Tax Farming Revenues and Accounting in Ottoman Finance: The Case of Kocaeli (1846–1847)

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Abstract
Unlike the European nations that shifted from privatized tax collection to a centralized government control system, the Ottoman Empire successfully maintained its tax farming system. Yet, there is ample evidence against the views that such a system was backward and wasteful are not entirely correct, but that the Ottoman tax collection method was successful in its own historical context. Therefore, the aim of this study was to reveal evidence of whether the Ottoman Empire implemented a successful tax farming system in the 19th century based on the accounting records of tax farming revenues considering the Ottoman public finances, institutional infrastructure, and administrative practices in a broader European context. Accordingly, the present study utilized the Prime Minister’s Ottaman Archives, the records of Revenue (Varidat) Accounting Administration, and the tax farming auctions in the Central Council (Majlis-i Val’a). The economic and financial conditions of the period were also considered in the analysis of the data. Evaluation of the tax collected by tax collectors in Kocaeli Province (Sancak) revealed the nature of economic activities in the empire. It can be stated that tax collectors in Kocaeli Province paid the total amount of 395,612 Guruş (Ottoman currency) tax revenue in five installments in 3 months and that the highest tax was collected from the sales of alcoholic beverages. Adet-i Ağnam (the tax collected for sheep and goat breeding) collected from each district was auctioned for tax farming price of 51,610 Guruş. In addition to these taxes, taxes from trade, forestry, maritime, and industrial production were included in the tax farming revenues. Overall, considering the adverse political and economic conditions in the historical process, the Ottoman Empire’s tax farming system was successful in collecting taxes and was a part of the formation of the modern Ottoman public finance system.

Keywords
tax farming, revenues, accounting, finance, tax

Introduction
Although tax farming, referring to the granting tax collection task to profit-seeking individuals, was common in most European countries before the 19th century, this method of privatization disappeared thanks to the French Revolution and the Napoleonic Wars. However, the Ottoman Empire maintained tax farming as an effective means of generating revenues from customs procedures, domestic and foreign trade, and agricultural production. In the Ottoman case, tax farming was not only related to the fact that it continued throughout the century as an essential mechanism of an extensive revenue collection system but also mainly related to direct taxes on agricultural production as well as indirect taxes such as customs duties (Özbek, 2018).

In recent years, European economic historians have compared the relationship between nations’ financial performances and institutional environments, exploring historical trends in the financing of liberal states and the different paths to modern public finance systems. While clustering is evident in Europe regarding the formation and consolidation of modern fiscal states, a closer examination of situations in each nation highlights their differences. Differences in national experiences require broad and flexible concepts about an exemplary fiscal state and its public finance system. Alongside such conceptual needs, the increasingly privatized governmental technologies of the neoliberal era have also encouraged a critical rethinking of our approaches and
concepts (Özbebek, 2018). In this context, this study aimed to reveal evidence of whether the Ottoman Empire implemented a successful tax farming system in the 19th century based on the accounting records of tax farming revenues considering the Ottoman public finances, institutional infrastructure, and administrative practices in a broader European context. Tax farming is a system in which the right to collect certain taxes is awarded to the highest bidder. The tax collector then retained the collected revenue. A winning bidder seeking to maximize profits would operate when private marginal revenue equals marginal cost. Tax farming represents a private finance solution to the tax collection problem of the states (Stella, 1993).

The previous research points out that about two-thirds of the net tax revenues, in other words, after deducting the expenses from the gross tax revenue, was distributed to tax collectors in the provinces, money changers, and high-level bureaucrats participating in the tax farming auctions in the capital city and sharing all tax resources among themselves in the 18th-century Ottoman Empire (Karaman & Pamuk, 2009). In the 19th century, while only 24% of the remaining revenue after deducting the tax collection costs, 30% was granted to the collectors, and the guarantors received the rest (Buluş, 2010).

Reaching consistent, homogeneous, and reliable data about the Ottoman economy becomes possible upon examining the document collections of the bureaucracy. A significant part of the revenues, which is the fundamental need of a centralized state, is obtained from the taxes for various economic activities. “Mukataas” (a kind of tax resource) in different regions of the empire were registered in a very systematic way by the offices registered under the Revenue Office. These records allow one to construct quantitative series and correctly interpret specific characteristics of the Ottoman economy (Genç, 2010).

As expected, keeping and closing the budget accounts in the empire accounting were different from contemporary methods. The realized revenues and expenses were started to be recorded on an accrual basis from 1846 to track the revenues and expenses of the state in a more systematic and institutional manner. Accordingly, if revenue or expense was collected in the current year but accrued in previous years, it was used to be recorded in the account of the year in which it was accrued, not in the current year’s account. Therefore, although the fiscal year was over, a year’s budget was not closed at the end of that year thanks to the exercise method; the administration could track the account movements of each year in the following periods. While the Ottoman accounting was based on the ladder or subtraction method, in which the expenses were subtracted from the revenues, the state accounting records began to be kept according to the double-entry method as of March 1882, as in Schneider’s System. However, this system was not settled in the entire public sector even at the beginning of the 20th century (Akkuş, 2013).

Recent years have witnessed a search for a novel and more efficient public administration with approaches for reforming the conventional understanding of public administration. Some of these approaches do not hold public finance separate from the proposals for the autonomy of the public administration. Therefore, there are ongoing debates on establishing more efficient tax administrations with relative autonomy. However, acting as if these proposals were put forward for the first time or there were no autonomous local administrations before is in need of correction. In this sense, tax farming as a kind of public administration may present robust historical evidence for the abovementioned efficient tax administration reform. Not only do contemporary states always have a desire to elevate tax revenues upon enhancing tax-collecting efficiency but deceased empires also had the same financial concern. As an example, historical practice-based changes in the tax collection methods in the Ottoman Empire depending on the severity of the financing need of the empire actually emerged from the following question: “What method can the administration collect the most tax from the state’s production capacity?” The Timar system emerged first as a response to this question. Later, there were efforts to establish the Iltizam and Malikane systems and a central financial organization in the 19th century (Buluş, 2010).

