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AT THE CROSSROADS OF ACCOUNTING, FINANCE AND BUSINESS
HISTORY: THE ACCOUNTING BOOKS OF HAFIZ RUŞDU AND SAIM
BROTHERS CARPET TRADING HOUSE (1928)

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At The Crossroads of Accounting, Finance and Business History: The Accounting
Books of Hafız Rusdu and Saim Brothers Carpet Trading House (1928)

Muhasebe, Maliye ve İşletme Tarihinin Kesişim Noktasında: Hafız Rüşdü ve
Saim Biraderler Halı Ticarethanesi'nin Muhasebe Defterleri (1928)

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TABLE OF CONTENTS

ACKNOWLEDGEMENTS	iii
TABLE OF CONTENTS	iv
ABBREVIATIONS	vi
ABSTRACT	vii
ÖZET.....	viii
INTRODUCTION	1
Objectives and Significance	7
Scope and Limitations.....	8
Conceptual Framework and Historiography	9
Methodology	16
CHAPTER 1: BOOKKEEPING IN HISTORICAL CONTEXT	17
Single Entry Bookkeeping.....	17
Double Entry Bookkeeping	20
Ottoman State Accounting Practices: Staircase Method	23
Ruznamçe (Day Book/Journal) Book.....	27
Auxiliary Books	29
Ottoman Finance Organization in the Classic Period.....	31
Reorganization of the Public Finance Bureaucracy in the Nineteenth Century	32
Post-Tanzimat Budget-Making Practices	34
Adoption of DEB for Keeping the State Accounts	37
Bookkeeping in the Commercial Legislation	42
CHAPTER TWO: NINETEENTH CENTURY TRANSFORMATION	50
Educational Reforms	50
DEB and Corporations in General Context	64
The First Ottoman Joint-Stock Companies and Their Accounting System	73
Incorporation to World Economic System	85
Transformation of the Ottoman Economic Mentality	96
Centralization of the Tax System	107
CHAPTER THREE: HRSB'S ACCOUNTING SYSTEM AND BUSINESS NETWORKS	127
Business Location and Activity Period of HRSB	127

HRSB's Accounting Books.....	128
Opening Entries and Opening Balance Sheet.....	130
General Outlook of the Carpet Industry in Anatolia between 1850-1921.....	138
HRSB's Carpet Business.....	144
HRSB's Iran Carpets Trade.....	147
HRSB's Other Foreign Supplier and Client Networks	153
CONCLUSION	161
REFERENCES.....	165
APPENDICES	176

ABBREVIATIONS

BOA	:	The Prime Ministry Ottoman Archives
DEB	:	Double-Entry Bookkeeping
FY	:	Fiscal Year
HRSB	:	Hafiz Rüşdü and Saim Brothers Carpet Trading House
MUFTAD	:	Accounting and Financial Researches Journal
OB	:	Ottoman Bank
OBTC	:	Ottoman Bosphorus Transportation Company (Şirket-i Hayriye)
OCM	:	Oriental Carpet Manufacturers Company
OPDA	:	Ottoman Public Debt Administration
SEB	:	Single-Entry Bookkeeping

ABSTRACT

As its title signifies, this thesis stands right at the intersection of accounting, finance, and business history. This study firstly investigates why and how DEB was adopted by the Ottoman state and merchants. The “accounting progress” phenomenon in the Ottoman Empire resembles a jigsaw puzzle whose pieces scattered all over, and sadly speaking, some pieces have still been missing. Solving the puzzle requires to touch on various fields ranging from tax history to commercial law. Therefore, the first two chapters of this thesis try to build an extensive historical background connecting the preparation phases of accounting mentality change to each other. To do so, at first, SEB and DEB was introduced, Ottoman state accounting practices prior to double entry were examined onwards. Afterwards the nineteenth century developments associated with accounting transformation such as educational modernization, incorporation to the world economic system, economic mentality change, and tax reforms were articulated.

Even if setting up a fully-fledged historical frame by making great efforts, accounting history scholars inevitably hit the wall at the same dead end again and again due to the lack of primary sources. Herein lies the original contribution of this thesis to the current scholarship. As primary sources, the accounting books of Hafız Rüşdü and Saim Brothers Carpet Trading House tell a lot about the accounting practices and commercial activities of a medium-scale private enterprise. In the third chapter of this thesis, along with general outlook of Ottoman hand-knotted carpet industry between 1870s and 1920s, accounting implementations, business networks and traded merchandises of Hafız Rüşdü and Saim Brothers Carpet Trading House are treated.

ÖZET

Başlığından da anlaşılacağı üzere bu tez muhasebe, maliye ve işletmecilik tarihinin tam kesişim noktasında yer almaktadır. Çalışma, öncelikle çift yanlı kayıt yönteminin Osmanlı tacirlerince neden ve nasıl benimsendiğini ele almaktadır. Osmanlı İmparatorluğu'nda muhasebenin gelişim süreci olgusu, parçaları her yana dağılmış bir yapbozu andırmaktadır ve üzülmek gerekirse, bu yapbozun birçok parçası halen eksiktir. Bu yapbozu tamamlamak için konunun vergi tarihinden ticaret hukukuna uzanan farklı perspektiflerden ele alınması gerekmektedir. Bu nedenle, bu tezin ilk iki bölümü muhasebedeki zihniyet dönüşümünün hazırlık evrelerini birbirine bağlayan bir tarihsel arka plan inşa etmeyi denemiştir. Bunu gerçekleştirebilmek adına, öncelikle tek ve çift yanlı defter tutma tekniklerinin tarihsel gelişim çizgileri ve temel prensipleri tanıtılmış, ardından Osmanlı Devleti'nin çift yanlı kayıt sistemi öncesindeki muhasebe uygulamaları hakkında bilgi verilmiştir. Sonrasında eğitimin modernizasyonu, dünya ekonomik sistemine eklenme ve vergi reformları gibi muhasebe dönüşümünü ilgilendiren konulara değinilmiştir.

Kapsamlı bir tarihsel çerçeve kurmak için gösterilen bütün çabalara rağmen, muhasebe tarihçileri birincil kaynak eksikliği nedeniyle kaçınılmaz olarak aynı çıkmaz sokağa hapsedilmektedirler. Bu tezin mevcut literatüre yaptığı orijinal katkı tam burada yatmaktadır. Birincil kaynaklar olarak Hafız Rüşdü ve Saim Biraderler Halı Ticarethanesi'nin muhasebe defterleri bize orta ölçekli bir özel ticari teşebbüsün muhasebe pratikleri ve ticari aktiviteleri hakkında çok şey söylemektedir. Tezin üçüncü bölümünde, Osmanlı el dokuması halı endüstrisinin 1870 ve 1920'ler arasındaki genel görünümünün yanı sıra, işletmenin muhasebe uygulamaları, ticari ilişki ağları ve ticaretini yaptığı emtialar hakkında analizler yapılmaktadır.

INTRODUCTION

To be honest, the subject matter and scope of this thesis have undergone fundamental changes throughout the writing period. While still in the topic selection phase, partly influenced by a project I prepared for Professor Christoph K. Neumann's course, I decided to conduct a comparative study on Ottoman, Austrian, and Russian imperial ceremonies. However, feeling disappointed, in a short while, I noticed that the extensive dimensions of the topic require considerably broad knowledge from art history to material culture. Finally, conceding that it is not possible to embrace such must-have literacy within the time constraints of a master's project, I commenced to search a dissertation topic in the rooms of the Ottoman economic-financial history for which my undergraduate education and professional taxation background, to a certain extent, would provide a supportive foundation.

During my sixteen-year professional career, as a tax inspector at the Ministry of Finance, almost all of my work-time was spent conducting tax inspections. When starting a tax inspection, our first request from taxpayers would be to submit their mandatory commercial books. According to the third article of the Tax Procedure Code nr. 213, the taxable event and the real nature of the transactions related to this event can be proved with all kinds of evidence except oath. In so far, the witness statement, which is not naturally and clearly related to the taxable event, cannot be used as a means of proof. Despite this extensive freedom of vindication, the main basis of tax investigations has been commercial books.

Today, bookkeeping is a legal obligation for merchants in Turkey. In line with the trend in the world, commercial bookkeeping and accounting have now become an integral part of business transparency. In accordance with the relevant legislation, business managements are obliged to provide accurate and complete information flow to their stakeholders, workers and the government. With the recent implementation of international financial reporting standards (IFRS) around the world, financial statements have become the most important output of accounting. However, this does not reduce the importance of commercial books, because

commercial books are still the most important means in producing financial information that will form the basis for the preparation of financial statements.

In addition, today's profit-oriented capitalist management approach requires immediate access to basic indicators such as profit, loss, cost and expense. Therefore, account keeping for the track of economic activities, which are becoming increasingly complex and gaining a global dimension, still maintains its importance. Indeed, nowadays it is quite difficult to imagine a private business that does not keep book to track its business activities.

What seems surprising to me is, as a tax inspector, that I did not query how current relationship, which is established between taxpayers and the tax administration through the commercial books, occurred in history. I presume my indifference towards the issue was due to the fact that bookkeeping has now become standard practice for almost all merchants.

Definitely, bookkeeping practices were very important in the financial relations between the state and taxpayers during the Ottoman Empire period. But then, unlike today, the party keeping the books was the state itself rather than the taxpayers. The Ottoman finance administration predetermined the identity information of the taxpayers, their income sources and the tax to be collected from these sources, and recorded this information in the books kept in the central and provincial finance offices. In other words, in a sense, record keeping, tax collection and control functions were all carried out by the state. Of course, with respect to the tax base calculation, the state financial administration generally determined the tax base and the tax amount to be levied for the following years, based on the previous year's data. As can be understood, there was a very close relationship between the purpose of tax collection and bookkeeping. One of the most important aims of this thesis is to understand how bookkeeping practices in the Ottoman Empire evolved by the first years of the Turkish Republic.

Another factor that attracts me to work in this field is the economic crisis that Turkey has been going through in recent years. Problems such as inflation, which

is feared to turn into hyperinflation, high budget and foreign trade deficits, rising youth unemployment, and decrease in production volume necessitate increasing public revenues. In such conditions, where the disposable income of households decreases, tax increases usually fall on the shoulders of fixed-income earners whose incomes do not increase in line with inflation, and inflation turns into a kind of taxation. With such fiscal policy decisions, the state indirectly intervenes in the distribution of income. When we look at it from this perspective, “finance” is not just a bureaucratic field of knowledge, but a phenomenon that directly affects and shapes our daily life and establishes a social income distribution model. The second aim of this thesis is to examine the development trend of accounting from a broad perspective of financial history from the Ottoman Empire to the first years of the Republic. Such a fiscal history analysis also covers issues such as nation-state building, fiscal centralism, and social class formation. It is the second aim of this thesis to place the transformation in bookkeeping and accounting within this financial history narrative. While trying to achieve this aim, references are made to more than one discipline, such as the incorporation of the Ottoman economy to the world economy, the change in economic mentality in the nineteenth century, and the tax reforms implemented in the same century.

In my opinion, what keeps the accounting historiography in Turkey in a dead end, or rather a vicious circle, is the difficulty of finding primary sources for private sector accounting, apart from those belonging to state institutions and organizations and enterprises with foreign capital. The insufficient development of family archives and the fact that the archive material could not be preserved due to reasons such as wars and mass population movements end up with great time gaps in Turkish accounting historiography. For instance, sufficient sources have not been available to prove whether Ottoman merchants used DEB between 1850, when the Commercial Code was published, to the 1880s, when accounting textbooks began to be published. In fact, the same deprivation applies the 1880s to the first years of the Republic. As such, as a result of the pressure driven by the lack of primary sources, accounting historians have interpreted these historical gaps with a “preparatory phase” discourse for the transition to DEB. What is meant by the

expression “preparatory phase” is the whole of the activities to create an accounting culture with the initiatives of the state, commerce and industry class and intellectuals for the formation of accounting accumulation. These activities are usually listed within the framework of a chronological narrative plan in the historiography of Ottoman accounting history, and it is emphasized that all of them paved the way to the transition to DEB. According to the current scholarship, the steps of this incubation period for DEB are as follows:

- Establishment of the Ministry of Finance
- Sending scholarship students abroad for education after 1830
- Enactment of the Commercial Code in 1850
- Publication of accounting textbooks
- Introduction of accounting courses into the education curriculum
- Transition to DEB in state accounting at the beginning of 1880s
- Foundation of Istanbul Chamber of Commerce in 1882
- Opening of Hamidiye School of Commerce in 1883

On the other hand, we do not have any information about whether some traders started to use DEB before this preparatory phase. In such an age, when the Ottoman Empire was integrated to the world economic system, it must not be far off for Ottoman merchants to recognize the modern accounting system and use it for recording their commercial activities. However, unfortunately, we still lack the supporting data to turn these possibilities into reality.

Contrary to the scarcity of sources on private sector accounting, state institutions and enterprises or joint enterprises with foreign partners such as the Ottoman Bank, The Metropolitan Railway of Constantinople from Galata to Pera, The Tobacco Regie present a vast archival material concerning DEB. Naturally, within this abundance of resources, Ottoman accounting historiography has been progressing in this lane. The 1850-1923 period is dealt with in the context of the accounting of

the above-mentioned institutions and organizations, disregarding the accounting practices of small and medium-scaled merchants.

Other than the studies in relation to large public enterprises or banks, researches have been carried out on the accounting practices of the Ottoman state before DEB, being recognized as the *merdiven* (staircase) system. In fact, some scholars claim that this system is the predecessor of DEB and that it moves the genesis of DEB before the Italian city-states to which the invention of DEB were credited. The pitfall of such approaches is to overlook bookkeeping and accounting practices of small seized merchants.

What I have said so far certainly do not imply that historians working on Ottoman accounting refrain from inquiring existing sources. It is also possible for the sources to be lost or kept in special archives. However, in any case, this lack of sources hinders the progress of business history as well as accounting historiography. The fact that European and North American traders have left behind accounting books and commercial correspondence documents dating back to the fifteenth century has made it easier for scholars to work in cooperation with business historiography and even social and economic history. The diversity and quality of the archive material found in the mentioned regions enabled the analysis of the accounting systems and commercial practices of private enterprises, as well as researching the socio-economic status and relations of enterprises and business owners.¹

Taking into account the situations abovementioned, I was convinced that if I could find the books DEB of an Ottoman merchant, a thesis focusing on these books would make a more original contribution to the field. Such a book would provide

¹ For a research carried out through the accounting books of an English farmer and wool merchant, see: Christopher Dyer, *A Country Merchant: 1495-1520, Trading and Farming at the End of the Middle Ages*, (Oxford: Oxford University Press, 2012), 91-131; also see for a study examining an eighteenth-century American merchant's ledgers and waste books see: Dale L. Flesher, Andrew D. Almand, and Laurie A. Barfitt, "John Stillé, Jr.: Accounting Records of a Successful 18th Century Philadelphia Merchant", *Accounting Historians Journal*, Vol. 46, No. 1, (June 2019): 35-56; For a paper focusing on the earliest fifteenth-century double-entry records of a Venetian merchant family importing raw cotton from Syria see: Maria Ryabova, "The Account Books of the Soranzo Fraternal (Venice 1406-1434) and Their Place in the History of Bookkeeping", *Accounting Historians Journal*, Vol. 45, No. 1, (June 2018): 1-27

me with an insight of the accounting method, business operations, and socio-economic profile of the book owner, and even enable me to position the data I would obtain within the historical context of the period. In my research for this purpose, I could not come across a book kept dated to Ottoman Empire era, but with the help of some luck, I came across a journal book and a general ledger from 1928. On the approval page of both books, which were kept in Turkish with Arabic letters and numbers, it was written that they belonged to “Hafız Rüşdü ve Saim Brothers Trading House”. The records in these notebooks, which I found in Galata Salt Digital Archive, were kept through DEB and quite legible.

The books belonged to the fifth fiscal year following the proclamation of the Turkish Republic, which of course meant that the time scale of the thesis transcended the lifetime of the Ottoman Empire. But a five-year period does not indicate a major historical break between the Imperial and Republic regimes. As a matter of fact, it would not be compatible with sociological realities to expect a sharp transformation of all social institutions and prevalent culture that had been going on for centuries in five years. It is clear that trade and economy cannot be exempt from this institutional continuity. Thus, the connection of the HRSB books with the Ottoman institutions and established values should not be ignored. Since we can determine that the business was operating in 1923, we can easily say that its owners were people who grew up in the Ottoman society.

The first years of the Republic of Turkey witnessed efforts to heal the wounds of long wars. In these years, the Republican administration was busy with the reconstruction of the country on the one hand, and on the other hand, creating the cultural and physical infrastructure of the economic model on which the country would lean. In addition, the new Government had embarked on a new legislation movement from tax to trade. The books that are the subject of our study are also important in terms of showing how much a merchant can adapt to the new financial, commercial and economic regulations introduced by the State in such a transition period. The books also provide sufficient information to explore the details of HRSB’s knowledge of modern accounting techniques.

The objective of this research is not limited to analyzing the accounting practices of HRSB. The ledger records revealed that HRSB was engaged in the trade of traditional woven carpets. Operating in Istanbul, the company not only bought and sold carpets, but also manufactured them. In this thesis, the supply-chain, sales and marketing networks of HRSB; the characteristics such as the types of commodities traded, cash management, relations with the financial system, employment policy, tax records and document order were examined and the data we obtained were interpreted in the context of the general economic and commercial conjuncture of the period. In summary, this thesis has intersections with the accounting, finance, and business history.

Objectives and Significance

One of this study's aims is to determine the point reached in the use of DEB in the first years of the Turkish Republic. To realize it, I tried to answer the following research questions: Does the trader's accounting personnel have sufficient skills about the DEB? What parallels are there between the accounting practices of the merchant and the accounting model in the accounting teaching books published between 1880-1928? Which accounts did the merchant use in recording the transactions? What are the similarities and differences of the accounting technique used by the trader with today's accounting practices? What are the aspects of the trader's records that overlap or do not comply with today's generally accepted accounting principles?

The contribution of this study to the accounting history scholarship is that it gives the opportunity to learn the commercial accounting practices of a business that has very fresh ties with the Ottoman Empire, and that also survives in the financial and economic revolution environment brought by the newly established Government. As far as I could detect during my literature review, there has been no study so far using the accounting books of a merchant operating in the 1920s. This thesis will provide important clues to the researchers working in the field about the accounting knowledge transferred from the Ottoman Empire to the Turkish Republic. Despite all these expectations, it should be noted that the results obtained from this study

would not be sufficient to draw general conclusions about the level reached by accounting in Turkey in the 1920s.

The other purpose of this study is to create a micro-level profile of the carpet trade in Turkey towards the end of the 1920s with the help of accounting books belonging to HRSB. The research questions for the second purpose of the study are listed below. What types of merchandise does HRSB trade? Which supply and sales channels are used? How is the cash and stock management of the business? What is the content of the business connections of the enterprise? How does the trading house relate to the financial system? What are the employment relations of HRSB? Does the business engage in imports and exports?

This study will contribute to the literature on the oriental carpet trade. The studies carried out so far are generally about the origin of Ottoman carpet weaving, its development and transformation over time, and finally its articulation with capitalist modes of production. This study will provide researchers with the chance to observe the production, buying and distributing mechanisms of the carpet industry, as well as further details.

Scope and Limitations

In terms of time scale, this thesis covers the period from 1838, when the Tanzimat was announced, to 1928, when the HRSB notebooks belong. The reason why we chose Tanzimat as a starting point is that the foundations of the transformation in accounting were laid with the declaration of the Tanzimat. Although the Tanzimat was chosen as a point of origin, there will inevitably be references to previous centuries, especially to form historical background of the study.

The thesis is essentially built around a primary source, and the analysis of the HRB ledgers in no way purports to make generalizations for either the evolution of accounting or the carpet trade. Making such generalizations would be possible provided that new written or visual sources were found.

On the other hand, this study does not explore the reasons behind the late arrival of the DEB to the Ottoman Empire than to the Europe and the North America

countries. Unfortunately, to reply this question do not seem possible with the available data. Furthermore, the study also excluded the relationships between capitalism and the adoption of DEB.

One of the most important constraints of the study is the incompleteness of the commercial books of the HRSB, excluding the journal and general ledger. This deficiency necessitated the analyzes to be carried out in company with these two books and related secondary sources.

Another important handicap of the study is that HRSB journal and ledger was incomplete. The last entry posted to journal book was made on September 1, 1928. Since there is no record in the journal after this date, it is not possible to see the closing records of the accounting period and to draw up the end-of-period financial statements of the enterprise. The completeness of the 1928 data of the enterprise and the access to the previous years' data would undoubtedly allow the study to be spread over a longer time series and provide a fully-fledged analysis.

In addition, difficulties were encountered in the transcription of some entries and phrases in the HRSB books since they were manuscripts. The unreadable expressions are shown in the transcript text by leaving spaces as (...).

Conceptual Framework and Historiography

The term “bookkeeping” was replaced by the term “accounting” over time. The study of Labardin and Nikitin published in 2009 focuses on how this etymological transformation takes place in France.² According to the findings of the research, the settlement of accounting terms occurs through the process of natural selection. Accounting terms that do not have any functional value disappear over time. The established ones are usually accounting terms produced by the leading authors of the field. Another issue revealed in the study is that the DEB has now become identical with accounting. It would be very useful to study the etymological origins

² Pierre Labardin and Marc Nikitin, “Accounting and the words to tell it: an historical perspective”, *Accounting, Business and Financial History*, 19:2, (2009): 149-166.

of the accounting terms used in the Ottoman Empire, similar to that of Labardin and Nikitin.

Since 1990s Previts, Parker, and Coffman contribute to accounting history by setting a research framework for the scholars. In one of their articles, the main research subjects of accounting history were determined as biography, institutional history, intellectual development, general history, critical history, databases, taxonomy, bibliography, and historiography. On the other hand, in the study, these subject matters and methodological suggestions were made.³

Napier, in historiographic context, deals with the "new" accounting historians' main criticism to traditional school. New accounting school, emerged in mid 1980s, criticizes traditional paradigm that considering accounting as progressive and accounting progress in an evolutionary trend".⁴ According to Napier, accounting historians can proceed by using the perspective of progress as long as they remain in the field of microhistory, provided that what counts as progress for some will be regression for others. However, when working on larger scales, the paradigm of progress should be approached more cautiously. In Ottoman accounting historiography, the meaning of the phenomenon of "progress in accounting" has not been examined so far. Evaluating the phenomenon of progress of DEB in the context of the Ottoman Empire can ensure a new perspective to accounting historiography.

Gomes et al.'s ontological inquiry, "Is the history of accounting important?", is sincere and constructive self-criticism for the discipline of accounting history.⁵ While the scholars concludes that accounting historiography is valuable, it recommends that researchers establish a link between their subjects and actuality, collaborate with scientists in other disciplines, write in a style that will keep the

³ Gary J. Previts, Lee D. Parker, and Edward N. Coffman, "An Accounting History: Subject Matter and Methodology" *Abacus*, Vol. 26, No. 2, (1990): 136-158.

⁴ Christopher J. Napier, "Accounting history and accounting progress", *Accounting History*, Vol. 6, no. 2, (2001): 7-31.

⁵ Delfina Gomes et al., "Does accounting history matter?", *Accounting History*, 16(4), (2011): 389-402.

reader's interest and excitement alive, and develop new methodological methods in order to make this value permanent.

Traditionalist and critical schools of accounting history, which emerged in the 1990s based on postmodern philosophy, left its mark on the 1990s and 2000s. Postmodern theories, which are divided into sub-branches such as deconstructionism, utilitarianism, and constructive empiricism, have also deeply affected the history of accounting. In the 1990s, which can be defined as the golden age of the accounting history, the accounting history scholarship has diversified and enriched.⁶ Throughout 1990s, new accounting historians argued that the sources found by traditional historians could be re-read and placed in alternative contexts by way of critical thinking. The supporters of this school claim that the preconception that primary historical sources are superior to others can be broken through critical thinking. According to these historians, all material sources are a reflection of the dominant culture of the period and do not have an advantage over other sources. At the same time, dependence on sources causes legitimation of the present by silencing the poor.⁷ Due to their economic and social status, many people are not represented in accounting documents, so there is no complete flow of information about the past.⁸

The major disagreements between traditionalist and critical historians of accounting intersect at three points: Objectivity, truth, and the importance of primary sources. Traditional historians see themselves as an unbiased narrator of the sources they find as a result of archival research. According to them, the source is a reflection of historical reality. For critical historians, this methodology means taking accounting out of context. According to critical school, traditional historians see neoclassical economics as the only explanatory paradigm. Traditional accounting historians, with an economic-rationalist paradigm, have handled the accounting practices of

⁶ Richard K. Fleischman and Vaughan S. Radcliffe, "The roaring Nineties: Accounting History Comes of Age", *Accounting Historians Journal*, Vol. 32, No. 1, (June 2005): 61.

⁷ Barbara D. Merino, "Critical Theory and Accounting History: Challenges and Opportunities", *Critical Perspectives on Accounting*, No. 9, (1998): 607-609.

⁸ Fleischman and Radcliffe, "The roaring Nineties", 65-66.

entrepreneurs from a cost-reducing and profit-enhancing framework and focused on the commercial transactions of the enterprises that are reflected in the records. Another criticism directed by the critical school to the traditional school is that they aim to find their origins and the antecedents of today's practices and technologies, that is, they perceive history in a linear progression perspective.⁹

Although the debates in the early 90s were heated and sometimes hurtful, a more conciliatory language developed towards the end of the period. Coming from the two schools have put forward joint studies, while traditionalists have shifted towards criticism, critical historians have begun to attach importance to primary sources.¹⁰

Hoskin and Macve's investigation about the Springfield Armory has been one of the most competent examples of new accounting school's approach.¹¹ The study, which deals with the development of standard cost accounting in the USA, is based evokes Foucault's themes such as disciplinary power, paradigm shift and discontinuity.¹² Miller and O'Leary, on the other hand, put forward in their study that the invention of cost accounting and budgeting provides standard numerical measurement values to the ruling class in order to increase productivity, making human beings open to the intervention of sciences such as sociology and industrial psychology. In other words, accounting could turn a tool under the guise of scientific management to dominate people.¹³

The study of Funez delving into the Sevilla Royal Tobacco Factory's 1761-1790 accounting practices is a remarkable example of how accounting could serve to reorganize business relations in favor of employers.¹⁴ Yayla's study investigates

⁹ Fleischman and Radcliffe, *Ibid*.

¹⁰ Fleischman and Radcliffe, "The roaring Nineties", 67.

¹¹ K. Hoskin and R. Macve, "Accounting and the examination: A genealogy of disciplinary power" *Accounting, Organizations and Society*, 11(2), (1986): 105-136.

¹² Thomas N. Tyson and David Oldroyd, "The debate between postmodernism and historiography: An accounting historian's manifesto", *Accounting History*, Vol. 22(1), (2017): 35.

¹³ Peter Miller and teddy O'Leary, "Accounting and the Construction of the governable Person", *Accounting, Organizations and Society*, Vol. 12, no. 3, (1987): 235-265.

¹⁴ Domi R. Funez, "The interface of disciplinary practices and accounting: the case of the Royal Tobacco Factory of Seville, 1761-1790", *Accounting History*, Vol. 10, No. 1, (2005): 71-97.

how the centralization of the pious foundation system in the Ottoman Empire in 1826 affected the accounting system of Sultan Süleyman foundations. The article is one of the rare examples of the application of the Foucauldian research method to Ottoman accounting practices. Yayla states that the Ottoman administration used accounting as an effective tool in the realization of the transformation and the establishment of manageability.¹⁵

In the accounting history scholarship, in addition to the above-mentioned studies, there are also important micro-historical studies that focus on more specific issues. To say, Sheldahl, in 1985, found traces of America's oldest accounting books containing SEB and DEB implementations.¹⁶ Mussari and Magliacani's research on an agricultural enterprise in Tuscany treats the management, mode of production and trade networks of the company by way of accounting books dated 1857-1858.¹⁷ Hiebl and others in their research related with famous brewer Arthur Guinness, Son & Company Ltd.'s accounting documents, they observed that the role of the chief accountant of the firm is not much different from today's CEOs. According to the findings of Hiebl and his colleagues, even at the beginning of the twentieth century, when there was no legal regulation for accounting and incorporation, the Guinness chief accountant was personally involved in the decision-making mechanisms of the top management.¹⁸

Basil S. Yamey's studies, using the ledgers of the family partnership of William Harvey, who discovered the blood circulation, revealed the recording technique used in 1623-1646 and the accounts opened.¹⁹ Schultz and Hollister's article

¹⁵ Hilmi E. Yayla, "Operating regimes of the government: Accounting and accountability changes in the Sultan Suleyman Waqf of the Ottoman Empire (The 1826 Experience)", *Accounting History*, 16(1), (2011): 5-34.

¹⁶ Terry K. Sheldahl, "America's Earliest Recorded Text in Accounting: Sarjeant's 1789 Book", *Accounting History Journal*, Vol. 12, no. 2, (Fall 1985): 1-42.

¹⁷ Riccardo Mussari and Michela Magliacani, "Agricultural Accounting in the Nineteenth and Early Twentieth Centuries: The Case of the Noble Rucellai Family Farm in Campi", *Accounting, Business & Financial History*, 17:1, (2007): 87-103.

¹⁸ Martin RW Hiebl, Martin Quinn, and Carmen Martínez Franco, "An Analysis of the Role of a Chief Accountant at Guinness c. 1920-1940", *Accounting History Review*, Vol. 25, no. 2, (2015): 145-165.

¹⁹ Basil S. Yamey, "Daniel Harvey's Ledger, 1623-1646, in context", *Accounting, Business & Financial History*, Vol. 20, No. 2, (July 2010): 163-176.

scrutinizes Ann Dewitt Bevier's the ledgers dated to 1802-1813 the way a widow ran her own household, through farming, leasing, and financial investment activities during the foundation years of the United States. The aforementioned study also gives an idea about the status of women in the American society of the 1800s.²⁰ Vollmers and Bay, working on the accounting records of a meat trader operating in the Maine, the US, concluded that even a very small-scale trader's ledgers can provide important insights into accounting and social history.²¹

Güvemli has been the most productive name in Turkish accounting historiography in recent years. Güvemli conducted several studies on Ottoman state accounting. The author's work on the “staircase” method, which is the accounting method by which the state kept its accounts.²²

Çabuk et al. studies on the staircase method and the transition from this method to DEB are also among the important contributions in the field.²³ Bülbül's elaborate study of the classical Ottoman Empire accounting system provides a useful background for studies of the following centuries.²⁴

²⁰ Sally M. Schultz and Joan Hollister, “The Ledger of Ann Dewitt Bevier (1762-1834), Early American Estate Manager and Mother”, *Accounting Historians Journal*, Vol. 35, no. 1, (June 2008): 135-166.

²¹ Gloria Vollmers and Darlene Bay, “Small-time Accounting: A 19th Century Meat Merchant in Maine,” *Accounting Historians Journal*, Vol. 28, No. 1, (June 2001): 43-65.

²² For the Oktay Güvemli's studies see: Oktay Güvemli, “Tarih Eğitimi ve Muhasebe Tarihi Eğitimi”, *MUFTAD*, Cilt 2, Sayı 5, (2012): 5-21.; Oktay Güvemli and Batuhan Güvemli, “Osmanlı Devlet Muhasebesinde Kayıt Düzeni ve Defter Sistemi”, *MUFTAD*, (July 2015): 18-42; Oktay Güvemli, Emin Zeytinoglu, and Emrah Aygül, “Osmanlı İmparatorluğu'nda Çift Yanlı Kayıt Yönteminin XIX. Yüzyılın İkinci Yarısında Bir Sanayi İşletmesinde İlk Kez Uygulaması – Tütün Rejisi Örneği”, *MUFTAD*, No. 11, (2016): 197-223; Oktay Güvemli, “Türk Muhasebe Düşüncesinde Muhasebe Düzeni, Belgeler ve Defterlerin Adlarında ve Kavramlarında Son İki Yüzyıldaki Değişimler” *MUFTAD*, 3, (2012): 122-149; Oktay Güvemli and Mehmet A. Kaya, “Osmanlı İmparatorluğu'nda XIX. Yüzyılın Ortalarında Muhasebede Yaşanan Büyük Değişim 1839-1885” *MUFTAD*, 9, (2015): 43-65; Oktay Güvemli and Batuhan Güvemli, “Türk Ticaret Kanunlarının Türk Muhasebe düşüncesinin Gelişimindeki Etkileri”, *MUFTAD*, No. 8, (2015): 26-50.

²³ Adem Çabuk and Arıkan Tarık Saygılı, “XIX. Yüzyılın Ortalarında Devlet Muhasebesinde Merdiven Yönteminden Çift Yanlı Kayıt Yöntemine Geçiş”, *Muhasebe ve Finans Tarihi Araştırmaları Dergisi*, Sayı 4, (2013): 168-196.; Oğuzhan Aydemir and Mehmet Erkan, “Merdiven Kayıt Yöntemi ve Günümüz Muhasebe Sistemi”, *MUFTAD*, 1, (2011): 110-128.; Yıldız Özerhan, Mehmet Erkan, and Burcu Nazlıoğlu, “Osmanlı Arşivinde Merdiven Yöntemi ile Yazılmış Muhasebe Defter ve Raporları”, *MUFTAD*, 5, (July 2013): 89-120.

²⁴ Yaşar Bülbül, “Classical Ottoman Accounting System”, *Divan*, No. 1, (1999): 151-182.

The effect of the OPDA on the Ottoman accounting system is a phenomenon that is generally accepted in the scholarship but cannot be put forward in a concrete way. Toraman, et al. tried to capture the traces of this effect by means of the sources they obtained from the OPDA archives.²⁵ Tosun and Atai , on the other hand, researched the innovations that the British brought to the Turkish accounting mindset, based on the accounting records of the Cyprus foundations 1878-1905.²⁶ There are also studies in the field investigating the reasons for the transition to the DEB in the Ottoman Empire or why this transition was delayed.²⁷

The dissertations prepared in the field of accounting history, Zeliha Kocakaya's master's thesis deals with the transition to DEB in state accounting.²⁸ Hüseyin Çakal, evaluated the transformation in the Ottoman accounting system in the context of modernization and explained the transformation via examples from accounting textbooks.²⁹ Pınar Daloğlu's PhD thesis, on the one hand, questions the relationship between accounting and capitalism, on the other hand, explores the effect of the economic mentality change in the Ottoman Empire with the Tanzimat on the accounting record system. Daloğlu used the accounting records of *Şirket-i Hayriye* in her research.³⁰ Muhsin Aslan analyzed the accounting systems of the state-owned enterprises established in Turkey starting from 1923 and dealt with the

²⁵ Cengiz Toraman, Hasan Abdioğlu, and Sinan Yılmaz, "The Role of the Ottoman Public Debt Administration (OPDA) on the Progress of Accounting at the Ottoman Empire and the Influence of This Debt Management", *2nd Balkans and Middle East Countries Conference on Auditing and Accounting History*, Istanbul, (2010).

²⁶ Emel C. Tosun and Guzide Atai, "The Innovations Introduced by British Administration into Turkish Accounting Philosophy towards the End of the 19th Century: Accounting of Foundations (1878-1905)", *MUFTAD*, No. 13, (July 2017).

²⁷ Şebnem Yaşar, "Osmanlı İmparatorluğu'nda Çift Taraflı Kayıt Yöntemine Geçişin Sebepleri ve Sonuçları: Kapitalizme Doğru İlk Adımlar", *Uluslararası Alanya İşletme Fakültesi Dergisi*, C:8, S:1, (2016): 201-207; Ahmet Vecdi Can, Hakan Aliusta, and Aydın Bağdat, "Osmanlı Devleti'nde Çift Taraflı Kayıt Yöntemine Geçiş Etkileyen Sosyo-Kültürel Nedenlerin Analizi" *Muhasebe ve Vergi Uygulamaları Dergisi*, 14 (3), (Kasım 2021): 1231-1259.

²⁸ Zeliha Kocakaya, "*Kapitalizm ve Muhasebe; Tanzimat Dönemi İktisadi Zihniyetinin Muhasebe Kayıt Düzenine Etkisi*", (PhD Diss., Istanbul University, 2018), 69-99

²⁹ Hüseyin Çakal, "*Modernization In the context of Ottoman Accounting in your system Change*", (Master's Thesis, Okan University, 2016)

³⁰ Pınar Daloğlu, "*Kapitalizm ve Muhasebe; Tanzimat Dönemi İktisadi Zihniyetinin Muhasebe Kayıt Düzenine Etkisi*", (PhD Thesis, Istanbul University, 2018), 115-195

transformation in accounting understanding that started in the nineteenth century in a continuity and established a connection with the Republican period.³¹

At last for short biographies of some important accounting figures of the Ottoman period, the short articles of İsmail Küçük and Muhsin Aslan can be examined.³²

Methodology

During this thesis, qualitative research method was used. The study was carried out mainly based on the accounting books, which are the primary archival material. The credibility and authenticity of the primary sources has been verified by the formal and content analysis of the source.

First of all, HRSB journal was transcribed into today's Turkish with Latin letters through MS Excel. Since the general ledger is created by transferring each of the entries in the journal to the relevant accounts, it is not necessary to transcribe the HRB ledger.

The first problem question of the study, "What is the features of the accounting technique applied by a private enterprise in the first years of the Turkish Republic?" In order to answer the question, first of all, the transformations in education, economy, law and finance from the Ottoman Empire to the Republic were mentioned and the historical background of the accounting thought was established.

Afterwards, HRSB books were analyzed from the accounting perspective. During these analyses, it was checked whether the accounting techniques covered in the accounting teaching books of the Ottoman period were adopted by HRSB.

In the part of the thesis that focuses on the carpet trade of HRSB, in addition to the information in the HRB registers, secondary sources on traditional carpet

³¹ Muhsin Aslan, "*Tarihsel Süreç İçerisinde Türkiye'de Kullanılan Muhasebe Sistemleri ve İktisadi Devlet Teşekkülleri Üzerinden Örnekler*", (PhD Diss., Çanakkale Onsekiz Mart University, 2015), 90-146

³² İsmail Küçük, "XX. Yüzyılın İlk Yarısında Muhasebe Düşüncesinin Gelişimini Etkileyen Eğitimciler: Serkiz Nihad", *MUFTAD*, No. 3, (2012): 246-265.; Muhsin Aslan, "Osmanlı'dan Cumhuriyet'e Bir Muhasebe Düşünürü: İsmail Hamid (1861-1931)", *MUFTAD*, No. 13, (Temmuz 2017).

production and trade in the Ottoman Empire were used. In particular, the carpet trade between Ottoman and Iranian merchants was evaluated in the light of studies.

Communal trade relations developed by Armenian, Greek and Jewish merchants, the financial networks they established and the production styles they adopted were also examined in the context of carpet trade by means of secondary sources.

CHAPTER 1: BOOKKEEPING IN HISTORICAL CONTEXT

In most countries bookkeeping has become mandatory for merchants over the course of the time. However, it would not be correct to assume that the same obligation was present in the past. Some evidence shows that some merchants in Western Europe did not keep written record of their activities in 1300-1800, but stored all their commercial transactions in their memories. Merchants' preferences for bookkeeping varied. While some traders did not keep any written records, some have adopted the SEB, and some kept books through DEB. It is known that SEB and DEB are used by merchants with very different variations. On the other hand, some are content with only keeping track of their debts and receivables rather than a comprehensive accounting.³³

Single Entry Bookkeeping

In today's accounting perception, SEB is defined the by way of a negation. SEB refers to any of bookkeeping arrangements but DEB.³⁴ The books kept in SEB generally include the transactions of the merchant only with debtors and creditors; however, some European medieval merchants, for the goods they traded, kept separate accounts in which they recorded their purchase and sells. Again, in the years 1364-1383, there are book sections showing that a family from Nuremberg

³³ Basil S. Yamey, "Diversity in Mercantile Accounting in Western Europe, 1300-1800", in *The Development of Accounting in An International Context*, ed. T.E. Cooke and C.W. Nobes, (London: Routledge, 2006), 12-13.

³⁴ Basil S. Yamey, "Personal Accounts, Account Books and Their Probative Value", *Accounting Historians Journal*, Vol. 39, nr. 2, (December 2021): 3.

kept track of current accounts and commodity accounts as well as expenditures with SEB.³⁵

In fact, some SEB sample records from the 1500s contain profit-loss calculation, which is the trademark of double-entry recording.³⁶ Some historical evidence from the 1600s shows us that some merchants implement stocktaking from time to time and measure increases and decreases in their capital.³⁷ All these evidence is an indication that the medieval and early modern period accounting practitioners might have used recording methods transcending SEB.

In SEB, the accountant opens a separate account for each creditor and customer with whom enterprise trades and records the transactions in these accounts. In SEB registration procedure, only one debtor or one creditor is involved in a transaction. In accordance with the equation principle of accounting, if a business gains an asset, this gain must have a provision on the liability side. In DEB this equation must always be preserved. However, a business that keeps records in compliance with SEB can not see the other side of the transaction.

For example, if a business sells goods on credit for \$1,000, it opens an account in the name of the customer (A) and debits customer account for \$1,000. However, in SEB method neither he keeps a stock account for this transaction and nor records the cost of the good. When it collects \$500 from the same customer, only client account is credited. The merchant does not record his collection since he did not open a “cash” account. If we visualize this scenario, the entries shall be as follows.

Entry 1		
Customer (A) Account	Debit	Credit
Sales on credit	1,000	
Entry 2		
Customer (A) Account	Debit	Credit
Collection of the receivables amounting \$500		500

³⁵ Yamey, “Diversity in Mercantile”, 14.

³⁶ Yamey, “Diversity in Mercantile”, 14-15.

³⁷ Yamey, “Diversity in Mercantile”, 15.

As can be figured, in SEB a merchant cannot have an insight that how much stock he has in the inventory or how much cash is available. In order to answer these questions, he should perform stocktaking or cash count, record other books for the stocks and cash.

In the Ottoman accounting textbooks, it was stated that SEB was suitable for only small merchants. Istepan Arabyan, who is an accounting teacher and author, describes SEB as a method that is primitive and cannot achieve the purpose expected from accounting. So much so that he argues that SEB is not even worthy of being called a method. He states that this registration procedure only informs the trader about his debts and receivables to third parties, but not about his real financial situation. In this way, a merchant is able to check only debts and receivables, but cannot have an idea about the cash and stock status, and profit/loss of his business.³⁸

Another Ottoman accounting lecturer, Hasan Tahsin, states in his book published in 1891 that it is very simple to keep a book with SEB. According to Tahsin, if a merchant is not obliged to inform a shareholder about his activities, he can keep a book with the SEB.³⁹ However, the detection of a record error in this method takes much more time than DEB. Hasan Tahsin states that merchants do not use SEB anymore and it is about to disappear. If we consider the statement given by Tahsin correct, we can say that, contrary to the general belief, DEB became widespread in the Ottoman Empire by the end of the 1800s. However, a journal book I ran into in the Salt Research Archives catalog belonging to a merchant from İzmit proves that the merchants still kept records by using SEB method in 1921.⁴⁰ Contrary to Hasan Tahsin's statement, this suggests that SEB was used in Ottoman lands even in the 1920s.

