KADİR SARP SÖK AN ANALYSIS STUDY ON THE IMPLEMENTATIONS OF GEDIK, ESHAM AND MUZARA' A Bilkent University 2019

AN ANALYSIS STUDY ON THE IMPLEMENTATIONS OF GEDIK, ESHAM AND MUZARA'A

A Master's Thesis

by
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August 2019

To My Beloved Father

AN ANALYSIS STUDY ON THE IMPLEMENTATIONS OF GEDİK, ESHAM AND MUZARA’A

The Graduate School of Economics and Social Sciences
of
İhsan Doğramacı Bilkent University

by

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ABSTRACT

AN ANALYSIS STUDY ON THE IMPLEMENTATIONS OF GEDİK, ESHAM AND MUZARA'A

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This thesis examines there economic practices (*gedik*, *esham* and *muzara'a*) that emerged in the Ottoman Empire in the modern period (18th and 19th centuries) and the relationship between them. This study claims that these practices, which emerged or finalized during the same periods, were shaped in line with the needs of the Ottoman Empire and strengthened monetarization and commercialization at the borders of the empire, but they did not lead to a transformation in terms of capitalist classes and social power relations. In order to reinforce these arguments, the kethuda record of the barbers of Galata referring to a decree as well as the Istanbul and Konya court registers were used as primary sources. Secondary sources were used to understand the change and transformation of these practices and the period. Although these practices emerged in line with the needs of the age, it was concluded that they were far from responding to these needs at certain points and left their places to modern applications imported from Europe.

Keywords: Gedik, Esham, Modern Period, Muzarâ'a, Ottoman Empire

ÖZET

GEDİK, ESHAM VE MUZARA'A UYGULAMALARINI ÜZERİNE BİR ANALİZ DENEMESİ

Sök, Kadir Sarp

Yüksek Lisans, Tarih Bölümü

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Ağustos 2019

Bu tez, modern dönem (18. ve 19. yüzyıllar) Osmanlı İmparatorluğu'nda ortaya çıkan üç ekonomik uygulamayı (gedik, esham ve muzara'a) ve aralarındaki ilişkiyi incelemektedir. Bu çalışma aynı dönemlerde ortaya çıkmış veya nihai halini almış bu uygulamaların Osmanlı İmparatorluğu'nda çağın ihtiyaçları doğrultusunda şekillenerek imparatorluk sınırlarında parasallaşmayı ve ticarileşmeyi güçlendirdiklerini ancak sermayedar sınıflar ve toplumsal güç ilişkileri açısından bir dönüşüme neden olmadıklarını iddia etmektedir. Bu argümanları güçlendirmek için İstanbul ve Konya mahkeme kayıtlarının yanı sıra bir fermana da atıfta bulunan berber esnafının kethüda kaydı birincil kaynak olarak kullanılmıştır. Bu uygulamaların ve dönemin değişim ve dönüşümünü anlamak için de ikincil kaynaklardan yararlanılmıştır. Bu uygulamaların çağın ihtiyaçları doğrultusunda ortaya çıkmakla beraber belli noktalarda bu ihtiyaçlara cevap vermekten uzak kalarak yerlerini Avrupa'dan ithal edilen modern uygulamalara terk ettikleri sonucuna varılmıştır.

Anahtar Kelimeler: Gedik, Esham, Modern Döne, Muzarâ'a, Osmanlı İmparatorluğu

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disappoint you. Actually, I wanted to dedicate this thesis to both of you, but in thesis process, I was most worried about my father's illness, not an academic factor. So I dedicate this thesis to my father, even though I know he won't even be aware of it.

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CHAPTER I

INTRODUCTION

1.1 Objectives of the Thesis

The objective of the thesis is to discuss and to analyze the financialization process of the Ottoman Empire in the late eighteenth and early nineteenth centuries. In order to do so, we need to examine three different economic institutions, namely, *esham*, *gedik* and *muzarâ'a*. They were analyzed separately by many historians but in a holistic view, they have never been. Therefore, this study is going to try to, not only shed light on the institutions itself but also is going to make a comparative analysis to form a frame for the economic tendencies and dynamics in the abovementioned era. However, in order to clearly understand the conditions and the changes in the era, it is crucial to first investigate the existing literature on these institutions in the late Ottoman Empire.

1.2. Literature Review

The seventeenth century was the age for the Ottoman Empire a transformation from the provisionist economy to a modern one.[1] In this economy, farmers and craftsmen produced for the local market and fulfilling their basic needs. In other words, production for capital accumulation and profit cannot be observed in provisionist economy. This transformation showed its effects from agricultural production to craft, and from the state's treasury to the individuals' economic perception. Consequently, economic institutions in the Ottoman Empire evolved into the more modern forms in the following centuries. Three economic practices in the Ottoman Empire, namely *esham*, *gedik* and *muzarâ'a*, were the important examples of the economic transformation. They were studied by many scholars in the past but never in an integrated perspective. This part of the study will examine the existing literature about these institutions.

Gedik was the most popular one among the three institutions. From an economic and legal perspective, that was had popularity in Ottoman historiography since *gedik* is an issue in the *esnaf* organizations and this organization was largely debated by the historians. This concept was firstly examined by Engin Akarlı in *Wissenschaftskolleg Jahrbuch*.[2] Akarlı searched deeply the evolution of the *gedik* followed the traces of the meanings of the word from the emergence to the abolishment. Depending on the period, sometimes, these meanings were on of the following; "authorization of the performance of the craft", the tools and equipment's for the trade", "the usufruct

[1] Mehmet Genç, "State and the Economy in Age of Reforms: Contuntity and Change" in *Ottoman Past and Today's Turkey* (ed. Kemal H. Karpat), (Leiden; Boston: Brill, 2000) pp. 180-188.
[2] Engin Akarlı, "Gedik: Implements, Mastership, Shop Usufruct, and Monopoly among İstanbul Artisans, 1750-1850", *Wissenschaftskolleg Jahrbuch,* (1985-86), pp. 223-32.

rights over a real property" and sometimes combination of the all of them. Despite the difference of usage, in essence, *gedik* was emerged to put a limit for the number of craftsmen in a particular sector by giving the masters the usufruct rights of their shops and the property rights of the required tools and equipments for their crafts. In order to get these rights, the masters should have paid some cash money (*muaccale)* at the beginning. Although *gedik* was seen as a registration for the right of the authorization for performing a craft, actually, this registration was comprised the usufruct rights over their shops, at the same time. In this sense, *gedik* led these shops, which belong to the waqfs, turned into a private property step by step.[3]

After a short while from Akarlı's article, Randi Deguilhem published his Ph.D. thesis about the waqfs in Damascus in the nineteenth century. This thesis contained a short chapter about *kedek wa-khulu*¸ which was similar to *gedik* and emerged in Damascus at almost the same time.[4] Like Akarlı, Deguilhem claimed that the notion contains different meanings at different times. Both historians gave examples of this differentiation from different regions, such as İstanbul, Bursa, Damascus, Aleppo, and Cairo. Before Akarlı and Deguilhem, some historians, such as Gibb and Bowen, Gabriel Baer and Robert Manrtan, touched briefly on the subject in their studies and made some superficial inferences about the effect of this development upon the Ottoman artisan organizations.[5] Their studies, mostly based on Osman Nuri's book

[3] Sıdkı asserted this situation by these words: "... bu misillü emlak ve akarın hukuk-ı tasarrufiyeleri asıl sahiplerinden müstecirlerine yani gedik hüccec ve senedat hamillerine geçmiş ve gedik mustakarr olan mahallere gedik sahipleri tasarruf edegelmiş iken..." Sıdkı, *Gedikler*, Dersaadet: Tanin Matbaası, 1907, p. 2.

[4] Randi Deguilhem, "History of Waqfs and Case Study from Damascus in late Ottoman and French Mandatory Times", unpublished PhD. Thesis, New York Universtiy (1986), pp. 202-219.

[5] H.A.R Gibb & H. Bowen, *Islamic Society and the West: A Study of the Impact of Western Civilization on Moslem Culture in the Near East*¸ 2 v., London, Oxford University Press, 1951-1959; Gabriel Baer, "The Administraitve, Economic and Social Functions of the Turkish Guilds", *International Journal of*

called *Mecelle-i Umur-ı Belediyye*[6], which contains a long chapter on *gedik*, did not provide a satisfactory answer to the problems such as how this important institutional innovation of the 18th century emerged, how it developed and how it disappeared. Osman Nuri, whose writings about *gedik* are mostly based on the study of Sıdkı, is far from providing any comments and views that will illuminate the subject, except for some documents he has added.

Since the 1980s, the concept of *gedik* has been discussed in almost all debates about Ottoman artisans and craftsmen, or on more macro-scale issues such as the change of Ottoman society and economy in the 18th century. Some researchers, such as Ahmet Kal' a and Salih Aynural, who worked on the *ahkam defter*s in the Ottoman archives, and Ahmet Akagündüz, who worked on the history of Ottoman law, took *gedik*'s origins to the time of Mehmed II.[7] All three researchers argue that the emergence of *gedik* is somehow related to the monopoly system (inhisar-ı bey'ü şıra), but there is a distinction between them to date the beginning of this system. While Aynur and Kal'a are accepting the date as the beginning of the seventeenth century, Akagündüz not only references a few documents from the sixteenth century, but also ,as the author of one of the most comprehensive studies on Ottoman waqfs, claims that the origin of this concept is based on Sheikh-al Islam Ebussuud Efendi.

Middle East Studies, 1 (1970), pp. 28-50; Gabriel Baer, "Monopolies and Restrictive Practices of Turkish Guilds", *Journal of Social and Economic History of the Orient*, 13 (1970), pp. 145-165; Robert Martran, *17. Yüzyılın İkinci Yarısında İstanbul: Kurumsal, İktisadi ve Toplumsal Tarih Denemesi, (Trans. By Mehmet Ali Kılıçbay),* Ankara, 1986.

[6] Osman Nuri, *Mecelle-i Umur-ı Belediyye*¸ v.1, İstanbul, Matbaa-i Osmaniyye, 1338(1922), pp. 652-657.

[7] Ahmet Kal'a "Gediklerin Doğuşu ve Gedikli Esnaf", *Türk Dünyası Araştırmaları Dergisi*, 67, 1990, pp, 181-187; Salih Aynural, "İstanbul Esnafının Alım ve Satım Tekeli ve Gedik Hakkı", *Türk Dünyası Araştırmaları Dergisi*, 130, 2001, pp. 215-220; Ahmet Akagündüz, "Osmanlı Hukukunda Gedik Hakkının Menşei ve Gedik Hakkı ile İlgili Ebussuud Efendi'nin Bir Risalesi", *Türkiye Dünyası Araştırmaları Dergisi,* 46, 1987, pp. 149-162.

Later, Engin Akarlı and Suraiya Faroqhi published two new studies on Gedik. [8]Against the allegation made by Akarlı in relation to the spread of Gedik in the eighteenth century and the intensification of the conflicts between waqfs and tenants, Faroqhi took a suspicious attitude and provided a relatively new alternative explanation. Faroqhi claimed that the birth and expansion of the journeyman's institution played an important role in the spread of *gedik* among the craftsmen. According to Faroqhi, the masters in the workshops of artisans working collectively, especially dyers and leathers, adopted *gedik* as a kind of defense mechanism to prevent the increase in the number of members in the guilds. In his recent work on the subject, Akarlı discussed the legal dimension of *gedik* and drew attention to the multi-layered structure of the fact of ownership associated with the subject.[9] He also argued that the artisans' undisputed property rights regarding tools and other movables of the craft they exercise - which is the original meaning of the word *gedik*- are their fundamental legal trumps when trying to defend themselves against adverse market conditions and rental demands. Thus, almost twenty years after Akarlı's first article on the subject, he showed that he still tended to admit that rent increases were the driving force behind the emergence of the institution.

In addition, Miyase Koyuncu made some different determinations in her master thesis based on published *ahkam defter*s as well as some documents she found from the

[8] Engin Akarlı, "Gedik: A Bundle of Rights and Obligations for Istanbul Artisans and Traders, 1750-1850" (edited by A. Pottage and M. Mundy), *Law, Anthropology and the Constitution of Social, Making Persons and Things,* Cambrigde, New York: Cambrigde University Press, 2004, pp. 166-200; Suraiya Faroqhi, "Between Conflict and Accomodation: Guildsmen in Bursa and Istanbul during the 18th century" (edited by Eugenia Nunez), *Guilds, Economy and Society, Proceedings of Twelfth International Economic History Congress,* Sevilla: Fundacion Fomento de la Historia Economica, 1998, pp. 143-151.

[9] Akarlı, "Gedik: A Bundle of Rights and Obligations" pp. 167-171

archives.[10] Koyuncu accepted *gedik* as a turning point for the history of Ottoman artisans and suggested that it symbolized the transition of the tradesmen from Akhism to a new system. At this point, it is not possible to support the hypothesis of Koyuncu, since we do not know the exact content of the relationship between the Akhism and Ottoman tradesmen and we have limited knowledge about the development of tradesmen before the seventeenth century.

When we came to the years of 2010, the most important studies on this subject were made by Seven Ağır. She first worked with Onur Yıldırım and then in her study alone, she tried to focus on the Gedik problem from different angles.[11] In the first study, two historians showed that Gedik differed sectorally and had a secondary market. Later in her own work, Seven Ağır deepened these observations. She pointed out the difference between a producer and retail sectors and stated that in the first case the shares of Gedik were sold in the guild and in the second they became an important financial instrument. Investors were investing in retail sectors because it was easy to operate and sell. Gedik's commercialization also led to a distinction between the right to craftsmanship and shop management.

