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ECONOMIC FACTORS AND THEORIES OF DECLINE AND REFORM IN THE LATE
OTTOMAN EMPIRE

C. 1789-1911

BY

PETER S. GOMORI

A master's thesis submitted to the Graduate Faculty in Liberal Studies in partial
fulfillment of the requirements for the degree of Master of Arts,
The City University of New York

2023

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APPROVAL

Economic Factors and Theories of Decline and Reform in the late Ottoman Empire
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Peter S. Gomori

This manuscript has been read and accepted for the Graduate Faculty in
Liberal Studies in satisfaction of the thesis requirement
for the degree of Master of Arts.

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Simon Davis, Advisor

David Humphries, Acting Executive Officer

THE CITY UNIVERSITY OF NEW YORK

ABSTRACT

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Advisor: Simon Davis

Tribes of Turkish speaking people (“Turks”) migrated in the 11th century from the Central Asian Steppes to what we consider the Middle East. Over the next two centuries this community would expand north, west and south to form a vast empire: the Ottoman Empire. Possibly the peak of the size of this empire would probably occur during the 16th century under the rule of the Sultan, Suleiman the Magnificent (1494- 1566) where the population of the Ottoman Empire was estimated to be up to 30 million. Yet there would be rivals. To the East was the Safavid Empire (today Iran), to the Northeast was the Russian Empire, and to the North and Northwest were the European states and empires (e.g., The Spanish-Hapsburg Empire, Venice, and Portugal then later Great Britain and France). As the empire evolved there would be a variety of internal and external challenges to its integrity. Such challenges would include cultural and religious factors, nationalist and separatist movements, internal political dynamics and what is mostly addressed in this study, economic challenges.

This study will review some of the various theories about how the Ottoman Empire faced change and we will also examine the various economic studies which will suggest why it was slowly losing its integrity in the nineteenth century as events take the empire to World War I.

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CHAPTER 1

Principal Currents and Theories Explaining Apparent Ottoman Decline

Introduction

Tribes of Turkish speaking people (“Turks”) migrated in the 11th century from the Central Asian Steppes to what we consider the “Middle East” (Inalchik 1973 Chapter 1). As these tribes settled, they established early forms of “states.” One state was ruled by Osman in the 13th century.

Bordering on the Byzantine Empire, Osman, and his band of warriors (“Ghazis”) increased their wealth by plundering wealthier communities in the Byzantine Empire. They moved north in the Balkans and defeated an army consisting of Bulgarians, Hungarians, and Serbs in the battle of Kosovo in 1389. They moved west eventually conquering the center of the Byzantine Empire, Constantinople in 1453. They moved south and overran what we consider the Arab Middle East up to Morocco in North Africa (Gelvin 2016 22-24). The empire also developed a navy to either engage in trade or to enact taxes in the nearby bodies of water: the Aegean, the Mediterranean, the Black and the Red seas as well as the Persian Gulf. Yet being a large empire also came with rivals. To the East was the Safavid Empire (now Iran), to the Northeast was the Russian Empire, and to the North and Northwest were the European states and empires (e.g., The Spanish-Hapsburg Empire, Venice, and Portugal then later Great Britain, France and the Netherlands). Consequently, dominance over the seas wouldn’t last. The Spanish and the Portuguese developed alternative trading routes to the Americas and to Asia during the sixteenth century followed by the growing naval superiority of the British and the Dutch during the seventeenth and eighteenth centuries. As their rivals advanced economically and consequently militarily, the empire had to increase its bureaucratic and military expenditure in order to compete.

But as they expanded their empire, they developed a powerful slave-based army called the *Jannisaries*. The *Janissaries* began as an elite corps made up as a slave based system (“devşirme”) by which children who were born Christian were taken as a levy from being conquered and forcibly converted to Islam and incorporated into the Ottoman army as elite infantry troops. The corps was most likely established under Sultan Orhan (1324–1362). Unlike typical slaves, they were paid regular salaries. Forbidden to marry before the age of 40 or engage in trade as their complete loyalty to the Sultan was expected. By the seventeenth century, due to a dramatic increase in the size of the Ottoman standing army, the corps' initial strict recruitment policy was relaxed. Civilians bought their way into it in order to benefit from the improved socioeconomic status it conferred upon them. Consequently, the corps gradually lost its military character, undergoing a process that has been described as "civilianization". The Janissaries were a formidable military unit in the early years, but over time the Janissaries became a reactionary force that resisted all change. Steadily the Ottoman military power became outdated, but when the Janissaries felt their privileges were being threatened, or outsiders wanted to modernize them, or they might be superseded by other military rivals they often rose in rebellion.¹

Towards the end of the 18th century, Sultan Selim III (1789 – 1807) signed peace treaties with Austria (the Sistova Treaty 1791) and Russia (the Treaty of Jassy 1792) yielding territory while later witnessing the invasion of Egypt by Napoleon in 1798. Selim recognized the need for reform and to modernize the military only to be overthrown by a coalition of Janissaries and local ayans in 1807.² In the ensuing tumult, Sultan Mahmud II (1808-39) would emerge to continue the process of reform and modernization. It would be during his reign that the Janissaries would be abolished, the signing of the trade agreements with Europe at Balta Liman

and the reform process known as Tanzimat would be initiated. (A further discussion of the Balta Liman trade agreement takes place in chapter 2.)

In 1839, the Hattı Şerif of Gülhane (“Noble Edict of the Rose Chamber”) was decreed by Sultan Abdulmecid I (1839-1861) which would begin a formal series of reforms in the Ottoman Empire (Hanioglu 2008 72-108). This process is often referred to as the “Tanzimat” (in Turkish: “Reorganization”) would attempt to change some of the traditional social and legal theocratic practices of a previous system to more modern system based on various European concepts and ideas. For example, Tanzimat would attempt to provide for more equal treatment of non-Muslim and Muslim citizens. It also authorized the elimination of “tax farming” and the development of a standardized system of taxation to eliminate abuses. (We discuss tax farming later in Chapter 2.) Based on the Prussian conscript system, the Army was reorganized with new fairer methods of military conscription and training. The reforms also included the development of a new secular school system, the creation of provincial representative assemblies, and the introduction of new codes of commercial and criminal law (which were largely modeled after those of France). These laws were administered by newly established state courts (*Nizamiye*) independent of the the Islāmic religious council (the “ulema”). The Tanzimat reform movement came to a halt by the mid-1870s during the last years of Sultan Abdülaziz’s reign. While the Tanzimat effort was to centralize administration, all legal authority became concentrated in the hands of the sultan while laying the groundwork for the gradual modernization of the Ottoman state. In earlier research, writers such as Lewis portrayed the Ottoman Empire in a slow irreversible decline after the sixteenth century:

“Fundamentally, the Ottoman Empire had remained or reverted to a mediaeval state, with a mediaeval mentality and a mediaeval economy - but with the added burden of a bureaucracy and a standing army which no mediaeval state had ever had to bear. In a world of rapidly modernizing states, it had little chance of survival” (Lewis 1958 127). Yet more recent research has dramatically challenged these assertions. For example, Toledano said:

“However, recent studies have provided a solid basis for a thorough revision of the Ottoman decline paradigm. The current view is that no generalization can hold true for the entire period of the last sixteenth to the late nineteenth centuries, for the whole empire, and in all aspects of life” (Toledano 2011 457). Reflecting on Toledano’s comments, we will attempt to show that the study of the evolution of the Ottoman Empire is worthy of greater detail as the empire consisted of many different (moving) parts. We also recognize that there was a process over time where the Ottoman Empire would become incorporated into the global capitalist system which in turn altered its internal society and way of being.

The "Long Duree" of Fernand Braudel

The “long duree” (“long term”) is an expression associated with the French Annales School in the study of history. In this approach long term movements are identified by looking at evolving structures that display underlying trends. The scholar most associated with the long duree approach would be Fernand Braudel who in 1957 became the editor of the influential French publication, *Annales*.³ Braudel published his views in an article "History and Social Sciences: The Long Duration" (Braudel 2011).⁴ Braudel emphasized the role of large-scale socioeconomic factors in the making and writing of history.⁵ Examples of long-term factors would include geography, climate, and demography that influence the actions of human beings throughout

history. While much attention is devoted to economic history, there is also recognition of other powerful forces such as geography and culture. Within the broad evolving trend, there is an allowance for medium-term “conjunctures” (e.g., periods of decades or centuries) when more profound changes such as an empire’s dissolution can take place. We have identified the time period 1789 – 1918, as an important episode prior to the dissolution of the Ottoman Empire which might be characterized as a “conjuncture” within the long history of the Ottoman Empire. This approach, as it gives priority to long-term underlying trends, incorporates statistical methods as is commonly found in economic history research. Here we have slow moving dynamics where we attempt to draw conclusions from historical trends and patterns.

In this chapter we will review different theories that attempt to explain the historical process of the Ottoman Empire during this period. (This discussion can also be analogous to other historical declines of empires.⁶)

Asiatic Mode of Production (AMP)

Unlike Western European countries, what could differentiate this empire was its lack of the notion of “private property” (Anderson 2013 365). In an attempt to explain the different historical processes, the historical model referred to as the Asiatic Mode of Production (AMP) would often serve as an explanation. The Asiatic Mode of Production had its forerunners. In the sixteenth century, political theorists such as Niccolo Machiavelli and Jean Bodin would characterize the Ottoman Empire as being dominated by its central government (Bailey and Llobera, 1981 16). In the seventeenth century, based on his travels east, Bernier’s *Travels in the Mogul Empire* takes note of the absence of private property in the Asian countries that he traveled to (Anderson 2013 472). Later in the eighteenth century, Montesquieu would coin the

expression “despot” in discussing the governments of Turkey, Persia, India and China (Bailey and Llobera, 1981 18). John Stuart Mill in analyzing India’s agricultural society would use the expression “oriental society” (Bailey and Llobera, 1981 21).

Marx and Engels would argue that history can be characterized as consisting of epochs where both the mode (or methods) of production and the social relationships that emanate from these respective production structures would differ. The earliest form Marx would call primitive communism, but as social change occurred, the modes would evolve into different systems. Earlier forms of production systems would rely on slavery. Then a later mode that would be an important reference point would be the Feudal mode and the most recent being the Capitalist mode.

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"... The totality of these relations of production constitutes the economic structure of society, the real foundation, on which arises a legal and political superstructure and to which correspond definite forms of social consciousness. The mode of production of material life conditions the general process of social, political and intellectual life..." (Bailey and Llobera, 1981 20-21).

In his *A Contribution to the Critique of Political Economy*, Marx broadly discusses the different modes of production: ancient, feudal, capitalist and for our discussion the Asiatic mode (Marx 1970 21). The Asiatic Mode of Production (AMP) was suggested to have taken place in Asian countries such as India and China. Much of this discussion is found in various sources such as: unpublished manuscripts, letters, early writings such as the *Grundrisse* and *Capital, Volume III*. In a collection of works by Marx, Eric Hobsbawm tries to elucidate Marx's writings on "pre capitalist economic formations" (Marx, 1965 10). Much of these writings are drawn from a

publication in the 1950s commonly called “The Grundrisse” (translated as the “The Outline”) along with materials from Marx’s *The German Ideology*, newspaper articles written during the 1850s, and various letters to Engels and other colleagues. Here we find more detail as to Marx’s thoughts on the evolution from the early form of economic existence, primitive communism, through the different modes of production.

Within these discussions, Marx is concerned about the process of social change; that is the periodic conflicts between the material forces of production and the social relationships that emanate from these forces of production. This list of modes of production was not really a theory but insights based on a variety of observations. Yet this list was not without its controversies. While it is safe to say that earlier epochs prior to capitalism were not as technologically complex, we cannot easily identify a linear path of a succession of modes of production (although much discussion has occurred around the transition from Feudalism to Capitalism⁷). Marx’s efforts were to understand how capitalism was formed and functioned. Much of his understanding (as well as Engels) was based on the information that was available to them in the mid nineteenth century – especially in the case of Asian countries such as China and India.⁸ At the time of the *Grundrisse*, as Marx acknowledged the several paths from the primitive communal mode: “the oriental, the ancient, the Germanic and Slavonic” while asking the question which path was more amenable towards capitalism and which was more resistant. Of these the “oriental” (which we now call the “Asiatic”) becomes the most resistant.

As Marx noted:

“The Asiatic form necessarily survives longest and most stubbornly. This is due to the fundamental principle on which it is based, that is, that the individual does not become

independent of the community; that the circle of production is self-sustaining, unity of agriculture and craft manufacture, etc. ...” (Marx, Cohen, and Hobsbawm 1965 83)

In the AMP model, land would not be owned by individuals but by the State which would also control the system of irrigation. Marx was interested in the impact of British capitalism on India which he viewed as characteristic of AMP. That is: How was India (or any pre-capitalist society) forcibly incorporated into a global capitalist system?

