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Tax Farming in the Nineteenth-Century Ottoman Empire: Institutional Backwardness or the

Emergence of Modern Public Finance? Unlike the nations of Europe, which, by the nineteenth century, had moved away from privatized tax collection to a tighter system of governmental control, the Ottoman Empire still resorted to tax farming. The prevailing idea that the Ottoman system was backward and wasteful, however, may not be entirely accurate. In its context, the Ottoman method of tax collection made perfect sense.

This article explores the transformation of tax farming in the nineteenth-century Ottoman Empire, considering Ottoman public finance, its institutional infrastructure, and administrative practices with reference to a broader European context. Though tax farming—the delegation of tax collection to private individuals for profit—was common in most European countries prior to nineteenth century, this privatized form essentially disappeared with the French Revolution and the Napoleonic Wars. In the Ottoman Empire of the nineteenth century, however, tax farming remained an important instrument for extracting revenue from customs transactions, domestic and international trade, and agricultural production. The Ottoman case is unique not only for retaining this mechanism within a larger revenue-collection system, even beyond the end of the century, but also for farming out mainly (besides such indirect taxes as customs and excises) the tithes (*a'şâr, p.öşr*), a direct tax on agricultural production. The concern

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of this study is to scrutinize how this seemingly archaic Ottoman fiscal system fits into a broader European framework.¹

In recent years, European economic historians have compared the relationship between the economic performances of nations and their institutional settings, looking for historical trends in the financing of liberal states and the varying paths leading to modern public-finance systems. Although clustering is evident within Europe concerning the formation and consolidation of modern fiscal states, a closer inspection of each national case brings the variations to the fore. Divergences in national experiences call for broad, flexible conceptions of the modern fiscal state and its public-finance system. Concomitant to this conceptual need, the increasingly privatized governmental technologies of the neoliberal era have also encouraged a critical rethinking of our approaches and concepts.

From the 1980s onward, policymakers evinced a slight change in their attitude toward tax farming as a fiscal instrument. Some of them have even proposed it as a solution to tax-administration problems in developing countries of Africa and Latin America. Historical examples of tax farming also benefited from revisionist approaches. Until recently, however, the literature of economic and fiscal history has generally assumed that modern, centralized public finance requires that tax collection should always be undertaken by salaried government employees, thus excluding other forms of centralized control over taxation. On this view, tax farming is an indication of developmental and institutional backwardness, reflecting a lesser degree of centralization. This approach is changing, however. White, for example, provides a more balanced evaluation of tax farming in pre-revolutionary France, which previous historians had dismissed as inefficient and corrupt. He demonstrates that the delegation of tax collection for profit was not just common in early modern Europe; in France, it was highly productive, providing almost one-third of the total royal tax revenue. White also shows that the collection of taxes directly by a central government through a bureaucracy of salaried officials was not its only other option. The royal government improved its hold on revenue by brokering consecutive deals with the General Tax

1 Tax farming was abolished by the new Turkish Republic in 1924. Özbek, “Köylü Aşar Yükünden Kurtuldu,” in *Cumhuriyetin 75 Yılı. I. 1923–1953* (Istanbul, 1998), 46.

Farm, a syndicate of private entrepreneurs. Moreover, the history of tax farming in ancien-régime France well illustrates that tax collection by private individuals is not necessarily incongruent with a centralized administrative structure. These exceptions call for a rethinking of our concepts.²

With respect to the concepts of the modern fiscal state and its public-finance institutions, this article opts for a broad, flexible approach that enables the analysis of different historical paths and a variety of institutional experiences within a single framework. In comparative studies, scholars are inclined to fine-tune concepts as a way of mapping the experiences of specific societies. For instance, in his recent study about the rise of modern public finance in England, Japan, and China, Wenkai He posits three critical assets of the modern fiscal state—centralized collection of indirect taxes, the government’s ability to take on long-term domestic loans, and the convertibility of government paper notes. Further delimiting his definition, he suggests that the birth of modern public finance is “characterized by an institutional innovation of using centrally collected indirect taxes to mobilize long-term financial resources from the markets.” Yet, compelling as his finely focused definition of the modern fiscal state may be for explaining specific environments such as China and Japan, it is too narrow to grasp the Ottoman case in which the evolution into a modern fiscal state with a centralized public-finance system included a persistent, privatized form of tax collection, particularly that of direct taxes on agriculture.³

A broader, less technical definition of the modern fiscal state—which accommodates the contingencies of the political sphere—is more useful for the study of Ottoman particularities. Cardoso and Lains’ work, which traces the formation of public-finance systems in nine national economies in nineteenth-century Europe, provides a better framework. It associates the rise of the modern fiscal state

2 Peter Stella, “Tax Farming: A Radical Solution for Developing Country Tax Problems?” *IMF Staff Papers*, XL (1993), 217–225; Mongi Azabou and Nugent, “Tax Farming: Anachronism or Optimal Contract,” in Mustapha K. Nabli and Nugent (eds.), *The New Institutional Economics and Development: Theory and Applications to Tunisia* (Amsterdam, 1989), 178–199; Deborah A. Brautigam, Odd-Helge Fjeldstad, and Mick More, *Taxation and State-Building in Developing Countries: Capacity and Consent* (New York, 2008); Eugene N. White, “From Privatized to Government-Administered Tax Collection: Tax Farming in Eighteenth-Century France,” *Economic History Review*, LVII (2004), 636–663.

3 Wenkai He, *Paths Toward the Modern Fiscal State: England, Japan and China* (Cambridge, Mass., 2013).

with an “increase in the ability of centralized states to manage the administrative apparatus for raising taxes, as well as with the ability of the sophisticated financial institutions to manage public debt.” Less fascinated by the form and apparatuses of tax collection, they attend to the dynamic, intricate relationship between the components of a modern public–finance system; the constituent attributes of their approach are the political sphere, the identification of public trust, and popular legitimacy.⁴

Modern public–finance systems are not comprised merely of fiscal technologies and institutions; politics at the national and quotidian level is integral to the formation of fiscal institutions and the administrative practices pertaining to them. To cover this complexity, this study adopts an interdisciplinary approach based on social and economic history, anthropological theories of state, and political theory to broaden the reach of our concepts and shed light on the diversity of actual historical cases. As Cardoso and Lains emphasize, the structure and attributes of national economies often complicated the formation of modern fiscal states, but social and political (in)stability also had a significant impact on institutional responses. Political stability depends on the trust that various sectors of a society have in the state, as well as on the social and political orientation of coalitions within the central elite and the leading groups on the periphery.

The conception of modern public finance central to the analysis of the Ottoman system herein benefits from contemporary discussions in political theory, particularly critical approaches to state–society relations and the public–private divide. The insights into the blurred boundaries between state and society provided by political theory and historical studies since the 1980s suggest a move away from categorical distinctions between public and private in fiscal issues, envisioning broader, composite, conceptions of centralized public finance and its institutional technologies. In this light, fiscal technologies take the form of institutional consolidations of politics and expediency in both governmental and everyday political realms.

