

## THE INSTITUTIONS FORMING THE SOCIOECONOMIC STRUCTURE OF TURKISH PRIVATE ENTERPRISES BETWEEN THE 13<sup>TH</sup> AND THE 19<sup>TH</sup> CENTURIES: AKHISM, THE LONCA SYSTEM AND THE GEDIK SYSTEM

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### Resumen

El presente trabajo estudia tres instituciones que constituyen la estructura socioeconómica de las empresas privadas turcas desde el siglo XIII al XIX: Akhismo (siglos XIII-XVI), el sistema Lonca (Gremios) (siglos XVI-XVIII) y el sistema Gedik (Monopolios) (siglos XVIII-XX). El estudio se centra, de forma especial, en las normas sociales y económicas, en el proceso de formación, y en la estructura organizativa de las mencionadas instituciones con el fin de analizar los efectos de la estructura socioeconómica de las compañías turcas en el desarrollo económico y social de las empresas privadas. El estudio intenta igualmente vincular la normativa actual y la que se aplicaba en el pasado, tal es el caso de las normas sociales y del proceso de formación.

Desde un punto de vista económico, tanto la estructura estatal de la nación como la normativa económica de sus instituciones hicieron que las empresas privadas fueran de pequeño tamaño, lo que les impidió moverse en un entorno competitivo y acumular capital. El resultado fue que las empresas no se pudieron beneficiar de las nuevas técnicas de producción y que la mentalidad empresarial turca quedó estancada en relación con el desarrollo moderno. Por otra parte, aunque esos tres sistemas se abolieron por completo a comienzos del siglo XX, todavía perviven huellas de los sistemas de Akhismo y Lonca.

La mayor parte de las normas del Akhismo y algunas de las obligaciones del Consejo de Administración de Lonca, tales como el mantenimiento de unos estándares morales de producción y comercio, nos recuerdan el código de ética profesional de la vida empresarial moderna. En otras palabras: existió un código ético que comerciantes, artesanos, oficiales,

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aprendices y sirvientes debían observar en la vida empresarial de la época; lo que significa que aun cuando nombres, aspecto y funciones de las instituciones así como el tamaño de las empresas ha cambiado a lo largo del tiempo, los principios éticos de la vida empresarial, en esencia, son los mismos. Dentro de este contexto, nos atrevemos a sugerir que las raíces del código ético de la vida empresarial turca se retrotraen en la historia a hace más de 800 años. Además, la similitud entre el funcionamiento presente y pasado indica que el origen de la formación de los aprendices para las empresas turcas tiene, igualmente, más de 800 años de historia.

**Palabras clave:** Historia de las empresas turcas; Akhismo; Loncas; Gremios; Sistema Gedik (monopolio).

### Abstract

This study investigates three institutions forming the socioeconomic structure of Turkish private enterprises between the 13<sup>th</sup> and 19<sup>th</sup> Centuries: Akhism (13<sup>th</sup>-16<sup>th</sup> century), the Lonca System (the Guilds) (16<sup>th</sup>-18<sup>th</sup> century), and the Gedik (Monopoly) System (18<sup>th</sup>-20<sup>th</sup> century). The study particularly focuses on the social and economic rules, vocational training process, and organizational structure of the said institutions in order to discuss the effects of the socioeconomic structure of Turkish enterprises on economic and social development of private enterprises. The study also struggles to link between the relevant current applications and the applications in the past such as the social rules and vocational training.

From economic point of view, both the statist structure of the State and the economic rules of the institutions herein caused private enterprises to remain small, and prevented them from having a competitive environment and having capital accumulation. As a result, enterprises could not benefit from new production techniques and the Turkish enterprise mentality fell behind modern developments.

On the other hand, although these three systems were completely abolished in the early 20<sup>th</sup> Century, it is seen that especially traces of the Akhism and Lonca systems have still been surviving.

Both the most of rules of Akhism and some of the duties of the board of directors of Lonca such as *keeping moral standards of production and trade* remind us of professional code of ethics of today's modern business life. In other saying, there was code of ethics traders, craftsmen, journeymen, apprentices, and henchmen were required to obey in business life of that time. This means that even if the names, visage, and functions of the institutions and scale of the enterprises have changed in time, ethical principles in business life are still the same substantially. In this context, we can suggest that the roots of code of ethics in Turkish business life go back a history of about 800 years. Additionally similarity between current and past applications indicates that the roots of apprentice training in Turkish business life go back a history of about 800 years, as well.

