occurred, and to maintain some institutions for the sake of traditionalism even when they had lost their functional value.

These three policies created the referential framework of the Ottoman economic system. Any difference in policies stemmed from the combination of the three principles in varying degrees. For instance, whenever provisionism prevailed, export was restricted and import was fostered; when fiscalism was favored, the opposite policy was followed.

STATE CONTROL OF PRODUCTION

Classical Ottoman economic policy coincided with the state's attempt to control all factors of production—including land, labor, and capital—with long-term consequences on the Ottoman economic and commercial structure. Of all factors of production, land was the most important. Agricultural land accounted for the largest portion of land use and, for the most part, was owned and controlled by the state. The landholding pattern prevalent in most of the Asian and European provinces was called *miri* (state-owned); it allocated small units of land for cultivation by families. Under this system, peasants paid taxes on the land they cultivated and consumed its produce as they saw fit, but they could not convert the land into a religious endowment (*WAQF*) or grant it to another party. If the land was left untilled for three years in a row without excuse, the plot would be given to another farmer. Furthermore, if a farmer moved to another area and abandoned his plot, he could be brought back by force in a decade unless he was registered in the land survey of the village he moved to or paid a specified penalty (*çift bozan resmi*). Family farms passed from generation to generation intact without inheritance taxes.

Given the inherent protections of this system for both the state and the peasantry, this ownership structure played a crucial role in the rapid expansion of Ottoman rule in the 14th century. Based on cadastral surveys of the 15th and 16th centuries, it seems that this structure enabled increases in both production and population.

Although this structure began to shift in the 17th century with the emergence of large farms, most of these new farms were located in previously vacant lands outside settled areas. Considering the spread of big farms both an economic and a cultural threat, the peasantry and the state reacted against this shift and prevented the big farms from expanding into the villages. Small landholders continued to constitute the basic unit of agricultural production, and statistics indicate that land distribution in Anatolia and Rumelia preserved its egalitarian character until the end of the empire in the early 20th century.

Ottoman control of labor during this period was secondary, important only for the state's control of the land; Ottoman subjects were not serfs or semi-slaves tied to the land. There was no law forcing the peasant to till the land but rather an obligation from which he could escape by paying a fine equivalent to 7–10 times his usual tax. This practice was valid not only for peasants but also for some urban industrial workers whose labor was indispensable to the state, and for workers in the mines owned by the state

State control of labor was also common in the case of several urban artisan groups, which were organized in accordance with the SHARIA, or religious law, and imperial decrees. All the members of each guild had to complete an apprenticeship, a means of building human capital in specialized fields. The guilds tended toward monopoly, each group coming to dominate a particular area of production, especially in Istanbul and other big cities. By the 17th century, the state began to issue guilds monopoly licenses (known as *gediks* or patents) stipulating that certain products or services could only be offered by members of specified guilds. This practice spread throughout the 18th century, enabling state control of the urban sector of artisans. Control of labor helped limit the mobility of labor in the pre-industrial age when insufficient production was chronic; it also enabled the government to protect both the structure and the volume of production, and promoted specialization, as evidenced by production successes in such fields as metal goods, jewelry, dyeing, and leather manufacturing.

While controlling both land and labor, the state also worked to control both financial and physical capital, with significant consequences. The policy of provisionism motivated the state to limit the rate of profit on consumer goods, setting a maximum of 5 to 15 percent profit for tradesmen and merchants from the 16th to the mid-19th centuries. The actual rate of profit was decided based on the kind of economic activity. In retail and wholesale trading the norm was 5 to 10 percent. The prices of the goods and services sold in the market, as well as the wages paid by guilds, were determined through the cooperation of the relevant guild with the *kadı*, the inspector of the marketplace (*muhtesib*). For example, in 1726, retail merchants selling Egyptian flax in Istanbul as raw material with minor processing were allowed a profit of 6.5 percent. Trades that required more complicated production—such as CERAMICS or nails—yielded profits as high as 20 percent.