It is interesting to note that the discussions of Machiavelli and Bodin were in reference to the Ottoman Empire as a rival to the European powers. These ideas would evolve through Montesquieu, Adam Smith, J.S. Mill to encompass China, India and Persia (Anderson 2013 462-469). At this point we should try to highlight some of the attributes associated with the “oriental despotism” model articulated by the various political philosophers:

- land is owned by the State,
- there is a lack of juridical restraints,
- religious substitution for law
- absence of hereditary nobility
- servile social equality,
- isolated village communities,
- agrarian predominance over industry,
- public hydraulic works and
- torrid climatic environment and historical immutability.

It would seem that both Marx and Engels would accept these notions of Asian societies and would be the basis of why these Asian societies would not, on their own, transition to capitalistic

economic systems. But the concept of the Asian Mode of Production (AMP) is not without its controversies⁹.

Anderson reviewing Marx's various writings notes that in his correspondence with Engels during the 1850s and reflecting on Bernier's *Travels in the Mogul Empire*, Marx was focused on the lack of "private property" relations as a key factor in understanding why Asian societies did not enter a feudal mode of production. Following the lack of private property, the harshness of the climate and the aridity of the soil necessitated the development of hydraulic irrigation systems by a central government or public agency. It would also be noted that these societies would be characterized by self-sufficient villages where labor would be both for agricultural output and handicrafts made in the household. It will be this self-sustaining character combined with State control of the land that would underlie Marx and Engels' contention that would explain the resistance to social and economic change.¹⁰

But Anderson would offer his own assessment of the shortcomings of the AMP model. For a time, the AMP model was being applied to a variety of societies, from Asia to Africa to Latin America to Melanesia. But regions that are incredibly diverse with regards to histories, socio-economic formations and various levels of civilization cannot easily fit into this model. The characteristics of the AMP model: self-sustaining villages, common sharing of land and a dominant State are often lacking empirical evidence.¹¹

Hindess and Hirst ("HH") further add to the criticism of the AMP model. Rather than focus on empirically verifying where the AMP model can be found, HH examine the merits of the AMP model theoretically focusing not on the various newspaper articles and letters but on what Marx wrote in *Capital Volumes I and III* (Hindess and Hirst 1977 178-220).

The analysis begins with the attributes of the mode of production. That is: how is the surplus product appropriated, what are the legalistic forms of property, what are the forms of the labor process and what is the cooperation and division of labor. As mentioned before, the characteristics of the AMP were as follows: there exists a State that extracts the surplus labor (or surplus product), land is not privately owned but commonly owned via the State and production occurs primarily in agriculture (as opposed to manufacture or industry).

HH first examines the existence of pre-capitalist forms of “rent” which in this case is the collection of rent by the State in the form of a “tax”. In short, while there may be an existence of a “State” created to expropriate a surplus in the form of a tax, there is no requirement that there be a class separate from the laborers generating the surplus.¹² The next observation by Marx was that the production of agricultural output and handicrafts were both produced by the same producer (“the household”). That is, there is no division of labor and no separation between the producers and the means of production. HH make the observation that this is not unique to Asian societies and is therefore, in of itself not useful for understanding the uniqueness of the AMP.

Limits to the AMP model leads to the World Systems theory.

In 1974, Immanuel Wallerstein published his first of four volumes on “world-systems theory” (WST) (Wallerstein 1974). Here he argued that the global order should be viewed as having a dominant core consisting of major capitalist nation-states with the rest of the world consisting of peripheral or semi- peripheral entities.¹³ The Ottoman Empire became further integrated into the World Capitalist system probably from the seventeenth century and on. This was evidenced by growing trade and increased foreign direct investment. In response to this integration, we notice:

- 1) the central government attempts to become more “modern” using Western models of

government (e.g. Tanzimat) 2) a persistent presence of major external empires such as France and Great Britain coupled with greater reliance on foreign borrowing and 3) growing tensions along with reduced economic presence of Austria-Hungary and Russia.¹⁴

This capitalist center (as distinguished from empires) dominated the periphery through economic and political control of the world order. This global system analysis begins with 16th-century Western Europe (the Netherlands, France and Great Britain). As these nations economically advance, there evolved one global system such that by the nineteenth century most of the Earth was part of this global capitalist economic system. Upon review of Wallerstein's first volume, it was noticeable that very little mention of the Ottoman Empire is made. Fortunately, that changed. In 1979, Wallerstein asked (to paraphrase) at what point in time did the Ottoman Empire go from being outside the capitalist world economy to being incorporated into the capitalist world economy? (Wallerstein 1979 389) Then in a later article, Wallerstein, Decdeli and Kasaba will argue that there was a gradual process from the seventeenth century through the nineteenth century where the Ottoman Empire became part of the periphery of the capitalist world economy (Wallerstein et al. 1987 97).

In our previous discussion, it was noted that the AMP model had its limitations both theoretically and empirically in understanding the historical process of dissolution in reviewing the Ottoman Empire's ultimate demise. On the one hand, Western Europe is characterized as a fast-changing part of the world while the East would be viewed as essentially unchanging. Rather than view the Western and Eastern parts of the world as separate entities, the World Systems theory of Wallerstein tries to show an interdependency due to an underlying capitalist system. As previously mentioned, the view is that the Ottoman Empire gradually became incorporated within the world capitalist system. In this model, as the Western European capitalist nations

develop, they gradually incorporate Ottoman society and transform the Ottoman Empire's socio-economic structure. This approach was also a contrast to the "Orientalist" view which often characterized the Ottoman Empire as a uniform entity homogeneous in culture and religion (Said 2003).¹⁵

Islamoglu-Inan argues that the AMP model along with the Orientalist bias becomes essentially "ahistorical" (Islamoglu-Inan 1987 7). She further argues that the World Systems approach moves away from these ahistorical approaches and ideologically biased conceptions of Ottoman history and then offers the World Systems Theory as a better approach as it both views the capitalist development in Western Europe alongside with other parts of the world that are forcibly incorporated into this global system. This approach recognizes the different development paths as these entities transform due to trade and restructuring of labor and production systems. This perspective also tries to acknowledge the unique historical experiences of the various regions as they were impacted by the Western European economies. While each region experiences different development paths, there is a common theme of surplus extraction where the flows of surplus ultimately move to the core enhancing the accumulation of capital while the periphery experiences less development or even "underdevelopment."

With respect to the Ottoman Empire, it's the role of the central government (the "State") and its control or impact on the production, appropriation and distribution of the economic surplus that deserve focus. Worth mentioning is the early development of merchant capital along with the growth of trade and markets. In earlier times (e.g., 16th century) taxes were collected in kind which would then be converted to cash at the urban markets. Merchant capital would be an important factor as the merchant would facilitate the collection of output and convert that output

into cash at the market. The central state would be a major market for both agricultural output as well as homemade crafts. Pamuk captures much of this discussion succinctly:

"The most important determinant of Ottoman economic institutions and their evolution in the early modern era needs to be sought in the Empire's social structure and political economy. Merchants and producers were never in a position to influence the state elites and to push for institutional changes that would favour the growth of the private sector. As a result, many of the key institutions of the Ottoman order, including the state ownership of land and the urban guilds, remained intact until the nineteenth century. In contrast, institutions related to state borrowing changed significantly. This difference in the political power of different groups explains – better than geography or resource endowments, Islam or culture – the striking divergence in the trajectory of different factor markets." (Pamuk 2009 107)

As this flow of output took place, there would be a transformation as European trade entered the system. One aspect of the transformation initially is to move the Ottoman Empire into a raw material and cash crop producing entity in exchange for manufactured goods. There was a disruption internally for the empire as agricultural goods are redirected to the European markets because of higher prices. As goods flow between markets, the merchant community grows. Correspondingly, there was also an ethnic character to this social change as Muslim merchants that were active with regards to internal trade see a loss of business while non-Muslim merchants (e.g., Armenian, Greek, Christian and Jewish) merchants benefited from the redirected trade to the coastal cities. The focus of study becomes less of the internal dynamics of the Ottoman

Empire and more of how the Ottoman Empire gradually becomes incorporated into the World capitalist system.

The WST Is Not Without Its Critics.

The WST has its critics. One critique was the Marxist critique offered by Brenner (Brenner 1995). While Brenner feels that the WST is part of the Marxist tradition, it lacks a fuller analysis of the process of capitalist economic development which entails the process of capital accumulation. Capital accumulation in turn is a product of the “social-productive relations” and the creation of labor as a commodity. That is:

“...In every case, it is class relations which clearly become pivotal: the question of their transformation in relationship to economic development” (Brenner 1995 242)

For Brenner, Wallerstein’s model stops short as WST is focused on the growth of the world capitalist system, the realignment of the production process through regional specialization and the transfer of the surplus from the periphery to the core. It was this process that led to the downfall of world empires such as the Ottoman Empire that was substituted with a world system of trade and global division of labor (Brenner 1995 246). These conditions are not sufficient to explain capitalist development. It is within the process where labor becomes a commodity (which is not characteristic of pre-capitalist societies) that allows for capital accumulation.¹⁶ Yet, while this critique is apropos, we are still left with wanting a better understanding of why the Ottoman Empire entered a path that ultimately led to its dissolution. A natural critique would be the over emphasis that Western European economic development had in influencing local development or that the specific local development paths can’t ignore the importance of non-economic factors such as culture, religion, or law. That is the WST can be one sided and too

focused on economic factors. Therefore, the process of incorporation should be viewed as a two-sided process. Along with global economic powers are the unique local experiences of class interactions and power dynamics within pre-capitalist societies. It is here that the non-economic factors take on great importance. These include such factors as legal structures, religious practices, kinship traditions and in our discussion, the role of the state. In this case, the patterns formed by the socio-economic history may not be in line with the expectations of the WST model. That is, the incorporation process represents a complex interaction of the global system with the local unique attributes of the Ottoman Empire. Furthermore, there seems to be a common thread in discussing global capitalism in that world markets pressure various regions to intensely specialize. From cotton production in Anatolia to silk production in Basra, local economies become positively or adversely affected by trends in world markets.¹⁷

Institutionalism

WST can be useful in better understanding why some countries become richer and why some countries become poorer. But the scope of WST as it looks at the capitalist system on a worldwide view can be argued to be too broad and lacking some of the unique details that form the basis for a country's (or in this case, an empire's) unique historical development. Following WST, Institutional Theory could be a useful group of theories that better addresses these unique characteristics. Institutional Theory is also a broad area of research, possibly most noted within the field of Sociology. For example, Blau and Richards define an organization as a social unit organized "for the explicit purpose of achieving certain goals...Once firmly established, an organization tends to assume an identity of its own which makes it independent of the people that

founded it...” (Blau and Richards 1962 19). But Institutional Theory is too broad and what might be more appropriate would be the subfield Institutional Economics.

Institutional Economics, initially associated with the writings of Thorsten Veblen, was well known in the 1920s (Veblen T and R.Lekachman 1994). As opposed to individuals being the focus of economic decision making, institutions are introduced as important factors in shaping human behavior. But again, Institutional Economics may be too broad as we look to examine theories that give insight to the historical process prior to the ultimate dissolution of the Ottoman Empire.

More recently, Institutional Economics had seen a renewed interest in the work of Douglass North, who received the Nobel Prize in Economics in 1993. He, along with other social scientists identify institutions as a context for social interactions (North 1991). This “new” approach accepts familiar concepts in neoclassical economics. In a previous publication, North and Davis offered a model where the motivation for institutional change is based on neoclassical notions of cost-benefit analysis and the drive for institutional change being profit maximization (Davis L, D. North , and C. Smorodin 2008). Yet, as insightful these approaches are, we need an approach that gives a logic as to how a nation’s institutional framework leads it on a path towards a position of inferiority such as the WST category of being in the periphery.

What is analogous to Institutional Economics theory (or possibly a subset) would be Modernization theory which tries to offer models as to why “pre-modern” societies are more or less successful in evolving into “modern” societies. Modernization theory advocates that premodern societies will advance economically and politically if they develop more modern practices. Furthermore, Modernization theories argue that different empires and nation-states

evolve at different rates of modernization with respect to economic development, governance, military capability and technology. Emphasis is placed on internal factors such as the growth of investment, development of education systems, support of a market-based economy, and encouraging democratic and secular political structures. In this approach, economic development has a prescribed evolutionary route that all successful societies follow or should follow.