Unfortunately, there is no such widespread literature on *esham* and *muzarâ'a*. This may be caused by the fact that the Ottoman craftsmen issue attracted more attention from these issues and that the interests of researchers outside the field of history did not focus on these issues. Unlike *gedik*, which is an interesting issue for economic and

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[10] Miyase Koyuncu, "The Institution of Gedik in Ottoman Istanbul, 1750-1850", Boğaziçi University, Unpublished M.A. Thesis, 2001.
[11] Seven Ağır & Onur Yıldırım, "Gedik: What's in a Name?" in *Bread from the Lion's Mouth : Artisans Struggling for a Livelihood in Ottoman Cities edited by Suraiya Faroqhi*¸ New York: Berghanh Books, 2015, pp. 217-236; Seven Ağır, "The Rise and Demise of Gedik Markets in İstanbul, 1750-1860", *Economic History Review*, 2017, pp. 1-24.

legal historians in terms of property relations and financialization, the two other institutions, despite their similar qualities, appealed to the curiosity of a narrower discussion group.

The first comprehensive study on *esham* was conducted by Yavuz Cezar. Cezar, who examined Ottoman finance in his work from the eighteenth century to the Tanzimat period, devoted a large section to this work for *esham*.[12] Cezar explained in his book how and under which conditions this practice, which is an example of domestic borrowing, emerged, the content of the application and the problems it created. This institution, which attempted to reassemble the Ottoman treasury, which was severely hit by the Russian wars in the last quarter of the eighteenth century, paved the way for financial centralization in one aspect. According to him, this system, which was successful in terms of creating new revenues for the Ottoman treasury in the short term, has caused greater problems in the long term due to the collective payments made by the treasury. This application, which has a guaranteed annual income, has also received great interest from investors. However, since the tax resources are divided into small pieces, the control of the shareholders has become difficult. Thus, the state has difficulty in monitoring and taxing the purchase and sale of these shares among individuals. As a result, for the Ottomans who find it difficult to find foreign debt, Cezar has a negative view in general due to the problems in the long term, although he finds it useful to save the day.

[12] Yavuz Cezar, *Osmanlı Maliyesinde Bunalım ve Değişim Dönemi: XVIII. Yüzyıldan Tanzimat'a Mali Tarih, İstanbul, Alan Yayınevi, 1986.*

In the following period, a more comprehensive study on the subject was done by Hacı Veli Aydın.[13] Aydın describes the system as follows: "This practice, which contains a synthesis of the *Iltizam* and the *Malikane* System in its essence and represents both the last link of the Classical Ottoman Financial System and an internal borrowing system in the modern sense, is necessary for the transition to the Modern State in the 19th century. In addition to providing financial resources, it has created the appropriate financial climate for the realization of modernization efforts by preparing the formation of paper money, bonds, stock exchange and bank transactions that constitute the financial practices of the Modern State." Like Cezar, after explaining the content and operation of the system, Aydın showed the profiles of the investors by using the data he obtained from the archives. He explained in detail the distribution of classes, sexes, and shares of investors. Based on these distributions, he opposed the thesis that the accumulation of a larger group, the classical thesis, was transferred to the treasury. As the data shows, largely ruling and wealthy classes stand out as dominant elements in the *esham* system, just as in the *Malikane* system.

In addition to these two historians, Mehmet Genç and Murat Çizakça have made studies on the subject, but these studies are the repetition of general information and are far from presenting new information or comments.[14]

On the other hand, although there is a large literature on the changes in agricultural production in the Ottoman Empire[15], *muzarâ'a*, a form of sharecropping, has been

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[13] Hacı Veli Aydın, "Osmanlı Maliyesinde Esham Uygulaması (1775-1840)", Ankara University, Unpublished PhD Thesis, 1998.

[14] Mehmet Genç, "Esham", Islam Ansiklopedisi, pp. 376-79; Murat Çizakça, *A Comparative Evolution of Business Partnership: The Islamic World and Europe with Spesific References to the Ottoman Archives,* New York: Brill, 1996, pp. 179-190.

[15] Immanuel Wallerstein, Hale Decdeli and Reşat Kasaba, "The Incorporation of the Ottoman Empire into the World-Economy" in *The Ottoman Empire and World Economy* (ed. Huri İslamoğlu-İnan), Cambrigde: Cambrigde University Press, 1987; Bruce Mcgowan, *Economic Life in Ottoman Europe: Taxation, Trade and Struggle for Land, 1600-1800,* Cambrigde: Cambrigde University Press, 1981; Halil

completely ignored. For the first time, the subject became an academic discussion with the collaboration of Özer Ergenç and Hülya Taş[16]. However, this study examining the question of land ownership in Anatolia in the seventeenth and eighteenth centuries did not address the issue in detail. Later on, Özer Ergenç discussed the subject in detail in his article.[17] Ergenç defines this institution as a classical Islamic partnership, which agriculture is reciprocal or joint, one side puts the labor of the other and capital. However, the practice in the 18th century is different from classical Islamic methods. In this application, members of the military class enter *muzara'a* only by paying cash and seed fees, and the peasant who holds the right to use the land also cultivates the land and receives the crop. So he does not rent the land to a farmer. The aim of the new applications is to continue the functions of the Ottoman classical systems as much as possible. For this reason, some existing and more limited methods within the system have become widespread. The first of these is the tax farming system. The tax farming procedure is not an application that changes production relations. It was used to determine the way of collection and the direction of a collection of the taxes to be collected from the *reaya*. Thus, a large part of the taxes was directly transferred to the treasury and collected from the reay. However, the new conditions of the eighteenth century forced production relations and procedures to change. Ergenç based his findings on Konya *kadı* registers. Following Ergenç, his student Bedirhan Laçin presents concrete examples from the case of a

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İnalcık, "The Emergence of Big Farms, Çiftliks: State, Landlords and Tenants" *Studies in Ottoman Social and Economic History,* London: Variorum Reprints, 1985; Gilles Veinstein, "On the Çiftlik Debate", in *Landholding and Commercial Agriculture in the Middle East,* (eds. Çağlar Keyder and Faruk Tabak), Albany: State University of New York Press, 1991.

[16] Özer Ergenç, Hülya Taş, "Assessment on Land Usufruct and Ownership in Anatolia during the 17th and 18th Centuries", *Ajames*, No.23 (2007), pp. 1-32.

[17] Özer Ergenç, "XVIII. Yüzyılda Osmanlı Anadolusu'nda Tarım Üretiminde Yeni Boyutlar: Muzara'a ve Mubara'a Sözleşmeleri", *Kebikeç*, No.23 (2007), pp.129-139.

governor pasha in his study of the new tendencies towards the usufruct of land in the eighteenth century Anatolia.[18]

1.3. Methodology and Sources

These institutions may provide important clues in explaining the eighteenth-century Ottoman economy as they represent the recent emergence of commercialization in the Ottoman Empire in different ways. In this study, which I will compare these institutions, the sources of the Ottoman archives were used. The most important of these sources are court registers. In fact, these registers in which the records of the cases were kept contain information about the daily life and problems of the Ottoman society, because the members of the Ottoman society were looking for solutions to their individual or social conflicts. Thus, these records have become an important source of research in social and economic history. In this study, the court records of Istanbul and Konya were used because the places where these institutions were concentrated were within the responsibility area of these courts. The Istanbul courts have used the records of the *şer'iyye* records, numbers of 86, 120,121 and 122 belonging to 1817 and the courts of Konya is used different *şer'iyye* records from 1738 and 1749. In addition, a record belonging to Selim III period was found and used from among the *Maliyeden Müdevver Defter*s.

[18] Bedirhan Laçin, "New Inclinations Towards Land Usufruct in the 18th Century Anatolia", Bilkent University, Unpublished M.A. Thesis, 2017.

CHAPTER II

NEW ECONOMIC IMPLEMENTATIONS OF THE EİGHTEENTH CENTURY IN THE OTTOMAN EMPIRE

2.1 Economic Conditions of the Empire

The 18th-century Ottoman economy is divided into two periods showing different trends. From the beginning of the century to the 1760s, expansion was observed in all areas, and the period that began after the 1760s was the scene of a long-lasting crisis and depression. History, which constitutes a boundary between the two periods, constitutes a boundary in terms of the wars of the Ottoman Empire.[19] That is to say, in the first period, there was a long period of peace and while some of the lands left to Austria and Venice by the Treaty of Karlowitz were taken back, the period of peace reduced the pressure on the economy, that is, the resources did not turn to war economy for a long time. Another important factor affecting the Ottoman economy in the eighteenth century was the Ottoman economic mentality. In the classical Ottoman mentality, there are three basic principles that affect economic decisions. The most

[19] Mehmet Genç, "XVIII. Yüzyılda Osmanlı Ekonomisi ve Savaş", *Yapıt*¸ 49, April-May 1984.

important of these principles is “provisionalism". This principle aims to ensure that the goods and services in the country are as abundant, cheap and quality as possible. Therefore, as the supply of goods within the country is aimed to be high, it restricts the export activities as much as possible and encourages the import activities. The second basic principle of this mentality is “traditionalism”. This principle aims to maintain the current situation and to return to the old state at the moment of change rather than looking for new balances. The third principle is “fiscalism”, which aims to raise the treasury revenues to the highest level possible. This principle has developed in the direction of not decreasing revenues and reducing expenses. The economic developments in the eighteenth century were determined by the mentality that has been shaped around this internal principle, apart from wars.[20]

In the first half of the century, all sectors of the economy experienced an expansion. The manufacturing industry, which has been manufacturing for remote markets, has developed rapidly. In the centers such as Aleppo, Ankara, Tokat, Edirne, and Thessaloniki, new branches of activity have emerged in the production of handcrafts, especially in the weaving industry. This period has also witnessed some technological developments. While glass, soap and gunpowder sugar production increased, the government invested in these areas. Similarly, the development in the field of industry is experienced in agriculture. During this period, the bans on the export of cereals were abolished to a great extent and freedom of export was introduced. However, prohibitions and limits continued from time to time.[21]

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[20] Mehmet Genç, “Osmanlı İmparatorluğu’nda Devlet ve Ekonomi”, *V. Milletlerarası Sosyal ve İktisat Tarihi Kongresi*¸ Ankara, 1990 and “18. Yüzyılda Osmanlı’da Sanayi”, *Toplum ve Ekonomi*, 2, September 1991, pp. 99-104.
[21] Genç, “Ekonomi ve Savaş”, pp. 53-54.

In this period, there is an increase in central government revenues. Between 1760 and 1765, state income increased from 10 million *guruş*es to 14.5 million. Most of this increase was due to the conversion of income sources that did not directly enter the treasury to *mukata'a* and the introduction of new taxes, but the increase in production and economic developments also contributed. During this period, there was no significant money operation and prices remained largely stable.

Parallel to the Ottoman-Russian war that began in 1768, the economy experienced a contraction. The centers with important weaving industry such as Ankara and Bursa have experienced a significant decrease both in the number of looms and in the production volume. For example, Crete, which once exported soap, has become unable to meet Istanbul's soap needs. The similar contraction was experienced in agriculture and export of agricultural products was prohibited. Along with export bans, the export tax rate of 3% determined by capitulations has been increased to 50% in some products. In addition, there is a significant increase in prices in the same period. Between 1760 and 1800 the increase in prices exceeds 200%. At the end of the century, the annual inflation rate rises to 5%. Between 1765 and 1785 government spending increased by 30%, during the war years, this rate was 100%.[22]

The decline in the economy in the second period, as mentioned above, is largely related to the wars and defeats in this period. No matter how the wars end, it is natural that the war is consuming some of the country's resources and causing some changes by putting a cost on the economy. The interrelation between war and economy influenced the Ottoman economy in the eighteenth century and determined economic development. There are also important changes in terms of the resources demanded

[22] Genç, "Ekonomi ve Savaş", pp. 53-54.

by the economy from the war. During this period, there was a significant increase in goods and services demanded war. Russia, which became the biggest military rival of the Ottoman Empire during this period, grew by 80% in military terms. In order to counter such a big and powerful opponent, more goods and services were needed. Therefore, the market value of goods and services increased by 200% during this period. Due to the increase in prices, the ratio of expenditures allocated from these expenditures to the budget increased rapidly.

In order to close the deficit, the government took some measures in this period. In addition to the ongoing adulteration, goods made of precious metals were melted into money. Domestic borrowing became systematic in this period. In cases where these measures are not sufficient to cover the costs, some extraordinary methods have been used. The state intensively seized the inheritance of members of the military class. Even the inheritance of wealthy private individuals was confiscated. The economic crisis during this period and the measures taken to overcome this crisis, to a large extent, caused inflation until the 1840s.[23]

2.2 Gedik

2.2.1 Formation of Esnaf Organizations in the Classical Period

The Ottoman industrial production was mostly carried out by craftsmen and tradesmen up until the late nineteenth century. Throughout, classical and post-classical period, they were the most active producers in the Ottoman Empire after the peasants. Their shops and businesses were located in towns and cities, in other words,

[23] Genç, "Ekonomi ve Savaş" pp. 55-6.

they were an important part of urban daily and economic life. Regarding this importance, they formed occupational groups to organize their production process, to regulate their intragroup relations and conflicts and to defend their rights against the central state. In Ottoman vernacular, they were called as *esnaf* or *taife*, however, I called them guilds. The definition of guilds in the Ottoman Empire and Europe is beyond the concerns of this thesis, nevertheless, it can be said that as a hierarchical body, which represented its members in state affairs and fulfilled social, economic and administrative obligations[24], the Ottoman craftsmen and tradesmen organizations can be regarded as guilds in modern literature.