As explained in detail below, throughout the nineteenth century, Ottoman bureaucrats implemented reforms that made the

4 Jose Luis Cardoso and Pedro Lains (eds.), *Paying for the Liberal State: The Rise of Public Finance in Nineteenth-Century Europe* (New York, 2010).

institutional framework of tax farming compatible with the attributes of a modern fiscal state, namely, centralized control over taxation and debt management. Historians recognize that tax revenues increased in both real and nominal terms throughout the century. As Karaman and Pamuk rightly argued, beginning in the 1820s, the central government began to undermine the powerful alliance between the high-level bureaucrats and financiers in the capital and the notables in the provinces. As a result, it was able to exert greater control over the tax-collection process and increase the revenues collected at the center. Karaman and Pamuk, however, were not much concerned with the seeming anomaly of a privatized form of tax collection within a centralized public-finance system. Keeping their story of centralization in the foreground, Ottoman economic and financial historians acknowledged the persistence of tax farming until the last years of the Empire, but they subjected it to little research or examination. These scholars generally conceived of tax farming as a holdover from the pre-modern age—symptomatic of Ottoman institutional backwardness—a paradox that has until recently remained largely unaddressed.⁵

In addition to the scarcity of research in this area, Ottoman historiography often resorts to reproducing simplistic accounts that endorse Tanzimat reformers' own verdicts that the tax-farming system was inefficient and corrupt. The Tanzimat Edict of 1839, for example, stated that tax farming was not only harmful in many ways but also yielded no substantive results. According to the edict, it amounted to "handing over the financial and political affairs of a country to the whims of ordinary men and perhaps to the clutches of force and oppression, for if the tax farmer is not of good character he will be interested only in his own profit and will behave oppressively." Ottoman historians have generally taken this logic—not without its merits—to extremes when describing post-Tanzimat financial history as a repeated attempt to abolish tax farming on the premise that fiscal centralization necessarily entails the transfer of responsibility for tax collection from private individuals to public institutions. According to this account, these efforts were thwarted by the Ottoman state's limited institutional infrastructure and capacity, among other constraints. This study argues,

5 K. Kıvanç Karaman and Şevket Pamuk, "Ottoman State Finances in European Perspective, 1500–1914," *Journal of Economic History*, LXX (2010), 593–629.

to the contrary, that post-Tanzimat Ottoman bureaucrats actually—and more successfully than not—continued the tax-farming system to negotiate the multifarious contingencies of the nineteenth century. Moreover, they managed to expand and improve their supervision of public bidding processes and the content of contracts, making and remaking this privatized system as an integral part of the steadily centralizing public-finance infrastructure.⁶

The keys to Ottoman success during the seventy years under investigation are twofold: First came the metamorphosis of tax farmers from provincial magnates, in oligarchic partnerships with Istanbul-based money lenders, to small-time entrepreneurs operating within the confines of a sub-district (*kaza*) or village. The end effect of this evolution was to mold the function, and the people who performed it, into a more easily controlled entity. The second key was the emergence of new relationships between the central ruling elite and the new petty tax farmers providing the social and political background of this new fiscal system. These relationships constitute the most important differences between the Ottoman fiscal system and its analogs in contemporary Europe.

POLITICAL INSTABILITY AND THE STATE OF THE OTTOMAN ECONOMY
After the Ottoman Empire's tragic defeat by Russia in Crimea (1768–1774), as well as its ill-fated military clashes with France (1789) and Russia again (1792, 1812, and 1829), its institutions of public finance were no longer capable of supporting the basic functions of the state. During the fifty years that followed the disaster of 1774, the Ottomans launched radical experiments in public finance that were designed to centralize the government's fiscal operations and increase revenue for the treasury. In 1774, the government introduced the *esham*, a long-term domestic vehicle for borrowing, like a bond, that resembled the life-term annuities popular in many European countries at the time. Its revenues were earmarked, like that of many other revenue sources (*irad-ı cedid*

6 For the only exception in Ottoman historiography to this “stereotypical view of tax farming as a retrograde and infective system of revenue collection,” see Svetla Ianeva, “Manifestations and Implications of Early Nineteenth-Century Transformations in the Ottoman Fiscal System in the Central Rumelian Lands,” in Kate Fleet and *idem* (eds.), *Ottoman Economic Practices in Periods of Transformation: The Case of Crete and Bulgaria* (Ankara, 2014), 141; for the original text of the Tanzimat edict in English, Marvin E. Gittleman and Stuart Schaar (eds.), *The Middle East and Islamic World Reader* (New York, 2003), 81–82.

hazinesi), for its newly formed modern military units. A unified national budget was yet to be achieved, but these early centralization initiatives provided a solid foundation for the fiscal reforms of the post-Tanzimat era.⁷

The reform edict of 1839 triggered energetic initiatives in public finance, gradually strengthening central control over resources in preparation for a modern fiscal system. From the mid-1840s onward, Ottoman governments produced centralized budgets that brought an array of diverse revenues together with a complex system of transfers to the provinces. The *esham* resulted in a new instrument of long-term liability—convertible paper money (*kaime*). The Ottoman Bank was founded in 1856 as a British, French, and Ottoman joint venture; from 1863 onward, this state bank carried out the privileged functions of a central bank, enabling the Empire to borrow in international markets and invest directly in transportation infrastructure.

Control over customs revenues was more problematical; inequitable treaties imposed by Britain in 1839 and by other Western powers later did not allow the government to raise customs duties on its own. Yet, the government succeeded in creating a centralized customs administration (*Gümrük Emaneti*) that permitted the transfer of revenue to the treasury. The government's transfer of taxes collected on property, agricultural produce, et al. to the center also improved in the decades following the Tanzimat, as infrastructure resembling that of a modern fiscal state began to take shape. However, structural features of the economy, as well as political instabilities, conditioned the form and content of the system.⁸

Political instability proved to be a major obstacle to the creation of a modern finance system, particularly with regard to revenue collection. Throughout the long nineteenth century, Ottoman rulers were largely ineffectual in domestic and international political matters. Their war with an aggressive Russian Empire from 1768 to 1774 created a huge surge in expenditures. The Serbian and Greek uprisings of the early nineteenth century and the

7 Pamuk, "The Evolution of Financial Institutions in the Ottoman Empire, 1600–1914," *Financial History Review*, XI (2004), 7–32; Yavuz Cezar, *Osmanlı Maliyesinde Bunalım ve Değişim Dönemi, XVII. Yüzyıldan Tanzimat'a Malî Tarih* (Istanbul, 1986).

8 Edhem Eldem, *A History of Ottoman Bank* (Istanbul, 1999); Christopher G.A. Clay, *Gold for the Sultan: Western Bankers and Ottoman Finance, 1856–1881: A Contribution to Ottoman and to International Financial History* (New York, 2000); Ali Akyıldız, *Para Pul Oldu: Osmanlı'da Kağıt Para, Maliye ve Toplum* (Istanbul, 2003); *idem, Tanzimat Dönemi Osmanlı Merkez Teşkilatında Reform* (Istanbul, 1993).