That is; moving from agricultural and rural systems to more modern forms of a society characterized by increased industrialization and urbanization. Or in other words; all societies should follow a predetermined series of stages as they strive towards advanced development characterized by greater consumption and more advanced technology. Here emphasis is on internal dynamics and correct policy choices as opposed to external events such as foreign influences.

More recent studies that follow the Modernist Theory paradigm can be found in Acemoglu and Robinson's *Why Nations Fail* (Acemoglu and Robinson 2012) and Hubbard and Kane's *Balance: From Ancient Rome to Modern America* (Hubbard and Kane 2013). Acemoglu and Robinson, focus on both economic factors as well as political factors by referring to differing institutional developments in poor and rich countries. Poor countries have inferior institutional history with what they call "extractive institutions" while rich countries have "inclusive institutions." Here the authors devote a chapter to the Ottoman Empire's resistance to the new technologies, (such as the introduction of printing technology) as an example of delayed economic development (Acemoglu and Robinson 2012 Chapter 8).

Hubbard and Kane also devote a chapter to the Ottoman Empire that acknowledges an empire that developed a governance structure that was effective in ruling over a large diverse population

but that ultimately fell behind economically to Western Europe countries as it was still a slave-based economy. Hubbard and Kane also focus on institutional factors such as the timariot system and later the tax farm system as inhibiting factors for Ottoman economic development. In this discussion, they refer to the growing power of the Jannissaries who were once slaves. These factors coupled with a government resistant to capitalism would be their explanation as to why the Ottoman Empire eventually dissolved. Similar to Lewis in oversimplifying a complex historical evolution, both studies were attempts focused on the demise of the Ottoman Empire. (Hubbard, R. and T. Kane 2013 Chapter 7).

A response to the Modernist Theories can be found in advocates of Dependency Theory. Dependency theory might be viewed as an extension of our previously mentioned World Systems Theory. There have been many writers who have articulated this approach but possibly the most well know along the lines of World Systems Theory would be Andre Gunder Frank in his *The Underdevelopment of Development* (Frank 1991). This theory starts with the observation that basic resources are exported from the periphery of lesser developed nations to wealthier states enriching the latter to the developmental disadvantage of the former. A central contention of dependency theory is that poor states are further impoverished, and rich ones are further enriched. This is a contrast to the earlier modernization theories of development where all nations can progress through similar stages of development (Rostow 1971). That is, lesser developed areas can be helped by such means as access to investment, advanced technology, and further integration into the world system. Frank's Dependency theory disputes this by arguing that underdeveloped countries have unique features and institutions of their own; and will continue to be weaker members in the world system.

AG Frank has a case to be made but his emphasis was on the history of Latin America where the notion of "extraction economies" is about colonialism (Frank1979). Acemoglu and Robinson's discussion of extraction economies versus inclusive economies is a bit more broad. Extractive economic (and political) institutions for Acemoglu and Robinson are institutions that channel power and wealth to the elite and in that process block progressive movements towards broadening access to wealth and power (Acemoglu and Robinson 2012 73-76).

As we have explored different historical models that try to begin to explain the demise of the Ottoman Empire, we now will present some economic details of how the Ottoman Empire was evolving prior to entering World War I.

Endnotes

1. The corps was abolished by Sultan Mahmud II ((1808-39) in 1826 in which many were executed (Cleveland 2013 72).
2. The term *ayan* (or sometimes referred to as *derebey*) was used in the Ottoman Empire to refer to a variety of local elites often landed nobles in the countryside or in the urban areas. *The ayan* as a class of local notables, starting in the 16th up to the early 19th century. They held varying degrees of authority in provincial towns and districts. *Ayans* included wealthy merchants, heads of Janissary garrisons, leaders of important craft guilds, those who had bought the right to collect taxes for the central government and those who supervised the distributions of wealth generated by religious endowments. Prior to the nineteenth century, the Ottoman Empire experienced a process of decentralization in the central government's ability to control its vast empires. As the sultan's power waned, local officials acquired more power along with greater wealth. This decline provided opportunities for local notables to become more independent by setting up small principalities. (Examples of powerful local ayans of the eighteenth century would include Ahmad Pasha al- Jazzar of Acre, Canikli Ali Pasha of Anatolia and Osman Pasvanoglu of Vidin (Aksan 2007 214-258). This allowed them to resist providing military support for the sultan's campaigns while still collecting taxes. (Faroqhi 2000). This resistance added to the Ottoman military's ineffectiveness which further resulted in the losses of territories as the empire entered the nineteenth century. To better finance the modernization of the military, Selim III confiscated timurs, threatening the ayans. The enhanced power of the ayans would be seen in the overthrow

of Selim III (1789-1806). In coalition with the Janissaries who were threatened by the military reforms, the overthrow of Selim briefly halted the modernization program.

3. The Annales school was a group of historians associated with a style of historiography developed by French historians in the 20th century to stress long-term social history. It is named after its scholarly journal *Annales d'histoire économique et sociale*, which remains the main source of scholarship, along with many books and monographs. The school has been highly influential in setting the agenda for historiography in France and numerous other countries, especially regarding the use of social scientific methods by historians, emphasizing social and economic rather than political or diplomatic themes. Prominent leaders include co-founders Lucien Febvre (1878–1956), Henri Hauser (1866-1946) and Marc Bloch (1886–1944). The main scholarly outlet has been the journal *Annales d'Histoire Economique et Sociale* ("Annals of Economic and Social History"), founded in 1929 by Lucien Febvre and Marc Bloch, which broke radically with traditional historiography by insisting on the importance of taking all levels of society into consideration. At a time of crisis with influence spreading from Paris, the school was building a vast publishing and research network reaching across France, Europe, and the rest of the world. Much emphasis was given now to quantitative data. At the same time *Annales* was unaware of the developments in quantitative studies underway in the U.S. and Britain. (Burke 1990).
4. This approach and the notions of the long duree and conjunctures is also closely associated with World Systems Theory which is discussed later (Lee 2012).
5. Braudel has many publications but probably his views with regards to our discussion are best found in his *The Wheels of Commerce* (Braudel 1982).

6. For a broad discussion of the decline of empires due to economic reasons see Cipolla (Cipolla 2011).
7. See Dobb (Dobb 1964). In reading Dobb, Feudalism was a social system (or mode of production) that was associated with Europe between the ninth and the fifteenth centuries. It was a society that consisted of an array of economic, legal, military, and political customs and obligations structured around the owning of land in exchange for labor.
8. Although late in life, Marx became more interested in the case of Russia (Marx, Cohen, and Hobsbawm 1965).
9. Dunn provides discussion about the internal debates among Soviet Marxist theoreticians that basically deny the usefulness of AMP as an analytic concept within Marxism (Dunn 1982).
10. See Anderson in discussing the Muslim empires such as the Ottoman Empire. Anderson, in critiquing the imposition of the Marxian model that capitalism must evolve from the economic phase of Feudalism into Capitalism will argue that this characterization will not adequately fit into Eastern/Asian entities because of certain unique attributes and that for lack of a better category; pre-capitalist mode of production will be more apt (Anderson 1974 496-510).
11. Anderson would further say: “For the purposes of this note, it is evident that the Ottoman occupation of the Balkans confronts any Marxist study of even European history with the question of whether it is a valid guide for the Turkish State that existed in the same continent, on the other side of feudalism. The original function of Marx’s notion is clear enough: it was designed essentially to account for the failure of the major non-European

civilizations of his own day, despite their very high level of cultural achievements, to evolve towards capitalism, as Europe had done...” (Anderson 1974 484.)

12. Hindess and Hirst were referring to the possibility that earlier pre-capitalist societies could consist of a central authority forcibly collecting a surplus before additional classes formed (Hindess and Hirst 1977).
13. For purposes of this discussion, we temporarily stop making a distinction between “semi-periphery” and “periphery” by referring to both groups as “periphery.”
14. This discussion puts emphasis on the political economic aspects of the challenges facing the Ottoman Empire during this period. There are other factors that historians refer to that need to be considered. For example, C.A. Bayly offers such factors as religion, culture and ideologies as forces to be acknowledged in this era (Bayly 2004).
15. While the critique of Orientalism might be apt, World Systems Theory could be also be criticized for being Eurocentric (Amin, 2009).
16. Keyder describes an economy of predominantly small agricultural entities while large commercialized entities, while in existence would not be as dominant in producing agricultural output (Keydar 1987 19).
17. For a discussion on the economic impact of nineteenth century modernization on the more rural Ottoman regions of Yenisehir and Iznik see (Arikan 2021).

CHAPTER 2

The Economic Trends during the Nineteenth Century

In the previous chapter, we reviewed different theories that attempt to explain the evolution of the Ottoman Empire during the nineteenth century. It was noted that over time, the Ottoman Empire experienced an evolution different from the feudalism-to-capitalism process that occurred in the Western European countries but rather became incorporated within the global capitalist system. After losing two military conflicts towards the end of the eighteenth century and feeling at a disadvantage militarily, the leadership felt a need to “Westernize”.

Internally, as most of the working population was engaged in producing agricultural output we observed: 1) an adaptation of the rural economy as production shifts to more “cash crops,” 2) more production also takes place on large estates for commercial purposes, 3) local handicraft industries are undermined by cheap European factory-made goods and 4) an initial but brief weakening of the role of the central government.

Previously mentioned, as the central government weakened, there was a consequential rise of local power groups (e.g. *ayans*). As the *ayans* resisted supporting the military, the Ottoman Empire further experienced losses of territories as the nineteenth century began. We also begin to see a new stage in the mid-nineteenth century where internal sources of finance via taxation was becoming insufficient for the empire’s various needs. Such needs included modernizing its military (as well as other institutions such as its education sector or its legal system) and a need to develop its infrastructure in order to economically advance and engage in international trade. In the following discussion we provide greater detail of the economic aspects of Ottoman Empire during the nineteenth century.

Population

The nineteenth century for the Ottoman Empire can be characterized by several demographic movements: nomadic tribes moving to regions throughout the empire, migrants moving from the rural areas to more urban areas and Muslims fleeing from hostile environments to Ottoman lands.¹ Quataert estimates that in 1800, the total population of the Ottoman Empire was in the range of 25 to 32 million people with about 11 million in the “European” provinces, 11 million in the Asiatic provinces and about 3 million in the North African provinces (Quataert 1985, 112).

Initially, Ottoman population statistics were developed to satisfy administrative needs such as taxation and military conscription, hence the focus was on the male population. There was also a focus on distinguishing the Muslim population, as opposed to the non-Muslim (e.g. Christian and Jewish) population as there was a greater expectation for Muslim males to serve in the military while non-Muslims would face additional taxes. The first “modern” census was taken during the years 1828-29 and published in 1831 under the supervision of Sultan Mahmud II (1808-39) after he had defeated and eliminated the Janissary corps in 1826 (Quataert 2005 44-45).

Based on population data available from Ottoman/Turkish archives in the 1831 census, Karpát offered a range for estimating the Ottoman Empire’s population at 14 million to 23 million (Karpát, 1985 23). He makes the argument that while there are limitations of the official Ottoman census data, ultimately, they were the most reliable sources of data.² Unfortunately, Karpát would argue that the 1831 census for various reasons severely undercounted the overall population.³ While there were previous efforts to survey the population, the 1831 census is viewed as the first official census, which focused on whether an individual was suitable for

military service or for his ability to pay taxes. Therefore, the census only counted males. The census was a secret process with census takers recruited from the religious establishment. The techniques could vary; Muslims would be classified as either suitable for the military or not. Some census takers would focus on age while others would group individuals as to either being young or old. Christians, Armenians and Jews were classified as either able to pay tax or not. Children were not counted. Since only males were counted; the number of females was inferred to be double. Census takers were given a year to cover a wide territory so remote villages and towns were left out. (Karpat 1985 18-24).

Another census was attempted in 1844 but was not released. Some British officials were given access to the information collected and the information was published secondhand by Ubicini (Ubicini 1856). Their numbers show a population of 15.5 million people in the Ottoman European part, 16.1 million people in the Asian part and 3.8 million people in the African part giving a total population of 35.4 million people. Of this 35.4 million, 21 million were recorded as Muslim and 14.4 million were non-Muslim. In later surveys completed in 1872 and 1874, 14.8 million were in Europe, 14.3 were in Asia and 11.5 were in Africa (Karpat 1985 117).