The evolution of the Ottoman guilds is another contradictive issue among historians. In the Seljukian period, there were *ahi*s, Islamic brotherhood organizations, to care about the craftsmen issues, however, they lost their influence vis-à-vis state in the Ottoman period. [25] They might contained the first nucleus of the Ottoman guilds but it is not possible to be regarded as premise of the latter. In Bursa, as an old capital city and a sort of metropolis in the early Ottoman period, we can observe the early forms of the guilds in the late fifteenth century. It might be related to the creation of central bureaucracy and record keeping at the same period when the guilds' representation in the court is taken into account.[26] In other words, as the central state began to interfere in the individual craftsmen's, they had to come together and organize under a hierarchical body. Moreover, in populated cities, such as Bursa, Edirne, and Istanbul, the desire of obstructing the entrance of the outsiders might played a role in

[24] Gabriel Baer," Guilds: A Reassesment", p. 95; Suriaya Faroqhi, "*Artisans of the Empire: Crafts and Craftspeople Under the Ottomans*" , I.B. Tauris, 2001, pp.1-33.
[25] İlkil Selçuk," Tracing Esnaf in Late Fifteenth Century Bursa Court Records", in *Bread from the Lion's Mouth : Artisans Struggling for a Livelihood in Ottoman Cities edited by Suraiya Faroqhi*¸ New York: Berghanh Books, 2015, p. 65
[26] Selçuk, ibid, 52

organizing guilds. The monopolistic tendency was one of the important characteristics of the guilds even in the later periods. However, the mature guild organizations could not emerge in all urban centers of the empire until the seventeenth century.[27] From the mid sixteen century on, the guild structure and affairs had been documented well. This is why most of the studies on the Ottoman guilds focused on this period onward.[28]

2.2.2. Crises and Changes in Guilds

However, the seventeenth century was when the guild structure began to change at the same time. Basically, this century was a turmoil period, both politically and socially, for the Ottoman Empire and other states.[29] Specific to the Ottoman Empire, they had to face with the revolutionized military technology in the western border. For an empire which constructed the whole structure related to the military system, this new condition meant that a transformation of each dynamic was inevitable.[30] Two of them led to penetration of outsiders into the guild system.[31]

First one is the increase in the number of Janissaries. In the classical period of the Ottoman Empire, the military campaigns lasted only for summers since the soldiers of both sides were farmers at the same time. While they performed their agricultural duties, such as sowing, ploughing the field, cultivating, in winters, they became

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[27] Onur Yıldırım, "Ottoman Guilds in Early Modern Era", *International Review of Social History,* 53, December 2008, Cambrigde University Press, pp. 74-75; Eunjeong Yi," Guild Dynamics in Seventeenth Century Istanbul: Fludity and Leverage",Leiden; Boston, Brill, 2004, p. 132.
[28] Yi, "Guilds Dynamics"; Faroqhi, "Artisans of the Empire"; Yıldırım, "Ottoman Guilds"
[29] Jack A. Goldstone,"East and West in the Seventeenth Century: Political Crises in Stuart England, Ottoman Turkey and Ming China", *Comparative Studies Society and History,* vol. 30, no.1 (Jan. 1998), pp. 103-142
[30] Halil İnalcık, "Military and Fiscal Transformation in the Ottoman Empire 1600-1700 ", *Archivum Ottomanicum*¸ 6, 1980, pp. 283-337.
[31] Yi, "Guild Dynamics", p. 132

soldiers for only summers. Thus, without a huge standing army, the Ottoman Empire could remain its military campaign. However, when military technology and structure changed in Europe, the duration of wars began to lengthen out. In order to cope with this issue, the Ottoman Empire had to hire more janissaries and mercenaries.[32] As the number of janissaries increased, they became less obedient and abandoned their traditional values. Principally, it was not allowed Muslims to participate in the corps and not allowed to perform an occupation apart from the military. Yet, while the ordinary Muslim subjects penetrated the corps, the janissary soldiers began to work as tradesmen and craftsmen.[33] Traditionally exclusive guild membership had to deal with the infiltrated janissaries.

The second transformation took place in Anatolia. As a result of the sharp population increase in the Ottoman Empire in the late sixteenth and early seventeenth century, many peasants could not find enough agricultural area to subsist on. When the central government hired mercenaries to maintain war for a long time, these landless peasants became manpower for it. However, after the wars ended, the central government disbanded them without seizing their arms. When they went back to Anatolia, some of them were still landless or did not prefer to perform tiring and low-yielding agriculture. Rather than subsisting on with their own labor, they remained to be mercenaries under a local governor or a leader of bandits. Besides mercenaries, *medrese* students, whose number was over the real needs for the educated people, left their schools and began looting. Under such circumstances, ordinary producers left their villages and town centers to cut loose from the oppression of the old soldiers and students. While the villagers took shelter in the mountainous areas, which was far

[32] İnalcık,"Military and Fiscal Transformation", pp. 296-300.
[33] Cemal Kafadar, "Yeniçeri-Esnaf Relations: Solidatry and Conflict", McGill University, Unpublished PhD Thesis, 1981.

away from main roads, the townsmen fled to the more populated and more protected cities. In these cities, they tried to penetrate into crafts and trades since they were basic economic activities in the urban centers. In addition to janissaries, guild members had to restrain newcomers from entering the market.

2.2.3. Rise of Gedik

In this period, guild members invented new institutions to protect their privileges and monopolistic rights against the outsiders. One of these new institutions was *gedik*. *Gedik* literally means "gap" or slot" but in Ottoman parlance, on the one hand it showed a privilege or an appointment in administration and military,[34] on the other it was a term to be used among artisans and its meaning changed through time like "the tools and equipment necessary to practice a specific trade" in mid-eighteenth century, "the right to practice a particular trade at specific work premises equipped with the means and tools necessary to practice that trade" in early nineteenth century and "a category of legal document which entitled the holder to full usufruct over a real property" in economic and judicial content.[35] Put it differently, this institution is highly important for understanding the development of the guilds in Istanbul in the eighteenth and early nineteenth centuries. Although increasing interest in this issue among historians in recent years and these historians contributed greatly to our limited knowledge, it is still not totally understood. Solving this puzzle is beyond the scope of this thesis, rather I shall join existing parts together with the help of Ottoman archival documents.

[34] Ahmet Akgündüz,"Gedik", TVD İslam Ansiklopledisi, p. 541
[35] Engin Akarlı, "The Uses of Law Among Istanbul Artisans And Tradesmen", p. 1

Gedik first appeared in the seventeenth century Istanbul in some particular sectors. Taking into consideration that the first *gedik*s were created in government or military related guilds, such as porters, butchers, and water carriers and that concept of *gedik* was implemented in administration and military before guilds, it is highly possible that the infiltrated janissaries and other military members conveyed their traditions to their new companions.[36] However, this possibility does not mean that *gedik* was a government organized institution or guilds in Istanbul were state-controlled organizations. Although autonomy of guilds depended on the political and social environment[37], guilds tended to be autonomous generally but used state intervention when they needed it. *Gedik* institution was a good example of this voluntary intervention since they registered their shops and tools to prevent outsiders.

Although *gedik*s were possessed by individuals, their transactions were controlled by the collective body of guilds. *Kethüda* (authorized person to carry out guild affairs) and notables of the guild attended court as witnesses and observers.[38] They prevented the ill-conditioned and incapable people obtain the *gedik* and get involved in guilds. Since they created *gedik*s by advocating outsiders may ruin their reputation and public order, guilds could not leave the *gedik* market freely. In this period, the term only contained the tools and equipment to practice a trade or craft, thus the ownership of

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[36] Yi, Guild Dynamics, pp. 157-58

[37] Faroqhi, Artisans of Empire, p. 107

[38] *"...zikr olunan saka gediğinin hakk-ı tasarrufını sakabaşı ma'arifetiyle on iki bin fiddi rayic fi'l-vakt akçeye mezbur İbrahim Çavuşa asâlaten ve vekaleten ferağ idüb"* and *"...kethüdaları Ramazan Çelebi bin Abdullah ve ihtiyarlarından Hüseyin Beşe ibn Yusuf ve İbrahim nam kimesneler ve sairleri ... müteveffa-yı mezburun ila vefatihi mutasarrıf olduğı gediği cümlemiz itttifakıyla mezbur Ahmed bin Şabana tayin eyledik"* in "Mahkeme Kayıtları Işığında 17. Yüzyıl İstanbul'unda Sosyo Ekonomik Yaşam" (ed. Timur Kuran), v.1, Istanbul, Türkiye İş Bankası Kültür Yayınları, 2010.

gedik and the right of performing craft could not be separated. This circumstance can explain why guild leaders followed closely *gedik* transactions.

In the seventeenth century, *gedik* was exceptional but in the following century, it became widespread. Even in other big cities, like Bursa, İzmir and Aleppo, *gedik* (as *kedek* in Arab provinces[39]) began to appear. However, it is best documented for Istanbul because the artisan organizations played a critical role in capital politics and their productions were a vital component for the provisioning of the capital. For this reason, the study shall focus on the developments of Istanbul's *gedik* and its market.

The first half of the eighteenth century was known for an economic expansion era for all sectors. While the central government encouraged the *askeri* class to invest in the proto-industrialization and established the production centers to decrease import, the agricultural sector experienced a productive period as well.[40] However, this success in production was not permanent and did not last long. From the 1760s on, a regression occurred in both industrial and agricultural production.[41] This development has some consequences in macro and micro levels. In macro level, the government suffered from the financial crises and low tax income due to the decrease in production level. As it will be shown in following pages in detail, the government began to seek new financial sources to compensate for the loss of desperate wars and military reforms. Internal borrowing was the most preferred option for the treasury in different forms,

[39] Abraham Marcus, "The Middle East on the Eve of Modernity: Aleppo in the Eighteenth Century", New York: Columbia University Press, 1989.
[40] Genç, "18. Yüzyılda Savaş ve Ekonomi", pp. 53-55
[41] Genç, *ibid, pp.* 55-56

such as *malikane* system and *esham* system. Besides, in the late 1760s, the government began to borrow money internally from the revenue of larger and government-controlled imperial *vakıf*s.[42] When their revenues transferred to the central treasury, *vakıf*s found a way to keep their economic balance. Their traditional tenants were tradesmen and craftsmen. To perform their occupation, they used the place which they rent from *vakıf*s. In other words, they did not own their shops but their rights were protected by traditions and contracts. In these contracts, *mukata'a,* and *icareteyn*, the tenants paid a significant down payment and prefixed annual or monthly rent.

Down payment for *mukata'a* contracts might be at least in part, a tangible, immovable addition to the basic *vakıf* property, such as trees or buildings. In return, the tenant usually acquired co-proprietorship with the *vakıf* or permanent lease. On the other hand, in *icareteyn* contracts, the tenant's rights remained relatively mere limited. In general, he enjoyed a perpetual lease. He could transfer his usufruct with the permission of the trustees, but, under normal circumstances, he could not pledge it and he could bequeath it only to his immediate children.[43] These contracts could create trouble when the monthly or annual rent was lower than the actual value of the shop.[44] Normally, in a regression period, while the *vakıf* administrator tended to increase the rent of shop, the tenants were not willing to such an increase. Therefore, a conflict emerged between two sides to protect their own interest. In micro level, on the other hand, the craftsmen and tradesmen felt into a financial crisis as a result of

[42] Engin Akarlı, "Gedik a bundle of rights", p. 182
[43] Engin Akarlı, The uses of law", pp. 7-8.
[44] Ahmet Akgündüz, "İcareteyn" in İslam Ansiklopedisi, volume 21, p. 390

decrease in production. When they bought raw material or intermediate products to produce their final goods, they suffered from a lack of them. Since they had already lived at a subsistence level, they could not pay their debts due to shortage. Mostly, they were the merchants' debt because the latter provided them the goods they needed to produce from the distant markets. Consequently, when they did not pay their debts, they could not get these materials from merchants in the next time. This situation had been driven to an economic dead-end. Beside the merchants, they had some obligations to the government, like providing goods for the provisioning of the city and palace. Yet, when they did not produce in sufficient number, they did not fulfill their duties. Under such circumstances, increasing rent level and the shortage of good, they could not perform their occupation and had to find a way to protect their rights. The solution was to expand the practice of gedik.

2.2.4. Gedik as an Investment Tool

In the second half of the eighteenth century, the crafts and trades masters began to register their tools and equipment as *gedik* with their *kethüda* and used this certificate as a credit to remain their transactions with the merchants. The amount of debt to a merchant was written on *gedik* certificate and sometimes the merchant kept it until the artisan pays his debt. Therefore, *gedik* appeared as security for merchants and the government to get back their money from the obliged shopkeepers. [45] In case of not paying his debt to claimant, master's *gedik* was sold by an auction to the highest bidder under the supervision of guild, and after his debt was paid to the merchants, he got the remaining money.[46] Accordingly, the first transactions in this period were the

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[45] Engin Akarlı, "Gedik: A bundle", p. 176
[46] Engin Akarlı, "Gedik implements", p.224

resale of debtors' gedik to pay its owner's debt to the creditor.[47] In order to avoid that the outsiders obtain *gedik* certificate, guild members actively participated this process and helped securitize loans through collateral.[48]

Moreover, through *gedik,* the guilds limited the number of master in their sectors. As mentioned earlier, monopolization was a characteristic of traditional guilds as well but with the emergence of *gedik*, they had a new tool to limit the number of masters, in addition to the government regulation in the market. When an outsider demanded to rent a shop from a *vakıf*, he could not do it because of a *gedik* certificate required to do so. Hence, since the masters with *gedik* did not accept to pay the high rent, *vakıf* administration had trouble finding new tenants and be obliged to moderate their demands for rent.[49] Gedik registration for aiming of commercial credibility and avoiding rent increases seems to have encouraged monopolistic tendencies among the artisans/shopkeepers in Istanbul in the latter half of the 18th century.[50]

In the institutional framework, *gedik* represents an intermediate form institution. In general, there are two types of institution, namely public-order and private-order. While the public-order institution created by public authorities with their coercive power, the private-order institution are regarded as those are developed by a collective action without any interference from higher authorities.[51] Although *gedik* was formed by the initiative of guilds to protect their own rights against *vakıf*s and creditors, it

[47] Seven Ağır, "The rise and demise", pp. 7-8
[48] Seven Ağır, "The rise and demise", p. 8
[49] Suraiya Faroqhi, "Artisans of the Empire", p. 120
[50] Engin Akarlı, "The uses of law", p. 15
[51] Seven Ağır, "The rise and demise", pp. 8-9

needed the approval of the government to gain a legal basis in the society. The first step toward its approval by the government was taken by treasury because as mentioned earlier, some masters were in heavy debt to the government especially those were responsible for the provisioning, such as bakeries and butchers. In order to diminish their burden, the treasury had to recognize the collateral *gedik*s.[52] The complementary step of this process took place in the Ottoman courts. In order to sell a *gedik* to another person, *kadi* (judge) should have approved this transfer in the court to avoid possible conflict between two sides. When the archival documents are examined, *kadi sicil*s (court registers) are full of *gedik* transactions. In short, *gedik* was formed by craftsmen and tradesmen without the direct government control but later it had to be approved by them to make *gedik* an effective and problem solver institution. It is a good example of using the government inference in guilds affairs despite they tended to be more autonomous.