Modern finance has practices similar to the tax farming system. In this sense, financing products by some public institutions and organizations may become prominent. Such financing products, generally exported as capital market products, can find a place in western countries, particularly in the USA. Revenue Bond or Municipal Bond is a product of public finance exported mainly for financing the urban development projects of local governments in the USA. These bonds are paid upon the tax and operating revenues from related project investments. However, neither of the said financing systems (taxation increase and revenue bonds) has generally no risk-sharing similar to the tax farming system (Varlı, 2014).

The present study would make significant contributions to the literature on the bureaucratic efficiency of Ottoman public finance and the accounting methods of tax farming revenues. To the best of our knowledge, this study is the first to scrutinize the accounting of tax farming revenues and shed light on the economic history of the said region through taxation types. Tax collection procedures and principles of public finance constitute an essential source for accounting history. On the other hand, tax farming auctions were the control mechanism of the Ottoman financial bureaucracy over the tax farming system. Therefore, the present study is also deemed seminal with its contributions to the literature on the Ottoman bureaucracy.

**Tax Farming System in the Ottoman Empire**

One of the most noteworthy characteristics of the transformation at the end of the 16th century was the increasing role of local elements in the state’s financial structure. In this context, the Ottoman Empire changed its understanding of local
government. The most fundamental element of this process was those who were local notables. The fact that the notables were able to obtain tax farms from time to time enabled the spread of the tax farming system and their social power and material gains to increase (Pamuk, 1999; Salzmann, 1993).

The tax farming method was implemented for tax resources that could not be classified in the Timar system in the Ottoman order (Genç, 2010). Consequently, the duty of collecting the taxes from the obliged and delivering them to the central treasury was granted to a group called tax collectors (mültезim) by auction (Cezar, 1986).

Prospective tax collectors would offer the government the price they would undertake to pay annually by estimating the revenue promised by mukataas and collection cost. The one, whose proposal was accepted, would have assumed the taxation rights and powers of mukataas for 3 years (Çizakça, 1999; Genç, 2010).

The entrustment of tax collecting duty to tax collectors for 3 years within the tax farming system led them to act for greedy and excessive returns quickly. Especially, peasants felt under pressure due to such behaviors of tax collectors, which caused the decline of agricultural production, which was the basis of the state’s economy and finance (Pamuk, 2007, p. 149). Harming resources in this way required the central government to take some measures, and the way was paved for the conversion of tax farming to its upgraded form: the Malikane system.

The Malikane system, which appeared in the 13th century, was the system in which mukataas were granted to tax collectors as long as they were alive (kayd-ı hayat). An edict published in 1695 made it possible to convert mukataas into manorial units (Tabakoğlu, 1985). Following the establishment of the system, the auction of mukataas started in Istanbul. The one who made the highest bid for the cash price, which is called muaccele (due and payable) in the auction, was granted a certificate recognizing his rights and responsibilities as the manor owner (Genç, 2010).

Yet, the Malikane system was not able to be a definitive remedy for the financial crisis of the state. The lack of competition conditions in the Malikane market became a factor preventing its effective functioning. Due to the high muaccele prices, some auctioneers engaged in an implicit alliance; thus, the expected revenue could not be achieved from the sums paid to the treasury (Pamuk, 2007). As a distinctive feature of the system, notables did not attempt to own mukataas but used their powers in the regions through sub-tax farming (alt mültезimlik). Consequently, over time, they became a significant social force in the functioning of the tax system as partners to the state and the manor owners (Pamuk, 2007). The transfer of tax collection privilege to others by the tax collectors made it difficult for the central government to control which tax collector had how much right on mukataa units (Kasaba, 1987).

In the system, which maintained its formation for a certain period of time, tax collectors had some economic, administrative, and disciplinary rights over manors. One of these rights was the freedom of mukataa sales. Such features of the system also brought with it the conditions strengthening the local elements. In addition, the fact that taxes were collected by intermediaries, not the tax collectors themselves, led to the formation of a social hierarchy (Bay, 2007). The Malikane system, introduced to ensure the transition of the Ottoman economy from in-kind to in-cash, caused a change in the understanding of private property and, in turn, a social transformation. The new class, which was between the public (reaya) and the state in the Ottoman financial system, became stronger during the 19th century and was positioned against the central elements.

The issue of financing the tax farming system also highlighted a different social group. Money changers gained significant importance in financing advance payments arising from tax farming contracts. They gave loans to the winners of the tax farming and manor auctions and organized the tax collection system by dividing a manor into sub-units. They specialized in financing trade and tax collection, especially in rural areas. The money changers, who made connections between countries and borrowed from the European markets to the central treasury when needed, formed the basis of the financial bourgeoisie class in Istanbul (Pamuk, 2007). Prospective tax collectors were expected to participate in the tenders held by the central treasury with the surety and commitment of money changers. The offers of those without such commitment were not accepted even if they offered high prices (N. Koyuncu, 2014).

Notables, whose social significance elevated after the 16th century, doubled their wealth and power not only through tax farming but also by leasing Miri lands (demesnes). In particular, lifelong leasing affairs made them privileged because of their influence on and cooperation with local authorities. From time to time, notables had conflicts of interest with each other. In line with the power struggles, they forced the government to grant them titles, such as vizier and pasha, to approach the authority of the Sultan, which allowed the rise of a robust, semi-feudal aristocracy in the Anatolian and Balkan provinces in the 18th and 19th centuries (İnalck, 2019). This semi-feudal social group stood against any social innovation that might harm its entrenched interests (İnalck, 2019).

Despite such an emergent issue, Anatolia remained only a geographical region hosting small farms. The existence of tax collectors, who owned lands from the 17th and 18th centuries and were known as the notables of their regions, could not change this picture (Faroqhi, 2010). The traditional structures of the social and economic sphere in the empire were maintained in the 17th and 18th centuries without any major differentiation. In a century-long period from the first years of the 19th century to the First World War, the state faced military, political, and economic powers of the West, which mandated the integration into a new Western-centered economic order (Pamuk, 2007). Fortunately, a series of changes in the 19th century enabled the balance of power to shift to the center.
On the other hand, tax collectors’ corruption within the tax farming system became a major complaint among peasants. The Tanzimat Fermanı (Imperial Edict of Reorganization) aimed to eliminate tax corruption and abolished the tax farming system. It was attempted to transfer tax revenues to the central treasury through the implementation of the state-based tax collection system (muhasıllık; Uzun, 2001). The edict adopted the principle of rearranging taxes and regular tax collection. In the edict, the tax farming system was interpreted as leaving the political and financial issues of the homeland to the will and conscience of a person. Henceforward, taxes would be collected according to the ability-to-pay principle, and no more would be demanded. It was recognized that a tax collector acting in favor of his own interests could be unfair and oppressive (Karal, 1975).

