

Ottoman Dynasty Economic Policy and Its Relevance Amid Global Economic Dynamics 2025

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ARTICLE INFO	ABSTRACT
<p>Keywords Ottoman Economy, Waqf, Fiscal Flexibility, Sustainability, Global Economy 2025.</p> <p>Article history Received: June 27, 2025 Revised: June 28, 2025 Accepted: June 28, 2025 Available online: June 30, 2025</p> <p>DOI: 10.61159/maaliyah.v1i1.546</p> <p>(To cite in APA style) Khairi, F. R., Euis Amalia, & Desmadi Saharuddin. (2025). The Ottoman Dynasty Economic Policy and Its Relevance in the Midst of Global Economic Dynamics in 2025. <i>Maaliyah: Journal of Islamic Economic Law and Islamic Finance</i>, 1(1), 75-82. https://doi.org/10.61159/maaliyah.v1i1.546</p>	<p>Most studies of the economic policies of the Ottoman Dynasty are historical in nature and have not been much associated with contemporary global economic dynamics. In fact, Ottoman economic principles such as the open-market system, fiscal flexibility, and waqf management for social welfare may be relevant to current global economic challenges, including inequality, market instability, and the need for a sustainable economic model. This research aims to identify the main principles of Ottoman economic policy, analyze its relevance to the global economic challenges of 2025, and formulate history-informed economic policy recommendations that are adaptable to the modern context. A qualitative, historical-comparative approach is used to compare primary data from Ottoman archives (trade records, fiscal policy) with contemporary data, highlighting points of comparison and relevance for present-day economic policies. The study's results indicate that the principles of Ottoman economics are highly relevant, particularly for promoting inclusive and sustainable economic models. The waqf system can be adapted as a stable social funding mechanism, while fiscal flexibility provides inspiration for adaptive economic policy responses amid global uncertainty. This research contributes to the development of historical economic discourse in modern contexts and offers a hybrid policy model that integrates traditional values with contemporary economic needs.</p>

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INTRODUCTION

The economic policies of the Ottoman Dynasty are particularly interesting to study, given that this Islamic empire was the largest to control strategic regions, including Istanbul, Cairo, Mecca, and the Balkans, for more than six centuries. Conquest in many places to expand the territory of the dynasty and to preach Islam, because in fact this nation is military blood (Euis Amalia, 2010). In this dynasty, there was acculturation among various cultural

backgrounds, namely Islam, Byzantine, Persian, and Turkish cultures. This acculturation is also included in the economic realm.

Islamic economics during this dynasty integrated Islamic sharia principles such as the prohibition of usury, zakat, and waqf with administrative practices adapted to Byzantine, Persian, and Turkish traditions. In its heyday, precisely in the 15th-17th centuries AD, the Ottoman Dynasty became the center of world trade. However, in the 18th century, the Ottoman economy experienced a downturn driven by shifts in global trade routes, inflation, corruption, and dependence on foreign loans.

This paper is here to photograph how these dynamics occurred and to see the policies taken by the Ottoman Dynasty in responding to the instability of economic conditions to then be drawn its relevance in the modern context so that it can be contextualized at this time, especially in the midst of global geopolitics that is heating up in 2025 and fill the empty space that has not been built in this thematic so that it can fill the *gap* in bridging theory and practice in this contemporary era.

Several previous researchers have reviewed studies on the economic development of the Ottoman Dynasty, both from domestic and international research. The topics that have been *the headlines* of previous researchers include several thematic aspects that can be classified as follows:

First, the tax system and fiscal administration are examined by Sugeng (Sugeng, 2016), M. Nur Ilham Achdar and Askar Nur. H (T, M. Nur Ilham Achdar, and Askar Nur.H, 2022), and Sevket Pamuk (Stuart Scott, 2000) The researchers concluded that the Ottoman tax system was effective during the heyday of the Ottoman Dynasty but declined due to corruption and external influences, such as the European Industrial Revolution.

