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THE ECONOMIC REVITALIZATION OF THE EYALET OF NIŠ FROM 1861 TO 1864

Abstract

The evolution and revolution of the economic capacities of a community represent the basis of its development. In this regard, the development of modern Niš was initiated by progressive individuals who were at the head of this city back in the Ottoman period. The most significant of them was the great Ottoman reformer Ahmed Midhat Pasha, who during his service as the governor of city and Eyalet of Niš (1861–1864) used this region as a pilot environment for his innovative socio-economic ideas in order to restore and develop its economic potential. The aim of the paper is to prove that some of those ideas (the Homeland Fund) were not only far-sighted, but also had long-term consequences for Serbian and Ottoman society even after 1878. In order to achieve this goal, a comparative analysis of historical sources and literature of domestic and foreign provenance was carried out, and in the conclusion, the layering of the topic and the need for future dealings with it, both from the aspect of economic and historical science, were emphasized.

Keywords: Niš, Ottoman Empire, agriculture, reforms, Midhat Pasha, Homeland Fund (Memeklet sandık)

JEL classification: N93

ЕКОНОМСКА РЕВИТАЛИЗАЦИЈА НИШКОГ ЕЈАЛЕТА У ПЕРИОДУ ОД 1861. ДО 1864. ГОДИНЕ

Апстракт

Еволуција и револуција економских капацитета једне заједнице представљају основу њеног развоја. С тим у вези, развој савременог Ниша иницирали су прогресивни појединци који су још у османском периоду стајали на челу овог града. Најзначајнији од њих био је велики османски реформатор Ахмед Мидхат-паша, који је за време службе управника Ниша и Нишког ејалета (1861–1864) искористио овај град и регион као огледну средину за своје иновативне социо-економске идеје, како би обновио и развио њихов економски потенцијал. Циљ рада је да докаже како су неке од тих идеја (Завичајни фонд) биле не само

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далековиде, већ и са дугорочним последицама по српско и османско друштво чак и након 1878. године. Како би се остварио овај циљ, извршена је компаративна анализа историјских извора и литературе домаће и стране провинцијенције, а у закључку наглашавена слојевитост теме и потреба за будућим бављењима њоме, и са аспекта економске и историјске науке.

***Кључне речи:** Ниш, Османско царство, пољопривреда, реформе, Мидхат-паша, Завичајни фонд (Метеклет sandik)*

1. Introduction

The first half of the 19th century was one of the most dynamic periods in the history of Niš during the Ottoman time. Apart from the direct consequences of the First and Second Serbian Uprisings, the region of Niš was badly affected by a series of local revolts (1833, 1835, 1841), which was caused by the economic condition of the Ottoman state at that time, i.e. a reflection of its bad tax policies and the kleptocracy its provincial administration has fallen into. At that time, Niš was the centre of a large administrative territory (eyalet) that encompassed the southern part of central Serbia and parts of western Bulgaria. The administrative seat of the eyalet was in the city of Niš, while it consisted of the central sandžak of Niš and the sandžaks of Samokov, Cüstendil and Sofia as lower administrative units of eyalet. On the lower administrative level, each sandžak was made of several kazas, hence in the case of sandžak of Niš, it was formed of central kaza Niš, then Leskovac, Kuršumljija, Prokuplje, Pirot and Berkovica (Randelović, 2022, 121–122).

Apart from some Roman Catholics and Jews, the most numerous population of the eyalet by far were the Orthodox Slavs, Serbs and Bulgarians. All of them were dominated by the Muslim minority (mostly concentrated in the towns), which the Sharia-ruled Ottoman state privileged in all segments of everyday life. The dual relationship towards all these groups was resolved twice by the Ottoman state by equalizing the rights of its subjects regardless of their confessional and national affiliation, with Gulhanne Hatt-i Sherif (1839) and Hatihumayun (1856). However, both times the progress brought with it the reaction of the conservative Muslim minority, who opposed that (Shaw & Shaw, 1977, 69).

The basis of the conflict between the two parties, the one which aspired to keep the old order and the other who tend to enjoy the emancipation guaranteed by the state, was their economic relationship as well as their political one. This was most obvious in the heterogeneous Ottoman provinces, such as the Eyalet of Niš. The state will succeed in channelling the interests of both parties for the common good only after the appointment of Midhat Pasha as the head of the Eyalet of Niš, who will set the standards for it during his mandate as eyalet governor.