In the Tanzimat period, some opposition movements emerged due to the introduction of new taxes. Those who did not want to pay taxes attempted to rebel and plunder with partial support from the public. It is understood that mistaken attitudes and behaviors of those authorized to implement new decisions contributed to the initiation of such events (Çakır, 2001).

The abolition of tax farming created a significant loss of revenue and dissatisfaction among tax collectors and money changers. However, tax collecting costs immediately increased as tax officials employed a large number of people during the harvest periods. There were also losses in the conversion of in-kind taxes into cash. Such problems reduced the revenue expected by the state, which forced the state to restore the tax farming system in 1842 (Şener, 1990).

Before the First World War, tax revenues of the central treasury reached 11% of the annual total production and revenue (Pamuk, 2007). However, historians often draw a pessimistic picture regarding the production and trade activities in the Ottoman Empire during the 19th century. It is undeniable that the accepted customs regime and capitulations limited the economic field of action of the Ottoman administration. Although Ottoman trade and production adapted to the changing conditions for the sake of survival and European integration brought the increasing weight of foreign capital and an increase in production quality, the limited tax revenues could not be avoided (Faroqhi, 2010).

Methods
We utilized the document analysis technique in this study and obtained all relevant documents from the Ottoman Archives of the Prime Minister’s Office upon permission from the relevant bodies. The primary source of the study was the revenue accounting book belonging to Kocaeli province. The book issued tax farming revenues of the districts of Kocaeli in the years 1846 to 1847. Yet, the review of the archival records did not end up with any other documents issued other than these years. Thus, it was not possible to generate a time series on the data, which is the primary limitation to the study. Besides, budget statistics, allowing to address the composition of state revenues, were prepared in the fiscal years 1849 to 1850, 1862 to 1863, 1875 to 1876, and 1887 to 1888 (Güran, 2017). Thus, there was also a lack of data on tax revenues in the period we investigated. We also reviewed the documents related to the tax farming auctions in the same period to extend the main source. The documents of the auctions held by the Central Council (Majlis-i Val’a) for Aşar (tithe) cover helpful information on the procedures and rules of the tax farming system in the region. Overall, the relevant records may provide remarkable clues regarding accounting history and ample evidence for the sensitivity of the bureaucracy on taxation.

Accounting of Tax Farming Revenues From Kocaeli Province
It is well-known the eastern coast of the Sea of Marmara between Kocaeli and Istanbul increased its economic and social significance in the 18th and 19th centuries (see Map). Kocaeli was the province of primary importance in satisfying the basic food needs of the capital city. The reasons for the population density in the region during the specified period can be listed as follows: (1) Kocaeli was a region where the state could ensure life and property security at a higher level than other regions; (2) the state granted priorities in satisfying the basic needs of local citizens; (3) thanks to the importance of the region between Uskudar and İzmit for Istanbul, Kocaeli was always considered a zone of supplies, initiating the encouragement of its economic vitality; (4) the locals had high expectations of getting a share of prosperity as the surplus-value flowed to Kocaeli from Istanbul (Çelik, 2014). For further information, see Annex 1.

The establishment of a state-based tax collection system (muhasıllık) after the Tanzimat led to some changes to the administrative structure of Kocaeli province. In Kocaeli province, four tax collection offices were established. The first was responsible for taxes from the districts of İzmid, Kaymas, Şeyhler, Kandıra, Ağacı, and Gençler. The second was authorized to collect taxes from the districts of Hendek, Adapazarı, Akyazı, Karasu, Absafi, and Sançayır. Tax-related affairs of Karamürsel, Yalova, Pazarköy, and İzmit were performed by the third office. Finally, the fourth was responsible for taxes from the districts of Geyve, Beşiktepe, Akabad, and Gümüşabad.

Nevertheless, the expected benefit in tax collection could not be achieved; thus, the administrative structure was downsized in 1841. While the tax collection office responsible for İzmid was reauthorized outside the border, the districts of Kartal, Şile, Taşköprü, Beykoz, and Gebze were included in the administrative structure of Kocaeli province (Erken, 2016).

Public Tax Administration (Varidat-ı Umumiye) was affiliated with Finance Accounting Administration, established in 1840 to replace the Chief Accounting Administration. This state body supervised tax records and collections in the districts and audited the accounts by fiscal years (Pakalın, 1977).
Revenue Accounting Department (functioning under Public Tax Administration) was divided into Anatolian and Rumelian revenue accounting offices. Anatolian accounting office covered the regions of Arabia, Anatolia, Crete, and Tripoli. Rumelian accounting office regulated the accounts of Rumelia, Istanbul, and the Mediterranean islands (Güran, 1989).

The revenue accounting book issued on December 29, 1847 arranged taxes to be paid by the tax collectors. Following the accounting of tax revenues collected in 1846, the reduced tax revenue in 1847 was deducted from the taxes as the missing amount. Then, the increased amount was added to the total tax amount, and the revenue paid by the tax collectors was recorded. There were also districts where the tax amount did not change during a 1-year period. Taxes were reduced in the districts of Karasu, Bazargölü, Kartal, and Şeyhlü. In other districts, taxes were increased compared to the previous year.

The tax farming price of Izmid district was 61,000 Gurus. Its share in the total tax farming price was 25%; this amount was not included in the accounting account but only shown in the abstract section. Following Izmid district, the highest tax farming price belonged to Bazargölü district (48,170 Gurus), where there were seven tax collectors. Tax collector Ahmet Efendi paid 27,500 tax farming price with an annual increase of 8% in Yalakabad district, while tax collector Koloç Oğlu undertook 23,550 Gurus tax farming price with a yearly increase of 5% in Adapazarı district. The lowest tax farming prices belonged to the districts of Hendek and Başdivan with 200 and 250 Gurus, respectively, which included only the Adet-i Ağnam as in Table 1 (See Annex 2).