In the second half of the eighteenth century, *gedik*s became a more tradable asset which outsiders began to invest in. In court records, we can observe their transactions in detail.

"Cevdet Ağa bin Abdullah, head coffee maker (*kahvecibaşı)* of grand admiral Hüsrev Paşa, in front of Panayot, son of Yorgi, a person from grocery guilds, in the court, declared that when he owned forty out of total one hundred and twenty shares, in 'certain capital goods,' known as *gedik* among the city's businessmen, located in an oil-seller shop (*yağcı)* known as Mehmed Yazıcı shop under Rüstem Paşa Cami'i in Istanbul, in return for his one thousand and five hunders *guruş* debt, he gave me aformentioned forty shares as a plegde with a document. Now by collecting aformentioned debt from Payanot, from now on, there is

[52] Seven Ağır, "The rise and demise", p. 8

nothing from one thousand and five hundreds *guruş* to me and the forty shares owned to him again."[53]

This document shows that masters could pledge their *gedik*s in return for their debts to an outsider. In this case, *gedik* owner managed to repay his debt but if he did not, a military class member[54] would benefit the privileges from *gedik*. Presumably, he used this privilege as long as he had it as well.

In the Ottoman economy investment opportunities were limited for the one who had capital. For this reason, when *gedik* became tradable, high income group regarded *gedik* as an investment tool. However, that led to a separation between the *gedik* ownership and the right of mastership. For instance, the judge of Mecca rented his shop with *gedik* to certain Yani for a predetermined monthly value.[55] A *gedik* owner could gain rent from his shop and sell it to somebody when the price of *gedik* increased. Another proof for the separation between the ownership and the management was a partnership. In the case above, Panayot owned this particular *gedik* with two partners, according to the court record. Unfortunately, we do not have enough information about the process of management but it seems possible that one of the partners or a different person could operate the shop, while the others got rent from him since such a grocery shop probably did not offer sufficient subsistence opportunity for this group. According to the data taken from court records in 1802, in

[53] *Istanbul Mahkemesi* (registers of the Central Court of Istanbul, hereafter IM) 120/38 (1817) in Nejdet Ertuğ and Şevket Nezihi Aykut. *˙Istanbul Mahkemesi 86, 120, 121, 122 Numaralı Şeriyye Sicilleri (in the concordance on the CD-ROM accompanying ˙Istanbul Mahkemesi 121 Numaralı Şeriyye Sicili*).
[54] The title of "*ağa"* and his duty in the grand admiral's entourage indicates that Cevdet *Ağa* was a military class member.
[55] Seven Ağır, "Rise and Demise", p. 15

a third of transactions, at least one side was not affiliated with the sector which *gedik* related to.[56] Especially, the transactions in retail sectors[57] were freer than the transactions in productive sectors. The notables and *kethüda* of guilds who served in latter sector, participated these transactions as witnesses in the court to avoid the outsiders obtain a *gedik* from their sector[58], while the *gedik* owners in the retail sector could sell their shares to outsiders, as mentioned above.

However, thinking the all guilds consented to tradability of their *gedik* is a wrong idea. In 1793/1794, the members of barber guild in Galata managed to set an order for their *gedik*s by an imperial decree.[59] It seems that Selim III's decree about the cancellation of monopolization in non-essential sectors in 1791 constituted a base for the regulations of barber guild. In his era, Selim III tried to abolish the entry barriers several times. He was the first sultan who tries to put an end the *gedik* system and highly aware of the inflationary effect of it.[60] In accordance with the decree, barbers tried to regulate *gedik* transactions but their aim was to limit the number of masters rather than to abolish their privileges. Their main concern was that when the owners of *gedik* died, sometimes people, who are outside of the guild, bought their shares. Hence, since these outsiders could not be controlled by the guild, they might harm their traditions and regulations. In order to avoid it, they decided that, when an owner died, if his successors were not the member of the guild, their shares would be sold to

[56] Seven Ağır, "Rise and Demise",p. 11
[57] Retail sector means selling the final goods and services to the consumers and requires low-skills to practice, such as grocery, greengrocery and tobacco-seller.
[58] IM121/23, IM121/62, IM121/63, IM121/70, IM121/71
[59] Maliyeden Müdevver Defter (Hereafter MMD) No: 10048
[60] Miyase Koyuncu, "The Dilemma of the Ottoman State: Establishing New Gediks and Abolishing Them", *International Periodical For The Languages, Literature and History of Turkish or Turkic,* v. 8/5, Spring 2013, Ankara, pp. 441-63.

a member of guild by the approval of all masters in the guild, as the system worked at the beginning. However, as far as we understand from the document, they failed to achieve their goals because, in 1819-1820, they again obtained an imperial decree for the same issue. It is clear that the demand for *gedik* in the secondary market and the willingness of individuals who owned *gedik* shares were strong enough to resist the guild notables and the state intervention in the late eighteenth and early nineteenth century. The bargaining power of guild related individuals was related to the existence of janissaries in the guilds. While janissaries were regarded as outsiders by the craftsmen in seventeenth century, they became the regular members of guilds in the following ones. They could limit government interventions over the guilds. Moreover they actively participated in *gedik* markets. 42 percent of total janissaries' investment was *gedik*. They were mostly active in less skill-required sectors, such as barber, water carriers and coffeehouse.[61]

In parallel with the abolishment of janissary corps in 1826 by Mahmud II, the autonomy of guilds and relatively free tradability of *gedik*s weakened. In the same year, all *gedik*s gathered under the newly established administration of *vakıf*s. From this date on, "*gedik* became definitely the leasing of the state's trade monopoly over a certain commodity or the authorisation of the artisans to practice their trade/craft in a certain place."[62] As a result of state intervention, *gedik*s became *senet* (bill) and *kethüda*s of each guild reported the businessmen with *gedik* to the government in accordance with their notebooks on which they recorded the names of artisans, the

[61] Mehmet Mert Sunar, "Cauldron of Dissent: A Study of Janisary Corps 1807-1826", State University of New York, Unpublished PhD Thesis, 2006, p. 223.
[62] Miyase Koyuncu, "The Dilemma", p.454.

place of their shops and their belongings.[63] Thus, *gedik* completed its transformation into "a category of a legal document which entitled the holder to full usufruct over a real property". Although this transformation was a step taken towards the right of property, it ended the monopolization of the guilds over their crafts. Except for the guilds which provided the basic necessities of the capital and participated in the provisioning of the city, in order to deal with financial burden of the treasury, state control over *gedik*s and guilds allowed outsiders to open a shop and practice a particular craft as long as they paid down payment to acquire a *gedik*.[64] Moreover, commercial treaties of the Ottoman Empire between 1838 and 1841 opened the way for incorporation of the Ottoman Empire into the capitalist system. As a consequence of these treaties, all internal monopolistic rights in the empire were abolished. *Gedik* became only a document to indicate that the shops registered as *gedikli* turned into a full property right.[65]

2.3 Esham

2.3.1. Classical Taxation Methods of the Ottoman Empire

In the Classical Age of the Ottoman Empire, fiscal and military politics were driven by the *timar* system. Especially in the core of the empire, Balkan Peninsula and Anatolia, this system was very crucial for mustering an army and collecting taxes from the subjects. At such an age, when the means of transportation and communication were limited, transferring taxes in cash to the center was a quite difficult task for the treasury. Thus, the responsibility of tax collection and soldier

[63] Miyase Koyuncu, "The Dilemma", pp. 454-55
[64] Miyase Koyuncu, "The Dilemma", p. 456
[65] Engin Akarlı, "The Uses of Law", pp. 20-21

raising was given to local *sipahi*s. Lands and titles were granted to the *sipahi*s to carry out the imperial duties on behalf of the sultan. They were the backbone of the Ottoman administration, military, economic and fiscal system. This system allowed them to fight for a restricted period since, in order to regulate and maintain daily business, production process, well-being of peasants, so and so forth, they had to live in granted lands. However, the new military technology and long-lasting wars forced them to abandon all duties but military. Moreover, they did not adapt themselves to new weaponry gradually used by the European armies which preferred to attack with firearms while the *sipahi*s got stuck in old ways. Above all, the Ottoman needed to collect taxes into the central treasury to recruit paid soldiers rather than "seasonal" army. Therefore, the *timar* system got into a tight corner by two sides, namely military and fiscal.

Following the fall of the *timar* system, *Iltizam* system was expanded in the late 16th and early 17th century. Along with *emanet* method, *Iltizam* was one of two main ways of taxation.[66] In this system, the collection right of a tax source, called *mukata'a* in the Ottoman fiscal system, was rent out to a private person by an auction for a limited period of time, generally three years. *Mültezim*, who had the right of tax collection, had to pay the pre-determined amount of renting price in cash, rest would be paid at the end of each year. *Iltizam* was generally carried out in the tax sources located where central authority was limited, mostly in African and Arabian provinces in the Classical Age. However, late 16th century onwards, *timar* and *hass* lands transferred into *iltizam* system since governors and beys could not leave the frontiers as a result

[66] Mehmet Genç, "İltizam", İslam Ansiklopedisi

of the long-lasting wars against Habsburgs.[67] *Mültezim*s sought maximum gain and profit and did not take into consideration the well-being of the peasants as entrepreneurs since they mostly held their lands for a short period, and when their contract time ends or another bidder tenders a higher bid, they deprived of their tax sources. In order to deal with such risks, they overexploited the tax sources which they held. However, peasants could not endure harsh conditions since they mostly lived under huge liabilities and debts. Consequently, they began to abandon their villages and move to find better shelter and life conditions or to join the banditry activities. To avoid these mass migrations, the government decided to constitute a solid connection between the tax collector and tax payer. Thus, the idea of creating a commitment between peasants and contractor paved the way for *malikane* system.

2.3.2 Malikane System

Malikane system was the outcome of two main problems of the Ottoman Empire in the 17th century. On the one hand, as mentioned, by the help of this new system, central state hoped to increase the productivity of the agricultural areas, thus, did so tax income for the treasury. In this system, contractor held the tax source for a life-time (*kayd-ı hayat*) and his successors had a privilege to remain holding same tax source if they paid required value. In other words, the tax sources transformed from land property to nearly private property. Moreover, it was not possible that any administrator interferes in the operation of *malikane*-holder, only *kadi* might control his activities in juridical matters. Therefore, to gain regularly and to make the tax source prosper, *malikane*-holder had to take care of problems and complaints. In any

[67] Halil İnalcık, Military and Fiscal Transformation"

negative case, like collective abandonment of the lands or a rebellion, the contractor had trouble as well. On the other hand, following the defeat of Vienne in 1683, European states forged an alliance against the Ottoman Empire and last quarter of this century, Ottomans had to fight in different fronts against this Holy League. Such a long war period was a serious burden over Ottoman treasury, which still did not effectively collect taxes from provinces. Under these conditions, Ottoman finance officers came up with *malikane* system for both regulating tax sources and collecting large amount of money in 1695.[68] Virtually, this system was a method of internal debt and a result of quick monetarisation of Ottoman economy. Although the mechanism and tools of the Ottoman finance were not ready to face such challenge, internal and external developments forced the Ottoman economy to be more monetarised. Moreover, in these years, Ottoman Empire could not stabilize the coinage.[69] In short, monetarisation of taxation process was quicker than the requirements of this process. Ottoman finance and economy would suffer from the lack of required regulations until the end of the empire.

Understanding the general mechanism of *malikane* system is beneficial to grasp the reasons behind the emergence of *esham* system since it appeared to solve the failures of *malikane* system as fiscal and internal debt policies. *Malikane*, like *iltizam*, was contracted out by an auction mostly held in Istanbul. However, unlike *iltizam*, in this system, the contract was for life-term and bids were made for a total down payment, called muaccele. Entrepreneur, who made the highest bid, had *berat*, official diploma

[68] Mehmet Genç, "Malikane Usulü", İslam Ansiklopedisi.
[69] Linda Darling, "Public Finance: The Role of the Ottoman Centre", *The Cambridge History of Turkey: Volume 3 the Later Ottoman Empire, 1603-1839,* Cambridge University Press, pp. 118-132.

showed that Sultan has granted a particular privilege to its holder. In addition to down payment, *malikane*-holders had to pay an annual tax to central treasury according to predetermined amounts and percentages. It can be said that *malikane* system was mixture of two previous taxation methods, *timar,* and *iltizam*. Its life-time duration led to that contractors should have taken into consideration the future productivity of the tax sources, like a *timar* holder and its method of payment, namely *muaccele* and *mal*, was similar to *iltizam*.[70]

As mentioned earlier, *malikane* auctions mostly took place in Istanbul, and as a result, contractors mostly resided in there as well. It led to a serious problem for the central state because one of the main aims of the Ottoman finance department was to be governed by contractors resided at the place where the tax source was located. However, the administrative tasks were transferred to local sub-contractors who were the *de facto* holders of *malikane*s. Since no state authority could interfere them except *kadi*, they emerged as powerful elites in provinces. Moreover, by transferring their rights to sub-contractors, central elites became a rentier class. Another problem was that system was restricted among 1000-2000 central elites, mostly high-ranking bureaucrats, military members, administrators, and religious officials and their sub-contractors in provinces, whose numbers varied between 5000 and 10000.[71] Therefore, while this small group benefited from this system, central treasury gained limited amount and most of the potential entrepreneurs, who did not have political power, pushed out of the system.