Egyptian crisis of the 1830s—when Mehmed Ali Pasha, the governor of Egypt, mounted a serious challenge to the authority of the sultan—brought the Ottoman political system and its treasury to the brink of collapse. The Crimean War of 1853 to 1856 and the Russo-Ottoman War of 1877/8 entailed their own considerable fiscal burdens. In the end, the Ottomans lost populous and productive Balkan provinces that had been a major source of tax revenue.

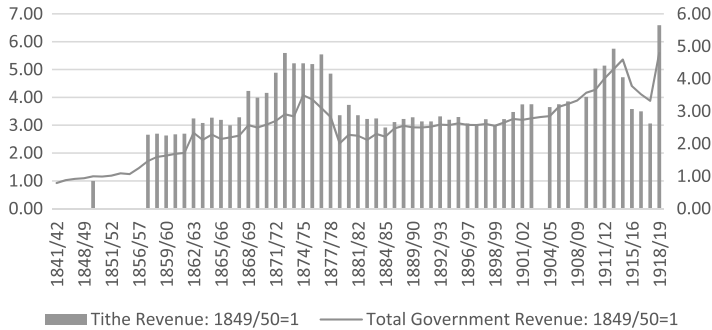
In addition to wars and other international crises, a variety of domestic social and political problems sapped the strength of the regime. Peasants in certain provinces of Rumelia and Anatolia greeted the Tanzimat Decree of 1839 with widespread uprisings, mostly anti-tax revolts, some of which were long-lasting. The revolts of 1841 and 1850 in Niş and Vidin reflected the nationalist aspirations of educated Serbs and Bulgarians. During the final quarter of the century, peasant disturbances instigated by over-taxation and related abuses escalated into widespread unrest among Bulgarian, Armenian, and Kurdish peasants. This inflamed environment made it difficult, if not impossible, for Ottoman bureaucrats fixated on increasing revenue to create a system of taxation that would lead to stronger public trust and greater legitimacy for the regime.⁹

The underdeveloped economy, which was largely agricultural, was the other major impediment to reforming administrative and financial institutions. Subsistence production predominated; Ottoman industry, barely mechanized and mostly handcrafted, lagged far behind that of any other European nation, with a share of only 10 percent of the total gross domestic product. The volume of the Ottoman economy in 1870 in terms of gross domestic product was one-third that of France or Germany; by 1913, it had slipped to one-fifth that of the French and just one-tenth that of the German economy.¹⁰

9 Halil İnalçık, "Application of the Tanzimat and its Social Effects," *Archivum Ottomanicum*, V (1973), 99–127; Ahmet Uzun, *Tanzimat ve Sosyal Direnişler* (Istanbul, 2002); Coşkun Çakır, *Tanzimat Dönemi Osmanlı Maliyesi* (Istanbul, 2001); Özbek, "The Politics of Taxation and the 'Armenian Question' during the Late Ottoman Empire, 1876–1908," *Comparative Studies in Society and History*, LIV (2012), 770–797.

10 The data used in the gross domestic product comparison for Germany, France, and the Ottoman Empire are from Maddison Historical Statistics (<https://www.rug.nl/ggdc/historicaldevelopment/maddison/releases/maddison-project-database-2018>). For Ottoman gross domestic product figures, see also Vedat Eldem, *Osmanlı İmparatorluğu'nun İktisadi Şartları Hakkında Bir Tetkik* (Ankara, 1994), 224; Pamuk, "Estimating Economic Growth in the Middle East Since 1820," *Journal of Economic History*, LXVI (2006), 819; Donald Quataert, *Ottoman Manufacturing in the Age of the Industrial Revolution* (New York, 1993).

Fig. 1 Total Government Revenue and Tithe Revenue



SOURCE Tevfik Güran, *Osmanlı Mali İstatistikleri Bütçeler, 1841–1918* (Ankara, 2003), 19–176.

Nonetheless, nineteenth-century central Ottoman governments somehow managed to increase revenue significantly. Whereas in the 1780s, revenue was only marginally higher than it was in the 1560s, between 1780 and World War I, it increased more than fifteenfold. In the seventy years between 1841/2 and 1911/2, it increased fivefold in nominal terms; taking inflation into account, the increase was threefold—impressive given the beleaguered state of the economy (see Figure 1). These increases are even more dramatic in light of the slow rate of growth in population and economy. Although the Ottoman gross domestic product took nearly a century to double, from 1820 to 1913/4, treasury revenues as a ratio of gross domestic product roughly tripled during the half-century from 1850 to 1914, clearly reflecting a strengthened extraction capacity. One should still note that the increase in the Ottoman state's extraction capacity lagged behind that of contemporary European states (See Figure 2).¹¹

Thus, although characteristics of the post-Tanzimat public-finance system placed the Empire well behind most of its contemporaries in Europe, they did not stop it from achieving significant increases in state revenue. Unlike in Europe, the agricultural sector, which continued to provide the bulk of revenues, may well have accounted for the aforementioned increase in revenues given that

11 Karaman and Pamuk, "Ottoman State Finances in European Perspective, 1500–1914," 594. For revenue data, see Tevfik Güran, *Osmanlı Mali İstatistikleri Bütçeler, 1841–1918* (Ankara, 2003); for Ottoman price indexes, Pamuk, *İstanbul ve Diğer Kentlerde 500 Yıllık Fiyatlar ve Ücretler, 1469–1998: 500 Years of Prices and Wages in Istanbul and Other Cities* (Ankara, 2001); *idem*, "Estimating Economic Growth in the Middle East Since 1820," 819.

Fig. 2 Total Annual Tax Revenues in Tons of Gold



SOURCE K. Kıvanç Karaman and Şevket Pamuk, “Ottoman State Finances in European Perspective, 1500–1914,” *Journal of Economic History*, LXX (2010), 623.

the share of customs and excise taxes had remained unchanged and wealth and income untaxed. Although the Empire had access to European financial markets, the cost of external borrowing was high. Public spending as a percentage of gross domestic product increased steadily during this period, paralleling European trends, but almost half of the Ottoman budget was spent on the military and an additional third on debt servicing. Since these expenses together absorbed more than three-quarters of the Ottoman budget, little was left for social spending.¹²

Given the supposedly backward state of the Ottoman economy and its public-finance system, the increase in state revenue is a paradox deserving scrutiny. During the second half of the century, the government gradually assembled a modest apparatus—ultimately staffed by 1,500 personnel, most of whom were former gendarmes—responsible for collecting certain taxes, even if not the tithe. But because it was clearly a tiny operation for an empire of more than 100,000 towns and villages spread across three continents, it contributed little to the greater system’s success or failure.

12 Engin Deniz Akarlı, “The Problems of External Pressures, Power Struggles, and Budgetary Deficits in Ottoman Politics under Abdülhamid II (1876–1909): Origins and Solutions,” unpub. Ph.D. diss. (Princeton Univ., 1976). For social welfare, see Özbek, “The Politics of Welfare: Philanthropy, Voluntarism and Legitimacy in the Ottoman Empire, 1876–1914,” unpub. Ph.D. diss. (Binghamton Univ., 2001).

