goods; moreover, producers were obliged to sell their goods without profit. The report argued that nobody could find anyone who sold their goods without profit.<sup>38</sup>

Another problem was that the process of repayment for paid amounts for raw materials was the too bureaucratic procedure and for this reason, factory owners chose to repay the tax amount instead of maintaining the procedure.<sup>39</sup>

Reflections after the critiques in both the industry congress and ICC's congress appeared in the government's programme in the fall of 1930. The Prime Minister, İsmet Pasha, formed a new cabinet, known as the fifth İnönü, government and declared the cabinet program on 2 October 1930. In his speech, the most emphasized issues were the national economy and finance in which seven taxes and the government's point of view about them were explained. For the transaction tax, İsmet Pasha stated that the tax's impacts on both ex-

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36 Ibid., 482.

37 Ibid., 481-82.

38 Ibid., 482-83.

39 Ibid.

portation and production within the country were well known and the government would endeavour to enhance for both of two. Consequently, a new process to create a new transaction tax begun in 1931.<sup>40</sup>

#### 4.1.3 *The Creation of The Second Transaction Tax*

##### 4.1.3.1 The Government's Draft and Industrialist' Disappointment

The government presented the draft and necessary reasons for new transaction tax law on 2 February 1931, which summarized the problems of general consumption tax and first transaction tax. It stated creation a new tax law appeared as a necessity because already known negative impacts of the transaction tax on the economy would not be able to be handled by the amendment of some articles in the transaction tax law. The necessary reasons suggested alterations for a fundamental issue such as the scope of the tax. The scope of the tax law in 1927 was based on motive power, and the necessary reason stated that industrial institutions produced both with motive power and without motive power. According to it, because the definition of motive power was not enough and, it caused a contradiction and unfairness among industrial institutions in terms of being rateable. The government suggested to abolish the basis of motive power, and the draft law identified the scope of tax as all productions by industrial institutions within the country. In other words, without considering neither motive power – the capacity of production nor endorsement, all industrial production was imposed to be in the scope of the tax. In short, differently from the 1927 tax law, the government's offer to involve all industrial production.<sup>41</sup>

It can be argued that the draft caused a disappointment for the industrialists. A group consisting of factory owners came together immediately after the government introduced the draft in the Industry Union to discuss the draft and prepared a report at the end of the meeting to send the government. The

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40 T.B.M.M. Zabıt Ceridesi, "Period: 3, Legislative Year: 3, Volume 21, 22 September 1930 – 2 October 1930," (Ankara: T.B.M.M. Matbaası, 1977), 35.

41 "Muamele Vergisi Kanununun Makamına Kaim 1/14 Numaralı Kanun Layihası Ve İktisat, Maliye Ve Bütçe Encümenleri Mazbataları," in *T.B.M.M. Zabıt Ceridesi Period: 3, Legislative Year: 3, Volume 21, 22 September 1930 – 2 October 1930* (Ankara1977), 1-2.

group stated although they had expected the government would offer an abolition of the tax law a week ago, the government offered an opposite draft and also large scope. The factory owners pointed out that due to the expectation and government's commitments, they had made deals with European factories; however, a different situation appeared. Indeed, they were really given commitments to abolish the tax several times, as they argued. After the factory owners' complaints in the Industry Congress, the Ministry of Finance sent an official message to the Industry Union on 17 November 1930, which stated that the abolition of the tax would be offered to the assembly in the next legislative year. In addition, when the government offered the draft and the industrialists reacted it, Yunus Nadi argued the tax would have been abolished and he wrote an article that endeavoured to explain and justify the new tax law draft. He emphasized that the government had studied on the abolition of the tax or at least facilitating; however, the great depression's impacts on public finance forced the government to offer the draft to state budget necessities.<sup>42</sup> On the other hand, immediately before the government offered the draft, Mustafa Kemal Pasha visited the IZCC and declared that the taxation issue such as problems of application of tax laws had been known and the government would try to advance this situation.<sup>43</sup> Nevertheless, the draft was far removed from expectations and commitments. For this reason, the Union decided to send a necessary reason to explain current and possible impacts of tax and remind the government's commitments to abolish it.<sup>44</sup>

After the government introduced the new tax law, the councils started to study on it, but they had to wait to offer their own drafts because the government decided to hold an early election in March 1931. Thus, the election caused both that the new assembly and government maintained to study on it and industrialist deputies were elected, and the circle of the industry could find out the chance to represented themselves.

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42 Cumhuriyet 1 March 1931.

43 Cumhuriyet 1 February 1931.

44 Cumhuriyet 9 February 1931; Cumhuriyet 17 February 1931.

#### 4.1.3.2 The 1931 Election and the 3rd Grand Congress of RPP

The atmosphere, which occurred after the liquidation of the LRP, and Mustafa Kemal Pasha observations during his three-month journey brought about a new election. On 5 March 1931, the assembly determined to hold an early election, and it ended up its activities. The main reason behind the early election was that Mustafa Kemal Pasha wanted to maintain reforms with new stuff. The RPP endeavoured in order to form the fourth assembly based on the basis of profession representation. In accordance with this purpose, the party not only sought new candidates and also gave an opportunity for 30 independent candidates. The RPP aimed to enable the representation of different social groups and Mustafa Kemal Pasha investigated every single candidate and paid particular attention possible deputies, who would be able to be elected, whether they came from his wishes. Especially, the participation of farmers and workers into the assembly was emphasized.<sup>45</sup> However, so-called workers consisted of people who had higher education degrees in branches of engineering or were business owners, and they dominated so-called worker deputies and demanded them to attempt to abolish the transaction tax after they were elected.<sup>46</sup> These so-called worker deputies, Selim İlkin found out, were Eşref [Demirel], who was educated in Germany and a headworker in a factory, Hasan Basri [Demir], who was a headworker in a factory, Ahmet [Özdemir], who was educated on industry, Hamdi Mustafa [Gürsoy], who was educated in Germany. As İlkin argues, none of them can be identified as a worker. Hamdi Mustafa, to illustrate, participated in the union meeting that was organized immediately after the election.<sup>47</sup>

In addition to these deputies, in the election, the Industry Union nominated Hasan Vasıf, who was a factory owner, the chairman of Industry Union

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45 İlhan Tekeli and Selim İlkin, *1929 Buhranında Türkiye'nin İktisadi Politika Arayışları*, Türkiye Belgesel İktisat Tarihi (İstanbul: Bilge Kültür Sanat, 2009), 206.

46 Mete Tunçay, *Türkiye Cumhuriyeti'nde Tek Parti Yönetiminin Kurulması* (Ankara: Yurt Yayınları, 1981), 306; Selim İlkin, "Develetçilik Döneminin İlk Yıllarında İşçi Sorununa Yaklaşım Ve 1932 İş Kanunu Tasarısı," *Orta Doğu Teknik Üniversitesi Gelişme Dergisi* 1978, 267-70.