Following the Ottoman-Russian war of 1877-78, the Berlin Congress of 1878 resulted in a peace treaty that further reduced the Ottoman Empire's domain in the European region. For example, the vilayet of Tuna (an administrative region within the Ottoman Empire) was awarded in parts to Bulgaria, Rumania and Serbia. Bosnia and Herzegovina would be occupied by Austro-Hungary and Russia would take parts of the Caucasus region (Inalcik and Quataert, 1994 767 Table IV).⁴ The French would come to occupy Tunisia in 1881 and the British would occupy Egypt in 1882. By 1894, in a published census, what was left of the Ottoman Empire would

consist of 21.5 million Muslims and 5.7 million non-Muslim residents with a total of 27.2 million people (Karpas 1985 155 Table 1.10).⁵

In the latter part of the 19th century, the empire lost territory while at the same time, it became further integrated into the international economy. Thus the population would vary from region to region due to such factors as widespread plagues or ongoing wars or from emigration. Part of the population shrinkage would be due to imperial wars such as with Russia and part of the reduction was due to nationalist movements within the Balkans and the Levant as these movements sought to separate and become independent sovereign entities. In response, the central authority was determined to extend its control and influence in all of its domain. By 1914, the population was still about 26 million but the size of the empire would come to be one-half of what it was during the nineteenth century (Quataert 1985 112).

There could also be population shifts from people moving to coastal cities due to economic prosperity from trade as well as improvements in hygiene and sanitary conditions. Examples cited by Quataert were Salonica (now part of Greece), Ismir (now part of Turkey) and Beirut (now part of Lebanon). For example, from 1800 to 1912, Salonica grew from 55,000 to 160,000 people; Ismir grew from 100,000 in 1800 to 300,000 people in 1914 and Beirut (now part of Lebanon) grew from 10,000 in 1800 to 150,000 people in 1914 (Quataert 1994 777-778). For Ottoman workers, migration due to economic motivation was a common fact of life. Masons would travel to Istanbul to build great buildings such as the monumental mosques, railroad workers would travel to build the railroads, workers from the rural areas would travel to work in the mines or as porters, tailors or laundry workers and would be away from their families for several years.

Agriculture

According to Quataert, the bulk of the population (80% - 90%), lived in agrarian settings usually small family holdings as opposed to large estates (Quataert, 1983 130). Most of the population were involved in agriculture and most of the gross national product would be in the form of agricultural output (Quataert 1994 843-845). Many of these agricultural workers were subsistence farmers growing a variety of products such as cereals, fruits, olives and vegetables. Animals were also raised for their milk, hair and wool. The wool and animal hair would in turn be spun into thread and woven into cloth and yarn mostly for family use. Often, these home-made products could be sold either in local markets or sold to merchants. Most of all exports (80-85 per cent) came from agriculture consisting of products such as cereals, grapes, tobacco, figs, cotton and opium.

As the Ottoman Empire became more integrated into the growing world capitalist economy, more land would be cultivated with a greater variety of products from the early to the end of the nineteenth century. While output grew, this would happen in spite of the slow development of technology or the lack of use of various fertilizers. But the ability to export to the global markets would be reduced as more agricultural producing nations entered the markets. For example, at the beginning of the century, Ottoman exports were predominantly grains, particularly wheat and barley but as the United States began to compete in the middle of the century, Ottoman producers shifted to exporting fruits and vegetables such as grapes, figs and dates (after 1850) along with citrus products and barley for the French and Italian brewing industries.⁶ Silk production was always important but was given an extra boost with the development of steam

driven spinning mills, so much so that silk was 50 % of the exports from Beirut (Quataert 1994 851).

As peasants were able to expand the variety of crops; non-food as well as food crops; they in turn could purchase more imports, such as coffee and sugar as well as imported yarn and cloth or equipment such as sewing machines or plows. While most of what was produced was consumed locally, as the global markets grew, crop selection and diversity grew in importance as more products were sent abroad. Some regions would have a specialty crop such as cotton (e.g. Western Anatolia) or tobacco (e.g. Thrace and Macedonia) .

As we approach the end of the nineteenth century, production for grains, figs, cotton and tobacco would substantially grow. Quataert estimates that by the 1880s, Anatolia produced about 55% of the total Ottoman agricultural output while the European provinces produced 27% and where 18% of total agricultural production would be bound for exports (Quataert 1994 847).

Distribution of Land

Small landholding was prevalent but large estates were also common. As migration took place, more land became cultivated. Particularly as people settled near the urban centers and the coastal areas. The central government would grant title of equal sized plots for families of refugees.

Sharecropping as well as wage labor was also common on large estates. Quataert estimates that 82% of all cultivable land in 1859 was in the form of smallholdings (1994 863). (A small amount of land was foreign held and formally permitted in 1867 but foreign settlements were mostly in Palestine and were a small percentage of the total of land holdings (Quataert 1994 870).)

Large estates that often formed to serve the global market needed to be near good transportation such as by the sea or later by the railroad. Overall large estates did not flourish, partly from the

lack of labor or from the *cift-hane* tradition where the central government would parcel out small parcels of land to individuals and families. Broadly speaking, the large estates were of two groups. The first group formed in response to the recentralization of power during the 1830s where farms would service the international markets by being located near the various bodies of water. The second group came in the latter part of the nineteenth century because of successful settlement of tribal groups, the opening of new lands for cultivation and progress in improving access to transportation such as railroad development. Entrepreneurs were motivated by the growing access to international markets and would recruit local villagers on a sharecropping or wage labor basis with settled tribes' people along with the introduction of new modern equipment.

Manufacturing

In the first part of the 19th century, as European imports expanded, some industries declined but experienced a revival in the 1870s (Quataert, 1994 87).

Prior to the 19th century an important institution were the guilds.⁷ Guilds were often workers who banded together to safeguard the livelihoods of their members by controlling production or the quality or price of their respective products. Guilds could be found in the major cities such as Istanbul, Salonica, Belgrade, Aleppo and Damascus. Many guild members were also members of the *Janissaries*. When Sultan Mahmut II (1808-1839) destroyed the Janissaries in 1826, the guilds would become negatively impacted and hence were not as dominant a force as they previously were.

Much of the manufactured goods were made by manual labor within the homes in the rural areas. Women and young girls increased their presence in the work force, hence this shift from urban, guild centered production went to female rural labor. (Quataert 2005 134).

Within the total manufactured output, a small but growing portion was within the mechanized settings of factories. The products included a variety of textile products such as cloth, yarn, woven silk and carpets (Quataert, 1993 1). In the latter part of the century, factories could be found in the cities such as Istanbul, Salonica, Ismir and Beirut. The factories would be near the cotton fields for spinning or weaving cloth or near silk raising areas for silk reeling or for processing food. The manufacturing sector had to face increased competition brought on by the Industrial Revolution so some hand made products disappeared from the global market but such specialized products such as silk related products and carpet making were able to maintain their popularity since they could be cheaply made by female and child laborers. Nonetheless, most of the manufactured products were for the domestic markets where production was dispersed throughout the empire while some manufacturing was for the international marketplace.

There were four major regions of textile activity: Salonica and the Macedonian countryside, Western Anatolia, a cluster of towns near the Black Sea coast and then finally Southeast Anatolia and northern Syria. Early studies believed that most manufacturing took place in the urban centers. But as most of the population lived in rural areas, a realization took place that manufacturing was also taking place alongside agricultural activities. In the earlier part of the nineteenth century, some of these manufacturers were short lived if the Ottoman state imposed too onerous a tax system. For example, a common tax during this time on cloth related products was 12% for internally made products while imports were taxed at a 5% rate, thus encouraging local consumers to prefer foreign made products. In order to better compete with foreign

manufacturers, the government would eventually reduce taxes on domestically made textile products.

Based on Quataert, the structures of manufacturers consisted of three types: small handicrafts, modern manufacturers initiated by the state and private urban manufacturing in urban centers (Inalcik and Quataert 1994 Chapter 34). Small manufactures usually consisted of a household with the head of the household as the owner and the other members as employees. Often these entities would manufacture goods for export with merchant financing, but they often could manufacture on their own account. If the small manufacturer just provided for local markets, they were not as exposed to changes in world markets.

State owned enterprises came into being as a result of the growing influence of European trade with factories using imported equipment and technology. Most of the managers and skilled laborers were also imported from abroad. The financial capital originated from the state either from internal sources or borrowing from foreign capital. But since these businesses were sensitive to foreign trade, any adverse shift in prices or demand would force these factories to close.

The third form of manufacturing was privately owned enterprises and found mostly in the growing urban areas such as the port cities of Ismir, Istanbul and Salonica. These enterprises were capitalist in nature owned by foreign or minority (non-Muslim) merchants, professionals, financiers or some local Muslim elite. Examples of such businesses were: construction materials, printing, beverages, confectioneries, bottle making, paper and iron foundries. These businesses were elementary capitalist entities with access to wage labor in a proletarianized labor market.

As the Ottoman Empire becomes further incorporated into global markets, a shifting from foodstuff type crops to crops that serve as inputs for manufactured products took place. Examples of these types of crops are grapes, silk, olives, cotton and tobacco. The harvesting of grapes in turn led to the production of wines and brandies. In the more eastern region, the processing of silk for making silk garments would continue to be a lucrative endeavor. The British also developed the oil industry. Producing olive oil at first, they would expand to produce cottonseed, sunflower and sesame oil. The harvesting of cotton in turn led to the production of threads, textiles and the production of carpets. The British, more than other foreign investors, looked to increase the production of cotton during the 1860s (no doubt affected by the US Civil war). An early step was to introduce steam powered “cotton gins” which were soon to be followed by spinning mills and textile factories. The British also were leaders in the carpet industry. British manufacturers would provide the raw cotton, the woolen threads, and the design patterns. The carpets in turn would be exported to Europe. (Tables 2.2 and 2.3 show that Great Britain and France remained major exports to and importers from the Ottoman Empire up to the first quarter of the twentieth century.)

But possibly the most profitable venture would be tobacco. While the Balta Liman treaty advocated free trade, the creation of the Ottoman Public Debt Administration (discussed later) would result in monopoly concessions (“regie”) where the profits would be used to service the Ottoman government’s debt, provide taxes and generate profits for the owners.

By the turn of twentieth century, Geyikdagi estimates 17 British and Belgium firms were in the cotton industry, 7 British and Belgium firms were in the Foundry and Machinery industry, 24 British firms were in the oil industry and 8 British firms were in the flour and bread business (Geyikdagi, 2015 132 Table 4.7).

Transportation

Goods could be transported by land or by sea. By land there were basically two methods; in earlier times, animal caravans via well-established routes and then later railroads. In the Balkan regions, caravans using horses, donkeys, and mules while between the Arab lands and Anatolia, camels were the animal of preference. Horses, donkeys and mules were preferred over shorter distances since they moved faster while camels were preferred over longer distance since they could carry more weight (Quataert 2005 121). Because of the duration of these trips and consequently the expense, goods with higher profit margins would be the preferred cargo. Examples were textiles, other manufactured goods and higher priced raw materials such as spices.

To facilitate economic development and exports, improvements to infrastructure and transportation had to take place. European financing occurred for the expansion of railways. Railroads dramatically changed transport over land. One car within a railroad caravan could carry the equivalent amount of grain for 125 camels using steam engine technology over lower friction track. This would allow agricultural goods such as cereal grain to be transported at less expense. Access to markets for shipping grains opened up to previously remote markets. Much of the earlier laying of track occurred in the Balkan areas financed by European capital which is estimated at over 700 miles in 1875 (Quataert,1993 123). Besides cheapening the delivery of grains, the growth of railroads provided for increased employment and greater travel opportunities for Ottoman subjects. (See upcoming additional discussion regarding the development of railroads.)

Besides the dramatic change in land transportation, shipping was also positively impacted by the development of steam engine technology. Prior to the use of steam engines, ships were primarily driven by sailing. But sailing arrival times were uncertain due to unforeseen weather circumstances. Also any shipping within the empire was typically one way due to the unidirectional nature of the current within the rivers.

The British introduced the manufacture and use of steam engines. With the advent of steam engines, there would be greater certainty as to arrival times as well as the enhanced ability to move against the current. Besides speed and reliability, a ship driven by a steam engine could be ten to twenty times the size of a sailing ship (Quataert 1993 119). By the end of the century, steam vessels became the dominant form of shipping within the Ottoman Empire.⁸

Steamships also favored the development of ports that were large enough to accommodate larger ships. During the 1890s, Europeans financed the construction or enlargement of ports in Istanbul, Beirut, Jaffa, Haifa and Ismir. While the British were the first to invest in building docks in Izmir in, docks in Istanbul, Beirut and Salonica would be funded by French capital (Geyikdagi 2011 107). The French also built along the Black Sea and the Dardanelles thirty-six lighthouses.⁹

Trade, Incorporation and Peripheralization

Kasaba provides a detailed discussion of the process of “incorporation” where the Ottoman economy becomes integrated into the global capitalist system (Kasaba 1988). Western Europe imported cash crops with a growing presence within the Ottoman Empire of non-Muslim traders and their financiers as major beneficiaries of this trend.

