

State as the Source of Wealth: In Ottoman Economic Thought: A different approach to reflections in the aftermath of the global crisis

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ABSTRACT

This study aims to deal with the ways of creating wealth by economic activities, presenting experiences within Ottoman state tradition and a role of Ottoman state during this period. In this context, the economic power achieved by the state will be explained through examples of practices.

The role of the state in the economy has been raised with the latest global crisis and despite the historical experiences, this role has been started to debate in the economics. In fact, the corrupted state concept should be re-evaluated and re-established. Otherwise, re-evaluation of fundamental issues such as market system or freedom of enterprise wouldn't contribute much to the solution of the problem.

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Introduction

In the traditional Islamic thinking, economy was subsistence and economic activities were mainly based on the supplement of daily requirements. Although there was no prohibition of becoming prosperous or accumulating wealth, owners of the wealth were advised to spend it for charity. According to Holy Quran and the Sunna, words and acts of the prophet Mohammad, basic sources of Islamic knowledge, and principles of justice were important in economical affairs, and legal way of earning were accepted equal to worshipping. However, after the establishment of sultanate tradition, the state transformed a source of income mechanism into a distribution of wealth mechanism.

Ibn-i Haldun, a famous philosopher of Islamic world, addressed the both normative and positive sides of the issue and stated that the state got power in the area where it shouldn't have had it. According to Ibn-i Haldun, there were three ways of subsistence and income: agriculture, industry (crafts) and trade. It seems that he considered agriculture and industry affirmative while trade was doubtful. He considered agriculture and crafts honorable, because they rely on one's direct labor and effort. But they both did not make a person rich. In addition, Ibn-i Haldun mentioned public service as a means of getting rich, despite the fact that it was not a regular way of subsistence. He thought that people should get close to either the state or trade in order to be rich.

Imaret, described as a state governing by Ibn-i Haldun, was the way of collecting taxes through confiscating someone's wealth using political power and administrative office. Therefore, state work is not a natural way of make for a living. He described the civil servants as feminine people who cannot do their own business. According to Ibn-i Haldun the ones who cannot come close to the state in order to protect his capital and to be rich, in his own words "the ones who do not indulge and lick someones' boots" cannot have wealth because wealth is produced by public office. The ones who seize the power and who come close to the rulers became rich.

Therefore, this study aims to describe the ways of getting rich appropriate to Ibn-i Haldun and reveal the formation of them in Ottoman Empire. Trade, public services and companies were predominantly analyzed in this study.

Role of the State in the Economy

It is not possible to state that trade was excluded in the powerful central administration of Ottoman Empire. In terms of the state intervention to the markets, the central administration was parallel with the system of administration apart from some applications. The purpose of the state was to suppress all kind of power and influence of local authority over the economic life and to obtain a great influence over all kind of goods as well as people by means of eliminating the intermediate agents between the subjects and the Sultan (Güçer, 1987).

Although, the main purpose seems beneficial for the citizens as it is frequently appears on the documents such as "public good", "development and prosperity of the country" or "increasing the welfare of the citizens" (Tabakoğlu, 1994), it was actually decreasing the state's reserves as it was frequently appears on documents such as "working to increase the state's wealth without taking inadequate taxes". Some interventions aimed to take taxes while others aimed to buy goods and services below the market price by the state.

Dominant State Policy in Markets: Although, the prices were formed by a system determined by the state, the markets were not competitive in many big towns, notably İstanbul had had a dynamic economic life. It can be claimed that the *narh* system, the state intervention on the market prices, had negatively affected this dynamism.