[70] Mehmet Genç, "Malikane Usulü"
[71] Mehmet Genç, "Malikane Usulü"

In 1774, *Malikane* system dominated the Ottoman Financial system. From its first emergence to its heyday, the number of tax-farmes which assigned as *malikane* increased by %347, while the annual total revenue (*muaccale*+*mal*) that these tax-sources yielded increased by a staggering 1400%. It shows that mostly high-income tax sources were farmed out as *malikane*.[72] Although Ottoman Empire achieved to increase its treasury revenues, especially during the long peaceful period in the middle of the eighteenth century[73], when war against Russia broke out in 1768, the needs of army showed the success of Ottoman finance department was relatively weak. In 1774, the Ottoman Empire was totally defeated by the Russians, in addition to politically humiliating loss, like independency of Crimean Tatars and permission to Russia for protecting the interests of Orthodox population in the Ottoman realm, paying a large war indemnity, 7.500.000 *guruş* almost half of the annual cash income of central treasury, was accepted in Küçük Kaynarca Treaty. This huge debt pushed the Ottoman finance department to find new ways to solve this problem.

2.3.3. The Rise of Esham System

The Ottomans once more preferred internal debt rather than external one, as they did in the *malikane* system. *Esham*, which was put into practice in 1775, was the new internal debt method to collect huge amount of cash to pay war indemnity. At the first glance, this system is similar to the old one, *malikane*, however, in practice, *esham* was both a step to fiscal centralization and an opportunity for the people who could

[72] Murat Çizakça, "Business Partnership", pp. 161-163.
[73] Yavuz Cezar, "Osmanlı Maliyesi" p. 80.

not participate in the *malikane* system.[74] Before giving detailed information about these new aspects of the system, the general working system should be dealt with.

Unlike *malikane*, shares of the annual profit of a tax source were farmed out for life time basis, (*ber vech-i malikane*) in *esham* system rather than the whole revenue of the source. The tax source was sold off after the deducting the operation costs and other accustomed expenses. The remaining profit called *faiz* in this system, which was not related with interest in modern Turkish but its name was divided into shares and sold to people who can pay the five or six times of annual *faiz* (*muaccele*). Thus, holders would drive profit only after five or six years depending on the inflation rate of time. *Esham* holders did not participate in the management process of the tax sources; central state assigns a state official, *emin*, to take care of the particular source. If tax source was far away from the place *emin* reside in, he could farm out to sub-contractors. An *Esham* holder collected his share, *faiz*, from *emin* during his life time.[75] When a holder dies, his share turned back to treasury and would re-sell to another investor. In other words, as long as holders live longer than five years, treasury would begin to make loss. When this system was introduced for the first time, the Ottoman finance department hoped the shares return to treasury as soon as possible but by trading their shares in secondary market, share-holders hindered *esham*s from returning to the treasury. Although the operations in the secondary market were levied a tax as well, it corresponded only a small amount vis-à-vis the annual *faiz* of shares. In other words, while this system provided huge cash basis for

[74] Hacı Veli Aydın, "Bir İç Borçlanma Örneği Esham" p. 606.
[75] Hacı Veli Aydın, "Osmanlı Maliyesinde Esham" p. 36.

the treasury in the short-run, on the contrary, it led to a serious debt to *esham* holders for Ottoman finance department, in the long-run.

If the Ottoman treasury had invested the borrowed capital to any sector related to production or the army had gained a decisive victory against their enemies, they might have paid their debt to *esham* holders and collect their shares back from them. However, borrowed capital mostly assigned to the non-productive and fruitless wars and indemnities. Under such circumstances, *esham* system expanded quickly but Ottoman financiers realized the problem and prepared a financial statement to observe the current situation of the system in 1786. According to their report, the existence of *esham* system create a huge deficit for the treasury and it will increase year by year. Thus they decided to not put new *esham*s on the market and not resale the shares of *mahlul esham*s, which was collected *esham*s from deceased holders.[76] At the same time, external debt was added to the Ottoman finance department's agenda. Firstly, they tended to borrowed from Muslim state, especially Morocco, but no Muslim state had the financial stability to loan, then they turned their attention to borrowing from the European credit market, however, the result was negative once again.[77] Thus, launching new *esham*s or expanding substantial ones emerged as the only way to raise cash for the treasury. The Ottoman-Russo war between 1787 and 1792 accelerated this process.[78]

[76] Hacı Veli Aydın, "Osmanlı Maliyesinde Esham"; Mehmet Genç, "Esham"
[77] Yavuz Cezar," Osmanlı Maliyesinde Bunalım", pp. 89-93.
[78] Yavuz Cezar, "Osmanlı Maliyesinde Bunalım", pp. 130-132

2.3.4. Positive Impacts of Esham upon Ottoman Financial System

In addition to these negative effects of *esham*, it had positive impacts on the Ottoman financial system as well. Primarily, it can be said that *esham* was totally unique Ottoman institution. Although former fiscal institutions of the Ottoman Empire, namely, *timar*, *iltizam, malikane*, had similar aspects with the other financial institutions in the different regions of the world with different names, an internal debt process like *Esham* cannot be observed in Islamic world and other Eastern empires, India, China, and Persia.[79] *Esham* may be regarded as an important case study for comparative financial studies.

To get back to the positive impacts of this institution, firstly, as mentioned earlier, *malikane* auctions were dominated by a small Istanbul based elite group and its dependents in the provinces. Moreover, these auctions were open to only the members of the *askeri* class (Muslim men dominated group, which was ruling class in the Ottoman Empire) and female relatives of Sultan. Non-Muslims could involve the system only as moneychangers and brokers. On the other hand, in the beginning, *esham* sales were open to all female and male Muslim subjects. In addition to adults, children could have *esham* as well.[80] In 1798-99, non-Muslims began to participate the *esham* system but limited to *Zeccriyye Mukataası* which was a tax source derived from alcoholic beverages. Since Islam forbids alcohol consumption to its believers, in terms of Islamic law, it was impossible to sell *esham* of this tax source to Muslims. Therefore, Greeks, Armenians, and Jews could hold this particular *esham* as an

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[79] Şevket Pamuk, The evolution of financial institutions in the Ottoman Empire, 1600–1914', *Financial History Review*, 11 (2004), pp. 7–32.
[80] Hacı Veli Aydın, "Osmanlı Maliyesin Bir İç Borçlanma Örneği", p. 615.

exemption and customer basement of this institution expanded in harmony with general purpose of the system.[81] The Ottoman finance department hoped to mobilize small savings of the subject and to integrate non-elite population to financial market by establishing *esham* system. Although they were successful to a certain extent, this institution was broadly dominated by the members of the ruling class, as well.[82]

Secondly, *esham* system served the centralization of Ottoman finance. As briefly mentioned, after the collapse of the *timar* system, fiscal institutions of the Ottoman Empire began to transform and decentralize. *Malikane* system represents the final point of decentralization since the administration of tax sources was totally left to tax farmers. Although they had strong ties to central elites and central state to maintain their privileged positions, an administration without them could not be imagined[83] and their power was mostly based on their authorization of collecting tax.[84] By their nature, *malikane* and *esham* undermined each other since they assigned over same sources[85]. In other words, while the number of tax sources under *esham* system increased, *malikane* system was shrinking. As stated earlier, since *mukataa*s under *esham* was managed by the appointed *emin,* administration of it and share-holders were totally separated from each other. Thus, central treasury restored its authority over tax sources. From the holders' point of view, it was more advantageous as well because they preferred the guaranteed *faiz* income rather than *malikane* income,

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[81] Hacı Veli Aydın, "Osmanlı Maliyesinde Esham", p. 52
[82] Hacı Veli Aydın, "Osmanlı Maliyesinde Esham", p. 54
[83] Ali Yaycıoğlu, "Partners of the Empire: The Crisis of the Ottoman Order in the Age of Revolution", Standford University Press, 2016.
[84] Canay Şahin, "The Rise and Fall of an Ayan Family in Eighteenth Century Anatolia: The Caniklizades, (1737-1808), Bilkent University, Unpublished PhD Thesis, 2003.
[85] Yavuz Cezar, "Osmanlı Maliyesi", p.84

which became risky day by day.[86] We can say that *malikane* holders may be regarded as entrepreneurs who undertake both risks and gains of management while *esham* holders were much closer to people who attend the individual annuity insurance. It was quite common situation that high ranking bureaucrats bought the shares for their female family members or themselves for the days after their active term of office.[87] Moreover, sultan might grant *esham* to the officers for their services and to orphans till they reach maturity.[88]

As another advantage, *esham* may be regarded as an important step toward the modernization and monetarisation of the Ottoman economy. As stated above, this institution had an active secondary market among its holders and the people demand it. By dividing a whole *esham* share into small pieces, like 0.1, 0.25 and 0.5, to sell easily to a broad range of clients by the central treasury paved the way for such transactions. An extensive and quick market as much could not be controlled by the state and shares without *berat* gained wide currency among people. Especially moneylenders came into prominence as the real gainer of this process. In the beginning, they got *esham*s in their behalf or in return for state debt to them, however, in the process of time, they began to collect *esham*s without *berat* from ordinary buyers as well in return for the debt owed to them.[89] Due to the presence of a legal gap and the abeyance of law, it is seen that *esham* turned into “bond to bearer” in that time. People who hold *esham* could sell them to other individuals or moneylenders, give them in return for their debt or become indebted by putting them to ransom.[90] In

[86] Yavuz Cezar, “Osmanlı Maliyesi”, p. 104
[87] Hacı Veli Aydın, “Osmanlı Maliyesinde Esham”, pp. 112-113
[88] Hacı Veli Aydın, “Osmanlı Maliyesinde Esham”, p. 117
[89] Hacı Veli Aydın, “Osmanlı Maliyesinde Esham”, p. 130.
[90] Hacı Veli Aydın, “Osmanlı Maliyesinde Esham”, p.130

addition to individual transactions, the state, which faced a serious financial crises and could not pay its debt to moneylenders and other creditors, had to offer the shares to them who accepted *esham*s only when they issued without *berat* because that kind of *esham*s were much more liquid.[91] Thus, *esham*, an arbitrary internal debt system, turned into sort of a mandatory system.[92]

Moreover, *esham* paved the way for introducing paper money into the Ottoman monetary system. In 1840, the Ottoman finance department came up with a new type of *esham*. This new one had the power of cash, in other words, it could circulate among people and use as an instrument of payment. This *esham*, called "*esham kavaimi*" or "*kaime*", however, was not real money. [93] At the same time, the state issued this *esham* without *berat* and it was to yield 12.5% annual return. While it is counted an early form of paper money by some economic historians, some consider *esham kavaimi* as interest-yielding treasury bonds. By any means, *esham kavaimi* represents a modern financial instrument, which was developed within its own dynamics of the Ottoman economic structure. Before any modern method or instrument was introduced to the Ottoman financial system, the state and society evolved modern methods to deal with existing problems in accordance with needs and possibilities.

91 Murat Çizakça, "Business Partnership", p. 186
92 Mehmet Genç, "Esham", p. 379
93 Yavuz Cezar, "Osmanlı Maliyesi", p. 295

2.4. Muzara'a

2.4.1. Land Usufruct in the Ottoman Empire

In accordance with the Islamic tradition, the ownership of lands mostly belonged to the state, accordingly, the sultan in the Ottoman Empire. However, in addition to state owned lands, there were private property and a mixture of these two. The private property was that land which was owned by a local ruler before the Ottoman conquest, and the state legitimatized their rights as before the conquest, including their administrative roles. Yet, these lands, over time, got involved in the state owned lands. At least, the mix system was called *malikane-divani*. In this system, the lands were conquered by the state, were given to some notables, who actively participate in the conquests. The reason for this grant was the public interest. The first part of these land, *divani*, belonged to state and the other part, *malikane*, granted to the private owners. The important question whether the private owners have the full property rights over the lands or just have the tax income from the peasants who had right of disposition over lands. Although both types of execution could be observed at different times, general practice was the right over taxes.[94]

However, the real question for all types of these ownership methods was the status of the peasants who cultivate lands which owned by whether state or person. In general, the fact that they had a usufruct right over the land they cultivate by permission of *sipahi* is well known. It is not possible that the right is regarded as private property because, in order to have it, the peasants should have fulfilled some duties. When they did not do it, the state or *sipahi* had the right to reclaim from the peasants. However,

[94] Özer Ergenç, Hülya Taş, "Assasment of Land Usufruct", pp. 215-217.

in the seventeenth and eighteenth centuries, the usufruct right of *reaya* over land was perceived as a property right and accordingly, was treated like it, although the property right over land was accorded legally in the late nineteenth century.[95]

As mentioned above, the peasants, who have the usufruct right over land, could sell their lands to another person. To realize this action counterparties should have made an application to local *kadı*. In other words, this transaction was lawful. When a sale (*ferag*) was approved by *kadı*, he should state that "the possessor of land transferred its full possession (*tasarruf*) to so-and-so with the *sipahi*'s permission in return for such-and-such a payment of money; and thereupon the *sipahi* too confirmed it by giving it in *tapu* for such-and-such an amount of money paid as *hakk-ı karar* (payment for the establishment of permanent possession rights.)"[96] According to this statement, it can be said that this transcation was not a sale in modern terms but a transfer of the usufruct rights to a particular person made a predetermined payment. The interesting point was in such transactions, the people, who obtain the usufruct right, had the title of *ağa*. This inclination shows that the members of the ruling class were interested in obtaining the cultivated lands.[97]

The reason behind this tendency was the agricultural in the Ottoman Empire underwent a commercialization process. In the seventeenth and eighteenth century, the demand of European countries for agricultural product triggered it. Before this era, the Ottoman cultivators produced to fulfill their subsistence level, if they obtained an agricultural surplus from their lands, they could sale only in the closest market (*akreb*

[95] Ergenç, Taş, "Assesment of Land Usufruct" p. 217.
[96] Halil İnalcık, An Economic and Social History of the Ottoman Empire", v.1, Cambrigde: Cambrigde University Press, 1994, p. 112
[97] Ergenç, Taş, "Assesment of Land Usufruct", p. 236

pazar) according to the Ottoman law. This surplus could be sold within the price range determined by the Ottoman state. However, in the age of commercialization, increasing demand for agricultural goods led to an increase in the price of them. Even though at the beginning, the Ottoman Empire tried to remain its traditional system, the state could not prevent the smugglers, who sold the agricultural products in the interregional markets in illegal ways. When the Ottoman Empire failed to protect their economic power, they had to allow import of agricultural products. This might led to the emergence of big farm-estates (*çiftlik*). *Çiftlik* can be defined as the control of farm-estates by private owners, and much larger scale than family-based agriculture. However, while these big farm-estates located in coastal regions, which had strong trade connections with European markets, like Balkan Peninsula and the Western Anatolia,[98] the eastern regions followed a different pattern. The big farm-estates did not exist in these areas but instead of these, a classical Islamic business partnership, namely *muzara'a* was reinterpreted and implemented according to the current conditions.