**Keywords:** History of turkish enterprises; Akhism; Loncas; Guilds; Gedik system.

## I. Introduction

Looking at the business history it is seen that guilds or (artisan associations) goes back a history of about 2.100 years. They had an important place in the business history because they had rules based on religion and regulating social and trade-related relationships between people. Following explanations cover the theories on the origin of the first guilds (or corporations) in the Western Countries.

It is explained in "Larousse Universal and Larousse du XX e. Sicele" that there were some guilds called as "corporation" in Europe until French Revolution in 1789. The term corporation in dictionary is explained, among other meanings, as *"a group or association of individuals who are the members of an occupation, having a continuous existence independent of the existences of its members, and powers and liabilities distinct from those of its members.* Those who are the member of a corporation (an association of occupation) may not perform another type of job.

It is known that the first guilds called "corpora officium collegia" were established in the beginning of the Roman Empire period which was the post-Republican phase of the ancient Roman civilization. The number of guilds increased in (Marcus Tullius) Cicero's time (106 BC–43 BC) ([www.en.wikipedia.org/wiki/Roman\\_Empire](http://www.en.wikipedia.org/wiki/Roman_Empire)). He was, among other things, an orator, lawyer, politician, and philosopher. His life coincided with the decline and fall of the Roman Republic, and he was an important actor in many of the significant political events of his time (<http://www.iep.utm.edu/cicero/>). During this period, guilds had important role on social life.

Each guild had its own founder, protector, rules all members should obey, requirements for membership, and ceremonies. The rules of the guilds came from religious and it was believed that the founder and protector of a guild was one of the saints. For example; bakers: St. Pierre, butchers: St. Leonard, masonry: St. Blaise, carpenters: St. Joseph, Jewelers: St. Eloi, shoemakers: St. Creis, gardeners: St. Fiocre, musicians: St. Julien etc. Memorial ceremonies were held for the related Saints (Gürata, 1975, 86).

The guilds in the Middle Age were divided into three classes (Gürata, 1975, 87):

1. Religion class
2. Trader class
3. Artisan class

Guilds of artisans were mentioned in the Royal Assembly in England in the years 779 and then in the laws made in Nantes Church Assemblies in the beginning of the 9<sup>th</sup> Century. Guilds of traders emerged in England after Norman invasion. It is likely that guilds of traders existed in Normandy before the invasion.

As for Anatolia, first artisan and trader associations were set up under Akhism umbrella. Actually there are many similarities between first guilds in the history and associations set up according to Akhism. Akhism established the basis making up the socioeconomic structure of Turkish private enterprises through its rules. Parallel to first guilds in the

history, Akhism had religion-based rules. It is known that the rules of Akhism were exercised for centuries by both Seljuk Turks and the Ottomans. This system gave its place to the Lonca System (Guild system) in the 15<sup>th</sup> and 16<sup>th</sup> Centuries. The Lonca system, in turn, was replaced by the Gedik System in the mid 18<sup>th</sup> Century. There is no doubt that this transition took place phase by phase since each was exercised in different regions of the state in an intermingled manner throughout the centuries and there is no certainly on the time interval they were adopted. But it is known that the last one of these three systems, which is called Gedik system, disappeared at the beginning of the 20<sup>th</sup> Century (1909-1913).

These three systems helped private entrepreneurs specify the basics of production, distribution, service and training for seven centuries. There are many researches that investigated the various aspects of these three different systems which existed with some other artisan organizations.

The present study is developed based on historical research on Akhism, the Loncas, and the Gedik System, as well. Here the topic particularly focuses on social and economic rules, vocational training process, and organizational structure of the said institutions in order to discuss the effects of the socioeconomic structure of Turkish enterprises on economic and social development of private enterprises. The study also struggles to link between the relevant current applications and the applications in the past such as the social rules and vocational training.

From the methodological point of view, bibliography method is used. The primary sources used in this study were obtained from the Ottoman Archive in Istanbul. In this study, some works on the Ottoman history are benefited mostly. The findings obtained were written in chronological order. The study is organized as follows. Firstly, explanations on the birth, development and dissolution of the said institutions, and the relevant information such as social and economic rules, vocational training process, and organizational structure of them are given in historical order. The final section provides a general evaluation on the influences of the institutions coming from past to the present.

