

**THE ROLE OF FINANCIAL
FACTORS IN THE STRUCTURAL
CHANGES IN THE ORGANIZATION
OF THE OTTOMAN EMPIRE IN THE
18TH CENTURY***

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In the 18th century the Ottoman Empire faced a major financial crisis and also as a consequence a military crisis. In fact, the roots of the problem go back many years, and the second half of the 17th century was fraught with many difficulties. Among them we assess the financial problem to be paramount. Our research demonstrates that since 1656, after trying all kinds of measures, the government decided to ask the help of people with monetary assets to meet the deficits in the budget. Furthermore, some additional means were undertaken such as 1.Borrowing from the sultans, 2.Currency devaluation (debasements), 3.Confiscations, 4.Extraordinary wartime taxation. These were the conventional instruments implemented by the Ottoman financiers intending to overcome the financial crises.

We must underline that the financial dilemma which had begun in the second half of the 17th century was far more grave than the ones experienced previously, because this time each and almost every year's budget had a deficit. Therefore, we can conclude without hesitation that the budget deficit problem had become chronic and the economy was in crisis.

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After the Ottoman defeat in Vienna in 1683, the dimensions of this crisis expanded. Then it became mandatory to take some new and concrete decisions to remedy the problem. Thus, between the years 1687-1699 a series of measures were applied in succession; but, with one exception (the *malikâne* application), almost all of them were similar to the conventional ones and also, excepting the *malikâne*, none was significant in the reformation of the 18th century.

In fact, the *malikâne* system, played a decisive role in the reformation of the Ottoman Empire in the 18th century. This system was introduced by an imperial decree dated 1695. After its creation and application, this new system quickly affected the other institutions of the Empire. It must be said that, the application of the *malikâne* system was not by itself the only cause of all changes which occurred in the 18th century, but it was merely an accelerator of those changes. Actually, some changes had already begun in the earlier period. In the 18th century these changes took a definitive form; but, it seems that everything was happening spontaneously and beyond the declared policies of the central government.

Before going into an explanation of the developments during the 18th century, let us state briefly the nature and the characteristics of the changes that took place in this period. Afterwards some arguments will also be enumerated about the real causes of the 17th and 18th centuries financial crises. Finally, as a last step the question of "How and why a structural change in the entire organization of the Empire had taken place in the 18th century?" will be discussed.

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As is well known, in the history of the Ottoman Empire both the 18th and the 19th centuries were ages of change. Thus, beginning with the first quarter of the 18th century the Ottoman classical state organization had become no longer viable. The 19th century is indisputably an age punctuated by a series of radical and rapid changes; but the nature and the character of the changes were distinctly different in 19th century then from the previous period. There is no intention here to point to numerous details which merely seem different; but there is an essential distinction to be made: in the 19th century, the central government led the changes. In other words, there was a clear and declared decision by the Ottoman State to make some reforms. So, in the 19th century the changes were taking place to a large extent within the

control and under the leadership of the Ottoman government.

However, from the same point of view the nature of the 18th century changes was of a different character. In this century, the central government instead of leading the changes tried in vain to maintain the status quo - the classical rules and institutions of the Empire -; but despite persistent efforts by the government to maintain the conventional structure, the pressure arising from changing social, economic and financial conditions during the 18th century forced the government to accept the changes reluctantly. So, in the 18th century even though some important decisions were taken by the government to meet the arising situations, these policies were lagging behind and were also dictated by the pressure of daily conditions and the salient characteristic was the legitimization of the developments in almost every case.

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The financial problems of the 18th century were inherited from the previous period. Most significant of these was the deficit of Central Treasury (*Hazine-i Âmire*), and the main reason for this deficit was the increase of the expenditures for war finance. During this age, the cost of the wars had dramatically increased, because they were no longer outcomes of limited conflicts. In addition, weapons involved were technically more complex and more costly. The Ottoman Empire in order to be successful in these wars, preferred to increase the number of *Kupukulu* soldiers (Royal Army) and this army had to be equipped with modern artillery and rifles. Thus, approximately 70% of the revenue collected by the Central Treasury was spent on these troops.