[98] Halil İnalcık, "The Emergence of Big Farms", p. 34

2.4.2. A New Type of Business Partnership

In Islamic law, *muzara'a* means an agreement between a land owner and a cultivator for a partnership in agricultural production.[99] In this partnership, while land owner provided the required land and capital for seed and other staff, the cultivator supplied his/her labor force. According to agreed terms, they shared production at the harvest. It was a sort of sharecropping and known as *ortakçılık* or *yarıcılık* in different regions of the Anatolia. This was similar with the *mudaraba,* which was an arrangement in which a principal entrusted his capital or merchandise to an agent, *mudarıb*, who was to trade with it and then return to the investor the principal and previously agreed-upon share of the profits. As a reward for his entrepreneurship, the agent received the remaining share of the profits.[100]

However, the practice of *muzara'a* in the eighteenth century was different from the classical Islamic form of it. In this practice, the members of *askeri* class entered this partnership by giving cash and the price of seeds and the peasants, who have the usufruct rights over land, were engaged in cultivation.[101] This partnership was founded for two reasons. Firstly, if the peasants did not cultivate their lands for some reasons, they would have maintained their activities by engaging in this contract. Secondly, the members of *askeri* class could be a part of agricultural production, although they did not have land to cultivate. Hence, they could invest their capital in a

[99] TDV İslam Ansiklopedisi, "Müzaraa", 32. Cilt, p. 234
[100] Murat Çizakca, "Business Partnership", p. 4
[101] Özer Ergenç, "18. Yüzyıl Anadolusunda", p. 249

productive sector rather than being rentier. To better understand the mechanism of this new type of partnership, some official documents should be examined.

"…We are partners who made a *muzara'a* agreement with aforementioned pasha. We have received 935 *guruş* for the expense of york and 568 *guruş* for the seeds of barley and wheat, which makes total 1503 *guruş*, from him. We will give him 100 *kiyel*[102] wheat and 80 *kiyel* barley from the harvest."[103]

"… When the people of the aforementioned village were devastated, the aforementioned deceased pasha protected us. A few years ago, he gave us 300 *guruş*, under the name of *çift akçesi*, 20 *kiyel* of wheat and barley. We have given him 40 *kiyel* wheat and 40 *kiyel* barley in each year after the harvest."[104]

For both cases, the aforementioned pasha refers to Çelik Mehmed Pasha, who was a governor in Karaman and well-known for his partnership in *muzara'a* contracts. As seen in documents, he did not give his farm-estates to be cultivated to the peasants, rather he preferred to support them financially and take a share from the annual production. Therefore, while the cultivators who do not have sufficient conditions for agriculture, found a way for remaining their agricultural activities, pasha accumulated more capital in his personal wealth. According to his *tereke* register,[105] he managed to obtain a huge amount of money and property. Although there is not sufficient evidence to find where his wealth comes from, it is obvious that income from *muzara'a* contracts become a serious component of it.

[102] 1 *kiyel* equals to 5.9 kilogram
[103] Konya Court Register 58, 126.
[104] Konya Court Register 58, 125.
[105] Alpay Bizbirlik, Bayram Ürekli, "Karaman Valisi Çelik Mehmet Paşa'nın Terekesi", *Selçuk Üniversitesi Türkiyat Araştırmaları Dergisi*¸ 1, 1994, pp. 175-232.

Mehmed Pasha was not the sole example of *muzara'a* contracts, in the Western and Northern Anatolia, local notables were engaged in this type of partnership as well. Moreover, some members of the ruling class were active in it.[106] Participation of both governors and local notables shows that agricultural production became a way of accumulating capital and agriculture had strong commercialization tendencies.

2.5. Putting It All Together

Until this part, three institutions, which either emerged or reach their maturity in the late 18th century, were discussed in their historical processes. However, they might have seen as unrelated since they emerged in the different sectors; *esham* in the state finance, *gedik* in the craft production and *muzara'a* in the agricultural production. In fact, at first glance, they have no concrete connections with each other. In other words, they did not emerge as a result of common purposes. Nevertheless, they were the institution that gives us some clues about the macroeconomic conditions of the Ottoman Empire. Especially, their evolution in historical process are significant to comprehend general tendencies in the Ottoman economy. At that point, some questions arise about them. Was it coincidence that they take their final forms in a similar period or were they a result of changing economic conditions in the world and in the empire? Were they shaped by whether a European economic mind or the internal relations of the economic actors in the empire? What were the similarities and differences among them? Did they contribute to the capital transfer to other classes or

[106] Ergenç, "18. Yüzyıl Anadolusu'nda", p. 247.

groups or did they enhance the economic power of the privileged layers of the society?

From now on, this study will try to answer these questions. In order to answer this question, their common points should be examined. For this purpose, the process of capital accumulation, the class of the actors of these institutions, the gender distribution of the actors, and the commercialization and monetizing processes are going to be subjects of the next chapter. Therefore, it can be possible to draw a general framework for the Ottoman economy and to challenge the general assumptions and perceptions about the eighteenth century Ottoman economy. These three institutions were both modern and classical, ironically. They were modern because in many aspects, their main purpose was to fulfill the needs of the modern age but they were classical institution since they were reinterpretation of old economic organizations in accordance with the chancing conditions. Even this dichotomy is sufficient to make comparable these institutions.

In the next chapter, this study will focus on the comparison of them with the support from the primary sources and by taking into account the general economic conditions of the empire. Thus, their places in the Ottoman economic history can be interpreted in a more productive way.

CHAPTER III

COMPARASION OF THE IMPLEMENTATIONS

3.1. Capital Accumulation in the late Eighteenth Century

In the classical age, the Ottoman economy can be defined as a subsistence economy, like almost all pre-capitalist economy. Excluding merchants, all economic actors produced for fulfilling their subsistence level. The *çift-hane* system in the agricultural production and the regulations among guilds members in the craft production were based on this perspective. Beyond that reason, they were regarded as the supplier of the basic necessities of society and accordingly, they were directly connected to the social and political order. Although merchants were free from such restrictions carried out by the state, they still were key actors for such an economy. In addition to supplying the luxury goods for the ruling class, they provided some basic necessities of the cities and producers.[107] Nevertheless, there was a public hostility towards them

[107] Hali İnalcık, "Capital formation in the Ottoman Empire", *The Journal of Economic History*, v.29 no:1, (Mar. 1969), pp. 98-104

among producing class. Their activities were regarded as a kind of profiteering by people. In other words, making gain without labor was not approved by the mass.

However, this perception changed with the introducing of capitalist mentality into the Ottoman lands. As mentioned before, especially the European connected lands and ports integrated into the new world system. Although the state did not allow such transactions, local producers began to sell their surpluses to the foreign merchants who offer higher price than local market. Cash money was a scarce material for the Ottoman economy from the beginning. Taking into consideration to *tımar* system, usage of money for producers and for the state was limited. As Fernand Braudel indicated[108], cash money was a sort of weakness of the economic actors in the Ottoman Empire and European merchants owed their existence in the Levant trade nodes to their monetary superiority. Thus, not surprisingly, the local producers, who locate close to the European markets, did not resist the attraction of the money. However, this monetization process was not limited to these areas. Making money and accumulating capital occurred in the different forms at the different corners of the empire for some reasons. First one is the government control over the economy in the core areas, such as capital itself and the central Anatolia. Without governmental interference, transacting any business was hardly possible. Moreover, to provision the capital and the army, the government had carried out some regulations on basic goods, like wheat and barley. Secondly, reaching the inner areas of the Empire was quite difficult for the European merchants without local support, such as non-Muslim merchants or the local governors. However, these difficulties did not prevent the

[108] Fernand Braudel, "Civilization and Capitalism, 15th-18th Centuries, Vol. 3: The Perspective of the World",California: University of California Press, pp. 471-475

capital-owners from increasing their wealth. Apart from merchants, who engaged in interregional trade, the members of the ruling class were the only group who had a chance to accumulate capital in the Ottoman Empire. Also, unlike merchants, they had political power to reshape the economic institutions in favor of themselves. In this part of the thesis, the main concern shall be accumulating capital through aforementioned institutions, namely, *esham*, *gedik* and *muzara'a*.

When the socio-political profile of the first *esham* share owners is examined, it is clearly seen that its market was dominated by the dynasty members, high ranking bureaucrats, especially working in the finance department and their relatives. [109] This means that to own these shares, buyers should have had a strong financial power. By the income of *esham* shares, they could compensate their investment at most in seven years, and later on, make a profit. They did not prefer to participate any production process, rather they demanded a guaranteed annual income by owning the shares, whereas in the *malikane* system, which was gradually replaced by *esham*, contractors were responsible for agricultural production and, therefore they were taking risk to make a profit. This fact may show a mentality change in the Ottoman economic system. Capital accumulation was not a phenomenon of the eighteenth century, before this era, the merchants, large scaled crafters, and the military members had the opportunity to have huge capital but accumulating capital without serious labor was not widespread. Only money lenders could be regarded as rentier but they were not risk-free entrepreneurs as well, unlike *esham* owners. Even when a tax source classified as *esham* did not compensate its owners' annual payments (in the Ottoman

[109] Hacı Veli Aydın, "Esham Uygulaması", p. 146

financial vernacular it was called as *çürük* [decay]) with the agreement of them, the state gave possession of new share from a profitable one.[110] As mentioned before, in the nineteenth century, money lenders, who notice this character of it, began to collect these shares and create a secondary market. They could sell or give in return for their debts them to third persons.

A similar story is valid for *gedik*. The ruling class members could invest their money into *gedik* shares if they would realize that there is a profit opportunity. However, this was not the case at the beginning, as mentioned in the first chapter of the thesis. *Gedik*, which was a defense mechanism against outsiders for craftsmen and producers, became a financial value in its secondary market. Ownership of a *gedik* or its shares would be profitable for a holder for two ways. Firstly, as a license of craft, the production process and selling it on the market might bring a profit to its owner that was the craftsmen's classical way of subsistence. Taking into consideration that ruling class members entered the *gedik* market before its financialization, their first and main purpose was gaining profit in classical ways. However, when a secondary market emerged in *gedik*, the second way of profit came into prominence among the shareholders, who did not directly participate the production process, did finance it or hire a producer to operate it. As a financial asset, *gedik* shares could appreciate or depreciate in the secondary market. If an investor would buy shares when their price is low and sell their price is high, this price gap could turn him as a profit.

[110] Aydın, *ibid*, pp. 91-94

The register of the *kadı* courts in Istanbul is full of such profitable transactions. For example, a certain Mustafa sold his seven *gedik* shares out of twelve. The purchasers paid Mustafa just a piece of the value of his offers and the rest were to be paid later in portions to cover Mustafa's obligations to the state and suppliers.[111] After four months, Mardiros and Kagos came to the court to sell their own two shares out of six (total four shares out of twelve to a certain Yorgi for 2,000 gurus, which he guaranteed to pay to them for their obligation.)[112] According to the agreement with Yorgi, the price of a *gedik* share was set at 500 *guruş*, which was 36 percent higher than the price that they paid to Mustafa for one share.

There are different cases in the registers demonstrating that the cost of *gedik* shares varied in a relatively short time. A certain Hafize, a female Muslim occupant of Istanbul bought a large portion of a share of a wheat-cracking shop using a credit, just to offer it in under a month at a cost 38 percent higher than the value that she bought.[113] For another situation, es-Seyyid Ahmed Ağa who purchased a *gedik* of a grocery shop from three separate investors for 8,550 *guruş*, sold a portion of it at 4,750 *guruş*, making an average benefit of 475 *guruş*, for half of the *gedik*, in the very same day.[114] A certain Kirkos, child of Sarkiz, who purchased a *gedik* (of a kiseci shop) for 2,500 *guruş*, sold it with 10 percent benefit (for 2,750 *guruş*) after a month.[115] In short, there was a huge possibility to use *gedik*'s price fluctuations to make profit. Especially the case of es-Seyyid Ahmed Ağa is remarkable because *ağa* indicates that he, most probably, was a member of ruling class. Making a profit by

[111] IM 60/8.
[112] IM 60/51
[113] IM 60/31
[114] IM 120/74
[115] IM122/66

transaction in very same day may show that his social class was much more credible than other classes since when someone cannot find a match for a transaction within his personal or social network, he needs the protection of third party, namely the court system.[116] A ruling class member could find easily to declare his position. Moreover, a ruling class member was a well-known person in the society and he did not want to betray people's trust. Hence, he would not participate in a false transaction. At the same time, this credibility provides more profit to the ruling class member, as happened in the example of es-Seyyid Ahmed Ağa. When ruling class members saw such an opportunity, they did exploit this market for capital accumulation in their favors.

