

# The Protégé System and *Berath* Merchants in the Ottoman Empire: The Price of Legal Institutions

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Working Paper, October 2012

## Abstract

The Ottoman Empire offered its subjects a menu of legal systems for contracting and litigation. This is puzzling for economists; contract theory assumes a single legal authority that enforces the terms of a contract. This paper is part of a larger project that studies the impact of legal pluralism on economic outcomes. This paper analyzes a particular facet of legal pluralism; the sale of licenses that gave non-Muslim Ottoman subjects access to European law in the 18th century. I use archival evidence from the UK National Archives, the British Library, Archives nationales, and Centre des archives diplomatiques de Nantes to show that Ottoman subjects were willing to pay large sums for this access. I show that the prices for these patents cannot be explained by the tax exemptions they provide. I use primary data on partnerships and disputes to argue that this class of patentees was able to drive out their competitors thanks to their richer legal choice set and ability to engage in forum-shopping.

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\*I would like to thank the Program in Economic History, Yale University, and the MacMillan Center for the grant supporting this project. I would like acknowledge the staff of the National Archives (UK), the British Library, *Archives nationales* and *Centres des archives diplomatiques de Nantes* for their help in locating important documents. I am grateful to Seven Ağır, Timothy Guinnane, Naomi Lamoreaux, Şevket Pamuk, Francesca Trivellato, and the participants of the Economic History Lunch at Yale University, for their valuable comments.

# 1 Introduction

The Ottoman economy had a long period of economic expansion and prosperity during the sixteenth century, but faced severe fiscal crises during the seventeenth century. The Ottoman Empire saw a period of recovery and stability in the eighteenth century and managed to survive into the modern age with most of its central institutions intact, while its contemporaries in Asia failed. The literature so far has focused on the Ottoman economic institutions as a way of explaining both its stagnation and partial recovery.<sup>1</sup> Kuran, for example, identifies Islamic legal institutions as the culprit of the Empire's economic stagnation, arguing that the egalitarian nature of the Islamic inheritance law and the unavailability of the corporate form prevented the necessary capital accumulation to facilitate growth.<sup>2</sup> I offer an alternative hypothesis: It was the multiplicity of legal systems that contributed to the Empire's divergence as opposed to the relative inefficiency of the Ottoman legal system.

This paper is part of a larger project that uses both theory and archival evidence to study the impact of legal pluralism on the Ottoman Empire's development path. It focuses on a particular facet of choice of law; namely, the sale of exemption licenses called *berats*,<sup>3</sup> which granted their bearers, *berathls*, a variety of tax exemptions as well as access to European jurisprudence.<sup>4</sup>

No particular religious group dominated the commerce in the Ottoman Empire until the early eighteenth century. However, by the nineteenth century, various communities, particularly Greeks and Armenians, constituted a large part of the empire's commercial and financial life. There is a clear trend that shows Muslims were eclipsed in various industries by minorities during this period.<sup>5</sup> Not only were they able to drive out Muslims, but also European traders as well. Towards the end of the eighteenth century, they had completely replaced the Dutch. At the beginning of the nineteenth century, the French and the British both noted this group's monopoly on trade.<sup>6</sup> How the *berathls*, a small class of non-Muslim merchants, became so predominant in the Levant trade is an open question in the Ottoman economic history.

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<sup>1</sup>See Kuran (2004b) and Pamuk (2004).

<sup>2</sup>See Kuran (2010) for details.

<sup>3</sup>*Berat* is the name of the patent. The word *berathl* refers to the person who holds a *berat*. Europeans also referred to the *berathls* as "honorary *dragomans*."

<sup>4</sup>Throughout this paper, having access to European law/jurisdiction means agents have the option to use European law for contracting and dispute resolution.

<sup>5</sup>Kuran (2004a) pp. 475–476

<sup>6</sup>Masters (1992) pp. 580–1; Eldem (1999) p. 258; the British Library (hereafter BL), IOR/G/17/5: ff. 383–7, Paper by George Baldwin about the Turkish Trade, 22 January 1785. In 1768, three-fourths of the cargo loaded at Smyrna on Dutch ships bound for Amsterdam belonged to minorities, Panzac (1992) p. 194.

These non-Muslims were distinct in their richer legal choice set, thanks to their *berats*. The literature attributed the success of Christian communities to Western favoritism, Muslims' attitudes towards trade, or legal privileges the minorities received.<sup>7</sup> Kuran gives a striking explanation by articulating the “jurisdictional shift hypothesis.”<sup>8</sup> He argues that non-Muslim subjects of the Empire moved away from the Islamic judicial system which involved higher transaction costs towards European ones where these costs were lower. The grant of patents of protection, or *berats*, made this jurisdictional shift possible. Çizakça and Kenanoğlu dispute this hypothesis by questioning the actual number of non-Muslims under European protection and the generality of the jurisdictional shift. They also note that the acquisition of these patents predate the availability of the general corporate form, which plays a central role in Kuran's arguments.<sup>9</sup> The authors argue that Kuran's hypothesis needs to address to what extent these non-Muslim protégés made use of the organizational forms introduced by the foreign legal system and to what extent the introduction of similar privileges by the Ottoman government actually reduced the demand for foreign protection. Boogert also challenges the jurisdictional shift theory on several points. First, he argues that the consular courts in the Levant did not apply the laws of the nation they represented. Most cases were adjudicated with arbitration which followed “local commercial customs.” These customs could show variation from one city to another, and many times reflected the Islamic legal system. Furthermore, he points out that the consular courts did not have more sophisticated procedures (such as reliance on written evidence) relative to the Ottoman courts, and were not better equipped in dealing with more complex organizational forms such as joint-stock companies.<sup>10</sup>

Besides the jurisdictional shift, there are three other hypotheses regarding the acquisition of *berats*. The first hypothesis states that non-Muslims purchased *berats* solely to acquire tax exemptions. The second hypothesis asserts that *berats* actually bought access to European trade networks. The third, introduced in this paper, is the forum-shopping hypothesis, which suggests that agents prefer to have access to multiple legal jurisdictions in order to obtain favorable outcomes if the contract is disputed *ex post*. This paper assesses the validity of each of these competing theories, and finds strong evidence for jurisdictional shift and forum-

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<sup>7</sup>Kuran (2004a) p. 483

<sup>8</sup>Kuran himself does not give a name to his hypothesis. Çizakça and Kenanoğlu (2008) refer to it as “jurisprudential shift” although it should be more correctly called “jurisdictional shift.” See Boogert (2009)

<sup>9</sup>See Çizakça and Kenanoğlu (2008) for the details of their argument. See Kuran (2003), Kuran (2005) and Kuran (2010) for a discussion on the significance of the lack of corporate form in Islamic law and how it contributed to Middle East's divergence

<sup>10</sup>Boogert (2009), pp. 378–80.

shopping.

In evaluating these four hypotheses, this paper offers three potential contributions to the rich literature on the role of legal institutions in economic performance. First, by analyzing the validity of the jurisdictional shift hypothesis, it will contribute to the larger debate on the efficiency of Ottoman legal-economic institutions relative to European ones. Second, this paper contributes to the literature on legal origins by providing a comparative analysis on the demand for British and French legal systems and institutions through *berat* sales. Finally, the results will provide insight into the impact of legal pluralism and forum shopping on contracts, trade and investment.

In order to test these hypotheses, I use primary data from the National Archives, UK (TNA), the British Library (BL), *Archives nationales* (AE), *Centres des archives diplomatiques de Nantes* (CADN), and the *Başbakanlık Osmanlı Arşivi* (BOA). These sources provide extensive information on *berat* prices, as well as data on the *berathis*' occupations, transactions, partnerships, and disputes. I calculate the present discounted value of tax exemptions and show that it cannot explain the price of a *berat*. Using the cross-sectional variation of *berat* prices, especially between Britain and France, and the anecdotal data on *berat* purchases from the archives, I provide evidence to support both the jurisdictional shift and forum shopping hypotheses.

Section 2 describes the general legal framework as well as the evolution of this protection system in the Ottoman Empire. Section 3 gives a discussion of the data. Section 4 provides the main analysis and results. Section 5 summarizes the paper, discusses the possible extensions and further work.

## 2 Background

### 2.1 The Evolution of *Berat* Sales

The Ottoman Empire (and the Islamic world, in general), had always been characterized by legal pluralism. The society was organized into different *millets*, literally “nations,” along religious lines such as Muslim, Orthodox, Catholic, Maronite, Jewish etc. Each community retained its own distinct body of law and courts. While Muslim subjects had no option outside Islamic law and courts, non-Muslim subjects could choose either jurisdiction of the parties involved or Islamic law in commercial and civil matters. However, any dispute involving a Muslim had to be litigated in an Islamic court. In addition, even when no Muslims were involved, one could unilaterally impose Islamic law over the other parties in the dispute.