## **2. Birth, Development, Spread and Dissolution of Akhism**

The Turks who came to Anatolia were nomads who got by on animal husbandry. They began to come in the 10<sup>th</sup> Century. Mongol invasions that began with Cengiz Khan caused the Turks living in the cities such as Bukhara, Samarkand and Tashkent to immigrate to Anatolia. They were people living in cities and conducting various services and production. They had to live in cities in Anatolia, but Rums and Armenians lived in these cities. Turks had difficulties in obtaining necessary raw materials for production and in carrying out their own businesses when they settled the outskirts of these cities. So they had an urge to confederate and search for solutions to the problems related to obtaining supplies. In order to meet these needs, a Turk who was a leatherworker and settled in Kırşehir established a system: Akhism. The name of this Turk was Ahi Evren (1172-1262). He set up a web of distribution and production thus making it easier for Turks who lived in cities to settle in Anatolia by combining Turk and Islam in business

affairs. It needs to be mentioned that Rums and Armenians affiliated to Byzantine Loncas (Guilds) had monopoly over handicrafts, particularly trade. In this case the only way for the Turks to survive and compete with resident merchants and craftsmen was to establish institutions, providing unity and producing durable goods which were standardized. This is the second reason that led to the establishment of Akhism as an institution (Guvemli, 2000, 394; Cagatay, 1989, 51).

Akhism coming from Turkish traditions is an organized brotherhood in Anatolia related to trade guilds. Akhism provided the Urban Turks with the opportunity to settle in cities in Anatolia and produce goods and services. As the small businesses producing goods and services came together, a system, which provided businesses with the opportunity to build up lines of businesses through the phases of bulk buying of raw materials, production, and distribution of products, was formed. This system also included quality control. Another feature of the system is related to those who work in laborious businesses. Owner of the enterprise is the one who knows the drill best. He is both the owner and the person in command of the business. There was a hierarchical classification among the employees known as henchman, apprentice, journeyman and craftsman. Akhism embraced the social rules based on religion. It also had rules constituting an economic structure for the entrepreneurs (Koprulu, 1972, 96; Ekinci, 1991, 9; Simsek, 2002, 20).

## 2.1. Social and Economic Rules of Akhism

Ahi Evran's Rules of Akhism can be classified as social and economic rules as follows (Gülvahaboğlu, 1991, 248):

**Social Rules:** *obey the orders of God and avoid interdictions, be hospitable and helpful, embrace people without taking into consideration religion and cult, don't talk against people, resist cruelty and injustice, try to guide people to the straight path, don't have hatred and enmity towards anyone.*

**Economic Rules:** *make do with little, be generous, love and entertain guests, don't cheat and don't lie in trade, help the fair weak over the unfair strong, be accurate, give priority to public interests, consider manual labor as sacred, and don't burgle.*

The main purpose of the Social Rules is to see obedience of religious-based social rules. These rules arose as a natural consequence of the Turkish people's adoption of Islam.

Economic rules arose to manage relations between small enterprises with customers and their environment and these rules were formed far from the capitalist visions of capital accumulation bases. These rules of Akhism were embraced as Turkish Municipal Services and composed of non-profit economic enterprises. But it can be understood that since Akhism dominated the economy, it was not possible to establish larger enterprises without capital accumulation.

There were official documents indicating the socioeconomic conditions of Akhism; these were regulations including rules to be obeyed by Akhism. Regulations including the rules

to be obeyed by small enterprises according to the Akhism Rules were called as *Ftvvetname* (Grata, 1975, 252).

## 2.2. The Akhi Associations

The application and control of socioeconomic conditions predicted by Akhism for production and service enterprises resulted in the need for central associations.

These associations were established satisfactorily. In small towns, all industries were accumulated under one association, but in large towns each industry had its own association. Since Ahi Evran was a leather producer, his association included raw leather, raw leather processors and producers of leather equipment. It is known that these associations spread over Anatolian towns quickly with the same mentality (Ekinci, 1990, 45).

Managers (officials) in Akhi Associations and their duties can be classified as below (Yamak, 1994, 7):

*eyh (Sheik)*: The president of the association. He represents the artisans in the association, supplying and distribution of raw materials for producers, managing the ceremonies of people who became craftsmen, adjudicating the complaints between artisans, or artisan-customers. *eyh* is also called as Ahi Baba (Islam Encyclopedia of Turkish Religious Foundation, 2008).

*Nakip (oldest officer)*: Managing the associations if *eyh* is not in charge, supervising the artisans, rigging new craftsmen out in petemals in the craftsman ceremony, forwarding messages of artisans to *eyh*, supplying the needs of the association.

*Kethda (Warden of the association)*: also called Kahya (steward) in the Ottoman Era. Preparing artisans certification, trying to solve conflicts between artisans, applying any penalty given to artisans.

*Yiitbaı (head of religious groups in loncas)*: Facilitating communication between association and artisans, representing the artisans in court with Kethda, applying the penalty given to artisans with Kethda, informing the association about the candidates to become craftsmen, administrating the Orta Sandık<sup>2</sup>, and fixing of prices called as Narh.