How can we account for two concurrent, seemingly conflicting phenomena—increased revenue and the government’s reluctance to assume the risk and burden of tax collection by itself? Tax farming, whoever the tax farmers may have been—*çiftlik* owners, mid-size merchants, or landlords, whether agha, bey, or sheik—made close relations between central and regional elites possible. Regional elites who served as members in district (*sancak*) and sub-district (*kaza*) assemblies created by the Tanzimat regime and who controlled the administration of taxation at the local level may well have been responsible for the long-term stability of the system in troubled times. To this point, the economic history literature has provided only circumstantial evidence for the surprising rise in government revenue. This article holds that the Empire’s privatized form of tax collection, in all of its various incarnations, was the key.¹³

THE TANZIMAT STATE AND REVENUE FARMING, 1839–1908 Despite abundant official rhetoric favoring its demise, Ottoman officials maintained the “farming” of tax-revenue collection to private entrepreneurs, modifying the system repeatedly throughout the century on an apparent ad hoc basis and switching from one contract type to another in pursuit of more effective extraction methods. During the eighteenth and nineteenth centuries, they farmed out indirect customs and excise taxes, but in the late 1850s, they became increasingly involved in the administration of customs taxes, which they considered to be at a greater risk of under-collection. Hence, tax farmers suffered a proportional decrease in their share of these revenues. Yet customs taxes constituted only slightly more than 10 percent of total revenue, during this period, whereas tithe and cattle taxes (*ağnam*) together contributed between 25 and 45 percent. The tithe was without question the main pillar of the Empire’s tax farming system.

Transformations in tithe farming during the decades following the Tanzimat Decree of 1839 followed two main trends. The first was the government’s perpetual state of contention with tax farmers and their financiers, which ultimately led to a reduction in the size of revenue farms and, hence, tax farmers’ social and economic importance. As a result, the jurisdiction of tax farming and

13 Özbek, “Osmanlı İmparatorluğu’nda Gelir Vergisi: 1903–1907 Tarihli *Vergi-i Şahsi* Uygulaması,” *Tarih ve Toplum Yeni Yaklaşımlar*, X (2010), 43–80.

the influence of tax-farming entrepreneurs became limited to the sub-district (kaza) or even the village.

The size of tax farms before the Tanzimat had been substantial, often comprised of most of the taxable sources in an entire province. High-ranking bureaucrats, powerful Istanbul-based money-lenders, and provincial governors dominated the bidding for contracts in Istanbul. In the provinces, governors and local magnates sold these tax farms to third parties through a series of second- and third-term sub-contracts. During the Tanzimat period, the central ruling elite gradually curtailed the influence of this group by limiting the geographical extent of the tax farms (from the provincial to the district, sub-district, and later the village level) that constituted the basis of their power.

As demonstrated below, restructured tax farms also became the foundation for new, more direct relations between the central ruling elite and a new category of petty entrepreneurial tax farmers. Tax farming in its new form functioned as a vehicle for the creation of political coalitions as well as the redistribution of public wealth at the district and sub-district level. Also, since tax farming was a form of internal borrowing, the increasing possibility of borrowing on international markets during the second part of the century enabled the government to distance itself from big money lenders and their central and regional associates.¹⁴

The second important trend was the emergence of an institutional framework that increased the government's leverage over the tithe farmers who collected taxes on agricultural products in sub-provinces and villages. In a village, different taxes, including taxes on different crops, were farmed out to different contractors. This development was part of the post-Tanzimat efforts to centralize administration and improve infrastructure, which increased the government's capacity to monitor and manage fiscal affairs in the provinces. These two factors allowed public revenue to increase while the government redrew the contours of the Ottoman taxation system.

14 Ariel Salzmann, "An Ancient Regime Revisited: Privatization and Political Economy in the 18th Century Ottoman Empire," *Politics and Society*, XXI (1993), 406-407; Keiko Kiyotaki, "Ottoman State Finance: A Study of Fiscal Deficits and Internal Debt in 1859-63," Working Paper No.90/05 (London School of Economics, Department of Economic History, 2005).

FROM PROVINCIAL MAGNATES TO VILLAGE-LEVEL SMALL ENTREPRENEURS, 1839–1876 From the proclamation of the Tanzimat Decree in 1839 to the Young Turk Revolution of 1908, Ottoman governments prepared thirteen successive regulatory frameworks to modify the contract types, the terms and procedures for bids, and the collection processes for tithe farming (see Table 1). This series of regulations had the overall effect of increasing revenue, transforming the tax farmer as a social category, and strengthening the central government's control over local tax farms.

The first major initiative to reshape the taxation system came just after the proclamation of the Tanzimat decree when the Empire came close to collapsing under the relentless harassment of Mehmet Ali Pasha's Egyptian army. In 1840, the government appointed provincial directors (*muhasıls*, that is, directors or *régisseurs*) with broad authority to wrest tax collection from the hands of the provincial governors and local magnates. Armed with the text of the Tanzimat Decree, Ottoman bureaucrats sought to banish the term *tax farming* from the administrative lexicon, characterizing it as a harmful practice to be avoided whenever possible.¹⁵

Interestingly, Ottoman historiography widely misunderstands and misrepresents this early reform. Hence, many Ottoman historians naively take this rhetoric as a fact, portraying the 1840 fiscal initiative as a proposal to eradicate tax farming altogether and to replace it with direct collection by the state's own muhasıls. What actually occurred was a shift in the government's revenue-farming policy from the use of rental contracts (mostly sales of revenue sources at a simple ascending-price auction [*müzayede*]) to, for all intents and purposes, wage contracts. The new type of contract meant that risks associated with collection belonged to the government instead of the tax farmers. But it also marked the government's intent to reduce the influence of both the Istanbul-based money lenders and the provincial governors over bids for tax farming. The government, however, did not seek to bypass the provincial notables who had dominated local revenue sources as sub-contractors, instead granting them positions in newly established local assemblies (*muhasıllık meclisleri*) to coordinate the

15 For a brief account of how this regulation changed the taxation system, see Stanford J. Shaw, "The Nineteenth-Century Ottoman Tax Reforms and Revenue System," *International Journal of Middle East Studies*, VI (1975), 421–459.