The *millet* system provided a natural framework to incorporate the European communities established in the Levant. Each European country in the Ottoman Empire was recognized as a separate *millet*, with the ambassador acting as that *millet*'s leader and supreme judge.<sup>11</sup> Foreign merchants in the Ottoman Empire long enjoyed certain privileges thanks to the grant of the Capitulations, concessionary agreements the Sublime Porte—or the Porte, the Ottoman government—had made with European powers. The legal pluralism engrained in the Ottoman legal framework allowed them to use consular jurisdiction over Islamic courts in any dispute not involving Muslims. They were also unrestricted in the article of dress, whereas the Ottoman non-Muslim subjects were confined to plain clothes of darker colors. They were exempted from a variety of taxes local non-Muslims had to pay. Moreover, they only needed to pay 3 per cent duty on customs, unlike all other non-Muslim Ottomans, who were subject to a 5 per cent tariff.<sup>12</sup>

An important privilege granted to ambassadors and consuls of European powers through the Capitulations was the right to employ anybody they chose as *dragoman*, or interpreter.<sup>13</sup> The practice was not unrestricted, however. The choice of *dragomans* was confined to non-Muslims and the Porte fixed the number of *dragomans* that embassies could recruit. The number depended on the influence a particular ambassador enjoyed with the Porte. Throughout the eighteenth century, Great Britain, France, Russia and Austria each had about 40.<sup>14</sup>

Each *berat* was accompanied by two *fermans* (or *nefer fermans*) assigned to the servants employed by the dragoman. A *berat* secured its bearer, his sons, and two servants several tax exemptions, the option to use European legal jurisdiction and immunities from dress restriction.<sup>15</sup> The actual content of a *berat* lists these tax exemptions as *haraç*, *avarız*, *kassabiye akçesi* and *tekalif-i örfiyye*.<sup>16</sup> Another tax privilege that the second literature claims *berats* granted is the lower custom duties of 3 per cent.<sup>17</sup> There is actually conflicting evidence that the protégés did get this exemption, which will be discussed in Section 4.

As the affairs of foreign missions in the Ottoman Empire became more important, each

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<sup>11</sup>Ambassadors and consuls were agents of the national organization that regulated the Levant trade. For the British, this was the Levant Company and for the French, the *Chambre de commerce de Marseille*. Both of these bodies also had a monopoly over trade. In contrast, the Dutch Republic followed the principle of free trade despite having a similar government body (Boogert (2003) p. 618–9).

<sup>12</sup>Boogert (2005) p. 66, 78; TNA FO 78/16: f. 87 Sir Robert Liston [ambassador] to Lord Grenville [secretary of state], 25 April 1795.

<sup>13</sup>The word *dragoman* or *drogman* is the Latinized form of the Arabic *tarjuman*, literally interpreter (Boogert (2005) p. 8)

<sup>14</sup>TNA FO 78/16: f. 87; FO 78/50: f. 15 Report on Barats, 24 April 1806

<sup>15</sup>*Ibid.* f. 15

<sup>16</sup>TNA FO 78/50: f. 53 Traduction d'un Barat du Drogman

<sup>17</sup>Bağış (1983) p. 28

European country began to cultivate its own interpreters and thus had no need of employing subjects of the Porte. Thus, the ambassadors began to dispose of these *berats* at fairly high prices to non-Muslim subjects who sought them with great demand. We do not know when this commercialization started. John Murray, British ambassador to the Ottoman Empire between 1767 and 1775, writes that the sale of vacant *berats* was a “perquisite that had belonged to [the] Embassy from its first institution,”<sup>18</sup> which was in 1583.<sup>19</sup> British chancery registers show disputes involving “honorary *dragomans*” as early as 1732, which suggests that the practice had been well underway by then.<sup>20</sup> At the end of eighteenth century, British sold *berats* for about 5,000 to 6,000 *kuruş* each.

The *berat* sales led to gross abuses. The honorary *dragomans* did not reside in the region under the purview of the consul from whom they obtained their *berats*, and did not even know the language of the European power whose *berat* they possessed. The *fermans* attached to the *berat* were sold separately so that a *dragoman*’s “servant” could be living thousands of miles from him. Ambassadors even appointed fictitious consuls to places where their country had no trade or establishment in an attempt to increase the number of *berats*.<sup>21</sup>

By the end of the eighteenth century, the Porte became aware of these abuses and made several attempts to eliminate them. In 1786, the Ottoman government sent a memorandum to all foreign missions in Istanbul as well as instituted drastic changes in the regulation of *berats*. The new regulation compelled the honorary *dragomans* to only engage the functions of their office, take residence in their place of appointment and not engage in any kind of trade or artisanship. The government also prohibited them from participating or interfering in the business of the guilds and becoming tax farmers.<sup>22</sup> This attempt to revert the practice of *berats* back to its original purpose seems to have failed. Protégés worked around the new regulations by conducting their trade in the name of other people and having ambassadors obtain for them what was referred to as traveling commands (*yol emri*), which authorized them to leave their place of appointment on the pretext of executing consular orders.<sup>23</sup>

In 1806, the Porte reiterated its intention to rein in the abuses and this time enforced the reform with full force. Each *berath* was ordered to give up his patent or return to the place

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<sup>18</sup>TNA SP 110/87: John Murray [ambassador] to the Levant Company, 15 May 1767.

<sup>19</sup>Wood (1925) p. 533

<sup>20</sup>TNA, SP 110/182: f. 162

<sup>21</sup>TNA FO 78/16: f. 88, 89 Sir Robert Liston [ambassador] to Lord Grenville [secretary of state], 25 April 1795, FO 78/50 f. 15 Report on Barats, 24 April 1806, Rey (1899) p. 256

<sup>22</sup>Boogert (2005) pp. 107–108; TNA FO 78/6: f. 312-313 Traduzione d’un Comandamento diretto a S. Eccellenza il Reis Efendi, 29 October 1786

<sup>23</sup>TNA FO 78/16: f. 90 Sir Robert Liston [ambassador] to Lord Grenville [secretary of state], 25 April 1795

of residence specified in his *berat*. About thirty protégés under Russian, French and Austrian protection followed this order out of fear of reprisal and had to pay the *haraç* and other taxes that had accumulated from the date they obtained their *berats*.<sup>24</sup> Others petitioned for naturalization by the government that protected them.<sup>25</sup> The government's reforms were juxtaposed by the formation of the Porte's own competing protection system called "Europe merchants" (*Avrupa tüccarı*) the first of which were issued in 1806.<sup>26</sup> As far as British *berats* were concerned, the abuses were abolished with the Treaty of the Dardanelles in 1809. Other countries followed suit with similar clauses.<sup>27</sup>

### 3 Data

This paper uses primary data obtained from the National Archives (UK), the British Library, *Archives nationales*, *Centres des archives diplomatiques de Nantes*, and *Başbakanlık Osmanlı Arşivi*. Most of the data comes from diplomatic correspondence, especially consular correspondence between the ambassadors and their consuls; chancery registers, factor and merchant letter-books, and correspondence with the Levant Company. Other sources include commands, registers and surveys done by the Ottoman courts. This data includes a large number of bills of exchange, receipts and references to *berat* sales, registrations of *berath*s in chanceries and the Ottoman court, as well as disputes, litigations and arbitrations.

#### 3.1 Benefits and the Demand Side

The *berat* granted its bearer a number of important exemptions and privileges. It gave exemptions from the capitation tax (*haraç*), extra-ordinary taxes (*avarız*), the butchery tax (*kassabiye*) and non-canonical taxes (*tekalif-i örfiyye*). Furthermore, it provided a further tax reduction on the customs duty from 5 per cent to 3 per cent, at least in theory. Besides tax exemptions, the *berat* placed the *berath* out of the reach of the local courts, gave him access to consular jurisdiction for dispute resolution and arbitration services, and finally access to the law and legal/economic institutions of the country that disposed the *berat*. The *berat* secured these privileges for the lifetime of the honorary *dragoman* and included all his

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<sup>24</sup>TNA FO 78/16: f. 9-10 Charles Arbuthnot [ambassador] to Charles James Fox [secretary of state], 5 May 1806.

<sup>25</sup>Rey (1899) pp. 276–7.

<sup>26</sup>TNA, FO 78/50: f. 19-20 Report on Barats, 24 April 1806, Bağış (1983), Boogert (2005) pp. 110–111, The Imperial protections will be discussed in more detail in the following sections.

<sup>27</sup>Rey (1899) pp. 279–80.

sons and also two servants. Similar to the *berath*, the “servants” had a patent called *nefer ferman*.<sup>28</sup> Later, the ambassadors began selling the *fermans* separately from the *berats*. When an honorary *dragoman* died, his *berat* and the associated two *fermans* returned to the embassy. Furthermore, *berats* and *fermans* had to be renewed each time a new Sultan acceded to the throne.

*Berat* was not a property. It was a deed of appointment of a specific person by the Sultan. A *berath* could not sell, transfer or bequeath his patent. As a result, there was not a secondary market of *berats*. Strictly speaking, it could not be sequestered and counted as collateral either, but embassies and consuls regularly sequestered *berats* and auctioned them off to settle the debts of *beraths*.<sup>29</sup> Furthermore, the *fermans* also returned to the embassy when their holders died or otherwise relinquished them, so it was impossible for a *berath* to re-sell these servant *fermans*.<sup>30</sup> Thus, there was no speculation motive to holding a *berat*.