Second, related to trading and systems, *Hisbah*, researched by Mami Nofrianti and Kori Lilie Muslim (Mami Nofrianti and Kori Lilie Muslim, 2019), Hasyim Asy'ari (Hasyim Asy'ari, 2018), and Suraiya Faroqhi (Suraiya Faroqhi, 2004). Researchers conclude that the Ottoman Dynasty's trade advanced in the 16th century, but due to the discovery of a new trade route by Europe (the Cape of Good Hope), the dominance of the Ottoman Dynasty's trade routes decreased and subsequently also decreased state revenue. In addition to the trade route, there is a body that supervises market activities, known as the *Hisbah*.

Third Related to agriculture and systems *Timar*, researched by Reyhan Biadillah (Reyhan Biadillah, 2010), Anwar Sewang (Anwar Sewang, 2017), Inalcik (Halil Inalcik, 1994) and Donald Quataert (Donald Quataert, 2000) The researchers concluded that the system *Timar* supported the economic stability of the Ottoman Dynasty during its heyday, and the decline of this system triggered social inequality.

Fourth, related to industry and handicrafts, researched by Mami Novrianti and Kori Lilie Muslim (Mami Nofrianti and Kori Lilie Muslim, 2019), and Halil Inalcik (Halil Inalcik, 1994) These researchers explain that Ottoman Industry and Crafts flourished during the 18th century and declined amid European industrial competition. This competition has caused setbacks for domestic industries and crafts.

Fifth *Waqf* as a socioeconomic instrument, has been researched by H.M Syamsudini (H.M Syamsudini, 2016), Anwar Sewang (Anwar Sewang, 2017), and Bahaeddin Yediyidiz (Bahaeddin Yediyildiz, 1982) The researchers concluded that *waqf* became a pillar of the Ottoman social economy. This pillar is focused on supporting Education, health, and infrastructure.

Sixth, challenges and economic setbacks. Reviewed by Sugeng (Sugeng, 2016), and Sevket Pamuk (Stuart Scott, 2000), the researchers concluded that the economic decline of the Ottoman dynasty was triggered by two factors, namely external factors and internal factors. As for external factors, they come from industrial and economic competition in

Europe, on the contrary, internal factors come from the rampant practices of corruption and mismanagement in the government. The dynasty's efforts are to implement *Tanzimat* (economic reform) through concrete measures, including modernizing the fiscal system. Behind *Tanzimat*, this gives rise to a new conflict in the form of a conflict of principles, *Tanzimat* with sharia principles that have been held before.

Building on the above studies, this research continues to explore economic concepts relevant to the development of the Islamic economy in the modern era. This contribution is a *novelty* to fill the *lacuna* (empty space) in the study of the economic policy of the Ottoman dynasty and reflect on these policies in the context of the current economy as an effort to contextualize the principles of Islamic economics in this modern era.

To maintain focus, the author presents several problem formulations that serve as guidelines for studying this topic and addressing the research questions posed. The formulation of the problem includes: First, how was the development of the Islamic economy during the Ottoman Dynasty, especially during its heyday? *Second*, what are the main sources of income, and how is the concept of management? *Third*, what is the relevance of the Ottoman Dynasty's economic policies to modern economic policies, especially in the midst of unstable global economic challenges in 2025? The three problem formulations above serve as the barometers of the study.

METHODOLOGY

This study is a qualitative library-based *research*. The data used in this study are drawn from the latest documents, books, and scientific journals relevant to the research topic.

Then related to collection techniques, processing techniques, and data analysis. *First*, the collection technique uses documentary study techniques and literature studies, namely, collecting documents, books, and journals related to this research topic. *Second*, the data processing technique is based on the characteristics of the data obtained. This means that qualitative data are presented logically and systematically to facilitate readers' understanding of the meaning of each description of the discussion. *Third*, the data analysis technique uses the content analysis method because the data sources of this research are based on documents, books and journals related to this research topic.