³⁸ Istepan Arabyan, *Usûl-i Defteri*, (İstanbul: Matbaa-i Âmire, 1915), 35.

³⁹ Hasan Tahsin, *Yeni Usûl-i Defteri*, (İstanbul: Kasbar Matbaası, 1891), 37.

⁴⁰ For the journal book of an Ottoman Merchant from the city of İzmit see “İzmit Hacı Rıfat Efendi Zade Cemal Efendi - Yevmiye Defteri” *Salt Araştırma*, accessed 25/05/2022 <https://archives.saltresearch.org/handle/123456789/101587>. A sample page of Cemal Efendi's journal and transcribed copy thereof is attached to this thesis. Please see Appendix A.

Despite this dominance of DEB in education and practice, there are diverse opinions in the literature about the superiority of DEB. Basil Yamey, for example, cautiously approaches this matter, he contends that satisfaction with the registration procedure is directly related to the needs of the business, in some cases SEB is able to meet the merchant's expectations.

Double Entry Bookkeeping

The application method of DEB is shaped according to the preferences and needs of each user. The most important feature of DEB is that the monetary value of each transaction is recorded in two different accounts called "debtor" and "creditor". As it can be understood, the system takes its name directly from this dual recording procedure. Another quality of the system is the use of separate accounts for assets, income, expenses and capital, as well as personal accounts.

In his book "The Book Art of Trade," written in 1458, Beneditto Cotrugli introduced the earliest concept of double entry accounting and provided a brief chapter describing many of its characteristics. Luca Pacioli, a Franciscan monk and math instructor who has been referred to as "the father of accounting", released a book titled "Summa" in 1494 that contained numerous chapters explaining the concept of double entry bookkeeping.⁴¹

When we consider that Luca Pacioli provided us a thorough explanation of double entry bookkeeping about 500 years ago and that it was extensively used and recognized, we could easily conclude that the practice predates Pacioli's treatise by several centuries.⁴²

Several theories have been put forward regarding the origin of DEB. Littleton claims that the SEB has automatically turned into a dual-recording system with the inclusion of cash account, where payments and collections are tracked to the personal accounts. Eventually, DEB has emerged with the addition of other

⁴¹ Ileana Andreica, "Double-entry Bookkeeping versus Simple-entry Bookkeeping", *BulletinUASVM Horticulture*, 73(2), (2016): 282.

⁴² Alvaro Martinelli, "Notes on the Origin of Double Entry Bookkeeping", *Abacus*, 13.1, (1977): 11.

accounts, such as commodities, expenditures, by making an analogy with the cash account over time.⁴³

According to de Waal, agency bookkeeping played an essential role in the emergence of DEB. In this system, the agent constantly monitors how much he owes to the principal due to the goods sent to him to be sold. The expenses agent makes on behalf of the principal are debited to the principal's account. Waal suggests that this dual recording system has evolved into DEB over time.⁴⁴

On the other hand, Yamey does not ignore the possibility that DEB may have emerged by chance as a result of a momentary inspiration rather than being a product of a constant evolution spread over time.⁴⁵

Sangster relates the emergence of DEB Florence Banks. In contrast to earlier findings, Sangster's study comes to the conclusion that a bank, most likely in Florence, is the type of business where DEB of this kind first arose. A distinctive external incentive for developing a new kind of bookkeeping was provided by the local Florence bankers' accountability to the Bankers Guild. The accounts of all debtors and creditors could be seen clearly and unmistakably thanks to the new bookkeeping system, which also gave the ability to verify that the transactions between them were exact and comprehensive. The increasing nature of business in Italy in the twelfth and thirteenth centuries, which significantly relied on the bankers' establishment and upkeep of a cashless economy based on "bank money". Over the next 200 years, this system flourished in Italy, especially in Florence, where it was widely utilized for both business and private transactions.⁴⁶

During the mid-twelfth and mid- thirteenth century, a sizable number of banks were established. Large and small banks began to appear where there had not previously

⁴³ Basil S. Yamey, "Notes on the origin of double-entry bookkeeping.", *The Accounting Review*, 22.3 (1947): 265.

⁴⁴ Yamey, "Notes on the origin of double-entry", 265.

⁴⁵ Yamey, "Notes on the origin of double-entry", 272.

⁴⁶ Alan Sangster, "The Genesis of Double Entry Bookkeeping", *The Accounting Review*, Vol. 91, No. 1, (2016): 312-313.

been a formal banking system, all of which had a need for a better accounting system.

Italian city states are regarded the DEB's place of origin. Due to the constantly growing demands brought on by an unprecedented increase in trade and commerce conducted by hundreds of family business associations known as *fraterne* or *fraternities*, it is almost certain that during the first half of the fourteenth century there was a great improvement in the art of bookkeeping.⁴⁷

During the first part of the fifteenth century, the journal, as it was known in Venice, had a fixed format on which the transactions of an enterprise were chronologically written. It is not unexpected that the journal did not exist throughout the thirteenth and fourteenth centuries because double entry bookkeeping could only be implemented with the ledger as a full system. However, the journal clearly had some benefits even though it was not essential. The journal ensured the regular keeping of records, made recording entries to the ledger considerably simpler, and allowed the accountant to determine the sequence in which corporate transactions occurred.⁴⁸

The Venetian accounting books dated to sixteenth century have common characteristics. Only current business operations were recorded by one debit and one credit entry; complex or compound journal entries were not used. Records of opening and closing of accounts at the beginning and end of accounting period were not recorded in the journal. The sole cross-reference with the ledger was the transaction date; the entries weren't numbered. The preposition "per" or "by" came before the debit entry, whereas the preposition "to" came before the credit entry. The entries in the journal were first split into two primary columns on each page, one for the operation descriptions and the other for the sums. The entries in the journal were first split into two primary columns on each page, one for the transaction descriptions and the other for the sums. Later, the page number of the ledger was also recorded in the journal, making it easier to carry the records to the

⁴⁷ Martinelli, "Notes on the Origin", 23.

⁴⁸ Martinelli, "Notes on the Origin", 25.

ledger and strengthening the connections between the two main books. As a result, a new column was added to the left of the entries in the journal, from which each account that had been debited or credited could be immediately followed to the correct page in the ledger. A horizontal line was used to distinguish each entry from the one before it. Initially, the date was written in the paragraph that described the procedure, and later it was written at the top of every paragraph, occasionally between two horizontal lines. To show that one or both journal entries had been posted to the ledger, the entries of the journal that had been moved to the ledger were cancelled by a transverse bar or by two bars, one from the left and the other from the right.⁴⁹

If we adjust the quantitative sample entry in the former sub chapter to DEB, the entries will be as follows.

Entry 1			
Debit Account	Credit Account	Debit	Credit
Accounts Receivable	Sales	1,000	1,000
Customer (A)			

Entry 2			
Debit Account	Credit Account	Debit	Credit
Cash	Accounts Receivable	500	500
	Customer (A)		

In contrast to SEB, through DEB a merchant can monitor its cash and stock status, as well as his debts and receivables, recognizing the overall financial status of his business.

Ottoman State Accounting Practices: Staircase Method

The Ottomans used the “staircase” method while keeping their state accounts. Even though this method is called staircase in the accounting history literature, the

⁴⁹ Martinelli, “Notes on the Origin”, 25.

Ottomans preferred to use the term “*muhasebe-i umûmiye*” (general accounting) instead.⁵⁰

Although it is accepted that the history of the staircase method dates back to the Abbasids, its pass to the Ottomans was through the Ilkhanate. The first use of this method in the Abbasids dates back to the period of Caliph Harun Reşid (766-809).

When the Mongols conquered Baghdad in 1258 AD, the state accounting method used by the Abbasids passed to the Ilkhanate that was established as a Mongolian state in today's Iran and developed under the initiative of this state.⁵¹ This recording practice, which was used in Anatolia by Ilkhanids, was also adopted by the Ottomans, who were a vassal principality subject to the Ilkhanate in the fourteenth century. Despite we lack specific details about that period, it is thought that the relations that the Ottoman Principality established with the Ilkhanid tax administration were instrumental in introducing the Ottomans to the staircase method. Ilkhanids and Seljuks, who came under the control of Ilkhanids in the thirteenth century, had a significant influence on the shaping of the Ottoman financial system. The use of Persian terms in Ottoman official records, Persian solar calendar in finance and the *siyakat* numbers in record keeping are important indicators of this interaction. In addition, Ottoman money terms and coin shapes clearly evoke Ilkhanid practices.⁵²

Four accounting teaching books belonging to the Ilkhanate period give information about the general characteristics of the staircase method. The names of these four teaching books are *Saadetname*, *Kanun-u Saadet*, *Cemaiu-l Hesab* and *Risale-i Felekiyye Kitab-us Siyakat*.⁵³ These accounting books, written in the fourteenth

⁵⁰ Cemal Elitaş et al., *Accounting Method Used by Ottomans for 500 Years: Stairs (Mardiban) Method*, (Ankara: Turkish Republic Ministry of Finance Strategy Development Unit, 2008), 366-376. For a sample record posted through staircase method, please see Appendix B.

⁵¹ Aydemir and Erkan, “Merdiven Kayıt Yöntemi”, 111.

⁵² Bilgin Aydın and Rıfat Günalan, *XV-XVI. Yüzyıllarda Osmanlı Maliyesi ve Defter Sistemi*, (İstanbul: Yeditepe Yayınevi, 2008), 14.

⁵³ Aydemir and Erkan, “Merdiven Kayıt Yöntemi”, 112.

century, both show examples of an accounting understanding ahead of its time and introduce the staircase method that has been used for centuries in the Middle East.⁵⁴

Abdullah El-Mezanderani, the author of *Risale-i Felekiyye*, states that he did not invent the staircase method himself and it was developed by those who wanted to accelerate the registration procedures.⁵⁵ In *Risale-i Felekiyye*, siyakat script was used to show sample calculations and records. The book, which consists of eight chapters, includes first the rules of mathematics and calculation, and then the recording procedures and rules. Thereafter the books used in keeping the state accounting were introduced.

According to *Risale-i Felekiyye*, the most important books of state accounting are *ruznamçe* (day book) and *evarece* (grand ledger) as each ledger contains all account transactions related to government accounting. Other books introduced in *Risale-i Felekiyye* are supplementary to these two notebooks. In the book, after the introduction of the main and auxiliary books that make up the system, sub-accounting books (barn book, construction book, cash book, warehouse book, mint book, sheep book, treasury book) are mentioned.⁵⁶

According to certain studies, the guidelines outlined in this book are comparable to many accounting principles used today. The staircase technique, on the other hand, was designed for keeping government accounts and did not include cash, assets, capital, or profit accounts, thus it did not satisfy the needs of traders.

According to historical findings, there is no accounting teaching book belonging to the Ottoman period that introduces the staircase method. According to some scholars, the reason for this deficiency is the transfer of accounting knowledge through the master-apprentice relationship rather than theoretical training based on textbooks.⁵⁷

⁵⁴ İsmail Otar and İsmail Küçük, "XIV. Yüzyılda Ortadoęu'da Yazılmıř Muhasebe Kitabı Risale-i Felekiyye'nin İlk Bölümleri", *MUFTAD*, Cilt 2, Sayı 2, (2012): 198.

⁵⁵ Aydemir and Erkan, *Ibid.*, 112.

⁵⁶ Otar and Küçük, "XIV. Yüzyılda Ortadoęu'da", 198.

⁵⁷ Aydemir and Erkan, "Merdiven Kayıt Yöntemi", 112.

The Ottoman financial organization was getting the human resources it needed from madrasahs and palace schools. Among the madrasa scholars of the period, it was a tradition to do their specialization in Syria, Egypt, Iran and Central Asia. The scholars, who went abroad to study in the fields of Islamic sciences, mathematics and philosophy, carried both their new knowledge and the works they had come across in those lands to Anatolia when they returned home. Introductory books on finance and accounting practices dating back to the Ilkhanate period were generally brought to Anatolia through these professors. For example, *Saadetname* written by Alaaddin Tebrizi was copied in 1412 in Bursa. Şinasi Tekin interprets the copying of this work as a sign of continuity between Ottoman and İlhanlı institutions. However, Ömer Lütfi Barkan expressed his reservation that such evidence is not sufficient to talk about the transition of institutions to the Ottoman Empire, and that a periodic analysis based on documents is required to reach such a conclusion.⁵⁸

The staircase method is one of the longest serving accounting methods in the world, with a history of more than a thousand years.⁵⁹ This recording method, which was used by the Ottomans for about five hundred years, was also used in state enterprises and pious foundations.⁶⁰

When all the findings are evaluated, it is a mixed method between the SEB and DEB.⁶¹ In the application of the method, the first amount (distributed income) was written at the top, then the collections and other transactions related to this income were written under the first amount, respectively. Since the records made from top to bottom with this succession gained the appearance of a staircase, this system began to be referred to as the Persian word “mardiban”.⁶²

⁵⁸ Aydın and Günalan, *XV-XVI. Yüzyıllarda*, 15-16.

⁵⁹ Aslan, “Tarihsel Süreç İçerisinde”, 19.

⁶⁰ Aydemir and Erkan, “Merdiven Kayıt Yöntemi”, 112.

⁶¹ Aydemir and Erkan, “Merdiven Kayıt Yöntemi”, 110.

⁶² Aslan, “Tarihsel Süreç İçerisinde”, 18.

The books that introduced the staircase method report that this method was used for keeping various books such as daily journal, general ledger, expense tracking book, personal accounts tracking book.⁶³

The Ottoman finance bureaus like the Ilkhanate State kept the state accounts with a special writing style called “siyakat”. The writing style of this script, which was transferred to the Ottomans from the old Islamic states, are distinct from other scripts. Siyakat script enables long texts to be expressed briefly. Points are not used in the representation of letters in Siyakat writing, abbreviations and irregularities are encountered in terms of shape and binding of Arabic letters and figure. Since it is written thin, intricately, without dots and vertically, it takes up little space and saves time in writing.⁶⁴ A special numeral system, called *Divan* numerals, was used in texts containing Siyakat script. These numerals are stylized abbreviations of Arabic numbers with letters.⁶⁵

Ruznamçe (Day Book/Journal) Book

In the pre-Tanzimat period, the staircase system was used to keep all kinds of state accounts. The most renowned of the ledgers kept through this system is the daily journal, also called *ruznamçe*. There were three main purposes of keeping this book. The first function of this ledger is to allow tracking of daily income and expenses; secondly, the use of the central treasury in monitoring the cash inflows and outflows; the last one is to control the auxiliary ledger records.⁶⁶ The journal is a book that is needed in the determination of the financial transactions that have occurred before. The money collected and its allocation, the duties given to the persons, disputes, litigation and judgment phases, sending persons and news and other matters that needed to be written were recorded in the journal book.⁶⁷

⁶³ Aydemir and Erkan, “Merdiven Kayıt Yöntemi”, 113.

⁶⁴ Aslan, “Tarihsel Süreç İçerisinde”, 22.

⁶⁵ Orhan Sakin, *Osmanlı Arşiv Belgeleri Okuma Kılavuzu*, (İstanbul: Yeditepe Yayınevi, 2017), 340-341.

⁶⁶ Güvemli and Güvemli, “Osmanlı Devlet Muhasebesinde Kayıt Düzeni”, 23.

⁶⁷ Aslan, “Tarihsel Süreç İçerisinde”, 23.

There are many subsidiary *rûznâmçe* books by which daily transactions are kept in the Ottoman finance bureaus. Some of these are named in accordance with the offices they are held, such as the *Timar Rûznâmçe*, the Treasury *Rûznâmçe*, and the *Kazaskerlik Rûznâmçe*. For instance, the daily expenditures of the Ottoman treasury and the daily income and expenditures of the treasury were kept in the books called the Treasury *Rûznâmçe*. The offices where such books are kept are divided into two as the Great *Rûznâmçe* Office and the Small *Rûznâmçe* Office.

Even the titles of some government officers were identified with the names of the notebooks they kept. For example, the chief of the Imperial Treasury Office, who reported to the Defterdar, was called “Ruzname-i Evvel”.⁶⁸

The accounting recording technique of treasury *ruznamçes* is different from contemporary accounting procedure. In today's system, while the transaction amount is written next to each journal item, in *ruznamces* there are various journal items in two rows at the same line, and the amount information is written at the bottom of each bundle. Therefore, it is difficult to get totals in *ruznamçes*. When the accountant wants to get a total, he does so by writing the amounts of each block on a blank part of the page or by summing up on a separate ledger (*nukud* book).⁶⁹

There are three types of records for treasury transactions: Revenue, expense and revenue-expense (offset). Entry refers to the record of the goods sent to the treasury by intermediaries such as *multezim*, *muhassıl*, *cizyedar*. *Ruznamçekeeper* recorded such transactions by starting with the word “*an tahvil-i*”. Payment records, on the other hand, are made to show the values issued by the treasury regarding payments like *ulufe* and *mevacib* or good purchases. If a state revenue that has to be deposit to Treasury is to pay by intermediary tax farmers to creditors, this payment is journalized with an “offset” record. In the offset record, the amount written as

⁶⁸ Aslan, “Tarihsel Süreç İçerisinde”, 23.

⁶⁹ Halil Sahillioğlu, “Ruznamçe”, *Tarih Boyunca Paleografya ve Diplomatik Semineri 30 Nisan – 2 Mayıs 1986*, (İstanbul: Edebiyat Fakültesi Basımevi, 1988), 116.

income is written as an expense at the same time and there is an increase by the same amount in the entry and exit .⁷⁰

These books called Rûznâmçe in the fifteenth century, underwent significant changes after the Tanzimat period and turned into journals.⁷¹

Auxiliary Books

Supplementary books kept in staircase method are the books where the income and expenses previously recorded in the journal are tracked separately according to their types. In these books, there is a separate page or column for each financial transaction, whether income or expense. In this context, the relevant financial transaction is written on the page or column to which it belongs. Payments are ruled off. Beside to the amounts that will be deducted from the subtotal, “*maşrafuhu*”, which means “expense”, is written.⁷²

Cizye, mukataa and âdet-i Ağnam books are among the auxiliary books. Mevacib ledgers, on the other hand, can be shown as an example of the ledgers in which salary expenses are tracked. This group forms the largest department of government accounting. Considering the large number of items that make up the government accounting, it will be difficult to allocate a sheet for each account in the general ledger. For this reason, general ledger records in government accounting were kept by various registry offices. Each finance office kept sub-ledgers depending on the region and the type of income and expense that fell into its area of expertise. Sub-ledger records were kept in coordination with the journal and ended with the arrangement of the annual profit/loss account. This account was prepared on the basis of the information obtained from the auxiliary books.⁷³

The pre-Tanzimat Ottoman accounting system was based on the accrual principle. In this system, the tax to be paid by the taxpayer is notified to him at the beginning

⁷⁰ Sahillioğlu, “Ruznamçe”, 118-9.

⁷¹ Serkan Akçay, “Merdiven Yöntemi ve Çift Taraflı Kayıt Yöntemi Ekseninde Devlet Muhasebesinin Gelişimi (1299-2017)”, *Ulakbilge*, Cilt 5, Sayı 17, (2017): 1882.

⁷² Akçay, “Merdiven Yöntemi”, 1883.

⁷³ Güvemli and Güvemli, “Osmanlı Devlet Muhasebesinde Kayıt Düzeni”, 23.

of the year. The same amount is debited to the account of the relevant region or state office. As the collection for the related debt is made during the year, a discount is made from the initial debt amount.

When the new year is approached, the estimated amounts for the remaining part of the year are added to the income and expenses incurred until that time, and a temporary annual income-expense account is prepared.

The accounting mechanism can be explained through a state-owned *mukataa* as follows. The tax farmer who won the auction is granted a *mukataa*. Tax farmer has to transfer the balance to the state after receiving his share of the tax revenue collected. After the amount that the taxpayer is obliged to pay to the state is written in the journal and the relevant auxiliary book, as the collection is made from the taxpayer, it is first recorded in the journal kept at the General Revenue Office. After this recording, an entry is made to the treasury and to the general ledger account of the Chief Mukataa Department to which the collection is related. A receipt document is used to transfer information between departments. The person who receives the receipt keeps the document in order to resolve future disputes. The monthly total of the mukataa ledger shows the total of the revenues belonged to this department. In the next step, a record as much as the collection is made in the sub-mukataa department of the relevant mukataa under the Chief Mukataa Department and the balance of the mukataa account is determined.⁷⁴

Ottoman finance administration used the staircase method for ordinary and extraordinary reporting as well as income-expense accounting. After the Chief Mukataa Department determined the net amounts of the revenues it obtained from the mukataa subordinates, it sent these amounts together with the reports of other mukataa departments affiliated to it to the central department, which would prepare the annual budget. By combining the information in these reports, the main accounting section determined the total income obtained by the state from mukataas in that year and prepared the annual final account report. The purpose of this budget

⁷⁴ Özerhan et al., “Osmanlı Arşivinde Merdiven Yöntemi”, 95-96.

to be organized at the center was different from that of today's budgets, which are predictive and detailed. These budgets were account statements showing the annual income-expense realization results. Thanks to these budgets, it was possible to control whether the debt accrued on behalf of the tax agent at the beginning of the year was paid or not.

Accounting departments responsible for income or expenditures could also ask the relevant officials to prepare extraordinary reports in the event that they encountered any disruption in expenditure or collection, or in war times. These reports were prepared in accordance with the general accounting system of the state with the staircase system.⁷⁵

Ottoman Finance Organization in the Classic Period

During the reign of Sultan Mehmed II, the responsibility of state affairs was shared between the grand vizier, the treasurer and *the kadiasker*, with the edict of the Sultan. The first legal regulation regarding the responsibilities of the *Defterdar*, who was the chief manager of the classical period Ottoman financial organization, was made with the Mehmed II's "Fatih Code". The duties of the Defterdar, who is also a member of the Divan, are to read the annual report about the treasury to the sultan, to submit an appointment reports, to manage the Sultan's private property and to open and close the treasury.⁷⁶

In the Fatih Code, the defterdar were authorized to personally report to the sultan and to appoint to some positions up to two akças. The administration of the sultan's property and the authority to decide on the new places to join these lands belong to defterdar. The opening and closing of the finance treasury and books were also done in the presence of the sultan and the grand vizier, by the order of the defterdar.⁷⁷

The four officials, who are mentioned in the *küttab* (transcribers) class in the law and who are in the office of *hace* (treachers), can be considered the first core of the

⁷⁵ Özerhan et al., "Osmanlı Arşivinde Merdiven Yöntemi", 99-100.

⁷⁶ Aydın and Günalan, *XV-XVI. Yüzyıllarda*, 20.

⁷⁷ Aydın and Günalan, *XV-XVI. Yüzyıllarda*, 21-22.

defterdar's office. There are four officers in defterdar's office charged with ruzname, *mukabele*, mukataa and *tezkire*. Later, an accountant was added to them. During the Mehmed II period, there was no specialization and separation in the clerk class in terms of accountants and other political offices. These clerks, who were not many in number, were responsible for fulfilling all the financial and political transactions of the state. During the Mehmed II' reign, the number of the clerk class did not exceed twenty.⁷⁸

Towards the end of the Beyazıt II's sovereignty, the number of clerks rose, but no classification was made on the basis of the central-provincial or state-based positions of the finance personnel. An *in'âmât* book dated to 1511 reveals that the number of tezkires, mukataacıs and accountants has been increased and their realm of authority were separated to Rumeli, Anatolian and Arab provinces.⁷⁹

At the end of Suleyman I's reign, the cadres of the *Divan* and finance expanded considerably, and their careers and areas of expertise were separated and organized. During the reign of Suleyman I, while there was a significant expansion in the cadre of the scribes, a fall was observed in the number of central finance officers. We can explain this relative decrease in the number of finance personnel with the transfer of the financial responsibilities of the center to the newly-founded local revenue offices.

Reorganization of the Public Finance Bureaucracy in the Nineteenth Century

The first effects of the Tanzimat reforms on the Ottoman public finances were seen in the field of organization. At the beginning, a policy was followed to transform the fiscal bureaucracy into a more professional and autonomous unit. The first steps taken for the sake of enhancing of the central finance administration was establishment of the Ministry of Finance in 1838.

Consequently, Tanzimat reformers annulled multiple treasury system which was introduced at the last decade of the eighteenth century. In line with that, in 1838, an

⁷⁸ Aydın and Günalan, *XV-XVI. Yüzyıllarda*, 22-23.

⁷⁹ Aydın and Günalan, *XV-XVI. Yüzyıllarda*, 24.

alternative treasury, *Hazîne-i Mansure*, founded for financing the modernization of the Ottoman army, as a part of Selim III's *Nizâm-ı Cedid* (new order) project, and *Tersane-i Âmire* (Naval Treasury) were abolished.⁸⁰ The annulled treasuries were reorganized as a unified treasury under the title of the *Hazîne-i Mâliye* (State Finance Treasury).⁸¹

In fact, in the Ottoman Empire, it is never possible to talk about a complete treasury union. From its inception, the state treasury was divided into two as the Internal Treasury and the External Treasury. The inner treasury was essentially a kind of covert appropriation allocated to the sultan's private income and expenditures, but it was not uncommon for funds to be transferred from this treasury to the external treasury, which was the main treasury of the state, in times of financial distress.⁸²

In addition to the distinction between internal and external treasury, there was also a distinction in the Ottoman treasury system in the form of *rikab* and army treasury. As Yavuz Cezar expressed, the Ottoman Empire would switch to a new organizational order during the wars. The state of war would also affect the central and provincial finances closely. In case of war, the finance bureaucracy went to two different organizations, one at the front and the other at the capitol. Defterdar would leave his post in the center to be the treasurer of the army treasury and take the title of army treasurer. Meanwhile, accounting books were carried to the front with the army. In this system, the size of the army treasury sometimes even exceeded the central treasury. Due to the needs of the army, cash was often transferred from the *rikab* treasury to the army treasury. For this reason, it was not possible to keep a healthy income-expenditure record of the state. As it can be understood from here, even if other factors are ignored, the long-term wars that took place one after

⁸⁰ Ahmet Tabakoğlu, *Türkiye İktisat Tarihi*, (İstanbul: Dergah Yayınları, 2018), 293.

⁸¹ Yakup Akkuş, "Osmanlı Taşra Maliyesinde Reform: Merkez-Taşra Arasındaki İdari-Mali İlişkiler ve Vilayet Bütçeleri (1864-1913)", (Doktora Tezi, İstanbul Üniversitesi, 2011), 165.

⁸² Ahmet Tabakoğlu, "Osmanlı Devletinin İç Hazinesi", in *Osmanlı Maliyesi Kurumlar ve Bütçeler I*, ed. Mehmet Genç and Erol Özvar, (İstanbul: Osmanlı Bankası Arşiv ve Araştırma Merkezi, 2006), 51-56.

another did not allow the establishment of neither the treasury nor the budget unity for the Ottoman Empire.⁸³

After the enforcement of single-treasury system, the minister of finance was to be in charge with administration of the entire treasury. With the new organizational structure, minister of finance substituted for *defterdar*, the senior finance officers keeping state accounts, authorized for collecting state revenues and approving state expenditures for central or provincial treasuries.⁸⁴ Newly established treasury was going to handle the all central and provincial revenues and expenditures.⁸⁵

Post-Tanzimat Budget-Making Practices

Via the unification of the treasuries, Sublime Porte intended to prevent discretionary fund transfer between the treasuries, whereby it aims to establish the fiscal discipline. In addition to that, single-headed control of the state revenues and expenditures enabled appropriate conditions for adopting modern budgeting process. The steps taken for the modernization of the state budget made a transformation inevitable in the state accounting system after a while.⁸⁶

In fact, even in the classical period, the Ottoman State would draw up documents indicating revenues and expenditures, at yearly basis. Yet, rather than being modern budgets, they were only basic financial statements prepared in condensed format. Some scholars, however, consider those statements as budgets. Concerning the same period, recalling modern budgeting practices, a couple of predictive budgets, albeit based on previous year's figures, are available in the Ottoman State Archives.⁸⁷

The Ottoman budgets distinct from the modern budgets in some respects. While modern budgets focused on expenses, the Ottoman budgets attribute more

⁸³ Yavuz Cezar, *Osmanlı Maliyesinde Bunalım ve Değişim Dönemi XVIII. yy dan Tanzimat'a Mali Tarih*, (İstanbul: Alan Yayıncılık, 1986), 112-123.

⁸⁴ Coşkun Çakır, *Tanzimat Dönemi Osmanlı Maliyesi*, (İstanbul: Küre Yayınları, 2012), 35.

⁸⁵ Akkuş, "Osmanlı Taşra Maliyesinde", 165.

⁸⁶ Kocakaya, "Kapitalizm ve Muhasebe", 83.

⁸⁷ Mehmet Genç and Erol Özvar, *Osmanlı Maliyesi Kurumlar ve Bütçeler*, (İstanbul: Ofset Yayınevi, 2006), 7.

importance to revenues.⁸⁸ In modern terms, budgets are documents determine the limits of taxation; whereas the Ottoman budgets were documents prepared by unilateral will of the Sultan, by the last quarter of the nineteenth century.

Ottoman budgets only include transactions in cash. Moreover, the budgets solely enclose sultan's private revenues and expenses (*hass-ı hümayun*). The budgets does not include revenues derived from smaller revenue grants, (e.g. *zeamet* and *timar*) assigned to inferior officers and soldiers.⁸⁹ As well as *has* revenues, *cizye* (traditional poll tax collected from non-muslims in return for exemption from military service) and *avarız* (extraordinary taxes and a group of customary levies) were the major revenues of the central treasury.⁹⁰ According to Özvar and Genç, only 25-40% of the state revenues was represented in the budgets, which means that the classical Ottoman budgets did not correspond with "unity" principle of budgeting process.⁹¹

In terms of budgeting process, significant changes came forth with Tanzimat reforms. The budgets prepared in this period are expenditure based, in contrast to the classical era budgets. Over this period, twenty-nine budgets were issued.

Even if the 1841-1842's budget is also of certain qualities of the modern budgets, the first modern budget prepared dates to 1846-1847. The *Meclis-i Vâlâ* (Sublime Council) was liable for preparing and implementing the budget. Finance minister would carve out preliminary draft, and then presenting it to the *Bâb-ı Âli* (Sublime Porte). The Sublime Council would discuss the draft and give the final shape to the both documents.⁹² In the final phase, after Sultan's confirmation by a decree, budget would come into effect.

⁸⁸ Tabakoğlu, *Türkiye İktisat Tarihi*, 285.

⁸⁹ Halil Sahillioğlu, "1524-1525 Osmanlı Bütçesi", *İstanbul Üniversitesi İktisat Fakültesi Mecmuası*, C. 41, (1985): 416.

⁹⁰ Linda T. Darling, *Revenue-raising and legitimacy: tax collection and finance administration in the Ottoman Empire 1560-1660*, (Leiden: E. J. Brill, 1996), 82.

⁹¹ Genç and Özvar, *Osmanlı Maliyesi Kurumlar ve Bütçeler*, 11.

⁹² Çakır, *Tanzimat Dönemi Osmanlı Maliyesi*, 57.

As of 1846, the budget ceased to be a summary displaying the results of the fiscal year and became a document by which the income and expenses of the following year were determined by prediction. This change meant a significant break from the classical period budgets. In parallel with this novelty, the “allocation method” was introduced into the Ottoman budget practice, with the determination and limitation of public expenditures according to projected revenues.⁹³ In the 1846 budget, the accounts were kept in the exercise method on an accrual basis. Realized revenues and expenses were recorded in the account of the year in which they were incurred. In this method, one year’s budget was not closed at the end of that year, some accounts were carried over to the following years.⁹⁴

Ottoman budgets became more formal in 1863. The Ottoman administration had started to resort to foreign borrowing more frequently in order to overcome the current financial crisis. The creditor British government, through its own experts, was demanding that the government prepare a realistic budget for successful borrowing. Undoubtedly, the need for severe debt and these demands from the financiers had an impact on the preparation of more detailed and realistic budgets.⁹⁵

Foreign creditors also had a role in redesigning the income-expenditure classification of the budgets. The income in budgets prepared in the 1860s; were classified as indirect-direct taxes, other taxes and lump-sum taxes. On the other hand, expenses were grouped as external debts, domestic debts, salary expenses, and expenses of supervision and public offices.⁹⁶

With the enactment of the *Kanun-i Esasî* (the first Ottoman constitution) in 1876, the right to make a budget was given to the *Meclis-i Mebusan* (the first Ottoman parliament) and the *Meclis-i Ayan* (the Assembly of Notables). The sultan was the authority to approve the budget. The Budget Regulation published in 1874 was used

⁹³ Akkuş, “Osmanlı Taşra Maliyesinde”, 168.

⁹⁴ Akkuş, “Osmanlı Taşra Maliyesinde”, 170.

⁹⁵ Akkuş, “Osmanlı Taşra Maliyesinde”, 178.

⁹⁶ Akkuş, “Osmanlı Taşra Maliyesinde”, 180.

until 1908. During the reign of Abdülhamid, thirty budgets were prepared in accordance with this regulation.⁹⁷

Despite all the efforts to unify the treasuries and to centralize the revenue sources, the first budget fully compatible with the principle of unity could only be prepared in the 1909-1910 fiscal year. From 1909 onwards, all revenues collected throughout the country would belong to the state treasury.⁹⁸

The budgets prepared subsequent the declaration of the Second Constitutional Monarchy are completely western-style budgets. The first draft of the 1909-1910 fiscal year budget was prepared by the Ministry of Finance, the Finance Committee examined the draft, and this draft was discussed and accepted in the *Meclis-i Vükela* (the Council of Ministers) and submitted to the Sultan's approval.⁹⁹ Although the approval of the Sultan is still a must-to-do requirement for the completion of the budget, the sultan has only a symbolic say on the budgets of this period.

In the last Ottoman budgets, the principle of unity was fully established, such that all revenues except those allocated to the OPDA were included in the central budget.¹⁰⁰

Adoption of DEB for Keeping the State Accounts

The transition to the DEB in Ottoman state accounting was brought about by the changes in the economic and financial system after the proclamation of the Tanzimat. In 1880, the Ottoman finance administration decided to keep the state accounting in accordance with the DEB.¹⁰¹

Up until then, the Ottoman financial organization had never experienced the DEB to keep state revenues and expenditures. The sole method used in keeping records was the staircase method. Considering the difficulty of the accounting departments to adapt to the new system immediately after the transition to DEB and the fact that

⁹⁷ Tabakoğlu, *Türkiye İktisat Tarihi*, 294-295.

⁹⁸ Akkuş, "Osmanlı Taşra Maliyesinde", 166.

⁹⁹ Tabakoğlu, *Türkiye İktisat Tarihi*, 296-298.

¹⁰⁰ Tabakoğlu, *Türkiye İktisat Tarihi*, 298.

¹⁰¹ BOA. İ.DH. 85068-203, H-08-06-1299.

the accounts kept with the old method are still active, the old and new accounting methods may have been applied together for a while.

Interaction with foreign capital and world financial markets had a great impact on the transition of the Ottoman Empire to the DEB. In particular, close contact with the OB, which kept its accounts with DEB and assumed the role of the central bank of the Empire, enabled the Ottoman administrators to meet the superior aspects of this method. The proper accounting system of the Ottoman Bank and the ease of supervision provided by this system must have convinced the Ottoman state elite that this system could also be used in state accounting.

Even if DEB was ever implemented in state accounting, Ottoman finance administration were familiar with DEB. In the early 1850s, students who were sent to Europe with government sponsorship for education experienced this method during their education and when they returned home, some of these students took charge in the public finance offices¹⁰², some of them started to teach accounting in newly established modern educational institutions and became an intermediary in the translation of foreign legislation or teaching books into Turkish.¹⁰³

It would not be wrong to accept the period between 1850 and 1880 as the maturation phase of modern accounting thought in the Ottoman Empire. In this respect, although the transition to the new system seems like a sudden transformation, there was a preparatory process in the background of the change. There is no doubt that in order to implement such a radical reform in government accounting, at least a certain number of trained workforces would be needed. Students educated in Europe have to some extent closed the knowledge deficiency severely needed.

Parallel to the general expansion in the industry and commerce in the first half of the 18th century, it is seen that the state, especially in the field of textile, made investments on an unprecedented scale and established many manufactures. These initiatives, which were not based on mass production and could be considered

¹⁰² Yaşar, "Osmanlı İmparatorluğu'nda Çift Taraflı Kayıt Yöntemine Geçişin Sebepleri", 205.

¹⁰³ Çabuk and Saygılı, "XIX. Yüzyılın Ortalarında", 187.

modest, could not achieve the expected success due to the economic recession and successive wars in the second half of the century.¹⁰⁴

About a century later, state factories operating in various sectors were established with the resources provided by the treasury. In this process, which covers approximately the years 1840-1860, emphasis was placed on the establishment of state factories or the modification of the old ones, and private enterprises that wanted to establish factories were also supported through certain privileges.¹⁰⁵ These facilities, called *Fabrika-yı Hümayun* (Imperial Factories), were different from those of the eighteenth century in terms of both technology and the management approach. Most of the machinery and technical equipment of these factories were imported from Europe, and the masters and technicians who would use these machinery were brought from abroad.¹⁰⁶ The state was trying to find solutions to the lack of private entrepreneurs and capital accumulation with some 190 factories, among which there were establishments such as Veliefendi Basma Factory, Zeytinburnu Iron Factory, Izmit Çuka Factory and Hereke Fabrics Factory.

Until the *Fabrika-yı Hümayun* initiative, barely was purely profit-oriented state enterprises there, and cost calculations were not that regarded in prior factories. The staircase method used in government accounting, on the other hand, was not capable of responding to the profit-oriented management approach that became more evident in the nineteenth century. The staircase system, as mentioned earlier, was a method in which the government tracked its collections of mukataa income rather than ascertaining the ultimate profitability of an activity. In this system, it was very difficult to make cost calculations and determine the profit, compared to DEB. In other words, it was not possible to apply an accounting method for private enterprises that would be managed in a capitalist mentality.¹⁰⁷

¹⁰⁴ Mehmet Genç, *Osmanlı İmparatorluğunda Devlet ve Ekonomi*, (İstanbul: Ötüken Neşriyat, 2014), 252.

¹⁰⁵ Şennur Kaya, “XIX. Yüzyılda İstanbul’da Tuğla Üretimi ve Çobançeşme Tuğla Fabrikası”, *Akademik Sosyal Araştırmalar Dergisi*, Yıl: 5, Sayı: 50, (Temmuz 2017), 170.

¹⁰⁶ Engin Kırılı, “Veliefendi Basma Fabrikası Örneği Bağlamında Fabrika-yı Hümayunlarda Avrupalı Ustaların Yeri ve Önemi”, *Mavi Atlas*, s. 5, (2015): 21-22.

¹⁰⁷ Çabuk and Saygılı, “XIX. Yüzyılın Ortalarında”, 173.

The Imperial Factories initiative, like its counterpart in the previous century, failed and most of these factories had to cease their activities towards the end of the nineteenth century. It would be an exaggeration to argue that this failed attempt alone triggered a transformation in Ottoman accounting thought. However, some scholars argue that this experience has provided feedback to the state that the accounting method it uses is not in line with the requirements of the age.¹⁰⁸

The endeavors performed for transition to the modern budget-making are another factor that led the state to change accounting system. The staircase method fell short of meeting the needs of this new budget technique. In the face of this need, government accounting based on accrual accounting, which is kept by the staircase method, began to transform into DEB based on a contemporary budget approach. The outline of the state budget in a way that resembles DEB and the redefinition of the relations between central and provincial financial departments with the Tanzimat required the modernization of state accounting in a way that could sustain this complex structure.

Pursuant to the centralization effort in finance system, the state went through radical changes in the tax collection method with the Tanzimat. In 1840, the finance administration abandoned the tax farming method, which had been used for centuries, and decided to collect taxes through its own officials called the *muhassılık* method. The objective of this action was to increase the tax revenue transferred to the central treasury by eliminating intermediaries such as tax farmers and at the same time to break the power of the political elite in the provinces.¹⁰⁹

This shift in tax collection revealed the need for changes in both the accounting organization and books kept. In the tax farming system, the responsibility of collecting tax revenues was left to intermediaries and the state only assumed control and supervision functions. In the method of collecting taxes in *muhassılık* system, the amount of tax controlled by the state and, in parallel, its responsibility in terms

¹⁰⁸ Çabuk and Saygılı, *Ibid.*

¹⁰⁹ Nadir Özbek, "Tax Farming in the Nineteenth-Century Ottoman Empire: Institutional Backwardness or the Emergence of Modern Public Finance?", *Journal of Interdisciplinary History*, XLIX:2, (Autumn 2018), 231.

of accounting has increased. Thereafter, the state would have to manage the entire process from the determination of the taxpayer to tax collection. Due to the bureaucratic structure not being ready enough, technological inadequacies and the resistance of rural dignitaries, the *muhassıllık* system failed just in a few years and the tax farming method was again turned into the collection of tithe, which is the biggest tax revenue item of the treasury. Despite a step back in the collection of tithe, the *muhassıllık* method continued to be used in the collection of some taxes such as *ağnam* (sheep tax). The tax farming method, albeit in a decreasing trend, continued to exist in the financial system until the last years of the Empire.

The *muhassıllık* method became more and more widespread over the years. Towards the end of the nineteenth century, the proportion of the taxes collected by *muhassıllık* method within the total budget revenues reached a considerable level. It was inevitable that this centralization in tax collection would also have reflections in government accounting. The state, which wanted to strengthen its sovereign right over tax revenues by reducing the dependency on intermediary classes, realized in the process that it could not be satisfied with staircase method in recording these tax revenues.

It is well known that the DEB provides convenience in accounting practices for the auditing of accounts. Since modern accounting audit developed within the framework of DEB, the Ottoman administration wanted to adapt the state accounting to this system and thus ensure that the state budget runs in a disciplined and orderly manner. This need required the understanding of accounting auditing, which had existed until then, both the quality of the auditor, the use of audit information, and the change of auditing principles. In order to improve this control mechanism, the *Heyet-i Teftişiye* (Committee of Inspection) was established in 1879.¹¹⁰

Another reform that came with the Tanzimat was the reorganization of the accounting department as an independent unit within the Ministry of Finance. In

¹¹⁰ Çabuk and Saygılı, “XIX. Yüzyılın Ortalarında” 173-174.

the pre-Tanzimat practice, taxes were imposed by the general accounting administration and the expenses to be made were also determined by this organization. After Tanzimat, accounting and financial decision-making functions were separated from each other. This general directorate reported the accounting information to the finance administration, and the finance management made decisions regarding income and expenditures and prepared the budget. This organizational structure removed the responsibilities of the accounting department in the budget process and allowed this unit to specialize in its own field. Thus, a check-balance mechanism has also been established between the decision-making and accounting units. As the financial administration requests information from accounting to make a decision, it has been understood that this information cannot be provided by the staircase method.