The tax farming prices of the districts of Kartal, Beykoz, Şile, Taşköprü, Akabad, Ağacılı, Kandira, Kaymas, and Şeyhlü were 72,517 Gurus in 1846 and 73,177 Gurus in 1847. Yet, the prices were not included in the abstract table in which the installments were shown because these prices were possibly paid in advance (see Table 1).

The tax farming prices of the districts of Karasu, Adapazarı, Hendek, Taraklı, Todurga, Geyve, Akhisar, Bazargölü, Yalakabad, and Karamürsel in the years 1846 to 1847 was 310,663 Gurus. In 1847, the annual tax increase rate was 3.6%; the tax amount in these districts was increased by 11,179 Akçe (1/120 Gurus). When the tax amount of the districts of Izmid, Başdivan, Taraklı, and Bazarköy in the accounting record (73,770 Gurus), a total tax amount appeared to be 39,5612 Gurus. This amount was divided into five monthly installments in 1847 and paid by the tax collector until December. The abstract financial statement in the accounting book is demonstrated below (BOA, ML.VRD.d, 01606, p. 4).

\[
\begin{align*}
\text{Grand Total in 1846} \\
310,663 & \text{ Gurus}
\end{align*}
\]

\[
\begin{align*}
\text{Increase to be added to the grand total above in 1847} \\
321,842 & \text{ Gurus} \\
73,770 & \text{ Gurus} \\
395,612 & \text{ Gurus}
\end{align*}
\]

\[
\begin{align*}
\text{Increases per districts} \\
\text{Izmid district: 61,000 Gurus} \\
\text{Beşdivan district: 250 Gurus} \\
\text{Taraklı district: 11,000 Gurus} \\
\text{Bazarköy district: 1,520 Gurus}
\end{align*}
\]

\[
\begin{align*}
\text{Discount to the grand total above in 1847} \\
18,579 & \text{ Gurus} \\
7,400 & \text{ Gurus} \\
11,179 & \text{ Gurus}
\end{align*}
\]

\[
\begin{align*}
\text{Installments} \\
79,122.16 & \text{ Gurus in April} \\
79,122.16 & \text{ Gurus in June} \\
79,122.16 & \text{ Gurus in August} \\
79,122.16 & \text{ Gurus in October} \\
79,122.16 & \text{ Gurus in December}
\end{align*}
\]

\[
\begin{align*}
\text{Grand Total} = 395,612 & \text{ as of December 29, 1847}
\end{align*}
\]

**Tax Types in the Ottoman Empire**

The basis of taxation in the Ottoman Empire was established on two important distinctions: sharia (Islamic) and customary taxes. Sharia taxes (Tekâlif-i Şer’iyye) are composed of Zakat, Aşar (tithe), Haraç (tribute), Cizye (Jizya), and nearly 80 taxes as their parts. Customary taxes (Tekâlif-i Örfiye), on the other hand, consist of taxes collected from all citizens, without distinction of religion, to meet local and extraordinary expenditures, determined according to traditions (Yılmaz, 2019).

The Tanzimat period brought simplicity to the taxation system. All of the taxes within Sharia taxes were abolished. Besides, it was decided to collect 1/10 Aşar from agricultural activities, Adet-i Ağnam from sheep and goat breeding, and Cizye from non-Muslims (Güran, 1989).

**Zecriyye (tax for alcoholic beverage consumption).** With the abolition of the prohibition of alcohol consumption across the empire, which continued for 2 years between 1790 and 1792, III. Selim established the institution called “Zecriyye Muhassıllığı.” The institution undertook to collect taxes arising from the production, trade, and consumption of alcoholic beverages. One kind of tax collected by the institution was the tax from the alcoholic drinks, which is called “Zecriyye” (D. Koyuncu, 2019, pp. 40–142). It was the item in the budget generating the most annual tax revenue with 36% in these fiscal years. In the following period, the Zecriyye stock
Table 1. Revenue Records of Revenue Accounting Department in Kocaeli Province.

| Districts | 1846 | 1847 | Total |
|-----------|------|------|-------|
|           | Guruş | Missing | Increase | Guruş |
| Karasu (Hasan Efendi) | 1,320 | 90 | 1,230 | 1,220 | 1,720<sup>a</sup> | 10,500 |
| Rüşum-i Öşr-i Kereste (Tax for timber production) | 5,000 | 130 | 4,870 | |
| Rüşum-i Kalamar (Tax for calamary farming) | 5,900 | 1,560 | 4,340 | |
| Grand total | 12,220 | 1,720<sup>a</sup> | |
| Adapazarı (Koloç Oğlu) | 4,100 | 4,100 | 8,200 |
| Rüşum-i Öşr-i Kereste (Tax for timber production) | 6,250 | 555 | 6,805 |
| Rüşum-i Saçma (Tax for fishing net production) | 775 | 775 | |
| Rüşum-i Sayd-i Mahi (Tax for fishing activities) | 2,550 | 2,550 | |
| Rüşum-i Tahmil-i Saman (Tax for straw production) | 5,500 | 250 | 5,750 |
| Rüşum-i Adet-i Ağnam (Tax for sheep and goat breeding) | 2,350 | 350 | 2,700 |
| Rüşum-i Mi'Mârîye (Tax for construction works) | 560 | 560 | |
| Rüşum-i Boyahane (Tax for dye production) | 310 | 310 | |
| Grand total | 22,395 | 1,155 | 23,550 |
| Hendek (Hasan Ağa) | 150 | 50 | 200 | |
| Taraklı (El-Hâç Hüseyin Ağa) | 1,700 | 400 | 2,100 |
| Rüşum-i Adet-i Ağnam (Tax for sheep and goat breeding) | 1,300 | 1,300 | |
| Rüşum-i Ihtisab ve Damga (Salim Efendi) (Tax Collected from Tradesmen and Craftsmen) | 11,000 | | |
| Although this tax was auctioned off to the tax collector in 1846, it was re-auctioned off to the aforementioned person in line with the order issued in 1847. | |
| Sub-total | 3,000 | | |
| Increase | 400 | | |
| Sub-total | 3,400 | | |
| Ihtisab fee | 11,000 | | |
| Grand total | 14,400 | | |
| Todurga (Salim Efendi) | 620 | 620 | |
| Rüşum-i Adet-i Ağnam (Tax for sheep and goat breeding) | 13,500 | 550 | 14,050 |
| Rüşum-i Adet-i Ağnam (Tax for sheep and goat breeding) | 2,100 | 150 | 2,250 |
| Rüşum-i Zecrüyye (Tax for alcoholic beverage consumption) | 1,400 | 100 | 1,500 |
| Rüşum-i Mi'Mârîye (Tax for construction works) | 250 | 50 | 300 |
| Rüşum-i Saman (Tax for straw production) | 750 | 150 | 900 |
| Rüşum-i Boyahane (Tax for dye production) | 50 | 50 | |
| Grand total | 18,050 | 950 | 19,000 |
| Akhisar (Mustafa Beğ)<sup>b</sup> | 1,200 | | |
| Rüşum-i Adet-i Ağnam (Tax for sheep and goat breeding) | 2,500 | | |
| Rüşum-i Zecrüyye (Tax for alcoholic beverage consumption) | 6,360 | | |
| Rüşum-i Adet-i Ağnam (Tax for sheep and goat breeding) | 280 | | |
| Rüşum-i Boyahane (Tax for dye production) | 225 | | |
| Rüşum-i Saçma (Tax for fishing net production) | 40 | | |
| Rüşum-i Bağ (Tax for grape production) | 100 | | |
| Grand total | 10,700 | 300 | 11,000 |
| Bazargölü | 7,200 | 800 | 8,000 |
| Rüşum-i Sayd-i Mahi Bazargölü (Salih Ağa) (Tax for fishing activities) | 2,250 | 750 | 1,500 |
| Rüşum-i Sayd-i Mahi Yeniköy (Halil Beğ) (Tax for fishing activities) | 500 | 200 | 300 |