RESULT

During its heyday, the Islamic Economy of the Ottoman dynasty focused its economic policies on six aspects related to the management of state revenues and expenditures in response to the global dynamics it faced at that time. We present these six aspects in the form of the following matrix :

Table 1. Economic Policy of the Ottoman Dynasty in the Dark Period in Response to Economic Dynamics

NO	Policy Aspects	Policy Implementation
1	Taxation System (<i>Zakat, Jizyah and Kharaj</i>)	Taxes for Muslims are <i>zakat</i> , and for non-Muslims, it is <i>jizyah</i> . <i>Kharaj</i> is imposed on Muslims and non-Muslims who manage the land with attention to land productivity.
2	Trade and the Silk Road	Created the <i>Kapali Carsi</i> (Grand Bazaar) and then strengthened it with the body of the <i>Hisbah</i> . In addition, it controls land and sea trade routes.
3	Agriculture and <i>the Timar System</i>	Agricultural land (<i>kharaj</i>) is a major source of state income. Introducing the <i>Timar</i> system in agriculture as a form of asset redistribution.

4	Industry and Crafts	Forming a business union called Lonca. The task is to ensure quality and compliance with Sharia.
5	Waqf as a Social Economy Instrument	The waqf system is intended to support social welfare and for long-term investment in building public infrastructure
6	Other Sources of Income	military expansion and ghanimah for fiscal addition.

Discussion

A. The economic policies of the Ottoman Dynasty in improving the country's economy

The 18th-19th centuries were a time when the economy of the Ottoman Dynasty faced severe economic challenges (Stuart Scott, 2000). Among other challenges, the discovery of new trade routes through the Cape of Good Hope by European powers reduced the dominance of Ottoman ports in the global trade supply chain. High inflation also weakened the Ottoman Dynasty's economy, coupled with rampant corruption in the Timar and taxation systems, which reduced state revenue. Another factor that also influenced the domestic economy of the Ottoman Dynasty was the defeat of domestic industry by the dominance of European products (Stuart Scott, 2000).

In the face of the above economic challenges, the Ottoman government adopted a policy initiative known as the *Tanzimat* (Economic Reform) in the 19th century. This step is taken to reform the existing economic system to be in line with the development of the global economic system

There are six aspects that became the focus point of the dynasty in building prudent policies in responding to economic conditions that occurred outside the dynasty at that time:

1. Taxation System (*Zakat, Jizyah and Kharaj*)

The Ottoman dynasty's tax system adheres to Islamic fiscal principles, namely the imposition of taxes on Muslims and non-Muslims. The taxes for Muslims are *Zakat* and for non-Muslims it is *Jizyah*. Furthermore, there is also taxation related to land called *kharaj*. It is a type of land tax for those who manage cultivated land given by the state to be managed. Tax amount *kharaj* This is adjusted to the productivity of the land or crop yield (Mehmet Genc, 1989).

The taxes mentioned above are administered by a centralized institution known as the *defterdar*. This institution maintains a book of detailed financial records called a *defter* (ledger). This tax system ensures integrated tax management and wealth redistribution in accordance with Islamic fiscal principles. During the heyday of the Ottoman Dynasty, the management of this institution was very good and contributed greatly to the country's economic development, but in the 18th century, it began to decline due to corrupt practices in tax management (Stuart Scott, 2000).

2. Trade and the Silk Road

The Ottoman dynasty had mastered strategic trade routes, such as the Silk Road and the Mediterranean maritime route. These strategic routes were established after the conquest of Constantinople and strengthened Istanbul's position as a world trade center, then known as *Kapali Carsi* (Grand Bazaar). This place is a meeting place for thousands of traders who sell textiles, spices, and luxury goods from various countries (Suraiya Faroghi, 2004).