2. Niš before the arrival of Midhat Pasha

Decades of instability in the Eyalet of Niš before the arrival of Midhat Pasha were the result of a series of incompetent governors and accumulated economic problems that the state was unable to cope with. Of the latter, the most serious were the corruption of the

provincial administration and the impoverishment of the peasants through the land grabbing, from which the Ottoman state suffered chronically since the 18th century.

The land grabbing of the peasants' estates was the imposition of local spahis, agas and beys on the free peasants, offering them in return protection from other powerful Muslims in the area who sought to usurp their estates. In this way, the Muslim-protector, as much by grace as by force, took over peasant land deeds in his own name and thereby created a personal domain for himself. In return he offered protection to the peasants, former owners of the estates, against any attacks from the other Muslims who tend to claim it. The protection was often only fictitious or ineffective. The only novelty in the position of the peasants was that they now became dependent on their new master (*čitluk sahibija, gospodar*) without any legal integrity and obliged to pay him the increased and fictitious taxes he determined. Exercising their position, Muslim *gospodars* paid no attention to the restriction which state prescribed regarding upper limit of tax harvesting. They formed themselves as a new elite, enlarging their riches on account of Christian peasants and legalizing it through the influence they had in local councils and craftsmen lounges. This is one of the most common ways in which the land grabbing was conducted in Eyalet of Niš. The process was further accelerated in 1831, when the Sipahi class was abolished. As they were left without land holdings, which were taken over by the state, many of them were hired as various guards, policemen and overseers in the villages and hinterlands of the towns, where they could directly put pressure on the peasants and come to their estates. In the Eyalet of Niš the situation was particularly difficult after 1833, when Muslim beys from the six *nahiyas* that Prince Miloš annexed to the Principality of Serbia moved here (Stojančević, 1996, 264). Especially resentful of the Serbs for this, those Muslim beys, with the support of local Muslims, spread throughout the Sandžak of Niš, where by the 1840's almost all villages were in the ownership of *gospodars* (Kostić, 1967, 317).

The position of the peasants in Eyalet of Niš during those decades was extremely difficult. Burdened with taxes to the state and *gospodars*, they turned to the local authorities for help.³ However, their intervention most often could be animated only by a bribe, since the administrative staff were going through existential difficulties like the entire Ottoman state apparatus at that time.

The lack of supervision by the central authorities also contributed to the spread of corruption in the provincial administration. Feeling relieved by this, many provincial governors and administrative authorities in 1850ties became real oriental satraps for whom the law did not apply and the consequences did not exist. How bad the situation was in the Eyalet of Niš in this matter will be seen during the stay of the Grand Vizier Mehmed Emin Pasha Kibrizli in Niš (1860). His investigation revealed a whole network of speculators and corruptors, which consisted of numerous former and current heads of various public services, members of councils and lower officials, all headed by the governor of the eyalet, Zeynel Pasha (Randelović, 2022, 357). That was the moment when it was decided in Constantinople that competent person should be headed to the Eyalet of Niš to restore the order in this part of the Ottoman Empire. The choice fell on Ahmed Midhat Pasha.

³ However, the situation was somewhat better when in 1839 government abolished the practice of leasing tax collection to private individuals. Private tax collectors used to collect increased taxes from the peasants and thus getting extra profit from it.

3. Midhat Pasha and his economic measures in Eyalet of Niš

Ahmed Midhat Pasha came to the head of Eyalet of Niš (February, 1861) as an already established authority among high Ottoman officials (Randjelovic, 2022, 374). Until that moment he was building a career as an incorruptible clerk, an excellent expert in the flow of documents in state institutions, always on missions throughout the Empire during which he tirelessly exposed corruption affairs and resolved administrative irregularities and delays (Midhat, 1903, 35). The modernization, or more precisely, the westernization of the Ottoman Empire, became the centre of his political interests after 1858, when he visited big metropolises on a trip to Europe and directly saw the extent to which European society and economy were ahead of the Eastern organization of his state (Kamenov, 2023, 123). Inspired by the steam revolution and other industrial novelties, he returned to the Ottoman Empire as a politically reborn man, with plethora of advanced ideas he planned to modify and implement. The appointment to the post of governor of Niš and Eyalet of Niš was an ideal opportunity for that.

