Секция «Историко-экономическая подсекция»

The effect of "Sharia" as an institution on the "Great Divergence": Ottoman Empire case

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The Islam, as a significant aspect of Abrahamic religions, has played a vital role in mankind history since its birth. A notable ratio of the global population adheres to Islam, highlighting its social impact. As a result, understanding the tenets assumed by Islam, their practical applications, and resultant effects is crucial for the Islamic societies and for addressing socioeconomic issues influenced by Islamist principles. Regrettably, whole Islamist zones experienced colonial before the postcolonial era. Given that the current legal systems in Islamic territories have been influenced by external and secular religious doctrines, it is imperative to assess the institutional efficiency of Islamist law, as known as sheria, throughout history. In this regard, Ottoman Empire serves as a great example, having been governed by sheria for approximately 1300 years until the mid-19th century. The dynamics of the Ottoman Empire's interaction with "Christian" "Europe/West", its historical political rival, further boosts our understanding in this context [2,3]. The Ottoman Empire, characterized by its dynastic structure, functioned as a "sheria-state"for centuries. Its well-developed bureaucratic forms had yielded a wealth of documentation detailing the political landscape and administrative mechanisms within Islamic zones. Moreover, positioning itself in opposition to "Christian Europe "underlined its hegemonic targets within the Islamic domain and its historical-political discourse based on Roman and Mesopotamian Empires [3,5]. The theoretical framework of "Traditionism, Fiscalism, Provisionism adopted as a doctirine by Ottoman Empire, advocated by the authority deriving legitimacy from "Sharia"dictated that economic surplus remained within the Commodity-Money-Commodity circle due to the limits imposed by geographical determinism such as drought, soil fertility [2,6]. Therefore, in Ottoman Case, the process of "Surplus Value/Capital Accumulation"within the Money-Commodity-Money cycle was hindered, impeding the conversion of economic value into financial value [2,6]. Essentially, this economic model faced the lack of the institutional inclusivity necessary for facilitating the efficient deployment of economic resources. As a result, it fostered a predominant welfare state paradigm characterized by resistance to change, limited social mobility, and a reluctance to share political power [3,4]. Conversely, the mercantilist doctrine aimed to transition from a system characterized by the convergence of church and state interests to one that aligned state aims with those of merchants and economic elites [5,7]. The liquidation of interest bans caused to cooperation between political and economic elites, leading to the establishment of banking institutions such as Montes (Monrte Di Pieata) to regulate market-loan-interests. Plus, institutional innovations pioneered by the Medici family established and sanctioned legal entity recognition through a "hub and spoke"organizational structure and caused to decrease transaction costs [5,7]. This vertical integration, facilitating creative destruction and enhancing financial mobility, provided a significant competitive edge over Islamist/Ottoman financial and commercial institutions characterized by horizontal organization. The development of Sheria in a state-oriented manner, incapable of limiting state power, can be traced back to the instrumentalization of religion for legal and political legitimacy. To justify their authority, political elites or rulers historically utilized propaganda formed by either religious elites or its economic counterparts [5,7]. Consequently, debt-related organizations and legal entities in Islamic territories were less inclusive and effective compared to their European counterparts, impacted by factors such as elimination of interest bans and the transformation of inheritance laws in terms of institutionalism [1,7]. In this context, the historical Islamic organizations concerning debt relations and legal entities, as revealed by the Ottoman experience, were not as inclusive, continuous, and effective as debt securities, banks, and companies in

Europe. Therefore, interest prohibitions and inheritance laws, serving as pivotal factors governing debt relations, must be viewed as crucial junctures [1,7]. In this study, the profound divisions caused by the practice of Sheria as an institution will be demonstrated through the example of the Muslim Ottoman Empire experience, comparing it to its natural rival, Christian Europe. The new approach I will propose in my study is to interpret that the theoretical approaches aimed at clarifying Ottoman economic history are not mutually exclusive, as claimed by their proponents, but rather complementary in terms of “Institutionalism” and “Behavioralism.” Also, I will contribute the literature by demonstrating that the financial market institutions based on companies, banks, and debt securities emerging with the abolition of interest bans in Europe should be regarded as technological innovations leading the Schumpeterian "Creative Destruction". In this regard, I aim to make the new conceptual contribution to the relevant literature by illustrating that the innovations in this domain in the Ottoman Empire did not precipitate creative destruction.

References

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