Management, established with the members mentioned above, had meetings once every fifteen days and all associations appertained to the big council and all associations were responsible to the big council.

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<sup>2</sup> Orta Sandık is a chest in which money paid by artisan to association is protected. Gathered Money was used to cover the cost of the association. Also it was used to advance money to artisans who are in need. Moreover this money could be used to help to any artisans for their funeral expenses.

The instructions above show that artisans were supervised by associations regarding the socioeconomic rules of Akhism. It's understood that this supervision had obstructive attributes preventing artisans becoming larger and larger producers. For example, it is obvious that *narh* keeps the profit margin lower and prevents capital accumulation with high profits. Moreover, it can be claimed that daily inspections and relations between artisans prevented the artisan's from growing.

### 2.3. Training in Akhism

It is known that enterprises belonging to Akhism mostly do their production with manual labor for local requirements. People working in these small enterprises were classified according to their experiences as henchman, apprentice, journeyman, and craftsman. Mostly little children who had just started work were called henchman and grew to craftsman. Only craftsmen could be the owner of enterprises and new enterprises could be established by people who were craftsmen.

Vocational training was given by journeymen and craftsmen in the workplace. Henchmen were children between the ages of ten and fifteen who were sent to work with craftsmen by their families. These children usually worked unpaid or low-paid and became apprentice after two years. While these children's vocational training continued in the work place, they were also given a course including literacy, rules of Akhism and religious education in Zaviyes of Akhi Associations. Holding a ceremony after rising from henchman to apprentice was a tradition of Akhism. It is observed on rising from apprentice to journeyman that it was important to embrace the Akhism social rules as well as growing in occupation (Ekinçi, 1991, 89).

To become a craftsman, it was necessary to work for three years as a journeyman. Within this time, it was necessary not to have been complained about by anybody, to fulfill the duties given, to be sensitive about young apprentices, to establish good relations with other journeymen and to be capable of managing a small enterprise, production place or market place by themselves. Such a craftsman candidate was taken to management council by Yiğitbaşı and Kethüda.

The journeyman and especially craftsman ceremonies were glorious. These ceremonies were led by Sheik or Akhi Baba other journeymen and craftsmen in the same business, and some government officials such as Kadı (adjudicator) and Müftü took part in the ceremonies. In craftsman ceremony, enterprise owners and workers who established the artisan council paraded with the arts men flag in front (Ekinçi, 1990, 35).

Apprentice training was also available for other occupations in the Ottoman Empire. For example accounting training was also the same (Güvemli, 2000, 398). Güvemli states that accounting education was based on apprentice training before the Reform Declaration (the declaration of Gülhane Hatt-ı Humayunu–Tanzimat Fermanı<sup>3</sup> on 3

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<sup>3</sup> Tanzimat Fermanı (The Reform Declaration): after the death of Mahmud the Second in 1839, Abdulmecit reigned. Abdulmecit declared a decree that reorganized the establishment of the state. This decree was announced by Mustafa Resit Pasha, drafter of the decree, on 3

February, 1839). Any written source on accounting might not have been produced because of accounting education based on only apprentice training with master. Accordingly double-entry accounting might not have been known and used widely in the Ottoman era until 1860s, that is, about 350 years after Luca Paciolo (Guvemli, 1998, 94).

The above instructions show that the person who would become a business owner as a craftsman in the future had been trained according to the socioeconomic rules of Akhism. Obeying these rules would be controlled after the establishment of a new business area; it is understood that this person had very little chance to grow beyond artisan.

#### **2.4. Dissolution of Akhism**

It is seen that Akhism developed according to the Turkish-Islamic perception. The rules of such an organization were impossible to be embraced and applied by non-Muslim Ottomans. For this reason the social side of Akhism based on religion had to be changed. This was possible after the system turned into the Lonca system. After the Lonca System, non-Muslim artisans became a part of the Lonca system.

How did this change happen? After the discovery of America in the late 15<sup>th</sup> Century, overseas trading started in the 16<sup>th</sup> Century; economic development in the West Europe increased the need for raw materials. Anatolia became an important raw material supplier for these countries. This increased the raw material prices and small enterprises belonging to Akhi Associations were not able to produce goods at the controlled price if buying expensive raw materials.

This situation also caused goods to be imported from Europe. Because in West Europe, production techniques were also developed and capital based production opportunities had started to be created. As a result, small enterprises which operated with the Akhism Rules were not able to produce and sell products. Muslim and non Muslim traders who had capital accumulation which excluded them from the Akhism Rules also started importing and selling products. Against all these evolutions that did not create the opportunity for capital accumulation, enterprises belonging to Akhi associations could neither realize large production, nor increase competition capabilities, nor have new techniques, and at the end they were forced to close down.