### 3.2 The Supply of *Berats*

The Ottoman government fixed the number of *berats* for each embassy. This number depended on the influence the ambassador enjoyed at the Sultan’s court, as well as the power of the country. Great Britain and France had the largest number of *berats*, which was between 40–50. The Dutch could dispose a bit more than 30. Other countries had about 20. The ambassadors disposed them as they wished, and the returns were their personal emolument.<sup>31</sup> Revenues from *berat* sales constituted the largest part of an ambassador’s income. A British ambassador’s annual salary amounted to 8,000 *kuruş* whereas the average revenue per year

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<sup>28</sup>The Western sources refer to these servant or agents as *neferli* or *fermanlı*.

<sup>29</sup>For instance, in 1758, the *berat* of an Austrian protégé, Nasrallah Arkash, was auctioned off to settle his debt to the Levant Company physician Patrick Russell, TNA, SP 110/62: f. 4, 11 September 1758. In 1776, Ainslie ordered George Lazzaro’s *berat* to be taken away if he failed to pay his debt to Murray’s heirs, FO 261/3: Ainslie to Olfier [consul at Salonica], 30 December 1776, *ibid.* Ainslie to Olfier, 8 March 1777, *ibid.* Ainslie to Olfier, 29 May 1777. In 1782, Stano, an Austrian *berath*, had his *berat* taken away by Rathkeal, the Austrian internuncio, to pay Stano’s debt to Gutta, a British dragoman. Ainslie requested Stano’s *berat*, worth 250–300 sterling pounds, to be sold or transferred to settle the debt, FO 78/3: ff. 54–58, Ainslie to the Earl of Hillsborough [secretary of state], 26 March 1782; FO 261/4: pp. 199–201, Ainslie to Sir Robert Murray Keith, 26 March 1782. In 1793, Ainslie told Strane to divest Anagnosti Theorapulo of his *berat* if he didn’t pay his debt of 2,500 *kuruş* on his bond, FO 261/7: p. 315–316, Ainslie to Strane [consul at Patras], 6 May 1793.

<sup>30</sup>A request by an Aleppine *berath* for two *fermans* after the two attached to his *berat* were vacated by their holders’ decease was strongly rejected by the ambassador, who claimed that such a practice was unprecedented and would in fact give the *berath* four *fermans* instead two, making the *berat* “an excellent speculation as well as protection.” TNA, FO 261/6: p. 323 Ainslie to DeVezin [consul at Aleppo], 12 May 1789.

<sup>31</sup>TNA, SP 97/52: ff. 103–113, Ainslie to Lord Viscount Weymouth, 4 November 1776



accruing to the ambassador from the sale of *berats* and *fermans* was about 12,000 *kurus*.<sup>32</sup> Thus, ambassadors were eager to distribute them despite admitting them to be a “scandalous emolument.”<sup>33</sup>

European merchants, and the Levant Company in the case of Britain, were far less enthusiastic about the prospect of sharing their privileges with Ottoman subjects. Indeed, the Levant Company attempted to control and curb the distribution of *berats* several times. In 1746, upon the complaints regarding the exaction of *haraç* duty on several *beraths*, the Company advised to stop further distribution of *berats*, attributing the British trading post’s disputes with the magistrates at Aleppo to the conduct of honorary *dragomans*. In 1748, it tried to limit the number of *berats* which was rejected by the ambassador James Porter. In 1760, again in response to complaints from Ottoman officials, the Company sent a circulatory note to each consul in the Empire, requesting a list of *beraths* and *fermanlis*, a translation of these patents and an order to be informed on every new *berat* registration. Despite these and many more attempts, the Levant Company could not bring the issue under its control and in the end yielded to the ambassadors.<sup>34</sup>

European merchants opposed *berats* on two grounds. First of all, the expanding size of protégés seemed to have drawn the attention of the various Ottoman officials, who made efforts to infringe on the privileges granted to European merchants and protégés alike.<sup>35</sup> Similarly, in an instance where the Porte attempted to raise custom duties across all European powers, a British merchant in Constantinople, Humphrys, blamed the *beraths*, claiming that this privilege enriched ambassadors and a few interpreters to the detriment of British trade.<sup>36</sup>

Although no mention of it is made in the British archives, an equally important factor in foreign merchants opposing *berats* must be the competition they faced from *beraths*. Beaujour

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<sup>32</sup>TNA, FO 78/16: f. 86, 89 Liston to Lord Grenville, 25 April 1795

<sup>33</sup>TNA, SP 110/87: Murray to Hayes, 14 August 1767

<sup>34</sup>This sequence of events is described in detail in Boogert (2005) pp. 97–101. For primary sources regarding the Levant Company’s attempts to wrest control from the embassy, see TNA, SP 105/118: p. 32, The Levant Company to Pollard [consul at Aleppo], 14 November 1746, *ibid.* p. 98, The Levant Company to Porter, 19 January 1748, SP 105/119: pp. 64-65, The Levant Company to Porter, 12 September 1760, *ibid.* p. 66, The Levant Company to Consul Crawley, Smirna & to Consul Kinloch, Aleppo, 12 September 1760, *ibid.* p. 67, [same letters to Consul Turner, Cyprus, and Consul Abbott, Tripoli], 12 September 1760, *ibid.* p. 126: The Levant Company to Kinloch, 25 March 1763, *ibid.* pp. 177-178, The Levant Company to Kinloch, 10 December 1765, *ibid.* pp. 197-198, The Levant Company to Kinloch, 1 July 1766

<sup>35</sup>On an account of the decrease of the British trade in Aleppo, the British factory blames transgressions on their privileges by the Porte, the chief cause of which they claim is the “great number of Honorary Druggomen [...] many of whom are known to be Merchants or Manufacturers, who create many Embroils, & cause more Trouble to the Consul [...] then the whole of the Affairs of our own Nation.” TNA, SP 110/29: f. 107, The British Factory at Aleppo to the Earl of Halifax, 30 July 1765.

<sup>36</sup>TNA, SP 105/189: pp. 473–475, Humphrys, 17 November 1792

points out that the chief reason why *berats* needed to be abolished was that the protégés who procure them enjoy the same privileges as the French and make much more formidable competitors to French merchants:

But the principal reason why the *berats* have to be outlawed is that the *berathls* enjoy the same exemptions as the French; are the real competitors to our traders, and competitors all the more dangerous since they carry on commerce with less expense than we do.<sup>37</sup>

Thus, the increasing number of *berathls*, as maintained by the ambassadors, was to the injury of European merchants. Indeed, by the nineteenth century, almost the whole export trade was taken over by a small number of *berathls* who had severely undercut the profits of European merchants.<sup>38</sup>

The *berat* sales were basically auctions, although there was a degree of haggling in a given transaction. Since the embassies could transfer *berats* from one city to another, there was a single market of *berats* across the Ottoman Empire. There was so much demand for *berats* that generally one would not be available at the time of application. Instead, prospective buyers would notify the ambassador to be placed in the queue for the first vacant one, sometimes even depositing the money in advance as credit.<sup>39</sup>

### 3.3 Number of *Berathls*

The *berathls* constituted a select, small class of non-Muslims in the Ottoman economy. As noted before, the Porte fixed the number for each country. A survey by the Ottoman government in 1793–4 finds 253 *berats* in circulation, which is displayed in Table 5. Note that this survey underestimates Austrian *berathls* and does not list those of Russian tenure at all, since the Porte was at war with both of them at the time and had their *berats* annulled. Furthermore, it does not seem to list the *berats* of Spain and the Republic of Ragusa. Correcting for those, we can estimate about 340 *berats* in circulation. Each *berat* protects its holder, two *nefer* agents and adult sons, say two.<sup>40</sup> Thus, under the *berathl* system, there were about 1,700 people under protection in the entirety of the Ottoman Empire. Evidently,

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<sup>37</sup>“Mais la principale raison qui doit faire proscrire les barats, c’est que les barataires jouissant des mêmes exemptions que les Français, sont pour nos négocians de véritables concurrents; et des concurrents d’autant plus dangereux, qu’il font le commerce avec moins de frais que nous.” Beaujour (1800) p. 288

<sup>38</sup>Masters (1992) pp. 580-581

<sup>39</sup>TNA, FO 261/3: Ainslie to Abbott, 12 May 1777, *Ibid.* Ainslie to Vernon, 9 August 1777.

<sup>40</sup>There is no available data on the demographics of the Empire in the eighteenth century. However, archival sources suggest that *berathls* had about 1–2 sons on average. See below.

this number is very modest and in striking contrast to the previous citations of protégés on the order of hundreds of thousands.<sup>41</sup>

## 4 Discussion

### 4.1 Prices

There are four possible motives for purchasing a *berat*: Tax exemptions, gaining access to the European trade networks, gaining access to better law (jurisdictional shift), or having the option to shop judges in disputes (forum-shopping). In order to tackle these hypotheses, it is necessary to look at the price data over time and across countries which are displayed in Table 1.