(continued)
| Districts | 1846 | 1847 | Total |
|-----------|------|------|-------|
|           | Guruş | Missing | Increase | Guruş |
| Rüşüm-i Sayd-i Mahi Çakırlı (Halil Beğ) (Tax for fishing activities) | 200 | 200 |
| Rüşüm-i Sayd-i Mahi Kiremit (Halil Beğ) (Tax for fishing activities) | 2,600 | 2,000 |
| Rüşüm-i Adet-i Ağnam (Hacı Ali Ağa) (Tax for sheep and goat breeding) | 2,200 | 2,000 |
| Rüşüm-i Bac-i Pazar (Pehlivanzade Ahmet Ağa) (Tax for commercial activities in bazaars) | 3,050 | 4,050 |
| Rüşüm-i Mi’Mârîye (İbrahim Ağa) (Tax for construction works) | 1,200 | 2,100 |
| Rüşüm-i Zecriyye (Ahmet Efendi) (Tax for alcoholic beverage consumption) | 25,700 | 26,500 |
| Rüşüm-i Kantar (Mustafa Ağa) (Weighage tax) | 1,000 | 1,520 |
| Sub-total | 44,900 | |
| Discount | 1,750 | |
| Sub-total | 43,150 | |
| Increase | 3,500 | |
| Sub-total | 46,550 | |
| Created Rüşüm-i Kantar (Weighage tax) | 1,520 | |
| Grand total | 48,170 | |
| Yalakabad (Ahmed Efendi) | | |
| Rüşüm-i Adet-i Ağnam (El-Hâc Emin Beğ) (Tax for sheep and goat breeding) | 7,200 | 7,200 |
| Rüşüm-i Otlak (Subaşı ve Seymenler) (Grazing tax) | 1,500 | 2,300 |
| Rüşüm-i Kantar (Katırli İskelesi) (Weighage tax) | 500 | 300 |
| Rüşüm-i Kantar (Orta İskelesi) (Weighage tax) | 350 | 600 |
| Rüşüm-i İskele (Koru İslelesi) (Tax for pier operations) | 500 | 600 |
| Rüşüm-i Zecriyye ) (Tax for alcoholic beverage consumption) | 15,411 | 16,000 |
| Grand total | 25,461 | 27,500 |
| Karamürsel | | |
| Rüşüm-i Adet-i Ağnam (El-Hâc Emin Beğ) (Tax for sheep and goat breeding) | 3,125 | 3,500 |
| Rüşüm-i Zecriyye (Müdür-ü Kaza-i Mustafa Beğ) (Tax for alcoholic beverage consumption) | 9,100 | 9,100 |
| Grand total | 12,225 | 12,600 |
| Kartal | | |
| Rüşüm-i Adet-i Ağnam (Abdülfettah Ağa) (Tax for sheep and goat breeding) | 2,100 | 2,150 |
| Rüşüm-i Zecriyye (Kurtiş Çorbacı) (Tax for alcoholic beverage consumption) | 13,125 | 13,152 |
| Rüşüm-i Sayd-i Mahi (Pazarlu Çorbacı) (Tax for fishing activities) | 5,500 | 5,500 |
| Rüşüm-i Dellaliye (Abdülfettah Ağa) (Tax for brokerage activities) | 330 | 300 |
| Grand total | 21,055 | 21,102 |
| Beykoz (Ahmed Efendi Sâkin-i Izmid) | | |
| Rüşüm-i Adet-i Ağnam (Tax for sheep and goat breeding) | 4,710 | 4,710 |
| Rüşüm-i Zecriyye (Kasaba-i Paşabahçe) (Tax for alcoholic beverage consumption) | 2,200 | 2,200 |
| Rüşüm-i Zecriyye (Karye-i Arnabud) (Tax for alcoholic beverage consumption) | 2,350 | 2,350 |
| Rüşüm-i Zecriyye (Karye-i Paşa) (Tax for alcoholic beverage consumption) | 265 | 265 |
| Rüşüm-i Sıvı Reçine (Tax for liquid resin production) | 200 | 200 |
| Grand total | 9,725 | 9,725 |
| Şile | | |
| Rüşüm-i Adet-i Ağnam (Hacı Osman Ağa) (Tax for sheep and goat breeding) | 2,550 | 3,000 |
| Rüşüm-i Zecriyye (Ahmed Efendi) (Tax for alcoholic beverage consumption) | 3,800 | 4,000 |
| Grand total | 6,350 | 7,000 |
| Taşköprü | | |
| Rüşüm-i Adet-i Ağnam (Ali Ağa) (Tax for sheep and goat breeding) | 5,350 | 6,500 |
| Rüşüm-i İskele-i Kütük (İbrahim Reis) (Log Pier tax) | 3,550 | 3,750 |
| Grand total | 8,900 | 10,250 |
| Akabad | | |
| Rüşüm-i Adet-i Ağnam (Mehmed Ağa) (Tax for sheep and goat breeding) | 1,020 | 1,100 |