Table 1 Changes in Tithe Farming

	TYPE OF CONTRACT	TYPE OF AUCTION	IDENTITY OF INTERMEDIARIES	MONITORING AUTHORITY
1839–1842	Wage	For directors/régisseurs and later district governors	Directors/régisseur, and later district and sub-district governors	Provincial councils of directors
1843–1849	Rental	Fixed price	Provincial tax farmers	Local administrative councils and local treasury offices
1850–1852	Rental	Fixed price	Village communities	Local administrative councils and local treasury offices
1853–1854	Wage			Local government officials
1855–1860	Rental	Ascending price	Local tax farmers at district and sub-district level	Local administrative councils and local treasury offices
1861–1870	Rental	Fixed price	Village communities	Village tithe commissions
1871–1876	Rental	Ascending price	Local tax farmers, sub-district level	Local treasury offices
1877–1886	Wage and rental		Rental: Sub-district, small tax farmers / Wage: Village	Office of Tithe and Sheep Tax
1887–1895	Rental and wage	Fixed price	Rental: Sub-district or village small tax farmers / Wage: Village	Directorate for the Sale of Tithe
1896–1908	Rental	Ascending price	Sub-district or village small tax farmers	General Directorate of Tithe and Customs

allocation and collection of tithe and other taxes. Thus was the political coalition between the central bureaucratic elite and the local notables maintained, and even renewed.¹⁶

However, this new system failed to address another significant weakness. Far from bringing relief to the tax-paying peasantry, it increased their burden, leading to protracted tax revolts throughout the Rumelian and Anatolian provinces. Tax payers were expected to remit an installment of their taxes early in the season to mitigate risk. In the old auction system, Istanbul moneylenders had made the advanced payments to the government. Though moneylenders continued to play a role, they no longer made cash advances to the muhassıls as they had to tax farmers under their previous partnership agreements. The absence of prompt and generally guaranteed advances from moneylenders placed the government under immediate financial strain.

Another difficulty that the government faced under the new wage-contract system was its incapacity to prevent the muhassıls from abusing their positions. Moreover, since the tithe was frequently collected in kind, the transfer of agricultural goods to storage units before sale required an infrastructure that was lacking both locally and centrally. This factor and others created serious inefficiencies in tax collection and transfer. The social and political environment of the 1840s—political rivalries among the elite in the capital and peasant discontent and opposition to these practices—determined the fate of the new system, forcing the government to revise the scheme.¹⁷

In March 1841, opposition to Grand Vizier Mustafa Reşid Pasha's fiscal policies resulted in his dismissal from office. A revision to the taxation system—not dramatic changes to it—ensued. In 1842, the new cabinet reworked the wage-contract system and gave it a new name, “the revised model” (*usul-i tadiliye*), which ostensibly replaced the muhassıls in provinces (*eyalets*) and districts

16 For the conceptualization of tax farming as a contractual relationship taking multiple forms, see White, “From Privatized to Government-Administered Tax Collection”; for examples of continuity in local tax administration, Uzun, *Tanzimat ve Sosyal Direnişler*, 12; Uğur Bahadır Bayraktar, “Maliyenin Maliyeti: Tırhala’da Muhassıllık Düzeni, 1840–1842,” *Tarih ve Toplum Yeni Yaklaşımlar*, XV (2012), 7–34; Ayla Efe, “Muhassıllık Teşkilatı,” unpub. Ph.D. diss. (Anadolu Üniv., 2002), 4.

17 For tax revolts, see Uzun, *Tanzimat ve Sosyal Direnişler*; Çakır, *Tanzimat Dönemi Osmanlı Maliyesi*; İnalçık, “Application of the Tanzimat and its Social Effects”; for abuses of the system by muhassıls, Bayraktar, “Maliyenin Maliyeti.”

(*sancaks* or *livas*) with provincial governors (*müşirs*) and district chiefs (*kaymakams*) to administer tax apportioning and collection. The *müşirs* were accompanied by treasurers (*defterdars*) and local treasury directors (*mal müdürüs*) to supervise the operation.¹⁸

However, since revenue did not match expectations due to the logistical difficulties of transferring agricultural goods to the treasury, the Ottoman government put an end to wage contracts in fiscal year 1842/3 without re-installing the pre-Tanzimat ascending-price auction (*müzayede*). Instead, the government issued a special type of rental contract in which auctions for various farms were open but at a fixed price (*maktu*), determined according to the average of previous tax revenues for a certain number of years, slightly adjusted to accommodate the needs of the treasury. This change involved a transfer of risk to tax farmers. If no candidates emerged for a given fixed-price auction, the government would collect taxes in those farms through its own administrative channels (*emaneten idare*), reverting to the wage contract but only as a last resort.

During the second part of the 1840s, tithe farming involved a mix of rental and wage contracts, their particularities determined by local conditions in the provinces. But the fixed-price auction and the improved monitoring of tax-farming operations still failed to fulfill the needs of the treasury. On the provincial level, problems arose from collaborations between government officers (*müşirs*, *kaymakams*, and *defterdars*) and tax farmers, most of whom were either members of local administrative bodies or had sway over them. Since tax farmers who wielded political and financial power at the local level tended to pilfer part of the revenue that the government desperately needed, the elimination of such losses required keeping a tight rein on local tax farmers or even excluding them from the system entirely.¹⁹

Accordingly, in 1850, a new regulation stipulated that village tithe farms would be rented at fixed prices to the villagers as a collective body, thus excluding the tax farmer and his customary

18 İnalçık, "Application of the Tanzimat and its Social Effects."

19 For more information about the transformation of auction procedures between 1840 and 1850, see Abdüllatif Şener, *Tanzimat Dönemi Osmanlı Vergi Sistemi* (Istanbul, 1990), 132–136; Mehmet Karakaş, "Tanzimat Dönemi Aşar Vergisi," unpub. Ph.D. diss. (Marmara Üniv., 2003), 84–95.

bonus. This new system, again called the “new method” (*usul-i cedid*), continued to reflect the government’s reluctance to assume the risks involved in taxing agricultural production (failure to collect the tax because of a bad harvest, social and political unrest, difficulties in transferring payment in kind into cash, etc.). This new contract type, which involved the “delegation of tithe farming to village communities at a fixed price” (*aşarın maktuan ahali-i kuraya tevdi*) sought directly to recuperate the share of revenue that tax farmers had been accustomed to appropriate for themselves. Archival sources indicate, however, that tithe farming proved unrealistic since villagers generally lacked the means to pay the fixed price for the tithe-collection opportunity. In practice, an influential individual of the village—an elder or religious leader—generally took the initiative and acted as tax farmer, likely because he had the means to do so.²⁰

Between 1850 and 1853, the Ottoman government’s attempt to proliferate this “new method” proved difficult given the social and political disparities of the many communities within the vast Empire. Our research reveals an enduring, ad hoc style of management that simultaneously employed three different tithe-farming contracts during the early 1850s—delegating the rights of tithe collection to village communities at a fixed price, to tax farmers at a fixed price, or to local administrative units of the government. For each of them, the amount of tithe to be collected—and therefore the price of the opportunity to tax farm—was based on the average tithe extracted from the given farm for the previous five years.

The high cost of the Crimean War of 1853 to 1855 and social unrest in some of the Balkan provinces, particularly the Vidin (northwestern Bulgaria) uprising, precipitated a reconsideration of the revenue system more generally and tax farming in particular. Rejecting the “new method” of the previous era, the Ottoman government turned again to the wage contract, assuming the risk itself, particularly for the tithe on wheat, the collection of which

20 İ.MVL, 185/5609, 1266.12.22/29, October 1850, Başbakanlık Osmanlı Arşivleri, Prime Ministry Ottoman Archives (hereinafter BOA). For a detailed description of how this system was put into practice in certain Rumelian provinces, see Ianeva, “Tax Payers’ Communities and the Functioning of the Fiscal System in Nineteenth-Century Ottoman Rumelia,” in Fleet and *idem*, *Ottoman Economic Practices*, 205–213.

the government was reluctant to grant to private entrepreneurs for strategic and military reasons. This war-time experiment was carried out in circumstances much different, however, from those of the early 1840s. By 1853, farm contracts had fallen into the hands mostly of government officials.