The other institution, namely *muzara'a*, was clearly designed for a capital accumulation process in favor of capital owners, in the Ottoman case, as indicated earlier, the members of the high bureaucracy and military class. Let's remind the case of the governor pasha, Çelik Mehmed Paşa. When he died, his *tereke*, heritage in the Ottoman juridical system, was prepared and it clearly shows that this pasha made a serious wealth partially thanks to his *muzara'a* contracts. In his *tereke*, lots of movable and immovable properties were counted and while some of them were confiscated by the central government, the rest was granted to his successors.[117] In same register, the subjects clearly stated the existence and importance of *muzara'a* agreements with the participation of the governor pasha.

"…We are partners who made a *muzara'a* agreement with aforementioned pasha. We have received 935 *guruş* for the expense of york and 568 *guruş* for the seeds of barley and wheat,

[116] Timur Kuran & Jared Robin, "Financial Power of Powerless: Evidence from Ottoman İstanbul", *The Economic Journal*, Volume 128, Issue 609,March 2018, pp. 758–796

[117] Alpay Bizbirlik, "XVIII. Yüzyılda Bir Osmanlı Valisinin Ölümü Üzerine Gelişen Olaylar Üzerine", *Tarih İncelemeleri Dergisi*, sayı XV., İzmir 2000, pp. 171-183

which makes total 1503 *guruş*, from him. We will give him 100 *kiyel* wheat and 80 *kiyel* barley from the harvest."[118]

Unfortunately, we cannot follow what Çelik Mehmed Paşa did with his share after the harvest but most probably, he sold this at the local or global markets and used the payment to engage other similar contracts to remain this circulation. In other words, he had a basic capitalist mentality and made such agreements to both increase his personal wealth and to maintain production continuity. He was a part of an agricultural production process for not only providing subsistence of his subjects as a responsible governor but also for making a profitable business as an investor.

If it was the case in the Ottoman Empire, a tendency existed to accumulate capital, another question would arise; why did the Ottoman Empire develop a capitalist economic system in her realm with her own dynamic and without a European involvement? Clearly, such a question is beyond the scope of this thesis but a short European comparison with the Ottomans may be beneficial. The existence of a strong and interventionist government did not allow the uninterrupted transfer of heritage between generations. Although classical "decline paradigm" offers that the central government lost his power in rural areas after the sixteenth century, we can clearly observe that the central bureaucracy could actively interfere the political developments in the provinces. After the death of Çelik Mehmed Paşa, an official went to his administration area and regulated the affairs. Moreover, he took action to portion his heritage out between his successors and the central government. Such an intervention made impossible to accumulate sufficient capital to invest a bigger and more productive business. On the other hand, in Europe, capital owners transfer their

[118] Konya Court Register 58, 126.

wealth between generations and did not have a fear of confiscation. As a result, while European investors could take risk to invest newer technologies and methods, Ottoman capital owners behaved timid to made huge investment and engage in risky economic action. They had a strong tendency to act as a rentier class. Moreover they did not sufficient capital to invest in new technologies. Guaranteed state payments by *esham*, partnership with small producers by *gedik*, sustaining old agricultural methods by *muzara'a* would seem less risky to capital owners in the Ottoman Empire and they did not improve themselves as a modern bourgeoisie class.

3.2. Class Profile of the Investors

We know that Ottoman society basically divided into two social classes, namely *askeri* and *reaya.* Although these classes were not monolithic in terms of economic conditions or prestige, the members of *askeri* class had privileges over the latter. They had more opportunities to reach the economic means or to use them more efficiently thanks to the power of the state behind them. However, such new financial instruments, which are mentioned in previous chapters, supposedly offered democratization of wealth and "financial inclusion". The low classes could turn their savings into investments in small portions if financial instruments had been widespread. It also means that small savings of people gather and that makes a huge investments to run a business. Eventually, that leads to economic development for all layers of society. In this part of the thesis, we shall take a look at whether the realization of this case by analyzing the class of profile of the investors of the new financial instruments.

Again, we begin with the *esham* to find an answer to this question. In its nature, *esham* offers more opportunity to low classes to make an investment. As mentioned, in this system, investors could buy small shares in accordance with their small savings. As discussed earlier, the auctions of previous fiscal system *malikane* open only for the members of the *askeri* class. Especially, the ones who located in the capital, where the auctions take place, dominated the system. If an *askeri* class member or a local notables in the provinces had had good relations in the capital, he could be part of the network of *esham* and make a profit as a sub-contractor. Accordingly, for an ordinary man in capital or elsewhere, making an investment to the system was not quite possible. Non-Muslims could not be a *malikane* owner, regardless of their financial power. Wealthy ones were active in the system only as moneylender. On the other hand, in the beginning, *esham* sales were open to all female and male Muslim subjects. In addition to adults, children could have *esham* as well. Even in some exceptional cases, non-Muslims could buy *esham* shares too. By that system, the Ottoman financiers expected that more people invest their small savings to the economic system and integrate to the financial markets more efficiently but their expectation had never been come true since the system was dominated by the members of ruling class and their relatives.

According to Hacı Veli Aydın,[119] for a certain *mukata'a*, *reaya* had only 24.9% of the whole *esham*, which makes 49 shares. He regards them as *reaya* since they did not bear titles such as *paşa*, *ağa*, *bey*, which shows that bearer belongs to the ruling class. However, it may not show such certainty because they might get these shares as agents of higher class members. One way or another, data of this particular *mukata'a* and others indicate that the commanders and high-ranking bureaucrats were much

[119] Hacı Veli Aydın, "Osmanlı Maliyesi'nde Esham Uygulaması", p. 174.

more active in the market than other groups along with their relatives. Undoubtedly, after a secondary market occurred for *esham* and it began to buy and sell shares not legally but freely, this picture changed in favor of non-Muslim brokers and moneylenders. This group had financial power but their political influence was limited until the nineteenth century. When the central government lost control over *esham* market, they effectively used their financial power to obtain the shares to consolidate their position. Yet, this transformation was not sufficient to widen the range of investors. The system, which was implied by the finance office of the Ottoman Empire, absolutely was designed for the military class members and the position where it evolves was advantageous for the moneylenders. In other words, it was sort of capital transfer and did not affect the rest of the society in a broad sense. *Esham* led to that non-Muslim brokers had financial power over the tax resources of the Ottoman Empire. Armenian brokers managed the financial affairs of the Ottoman Sultans from the era of Ahmed III,[120] and thanks to this connection and their diplomatic skills, their position could not be challenged. Therefore, class profile of *esham* was based on firstly, high-ranking bureaucrats and then, non-Muslim moneylenders. Its effects on financial democratization was really limited.

The class profile of *gedik* was much more diverse since not all sectors profitable to attract wealthy people to buy a share of it. For example, a small grocery shop in a small neighborhood had limited trade volume and consequently for a rich person, buying such a *gedik* did not satisfy his/her economic or commercial ambition. The purpose of such an investment was to make this particular person wealthier. Only the

[120] Onnik Jamgoçyan, "Osmanlı İmparatorluğu'nda Sarraflık-Rumlar, Museviler, Ermeniler, Frenkler" , Yapı Kredi Yayınları, İstanbul, p.35.

relatively rich person of this particular neighborhood might have interest over this *gedik*. On the other hand, the wealthier people in the Empire were active in *gedik* market too.

"Of the *kadı*s of Egypt, Hasan Efendi, son of Mehmed, was agent for es-Seyyid el-Hac Mehmed Tahir Efendi, son of es-Seyyid el-Hac Ahmed, with the witnessing of es-seyyid Mehmed, son of Abdullah, and İbrahim, son of Selam, for the greengrocer, which consist of 120 shares *gedik,* which known as "certain capital goods" among the artisans, and where located at the out of Bahçekapısı, the place called Gümrükönü in İstanbul. Hasan Efendi sold his client's thirty shares to certain Mehmed Said Aga for four thousand and seven hundred *gurus."*[121]

The title of *efendi* shows that these people belong to the *ilmiyye* class which was responsible for religious and juristic affairs of the Ottoman Empire. In other words, they were members of the Ottaman high-ranking bureaucracy. Apart from his ordinary occupation, Mehmed Tahir Efendi owned some shares of a greengrocer shop. The motivation behind that action was his purpose to make a profit from the business and the sale of his shares when the prices are high. The buyer Mehmed Said Ağa was also an *askeri* class member. Of course, he had similar intentions with Mehmed Tahir Efendi because both guys were actually state officials and did not run their business by themselves. In *kadı* registers, we can see, also, ordinary transactions between two tradesmen or brothers, who shared out their father's heritage. That's to say, it is not true that the market totally dominated by outsiders. Old members of *esnaf* organization were still a part of *gedik* market but the wealthier class had their shares on it. However, if we think only the ones who have *gedik* shares as an investment tool, we can say that they mostly wealthier class because they had already had sufficient capital to make such an investment. When buying *gedik* shares,

[121] IM 121/9.

ordinary people's main concern was to satisfy their subsistence level. So, at this point, a distinction should be made between the investors and the tradesmen. While the first group was mostly members of the high-bureaucracy, the latter was traditional guild members.

All investors of *muzara'a* were members of the *askeri* class. As mentioned in the previous chapters, the main idea of this institution was to finance the poor peasants to engage agricultural production with the help of the local governors. While these peasants fulfilled their subsistence level, the investor pashas made a profit from this agricultural production process.

"… When the people of the aforementioned village were devastated, the aforementioned deceased pasha protected us. A few years ago, he gave us 300 *guruş*, under the name of *çift akçesi*, 20 *kiyel* of wheat and barley. We have given him 40 *kiyel* wheat and 40 *kiyel* barley in each year after the harvest."[122]

"…We are partners who made a *muzara'a* agreement with aforementioned pasha. We have received 935 *guruş* for the expense of york and 568 *guruş* for the seeds of barley and wheat, which makes total 1503 *guruş*, from him. We will give him 100 *kiyel* wheat and 80 *kiyel* barley from the harvest."[123]

These two cases are the examples of the *muzara'a* contract which Çelik Mehmed Paşa engage in. He gave the peasants financial contribution and after the harvest, he obtained payment in kind. By selling these products in the market, Mehmed Paşa made a profit from these contracts. Yet, Mehmed Paşa was not the only one who made such agreements.

"…We were partners in *muzara'a* with the aforementioned Şaban with the half shares from the product. The field and seeds belong to me and the labor belongs to him to cultivate the

[122] Konya Court Register 58, 125.
[123] Konya Court Register 58, 126.

field. Upon these terms, I gave 16 bushels of grain seed to him. Thereupon, when I demanded half of the grain after the harvest, he refused it."[124]

The narrator of this case in the court register was es-Seyyid el-Hac Mehmed. The title of *seyyid* shows that the bearer comes from the linage of Prophet Muhammad and *seyyid*s have the privilege of the tax exemption. So, they could save their earnings. On the other hand, Şaban was an ordinary peasant. When he ignored to fulfill the conditions of their agreement, the case was brought to trial.

However, we should bear in mind that this kind of *muzara'a* was the classical form of it and differ from the cases which Çelik Mehmed Paşa engage in. In the classical form of this business partnership, while one party provides the required land and capital, the other contributes to his labor. On the other hand, in its modern form, which is the main concern of this study, although peasants had both labor and land, they could not afford the required capital. Thus, the investor supports them financially. This support makes him a sort of an entrepreneur, who try to make a profit from his investment.

3.3. Gender Distribution of the Investors

In the previous sections of this study, we have shown that these financial institutions were dominated by military class members. These people were middle-aged and old men but that does not mean that the Ottoman women did not participate in them. Richer women in the society, who mostly get wealth by getting married a strong man or by heritage from their fathers, were also visible in the market, although their slice of the cake was small and limited.

[124] Konya Court Register 50, 193.

Esham market was the one which women are most active in. As mentioned earlier, the ruling class male members bought *esham* shares for their family members to provide them a regular income. Therefore, their wives and daughters acquired a serious share in the market. However, their shares were only a small part of total *esham* shares. Even in the İstanbul *Duhan Gümrüğü Mukata'ası* (tax sources of the custom of tobacco), which women have most shares, they only got nearly one third of it[125]. According to data[126], from 1412 shares, women only had 345, which makes 24.4 % of all shares. When thinking the conditions of time, women representation in *esham* market was really high but this percentage may be problematic for two reasons. Firstly, a female owner does not mean that this share was bought by a woman or the income of the share was used by her. In some cases, women bought shares for their husbands or fathers. The second one is that these data came from only the first sale of *esham*. In the secondary market, these shares might be sold to a male investor. Unfortunately, we cannot follow the tracks of secondary market transactions because these transactions were out of state control and not recorded in official registers.