Bookkeeping in the Commercial Legislation

Published in 1850, Kanunname-i Ticaret was a translation of the first and second books of the 1808 French Commercial Code. With the Industrial Revolution, there were transformations in the economic structures of the Western European states and in the nineteenth century, the Ottoman Empire experienced a rapid incorporation to the world economy. This transformation led to the need to establish new companies in the field of trade and industry in the Ottoman Empire, which paved the way for new developments in the field of company law. All these developments in commercial life inevitably caused problems related to commercial law, and new regulations had to be arranged to solve these problems.

The first regulations regarding the transition to a new accounting system in the Ottoman Empire were introduced with Kanunname-i Ticaret, which was the first commercial code of the Empire. Even if the law does not directly refer to the DEB, it included provisions on the types of books to be kept by merchants, the rules to be followed in keeping the books, and the use of the books as evidence in cases such as commercial disputes and bankruptcy. These regulations on bookkeeping brought by the new law were the first harbinger of a new accounting system.

Turkish commercial laws are consequential for the development of accounting thought in the Ottoman Empire and Turkish Republic. Until 1949, it affected accounting thought more than tax laws. After the 1949 tax reform, taxation had a greater impact on accounting thought and practice.

In Ottoman law, the first regulations regarding commercial books were made between the third and eighth articles of the second chapter of Kanunname-i Ticaret. In some commercial law books and, it was emphasized that the bookkeeping procedure was known among the merchants before the Commercial Code. In fact, there are opinions in the same books that the fact that commercial books constitute evidence cannot be considered as an innovation that came with the new law.¹¹¹ However, in these books, there is no information about the method in which the merchants kept their books before the Commercial Code and the types of the books kept.

Although the merchants kept books as a requirement of their business before the Commercial Code, they were not obliged to keep commercial books. In litigation process, proper records in the merchants' books were only counted as evidence against themselves. This practice stemmed from the concern that the merchant would not deliberately create a situation against himself with his own accounting books.¹¹² In addition to this view, there were also interpretations in the doctrine that a properly kept and decent book could have constituted evidence in favor of the merchant or that a book would only become evidence with an oath or witness statement.¹¹³

In Kanunname-i Ticaret, despite the fact that there are provisions regarding the order in keeping the books and some, there is no provision on how to record the transactions in the book. Accounting procedure is the set of rules necessary for a

¹¹¹ Ahmed Reşid and Avramaki Papadopulos, *Hukuk-i Ticaret*, (İstanbul: Şirket-i Mürettibiye Matbaası, 1887/8), 205; Mehmed Celaleddin, *Hukuk-i Ticaret Dersleri*, (İstanbul: Matbaa-yı Hukukiye, 1912/3), 129

¹¹² Reşid and Papadopulos, *Hukuk-i Ticaret*, 143

¹¹³ Reşid and Papadopulos, *Hukuk-i Ticaret*, 221

merchant to keep its business in order and remains outside the scope of the Commercial Code.¹¹⁴

The Commercial Code requires merchants to keep three books. The first book is the *yevmiye defteri* (journal). The merchant records his commercial transactions and even the transactions he performs on behalf of third parties in journal book. In this context, every merchant is responsible for recording his receivables, debts, bill of exchanges, all kinds of purchases and sales in the journal book. The trader must also record his expenses in the journal in detail.¹¹⁵

Merchants were allowed to record their household expenses in journal in a single entry at the end of each month. Therefore, merchant's registration procedure was simplified and the trader's personal privacy was protected.¹¹⁶

According to the Code of Commerce before the journal is opened, a page number is assigned to each page by the person in charge of the book certification in the trading house, and the number of pages is written at the bottom of the book. After this treatment, the merchant records the profits and losses incurred due to debts, receivables, exchange of notes, commitments and warrants, in journal. However, the merchant does not have to record his household expenses/personal expenses day by day, but can keep these expenses on a separate document and transfer them to the journal at the end of the month. At the end of each year, the merchant is obliged to put a proof of accuracy at the end of the ledger, by the special official in charge of certification. After this approval, no more entries can be made in the books. If the books are used again, a new opening approval had to be made. The purpose of this is to prevent the acts of destroying pages, adding and changing their order. After all, at the end of the year, even a word cannot be added to this book after the

¹¹⁴ S. Leon-Cannes and L. Renault, *Rehber-i Hukuk-ı Ticaret*, (İstanbul: Matbaa-yı Amire, 1911), 102.

¹¹⁵ Nazaret Hilmi, *Teşrih-i Kanun-i Ticaret*, (İstanbul: Karabet ve Kaspar Matbaası, 1887)

¹¹⁶ Reşid and Papadopulos, *Hukuk-i Ticaret*, 211.

official's closing certificate called *sahh* is put.¹¹⁷ The notary officer performing the approval process is not authorized to examine the contents of the book.

According to the third article of *Kanunname-i Ticaret*, the merchant must record the letters he sent to his partners and employees exactly in the copy book. A merchant thus could find the good orders, the questions asked to him and the answers he gave to it, by referring to this book, and unlike the journal book, there is no need for page numbering notary approval for this book. Apart from this, the merchant should keep the letters, property statements, bills such as bills of exchange and promissory notes coming from his employees and partners separately for each month by grouping them. Even though these are recorded in the copy book, it is possible that the originals are required to be submitted.

In pursuant to the fourth article of the law, every merchant must record all kinds of goods and movables one by one in the book called balance sheet or inventory book. At the end of the year, the trader is obliged to record his receivables and debts, profit or loss, the total of his expenses, the amount and value of all his movable and immovable properties in this book. It is obligatory to prepare this book once a year, but the trader can edit this book whenever he wants¹¹⁸

In the fifth article of the law, the procedural rules that must be followed during the keeping of the books. With regard to this provision, it is forbidden to leave enough space to add text at the end of the notebooks, to use inexplicable writing, to add words between the lines, to put footnotes and phrases in the books.

In the sixth article of the law, it is stated that if the books are not kept in accordance with the order stipulated in the law, these books will not be considered valid before the court in case of a lawsuit. In case of lawsuit, it is not obligatory to submit the books to the judicial authority on their own; however, in cases such as bankruptcy,

¹¹⁷ Orhan Vahan, *Şerh-i Kanun-i Ticaret*, (İstanbul: Bekir Efendi ve Mahmut Bey Matbaası, 1883), 10-11.

¹¹⁸ Mehmed Hikmet, *Kavaid-i Muamelat-ı Ticariye ve Usul-i Hesabat-ı Defteriye*, (İstanbul: Karabet Matbaası, (1899/1900), 97-98.

inheritance, sharing of company and company assets, the books must be requested ex officio by the courts.

The law required that the books kept in accordance with the rules be accepted as evidence in disputes that may arise between merchants. As a rule, the court requests the submission of the books only in order to see the item of the book regarding the subject of the dispute during the trial. Normally, a document prepared by the merchant cannot be used as evidence in his favor, while commercial books are an exception to this general rule and can be used as evidence in favor of the owner, and which is why the obligation to keep a book were brought about.¹¹⁹

In both the 1850 and 1926 commercial codes, special emphasis was placed on the evidential nature of commercial books in the case of commercial disputes. Commercial books are accepted by the courts in cases arising from commercial transactions between merchants. In such cases, the books of both merchants might be compliant, while other party's books might not be so. If the books of both parties are proper, the book of one of the parties is not superior to the other before the court. If the books of one of the parties are not compliant, the court regards evidence the more proper book. If the books of both parties are in order, but the records in the two books contradict each other, then the books of the honest and reliable are more respected.¹²⁰

Since it is possible to reach a decision by counting the books as evidence, it is necessary to accept the books by the courts. It is at the discretion of the court whether to count the books as evidence or not. If the court has doubts about the trustworthiness of the books, it may refrain from counting the books as evidence. In most European countries, when a decision is made with the help of commercial books, an oath is given to the claimant, and the provisions that oblige the person who wants to benefit from a part of the opponent's book to accept even the records against himself are valid.

¹¹⁹ Reşid and Papadopulos, *Hukuk-i Ticaret*, 207

¹²⁰ Macit Kenanoğlu, *Ticaret Kanunnamesi ve Mecelle Işığında Osmanlı Ticaret Hukuku*, (Ankara: Lotus Yayınevi, 2005), 87.

With regard to the code of commerce interpretations, commercial books cannot be used as evidence in litigations where the parties are not merchants.¹²¹

The use of books as evidence in disputes between merchants is only possible if the dispute has a commercial character. In cases arising from the personal affairs of the merchant, the dispute cannot be settled by referring to the commercial books.¹²²

Books are used before courts for two reasons. The first of these is *ibraz* (submission). The court can examine whichever part of the book it wishes, other parts cannot be looked at. The second type of use is *teslim* (delivery). In case of delivery, the entire content of the ledger can be inspected by the court. Delivery of the book is only possible in "company", "warrant" and "bankruptcy" cases. In cases other than these, the delivery of the books cannot be ordered. While the case is pending, the court may allow the parties to examine the disputed part of the books.¹²³

Unfortunately, we do not have sufficient evidence to show to what extent the merchants are able to adapt to the provisions of the aforementioned Law regarding the books. Seyfeddin Bey, in his book titled *Hukuk-ı Ticaret*, dated 1916, stated that merchants who are aware of the provisions of the Commercial Code and keep regular books are rare.¹²⁴

Kenanoğlu, argues that, contrary to the general opinion, the application of the Commercial Code together with the Shari'a law rules does not lead to a legal dualism. Kenanoğlu claims that there is no conflict between the Commercial Code and the Mecelle, which later codified the provisions of civil Islamic law, on the contrary, there is a functionally complementary relationship between these two laws. According to the author, while the Commercial Code is a special law, Mecelle is a general law.¹²⁵

¹²¹ Seyfeddin Bey, *Hukuk-ı Ticaret, Tercümesi: Latifi İbn-i Hakki*, (İstanbul: Matbaa-yı Ahmed Kamil, 1916), 47-48.

¹²² Kenanoğlu, *Ticaret Kanunnamesi*, 86

¹²³ Seyfeddin Bey, *Hukuk-ı Ticaret, Tercümesi*, 48-49.

¹²⁴ Seyfeddin Bey, *Hukuk-ı Ticaret, Tercümesi*, 49.

¹²⁵ Macit Kenanoğlu, *Ticaret Kanunnamesi*, 44.

Latifi İbn-i Hakkı, who translated the work of the French lawyers S. Leon-Cannes and L. Renault on commercial law with the title of *Rehber-i Hukuk-ı Ticaret*, complains in the introduction of the translation that Kanunname-i Ticaret is not applied properly. Saying that a century has passed since the French Commercial Code published in 1807 and many amendments have been made to this law, the translator said that he did not even have the courage to correct the translation errors made by his ancestors, and compared the Commercial Code to a dead and unenforceable official document. Similarly, Latifi İbn-i Hakkı stated that, apart from one or two provisions regarding bankruptcy, there was no effort to preserve and protect the Law, and that there were deficiencies in the Law regarding the amendments made for joint stock companies and insurance companies. According to İbn-i Hakkı, the Commercial Code lacks regulations that comprehend the importance of this type of company and of bonds and bonds at that time; Moreover, there is a lack of teachers who can explain commercial law, lawyers and judges who can apply it.¹²⁶

The seventh chapter of the Commercial Code published in 1926 is reserved for commercial books.¹²⁷ The Law, like the first Commercial Code, determined the number of books that traders should keep as three. According to the sixty-sixth article of the law, every merchant is obliged to keep a daily journal, stock and balance book, and a copy book. The law allowed merchants the right to keep a book other than these three books, if needed. However, there is no need to be approved such books.

In the law, it is stated that the merchant can keep his own books, as well as authorize his own employees or third parties in this regard. Of course, the records in the books kept by someone other than the merchant will be considered as the records kept by the trader himself. As can be understood, although the Law does not explicitly mention it, it paved the way for the keeping of commercial books by accountants and thus laid the foundations of a new profession for the Ottomans.

¹²⁶ Leon-Cannes and Renault, *Rehber-i Hukuk-ı Ticaret*, see *ifade-i mütercim*.

¹²⁷ *Resmi Ceride*, Sayı: 406, 28 Haziran 1926.

The mandatory books had to be notarized before they are used. In the journal book, first the assets of the merchant on the day he started merchant is recorded, then all kinds of commercial and ordinary treatment are recorded in this book, day by day and respectively. The personal expenses of the merchant that are not related to the business are also recorded in this book with a lump-sum record to be made at the end of the month. The journal is submitted once a year by its owner to the notary public, and following the last entry by the notary public in this book, the phrase "This book submitted by such a merchant has been seen" is written and sealed with six notary seals and signed by the notary public after the date is fixed. It is not authorized to examine any page of the book during notarization. According to the Commercial Code of 1926, the merchant's balance (inventory) book must contain:

- The estimated value of all kinds of movable and immovable assets, the estimated value of the cash he had on the day he started trading, the values of his stocks and bonds on actual market price, and the collectible portion of his receivables,

- All debts,

- Equity.

At the end of each accounting year, merchant has to record his balance sheet showing all his debts and assets in this book.

Submission of books and commercial correspondence to court; arises in case of inheritance, company and bankruptcy. In case of submission, the books and correspondence documents can be examined by both the court and the other parties of the litigation.

During a lawsuit, the court may order the submission of the books and commercial documents belonging to one or both of them, ex officio or upon the request of the parties, only in order to have a copy of the record in dispute.

The liability arising from the absence of compulsory commercial books or their failure to keep them in accordance with the law directly belongs to the owner of the

business, and the merchant cannot avoid liability by placing this fault on the employee.

In disputes arising between merchants due to commercial transactions, books can be accepted as evidence, provided that they meet certain conditions. The contents of the commercial books kept in accordance with the requirements of the law or improperly may be evidence against the owner and his successors. However, the record in favor of the owner of these books is as valid as the record against it, and they cannot be separated from the other.

Commercial ledger records kept in accordance with the provisions of the law may constitute evidence in favor of the owner. However, if the record in the other party's book, which is also kept in accordance with the law, contradicts this, or if the record that is the basis of the claim is proven with documents or reliable evidence, the record loses its evidentiary power.

Copies of the letters and telegrams sent and issued by a merchant regarding his commercial transactions are recorded and posted in the copy book, in chronological order, and the merchant names used in their commercial transactions are written under them.

CHAPTER TWO: NINETEENTH CENTURY TRANSFORMATION

Educational Reforms

The first modern educational institutions in the western sense in the Ottoman Empire began to open in the eighteenth century. The engineering, military, and medical schools opened in this century and the following century are some of the first examples of the importation of modern educational institutions of the Europe to the Ottoman Empire.¹²⁸

After the proclamation of the Tanzimat, the Ottoman Empire took steps to carry the modernization trend that started in the field of military education to the field of

¹²⁸ Erol Çiydem, "Toplumsal Modernleşme Projesi Olarak Tanzimat Dönemi (Eğitim Islahatı Bağlamında, 1839-1976)", (Doktora Tezi, Atatürk Üniversitesi, Şubat 2017), 193.

civilian education. Tanzimat was a project in which modernization is consciously and programmatically attributed to the whole society. Education was the most important means in executing and disseminating this project.¹²⁹

The Tanzimat Edict did not bring a new regulation on education. However, this does not mean that the government were unaware of the key role of education in transforming society. According to Çiydem, the main instrument used to make the society accept the reforms undertaken during the Tanzimat period was education.¹³⁰

In the studies carried out so far, no evidences were found showing that accounting education was given to private entrepreneurs in the Ottoman Empire until the beginning of the Tanzimat period. Accounting education before the Tanzimat was particularly given to bureaucrats to keep state revenues and expenses.

The Ottoman classical period accounting education was carried out in a master-apprentice relationship, covering theory and practice in the offices of the state finance organization. Talented young people who were selected with the reference of the members of the scribes or the clerical class were admitted to these offices at a very young age and were appointed to higher levels of civil service after working with senior officials for a certain period of time and proving their competence. In these years, accounting remained a craft acquired through intergenerational knowledge transfer rather than being a science. Oktay Güvemli thinks that accounting, as a craft, lost its feature of being an art and turned into a science in the nineteenth century, with the influence of technology and statistics.¹³¹

The first school to provide accounting education in Turkey was the *Bâb-ı Defterdârî*, which was opened in 1839. This school, which did not have an independent building of its own, used a room of the Fazlı Paşa Palace as an education venue. This school served for the training of civil servants who would

¹²⁹ Çiydem, “Toplumsal Modernleşme Projesi”, 182.

¹³⁰ Çiydem, “Toplumsal Modernleşme Projesi”, 183-193.

¹³¹ Güvemli, “Tarih Eğitimi ve Muhasebe Tarihi Eğitimi”, 9-10.

work in keeping the state accounting, rather than giving commercial accounting education. The school provided training especially on bookkeeping.

After the proclamation of the Tanzimat, it is known that within the Ministry of Finance, finance officers were given bookkeeping training in the French language. These lessons were given during the time of the Minister of Finance, Sadık Paşa, and the courses on bookkeeping was given by another Minister of Finance, Münir Bey. Münir Bey also wrote a book that teaches the method of bookkeeping in order to increase the knowledge of civil servants and other people dealing with account affairs.¹³² Münir Bey printed the notes of the *Usul-i Defteri* (Bookkeeping Method) lecture, which he gave for accounting education to the finance personnel in this classroom, in 1861 in the form of a lithograph with the title *Fenn-i Defter* (Science of Bookkeeping) in Imperial Printing House. However, it is not known to what extent this work played an active role in the accounting teaching of the period.¹³³

As it can be understood, these informal trainings given within the body of *Bab-ı Defterdari* were more like in-service training. The aim of the trainings given in this school was to recruit qualified personnel to the public finance offices rather than to train accountants for the private sector. Therefore, we cannot be sure that this school made a direct contribution to the development process of Ottoman private sector accounting, but it is likely that the school played a role in the development of modern accounting knowledge in government staff.

After the Tanzimat, some higher education institutions were also opened, providing education in the field of business and similar to the French “Grandes Ecoles” initiative.¹³⁴ One of them, *Mekteb-i Fünun-u Maliye* (The School of Financial Sciences), started its activities in the *Divan-ı Muhasebat* (Supreme Courts of Public Accounts) Building in Istanbul to train *Divan-ı Muhasebat* officers. In the school based on the French education model; Economics, Bookkeeping Procedures,

¹³² Ahmet Sait Özkul, “19. Yüzyıl Türk Yükseköğretiminde İşletme Eğitimi”, *Süleyman Demirel Üniversitesi Sosyal Bilimler Enstitüsü Dergisi*, Sayı:16, (2012): 233.

¹³³ Ömer Yazan and Mevlüt Kaya, “Ali Suavi ve Muhasebe Öğretimi: Fenn-i Tanzim-i Defter (1869)”, *Uluslararası Sosyal Araştırmalar Dergisi*, Cilt: 10, Sayı: 51, (2017): 172.

¹³⁴ Özkul, “19. Yüzyıl Türk Yükseköğretiminde”, 225.

Wealth, Money and Accounting Science, Tax Laws and General Accounting courses were given. The school was closed in 1881 with the opening of the Hamidiye Commercial School.¹³⁵

These schools, which are generally founded by the Ministry of Finance, have brought a substantial amount of knowledge into the learning and reproduction of accounting knowledge with the courses they include in their programs.¹³⁶ The general secondary and higher education institutions opened after the closure of these schools started to provide general education on modern business administration.

Among the higher education institutions opened in the nineteenth century in the Ottoman Empire, the most prominent institution in business administration, commerce and accounting education was certainly the *Hamidiye School of Commerce*. After several unsuccessful attempts, the school started its operations in 1883 and was inspired by the Paris Commercial School.¹³⁷ The school was opened under the name of “Hamidiye Ticaret Mekteb-i Âlîsi” in 1883 and its name was changed to *Ticaret Mekteb-i Âlîsi* after 1908.¹³⁸ The intensity of the curriculum and the difficulties in finding academicians necessitated the addition of a preparatory department to the school, and these preparatory departments formed the basis of the commerce high schools to be established later.¹³⁹

Believing in the importance of commercial education for the progress of trade and for Muslims to have an active role in business life, Sultan Abdülhamid II took the Commercial School under his patronage. A special regulation was issued for Hamidiye Commercial School, then this regulation was revised and put into effect.

¹³⁵ Esmâ Parmaksız, “II. Abdülhamid Dönemi (1876–1909) Eğitim Sistemi Eğitim Yapıları ve Askeri Rüşdiyeler”, (Doktora Tezi, Yıldız Teknik Üniversitesi, 2008), 81.

¹³⁶ Özkul, “19. Yüzyıl Türk Yükseköğretiminde”, 226.

¹³⁷ Özkul, “19. Yüzyıl Türk Yükseköğretiminde”, 225.

¹³⁸ Ahmet Sait Özkul, “Servet-i Fünûn Mecmuası’nda Yayımlanan Ticaret Mektebi Yazıları Üzerine Bir Değerlendirme”, *Süleyman Demirel Üniversitesi Sosyal Bilimler Enstitüsü Dergisi*, Sayı:25, (2016): 323.

¹³⁹ Saltuk Duran, “The Influences of the French Accounting Culture on Ottoman Accounting Thought in the Second Half of the XIX Century”, in *Thirteenth World Congress of Accounting Historians, Newcastle, United Kingdom Papers of Turkish Delegation*, (Istanbul: 2012), 60.

The school had its first graduates, consisting of fourteen people, in 1886. The school was closed in 1889 and remained closed for five years, eventually was opened again in 1894.¹⁴⁰

The newspapers of the period wrote that since the day the school was opened, it had not been popular enough among the Turkish and Muslim Ottoman citizens. The Muslim people were very reluctant to send their children to this school on the grounds that it would not provide job guarantees. For the Muslim community of the period, the benefits of a position in the state cadres must have seemed more attractive because of the uncertainties and risks involved in business life. By 1915, Hamidiye Commercial School could not reach its desired number of graduates and quality targets.¹⁴¹

Following the passage of the legislation and establishment of administrative organization, regulations regarding the determination of the content of education began to be made as of 1870. In this context, following the publication of the Education Regulation, accounting courses were added to the school curriculums.

Generally, “bookkeeping” classes were taught in the last year of secondary schools and in the fifth, sixth and seventh grades of high schools. Taking the example of the French education system, *Galatasaray Mekteb-i Sultanisi* included all three of the primary, secondary and high school levels. By the end of the nineteenth century, the number of Galatasaray Mekteb-i Sultanisi was seven. In the curriculum of these schools, three hours a week were allocated to bookkeeping and accounting science.¹⁴²

Among the courses planned to be taught in *Darülfünun* (the first university of the Empire) in 1870, Science of Wealth course would be given by Ohannes Efendi and the bookkeeping course will be given by Münir Bey. The Law School, which was opened within the body of the Third Darülfünun (1875-77), also includes business-

¹⁴⁰ Ahmet Sait Özkul, “Ticaret Mektebinde Verilen Eğitim Üzerine Bir İnceleme: Usûl-i Ticaret Dönemi (1883-1916)”, *Yönetim ve Organizasyon Araştırmaları Dergisi*, Cilt 2, Sayı 2, (2017): 11.

¹⁴¹ Özkul, “Servet-i Fünûn Mecmuası’nda”, 328.

¹⁴² Duran, “The Influences of the French Accounting”, 62-63.

related courses in its program. “Ottoman Commercial Law” and “Civil and Commercial Cases” courses in the school curriculum can also be shown among the courses associated with business administration. Accounting courses were given to be applied in construction, road and architectural works in the Civil Engineering School, which was inside the *Darülfünun* and was renamed Roads and Bridges School the following year.¹⁴³

In the *Mekteb-i Fünûn-u Maliye*, the fiscal methods of the great states, tax systems, tax laws, fiscal organizations, bookkeeping procedures, general accounting laws, wealth and economics were taught. According to the statements of the former finance officers who were trained in this school, “Science of Accounting” and “Bookkeeping on the DEB” courses were taught in the school.¹⁴⁴

Since 1877, accounting courses have been added to the curriculum of the *Mekteb-i Mülkiye*, whose main purpose is to train state administrators to serve in the center and the provinces.¹⁴⁵

In the curriculum of the Hamidiye Commercial School; “Commercial and Financial Accounting” and “Bookkeeping in SEB and DEB Procedures” courses are included.¹⁴⁶ In the 1883 curriculum of the Hamidiye Commercial School, there were “Brief Bookkeeping Method” and “Bookkeeping Method” courses. Again, DEB lessons were given in the first and second grades of the school. In the 1894 program of the school, the number of accounting courses rose to four. Accounting courses in 1894 consisted of the following: “SEB”, Principles of DEB”, “Commercial Correspondence in Turkish”, “DEB Procedure”, “Bookkeeping Procedure and Additional Information on Banks and Trading Companies”, “French”, and Accounting Procedure and Audit of Commercial Accounts”.

¹⁴³ Özkul “19. Yüzyıl Türk Yükseköğretiminde”, 231-232.

¹⁴⁴ Özkul “19. Yüzyıl Türk Yükseköğretiminde”, 234

¹⁴⁵ Özkul “19. Yüzyıl Türk Yükseköğretiminde”, 235

¹⁴⁶ Özkul “19. Yüzyıl Türk Yükseköğretiminde”, 238.

In the 1913 program of the Hamidiye School of Commerce, the “Bookkeeping Procedure” course, which will be taught in French in the third year, stands out as the most intensive course in the program with nine hours.¹⁴⁷

In addition to the civilian schools, accounting was also included in the curriculum of the military schools of the period. For example, it is known that a course called "The Science of Accounting in Architectural Education" was taught in *Mühendislikhane-i Berrî-i Hümâyun*, which was one of the first examples of modern military schools in the Ottoman Empire.

It is thought that before 1880, accounting education was not given in the *Mekteb-i Harbiyye* (Military College) with regard to DEB. By the 1890s, military accounting was taught as a separate course in the Military College.¹⁴⁸

The syllabuses of the schools show that from 1880s onwards, accounting courses became an essential part of the education system. The inclusion of accounting courses in the education programs of general middle schools and high schools reveals the determination of the government to provide basic accounting knowledge to the public. The fact that the number of accounting courses in the trade school has increased continuously since its establishment has supported the specialization in the field of accounting and paved the way for the application of general accounting.

In the nineteenth century, as a result of the rapid integration of the Ottoman economy into the world system, the country's economic thought patterns, trade legislation, economic and financial system underwent a sudden transformation. Accounting is also one of the areas affected by the reform attempts of the state in the nineteenth century. The state's abandonment of the ladder method in keeping its own accounts and adopting the double entry system in 1880 was a turning point in the course of accounting in the Ottoman Empire.

¹⁴⁷ Özkul “Ticaret Mektebinde Verilen Eğitim”, 16-20.

¹⁴⁸ Ömer Yazan, “19. yy.’ın Son Çeyreğinde Türk Askerî Muhasebe Eğitimi: 1886 ve 1896 Yıllarına Ait Örneklerin İncelenmesi”, *MUFTAD*, Sayı 17, (2019): 110.

As with the reforms in other fields, there was a lack of knowledge and experience among the Ottoman administrative staff, intellectuals and merchant class in accounting. On the other hand, European traders had been using DEB in the management of their commercial activities since the 1200s. Therefore, it can be said that the first dissemination of accounting information in Europe took place under the influence of trade.

In addition to this deficiency in the field of commercial practice, the lack of instructors to provide training on the new accounting system in the country was also felt strongly. The absence of Turkish teaching books on accounting education was another obstacle to the provision of accounting education in educational institutions.

Turkish accounting books, which started to be published in the 1870s and increased rapidly in the 1880s, played a very important role in transferring accounting information to the society. In particular, due to their important contributions to the development of commercial accounting, in this section, some facts will be given about the characteristics of the accounting teaching books published between 1870-1928. In the nineteenth century, owing to proliferation of printing technologies, Istanbul became a media hub, books and periodicals were published on a wide array of subjects wherein.

During the 1880-1928 period, significant number of books on accounting were printed and published in Istanbul. According to my research, Istanbul printing houses published twenty seven of the twenty-eight accounting method books. After extensive investigation, it might be possible to multiply the number of the samples. Yet, even the proportional dominance of the books Istanbul originated among this sample data is satisfactory on itself to reflect the importance of Istanbul for accounting literature of the era.

On the other hand, it is noteworthy to recognize only one book from the sample was published in Ankara, in 1928.¹⁴⁹ Move of the bureaucratic center from Istanbul to Ankara, subsequent to the declaration of the Republic, presumably began to turn the new capital into a publishing alternative to Istanbul.

The Imperial Printing House published seven of the twenty-seven books. Apart from the State Printing House, several private printing houses published accounting manuals. Mihran, Mahmud Bey, Şirket-i Mürettibiye, Karabet and Türk printing houses were the outstanding ones.

Accounting books were generally textbooks to be taught at the diverse levels of state schools. On the cover pages of these books, there are two notices. While the first clause explicitly expresses which student group would use the textbook, the latter demonstrates approval of Ministry of Education. The official ratification by the Ministry shows that bookkeeping textbooks were monitored and inspected by the government.

Opened across the Empire as an outcome of the modernization efforts, modern schools put bookkeeping classes in their curriculum. While certain textbooks were written for particular prominent schools, such as Galatasaray Imperial High School (*Mekâtib-i Sultânî*), *Dâru'ş-şafaka* (Secondary School for Orphans) and Imperial Military College, the rest are appropriate for general elementary and high schools. On the other hand, some books were not specifically dedicated to school education. As an example, Hasan Tahsin's *Yeni Usûl-i Defterî* and Serkiz Nihad's *Hocasız ve Pratik Usûl-i Defterî* were suitable for all engaged in accounting.

In general, on the cover pages or in preface section of the books, titles and professions of the authors are mentioned. Writers of the books can be grouped under three categories: schoolteachers, state employees and soldiers.

The instructors teaching in the prestigious colleges of the era, such as Hamidiye Imperial School of Commerce, Kabataş and Üsküdar High Schools, and the School

¹⁴⁹ For further inquiry see A. Hikmet, *Ticaret Muhasebesi*, (Ankara: Hakimiyet-i Milliye Matbaası, 1928).

of Public Finance, used their theoretical experience to write accounting guide books. Along with accounting lecturers, military officers wrote method books. To exemplify, Muhyiddin, an army scribe, wrote *İlaveli Usûl-i Defter-i Cedid* (New Bookkeeping Method with Appendix) for the use of military and general schools. Ahmed Ziyâ, a colonel and accounting inspector in imperial military school, penned bookkeeping method books supplemented by journal, ledger and copybook monographies for the use Imperial Military College students. These examples prove that *usûl-i defterî* course placed in the curriculum of military schools, besides to general schools. To sum up, pioneering the Ottoman modernization project on several fields, the Ottoman army, with whose qualified human sources, contributed to progress in accounting too.

Some authors were state officials of accounting knowledge. One of whom was Şefik, an accounting officer entrusted in *Mekâtib-i Tibbiyye-i Şahâne* (Imperial School of Medicine), wrote the *Fenn-i Defterî Kayd-ı Muza'af Usûlü* (Science of Bookkeeping in Double-Entry Method). Another writer is Hamid, the director of the Chief Printing House and *Takvîm-i Vakâyi'* (Official Gazette).

Almost all book titles included "*Usûl-i Defterî*", which stands for "bookkeeping method" in English. Strikingly, none of these books bore "accounting" word in their titles. This preference does not seem surprising, given the fact that the Ottoman fiscal and economic record keeping systems were based on bookkeeping. The existence of an administrative department called *Bâb-ı Defterî*, charged with keeping registers, reveals the significance of bookkeeping within the state's accounting.

"*Tenue des livres*" and "bookkeeping" in French and English respectively were the most frequent terms as the title of accounting books of the nineteenth century. As the Ottoman accounting books written from 1880 upwards were generally inspired or translated from the French books of the 1800s, Ottoman authors should presumably have substituted "*tenue des livres*" term with an Ottoman Turkish equivalent, *usûl-i defterî*, to say, bookkeeping method. This denotation corresponds to general trend of the era. Over the nineteenth century, "bookkeeping" was the

prevalent title for accounting books. Accounting term became widespread after the proliferation of accounting knowledge and division of labor in the twentieth century. In 1900s, due to genesis of managerial, cost, and other accounting affiliates, accounting term would have overridden “bookkeeping”.

Actually, it would not be exaggerative to assert that Ottoman accounting textbooks were literally manuals to teach DEB. DEB is called “*kayd-ı muza’âf*”, “*usûl-i muza’âf*” or “*usûl-i muhasebe-i cedîd*” in Ottoman Turkish. As a matter of fact, each *usûl-i defterî* principally narrates accounting basics based on DEB. Aforementioned books, nonetheless, give rather brief information concerning *usûl-i basîte* (SEB). In most of the books, supremacy of DEB over the SEB is emphasized.

Prior to shifting to DEB in state accounting, the Ottoman finance scribes kept their records with regard to the staircase method (*usûl-i mardiban*) whose roots can be traced to Abbasids. In 1882, with the Sultan’s edict, double-entry system was enacted to keep state accounts.

Unfortunately, accounting manuals neither narrate the chronological progress in private accounting practices in Ottoman Empire, nor disclose how private enterprises kept their accounting records before the nineteenth century. This lack of information can either be stemmed from absence of a uniform accounting system or the lack of transmission of the related evidence up to now.

Bookkeeping method books provide with brief information pertaining to basic trade terminology, commercial papers, transactions, corporate types and interest calculations in addition to basics of DEB. In the second half of the nineteenth century, banking system and capital markets of the Empire was newly flourishing. In such conditions, accounting manuals must have provided the merchants with commercial knowledge.

Furthermore, sample documents and glossaries in the accounting manuals must have helped accountants to figure out how to issue commercial papers and carry out bookkeeping process in a proper way.

Commenced in fifteenth and sixteenth centuries, the cultural interaction between France and Ottoman Empire, notwithstanding official relations occasionally interrupted due to the wars, continued until the collapse of the latter. Reciprocal dispatch of envoys, alliances against the common enemy, mutual trade; each was a constituent of this long-extending relationship. Foreign merchants, generally residing in Galata District of Istanbul, to say, *Levantens*, acted an important role in social and economic life of the capital. In the nineteenth century, French already became a lingua franca in Galata.

The Ottoman students sent to France for education in the second half of the nineteenth century acted as an intermediary for transmission of French accounting culture to Ottoman Empire. Having come back to the Ottoman lands, the students used their accounting insight in accounting teaching, working for the state accounting departments and writing accounting manuals.

Certain authors, in the introduction of their accounting textbooks, note that they used French accounting books as the main source of their work. To exemplify, Muhyiddin declares he made use of renowned French Author Albert Manilier's book published in 1880.¹⁵⁰ Another writer Hasan Tahsin expresses that his principal source was French Instructor Edmond Degranges' "*Elements de la Tenue des Livres*". Even if many authors did not mention their sources in their books, the contextual resemblance between Ottoman and French books cannot be disregarded.

Hardly ever did the authors revealed their sources. Unlike the others, Hasan Tahsin and Muhyiddin were the two authors who credited the foreign scholars in the introduction sections of their own books. The Ottoman accounting guides lack both citation references and quotation marks, violating the modern academic writing rules. However, in such conditions where academic tradition -in a modern secular sense- was newly thriving, writing by ignoring citation rules was the mainstream writing method. The books were not the exception of this fact. Neither did the writers give references for their excerpts, nor did they list their sources in a

¹⁵⁰ Muhyiddin, *İlaveli Usûl-i Defterî Cedid*, (İstanbul: Mehmed Bey Matbaası, 1885), 3-5

bibliography. Since this thesis does not purpose to investigate the uncovered sources of the Ottoman accounting books, a comparative analysis of those books may bring the original sources to surface.

That Ottoman accounting textbooks are word-by-word translations of French bookkeeping books has been a popular wisdom among contemporary Turkish accounting historians. Not rested on a solid comparative analysis of French and Ottoman books, this generalization frequently induces researchers to overlook the original contributions of those books. Whereas, even in the preface of the books, some Ottoman authors point out they employed different sources and Ottoman laws and regulations while composing their books, rather than confining themselves to translation. For instance, despite the fact that Hasan Tahsin and Muhyiddin attested they substantially drew on one particular French book, they also state that having used other esteemed books and Ottoman Code of Commerce, apart from the main French source. In this case, it would not be fair to argue that Ottoman books are a sheer translation of the French books. Thus, it would be more reasonable to consider those books as adaptations for the domestic reader, instead assuming them pure translations; indeed, references to the local law, market conditions, and certain original phrases in the books confirm my criticism.

The textbooks categorize accounting books to be kept by the merchants into two main divisions: compulsory and auxiliary books. *Yevmiye defteri* (journal or day book), *muharrerat-ı kopya defteri* (copy book) and *bilanço* or *icmâl* (balance sheet or inventory book) are specified under the section of *defâtir-i esâsiyye* (main books). Pursuant to the Code of Commerce issued in 1850, merchants were obliged to keep aforementioned books. As can be inferred, the textbooks identify compulsory books, in according with the Code of Commerce provisions.

On the other hand, none of the Code of Commerce articles mention about the auxiliary books. Yet, the accounting manuals remark that merchants can keep auxiliary books at any number, with regard to the size and requirements of their business. Auxiliary books are kept with regard to commercial and economic necessities, but legislative regulations.

The number and types of the auxiliary books recommended vary according to each manual. *Defter-i kebir* (ledger) was the principle auxiliary book that each textbook deal with in depth. *Kasa/sandık defteri* (cash book), *müsvedde defteri* (scratch book), *fatura defteri* (invoice book), *matlup senedâtı defteri* (book of notes receivable), *düyûn senedâtı defteri* (book of notes payable) and *vâde defteri* (maturity book) were the other common books touched upon in the textbooks.

Accounting books typically seclude accounts into two main categories, first of which is *hesâbât-ı asliyye* (main accounts), the second is *hesâbât-ı şahsiyye* (personal accounts). *Vezne/sandık* (cash), *emtia-yı umumiye* (general merchandise), notes receivables, notes payables, profit and loss accounts constitute the major accounts. Main accounts are opened for assets, liabilities or equity but vendors or clients. To give an example, commodity purchases or sales must be registered in “general merchandise” account’s appropriate column or every cash collection must be posted in “cash account” alike.

On the other hand, personal accounts are opened for the parties with whom merchants carry out commercial transactions. Personal accounts are opened in behalf of each related party, such as *Mehmed Efendi, Ahmed Bey and His Partners etc.* Sales and purchases on credit or loans are monitored through these accounts.

As well as major and personal accounts, the textbooks define secondary accounts and *hesâbât-ı nâzıme* (off-balance sheet accounts). Secondary accounts serve merchants to follow subsidiary ledgers. To illustrate, a merchant who trades several types of merchandises had better open separate accounts for a particular commodity type, if aiming to ascertain profitability and current inventory for each commodity. Similarly, instead of cumulative recording of all cost or revenue items, a merchant can open secondary accounts for each specific expense, whereby the contribution to profit or loss of each item is able to calculated.

The aforementioned accounts are employed for transactions causing an increase or decrease in assets or liabilities of a company. On the other hand, sometimes accountants need to open a number of fictive and non-personal accounts to make

his accounting clearer, even if it is not caused by commercial transactions. Such accounts are referred to as off-balance sheet accounts. For example, prepaid rents, warrants are registered in special accounts called off-balance sheet accounts.

In contrast to the regular accounting layout from left to right, debit and credit accounts and amount columns of the Ottoman accounting books are reversely displaced. That is to say, every information unit recorded in a journal entry intrinsically concerning debit precedes credit from right-to-left. For instance, information such as amount of transaction, debit account name and ledger entry number of debit account, each is placed right side of their credit counter balances. This unique Ottoman practice most probably derives from counterclockwise flow of the Arabic alphabet. By reversing the record direction, the authors came up with a practical solution that suits general accounting principles and fitting with the Ottoman Turkish based on Arabic writing rules. In a similar way, debit and credit sides of ledgers are organized in reverse positioning. While the right page of ledger is allocated for debit account, the left is used for credit entries.

DEB and Corporations in General Context

The flexible and easily adaptable nature of DEB has played an important role in its rapid adoption by companies. By the 1800s, DEB had become almost the most common form of bookkeeping worldwide. The superiority of the DEB over other systems was accepted after a while, even by those who initially criticized this system. For instance, the Englishman Edward Thomas Jones, although criticizing the double-entry recording system in his book published in 1796, accepted the superiority of the method twenty years later.¹⁵¹

In the last decades of the eighteenth century, in England, some factories began to use DEB for cost calculations. This new field of use required adapting DEB to cost accounts. For more than three centuries, DEB had been used only for transactions of monetary value. Whereas, in production process, labor and raw material costs

¹⁵¹ Jane Gleeson-White, *Double Entry: How the merchants of Venice shaped the modern world and how their invention could make or break the planet*, (Sydney: Allen & Unwin, 2011), 135-137.

had to be allocated to the products. The activities subject to distribution did not involve a financial movement. In 1880s, accounting textbooks succeeded in combining both trade and production activities within the accounting discipline.¹⁵²

From the end of the eighteenth century to last years of nineteenth century joint stock companies emerged and rapidly spread over the world. In this period, accountants turned the bookkeeping profession, which was once a routine recording activity, into a means used to control and manage the business.¹⁵³

Between 1800-1840, joint stock companies in England resorted to some accounting frauds in order to show their profits artificially high or low to avoid dividend distribution. This prompted the government to take some measures to prevent such situations. Upon these developments, the British government enacted the Joint Stock Companies Act in 1844 to regulate joint stock companies. The law brought obligations for joint stock companies to separate their income and capital from each other, to present a countable and proper balance sheet at the shareholders' meeting every year, and to have company accounts audited by people outside the company. These regulations forced joint stock companies to discipline their accounting processes.¹⁵⁴

On the other hand, the Companies Act, promulgated in 1862, obligated publicly listed companies to work with an accountant, from establishment to liquidation. The birth of the professional accountancy profession in England can be traced back to this law. By 1904, 87,821 companies were registered in England, and 50,534 companies went into liquidation. Records report that in 1883 there were 840 accounting firms in London. In 1811, this number was only 24.¹⁵⁵

¹⁵² Gleeson-White, *Double Entry*, 138-143.

¹⁵³ Gleeson-White, *Double Entry*, 147-151.

¹⁵⁴ Gleeson-White, *Double Entry*, 145-147.

¹⁵⁵ Gleeson-White, *Double Entry*, 146.