The difficulties in the application of the socioeconomic rules of Akhism continued in the 16<sup>th</sup> Century. However, the functions of small enterprises continued. In this situation a new organization model was inevitably required.

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February, 1839 in Gulhane before the Sultan, ambassadors and the public. In the decree, the Sultan indicated the need of passing new law for a better administration of the state.



### 3. The Birth, Development and Dissolution of the Lonca System

With inspiration from the words “loggia”, which is Italian and from “loge”, which is French, it is pronounced **Lon-ja** and means “room” and then “Guild of Tradesmen” (Ergin, 1995, 161). It is understood that, through the 16<sup>th</sup> Century and in the first half of the 17<sup>th</sup> Century there existed a transition from Akhism to the Lonca System as a way of excluding the socioeconomic rules of “Akhism” as a result of the economic developments; non-Muslim Ottoman merchants, foreign merchants and Turk merchants were working together during the increase in the export of raw materials and increase in the import of finished goods. During this working together, it is seen that the word “Lonca” started to be used in Turkey’s literature (Islam Encyclopedia of Turkish Religious Foundation, 2008). Indeed, Gerber (1988, 49) identified that the word “Lonca” was used for the Loncas of Bursa firstly in 1042 Hegirah (the year 1632-33 according to the Gregorian calendar). In the documents at the state archives in Istanbul, it is seen that the word “Lonca” was mentioned for the first time at the end of the 17<sup>th</sup> Century in 1697 in the Atik Complaint Book (Prime Ministry Ottoman Archive, Atik Complaint Book, p.111).

#### 3.1. Transition from Akhism to the Lonca System

In the period of transition from Akhism to the Lonca System, through the 17<sup>th</sup> Century, it is observed that religion-based social rules weakened, but religion-based economic policies continued. In the beginning, Muslim and non-Muslim Ottoman populations were located within the Lonca; later the Lonca of Turkish Masters and the Lonca of Armenian and Greek Masters separated. However, comparing the Lonca layout and Akhism, the Lonca System brought together the small businesses that were widespread throughout the Ottoman empire. But it did not show a dramatic change in the economic basis and within the understanding of the framework of Ottoman statecraft, those small businesses operated within the economic framework of “Akhism”. (Gurata, 1975, 84). This case shows that at the end of the Akhism system, the Ottoman Empire could not reorganise itself according to the developments in Western Europe: that is to say, the rules leading to the formation of capital accumulation.

It is seen that quality of production and pricing of goods in the small business enterprises that are the members of the Lonca were strictly controlled. This control mechanism is a feature that encourages production within the neighborhood. However the Loncas prevented enterprises from producing more than the need of their district. That is to say, it provided that production was done according to the demand. In this context, small enterprises that were a part of the Loncas had no chance to raise capital, conduct wide scale production and get a hold of new techniques, just as was the case in the Akhism System. This particular effect survived about seven centuries.

It is seen that the organizational structure of the “Lonca” system: the names and mission of the employees in enterprises and also the names and mission of those who manage the system of “Akhism” did not change so much. These matters are emphasized below.

### 3.2. The officials working for the Lonca system and the administrators of the Lonca organizations

Although they did not exist as they did in Akhism, the titles of apprentice, assistant and the master still existed with small entrepreneurs. The reason was that the social conditions which were dependent on religion were relaxed and reduced because Non-Muslim society had their own Loncas. A general standard about the social conditions was needed. However the prerequisites such as *respect and love, getting along with each other, and not defaulting in service*, were still valid and these prerequisites were being sought in the transition between the titles as well as achieving successes in the workplace (Islam Encyclopedia of Turkish Religious Institution, 2008).

The Lonca organization, when compared to Akhism, began to supply more services to its members, the small entrepreneurs. Firstly, we shall emphasize the organizational structure, then the people having tasks in the Lonca organization and their tasks are described below (Guvemli, 2000, 69-71).

*The master of the Lonca:* the master, who represents the Lonca, was selected from among the people who were loved and respected by the tradesmen.

*Kethüda:* The title of Kethüda existed as it was in Akhism; but their tasks increased a little. In the system of Lonca, Kethüda was the man of both the state and the tradesmen. They were selected by the tradesmen from among fair, honest and skillful people.

*Yiğitbaşı:* Another administrator of the organization that came from Akhism was the Yiğitbaşı. He monitored the on-the-job education, managed the organizational system of the Lonca and fulfilled the task of administering punishments to the tradesmen – such as the birch; this was in stark contrast to Akhism.