However, in order to understand the real causes of the budgetary deficits it is not enough to focus merely on the amount of these expenditures. It is also necessary to bring the structure and the nature of the Ottoman budgets into the discussion. In fact, if we examine the Ottoman budgets, it is remarkable that, although the Ottoman Empire was a warrior state, the extra expenditures made during war times were never included in the budgets. The reason was very simple: the character of the Ottoman State was military even during the peace times. The Central Treasury had been created to fund the Royal Army in peace and war times, and according to the Ottoman perception shaped during the previous centuries, wars which do not last more than a season and ending always with Ottoman's victory, would not bring extra burden to the Central Treasury (The

significant aspect here is the payments made in cash). Resulting from this assumption, and in accordance with the needs of the age, the Ottoman Central Treasury was quite small relative to the size of the Empire and also to the total amount of fiscal revenue collected within the country. This was because the fiscal revenues of the Empire were shared by different recipients. Namely; 1. The Central Treasury (*Hazine-i Âmire*), 2. The *Timar* areas (the fiefs), 3. The Sultan's private treasury (*İç Hazine*), 4. The peripheral provinces (*Eyalât-ı Mümtaze*), 5. The vakfs (i.e. religious endowments).

Considering this financial structure the reason is obvious for the chronic budget deficits and for the efforts of the Ottoman statesmen to attempt to deal with the fiscal problems by maintaining the status quo, rigidly adhering to their conventional economic and financial system. So, we can conclude that having a small budget was also a part of this conventional system. Attempts to augment this small treasury by decreasing income to other sectors meant in the eyes of the Ottoman statesmen to destroy the entire organization of the state; but the conditions of the 18th century brought about this result without any government intervention. So, we draw this conclusion: the 18th century was the age of struggle among the above mentioned sectors to maintain their share in the total fiscal revenue.

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The *Malikâne System* was based on *mukataas*. *Mukataa*, as is known was a package of tax/taxes. The taxes included in a *mukataa* are generally the taxes which belong to the Central Treasury. Until the creation of the malikane system, the content or in other words the revenue of a *mukataa* (i.e. the taxes) was collected in two ways. In the first, called "*emânet*", the tax collection was done by an official agent of the Treasury. The second was tax-farming (*iltizam*). According to this method, *mukataa* was issued to a non-official person who was commissioned to collect the taxes and he was allowed to keep a surplus. Malikane System was similar to this one. However in *malikâne* application the *mukataas* were sold to individuals for a life-long term. After the death of a malikane owner, the Treasury had the option to repossess and sell it with a new price to another individual. By selling *mukataas* at a price determined in prevailing market conditions, the State renounced its future revenue.

At the beginning, the application of this new system was somewhat helpful to the

government to meet budget deficits. But, its long term application could jeopardize the conventional organization of the State in the following ways: Firstly, initial returns (return of the first selling) could not meet the expectation of the Treasury. Secondly, after the sale of the profitable *mukataas*; it would be difficult to find new ones and to introduce them into the system. Thirdly, there arose a necessity of finding new investors, willing to contribute money at the price offered by the Treasury.

Therefore, the Ottoman financiers recognizing that there was a flaw in the system, chose to cease the application at the end of the first quarter of the 18th century. But, having started sales, it was difficult to return to the previous system while the need of the Central Treasury for money was still continuing. At this point, the easiest way to manage the problem was to introduce new *mukataas* into the system. For this purpose, the taxes saved for *timar* holders could be used.

As a matter of fact, in the 18th century, the transformation of *timars*, beginning with the small and then larger ones, into *mukataa* had started. The outcome was that gradually revenues saved for local governors were diminishing in favour of the Central Treasury. The continuity of this process ended as is known with the weakening and later dissolution of the Provincial army (*Eyalet Ordusu*). Of course this was not in accord with the intentions of the government, for at this time the funding of the Provincial Army and its general strengthening were of paramount importance. Actually, the central government had not taken any decisive steps to abolish the *timar* system. On the contrary, the government was still expecting and demanding the local governors (*eyalet ve sancak mutasarrıfları*) and the *timar* holders to fulfill their traditional obligations. But as their revenues became insufficient, it became extremely difficult for them to do so. Therefore at this point, in the face of the pressure put by the central government, they started to levy some new but illegal revenues on the people of the provinces. These levies were called *tekâlif-i şakka*. Actually, the *tekâlif-i şakkas* were not real taxes in the sense that they were neither legal nor did they possess consistent standards. Besides these levies were arbitrary and the local governors could collect them at any time, sometimes in cash and sometimes in kind.

Finally, the government realized that it was impossible to forbid these levies. So, instead of preventing their application they chose the way to legalize them in a new form. By a decision taken in 1730's the *tekâlif-i şakkas* were transformed into *imdad-ı seferiyye*

and *imdad-ı hazariyye*. The invention of these new taxes is highly consequential and marks a turning point in the economic and financial history of the Ottoman Empire.

These taxes were collected from the people of the villages by local governors to meet their own expenditures and even collected in cash nothing was sent to the Central Treasury. So, these taxes were new revenues allocated to the local governors. At this time the distribution of "*has*" was also continuing; but the revenues from them were now insufficient to meet the expenditures of local governors. Therefore, we can argue that by the creation of these taxes the "*has*" distribution system was not officially abolished. The new taxes were merely supplementary to the old ones. Here, it is also necessary to underline that the other part of these taxes, *imdad-ı seferiyye*, was collected only during war times and it was allocated to the wages of their troops.