47 "Develetçilik Döneminin İlk Yıllarında İşçi Sorununa Yaklaşım Ve 1932 İş Kanunu Tasarısı," 268-69.

and several times chairmen of congress of the Industry Union, in the RPP's writ of the election on behalf of the Union. In this way, the Union could find a chance to be represented in the assembly.<sup>48</sup> Hence, during the tax law was discussed, he was anticipated by the members of Union to contact the government about issues that would be able to impact the industry.

In addition to the union's candidate, the independent candidates participate and were elected in the election, and several of them had important roles during the creation process of the transaction taxes in 1931 and 1934. Rüştü [Eğel], who was a textile factory and the chairman of Bursa Chamber of Commerce between 1937-1938 and would wholeheartedly oppose against the transaction tax, was elected from Bursa.<sup>49</sup> The others were Kemal Turan [Ünal]<sup>50</sup>, who was elected from Isparta, engaged in commerce and had publishing house, and Hasan Hüsnü [Kitapçı]<sup>51</sup>, who was elected from İzmir and engaged in commerce. These deputies, who would be called as "industrialist deputies" by newspapers, participated in the election either independently or from the RPP's lists. It can be argued that despite both of two were nominated by the RPP, their profession identities were more primary than their political identities.

The fourth assembly started to work on 4 May 1931. In the opening speech in the assembly, Mustafa Kemal Pasha pointed out that the world had suffered against the depression and underlined that while other countries had been enacting new taxes to struggle against the influences of depression, the GNAT had been reducing some taxes.<sup>52</sup> As he indicated, the new assembly and government amended some of the tax laws or enacted new tax laws in the following weeks. The point for the transaction tax that must be underlined is that the draft of the law was introduced by the government in the third assembly and

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48 İhsan Güneş, *Atatürk Dönemi Türkiye'sinde Milletvekili Genel Seçimleri (1919-1935)* (İstanbul: Türkiye İş Bankası Kültür Yayınları, 2019), 346.

49 T.B.M.M. Genel Sekreterliği, *T.B.M.M. Albümü (1920- 2010)* (Ankara: TBMM Basın ve Halkla İlişkiler Müdürlüğü Yayınları, 2010), 181, 94.

50 Ibid., 203.

51 Ibid., 205.

52 Tekeli and İlkin, *1929 Buhranında Türkiye'nin İktisadi Politika Arayışları*, 208.

the economy council began to study on it at the same time; however, the legislative activity was maintained by the new cabinet. Thus, a new tax law, which had been prepared by the former assembly and cabinet, was enacted by the new assembly and cabinet.

#### 4.1.3.3 On the Transaction Tax in the 3rd Grand Congress of RPP

Immediately after the election, the RPP 3rd Grand Congress was held between 10-18 May 1931. Its importance was that economic policies, which had been maintained, identified as the party's ideology and six narrows of the party, republicanism, nationalism, etatism, populism, laicism, and reformism, were described. The congress was given many request memorandums from cities, and these were read in the congress. Memorandums were categorized under the headline of the Finance Ministry, and complaints and requests about every single tax were discussed. The taxation issue was discussed diffusively and the arguments, which the LRP had many times argued the tax of burden had been too much, were criticized and declined. Rather than the tax assessments or burden of taxes, the member of Congress mainly criticized and underlined problems and corruption in the application of tax laws. Nevertheless, memorandums that complained about the transaction tax were introduced to the congress. According to them, 25 cities demanded the abolition of the transaction tax. Number of cities also shows prevalence of complaints because there were 57 cities in Turkey in 1931 and especially, if it is considered that these memorandums were sent from regions where there were factories that paid the transaction tax, it can be argued that almost all cities where had more or less industrial institutions sent one or some of these memorandums.<sup>53</sup> The Minister of Finance stated that there was a legal obstacle in front of the abolition; however, it would be able to be abolished for exportation partially and industrial institutions would be able to be given a contribution to ease the influences of the tax on them. In order to do, it, the new tax law had been introduced to the assembly.<sup>54</sup>

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53 Fatma Altuğ Veysi Günel, M. Sait Şahinalp, "Türkiye'deki İdari Taksimattaki Değişimin İl Nüfuslarına Etkisi," *Türk İslam Dünyası Sosyal Araştırmalar Dergisi*, no. 13 (2017): 110.

54 *C.H.F. Nizamnamesi Ve Programı*, (Ankara: T.B.M.M. Matbaası, 1931), 121-22.

#### 4.1.4 *The Councils' Studies and Opposition in the Councils*

After the government's draft and the necessary reason were introduced, economy, finance, and budget councils presented their own official reports. On 26 May 1931, the council of economy's official report was introduced, which stated that the first transaction tax had targeted to handle the negative impacts of general consumption tax; but the tax caused complaints in terms of double taxation, too much tax of burden and the problems application of tax law. The report agreed the industrialists' arguments to abolish the tax completely; however, the budget obligations necessitated to retain in force the tax. For this reason, the draft bill aimed to enact a new tax law that would not be an obstacle in front of the development of the national industry. The report amended the first article about the scope of tax in the government's draft and suggested an immunity for the production by 15 or less motive power. Secondly, the report demanded that tax reduction for taxed raw materials would be determined without seeking for any document.<sup>55</sup>

Despite the economy council presented its own report in May, its study on it began after the government presented the draft and necessary reason in February. Newspapers wrote about the council's amendments on those days, and the member of Union followed the council's study. The Industry Union's attitude about the council of economy's draft and alteration is important. Although the union had anticipated the abolition of the tax when the government offered its own draft, the council's alterations were welcomed by the Union. The union analysed the draft and Nazmi Nuri, who was a member of the Union and had explanations on behalf of the Union on the newspapers, stated that alterations satisfied some of the members despite of expectations.<sup>56</sup> According to the Cumhuriyet newspaper, the alteration meant that 400 factories out of 500 within the country would not be in the scope of the tax<sup>57</sup> and this is why the Union was satisfied. In addition to Nazmi Nuri's statements, the

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55 "Muamele Vergisi Kanununun Makamına Kaim 1/14 Numaralı Kanun Layihası Ve İktisat, Maliye Ve Bütçe Encümenleri Mazbataları," 3-4.

56 Cumhuriyet 11 March 1931.

57 Cumhuriyet 8 March 1931.

Industry Union discussed on the tax again and sent telegraphs to every single industrialist deputy. They stated that especially small businesses would not be able to survive due to both income and transaction taxes and demanded to enact the economic council's draft.<sup>58</sup> This is another example that shows industrialists' satisfaction with the economy council's amendments.