Ottoman fiscal administrators were flexible in both tax collections and contracts, adapting to local conditions. In provinces far from the war's front and for strategically less important crops, the government did not insist on wage contracts, willing to delegate revenue collection to private volunteers under fixed-price rental contracts. One long-term consequence of the widespread use of wage contracts during the war was a degree of consolidation in the collection system.²¹

Given the improved conditions of European financial markets, the Empire's eagerness to ally with Britain and France against Russia in the Crimean War created favorable conditions for international borrowing. The possibility of a shift from domestic borrowing to borrowing from international markets had enormous political consequences that also affected tax farming. When Grand Vizier Mustafa Reşid Pasha fell from power in 1852, the new government terminated the careers of Istanbul bankers (particularly those closely allied with the Pasha) heavily involved in large tax-farming contracts.²²

Furthermore, a couple decades of administrative reforms had increased the government's capacity to supervise functionaries in the provinces, allowing the government to re-introduce ascending-price auctions for tithe farms for the first time since the proclamation of the Tanzimat. Moreover, a momentous 1855 regulation reduced tax farms to individual villages, limiting the operations of a given tax farmer to a single district (*sancak*). The new rules were broad

21 For the 1850 uprising in Vidin, see İnalçık, *Tanzimat ve Bulgar Meselesi (Doktora Tezinin 50. Yılı)* (Istanbul, 1992); Şener, *Tanzimat Dönemi Osmanlı Vergi Sistemi*, 136; Abdurrahman Vefik [Sayın], *Tekâlif Kavaidi* (Ankara, 1999), 507.

22 For the financiers of Istanbul and their collaboration with Mustafa Reşid Pasha, see Mustafa Erdem Kabadayı, "Mkrdich Cezayirliyan or the Sharp Rise and Sudden Fall of an Ottoman Entrepreneur," in Suraiya Faroqhi and Gilles Veinstein (eds.), *Merchants in the Ottoman Empire* (Paris, 2008), 281–299; Araks Şahiner, "The Sarrafs of Istanbul: Financiers of the Empire," unpub. Masters thesis (Boğaziçi Univ., 1995); Seçil Uluşık, "A Nineteenth Century Sarraf in the Ottoman Empire: Mıgırdıç Cezayirliyan," unpub. Masters thesis (Koç Univ., 2011); Onnik Jamgoçyan (trans. Erol Üyepazarıcı), *Osmanlı İmparatorluğu'nda Sarraflık: Rumlar, Museviler, Frenkler, Ermeniler (1650–1850)* (Istanbul, 2017).

in scope and rich in detail; the tax farmer of the 1850s differed considerably from his counterpart in the pre-Tanzimat era.²³

The 1855 regulatory modification decisively rejected wage contracts of any kind, particularly the granting of tax farms to trusted individuals (*emaneten idare*), as well as the fixed-price auctions that often led to them as a last resort, as from 1850 to 1855. Nonetheless, provincial entrepreneurs, particularly those with offices in Istanbul and connections to moneylenders and bureaucrats in the central administration, could still create problems at the district level by merging small farms into larger ones and auctioning them again at lower prices in provincial centers. As documented by Ianeva, this new gambit enabled larger tax farmers in Rumelia to accumulate holdings of entire districts and even regions within provinces, often sub-farmed at the district, sub-district, and village levels, creating hierarchies of financial middlemen. The growth in the number of provincial entrepreneurs and the concomitant loss of tax revenue to them was a predicament with which the central government struggled throughout the nineteenth century.²⁴

In 1861, the government embarked on its most radical reform since its experimentations with wage contracts in the early 1840s—a regulation mandating that tithe farms be assigned at a fixed price to village communities (*ahali-i kura*), which the government defined as communal entities with legal personalities. The similar system that it had installed in the early 1850s did not construe village communities as collective, legal personalities. The result was that influential individuals in the villages took advantage of the government’s administrative frailty to nominate themselves as surrogates for these “village communities.” By 1861, the government was determined to close this loophole and make the village community the main party to tithe-farming contracts under a comprehensive new framework.²⁵

The government issued two new ordinances defining the procedures for the apportionment and collection of tithes. The novelty of the regulation was the introduction of tithe committees

23 “Aşar ve Rüsumatın İhale ve İdare-i Müzayedesine Dair Nizamname,” 1272.04.11/9 Kanun-ı Evvel 1271/21 December 1855, *Düstur*, 1. Tertib, v.2, 41–46.

24 Ianeva, “Manifestations and Implications,” 156–164.

25 For a parallel historiography of Russia, where individual peasants did not acquire the status of personhood, see Yanni Kotsonis, *States of Obligation: Taxes and Citizenship in the Russian Empire and Early Soviet Republic* (Toronto, 2014), 237–256.

(*taşir meclisi*) at the village level in which local headmen (*muhtars*) and imams or Christian priests were usually members. By means of this committee, the village was invested with considerable authority to manage the tithe. The government not only hoped to increase tax revenues but also to relieve taxpayers of the abuses to which local notables acting as tax farmers had subjected them.²⁶

Despite the government's enthusiasm for the new system, difficulties in attaining its goals soon became apparent. Peasant discontent rose in the Balkan provinces during the early 1860s, mostly due to the price of tithe farms, calculated as described above. The problem was that the Crimean War had caused commodity prices to jump dramatically, resulting in high tithe-farm prices. Fearing that the discontent could escalate into an uprising, the government sent an inspection committee, headed by the grand vezir, to the Rumelian provinces. The committee's reports reveal that the new system of tithe farming was indeed among the sources of frustration. Unsurprisingly, implementation remained geographically limited. Just a week after its proclamation, the government issued another ordinance that reinstated tax farmers within the collection system. For a decade, the government promoted its new auction system in some provinces, but the overall result was unencouraging. Neither were the government's revenue expectations met; nor was the peasantry relieved of over-taxation.²⁷

The attempt to replace local entrepreneurs with village communities as parties to tax-farming contracts had failed a second time since the Tanzimat. In 1871, the government once again turned to local entrepreneurs, acknowledging the advantages of the networking among the central political elite and district (*sancak*)-level notables—this time within the hotbed of social and

26 "İrade Meclis-i Mahsus-928: Varıdat-ı Öşriye ile İlgili Talimat ve Nizamnameler: 1277.07.15/23 Kanun-ı Sani 1276/4 February 1861," *Osmanlı Vergi Mevzuatı*, 223–235; Ankara: Maliye Bakanlığı Araştırma, Planlama ve Koordinasyon Kurulu Başkanlığı, 1999; "Varıdat-ı Öşriyenin Zürra-i Ahaliye İhalesi Hakkında Nizamname," 1277.08.11/10 Şubat 1276/22 February 1861, *Düstur*, 1. Tertib, v.1/1279 Tab, 284–290.