After the British law, identical laws came into force in other European states: France (1867), Germany (1870), Hungary (1875), Italy (1882), Switzerland (1883) and Spain (1885).¹⁵⁶

These developments in Europe confirm the positive correlation between the level of incorporation, especially the prevalence of joint stock companies, and DEB. Is there a relationship between corporatization and the development of accounting for the Ottoman Empire? Ottoman Empire's late adoption of DEB later than other European countries could be attributed to the unique motives and differences of the Ottoman corporation phenomenon? Or, with a reverse reading, can the acceptance of DEB in the Ottoman Empire be explained by the transformation of companies in terms of quantity and quality in the nineteenth century? In this part of the thesis, answers to these questions will be sought.

Even before the establishment of modern companies in the second half of the nineteenth century, Ottoman merchants came together within certain partnership structures and engaged in commercial transactions. These partnerships were formed according to the principles of Islamic law. Partnerships established within the framework of Islamic law were different from today's equity companies.¹⁵⁷ These companies were business partnerships in which different combinations of capital and labor were invested. In fact, these types of partnership existed in the Middle East before Islam. The Muslim jurists of the period were able to put the establishment and operation of these companies into a more precise framework. The interpretations compiled over time in the *fiqh* books offered suggestions for the problems encountered in practice and ensured uniformity in operation.¹⁵⁸

Three types of partnership stand out in Islamic commercial law. The first and most common of these was *mudaraba*. In this type of partnership, one party invests capital, while the other party engages in trade using this capital. The resulting profit is divided according to the proportion agreed between the parties. If a loss occurs

¹⁵⁶ Gleeson-White, *Ibid*.

¹⁵⁷ Servet Taşdelen, *Piyasa Ekonomisinin Yarış Atları*, (İstanbul: ÜPV, 2006), 149.

¹⁵⁸ Murat Çizakça, *A Comparative Evolution of Business Partnerships: Islamic World & Europe with Specific Reference to the Ottoman Archives*, (Leiden: E. J. Brill, 1996), 3-4.

as a result of the activity, the capital owner bears this loss.¹⁵⁹ The parties cannot make a prior determination on the basis of amount for profit and loss sharing.¹⁶⁰ In *mudaraba*, the liability of the investor partner is limited to his subscription. In Islam, the principle of unlimited liability applies to all partnerships except *mudaraba*. This feature of *mudaraba* is reminiscent of Italian *commenda* companies.

In another type of partnership, *musaraka*, the partner who carries out the activity, called *musharak*, receives a larger share of the profit than the capital owner. Unlike *mudaraba*, in this type of partnership, *musharak* can also put in capital. The main reason for getting more share from the profit is this capital he put into the partnership besides his labor.¹⁶¹ Each partner can invest different amounts of capital, and can receive dividends at different rates. There are two types of *musaraka*, general and specific to a certain type of goods. The general *musaraka* is similar to the medieval Western European corporations. Its form, which is indexed to a certain type of goods, resembles venture partnerships. In this company structure, profit is determined according to the agreement and loss is determined according to the capital invested.¹⁶²

The form of partnership in which all partners are equal in terms of capital, dividends and other aspects is called *mufavada*. If the capital invested by the partners is equal but the dividend right is different, this partnership is no longer assumed *mufavada*. In *mufavada*, the liability of the partners towards third parties is unlimited.

Çizakça establishes a one-to-one relationship between Islamic company forms and European company structures. That is, *mudaraba* resembles *commenda*, *mufava* resembles *compagnia*.¹⁶³

¹⁵⁹ Fethi Gedikli, *Osmanlı Şirket Kültürü: XVI.-XVII. Yüzyullarda Mudârebe Uygulaması*, (İstanbul: İz Yayıncılık, 1998),

¹⁶⁰ Çizakça, *A Comparative Evolution*, 4.

¹⁶¹ Çizakça, *A Comparative Evolution*, 4.

¹⁶² Çizakça, *A Comparative Evolution*, 7.

¹⁶³ Çizakça, *A Comparative Evolution*, 14.

The emergence of commercial companies in the modern sense in the Ottoman Empire is associated with *Kanunname-i Ticaret* dated 1850. The rapid incorporation of the empire into the capitalist world economy has put pressure on the existing legal infrastructure to make a change in corporate structures.¹⁶⁴ According to this approach, the establishment of the legal infrastructure with the new Commercial Code paved the way for incorporation. In particular, the bookkeeping provisions of the law provided companies with an accounting perspective to record their activities.¹⁶⁵

The corporatization in the nineteenth century showed itself in three branches. On the one hand, Ottoman craftsmen and merchants, who had difficulties and lost power in the face of international competition, began to organize in the form of “artisan companies”, and on the other hand, the first joint stock companies began to be established. At the end of the century, the share of foreign capital companies established on the basis of privileges obtained from the state in the economy came to the fore.¹⁶⁶ After the Second Constitutional Monarchy, Turkish and Muslim capital-dominated companies surged with the government’s stimulation.

As a result of the government's encouragement of craftsmen companies, which lacks mechanization and suffer from foreign competition, craftsmen companies such as goldsmiths, tanners, saddlers, drapers, teemers, and hammersmiths companies were established. However, these companies failed and has to stop their operations due to various reasons.¹⁶⁷ Goldsmiths Company came to an end in 1866, before it could complete its establishment phase yet, due to the fact that the Treasury failed to provide the capital support it had initially committed. Tanners Company, on the other hand, was established with the shares bought by the tradesmen, the support of charities and partially with the incentives and assistance of the state, and successfully distributed 51.5% profit to its shareholders at the end of its first year.

¹⁶⁴ Murat Koraltürk, “İstanbul'da Şehirîçi Ulaşımında Şirket-i Hayriye (1850-1945)”, (Yüksek Lisans Tezi, Marmara Üniversitesi, 1992), 4-21.

¹⁶⁵ Koray Yılmaz, “Geç Kapitalist Gelişme Bağlamında Osmanlı'da Şirketler”, *Politik Ekonomik Kuram Sosyal Bilimler Dergisi*, 2/2, (2018): 29-30.

¹⁶⁶ Yılmaz, “Geç Kapitalist Gelişme”, 30.

¹⁶⁷ Yılmaz, “Geç Kapitalist Gelişme”, 31.

Some of these companies were liquidated after a while, and some were transferred to the municipality in 1874.¹⁶⁸

Is corporatization in the Ottoman Empire reached a level that necessitated the transition to DEB? In order to answer this question, it is necessary to understand the level of corporatization in the Ottoman Empire.

Timur Kuran, in his study on the qadi registers of the seventeenth century, determined that the most common type of company encountered in the registers is *mudaraba*. Kuran attributes the Ottoman Empire's backwardness in competition with Europe to the smallness and simplicity of Ottoman private sector initiatives. The state wanted to lead entrepreneurs in incorporation and contributed to the establishment of some industrial facilities and service enterprises. But these efforts of the State, until the Second Constitutional Period, it was not enough to revive the Ottoman private entrepreneurship. According to Timur Kuran's analysis, 73% of seventeenth century partnerships were two-partnered and 11.5% three-partnered.¹⁶⁹ On the other side, Çizakça reports that, contrary to the Qur'an, he detected the existence of Ottoman partnerships with hundreds of partners.¹⁷⁰

In contrast to the relatively small nature of Ottoman companies, European companies began to inject capital into large public enterprises in the seventeenth century. English East India Company, English Levant Co., Dutch East India Co. were the first examples of the large companies that emerged with the Industrial Revolution. These companies both steered the world economy and sowed the first seeds of the industrial revolution.¹⁷¹

In the Ottoman Empire, on the other hand, as Timur Kuran states, we do not encounter such large company formations. Armenians and Greeks in the Ottoman Empire began to establish large enterprises in the eighteenth century. Muslims, on

¹⁶⁸ Taşdelen, *Piyasa Ekonomisinin Yarış Atları*, 157.

¹⁶⁹ Timur Kuran, *Mahkeme Kayıtları Işığında 17. Yüzyıl İstanbul'unda Ekonomik Yaşam*, Cilt 2: Ticari Ortaklıklar, (İstanbul: Türkiye İş Bankası Kültür Yayınları, 2010), 10.

¹⁷⁰ Çizakça, *A Comparative Evolution*, 84-5.

¹⁷¹ Kuran, *Mahkeme Kayıtları Işığında*, 12.

the other hand, would be able to embark on such large-scale initiatives a century or even two centuries later.¹⁷²

Most of the joint stock companies operating in the Ottoman lands in the nineteenth century were foreign privileged companies. Until the Second Constitutional Monarchy era, there was hardly a joint stock company in the Ottoman country, except for the *Şirket-i Hayriye* (The Ottoman Bosphorus Transportation Company/OBTC) and *Ziraat Bankası* (The Bank of Agriculture), where foreign capital was not included.¹⁷³ Moreover, until the beginning Second Constitutional Monarchy, neither was a legislation and investment-friendly approach that would facilitate the establishment of entirely Ottoman capitalized joint stock companies nor the capital accumulation.¹⁷⁴

In the nineteenth century, although the first modern joint stock companies were formed in the Ottoman Empire, labor-based and low-capital Islamic partnership forms continued to be the most widespread and somehow managed to survive until the last periods of the Empire. Murat Çizakça is of the opinion that despite all the transformations in economy and law in the nineteenth century, there was a continuity rather than a transformation in the types of partnerships. According to him, the types of companies regulated by the new Commercial Code are actually the same types of Islamic companies, despite minor differences.

In his research, Çizakça suggests that small companies are favored by Ottoman tax farmers, yet large and multi-partner structures can also be seen. According to the author, there were conditions suitable for the formation of joint stock companies in the Ottoman Empire; however, while the assets and the capital invested belonged to the state, leaving only the management to the decentralized powers hindered the private enterprise and prevented the formation of large-capital companies.¹⁷⁵

¹⁷² Kuran, *Mahkeme Kayıtları Işığında*, 13.

¹⁷³ Zafer Toprak, *Türkiye'de Milli İktisat 1909-1918*, (İstanbul: Türkiye İş Bankası Kültür Yayınları, 2019), 96.

¹⁷⁴ Toprak, *Türkiye'de Milli İktisat*, 100.

¹⁷⁵ Çizakça, *A Comparative Evolution*, 190-191.

According to Genç, the practice of imperial purchase, which was more intensely applied by the state in times of war, was one of the factors preventing the formation of capital accumulation in the hands of the private sector. The state's forced purchase of the materials it needed during the war, at the prices it imposed, regardless of market conditions, caused manufacturers to reduce supply or reduce output quality.¹⁷⁶ Imperial purchase includes cotton cloth, yarn, iron, timber, pitch, hemp etc. It placed heavy additional burdens on those who produced or traded materials that met military needs. Reminiscent of a progressive tax in kind, the state followed a deterrent and punitive stance by purchasing more from those who produced more of these goods. Government purchases were often below the market price, sometimes even below the cost.¹⁷⁷

Koray Yılmaz criticizes the views that link the inability of industrial companies to become widespread in the Ottoman Empire to the bureaucratic structure of the Ottoman Empire. According to Yılmaz, another important aspect of the process of incorporation into the capitalist system is the emergence of the conflict of interest between the parties representing industry and commerce sectors. Yılmaz manifests that the new production and sharing mechanisms that emerged in the nineteenth century created a conflict between established merchant groups and new entrepreneurs, and that the first group that was influential in the state bureaucracy from time to time prevented modern economic enterprises in order not to lose their dominant position in the market. Although the involvement of the state in these struggles in some way suggests that the state plays a decisive role in corporatization and capital accumulation, conflicts of interest between groups are the main factor. Yılmaz exemplified this argument when Garabet's attempt to establish a sugar factory was blocked by Beyoğlu merchants, who made a lot of money from sugar imports.¹⁷⁸

¹⁷⁶ Fatih Yeşil, *İhtilaller Çağında Osmanlı Ordusu – Osmanlı İmparatorluğu'nda Sosyoekonomik ve Sosyopolitik Değişim Üzerine Bir İnceleme (1793-1826)*, (İstanbul: Tarih Vakfı Yurt Yayınları, 2016), 202.

¹⁷⁷ Genç, *Osmanlı İmparatorluğunda Devlet ve Ekonomi*, 232.

¹⁷⁸ Yılmaz, "Geç Kapitalist Gelişme", 43.

The narrow scope of the Commercial Code's regulations on commercial companies is another factor that restricted the formation of joint stock companies in the Ottoman Empire. Although the provisions for companies of the French Commercial Code, from which the Commercial Code was quoted, were updated many times, parallel arrangements were not made in the Ottoman Empire and the Joint Stock Companies Regulation, which was issued in 1883, did not gain much functionality.

The fact that the concept of legal personality was not defined in Ottoman law was another obstacle in the way of incorporation. The fact that companies cannot own property on their own and their lifespan is limited to the lifetime of their owners had a deterrent effect on incorporation.¹⁷⁹ However, there are also opinions that there are provisions that allow the development of legal personality in the Ottoman commercial law.¹⁸⁰

With the Second Constitutional Monarchy, a remarkable revival was seen in terms of incorporation in the Ottoman Empire. With the return to the constitutional regime, there was also a liberalization in trade. The Committee of Union and Progress administration adopted a policy towards the creation of a Muslim and national capitalist class. The closure driven by the First World War, allowed the domestic merchants and producers to raise prices in the domestic market, and the black market and hoarding led to the birth of a new class called the “war profiteer”. Filling the gap created by Armenian deportation by Muslim-Turkish entrepreneurs and targeting non-Muslims in the fight against speculation caused the capital to pass from non-Muslims to Muslim-Turkish class.¹⁸¹

Until 1908, the number of joint stock companies established in the Ottoman country was 86. Since 1849, an average of 14.5 joint stock companies started to operate in the Ottoman lands per year.¹⁸² Between 1908-1918, 236 companies were established. The number of joint stock companies that started their activities in the first five years of the Constitutional Monarchy was 113. During the First World

¹⁷⁹ Toprak, *Türkiye'de Milli İktisat*, 116.

¹⁸⁰ Kenanoğlu, *Ticaret Kanunnamesi*, 97-102.

¹⁸¹ Toprak, *Türkiye'de Milli İktisat*, 135.

¹⁸² Toprak, *Türkiye'de Milli İktisat*, 135-136.

War, 123 joint stock companies were established. In other words, 24.60 companies were operational every year. After the loss of the war, there was a decrease in the number of companies established and only 9 companies were able to operate. While foreign/non-Muslim partnerships predominated in the first five years of the Constitutional Monarchy, most of the companies that started operating during the war years were dominated by Muslim-Turkish capital.

In the document titled “*Memalik-i Osmaniyye’de Osmanlı Anonim Şirketleri*” (Ottoman Joint Stock Companies in the Ottoman Empire), published by the Ministry of Agriculture and Trade in 1918, there were 129 joint stock companies operating in the Ottoman country as of 1918. According to the same document, 9 of these companies were founded before 1908.¹⁸³ However, there are also criticisms that this work published by the Ministry is based on incomplete data, and that companies that were established before 1918 and could not continue their activities are not taken into account in this work.¹⁸⁴

Istanbul Chamber of Commerce and Industry Magazine, listed 76 companies operating in Anatolia in 1920. These statistics showed that, apart from Istanbul, the region with the highest concentration of national corporations was Konya with 19 companies. Konya was followed by İzmir with 11 companies.¹⁸⁵

All these findings manifest that even though there was a significant increase in the number of Ottoman companies after the Second Constitutional Monarchy, the number of companies established was still well below that of Europe.

The First Ottoman Joint-Stock Companies and Their Accounting System

In the second half of the nineteenth century, the importance of market relations surged in both agriculture and manufacturing sectors in the Ottoman Empire.¹⁸⁶ In finance, insurance and transportation sectors, first joint stock companies were

¹⁸³ Celali Yılmaz, *Osmanlı Anonim Şirketleri*, (İstanbul: Scala Yayıncılık, 2011), 58.

¹⁸⁴ Toprak, *Türkiye’de Milli İktisat*, 141.

¹⁸⁵ Toprak, *Türkiye’de Milli İktisat*, 138.

¹⁸⁶ Donald Quataert, “Tanzimat Döneminde Ekonominin Temel Problemleri”, in *Tanzimat Değişim Sürecinde Osmanlı İmparatorluğu*, Ed. Halil İnalçık and Mehmet Seyitdanlıoğlu, Tr. Fatma Acun, (Ankara: Türkiye İş Bankası Yayınları, 2006), 449.

established. The two of the very first examples of these enterprises were *Şirket-i Hayriye* (The Ottoman Bosphorus Transportation Company) and Ottoman Bank. Both companies kept their accounts and prepared their financial statements through DEB.

OBTC founded in 1851, is the first joint stock company of the Ottoman Empire. Sultan Abdülmecid and the administrators of the period wanted to be a pioneer for entrepreneurs by establishing the OBTC. Ownership of the company has been divided into shares and the shares were traded. Therefore, the life of the company was not limited with the lifetime of its founders, shareholders and employees.¹⁸⁷ OBTC was one of the first companies in the Ottoman Empire to use the DEB.¹⁸⁸ Since the management was not capable of use DEB yet, this method was started to be used fully in the company's accounting only in 1867.¹⁸⁹

According to the information in the balance sheet of the OBTC for the period of 1867, a committee is formed under the name of “Inspection Commission”. According to the report prepared by the commission, the accounting records should be checked from year to year as of this date and the balance sheet of each year should be checked. As it can be understood from the report, it is seen that the balance sheets of OBTC are not prepared regularly from year to year, the accounts are not adequately and regularly controlled and audited, and the accounting books were tangled. In addition, it is seen that there are abuses and the company’s coffers give deficits.¹⁹⁰

With the appointment of Hüseyin Hakkı Efendi as the Chairman of the Board of Directors in 1866, significant changes were made in the accounting system of the company. Hüseyin Hakkı Efendi first started with accounting in order to ensure financial control and prevent abuses and put DEB into use.

¹⁸⁷ Fatma Şensoy, “Şirket-i Hayriye: Osmanlı Boğaziçi Taşımacılık Şirketi”, *MUFTAD*, Özel Sayı (Eylül 2018): 242.

¹⁸⁸ Aslan, *Tarihsel Süreç İçerisinde*, 29.

¹⁸⁹ Şensoy, “Şirket-i Hayriye”, 247.

¹⁹⁰ Cengiz Toraman and Taha Taştan, “Osmanlı Devletinin İlk Anonim Şirketlerinden Birisi Olarak Şirket-i Hayriye ve 1888 (1303) -1890 (1305) Dönemi Mali Tablolarının Analizi”, *MUFTAD*, Özel Sayı, (2021): 51-52.

The reports of the company differed over the years. It is seen that there is a parallel change in the financial statements as the need for more information increases. For example, the first report prepared for the period 1855-1856 is much simpler than the reports prepared in the following years. The reports prepared in the years 1857-1858 show the income and expenses in more detail, however, a table showing the balance sheet items of the company was not presented. It is seen that the assets and liabilities of the company are shown in the report, which was first issued in 1882.¹⁹¹

In a decree circulated in 1908, the duties of OBTC's accounting department were specified. According to the decree, the accountant and the officers at his disposal ought to neatly keep the journal, ledger and other books for the company's income and expenses. The entries have to be made daily. There must not be absolutely no erasures or scrapes in the books. The accountant had to draw up an income statement showing the company's income and expenses. It was the duty of the accountant to prepare the monthly balance sheet at the end of each month and the annual balance sheet at the end of the year.¹⁹²

Another joint stock company in the Ottoman Empire is the Ottoman Bank, which was established in 1856. The bank started to operate under the name *Bank-ı Osman-i Şahane* (Imperial Ottoman Bank/OB) in 1863.¹⁹³ The bank had a managerial staff consisting of Muslim and non-Muslim Ottoman subjects, Levantines living in Istanbul, and Europeans. OB also kept its books in French by using the DEB.

OB and OPDA should be credit for their contribution to accounting progress in the Ottoman Empire. The Ottoman Bank has been a successful institution that has implemented the DEB and became a pioneer in the use of this recording method. In fact, when the DEB was adopted in 1880, OB was shown as an example in the Sultan's Edict.¹⁹⁴

¹⁹¹ Toraman and Taştan, "Osmanlı Devletinin İlk Anonim Şirketlerinden", 52.

¹⁹² Toraman and Taştan, *Ibid.*

¹⁹³ Yılmaz, "Geç Kapitalist Gelişme", 35.

¹⁹⁴ Güvemli and Kaya, "Osmanlı İmparatorluğu'nda XIX. Yüzyılın Ortalarında" 52.

Monetary reforms were one of the most important pillars of the Tanzimat project. The first innovations in this area were the introduction of *kaime* (paper money) in 1839, the introduction of the binary metal money system in 1844, and the establishment of an institution to control exchange rates in 1845.¹⁹⁵ All these attempts failed. The introduction of a high amount of paper money on the market caused high inflation. This depreciation of *kaime* created instability in exchange rates and, accordingly, chaos in the money markets. After all these financial turmoil, Banque de Constantinople that controlled exchange rates unable to fulfill its obligations to its beneficiaries, had to declare bankruptcy.¹⁹⁶

Adding expenditures caused by the war with Russia to the ongoing financial crisis, the Ottoman Treasury, which could not meet its cash needs from domestic resources, made its first borrowing from foreign capital markets in 1854. The financing cost of the foreign borrowings of 1854-55 was quite suitable for the Ottoman Empire. For instance, Ottoman bonds issued in 1855 found buyers in the market at a price of 2.06% above their nominal value. Borrowing from foreign markets with the help of foreign intermediaries, rather than borrowing from local bankers at high cost, gave the Ottoman financial administration a much easier financing opportunity. In addition to these advantages, the fact that England and France were guarantors for the repayment of debts made Ottoman bonds attractive in international markets.¹⁹⁷

However, the lenders were concerned that the resources they provided would be diverted to unproductive areas by the Sultan and the ruling class. In the 1855's borrowing, the financiers tightened their control over the sources of income to be used to repay the debts received. An Anglo-French joint commission was established to control Ottoman expenditures and verify Treasury accounts. Except for the 1854 borrowing, which England was the guarantor of, government revenues

¹⁹⁵ The first institution to be held responsible for maintaining the stability of exchange rates was the Banque de Constantinople. In the following years, this task will be carried out by the Ottoman Bank.

¹⁹⁶ Edhem Eldem, "Ottoman Financial Integration with Europe: Foreign Loans, The Ottoman Bank and The Ottoman Public Debt", *European Review*, Volume 13, Issue 3, (2005): 434.

¹⁹⁷ Eldem, *Ibid*.

such as some direct and indirect taxes, customs duties and Egyptian tribute were shown to the creditors as collateral.¹⁹⁸

When it was understood that the resources provided by the subsequent borrowings were used in unproductive areas by the Ottoman government, foreign states gave up giving guarantees for the repayment of Ottoman bonds. As a result, interest rates rose in subsequent borrowings and the issue prices of Ottoman bonds fell. The goal of withdrawing the depreciated *kaimes* from circulation could not be achieved, inducing further monetary instability. The use of resources obtained through foreign borrowing for extravagant construction projects, instead of being directed to areas that would increase production capacity, created a debt burden that would be passed on to future generations.¹⁹⁹

Political developments in 1856 created an opportunity for the Ottoman Empire to overcome the financial crisis it was in. After the Vienna Protocol signed with Russia on February 13, 1856, the establishment of the peace in the region made the Ottoman Empire an attractive alternative for investors. England and France, who were on the side of the Ottoman Empire in the war with Russia, persuaded the Sultan to declare a new edict that approved and even expanded the Tanzimat Edict in return for their help. In the Reform Edict declared on February 18, 1856, the Sultan revealed his will on the necessity of establishing a bank in order to ensure monetary stability in his country and to operate the credit mechanism.²⁰⁰

In the 1850s, the Ottoman country was very popular among European investors due to the rapidly increasing number of banking projects, railway investments and gas companies. For example, it is known that during this period, fourteen different proposals were submitted to the Government for the establishment of a state bank.²⁰¹

¹⁹⁸ Ali Coşkun Tuncer, *Sovereign Debt and International Financial Control (The Middle East and the Balkans, 1870–1914)*, (Hampshire: Palgrave Macmillan, 2015), 55.

¹⁹⁹ Engin D. Akarlı, “Economic Policy and Budgets in Ottoman Turkey 1876-1909”, *Middle Eastern Studies*, 28, (1992): 443.

²⁰⁰ Edhem Eldem, *A History of the Ottoman Bank*, (Istanbul: Ottoman Bank Historical Research Center, October 1999), 43-44.

²⁰¹ Eldem, *A History of the Ottoman Bank*, 40.

Under these conditions, after the negotiations between foreign investors and the state, the Ottoman Bank with British capital was established on 13 June 1856. When the bank was first established, it did not have the status of a privileged state bank. It carried out ordinary banking operations such as bill of exchanges discounting and deposit collection.²⁰² In 1862, French capital was also included in the bank. With this initiative, the government aimed to break the absolute dominance of the British over the bank by using the French as a counterweight and to reduce the risk arising from dependency on one country.²⁰³

With the Edict of Concession dated February 4, 1863, the bank became the only institution authorized to issue money and ensure monetary stability in the Empire, and its title was changed to "Imperial Ottoman Bank".

After the 1870s, government borrowing periods became more frequent and debt amounts reached large balances with the added interest burden. The bond issuances were realized with high discount rates as the risk premium increased. This situation caused the government to not be able to obtain the desired cash inflow without borrowing. As a result of the exponentially increasing debt burden and the inability to make new borrowings, the Ottoman administration announced in August 1875 that it would not be able to pay half of its debts. In March of the following year, the government suspended all debt payments altogether. The declaration of bankruptcy completely destroyed the credibility of the Ottoman Empire in international markets.²⁰⁴ Bankruptcy meant the exclusion of the Ottoman Empire from international financial markets until the government and bondholders agreed on a reasonable solution.²⁰⁵

After long negotiations, the Ottoman Government and the bondholders reached a compromise. As a result of the reconciliation, the Muharrem Decree signed on 20 December 1881 included the following provisions:

²⁰² Eldem, *A History of the Ottoman Bank*, 55.

²⁰³ Eldem "Ottoman Financial Integration", 437.

²⁰⁴ Eldem "Ottoman Financial Integration", 440.

²⁰⁵ Tuncer, *Sovereign Debt*, 60.

- “OPDA” will be established in Istanbul to represent the creditor bond holders and defend their rights. The Council will consist of one representative from each group and one representative of the Ottoman Government.
- The government will transfer to the council the administration of tobacco and salt monopolies, stamp duty, alcohol and fishing fees, and revenues from some provinces’ silk weeds. These revenues will constitute a guarantee for the payment of the debts in scope of the agreement.
- In addition to monopoly, tax and customs revenues, to the OPDA; Political incomes such as Bulgarian tax, excess of Cyprus Island income and Eastern Rumelia tax are also allocated.²⁰⁶
- The Council shall have the right to decide on the arrangements to be made regarding the incomes listed above. These revenues will be used in the payment of debt interests and the liquidation of the sunken Ottoman debt. In addition, the Council is authorized to administer, collect and convert these revenues into cash.²⁰⁷

With the decree, the Ottoman government handed one-fifth of its income in exchange for reductions in debt principal and interest. As the Ottoman government continued to borrow from abroad after 1881, the OPDA’s administrative control over state resources extended beyond the provisions of the *Muharrem* Decree. The control of the OPDA in the Ottoman financial sector had grown so much that the number of its employees exceeded the number of employees of the Ministry of Finance.²⁰⁸

The concessions granted to the OPDA also meant that the Ottoman government lost its financial sovereignty. However, thanks to the credibility provided by OPDA, the

²⁰⁶ Sinan Yiğit, “Osmanlı Dış Borçları ve Düyun-ı Umumiye İdaresi”i, (Doktora Tezi, Uludağ Üniversitesi Eğitim Fakültesi, 1989), 93.

²⁰⁷ Tuncer, *Sovereign Debt*, 61-62.

²⁰⁸ Murat Birdal, *The Political Economy of Ottoman Public Debt, Insolvency and European Financial Control in the Late Nineteenth Century*, (London - New York: I. B. Tauris Publishers, 2010), 104.

Ottoman government once again had the opportunity to borrow from international markets on favorable terms. The average issuance rate was 89 percent and the average nominal interest rate was 4 percent in 23 borrowings made by the Ottoman government between 1882-1914.²⁰⁹

Upon the OPDA's success in collecting tax revenues, the Ottoman government transferred the responsibility of collecting some of the revenues under its administration to the Council on behalf of the state. In this way, the government both increased and centralized its revenues, retrieved from local magnates the tax collection right.²¹⁰

Salt and tobacco monopolies under the control of OPDA are among the first examples of capitalist industrial establishments in the Ottoman Empire. These businesses set an example for Ottoman private entrepreneurship with their professional management styles, effective accounting and auditing techniques, and personnel management based on merit.

While the OPDA was managing the salt monopoly itself, it had left the management of the tobacco monopoly to a company called the Osmanlı İmparatorluğu Tütünleri Müşterekül Menfaa Şirketi (Ottoman Empire Tobacco Joint Benefit Company).²¹¹

Salt Monopoly was the most revenue-generating of the six resources allocated to the General Public Administration with the *Muharrem* Decree. In the years before the establishment of OPDA, the revenues provided by this source were estimated as 875 gold liras (budget estimate for 1875). OPDA developed this resource after seizing it. Revenues from the Salt Monopoly in 1914 rose by 26% compared to the initial amounts estimated when the administration was established.

Salt Monopoly, under the management of the OPDA, augmented its production volume, turned to export and made the Ottoman Empire a salt exporter. Growing

²⁰⁹ Tuncer, *Sovereign Debt*, 64.

²¹⁰ Tuncer, *Sovereign Debt*, 78.

²¹¹ Yiğit, "Osmanlı Dış Borçları", 120.

production, expanding the saltworks, establishing new saltworks in the Red Sea and effective business management contributed to this result.²¹²

Tobacco Regie was established by the partnership of one Viyana, one Berlin-based bank and Ottoman Bank. The French title of the company was “*Société de la Régie Co-interresée des Tabacs de l'Empire Ottoman*”. This company is a kind of industrial enterprise or state economic enterprise managed by the state.²¹³ The Ottoman Empire granted monopoly privileges to the Tobacco Regie Company for control of tobacco production in the empire, in the purchase and sale of tobacco and in manufacturing of cigarettes.²¹⁴ Regie was going to transfer some of its annual profits to the OPDA to be used in foreign debt payments. The remaining profit was to be shared between the Ottoman government and the Regie.

Before the establishment of the Regie, tobacco production is open for all to go into business. The state was taxing tobacco sales only with the banderol method. OPDA administration enhanced its tobacco sales revenues by 30% between 1882-1914. These increases are also due to the rise in tobacco prices around the world. The intense fight against smuggling carried out by the Regie administration with by way of law enforcement also played a role in the rise in tobacco revenues.²¹⁵

In the first two years of its activity, OPDA had difficulties in procuring acceptance for its methods. The council was initially unable to replace the established Ottoman accounting system with DEB, because Ottoman officials did not have sufficient knowledge of the DEB. The council administrators complained that it was difficult to impose their accounting techniques on the Eastern mindset, and according to them, the DEB could be very useful in revealing the fraud and corruption in the Ottoman accounts.²¹⁶ Over the course of the time, OPDA succeeded in adopting its

²¹² Bedri Gürsoy, “100. Yılında Düyun-u Umumiye İdaresi Üzerinde Bir Değerlendirme”, *İstanbul Üniversitesi İktisat Fakültesi Mecmuası*, 40, (2011): 40-41.

²¹³ Gürsoy, “100. Yılında Düyun-u Umumiye İdaresi”, 42.

²¹⁴ Metin Kopar and Murat Yolun, “18. ve 19. Yüzyıllarda Osmanlı Borçlar Tarihine Bir Bakış”, *History Studies*, Volume 4/1, (2012): 347.

²¹⁵ Yiğit, “Osmanlı Dış Borçları” 120-123.

²¹⁶ Tuncer, *Sovereign Debt*, 67.

own methods, including DEB, to the Ottomans. At points where resistance to transformation was high, it acted flexibly and resorted to intermediate solutions.

OPDA contributed to the improvement of the state accounting records with the new techniques and applications it introduced. The new tables and forms developed by OPDA brought efficiency to the recording and auditing of State income-expenditure accounts.²¹⁷ OPDA was one of the first institutions that introduced the Ottomans to the DEB, with which they were unfamiliar until the 1880s. It is known that before the OPDA, the Ottoman Bank and Galata Tünel Company used DEB, but these institutions are service providers. On the other hand, OPDA companies are industrial enterprises that produce and market agricultural products.²¹⁸ The enterprises constitute the first example of the application of the DEB in the manufacturing process.

It is known that OPDA accountants keep the accounts of both salt and tobacco monopolies in French and via DEB. OPDA, therefore, contributed significantly to the spread of the DEB among Ottoman merchants.²¹⁹

Ottoman government would be represented by a commissioner in OPDA and would supervise with his inspectors whether the principles set forth in the Decree were followed. These inspections carried out at the OPDA enterprises had been the first inspections made by the Ottoman auditors on the books kept with DEB.²²⁰ Inspectors, with the DEB experience they gained in these audits, became an intermediary in the establishment of this technique in the Ottoman accounting culture.

Working in OPDA was one of the most attractive career goals for the Ottoman society of the period. It is rumored that the teachers of the *Mekteb-i Mülkiye* of the time reproached the fact that their graduates preferred to work in the OPDA because

²¹⁷ Bedri Gürsoy, “100. Yılında Düyun-u Umumiye İdaresi Üzerinde Bir Değerlendirme”, *İstanbul Üniversitesi İktisat Fakültesi Mecmuası*, 40, (2011), p. 47

²¹⁸ Güvemli, Zeytinoğlu, and Aygül, “Osmanlı İmparatorluğunda Çift Yanlı Kayıt Yönteminin”, 200.

²¹⁹ Güvemli, Zeytinoğlu, and Aygül, “Osmanlı İmparatorluğunda Çift Yanlı Kayıt Yönteminin”, 197-200.

²²⁰ Güvemli, Zeytinoğlu, and Aygül, “Osmanlı İmparatorluğunda Çift Yanlı Kayıt Yönteminin”, 201

of the high wages. In an environment where there is a shortage of qualified personnel, it should be considered usual for the OPDA to employ graduates of modern schools such as *Mekteb-i Mülkiye*.²²¹ The number of personnel of the OPDA increased over the years, surpassing that of the Ministry of Finance in the 1910s. It would not be wrong to say that in this institution, which employs approximately 10,000 people, at least the personnel associated with the accounting departments played a catalyst role in transferring the DEB to the Ottoman Empire.

OPDA was of great help in meeting the market's need for accountants. Especially the Greeks and Armenians showed success in the accounting profession taking advantage of the accounting knowledge they gained in this institution. Armenian accountants who were trained in OPDA, such as İstevan Arapyan, Çeko Kurbisyan, and Sergesehat Bey, also published accounting textbooks. Osman Sergesehat Bey established the first accounting organization in Turkey by applying it to the system of German academician Schmahenbach at the Feshane Factory. The influence of these accounting experts on the Turkish accounting system continued after the Republic. As a matter of fact, the use of DEB and cost analysis in the factories of the state producing military clothes, fez and military equipment started in this period.²²²

Just like the Ottoman Bank and the Galata Tunnel Enterprise, the accounts of the OPDA enterprises were kept in French. During the founding years when the British capital was dominant, the accounts of the Ottoman Bank were kept in English. After the French capital was put in the bank, the accounting language of the bank changed to French.²²³ According to Güvemli, there are two reasons for this. The first reason

²²¹ Oktay Güvemli, İstanbul Yeminli Mali Müşavirler Odası Platform Toplantısı, 13 Kasım 2019, Retrieved from http://istanbulymmo.org.tr/Data/PlatformYazi/2019_11kasim/201911-03.pdf

²²² İsmail Otur, "Cumhuriyetimizin 75. Yılında Kurucularımızdan Sayın İsmail Otur ile Söyleşi", Türkiye Muhasebe Uzmanları Derneği, 29.07.1998, Retrieved from <http://tmud.org.tr/Files/Arsiv/CUMHURiYETiMiZiN75.YiLiNDaiSMAiLOTARiLES%C3%96YLE%C5%9Ei.pdf> (02.02.2020); Güvemli, Zeytinoğlu, and Aygöl, "Osmanlı İmparatorluğunda Çift Yanlı Kayıt Yönteminin", 203.

²²³ Sudi Apak, Mikail Erol, and Veysel Yerebasmaz, "A Credit Institution that Introduced Turkey to the Double-Entry Bookkeeping Method and the Concept of Financial Statement in the Second Half of the 19 th Century: The Ottoman Bank" in *Thirteenth world congress of accounting historians (13 WCAH)*, (İstanbul: Mart Matbaa, 2012), 455.

is that the DEB entered Turkey through the French culture. The second reason was that the commercial code that shaped the establishment of companies was translated from Napoleon's Code de Commerce of 1807.²²⁴

I do not think that French accounting culture was not a determining factor in the bank's choice of recording language. In my view, the fact that the Ottoman Bank and *Düyun-ı Umumiye* (Ottoman Public Debt Administration/OPDA) keep their accounts according to the DEB and use French for recording is due to the fact that these companies with foreign capital use their European accounting information and trained accountants. Otherwise, it is not possible to talk about an accounting infrastructure transferred to the Ottoman Empire through French culture, at least for the 1850s. What happened in this period can only be described as an import of knowledge and experience.

One of the most important factors in OPDA used of the DEB was the desire of creditors and bank partners to obtain healthy and understandable information about the company's operations. Bondholders, mostly in Europe, expected OPDA to produce financial statements in DEB format they were familiar with. Until the 1880s, Ottoman finance had adopted an accounting system based on staircase system. This system created difficulties in tracking cash flows, detecting fraud and calculating profit or loss.²²⁵ In this system, it is very difficult to create financial statements based on the records kept. As a requirement of their multinational structure, the OB and OPDA have also created their records and financial statements in a system and language that their owners can understand, that is, in French using DEB. Following the French participation in the capital of the Ottoman Bank, the fact that the bank's accounting began to be kept in French confirms that the partnership structure and the expectations of the creditors are the most determining factors on the bank's accounting system.

²²⁴ Güvemli, Zeytinoğlu, and Aygül, "Osmanlı İmparatorluğunda Çift Yanlı Kayıt Yönteminin", 207-208.

²²⁵ Birdal, *The Political Economy of Ottoman Public Debt*, 177.

The Ottoman Bank implemented an advanced cash register system and kept the basic books of double entry such as journal, general ledger and auxiliary ledgers. After the 1850s, the Bank started the use of DEB records in branches and prepared consolidated statements.²²⁶

Incorporation to World Economic System

The fact that accounting permeates all stages of economic activity can be associated with factors such as the degree of economic development, incorporation level and the extensity of the cash economy. It is possible to increase the number of these factors. Indeed, the spread of DEB in the world and its turning to a universal language in the corporation management occurred in the nineteenth century.

DEB, which constitutes the core of modern accounting, has been used since the medieval Italian city-states. In fact, this record system was called Italian style accounting, after its first creators, until the nineteenth century. However, it was in the nineteenth century that this recording system surpassed the basic bookkeeping activity and evolved into a science.

After the Industrial Revolution emerged in England in the eighteenth century, the modes of production, the organization of labor and the economic mentality have undergone a radical change. Between the 1840s and the 1870s, there was a period of economic expansion due to the weakening of protectionist tendencies, overcoming the monetary shortage with the discovery of new gold reserves, the invention of new transportation and communication technologies, and the establishment of political peace, at least for a while.²²⁷ In this period, England emerged as the dominant political and economic power and articulation of world capitalism took place for the countries, including the Ottoman Empire, in the periphery.²²⁸

²²⁶ Apak, Erol, and Yerebasmaz, "A Credit Institution", 455-457.

²²⁷ Reşat Kasaba, *Osmanlı İmparatorluğu ve Dünya Ekonomisi On Dokuzuncu Yüzyıl*, (İstanbul: Belge Yayınları, 1993), 42.

²²⁸ Kasaba, *Osmanlı İmparatorluğu ve Dünya Ekonomisi*, 43.

In this phase, where economic relations between the countries have become more interconnected DEB became unrivaled in accounting, with its easy adaptability to business needs. At the end of the nineteenth century, DEB has almost become synonymous with accounting, so that even today, when accounting is mentioned, there is no image appears in our minds other than DEB.

In the nineteenth century, as the modes of production based on craftsmanship fell into a decline, the number of factories engaged in mass production was mounting, which changed the expectations from accounting. The traditional accounting approach, which only kept current accounts, collections and payments or stock status, was insufficient to meet the needs of new profit-oriented economic order. In this context, the need to know the unit costs in production decision-making processes paved the way for the emergence of sophisticated accounting branches such as cost and management accounting. The fact that special accounting books were written for stock markets, banks, railways, hospitals, insurance companies and many other business lines in the developed countries reveals that this diversification in accounting is not limited to cost accounting. Adapting this system, which has been largely used for commercial purposes for nearly four centuries, to production activity and in a sense combining commercial accounting and cost accounting required an intense effort, but by the 1880s, a certain understanding was reached on this subject.

Can we establish cause-effect relationship similar to those in Western countries between the development trend of DEB in the Ottoman Empire and the economic transformation process of the Empire? Since we do not have written sources prepared with DEB, neither in the state accounting nor in the private sector accounting before the nineteenth century, we have to test the existence of such a relationship for the nineteenth century in particular.

Can we put forward that the development level of the Ottoman economy required a change in the accounting system? In order to give an answer, it is necessary to know the composition of the production and foreign trade of the Ottoman economy in the nineteenth century. In addition, the extent to which the Ottoman economy was

incorporated into world economy in the same century is another issue that needs to be discussed.

Wallerstein et al. construe the transformation in the Ottoman socio-economic structure as a phenomenon of incorporation to the world economy rather than modernization. This incorporation put the Ottoman Empire in a state of peripheral economy. According to center-periphery approach, after the incorporation, the Ottoman Empire lost its imperial character and became a weaker state in which the its decision mechanisms were shaped depending on the course of the world economy.²²⁹ The same scholars interpret the Tanzimat Edict as a document that corroborated the peripheral status of the Ottoman economy with the privileges granted to foreign merchants via new trade agreements, and raise the question that the nineteenth century Ottoman bureaucratic reforms might have actually served as a means to facilitate the operations of the world economy.²³⁰

The incorporation of a self-sufficient agricultural economy to the world market expresses a situation in which the profit motive is prominent and production is shaped with regard to market conditions. The first reason for incorporation is actually the transformation of the world economy itself. The raw material and market pursuit of the European economies have encouraged agricultural economies that have not yet industrialized to become raw material suppliers.

From another respect, Quataert argues that the state's demand for cash taxes forces the farmers to produce for the market. Issawi, on the other hand, states that while the Ottoman Empire exported both finished products and raw materials in the early eighteenth century, it evolved into a raw material exporter at the end of the same century.²³¹

²²⁹ Immanuel Wallerstein, Hale Decdeli, and Reşat Kasaba, "The Incorporation of the Ottoman Empire into the World Economy", in *The Ottoman Empire and the World-Economy*, ed. Huri İslamoğlu and İnan, (Cambridge: Cambridge University Press, 2004), 95-97.