Significantly enough, the soldiers who were thus paid by the local governors were no longer the old *cebelus* of the *timar* system. These were bandit groups of the former times seeking refuge and protection hoping to earn their living expenses. They were generally called, as is known, "*levends*". Examining their numbers and activities, we can conclude that in the 18th century the backbone of the provincial army was formed by these *levends*. The use of *levends* indicates that, the military and the land organization of the Empire had radically changed in that century without any deliberate decision of the central government.

The creation of the *imdadiyyes*, helped the local governors to control their economic problems temporarily, but over a period of time the amount of the revenue collected under the name of *imdadiyye* did not change while the Ottoman currency was continuously devaluated. Therefore, the same old problem (insufficient income) of the local governors re-emerged and once more they came to the point of requiring the help of the Central Treasury to meet the expenses of their troops. Under war conditions, the government could neither refuse their demands nor withdraw the application of the *Malikane System*; but in these years the drawbacks of the *Malikane System* also became very clear. Thus, in 1775 under the pressure of the financial difficulties, the Ottoman government tried to invent a new method aiming at the extraction of the small savings made by its subjects. This new method was called "*Esham*".

The *Esham System* was basically similar to *malikâne*; but this new system tried to avoid the disadvantages of the *malikâne*.

system. In fact, in *esham* application, the total income of a *mukataa* was not sold entirely to a single individual, but only the net income, in other words the surplus was the subject of the sale. This surplus was divided into many equal shares before the selling and this allowed even a small saver to invest his money in *esham*. In this system both the ownership and the management of the *mukataa* were in the hands of the State. A civil servant called "*emin*" was charged to distribute by installments each year to each and every *esham* owner the revenue from their shares.

For a while, the applications of *Malikâne* and *Esham* systems went together. In the short term these systems were somewhat effective and thanks to their application the Treasury acquired new revenues. However in the long term, *esham* like *malikâne*, became hazardous to the Treasury. It seems that, while implementing the *esham* the Ottoman financiers had not taken essential aspects into consideration. To begin with, the financiers had thought that even in the future the net income of the *eshams* would remain at the same level. However this assumption proved wrong and in time the net income of some *mukataas* begun to decrease. This meant that there was not enough money in the hands of the *mukataa* manager (the *emin*) to pay the dues to *esham*'s owners.

A calculation made in 1793, approximately twenty years after the beginning of the *Esham System*, shows us that the application contributed to losses for the Treasury. In fact, during this period the State while receiving 44.000 *kise* (22 million *guruş*) from the revenues of *esham* sales; plus the taxes and miscellaneous in total, had paid 58.000 *kise* (29 million *guruş*) to *esham* owners. This figure indicates that the Treasury had lost 7 million *guruş* during this period by the implementation of the *Esham System*. In this calculation the figures of the last year were not taken into consideration, because the responsible officials for finance were afraid that, should they reveal them, the loss of the Treasury would be recognized as much higher. Unfortunately we do not have a similar calculation for *malikâne* sellings. But various documents clearly indicate us that during this period the *Malikâne System* also was not working for the benefit of the State Treasury.

Therefore, at the end of the 18th century the time had come first to stop the application and then to abolish these two financial contrivances; but it was difficult to accomplish this during simultaneous wars with Austria and Russia. Fortunately, the French Revolution intervened, making it possible for

the Ottomans to terminate their wars with these powers. Since all the countries in Europe feared that a similar disorder might ignite them, Austria and Russia ceased their aggression into Ottoman lands. After a period of active conflicts and cold wars this was an opportunity for the Ottoman Empire to undertake to solve the accumulated financial and economic problems from the 18th century. As is well known, Selim III tried to accomplish this mission.

The reform programme of Selim III is known under the name of *Nizam-i Cedid* which means "New Order". The aims of this programme were the following:

- The creation of a new Treasury (*Iradi Cedid Hazinesi*) which could operate effectively during times of war,
- The creation of a new army (*Talimlu asâkir*) equipped with modern arms and trained for current day warfare,
- First to stop and then abolish the application of the *Malikâne* and *Esham* systems,
- To reorganize the *timar* areas and *timar* soldiers,
- To make some reforms in the administration of the provinces.

The analysis of Selim III's programme demonstrates us what had really happened during the 18th century. Did Selim III succeeded in his plans? Not entirely. But he made a strong headway towards accomplishing his mission. The significance of Selim III's reform programme in the history of the Ottoman Empire is that it initiated the age of voluntary and controlled changes.