

## **Political Economy of State Formation: Ottoman Empire in the Long-18th Century**

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Economic historians have recently been interested in how early modern states were able to mobilize resources, raise revenue and create institutions that facilitated economic growth and development. This line of literature, inspired by Charles Tilly's argument that warfare incentivized governments to invest in revenue generation, associated "the Rise of the West" with the increasing capacity to raise revenue. Evidence suggests that states that experienced higher economic growth were those with strong fiscal capacity. Earlier research influenced by modernization theory emphasized the role of fiscal and political centralization, gradually replacing the fragmentation and decentralization in medieval times. However, recent comparative research on the rise of fiscal states has shown that the path to the modern state was not linear and monolithic. This session examines the case of the long-18th-century Ottoman Empire. In challenging the decline paradigm, Salzmänn viewed the increasing trend of fiscal and, to some extent, political decentralization in the early modern Ottoman Empire as a strategy rather than a symptom of decline. Nonetheless, as shown by Pamuk and Karaman, the Ottoman Empire collected the second least tax revenue per capita in early modern Europe. While Pamuk and Karaman attributed this low fiscal capacity to the retention of provincial revenues by fiscal intermediaries, the actual mechanisms remain unclear.

The session includes three papers that aim to understand these mechanisms. Bora Altay's paper examines how the Ottoman Empire mitigated the coordination and commitment problems embedded in fiscal contractual relations. Using tax-farming contracts to this end, Altay argues that the empire developed an auction mechanism rather than an efficient monitoring system observed in its European counterparts. Yasin Arslantaş's paper employs an institutional approach to understand the dynamics of the sale of public offices in the early modern Ottoman Empire. Arslantaş finds that there was no proper market for offices governed by competitive forces. Instead, non-monetary factors such as the bargaining power of prospective officeholders often shaped the government's incentives. A significant decline in office prices throughout the 18th century indicates that the government was collecting less and less revenue from those sales. Ramiz Üzümçeker's paper offers a bargaining model over the fiscal surplus to explain the precise causal mechanisms between state capacity and war pressure in the 18th-century Ottoman Empire. He shows that, in equilibrium, the provincial officer chooses non-zero investment in arms and that under ordinary assumptions, sustained increases in external warfare pressure on the government can lead to permanent increases in fiscal capacity. Allocations where the provincial notable's investment in arms is positive are Pareto-inferior, but improvements are unlikely unless the government's credible commitment problem is solved.

Overall, these papers contribute to understanding the interactions between fiscal capacity, state formation, and credible commitment in the Ottoman Empire during the long-18th-century. They help make sense of the contractual relations between the central and peripheral figures

and understand how a polity handled its internal challenges and redesigned its fiscal and political institutions on its path to modernity.