27 "Aşarı Ahalisine İhale Olunmayan Mahallerin Karye-be-karye Bilmüzeyede Mahalli Mültezimlere İhalesi Hakkında Talimat," 1277.08.17/16 Şubat 1276/28 February 1861, *Düstur*, 1. Tertib, v.1, 291–293. Ianeva describes in detail the implementation of this new regulation in central Rumelia, the problems encountered, and peasant discontent. See Ianeva, "Regulation and Functioning of the Ottoman Fiscal System in the 1860s and 1870s—Evidence From the Central Rumelian Provinces," in Fleet and *idem* (eds.), *Ottoman Economic Practices*, 218–224. For detailed reports about the inspection committee, see Yonca Köksal and Davut Erkan (eds.), *Sadrızam Kıbrıslı Mehmet Emin Paşa'nın Rumeli Teftişi* (Istanbul, 2007).

nationalistic unrest in the Balkan provinces, particularly among Serbian, Bosnian, Greek, and Bulgarian peasants. Yet this tactic was not a restoration of the pre-Tanzimat style of tax farming. After the establishment of effective local administrative offices in 1871, the central government could impose stricter rules on local entrepreneurs. For example, it limited the maximum area of a tax farm to a single village and prohibited the merging of multiple tax farms. Unlike the 1855 regulation and those that followed, the sub-district (*kaza*), rather than the district (*sancak*), was the level at which auctions were to occur.²⁸

In 1872, the government passed regulations that prevented entrepreneurs from leasing the collection of tithes from more than one village within a single sub-district unless each was to be administered separately. They now could control one or more sources of revenue but none larger than a village. In this way, both the social influence of tax farmers and the scope of possible abuse were kept within limits. In addition, tax farmers of the 1870s continued to bear the full financial risk. The government remained free of the burden of organizing the tax-collection apparatus, instead devoting its human resources to the improvement of the institutional infrastructure necessary to coordinate and audit the system.²⁹

EMERGENCE OF AN INSTITUTIONAL SETTING: IMPROVEMENTS IN THE GOVERNMENT'S MONITORING OF TAX FARMERS, 1876–1908 The challenges to improving and integrating the fiscal infrastructure of the Empire in the 1870s were both political and economic. Several years of bad harvests, particularly in Anatolia, contributed to the aforementioned peasant distress, but reduced agricultural production also meant reduced tax revenue. Unfavorable international terms of trade put further pressure on the treasury, and in 1876, the government began to have difficulty fulfilling its debt obligations. But the worst was yet to come, when major revenue-generating lands in Rumelia were lost in the Russo-Ottoman War of 1877/8. In 1881, after the Ottoman government announced bankruptcy, a French-British consortium formed to manage almost

28 “Bilimum Vilayetler Varidat-ı Öşriyesinin Müzayede ve İhale İdaresi Hakkında Talimat-ı Cedide,” 1288.03.16/24 Mayıs 1287/5 June 1871, *Düstur*, 1. Tertib, v.3, 243–67.

29 İ.MMS, 43/1762, 1289.01.16/26, March 1872, BOA; “Varidat-ı Öşriyenin Karye-be-Karye İhalesi Hakkında Zeyl-i Nizam,” *Düstur*, 1. Tertib, v.2, 47–48.

one-third of the Empire's revenue sources. In these trying financial and political times, the government took measures to improve its monitoring capacity as part of a broader institutional reform.³⁰

In 1877, the Office of Tithe and Sheep Tax (*Aşar ve Ağnam Emaneti*) was instituted to administer tithe-farm auctions in the provinces and to manage farms that failed to be sold to private entrepreneurs. This innovative approach was integral to a three-part scheme to cope with widely differing conditions in far-flung provinces, signaling the direction that tithe management was to take for years to come. In provinces such as Van, Mosul, and Baghdad, where central administration was weak, and tribal confederations dominated local social and political affairs, the new order brought little change; the government maintained the time-honored practice of granting tithe farms to tribal leaders at a fixed price. Elsewhere, the new Office of Tithe and Sheep Tax of 1877 was responsible for radically transforming the tithe into a tax on agricultural land based on acreage. The peasantry in Rumelia and Anatolia welcomed this strategy, but the resistance of landowners who were vocal in local administrative assemblies prevented the government from achieving many of its goals. In 1878 and thereafter, however, various ordinances strengthened the monitoring capacity, and the stability, of the Office.³¹

In 1880, the government created a more integrated system from the existing mechanisms of the tithe. In a February regulation, the Office became one of the three major branches of the tax administration under the Ministry of the Treasury; the others were the Tax Administration Office (*Vergi Emaneti*), which managed property and income taxes, and the Customs Administration (*Gümrük Emaneti*), which handled customs duties. The old institutional structure, under which local assemblies generally administered the tithe and the treasury's role was largely limited to inspection, began to fade during the 1880s.

30 Özge Ertem, "Eating the Last Seed: Famine, Empire, Survival and Order in the Late Nineteenth Century," unpub. Ph.D. diss. (European Univ. Institute, 2012); Quataert, "Famine in Turkey, 1873–1875," *Regional Studies*, CCI (1968), 1–54; Murat Birdal, *The Political Economy of Ottoman Public Debt: Insolvency and European Financial Control in the Late Nineteenth Century* (New York, 2010).

31 [Sayın], *Tekâlif Kavaidi*, 513; İ.DH, 771/62808, 1295.07.06/6, July 1878; İ.ŞD, 40/2086, 1295.08.08/7, August 1878, BOA.

The milestone 1880 regulation unambiguously expressed the aspiration to abolish rental contracts altogether and make wage contracts the government's primary mode of management. The government hastily filled the ranks of the Administration of Tithe and Sheep Tax with 2,804 employees, 100 of whom served in its executive branch at Istanbul. This development is reminiscent of the use of wage contracts during the early 1840s, but in those days, *emaneten idare* meant delegating the tithe to trusted individuals in the absence of an institutional infrastructure in the provinces.³²

Despite the clarity and boldness of the 1880 regulation, the government still lacked the capacity to impose a centralized, unified system for tithe collection throughout the Empire. Social and economic disparities compelled diverse methods throughout the 1880s, even in places where the updated form of wage contract (*emaneten idare*) was in practice. The government had not yet created a collection bureaucracy with salaried personnel. The body of tax collectors was comprised of only 1,500 employees, mostly former gendarmes, who did not have the authority to collect tithes, only other kinds of taxes, primarily tax arrears. Village notables, muhtars, and religious leaders such as imams and priests continued in their roles as tax collectors. The new plan was sure to fall short of its goals so long as administrative assembly members, who were mostly local notables, continued to maintain or strengthen their hold over local fiscal matters. The 1880 regulations increased tithe revenue, but given the extent of its debt and military expenditures, the government did not relent in its search for new and better methods.³³

Eliminating all intermediaries was an obvious solution for increasing revenue. The attempts in 1850 and 1861 were unsuccessful, and the 1880s plan to widen the scope of wage contracts still did not push tax farmers—mostly district and sub-district level entrepreneurs—out of the system. The government merely

32 İ.MMS, 65/3084, 1297.03.04/15, February 1880, BOA. Article 12 says that “tax farming in tithe collection is abolished.” What the government meant by *tax farming* was rental contracts. For the provincial branch of the administration, see İ.DH, 800/64881, 1297.03.08/19, February 1880; İ.DH, 801/64907, 1297.04.03/15, March 1880; İ.DH, 808/65333, 1297.07.26/4, July 1880; İ.DH, 810/65445, 1297.08.17/25, July 1880, BOA. See also Karakaş, “Tanzimat Dönemi Aşar Vergisi,” 110–111.