To increase international trade activities, the government provides *Capitulation* namely a special trade right in conducting trade in the territory of the Ottoman Dynasty, to countries that became the kingdom's trading partners, such as Venice and Genoa (Halil Inalcik, 1994).

Market sustainability, *Kapali Carsi* above, supervised by a special institution known as the *Hisbah*. This institution is tasked with supervising the market, ensuring fair prices, and preventing the practice of usury and fraud (Halil Inalcik, 1994).

In addition to income from conducive market management as explained above, the dynasty also focuses on sources of income from securing trade routes, both by sea and land. The state allocates spending to build infrastructure along strategic trade routes to increase state revenue.

On the land trade route there is a silk route called a trade route *Caravanserai*. The dynastic government built security infrastructure and lodging for the traders who crossed the route. This aims to provide security for traders who pass through and get income from renting lodgings. This route is in great demand by traders because it is located along the Balkan region (Desmadi Saharuddin, 2021).

In the maritime trade route, the Ottoman Dynasty strengthened its naval role by maintaining security through the suppression of piracy and the protection of merchant ships. In addition, they are also tasked with continuing to expand the kingdom's territory.

The trade routes in the seas that had been controlled by the Ottoman Dynasty were the Aegean region and the Eastern Mediterranean Sea, with the main commodity crossing these routes being wheat. The Red Sea and Persian Gulf regions, with their main commodities, are spices. The Black Sea and Western Mediterranean Sea region with its main commodities are wheat and timber (Desmadi Saharuddin, 2021).

3. Agriculture and the *Timar* System

Agriculture was a large economic sector during the Ottoman Dynasty in addition to trade and industry. Farmland (*kharaj*) is a major source of national income. Therefore, most of the country's economic activity was largely concentrated on agricultural taxes which accounted for most of the public finances of Ottoman Turkey (Abdul Qoyum, et al, 2021).

In this agricultural management, the state implements policies by presenting a system, *Timar*, namely by granting land management rights to Sapphire (cavalry) in return for their military services. The peasants pay a tax on their crops, the proceeds of which are allocated to military spending, administration, and public welfare. This system has a principle of asset redistribution in order to create justice and prevent the concentration of land ownership (Omer Lutfi Barkan, 1943).

Over time, entering the 18th century this system began to deteriorate due to corrupt practices and the emergence of *Ciftlik* (Large privately owned plantations), which led to the exploitation of small farmers (Donald Quataert, 2000).

4. Industry and Crafts

Among the sectors that are also the main sources of state revenue are the industrial and handicraft sectors. The industry during this dynasty was very developed, including in the fields of textiles, ceramics, and jewelry making. These industrial products are exported to various countries, including becoming well-known products in Europe, such as Ottoman carpets and Iznik ceramics (Halil Inalcik, 1994).

To maintain production quality and quantity and ensure that processing and distribution comply with Sharia principles, this industry group formed a community of trade unions called *Lonca*. Duties of *Lonca* is to supervise the standardization of production and ensure the realization of sharia aspects in the production process (Halil Inalcik, 1994).

5. Waqf as a Social Economy Instrument

Waqf played a significant role in the Ottoman economy. The waqf system is intended to support social welfare and long-term investment in building public infrastructure (Bahaeddin Yediyildiz, 1982). Much of the infrastructure has been financed from this waqf fund, such as mosques, schools, hospitals, and orphanages. This waqf is managed by a body called *Mutevelli*.

6. Other sources of income.

In addition to the above sectors, other sources of Ottoman income were obtained from military expansion (Desmadi Saharuddin, 2021). Tributes from conquered territories and spoils of war (ghanimah) became an additional source in strengthening the country's fiscal system.

B. The relevance of the Ottoman Dynasty's economic policies to modern economic policies, especially in facing the challenges of the global economy in 2025

The Ottoman Dynasty has made a significant contribution to the world economy through the Islamic economic system it implemented. The tax system, waqf management, and formation of *Hisbah* became a model of *Sharia-based economic management from this dynasty. The success of the waqf system in this dynasty is evidenced by the enduring solidity of infrastructure, such as mosques and madrassas, that stand to this day.* Besides these models, there is a *Timar* that reflects the principles of social justice that can be applied in an effort to distribute the wealth of existing resources (Madeline C Zilfi, 2010).

