

## Chapter 34

# The Past and the Present of D  yun  u Umumiye: A Comparative Analysis of Economic Institutions

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### ABSTRACT

*In this study, it is aimed to examine the relationship between the capitalist state and, institutions that affected Turkey's financial integration with the capitalist global economy in the context of a comparative analysis. In the study, the Ottoman Public Debt Administration (OPDA) which was effective during the process of the integration of the Ottoman state into the world capitalism in the First Globalization Phase (1870-1914) is analyzed by comparison with the General Directorate of Borrowing. The General Directorate of Borrowing is also called as the post-modern D  yun-u Umumiye because of its organizational structure. The common feature of the Ottoman Public Debt Administration and the General Directorate of Borrowing is that both were established after the financial crises. In this study, General Directorate of Borrowing will be evaluated in terms of global economic developments and prospects and, within an analysis in comparison with the Ottoman Public Debt Administration.*

### INTRODUCTION

In the studies on the history of globalization, the role of the economic institutions throughout the globalization phases of the world economy in the course of the 19th and 21st centuries cannot be neglected. Economic institutions in the periods of globalization are also a subject of debate in the context of state intervention in the economy due to the features of the international capital accumulation regime in expanding its influence and sphere of influence on the local scale. The role of the state in the economy in the first globalization phase (1870-1914) is limited to an unquestionably narrow area when measured in terms of the size of the public sector in natural economy.<sup>1</sup>

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During the 19th century, the aim of the state intervention in the economy was to control and to regulate the processes of the commercialization and monetization. Unlike the early capitalized countries, the state intervention in the economy increased the influence of its regulatory institutions due to economic and political structure of the Ottoman Empire.

The Ottoman economy had been growing in the 19th century with the commercialization and monetization tendencies created by foreign trade relations which dismantle the self-sufficient, closed economic circuits in many districts and create in many cases dual economic structures.<sup>2</sup> Throughout the 19th century, important bankers and banks of the period were located in Istanbul, and thus Istanbul became a financial center.

Due to the Ottoman economic integration to the capitalist global economy, The Ottoman Public Debt Administration (OPDA) played a significant role in the 19th century Ottoman economy through relations of trade and borrowing. This process was successfully managed thanks to OPDA's debt management of reducing the risks of foreign direct investments. OPDA's principles and practices which were managing a significant part of the Ottoman budget revenues are also applied by the economic institutions during Neoliberal globalization era.

The economic and political developments in Turkey have in many aspects, resemblances to the 19th-century Ottoman economy, especially in regard to Istanbul. Financialization processes of the two periods bear resemblances to each other especially after International Financial Center Project came on the agenda in 2000s. The probable meaning of this is that the history repeats itself after 200 years. Within the scope of the Istanbul International Financial Center Project, developments on reorganization of Istanbul as the urban space are remarkable due to the increase in the indebtedness of the companies secured by the public sector, to manage public debts establishing a new institution similar to OPDA was put on the agenda of Turkey. In September 2019, the General Directorate of Public Finance was transformed into an institution that would gather domestic and foreign public debts under a single roof and lead international financial control. This institution is the General Directorate of Borrowing, which will manage and control public borrowing. To make an analysis of General Borrowing Directorate, called as the post-modern Düyün-u Umumiye (OPDA), will help to analyze the financialization process in Turkey. Since the establishment of General Directorate of Borrowing sparked a debate on its existence as post- Düyün-u Umumiye (OPDA), it would make sense to make a projection from past to present in order to understand the role it plays in economy.

## **THE EVALUATION OF THE 19TH-CENTURY OTTOMAN ECONOMY AND ITS FINANCIAL INSTITUTIONS**

The emergence of the institutions effective in the state intervention in economy is directly related to the dynamics of the world economy, production structure and the internationalization of capital. In the context of center-periphery relationship, during the 19th century Ottoman economy, most of the new economic institutions outside the traditional division of labor had failed from the very beginning. The high economic growth in the 19th century is the result of gravitating towards inclusive political and economic institutions by the societies investing in new technologies of the industrial revolution (Acemoğlu & Robinson,2018). On the other hand, the effort in countries where extractive institutions are dominant that to prevent the use of new technologies that will eliminate the traditional division of labor and encourage economic progress has become widespread (Acemoğlu & Robinson,2018, p.227).

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