Table 1 reports only those prices that I was able to verify with acknowledgments, receipts or bills of exchange. Using this method, I was also able to verify that Dutch *berats* were sold for 2,500 *kuruş* in 1759 and Neapolitan *berats* for 4,000 *kuruş* in 1784.<sup>42</sup> In addition, there is a variety of scattered evidence on other *berat* prices. Robert Liston noted that the British *berats* were sold for up to 6,000 *kuruş* and Russian *berats* for 10,000 *kuruş*.<sup>43</sup> Beaujour wrote in 1799 that both British and French *berats* went for around 10,000 *kuruş*.<sup>44</sup> Boogert, using primary evidence from Dutch archives, shows that Dutch *berats* fetched 2,500–3,000 in the 18th century, and as high as 4,500 *kuruş* by 1803.<sup>45</sup> A prospective applicant had to make several more payments. For instance, a *beratlı* of France paid the French consul 150–300 *kuruş* in addition to the payment made to the ambassador, 300 *kuruş* every time a new ambassador was appointed, and 100 *kuruş* every time a new consul was appointed. Similar payments existed for other *beratlıs* of Britain and the Dutch Republic, as well.<sup>46</sup> The payments made to the consuls at the purchase of a *berat* would increase to 600 *kuruş* by 1781.<sup>47</sup> Furthermore,

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<sup>41</sup>At some point, Russians apparently protected 120,000 natural-born Ottoman subjects, and Austria 200,000. TNA FO 78/16: ff. 9–10, Arbuthnot to Fox, 5 May 1806; Bağış (1983) p. 35, Kuran (2004a) pp. 501–2. These numbers are unsubstantiated and unverified. Furthermore, the literature on protégés seems to have confused *beratlıs* with other forms of protection. These numbers refer to the consular protections distributed by Russia and Austria, who disposed consular patents of protection and passports for free and indiscriminately. Some non-Muslim subjects claimed to be naturalized Russian citizens after a short visit to Russia. For details, see Rey (1899) pp. 280–281; Bağış (1983) p. 35; TNA, FO 78/50: f. 25, Secret Remarks upon the Present Conduct of the Porte.

<sup>42</sup>CADN 166PO/D84/4 and TNA SP 110/46, respectively.

<sup>43</sup>TNA, FO 78/16: f. 88, Liston to Grenville, 25 April 1795

<sup>44</sup>Beaujour (1800) p. 285

<sup>45</sup>Boogert (2005) pp. 80–81

<sup>46</sup>CADN 166PO/D84/3: 8 November 1758, 166PO/D1/12: 1770, 166PO/D1/20: 30 December 1779

<sup>47</sup>CADN 166PO/D1/21: Amé to St. Priest, 8 November 1781

at the accession of each Sultan, all *beraths* had to pay a renewal fee, which ranged from 300 to 500 *kurus*.<sup>48</sup> Thus, a prospective buyer of a French *berat* in Smyrna in 1750, say, had to disburse at least 3,150–3,300 *kurus*, with strictly positive expected payments in the future depending on the likelihood of having a new ambassador, consul, and Sultan. Furthermore, the *beraths* were willing to make other voluntary payments to ensure the continuation of this protection. In 1739, when the Dutch authorities of Levant Trade decided to abandon the post in Aleppo, the *beraths* offered to compensate the consulate's expenses in excess of its revenues in order to prevent the loss of their status.<sup>49</sup>

One can see from Table 1 that the *berat* prices in real terms were generally stable over time. There seems to be a degree of stickiness as prices were slow to respond to devaluations of the *kurus*. Another striking feature of the price data is the cross-sectional variation: French *berats* were the most expensive followed closely by Britain. Dutch and especially Austrian *berats* were substantially cheaper in comparison.

These data show that *berats* were very expensive purchases. I have also quoted the British *berats* in pounds sterling to give the reader a reference point. Similarly, consider the *per annum* wages of unskilled and skilled labor in Constantinople in the eighteenth century. Between 1780–1789, the *per annum* wage of an unskilled worker was 142 *kurus*, whereas that of a skilled worker was 284 *kurus*.<sup>50</sup> At the same time, a French *berat* was sold for 5,000 *kurus* and a British *berat* for 4,000. Boogert puts these figures into perspective, assuming a price of 2,000 *kurus* in 1763. In the first half of the eighteenth century, the annual expenses of the Dutch consulate in Aleppo were not much higher than the price of a single *berat* whereas in the second half of the eighteenth century, the sale of a single *berat* could cover its expenses for a period of six months.<sup>51</sup> Another illustration on the cost of the *berats* is to use wage deflators and average earnings to get a sense of their worth now. For instance, a British *berat* sold for 425 pounds sterling in 1780. In 2010, this is worth 893,000 US dollars using average earnings. Finally, we can also give an estimate of the price a *berat* fetched relative to the GDP/capita of the Ottoman Empire: In 1794, a British *berat* had a price roughly 55 times the Ottoman GDP/capita at the time.<sup>52</sup>

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<sup>48</sup>CADN 166PO/D1/16: 20 June 1774; TNA, FO 78/16: f. 88, Liston to Grenville, 25 April 1795

<sup>49</sup>Boogert (2003) p. 626

<sup>50</sup>See Özmucur and Şevket Pamuk (2002) p. 301 for data on daily wages. I assumed 300 work days per year.

<sup>51</sup>Boogert (2005) p. 81

<sup>52</sup>Measuring Worth, <http://www.measuringworth.com>; Pamuk (2006) p. 815. I used the GDP/capita estimate for the year 1820. Similarly, assuming a constant growth rate and estimating the Ottoman GDP/capita in 1794, I find that the price of a British *berat* was 63 times the Ottoman GDP/capita.

## 4.2 Tax Exemptions

In this section, I show that the *berat* price cannot be explained by the tax exemptions they provide. The cross-sectional price variation itself is very strong evidence against this hypothesis. Since all *berats* are homogeneous in the tax privileges they grant, we would expect the prices to converge unless there is a value to the *berat* beyond tax evasion.

As mentioned earlier, the *berat* grants exemption from *haraç*, *avariz*, *tekalif-i örfiyye* and *kassabiye*. The *haraç* tax was imposed on all adult males and its rate depended on the subject's income. Since the *berat* was very expensive and could only be afforded by the rich, I am going to assume the highest rate for this period, which was 11 *kuruş per annum* per male. The other taxes were imposed on *hane*, which was an Ottoman tax unit larger than a household. Their rates vary but in total stabilized around 8 *kuruş per hane per annum*. In order to be conservative with my estimate, I assume that these are imposed on the household. Demographic and household data in the eighteenth century are scarce. However, my archival data gives an estimate on the number of children protected under *berats*, which is about 2.<sup>53</sup> Again, I am going to be conservative with my estimate and assume that the *berath* has two sons at the time of the purchase. Since the *berat* also grants tax exemptions to two servants in addition to the *berath* and his sons, I estimate the total value of tax exemptions to be 63 *kuruş per annum*.

In order to calculate the present discounted value of these tax exemptions, I use the probability of death to derive the discount factor, assuming away interest rates and inflation. The probability of death is a natural base for the discount factor since the *berat* was granted for the lifetime of its holder and could not be bequeathed to his heirs—unless they paid the market price. Having no interest rates and inflation only helps my argument since their inclusion would make the future taxes worth less. Since the tax rate was nominally stable throughout the entire eighteenth century, discarding changes in the tax rate is an innocuous assumption. With this method, I estimate a very conservative upper bound for the present discounted value of tax exemptions at 660 *kuruş* for a prospective buyer at the age of 25 with two adult sons. It is evident that even such a relaxed upper bound is substantially lower than the market price of a *berat* at 3,000 *kuruş*.<sup>54</sup> At this point we should note that the Porte charged 600–1,000 *kuruş* on each registered *berat*, effectively extracting the expected

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<sup>53</sup>Number of children under protection (probably male) per *berath* in Aleppo c.1768 is 1.2 (CADN 166PO/D1/10), number of children (male and female) per *berath* in Smyrna c.1782 was 2.2 (AN AE/BI/1066: *Barataires de France*, 31 December 1782).

<sup>54</sup>The probability of death is calculated using the figures from the “West” Model Life Table, Level 5, males, Coale et al. (1983) p. 44. This is the model life table for a stable population with the life expectancy level closest to the estimates in the Ottoman Empire. See de Laet et al. (1999) p. 232.

tax revenues it lost.<sup>55</sup>

One could also argue that agents wanted to purchase *berats* to acquire a tariff reduction. In the Ottoman Empire, non-Muslim Ottoman subjects paid an *ad valorem* customs of 5%, Muslims 4%, and Europeans 3%, thanks to the concessions obtained with the Capitulations. The second literature emphasizes the role of this tax privilege in the acquisition of *berats*.<sup>56</sup> The primary evidence is very confounded on this subject. The *berat* document itself does not list lower customs as a privilege its bearer gets (as opposed all other taxes listed above). It seems that the *berathls* did not get this tax privilege by default except the Swedish and the Dutch.<sup>57</sup> The British and French ambassadors did manage to get lower customs commands from the Porte on a per *berathl* basis, but these had to be renewed almost annually every time a new customs officer was appointed to the customs house. Furthermore, they could be subject to restrictions. For instance, the reduced customs command that the British obtained for their *berathls* only applied to the trade the *berathls* did with Britain.<sup>58</sup> The *berathls* also had to make substantial payments and bribes each time to obtain these commands, costing as much as 1,056 *kuruş*.<sup>59</sup> Thus, the *berathls* paid more than 3% customs even if they did get this command. Clearly, the French and the British could not secure this privilege effectively. The fact that their *berats* cost more than those of the Dutch suggests there were considerations beyond customs payments when an agent purchased a *berat*. Tariff payments also depended on the city and the particular customs officer who operated there. For British and French *berathls* alike, the demand for lower customs exclusively came from those established in Smyrna. In Aleppo, the first mention of a customs privilege was made in

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<sup>55</sup>TNA SP 110/87: Murray to the Earl of Shelburne, 17 August 1767. These charges were quoted in the *berat* price.