Regarding the relevance of the above concept to the modern economy, several points can be identified that became economic concepts of the Ottoman Dynasty, including wealth redistribution, market management, and the concept of a sustainable economy. The derivatives of the concept and its relevance to the modern economy can be seen in the following description:

1. Tax System and Wealth Redistribution

The tax system of the Ottoman Dynasty was designed to realize the welfare of the people without burdening them. Fair and proportional taxes are based on crop yields. This illustrates that the tax burden is not the same among taxpayers, but adjusted to their productivity. This approach is similar to the concept of modern progressive taxation, where the wealthy pay more to fund public services in an effort to redistribute wealth among the people (Joseph E. Stiglitz, 2012).

2. Market Management and Economic Regulation

To manage and regulate market trade, the Ottoman Dynasty established an institution, *Hisbah*, tasked with overseeing market justice. These institutions are similar to modern regulatory bodies, such as competition authorities and consumer protection agencies. The *Hisbah* institution plays a role in ensuring that the price of goods remains fair, preventing monopoly practices. These two principles are in line and relevant to modern anti-monopoly regulations (Halil Inalcik, 1994).

Not only regulations, trade centers are also created by creating a fair and organized business climate. The trading center is modeled on *Kapali Carsi* in Istanbul, which became the center of world trade at that time. This concept can be adapted and developed in the modern context by developing Special Economic Zones (SEZs), especially in developing countries (Halil Inalcik, 1994).

3. Modern Waqf and Philanthropy System

The Ottoman dynasty waqf system can be adapted and compared with the concept of *Endowment Fund* modern, as applied at renowned universities such as Harvard and other major philanthropic foundations. Waqf was created more productively, such as building markets and shops that generate sustainable income to finance social spending and the construction of public facilities that support the welfare of the people as applied by the Ottoman Dynasty built the Guraba hospital which was founded by the mother of Sultan AbdulMecit in 1843 and this hospital is still operating today as a model of a modern hospital in Istanbul. Turkey (Indonesian Waqf Agency, 2007). This hospital can be an example of a model of sustainability waqf in modern times (Henri Shalahuddin, 2021).

The goal of waqf in the modern context can also be adapted for poverty alleviation programs. Waqf is intended to help governments address social inequality by funding the education and health sectors, as philanthropic foundations do in Western countries.

4. The Eastern System and the Concept of Sustainability Economics

System *Timar*, within the Ottoman economy, was designed to enhance land productivity and support social stability by providing incentives to military officials. This concept is particularly relevant in the context of modern economics, such as agricultural subsidies and agrarian reform programs that aim to increase the productivity and welfare of farmers (Halil Inalcik, 1994).

The productive land management policy implemented by the Ottoman Dynasty can be adapted to the context of modern economic policy, namely green economic policy, which emphasizes economic sustainability. Examples and forms of policy are sustainable land management to prevent deforestation (Halil Inalcik, 1994).

CONCLUSION

This research concludes that the Islamic economy was very developed during the heyday of the Ottoman Dynasty, precisely in the 15M-17AD centuries. The supporting factors are through global trade, *the timar system*, and the implementation of sharia taxes. In addition, another supporting factor is that the institution of waqf strengthens social welfare while an organized administration supports the stability of the dynasty.

The study also concludes that adaptation to changes in global economic dynamics and transparent state financial management are needed to maintain economic sustainability. Islamic economic concepts applied by the Ottoman Dynasty such as a fair and proportional tax system, an organized waqf system, systematic market management, and *an eastar* system that correlates with the concept of sustainable economy are very relevant to be applied today in order to create a *prudent* economy and support economic growth.

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