On 7 June 1931, the finance council presented its own official report that reviewed the government's and economy council's drafts. The report also agreed with the argument for the abolition of tax and as the economy council differently from the government, the scope of tax was determined as more than 10 motive power. The report argued that the factories that would be in the scope of tax according to the report's suggestion had important immunities thanks to the law for the encouragement of industry; on the other hand, the other factories were being taxed by many taxes, and for this reason, an immunity for these factories was demanded. Especially, the report argued that there was a necessity to provide an opportunity for the development of small businesses, which had to remove their own engines to be out of the scope of the tax. For the issue of tax reduction due to taxed raw materials, the council identified it as the most complained issue. The problem caused not only double taxation but also affected the possibility of competition between developed and small businesses negatively in developed institutions' favour.<sup>59</sup>

The last report was the budget council's, which was introduced on 21 June 1931. As the councils before itself stated, the budget council argued the abolition of tax was a need as a matter of principle; nevertheless, there was no opportunity to abolish it. More importantly and differently from the other councils argued, the report stated that the revenue condition and budget necessities did not enable to expand immunities.<sup>60</sup> The main reason why the scope of tax was amended by the council was to protect small businesses and to avoid a tax of burden that would be able to obstruct them. Although the council agreed with the others, it argued identification of the scope of tax as a motive power

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58 Cumhuriyet 29 June 1931.

59 "Muamele Vergisi Kanununun Makamına Kaim 1/14 Numaralı Kanun Layihası Ve İktisat, Maliye Ve Bütçe Encümenleri Mazbataları," 6-7.

60 Ibid., 7-8.

was not enough. The main reason behind the argument was that some factories, which were producing via high motive power, could have fewer transactions or vice versa. To illustrate, the council gave a chart which shows the distribution of factories had different motive power capacities and endorsements. Thus, factories, which had high endorsement despite of fewer motive powers, would be levied a tax on; on the other hand, factories that had fewer endorsements even though they were producing via high motive powers and were affected by the great depression would be able to be immunized from the tax. For these reasons, the draft proposed to levy a tax on 10000 Lira or more endorsement at the rate of 6 per cent. The council argued that basis of endorsement, according to the official records, would be more justly to protect small business. During the assembly meetings, the chairman of the council stated that the industry union sent too many telegraphs to the council while it was studying on the draft and demanded to immunize more than hundred thousand endorsements rather than ten thousand. If the Union's attitude is remembered about the economy council's draft, the chairman's statement shows the union's dissatisfaction.<sup>61</sup> The fundamental differences between the two councils and the budget council were expressed by the chairman of the budget council law for the encouragement of industry, who stated that the amendment of economy and finance councils meant *de facto* abolition of the tax.<sup>62</sup>

The chart that the report illustrated helps to see that how many factories would be in the scope of tax according to all councils' amendments and also what the immunities would mean a taxable loss in terms of public revenue. According to the chart and our calculation, the economy council's draft meant an immunity for the taxable potential in the amount of 8.242.000 Lira; the finance council's meant at the amount of 5.000.000 Lira, and finally, the budget council's meant at the amount of 1.700.000 Lira.<sup>63</sup> The ratio between these amounts and the 1931 budget can make sense. They are respectively 5 per

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61 T.B.M.M. Zabıt Ceridesi, "Period: 4, Legislative Year: 1, Volume 2, 1 June 1931 – 4 July 1931," (Ankara: T.B.M.M. Matbaası, 1977), 177.

62 Ibid., 176.

63 Our calculation is approximately but during the assembly meetings, the head of budget expressed nearly similar amounts, which shows that our calculation gives an approximate value.

cent, 2 per cent, and 0,9 per cent.<sup>64</sup> These ratios show deeply differences among the councils' drafts.

Tekeli and İlkin argue that the economy and finance councils' attitudes show these councils paid attention for protection of small-businesses and increase exportation.<sup>65</sup> In addition to their argument, the members of these councils were the taxpayer of these tax and their contributions as a member of the council might have been based on their professions. I argue that the differences between councils' attitudes might be related with the members of councils and their backgrounds; notably, their professions could make sense and show us how the negotiation between industrialists and the government came to exist about taxation issue. To illustrate, Akosmanzade İzzet [Akosman], who was the member of the economic council, the founder of commerce and produce exchange, the firm Akosmanzade İzzet, and also an executive board member.<sup>66</sup> There were similar examples among the members of the finance council. Kemal Ünal who was the secretary of council and publishing house owner, Adnan [Menderes] who was the chairman of chamber of commerce in Aydın and the Prime Minister of Turkey Republic later on or Kamil [Dursun] who was the manager of İzmir Pamukçular Inc. were the members of council who were engaged in commerce and industry branches.

When these members of councils' backgrounds in terms of social, economic professions are examined, it can be seen that the policy makers, at least at the level of negation, determined or amended taxation policies which would levy a tax on their own production. On the other hand, the budget council, which demanded the most comprehensive scope, was consisting of members who were not close to the commerce or industrialist circle and also had official occupations formerly or later on. Moreover, the chairman of the budget council identified his own economic occupation and faction as protectionism.<sup>67</sup> It must be pointed out that the chairman of the budget council's identification

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64 T.C. Maliye ve Gümrük Bakanlığı Bütçe ve Mali Kontrol Genel Müdürlüğü, *Bütçe Kesin Hesap Kanunları*, 4 vols., vol. 1 (Ankara: T.C. Maliye ve Gümrük Bakanlığı, 1992).

65 İlkin and Tekeli, *Uygulamaya Geçerken Türkiye'de Devletçiliğin Oluşumu*, 272-73.

66 *T.B.M.M. Albümü (1920-2010)*, 185.

67 "Period: 4, Legislative Year: 1, Volume 2, 1 June 1931 – 4 July 1931," 176.

about himself was really intrinsic to the étatist era. His statement was also a new ingredient of the era.

In brief, the industrialists could find out a chance to clearly declare their demands and complaints about the tax in the ICC congress and the industry congress and they were given remarkable commitments by the members of the governments. Not only before the government's draft bill was introduced but also during the councils were studying on the draft, the industrialists stated their own points of view via different ways. These opinions were represented in the councils by the members, who were industrialists and the council etudes, it can be argued, became a negotiation space. Nevertheless, their expectations were not satisfied under the post-depression conditions, and the assembly was given the most inclusive draft law to vote. Even so, the industrialist deputies, who elected in the middle of the creation process of the tax law, continued to criticize the tax.

#### 4.1.5 *Industrialists' Opposition in the Assembly*

After the councils presented their reports and drafts, the assembly began to discuss the law draft on 21 June 1931. One of the important points was that the industrialists were elected as a group in the 1931 election. They were in the RRP's lists and occurred as a group of the profession in the fourth assembly. We are going to see that this situation reflected on members of parliaments from the group.