*Iscibaşı (senior artisan):* He helped the Yiğitbaşı with fulfilling all tasks and besides that controlled the quality of the products that the tradesman had produced and extirpated the broken products.

*Old (experienced) masters:* These people, who were selected from among the experienced and old masters of the tradesmen fulfilled the task of experts and joined the board of directors.

*The board of directors (Maiyet-i İdare):* Every Lonca had a board of directors. This board of directors undertook important tasks. Besides the old (experienced) masters, journeymen, Kethüda and Yiğitbaşı joined the board.

The tasks that the board was responsible for were the following (Ones, 1985, 60): *to keep the quality of the goods and services high, to ensure the goods were bought at the determined price (the price written in the book of narh), to organize the jobs of the educating assistant and master, to organize the ceremony surrounding the peshtemal in the ceremony of mastery, to solve problems between the tradesmen and customers and also between the tradesmen themselves, to punish small crimes and to refer larger crimes*

*to the kadi and the officials of the municipality, to ensure that the tasks were conducted in accordance with traditions, to punish the apprentices who did not obey the rules of their masters and if necessary dismiss them, to keep moral standards of production and trade, to support aid in both a financial and moral way, to set up new work for new masters, to ensure that production and consumption have been done in balance, to manage the organizational systems of the Lonca, to lend to the tradesman with a low interest rate, to make provision for the collection of the dues of the Lonca, and to accept the donations.*

These explanations show that the Lonca system maintained tasks in a different way from Akhism. The similarities with and differences from Akhism can be listed as per the following:

*Similarities with Akhism:* the titles of the workers in the entrepreneurs, on-the-job education, the existence of people such as the Kethüda and Yiğitbaşı, the ceremony for titles for assistant and masters, obeying the price determined (narh), maintaining the morals of the trade, solving problems between the customers and tradesman and within the tradesman and lastly obeying the traditions.

*Differences from Akhism:* giving the birch as a punishment for crimes, applying to the Kadi, having stricter rules such as dismissal, supporting the masters who fell poor, lending debt with low interest rates, accepting donations, behaving more seriously while collecting the dues, and –in contrast to the individual decisions in Akhism (Ahi Baba)– using the responsibility of the board of the directors for almost everything.

Certainly, the Lonca system had stronger financial and administrative conditions than Akhism had. The system of control was similar, but the punishment after analyzing the results of the control was different. On the other hand the financial situation of the organization was strong. The organizational system of the Lonca provided this strength.

The Lonca could meet the needs of the tradesmen according to changing situations over time. At the same time, the policy of state control of the Ottoman Empire was being pursued. Although a liberal economic system was being practiced in western European countries and there were trade relations with European countries, there was no significant change in this mentality of state control. In accordance with this mentality, there was control over profit margins of the small enterprises to protect the consumer and thus the tradesmen could not become a large entrepreneur and the capital accumulation could not be realized.

The development of the Lonca system, which had begun in the 16<sup>th</sup> Century, was pursued in the 17<sup>th</sup> Century. In fact this system had its strongest period during the 17<sup>th</sup> Century. Evliya Çelebi writes that there were 1,100 Loncas in Istanbul alone at that time and these had 260,000 members (Guvemli, 2000, 71). The large number of these Loncas was due to local production and an inability of the tradesman to sell his products in another neighborhood. Thus it was mentioned above that the board of directors had the task of providing supply in accordance with demand. This situation both prevents competition and the enterprises' becoming larger.

It needs to be said that the structure of the Ottoman State controlling the production and distribution of goods had an effect on this situation's occurrence. It is possible to see this reality, which had not changed for centuries, in the work of R. Mantran who made studies in Istanbul in the 17<sup>th</sup> Century (Mantran, 1962, 412). According to Mantran, large-scale industrial enterprises were directly established by the state in the Ottoman era. There were 29 state craftsmen enterprises in Istanbul and more than 10,000 apprentices, journeymen and craftsmen working for these enterprises (approximately 300 people in each enterprise). There were 80,000 workers in 25,000 private enterprises (3-4 people in each workplace). These workplaces of the private entrepreneurs were affiliated to 1,100 artisan unions. These expressions both illustrate the statist structure of the Ottoman State, and that private enterprises which consisted of small workshops were directed through unions. These unions were probably the guilds of that time.