The existence of women in the *gedik* market is obvious. For example, a certain Hafize, a female Muslim occupant of Istanbul bought a large portion of *gedik* of a wheat-cracking shop using a credit, just to offer it in under a month at a cost 38 percent higher than the value that she bought.[127] The court register of İstanbul is full of women who participate in the transactions of *gedik* shares. However, at this point, the main question is whether they have *gedik* shares for investment. We know that

[125] Hacı Veli Aydın, "Osmanlı Maliyesinde Esham Uygulaması", appendix
[126] These data was taken from Hacı Veli Aydın's study.
[127] IM 60/31

women in the Ottoman Empire joined the *esnaf* organizations to sustain their living along with their male colleagues.[128] Moreover, they obtained *gedik* shares as a result of their fathers' and husbands' heritage.[129] Yet, these inheritors and ordinary tradesmen were much far from being an investor. Registers show that women inheritors mostly sold their shares to male inheritors of the same heritage and did not benefit them in the long-term. Determining the exact number of the woman investor in the *gedik* market is really hard and maybe impossible but we know that their number was limited. The examples like Hafize were rare and hard to find. In other words, although some women preferred *gedik* as an investment tool, the market was dominated by men once more. The participation of women in this market was a weak phenomenon.

In *muzara'a* contracts, we cannot see, unfortunately, any woman investor. As a provider of the labor force, women were part of the contract by nature but the other side of the contract mostly was financially and politically powerful figures in the society. In the classical form of *muzara'a*, there might be some women since they got arable lands from their family but in the evolved form of it, investors did not provide anything but required cash capital and seeds. In other words, no woman had such economic and political power in the Ottoman provinces in the late eighteenth and early nineteenth centuries. In short, this new inclination towards financialization did not radically affect the position of women in society. Profitable sectors were still dominated by men.

[128] Faroqhi, "Artisans of the Empire", pp. 135-137
[129] IM 121/3, 121/4, 121/6, 121/22, 121/23

3.4. Commercialization and Monetization in the Ottoman Empire

In the classical period of the Ottoman Empire, its economy can be regarded as a subsistence economy. A subsistence economy is a non-fiscal economy which depends on common assets to accommodate essential needs, through subsistence farming. "Subsistence" signifies supporting oneself at the very least dimension; in a subsistence economy, the financial surplus is insignificant and just used to exchange for essential products, and there is no industrialization. In other words, the production for the market and the usage of cash money was limited. Even the central treasury did not prefer to collect cash taxes since the ways of transportation were dangerous and transferring the cash from provinces to the capital was not quite possible. However, changing war technologies, military mentalities and political realities forced the government to build a strong central treasury and monetization of the taxes. When the state demanded taxes in cash, the tax-payers inclined to convert their earnings into cash. Moreover, the European demand for the goods produced in the Ottoman Empire pushed the commercialization of production and the producers began to produce for market rather than for fulfilling subsistence level. This transformation showed its effects on all sectors; sometimes products valued as commercial goods and sometimes institution itself arose as a commercial good. As a matter of fact, the use of money was a rising trend among ruling class even in the sixteenth century but ordinary people find paying their taxes in cash difficult and their objections and protests against this demand were reflected in the *liva kanunname*s.[130] (local laws prepared for solving the regional differences)

[130] Rifa'at Abu El-Haj, "Formation of the Modern State: The Ottoman Empire, Sixteenth to Eighteenth Century", *SUNY series in the social and economic history of the Middle East*, New York, p. 15

Esham market was a good example of the second option. In the beginning, *esham* was designed for a way of internal debt by the Ottoman finance office. Transaction of shares was done by the state officials and the process was under the strict control of the government. The state's plan was to resell the shares after the owners of them passed away because, in this situation, the state could reclaim their shares. However, the owners preferred to sell them by themselves in the secondary market, before their shares lost their values and felt into the hand of the state. By selling their shares in the secondary market, the owners and the buyers made *esham* shares commercial goods. In the market, these shares found their values according to demand and supply. Moreover, when the central government tried to settle this issue, they began to pay their debts by issuing new *esham*s. The creditors accepted this offer with only one condition. Normally, in the *esham* documents, the name of owner was written but that made harder to sell it in the secondary market. The creditors demanded that no-name should have written on it and the central government had to approve it. Therefore, the secondary market was totally out of the central government and they missed out the chance of tax income from the transaction of the shares. Free trade of the shares complicated the process of this transformation. Beside their commercialization, these transactions made mostly by cash money or the shares used in place of cash money. This shows that extensiveness of the usage and need for cash money in the Ottoman Empire. Obviously, the transaction of *esham* made a huge contribution to the monetization of the Ottoman economy.

Gedik had a similar process with the *esham* in monetization and commercialization. Although it appeared as a license for trade, it transformed into a valuable asset in the market. In the beginning, tradesmen had to sell it to pay their debts to the merchants and the state. When the wealthier people out of the *esnaf* organization realized that *gedik* can be a valuable asset in the market, they inclined to make their investment in it. Through *gedik*, they both acquired a rent from the shopkeepers and made a profit by selling it when the prices of it were high. Again, we can observe that *gedik* became commercialized in the secondary market. However, at that point, a distinction between the retail sectors and the productive sectors should be made. Tradable *gedik* was a phenomenon for the retail sectors since, in these sectors, the trade required much less skill than the latter. A *gedik* owner in these sectors could operate the business by himself or rented it out more easily to a businessman. Commercialization of the goods, however, in these sectors was limited because they mostly offered basic services or produced the basic needs of the society. On the other hand, the productive sectors produced more valuable and skill-required goods but the *gedik* in these sectors did not obtain tradable character. In other words, commercialization of this type of *gedik* was not a fact. Yet, from the transactions happened at the courts, we can see that the monetization was phenomena in the *gedik* market.

"Cevdet Ağa bin Abdullah, head coffee maker (*kahvecibaşı)* of grand admiral Hüsrev Paşa, in front of Panayot, son of Yorgi, a person from grocery guilds, in the court, declared that when he owned forty out of total one hundred and twenty shares, in 'certain capital goods,' known as *gedik* among the city's businessmen, located in an oil-seller shop (*yağcı)* known as Mehmed Yazıcı shop under Rüstem Paşa Cami'i in Istanbul, in return for his one thousand and five hunders *guruş* debt, he gave me aformentioned forty shares as a plegde with a document. Now by collecting aformentioned debt from Payanot, from now on, there is nothing from one thousand and five hundred *guruş* to me and the forty shares owned to him again."[131]

"Of the *kadı*s of Egypt, Hasan Efendi, son of Mehmed, was agent for es-Seyyid el-Hac Mehmed Tahir Efendi, son of es-Seyyid el-Hac Ahmed, with the witnessing of es-seyyid Mehmed, son of Abdullah, and İbrahim, son of Selam, for the greengrocer, which consist of

[131] IM 120/38

120 shares *gedik,* which known as "certain capital goods" among the artisans, and where located at the out of Bahçekapısı, the place called Gümrükönü in İstanbul. Hasan Efendi sold his client's thirty shares to certain Mehmed Said Aga for four thousand and seven hundred *gurus."*[132]

As observed in the court registers, the investors or the tradesmen offered a huge amount of money to buy *gedik* shares in the secondary market. As happened in the *esham* market, *gedik*s played a crucial role in the monetization of the Ottoman Empire. As a valuable and tradable asset, it helped financialization of the Ottoman economy.

In *muzara'a* contract, there was no commercialization of the institution. However, the institution itself was a result of the commercialization of agricultural goods. When the ones who had financial power in the provinces realized that they can sell the agricultural goods in the national and international markets, they tended to invest in the agricultural lands. As mentioned earlier, the European demand for raw material of the Ottoman Empire led to the rise of the volume of foreign trade and production for market. We know that the financial providers of the *muzara'a* contracts get their payment in kind rather than in cash.

"…We are partners who made a *muzara'a* agreement with aforementioned pasha. We have received 935 *guruş* for the expense of york and 568 *guruş* for the seeds of barley and wheat, which makes total 1503 *guruş*, from him. We will give him 100 *kiyel* wheat and 80 *kiyel* barley from the harvest."[133]

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[132] IM 121/9.

[133] Konya Court Register 58, 126.

"… When the people of the aforementioned village were devastated, the aforementioned deceased pasha protected us. A few years ago, he gave us 300 *guruş*, under the name of *çift akçesi*, 20 *kiyel* of wheat and barley. We have given him 40 *kiyel* wheat and 40 *kiyel* barley in each year after the harvest."[134]

Clearly, the amount of grain obtained after the harvest was much more than the yearly consumption of the financial supporters and their households. It means that they used these surpluses to sell it in the market. The impact of the Western trade caused to the commercialization of the agricultural goods and thus, the subjects of the Ottoman Empire reinterpreted the existed business organizations in terms of the necessities of the time.

[134] Konya Court Register 58, 125.

CHAPTER IV

CONCLUSION

The Ottoman Empire's economic institution transformed into a more modern form in the late eighteenth century and the following age. In literature, the traditional point of view claims that the Ottoman Empire's economic institution became modernize with the involvement of the European forces. The European financial instruments, such as banks and the stock exchange, adapted to the Ottoman economic system only after the second half of the nineteenth century. However, as a flexible and pragmatic state, the Ottoman Empire reinterpret her classical institutions accordance with the requirements of the age.[135] The institutions examined in the study, namely *gedik, esham*, *muzara'a*, are connected with the classical Islamic and Ottoman economic organizations and were evolved from them. For example, the occurrence of *gedik* as an institution was result of the existence of *esnaf* organizations or *esham* stemmed from the previous internal debt institutions, *iltizam,* and *malikane*. Yet, their occurrence and their final form answered the different needs of the time. Although they came into existence for fulfilling some simple economic requirements, the financially powerful groups and classes benefitted from them and paved the way for the financialization and commercialization of the Ottoman economy. Since the investment opportunity in the Ottoman Empire was limited for the ones who can save

[135] Şevket Pamuk, "The Evoluation of Financial Instutiton", pp. 1-32

their income, as the members of military class and merchant engaged in intraregional trade, they actively used them as a financial instrument and investment tool. The hope for the integration of the small savings into the system was comedown because the wealthier layers of the society dominated these new institutions and did not lose their privileged position vis-à-vis the other classes.

This domination shows us the limitation of the flexibility and pragmatism of the Ottoman Empire. In spite of the centralization tendency of the Ottoman Empire, the governmental mechanism did not work without the collaboration of the military class members and the local notables.[136] The ruling class members showed their power over the throne clearly in the rebellion of 1703. While Mustafa II think of and prepared for moving the capital city to Edirne instead of İstanbul, the pashas and the *ulema* overthrow him and replaced with Ahmed III.[137] Groups that can hold such a big power could manipulate the operation of the institutions in their favors. This was the limitation of flexibility. Although they made the institutions more tradable and financial, when they got out of their direct control, the ruling class members put barriers which prevent the outsiders or owners of small savings from entering into the sector. Hence, these restrictions blocked the use of these new financial opportunities to promote more productive sectors. Unlike the financial institutions in Western Europe, the Ottoman-made instruments could not be used to expand production and therefore could not contribute to the financing

[136] Ali Yaycıoğlu, "Partners of the Empire", pp. 112-13
[137] For detailed information see Rifa'at Abou El-Haj, "The Rebellion of 1703 and the Structure of Ottoman Politics", Uitgaven van het Nederlands Historisch-Archaeologisch Instituut te İstanbul = Publications de l'Institut historique-archéologique néerlandais de Stamboul sous la direction de ; 52 Uitgaven van het Nederlands Historisch-Archaeologisch Instituut te İstanbul ; 52, 1984.

of growth-promoting, large-scale capital investments. While the rise of new financial instruments uncovers the adaptability of the Ottoman institutional structure, it likewise authenticates its confinements: limited access to factors of production, implemented by the military class members, empowered the rise of financial instruments that were deprived of growth-promoting characteristics. The instance of new financial markets demonstrates that the effect, as well as the manageability of financial development, relies upon the political economy condition inside which it is conceived. For example, as an actor with semi-formal coercive power, the Janissary-ruled organizations assumed a significant role in the making of *gedik* markets. The changing conditions in the nineteenth century, however, decreased their self-sufficiency concerning state and foreign powers and in this way impeded their capacity to force entry barriers. Subsequently, the value of *gedik*s as a financial instrument reduced. The later presentation of modern financial organizations, for example, banks and stock exchanges, added to this pattern by further diminishing the intrigue of *gedik*s for potential speculators and lenders. While *gedik*s as non-tradable licenses made due in specific areas until the mid twentieth century, the tradable *gedik* vanished as the political economy factors basic it was undermined during the nineteenth century.

Moreover, the dynamics of the imperial tradition did not allow making a local bourgeoisie class within the Ottoman Empire with their efforts. The emergence of the Ottoman bourgeoisie was related to the increasing volume of Western trade rather than the internal conditions. Unlike sultan himself and his entourage, the provincial notables and governors, artisans, Janissaries and foreigners benefited from this commercial potential. However, except the minorities, who have commercial tie with the Western merchants, the other groups did not escape from the control of the central government. [138] While minorities constituted the core of the commercial bourgeoisie of the Ottoman Empire, the others only acted as a rentier class rather than a productive bourgeoisie class since they feared the traditional regulation methods of Ottoman finance, namely, compulsory donation, confiscation, and currency debasement. First two were the natural obstacle on the free investment because there was no guarantee for seizure of the government over the goods or the means of production and the last one means financial and economic instability on the market. On the other hand, thanks to their commercial ties with Western power, minorities became exempt from such regulations and interventions. Even the Ottoman sultans' action plan against the growing Western trade in the Empire was made up of ineffective imperial edicts to restrict foreign trade and financing of establishment of the Ottoman manufactories to compete with the Western goods. [139] Especially, the financing of the manufactories by the Sultan was a difficulty for the local investors who may be able to establish manufactories. Also, the "official" manufactories could not compete with Western goods and were shut down one by one. In short, although these new institutions in the Ottoman Empire pave the way for accumulating more capital for the wealthier classes, they did not use effectively this capital to make productive investments and emerge as a productive and progressive bourgeoisie class.

[138] Fatma Müge Göcek, "Rise of Bourgoise, Demise of Empire: Ottoman Westernization and Social Change", New York ; Oxford : Oxford University Press, 1996, p. 89.
[139] Fatma Müge Göcek, *ibid*, 90

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