During the three and a half years of his mandate in Niš Midhat Pasha realized a truly remarkable series of successful projects which concerned the educational, social, communal and infrastructural development of the city of Niš. Those projects were: the establishment of a military hospital in the Fortress of Niš, the clearing of streets and the removal of dilapidated huts and canopies from the city's main traffic arteries, the improvement of the city's sewage system with the drainage channels, the encouragement of the continuation of work on the Orthodox Cathedral in Niš, the establishment of the Palilula residential district for the Muslims refugees from Belgrade and the renovation of the Fehti Mosque in this district, the establishment of a secular library in the Fortress of Niš, the establishment of a craft and arts school/orphanage for neglected children of all denominations, etc. (Randjelovic, 2022, 375, 379–394). However, from the very first meetings he had in Niš with the representatives of local communities, it was evident that he would focus special attention on solving the economic situation in this city and province.

When it comes to economy, the situation was as follows: the people in this province owed the state a lot of money in the name of arrears and unpaid taxes. There were many reasons for that. First, the people (to say, the Christian Serbs, who were the dominant majority of farmers) could not go to the markets in the towns and sell their goods, because the roads were very bad, if there were any at all (Midhat, 1903, 35; Andrejević, 1980, 31). Because of this, they could not even get the concrete money that was needed for paying the taxes. For the same reasons the tax collectors could not visit the villages and collect taxes regularly. Many sections were tiring and almost impassable. Moreover, due to bad roads, the city of Niš itself suffered from reduced transit even though it was strategically located in an ideal position on the frequent Constantinople road, the most important economic artery of the Ottoman territories in Europe. So, the big problem in the eyalet was the bad traffic network. However, even if there were ideal conditions for tax collection, the peasants suffered because of their weak payment capability. This happened because of the previously mentioned increased taxes they owed to the *gospodars*, and in order to manage to pay them, the peasant had to turn to another *gospodar* and borrow money from him with high interest (Çerkezoğlu & Tansü, 2020, 832). For most of the peasants this was the only way to pay the tax debts to

the Muslim landowner on whose estate they lived and worked. This is how the majority of the peasants of the Eyalet of Niš barely survived, fighting incessantly and in a circle to reduce their previous debts.

Regarding the roads Pasha started working immediately, it was a problem of technical nature. The first thing he did in this matter was to strengthen the routes that connected Niš with the big cities in the neighbourhood, so that the transit of goods and people would increase. Regarding that, lines were drawn to Skopje, Sofia and Vidin. The second phase was the connection of Niš with the head towns of other kazas in the Sandžak of Niš, then Niš and the villages in its hinterland, and, finally, the connection of towns in other kazas of the Sandžak of Niš with the villages surrounding them. (Milićević, 1884, 161–162). In this way, the traffic network which regionally connected Niš with Belgrade, Vidin, Skopje and Jedrene (via Sofia) was renewed and strengthened. The towns in the sandžak of Niš like Pirot, Prokuplje and Leskovac, as well as Vlasina and Vranje in the south, now gravitated more clearly towards Niš. At the same time their hinterlands were more directly connected to them in terms of communication. It is worth mentioning that these projects were not merely the tracing of existing routes, but new routes were cut where it was convenient to reduce distances. At several important strategic places, the bridges were built over large rivers, too. Such was the case with the bridges at Mramor and the village of Čečina on the South Morava River (Milićević, 1884, 162–163). After these undertakings, the traffic on the new roads began to flow and the transport of goods got a new dynamic. However, the benefits of the new roads had to be made visible to ordinary people, not only merchants, so Pasha came up with the idea of creating new jobs. That is why he founded the first company in the Balkans for the transport of goods and passengers in Niš in 1863 (Andrejević, 1995, 10). The company quickly expanded its operations on the roads from Belgrade, Priština, Skopje and Sofia, whereby the strategically convenient location of Niš enabled the cart drivers from this city to easily establish a monopoly in this vast territory.