²³⁰ Wallerstein, Decdeli, and Kasaba., "The Incorporation of the Ottoman Empire", 93-95.

²³¹ Derviş Tuğrul Koyuncu and A. Mesud Küçükcalay, "Global Market Orientation of the Ottoman Agriculture Sector: An Interregional Comparison (1844)", *The Journal of Ottoman Studies*, XLVIII, (2016): 172.

Despite the increasing production capacity in the nineteenth century, Western European countries, especially England, which could not create sufficient demand in their domestic market, began to seek new markets for the goods they produced. Peripheral countries such as the Ottoman Empire, Iran and Egypt quickly turned into markets for European exports, sometimes by military force, sometimes by taking advantage of the internal weaknesses of the countries and by political and economic pressures. These countries have also become the main suppliers of raw materials and natural resources for the production of finished goods for European countries. Thus, the division of labor that emerged between the center and peripheral countries led to great jumps in the trade volume. In this process, the peripheral countries switched from subsistence economy to export-oriented commodity production. Peripheral countries profited from center-periphery trade during periods when the terms of trade improved in favor of the primary raw materials of the periphery. When the terms of trade turned in favor of the secondary products, they suffered a capital loss.²³²

On the other hand, in the other dimension of the integration of peripheral countries into the world system, a large amount of loans was given to these countries by the developed countries. These debts were not distributed to direct production investments, but were used to finance large infrastructure investments such as railways. The aim of these infrastructure investments was to connect the raw material sources and the port areas, rather than facilitating the transportation in the whole of the surrounding countries, thus putting the ports of the surrounding countries under the influence of the European finance-capital.²³³ This investments increased the center-periphery trade volume, disrupted the commodity flows within the periphery countries themselves.

During the eighteenth century, France was the dominant power in the Eastern Mediterranean and the major trading partner of the Ottomans. In the second quarter

²³² Şevket Pamuk, *Osmanlı Ekonomisinde Bağımlılık ve Büyüme (1820-1913)*, (İstanbul: Türkiye İş Bankası Kültür Yayınları, 2018), 4-5.

²³³ Pamuk, *Osmanlı Ekonomisinde Bağımlılık*, 3.

of the nineteenth century, thanks to the establishment of peace in Europe and industrial revolution, England returned to the Eastern Mediterranean again. After 1814, France lost its leading place in Ottoman trade to England and could never reach its former foreign trade volume again.²³⁴ In the late eighteenth century, domestic trade and trade with Russia and Egypt, was more intense than trade with Western and Central Europe. The Ottoman economy was in a recession at the beginning of the nineteenth century. Until the 1820s, the economy was generally introverted and self-sufficient. A shift from crafts to agricultural commodity production in the composition of total production can be traced from the state's estate revenues.

Although a shift towards commodity production is known, small peasant production was still prevalent factor in the Ottoman economy during the nineteenth century. The surplus created by the small peasant was confiscated by local groups and the state bureaucracy through methods such as tax farming, de facto property-based land rent, and usury.²³⁵

Within this general view, the share of Ottoman foreign trade volume in total production at the beginning of the nineteenth century did not exceed 3%.²³⁶ Following the Baltalimanı Trade Agreement signed with England in 1838, the way for liberalization in foreign trade was opened. With this agreement, the *Yed-i Vahid* system, in which the state could impose restrictions on foreign trade, was abandoned. Customs duties were also rearranged. Before the agreement, both imports and exports were taxed at the rate of 3%, in addition to this, domestic and foreign traders were paying 8% internal customs duty on in-bound transactions. Subsequent to the Baltalimanı Agreement, the rate of imports increased to 5%, while a tax of 12% was imposed on exports. Domestic customs payment obligations

²³⁴ Elena Frangakis-Syrett, *The Commerce of Smyrna in the Eighteenth Century (1700-1820)*, (Athens, 1992), 155-63; Kasaba, *Osmanlı İmparatorluğu ve Dünya Ekonomisi*, 44.

²³⁵ Pamuk, *Osmanlı Ekonomisinde Bağımlılık*, 12.

²³⁶ Pamuk, *Osmanlı Ekonomisinde Bağımlılık*, 15.

of foreigners were abolished, and domestic customs payment obligations of domestic merchants were preserved.²³⁷

After the agreement, Ottoman-British trade showed a great progress. The agreement harmed artisanal domestic production but, contrary to some views, did not cause them to disappear altogether.

Indeed, Anatolian woven textile production dropped ten times in 1855 compared to forty years ago.²³⁸ However, this decline in textile production was valid for all local industries producing woolen textiles in the first half of the nineteenth century, when English cotton textiles invaded all markets. According to some views, the Ottoman economy lacked the dynamics to initiate an industrial revolution even before the agreement. In small and medium-scaled workshops, in a production structure with limited capital accumulation, where traditional hand looms are used, it does not seem possible to receive the signals of the transition to capitalism.²³⁹

Through the liberalization in foreign trade, Ottoman exports, which amounted to 4.7 million British pounds in 1840 at current prices, increased to 28.4 million pounds in 1913, while imports between the same years reached 39.4 million pounds from 5.2 million pounds. These figures indicate an increase of more than five times in exports and more than six and a half times in imports. Since the world prices showed a general downward trend in the nineteenth century, the rise in exports reaches ten times and the surge in imports reaches twelve times when the calculation is made with the fixed prices of 1880. Exports per capita rose from 0.23 pounds in 1840 to 1.36 pounds in 1913, while imports boosted from £0.25 to £1.89. Recent studies have revealed that the growth rate of Ottoman foreign trade in the period of 1840-1913 was quite close to the rate of European foreign trade.²⁴⁰

Eldem's studies attest that even if it contains a margin of error, Ottoman exports reached 14.1 percent of gross national product and imports reached 19.4 percent of

²³⁷ Pamuk, *Osmanlı Ekonomisinde Bağımlılık*, 16-17.

²³⁸ Ahmet Emre Biber, "Osmanlı İmparatorluğu'nun Dünya Sistemine Eklemlenme Süreci ve Azgelişmişliğinin Evrimi", *Uluslararası İnsan Bilimleri Dergisi*, Cilt 6, Sayı 1, (2009): 32.

²³⁹ Pamuk, *Osmanlı Ekonomisinde Bağımlılık*, 20-21.

²⁴⁰ Pamuk, *Osmanlı Ekonomisinde Bağımlılık*, 25-26.

GNP in 1913. According to the same calculations, 26.5 percent of net agricultural production and 10 percent of total production were exported in 1913. These figures show that the Ottoman economy became open to outside via incorporation to the world economy unprecedentedly in the eighteenth century and before, market-oriented commodity production showed a significant rise, and it had a foreign trade composition based on the import of finished goods and the export of raw materials.²⁴¹

Pamuk narrates the Ottoman economy's incorporation to the world economy in three phases. In the first period dated to 1840-1873 the British trade was the leading trade partner of the Ottoman Empire. In fact, even in the 1820-1840 period, the Ottoman-British trade grew very rapidly. For example, in the period of 1820-1838, the Ottoman Empire's exports to England increased by 5 percent per year, while between 1838 and 1854 it rose at a rate of 6.8 percent per year. The Ottoman Empire's imports from England grew by 6 percent per year between 1820-1838, and by 3.4 percent annually in the 1838-1854 period. The aforementioned figures weaken the thesis that the Baltalimanı Agreement created a very sharp expansion in the Ottoman-British trade volume. According to Pamuk's research, between 1730 and 1780, the Empire's trade with European countries other than Russia grew at an average rate of less than 1% per year, and in the half-century between 1780 and 1830, it soared by less than 1.5 percent on average. The fact that the annual average growth rate of the same trade exceeded 5 percent after 1840 shows that the integration process of the Ottoman economy with the world accelerated.²⁴² Ottoman Empire's territorial losses experienced in the same period due to wars reduced the Ottoman-Austrian trade volume. The French, on the other hand, had lost their dominance in the Mediterranean in the early 1800s after the Napoleonic Wars. The Ottoman-Russian trade in this period developed mostly in the form of raw material

²⁴¹ Pamuk, *Osmanlı Ekonomisinde Bağımlılık*, 25-26.

²⁴² Pamuk, *Osmanlı Ekonomisinde Bağımlılık*, 27-29.

exchange. It would only be possible for the Germans to compete with the British in the Ottoman market in the 1880s and 1890s.²⁴³

In 1879-1898 a general depression emerged in the world economy. During the period, Ottoman foreign trade continued to grow, but the growth rates, measured both in current prices and in 1880 prices, fell down. The Great Depression of 1873-1896 had something to do with these declines in growth rates. Owing to the decrease in foreign demand and the decrease in the general level of prices, the terms of trade changed against the Ottoman economy. This crisis negatively affected the Ottoman economy in terms of both commodity trade and capital flows.²⁴⁴

The crisis in the stock markets caused the capital transfer to the Ottoman economy and the funds invested in the Ottoman foreign debts to be cut off. This situation caused the Ottoman state to become more and more indebted and eventually declared bankruptcy in 1875-76. After the bankruptcy, the OPDA was established for the liquidation of Ottoman debts and the control of a significant part of the state's income resources was transferred to this entity. In return for the transfer of financial autonomy, the Ottoman administration was able to borrow from foreign markets again, and debt repayments stabilized in the following twenty years, but this resulted in a significant outflow of funds from the economy. Foreign control over state revenues was a hitherto unimaginable subject for Ottoman Empire.²⁴⁵

In 1898-1913, Ottoman foreign trade caught a rapid growth trend again. There are two reasons behind this growth. The first is the increasing demand of European countries for Ottoman raw materials, and the second is the large infrastructure investments of England, Germany and France, especially railways, in various regions of the Empire.²⁴⁶

In the early 1870s, due to the decline in British overseas trade, the volume of Ottoman-British trade also downturned. The German-England rivalry in the Middle

²⁴³ Pamuk, *Osmanlı Ekonomisinde Bağımlılık*, 30-31

²⁴⁴ Donald Quataert, *Anadolu'da Osmanlı Reformu ve Tarım 1876-1908*, Trans. Nilay Özok Gündoğan and Azat Zana Gündoğan, (İstanbul: Türkiye İş Bankası Kültür Yayınları, 2008), 44.

²⁴⁵ Edhem Eldem, "Ottoman Financial Integration", 431; 442-443.

²⁴⁶ Tabakoğlu, *Türkiye İktisat Tarihi*, 414; Pamuk, *Osmanlı Ekonomisinde Bağımlılık*, 34-36.

East, which started in the 1880s, had a crucial impact on the Ottoman economy. Thanks to the Anatolian and Baghdad railways, the construction of which Germany financed through Deutsche Bank, trade between the two countries flourished. In terms of the content of this trade, the Ottoman Empire imported industrial products from Germany while exporting the raw materials needed by the German heavy industry. German Banks also provided credit loans for the Ottoman Empire's imports from German companies. As a result of these efforts, Ottoman imports from Germany increased tenfold from the mid-1880s to 1913, exceeding 5 million pound. In the same period, Germany's imports from the Ottoman Empire increased 15 times and reached 3 million pounds. During this period, foreign trade deficits soared and the government's debt stock hiked rapidly.²⁴⁷

When we look at the content of Ottoman foreign trade in 1910, before World War I, we see that approximately 90% of Ottoman exports consisted of raw materials and foodstuffs. Most of the Ottoman imports consisted of manufactured goods. The weight of foodstuffs in imports was 1/3. More than 80 percent of consumption was imported in cotton textile, which was the largest import item.²⁴⁸

By the 1910s, the Ottoman economy was much more open and based on agriculture. The domestic ties of the economy have weakened and the ports connected to the inner regions by railroads have become silos where Anatolian primary products are transferred to the European ports.

According to Koyuncu's analysis, in 1844-45, there were differences in the settlements in the hinterland of the commercial centers in terms of product differentiation, income level, wealth and tax structure compared to the cities in the inner parts of Anatolia. The incorporation based on foreign trade did not progress homogeneously in every region of the Empire, economic activity and enrichment were concentrated in the port areas that were connected to the inner regions.²⁴⁹

²⁴⁷ Pamuk, *Osmanlı Ekonomisinde Bağımlılık*, 35-36.

²⁴⁸ Pamuk, *Osmanlı Ekonomisinde Bağımlılık*, 52.

²⁴⁹ Koyuncu and Küçükcalay, "Global Market Orientation", 197-198.

Western Anatolia was one of the regions where export-oriented development was experienced. Especially in İzmir, between the 1840s and the 70s, a three-fold in exports and a six-fold increase in imports was observed. In the remaining part of the nineteenth century, İzmir ranked first in Ottoman exports and second in imports after Istanbul. Goods such as red paint, acorns, cotton, grapes, opium, tobacco, silk, licorice root, and drapery, which were among the most important export items of the Ottoman Empire during the 19th century, were produced in the hinterland of İzmir or exported from neighboring provinces to İzmir.²⁵⁰

The key actors of the commercial activity in Western Anatolia were non-Muslim Ottoman merchants, foreign traders supported by foreign chambers of commerce and consulates, local money changers and tax collectors. In this system where financial anarchy prevailed, tax farmers kept the products of the peasants waiting until the most suitable market conditions arose for them, while the peasant, who was obliged to pay the cash tithe, had to borrow money from the money changers at high interest rates. When the tax farmers bought the product, the farmer either faced product loss or suffered material damage due to market conditions. While the cooperation between the tax farmers and the local or Istanbul money changers harmed the small farmers, these classes, who had easy access to money, were making unfair gains. Despite all this wealth accumulation, it is known that tax collectors or money changers cannot spend these earnings for new and effective investments. Some of these money changers and tax farmers, in addition to their high interest income, were also engaged in trade.²⁵¹

The Ottoman economy's incorporation into the world economy has some peculiarities compared to other countries in a similar position. The dominance of the state and bureaucracy over other classes, the fact that political autonomy has never been lost against Europe and that agricultural production is carried out by small and medium-sized peasant enterprises slowed down the integration process of the Ottoman Empire with the world economy, and the results and intensity of the

²⁵⁰ Kasaba, *Osmanlı İmparatorluğu ve Dünya Ekonomisi*, 55.

²⁵¹ Kasaba, *Osmanlı İmparatorluğu ve Dünya Ekonomisi*, 67-71.

integration were different compared to the countries in the region such as Egypt, Greece and Iran. ²⁵²

Laura Panza, in her study, compared the incorporation processes of the Ottoman Empire and Egypt to the capitalist world system in the cotton textile industry, concluded that the integration of Western Anatolia took place at a later stage than Egypt. According to Panza, factors such as the introduction of cotton to the Ottoman domestic market between 1845-61, inadequate transportation infrastructure and high export taxes played a role in this delay. According to the author, the incorporation for Western Anatolia occurred when the terms of trade turned in favor of the Ottoman Empire in the cotton famine caused by the American Civil War. With the completion of Izmir Port and railway connections between 1862-95, economic incorporation was strengthened thanks to decrease in transportation costs and in export taxes.²⁵³

Until the 1910s, appropriation of productive surplus by way of state concessions remained the main means of acquiring wealth. The state also turned a blind eye to the small peasantry because it was the easiest way to seize the agricultural surplus, and even supported the small-scale agricultural units against the large landowners in order to prevent the strengthening of the local elements. The Land Act of 1858 recognized small peasant ownership of land, but also contained clear restrictions on the growth of these units.²⁵⁴

In 1907, 81 percent of agricultural land consisted of 4.5 hectares of small property plots. Peasant property and domestic labor emerged as the dominant farm form.²⁵⁵ That is, the rise in agricultural exports in the nineteenth century was the result of small-scale agricultural activity rather than a concentration in landed property. Hundreds of production units spread over the country combined with a commercial

²⁵² Pamuk, *Osmanlı Ekonomisinde Bağımlılık*, 142.

²⁵³ Laura Panza, "Globalization and the Ottoman Empire: A Study of Integration between Ottoman and World Cotton Markets", (Working Papers, School of Economics La Trobe University, 2012), 26, ret. https://www.latrobe.edu.au/__data/assets/pdf_file/0013/181300/2012.01.pdf

²⁵⁴ Kasaba, *Osmanlı İmparatorluğu ve Dünya Ekonomisi*, 48.

²⁵⁵ Kasaba, *Osmanlı İmparatorluğu ve Dünya Ekonomisi*, 56.

network and produced to meet foreign demand. However, this weakly knit structure disintegrated easily with the depression of the 1870s. Mass migration movements to Anatolia in the nineteenth and twentieth centuries also led to the establishment of small farming.²⁵⁶

To sum up, we come to the conclusion that the Ottoman Empire was rapidly incorporated into the world economy from the early 1800s to the First World War. This process was generally realized through foreign trade until the mid-1800s, then it evolved into a full incorporation with the entry of foreign finance capital into the economy through foreign borrowing. In the last quarter of the century, the pace of commodity trade boosted even more with the infrastructure investments financed by foreign capital. Despite these signs of integration, the Ottoman economy could not get rid of its agriculture-based character, which was organized as small farming units. Most of the raw materials subject to export were also produced by these small-scale agricultural enterprises.

Transformation of the Ottoman Economic Mentality

It would not be not easy to apprehend the change in the Ottoman accounting thought in the nineteenth century if we do not take into account the transformation of the economic mentality that the state and society experienced. In the early 1880s, the state's transition to DEB in tracking its own accounts was a turning point in the spread of modern accounting throughout the Empire.

The transformation of the accounting system, like other Ottoman social institutions, took place with a somewhat top-down approach. These sudden transformations were sometimes caused by the political stalemate the state was in, and sometimes by the external dynamics.

Defining the DEB as an accounting method directly specific to capitalist economies is a narrow-minded and prejudiced judgment. Could it be possible for this method to find the opportunity to be applied in a pre-capitalist economy? Unfortunately,

²⁵⁶ Kasaba, *Osmanlı İmparatorluğu ve Dünya Ekonomisi*, 59.

our global accounting experience does not provide sufficient evidence to answer this question. However, it is known that this method emerged in the medieval Italian city-states, where international commodity exchanges developed, and became widespread in societies that adopted the capitalist mode of production after the Industrial Revolution, and turned into a sophisticated science in the nineteenth century. In that case, it can be said that the establishment of modern accounting thought in a society seems to have been related to the evolution of the economic mentality towards capitalism.

As a matter of fact, about fifty years before the change in accounting thought in the Ottoman Empire, the economic mentality began to change. As the liberal tendencies in the Ottoman economy came forth, commercial relations with Europe also increased, and as a result, the European accounting system became known to the Ottomans. In order to understand the background of the change in accounting thought, it is important to know the transformation processes of the Ottoman economic mentality in the nineteenth century.

Economics education was not given in Ottoman madrasahs. According to the traditional education agenda of the empire, economics was not considered as a science, but was handled in a religious-moral dimension.²⁵⁷ The historians of the period were also unequipped in a consistent and holistic understanding of modern economics.²⁵⁸

The arrival of capitalist economic ideas to the Ottoman Empire was realized through different groups. As early as the eighteenth century, the Ottoman ambassadors sent to Europe began to convey the first information about the economic order of the countries they had visited, to Istanbul, but it cannot be said that these early ambassadors could fully understand the economic differences they witnessed in Europe.²⁵⁹

²⁵⁷ Melih Yücel Kaplan, “Osmanlı’da Tanzimat Sonrasında İktisadi Düşünce ve Namık Kemal”, (Yüksek Lisans Tezi, Kırıkkale Üniversitesi, 2011), p. 48.

²⁵⁸ Kaplan, “Osmanlı’da Tanzimat Sonrasında”, 49.

²⁵⁹ Kaplan, “Osmanlı’da Tanzimat Sonrasında”, 54.

The first sparkles of modern economic thought in the Ottoman Empire were seen during Sultan Selim III's reign. From time to time, statesmen such as Tatarcık Abdullah Efendi and Defterdar Şerif Efendi, submitted pamphlets in which they made suggestions such as pursuing mercantilist policies, preparing an annual budget and avoiding coin debasement.²⁶⁰ Sayar suggests that although they contain some original ideas, these statements were not produced as a result of a serious examination of Western sources and do not bear traces of Western economic thought. According to Sayar, the ultimate purpose of these advisory documents to create financial resources for the financing of military reforms by improving the state revenues.²⁶¹

In the mid-nineteenth century, some of the resentful intellectuals who went to Europe as a reaction to the Tanzimat regime received economic education in the countries they went to, while others were equipped with liberal economic thought in their intellectual environment. Some of these intellectuals subsequently became involved in the oppositional *Yeni Osmanlılar* (New Ottomans) movement and advocated an understanding of economics that blended Islamic and modern economic principles. With their ambivalent point of view between modernity and traditionalism, the members of this group played an important role in the transformation of the Ottoman economic system.²⁶²

Students who were sent abroad to study economics and public administration are another group that mediated the transfer of capitalist economic thought in the Ottoman Empire. When these students returned to homeland, they made an effort to teach the newly emerging science of economics in the Ottoman lands. Some of these students received educational duties, while others worked in state offices.²⁶³ Sayar states that there is not adequate evidence about how these students contributed to the development of Ottoman economic thought. Sayar also

²⁶⁰ Diren Çakmak, *Osmanlı İktisat Düşüncesinin Evrimi Societas ve Universitas Gerilimi*, (İstanbul: Libra Kitap, 2011), 106.

²⁶¹ Ahmed Güner Sayar, *Osmanlı İktisat Düşüncesinin Çağdaşlaşması*, (İstanbul: Der Yayınları, 1986), 179-184.

²⁶² Kaplan, "Osmanlı'da Tanzimat Sonrasında", 54

²⁶³ Kaplan, "Osmanlı'da Tanzimat Sonrasında", 54.

articulates that those students abroad could not adequately absorb the knowledge of western economics and that this movement was unproductive as a result of political frictions, laziness and debauchery. Apart from the state, non-Muslims, especially Armenian community, sent students abroad. In conditions where there is no institutional support, only some of these students could benefit from economics education with their individual efforts. Ohannes Efendi was one of the figures succeeded in this regard.²⁶⁴

Other intermediary groups that played a role in the transfer of liberal economic thought to the Ottoman society were foreign diplomats and statesmen working in the Ottoman Empire. These officials, mostly of British nationality, such as David Urquhart and Lord Palmerstone, made an effort to persuade the Ottoman bureaucracy to open up the economy, in line with British interests, with their lobbying activities at the state level. In addition to their persuasion activities at the bureaucratic level, British statesmen, with their articles published in their own press, were trying to establish public opinion that liberal economy would solve the problems of the Ottoman Empire.²⁶⁵

The staff of the Chamber of Translation, which was at the center of the Ottoman foreign policy for many years, also played an important role in the spread of modern economic ideas. These state officials, such as Aleko Sucu and Sehak Abru, contributed to the development of Ottoman economic literature with the books they adapted from foreign authors.

Economic theory and ideas spread incoordinately throughout the Ottoman Empire until the 1850s. The main agency of transmission was newspaper articles, which were published sporadically. The first economic publications in the empire began in 1820 in the newspaper *Spectateur Oriental*. This newspaper was later bought by Alexander Blacque. In 1831, the Sultan commissioned Blacque to publish *Le Moniteur Ottoman*, the French version of the first Ottoman official gazette, i.e.

²⁶⁴ Sayar, *Osmanlı İktisat Düşüncesinin Çağdaşlaşması*, 310-311.

²⁶⁵ Kaplan, "Osmanlı'da Tanzimat Sonrasında", 54.

Takvîm-i Vekâyî.²⁶⁶ In the French language section under Blacque's management, unlike the Turkish version, there was a section devoted to economics. This section contained articles that praised economic liberalism and denounced monopolies and other political interventions.²⁶⁷

Blacque was followed by another British bureaucrat, David Urquhart, who worked at the British embassy in the 1830s. In his comprehensive report titled “Turkey and Its Resources”, which he prepared for the British State, Urquhart analyzed the Ottoman economy and defined the place of the Empire in the international division of labor as a “raw material exporter and industrial product importer”.²⁶⁸

The manuscript titled *Tedbir-i Ūmran-ı Mülkî* (Administration of Public Prosperity), analyzed and transcribed by Kılınçoğlu in 2018, is the oldest Ottoman economics book that has been identified so far. Although the exact writing date of this eighty-six-page book, a copy of which is in the Austrian National Library, is not known, Kılınçoğlu suggests that the manuscript belongs to the 1830s, based on some reference points in its content.²⁶⁹

In his comparative analysis, Kılınçoğlu identified similarities between the *Tedbir-i Ūmran-ı Mülkî* and the works of European economic philosophers such as Jean-Baptiste Say and Adam Smith. Despite these obvious inspirations, the manuscript is an original text rather than a translation. The author of the treatise, instead of quoting the ideas of European economic scholars, adapted the ideas of thereof to the Ottoman conditions. *Tedbir-i Ūmran-ı Mülkî* can be considered an early study in Ottoman literature in terms of establishing a link between liberal economic

²⁶⁶ Sayar, *Osmanlı İktisat Düşüncesinin Çağdaşlaşması*, 195.

²⁶⁷ Deniz T. Kılınçoğlu, *Economics and Capitalism in the Ottoman Empire*, (New York: Routledge, 2015), 23.

²⁶⁸ Kılınçoğlu, *Economics and Capitalism*, 24; Sayar, *Osmanlı İktisat Düşüncesinin Çağdaşlaşması*, 197-199.

²⁶⁹ Kılınçoğlu, *Economics and Capitalism*, 26.

thought and military modernization.²⁷⁰ We do not have any information on the extent to which the work was valued by the Ottoman intelligentsia.²⁷¹

In 1850s, the number of economic studies began to rise promptly in the Ottoman Empire. The second work on economics is the co-authorship book of Serandi Arşizen (1809-1873) and Aleko Sucu's from the French translation of the Italian economist Pellegrino Rossi (1787-1848)'s *Curso de Economia Politica* (1840). Sucu, one of the translators of the Ottoman Translation Bureau, translated this work, *Tasarrufat-ı Mülkiye* (Political Economy), which was written in French by Arşizen, a former doctor and professor of the Imperial School of Medicine. Arşizen used Rossi's work as a model for his own work. Some historians think that the work consists of a compilation of lecture notes prepared by Arşizen he gave at *Mekteb-i Tıbbiye-i Adliye-i Şahane*. *Tasarrufat-ı Mülkiye* remained in manuscript form, and neither Turkish nor French versions of the work were made into print.²⁷²

Following Arşizen, another Translation Chamber Officer, Sehak Abru (1825–1900), translated Say's best-selling work, *Catéchisme d'économie politique*, into Turkish in 1851. There is no concern in saying that Abru rewrote the work rather than translating it, because during the translation, he transformed the work from dialogue format to prose form, localized the characters in the book, and left some parts of the work out of translation, fearing that it would attract a political discontent.²⁷³

There are two striking common features of the early Ottoman economic works. The first of these is that Ottoman writers preferred shorter works instead of translating the basic and comprehensive works of the field. This preference of the early writers can be explained by their desire to present basic information in a short way to a readership who has not yet met the science of economics. The second is that the

²⁷⁰ Deniz T. Kılınçoğlu, *İslâm, İktisat, Ordu ve Reform Osmanlı İmparatorluğu'nda İlk İktisat Eseri ve Tarihsel Bağlamı (Risâle-i Tedbir-i 'Umran-ı Mülki)*, (İstanbul: İstanbul Bilgi Üniversitesi Yayınları, 2018),

²⁷¹ Kılınçoğlu, *Economics and Capitalism*, 26.

²⁷² Sayar, *Osmanlı İktisat Düşüncesinin Çağdaşlaşması*, 278; Kılınçoğlu, *Economics and Capitalism*, 26-27.

²⁷³ Sayar, *Osmanlı İktisat Düşüncesinin Çağdaşlaşması*, 279.

authors do not hesitate to adapt the works to the conditions of the day in terms of content and form, instead of staying authentic. When factors such as political concerns and the level of knowledge of the readers of the period are taken into account, it becomes easier to understand the pragmatism of the authors on this issue. On the other hand, it should not be overlooked that the ethics of academic literature was not standardized throughout the world in that period.²⁷⁴ This trend, which started in the 1830s, continued to exist in the economic literature in the following years; It is possible to see the traces of the same approach even in the accounting teaching books written in the 1880s.

The 1860s were more productive in the production of economics publications than the 1850s. Charles Wells' book titled *İlm-i Tedbir-i Milk* (The Science of the Administration of a State or an Essay on Political Economy), following in the footsteps of Adam Smith's "The Wealth of Nations", is one of the first books in which economic literature is expressed in the Turkish language. The book gave facts about the history of economic thought and economic terminology.²⁷⁵

In the same decade, the popularity of the economy was growing in Ottoman intellectual circles. Ottoman intellectuals and statesmen such as İbrahim Şinasi (1826–71), Münif Paşa (1830–1910), Mehmed Şerif Efendi, and Ohannes Efendi (1830–1912) were publishing articles in different newspapers and magazines. Mehmed Şerif Efendi, Münif Pasha and Ohannes Efendi gave lectures at the *Mekteb-i Mülkiye* (The Imperial School of Administration) and *Mekteb-i Hukuk-i Şahane* (The Imperial School of Law) in the following years, and then these lecture notes were compiled and published.²⁷⁶

In parallel with the popularization, starting from the end of the 1850s, economics began to be included in the curriculum of many schools. *Mekteb-i Mülkiye* took the "Political Economy" course for the first time in 1859 into the program. In this regard, many schools tracked *Mekteb-i Mülkiye*'s way in the following years.²⁷⁷

²⁷⁴ Kılınçoğlu, *Economics and Capitalism*, 27.

²⁷⁵ Kılınçoğlu, *Economics and Capitalism*, 28.

²⁷⁶ Kılınçoğlu, *Ibid.*

²⁷⁷ Kılınçoğlu, *Economics and Capitalism*, 28.

The courses added to the curriculum and the books written were comprehensive, but they did not offer solutions to the country's economic problems.²⁷⁸

In the early 1840s, William Churchill, the publisher of the *Ceride-i Havadis* Newspaper and the defender of liberal theses, triggered the long-running "agriculture-industry" debate. Thereafter, the Ottoman economy began to be discussed from two perspectives, agriculture versus industry.

In the 1860s and 70s, Adam Smith's laissez-faire approach was dominant in Ottoman economic education and literature. However, there were also opinions opposing this approach. The main debate on the Ottoman economy was on whether economic development would be realized through agriculture or industrialization. Proponents of the first thesis described the Ottoman Empire's role in the international economic division of labor as a producer of raw materials supplying advanced core economies. These intellectuals wanted the Ottoman economy to be integrated into the free market system by removing protectionist measures such as *yed-i vahid* and customs duties. In this way, the Ottoman Empire, which had a great potential for agriculture, could realize economic growth and development through the export of raw materials, with the relative prices moving in their favor. On the other hand, the opponents argued that the liberal economy would result in disaster for the Ottoman Empire and that the state should maintain its protectionist policies until industrialization was achieved.²⁷⁹

In fact, it can be said that the ranks of Ottoman economics scholarship did not become clear in the liberalism-protectionism polarization during the nineteenth century. For example, intellectuals such as Ahmed Midhat Efendi and Akyiğitzade, who can be counted as followers of Friedrich List, one of the theorists of the protectionist economy, believed in Adam Smith's laissez-faire approach, but they thought that the state should follow protectionist policies until the Ottoman Empire gained competitive advantage. Some intellectuals, including Cevdet Pasha, rejected

²⁷⁸ Ufuk Özcan, "Two Perceptions of Economy in the Last Century of Ottoman Empire: The Liberal and Nationalist-Statist Movements", *International Journal of Turcologia*, Vol: VIII, No: 1, (2013): 26

²⁷⁹ Sayar, *Osmanlı İktisat Düşüncesinin Çağdaşlaşması*, 329.

the ideas of free market and state intervention, thinking that these ideas were already at the core of Islam.²⁸⁰

In the 1870s, the Young Ottomans group, led by Ziya Paşa and Namık Kemal, criticized the Ottoman economic mentality that was indifferent to laziness and entrepreneurship, complained of the absence of modern industry, and fiercely criticized the Tanzimat initiative, which they identified with debt stalemate, corruption and foreign dependency. As a pro-liberty, Namık Kemal advocated securing private property in the social order and emphasizing economic freedom. He was writing articles on topics such as capitulations and the destruction caused by foreign debts and the scarcity of Turkish entrepreneurs. These criticisms of the Young Ottomans would pave the way for Abdulhamid II's policies that emphasized education and economic development rather than political reform, and on the other hand, it would create an autocratic “centralist” administration obsession in the Sultan.²⁸¹

The 1880s were the most productive period for Ottoman economic literature. After the translation-based works, an original economic literature emerged for the first time in the Ottoman economic literature in this period. The works of the leading economics scholars, Ohannes Paşa (1830–1912), Portakal Mikail Efendi (1841–97) and Ahmed Midhat Efendi (1844–1912), were published between 1879 and 1889.²⁸²

In this period, unlike the 1840s and 50s, the idea of protectionism was gaining public support over the idea of liberal economy. This transformation was largely due to the worldwide depression of 1873-96. During this crisis, the emerging Ottoman, Iranian and Egyptian economies went bankrupt. The economic destruction experienced caused the societies of the damaged countries to experience disappointment in liberal economy. Reactively, protectionist tendencies gained strength in the face of liberalism in the Ottoman Empire as well.

²⁸⁰ Kılınçoğlu, *Economics and Capitalism*, 29.

²⁸¹ Kılınçoğlu, *Economics and Capitalism*, 32.

²⁸² Kılınçoğlu, *Economics and Capitalism*, 42.

Even though the protectionism thesis was strengthened in the 1880s, the conflict between protectionism and liberalism continued in the Ottoman economic thought circles. Ohannes of Chios and Portakal Mikail defended the concepts of private entrepreneurship, private property right and savings. On the other hand, Ahmed Midhat thought that the Ottoman economy needed protectionism against developed countries. Almost until the beginning of the Second Constitutional Monarchy period, the debate between the two schools would continue, sometimes implicitly and sometimes openly.²⁸³

Between 1909 and 1918, there were radical changes in the Ottoman economic thought. In the face of the separatist attempts in the Balkans, which resulted in success, the Ottomanism project was out of the state's agenda and the Union and Progress administration adopted a national policy based on Turkish and Islamic elements in order to keep the central state alive. Definitely, the economic decisions of the state were formed within the framework of this national policy. Committee of Union pursued a combined policy of liberalism and statist economy.²⁸⁴

In the Committee of Union and Progress's newspaper, which went by its own name, economic ideas from all camps were discussed since before the Constitutional Monarchy. In the atmosphere of freedom that came with the Constitutional Monarchy, economic ideas found a more comfortable discussion environment. Until the Balkan War, the Union and Progress administration also adopted the principles of free competition and free trade.²⁸⁵

However, successive wars have constantly worn out liberal views, and the market mechanism has lost its functionality under these extraordinary conditions. The leading thinker of the period, Yusuf Akçura, criticized the Ottoman liberals for their direct acceptance of Western thought without filtering it. According to Akçura, the advocates of free economy accepted liberalism as abstract, general and universal laws, free from time and space. However, it was impossible for the nation-state

²⁸³ Toprak, *Türkiye'de Milli İktisat*, 78-82.

²⁸⁴ Özcan, "Two Perceptions", 26.

²⁸⁵ Toprak, *Türkiye'de Milli İktisat*, 54-55.

building process imposed by the peculiar conditions of the Ottoman Empire to go along with pure liberalism.²⁸⁶

Akçura complained that the natural resources of the Ottoman country were under the control of foreigners, the dominant position of foreigners in many companies including the Ottoman Bank. In short, foreign capital invaded the country. According to him, the liberation of the country depended at all costs on the establishment of a local and national bourgeoisie class.²⁸⁷

Another important intellectual of the period was Tekin Alp. Alp believed that the Ottoman Empire had passed into the phase of capitalism. He saw the establishment of a large number of joint stock companies in the country and the increase in demand for the stock market as signs of capitalism. Tekin Alp, who wrote in journals such as *İktisadiyyat Mecmuası*, *Türk Yurdu* and *İslam Mecmuası*, praised German unionism and emphasized that the German national economy model should be taken as an example in order to achieve success in agriculture, trade and industry.²⁸⁸ From Alp's perspective, if the Turks cannot create a bourgeois class, they will not be able to attain a status other than soldiers, civil servants and peasants in social life.

The most important press organ in the field of economy of the Second Constitutional Era was *Ulum-ı İktisadiyye ve İçtimaiye Mecmuası*. The journals supported the ideas of the liberal school.²⁸⁹ The most important financier of the period was Mehmet Cavit, who also served as a minister. Mehmet Cavit was writing articles for *Ulum-ı İktisadiyye* magazine and *Tanin* newspaper. Cavit, who wrote to a magazine that was the spokesperson of the liberal school, and was also an proponent of foreign borrowing. Although Cavit's approach contradicts the ideas of the Unionists, it is in fact compatible with the intellectually transitory spirit of the period. Because the state's nearly a century-old adventure of economic liberalization has entered a course where the political will is no longer able to

²⁸⁶ Toprak, *Türkiye'de Milli İktisat*, 61-62.

²⁸⁷ Toprak, *Türkiye'de Milli İktisat*, 68-69.

²⁸⁸ Toprak, *Türkiye'de Milli İktisat*, 74-75.

²⁸⁹ Özcan, "Two Perceptions", 26.

change its direction, the Union and Progress administration had to apply a mixture of statist and liberal economic approaches.

Centralization of the Tax System

Achieving stable public income by increasing tax collection capacity is the basic desire of modern fiscal regimes. The Ottoman economy, which did not yet realize its industrialization move, was largely dependent on small-scale agricultural enterprises. The control of financial intermediaries such as tax farmers over the agricultural surplus caused the Ottoman finances to obtain lower tax revenues compared to their contemporaries, and a significant portion of the taxes collected on site were in the hands of local elites.

The Ottoman tax system consisted of shar'i and customary taxes. The main source of income for the state treasury was the shar'i tithe, which was taken from agricultural production at different rates depending on the region and the fertility of the land. In addition to the tithe, market tax collected in cities and the taxes imposed on consumption were the main indirect taxes. On the other hand, the *cizye* was a shar'i tax levied on the non-Muslim population in return for their life safety and exemption from military service.²⁹⁰

In addition to these taxes, the state did not refrain from resorting to confiscation, coin debasement, imperial purchase and monopolies on occasion in order to meet immediate cash needs.

Since the end of the 1600s, the Ottoman Empire used various financial instruments in the nature of domestic borrowing in order to finance the military expenditures arising from the successive wars and to make loan repayments. Treasury followed the way of collecting future incomes in advance by methods such as tax-farming and *esham*.²⁹¹ Even though these initiatives provided a significant rise in tax

²⁹⁰ Tefvik Güran, *19. Yüzyılda Osmanlı Ekonomisi Üzerine Araştırmalar*, (İstanbul: İş Bankası Kültür Yayınları, 2014), 313.

²⁹¹ Güran, *19. Yüzyılda Osmanlı Ekonomisi*, 314.

revenues, the tax burden was generally placed on the farmers, and the urban nobility and the wealthy were excluded from the taxation.²⁹²

Despite the success in tax collection, by 1861, the tax revenue per capita in the Ottoman Empire was approximately five and a half times lower than that of its contemporary France and six and a half times that of England. Even though the Ottoman Empire lagged behind in terms of tax revenues when compared to Western European countries, it managed to increase the central treasury revenues fifteen times from 1780 to the First World War.²⁹³ While the budget income per capita in the Ottoman Empire was 17 piastre in 1844, it reached 62 piastre in 1893.²⁹⁴

Tithe tax levied on agricultural products in cash or in kind was the most important revenue of the Ottoman treasury over the nineteenth century. However, since the agricultural output fluctuates depending on external factors such as climatic conditions, the quantity and quality of the agricultural workforce, and the level of domestic and foreign demand, the tax revenue of the treasury on this production surplus also followed a fluctuating course.

In the nineteenth century, Ottoman agricultural production was carried out by small-scale agricultural operators. The fact that the agricultural connoisseurs are mostly landowners and small-scale agricultural operators must have made agricultural taxation difficult for the state. With the exception of Egypt in the nineteenth century, lands in Ottoman territory were generally small units. With the development of transportation networks and the establishment of foreign economic connections, large commercial farm formations were observed in the Adana, in the Southern Anatolia region, which was opened to agriculture after the 1850s, and in the coastal areas of Damascus Province.²⁹⁵

²⁹² Nadir Özbek, *İmparatorluğun Bedeli, Osmanlı'da Vergi, Siyaset ve Toplumsal Adalet (1839-1908)*, (İstanbul: Boğaziçi Üniversitesi Yayınevi, 2015), 17-18.

²⁹³ Özbek, *İmparatorluğun Bedeli*, 23.

²⁹⁴ Özbek, *İmparatorluğun Bedeli*, 28.

²⁹⁵ Ömer Yazan, "19. YY. Sonlarında Osmanlı Tarım İşletmelerinde Yönetim ve Muhasebe Uygulamaları: Çiftlik İdaresi Örneği", *MUFTAD*, Özel Sayı, (Eylül 2018): 84.

The absence of a tax organization at the local level that will ensure the proper identification and follow-up of tax base and realize effective tax collection drove the state to cooperate with tax intermediaries such as tax farmers, notables, *voyvodas*, and *mutasarrifs*. The tax farming and mansion practices, which remained operational until the last period of the empire, caused a significant part of the taxes collected in the provinces to remain in the hands of these intermediary classes. In fact, the dynamic that steers the Ottoman political history is, in a sense, the relations between the central government and the privileged classes in the countryside, sometimes collaborating and sometimes in conflict.²⁹⁶

There were three problematic areas identified by the Tanzimat reformers in the Ottoman tax system: 1) The intermediaries between the taxpayer and the central treasury kept a significant part of the taxes they collected and refrained from transferring them to the center 2) The tax burden could not be shifted to the urban economy 3) The collective determination of the tax base and failure in failure in individual wealth taxation.

Ottoman administration tried to overcome these problems with the methods of collecting taxes through *muhassılık* or *emanet* method (tax collection via salaried state officers), levy on dividend tax based on revenue surveys, imposition of real estate and income taxes, and investing in administrative technologies.

With the Tanzimat, the Ottoman government took important steps to reconstruct the tax system. Transition from a system exceptions, exemptions and intermediaries abound, to a tax system in which everyone with the ability to pay would pay taxes was the main goal of the Tanzimat finance administration.²⁹⁷

The principle followed in the reform of the tax system was to abolish the method of collecting the same amount of tax from everyone (*mesavat*), which had been valid until that time, and to distribute the tax to the taxpayers according to the income and wealth to be determined by the censuses. This tax base distribution

²⁹⁶ Özbek, *İmparatorluğun Bedeli*, 121.