Aims of The *Narh* System: In addition to economic aims, there were political, moral and administrative aims at the *narh* system. A brief study of these aims will show the functions of the *narh* system. Although to separate these aims is difficult, significant ones can be determined based on the classification of examples. These can be listed as follows:

Administrative and Political Aims: Sultans and "sadrâzâm"s sometimes had attempted to lower the *narh* or to keep it low in order to reinforce their positions as well as to get the support of the general public. These attempts were embodied in expressions found in "hatt-ı humayun" (decree of sultans) issued by Selim III to "sadrâzâm" Musa Paşa ("make sure that the price checks are strict and satisfaction of the citizens is ensured. Also affairs of citizens should be facilitated through your day-and-night efforts. Blackmarketing should be prevented in order to supply the needs of people

in Istanbul. The behaviours against rules should be punished (Pakalın, 2004). According to Tevkii Abdurrahman Paşa, a regulator, the narh should not be haphazardly determined. According to Şehit Ali Paşa, the form of “*putting into effect the prices by the state should not be controlled by the judges and municipal police, also it should be checked on a daily basis. Overcharging should be eliminated. You should be aware of the fact that the narh is the most crucial work of the state.*”

Therefore, the narh system was not only for regulating the price stability but also played a significant role in maintaining the order of the community. In his book entitled “*Fusul-i Hall’ü Akl and Usul-i Harc-i Nakd*”, Gelibolulu Mustafa Ali points the following justifications as the purpose of the book: “... with increasing population, narh system could not be effectively practised. Thus, order of the society deteriorated, judiciary corrupted, and the system got into the hands of the dishonest. The sultan cannot be thought of accepting this (Yücel, 2003).”

In this concept, deterioration of the narh, judiciary and social order are accepted as the same. Since the price instabilities which had the same meaning with the weakness of the state authority were taken as an indicator of administrators’ and public’s weakness. This issue was taken seriously. It was also taken serious because speculations were forbidden religiously for the public.

The narh system was not only to protect the consumers but also was necessary for the protection of producers and traders. Thus, the aim was to prevent non-standard and fraudulent goods’ trade. There were various restrictions for traders who acted against the narh. For example, in a decree issued to Judge of Istanbul and municipality police in 1676, the Sultan himself dealt with the packaging and selling procedures for pears brought to marketplace: “*Order to the Judge of Istanbul and Municipality Police Chiefs: As “Pazarbaşı” Veli and his deputies complained, since pears come into the marketplace, they are put into small boxes and sold as boxes, the poor cannot buy these boxes. The sales should be like before, i.e. Pears should be brought to the marketplace in big boxes and sold by kilograms based on consumer’s need.*” (Çağatay, 1981). The administrative interest about conforming to the narh system also involved quality and standard of the goods. For example, when it was noticed that the quality of fabrics produced in Bursa deteriorated, an inspector was sent to Bursa in 1477. The inspector found out that a cheaper production method was adopted due to increased raw material prices. This reason was approved and new product was allowed (İnalçık, 1993).

Financial reasons: Fixed prices due to the narh system provided major advantage for the state, because state was the major buyer. The state could buy for lower prices. For example, grain prices formed as free market and the state had had to buy on that price. Free market prices were usually monitored on heritage notebooks and the prices on “tereke” notebooks were always higher than official ones. The reason was the higher “resm-i kısmet” (a kind of heritage tax) taken by judges because of higher “tereke” price. Although, price of wheat per kg was 11 “guruş” and the price of barley per “kile” (a weight in unit) was 5 “guruş” in 1799 at Tokat, according to official purchases by the state, price of wheat flour was 4.0 “guruş” and barley was 2.25 “guruş” (Öztürk, 1987). However, it would not be realistic to say that official prices were always kept low and the narh prices were continuously suppressed by the state. Considering the fact that vast amount of agricultural products were sold in the market, it would be true to assume that suppressed prices were only common in extraordinary situations.

Direct Interventions To Trade: Other than mentioned above, there were another intervention methods in trade. These were “yedd-i vahid” (monopoly) practices, regulations about market places and trade regions, gedik method (a kind of quota imposed on the craftsman about the number and location of businesses) and various confiscation procedures applied to traders. The aim here was to prevent speculations, blackmarketing, deceptive sale practices, and to establish the order in the country. Food supply in big cities was an issue to which much significance was attached and attention was paid. Ottoman administrators were deeply taking into account that a well running economic life would make other state affairs smooth. Otherwise, there would be many social and administrative problems. “Gedik” and “yedd-i vahid” practices aimed to facilitate the work of the tradesman and to keep things well organized establishment content.