While the transport-related projects were almost clearly engineering matters, the issue of poor financial condition of the peasants was more complex. Midhat Pasha devoted himself especially to solving it, managing perhaps the greatest achievement in his political career.

4. Homeland Fund (Memeklet sandık)

Helping farmers to get out of debt slavery to *gospodars* and landlords was a sensitive and dangerous problem. A bad policy in this matter could have completely ruined the peasants, the most vital and largest group of residents in the *eyalet*. That is why the solution had to be precise, give advantages compared to previous loaning practice and be free of weaknesses which could make it short-term.

In provinces such as the Eyalet of Niš at that time loans were given by money changers (*sarafflar*), large merchants and landowners who used to collect the interest of 2, 3 or 4 percent (Rizaj, 1979, 71). Banks, as legal and more stable institutions, were also known in the Ottoman Empire at that time. The first banks in the Ottoman Empire were the Istanbul Bank (1847) and the Ottoman Bank (1856), however, both were founded with foreign capital and quickly went bankrupt (Durer, 1982, 156). As he used to practice, Midhat Pasha analyzed a group of cause-and-effect related problems and found a common solution for them. In this case it was the Homeland Fund (Memeklet sandık).

The Homeland Fund was a combined model of agricultural and credit cooperative. It was used to solve the problem of agricultural land that was neglected over time, so it did not bring income to the state; for farmers, the fund was an institution they could turn to for loans and, through stable operations, to become capital they could count on when they had to overcome famine year or other unpredictable difficulties which might befall their households. In order to achieve all this, Midhat Pasha undertook the following: he formed a team of people who visited the villages and registered the vacant arable land. For the transfer of these plots of land, the villages were motivated by various donations. The same team of people promoted Pasha's project to the villagers and encouraged their involvement in it. In this way, the fund acquired agricultural area that will serve as accumulators of its capital and manpower which will develop it. After that, the land was categorized by quality and the crops that were most suitable for certain plots were determined (Koç, 2004, 412). The state donated seeds, and the peasants who, with a small membership fee, became members of the fund's cooperative, formed groups that will cultivate the plots. As people with their entire families joined the fund, it was determined exactly how much each family would contribute according to the number of members. Regarding the management of the workforce, special attention was paid to the confessional affiliation of the members. The Muslims cultivated the common fields on Fridays, while the Christians did it on Sundays (Randjelović, 2022, 378). Peasants who joined the cooperative were obliged to cultivate the assigned field themselves and harvest or pick goods from it. The gathering was carried out under the supervision of the fund representative. After that, the goods were taken to local markets, where they were sold by auction. The sale was supervised by representatives of the local government and council elders from the village where the goods were brought (Aysu, 2021, 279). The money thus acquired was the capital of the Homeland Fund. When the capital reached the sum of 200 Ottoman gold liras, all the peasants who worked in the cooperative fields were given the right to take short-term loans from it (Oba & Özsoy, 2023, 59). Still, the work on cooperative fields was not a sufficient condition for obtaining a loan. In order for the loan to be approved, the peasants had to provide a guarantee or pledge a mortgage on the land or some other valuable asset. It was also allowed to combine these two methods. As for the loans, the Homeland Fund had a clear politics. The loan period shouldn't be less than 3 and longer than 12 months. Also, the upper limit for loan was 20 Ottoman gold liras. As for the interest, it was quite low. Only 1% per month (Aysu, 2021, 281).

The structure of the Homeland Fund consisted of a body of five people (two Muslims and two non-Muslims). The four of them worked as volunteers and were elected by members' vote. The fund was headed by a fund manager (*sandık emini*), a professional accountant and the only person who received a salary for his work. Once a year, a committee was formed to investigate the operations of the fund. The board was chaired by the highest local authority, and the members were the fund manager, local officials and prominent citizens. The board's tasks were to consider investments and distribute the realized profits. The latter was particularly important, since over time the Homeland Fund became a serious capital bearer and a significant factor in the public good policy of local authorities. In this regard, one-third of the profits were shared among the members, and two-thirds were used to help build schools, irrigation canals, and improve roads. All operations were limited by the fund's upper limit, so that its capital would not be endangered (Oba & Özsoy, 2023, 59).