The draft was targeted by the deputies who were engaged in industry and commerce branches. Objections against the draft and tax were expressed by mainly Rüştü and Hasan Vasıf. Rüştü stated that the tax affected the established industry around Bursa region as the tithe had done on agriculture. As agricultural producers had been forced to pay the tithe regardless of good or bad harvest, industrialists had to pay the transaction tax in both profit or loss. He argued that there was no importance of basis of motive power or endorsement because the tax rate at the rate of six per cent was high rate and while the government endeavoured to protect and develop small businesses, it prevented the large industry from development civilizing.<sup>68</sup> According to his

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68 Ibid., 170.

statements, the textile and iron industry developed crucially around Istanbul and there was an industrialist group that struggled against the great depression. Especially, he reminded that Mustafa Kemal Pasha had connected with industrialists and merchants, who suffered due to the tax, and he had promised these group during his three-month journey in 1930. As it is remembered, after this journey, the fourth assembly was elected. Rüştü identified the fourth assembly as extraordinary and summarized its missions: the first assembly had provided independence; the second had succeeded political revolution; the third had created civilization, and the forth's should have only and solely succeeded economic revolution. For all these reasons, he identified the tax as "*kara leke*", smutch and demanded to abolish the tax completely on behalf of all industrialists.<sup>69</sup> In addition to him, Sadeddin Rıza [Uraz], who was a manager of a company in İstanbul, stated that although industry institutions were given immunities thanks to the law for the encouragement of industry, they were taxpayers of transaction tax, which were more than all immunities. If the tax, he continued, would be abolished, investments would increase and by this way, unemployment would decrease.<sup>70</sup>

Both the industrialists' reactions against the tax in the industry congress and the finance ministry's document that was sent to the industry union were highlighted by another industrialist member of parliament. Ahmet İhsan [Tokgöz], who came from commerce and industry circle, reminded that even though the economy ministry in the Congress and the finance ministry from the assembly bench had promised to abolish completely the tax that was an enemy for undeveloped Turkish industry and in contrast with law for the encouragement of industry, the government reported a new tax law draft, which was a disappointment. He criticized a basis of endorsement as well and argued that this method would cause more injustices in terms of the application of the law because, it might have made a profit at the amount of one thousand, despite the fact that a firm might have made an endorsement at the amount of ten thousand.<sup>71</sup> After the discussion, the deputies decided to found a joint

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69 Ibid., 171.

70 Ibid., 172.

71 Ibid., 172-73.

council with common participation of three councils.<sup>72</sup> The chairman of the joint council was the budget council's and the composition of it was similar to the budget council in terms of professions such as government officials. It agreed with almost all articles of the budget council's draft.

After the joint council's draft and necessary reason were presented in the assembly, the deputies begin to discuss the final draft. The industrialists' critiques continued against the tax. Hasan Vasıf stated that immunity for institutions had less than ten thousand endorsements would be able to patronize for only "groceries" and argued the tax would not protect large industry in no way. He talked on behalf of industrialists: "Previously, we are not satisfied and if it will enter into force, our industry will not get rid of its old condition."<sup>73</sup> Especially, the chairman of the budget council's reflection against his expression shows that the government was aware of the existence of industrialists as a section in the assembly and did not approve this attitude. The chairman stated:

I do not know classification or distinction such as "we" or "you". (...) If Hasan Vasıf expressed on behalf of industrialists, we think all citizens' right and benefits are compiled. People, who are not industrialists, look after industrialists' benefits as much as industrialists. Their benefit is the motherland's benefits and the protection of national wealth. In this respect, there is no we or you; on the contrary, there are the motherland's benefit and national benefit.<sup>74</sup>

The discussion between Hasan Vasıf and the chairman of the council is unique and interesting because while when the taxes that we study on were discussed in the assembly throughout the second half of the 1920s and 1930s, the groups of industry and commerce opposed the taxes and the government's attitudes. However, when Hasan Vasıf separated his own group from other deputies as a section, the chairman as a government's member answered his own expression rather than to answer his arguments or protect the draft. It shows that although the group could defend their own benefits or express complaints

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72 Ibid., 178-79.

73 Ibid., 268.

74 Ibid.

within both the assembly and councils and they were nominated according to the basis of profession representation by the RPP, their existence as a concrete section was reacted quickly by the member of the government.

All in all, the tax law was agreed in the assembly, and according to it, industrial institutions' production in the amount of ten thousand annual endorsements within Turkey and imported goods were levied the tax on. Productions to export, goods that were immunized from importation taxes, all production in the iron and yarn sectors, the state monopolies' transactions were immunized. The tax rate was 6 per cent, but it was amended in 1932 and increased by 10 per cent.<sup>75</sup>

#### § 4.2 The Third Transaction Tax and Altered Attitudes

On 22 March 1934, the government introduced the draft of new transaction tax and its necessary reason on the assembly. The vital expression in the necessary reason was that the condition when the tax had been enacted in 1931 changed and for this reason, there were no necessities to maintain some immunities anymore. The necessary reason stated that the tax law was taxing only factories that were producing through motive power and this caused complaints because the others were under the crucial burden of the tax. For this reason, the government proposed to levy a new transaction tax on all industrial production whether they used motive power or not. Thus, the government offered the most extensive transaction tax. According to the draft, all production of industrial institutions would be levied a tax on, and the scope was altered as the industrial institutions, which were indicated on the first article of law for the encouragement of industry. The amount of the tax was the highest rate as well. Actually, the government took some measures against the influences of the great depression and enacted new taxes or enhanced some taxes amounts. The transaction tax had been one of them and the tax rate of it was raised from six per cent to 10 per cent on 5 May 1932.<sup>76</sup> Yet, at this point,

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75 *21 Temmuz 1931 Tarih Ve 1860 Numaralı Muamele Vergisi Kanununun 5. Maddesindeki Vergi Nispetlerinin Tadiline Dair Kanun*, 1995.

76 Ibid.

the government endeavoured to abolish immunities; thus, it needed to enact a new tax law rather than an amendment.

Secondly, the joint council, which was consisting of judicial, economy and finance council, studied on the draft and introduced its own necessary reason. The council mainly agreed with the government's draft and detailed reasons behind a couple of amendment. Rüştü, deputy and industrialist, added annotation against the article that determined the scope of the tax as all kind of products produced by the industrial institutions and stated that there was no such an article that would be able to prevent double taxation and limit the tax rate as 10 per cent maximum.<sup>77</sup> In addition to the councils 'necessary reasons, while the draft was being discussed at the assembly, Hasan Vasif underlined the corruption which occurred when factories declared their own transactions and falsified records to evade tax.<sup>78</sup> Finally, the budget council introduced its own necessary reasons and draft without any important amendment.<sup>79</sup> Another deputy also declared that the tax caused evasion.<sup>80</sup>

Fuat Ağralı, who was the Ministry of Finance between 1934 and 1944, summarized the evolution of the transaction tax and the reasons behind the new tax law. He emphasized the development of industry within Turkey between 1930 and 1934 and who stated that there were crucial differences between these two years in terms of industrial development. The industry, which had been formed in 1931, developed and started to come to fruition. While Turkey had had to import final products and export raw materials, in 1934, it could mainly produce final products through its own raw materials within the country. Hence, the domestic industry did not have to be patronized anymore as much as it had needed in 1931 and because the law for the encouragement of industry and tariffs already protected the industry, there was no need to maintain the

77 "Muamele Vergisi Hakkında 1/916 Numaralı Kanun Layihası Ve Muvakkat Encümenle Bütçe Encümeni Mazbataları," in *T.B.M.M. Zabıt Ceridesi Period: 4, Legislative Year: 4, Volume 22, 3 May 1934 - 31 May 1934* (Ankara1977), 2-6.