On the other hand there were 148 loncas in the 16<sup>th</sup> Century (Gulvahaboglu, 1991, 181-82). For instance; tailors, water sellers, shoemakers, boot makers, fruit sellers, goldsmiths, imams (priest in a mosque), flower sellers, weavers of goat's-hair articles, locksmiths, seal makers, bow makers, quilt makers, maker of mirrors, silk producers, violin makers, bakers, watch makers (maker, seller, or repairer of clocks or watches), tanners, knife makers, rowers, ceramic makers, those who gives injections, mattress makers, caulking, town criers and inviters (someone who invites people to something shouting loudly publicly), dyers, coffee makers, ink makers, engraving, dancers, paper makers, butchers, greengrocers, pickle makers, cook and seller of shish kebab, cooks, porters, stationery sellers, basket makers, bird sellers, dress makers...

The book of Amnon Cohen's (2003) from the University of Jerusalem, titled "Loncas in the Jerusalem of the Ottomans", mentions the system of Loncas in the 17<sup>th</sup> Century in Jerusalem, a city under the Ottomans at that time. In this book, Cohen describes - by giving the example of the Loncas in Jerusalem - how much the Lonca system pervaded throughout the Ottoman Empire and how they came to a very strong position. Cohen summarizes the workings of 45 Loncas from among nearly 60 Loncas which existed in Jerusalem. And he analyzed the decisions of the courts about the professions. Cohen examines the Loncas from a social viewpoint. Cohen describes the Loncas as the ancestors of non-governmental organizations (NGOs). Cohen points out that there were 900 enterprises that were members of the 60 Loncas. Also there were over 1,000 workers, trying to present the effectiveness of the Lonca system, in a city which had a population of nearly 10,000. Cohen argues that this system was still in effect in the 18<sup>th</sup> Century in Jerusalem. Emphasizing the point of the Ottoman Empire's providing the Lonca system in the cities; he argues that there is an administrative regulation of the state about reinforcing state authority over the people through the channel of the Lonca System.

## 4. The Birth, Development and Dissolution of the Gedik System

### 4.1. Transition from the Lonca to the Gedik System

The Lonca system started to weaken in the early 18<sup>th</sup> Century; some causes of that were incidents of extortion (especially from enterprise owners and non Muslims) and also activities of despots who were mostly retired soldiers and wanted to appropriate the workplace.

Moreover, it was observed that the Lonca officials themselves were extorting money. Edhem Ruhi Öneş published this imperial edict which he got from Reşat Ekrem Koçu (Ones, 1985, 60):

*The judgment to the Istanbul Kasha, non-Muslim tailors in Istanbul who applied to the council of ministers and complained about Kethüda Ismail and his son Yiğitbaşı Hail. They had threatened them saying: "I will make you pull oars in the navy" and they behaved cruelly towards the non-Muslim tailors extorting money such as lamb money, festival money and feast money which are illegal and out of Islamic law. They increased their cruelty day after day, they bastinadoed the artisans who had not given the money and had beaten some artisans up. Kethüda Ismail and Yiğitbaşı Hail must be prevented from behaving so to the tailors and must be provided with a means of avoiding such contrary behaviors. (Hijri 1177, A.D 1764).*

This imperial edict shows that the Lonca system was increasingly degenerating. This degeneration includes despots wresting the enterprises from weak or non-Muslim traders. In this situation, the enterprise owner wanted to attorn the enterprise to his son or journeyman and requested governmental assurance. The government gave this assurance which concluded that the enterprise was owned by the traders (Hijri 1140, AD 1727). This date is accepted as the transition of artisan organizations to the Gedik system. With this legitimate arrangement it was accepted that artisans had rights to use the workplaces which they rented (Islam Encyclopedia of Turkish Religious Foundation, 2008). In the Ottoman Law, Gedik means tenure based on privilege and monopoly. And for an artisan organization that means the right to use the building that an artisan works in, and to continue working there (Meydan Larousse, 1971).

### 4.2. Features of the Gedik System

There are a lot of features that differentiate the Gedik System from the Lonca system. As mentioned above, the enterprise owner had the right to assign the workplace to anyone (to his son, journeyman) or to give tenure of the workplace which he rented. (The small enterprise owners, especially who were tenants in the buildings of foundations were given the tenure of the workplace). This is one difference of the System from the Lonca.

The economic side of the Gedik system was set up to prevent the enterprises from being increased. Important economic difference of the system was to limit the number of enterprises which were dealing in the same industry. The application of this was possible by obstructing new enterprises and renting the empty workplaces to the craftsmen who

had performed the job for a long time. The reasons for these rules were: protection of experts, keeping quality high, preventing customers from cheating (Pakalın, 1993, 46). When the opening of new enterprises was limited due to economic reasons the application of *authorization*<sup>4</sup> was started for applications under the Ottomans; this *certification* and Gedik right did not only mean opening a new enterprise and the continuation of it but also the ownership of production tools. According to this, when an enterprise was assigned because of death, leaving the job and other reasons, the production tools were also assigned.