Even when the state did not fix the prices, the complexities of the Ottoman guild system had a strong tendency to reduce profits, because each step in production was dominated by a particular guild. Any attempt by one group to increase its own profit would decrease that of others and thus artisans and tradesmen kept each other in check. When this system of internal balances failed to stabilize profit margins, the guilds would seek intervention and the state would impose a fixed average profit of

10 percent. Under the circumstances, it was very difficult for any group or individual to accumulate capital. State intervention led to the lack of capital in commerce and artisanship. Small-scale craftsmen could meet production costs, yet certain fields required substantial investment that only the state could undertake either directly or through pious foundations. These areas included the construction of covered bazaars; caravansaries; dyeing, printing, and finishing/polishing installations; oil, candle, and soap manufacturing; and tanneries. In these plants the state could charge rent equal to between 5 and 8 percent of the invested capital. In this manner, the state ensured necessary production by controlling physical capital, at the same time limiting the market in CONTRABAND goods.

The opportunity to accumulate capital was limited by the fact that interest rates on credit were higher than the 10 percent average permissible profit. Moreover, interest, a crucial factor for the formation and the outlet of capital, was only permitted in particular areas of the Ottoman economy and was required to comply with SHARIA, or Islamic law. An interest rate of approximately 20–25 percent was allowed to provide capital for the tax-farming sector in the 17th and 18th centuries. Money-changers, in their turn, were allowed to accept deposits at an interest rate of 15 percent in order to form the necessary capital for the tax-farming sector. The other two sectors in which free interest was applicable were operations concerning cash inheritance belonging to orphans and cash *waqfs* or endowments. While the upper limit for interest rates was between 12 and 29 percent with an average of 20 percent, the prevailing interest rates tended to be higher, limiting the flow of capital to those sectors working with a profit rate of approximately 10 percent. With such high interest rates, the main outlet for capital in the empire was tax farming.

PURPOSE AND CONSEQUENCES OF STATE CONTROL

During the classical period, the state usually did not actively engage in industry even when it owned the means of production. Except for goods and services consumed by the residents of the palace, the government left production to the market. Even in the military, the state ran only the arsenal (*see* TERSANE-I AMIRE), the gun foundry, and the gunpowder works. In other fields it only invested in the physical plant and passed management over to artisans and craftsmen, sometimes providing them with working capital.

State control changed depending on the industry. For instance, while the state legally possessed the land, it treated vineyards and vegetable gardens as private property. While the export of cotton was prohibited in the 16th and 17th centuries, this prohibition was lifted in the 18th century and its export was subjected to a new tariff, increasing both the volume of cotton exported and the customs revenue. This increase is all the more significant since domestic woven and printed cotton manufacture also expanded enormously. However, in accordance with the principle of provisionism, this growth in industrial crops did not take place at the expense of cereal cultivation. Likewise, dues from the export of silk began to yield more revenue in the 17th and 18th centuries. However, high domestic demand for silk increased prices, reducing foreign demand. Thus silk was mainly consumed domestically. After the domestic demand was satisfied, silk could be exported in small quantities. By the beginning of the 19th century, the increase in foreign demand increased silk prices to the detriment of domestic producers. The Ottoman authorities, in response, prohibited the export of silk. The export of any good was prohibited when it caused an increase in the price in the domestic market. During the classical period, the state always favored the domestic economy, and this policy played an important part in the vitality of the Ottoman economy for centuries.

As a rule, the Ottomans favored redistribution over accumulation and promoted general prosperity rather than progressivism or economic growth. Through its policies, the state aimed to prevent production from concentrating in private hands and sought to distribute these means of production equally among its subjects, an approach also used by Ottoman religious foundations, or *waqfs,* controlled by the state. The state kept earnings and savings low to prevent the accumulation of capital. By fostering this system it was thought that both the economy and the government would enjoy greater stability.