Although, confiscation procedures mainly involved state officials, it applied traders who were thought to have become unjustly rich. Even in financially difficult times, state did not covet traders’ wealth. There was a significant explanation about this subject in “hatt-ı humayun”’s issued by Selim III. During 1787-1792 Austrian-Russian Wars, the state was in financial difficulty and Sultan asked for financial solutions. This was explained by Selim III as follows: “*Kaymakam Paşa*” what I say to you is: “*There can be no answer if the state has no money, then how can we live such a pretentious lives and what did we consume? We showed our enemies that we are weak. And looking at your situation, I am surprised. Just tell me how it could be possible. You have been in public service for so long, you are the one who knows where the extra five akçe (a currency unit) is, and you are asking me. You said that this is away from here, and*

didn't I take it? (Karal, 1999) Although, upon this decree, Sadrazam wanted to confiscate heritage and merchandise of some traders, the Sultan strongly prohibited and saying: "Seizing the belongings of orphans is something contrary to my opinion. I can not allow to touch them. Whatever accumulated by someone should be left to his or her heirs after the death, whether it is accumulated through trade, farming or crafts, should be left to his heirs, after his death. Don't ever touch them! Only the wealth of public servants belong to state treasury, neither to me or to his heirs. All of them should be spent for public. Our ascendants did so. If the accountant is afraid of God, he shouldn't touch the heritage of craftsmen, otherwise he will be severely punished."

One of the clearest examples of direct interventions to market was obligatory migrations practiced upon traders in order to develop trade in some areas. However, these exchanges were provided some tax exemptions. After the conquest of Kefe, 300 traders, and their families, were deported to Istanbul. It is known that livestock traders and butchers worked under coercion in order to keep meat supply running in large towns, and free trade conditions were not applied in this area of work (Pamuk, 1994).

Corporate Movements and Status of the State

Being dominant in trade through the *narh* system, the state closely followed developments in the west regarding market economy and corporate movements, also tried to be involved in these activities. As a matter of fact, the first corporation "Şirket-i Hayriye" was established by the state. In this subtitle, the state's effort to manage the process of capitalist development without losing power will discuss.

Partnerships in Ottoman Trade Life: Although, tradesmen and craftsmen were confined with the strict laws which entrepreneurs had suffered a lot, it seems that Ottoman State closely watched the corporate movements in the west. There is no doubt that partnership culture and practices always survived as an indicator of a deep rooted tradition. However, there were major differences between the corporate tradition of the west and Ottoman applications.

There are three types of contract based on partnership in Islamic law consisting of capital, labour and credibility. These were in the form of "Şirket-i Inan" (a kind of

labor-capital partnership) and "Mufavada Şirketi", a kind of cooperation based on the equal rights of family members. Records about these partnerships were taken from "Mecelle" was common in "Şeriyye" Records. "Şirket-i Inan" practice was common among vegetable oil and honey markets, especially in far away trades. They had started from the supply of the product and ended when the product reached to Istanbul where it was shared. In some practices, it was seen that people became the joint-owner of ships through giving loans to ship owners as similar to the western practice (Farooqi, 1993). Apart from this small scale partnerships which did not require much capital. Especially after beginning of the "İltizam" practice, privatization of tax revenues, partnerships involved the merging of large companies had started to be common (Gedikli, 1999). However, this kind of partnerships which require great amount of capital accumulation was formulated based on some privileges provided under certain circumstances and uncertain conditions (Cezar, 1986). Private entrepreneurship and corporate culture had not developed adequately due to the fact that the capital accumulation was in the hands of high officials and profitable business was possible only between privilegers.