78 "Period: 4, Legislative Year: 4, Volume 22, 3 May 1934 - 31 May 1934," (Ankara: T.B.M.M. Matbaası, 1977), 41.

79 "Muamele Vergisi Hakkında 1/916 Numaralı Kanun Layihası Ve Muvakkat Encümenle Bütçe Encümeni Mazbataları," 6-7.

80 "Period: 4, Legislative Year: 4, Volume 22, 3 May 1934 - 31 May 1934," 69.

immunities of transaction tax. He also pointed out that the government's draft was prepared with the industry branch in mutual agreement.<sup>81</sup>

On 5 May 1934, the discussion on the new tax law was given priority by especially industrialist deputies' efforts and prominent industrialist deputies Hasan Vasıf and Rüştü criticized the law exhaustively. Hasan Vasıf stated that complaints about the tax forced to enact a new transaction tax forth time. Not only codification and judgment but also the application of the tax law should have been supplied but, corruption in the application caused to enact a new tax law again and again. However, the new draft consisted of a couple of immunities rather than articles that could prevent complaints. He emphasized that there was always a relation between taxpayers and excisemen and this situation might have caused corruption. For this reason, he argued that the sum of corrupted transaction reached significant amounts. Finally, he stated that taxpayers were pleased with the tax and had not had any complaints in terms of the tax amount, but their complaints were about justice in the application of it. If these corruptions would be fixed, the government revenues would increase one or two times. For this reason, he suggested to abolish immunities only and postpone the draft to the next legislative year to enact a tax law would eliminate complaints.<sup>82</sup>

Rüştü declared the other important opposite views. First of all, it should be pointed out that his view also was different from his own former opposition against the tax in 1931. He had expressed that the tax had to be abolished immediately while the former transaction tax was negotiated in 1931; however, he criticized the article that classified immunity from the tax. According to it, production by five or less motive power or ten or less worker was immunized except the production of natural silk but including silky textile. At first, he argued that classification in terms of motive power and a number of workers would cause complaints in the short term and these complaints would be about unfair competition between factories that had to pay the tax and immunized producers, in short, the application of it rather than the tax amount. He illustrated, a factory hired more than ten workers and did not have to pay

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81 Ibid., 37-39.

82 Ibid., 34-37.

a tax amount; on the other hand, another one hired eleven workers and had to pay the tax. Hence, the first's goods would always be cheaper than the second's production due to the tax obligation and would not be able to compete against immunized producers. The chairman of the joint council answered him and stated that there always must be a limit and separation identify immunities; therefore, these possible complaints were inevitable. Rüştü had two statements, one of which demanded to send back the article to the council. The second was about totally his own profession appealed to add silk and silky textile substituted for silk production. It meant that silky textile factories, he owned as well, would be immunized totally from the tax. He argued due to the fact that production by family members was not be levied a tax on, factories were affected by their production in terms of competition and also these small-businesses damaged the value of silky textile industry because they could not uniform production as much as factories did. Although his effort and arguments were based on concrete points, his opposition focused on his profession mainly and his statement meant the abolition of the transaction tax for his own profession. It should be reminded that he represented the industrialist environment and his profession would be affected by the situation.

When the assembly voted every single article, which expressed the scope of the tax and amount of the tax, nobody opposed against the government's draft. On the other hand, industrialist deputies mainly focused on the application of the tax law. For example, Hasan Vasıf's attitude was dramatically contrasting from his own former views while the transaction tax had been discussed in 1931. Although he had pointed out possible influences of tax on the industry when he was the chairman of the Industry Union in 1931, he criticized only application of the tax law and corruption; moreover, he reservedly supported the abolition of immunities and stated that the taxpayers were pleased with the tax ratio. Similarly, Rüştü never criticized the scope of a tax or the ratio; instead, he focused on articles that would be able to cause unfair competition between small and advanced businesses around Bursa. Moreover,

Kitapçı Hüsnü, who was a merchant, found punishments insufficient for tampering on the transaction records to tax evade and he suggested imprisonment for this crime.<sup>83</sup>

The industrialist deputies both changed their attitudes and also agreed with the ministries' determination about the economy and industry within all process. There might be two reasons behind these attitudes. Bilsay Kuruç states that there were two reasons to force the government to enact a new transaction tax and these arguments can also help to explain the alteration in industrialists' attitudes. The first was that the budget revenues did not increase, and the economic constriction had counited since the end of 1931. To overcome the condition, the given privileges were restricted or abolished. The second was that industrial institution, which had been patronized and privileged for almost ten years, were anticipated to be levied a tax on.<sup>84</sup> In addition to this argument, Faruk Birtek's calculation is highly clear: "The overall economic expansion, in money terms, between the averages of 1925-29 and of 1933- 41 is 9.8%, and in comparing these two periods the share of agriculture declines 10.8% and the share of industry increases by 8 1. 1 percent."<sup>85</sup> Indeed, taxed factories could advance remarkably in terms of production capacity, motive power, number of workers and added value. To illustrate, the tax law identified its own scope as factories that were identified as the first rank by law for the encouragement of industry and these factories would be levied a tax on. According to Çağlar Keyder, factories, which were given an incentive certificate and benefited from the encouragement law, could advance significantly.<sup>86</sup> Accordingly, while every single factory that was benefited from the law hired 38 workers in 1932, the average number of workers in the manufac-

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83 Ibid., 68-69.

84 Bilsay Kuruç, *Belgelerle Türkiye İktisat Politikası (1933-1935)*, 2 vols., vol. 2 (Ankara: Ankara Üniversitesi Siyasal Bilgiler Fakültesi Yayınları, 1993), 155-56.

85 Faruk Birtek, "The Rise and Fall of Etatism in Turkey, 1932-1950: The Uncertain Road in the Restructuring of a Semiperipheral Economy," *Review (Fernand Braudel Center)* 8, no. 3 (1985): 410.

86 Çağlar Keyder, *Dünya Ekonomisi İçinde Türkiye :1923-1929*, 192 vols. (Ankara: Yurt Yayınevi, 1982), 87.

turing sector was 3,9 in 1927. In addition, the added value per factory that benefited from the law was 43,300 Lira and this rate had been 1220 Lira in 1927.<sup>87</sup> For our study, the importance of development is that all of the producers, had a role in this development, were taxed and thanks to the privileges, they could do it. I argue that the development of industry, on the one hand, caused to appear new sources that would be able to be taxed by the state; on the other hand, this satisfied the industrialist circle themselves, and the amount of tax became sufferable for them. Their emphasizing on tax evasion can be considered as an effort to consolidate their endorsements. If it is remembered that small businesses removed their own engine powers to be out of the scope of the tax and industrialists underlined this because the tendency caused an unfair competition. Similarly, their efforts to prevent tax evasion aimed to amend the tax in favour of themselves.

