

## *Activities - Summaries*

### **Evolution of Domestic Borrowing in the Ottoman Economy (16th-19th Century)**

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One of the remarkable features of the Ottoman economy is the relatively late date at which the Ottomans started to borrow from external sources. Although historians traditionally trace the beginning of the decline of the empire to 1699, the first external borrowing did not take place until after the Crimean war, i.e., the middle of the nineteenth century. It will be argued in this paper that if the Ottoman Empire did not need to resort to external borrowing for the most tumultuous 150 years of its history, this was primarily thanks to its ability to raise the sources it needed domestically.

Instruments of domestic finance utilised by the Ottomans continuously evolved in order to meet the ever growing needs of the state for finance. These instruments basically involved delegating the right to collect the taxes to entrepreneurs. This delegation was of short term nature during the sixteenth and seventeenth centuries but gradually the tenure of the tax-farmers was extended. After the defeat in 1699, with the introduction of the Malikâne system, the tenure was extended to the life time of the tax-farmer. The Malikâne was extremely successful in raising revenue for the state and dominated the state finance well until the end of the eighteenth century.

But another defeat in 1774, forced the state to once again make new innovations and the Malikâne was gradually replaced by the Esham system. Although the Esham succeeded in raising the urgently needed revenues, it meant a massive centralisation of the system. Replacement of the previously private managers of the tax sources by an incompetent bureaucracy, eventually began to hinder tax collection and paved the way for external borrowing.