As a result of "iltizam" practice, owner of "dirlik" (money obtained from the state land used for soldier training (similar with *latifundia* in Rome) were disappeared. Life-long "mültezim" concept appeared and provinces were left to "mültezim"s. Therefore, non-muslim traders gained power by means of the governor's policy. Towards the end of the 18th century, some of this "sarraf" s had fortunes more than a million pounds. These minority members were in close contact with foreign traders and they played significant role about providing loans to the state (Tezel, 1986). They acted like the treasury of the state during the hard times for financing military expences and like financial crisis. For example, in 1878 460,000 pounds were taken from banker Zarifi for military expences. Another document shows that "miri" farms in Yanya were given away for paying a previous loan of 25,000 Turkish liras.¹

Embassies and consulates of foreign countries started to market their own goods in modernization and especially in the later half of the 18th century. In this period, partnerships with minorities had become more and more common. These minority traders were also benefiting from various privileges given to foreign traders through merging. There were many minority members who changed their nationality. After securing minority rights through "Küçük Kaynarca" Treaty, this practice had become even more common and disguised traders became registered ones. Thus, the state could not stop this trend and gave the rights to its own minorities which were

¹ - B.O.A. Yıldız Tasnifi, Sedaret Resmi Maruzat Evrakı no:1-40

previously given to foreign traders and “European Mechanthood” was established. In order to keep balance, these privileges were given to Muslim traders with some extras, thus “Hayriye Merchanthood” was established. Unlike the former traders, later ones were also given the privilege of trade to Persia and India (Tabakoğlu, 1994).

Corporate Movements in Ottoman Empire: There were some opinions in “Tan-zimat” period that the economic problems country experienced could be overcome through corporate development. Sultan Abdülmecid stated that he struggled a lot to take loans but he failed and revenue-increasing measures, such as forming companies as in other countries, were necessary to overcome the financial problems (Koraltürk, 1999). Ministry of Trade was established in 1840 and “Kanunname-i Ticaret” act of 1850 decelerated some developments about corporate development. “Kanunname-i Ticaret” was a translation of French law titled “Code de Commerce” of 1807 with some minor modifications. This act was current until 1926 and provisions about companies were mentioned in its 11th, 13th, 14th, 19th articles (Şekerci, 1981). According to an expression in 13th article, constitution which was formed in 1876 “Ottoman subject has rights to establish all kind of companies for trade, crafts and agriculture provided that they obey the rules and order”. Cevdet and Fuat Paşa established the first Ottoman share company, “Şirket-i Hayriye”, in 1851. At first, operating ferries were between Bosphorus and Karaköy. “Şirket-i Hayriye” increased its activities year by year, and became a modern business after obtaining the privilege of Bosphorus transportation. As a consequence of these developments, many maritime businesses were formed using state protection and practices after 1910 (Eldem, 1994).

Board of Industrial Development operated between 1860 and 1873 focuses on corporate development and worked on restoration of craftsmen unions. The purpose was to collect the craftsmen operating as scattered under share company system with a common capital investment. However, when the board started to dominate every decision from appointment of company executives to profit margins and sale prices, desired benefits were not achieved. An example of these efforts was a share company run by leather craftsmen of Istanbul with a capital of 10.000 golden coins.

Corporate development gained speed in the second half of the 19th century. Following Şirket-i Hayriye, Bank-ı Osmani and Şirket-i Osmaniyye that run Aydın-İzmir railway were established. A majority of companies formed in this period were privileged foreign companies and they conducted banking, insurance, railways, mining, utility gas and tramway operations. These were foreign companies. Until 1908, the

number of share holding formed and involved in economic activities in Ottoman land was 86. However, a total of 236 companies were established in 1908-1918 period only (Toprak, 1997).

In the process of corporate development and strengthening the capital structures Galata Bankers who had been operating since the time of Sultan Mehmed made significant contributions. During the reign of Abdülhamid, not only public debt securities but also shares of companies which had been operating in transportation business such as railways, tramway, tunnel, and in mining, water, natural gas, electricity and manufacturing areas were being traded in Galata Stock Market. Galata Stock Market started to buy and sell state bonds and company shares. Sultan Abdülhamid, himself, was involved in these affairs by means of his private banker Zarifi and it took public attention to this area (Kazgan, 1995). By the act of “Development of Industry” which had been put into effect after “Meşrutiyet”, corporate development was encouraged and domestic companies were started to be established. Most of these companies were included in the list of Shares and Bonds Stock Market. Companies quoted in the stock market were in different industries such as Thread and Linen Goods Share Company (with a capital of 10.000 Lira), Ottoman Anonymous Ittihat Company (with a capital of 100.000 Lira), Ottoman Anonymous Rubber Company (with a capital of 20.000 Lira), Ottoman Marble Company (with a capital of 25.000 Lira), Turkish Naphta Industry (with a capital of 250.000 Lira) and “Dersaadet Cheesemaker Teavün” Company Company (with a capital of 25.000 Lira) (Fertekligil, 2000). Figures about factories and manufacturing plants in a statistical record dated 1897 gives information about trade life. Under the title of “Memalik-i Mahrusa-ı Şahane’de mevcut fabrika ve değirmen vesairenin nev’i” (number and kinds of factories and mills in Istanbul) 23.837 business places were mentioned (Güran, 1997).