All in all, the new transaction tax law was enacted on 10 May 1934. The law levied a tax on all production by industrial institutions whether they utilized motive power or not and it brought about the basis of motive power rather than the basis of endorsement. Factories, which had motive power at the capacity of five horsepower and/ or hired less than ten workers were immunized from the tax; in other words, thanks to the basis of numbers of workers, factories were levied a tax on. Similarly, in order to expand the scope, iron factories, coal mine and production of yarn were levied a tax on. Ultimately, the government could increase its own revenues from the tax and the collected tax amount increased from 5,8 Million Lira in 1934 to 13,7 million Lira in 1939. And also, its share among all revenues increased from 3,8 per cent to 6,9 per cent.<sup>88</sup>

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87 Ibid.

88 İlham Küsmenoğlu, *Cumhuriyet Dönemi Vergi Tarihi* 2 vols., vol. 1 (Ankara: Oluş Yayıncılık, 2010), 369.

#### 4.2.1 *ICC's Report on the Transaction Tax and 1937 and 1938 Amendments in the Tax Law*

The tax law was abolished in 1940 and the government enacted another transaction law, but the 1934 tax law was amended before its abolition in both 1937 and 1938. Thanks to the amendments, the collected tax amount from 1937 to 1939 reached to 13,7 million Lira.<sup>89</sup> More importantly for this study, this amendment is crucial to see the industrialists' rightfulness, when they argued while the tax law was discussed in the assembly and see how the government used their argument to amend the tax law.

##### 4.2.1.1 The Report on the Transaction Tax

The ICC published a highly detailed report on the transaction tax by the section of the ICC in 1936<sup>90</sup>, which pointed out the negative influences of the tax on both the state budget and industry. According to the report, due to the tax law, factories were divided by their owners to decrease capacities of motive power and the numbers of workers under ten and even though some industrial institutions, which had less than motive power at the capacity of five horsepower or hired less than ten workers, had the potential to develop in terms of capacity, they did not opt to develop not to be in scope. As a result, there occurred unutilised capacity that the state could have levied a tax on.<sup>91</sup>

As Bursa deputy Rüştü stated when the tax law was discussed, a questionnaire was answered by the industrialist members of the chamber and they stated that the tax law divided the industry into two in terms of their motive power and workers capacity and this forced the factories, which were taxpayers, to reduce the quality of their products in order to compete with the others. The report identified the sub-article, -O-, of the 2nd article in the tax law as the source of the problem and stated that this sub-article divided the members into two sides, which were factory owners who could benefit the immunity

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89 Ibid.

90 İstanbul Ticaret ve Sanayi Odası, *Muamele Vergisi Hakkında Rapor* (İstanbul: Ülke Basım Evi, 1936).

91 Ibid., 41-42.

and couldn't.<sup>92</sup> Another critical point is that the sub-article was that Rüştü opposed through similar arguments in both council and assembly.

Members from both two groups were asked their own arguments and demands. Even though this attempt seems like a solution seeking, the report was written by taxpayer members' point of view to justify their complaints against the others' satisfaction. The most important argument of taxpayer members was that although the small business owners argued that their own capitals were less and had to buy raw materials expensively than taxpayers did, taxpayers argued that these small institutions divided their production capacity and reduced to under 5 horsepower or ten workers to be out of scope of the tax law. In other words, some of the members accused the other members of a kind of tax evasion.<sup>93</sup>

The report stated that as the small businesses owners argued that if they would be involved by the tax law, they would not survive, the taxpayer factories would not survive and compete against the smalls. The report illustrated its argument via a report on the leather industry. This report also argued that many factories reduced their own production capacities or established new and small factories, which would be able to produce as much as a factory had 15 horsepower capacity if they would work with five horsepower and 24 hours. This situation, the report stated, completely dissimilar with the law for the encouragement of industry and its aims.<sup>94</sup> The report of the industry section summarized its own arguments:

Indeed, the transaction tax, in terms of its impacts, protects small businesses against the majors within the limits of five horsepower and 10 workers; not but what, it rules out them to develop and causes the majors to be reduced.<sup>95</sup>

In comparison with the general atmosphere of the report, its demands were more prudent. The report stated that their own answer to the question should include the immunities in the tax law have been abolished was neither yes nor

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92 Ibid., 42-43.

93 Ibid., 43.

94 Ibid., 45-47.

95 Ibid., 47.

no. Alternatively, the report suggested that a new tax should have been enacted, which would not be an obstacle in front of potential development in small industrial institutions. In order to enact tax as this, it suggested that the basis of endorsement, as the transaction law in 1931 had had, should have been enacted and the base should have been determined amounts and limits in accord with every single branch.<sup>96</sup> In short, it can be seen that the industrialists' main complaints, as they argued in 1934, were still that the tax caused unfair competition between taxpayers' factories and others. Moreover, the ICC unmistakably took sides with the taxpayers or major factory owners. A year later the government wanted to amend the tax with reference to these complaints and arguments.

#### 4.2.1.2 The Amendments in the Tax Law

The government introduced the necessary reasons of amendment law on 24 May 1937. The government argued the small businesses, which were immunized by the 2nd article of the transaction tax law, developed as much as to compete against taxpayer factories and as a result, taxpayers had had to reduce their motive power capacities and also new factories had tendencies to be in the out of scope. The situation was not only opposite against the development of industry but also the productiveness of the tax. In order to eliminate the condition that caused the unfair competition, the government introduced the amendment draft and it was enacted.<sup>97</sup> According to it, if factories that were working seasonally would enter into the scope after their main working period, they would be levied a tax on and considered taxpayers for all year. In addition, rubber shoes production and natural or artificial silk production were implicated in the scope of the tax.<sup>98</sup>

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96 Ibid., 49-50.

97 "Muamele Vergisi Kanununun Bazı Maddelerinin Değiştirilmesi Ve Bu Kanuna Bazı Maddeler Eklenmesi Hakkında Kanun Lâhiyası Ve İktisad, Maliye, Ve Bütçe Encümenleri Mazbataları (1/832)," in *T.B.M.M. Zabıt Ceridesi Period: 5, Legislative Year: 3, Volume 19, 2 June 1937 – 14 June 1937* (Ankara1977), 1-2.

98 Muamele Vergisi Kanununun Bazı Maddelerinin Değiştirilmesi Ve Bu Kanuna Bazı Maddeler Eklenmesi Hakkında Kanun 3257.

The second amendment in 1938 was a grand alteration. The government's necessary reasons, which was introduced on 24 June 1938, repeated the arguments in previous amendment law's necessary reasons, which pointed out that some factories opt to reduce their capacities to avoid the tax and the situation caused an obstacle le in front of the development and not to collect potential tax amounts. For these reasons, the government offered that all industrial institutions within Turkey were levied a tax on and the immunized institutions were specified. And in case of necessity, the government was given the competence to determine that institutions would be able to be immunized. Ultimately, the amendment law was enacted with a few immunized branches.<sup>99</sup>

All in all, in the 1930s, the transaction tax as the biggest problem for the industrialist in terms of the burden of the tax, transformed dramatically. While the government tried to enhance the tax laws' scopes, there were always negotiations between the governments and industrialist. Moreover, not only during the creation processes but also after the laws were enacted, the negotiations continued, and the government referred many times the industrialists' arguments when they demanded to enact a new tax law or amend the tax laws.