(continued)
Table 1. (continued)

| Districts | 1846 | 1847 | Total |
|-----------|------|------|-------|
|           | Guruş | Missing | Increase | Guruş |
| Beşdivan  |       |        |         |       |
| Rüsum-Adet-i Ağnam (Suleyman Efendi) (Tax for sheep and goat breeding) | 250 | 250 |      |
| Ağaçlı     |       |        |         |       |
| Rüsum-i Adet-i Ağnam (El-Hac Emin Beğ) (Tax for sheep and goat breeding) | 2,100 | 400 | 2,500 |
| Kaynas (El-Hac Hüseyin Efendi) |      |        |         |       |
| Rüsum-i Zecriyye (Tax for alcoholic beverage consumption) | 1,200 | 300 | 1,500 |
| Rüsum-i Adet-i Ağnam (Tax for sheep and goat breeding) | 3,000 | 200 | 3,200 |
| Rüsum-i Mi’Mâriye (Tax for construction works) | 180 | 120 | 300 |
| Rüsum-i Harc-i Mevasîk (Tax for contracts) | 30 | 20 | 50 |
| Rüsum-i Sayd-i Mahi (Gökçeviran Gölü) (Tax for fishing activities) | 825 | 123 | 948 |
| Grand total | 5,237 | 763 | 6,000 |
| Kandıra (Sami Beğ) | | | |
| Rüsum-i Adet-i Ağnam (Tax for sheep and goat breeding) | 2,000 | 100 | 2,100 |
| Şeyhli (Hasan Efendi) | | | |
| Rüsum-i Adet-i Ağnam (Tax for sheep and goat breeding) | 3,050 | 3,050 | |
| Rüsum-i Öşr-i Kereste (Sacarya Nehri) (Tax for timber production) | 5,400 | 750 | 4,650 |
| Rüsum-i Öşr-i Kereste (Iskele-i Kevken) (Tax for timber production) | 2,700 | 250 | 2,450 |
| Rüsum-i Palamud (Nehr-i Sakarya) (Tax for acorn production) | 6,000 | 1,650 | 4,350 |
| Grand total | 17,150 | 2,650 | 14,500 |

Note. Adapted from: BOA, ML.VRD.d, 01606, H-21-01-1264.

a In 1847, regarding taxes from Karasu district, the missing amount was 1,780 Guruş, and the total amount was 10,440 Guruş. However, the clerk registered the missing amount as 1,720 Guruş and the total amount as 10,500 Guruş. Only three tax items were unlikely to be miscalculated. Here, the clerk rounded up the value since we did not encounter such an error in the records of other districts.
b Akhisar: Pamukova, maa Dodurga, maa Akabad. See Sezen (2017, p. 605).

Table 2. Tax Types.

| Taxes | 1846 | 1847 |
|-------|------|------|
|       | Guruş | Guruş |
| Zecriyye (Tax for alcoholic beverage consumption) | 77,251 | 79,267 |
| Adet-i Ağnam (Tax for sheep and goat breeding) | 47,745 | 51,610 |
| Bac-ı Pazar ve Kantar (Tax for commercial activities in bazaars) | 30,010 | 32,665 |
| Sayd-i Mahi (Tax for fishing activities) | 21,625 | 20,998 |
| Öşr-i Kereste (Tax for timber production) | 17,200 | 16,070 |
| İhtisab ve Damga (Tax collected from tradesmen and craftsmen) | 11,000 | 11,000 |
| Saman (Tax for straw production) | 7,550 | 7,950 |
| Kalmar (Tax for calamary farming) | 5,900 | 4,340 |
| Palamud (Tax for acorn production) | 6,000 | 4,350 |
| Mi’mariye (Tax for construction works) | 2,470 | 3,540 |

Note. Adapted from: BOA, ML.VRD.d, 01606.

shares (Esham) were issued to benefit from the gains of this tax. The collection of Zecriyye was only granted to notables; the intervention of other tax collectors was strictly forbidden (Cezar, 1986).

In Kocaeli Province, the highest tax revenue was generated from Zecriyye in 1847. In 1847, this tax amounted to 79,067 Guruş tax farming price with a 2.6% increase to the amount of the previous year. Its share in the total tax farming price became 33% due to the strict approach of the empire to alcoholic drinks (see Table 2).

Adet-i Ağnam (tax for sheep and goat breeding). In the classical period, Adet-i Ağnam (or Resm-i Ganem, Koyun Resmi) was a type of tax collected from sheep and goat breeding
Mıgırdiç, was liquidated and awarded to Emin Bey by the 1853, Aşar of Kocaeli, which was committed by Cezayirlioğlu incurring cost (BOA, İ.MVL, 280, 10941, p. 3). On November 14, 1851, and 1852 was auctioned off to Emin Bey and Hasan A.MKT.NZD, 42-5, 3). That there should be no hesitation in collecting taxes (BOA, A.MKT, 6-42, p. 1). On August 31, 1851, due to the fire in Kartal district, the peasants requested an amnesty of the Aşar debt from the treasury. Yet, the request was rejected on the grounds that the crop was not affected by the fire. It was emphasized by the treasury administration since 1,045 bushels of 2,732 bushels crop could not be collected (BOA, MVL, 338-38, 1).

In 1854, the Central Council (Majlis-i Val’a) took a decision on auctioning tax farming for Aşar of Konya, Kocaeli, Karahisar-ı Şarkı, and Kapıdağ. It was decreed that the total amount of Aşar, which reached 7,720 Kise (a kind of purse; may hold about 40,000 Akçe) in Kocaeli province, would be re-auctioned for 91,000 Guruş (BOA, İ.MVL, 310-12880). In this auction, the winner tax collector would be allowed to pay tax farming price in-kind or in-cash.

However, the Crimean War brought the problem of grain supply to meet the military needs. In this period, Aşar was collected directly by the state or tax collectors as partly in-kind and partly in-cash. After the end of the war, tax farming was reinstated (Güran, 1989).

