

"Evolution of Business Organizations in the European Periphery: Ottoman Empire and Turkish Republic, 1850-1950,"

Reporting

Project Information

EVOBUSORG

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Final Report Summary - EVOBUSORG (Evolution of Business Organizations in the European Periphery: Ottoman Empire and Turkish Republic, 1850-1950,)

The EVOBUSORG project was designed to examine the historical evolution of business organizations in the late Ottoman Empire and early Turkish Republic. Through this examination, the study explored the effects of institutional heritage on the choice of legal organizational form and the challenges faced by latecomers in their attempts to borrow and adapt foreign legal and organizational institutions shaping the business environment.

In a field with almost no prior empirical investigation, one of the project's major achievements was to collect historical and quantifiable data on Ottoman and Turkish business organizations. Based on the analysis of these new data, the project was able to shed light on the hitherto unexamined areas of Ottoman economic and business history and contributed to the historiographical debates on the long term

Ottoman economic and business history and contributed to the historiographical debates on the long term economic backwardness of the Middle East. As such, the project has produced high quality research results disseminated in the international conferences, published in national journals and submitted to the top field journals. The results of the project also provided insights for the policy makers and stakeholders on the nature of legal and institutional reform conducive for entrepreneurship and growth. Lastly, the project enabled the researchers to undertake comparative research through collaborations and networks with prestigious institutions all around the world (USA, Europe, and Japan).

1. Novel historical data on Turkish corporations and firms:

The researchers consulted the collections of the Ottoman Prime Ministry Archives, the Republican Era Archives in Ankara, the Archives of the Istanbul Chamber of Trade, the Atatürk Library (Istanbul), Hakkı Üs Library (Istanbul), National Library of Ankara, National Library of Izmir, the New York Public Library. In the archives, they located a hitherto unexamined source (bylaws of the Ottoman corporations established during 1911-1929) and official documents pertaining to the corporate activity. In the libraries, they located the Istanbul Chamber of Commerce's official firm directories. The researchers transcribed the Ottoman archival documents into modern Turkish and established a data set on the founders, the capital, the field of activity, the period of concession and the rules concerning internal organization of the Ottoman corporations. The researchers also digitized business entries published in the Istanbul Chamber of Commerce's official directories (1917, 1923, 1929, 1935, 1938, 1941, 1944, 1950) and a comprehensive list that includes all defunct and active enterprises ever registered up until 1926 in Istanbul, which they located in the above-mentioned libraries. The entries provided information on the sector and capital size. They used the directory information to tease out more details about ownership characteristics: They assigned each firm an enterprise form based on the naming conventions required by the Commercial Code of 1926 and used the name of the owner(s) to assign each firm an ethno-religious identifier. The data was examined using descriptive statistical and econometric methods, focusing on the business entry rates and survival likelihoods.

2. Contributions to the Ottoman Economic and Business History:

Based on the quantitative and qualitative analysis of the novel data sets, the researchers were able to investigate the emergence and evolution of new business organizational forms in the Turkish context. In particular, they examined the links between the political economy context, the legal transplantation process, and the business activity (i.e. the patterns of firm entry, exit, and survival). This investigation helped the researchers revise conventional views on the historical evolution of economic activity and business enterprises in the region. It also produced high quality research results presented in international conferences and public seminars:

i) The early rise in incorporation (1914-1929) was driven by both the deliberate attempts of the political authority to create a "national bourgeoisie" and bottom-up efforts of the local interest groups to replace and exclude foreigners and non-Muslims from economic sphere.

ii) Semi-political institutions (political party networks and associations) played a crucial role in the emergence of these businesses by enabling them to establish informal networks that ensure capital pooling and political patronage at the same time.

iii) The pre-existing institutional framework was highly influential in shaping the way the commercial law

iii) The pre-existing institutional framework was highly influential in shaping the way the commercial law was adapted to local conditions. The transplantation process was incomplete and contained serious contradictions that legal scholars acknowledged and tried to solve for many decades. The law, however, barely changed during 1850-1957 period in response to these problems quoted by legal scholars. This legal stagnation could not be explained solely with reference to lack of legal experience and bureaucratic learning gap. The pre-existing institutions based on competition-restricting regulations (such as guilds) have survived into the later period of incorporation into the world economy, with little capacity to industrialize but with social-political power base to participate in a nationalist agenda, that works mostly along the lines of primitive accumulation and wealth transfer from non-Muslim businesses.

iv) The political economy context also shaped the business environment through political acts aiming at establishing a national business class. Through extraordinary fiscal interventions such as the Wealth Tax of 1942, the Turkish government undermined the disproportionate presence of non-Muslims in the business realm in line with its “national economy” agenda. The results of our econometric analysis show, however, the tax caused the dissolution of otherwise productive, older firms and contributed to the backwardness of the economy.

v) The wealth tax also undermined the process of legal change by alienating the more knowledgeable and experienced “customers” of the law. In other words, while “restoring” the economy to Muslims, the tax postponed the other goal that arguably vexed the government more: economic modernization and convergence with the West.

3. Broader Impact

The results of the project have two implications for the current debates on the legal reform and business environment:

i) The legal transplantation process could fail to achieve its primary objective (i.e. increasing the quality of legal institutions in developing countries) because of institutional heritage and political economy context that surrounds it. Therefore, effective legal reform cannot be achieved without understanding and responding to the political economy issues that each country presents.

ii) ‘National’ political agenda may often entail a substantial reallocation of wealth and property with important implications for the political economy of demanding and enforcing the legal reforms within a domestic setting. Therefore, political acts that undermine and sustain entrenched interests should also be analyzed with an eye to their impact on the constituencies that can support or hinder legal reform and their long-term impact on growth-promoting institutional change.

The researcher has also participated in several international research teams focusing on comparative research on the business history, one based in Japan, funded by Shibusawa foundation; and the other based in Murcia, funded by Spanish Ministry of Education. In addition, she was invited for presenting her research to Yale University and Harvard University, along with several universities in Turkey. She also participated in the first public conference on the Business History in Turkey and organized the first international workshop on Business History in Turkey. All these activities have helped the researcher to establish networks and accumulate experience through which she could advance her long-term career goals. Building on the knowledge basis developed in this project, the researcher plans to apply for the HORIZON-2020 calls by forming an international research team.

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The researcher also trained undergraduate and graduate students in economic history. She supervised two M.S. theses and several graduation seminars. One of the M.S. students who took part in the project as research assistant was accepted into Ph.D. studies in University of California, San Diego. Several undergraduate students were accepted to prestigious graduate programs in Turkey and abroad. In addition, the researcher taught several courses in the field of institutional economic history containing a significant component on the project theme. These academic services, along with her publications, have served the professional re-integration of the researcher. Having fulfilled the official requirements, the researcher' contract at home institution was renewed and she was able to apply for a tenure position in Turkey (ongoing).

More detailed information on the project can be found at the project website:

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