Midhat Pasha's plan was that each *kaza* should have its own Homeland Fund, to which local town folk and peasants would turn. The first Homeland Fund was founded in Pirot in

1863, and already in the autumn that year the first loan was issued from it (Randjelović, 2022, 378). The reason for this was the fact that Pirot had strong tradesmen of ready money and the famous August fair that attracted artisans and merchants from the entire European part of the Ottoman Empire. After Pirot, the Homeland Fund was established in Niš, Leskovac and the rest of sandžak of Niš.

After the great success achieved by the Homeland Fund in the Eyalet of Niš, Midhat Pasha continued to advocate for the establishment of the Homeland Fund in all following positions he held. As the governor of the large Danube vilayet, which included the territory of the sandžak of Niš, Midhat Pasha presented his venture to the Sublime Porte and received its support. Thanks to this, the Homeland Fund was introduced into general use throughout the Ottoman Empire by a special regulation issued on July 25, 1867 (Tunçel, 2018, 203).

As for the operations of the Homeland Fund in the sandžak of Niš, data is scarce. However, it is possible to reconstruct its management in the period after the departure of Midhat Pasha in 1864. As Midhat Pasha, while being a governor of the eyalet, initiated the practice of founding new institutions and taking care of the public good, his successors on the seat in Niš continued with the same practice. Until 1878, that is, after the liberation of Niš and the southern part of central Serbia from the Ottomans, schools were built, public works were carried out, roads were maintained and various civic initiatives were supported in the towns of the sandžak of Niš. On the eve of liberation (1878), the capital of the Homeland Fund in the sandžak of Niš accumulated almost one and a half million grošes (Rizaj, 1979, 72), which is a large sum, especially due to the economic crisis that the Ottoman Empire was going through in the 1870s.

The fate of the Homeland Fund in the Ottoman Empire and the Novi Krajevi after 1878 is quite interesting.⁴ Apparently, the new Serbian authorities did not abolish the Homeland Fund as an institution of the previous regime. On the contrary, after the modification Homeland Fund continued to function under the name Petinska kasa (The Fund of Fifths) for some time. In 1890, a proposal was submitted from Vranje to the National Assembly of the Kingdom of Serbia to return the Petinska Kasa into function, which indicates that it had been abolished by this time (Narodna skupština, 1890, 70). However, in 1908 National parliament debated to finance with the Petinska kasa (specifically named as *Menafi sanduk*) the building of a hospital in Zaplanje, County of Niš (Matić, 1998, 151). As a matter of fact, the money taken from this fund was also used for the construction of the lyceum in Niš and the waterworks in Zaplanje (Randjelović, 2022, 378). So, it seems that it lasted for some time.

Like the Ottoman Empire, the Homeland Fund had a hard time going through the economic crisis caused by the wars with Serbia and Russia and the bad consequences of the Congress of Berlin (1878). Until this period, there were already cases of bad management of the fund and selective granting of loans without economic justification and profit. Because of this, in 1883 the fund had to be reorganized into the Public Good Fund (Menafi sandık), however, five years later it had to be restructured again. Under the Land Law (August 15, 1888) the Public Benefit Fund became the Agricultural Bank (Ziraat Bankası), an institution whose primary activities were exclusively investing in agriculture and lending money to farmers (Ortabağ, 2018, 43). It has worked as such till nowadays.

⁴ Novi Krajevi (New Regions) is the name for the territory of the former sandžak of Niš, i.e. of the southern part of Central Serbia which the Serbs liberated from the Ottomans in the Second Serbian-Turkish War (1877–1878).

5. Conclusion

Looking at Midhat Pasha's achievements in the Eyalet of Niš, especially the economic ones, from today's perspective gives a clear meaning to the socio-political development of this region after 1878. As the Serbian authorities in Novi Krajevi inherited developed economic relations after liberation, and found the city of Niš in a modest but advanced westernization, the only thing left was for the region's economy to develop strategically in the direction inherited from the previous Ottoman regime. With his traffic solutions, economic projects, incentives for agriculture and the recognition of farmers as a particularly important economic factor of the region, Midhat Pasha was a pioneer who contributed the most with his visions.

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