33 For this collection apparatus, see Özbek, “Abdülhamid Rejimi, Vergi Tahsildarlığı ve Siyaset, 1876–1908,” *Doğu Batı*, LII (2010), 159–197.

switched from rental to wage contracts in 1880 and then back to rental contracts in 1887, networking with entrepreneurs at the district and sub-district levels according to the type of tax farming contract in place. An institutional change—from the Office of Tithe and Sheep Tax to the Directorate for the Sale of Tithe (*İhale-i Aşar Müdürlüğü*)—accompanied the switch in 1887. The “rental contract at a fixed price” (*mültezime maktuan ihale*) supplanted ascending-price auctions after the extensive testing that followed the Tanzimat decree. The newly established Directorate was considerably more consolidated, with a heightened ability to monitor fiscal activities at every provincial level.³⁴

In its endless quest for the perfect mechanism, the government modified the structure of the tithe administration again in 1888, creating the General Directorate of Tithe and Customs (*Aşar ve Rüşumat İdare-i Umumiyesi*), which proved yet more capable of closely supervising the tax farmers and local administrators. Fixed-price auctions remained the preferred form of contract under this new office. But the government’s enhanced oversight came at a twofold price for tax farmers, increasing resistance from taxpayers and loss of control to the central administration. Both factors added to tax farmers’ vulnerability; in the decade to follow, bankruptcies among tax farmers became frequent throughout the Empire.

The government’s more intensive monitoring induced it to replace the fixed-price system, once again, with the classic, ascending-price auction type of contract in 1891, with the aim of encouraging more entrepreneurs to enter tithe farming and boost sales of tax farms. After much experimentation with different types of contracts, the Ottoman government eventually settled on the ascending-price auction. This final shift to rental contracts and ascending-price auction—an unexpected reversal of policy—may give the impression that policy had come full circle. Yet this method was only the last in a long string of modifications, each seeking to extract the maximum revenue from the Empire’s subsistence agriculture economy. This one bore fruit: In the final decade of the century, when the responsibility and risk of tax collection belonged to small tax farmers under the strict scrutiny of regional offices of fiscal

34 İ.MMS, 92/3904, 1304.II.28/18 August 1887; İ.MMS, 100/4212, 1305.II.21/30, July 1888, BOA.

administration, the government finally succeeded in satisfactorily increasing its share of tax revenue.

This study contributes to the literature about the making of modern fiscal states and their institutions of public finance. The details of the persistence and continuous modification of tax farming in the nineteenth-century Ottoman Empire necessitate a qualitative rethinking of modern public finance. The Ottoman case is one of the diverse evolutionary paths taken by fiscal institutions in nineteenth-century contexts. To comprehend the variety of experiences across nations and regions, mutable—or even composite—conceptions of the modern fiscal state and its institutions are necessary. As Cardoso and Lains indicate, however, the recent literature about European fiscal history, which is informed mostly by the new institutional economics, is bereft of a foundational theory of state formation. The interdisciplinary approach that this study adopts—inspired primarily by social and economic history, political theory, and anthropological theories of the state—is crucial for crafting an all-inclusive conception of the modern fiscal state. This approach suggests that public-finance institutions spring from political situations in the widest possible sense.

Throughout the nineteenth century, Ottoman bureaucrats intent on increasing tax revenue for the treasury ultimately achieved considerable success through centralizing reforms that improved their government's infrastructural capacity. From the 1820s to the early 1900s, Ottoman tax revenue in gold increased more than five-fold, while the rates for France and Britain were four and two-and-a-half, respectively. Although Britain and France had already increased their tax revenue before this period, the Ottoman achievement is still impressive. Yet, the Ottoman government consistently avoided establishing a centralized tax-collection apparatus with salaried government employees. Overall, privatized tithe collection in its various, successive forms—like the changing role and profile of tax farmers—remained a key component of the public finance system.³⁵

More than once, the government unsuccessfully attempted to replace tax farmers with village communities as legal entities. It

35 Data for comparative revenues in gold are from Karaman and Pamuk, "Ottoman State Finances," 623.

also tried to transform the tithe into a land tax based on acreage. But none of these ventures were intended to eliminate tithe collection by third parties. In the administration of tithe farms, the government, instead, switched between rental- and wage-contract types and between ascending and fixed-price auctions. Notably, it reduced the size of tithe farms and introduced new rules and procedures for their auction to keep tax farmers from abusing peasants and appropriating too much revenue. Throughout the century, the administrative jurisdiction of the central treasury increased considerably due to the smooth functioning of provincial offices. During the final decade of the century, separate offices and directorates assumed the management and sale of tithe farms.

The lack of centralized tax collection had much to do with the geographical extent of the Ottoman Empire and the social and political disparities between its many provinces. The Empire's geographical scale notwithstanding, however, the government's infrastructural capacity improved throughout the century, though its pre-industrial economy posed limits on real, recoupable revenue and impeded the evolution of its administrative and fiscal institutions. But this study contends that governmental capacity is only one thread in the larger narrative of Ottoman institutions. Political circumstances, both domestic and international, directly influenced the form and timing of the government's modifications to its fiscal institutions. At various moments within the century, for example, social and political unrest among peasants figured into reforms and their various outcomes. The discontent and nationalist uprisings in both western and eastern provinces indicate that the Ottoman government failed to earn the confidence of its peasant subjects. One of the outcomes of the tax-farm system was a constellation of stable political coalitions between the ruling elite and the small merchants and tax farmers at the district and sub-district level. These coalitions were critical in keeping the Ottoman peasantry, with its varied ethnic and confessional background, under a modicum of control while securing the extraction and transfer of surplus.

The relative sustainability of privatized tax collection within the Ottoman administrative system is not surprising from the perspective of our neoliberal era with its extensive privatization of formerly governmental functions. It does, however, invite a re-consideration of the perception of modern public finance in favor

of more flexible and hybrid alternatives. The major attributes of modern public-finance systems include centralized control over taxable resources and the capacity of governments to transfer these resources to a central treasury. Whether the appropriation and transfer of surplus to a national treasury occurs through public institutions or private enterprises—a choice conditioned by historical and political contingencies—is a secondary consideration. In the end, the persistence of Ottoman tax farming was not an indicator of “failed modernization.” Rather, it was a part of the making of a modern Ottoman public-finance system with privatized tax collection as its backbone.