Corporate concept in Ottoman Empire appeared as privileges of share corporations. In the study of Mehmet Cavid Bey entitled “İlm-i İktisat” after explaining various corporate types, the following information regarding share corporations were given (Mehmet Cavid Bey, 2001). “A majority of companies are share companies. They performed profitable activities and much of work especially in trade and industry is done by these companies. As other European countries establishment of these companies are subjected to Sultan’s approval. Besides the company has to follow some procedures in order to get privilege”. Therefore, the key condition for the company was to obtain a privilege. While the corporates in the west formed around the capital accumulation. They were quite different in Ottoman Empire in terms of their logic since they did not

fit to partnership cooperation. Ottoman corporate development process completely relied upon privileges, and getting rich through trade which was possible only via the permission of the state.

Public Service and Its Monetary Advantages

Strong bureaucratic structure in Ottoman Empire was a result of an effort which was to keep permanently the government in the hand of centralized administration. Therefore, the public service officers were pleased financially to create a strong bureaucracy. The richest top ranking officers known as “devletlü” were remarkably in large numbers. The methods to obtain a fortune for high ranking officers will be clarify in this chapter.

Monetary Awards: The issues such as great military achievements, excellent pursuance of assigned duties, and neutralization of oppositions taken place against the Sultan were the prominent awarding examples within the bureaucratic structure of Ottoman Empire.

Since entering the public service had been a matter of good chance, young people were accepted to the palace after passing all tests. They had been hardly training. Entering to the palace was not easy and selected ones had to have certain qualifications (Ricaut, 1686). According to Gökyay “When Architect Mehmet Ağa, who built the Blue Mosque, entered the office in the Palace, he saw the attention paid towards the musicians and wanted to be a part of this profession. He convinced his master to give him lectures on music. However, after a dream he gave up this profession and decided that it would conflict with his belief. After getting know the various artisans in the palace, he was interested in the art of “sedefkar”, inlay workers using mother-of-pearl, and decided to perform this art.” Although the training given in the palace and criteria the young people were subjected to decide the occupations to be assigned were out of the present study’s scope. It is important to note that the trainees could select the occupation themselves. It seems that this practice had aimed high productivity from the very first day in public service (Gökyay, 1988).

In fact, there was no need for additional awards since Ottoman administration system. The upper office was quite awarding financially and the state officers had done their best to get upper offices. In order to understand the income of the high officers the following incidence reported by Mustafa Nuri Paşa is interesting “During the end of