Ottoman foreign trade expanded at rapid rates during the nineteenth century. As manufacturing expanded into exports from the more developed countries, agricultural production shifted from

subsistence crops to cash crops. While trade expanded, it was not without fluctuations. A threshold event was the Free Trade treaty signed in 1838 at Balta Liman between the Sublime Porte (central government) of the Ottoman Empire and Great Britain. The 1838 Treaty of Balta Liman (“The Treaty”) would be a formal trade agreement representing an advance of “liberal”, open market policies during that time. For example, the treaty would require that Ottoman Empire abolish all monopolies giving British merchants full access to all Ottoman markets and to be taxed equally with local merchants. One consequence from the expansion of trade was the increased expansion of the production of primary commodities along with the growing importing of manufactured products which would have detrimental effect on both agricultural and non-agricultural production in the rural areas.¹⁰

After the defeat of Napoleon in Europe in 1815, Great Britain would be the dominant economic world power and could negotiate as such. It was therefore difficult for the Ottoman government to resist commercial pressure not only from Great Britain but from other countries as well. An important factor was the growing threat of Egypt’s leader, Mohammed Ali who had established monopolies to conduct foreign trade which financed its military and was a threat to Ottoman rule. Faced with this threat and the ongoing threat of Russia, the signing of this treaty with Great Britain was a way to seek Great Britain’s support against these growing threats. (Similar treaties with other European countries would follow using the Balta Liman treaty as a model.) With Egypt in mind, key attributes to the Treaty would be the elimination of monopolies in trade and the ability of the Ottoman government to impose additional customs duties on exports. This loss of customs duties would eventually hamper an important source of the Ottoman government’s ability to generate revenues, especially during times of war. Within the Treaty, imports would be

taxed at 5% and exports would be taxed at 12% with domestic merchants facing higher internal taxes than foreign merchants (Pamuk 1987 20).

Starting with the 1830s, Geyikdagi working with data from Pamuk provides the following summary of foreign trade up to the 1890s (Geyikdagi 2011 25).

Table 2.1 – Ottoman Imports and Exports 1830 - 1899

(Annual averages in millions of British pounds)

Year	Imports	Exports	Trade Balance
1830-39	5.1£	4.2£	-0.9£
1840-49	6.9	6.0	-0.9
1850-59	12.3	9.8	-2.5
1860-69	18.3	15.4	-2.9
1870-79	20.8	18.6	-2.2
1880-89	16.0	15.5	-0.5
1890-99	18.6	17.7	-0.9
1900-09	26.0	23.0	-3.0
1910-13	38.6£	27.3£	-11.3£

Simply working with averages, foreign trade both with regards to imports and exports over the course of the 19th century until prior to WWI increased approximately sevenfold, although trade was setback in the 1880s due to the “Great Depression.” (Pamuk 1984). Prices on the world markets for Ottoman exports at first declined moderately by 29% from 1855 to 1873, but then further declined from 1873 to 1896 by 41% (Pamuk 1984 62 and Pamuk 2004).

Working with limited data, with respect to the proportion of imports and exports to total GDP, Pamuk estimates that during the 1820s, 2% of GDP was for exports, during 1840s 3-4% and

during the 1880s 6-8% most of which consisted of foodstuffs and raw materials. Below are tables 1.2 (Exports) and 1.3 (Imports) based on Pamuk (Pamuk,1987 31-32). Notice from both tables 1.2 (Exports) and 1.3 (Imports) that England and France maintain a fairly consistent relationship while exports and imports to Austria-Hungary and Russia decline, most likely from growing hostilities. (“Other” refers to countries such as Belgium, Italy and the U.S.)

Table 2.2 Ottoman Exports by Country (per cent shares)

Years	UK	France	Germany	Austria	Russia	Other
1830-2	13.3%	14.3%	2.1%	30.9%	12.6%	26.8%
1840-2	19.8	16.6	1.9	29.1	10.4	22.2
1850-2	29.1	15.8	1.1	28.0	8.3	17.7
1860-2	23.5	29.9	0.5	16.8	10.2	19.1
1870-2	27.2	25.3	0.4	14.3	14.7	18.1
1880-2	23.5	28.0	0.5	6.1	13.6	28.3
1890-2	25.9	24.5	4.3	5.9	4.2	35.2
1900-2	25.9	19.2	7.2	7.8	3.9	36.0
1909-11	17.9%	14.1%	11.4%	8.0%	3.9%	44.7%

Table 2.3 Ottoman Imports by Country (per cent (%) shares)

Years	UK	France	Germany	Austria	Russia	Other
1830-2	19.0%	9.9%	3.3%	16.9%	31.3%	19.6%
1840-2	29.3	8.6	4.6	22.1	16.5	18.9
1850-2	25.5	9.3	9.7	26.2	13.6	15.7
1860-2	26.5	12.2	9.5	17.2	11.5	23.1
1870-2	32.4	12.3	13.6	12.9	9.2	19.6
1880-2	45.2	11.8	2.4	11.8	9.7	19.1
1890-2	35.9	12.4	10.3	9.8	9.9	21.7
1900-2	29.8	10.0	9.8	14.5	10.3	25.6
1909-11	23.9%	8.4%	13.7%	13.9%	8.7%	31.4%

As previously discussed, in the early nineteenth century, possibly the most important export were grains from the Balkans and Thessaly. Grains would be followed by commercial crops such as cotton, maize, tobacco, grapes, livestock and fibers and then beef and pork.

As the Ottoman Empire faced the global capitalist system in the nineteenth century, it did so with mostly small independent farms without the process of developing wage labor, as found in Western Europe. This was because much of what was manufactured was in the rural areas where products were not being made for the market or for export. A point here is that unlike the Western economies, the development of a feudal-like system was thwarted as the peasants maintained an independent status as well as the ability of the Sultan to reclaim land from an owner (ayan) upon their death . Since the peasantry, for the most part, were not dispossessed of their land, large scale farming was less common than in the West. As there was some large-scale capitalist land development, there was a corresponding dispersion of merchant activity with

small scale merchants interacting with the independent peasantry while larger scale merchants would be mostly found in the urban areas near the ports.

But this system would face the following challenges: inability of the central authority to provide monetary stability, large numbers of peasants moving to the cities and the economic toll on the empire from the long wars.

Starting with the 1870s, Kasaba writes:

“there would not be any basis for doubting its subordinate position within the global network of economic and political relations... A series of relations of power and hierarchies of production and exchange were established between the core areas of the capitalist world economy and the Ottoman Empire during the period that extended from the end of the Napoleonic Wars in about 1815 to the end of the mid-Victorian boom in about 1876; that is the say, it was in this period that the Ottoman Empire was peripheralized.” (Kasaba 1988 38)¹¹

Sunar also describes the latter part of the nineteenth century as being a period of a greater interdependence of the Ottoman Empire with the European economies (Sunar 1987 74). This was due to the hope of obtaining greater tax revenue through rising trade as well as foster better relations with the European states. Merchants in turn proceeded to support the trade of agricultural goods in exchange for manufactured commodities. This would alter the patterns of production and consumption as production became more dependent on the world market and consumption became more tied to imports.

This increased interaction with world markets was seen with the increase of exports, initially grains such as wheat but also new crops such as cotton and maize which fostered the growth of resident foreign merchants and local minority agents. The connections with the European world

markets transformed the regional and urban structures. A consequence of “peripheralization” would be that some farms were abandoned when peasants could not meet the growing tax burden. As they moved towards the urban areas, uneven development of the different regions would occur. Urban areas located more inland that were tied to pilgrimage and internal trade routes declined and Eastern regions would also suffer from this realignment of trade while those areas close to the coastline and close to Western markets thrived.

There would also be growing tensions between the Porte and the European states. Financial issues come into play as any wars or suppression of nationalist movements put a strain on the Ottoman treasury and the Porte began to borrow increasingly from European interests.¹²

As European countries were becoming more industrial, primarily with Great Britain becoming dominant as a commercial and industrial power, the Ottoman Empire would face a growing reality of further peripheralization as well as facing the threat of Russian expansion. The initial British strategy would be to support Ottoman territorial integrity to maintain the current world order. This for example would be the reason of support of the Ottoman Empire in the Crimean War against Russia. The Ottoman Empire survived the Crimean War with the support of France and Great Britain. But that changed in the 1870s when the Ottomans had to face the Russians alone in the Russia-Turkish war of 1877-78 and the Ottoman Empire suffered a substantial defeat. The loss of the Russian-Turkish war left the Ottoman government substantially insolvent. As mentioned before, The Berlin Treaty was an attempt to mitigate the loss of territory and consequently a loss of tax revenue but it would still be unable to establish financial stability. Hence, from the mid-nineteenth century on, "external" finance became a reality for the Ottoman Empire ((Karaman K. and S.Pamuk 2010)).

Foreign Direct Investing

During the nineteenth century, much of the financing for business activity came in the form of foreign direct investment where the ownership of business entities is established by private interests. Before 1860, foreign direct investment was relatively small and began to rise after 1860 reaching a peak from 1888 to 1896 during which it totaled about 30 million British pounds. From the end of the nineteenth century to the early twentieth century, To better identify foreign interests and industries, Geyikdagi estimates 17 British and Belgium firms were in the cotton industry, 7 British and Belgium firms were in the Foundry and Machinery industry, 24 British firms were in the oil (e.g. olive, cottonseed) industry and 8 British firms were in the flour and bread business (Geyikdagi 2011 132 Table 4.7).

The following table shows the distribution of Foreign Direct Investment by sector (Geyikdagi, 2011 74). (Note: Table 1.4 consists of average annual foreign investment in British pounds so the sum of the columns **do not** add up to total Capital Inflows. The annual averages also reflect that for some years there were zero investments.) The following discussion are highlights of foreign direct investment for railroads, banking, utilities and mining. (Commerce and Industrial investing were previously discussed within the Manufacturing section.)

Table 2.4 Distribution of FDI in the Ottoman Empire by Sector – 1888 and 1914

	1888	1888	1914	1914
Sector	Thousand £	%	Thousand £	%
Railways	5,283 £	33.4%	48,373 £	58.7%
Banking	5,000	31.6	14,788	17.9
Utilities and Urban Transport	1,472	9.3	4,150	5.0
Commerce	1,280	8.1	5,000	6.1
Mining	895	5.6	2,700	3.3
Industry	1,895	12.0	2,910	3.5
Total	15,825 £	100.0%	77,921£	100.0%

Railways

The Ottoman government recognized the need for railways but lacked the capital and expertise to develop them. Therefore, they looked to foreign based interests for support in developing their railways. The first railway constructed was by the British from 1856 to 1867 from Izmir to Aydin and from Chernovoda to Constantza in 1856 to 1860. The total length of railroad miles built by the British from 1856 to 1912 would be 1,668 kilometers, Austria would follow in 1869 to 1888 building 2,593 kilometers, then the French from 1872 to 1892 with 1,507 kilometers and finally Germany from 1888 to 1890 with 1,251 kilometers. ¹³

As incentives for building the railways, the Ottoman Government would grant monopolies to manage the lines, payments for every kilometer built and guarantees for certain profits for certain concession periods. One problem pointed out was that with Ottoman guarantees, the railroad management had no incentive to increase the traffic and the consequent revenues.

Clearly a foreign government had incentives to lobby for a railroad concession. Once a concession was granted, that respective foreign government would receive revenues from the

sale of materials, equipment and railroad cars and establish influence in the area being served. In addition, the foreign government would also benefit from the increased volume of trade as both the importation of raw materials as well as the export of manufactured goods would be faster and cheaper.¹⁴ Yet, from a financial perspective, the Ottoman government would be in a difficult position in the sense that if it either chose to build the railroad line itself or if it granted concessions, it would still end up being a net borrower.¹⁵

Banking

With the added competition from the German nation and the improvements in transportation, there would be a corresponding growth in financial firms; specifically banking and insurance. An example of an important bank in the mid nineteenth century was the Ottoman Bank which was started by British interests and then reorganized with both British and French capital. It later became a predominantly French bank which had over fifty branches scattered throughout the empire. Other foreign based banks would be started in the second half of the nineteenth century. Examples were: Ottoman Financial Association (British), Banque de Constantinople (British), Credit General Ottoman (French), Societe Generale de L'Empire Ottoman (British, French and local interests) and Banque Austro-Ottomane (Austrian). At the end of the nineteenth century, the Deutsche Bank would establish branches to serve German interests.