<sup>56</sup>Bağış (1983) p. 28

<sup>57</sup>“[...] That since some years these Commands are uniformly refused except to the Sweeds [*sic*], because they having no Merchants in Turkey their Barathees are supposed to act in their stead & to the Dutch because the trade with Holland being open to all the raya's are by this means put upon a par with the subjects of Holland [...]” (TNA, FO 261/4: p. 259, Ainslie to Hayes, 3 May 1782.) Sweden and the Dutch Republic seem to have obtained this privilege for their *berathls* in 1777 (CADN 166PO/D84/14: Peyssonnel to St. Priest, 8 June 1777).

<sup>58</sup>The following letters list a few *separate* examples of many repeated requests for lower customs. Sometimes one *berathl* makes another request in a year as the previous command becomes invalid due to the appointment of a new customs officer. CADN 166PO/D84/3: 10 September 1758, Panaiolti [French *berathl*] to Thomas [Consul of France in Smyrna] no date, 17 September 1758; 166PO/D84/4: 2 August 1759, 23 October 1759, 15 September 1760; 166PO/D84/7: 7 January 1765, 20 November 1767; 166PO/D84/8: 16 February 1768, 10 September 1768. A letter by Smyrniot *berathls* states that the change in customs officers leads to a pretension of double customs, making the old privileges invalid. *Ibid.* Smyrniot *berathls* to St. Priest, 16 September 1769. For the lower customs requests made by *berathls* of Britain, see TNA, SP 110/87: Murray to Hayes, 25 September 1766; FO 261/4: Ainslie to Hayes, 3 May 1782; FO 261/6: Ainslie to Hayes, 15 April 1790.

<sup>59</sup>This sum was partitioned between the four *berathls* of France in Smyrna. (166PO/D84/8 Thomas to St. Priest, 16 September 1769, and Smyrniot *berathls* to St. Priest, 16 September 1769).

1803.<sup>60</sup> Furthermore, customs officers in some cities (e.g. Salonica) lowers the tariff in order to divert trade to their cities.<sup>61</sup>

Regardless, we can replicate the exercise done earlier in order to infer an upper bound on the present discounted value of switching from paying 5% to 3% *ad valorem* taxes on imports and exports. Assuming the agent's trade incentives do not change when he pays lower tariffs—that is, he has the same trade volume under both tax regimes—a 25-year-old agent with two adult sons has to be importing and exporting a total of 11,156 *kuruş* worth of goods in 1750 in order to justify paying 3,000 *kuruş* for a *berat*; or 20,694 *kuruş* in 1780 for a *berat* costing 5,000 *kuruş*.<sup>62</sup>

Unfortunately, I am not aware of any data on how much trade the *berathis* did. The closest approximation I was able to obtain was the Smyrna customs registers in 1771–2.<sup>63</sup> Throughout this period, the average customs payment over European merchants was 89 *kuruş*, implying a trade volume of about 3,000 *kuruş* per year. Trade volume per *berath* should not be orders of magnitude greater than this estimate. In the year 1759, a *berath* of France in Smyrna paid 100–120 *kuruş* of customs at the higher tariff of 5 per cent, suggesting his total of exports and imports were worth about 2,000–2,400 *kuruş*.<sup>64</sup> Similarly, Yanaki Cana, a *berath* of France in Smyrna, paid 500 *kuruş* in the year 1767, also at 5 per cent, implying a trade volume of 10,000 *kuruş* in 1767, which is worth 7,931 *kuruş* in 1750. Finally, multiple *berat* purchases within a partnership casts further doubt on the customs duty motive; especially in partnerships involving fathers and sons.

### 4.3 Access to Trade Networks

A possible hypothesis regarding the incentives to purchase a *berat* is that its acquisition might grant its bearer access to trade networks and markets that would otherwise be unavailable.<sup>65</sup> The only real channel that Europeans of a particular country would not include an Ottoman subject in their trade is due to an aversion towards potentially subjecting the businesses to the Ottoman law. This was a real concern for the British.<sup>66</sup> Indeed, we might expect

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<sup>60</sup>The Consul of France in Aleppo noted if the *berathis* of Russia pay lower customs, then *berathis* of France must have this privilege as well, CADN 166PO/D1/29: 29 *fructidor* XI.

<sup>61</sup>CADN 166PO/D84/3: 18 October 1758

<sup>62</sup>Alternatively, we can let incentives change under both tax regimes. Using a simple model of dynamic programming, I get a lower bound of 21,540 *kuruş* on trade volume in order to explain the price of a *berat* costing 5,000 *kuruş*.

<sup>63</sup>See Küçükkalay and Elibol (2006) for details

<sup>64</sup>CADN 166PO/D84/4: 10 February 1760

<sup>65</sup>I am grateful to Francesca Trivellato for drawing attention to this possibility.

<sup>66</sup>TNA, FO 352/1: p. 400, Memorandum, 5 January 1811. An extract of this document is displayed later.

agents to have a preference to transact business only with parties who have a smaller set of jurisdiction choices. However, that would imply that the British would not want to trade with British *berathls* either, since the latter still had access to Ottoman law in addition to the British law.<sup>67</sup> A comprehensive reading of factor letter books and chancery registers suggests that the British did not use *berathls* even as agents, except one case where a British merchant bought a British *berat* for his warehouseman.<sup>68</sup> In addition, the British made a concerted effort to keep the *berathls* out of the British trade. Preventive measures included charging 20 per cent consulage fees on all *berathls* who use British ships. Clearly, buying the British (or any) *berat* did not grant access to the British trade.<sup>69</sup>

On the other hand, the French or the Dutch seemed to have imposed no such restriction. The Dutch had a free trade policy and *berathl* partners would regularly open establishments in Amsterdam and participate in that trade without involving any Dutch merchants. In fact, by the late eighteenth century, the *berathls* had replaced the Dutch trading houses in Smyrna almost completely. While the French might have imposed restrictions on who could trade to or from Marseilles, they did not appear to show preference towards French *berathls* as brokers or trading partners. There is a variety of scattered anecdotal evidence that shows many examples of French merchants having Swedish *berathls* as brokers or British *berathls* as partners, suggesting that the French did not trade or have partnerships with French *berathls* more frequently than other *berathls*.<sup>70</sup>

The archival evidence suggests that *berathls* mostly formed partnerships with other *berathls* or non-Muslim Ottomans who later went on to purchase *berats*. One needs to be cautious about drawing definitive conclusions from this data since there is no record of their transactions or partnership registrations. However, anecdotal descriptions in the archival material about the affairs of *berathls* suggest that especially Smyrniot *berathls* participated in the European and Levant trade by sending partners to Amsterdam and Livorno.<sup>71</sup>

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<sup>67</sup>In fact, the British could always use Turkish courts as well, no matter how reluctant they are to do so.

<sup>68</sup>BL Add MS 46933: f. 217, Consul of Britain in Aleppo to James Porter, 3 October 1754.

<sup>69</sup>TNA SP 105/122: pp. 369–370, The Levant Company to Alexander Straton, 10 June 1803.

<sup>70</sup>The French merchant Taupin in Aleppo had British *berathl* warehouseman, Saad, BL Add MS 45933: f. 123, Drummond to Porter, 5 April 1753 and CADN 166PO/D1/1: Drummond to Thomas. French merchants Pons and Vailhen had Yusuf Karah, a protégé of Sweden and later a *berathl* of Spain, as agent, broker and warehouseman, CADN 166PO/D1/21: St. Priest to Amé, 28 October 1782, 22: Vailhen to the ambassador, 8 June 1785. Samuel Yomtoll Moliano, *berathl* of Sweden was the broker of the Consul of Denmark in Salonica c.1763, CADN 166PO/D71/3: The minutes from the Chancery of the Consulate of France.

<sup>71</sup>As an example, see CADN 166PO/D84/8: 1 February 1769. Also see BL IOR/G/17/5: ff. 383–387, Paper by George Baldwin about the Turkish trade, 22 January 1785; and Boogert (2006).



## 4.4 Jurisdictional Shift Hypothesis

Kuran first articulated the jurisdictional shift hypothesis.<sup>72</sup> This theory argues that agents switched from an inefficient legal system to a more efficient one, much like Tiebout sorting. Efficiency of a legal system refers to the level of aggregate welfare. Inefficiencies in a legal system arise from transaction and contracting costs, legal costs such as litigation and verification, and distortion of incentives. One could in fact use Tiebout sorting to state the theory more concretely: Assume there are two legal systems differentiated along costs they induce on commerce and trade. A given legal system, say the British common law, might be more efficient than the Ottoman/Islamic law due to more secure property rights, more flexible inheritance laws etc. Then, agents who have large expected gains from better law would be willing to pay a certain sum to do this jurisdictional shift. In a market with a fixed supply of these positions, they would bid the price up, and people with relatively smaller expected gains would stay in the original jurisdiction. Now, suppose there are a finite number of legal systems available to which one could buy access. Then, Tiebout sorting would have the implication that those agents with the highest expected benefits would place themselves in the most efficient legal jurisdiction. Since the supply is fixed and positions are auctioned off, agents with relatively smaller expected benefits would place themselves in the second-best, and so on. This theory implies an ordering of legal systems in their efficiency reflected by the *berat* prices. Furthermore, by revealed preference, those who could afford the access but did not purchase it do not benefit from this extra law.