The economic policy of the state, however, was not always wholly consistent. The official Ottoman purchase regime (*miri mübayaa*), for instance, driven more by fiscalism than provisionism, worked to limit the costs of the state at the expense of its subjects. This policy imposed a tax-like levy to facilitate the provision of goods and services for the state at a price usually lower than the market prices (and sometimes even below production costs). During times of peace, this purchase regime had little affect on the people, but in times of war and during economic crises, larger-scale craftsmen and tradesmen would be vulnerable to the ever-increasing demands of the state. During the era of defensive wars from the mid-18th century to the 1830s, these groups were made especially vulnerable as the official purchase regime was applied frequently, damaging high-production workshops. As ongoing wars decreased revenues, the state increased its demand for goods and services at reduced prices, creating a situation in which those workshops that showed the most growth were hardest hit by the demands of the government. This situation, in turn, effectively favored small producers and reinforced the egalitarian tendencies of the Ottoman economy.

In keeping with the overall principle of egalitarianism, the state also undertook an unusual means of helping to fund its defensive wars during the period 1770–1812. This was the policy of confiscating the private inheritance money of those considered rich. Knowing that it had no legal right to pursue such a policy, the state presented these confiscations as compulsory loans, replaced confiscated funds with treasury bonds, and promised repayment in peacetime. Having already made it difficult for individuals to accumulate capital, this policy further hindered such accumulation by transferring the little available private capital into the war effort.

CHANGING THE CLASSICAL STRUCTURE

The process of investment liquidation that began with the period of defensive wars ultimately lasted 70 years, until 1839, the beginning of the TANZIMAT or Ottoman REFORM era. This coincided with the Industrial Revolution, which actually necessitated the fostering of capital accumulation. The preceding period of capital liquidation left the empire ill-prepared to meet the economic requirements of this new age, but radical economic changes were made nevertheless in an effort to rise to the demands of this new phase.

Because the civil sectors, the traditional providers of consumer goods, could not adequately meet increased demands at this point, the government undertook the production of goods and services by establishing state-run firms, although it did not push further its ever-expanding control of the capital. In addition to heavy investments for arms and ammunition production required by the new army, the state undertook the production of sailcloth, woolen fabrics, leather, garments, shoes, fezzes, paper, and other goods by setting up factories. It also entered into trade to finance the new army and these investments. The state monopolies that had started with a few goods at the beginning of the 19th century flourished with the inclusion of various new trade items, such as opium, wool, silk, olive oil, soap, and charcoal. In addition, the state assumed control of all trade in some regions, including SALONIKA and Antalya. These policies were without precedent in the classical system.

With the introduction of these policies, conventional Ottoman economic policy fell apart. Traditionalism was abandoned at the very beginning of the period of transition. Nevertheless, provisionism and fiscalism continued to prevail as motivating economic factors, and the means of the state began to play an active role in the economic life of the empire. The period of transition lasted until the beginning of the Tanzimat era and was replaced by a new trend of transformation in which the state abandoned both the principles of provisionism and fiscalism and its control over the mechanisms of production. Except for state control over the land, this process of economic transformation was completed within 25–30 years. Thus the classical paradigm effectively came to an end as a result of a long and contradictory period of transformation covering most of a century. From the mid-19th century on, the foundations of a modern economy were laid, but true economic growth began only with the demise of the empire.

Mehmet Genç

See also BANKS AND BANKING; CARAVAN; CARAVANSARY; CHARITY; DEBT AND THE PUBLIC DEBT ADMINISTRATION; *IHTISAB* AND *MUHTESIB*; MARKETS; MERCHANTS; MERCHANT COMMUNITIES.

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Ecumenical Patriarch of Constantinople *See* GREEK ORTHODOX CHURCH; *MILLET.*

Edirne (*Gk.*: Adrianople; *Lat.*: Hadrianopolis) The city of Edirne is at the junction of the Tundzha and