²⁹⁷ Güran, *19. Yüzyılda Osmanlı Ekonomisi*, 313.

method is called *tevzi*, and the tax collected in this way is called *ancemaatin* tax (a tax collectively imposed and collected on an administrative unit basis). As can be understood from the name of the tax, the collective distribution method could not be abandoned in the collection of this tax, but an initiative was started to build a fairer taxation system based on the ability to pay.²⁹⁸

With this initiative, the state tried to minimize the role of intermediaries in tax collection and to collect taxes with its own central and local organization, to that end, the *muhassılık* system was established. However, this system was abolished several times and put into effect again due to the sudden decreases in tax revenues and the cost of the method. There has been a return to the tax farming system in the collection of many public revenues, especially tithe. The aim of the state to collect taxes by eliminating the intermediaries was not fully achieved in the nineteenth century, and dependence on local dignitaries in tax collection continued.

In the nineteenth century, the problems mentioned above stimulated the Ottoman tax administration to build an income tax system centered on the individual's non-agricultural income and wealth. As it is known, in direct taxation practices, taxpayers are expected to generate all their income in line with their own declarations, determine the tax base and pay the tax levied on this base. In terms of tax administration, other requirements of the system are to have full and up-to-date information about taxpayers' identities and income sources, and to control the accuracy of the tax base through the taxpayers' accounts and records if necessary. In other words, the smooth functioning of a declaration-based income tax system is closely related to the taxpayers having a proper registration and declaration habit. However, until the mid-nineteenth century, the Ottoman Empire lacked the financial and technological means to control the tax base on the basis of each taxpayer and to carry out a standard taxation throughout the empire. It would not be correct to describe this situation as a problem unique to the Ottoman Empire,

²⁹⁸ Vedat Eldem, *Osmanlı İmparatorluğunun İktisadi Şartları Hakkında Bir Tetkik*, (Ankara: Atatürk Kültür, Dil ve Tarih Yüksek Kurumu Türk Tarih Kurumu Yayınları, 1994), 166.

because not being able to establish a uniform tax system is the common problem of empires in the pre-industrial revolution.

It is worth discussing whether there is a relationship between the nineteenth century tax reforms of the Ottoman Empire and the transformation in the accounting system in the same century. In particular, the accounting regulations put into effect after the Republic were shaped under the pressure of compliance with tax laws, which brought this question to a more special position in Turkish practice. The regulations made after the Republic reinforced the impression that the state perceived accounting as a tool for the correct determination of the tax base rather than a financial information instrument for all actors in the economy. Even the fact that the accounts in the Uniform Chart of Accounts, which came into force in 1994, were constructed in line with the valuation provisions of the tax laws is a reflection of this approach of the State. The Tax Procedure Law No. 213, which is still in effect today, has brought mandatory rules for the valuation of all business assets and liabilities. Businesses operating in Turkey have to apply the valuation provisions in the Tax Procedure Law and ultimately harmonize their income/corporate tax returns with the tax requirements in these provisions, despite the possibility that their financial statements may diverge from fair value. This situation still makes the compelling and weighty of accounting for tax purposes felt in economic life.

In today's income taxation, the taxpayers calculate their tax base in compliant with the legislation in effect, filing the tax returns, and pay the taxes to tax offices. The tax administration audits the taxpayers' returns to control the if the tax base properly calculated. What this check-balance mechanism, which seems quite normal for our day, meant for the Tanzimat administration, and afterwards for Sultan Abdulhamid II and the *İttihat ve Terakki* government? The fact that the finance governance did not attempt a transformation in the field of accounting in the ten years following the Tanzimat Edict suggests that the state did not consider it essential to create a private sector accounting for the establishment of the new tax system. Indeed, the Ottoman administration did not make any regulation on commercial accounting

until the publication of the Commercial Code of 1850. This inactivity in accounting may be related to the political and economic conditions of the period, rather than the lack of information at the state level. It would be delusional to think that taxpayers could fulfill the requirements of modern accounting in terms of scale, experience and knowledge in the Ottoman economy based on agriculture, where private entrepreneurship and capital accumulation were insufficient. As a matter of fact, confirming this judgment, the passage of the Commercial Code, which brought the first regulations on commercial books in 1850, did not create a significant stir in the field of accounting in the first place. By 1880s, it can be said that there was no serious progress in the field of accounting at the theoretical or practical level. Given that, the state, to figure out a quick and efficient solution for the tax base determination in a pragmatical way, commenced individual wealth and income survey across the country.

In the teaching of Ottoman history, while the nineteenth century reform movements' political aspects are emphasized, the reform practices of the tax system were somewhat neglected. The desire to build a new tax system based on modern principles constitutes the financial backbone of the Tanzimat movement. As a matter of fact, the centralization and modernization movement initiated with the Tanzimat made it essential to increase the budget revenues seriously. During the nineteenth century, with the efforts both Tanzimat statesmen and Sultan Abdulhamid II's efforts, the Ottoman tax system was greatly changed and a significant part of the tax revenues gradually passed under the control of the central Treasury.²⁹⁹

Although great progress has been made in the centralization of tax revenues, it would not be correct to claim that the Ottoman Empire had absolute dominance over its own finances at the end of the nineteenth century and even at the beginning of the nineteenth century. As a matter of fact, as of 1878, the intervention of the OPDA in the financial decision-making processes of the Ottoman Empire and the

²⁹⁹ Stanford J. Shaw, "The Nineteenth-Century Ottoman Tax Reforms and Revenue System", *International Journal of Middle East Studies*, Vol. 6, No. 4, (1975): 421.

handing over the right to collect taxes at the local level in return for the realization of large infrastructure investments were also important factors that overshadowed financial independence. For example, the German companies, which bought the operating rights of the 1890 Thessaloniki-Manastır railway, were given the right to collect the taxes of these regions. In 1894, the German entrepreneurs lent 40 million francs to the Ottoman Empire for the construction of the railways. 163,636 pounds to be obtained from the income tax was shown as a compensation for this debt. Again in 1894, tax collection privilege of Aydın, Denizli and Saruhan regions was given to German companies in return for the construction of İzmir-Kasaba-Alaşehir railway. More strikingly, for the country as a whole, the income of 28 out of 74 sanjaks in Ottoman Asia was given to Europeans as collateral for railroad earnings guarantees.³⁰⁰

The tax agenda of the Tanzimat was announced on February 23, 1838. According to the regulation, all shar'î taxes were abolished, except for the *ağnam* and the *cizye*. One tenth of the tithe was reserved as the only tax to be collected from agricultural production.

Another of the new taxes included in the financial system is the *virgü-yi mahsusa* or *virgü*. In the places where the Tanzimat was implemented, a group of taxes dubbed *tekalif-i örfiyye* collected from the people under the name of was abolished, and a new tax, which was to be collected by the method of *tevzi* was introduced instead.³⁰¹ This tax is also called *ancemaatin* because it is collected from taxpayer groups in a collective manner. The 1840 Regulations ordered that the tax be levied and distributed at a rate of one in thousand according to the solvency of the households, taking into account the real estate, land, animals and dividend income of the taxpayer groups.³⁰²

Ancemaatin tax is a tax that is distributed to the districts as a result of the census made and that is collected collectively by apportioning it according to the income

³⁰⁰ Akkuş, "Osmanlı Taşra Maliyesinde Reform", 174.

³⁰¹ Özbek Özbek, *İmparatorluğun Bedeli*, 40.

³⁰² Şevket Kamil Akar, "1876-1908 Yılları Bütçelerine Göre II. Abdülhamid Dönemi Maliyesi", (Doktora Tezi, İstanbul Üniversitesi, 1998), 200.

of everyone living in the neighborhood, township or village.³⁰³ The collection of the tax is made by the notables of the locality, such as the headman, imam or priest.³⁰⁴ The *virgü* would be collected by sharing it among the local people after the income and wealth counts were made in the places where the tanzimat was applied. The amount of the tax was determined by the Ministry of Finance at the provincial level, and then divided among the sub- districts, i.e. neighborhood and village level, respectively. The tax was planned to be collected from taxpayers according to their ability to pay. *Ancemaatin* tax is not a fixed wealth and income tax, but is a dynamic tax that can be adapted to the current financial situation of the taxpayer, taking into account the changes in the ability to pay of the taxpayers with the help of estimations to be made over time. With the enactment *ancemaatin* tax, drudgery and customary in-kind levies were abolished, at least on paper.

In order to distribute the tax burden among households according to their economic power, it was necessary to know the income and wealth of the households.³⁰⁵ The cadastral survey operations, which started in 1840 as preparations for taxation, were interrupted by the abolition *muhassılık* system. In 1845, within the framework of the *tensikat-ı mülkiye*³⁰⁶ program, the census processes started again and wealth and income (temettuat) were determined on a household basis for 1844 in many regions.³⁰⁷ However, until the 1860s, the census could not be carried out fully, and in the regions where censuses were accomplished, tax distribution could be made according to the old method, according to the criteria of household, hearth, population and couple. Since the tax was distributed like customary taxes until the 1860s, the objectives of personalizing the tax and collecting taxes according to the

³⁰³ Mehmet Emin Türklü, “Tanzimat Döneminde Ancemaatin Vergi Uygulaması ve Yaşanan Usulsüzlükler Üzerine Bazı Şikâyetler (1841-1865)”, *Current Research in Social Sciences*, 2/3 (2016): 132.

³⁰⁴ Akar, “1876-1908 Yılları Bütçelerine Göre”, 200.

³⁰⁵ Güran, *19. Yüzyılda Osmanlı Ekonomisi*, 315.

³⁰⁶ *Tensikat-ı Mülkiye* is a program that also includes research/supervision studies such as preliminary income surveys, zoning councils and the invitation of provincial representatives to the capital in 1845. Revision of the tax system was one of the important pillars of this program. For further information about Tensikat-ı mülkiye see: Ayla Efe, “1845 Temettuat Sayım Sonuçları Ne Oldu?”, *Journal of History Studies*, Volume 8, Issue 1, (2016): 19-35; Ayla Efe, “Tanzimat’ın Eyalet Reformları 1840-64: Silistre Örneği”, *Karadeniz Araştırmaları*, Cilt: 6, Sayı: 22, (2009), 87-113.

³⁰⁷ Efe, “1845 Temettuat Sayım Sonuçları Ne Oldu?”, 19-20.

ability to pay could not be realized in the twenty years after the proclamation of the Tanzimat. *Virgü-yi mahsusa* remained an operation to simplify the tax system, and this situation did not change over twenty-five years.³⁰⁸ *Ancemaatin* tax continued from 1839 to 1858, but as the order of this system deteriorated over time, a more solid basis and base determination requirement arose.³⁰⁹

Even if *virgü-yi mahsusa* is implemented, the *tevzi* system remained operative. Because, the customary tax amounts, which were previously imposed through the *tevzi* books, were taken as the basis for the *virgü-yi mahsusa*, and it was decided to collect the tax in two installments in April and May.

Yakup Akkuş supposes that the main purpose of the state in the *virgü-yi mahsusa* application is to abolish the local and customary distribution books, and to bring the tax revenue under the control of the local power holders completely under the control of the central finance. Although the tax is used to cover local expenses, just like in the distribution books, yet this new tax was determined before the realization of the expenses, unlike the *tevzi* application. In this way, the financial administration aimed to prevent the provincial notables from making the expenses with interest-bearing borrowing and ultimately determining the *tevzi* amounts to include interest. In this way, no expenses made unless there is a provision in the treasury. As it can be understood from these practices, although the distribution method of *virgü-yi mahsusa* is similar to that of the *tevzi* books, however this time the authority in the administration of the tax has shifted from the local to the center.³¹⁰

On the other hand, *tevzi* registers and *temettuat* registers distinct from each other in terms of their purpose of arrangement. While the *tevzi* books reveal the taxes to be collected directly from the public, the *temettuat* books show the income and wealth that will be taken as a basis in the calculation of taxes on a taxpayer basis. Despite this difference, both books did not lead to different results in determining the tax

³⁰⁸ Özbek, *İmparatorluğun Bedeli*, 125.

³⁰⁹ Eldem, *Osmanlı İmparatorluğunun İktisadi Şartları*, 167.

³¹⁰ Yakup Akkuş, “Osmanlı Maliyesi Literatüründe İhmal Edilmiş Bir Tartışma: Tevzi‘ Defterlerinden Vergi-i Mahsusa’ya Geçiş”, *Tarih Dergisi*, Sayı 65, (2017): 37-55.

base of the taxpayers; let it be based on the *tevzi* or *temettuat* book, this tax was collected on the basis of regional distribution until the end of the Empire.³¹¹

The *temettuat* (income) tax is an imposition levied on the income of the merchants and artisans.³¹² This tax was not tax-farmed. *Temettuat* tax is a tax that is collected by estimating and appreciating the annual income of merchants and artisans.³¹³ The new tax regime brought by the Tanzimat aimed that the merchants and artisans would be subject to a new profit tax, which would be determined according to their income and ability to pay, instead of the consumption taxes levied on the urban population.³¹⁴ The *temettuat* tax imposed in 1839 remained on individual wealth rather than commercial gains in cities, contrary to what was intended, until the 1860s, as the first censuses of the Tanzimat period was able to determine the wealth of individuals rather than their annual earnings.³¹⁵ Over the next twenty-years, taxation continued to be made on the basis of household, hearth, population or couple, as in customary taxes.³¹⁶

The new tax system was planned to be put into practice in every city and province after the completion of the income surveys commenced in the time of Mahmud II. All these taxes were to be collected by *muhassıls*. In order for the changes to be put into effect as soon as possible, censuses and cadastral surveys were initiated in many parts of the country.³¹⁷ By switching to the *muhassıllık* system, the state aimed to abandon the tax farming method, which had been used for centuries in the collection of all kinds of state revenues, and thus to draw the tax revenues remaining in the hands of intermediary classes such as tax farmers or notables to the central treasury.

The surveys, which played a key role in the financial projections of the Tanzimat administrators, could not be fully executed until 1858, and taxes continued to be

³¹¹ Akkuş, “Osmanlı Maliyesi Literatüründe”, 50.

³¹² Çakır, *Tanzimat Dönemi Osmanlı Maliyesi*, 48-49.

³¹³ Muharrem Öztel, *II. Meşrutiyet Dönemi Osmanlı Maliyesi*, (İstanbul: Kitabevi, 2009), 82.

³¹⁴ Shaw, “The Nineteenth-Century Ottoman Tax Reforms”, 422.

³¹⁵ Özbek, *İmparatorluğun Bedeli*, 31.

³¹⁶ Güran, *19. Yüzyılda Osmanlı Ekonomisi*, 316.

³¹⁷ Shaw, “The Nineteenth-Century Ottoman Tax Reforms”, 422.

collected *ancemaatin*.³¹⁸ After the first *temettuat* surveys made in a limited number of regions in 1840, more comprehensive censuses were made in 1845, but these censuses were also made on the basis of households rather than individuals. According to Özbek, these censuses are not much different from the sixteenth century censuses in terms of their distribution and calculation methods based on the tax revenues of the previous year. For example, tax is levied by multiplying the previous year's tithe collection by eight or ten for agricultural earnings. Non-agricultural incomes and the incomes of artisans and traders from industrial and commercial activities were determined purely based on estimations. The tax determined according to budget deficit were splitted among the regions and local people.³¹⁹ Güran considers that the surveys of 1858 were organized for functional purposes rather than measure the taxpayers' real ability to pay. The pragmatic approach of the fiscal administration, focused on quick and easy tax collection, was a factor that reduces the chance of grasp taxpayers' real income and wealth.³²⁰

In places where surveys was made, the tax would be collected through *muhassls*, and in places where tahrir was not done, in accordance with the former *tevzi* method. For the collection with *tevzi* method, the headman of neighborhood, infantry, cavalry, and gendarmery would work in collaboration. the first step of taxation was the headman. The neighborhood or village headman would distribute and the tax demanded by the government to his people and notify them.³²¹

By 1870s, *temettuat* tax survived as a part of the *ancemaatin* tax, and until the 1860s, it was included in the composition of the *virgü* or *virgü-yi mahsusa* rather was collected as *ancemaatin* method.³²² However, in accordance with the Survey Instruction dated 1858 and the General Survey Regulation dated 1860, for the first time a tax of 30 per thousand was imposed on individual annual income, real estate

³¹⁸ Özbek, *İmparatorluğun Bedeli*, 41.

³¹⁹ Özbek, *İmparatorluğun Bedeli*, 124-125.

³²⁰ Güran, *19. Yüzyılda Osmanlı Ekonomisi*, 192.

³²¹ Akar, "1876-1908 Yılları Bütçelerine Göre", 193.

³²² Özbek, *İmparatorluğun Bedeli*, 128.

and private property.³²³ Thus, *ancemaatin* tax was broken into three: Land tax, building tax, and dividend tax.

The rate of dividend tax reached 40 per thousand in 1879-80 and 50 per thousand in 1885-6. This tax, which was previously taken from tradesmen and merchants, was later applied to paid workers. Implementation of dividend tax in the provinces of In Baghdad, Basra, Tripoli, Yemen, Hijaz and Erzurum started with the budget laws of 1909-10 and 1910-11.

With respect to the regulation dated December 21, 1907, the *temettuat* tax was to be collected by the public property collectors, in two installments in March and September, from the merchants and artisans located in the provinces, districts, town centers and places with a population of more than two thousand. Industrial enterprises, traders, artisans and craftsmen would be subject to fixed tax over the tax brackets determined in the regulation, not to exceed 3 percent of their annual income. Proportional tax was also applied to some taxpayers who did not registered for fixed tax or had high income.³²⁴

According to the Tamettuat Tax Regulation adopted on 12 November 1914, the tax was divided into three parts as proportional, variable and fixed depending the place where the income is generated. Calculating the tax base of the *temettuat* tax, cities were broken into classes in proportion with their population, or according to the where they located. The cities have railroads or sea shore were taxed with higher rates. Proportional and variable taxes were levied on those who owned a business, and fixed taxes were on those who did not have a specific place of business. These classes consist of brokers, banks, shipping companies, contractors, wholesalers, self-employed people, factories mills and workshops taxed according to the number of employees.³²⁵

³²³ Öztel, *II. Meşrutiyet Dönemi Osmanlı Maliyesi*, 82.

³²⁴ Öztel, *II. Meşrutiyet Dönemi Osmanlı Maliyesi*, 82-83.; Akar, “1876-1908 Yılları Bütçelerine Göre”, 208.

³²⁵ Öztel, *II. Meşrutiyet Dönemi Osmanlı Maliyesi*, 84.

Until 1886, the tax burden was estimated by competent and sworn persons elected from the municipal and town councils in each neighborhood. In the same year, it was decided to appoint two members from tradesmen and artisans to the commissions. This tax was also collected by the collectors.³²⁶

In the *İstikraz-ı Mecburi Nizamnamesi* (Mandatory Borrowing Regulation) of 1877, it was admitted that there was no reliable trial balance in order to specify everyone's wealth and ability to pay, and therefore it was an obligation to collect the dividend tax by distribution method.³²⁷ Dividend did not qualify as an income tax. When agricultural producers were excluded from the tax in 1881, real estate and rental income tax remained the main tools for taxing the urban economy.³²⁸ Even in the last years of the Empire, the share of *temettuat* tax in budget revenues remained quite low.³²⁹

As mentioned before, in 1840, customary taxes were abolished and a new tax, *ancemaatin* tax was put into effect. In the regulation introducing this tax, it is stated that tax will be imposed on buildings and land. For nearly twenty years, the estate tax was collected as a part of the *virgü*.³³⁰

Estate and *temettuat* tax were recorded as "virgü" in general budgets together. In the following legislation, the property tax was seen as a continuation of the *virgü-yü mahsusa*, and the dividend tax was evaluated as an independent tax.³³¹

These taxes levied on real estate were collected under two separate headings as property tax and land tax. Agricultural or privately owned lands, vineyards, gardens, groves, forests and land areas were considered as land and were subject to land tax. Income generating buildings such as factories, mills, inns, baths, shops, and houses were subject to property tax. The determination of the real estate or land subject to tax was made upon the application of the property owner or by the accrual

³²⁶ Akar, "1876-1908 Yılları Bütçelerine Göre", 206.

³²⁷ Özbek, *İmparatorluğun Bedeli*, 128-129.

³²⁸ Özbek, *İmparatorluğun Bedeli*, 31.

³²⁹ Öztel, *II. Meşrutiyet Dönemi Osmanlı Maliyesi*, 86-87.

³³⁰ Akar, "1876-1908 Yılları Bütçelerine Göre", 200.

³³¹ Akkuş, "Osmanlı Maliyesi Literatüründe", 47.

officers. Accrual officers regularly inspected property in areas under their responsibility.³³²

Land and property taxes began to be levied and collected after 1858, depending on the tax surveys. Both tax, was collected from all cultivated land, lands and buildings in urban areas at the rate of 4 per thousand (4 piastre for every 1,000 piastre of the value of the house). Even if the owner lived in the house himself, he was obliged to pay the same amount of tax. When renting the house, the landlord had to pay a tax of four percent on the rental income. In the implementation of this tax, some landlords showed the properties they had rented out as if they were living and paid low taxes. To prevent such abuses, the government has made some adjustments to the rate of the tax, making it unimportant to whose name the house is registered. Since this tax was collected directly by the finance officers with the help of the municipalities, the problems experienced in the collection of agricultural taxes were not experienced in the collection of this tax. Real estate tax has become a remarkable revenue for both the treasury and the municipalities and played an important role in shifting the tax burden from the provinces to the cities.³³³

In 1910, Building Tax Law was adopted. This tax was to be levied on the gross income obtained from real estate. Taxation started over a tariff created based on the type of property and its tax survey value. In places where tahrir was not made, the provisions of the Real Estate Tax Regulation dated 24 July 1302 were applied. During the Second Constitutional Monarchy period, the rate of tax in total tax collections ranged between 9% and 10.4%. The share of tax in direct taxes varies between 16.2% and 21.6%.³³⁴

One of the important taxes of the late Ottoman financial system is the *vergi-i şahsi* (individual tax). Initially, this tax was applied only in extraordinary times when the state's cash need was very high. In order to meet the cash need arisen from the Ottoman-Russian War in 1877 and the conflict with Greece in 1881, the State

³³² Öztel, *II. Meşrutiyet Dönemi Osmanlı Maliyesi*, 78.

³³³ Shaw, "The Nineteenth-Century Ottoman Tax Reforms", 428.

³³⁴ Öztel, *II. Meşrutiyet Dönemi Osmanlı Maliyesi*, 78-82.

applied *vergi-i şahsi* twice.³³⁵ The tax imposed in 1881 was a kind of wealth tax collected only once from the people of Istanbul, Üsküdar, Galata and Eyüp, tax officers, employees and their retirees; merchants; small business.³³⁶

For the first time in 1903, this tax gained a general character and the entire male population between the ages of 18-70 was included in the scope of personal taxation. The tax assessment of the personal tax, introduced in 1903, was based on the principle of sharing the tax determined over the estimated income levels of the individuals among the taxpayers, as in the previous taxes. The tax was to be applied in the regions where the surveys performed. Taxpayers in scope of the tax were broken into eight groups according to their estimated income levels, and half of the total taxpayer population was small farmers. The farmers, who made up the first group, were obliged to pay a tax of 5 piastre per year, while the artisans and traders were liable to pay taxes equal to their two-day profits. However, the tax to be paid by artisans and merchants would be calculated on their estimated earnings, not their real taxable income.³³⁷

The *vergi-i mahsusa* application of 1903 brought certain novelties such as segregation of taxpayers according to their income brackets, preparation of population registers for the determination of taxpayers on an individual basis, formation of commissions for determination of taxpayer classes, notification of the levied tax to the taxpayers. Law enforcement provisions within the regulations are indications that the tax has acquired a formal character.³³⁸ Despite all these innovations, adhering to the estimation method in the assessment of the tax base and the *tevzi* method in the tax assessment indicates that the tax still does not have the most important features of the modern income taxes.

³³⁵ Özbek, *İmparatorluğun Bedeli*, 114-115.

³³⁶ Arzu Terzi, "Osmanlı-Yunan Tashih-i Hudud Meselesi Sırasında Başvurulan Bir Mali Kaynak: Vergi-i Şahsi", *İstanbul Üniversitesi Tarih Enstitüsü Dergisi*, Prof. Dr. M. Münir Aktepe'ye Armağan, (1997), 537.

³³⁷ Özbek, *İmparatorluğun Bedeli*, 131.

³³⁸ Özbek, *İmparatorluğun Bedeli*, 132-134.

The 1903 tax was met with great resistance in regions such as Yemen, Tripoli, Albania and İşkodra, where political tensions were at an extreme, therefore, these regions had to be excluded from the scope of the tax.³³⁹ After the empire-wide resistance to the 1903 tax, some changes were made in the practice of the tax in 1905. First of all, Ottoman farmers became exempt from tax, and then civil servants and those living in the cities and dealing with agriculture were excluded from the scope of the tax. The tax has turned into an additional income and wealth tax collected from those engaged in non-agricultural activities only in the provinces, districts, districts and towns. In addition to the expanding exemptions, changes were made in the taxpayer classification. The number of taxpayer categories, which was eight before, has been reduced to three. New taxpayer groups of tax; artisans and merchants, wholesale traders and ranchers, and the wealthy. Taxpayers included in these groups would pay different amounts of tax depending on the region they reside in. In tax practice, tax amounts were differentiated from low to high, depending on whether the place of residence was a district, a liva or a province.

Dividend tax, which is inherited from the Ottoman Empire and collected on industrial and commercial gains, was abolished in 1926 and the Income Tax was introduced. The main reasons for the abolition of the dividend tax are that it is far from income flexibility, its collection amount is low. The Income Tax includes the earnings of individuals and capital companies, commercial and industrial earnings of real persons, self-employment earnings, wages, earnings of public administrations, earnings of associations working for commercial purposes and temporary earnings.³⁴⁰

Income tax aimed to tax the taxpayers according to their financial situation.³⁴¹ This new tax has brought the principle of levying tax on the profit figure in the financial

³³⁹ Özbek, *İmparatorluğun Bedeli*, 135-137.

³⁴⁰ Cemil Adar Yılmaz and Cihan Yüksel, “Türkiye’de Tek Parti Dönemi Vergi Politikaları”, *Milli Kültür Araştırmaları Dergisi*, Cilt: 3, Sayı: 1, (2019): 87-88.

³⁴¹ Şahin Yeşilyurt and Ali Tuna, “1926 Yılı İstanbul Ticaret Ve Sanayi Odası Raporu Çerçevesinde Aşar Vergisinin Kaldırılması ile İlgili Bir Değerlendirme”, *Atatürk Araştırma Merkezi Dergisi*, 33/95, (2017): 45.

statements prepared by the taxpayers according to their own book records. The Income Tax Law is the first to refer to modern accounting terminology.

According to the twelfth article of the Income Tax Law, in the assets side of the balance sheet, the taxpayer's assets, the value of the fixtures, the assets and deposits in his safe and banks and his receivables from various debtors takes place. In the liabilities side, its capital, reserves and debts are shown. The difference between the assets and liabilities side of the balance sheet reveals the total profit and loss. If the assets of the balance sheet exceeds the total liabilities, it means that the taxpayer closed the commercial year with profit. This amount of profit and loss determined represents the net profit and loss. Taxpayers transfer this profit/loss amount to the relevant line of the declaration. The profit and loss amount in the statement and the balance sheet must be equal.³⁴²

As can be understood from the above provision, the income tax base is the net profit calculated according to the DEB. The balance sheet composition described in the article is exactly the same as the balance sheet structure stipulated by DEB.

In the thirteenth article of the law, detailed profit and loss statement is mentioned. The profit column of this schedule will include the gross profits from each of the accounts closed with profit in the taxpayer's commercial books. Loss column, on the other hand, consists of losses arising from accounts closed with loss, operating expenses, salaries, rent, announcement and communication, repair, insurance, interest expenses, taxes and duties levied on behalf of the institution, and similar expenses other than earnings tax.

A taxpayer cannot write down the fee, contribution and personal expenses accrued on his behalf in return for the capital invested in the loss account. However, if the partner of the company performs another duty in the company other than the capital he has invested, he may be paid a salary or salary and these can be shown in general expenses, but this amount must be shown in the employee's declaration.

³⁴² *Resmi Ceride*, No. 321, 14 Mart, (1926), p. 1147

The law also gives taxpayers the right to amortize its immovable assets. Calculated depreciation cannot exceed ten percent of the asset's value. In capital companies, depreciation can be made within the rates determined by the government in the depreciation of the vehicles and real estates belonging to the company.

The law also stipulated the approval of the books and obligated to keep the books for three years. Arrangements have also been made regarding the control and submission of the taxpayer's books. In cases where the taxpayer does not submit his book to the examination and does not keep a book, he may face penalty assessment. In the thirteenth article of the law, detailed profit and loss statement is mentioned. The profit column of this schedule will include the gross profits from each of the accounts closed with profit in the taxpayer's commercial books. Loss column, on the other hand, consists of losses arising from accounts closed with loss, operating expenses, salaries, rent, announcement and communication, repair, insurance, interest expenses, taxes and duties levied on behalf of the institution, and similar expenses other than earnings tax.

The taxpayer cannot write down the fee, contribution and personal expenses accrued on his behalf in return for the capital invested in the loss account. However, if the partner of the company performs another duty in the company other than the capital he has invested, he may be paid a salary or salary and these can be shown in general expenses, but this amount must be shown in the employee's declaration.

The law also gives taxpayers the right to depreciate their fix assets. Calculated depreciation could not exceed ten percent of the asset's value. In capital companies, depreciation can be made within the rates determined by the government in the depreciation of the vehicles and real estate belonging to the company.

The law also stipulated the approval of the books and to preserve the books for three years. Arrangements were also been made regarding the inspection and submission of the books. In cases where the taxpayer does not submit his book to the

examination and does not keep a book, he may face penalty assessment *ex officio*.³⁴³

The most noteworthy aspect of the general consumption tax was its collection. This tax was collected by affixing stamps. The seller gave one of the two pieces of stamps to the customer to pay the tax, and affixed the other to his book. Each seller had a general sales or transaction ledger. The seller had to record every sale or transaction he made, regardless of whether it was cash or credit. In wholesale and transactions, the seller was obliged to paste the remaining portion of the tax stamp on the transaction line in his book. In retail sales and transactions, there was no obligation to affix stamps for each transaction. In the evenings, the seller could collect all the sales or transactions he had made in one day and affix stamps for all of them. All sellers were obliged to keep their books for three years.³⁴⁴

In 1920's, as well as income tax, excise tax laws were consecutively promulgated. The first examples of modern excise taxes in Turkey are the "general excise tax", "entertainment tax", and "special excise tax" which were enacted in 1926.

The general excise tax specified in the Law numbered 735, was a cascading transaction tax and applied for all phases of commercial sales and transactions with few exceptions. The tax base was the values of the goods and services subject to relevant transactions. Its rate was 2.5%. In this regard, special excise tax and entertainment tax were imposed on services exclusive of essential consumption goods. In places such as restaurants and casinos, the fees collected from customers constituted the tax base. The taxpayers were the institutions that collected the tax. The second expense, which was the subject of the tax, was the fees collected at the entrance to some entertainment and show venues. The rate of the tax varied between 10 and 30%, depending on the class of the establishment. This tax was collected by affixing stamps.³⁴⁵

³⁴³ Yılmaz and Yüksel, "Türkiye'de Tek Parti Dönemi Vergi Politikaları", 88.

³⁴⁴ M. Orhan Dikmen, "Türkiyede Muamele Vergisinin İnkişafı" *İstanbul Üniversitesi İktisat Fakültesi Mecmuası*, 5.1-4, (1945): 101.

³⁴⁵ Dikmen, "Türkiyede Muamele Vergisinin İnkişafı", 101-102

Both taxes were abolished after one year due to the problems encountered in the implementation. One of these problems was that many establishments were not able to keep the books required by law. Moreover, in some cases, although tax was collected from the seller, the stamp was not issued, so the tax that had to be transferred to the Treasury remained in the hands of the seller. Again, some taxpayers did not keep any books or they kept them very irregularly. In these conditions, where document order and control mechanisms could not be provided, it was not possible to control whether every transaction was written in the book or whether a stamp was affixed to the book in return, even if it was written. Upon these drawbacks, amendments were made to collect the tax from some taxpayers on a fixed amount basis. Despite this change, the tax did not last long and was abolished with the introduction of the transaction tax in 1927.³⁴⁶

The Law numbered 735 obliges taxpayers to keep a book in order to record taxable transactions; however, the law has not made any determinations on the types of these books and the recording rules. It is understood that the Law numbered 735 did not require taxpayers to keep books in compliance with the Commercial Code. The legislator deemed it sufficient for the taxpayers to keep a book in any way they wish for the collection and recording of the excise tax.

The transaction tax imposed in 1927 by the Law No. 1039 is a collective transaction tax imposed on industrial production. This tax is collected on the first sale of the industrial product.³⁴⁷ Tax was levied on domestically produced and consumed items, imports, exports, and banking and insurance transactions. It was thought that the losses in the tax assessment and collection would be prevented since the establishments that were obliged to keep books according to the new tax were more or less large and corporate establishments.³⁴⁸

According to the seventh article of the Transaction Tax Law, the owners of the industrial establishments that are liable for this tax were obliged to keep one or

³⁴⁶ Dikmen, "Türkîyede Muamele Vergisinin İnkişafi", 103-104.

³⁴⁷ Dikmen, "Türkîyede Muamele Vergisinin İnkişafi"104.

³⁴⁸ Dikmen, "Türkîyede Muamele Vergisinin İnkişafi"105.

more of the “raw material”, “manufacturing” and “sales” books. Taxpayers must preserve these books for one year, starting from the end of the year they are used, together with the proving documents. According to the eighth article of the Law, the transaction tax of industrial establishments was calculated over the product sales values recorded in the books they kept, and was accrued upon a declaration submitted by the institutions to the finance office on the first day of each month.³⁴⁹

Law No. 1039, no provision available that has been made that the books that taxpayers will keep in accordance with the Commercial Code can be used in the registration of these taxable transactions. The Transaction Tax Law has created a bookkeeping obligation in line with the Commercial Code for businesses. The Law has not made any determination regarding the accounting method to be used in these books. Therefore, it is not possible to say that this Law has a direct effect on the Turkish accounting system.

CHAPTER THREE: HRSB’S ACCOUNTING SYSTEM AND BUSINESS NETWORKS

Business Location and Activity Period of HRSB

In the catalog of Istanbul Chamber of Commerce and Industry published in 1923, the names of the bankers, merchants and brokers as well as their business areas and workplace addresses are given in alphabetical order. According to the aforementioned publication of the Chamber, Hafız Rüşdü and Saim Brothers Enterprise was engaged in the carpet trade in Mateo Han, located in the Tarakçılar District of Istanbul.³⁵⁰ It is estimated that Mateo Han, also known as the “High Han”, which still exists today, was built in the second half of the 1800s.³⁵¹ According to the publication of the Istanbul Chamber of Commerce, there were five other merchants engaged in the carpet trade in Mateo Han, apart from HRSB. We

³⁴⁹ Resmi Ceride, Sayı 598, (1927), p. 2533.

³⁵⁰ *Dersaadet / İstanbul Ticaret ve Sanayi Odası'nda Kayıtlı Olan Banker, Tüccar ve Komisyoncular*, Çev. Zekeriya Kurşun, (İstanbul: İstanbul Ticaret Odası Yayınları, 2008), 32

³⁵¹ For the photo showing today’s Mateo Han, see Appendix C.

can therefore easily say that Mateo Han was one of the important centers of the period in the carpet trade of Istanbul with its many carpet merchants.

In the publication of the Istanbul Chamber of Commerce and Industry, merchants are grouped into four classes according to their business scale. The first group merchants represent the largest and the fourth-class merchants represent the smallest scaled merchant class. HRSB was counted among the third-class traders in the relevant catalogue. Referring to this classification, it can be suggested that HRSB was a medium or small-scaled business.

Although chamber registry records show that HRSB was in operation in 1923, sales invoices issued by some suppliers on behalf of HRSB show that the business was also operating in 1921.³⁵² The trade house was probably in operation before 1921, but unfortunately, I could not find additional supportive documents to prove it. In some of those invoices' purchaser identity section, the name of Hafız Rüşdü Efendi and Saim Brothers' father.

According to my investigations, the father Seraceddin Bey was a carpet merchant alike. Seraceddin Bey was a reputable citizen. He as an alderman of Istanbul Municipality. The carpets and prayer rugs covering the Sirkeci Train Station were supplied by Seraceddin Bey during the visits of the Emperor of Germany and the Emperor and Empress of Austria to Istanbul. He was honored with a medal of merit by the government in return for this service.³⁵³

HRSB's Accounting Books

In this chapter, HRSB's journal³⁵⁴ and ledger³⁵⁵ dated to 1 January–1 September 1928 fiscal period shall be analyzed. The digital copies of both books accessible on

³⁵² For the invoices issued by various vendors on behalf of HRSB in 1921-1923, see Appendix D

³⁵³ BOA, DH.KMS.00048.00059.001, 9 November 1918.

³⁵⁴ For the digital copy of the HRSB Journal Book, see "Hafız Rüşdü ve Saim Biradeler Ticarethanesine aid yevmiye defteri", Salt Araştırma, accessed June 16, 2022, <https://archives.saltresearch.org/handle/123456789/106271>

³⁵⁵ For the digital copy of the HRSB Ledger "Hafız Rüşdü ve Saim Biradeler Ticarethanesine aid defter-i kebir", Salt Araştırma, accessed June 16, 2022, <https://archives.saltresearch.org/handle/123456789/115249>

Salt Galata Research Center Digital Archive at Istanbul were drawn upon for my research. The sample pages of the journal and ledger are attached to this thesis.³⁵⁶

HRSB books were kept in Turkish with Arabic letters and figures. I transcribed the whole journal book into Latin characters and numbers. As an accounting rule, since ledgers basically derived from journals, I found unnecessary to transcribe the grand ledger.

On 156 pages of the journal there exist numerous entries. In addition to the entry-containing pages, at the beginning and ending, there are two pages each including notary approvals. HRSB journal's opening notarization numbered 21858 was made by the Second Istanbul Notary on 10 *Kanun-i Evvel* 1297 (January 10, 1927)³⁵⁷. Each page of the journal is sealed by the authorized notary in compliance with the relevant article of Code of Commerce.³⁵⁸

According to the opening approval, HRSB journal is comprised of 599 single pages. Yet, of the book only 156 pages encapsulate journal entries. The lack of the remained 443 pages might be resulted from that Hafız Rüşdü Business stopped its operations as of September 1, 1928, or it might not have kept journal thereafter. Journal, after all, does not contain commercial transactions of the entire FY of 1928. Thus, given the lack of final account balance figures, setting up of HRSB's actual financial statements is impossible. However, it is possible to prepare an end-of-period trial balance by using the current account balances based on the last record day in the ledger.

In HRBS journal book page number is located in the upper left corner of the journal. The space in the middle of the top line of each journal entry contains the posting date of the journal entry. The distinguishing feature of the journal from today's accounting practice is that the recording order moves from right to left. As a

³⁵⁶ For sample digital page of the HRSB journal see Appendix E.

³⁵⁷ Julian (*Rumi*) calendar was abolished and replaced with Gregorian calendar on 26 Kanunievvel (December 26, 1925). After R. 1333, daily and monthly differences between two calendars were terminated.

³⁵⁸ According to the article 69 of the Turkish Code of Commerce enacted in 1926, obligatory books (journal, inventory register and copy book) should be attested by notary.

common feature of the Ottoman and early Republic periods, the asset accounts are on the right and the liability account are positioned on the left. Of course, the reverse order requires the general ledger page reference number and amount information to flow in the same order. In other words, since debit account is located on the right of the journal entry, the amount of the debit account takes part in the right column, and the general ledger page number of the debit account is also placed in the right column. **Appendix E** shows the template and record systematics of the HRSB journal by way of a sample journal page.

We can decipher the journal entry in the Appendix E as follows:

A: The page number of the journal. Usually there is multiple records per page.

B: The general ledger reference page number of the related credit account within the entry. Thanks to this page number, the creditor account can be easily found in the general ledger.

C: The general ledger reference page number of the related debit account within the entry. Thanks to this page number, the debit account can be easily found in the general ledger.

D: Journal entry date

E: Explanation of the journalized transaction

F: Name of the credit account

G: Name of the debit account

H: Transaction amount of the credit account

I: Transaction amount of the debit account

Opening Entries and Opening Balance Sheet

The preceding seven entries of the HRSB journal on January 1, 1928 are posted for the FY opening. HRSB's opening entries have the same function but are different from today's opening system. Today, with regard to DEB, the opening entries are

derived from account balances carried over from the previous year. To set off opening entries previous year's balance of debit accounts are journalized on the debit column while credit account balances are journalized on credit column. As the active and passive accounts are always equal to each other as a principle of DEB, balance sheet equation is automatically enabled as of both year endings and openings.

HRSB did not write the active and passive accounts mutually in the same journal entry in the opening entries, instead, first recorded all debit accounts in the credit column, and recorded the total amount corresponding to the total of these accounts in the debit of an account named "Balance Sheet Account". HRSB posted reverse entries for credit accounts at the opening.

One of the distinctive accounts in the HRSB books is the account called "Balance Sheet". When the general ledger of the enterprise is examined, it is seen that the relevant account is used only during the opening records of the FY. On January 1, two entries were made in the debit and five entries in the credit of the account. In terms of the general ledger, apart from these seven records, the account has not seen any other activity. It is understood that this account is used as a tool to carry the debit and credit balances in the previous FY accounts to the following year. As such, the account served as a kind of reclassification account.

Today, balance sheet account is not used for the opening entries, instead, all debit and credit accounts that have transferred balance from the previous year are opened directly with each other without using an intermediary account. In fact, there is no difference between the two applications in terms of their results.

Although we do not have the opening balance sheet of the HRSB, it is possible to create the opening balance sheet by employing the opening entries in question. **Appendix F** demonstrates HRSB's Opening Balance Sheet extracted from the opening records for FY 1928.

According to the opening balance sheet we drew up, the total assets and liabilities of the enterprise amount to TL 212,625.04. Looking at the liabilities side of the

balance sheet, HRSB's equity is equivalent to TL 50,000 which means HRSB affords about a quarter of its operating assets with its own resources. The bank credits at the beginning of the period amounts to TL 34,366.57, the value of “notes payable account” at the beginning of the year is TL 73,664.23, and the total of accounts payable is TL 54,594.24. We do not have exact information about the maturity structure of the debts of the enterprise, but we can accept that the debts to the banks are short-term, since the business worked with banks on a current account system. On the other hand, assuming that notes payable and accounts payable are also short-term, the ratio of the short-term liabilities of the business to the total liabilities is around 75%.