Indeed, even though all *berats* granted the same tax exemptions (with the possible exception of tariff payments discussed above), the cross-sectional price variation implies that *berats* were not homogenous objects. The archival evidence makes this revealed preference argument explicit. There are cases where a prospective buyer would positively reject the *berat* of one country to have another.<sup>73</sup>

In order to pin down the impact of “better law” on prices, we need to be careful about control variables that might induce price divergence. The price of a *berat* is, potentially, a function of a discount factor which depends on mortality and prevailing interest rates, the value of tax exemptions, the probability that the Sultan annuls the *berat*, the quality of arbitration and protection services which depend on the competence or willingness of the

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<sup>72</sup>See Kuran (2004a).

<sup>73</sup>Dimitraki Vidalé, a Greek merchant in Smyrna, turned down a Dutch *berat* at 2,500 *kuruş* and purchased a French *berat* at 3,000 instead, CADN 166PO/D84/4: 1 March 1759. A prospective *berath* in Latakia turned down an Austrian *berat* to wait for a British one to become available, TNA SP 110/46: pp. 126–7, [?] to Henry Shaw, 2 March 1784

particular ambassador and consul, and finally the value of the legal system itself. Given this formulation, there are three possible sources of variation: the probability of *berat* annulment, ambassador and consul effects, and the legal system.

Recall that *berats* of a given country became invalid if that country went to war with the Ottoman Empire. The revocation of *berats* might involve more than the loss of future benefits. When Napoleon invaded Egypt, the Porte revoked all French *berats* and there was a chain of confiscation of the estates of French *beraths* in Aleppo. They either had to leave the city or buy the *berats* of other countries to shield themselves.<sup>74</sup> In this sense we would expect the prices of Austria and Russia to be quite low, and the prices of almost all other countries to be quite high.

The value of a *berat* also depended on the ambassador and the consul who did the actual representation. Whenever local magistrates harassed *beraths* or an Ottoman subject sued them in the Turkish court, the consul represented the *berath* at the local court, and the ambassador at the higher court. Getting the necessary commands from the Porte to stop the abuses against the *beraths* or to protect them from suits by other subjects depended on the ambassador's influence at the Sultan's court.

For these reasons, a comparison of British and French *berats* is especially revealing. These two countries had comparable power, had about equal influence at the Sublime Porte, and were historically on friendly terms with the Ottoman Empire. However, their *berats* still show non-trivial variation, suggesting that agents displayed preference for the French law over the British law. We need to have a more precise calculation of these benefits in order to pin down the value of efficient law.

Finally, the occupations of *beraths* also shed some light on the value of European law. The scattered data on the identity of applicants show that they are predominantly merchants, *sarrafs* (bankers and moneychangers), shopkeepers and brokers.<sup>75</sup> Thus, European law had value precisely for those involved in trade, commerce, and finance.

Kuran argues that the main source of inefficiency of the Ottoman law is the egalitarian inheritance law and the lack of legal personhood. The latter is very unlikely. In this period, there were no general incorporation laws in Europe. They were obtained with special per-

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<sup>74</sup>Out of the *beraths* and *fermanhs* of France in Aleppo, Hanna Andréa lost 10,000 *kuruş* to confiscation and passed under the protection of Sweden; Yussuf Ferra lost about 200,000 *kuruş* and obtained protection from Ragusa, Giabra Azouz lost 15,000 *kuruş* and passed under the protection of an unspecified country, CADN 166PO/D1/29: 5 *Vendémiaire* XI.

<sup>75</sup>Each sale noted in the French archives notes the occupation, CADN 166PO/D1/1, 5, 7, 10, 18, 23; 166PO/D84/3, 4, 7, 15. Choiseul described the *beraths* as “almost all rich *sarrafs*, or bankers,” cited in Eldem (1999) p. 282.

missions or charters.<sup>76</sup> Thus, such organizational forms were not available to the *berathls* and so could not be an incentive to buy *berats*. Another argument is that the *berathls* might be able to join or form joint-stock companies. The archival evidence suggests that they did not. First, they were barred from entering the Levant Company, which is the only candidate for a joint-stock company in the Levant. In fact, the Levant Company was not even a joint-stock company: It had no stock. Each member traded on his own account and paid fees to the Company. Essentially, it operated like a merchant guild by imposing a restriction on people who could trade in the Levant using British ships. Thus, European merchants did not form these allegedly superior organizational forms, either.<sup>77</sup>

Having access to more flexible inheritance laws is a good possibility, however. The privileges that *berathls* had did not end with their demise, but rather after their estate was partitioned among the heirs. Whenever a *berathl* passed away, the consul would seal up the *berathl*'s estate, including his house, warehouse, and all his merchandise. The *berat* would be returned to the embassy or the Porte only after the heirs agreed on a division. This division was made according to the deceased's will if one existed or through an arbitration process otherwise. However, sometimes one of the inheritors could threaten to go to the Turkish court. Regardless, this allowed the partition to be arranged according to the laws of the country from which the *berat* emanated. However, Boogert shows that this is not necessarily the case. He cites an example from the archives where the partition the consul followed was in fact the Islamic law.<sup>78</sup> Another possibility is secure property rights. When a subject passed away, the local magistrates could arbitrarily confiscate parts of his estate. The *berat* essentially secured the estate from such arbitrary confiscations.<sup>79</sup> In order to disentangle the two effects, we need more data on how binding the Islamic legal inheritance law was on non-Muslims subjects.

A final piece of evidence is revealed by taking the *berats* sold by the Porte itself into consideration. In 1802, the Porte formed its own corps of *berathl* merchants, which was referred to as *Avrupa Tüccarı*, literally “merchant who trades with Europe” and started issuing

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<sup>76</sup>General incorporation laws were introduced in France in 1867, Germany in 1860s–1870 varying by state, the UK in 1844 without limited liability and in 1855–56 with limited liability. See Guinnane et al. (2007) p. 692, Table 1.

<sup>77</sup>Walsh and of Merchants of England Trading to the Levant (1825) p. 6, also see BL Add MS 38229: ff. 145–71, a dissertation by F. Daniel on the Turkey trade, 23 March 1794

<sup>78</sup>Boogert (2009) p. 378

<sup>79</sup>A letter written by the *berathls* of France and dated 1777 states that the consuls have sole jurisdiction over the inheritance of their *berathls*. This was in response to the appropriations by the local judge and other Ottoman officers made on the estate of Stefan Mardiros, a *berathl* of the Kingdom of Two Sicilies, after his death. The total amount of confiscation was 7,535 *kuruş* and 107 Venetian sequins. CADN 166PO/D1/18: *Berathls* of France to Deperdriau [Consul of France in Aleppo], 19 December 1777.

associated patents in 1806. Its inception juxtaposed with the Porte's rigorous attempts to suspend *berats* and other consular protections. Later, a similar protection was offered to the Muslim subjects of the Empire as well, under the moniker *Hayriye Tüccarı*, literally "merchant of goodness." Both groups had the same exemptions as the other *beraths*, including the payment of 3 per cent customs.<sup>80</sup> Furthermore, they were also placed out of the local courts; their litigations followed the arbitration procedures of European courts closely.<sup>81</sup> They could also have two agents, like the two *nefers* attached to *berats*.

The Porte priced its *berats* competitively. Bağış mentions a price of 1,500–2,000 *kuruş*, which is evidently lower than the prevailing prices of European *berats* in the late eighteenth century. By 1806, five or six of these patents were already sold.<sup>82</sup> In 1810, *imperial beraths* numbered around 80.<sup>83</sup> In 1815, 151 such patentees existed. By 1835, the number had increased to 521, with another 453 procuring them between 1839 and 1861.<sup>84</sup>

These figures should not be overestimated as they indicate the total number of people registered under these *berats* rather than the number of imperial *beraths* at a given time. They are in fact fairly modest compared to the corps of European *beraths*. Although the imperial *berats* had some initial success in some places, namely in Aleppo, the reform failed to inspire confidence in non-Muslims, who might have found the Ottoman's promise to respect the privileges granted by the imperial *berats* non-credible.<sup>85</sup> Since the Porte simultaneously started the suppression of European *berats*, we cannot determine the extent to which the introduction of Sultan's *beraths* depressed the demand for European *berats*, if at all. Still, this episode of Porte's attempt at selling *berats* and its apparent failure further suggests that the *beraths* put value in the European legal institutions beyond tax exemptions, arbitration services and representation by other merchants. Indeed, Baron de Tott, during his inspection of the Levant wrote that the greatest privilege a *berat* provided was not the lower customs but the French tribunal and French arbitration.<sup>86</sup>

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<sup>80</sup> *Avrupa Tüccarı*s were not exempt from the *haraç* duty, but the amount was very modest and meant to emphasize that they were Ottoman subjects.