the reign of Sultan Mahmud II, Paris ambassador Ahmet Fethi Paşa was appointed to “Sancak” of “Aydın” and then the commander of division and former chief commander Namık Paşa was appointed as a “müsellim” with 25,000 “guruş” monthly salary. After a while, Ahmet Fethi Paşa came to Istanbul and then went to Aydın. He offered Namık Paşa 25,000 “guruş” in addition to income of all “mukataa”s and under-door revenues and other income for his sustenance. Since Namık Paşa did not accept the offer, he appointed Ahmet Efendi, one of his relatives as his müsellim. After earning two million guruş of income that year, Sultan Mahmud II notified the Minister for Mukataas Nazif Pasha and allowed Ahmed Fethi Pasha to keep only the half of the income and returned the other half to treasury. The aim of this example is to show that governors and mutasarrıfs of sancaks with good incomes had very high incomes and they hadn’t needed extra money from taxes imposed on the people. Here, salary differences between administrator and deputy classes were significant. According to accountant records of Istanbul Palace in the period of 1555-1556, daily income of “Dar’ül Saadet Ağası” was 45 “guruş”, while 24 “ağa”s which had worked under his supervision was only 5 guruş (Barkan, 1979). In statuebooks, chapters had not only the job description but also had the salary aspects of the officers. For example, “and beğlerbeğlik is the path of four people: province chief accountants, approval officer on behalf of the Sultan, judges whose incomes were five hundred “akçe” and province “bey”s whose incomes reached four hundred thousand akçe (Ak-gündüz, 1990)”. Therefore, significance of officers were defined based on the income obtained. Besides, statue changes were also remarkable. High officials called “devlet erkanı” such as Prime Minister, “Şeyh’ülislam”, Navy Commander, Ministers, Minister “Kethuda”s, accountants and lawyers had residences and as many as 200 service personnel such as kethuda, mühürdar (sealer), cook, stableman, boatman, residence keepers and tailors. These service personnel attended to wars and conducted their service during the war. Although this practice was criticized heavily, it was not changed (Aksan, 1997). Wealth of high officers were staggeringly high. When a messenger from India said to Halil Hamid Pasha that they could give five thousand sacks of golden coins to Ottoman Empire in return for helping them, the Pasha said “I and Kaptan Paşa present here alone could give that much”. The amount mentioned was about two hundred fifty thousand golden coins.

It is seen that regular payments were done for the central officers until 18th century. However, along with the deteriorating financial structure, a “grant based service fee” system was adopted in place of regular salary payment. In this system, the grant received by bureaucrats increased as he worked harder and did his job properly (Findley, 1996).

Distinction should be made between two aspects of material award system: first, appointing one or more level above offices in return for the accomplishments and the second giving big bonuses. The former was common and effective in use. This practice continued after Tanzimat, although regulations regarding public officials were subjected to certain rules Ahmet Muhtar Pasha was promoted from colonel to Marshall after his extraordinary success in Yemen only in 9 months. He talks about this: *“When the boat which was carrying the document showing my promotion and accompanying officers came to Kurfuda and Şakik Edip Efendi and aide of the sultan set out to come near me. However, I had already a herald from Kurfuda, so I was highly affected and cried. I was closed up in my tent and did not accept anybody for an hour. The reason not having enough time to think about deserving this duty or not and having enough qualification for this duty. I was scared of being humiliated later. For I was a colonel nine months ago. My brigade and major general period are only nine months. Giving me these three big ranks meant that they expect a lot from me.”* Another example of this was promotion of Topal Osman Nuri Paşa from colonel to marshall only in three years.

In the practice, awards called the state awards and promotions were given collectively as well as privately. Collective awards called tip from the Sultan were given during ceremonies for the Sultan's claim of throne and during another celebrations after big military triumphs. Examples of individual awards were decorations of historians appointed by the Sultan to “Divan-ı Humayun” and some other offices. Along with the formal start of the state historian statue in 1700, famous historian Naima was rewarded 500 “guruş-u attıye” and one “guruş” payment rise to his daily wage at customs (İlgürel, 1991). Sometimes there were payments for the officials relieved of the duty in order to prevent them to get offend and to make them feel good about the trust of his service. After Halil Paşa removed from the duty, Sultan Mehmed II (the Conqueror) gave him a village in Filibe Sancak as his own property in order to dispel his doubts and to decorate him (Çarşılı, 1988).

The available documents show that sometimes there were extravagancies in rewarding. For example, after the Crimean war, the British and French saw that saw that Ottoman gun powder was better than the ones produced in their countries. They offered big rewards to chief of gun powder manufacturing officer Ohannes Dadyan and wanted to bring him to their countries. He turned down their offers and said that “I was born in Ottoman Empire and raised here. I dedicate my life to this country”. After heard about it Sultan Abdülmecid donated him a land in Yeşilköy as far as his eyes could see (Pamukciyan, 1958). This land was in the area known Florya

today and consisted of 210 pieces of plots, which is almost all of today's Florya. Dadyan's inheritors had disagreements over the land in 1950's and their cases went on for years in courts (Dadyan, 1954).