Mining

With the development of the steam engine, the need for coal grew. Since steam ships were major users of coal, the administration of coal mines was done by the Ministry of Naval Forces. In 1888, a concession was awarded to the Banque do Constantinople to develop mines for manganese, silvery lead, antimony, copper in the area of the Kesendere Kassandra region in the

Province of Salonica (Geyikdagi 2011 120). Chromium was discovered in western Anatolia and a British firm, Paterson and Associates were given the concession to exploit the Dagardi mines in 1876. By the end of the nineteenth century, foreign companies would dominate the mining of such metals as chromium, copper, silvery lead and zinc.

Public Finance Through Taxation

From the fourteenth century, as the empire expanded, it faced the challenge of developing a tax system (Cosgel, 2015 404). Prior to the nineteenth century, an earlier system was the *timar* system which would be followed by the tax farming system.¹⁶

Up to the nineteenth century, most of the government's treasury came from taxing the agricultural sector. The process of centralization would result in most of all land being state property. The Ottoman system relied on keeping the peasantry system intact with taxes collected by political functionaries. As mentioned before, production was organized through a guild system and consequently taxes were often collected from the guilds. But the guilds had lost their relative strength after 1826 and the Porte moved to auction administrative posts in the guilds from which revenues would be thus collected. Broadly speaking, the tax system identified three categories for taxation; personal taxation (individuals and households), the taxing of trade of goods and services (goods and services brought to market for sale) and production related taxes (farming and manufacturing based activities). With regards to collection, sometimes a local lord or tribal leader would be assigned the responsibility of collecting taxes for a proportional fee or sometimes an assigned agent from the central government would be assigned the responsibility of tax collection. The selection of the tax collection method reflected both economic and political factors. For example, if a newly conquered area consisted of relatively powerful ayans, it might

be viewed as advantageous in establishing legitimacy by having these individuals collect the taxes rather than sending an unknown military officer representing the central authority. While this may not have been viewed as the most efficient in terms of total revenues, this reality reflected what the central authority felt to be most politically prudent. The power of the ayans would come to an end in the nineteenth century when the local governor of Egypt, Mohammed Ali challenged the Sultan. The Sultan, with the support of the British defeated Mohammed Ali thus reverting power back to the center (Cleveland 2013 59-69).

As the Ottoman government attempted to modernize during this time period, it relied on the development of a more modern bureaucracy with improved administrative practices. The peasantry would still be relatively independent with taxes collected by functionaries appointed by the state. This further required the recruitment and development of capable government servants units of the government's institutions. This would be a new social group: government elites (Weiker 1968). This system would also face increased tension as trade increased with Western Europe. Besides taxing the local peasantry, revenues were also obtained by the central authority from taxing merchant and manufacturing activity.

The Seignorage episode

To meet these growing expenditures and facing a substantial inflationary period, the central government would resort to such policies as “seignorage”, confiscation of wealthy landed estates and greater taxation of the population.

“Seignorage” occurs when a government issues currency when the money it creates is worth more than it costs to produce. That is; seignorage gives the government the potential to create a profit when it produces money. This revenue is often used by governments to finance portions

of their expenditures without having to collect taxes. Seigniorage, in this case, refers to the process in which the minting authorities reduce the precious metal content of the coinage hoping to increase revenues for the central government.¹⁷ For example, in 1808, when Sultan Mahmood II began his reign, the silver content of the Turkish coin, the kuru, was 5.9 grams. By 1844, it would be 1 gram. The value of Turkish kuru in relation to the British pound fell by 90% from 1788 to 1844 (Pamuk 2009 193).

Naturally there were economic consequences such as rising inflation with a devaluation of the national currency (vis a vis a global currency such as the British pound). Yet as war was a frequent reality, growing budget deficits to pay for growing military expenditures would be an ongoing burden for the Ottoman treasury.

Sovereign Debt Financing

The pressure on the Ottoman government to improve their ability to internally finance through taxation increased. but concurrently began to borrow from European financial interests. Large amounts of foreign capital from the “financialized” West came into the Ottoman Empire during the nineteenth century (Pamuk 1987). In addition to direct investing, foreign capital also came in the form of lending to the government. Lending to the government was often used for the development of infrastructure. This development of infrastructure supported the growth of trade and encouraged the expansion of agricultural production while dampening home based production of handicrafts due to increased competition from imported industrial products.

Starting in the 1840s, the Ottoman government began to consider external borrowing. As a beginning step, “Galata bankers” (who were non-Muslims engaged in financial activities) would borrow from European banks and provide relatively high interest short term loans to the

Ottoman government. As fiscal difficulties rose due to the Crimean War that started in 1853, the Ottoman government began longer term borrowing in 1854. While the bond contracts would charge on a nominal basis of 4%-5%, they often sold at a discount yielding an overall effective rate of 10% to 12%. Part of the proceeds of each additional new borrowing would go towards paying off previous debt; part of the proceeds would go to supporting the Sultan's entourage and part of the proceeds went towards developing their navy (Pamuk 1987 59).

The growing reliance on the part of the Ottoman state for foreign borrowing would result in a weakening of the state in the form of foreign financial control to secure repayment of said debts. The size of this growing debt grew beyond the government's ability to service it until by the fall of 1875 when it could only service half of the outstanding debt and by 1876 came a cessation of all debt payments (Pamuk 2018 90-111). Below in table 2.5, Pamuk provides a flow of funds analysis in an attempt to show the impact of external borrowing for the Ottoman government from 1854 to 1901. Note the substantial increase in the third quarter of the 19th century and then the substantial reduction in the final quarter such that there was a net outflow in the final quarter of the century (Pamuk 1987 58, Table 4.1).

Table 2.5 - Funds Flows from the Ottoman Government's External Borrowing

(Annual averages in thousands of British pounds)

Period	New Issues (1)	Net Capital Inflows (2)	Principal Payments (3)	Interest Payments (4)	Total Payments (5=3+4),	Net Funds Flows (6 = 2-5)
1854-68	2,954	2,049	300	1,027	1,327	722
1869-75	19,755	10,256	1,482	5,442	6,924	3,332
1876-81	433	433	61	608	669	-236
1882-1901	1,315	844	662	2,455	3,117	-2,273
1902-13	3,721	3,347	1,178	3,623	4,801	-1,454
Total	28,178	16,929	3,683	13,155	16,838	91

Upon review of Table 2.5, we can compare a few time periods after 1854. From 1854 through 1868, average borrowing per year was almost 3 million British pounds. This jumps in the period of 1869 through 1875 to almost 20 million British pounds per year. Following the default in 1876, borrowing falls to less than one-half a million British pounds per year from 1876 through 1881. After the Russian-Ottoman War (1877-1878), the Ottoman government, in order to reestablish access to external finance yielded financial control to European interests by establishing the Ottoman Public Debt Administration (OPDA) in 1881. Starting in 1882 to 1901, average borrowing during this period was 1.3 million British pounds. With the creation of the OPDA, external borrowing was renewed but with payments owed from previous periods, the debt payments exceeded the inflow of funds from new borrowing (as represented by a net outflow of funds averaging 2.3 million British pounds).

Germany and the Ottoman Empire begin their alliance in the 1880s

Germany, a new European power came onto the world scene led by Chancellor Bismarck who defeated in battle Austria in 1866 and France in 1870, thus becoming a major power in Europe.

Bismarck did not wish to see a breakup of the Ottoman Empire because it might create rivalries that might lead to war. On the other hand, France and Russia supported the independence movements in the Balkans as they perceived the non-Muslim population to be poorly treated by the Ottoman government.¹⁸ On April 24, 1877, Russia declared war on the Ottomans, and its troops entered Romania. While having previously prevailed over Russia in Crimean War, the Ottoman Empire would enter the conflict without the support of France and Great Britain and would thus face defeat. But under pressure from the British, Russia accepted the truce offered by the Ottoman Empire in January 1878.¹⁹

Germany, as an ally of Russia, hosted a conference in Berlin to forge a settlement through a series of treaties between the Ottoman Empire and Russia. The Berlin treaty and subsequent treaties would set compensation terms owed by Ottoman Empire to Russia, for losses sustained during the war, allowed for the release of prisoners of war and to grant amnesty to Ottoman subjects as well as allow subjects of certain territories to opt to retain Ottoman subjecthood or become Russian subjects. (Hanioglu 2008 121-123)

As a result of this war, the Ottoman Empire would be forced to incur additional debt at high interest rates and found itself militarily weaker.²⁰ Faced with the defeat from the Russia-Turkey war of 1877-78, conflicts in Bosnia, Bulgaria and Serbia and the heavy indebtedness, Sultan Abdul Hamid II (1876-1909) suppressed the recently constructed constitution and assumed absolutist power. Having lost support from Great Britain and France, he began to look to Germany for an alliance. In his eyes, Germany appeared to have little interest in wanting to colonize any part of Ottoman territory. Instead, Bismarck and later Kaiser Wilhelm II viewed the Ottoman Empire as strategically important economically and militarily. Economically as it was potentially a source for such raw materials as wheat, wool, raisins plus figs, tobacco, opium and

raw silk while serving as a potential market for its industrial products.²¹ Militarily it was positioned between two key British interests; Egypt and India. Both motivations would come together as the Ottoman Empire, soon after the Berlin conference would become a major purchaser of German armaments relying on German business interests and banking for the construction of Ottoman railroads from the 1880s into the twentieth century (Yorulmaz 2014).

Recognizing their military inferiority after the Russo-Turkish war, representatives of the Ottoman government made an official request to the German government for civil and military advisors in 1881. While Bismarck was hesitant to develop a colonial empire, he was looking to strengthen their arms industry and expand exports. As the Ottoman government was in a weak financial condition, German banks would step in to loan the necessary proceeds for the Ottoman government to purchase armaments. As German banks continued to finance the purchase of armaments for the Sultan, German armaments manufacturers established monopoly positions. Hence, German loans to the Ottoman government would be conditioned on the purchase of German products such as armaments and railway projects. During this time the Krupp company established a monopoly position as an artillery supplier and the Mauser Rifle company achieved a monopoly position in the sale of rifles. Later, the initiation of the Anatolian Railways project would become of strategic importance (Quataert 1977). Then soon after the Baghdad-Berlin Railway (McMeekin 2010).

As a prelude of a developing relationship, Kaiser Wilhelm's formally visited to the Sultan in 1889. Then 1890s began with the dismissal of Bismarck by Kaiser Wilhelm II so that the foreign policy would be fully shaped by the Kaiser. It is during this period that German financial and commercial interests would become further established in the Ottoman Empire. While Bismarck's foreign policy towards the Ottoman Empire might be viewed as guarded, the

approach changes with Kaiser Wilhelm's accession to the throne. From the day that Bismarck began the deployment of German military and civilian advisors, Germany would become a steadfast ally for the Ottoman Empire up to World War I.

Below Tables 2.6 (Germany's Foreign Trade, 1860 – 1913) and Table 2.7 - Ottoman Exports and Imports with Germany, 1880-1897. Table 2.6 demonstrates Germany's economic growth and consequent growing power as its ability to engage in trade dramatically grew from prior the Franco-Prussian war to just before WWI. For the years 1880 to 1897, the beginning years of the alliance, Ottoman trade with Germany also dramatically grew (especially exports from the Ottoman Empire to Germany).

Table 2.6 Germany's Total Foreign Trade, 1860 – 1913 (in British Pounds) (000s omitted) (Yorulmaz 2014 62)

Years	Exports	Imports
1860	70,000 £	54,750 £
1872	124,600	173,250
1880	148,850	142,200
1890	170,500	213,650
1900	237,650	302,150
1910	373,735	446,705
1913	504,825 £	538,515 £

Table 2.7 - Ottoman Exports and Imports with Germany, 1880-1897 (British Pounds £) (000's omitted) (Yorulmaz 2014 64).²²

Year	Ottoman Exports	Ottoman Imports	Year	Ottoman Exports	Ottoman Imports
1880	93.6 £	328.8 £	1889	347.4 £	1,465.1 £
1881	79.4	296.9	1890	470.9	1,670.9
1882	63.2	295	1891	681.1	1,813.0
1883	110.3	344	1892	1,367.1	1,945.4
1884	132.8	404.7	1893	813.4	2,004.1
1885	176.9	387.1	1894	921.2	1,685.6
1886	107.3	448.4	1895	1,078.0	1,911.0
1887	157.3	588	1896	1,269.1	1,372
1888	115.6	573.3	1897	1,494.5	1,514.1

Concluding Remarks

In our preceding discussion, we note an evolutionary transition on the part of the Ottoman Empire. Just prior to the nineteenth century, Monson and Scheidel in studying fiscal regimes offer the following poignant observation (Monson and Scheidel 2015). A significant step for states was the advent of external borrowing by sovereignties. Incurring public debt was an “innovation that allowed modern states to carry deficits and defer the fiscal burden of their spending.” (Monson and Scheidel 2015 4). It could raise large amounts of money by non-coercive means in order to meet various challenges.