<sup>81</sup> Bağış (1983) pp. 65–70, see Masters (1992) for a comprehensive discussion on the subject of *Avrupa Tüccarı*s and *Hayriye Tüccarı*s.

<sup>82</sup> TNA, FO 78/50: f. 19-20, Report on Barats, 24 April 1806

<sup>83</sup> Çizakça (1996) p. 206

<sup>84</sup> Masters (1992) p. 581

<sup>85</sup> Rey (1899) p. 282

<sup>86</sup> AN AE/BIII/233: *Mission du baron de Tott*, Smyrna, 1777-1779.

## 4.5 Forum Shopping

One final motive for buying a *berat* could be forum-shopping. Forum-shopping refers to a litigant choosing the most favorable judge to hear or defend his case over a set of possible courts. This hypothesis states that there is an option value of having access to a court that systematically differs from the others. This could be due to the underlying law itself, or simply court bias. For this hypothesis to hold, the agent should be able to use the other courts in his choice set as a credible threat of defection. This hypothesis has a natural testable implication: Agents would have incentives to purchase multiple *berats*.

Table 6 displays the availability of each court for a particular pair of disputing agents. Indeed, the *beraths* had the richest choice set for contracting and dispute resolution. Archival sources are abundant with examples of forum-shopping. This evidence comes from both anecdotes and actual litigations. The French ambassador Vergennes noted the defections of French *beraths* in his correspondence.<sup>87</sup> Later, Sir Robert Liston, the British ambassador in Constantinople, revealed the extent of forum shopping with the following:

Men of profligate character procured Berats, to skreen [*sic*] them from the punishment of the Law, to enable them to avoid the payment of their just debts, or perhaps to oppress an innocent neighbour. It but too often happened that a foreign minister placed a mistaken pride and point of honour in defending, whether right or wrong, the client whom he had once granted his protection. And there are instances, not infrequent, that when one minister, tired of the chicanery or ashamed of the infamous conduct of his Patentee, has determined to withdraw his patronage, and to deliver him over to the Tribunals of the Country, there has been found another minister ready to frustrate the good intention, by an adoption of the criminal. While Ambassadors thus wasted their time, quarrelled with their Brethren, and lowered their publick [*sic*] character, by the attack or defence of unworthy men, who were engaged in never-ceasing Law-suits, they, on the other hand threw away their influence & lost their respectability at the Ottoman Porte by improper interference and dirty jobs, to the real injury of the political interests of their courts.<sup>88</sup>

There are many cases where agents had or attempted to have multiple *berats* or bought a *berat*

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<sup>87</sup>“If the law of France harms and ruins them, they will resort to Turkish law” (*Archives de la Chambre de Commerce de Marseille*, J 168, Vergennes to the Chamber of Commerce, 22 January 1768, cited in Eldem (1999) pp. 282–3.

<sup>88</sup>TNA FO 78/16: ff. 90-91, Liston to Grenville, 25 April 1795

even when they were under the protection of a European country already through the *berat* of their father.<sup>89</sup> There are also a multitude of examples where the *beraths* applied to the Turkish court when the European court did not favor them.<sup>90</sup> There are still other examples where a *berath* or a *berath*'s son would renounce his *berat* and buy the *berat* of another country. For instance, Yussuf Karalı, a merchant and an agent of the French merchant Pons in Aleppo, during a dispute about a debt payment, renounced the Swedish protection he had in virtue of his father's (Petros Karalı) *berat*, applied to the Turkish tribunal, only to buy a *berat* from Spain later.<sup>91</sup> A *berath* could also get the *berat* of another country when his original *berat* was revoked by the ambassador.<sup>92</sup> Furthermore, we see clear diversification of *berats* within partnerships. For instance, it was not uncommon to have a family business of one father and two sons, or three–four brothers, with each one of them having a different *berats*. A good example is the partnership of three brothers Sader and Anton Diab, who had *berats* from Britain and the Dutch Republic.<sup>93</sup> The Karalı family in Aleppo were under the protection of several powers: The father Petros Karalı had a *berat* of Sweden. His son Yussuf, as noted earlier, had a *berat* of Spain, and his other son Yeperi a Venetian *berat*. Petros had a brother İlyas who had a *berat* of the Dutch Republic. Nasrallah Kassab's three sons each had *berats* of Denmark. Two of them were established in Aleppo, the other in Salonica. Two other Kassabs established in Aleppo were British and Prussian *beraths* but we cannot say for certain they were the same family. Anton Diab and his son Petros had a British and a Swedish *berat*, respectively. These cases are especially revealing, since the sons' *berats* would

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<sup>89</sup>In Aleppo, c.1755, a bankrupt Dutch *fermanlı* solicited a Venetian *berat* or *ferman* to ensure himself against possible sequestration of his patent, TNA SP 110/32: f. 128: 10 October 1755. In an instant when some *beraths* were discovered to have patents from two different countries, they were ordered to relinquish one of them by the ambassador, TNA, FO 261/6: Ainslie to Moore, 5 March 1790. Two examples of the latter is Shiudiac and A'ida, both Dutch *dragomans* in Aleppo, with sons under Austrian and British protection with *berats*, respectively.

<sup>90</sup>The British ambassador Ainslie advised one of his *nefer fermanlı* to cast off his *ferman* or at least have it suspended for a time in order to use the Ottoman jurisprudence, TNA, FO 261/6: Ainslie to DeVezin, 11 April 1789.

<sup>91</sup>CADN 166PO/D1/22: Amé to the Ambassador, 19 April 1784, 17 June 1784; 166PO/D1/23: 1 June 1786. Another example is Antonio Zingrilara. He was an Ottoman Greek who settled in Amsterdam and obtained Dutch citizenship in 1759, but fell into a dispute with the Dutch later. He applied to the Turkish court and in the end his Dutch citizenship was revoked in 1768 (Boogert (2006) pp. 131–2). During this process he purchased a French *berat* (CADN 166PO/D84/7: 8 March 1767). It seems that while he was enjoying French protection, he also solicited a British *berat* but decided not to obtain one (TNA SP 110/87: Murray to Hayes, 9 June 1768).

<sup>92</sup>In 1782, when the British ambassador Ainslie withdrew his *berat* from a British protégé who had been found guilty of treason by the Porte, the subject in question placed himself under Austrian protection instead, TNA, FO 78/3: f. 247-248 Ainslie to Lord Grantham, 10 October 1782

<sup>93</sup>CADN 166PO/D1/1.

be totally redundant from a tax exemption point of view.<sup>94</sup>

This is very strong evidence that forum shopping was a very real implication and motivation of *berat* purchases. A formal discussion of the implications of forum-shopping on partnerships, trade and investment is beyond the scope of this paper. My larger project tackles these question in a formal framework. One of the implications of this model is that agents have strong incentives to divert resources from investment in order to expand their legal choice set. Agents desired a richer legal choice set precisely in order to have a credible threat of defection to another court on the chance that the transaction is disputed. *Ex ante*, this leads to having transactions only between agents with similar legal choice sets. Thus, the fact that the *beraths* could engage in *ex post* forum-shopping allowed them to drive every non-*berath* out of business in the European-Ottoman trade. The British Consul in Smyrna, Werry, points out their reluctance to trade with local non-Muslims due to their opportunity to use Turkis courts:

It is well known, that there exists a wide difference between the Code of Turkish Laws, and the Laws & usages of Europe. It is also a fact, that all Subjects of Turkey [*sic*], Greeks, Armenians, Jews, &c, are always amenable to the Turkish Tribunals in all Cares by any one; & that they, on the other hand, enjoy the exclusive privilege of appealing to the Turkish Courts, in all Cases & transactions wherein they find it their interest to do so, and which occurs in all suits where some clause or quible [*sic*], arising from the difference above alluded to, makes the Turkish procedure preferable, & more conducive to their views. From this principle a great inconvenience accrues to the European Factories in Turkey [*sic*], chiefly in [Constantinople], upon all Affairs transacted between them, & the People of the Country. No written [*sic*] engagement under their head—no act past in a foreign Cancellaria or before a European Magistrate, is binding for them & the people of the Country / the instant they take it into their head to appeal to the Turkish Law. To obviate this, it would be highly useful & beneficial (for what regards at least the English Trade) to have a fundamental rule established, by which the Turkish Government should consent and engage, that all Subjects of Turkey [*sic*] entering, of their own accord, into an Engagement, transaction, or Contract

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<sup>94</sup>BOA HAT 196 B, C, D, E, G, H, J, K. Other examples: Two members of the Frangopoulos family in Salonica, possibly brothers or father-and-son had *berats* from France and Austria, c.1761, IAM K. 94 33/34. Brothers Iakov and Abraham Frances, established in Salonica, had *berats* of Austria and Ragusa, respectively, c.1761, *Ibid*. The partnerships between *beraths* of different European countries are too numerous to list exhaustively. A few examples beyond that are referenced so far are: Yusuf Dwek Cohen and Minas Uskan, Dutch and British *beraths* in a partnership in 1780s, Boogert (2005) p. 267.

whatever in matters of Trade, with any of the European Factories & under the Sanction & influence of the Laws of the Nation to which that Factory belongs, shall be obliged to abide by that engagement, transaction, or Consent, be ever the issue of what nature soever it may; without being at liberty to appeal, or have recourse to the help of the Turkish Law, in order to elude the consequences of such Engagement for when likely to prove inconsonant with their own advantage, & profit.<sup>95</sup>

## 5 Conclusion

This paper analyzed a particular facet of legal pluralism in the eighteenth century Ottoman Empire: the sale of exemption licenses called *berats* by the European embassies and consuls. These patents provided their purchasers a variety of tax exemptions as well as access to European institutions and jurisprudence. The price data collected from primary sources yield two strong results: First, tax exemptions cannot explain the high price. Second, the price variation across countries suggests that the market ranks the quality of services and privileges these *berats* granted. There can be many sources of heterogeneity of *berats*, namely the influence of the ambassador at the Sultan's court, the probability that the country will go to war with the Ottoman Empire, and the efficiency of the legal system and institutions to which they grant access. A comparison of Great Britain, France and the Dutch Republic is especially revealing, since these countries enjoyed similar levels of influence and were very unlikely to go to war with the Ottomans. However, the prices of their *berats* were still significantly different. This evidence suggest that the difference in their legal/economic institutions led to the price wedge between them.