Other taxes. Ihtisab was a type of tax collected from merchants and artisans in return for the services of muhtasibs, who were in charge of supervising commercial activities in cities. It was collected in a way that would not harm taxpayers according to their economic conditions and the moral judgments in the region (Erdoğdu, 2000). In 1847, it was collected as 16,070 Guruş with 6.4% less than the previous year. Ihtisab and stamp tax were collected as 11,000 Guruş only in the Taraklı district.

Bac-ı Pazar or Pazar Bacı was the first commercial tax in the Ottoman Empire. During the reign of I. Osman, it was decided to levy 2 Akçe from the commercial commodities brought to bazaars of the cities of Eskişehir and Karahisar, according to the number of loads. It was explained as a trading tax in the laws of Mehmet the Conqueror and Suleiman the Magnificent (Tekin, 2019). In 1847, Bac-ı Pazar and Kantar Rüşumu (weightage tax) were collected as 32,665 Guruş with an increase of 8.8%; their share in tax farming was 13% (see Table 2).

One of the noteworthy tax types in the region was Sayd-ı Mahi. It was a tax collected for fishing activities. It was collected as 20,998 Guruş in 1847; its share in total tax farming was 8.6% (see Table 2). This tax was defined in the 1613 Obrid Code as: “Two Akçe shall be collected by the Sipahi (the holder of a fief of land) from those living in the settlements by the lake and purchasing the fish caught in the lake.” (Barkan, 1943).

All commercial forestry products in the Ottoman Empire were subject to tax. There were three types of forestry products: kereste (timber), mahrukat (firewood), and crop (non-wood forestry products). Taxes decided by product type, product amount, and region were collected using the tax farming method (Kılıç, 2018). Kocaeli province became one of the most famous regions in the empire with its forests. The empire also took various measures to protect the forestry assets in this province (Narin, 2011). In this context, Öşr-i Kereste (a kind of tax collected for timber production) was an important type of tax in the protection of forests. In 1847, a total of 16,070 Guruş Öşr-i Kereste was collected with...
6.4% less than the previous year; its share in tax farming was 6.5% (see Table 2).

The implementation of Mimariye Rüşumu in Bursa appeared in Kocaeli province during the Tanzimat period. In the province, a commission consisting of the treasurer, tax office administrator, and a notable used to administer the construction permit tax, called the Mimariye Rüşumu. The taxpayer used to pay the required amount and get a license for his construction works ( Çağırıcı, 1991, p. 344). Mimariye Rüşumu in Kocaeli was collected as 2,470 Guruş in 1846 and 3,540 Guruş in 1847 (see Table 2).

Discussion

Considering the Ottoman public finance, its institutional infrastructure, and administrative practices compared to a wider European context, the ultimate purpose of the present study was to investigate the tax farming system and the accounting records of tax revenues in the 19th-century Ottoman Empire to reveal whether the tax farming system in the empire was a successful practice and to suggest ample evidence whether this intermediate practice had the capability of laying the foundations of modern finance institution.

Some contemporary scholars argued that tax farming should have a bright future. Even Stella (1993), Özbek (2018), Azabou and Nugent (1989), Brautigam et al. (2008), and White (2004) suggested it as a solution to tax administration issues in developing countries of Africa and Latin America. Historical examples of the tax farming system also enjoyed revisionist approaches. Until recently, however, the economics and financial history literature overall assumed that modern, centralized public finances would always require tax collection by salaried state employees, thus excluding other forms of centralized control over taxation. Accordingly, they argued that tax farming is an indicator of developmental and institutional backwardness, reflecting a lesser degree of centralization (Özbek, 2018). Nevertheless, this view does not fully reflect the historical facts. For example, while giving a more balanced assessment of the tax farming system in pre-revolutionary France, dismissed as inefficient and corrupt by the historians, it should be noted that not only taxation for profit was unique to early modern Europe but also the tax farming system showed up itself to be remarkably efficient, providing almost a third of the total royal tax revenue (Özbek, 2018) in France.

Historical analysis by Johnson and Koyama (2014) suggested that the financial systems of England and France were largely fragmented by the end of the Middle Age. Given the significant information costs imposed by such fragmentation and geographic and institutional heterogeneity, it made sense for monarchs in both empires to rely on decentralized and competitive mechanisms to raise taxes. The said research highlighted what prompted administrators in England and France to move away from competitive, decentralized tax farming was the demand for domestic finance. Yet, states with access to external financing, such as the Netherlands and Spain, maintained competitive tax farming. There was little need to invest in government capacity within the market allocation of financial rights. However, there were increasing incentives for administrators to invest in standardization and financial capacity within cabal tax farming. This intermediate institution thus helped lay the foundations for the subsequent rise of the modern state in both empires. The scholars also argued that tax farming paved the way for financial revolutions that transformed England after 1688 and France after 1789. Likewise, as in the Dutch Republic and Spain, we emphasize the Ottoman Empire successfully maintained the competitive tax farming system.

In another study by Fleet (2003), it was reported that the Ottomans adopted the tax farming system to collect state revenues from the very beginning of their state in the 14th century. The use of Latin merchants, especially Genoese, as tax collectors in their lands may be evidence for the fluidity of the Ottoman system and the pragmatic willingness of the early rulers to use the Latin merchants’ capital and knowledge in early economic development. Far from being a negative fiscal policy, the author propounded that the adoption of tax farming can be considered more an economic stimulus and advantageous for the early state, allowing it to use foreign capital and expertise while providing money without risk and bureaucratic complications.

Kalemli-Ozcan (2007), using historical data from the archives for the Ottoman Empire between the years 1500 and 1900, found that the regions with profitable farms in the tax farming system showed a higher level of development historically. The author also compared the regions of the empire covering 10 different contemporary states and concluded that the regions financially governed with tax farming in the 1500s, 1600s, and 1700s had higher private capital accumulation in the late 1800s.