Towards the end of the eighteenth century Sultan Selim III (1789-1807) recognized the need for economic and political reform. His attempt to modernize the military would result in being deposed by a coalition of Janissaries and ayans in 1807. In the ensuing tumult, Sultan Mahmud II (1808-39) would emerge to continue the process of reform and modernization. It would be during his reign that the Janissaries would be abolished, the signing of the trade agreements with Europe at Balta Liman and the initiation of the reform process known as Tanzimat. During this time, the Ottoman Empire would also become incorporated into the overarching global capitalist system which in turn would alter its internal society and way of being. This was initially reflected in its economic and political relationships with Great Britain and France. But then towards the latter part of the nineteenth century, an alliance shifts more towards Germany into the era before World War I.

Endnotes

1. For a discussion on demographic shifts see Inalcik and Quataert (Inalcik and Quataert 2006 Chapter XIII).
2. See also (Shaw 1978).
3. The following discussion relies on data from Quataert (1983) and Karpaz (1985).
Quataert estimates that in 1800, the total population of the Ottoman Empire was in the range of 25 to 32 million people with about 11 million in the “European” provinces, 11 million in the Asiatic provinces and about 3 million in the North African provinces (Quataert 1985, 112). Karpaz on the other hand based on the 1831 census, offers a range for estimating the Ottoman Empire’s population at 14 million to 23 million (23).
4. The Balkans were a major source of agricultural output, so the loss of those areas would negatively impact the Empire in terms of trade and tax revenues. On the other hand the shifting of the Muslim population towards Ottoman lands would create a less heterogeneous domain as far as governance issues.
5. Karpaz provides greater detail on adjustments he made to improve the accuracy of the Ottoman census data (10-11).
6. The Ottoman Empire would also experience a dramatic fall in agricultural prices (“the Great Depression”) from 1873 – 1896 (Pamuk 1984). To address this agrarian crisis, the government provided various support programs such as loans, distribution of seeds and the opening of agricultural schools.
7. Worth mentioning are the Ottoman craft guilds. Yildirim defines a “craft guild” as an “urban industrial organization in which manual workers or handicraft production as a whole were organized by the members of the same occupation who provided each other

with mutual support.” (Yildirim 2006 4). Craft guilds have been part of the Ottoman Empire possibly from when it was founded but we currently do not have a founding date or location. Yet depending on the various historical experiences different craft guilds could be found in every major city and town with a wide variety of occupations such as carpenters, tailors, weavers, masons, spinners, shoemakers, tanners, blacksmiths and bakers (Faroqi, 2015). But during the nineteenth century, faced with changing demographics, growing international trade and increased taxation by the central government the craft guilds would come to an end shortly into the twentieth century. For a more detailed discussion of the Ottoman guilds, see Yildirum (Yildirum O. 2008).

8. Steam engines in turn also needed workshops for repair, maintenance and manufacturing of spare parts. As urban cities grew, there was a corresponding need for construction companies to build rental housing and hotels. These companies were predominantly British (Geyikdagi, 134).
9. Under the leadership of Marius Michel, 36 lighthouses were built along the Black Sea and the Dardanelles (Geyikdagi 2011 61-62).
10. Ironically, these agreements did not represent a fully equal free trade arrangement, as the United Kingdom still employed protectionist policies on their agricultural markets until the repeal of the Corn Law in 1846.
11. Wallerstein, Decdeli and Kasaba, previously argued that there was a gradual process from the 17th century through the 19th century where the Ottoman Empire became part of the periphery of the capitalist world economy (Wallerstein et al. 1987 97).
12. We could say this episode was a prelude to a trend that overtook other countries in the periphery (Gaies, Brahim, and Mahmoud-Sami Nabi. 2021).

13. Germany would also continue to build the Anatolian Railway and also started in 1902 building the Baghdad Railway with the last leg completed in 1918 (McMeekin 2010).
14. Greater detail on the regional specifics of railroad development can be found in Geryikdagi (Geryikdagi 2011 78-100)).
15. By the end of the nineteenth century, the Ottoman treasury was almost depleted (Geyikdagi 2011 77).
16. The Timar System

The *Timar* system of land grants served as a reward for performance in the various Ottoman wars. Economic opportunity would rely on successful military campaigns that resulted in the conquest of additional territory. These awards went to cavalymen (*Sipahis*) who constituted the largest single division in the Ottoman army. By having a timar, they were responsible for their own expenses, including provisions during the campaigns, their equipment, providing auxiliary men and valets. With the onset of new military technologies, particularly the gun, the Sipahis, who had once made up the backbone of the Ottoman army, were becoming obsolete. Essentially, the gun became cheaper than a horse. The long and costly wars which the Ottoman Empire waged against the Austrians, the Russians and Iranians had demanded the formation of a modern standing professional army. Therefore, more revenue was needed to maintain them. Eventually other members of the military class such as the Jannisaries would also qualify for a timar.

Tax Farming

As timar owners died or could no longer send troops the state would confiscate timars. Once under direct control the vacant land would be reassigned to notables who would contract to collect taxes in order to ensure greater cash revenue for the central government. As taxes were collected in produce, the produce would in turn be sold to merchants or export houses. (Tax farming may have been a factor in developing both domestic and international markets as currency would be used in the various transactions.)

These “tax farms” (“*çift-hane*”) gradually supplanted timars. But as they contributed less and less to imperial tax revenues, tax farming became less significant as we approached the nineteenth century. See Haque for a variety of sources on the Ottoman Timar system (Haque 1976) and Pamuk (2004 239-243) for a discussion of tax farming.

17. For a broad discussion on the evolution of money and the Ottoman Empire see Pamuk (Pamuk 2000).
18. The concern for the non-Muslim population was not the sole motivation for Russia as it also had other aspirations such as its right to maintain a fleet on the Black Sea.
19. For greater details on the battles in the Crimean War of 1853-1856 and the Turkish-Russo war of 1877-78 see Reid (Reid 2000).
20. Birdal discusses the OPDA and says that at least formally from the Treaty of Berlin, Balkan states were still obligated to pay taxes to service the Ottoman Empire's debt. But practically speaking one wonders how this could be enforced (Birdal 2010).

21. What was soon to be an important resource; petroleum was discovered in Mesopotamia (now Iraq) but was not as aggressively sought after until the turn of the century.
22. Calculations for Table 2.7 (Yorulmaz 2014 64). Note the rate of exchange for British pounds to German marks was mostly fixed from 1880 to 1897 at about 21 German marks to 1 British pound. Exchange rate data obtained from: [\(<https://www.historicalstatistics.org/Currencyconverter.html>\)](https://www.historicalstatistics.org/)

Table 2.7a

Ottoman Trade with Germany, 1880-1897 (Marks converted to British Pounds) (000'omitted)

Year	Ottoman Exports Marks	£/Mark	Ottoman Exports Pounds (£)	Ottoman Imports Marks	£/Mark	Ottoman Imports Pounds (£)
1880	1,910	0.049	93.6	6,710	0.049	328.8
1881	1,620	0.049	79.4	6,060	0.049	296.9
1882	1,290	0.049	63.2	6,020	0.049	295.0
1883	2,250	0.049	110.3	7,020	0.049	344.0
1884	2,710	0.049	132.8	8,260	0.049	404.7
1885	3,610	0.049	176.9	7,900	0.049	387.1
1886	2,190	0.049	107.3	9,150	0.049	448.4
1887	3,210	0.049	157.3	12,000	0.049	588.0
1888	2,360	0.049	115.6	11,700	0.049	573.3
1889	7,090	0.049	347.4	29,900	0.049	1465.1
1890	9,610	0.049	470.9	34,100	0.049	1670.9
1891	13,900	0.049	681.1	37,000	0.049	1813.0
1892	27,900	0.049	1367.1	39,700	0.049	1945.3
1893	16,600	0.049	813.4	40,900	0.049	2004.1
1894	18,800	0.049	921.2	34,400	0.049	1685.6
1895	22,000	0.049	1078.0	39,000	0.049	1911.0
1896	25,900	0.049	1269.1	28,000	0.049	1372.0
1897	30,500	0.049	1494.5	30,900	0.049	1514.1

CHAPTER 3

Summary and Conclusions

The Ottoman Empire stretched from the Balkans and the Black Sea through Anatolia, Syria, Mesopotamia, Egypt and much of North Africa for six centuries. But still, the nineteenth century saw the loss of control of various territories (particularly the Balkans) including: Bulgaria, Greece, Serbia, Montenegro and Rumania. From the loss of territories to the many defeats, the Ottoman Empire (along with the Austro-Hungarian Empire, the German Empire and the Russian Empire) was to come to an end as a result of World War I.

The history and process that ultimately led to its dissolution is a complex one. In explaining this process, there are several factors that researchers have pursued. These factors would include military defeats, internal separation of regions due to nationalist movements, corruption in the government, cultural aspects and/or lack of institutional change. This study reviewed some key economic aspects of the Ottoman Empire during much of the nineteenth century and then how these factors along with some economic based arguments provide a partial understanding of the eventual dissolution of the Ottoman Empire.

The time period of 1789 to 1918 had its unique characteristics. The signing of the Balta Liman series of treaties and the Tanzimat reform process which represented the influence of Western Europe on the central government's efforts at reform in such areas as education, law and justice which would represent steps towards integrating into the global capitalist system . It was a period of rapid growth in foreign trade and integration with global markets. For example, a larger proportion of agricultural production went towards exports while traditional crafts faced greater

competition from imports. It was a period of modernization with the development of railroads and ports along with more modern financial institutions in banking and insurance.

As an important episode prior to the dissolution of the Ottoman Empire, we characterize it as a “conjuncture” within the long history of the Ottoman Empire. How has this conjuncture been viewed?

As mentioned previously, writers such as Lewis portrayed the Ottoman Empire in a slow irreversible decline after the sixteenth century (Lewis 1958). Streusand, in a more reasonable approach, offered the following observation:

“... But the Ottoman Empire survived, and Ottoman historiography has begun to emphasize transformation under stress, rather than decline, as the best categorization of the changes it underwent. Without question, Ottoman power and wealth declined relative to European rivals, but the current generation of historians emphasizes their resilience rather than degeneration...” (Streusand 2010 5).

The Industrial Revolution was a driving force for Western Europe to find markets for manufactured goods while importing cheap sources of food and raw materials. Along with improvements in transportation, trade of manufactured products and agricultural commodities would dramatically expand up to World War I. Along with trade was the export of capital from Western European countries to non-European countries.¹ Much of this investment was for infrastructure enhancement (e.g. railways and ports) that would facilitate international trade. While Western Europe grew, much of the rest of the world lagged behind.²

Faced with growing Western European economic and military power along with various independence movements, the Ottoman government had to transform its economic, military and political.

As far as changing economic institutions, the 1838 Balta Liman Free Trade Treaty with Great Britain was probably the most important economic reform. The Balta Liman Free Trade treaty in turn was a mechanism for British support. Britain received unlimited access to the markets of the Ottoman Empire, and therefore to protect its trade interests it chose to protect the integrity of the Ottoman Empire. From that point on, the volume of trade between the Ottoman Empire and the industrializing countries expanded throughout the nineteenth century (Pamuk, 2018, 115). In the long term, the Ottoman Empire lost the opportunity to fully modernize and industrialize, but in the short term, it gained the opportunity to receive the support of European powers (primarily Great Britain and France) in opposing Russian encroachment and the desire for self-determination by the Balkan nationalist movements.³

These reform efforts not only had economic benefits such as the expectation of greater tax revenues and the hope for increased foreign investment, but there was also a political reality that aligning with European countries would provide potential allies against a perennial adversary: Russia. For example, the Reform Edict of 1856, after the Crimean War, allowed for direct foreign investment and soon after in 1857, foreigners were given permission to own land in the empire. This also came with additional economic and legal privileges for European companies and citizens (Hanioglu 2008 72-108). Yet, as compared to the Western European powers, the Ottoman Empire proceeded more slowly in accepting economic and political reforms because of the concern of loss of political control.

Yet the British insistence on “free trade,” would result in the loss of tax revenue for the central government. To support a better equipped military as well as seek enhanced infrastructure would be expensive endeavors. To maintain tax revenues, the tax farm system remained in place but with the local tax farmers keeping a smaller share. But increased tax revenues were not sufficient to meet the rising expenditures, so the central government had to rely on increased external borrowing. In the early nineteenth century, the mechanisms to finance government deficits included special taxes, debasing the currency and domestic borrowing. In the face of growing inflation, the central government stopped debasing the currency and began to borrow externally on European financial markets. The substantial borrowing eventually led to defaults and a loss of sovereignty to the Ottoman Public Debt Administration (established in 1881) which in serving the foreign creditors established control over a part of the Ottoman government’s sources of revenues.