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99 "Muamele Vergisi Kanununun Bazı Hükümlerinin Değiştirilmesi Hakkında Kanun Lâyihası Ve Bütçe, İktisad Maliye Encümenlerinden Mürekkeb Muhtelit Encümen Mazbatası (1/1129)," in *T.B.M.M. Zabıt Ceridesi Period: 5, Legislative Year: 4, Volume 26, 1 June 1938 – 29 June 1938* (Ankara1938), 1.



## Conclusion

This study focuses on creation processes of four taxes and endeavors to answer how the negotiation between the government and taxpayers about four taxes, the general consumption tax and transaction taxes occurred. The other question was how the taxpayers opposed against the tax laws. Throughout the study, I always focus on the altered approaches of both the governments and industrialists under different conditions.

After the war decades, the young Republic wanted to recover the economy, but more importantly, it endeavoured to establish a national and developed economy and also the public finance system. First, the Turkification of the economy was achieved, and the Turkification of chambers was a vital part of this effort. In order to set a new economic order and develop in the economy, the tithe was abolished, and a new taxation system occurred, which was based on indirect taxes that the taxes I focus on were the part of them. At the same time, the law for the encouragement of industry was enacted to supply some immunities and privileges domestic industry to advance it.

However, all these efforts were not in harmony and policies and laws, which were legal foundations of them, had contradictory aspects. The general consumption tax, to illustrate, was criticized by the chambers because it made possible to lose their conditions and positions in the economy where they had taken from the non-Muslims. In addition to this “vital threat”, they also always complained about the tax and reported all problems in the application of the

tax law. Moreover, when the government wanted to abolish the tax via the transaction tax, almost all arguments consisted of the chambers' arguments.

In 1927, the government enacted the first transaction tax and thus, the industrial production was levied a tax at the rate of 2,5 per cent. However, the tax offended against the main aim of the law for the encouragement of industry: The taxpayer factories removed their engines in order to be out of the scope; in other words, they could find a "legal" way to evade tax. On the other hand, the law for the encouragement of industry immunized industrial institutions, which were taxed by the transaction tax, from the income tax. Thus, the transaction tax became the biggest problem in terms of taxation for the industrialists. Therefore, in 1930, the industrialists intensely criticized the tax in two important platforms, the ICC congress and also industry congress. More importantly, the industrialists found another chance to represent themselves and industrialists' candidates were elected in the general election in 1931. Notably, two deputies, Hasan Vasıf and Rüştü Eşel, opposed and criticized always the transaction tax laws on behalf of industrialists in both 1931 and 1934.

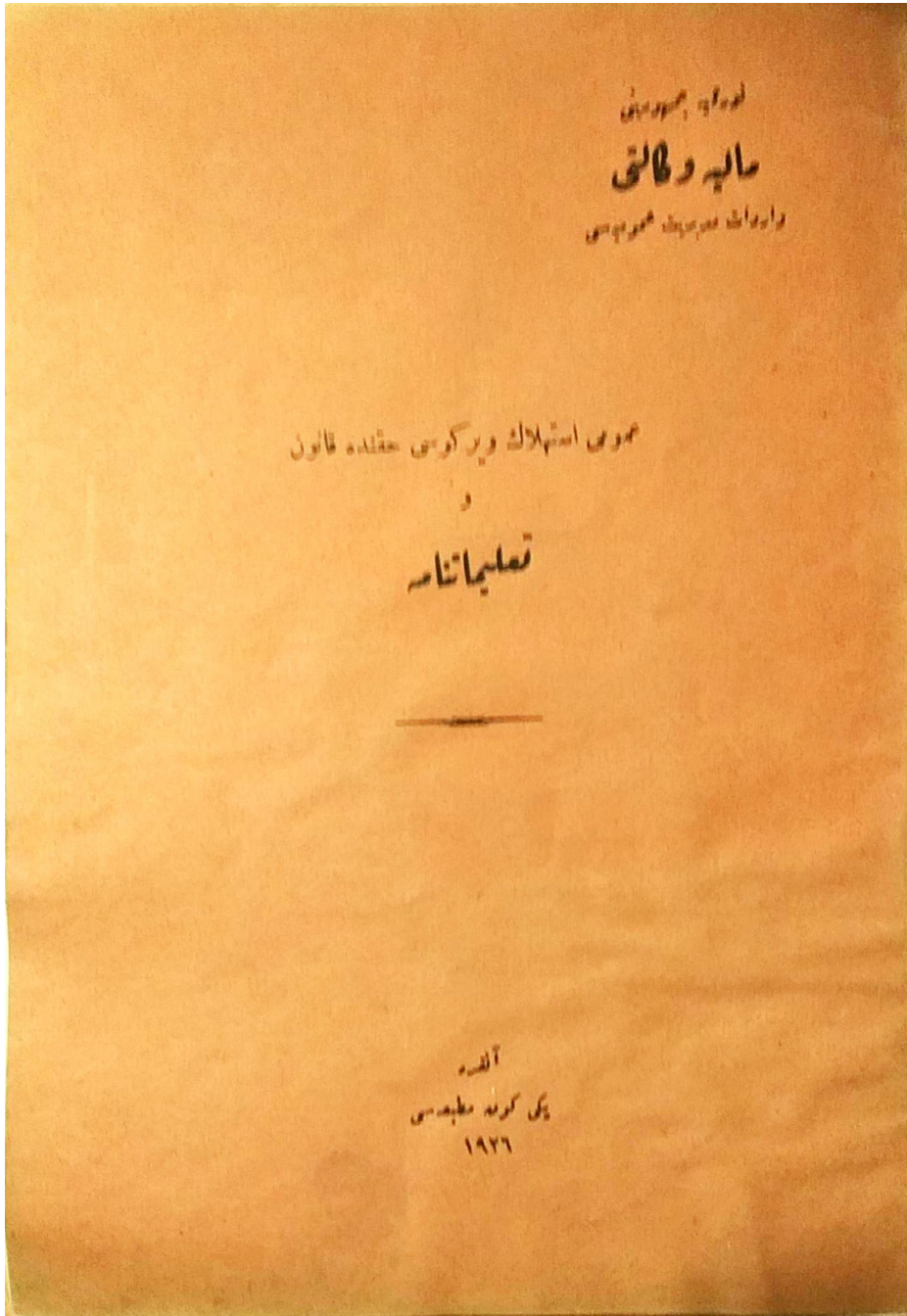
Due to the development level of the industry within Turkey in the era, there was an uneven representation between industrialists and merchants in the chambers. This was such a significant problem that the issue was one of the main articles in the industry congress. At the same time, it caused to the birth of the industry unions. The Istanbul industry union highly opposed against the tax law. Moreover, Hasan Vasıf was nominated on behalf of the union and the government had directed to the union during the creation process in 1931 rather than the ICC.