Geçen (2010), in his interview with Yılmaz (2003), emphasized the necessity of the Ottoman tax farming system. Compared to the state’s taxation through civil servants, tax farming provided the opportunity to generate revenue on a larger scale, much cheaper. The tax farmer earned a significant portion of the revenue, albeit the treasury received more net revenue than it would through its civil servants. Another important function of tax farming was that it provided a balance between revenues and expenditures. To put it another way, the treasury needs a steady stream of revenue since it has to make regular payments. Even if an administration plan profitable taxation to be collected by civil servants, revenues are generated according to the rhythm of agricultural production, but seasonal fluctuations are inevitable in the agricultural economy. The idea of compensating for such fluctuations in the revenue stream is the main driving force behind adopting a tax farming system. In this way, the Ottoman Empire used the existing capital accumulation at the disposal of finance. On the other hand, there is always an advance payment in tax farming, which reached 5% of annual revenue in
the 15th and 16th centuries. In the 17th century, the growth went up to 50% to 60%. In this sense, advance payments can be considered interest-free domestic borrowing, making the tax farming system the primary source of borrowing.

According to Karaman and Pamuk (2009), differences in states’ historical taxation capacities, in a way, directly affected their political and economic destinies. In this regard, the underlying logic of tax farming in the Ottoman Empire was to ensure the stability of the revenues upon acquiring higher tax revenues with lower costs. Yet, increasing shares of intermediaries in the revenues obtained by this method increased the state’s financial constraints. The increase in the revenue share of tax farmers, money changers, and senior bureaucrats participating in the actions in the 18th century adversely affected the Ottoman financial system. When it came to the 19th century, while the state increased its share in the taxes, the share of intermediaries began to decline. Nevertheless, the expected benefit could not be achieved since the increased tax revenues compensated foreign debt payments.

**Conclusion**

Tax farming was a highly adopted mechanism to collect taxes in the pre-modern empires since they had pretty inadequate surveillance and tracking facilities due to the vast lumps and relatively poor communication and accounting systems. In the early modern era, states faced the same issues as their predecessors, such as lack of specialized staff, administrative difficulties in determining wealth, and uncertainty in tax basis by business activities. Thus, tax farming was also an effective method for the first modern states with increasing cash needs. The most prominent cost that any state has to bear in this system originated from the arbitrary behavior of tax collectors and the absence of an effective surveillance mechanism. Otherwise, a severe injustice in taxation may have caused an elevation in the tax burden of the citizens and fueled social conflicts.

The empire followed a flexible and pragmatic policy in the implementation of the tax farming system. Centralization moves also failed despite the difficulties experienced in the tax farming system. However, financial stability was attempted to be ensured by recording the revenues from tax collectors. In revenue accounting, dividing the amount of tax to be paid to the state in installments provided tax collectors ease of payment. Moreover, the bureaucracy prevented monopolization by holding auctions frequently and considered the difficulties experienced by peasants in each subsequent year; the sensitivity of the empire on Aşar was for the benefit of peasants. Villagers suffering from paying the tithe were also enabled to pay it in installments. The bureaucratic and financial experience in the tax farming method may be the greatest proof that the system was not as corrupt and poorly managed as it seemed. The system ensured a sustainable quality for the efficiency and control within bureaucratic management in the Ottoman financial system. The relevant finance institutions did not take a step back in tax auditing and collection even in times of war, famine, and political instability. The stalemate of the Ottoman financial system was associated with foreign borrowing rather than tax farming. The use of increasing tax revenues in the 19th century to finance foreign borrowing had an adverse impact on the Empire’s financial system.

The prevention of monopoly and the use of resources to support public finance ensured the successful continuity of a competitive tax farming system in the Ottoman Empire, as in the Netherlands and Spain. Yet, the implementation of the system for the purpose of collecting more taxes resulted in disruptions in the expected benefit for the public in France and England. Such an approach is to be evaluated separately from the Ottoman tax farming system since it seemed to promote the efficiency of private capital rather than public finance.

In today’s discussions on establishing autonomous tax administrations, tax farming may be a seminal guide for designing an efficient tax collecting system. The lack of expert staff, bribery, tax evasion, and fraud in the accounting system may be the essential problems of the financial systems of particularly developing countries. Thus, the aim of providing the highest tax revenue with the lowest cost is evidently the most desirable goal for the modern financial systems, as it was in the past. Overall, the Ottoman tax farming system may pave the way for modern finances and the implementation of tax farming for today’s developing countries.

**Appendix**

**Documents**

The data for the figures were obtained from the following sources.

**Abbreviations**

BOA: Başbakanlık Osmanlı Arşivi (Ottoman Archives of the Prime Minister’s Office)

A.MKT: Sadâret Mektubî Kalemi Belgeleri (We can collect the types of documents included in this it in two main groups. The first is the correspondence of the Sadâret with the ministries and offices in Istanbul (tazkire and derkenarlar), and the second is the sukka, kaime, mandate, verdict, and letters written to all kinds of civil, military, and judicial authorities in the provinces and coming from these authorities.

NZD: Nezâret-Devâir Giden Defteri (Documents Submitted to Other Public Institutions)

İ.DH: İrade Dahiliye (Decisions of the Ministry of Interior)

İ.MVL: İrade Meclis-i Vala (Central Council Decisions)

MVL: Meclis-i Vala Evrâk (Central Council Documents)
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Annex 1. A Record of Tax Farming Revenues in Kocaeli Province of the Ottoman Empire From 1846 to 1847.
Source. Ottoman Archives of the Prime Minister’s Office, BOA, ML.VRD.d, 01606, H-21-01-1264.
Note. The information (tax revenues) on the document are given in Table 1.
Annex 2. A Map of Marmara Region, Istanbul-Kocaeli, Ottoman Archives of the Prime Minister’s Office.

Source. Ottoman Archives of the Prime Minister’s Office, BOA, HRT.00200.

Note. The map shows the following locations: Sea of Marmara, Black Sea Bosporus, Kind Island, Imralı Island, Marmara Island, Kaudagi Peninsula, Istanbul Province, Kocaeli Province, Lake Iznik, Izmid Bay, Mudanya Bay, Mount Katırli, Mount Samanlı, Mount İki Karımdas, Districts of Kartal, Pendik, Tuzla, Maltepe, Beykoz, Uskudar, Kadıköy, Cengelköy, Anadolu Hisari, Kandilli, Agva, Sile, Hersek, Eski Hisar, Derince, Yarımca, Karamürsel, Yalakabad, and Tavşancıl.
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