While moneylenders had existed in the Ottoman Empire for centuries, the first formal banks emerged during the 1840s (Pamuk, 2018 119). These banks were started by European capital or jointly by European interests with local interests. An example of major European bank was the Imperial Ottoman Bank which started as a British French but evolved into primarily a French Bank. An example of a state-initiated bank was the Agricultural Bank that was established by the state to support agricultural development by providing low interest credit to cultivators. Yet for the rural areas or less developed areas, they would continue to be served by local “moneylenders.”

The Ottoman Empire experienced rapid population growth; partly naturally and partly from immigration from areas that declared independence (or were absorbed by Russia). Most of the

population was engaged in agricultural production and more production was heading to markets which in turn was devoted to feeding the growing urban areas as well as exports. Pamuk estimated that about one-half of agricultural output on the eve of World War I was either for urban markets or for exports (Pamuk 2018 121).

We should also note that production was still carried out mostly by small and medium-sized farms. This due to the efforts by the central government since Mahmud II (1808-39) to keep a limit on the size of land holdings by local notables. This would be done either by confiscating large land holdings or by limiting the tax collection ability of local notables.

At the beginning of this period, most textiles were produced and consumed within the village economy. But as manufacturing increased in the Western European countries, textile imports grew hurting manufacturing in the rural areas. One industry that did experience an increase was the carpet weaving industry. For example, prior to WWI, fifteen thousand women worked for the Oriental Carpet Manufacturers Company producing about five per cent of the Ottoman Empire's exports (Pamuk, 2018, 129).

Pamuk's contributions

Pamuk's follows Toledano's argument in that there was not a simple irreversible decline from the sixteenth century. In his work, *Uneven Centuries: Economic Development of Turkey since 1820*, articulates an institutional framework in that both the state and the society showed an adaptability to changing circumstances as the central bureaucracy displayed pragmatism, flexibility and willingness to negotiate (Pamuk 2018, 55–89). But unlike the Western economic histories, the interests of various socio-economic groups (e.g. landowners, manufacturers, financiers) were not as prominent, so much of the efforts of the central bureaucracy would be

focused on maintaining the existing order and any challenges to that social order would be vigorously resisted. Meanwhile, on a more individual basis, comparing the population of the Western European nations with the Ottoman Empire the gap between such concepts as the levels of income and standards of living grew (in the time period studied) by about one-third. (Özmuçur O. and S. Pamuk 2002).

As previously discussed, the Balta Liman series of treaties opened the Ottoman economy to foreign trade and foreign investment following an open economy model. According to Pamuk, the resulting formal changes of the political and economic institutions during the nineteenth century would be part of the reason for the increase in per capita income as well as advances in health and education (Pamuk 2018 17). Economic growth as represented by increases in either per capita income or per capita production saw systemic growth in Western Europe before the Industrial Revolution and spread throughout the world during the nineteenth century.⁴ Factors that supported growth include technological progress, greater investment in physical capital and rising educational levels within the labor force.

Yet for Pamuk, overall increases in income may not be enough to assess the performance of an economy. Other things to consider would be income distribution, health, educational achievement, changing environment and overall quality of life. That is, rather than focus on a few economic indicators, can we begin to look at alternative ways to evaluate social progress? Can the institutional framework of a country explain its long run pattern of economic development? Or help us understand its resiliency?

With a better understanding of the changing role of institutions, Pamuk argues we can better explain the economic development of the Ottoman Empire. During some time periods, various

institutions fostered growth and development while during other times these institutions hindered growth and development.⁵ There were both formal as well as informal institutional interactions that impacted the process of economic development. Institutional behavior and practices can take two forms: formal and informal. Examples of formal practices include those institutions that enforce contracts, protect property rights and monitor those parties that have made formal commitments.⁶ Informal institutions would include family, kinship, religious networks, business partnerships and guilds. Informal institutions are often small scale, bottom-up initiatives that are created to reduce uncertainty in economic life. Political institutions play a role as they often entail the formation of alliances and coalitions within the elite. Economic and political institutions become shaped to provide privileged access to specialized rights and resources while excluding other groups. Formal and informal institutions often coexist with each other. Interestingly, formal institutions can change very rapidly while informal institutions often change very slowly. It is this complex interaction between formal and informal institutions that ultimately facilitates or hinders economic growth. Institutions can hinder growth by protecting privileges of narrow groups. Examples would include guilds and merchant monopolies. Institutions can also resist change due to long standing beliefs, norms or values.

But the informal institutions are also important factors. Informal institutions such as cultural, and religious, social norms, values, beliefs which changed slowly. While the Tanzimat process during the nineteenth century was mostly a “top-down” process from the central government; the ability to implement reforms by the central government would be difficult in the more rural areas. Applying new reforms in a top-down approach generated resistance from powerful groups who believed that new reforms were harmful to their respective interests. Much of Pamuk’s discussion on how progress is achieved depended on the ways formal institutions interacted with

informal institutions. Formal and informal institutions play key roles in enhancing the ability of different social groups to solve their collective action problems in pursuing common interests. It is during this period that alliances between various social groups in relation to the central state could vary. Some of these interactions were influenced by international institutions as they encouraged ongoing integration into the global economic system. The success of a new government initiative would depend on gathering sufficient support from the various power interests. If there is enough divergence between interested groups, “cleavages” form characterized by lack of trust and cooperation (Pamuk, 2018 19). If differences between the various social groups cannot be adequately mediated economic and political uncertainty can be the result. Besides the various economic groups previously mentioned, examples of social groups: Muslims and non-Muslims, conservative Muslims and secular Muslims, Sunnis and other Muslims and Kurds and Turks.

Conflict erupts when benefits from a new institutional framework adversely affect certain existing elites. Cleavages between Muslims and non-Muslims, between local elites and state elites, secular and conservative elites ultimately undermined the state’s ability to adequately govern.

Economic Decline of Empires

In his book, *The Economic Decline of Empires*, Cipolla collects several articles from historians discussing the decline of some well-known empires: Rome, Byzantium, Spain along with the Ottoman Empire. For Cipolla, the notion of decline is a “a loss of pre-eminence” (Cipolla 2011 2). Declines of empires due to external events (e.g. catastrophic events) are rare. There are usually internal factors. An important issue was the material benefits the “lower strata” of the

population received for being part of the empire. For most societies, excesses by the upper classes were common. As noticed in several empires, there is a growth of a civil service sector as part of forming a bureaucracy. Another major expense is for development of the military. An empire is often surrounded by potential adversaries. Two challenges: as the standard of living rises, so does the cost of fielding an army and as time passed more battles consisted of developing technology and equipment which were increasingly costly. With a growing need for military expenditures, there is a corresponding need for increased taxation. Often taxation would be mostly borne by the peasantry. At some point, empires need to recognize the importance of making change. Innovation in such things as military capability, production methods and technology often do not happen as conservative elements that relied on past practices will advocate for maintaining the status quo.

In a more recent work, Paul Kennedy, published *The Rise and Fall of the Great Powers* (Kennedy 1987). In his book, Kennedy tried to show the connection between a country's economic foundation and its respective ability to conduct military campaigns. Again, similar to Wallerstein's earlier work; there is not much discussion about the Ottoman Empire except for a few pages in the introduction. Yet as there are acknowledgements of exceptions where a nation-state can be relatively weak but be a great power or a country can be economically strong but may choose to restrain itself from international leadership; ultimately great power is connected to a solid economic foundation.

As in other identified conjunctures, the Ottoman Empire won great battles and lost great battles. It faced great economic and political challenges; some were addressed but some could not be overcome. As it became allied with Germany, as events unfolded leading up to 1914, it entered World War I as an "empire" but would emerge redefined as the Turkish nation.

Endnotes

1. Marshall Hodgson examined the three great Islamic empires; the Mughal, Safavid and the Ottoman Empires by referring to them as “gunpowder empires.” The gunpowder empires, is a term used by Marshall Hodgson (and later William H. McNeill in his *The Age of Gunpowder Empires* (1989)) at the University of Chicago, referring to the three great Muslim empires: the Ottoman Empire, the Safavid Empire and the Mughal Empire in the period from the 16th to the 18th century.

In *The Venture of Islam, Volume 3*, Marshall Hodgson gave new insight into the study of Islam and Islam based societies such as the Ottoman Empire. His work gave Islamic history a broader context within world history as a critical response to the more Western biased view of such authors as Bernard Lewis.

These three empires were stable empires that led commercial expansion while their political and legal institutions were consolidated with an increasing degree of centralization. Vast amounts of territory were conquered by these Islamic gunpowder empires with the use and development of the newly invented firearms and cannon.

But as we entered the nineteenth century we see a subordination of these once great empires to the Western European nations. For example in Chapter II of Book VI *The Great Western Transmutation*, Hodgson says:

“The generation of 1789 had seen Europe come to exercise an ultimate hegemony over the Islamic peoples. Whether a European power ruled directly or whether

there was merely a generalized dependent relation to the European social order as a whole, it was in the power of the Europeans, if they agreed on a policy, to enforce their will in most Muslim lands...” (Hodgson 1974 223).

2. In his book *The Great Divergence*, Kenneth Pomeranz asks why did Northwest Europe (and possibly Japan) experience rapid economic change from dramatic industrial growth as compared to East Asia around the fifteenth and sixteenth centuries. This is partly explained by certain resource endowments (e.g. coal) and the dominant relationship with the Americas. There are certainly areas for debate as to causes. Huang provides a discussion on the changes in agricultural techniques between Great Britain and China (Huang 2002). Or whether Pomeranz’s identification of the causes is accurate (Vries 2001).
3. Despite the difficulties of obtaining data, Pamuk attempts to measure the GDP per capita for select countries in the Middle East as compared to other regions, most important the United States and Western Europe. Again from 1820 until 1913, there was a substantial gap in GDP per capita between the Middle East and the US and Western Europe. (Pamuk 2006)
4. See Chart 2.1 and table 6.1 in Pamuk (Pamuk 2018 34 and 135).
5. The Ottoman judicial system institutionalized a number of biases against non-Muslims, such as barring non-Muslims from testifying as witnesses against Muslims. Non-Muslims in anticipation of judicial biases would chose to settle most conflicts out of court (Kuran T. and S.Lustig 2012).

Following Sultan Mahmud(1808-1839), Sultan Abdulmejid I (1839-1861) would officially launch the reform program of Tanzimat. It was under Tanzimat that European concepts of law and administration could be synthesized with Ottoman Islamic traditions. For example, it was hoped that the sultan's ability to intervene in government would be limited and that Muslims and non-Muslims would have equal standing. These concepts would be further formally codified by the Mecelle code. The code was prepared by a commission (headed by Ahmed Cevdet Pasha) including a large team of scholars, issued in sixteen volumes (containing 1,851 articles) from 1869 to 1876 and entered into force in the year 1877. Its structure and approach was clearly influenced by the earlier European codifications (Ayoub 2016). The Ottoman system would consist of three court systems: one for Muslims, one for non-Muslims, involving appointed Jews and Christians ruling over their respective religious communities, and the "trade court". (For a discussion of the secular courts (Nizamiye), see Rubin (Rubin 2011).)

These court categories were not, however, wholly exclusive: for instance, the Islamic courts—which were the Empire's primary courts—could also be used to settle a trade conflict or disputes between litigants of differing religions, and Jews and Christians often went to them to obtain a more forceful ruling on an issue. The Ottoman state tended not to interfere with non-Muslim religious law systems, despite legally having a voice to do so through local governors.

The Ottoman Islamic legal system was set up differently from traditional European courts. Presiding over Islamic courts would be a *Qadi*, or judge. However, the Ottoman court system lacked an appellate structure, leading to jurisdictional case strategies where

plaintiffs could take their disputes from one court system to another until they achieved a ruling that was in their favor.

6. Earlier in this discussion, Hodgson points to one method of domination is to impose a more common legal code in harmony with a European code that legitimizes market principles and establishes certain “legal” rights. (Hodgson 1974 224). We also had mentioned the economic institutionalism of Douglass North which emphasizes the importance of “property rights.” The concept and practice of property rights, however, needs a legal context for there to be such a concept in practice. With the guarantee of “property rights” Europeans would be more willing to acknowledge an entity’s sovereignty. This entity would further be expected to recognize rules of international conduct as represented by “international law.” If there was a belief that these laws were violated (loss of property, nonpayment of debt) then there would be a loss of sovereignty where a European government would be justified to forcibly intervene. (We would especially see this in the latter part of the nineteenth century, when the Ottoman Public Debt Administration (OPDA) would be established to ensure the servicing of outstanding public debt owed by the Ottoman government.)

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