The data also show that the *beratls* exploited their legal choice set extensively. Both anecdotal evidence from the archives and actual litigation documents show that they switched courts during disputes very often. This switch was not systematically in one direction, either; a *berathl* was just as likely to defect from a British court to an Austrian as to a Turkish court. I argue that this led a distortion of incentives, resulting in higher demand for *berats* and the exit of non-*beratls* from trade.

Further analysis of the evidence will provide statistics on the disputes and litigations of *beratls*, document the frequency of forum-shopping within and across disputes, as well as attempt pin down precisely the value of legal/economic institutions.

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<sup>95</sup>TNA, FO 352/1: p. 400, Memorandum, 5 January 1811.



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Table 1: The Price of *Berats*

|      | Great Britain               |                              | France              |                             | Austria                      |                             |                              |
|------|-----------------------------|------------------------------|---------------------|-----------------------------|------------------------------|-----------------------------|------------------------------|
|      | Nominal<br>( <i>kurus</i> ) | Real<br>(1751 <i>kurus</i> ) | Nominal<br>Sterling | Nominal<br>( <i>kurus</i> ) | Real<br>(1751 <i>kurus</i> ) | Nominal<br>( <i>kurus</i> ) | Real<br>(1751 <i>kurus</i> ) |
| 1751 |                             |                              |                     | 3,000                       | 3,000                        |                             |                              |
| 1752 |                             |                              |                     |                             |                              | 2,300                       | 2,300                        |
| 1753 | 2,750                       | 2,750                        |                     |                             |                              | 2,300                       | 2,300                        |
| 1754 | 2,750                       | 2,693                        |                     |                             |                              | 2,100                       | 2,057                        |
| 1755 |                             |                              |                     | 3,000                       | 2,938                        | 2,350<br>(2,350)<br>[212]   | 2,301                        |
| 1758 |                             |                              |                     | 3,000                       | 2,359                        |                             |                              |
| 1759 |                             |                              |                     | 3,000                       | 2,359                        |                             |                              |
| 1766 | 2,600                       | 2,062                        |                     | 3,000                       | 2,379                        |                             |                              |
| 1768 | 2,500                       | 1,983                        | 313                 |                             |                              |                             |                              |
| 1776 | 2,868<br>(3,000)<br>[231]   | 2,156                        |                     |                             |                              |                             |                              |
| 1777 | 3,300<br>(3,300)<br>[212]   | 2,481                        |                     | 2,750                       | 2,067                        |                             |                              |
| 1778 | 3,500                       | 2,631                        |                     |                             |                              |                             |                              |
| 1779 |                             |                              |                     | 4,000                       | 3,007                        |                             |                              |
| 1780 |                             |                              |                     |                             |                              | 3,000                       | 2,069                        |
| 1782 | 4,000                       | 2,759                        |                     |                             |                              |                             |                              |
| 1784 |                             |                              |                     |                             |                              |                             |                              |
| 1786 |                             |                              |                     | 5,000                       | 3,448                        |                             |                              |
| 1789 | 3,600                       | 1,713                        | 327                 |                             |                              |                             |                              |
| 1790 | 3,900                       | 1,856                        | 355                 |                             |                              |                             |                              |
| 1791 | 4,000                       | 1,903                        | 364                 |                             |                              |                             |                              |
| 1792 | 4,500                       | 2,141                        | 409                 |                             |                              |                             |                              |
| 1793 | 4,000                       | 1,903                        | 364                 |                             |                              |                             |                              |
| 1794 | 5,000                       | 2,035                        | 455                 |                             |                              |                             |                              |

Reported entries are either the actual price of a *berat*, or the mean whenever there is more than one observation for a given year. The median is displayed within parentheses, and the standard deviation in brackets. Real prices and the nominal prices in pounds sterling are calculated using the silver content data and the exchange rate figures from Pamuk (2000) p. 163, 168.

Source: TNA FO 261/3–7, SP 97/52, SP 110/87, SP 110/45–6; BL Add MS 38229, 45933; CADN 166PO/D1/1, 5, 7, 10, 18, 23, 166PO/D84/3, 4, 7, 15; AN AE/BI/998.

Table 2: The Total Number of *Berats* in Circulation

|                | 1703 | 1730 | 1754 | 1757 | 1774 | 1789 |
|----------------|------|------|------|------|------|------|
| France         | 35   | 41   | 48   | 46   | 51   | 46   |
| Great Britain  | 15   | 34   | 45   | 43   | 43   | 43   |
| Dutch Republic | 24   | 28   | 26   | 30   | 29   | 34   |

Table 3: The Number of *Berats* in Istanbul, Izmir, and Aleppo

|                       | 1703 | 1730 | 1754 | 1757 | 1774 | 1789 |
|-----------------------|------|------|------|------|------|------|
| <i>France</i>         |      |      |      |      |      |      |
| Istanbul              | 11   | 17   | 12   | 15   | 9    | 14   |
| Izmir                 | 8    | 8    | 5    | 4    | 4    | 6    |
| Aleppo                | –    | 2    | 7    | 8    | 10   | 5    |
| <i>Great Britain</i>  |      |      |      |      |      |      |
| Istanbul              | 10   | 14   | 16   | 11   | 11   | 10   |
| Izmir                 | 1    | 6    | 3    | 5    | 7    | 6    |
| Aleppo                | 2    | 5    | 11   | 13   | 10   | 14   |
| <i>Dutch Republic</i> |      |      |      |      |      |      |
| Istanbul              | 15   | 16   | 7    | 3    | 5    | 5    |
| Izmir                 | 6    | 7    | 6    | 10   | 7    | 9    |
| Aleppo                | 1    | 2    | 7    | 9    | 14   | 12   |

*Source:* Boogert (2005) p. 88. Cited primary sources are BOA, ED 27/2 (France), 35/1 (Great Britain), 22/1 (Dutch Republic).

Table 4: An Account of Protégés in Aleppo *c.*1768

|                    | <i>Beraths</i> | <i>Fermanhs</i> | Children | Total |
|--------------------|----------------|-----------------|----------|-------|
| France             | 18             | 36              |          |       |
| Great Britain      | 14             | 28              |          |       |
| The Dutch Republic | 11             | 22              |          |       |
| Venice             | 5              | 10              |          |       |
| Total              | 48             | 96              | 58       | 202   |

Protégés of France include those of Sweden and the Kingdom of Two Sicilies, Great Britain includes those of Austria.

*Source:* CADN 166PO/D1/10

Table 5: The Number of *Berats* in Circulation *c.*1797

|                             | Istanbul | Izmir | Aleppo | Salonica | Other | Total |
|-----------------------------|----------|-------|--------|----------|-------|-------|
| France                      | 17       | 6     | 6      | 3        | 17    | 49    |
| Great Britain               | 14       | 6     | 13     | 4        | 9     | 46    |
| The Dutch Republic          | 5        | 9     | 9      | 6        | 2     | 31    |
| Venice                      | 1        | 1     | 6      | 1        | 1     | 10    |
| Austria                     | —        | 1     | —      | 2        | 5     | 8     |
| Prussia                     | 4        | 1     | 7      | 2        | 4     | 18    |
| Denmark                     | 4        | 1     | 2      | 1        | 5     | 13    |
| Sweden                      | 5        | 8     | 5      | 3        | 26    | 47    |
| The Kingdom of Two Sicilies | 3        | 4     | 5      | 5        | 14    | 31    |
| Total                       | 53       | 37    | 53     | 27       | 83    | 253   |

*Source:* BOA Hatt 196/9779 B, C, D, E, G, H, I, J, 196/2898; Historical Archives of Macedonia K. 172 22/24 (Basdrabellh, I. *Istorika Arxeia Makedonias*, 1952. pp. 352–3)

Table 6: Menu of Legal Systems

|                | Disputing Parties |    |    |    |    |    |
|----------------|-------------------|----|----|----|----|----|
|                | MM                | MC | MB | CC | CB | BB |
| Islamic        | ♦                 | ♦  | ♦  | ♦  | ♦  | ♦  |
| Denominational |                   |    |    | ♦  | ♦  | ♦  |
| European       |                   |    |    |    | ♦  | ♦  |

M denotes Muslim, C denotes non-Muslim, B denotes *berath*