On the assets side of the balance sheet, the opening balance of the “cash” account is TL 1,712, the deposits in the French Bank current account is TL 6,011.60 and the total of notes receivable is TL 472,50. The business has an inventory of TL 70,383.85 in its “storehouse” account. In addition to the stocks in the storehouse account, the total amount of inventory per period is 126,712.85 TL, including the goods sent on consignment to Ahmed Kemaleddin and Zeki Nasır, the joint merchandise with Cemil Fahri, and the manufactured carpets. If we add the raw material stock called “kozakam”³⁵⁹, whose amount at the beginning of the period is TL 3,000 to this stock figure, we end up that 60% of the balance sheet assets (129,712.85 / 212,625.04 =) consists of stocks.

The FY opening amount of HRSB's “workshop” account is TL 11,225 but this amount may include the cost of the carpets that are still in the production phase as well as the fixed assets in the workshop, because HRSB records the expenses related to the cost of carpet production during the year into this account. Therefore, it is not possible to state a net amount about the composition of the fixed assets of the

³⁵⁹ The representation of the word in Arabic letters in the HRSB notebooks is قَصَقَام. I think the word could be read as "kozakam" "kozakam" or "gozakam" although I am not sure of its pronunciation. In addition, during my online inquiries, I came across some information indicating that the Persian word "gozak" means "silkworm cocoon" or "cotton cocoon" in Turkish. The explanations showing that this substance is used in carpet manufacturing in some journal entries of HRSB also supports my judgment in this direction. See <https://www.nedemek.org/gozak+nedir>, accessed 14/06/2022

enterprise at the beginning of the year. The total amount of HRSB's account receivables from third parties is TL 63,038.59 per period.

Within the current asset structure, we can assume that HRSB is stock-heavy and high inventory turnover is critical for the business. Due to the mostly short-term financing nature of the business, we can foresee that HRSB will have difficulties in meeting its short-term obligations in case of a decrease in sales volume. On the other hand, we can say that the current liquid assets are at a very low level.

The first striking feature of HRSB books is that they are kept by DEB. The books were kept in accordance with the basic principles of DEB. We do not have any information about who keeps the books of HRSB, but we can easily state that the bookkeepers have mastered the DEB. In 1928, there was a freedom in terms of bookkeeping, since the accounting principles and a chart of accounts were not enacted by the state in respect to merchants' bookkeeping in. For this reason, it should be considered quite normal for businesses to open and use accounts according to their needs while keeping books. In addition, it is rather surprising that the DEB was applied so successfully in that era. HRSB books are a promising resource for accounting history researches, because in the first quarter of the 1900s, they pose an example of the effective use of DEB by a medium-scaled business in Turkey.

Examining the HRSB books, what first attracts us is that a ledger account called *Hesabat-ı Muvakkate* (Temporary Accounts) was opened and used extensively. Records made to the account are located between pages 114 and 128 of the ledger.

HRSB registers the credit on sales transactions made to third parties in temporary accounts. When we look at the explanations of the entries in the journal, it is observed that the debit and credit amount written to the "temporary accounts" is distributed to the auxiliary accounts titled with the names of vendors and customers. When the auxiliary accounts are analyzed, it is seen that the enterprise did not open separate ledger accounts with these names. In my opinion, HRSB accounting officers opened general ledger accounts solely for third parties with whom they

have a high-level credit sales relationship, but they have followed their sales on credit with persons with whom they have less frequent commercial relations or with whom they have possibly established new commercial relations under the temporary accounts. The purpose of the business to use the temporary accounts might have been to keep the accounting system simple and straightforward without opening multiple sub-accounts. As a matter of fact, in a situation where a trader trades small amounts with many people even on the same day, opening a separate account for each of these people would not yield practical results.

Another issue with the HRBS' accounting system is that special accounts are not kept for commodity purchases and sales. In today's common accounting practice, purchases and sales of goods are kept in separate accounts. In fact, auxiliary accounts are opened in the ledger for every merchandise. In each sale of goods, the sales account is credited up to the sales price. On the other hand, for the purchase of goods, costs such as customs, transportation and assembly are added to the purchase price of the goods until they arrive at business, and the cost is calculated. Costs of purchased goods are debited to the relevant inventory account. In the following process, when the relevant merchandise is sold, first a sales record is made, and then the inventory is reduced by the cost of the sold commodity previously recorded in the inventory account. Thus, the registered stocks of the enterprise become compatible with the actual stocks. This method is called the "perpetual inventory method" and today's businesses usually determine their inventory costs in line with this method.

HRSB, on the other hand, recorded both purchase and sale transactions in the "storehouse" account. The cost of the goods to be recorded in the storehouse account is calculated by adding the transportation costs, brokerage costs etc. to the purchase price of the goods. Goods sold are recorded at their selling price. Since the unit purchase price and the unit sale price will generally not be equal, in other words, the business cannot be expected to sell at a loss, the balance of this account never shows the amount and value of the current stock. This registration procedure is a major weakness of the HRSB accounting system. In practice, in order to avoid

this problem, businesses should count all the goods in the store at certain times of the year, prepare an inventory table and try to bring the commodity account to its real value by adjusting it. When performing a stocktaking, the value of each commodity is calculated according to its price. This inventory table is then compared to the balance of the store account. If the figures in the table is higher than the balance of the account, it means making a profit on sales, and if it is lower, it means turning a loss.³⁶⁰ In this case, the profit figure is written to the debit of the storehouse account, and the loss is transferred to the profit / loss account by debiting it whereby the imbalance between the records and the actual situation is eliminated. This inventory tracking method is called “periodic inventory”. Obviously, HRSB keeps its stocks according to the periodic inventory method. Since we do not have the opportunity to see closing entries, we cannot understand whether these inventory transactions were made by the business at the close of the accounting period or earlier.

HRSB does not monitor its stocks on a sub-account basis. That’s why it is very difficult for the business to determine how much profit or loss it has incurred from each good. As will be mentioned in the following sections, the company has a wide range of stocks ranging from Turkish carpets to Persian carpets. The purchase and sale of all of these commodities are accounted for under the storehouse account and no auxiliary account was opened for the products. In this case, sales profit and loss will be calculated as a whole for all commodity types through stocktaking transactions to be made at the end of the period.

HRSB does not associate some of the commodities it trades with its storehouse account. For example, it records the prices of the carpets it bought from Uşak Anatolian Carpet Manufacturing Company in an account called "Uşak Anatolian Carpet Manufacturing Company Merchandise". HRSB invoices these carpets to customers. The two records below indicate HRSB's purchase of goods from Uşak

³⁶⁰ Arabyan, *Usûl-i Defteri*, 49.

Company. The following record shows the sales record of the carpet purchased from the Uşak Company.

March 18, 1928 / Page # 44 - Entry # 5			
<u>Credit Account</u>	<u>Debit Account</u>	<u>Credit</u>	<u>Debit</u>
Uşak Company Account	Company Merchandise	10.212	10.212
	3.491 Amount of their invoice nr. 94		
	1.934 Amount of their invoice nr. 95		
	3.109 Amount of their invoice nr. 96		
	1.678 Amount of their invoice nr. 97		
June, 30 1928 / Page # 113 - Entry # 3			
<u>Credit Account</u>	<u>Debit Account</u>	<u>Credit</u>	<u>Debit</u>
Those Below	Oriental Carpet Manufacturers		12.295,69
	Our invoice nr. 121		
Storehouse Account		12.105	
Uşak Merchandise		190,69	

HRSB pays its debts to Uşak Company by way of drawing a bill of exchange or cash payment. I could not clarify the reason why HRSB keeps track of the commodities received from Uşak Company in a particular account. However, HRSB might have been the Istanbul distributor of the Uşak Company or it sells these goods on consignment on behalf of the Uşak Company, HRSB may have recorded these stocks in a different account due to the different profit margins of the goods purchased from the Uşak Company. Similarly, HRSB records the goods sent to Zeki Nasır Bey and Ahmed Kemaleddin Bey in separate stock accounts.

HRSB does not amortize its fixed assets. In fact, there is no fixed asset in HRSB assets other than small number of fixtures. There must be some production equipment in the carpet factory, no information is given in the accounting records that there are fixed assets in this production facility.

In terms of accounting for expenses, HRSB used an account called “*masarif-i umumiye*” (general expenses). Expenses emerged from communication, transportation, energy, rent, personnel fees are recorded in this account.

Expenses such as bill discount costs and interest accrued by banks for current account loans are recorded in the interest and discount account. Commission incomes obtained by HRSB were either credited to the interest and discount account or transferred directly to the "profit and loss" account and transferred to the period's income.

HRSB implemented cost accounting for the carpets manufactured in its own carpet workshop, even if it is at a very basic level. Weekly wages and raw material expenses paid for the carpet manufacturing activity, the purchase of fixtures for the workshop, the payments related to the land purchase and the construction expenses were all debited to the "workshop" account during the year and the production costs were accrued in this account. When the production process was completed and the carpets are ready for sale, the cost incurred for that carpet in the workshop account is transferred to the "manufactured carpets" account. Below are the journal entries on how the carpet manufacturing process is accounted for.

January, 5 1928 / Page # 8 - Entry # 4			
<u>Credit Account</u>	<u>Debit Account</u>	<u>Credit</u>	<u>Debit</u>
Workshop Account	Manufactured Carpets Acc.	192,62	192,62
Pillow carpet manufactured on the loom nr. 52			

January, 9 1928 / Page # 10 - Entry # 4			
<u>Credit Account</u>	<u>Debit Account</u>	<u>Credit</u>	<u>Debit</u>
Workshop Account	Manufactured Carpets Acc.	1.564	1.564
The price of prayer rugs manufactured on the loom nr. 30	819		
The price of prayer rugs manufactured on the loom nr. 40	745		

As can be seen in the journal entries above, manufacturing costs were tracked on a carpet-weaving loom basis. The cost of the carpets manufactured at each loom was calculated separately and the costs were carried to the inventory account after the manufacturing process of the carpets is fulfilled. When the carpets taken into stock

accounts is sold, this time it is journalized over the sales price determined by adding profit, as follows.

January, 9 1928 / Page # 10 - Entry # 3			
<u>Credit Account</u>	<u>Debit Account</u>	<u>Credit</u>	<u>Debit</u>
Manufactured Carpets Account	Veterinary İskavi	3.000	3.000
The record for the sell of the silk prayer rugs manufactured on the looms nr. 30, 36, 40			

There is no record of excise duty imposed on goods purchase and sale records of HRSB. According to the Transaction Tax Law in effect in 1928, the taxpayer of this tax was large industrial enterprises and the tax was collected at the stage when these establishments first sold the product. As a third-class trader, the probability of HRSB being the taxpayer is very low.

General Outlook of the Carpet Industry in Anatolia between 1850-1921

Before the nineteenth century, the Anatolian carpet industry was generally based on a home production model. The local people were weaving wool carpets for their own needs on the looms in their homes, using natural dyes obtained from plants via traditional methods. In regions where carpet weaving activity was prevalent, families made their living from the carpets they wove on hand looms installed in their homes.³⁶¹

The main input of traditional carpet weaving is sheep wool. In the nineteenth century, artisans often procured wool from nomadic sheep-raising tribes or from local wool markets. The city of Uşak located in Western Anatolia and its surroundings were in a very convenient location for carpet production with its proximity to nomadic groups and Sivrihisar's large and vibrant wool market.

In traditional carpet weaving, wool becomes ready to be woven on the loom after going through the phases of washing, bleaching, combing, spinning and dyeing.

³⁶¹ Sadiye Tutsak, "Osmanlı Devleti'nin Son Döneminde Uşak'ta Halıcılığın Makineleşme Süreci", *Belleten*, 71, 260, (2007): 68.

The operator weaves the carpet based on a drawn pattern on a sheet of paper or on his own creativity. The number and type of knots thrown vary according to the type and quality of the carpet.³⁶²

A division of labor between the genders was applied in the carpet production of the period. While men were responsible for washing and bleaching the wool, women were assigned for the spinning and weaving activities. Particularly in Uşak, almost every house had at least one loom and carpet weaving been largely based on women's labor.

There were three different manufacture relations between the weaver and the merchant in Uşak. In the first of these, the manufacturer received a certain amount of advance from the merchant and completed the order. In this model, the loom owner handed over the control of the sale of the carpet to the merchant, but supplied the materials such as wool, yarn and dye to be used in manufacturing. In this model, the loom owner had a certain autonomy in the carpet-making process. This manufacturing pattern, along with the other two production models, existed until the 1900s.

In the second production system, the owner of the loom was committed to using dyes supplied by the merchant. In this model, the loom owner had partially lost control over the production process. In the third model, the merchant provided the loom owner with yarn as well as dye. With respect to the last model, the merchant makes almost completely dependent the loom owner. Neither of these new modes of production could become dominant in Uşak, as Muslim producers and traders were in the majority in Uşak and there was a determined resistance to mechanization.

On the other hand, the labor of Armenian and Greek workers was mostly used in the carpet weaving centers that flourished in the early 1900s, such as Kayseri, Sivas

³⁶² Donald Quataert, "Machine breaking and the changing carpet industry of western Anatolia, 1860–1908." *Journal of Social History*, 19, 3 (1986): 476, For carpet-weaving process also watch "Türklerde Dokumacılık", Youtube Video, 15/06/2022, <https://www.youtube.com/watch?v=YfmqVt2yadw>

and Kütahya. Wages in these regions were lower than in Western Anatolia. In a period when mechanization became dominant in synthetic dye production and carpet production, foreign capital investing in Central and Eastern Anatolia penetrated these regions more easily than Western Anatolia. The contribution of cheap labor provided by Armenian and Greek residents to the development of carpet production in these regions was undeniable.

Notwithstanding a limited export, the carpet industry remained in a closed economic environment until the 1850s, except for special orders.³⁶³ The real boom in the carpet industry took place with the rapid rise in demand for carpets originating from Anatolia, Iran and Central Asia, which are known as "oriental carpets" in Europe and America since the 1850s. As the consumer class in Europe and America started to consider oriental carpets as a luxury commodity, foreign traders' interest in carpet production centers increased. Foreign traders started to establish enterprises in different regions of the Ottoman Empire, especially in Western Anatolia, in order to export the carpets, they produced or bought to Europe and America.³⁶⁴ Thus, carpets began to turn from being a self-consumption object into an export product. Quataert states that between 1846 and 1873 the price of low quality Uşak carpets rose by at least 50%. In the same period, the price escalation for higher quality carpets was 21%. The value of carpets exported from the Ottoman Empire hiked from 17 million piaster in 1870 to 32 million by the mid-1890s. Most of the carpets were exported from Izmir Port. About half to two-thirds of carpets went to London to be used in England or re-exported.³⁶⁵

Yaşar Tolga Cora approached the rapid growth of the carpet trade from a different perspective in his study. According to Cora, explaining the growth in carpet production and trade solely with the rise in foreign demand poses risks overlooking local motives. Cora underlines that it is not a coincidence that all of the new carpet

³⁶³ Tutsak, "Uşak'ta Halıcılığın Makineleşme Süreci", 72.

³⁶⁴ Emrah Yılmaz, "Bir Zamanlar Anadolu'da Halı Dokumak: The Oriental Carpet Manufacturers Limited [Şark Halı Kumpanyası] ve Osmanlı Halıcılığındaki Önemi [1907 – 1914]", *Eskişehir Osmangazi Üniversitesi Sosyal Bilimler Dergisi*, 21(2), (Aralık 2020): 294.

³⁶⁵ Donald Quataert, "Machine breaking", 474.

production centers that started to develop in Anatolia after the 1890s emerged in regions where Armenian population was dense. According to Cora's approach, cities such as Kayseri, Sivas and Urfa became important carpet production centers because of the employment of Armenian women and children, who lost their jobs and incomes as a result of the violence that targeted them in the 1890s and early 1900s, in carpet weaving workshops. The rapid penetration of private entrepreneurs to these regions after the violence was also supported by the state.³⁶⁶

Subsequent to the invention of synthetic dyes and their use in carpet production in the last quarter of the 1800s, the production modes in the carpet industry also underwent a radical change. Foreign investors started to establish dyehouses and yarn production facilities in certain regions of Anatolia. This situation put the loom owners in old carpet production centers such as Uşak, Gördes and Kula into a very difficult situation. Many laborers who made their living from jobs such as wool spinning and dyeing faced the risk of losing their jobs. This transformation in the production mode caused the local people to revolt in Uşak in 1908. During the protracted revolt, the people damaged the production facilities of foreign investors. After the subject came to Istanbul's knowledge, the events subsided after the sanctions imposed on foreign producers.

Opening of the İzmir-Uşak railway in 1897 ensured transportation of yarn production machines to Uşak effortlessly. Entrepreneurs noticed this opportunity and established steam-powered wool spinning factories in Uşak. By the 1900s, the dominance of European enterprises in yarn dyeing had become more evident. The dyeing and weaving works were almost decomposed.

However, the machine operators in Uşak could not quickly adapt to the new technologies. In the 1900s, carpet production in towns such as Uşak, Gördes and Kula declined, unable to adapt to the new system. For example, the share of Uşak in carpet exports, which was 77% in 1873, dropped to 23% by 1910. Armenian and Greek loom operators in Central and Eastern Anatolia were producing more

³⁶⁶ Yaşar Tolga Cora, "The Market as a Means of Post-Violence Recovery: Armenians and Oriental Carpets in the Late Ottoman Empire", *International Review of Social History*, 66, 2 (2021): 6-8.

efficiently per unit time than those in Uşak, and these workers agreed to work for lower wages than their counterparts in Uşak. Realizing this cost advantage, traders from Istanbul and Izmir reduced their activities in old carpet centers such as Uşak, Gördes, Demirci and Kula, and turned their direction to new carpet production centers in Anatolia.

With the beginning of the 1900s, foreign companies came to dominate the Ottoman carpet market. Incorporated in 1907, The Oriental Carpet Manufacturers (OCM) became the leading actor in the carpet production and trade in the Ottoman Empire shortly after its establishment. OCM was a trust at which six companies, P. de Andria & Co., P.G. & J. Baker, Sykes & Co., Habif & Polako, Sydney La Fontaine, and T.A. Spartali & Co. have stake. Some of the companies forming the trust had been present in the carpet trade sector in Western Anatolia since the 1830-40s. Except for PG. & J. Baker, five companies were based in Izmir. The administrative headquarters of OCM was located in London.³⁶⁷

OCM pursued a very aggressive growth strategy since its establishment. First of all, it took initiatives to pull the producers in Western Anatolia to its side and take down its local competitors out of the competition in Izmir. Other aims of the trust were to eliminate competition in Istanbul, to enter the Egyptian market and to increase its market share in the Caucasus by weakening the trade networks of Iranian merchants.³⁶⁸

OCM fully represented the upper-class bourgeoisie of Izmir. Even if the financial and investment decisions of the company were made in London, the place where critical decisions were made was Izmir. Although the trust opened branches in London, Paris, Istanbul, Cairo, Alexandria and New York following its establishment, it preferred to work with agencies in other parts of the Ottoman

³⁶⁷ Elena Frangakis-Syrett, "Modernity from Below: The Amalgamated Oriental Carpet Manufacturers, Ltd. of Izmir, 1907-1922", *Perspectives on Global Development and Technology*, 14, (2015): 421.

³⁶⁸ Frangakis-Syrett, *Ibid.*

Empire. These agencies were working on a salary plus bonus basis, they were not working in return for commission.³⁶⁹

By 1907, the woolen yarn factory established by Sykes & Co, one of the shareholders of OCM, in Bandırma Beyköy, had been supplying 84% of the wool yarn used in 14 carpet production centers in Western and Central Anatolia. In this way, the company monopolized the yarn production market and has dealt a great blow to the traditional yarn production industry of Anatolia.³⁷⁰ In particular, Demirci, one of the handicraft-based yarn production centers of Western Anatolia, was adversely affected by this situation.³⁷¹

After adding the yarn factory, it established in Bandırma to the dyeing factory it had established in İzmir in 1906, Sykes & Co accomplished vertical integration in production and made the Anatolian producers dependent on itself for yarn purchase.³⁷² Of course, after the establishment of OCM, it started to benefit from the economies of scale created by these Sykes & Co-owned facilities.

The local industry in Uşak was able to resist this pressure created by foreign companies until the 1900s. The existence of the facilities established by local entrepreneurs in the city and the organized resistance of the people were able to prevent foreign capital from dominating the market for a while. After the negotiations, the Uşak carpet merchants established a national carpet company named “Uşak Ottoman Carpet Trading House” on 30-31 March 1907. However, the company could not compete with the OCM.³⁷³

About 16 months after initiating its commercial activities, OCM had 36 agencies in 15 different carpet production centers, namely Gördes, Demirci, Simav, Manisa, Akhisar, Uşak, Kula, Isparta, Kütahya, Akşehir, Konya, Sille, Niğde, Milas and Denizli.³⁷⁴ About 16 months after starting its commercial activities, OCM had 36

³⁶⁹ Quataert, “Machine Breaking”, 482.

³⁷⁰ For the images showing manufacturing premises of OCM see Appendix G

³⁷¹ Yılmaz, “Bir Zamanlar Anadolu’da”, 296.

³⁷² Yılmaz, “Bir Zamanlar Anadolu’da”, 297.

³⁷³ Yılmaz, “Bir Zamanlar Anadolu’da”, 300.

³⁷⁴ Yılmaz, “Bir Zamanlar Anadolu’da”, 306.

agencies in 15 different carpet production centers, namely Gördes, Demirci, Simav, Manisa, Akhisar, Uşak, Kula, Isparta, Kütahya, Akşehir, Konya, Sille, Niğde, Milas and Denizli.

Thanks to its know-how, wide network of global relations and financial strength, OCM grew very fast in the Ottoman market and became a monopoly in carpet production in a short time. The upward momentum of the Company was reversed due to the Greek Occupation and the Turkish War of Independence between 1919-1922. Despite the Izmir fire and the instability caused by the war, OCM continued its activities in Turkey, but it could not return to its former bright days.

HRSB's Carpet Business

HRSB's commercial books contain important information not only for Turkish accounting historiography, but also for business and trade history. By means of accounting books, the trade and production mode, business connections, goods traded and their market prices, import and export transactions, tax impositions, exchange rates, banking transactions, employment relations, and partners of a carpet business in Istanbul in 1928 can be depicted.

In the current scholarship, it is stated that Turkey's share in the world carpet industry shrank after the 1920s and the ports of Izmir and Istanbul lost their key position in the carpet trade. Such inferences are made on the basis of macroeconomic data such as export figures or the sectoral gross domestic product generated by the carpet industry. However, the number of studies that can show the situation of the carpet market from a micro perspective within this sectoral contraction trend is almost non-existent. HRSB notebooks help us to understand the situation of the Istanbul carpet market in the 1920s, within the limitations of a medium-sized business. Of course, it would not be a consistent approach to make assumptions about the entire carpet industry based on the financial data of a particular business, however I still believe these accounting books have a lot to tell us.

Despite the rhetoric of decline, the HRSB notebooks show that the carpet market is still vibrant and highly cosmopolitan even in 1923. During the analyzes I made on

the notebook, I determined that market actors such as OCM and Uşak Carpet Manufacturing Company, which were established in the early 1900s, were still active in 1928.

HRSB sells or exports carpets purchased from different domestic or foreign suppliers to the domestic market. The business also receives commission income for carpet purchases and sales made on behalf of other businesses. In addition to these activities, it is understood from the book records that HRSB also has a rice factory. The regular flow of money between HRSB and the rice factory and some expenses of the factory are covered by HRSB is an indication of this. On the other hand, a record made on the 104th page of the journal on June 11 shows that HRSB subscribed capital of TL 900 in a company titled "New Carpet Cleaning Company". According to the record, the capital that HRSB had previously invested in "Carpet Washing Company" was transferred to New Carpet Washing Company. This capital transfer may be due to a company name change.

One of the most important suppliers of HRSB in 1928 was Uşak Anadolu Carpet Manufacturing Company. If we do not include the commodities in its stocks at the beginning of the period, the HRSB enterprise purchased goods amounting to TL 27,851 from the Uşak Company. HRSB buys commodities such as Gördes, Uşak, Demirci carpets, rugs and doormats from the Uşak Company.

Tradehouse sends "*kozakam*" raw material in its stocks to Uşak Company for use in the production of carpets to be sold to it. HRSB recognize the cost of the *kozakam* sent to the Uşak Company directly from its stocks, and on the other hand, it debits the Uşak Company Merchandise account. In other words, *kozakam* costs are added to the cost of the goods to be received from the Uşak Company. To exemplify, according to the entry posted in the journal on July 2, 1928, ninety *kozakam* silk pieces amounting to TL 279 were sent to the Uşak Company. On July 3, a *kozakam* shipment consisting of 135 packages and 3 bales was delivered, this time amounting to TL 379. In the record dated 30 July, three bales of *kozakam* were shipped to the Uşak company for the manufacture of Gördes carpets.

HRSB does not record the goods purchased from Uşak Company in the storehouse account. Carpets purchased by HRSB from other carpet vendors are recorded in the "storehouse" account. The trading house bought carpets from many Muslim and non-Muslim merchants. According to the records in the storehouse account, HRSB trades carpets from Iran and Khorasan region as well as Anatolian carpets.

As of January 1, 1928, there are carpets amounting to TL 70,383.85 in the company stocks recorded in the storehouse account. The total amount of carpet purchases carried out during the year accounted in the storehouse account is TL 264,103,85 while the total amount of carpet sales made from the storehouse is TL 298,753,83. With respect to the accounting records, the carpet stock value was TL 35,733.87 as of August 31, 1928.

It is seen that HRSB paid a down payment for the land purchase in the 6th entry of the journal on 31 July. It is stated from the record that this land purchase was made for a construction work to be done in the carpet-making workshop. Merchandises such as wool carpets, silk prayer rugs, pillow rugs were manufactured on the looms in HRSB manufacturing premises. The ledger records show that the looms in the workshop are given a number. In the fourth record made on January 5, 1928, it was explained that double pillows were produced on the loom numbered 52. So we can assume that there are at least 52 looms in the HRSB workshop.

In such workshops the weavers, mostly women, were placed in a close sitting arrangement and weaved carpets under the supervision of a chief. When the workshop account is examined, there are records that HRSB made payments to Bahriye Hanım, Aliye Hanım and Hayriye Hanım. The women whose names are mentioned may be the weavers working in the workshop or the controllers overseeing the production. On the other hand, facility workers are paid weekly wages. It is observed that weekly wages are variable.

No information indicating the location of HRSB's carpet factory was found in the book records. It is more likely that the workshop is in Uşak. The entity's relations

with the Uşak Company suggest that HRSB is familiar with the production environment in Uşak.

The books do not provide any information on where the wool yarns required for the carpets woven in the workshop are obtained. However, I guess that as of 1928, due to the widespread mechanization of yarn production, HRSB used yarn that was spun and dyed in other companies' factories.

We can identify the names of the regular personnel of HRSB from the wage accrual records journalized at the month endings. In the record dated 29 August, a salary of 100 TL was accrued to İsmail Hilmi Bey, 80 TL to Ali Memduh Bey, 75 TL to Tatyos Azadyan Efendi, 60 TL to Mustafa Efendi and 30 TL to Midhat Efendi.

Bedik Brothers handled the insurance transactions of HRSB. HRSB had the Bedik brothers insured the goods it sends via sea shipments. For instance, a Herat and a Tabriz carpet sent to Egypt were insured by the Bedik brothers for 28 British pounds. The insurance cost was recorded at the rate of 9.60 GBP/TL. In a further entry, the building belonging to the rice factory owned by HRSB is also insured by the Bedik Brothers.

On the other hand, HRSB received commissions for the insurance business it directs to the Bedik Brothers. By doing so, HRSB earned a commission income of 74.88 TL from Bedik Brothers, enclosed to the journal entry for April 4.

HRSB calculated a 0.5% *dellaliye* (brokerage) commission for the services offered by Dellal Mahmud Bey. For example, in the journal entry made on February 8, Dellal Mahmud Bey's account is credited for the commission amounts calculated over the purchase invoices.

HRSB's Iran Carpets Trade

HRSB's journal records show that the company traded various types of Persian carpets apart from Anatolian hand-woven carpets. The journal entries below

demonstrate that HRP supplied its customers with carpets woven in Iran cities such as Tebriz, Kirman, Horasan, Heriz, Erdebil, and Shiraz.³⁷⁵

February 1, 1928 / Page # 23 - Entry # 3			
Credit Account	Debit Account	Credit	Debit
Storehouse Account Tebriz	Ahmed Kemaleddin Bey Our invoice #21	10.591,88	10.591,88
April 21, 1928 / Page # 69 - Entry # 5			
Credit Account	Debit Account	Credit	Debit
Storehouse Account	Daniel Mesayo Efendi Acc. 18 Heriz sale invoice #70	7.438,36	7.438,36

For HRSB, Persian carpets trade might be so important that it obtained a membership from the Persian Chamber of Commerce in Istanbul in 1923.³⁷⁶ HRSB was entitled “first class merchant” by the Persian Chamber of Commerce. Chamber membership may have provided HRSB with certain concessions and advantages in Iranian trade.

May 8, 1928 / Page # 81 - Entry # 3			
Credit Account	Debit Account	Credit	Debit
Storehouse Account	Ahmed Kemaleddin Bey Our invoice #82 Kirman etc.	3.877,70	3.877,70
May 30, 1928 / Page # 95 - Entry # 2			
Credit Account	Debit Account	Credit	Debit
Storehouse Account	Yuntof Niyago Our invoice #104 two Shiraz equivalent for the exchange rate of £ 9,50	4.408	4.408

During the reign of Qajar Dynasty, Istanbul acted as an intermediary market for the textile trade between Europe and Iran. Prior to exportation to Iran, Manchester cotton goods arrived at Istanbul, and then Armenian and Greek wholesalers re-exported the British cotton products to Iran. For the trade flowing in the opposite

³⁷⁵ Tsutomu Sakamoto, “Istanbul and the Carpet Trade of Iran in the Nineteenth Century”, *Orient*, no. 29 (1993): 58.

³⁷⁶ For the Persian Chamber of Commerce’s membership certification issued on behalf of HRSB, please see Kitabiyat Mezat Auction Catalogue, <https://www.kitabiyatmezat.com/urun/4842751/osmanlica-istanbul-finans-tarihi-dort-dilde-fatura-osmanlica-rumca-ermeni> (accessed: 25.06.2022)

direction, Istanbul acted a similar role, that is, an exit gate to the Europe and America for Iranian goods.

Most prosperous city of Iran back then was Tebriz, which is the departure point of the two main trade routes to the Europe. The most preferred one was the Tebriz-Trabzon route. The loaded caravans set out from Tebriz, stopped by at Erzurum, then leading their way to Trabzon Port, therein the goods were embarked to the vessels, then shipped to Istanbul. From Istanbul, the merchandises were eventually distributed to the Europe and the U.S.A.

The second trade route was the Trans-Caucasian line, which starts from Tabriz and reaches western Europe by following the route of Tbilisi, Batumi, Crimea, and Odessa respectively. In order to keep this trade line vibrant, Russia did not charge customs duties on transit trade.

Once being the major revenue source for Iran, silk export was declined in late 1860s due to silkworm disease, Russian-Turk battle, and famine of 1870-1871. As a result, the silk trade, accounting for 83.7% of annual export volume in 1864, shrank to 10.1% in 1867. The dramatic downturn in silk exports forced the Iranian government to find a new export product. As a result of this pressure, in 1870s carpet trade began to flourish in Iran, and in 1879 carpets became the top export product of Iran.³⁷⁷

In fact, hand-woven carpet manufacture was a traditional craft even before the nineteenth century. However, traditional Iran carpets were generally manufactured for the nobles or personal use before the last quarter of nineteenth century. Iranian carpets renowned with their artistic quality were in demand by European courts even before the 1800s. Yet, from the last quarter of the 1800s, hand-woven carpets began to become a commercial commodity, surpassing the production model for personal consumption.

³⁷⁷ Sakamoto, "Istanbul and Carpet Trade", 59

Sultanabad became the major carpet production center. Farahan, Sarabend, Mashhad, Bekshayish, Heriz, and Karadağ were the other significant manufacturing centers of the country. In Sultanabad, there were modern weaving factories established by British companies and loom workshops located around these factories. Ziegler and Co. operated large-scale production facilities in Sultanabad. The same company opened a branch in Tabriz, and had representative offices in Tehran and Isfahan. Ziegler sold British cotton to Persia and Persian silk to Britain. The welfare of the city was well above the Iranian average.

To the collapse of silk production, Ziegler reacted differently than rival British firms. As another British company withdrew from the silk trade in 1871, Ziegler turned to an alternative product, embarking on carpet manufacturing. Ziegler started large-scale carpet production in Sultanabad in 1874. The company made huge investments in the city.

The number of looms in Sultanabad was 40 in 1873, reached 1,200 in 1873. Considering the villages, the total number of looms in the city was approximately 1,550. The total number of carpet looms in Iran was around 3,000. Ziegler had women and young girls weaving carpets in these looms. Certain experts worked on the draft models drawn on a sheet of paper, and then the approved models were given to the weavers, and hundreds of carpets were produced based on these models. Spinners and weavers, who became unemployed after the decline of silk production, provided cheap labor for carpet production.³⁷⁸

It is noteworthy that the cities where carpet production is on the rise in Iran are close to nomadic communities. Nomads both provided the necessary wool for carpet production and offered weaving services.³⁷⁹

The increase in the individual income level in Europe and America drove up the foreign demand for Persian carpets. As a result, Iran's carpet export volume

³⁷⁸ A. Seyf, "Carpet Trade and the Economy of Iran, 1870-1906", *British Institute of Persian Studies Iran*, Vol. 30 (1992), 101.

³⁷⁹ Leonard Helfgott, "Carpet Collecting in Iran, 1873-1883: Robert Murdoch Smith and the Formation of the Modern Persian Carpet Industry", *Muqarnas*, Vol. 7 (1990), 176.

expanded swiftly. Iran people’s low individual purchasing power was suppressing domestic demand for carpets. Carpet production was therefore generally oriented towards foreign trade. But in the 1890s, carpet production could not meet the growing demand, and carpet prices skyrocketed, and moreover, production quality declined. Upon this, in order to increase the carpet supply, large-scale carpet production was started in other Iranian cities. Tabriz and Kirman became the new carpet production centers. Unlike Sultanabad, local producers and traders were also active in trade in these two cities.

In the new carpet production centers, production was mostly carried out on weaving looms located in homes. Traders and manufacturers supplied the weavers with wool. Most of the weavers were women and children. Contrary to the organized and integrated production model in Sultanabad, the home production model executed in Tabriz and Kirman was disorganized, slow and far from control.

Around 1895, Azeri merchants played an important role in Kirman carpet industry. The Dilmaghani family of Azeri origin invested huge amount of money in the Kirman carpet industry. At least 2,000 weavers were working under Dilmaghani contract in Kirman in 1911. Most of the Iranians who were engaged in the carpet trade in Istanbul in 1888 were of Azeri origin. Being capable of speaking both Turkish and Central Asian dialects undoubtedly gave Azeri merchants an advantage in trade.

There are records in HRSB's books showing that the business was in the carpet business with the Dilmaghani family. For example, in the following journal entries, it is seen that HRSB purchased carpets from “Habib Dilmaghani” and “Dilmaghani Brothers”. The goods received ar

e recorded in the storehouse account.

June 3, 1928 / Page # 99 - Entry # 9			
Credit Account	Debit Account	Credit	Debit
Habib Dilmakani Account	Storehouse Account	4.878,72	4.878,72
	Purchase invoice #47		

July 17, 1928 / Page # 126 - Entry # 3			
Credit Account	Debit Account	Credit	Debit
Those Below	Storehouse Account	3.267	3.267
Dilmakani Brothers	Purchase invoice #54		

The trade of Kirman carpets was under the control of merchants from Tabriz. Istanbul was a re-export center for Persian carpets. In this era, the export of Persian carpets was carried out through three routes:

- i) Export by sea from the ports of Bushehr and Bandar Abbas in the Persian Gulf
- ii) Trans-Caucasus route
- iii) Tabriz-Trabzon route

Direct trade from Iran to the UK and the USA was very low. The trade volume of the first route was lower than the others.

The busiest route for Persian carpets was the Tabriz-Trabzon route. Essentially, this route was an ancient trade route that was used even in the fourteenth century.³⁸⁰ England wanted this trade route to become operative, because if this road was connected to Erzurum, Sivas and Samsun, a very busy and functional trade route would have been realized.³⁸¹

Istanbul was at the heart of the carpet wholesale trade. The goods were shipped from Iran to Istanbul and from there they were sent to Europe and the USA by sea.

The re-export center on the second route was the Port of Odessa. Russia initiated the project of building the Julfa Railway to revive this route. However, this route could not catch the vitality of the Tabriz-Trabzon route.

Istanbul lost its dominant position in the carpet trade after the First World War. The closure of the Istanbul and Dardanelles Straits to trade and the boost in customs

³⁸⁰ A. H. Lybyer, "The Ottoman Turks and the Routes of Oriental Trade", *The English Historical Review*, Vol. 30, No. 120 (Oct., 1915), 578

³⁸¹ Masoumeh Daei, "XX. Yüzyıl Başlarında Osmanlı-İran Ticari İlişkilerinde Osmanlı Şehbenderlik Raporlarına Yansıyan Ahlaki Değerler", *Osmanlı Mirası Araştırmaları Dergisi*, Cilt 3, Sayı 5, (Mart 2016), 93

duties on carpets hindered the carpet trade. After the proclamation of the Republic, Istanbul lost its central position in the carpet trade and London became the new Center. Most of the Iranian and Armenian merchants also moved from Istanbul to London.

Istanbul was the gathering point for not only Persian carpets but also Central Asian carpets. Confirming this, HRSB books have accounting records for the purchase and sale of carpets made in Afghanistan and Pakistan. From the sample record below, it is understood that HRSB sold Herat (Afghanistan) carpets to Ahmed Kemaleddin Bey for TL 8,500.

May 8, 1928 / Page # 81 - Entry # 4			
Credit Account	Debit Account	Credit	Debit
Storehouse Account	Ahmed Kemaleddin Bey Our invoice #83 Herat Carpet	8.500	8.500

In another record, it is observed that HRSB purchased carpets from a trader named "Eminof" from the Balochistan region, which is located within the borders of Pakistan today. HRSB gave a promissary note to Eminof in British pounds for the purchase in question and recorded the price of the note as TL 7,622 over 9.55 exchange rate.

June 4, 1928 / Page # 100 - Entry # 2			
Credit Account	Debit Account	Credit	Debit
Notes Payable Account	Storehouse Account Notes payable given over 9.50 exchange rate for the cost of Belucis purchased from Eminof	7.622	7.622

HRSB's Other Foreign Supplier and Client Networks

HRSB's book records reveal that the business had an extensive international supply and sales network. HRSB trades directly with traders in Mumbai, Cairo, Paris, New York, Switzerland and Iran or mediates the carpet trade of these traders abroad. The commission income that HRSB receives in return for its brokerage service can also be observed in its book records.

An account was opened in the name of Abdülbani Meshki on page 141 of HRSB's 1928 fiscal year book. On the page, the account name information has the phrase "Mumbai", from which we can conclude that Meshki was a merchant operating in Mumbai.

During FY 1928, Abdulbani Meshki account was debited for telegraph, insurance expertise, notary, translation and shipping expenses. HRSB charged these expenses to Abdülbani Meshki. The records in question show that HRSB made these expenses for Abdülbani Meshki. The following journal entries show that HRSB mediated the carpet trade between Abdülbani Meşki and Rıfat Vidal.

May 7, 1928 / Page # 80 - Entry # 6			
Credit Account	Debit Account	Credit	Debit
Abdülbani Meşki Account	Rıfat Vidal Account Our invoice #78 for 170 Şirazis	18.309,12	18.309,12
May 12, 1928 / Page # 83 - Entry # 1			
Credit Account	Debit Account	Credit	Debit
Rıfat Vidal Account	Abdülbani Meşki Account Equivalent of Şiraz-i Türki at the rate of 9.57	9.570	9.570
May 31, 1928 / Page # 96 - Entry # 7			
Credit Account	Debit Account	Credit	Debit
Rıfat Vidal Account	French Bank Merchandise Rıfat Vidal's check	9.570	9.570

HRSB invoiced Rıfat Vidal directly for carpets sold on behalf of Abdülbani Meshki. Rıfat Vidal sent the amount he borrowed to the accounts of HRSB at the French Bank, and HRSB transfers the money deposited in his bank account to Abdülbani Meşki. The expenses related to this sale transaction are recorded as a debit to the current accounts of Abdülbani Meşki by HRSB. The aforesaid carpet sales transaction was carried out at 9.57 exchange rates in return for British pounds.

In a record made on the account of Abdulbani Meshki on March 19, 1928, there is an explanation of "three bales of expenses from Port Said". When the trace of the relevant record in the journal is examined, it is understood that the Abidan Efendi account is credited with 9.80 TL, while the Abdülbani Meşki account is debited with the same amount. These records indicate that Abdülbani Meshki sent goods to

HRSB via Abidan Efendi via Port Said. Although there is no explicit information in the book records about where and how the goods in question reached Port Said, it would have been possible that the goods were loaded from Bombay, where Abdülbani Meşki is located, or from Iranian ports such as Bender Abbas or Bender Busehr, and arrived in Egypt via the Red Sea. Unfortunately, there is no explanation in the records about the types and origins of the goods subject to shipment. The goods in question must have entered Turkish customs from Egypt with the help of Abidan Efendi. Appraisal, insurance, goods shipment expenses, which are seen in the Meşki accounts and made by HRSB, must be made in Port Said for the carpets shipped.

Garmiryan Efendi is a client of HRSB in New York. HRSB does not sell goods directly to Garmiryan, it mediates the carpet trade between Selim Manoli and Garmiryan and earns 3% commission income in return for this service. We guess from their names that the first of these merchants was an Armenian and the second was Jewish. There are two accounts named "Garmiryan Efendi" and "Garmiryan Beluna" in the HRSB's ledger. The sample journal entries below reflect HRSB's business transactions with Garmiryan Efendi and Selim Manoli.

January 15, 1928 / Page # 13 - Entry # 1			
<u>Credit Account</u>	<u>Debit Account</u>	<u>Credit</u>	<u>Debit</u>
Those Below	Garmiryan		1.643,30
Selim Efendi Account		1.517,12	
Bales numbered 44-45			
Dollar 814.32 at te rate of 52 1/4			
Commission %3	37,38		
Transportation cost	<u>3</u>		
	40,38		
1.557,50-40,38 = 1.517,12			
Storehouse Account		125,91	
Commission %3	37,38		
Our expense	<u>88,53</u>		
	125,91		

In the journal entry numbered 13/1, HRSB debited Garmiryan's account and credited Selim Efendi and storehouse accounts. HRSB sells Selim Manoli's goods

to Garmiryan and receives a commission from this sale. However, in the entry statement, we can observe that a commission was also calculated for Selim Efendi. Selim Efendi may have been collecting his commission later from Garmiryan.