Lastly, the government enacted the third transaction tax law in 1934. Completely different from the discussions on the general consumption tax and other two transaction taxes, in 1934, the industrialists' attitude altered. Their emphasizes were mainly on the application of the tax law. As I have pointed out, given immunities were taken from the industrialists via the tax law by the government; but, thanks to the immunities, they could enhance their conditions and the tax amounts became sufferable for them. Thus, they focused on unfair competition between them and other producers, who were not a taxpayer for the transaction tax. Not only during the creation process of the tax

law but also after the tax law entered into force, the industrialists criticized the tax in terms of the application of it. As it can be remembered, the ICC's report on the tax deeply criticized the unfair competitions between them and the others.

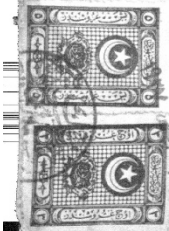


Appendix A The Book of Instruction of the General Consumption Tax





تأسیسات نومروسى	اسمى	آدره سى	موتورك باركيز قوتى	صنعتى
۲۷۱۵۲	مانوقیان افندی	چارشوی کبیر	۳	کوسله جلاجیسی
۳۶۵۶۰	حاجی صادق	وفاده	۱۰	بوذا فابریقهسی
۴۲۸۴۸	بچوان اولی	استانبول، میدانجق	۱	طورنجهی
۳۳۰۴۸	شکت	تخته قلعه	۴,۵	مرانغوز
۲۳۵۱۸	آرتینیان	طابوق بازارى	۲	دوگرانهجی
۱۸۳۷۰	قالایجی اولی	آلاجه حمام	۲۰	بويا فابریقهسی
۳۳۸۱۲	مصطفی	چنبرلی طاش	۸,۵	مرانغوز
۳۹۳۴۲	انور	فاتح	۱	لابراتوار
۱۹۳۰۴	پرودروس	بالتی بازار	۵	توره یاقی اعلاالشانمسی
۳۸۳۴۸	پلتغو برادرلر	مرجان	۲,۵	طورنجهی
۴۶۸۳۱	ممتاز افندی	رضا پاشا یوقوشی	۳	صندیق اعلاالشانمسی
۴۷۵۵۰	حاجی بکر	فنجانچیلر یوقوشی	۲	“ “
۳۳۹۰۸	یروانت	طابوق بازارى	۱	طورنجهی
۱۷۳۷۳	ایلیاقوپولوس	محمود پاشا	۲,۵	صندیق اعلاالشانمسی
۱۵۷۵۶	یوسفیدیس	بالتی بازار	۱,۵	توره یاقی اعلاالشانمسی
۴۹۶۱۸	صالح بك	حسن پاشا قره تولى	۱,۵	مرانغوز
۴۶۷۳۸	سیمون تصاب اولی	رستم پاشا	۱	سنگه اعلاالشانمسی
۱۹۶۴۸	اسماعیل حقى افندی	قنار بالقچیلر جاده سی	۲	طورنجهی
۳۰۴۱۰	مصطفی جمیل	کوچك بازار قبله چشمه	۲	حلواجی
۳۹۸۱۸	قصود قلیچیان	عاشر افندی سوقاق	۵	صندیق اعلاالشانمسی
۳۳۱۹۶	اسماعیل حقى	نور عثمانیه	۱	یاستون
۳۹۶۸۲	سحاق	طابوق بازارى	۳	دیمیر دوکونخانمسی
۴۰۵۹۶	حسن خالد	رضا پاشا یوقوشی	۷	فانیله اعلاالشانمسی
۱۷۴۹۱	یوقوشو	بك اولی فریکوی	۲	بويا فابریقهسی
۴۶۳۵۶	اودیه آ	عثمان بك	۳	مرانغوز
۵۰۰۷۷	قاملیبری	توتل چورای، غلظه بك اولی	۱,۵؛ ۲,۵؛ ۱,۵	توره یاقی اعلاالشانمسی
۴۲۱۸۲	لاشاز شرکاسی	مخله قلفات بری نومرو ۴۶	۴	اودون کسیمیسی
۴۶۸۲۳	نعمان بك	یوکسک قالدیم	۱۰	شابقه اعلاالشانمسی
۱۷۵۶۶	نور قوستالوس	بك اولی قرتقیل سوقاق نومرو ۳۹	۵	مرانغوز
۱۸۹۲۸	مراد علی بك	استانبول اسیر بازار آرنابود خان نومرو ۱۲	۲	مرانغوز
۳۸۳۴۸	پلتغا برادرلر	استانبول مرجان جعفریه خان نومرو ۴	۲	بیجاق فابریقهسی

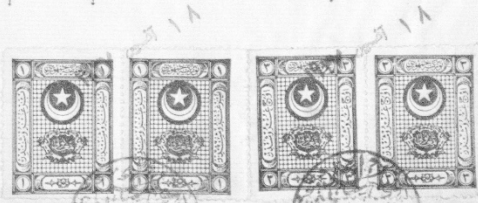


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A

DEVLET ARŞIVLERİ GENEL MÜDÜRLÜĞÜ  
CUMHURİYET ARŞIVI

معامله ویرکوسندن دولابى جریا طریشی کسدیره ن ارباب صنایع  
(تخصیماً موتورلی ایشلاره اشتغال ایتمه ن ارباب مساعی)

ملاحظات	صنعتسى	مولورک بارکیر قوتى	آدره سى	اسمى	تأسيسات نومروسى
	قهوه دکرنى	۴	استانبول شمس سوقاق	محمد نوری افندی	۱۵۳۱۰
	قهوه دکرنى	۱,۵	کدک پاشا	مارشوس	۱۰۵
	پاسته جی	۱,۵	بالاط	مارقو پاردو	۳۳۵۷۸
	قهوه دکرنى	۲	" "	موره نوبهار	۲۳۵۸۶
	" "	۱,۵	" آیاستراتى	ناچادوربان	۲۰۱۴۴
	" "	۱,۵	مخلطه لالعلی چشمه	داوید بهار	۱۷۵۷۹
	قهوه دکرنى	۱	بک اولغی لوکسمبورق قارشوسنده	قاپاراکیس	۹۵۳۳
	" "	۲	کدک پاشا دیوان عالی یقوشی	قاپریلیان	۲۱۵۲۱
	مویله فابریقه سی		توتل میدانی نومرو ۴ بک اولغی	قورتس برادرلر	۱۷۵۴۴
	قهوه دکرنى	۱/۳	تاسکوی اینهلی قوتاق ۵۱ نومرو	علی افندی	۳۷۸۴۵
	قهوه دکرنى	۱	مخلطه سینه قرانسز ۱۴ نومرو	حسین بک	۵۰۳۴۷



2

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