Warrenties and Eliminating the Concerns for the Future: Incentive and awarding practices applied during the public service continues after termination of the service. Thus, officials conducted their lives without concerns. Besides a pension, the officials could retain all the wealth they accumulated during their service in their retirement. Although in Ottoman Empire only the Sultan could own property.”Paşa's and “Vezir's also could have properties such as large farms, palaces, residencies, whose incomes completely belong to them. In order to understand the practices on this issue, it is necessary to study Has (big Timars such as latifundia in Rome) concept. Although, “has” term is used for Sultan's property in Great Seljuks, it has a meaning of private property land and “dirlik” which had returns at least 100,000 “akçe” in a year was belonged to servants of Sultan and palace officials such as “Bostaniyan-ı hassa”, “Doğancıyan-ı hassa”, “Mehteran-ı hassa”, as well as dynasty members, ministers, beylerbeyis, sancak beyis and accountants. For example, there was a rule regarding the sell of grain from “has”es and farms dated H.945 in Bursa (Gökbilgin, 1988). “Has”es appropriated to “Vezir's and high officials were abolished year by year and added to “Mir-i Mukataa”. After “Tanzimat” the principle of making all expenses through the state treasure was put in practice and this system was cancelled totally after starting regular salary payments.

Divan-I Malikane” (life-long mültezim), a significant type of private property, was also an example of this privileged land property practice. “Malikane” owners had right to sell, donate, establish foundations and leave them to their children when they die (Barkan, 1939). Giving to own a property right, which exclusively belong to Sultan, to the state officials means that officers could demand nothing from the state since they had some privileges of sultan. As a result of having all financial needs that they could dream of the state officials could only focus on their duties. In addition belongings could have been passed to their heirs, so they did not have any concern for the future. Against the danger of confiscation or contraversions among family members, some officials disregarded inheritance rules of Islamic law and established Foundations special their children, so taking guarantee even the future of their children. In practice, in some cases children of some officials were paid salary. There was no doubt that confiscation was the main concern of state officials who had considerable amount of wealth accumulation.

“Müsadere” (confiscation) system took its legitimacy since “devşirme”s were in the same statue of slavery, the state had right to take their share of heritage according to Islamic law. Besides, they had not pay any tax. they had to help the state in hard times just as the Sultans had paid from their own wealth. If all the wealth were confiscated, the state had to pay for the livelihood of statesman’s household. There were not any age limitations for statesman. Service was unlimited except for dismissal, dementia and impairment. There was an amount given in cash or dismissed officers called “arpalık”. This could be an annual income of a given land or a given sum appropriated from the treasury (Tabakoğlu, 1994).

Conclusion

Ottoman Empire represents a strong central state tradition and this subject is the source of its economic power. These facts literally show that the state is the source of wealth. The fact that the state was the sole owner of the land restricted the ways of getting rich by trading and working in public service. Strict state control and getting low profit margins made it difficult to be rich through the trade. However, “sahaf”s operating in financial markets and especially later period’s non-muslims dealing with trade were exceptions.

On the other hand civil service seems to be the only way of getting rich in Ottoman Empire. Confiscation establishment was one which could eliminate all concerns. The state was not complaining about high officials who were getting rich because it was thought that this wealth belonged to the state. The main reason for a conviction was the fact that statesmans could not leave this wealth to their inheritors.

According to Ottoman political system took its power from economic strength. The state had to be as strong as possible within national borders. The state administration under control of financial system debilitated the state and thus hurt the citizen whose protector is the state. This became apparent with the financial depression happened in the 17th century.

Present day situation is no different. In the recent recession, states must reconsider their relationships with financial system and make some reorganizations. It should not be forgotten that 90% of the public revenues come from taxes. Although cooperation with financial quarters can be conceived to the benefit of the states at first, it

will result in drying of tax sources as well as the losses in production strength in long term. The most pressing question to be faced and to be answered is whether it is the state’s or the bank’s future that is important.

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