HRSB credited the storehouse account for its commission income and expenses incurred. The tradehouse uses the storehouse account to track the proceeds from carpet sales. Commission income and expenses incurred by HRSB for Garmiryan were also recognized in the storehouse account, even if it did not arise from a direct sale. Payments regarding the purchase and sale of goods between Garmiryan Efendi, Selim Manoli and HRSB were made in US Dollars.

Garmiryan Efendi sent the purchase price and other expenses to HRSB's bank account. In the record below, the partial payment made by Garmiryan Efendi was debited to the HRSB's "French Bank" account, and the balance of 328 TL was entered in the "Pending Accounts". In the following records, parts of the payments from Garmiryan regarding the purchase price of goods were transferred to Selim Manoli by HRSB.

January 15, 1928 / Page # 13 - Entry #			
2			
<u>Credit Account</u>	<u>Debit Account</u>	<u>Credit</u>	<u>Debit</u>
Garmiryan Efendi	Those Below	1.643,30	
	French Bank		1.315,30
	Dollar 858,48 at the rate of 52 ¼		
	Pending Accounts Until the collection of the balance		328

HRSB had business relations with New York based Armenian carpet merchants M. H. Nourjian and Babylonian Rug Company Inc.'s owner Seferyan. In his letter dated April 19, 1928, Nourjian expressed his embarrassment for not being able to send money to HRSB for a long time due to family problems and a change of workplace, even though it was his first purchase. In the annex of the letter, he stated that he had issued a two-month-term bill of exchange to Parsegi Efendi, who

residing in the Şeref Pasha Han in Turkey, in return for his debts, worth one thousand dollars.³⁸²

In his letter dated December 16, 1927, Seferyan stated that they sent the carpets that HRSB ordered to New York, as there was no direct ferry from Boston to Istanbul, they did the customs clearance through a broker, they received three bales of carpets from Boston with a bill of lading, and that the carpets were delivered to New York. He wrote that the carpets were sent to Turkey by ferry two days later. In the letter, he also stated that they sent the papers regarding the transported goods through the bank and that HRSB could get the documents from its own bank and clear the goods from customs. Seferyan's letter shows HRSB imports from USA.³⁸³

The trade partner of HRSB in Egypt is Abidan Dilmagani Efendi. Abidan Efendi may have been a member of the Dilmaganis, one of the most well-known families of the twentieth century Iranian carpet trade. It is possible that Abidan Efendi played a role in sending the carpets coming from the Red Sea to HRSB from Egyptian ports such as Port Said and Alexandria. The expenses made by Abidan Efendi for the dispatch transactions are credited to his current account and are paid to him gradually by HRSB. We can examine which goods Abidan Efendi supplied for HRSB with the help of the following record.

June 30, 1928 / Page # 114 - Entry # 1			
<u>Credit Account</u>	<u>Debit Account</u>	<u>Credit</u>	<u>Debit</u>
Abidan Efendi	Storehouse	328,17	328,17
His receivables as of June's ending:			
10 bales carpet from Port Said		43,65	
2 bales carpet from Port Said		9,80	
6 bales carpet from Port Said		20,75	
Selim Efendi's 77/72 printed fabric		176,20	
Leandrosi Hancı...		15,72	
20 Belucis coming for Storehouse		22,50	
1 bale carpet from Alexandria		4,65	
13 bales carpet from Alexandria		<u>34,90</u>	
Total:		328,17	

³⁸² For Nourjiyan's letter see Appendix D-8.

³⁸³ For Seferyan's letter see Appendix D-7.

In the above record, Abidan Efendi supplied 18 bales of carpets from Port Said, 14 bales of carpets from Alexandria, 20 Baluci carpets, and his current account was credited by HRSB with 328.17 TL in return for this service.

The 5th record on page 72 of the journal contains information on the contents of Abidan Efendi's expenditures. Abidan Efendi's receivable balance from HRSB as of the end of April is 464.60 TL. This receivable balance consists of expenses such as freight, customs commission, taxi fare incurred by Abidan Efendi. Determining and recording Abidan Efendi's credit balance at the end of each month is an indication of his regular business relationship with HRSB.

On the other hand, Abidan Efendi also carried out customs clearances for the carpets sent by HRSB from Turkey. For example, in the 4th entry on page 154 of the journal entry, HRSB sent Abidan Efendi two bales of Gördes rugs and two Isparta rugs to be shipped to Milan.

HRSB also had engagement with the European market. In August 1928, the HRSB bought carpets for Swiss firm Hans Hassler Co. A.-G.³⁸⁴ from more than twenty suppliers and recorded the purchased carpets in an account called “Hans Hasler Merchandise”. HRSB received a commission of 1% from each supplier for the carpets he collected for the company. The commission is recorded directly in the “Profit and Loss” account. The sample journal entry regarding the recording of commission income is below.

August 12, 1928 / Page # 145 - Entry # 1			
<u>Credit Account</u>	<u>Debit Account</u>	<u>Credit</u>	<u>Debit</u>
Profit and Loss Account	Those Below	808,20	
	1% derived from Hans Hassler merchandise purchases		
	Storehouse		131,33
	Habib Dilmakani		105,18
	Hacı Resul Kempani		22,87

³⁸⁴ Hans Hassler and Co. was established in 1894; in 1910, they started bringing in oriental floor carpets from Iran, China, North Africa, Greece, Turkey, Kurdistan, and the Caucasus. The organization stays in activity right up to the present day — they just praised their 125th commemoration.

Rahim Ş.	33,54
Hasan Kazonyan	39,90
Hasan Kazonyan	31,37
Albert Barkasi	1,45
Zablon Mişof	84,06
Papazoğlu	9,23
Hacı Agah Hilmi	13,50
Nesim Kemal Efendi	23,70
Keçeyan Efendi	33,05
Ali Selmasi	30,37
Şimşiryen Efendi	36,98
Abdülhüseyin Ehrabi	27,56
Süleyman Mehmedof	43,63
... zade	1,60
Nalbandzade	4,20
Hacı Ramazan	3,72
... Karpet	29,19
Ali Ağa Mahmuti	5,68
Bıçakçı Mehmed Sami	3,29
Aziz El Rauf Reştçi	6,35
Istepan Mardikyan	5
Rıza Ali Efendi	13,40
Zablon Mişyof	33,60
Zablon Mişyof	33,95

Hans Hassler must have preferred to import through HRSB due to its distance from the Turkish market. Importing a large number of carpets from different suppliers in an unfamiliar market would have been time-consuming and costly for Hans Hanssler. Assigning the HRSB as an import channel instead should have been more advantageous to the Swiss firm, even if it requires to pay a certain commission. We do not know whether the commercial relations of the HRSB with Hans Hassler continued in the following period, as the ledger records of HRSB in our possession ended at the end of August.

HRSB collects carpets from sellers, sends them to Hans Hassler Co. after they are washed, and debits Hans Hassler account for the sum of carpet costs, washing costs and 1% purchase commission. Hans Hassler sends the price of the carpets he imports in Swiss francs to the account of HRSB in the French Bank. In the successive records, HRSB converted the Swiss franc to the British pound, which is more commonly used in the Istanbul carpet trade, and the collection was deducted

from Hans Hassler's current accounts. HRSB paid the amounts it owed to suppliers for Hans Hassler commodities through checks it wrote to the French Bank and Ticaret-i Umumiye Bankası.

Another trading counterpart of HRSB in Europe is the Labor Company seated in Paris. The accounting record below conveys that HRSB sold pillows to Labor Company. The product referred to as "pillow" in this record must have been the traditional "pillow carpet" commonly used in Anatolia. In other records in the journal, there is information that HRSB manufactured pillow rugs and sold these rugs.

January 26, 1928 / Page # 18 - Entry # 1			
<u>Credit Account</u>	<u>Debit Account</u>	<u>Credit</u>	<u>Debit</u>
Storehouse Account	Labor Company	1.464,50	1.464,50
Pillows	Our invoice nr. 9		

CONCLUSION

The transition from the staircase method to the DEB in keeping state accounts has still been of the most fundamental problematics of the Ottoman accounting history discipline. Why was staircase system, which could meet the needs of the Ottoman financial administration for more than four hundred years, abandoned at the last quarter of the nineteenth century? For such a transformation to occur, the old system must have failed to provide the expected benefit after a point.

As revealed in this thesis, there are several factors that prepared the transformation. Fiscal centralization was one of the motives that made this transformation necessary. The need for a function-based organization of the public finance administration and the collection of public revenues in a single treasury must have required the use of a common accounting language to support this concentration of power in the center. DEB should have met the needs of the new structure of the Ottoman financial administration with its simple, easily applicable and controllable structure.

From the mid-nineteenth century, the Ottoman state took the first steps to use modern budgetary techniques, and in the first decade of the twentieth century, budgets have gained a fully contemporary character. It should be noted that the Ottoman classical period budgets differed from contemporary budgets in many aspects. Pre-Tanzimat Ottoman budgets, rather than being a budget, seem to have issued as an end-of-period summary of accounts. However, after the Tanzimat, the Ottoman budgets were prepared to include income and expenditure predictions. For a central budget where all government departments' revenues and expenditures are combined in a pool, a standard and healthy information flow from government accounting side was necessary. DEB was a more practical method in harmonizing the calculations of the state offices with each other than the staircase did. In the DEB system, it is easier to get totals, switch from journal to general ledger accounts, and cross-check the accounts.

With the opening of the foreign borrowing path in the middle of the nineteenth century, the Ottoman Empire's interaction with the foreign markets increased. OB, which was initially established as a private enterprise but later became the leading actor in the domestic and foreign borrowing of the state and in the administration of monetary policy, had a significant impact on the recognition of DEB in the Ottoman Empire. The bank's accounts kept in accordance with DEB and the orderliness of the accounting books attracted the attention of the Ottoman administrators, and in the early 1880s, the state started its first attempts to use this same method in keeping its own accounts.

After the Ottoman Empire declared its financial bankruptcy in 1878, the OPDA, which was established within the framework of the agreement between the creditors and the Empire, also kept books with DEB. In a sense, OB and OPDA played an intermediary role in the recognition of DEB in the Ottoman country. It is inevitable that there will be an interaction between the two institutions, which are so influential in the monetary and fiscal policy of the state, and the government in terms of accounting practices.

The accounting transformation, which can be observed more clearly on the government side, leaves its place to uncertainty on the private sector side. The lack of accounting records and documents belonging to individual businesses and companies may at first glance give the impression that the DEB was not implemented by the Ottoman merchants. However, the increase in public investments made by the state for accounting education and the rising number of accounting teaching books published after 1880 can be considered as an indication that DEB and accounting received more and more attention in the Ottoman country and were used in commercial life. It would not be correct to claim that this revival in accounting education was entirely at the initiative of the state. If there was no demand for accounting education in the market, the state could not continue this effort unilaterally for a long time. However, in the Ottoman example, the development line of DEB and accounting in general showed a very stable development course. Moreover, if we take the 1880s as a starting point, we can

easily say that the spread of modern accounting in the Empire progressed quite rapidly.

On the other hand, although the tax system that the state tried to establish for the purpose of taxing urban economies after the Tanzimat period provided significant gains, a taxation system based on the real incomes of taxpayers could not be adopted. The agricultural production-based structure of the Ottoman economy made it difficult to establish a modern tax system based on declaration. As it is known, the agricultural sector is a sector that is difficult to tax. Even in the current Turkish tax system, agricultural profit holders are generally taxed through withholding taxation. It should be regarded normal for the Ottoman financial administration to experience such difficulties in determining the taxpayer and tax base. However, we can easily say that the tax system that the state tried to establish after the Tanzimat did not force the taxpayers to keep books. After the abolition of the tithe, the income and transaction taxes imposed between 1926 and 1934 were the first mandatory tax regulations in the history of Turkey for the merchants to keep books and determine their real earnings to identifying the tax base.

One of the important shortcomings of this thesis is that the transformation processes of the Ottoman finances could not be dealt with in an uninterrupted development trend. In this study, the Ottoman financial system and accounting practices were classified as classical period and Tanzimat period. In other words, bookkeeping and accounting practices between the sixteenth and nineteenth centuries were neglected. If sufficient time and economic resources are available, studies on the seventeenth and eighteenth centuries may have had a lot to tell us about the Ottoman financial and accounting history.

This thesis opens an encouraging door for the business history in the Ottoman and early Republican eras. Our observations on HRSB notebooks reveal the existence of a very lively commercial life in the 1920s. The relations of the Armenian carpet merchants who immigrated from the Ottoman Empire to the USA with the Ottoman merchants were revealed in the light of primary source during this research. Thanks to the new sources to be found from private or state archives, the opportunity to

conduct important studies focusing on the role of Armenian merchants in carpet trade. It is also possible to carry out these studies for sectors other than the carpet industry.

One of the nicest surprises I had during my research was that I learned about the existence of commercial documents of HRSB other than accounting books thank to Dr. Izel Levi Coşkun. In my research in the catalogs of the auction portal called *Kitabiyat Mezat*, I found that there are nearly fifty documents such as sales invoices issued to HRSB by various carpet merchants, registration documents of HRSB's chambers of commerce and correspondence with foreign traders. Unfortunately, thirty-four of these documents were already sold at two different auctions. I was able to purchase nine of the remaining documents. This coincidence has given a glimmer of hope that similar documents may be found in private archives. In particular, if I had found more business letters from HRSB, it would have been possible for me to expand this work and establish the business's trade networks better.

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APPENDICES

ایزیت پرفای چارسوده بمبای و بزچچی ایسمیل افندی

۲۰

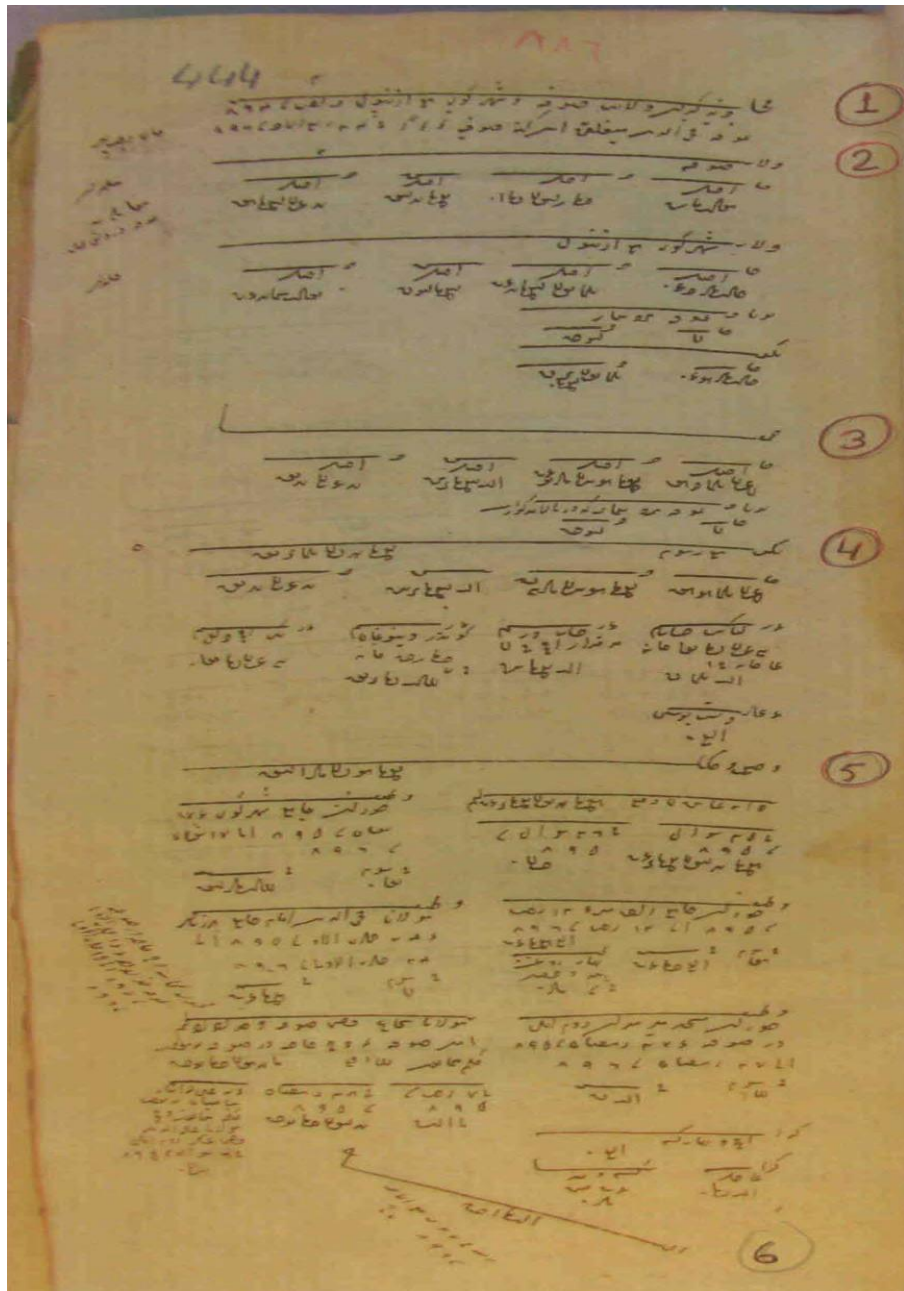
۱۰۰

ردیف	تاریخ	شرح	مبلغ	مبلغ
۱	۱۰	توسعه برای بزرگتر شدن تعداد مشتریان	۵۰۸۱	
۲	۲۰	۱۰ صندوق کرم حاشیه ۵۰	۴۹۸۱۴	
۳	۲۷	موردی از بزرگتر شدن		۲۰۰۰۰
۴	۲۹	۵ صندوق کرم حاشیه	۴۴۱۹۵	
۵	۳۱	۱۱ عدد بزرگ صندوق		۵۸۵
مجموع			۷۸۴۸۹	۴۰۵۸۵
۶	۱	موردی از بزرگتر شدن		۲۵۰۰۰
۷	۲	۲ صندوق کرم حاشیه	۱۸۰۴۸	
۸	۳	۷	۲۰۷۶۴	
۹	۴	موردی از بزرگتر شدن		۲۰۰۰
۱۰	۵	۷ صندوق کرم حاشیه	۲۰۰۵	
۱۱	۶	موردی از بزرگتر شدن		۲۰۰۰۰
۱۲	۷	۷ صندوق کرم حاشیه	۴۸۹۴۴	
۱۳	۸	۶	۴۸۸	
مجموع			۱۵۶۹۱۹	۱۱۹۵۸۵
۱۴	۹	۷۹	۴۷۳۶۵	
۱۵	۱۰	موردی از بزرگتر شدن		۲۰۰۰۰
۱۶	۱۱	۹ صندوق کرم حاشیه	۲۲۸۶۰	
۱۷	۱۲	۴ عدد بزرگ صندوق		۴۸۷۰۰
۱۸	۱۳	بزرگتر شدن و بزرگتر شدن		۲۰۰۰۰
۱۹	۱۴	۱۲ صندوق کرم حاشیه	۴۴۸۶۵	
۲۰	۱۵	۷ عدد بزرگتر شدن		۵۶۰
۲۱	۱۶	موردی از بزرگتر شدن		۱۴۴۰
۲۲	۱۷	موردی از بزرگتر شدن		۱۹۸۰
مجموع				۵۰۰۰۰
مجموع			۴۶۶۱۰۹	۴۴۶۶۴۴
۲۳	۱۸	بزرگتر شدن		۲۰۰۰۰
۲۴	۱۹	۴۴ عدد بزرگتر شدن		۲۰۰۰۰
۲۵	۲۰	موردی از بزرگتر شدن		۴۱۴۵
۲۶	۲۱	موردی از بزرگتر شدن		۵۰۰۰۰
۲۷	۲۲	۷ صندوق کرم حاشیه	۴۵۴۷۵	
مجموع			۴۹۸۴۸۴	۴۵۵۷۶۷

Appendix A-1: A single entry bookkeeping sample dated to 1923. Twentieth page of İzmit Hacı Rifat Efendi Zade Cemal Efendi's journal. The entries demonstrate the Cemal Efendi's transactions with The Grocery & Grain Merchant İsmail Efendi in January-April, 1923. (Source: Salt Araştırma, accessed 25/05/2022 <https://archives.saltresearch.org/handle/123456789/101587>.)

Account Name: The Grocery and Grain Merchant İsmail Efendi at Upper Market in İzmit				
Year-Month	Day	Explanation	Credit	Debit
1923-Mart	11	From 715 linseed sale (79)	27,465	
1923-Mart	15	To Celal ve Naim Bey İsak Uşşaki David Efendi		30,000
1923-Mart	19	9 boxes of egg sale (84)	33,860	
1923-Mart	3	4 empty boxes		287
1923-Mart	19	Paid by Keçecizade İbrahim Efendi		30,000
1923-Mart	23	12 boxes of egg sale (86)	44,865	
1923-Mart	19	7 empty boxes amount		560
1923-Mart	26	25 boxes delivered with Süreyya		1,230
1923-Mart	28	24 empty boxes sent to Captain Osman		1,980
1923-Mart	28	To Mehmed Tevfik Efendi		50,000
		Total	294,683	319,862.30
1923-April	4	Paid by Keçecizade İbrahim Efendi		40,000
1923-April	6	Paid by Keçecizade İbrahim Efendi		30,000
1923-April	10	23 empty boxes amount handling charge		2,125
1923-April	17	To Mehmed Tevfik Efendi		50,000
1923-April	17	7 boxes ve 7 boxes egg sale (95)	35,275	
		Total	502,993	479,865.30

Appendix A-2: English transcripton of the twentieth page of Cemal Efendi's journal.
Transcription only includes the transactions in March-April, 1923.



Appendix B-1: Siyakat form of Sophia zilyah sample posted via staircase method.

Source: Cemal Elitaş et al., *Accounting Method Used by Ottomans for 500 Years: Stairs (Mardiban) Method*, (Ankara: Turkish Republic Ministry of Finance Strategy Development Unit, 2008), 366-376.

English transcription of Sophia Jizyah Sample:

1- Jizyah accounting of the Christians of Sophia, Şehirköy and İzenpol provinces for Hegira 894 (AD 5 December 1488 – 24 November 1489). It is prepared by Málkarañ Muhyiddin, previous emin of Sophia and recorded on 24 Reb'ülâhir 896 (AD 6 March 1491) It is checked with Derviş Ali.

2- Sophia Province _____

Actual House Number	Actual Jizyah amount	Widow	Jizyah amount
7.160	546.801	948	28.470

Şehirköy and İzenpol Province _____

Actual House Number	Actual Jizyah amount	Widow	Jizyah amount
5.215	390.428	484	9.628

Nevyâfte (Newly recorded jizyah obligator) _____

Number of Houses	Jizyah Amount
2	54

Total _____

Number of Houses	Jizyah Amount
5.217	390.482

3- Total _____

Actual House Number	Actual Jizyah amount	Widow	Jizyah amount
12.375	937.229	1.432	28.098

Nevyâfte (Newly recorded jizyah obligator) _____

Number of Houses	Jizyah Amount
2	54

4- Total _____

With taxes	988.392
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Appendix B-2: English transcription of Sophia Jizyah Sample

Source: Cemal Elitaş et al., *Accounting Method Used by Ottomans for 500 Years: Stairs (Mardiban) Method*, (Ankara: Turkish Republic Ministry of Finance Strategy Development Unit, 2008), 366-376.

Number of Houses	Jizyah amount	Widow	Jizyah amount
12.377	937.283	1.432	28.098
Kitâbet (writing) fee, 1 akçe for every 10 houses	Accounting fee 2 akçe for every 100 houses	Voynuk tax 7 akçe for 556 houses	Harac tax, 1 akçe for every house
1.380	1.930	3.892	13.809

Tips
2.000

5- Subtraction

 987.241

Deposited to Hazine-i Amire At two times:	Yearly salaries of Şehirköy mosque attendants between 17 Şaban 895 - 17 Şaban 896 (AD 6 July 1490- 25 June 1491), 9 akçe daily
	3.240

For the salaries of Radomir between 12 Receb 895- 12 Receb 896 (AD 1 July 1490 - 21 May 1491)	Yearly salary of Preznik mosque imam Muhyiddin between 24 Cumâdelûla 895-24 Cumâdelûla 896 (AD 15 April 1490 - 4 April 1491) from 2 akçe daily
2.720	720

Oil and mat price for the mosque
200

For the yearly salaries of Rumeli Beylerbeyi mescid in Sophia Between 27 Ramazan 895 - 27 Ramazan 896 (AD 14 August 1490 - 3 August 1491) Daily 3 akçe a year makes	The money given to Sophia kadi and Harc-ı Hassa in accordance to a decree at three time 178.559 7 Receb 895 (AD 27 May 1490) 100.000
1.080 akçe	

1490) 28 Ramazan 895(AD 15 August
 48.000
 By cavalier Ali in accordance to the
 decree and documentation of
 Rumeli Kazaskeri Alaeddin on 6
 Şevval 895 (AD 23 August 1490)
 30.000

Akçe and Kise Rent _____

Rent _____	For kise and etc. _____
10 load	20 surre
1.800	200


6-
 Remainder _____
 1.151

Arrived on 27 Rebiülahir 896 (AD 9 March 1491).



Appendix C: The image of Mateo (Yüksek) Han, HRSB's premises in Istanbul.

(Photo Credit: Murat Kurtel, Google Maps, Şubat 2019)



HILMI & DJEVDET
 FILS DE HADJI AGUIAH

Telephone 877
 Adresse télégraphique
 Tarakdji frères

Mahmoud Pacha
 Biraderler han
 No 53
 Fabriques de
 Peignes, ambre,
 chapelets, casseroles et
 plats en cuire,
 tasses à bain


Constantinople, le ۸ قمریہ ۱۳۴۰
 در سعادت فی ۸ قمریہ ۱۳۴۰
 تجارہ و سرایجات و ادوہ حافظہ محمد و صلیح برادران M. A. اویسی


۸۷۷ تلفون
 تلفراف ادومسی
 طراقی برادران
 محمود پاشادہ برادران خان
 نو صو ۵۳
 طراق، کھریار، تسبیح،
 باقرہ تجرہ و صحنہ، حمام طاسی
 ولکن ایبریک فابریکہ لری
 ایله
 اشیای ساثرہ مغازہ سی
 قلمبرہ نوموسی

N° de facture

رد	عدد	نیم صوف	قیمت عددی
۹	۱۱	مشکبات	۱۲۱ ۰۵
۱۲/۵۰	۲۲	مختلف ایرانہ جالیس	۲۸۶ ۷۵
			۴۰۷ ۸۰
			۴۹۷۸ ۸۸

بابت دیت یہ حقوہ برزیمہ سکر لری
 و سکر سکر غرضتہ





Appendix D-1: Hilmi and Djevdet's invoice issued on January 8, 1921 on behalf of HRSB for the sale of Müşkabat and miscellaneous Iran carpets.

HADJI MEHMED CHALDJI

Marchand de Tapis en gros et en détail

Constantinople

TCHINILI HAN No. 8



هاجی محمد شالچی

خالی دپوسی

طوپدن و پراکنده

استانبول چینی خان نومرو ۸

۱۹۲۲ نوامبر ۲۲

تجار سفیدانده حافظ محمد شوی و صاحب بانک فرقندارلنده

مقدار	نوع	قیمت	مجموعه	تاریخ	محل	ملاحظات
۱	تبریزی	۱۱۰۰	۱۱۰۰	۱۹۲۲

جمعه ایکس روزه ایلائے نئی قیسمه الی قیسمه

۱۹۲۲ نوامبر ۲۲

Appendix D-5: Hadji Mehmed Chaldji's' invoice issued on November 22, 1922 on behalf of HRSB for the sale of one Tabriz carpet.

تجارتخانه برادران حاجی رسول و هابوف

MAISON DE COMMERCE

H. R. VAHABOFF & F NEMES

Monsieur ^{راده} خانی بنار سرانده حافظ بنیه رشده و صیام بنیه برادران حاجی

OBSERVATIONS	No.	NOMBRE شماره	Quantité		Prix قیمت	Totaux مجموعه
			سانج	سطر		
کار سر حانی	-	۲۱۶	-	-	۲۶ ۷۵	۷۶۵۰ ۵۰
	-	۵	۴۴	۱۴	۱۶ -	۷۱۷ ۴۴
						۸۴۶۷ ۹۴
						۴۰۸۴ ۶۸
						۴۴۸۹ ۴۶
						۴۴۱۴ ۴۶

درب حانیه نسیم بنیه

Appendix D-6: H. R. Wahaboff and Brothers' invoice issued on September 4, 1922 on behalf of HRSB for the sale of Kenare carpets.

M. H. NOURJIAN
IMPORTER OF
ORIENTAL RUGS AND CARPETS
295 FIFTH AVENUE
(TEXTILE BUILDING)
NEW YORK

۱۹۱۱
۱۹۱۱

استانزله بخارده، حافظ شری و صائم یادگار اقباله

مفتوح دوستم

ایه ایچ رخت اولوب انبویک اید سفولسکر، کمدیه قدر نزه یاروسم ایچوم
د بابه کوزده مدیکم ایچوم چوره عقیقز لیب ایچوم، بوالله ایستورده
بوده اولدین ایچوم چوره اشفا ایچوم کلبه سزی ناعبد ایچوم ایچوم
بونیزک آصینی صفاریم، سده نه بوده اولدین ایچوم محجوم کلبه
ایده سید اولدیک اوند حفته بارنه لوزن صیاح، دت سیه
آیرکی ایشده لازم درجده حطامیم، غانده غایه ایچوم سیه
اولدی چوره غانده ایچوم ایچوم، این دفته حطامیم سیه تبدیل ایچوم
سیه اسکر اولدینم بناده ده ایچوم ایچوم نقل ایچوم، سوبدی
بوغاندر آرانده نیک کوزده دیکلر ماکره باخجه ایچوم سیه ایچوم
ایچوم سیه ایچوم، وقتم نده نهم اولدی، بر حدت حدره
چوره مفضل یارایم،
لفا نزه یی دولاره بر بوی کوزده یوم طرفیله سیه
خاسته پارسخ ایزی سلاجییا اوده من ایزنده ایچوم و حودله

Appendix D-8: New York based carpet merchant Mihran Nourjiyan's letter to HRSB dated December 16, 1927

M. H. NOURJIAN
IMPORTER OF
ORIENTAL RUGS AND CARPETS
295 FIFTH AVENUE
(TEXTILE BUILDING)
NEW YORK

صاحب قید یورپیٹر انجمنہ باجیا نزد معصل بارہ نمبر سوہ صالی بلدیہ ریم
دشم اولیہ معاملہ کردہ نزد بلج بر کونہ باہ اندر مع
آرادہ ر بارہ نمبر طغتر یا کرنی بلدیہ ریم صومر صومر اولیہ
باضی عاقد ارزولیم روسلیغون نکان صومر ابریم

لازمہ وضو
M. H. Nourjian

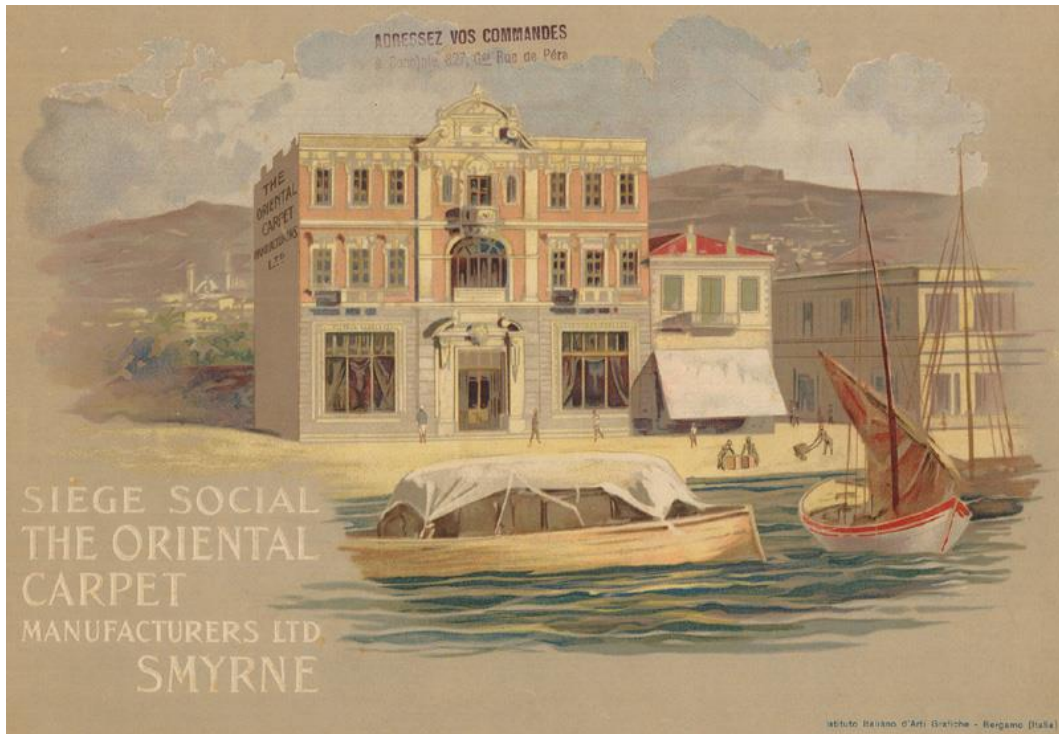
Journal Page Number A	Credit Account Ledger Page Number B	Debit Account Ledger Page Number C	Entry Date D	Entry Explanation E	Credit Amount (TL) H	Debit Amount (TL) I
17	93 117	93 117	14/05/2014	حسابداری بازرسی 17 نوسونو نوسونو	125	125
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Appendix E: Seventeenth page of the HRSB journal. Journal template and record systematics of the HRSB journal is signified above.

OPENING BALANCE SHEET OF HAFIZ RÜŞDÜ & SAİM BROTHERS BUSINESS (JAN. 1, 1928)

<u>ASSETS</u>	<u>LİRA</u>	<u>LIABILITIES AND EQUITY</u>	<u>LİRA</u>
Cash	1.712,00	Leandrosi account	27.292,15
Uşak Company merchandise	14.632,69	Banks	34.366,57
Merchandise consigned to Mr. Ahmed Kemaleddin	31.071,15	Notes payable	73.664,23
Mr. Ahmed Kemaleddin personal account 227 2/6	2.177,68	Uşak Company	2.533,11
Labor Company	1.651,36	Mr. Danyel Mesayo	105,57
Mr. Zeki Nasır personal account	431,03	Mr.	500,00
Mr. Zeki Nasır merchandise America	2.412,31	Mr. Abidan	1,92
Mr. Zeki Zeki merchandise Ankara	880,09	Mr. Naci	318,50
Mr. Selahaddin Faik	1.009,71	Mr. Saim	110,00
Oriental Carpet Manufacturers	354,52	Mr. Selim Manoli	1.893,30
Bank of France current account	6.011,60	Eastern Carpet Company	4.500,00
Mr. Vitali Toledo	100,77	Mr. Ahmed Kemaleddin's merch.	1.130,46
Mr. İlhami Halil	9.256,56	Mr. Albert Alfandari	381,27
Mr. Niko at bazaar	1.773,70	İzmir Bahçeli account	17,92
Mr. Hüsnü Kazım	115,42	Vahabof Brothers	1.753,73
Carpet Washing Company	3.909,05	Bedik Brothers	260,43
Workshop account	11.225,00	Temporary accounts	13.795,58
Manufactured carpets	3.750,00	Equity	50.000,00
Mr. Seraceddin	1.614,26		
Mr. Hasnuh	719,33	TOTAL LIABILITIES & EQUITY	212.625,04
Nakilbenzade Osman Şükrü	150,34		
Mustafa	316,53		
Notes Receivable	472,50		
Salis Brothers	221,68		
Serkis Telfeyan	364,95		
Joint merchandise with Cemil Fahri	3.582,76		
Hacı Ahmed Ragıp and Sons	3.477,63		
Kozakam	3.000,00		
Mr. Garmiryan	277,01		
Broker Mr. Mahmud	657,48		
Fixed Assets	452,50		
Dr. Celal Bey	1.100,46		
Rice Factory	10.270,31		
Abdülbani Meşki	38,50		
Storehouse	70.383,85		
Temporary accounts	23.050,31		
TOTAL ASSETS	212.625,04		

Appendix F: Opening Balance Sheet Of Hafiz Rüşdü & Saim Brothers Business (Jan. 1, 1928)



Appendix G-1: Headquarter of OCM at Alsancak, Izmir.

(Source: <http://www.levantineheritage.com/ocm.htm>)



Appendix G-2: Young girls knitting carpet before the looms, at Izmir.

(Source: <http://www.levantineheritage.com/ocm.htm>)



Appendix G-3: Children and young girls knitting carpet before the looms in OCM's workshops.

(Source: <http://www.levantineheritage.com/ocm.htm>)

WOMEN MAKING CARPETS AT OUCHAK.



FOREIGN RUGS AND CARPETS

Of every Description, and in all Sizes, imported in Large Quantities by

TRELOAR & SONS, 68, 69, & 70, Ludgate-hill, London, E.C.

KURDESTAN CARPETS, 21s. each.; about 3 yds. long, 5 ft. wide.

THE ORIENTAL CARPET MANUFACTURERS LTD.



Head House :
SMYRNA.
Branch Houses :
LONDON.
PARIS.
CONSTANTINOPLE.
NEW YORK
CAIRO.
PLACE SOLIMAN PACHA.
ALEXANDRIA.
11 RUE ROSETTE.

PERA — NOUVEL IMMEUBLE ST. ANTOINE

Appendix G-4: Women knitting carpet before the looms, at Izmir & Camels loaded with carpets.

(Source: <http://www.levantineheritage.com/ocm.htm>)



Appendix G-5: Young girls knitting carpet before the looms, at Isparta.

(Source: <http://www.levantineheritage.com/ocm.htm>)



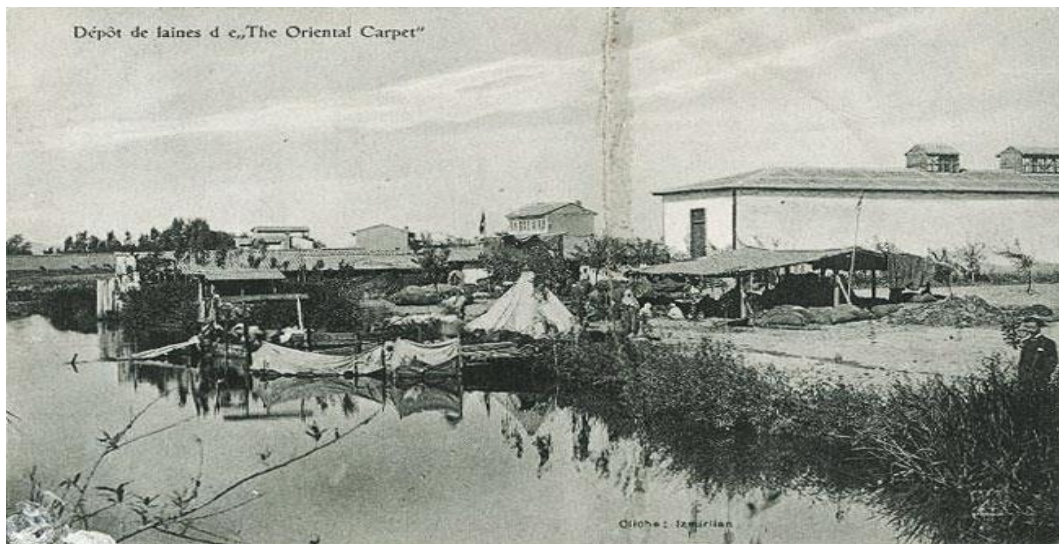
Appendix G-6: Children and young girls knitting carpet before the looms in the OCM's workshops, at Gördes.

(Source: <http://www.levantineheritage.com/ocm.htm>)



Appendix G-6: OCM's dyeing facilities at Uşak.

(Source: <http://www.levantineheritage.com/ocm.htm>)



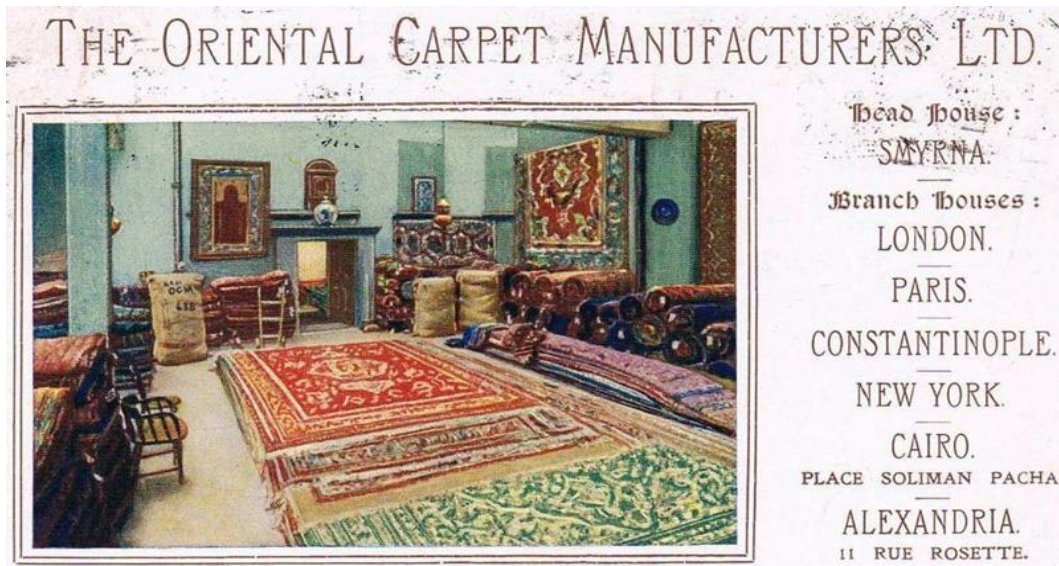
Appendix G-7: OCM's wool depot.

(Source: <http://www.levantineheritage.com/ocm.htm>)



Appendix G-8: OCM's wool washing facilities at Eskişehir.

(Source: <http://www.levantineheritage.com/ocm.htm>)



Appendix G-9: OCM's bill poster.

(Source: <http://www.levantineheritage.com/ocm.htm>)



Appendix G-10: OCM’s share certificate.

(Source: https://en.wikipedia.org/wiki/Oriental_Carpet_Manufacturers#/media/File:Oriental_Carpet_Manufacturers_share_certificate.jpg)



Appendix H: Hans Hassler Co A.G.'s advertisement poster (Source: "Hans Hassler. 1934" Auctions International, Inc., accessed: 10.05.2022 <https://auctions.posterauctions.com/lots/view/1-2MAUV5/hans-hassler-1934>)

امام محمد
مکتوبه
عدد

کتابخانه
وزارت
مکتوبه
عدد

I.DH 850/68203

I.DH.00850

Appendix I: The decree that orders all government offices to keep their accounts in compliance with DEB. (Source: BOA. I.DH. 85068-203, Date: H-08-06-1299.)