All these applications, especially the ones which limited the number of enterprises and owners show that the Gedik System turned into a monopoly. The Gedik system differed from the Lonca System in the above mentioned economic and judicial arrangements which caused the intervention of governmental organizations into the Gedik System. Another reason for these governmental interventions was that the Gedik System started to encounter some problems that they were not able to solve (Pakalın, 1993, 46).

Some titles existed in the Gedik organization such as: *Ustabaşı*, *Kethüda* and *Yiğitbaşı* in the 18<sup>th</sup> and 19<sup>th</sup> Century, as well. Although they made some interventions on the system via Major and Kadi for the continuation of the system, they accepted the above mentioned people in the system. Among other members, Kethüda especially drew attention to problems with his important functions. Kethüda was elected by artisans but governmental approval was required. Kethüda's duties under the control of government are stated below (Pakalın, 1993, 47):

- *to be involved in the workings of the artisans concerning quality and price,*
- *to record the conveyance of workplace and production tools and to arrange the certificate of conveyance,*
- *to solve conflicts between artisans or take them to the government.*

It is understood that Kethüda performed his job under the control of the Government in the Gedik System. This situation was one of the differences between the Gedik and Lonca systems.

#### **4.3. Dissolution of the Gedik System**

In the mid 19<sup>th</sup> Century governmental interventions in the Gedik System were needed on two topics. The first intervention was about alcohol producers, pharmacy producers and selling enterprises. Alcohol producers and sellers were attached to the government head of accountancy and they paid a monetary fee to trade. Permission rights for medicine producers and sellers were given to faculty of medicine and authorizations were given by the government head of accountancy and so control of small enterprises passed to the government from the Gedik System. The second development was about small enterprises working at foundation buildings. Since these buildings belonged to the foundation of Haremeyn (Foundations under the authority of the Emperor's palace) or the Foundation Management, it was necessary to obtain authorization from these

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<sup>4</sup> Certificate of Registry have been still in application to begin a business.

foundations. With this application, controls and permissions were passed into the government from the Gedik organization (Islam Encyclopedia of Turkish Religious Foundation, 1996).

The Gedik System started to lose its functions due to these applications. Other developments also caused the loss of control by the Gedik System. Some small enterprises started to change their place of business and this caused difficulties in controlling them; such enterprises which changed their places continuously were called *Havai Gediks* and it was getting hard to observe and control them. It was getting impossible to make quality and price controls. There were also *Müstakar Gediks* who were working in certain big buildings and areas. It was easier to supervise them and some of the precautions which were needed to prevent disorder by the Havai Gediks. The first thing was to break up the monopoly of the Gedik System. According to this, limiting the number of enterprises working in the same sector was ended and so journeyman and craftsman were allowed to open new enterprises. This was actually allowing an uncontrolled situation to develop. This decision made in Hegira 1277 (AD 1860) resulted in, especially, quality control problems (Islam Encyclopedia of Turkish Religious Foundation, 1996).

On the other hand, as the cities grew and urban population increased some other issues started to appear about the Gediks. For example: in the city, prices of the enterprises related to Gedik system increased; tenants started to assign their workplaces and take an assignment fee. Eventually there became a need for a new kind of organization instead of the Gedik system and finally the Gedik System was ended by regulation in 1913. In the late 19<sup>th</sup> Century, Turkish enterprises started to learn modern skills. Within the Republic Era, artisan unions were established and have fulfilled many small enterprises' requirements (Guvemli, 2000, 71).

## 5. Conclusion

In Anatolia, first artisan and trader associations were set up under Akhisim umbrella in the 1200s, that is to say, about 1.300 years after first guilds were established in the Roman Empire period. Thus the Turkish organization for enterprises first started with Akhism in the 13<sup>th</sup> Century, the Lonca System took its place in the late 16<sup>th</sup> Century and the early 17<sup>th</sup> Century. In the early 18<sup>th</sup> Century (1727) the Gedik System in turn took its place and this system was ended by the regulation passed in 1913. So the organization system of small enterprises which continued almost 700 years comes to an end in the early 20<sup>th</sup> Century.

We drew conclusions about 700-year-Turkish enterprise history as listed below:

1. It is apparent that this process began as a political necessity but it would not be incorrect to say that Anatolian entrepreneurs were mostly artisans who had a socioeconomic structure that was only for supplying needs locally in a tight area. Private entrepreneurs always remained in the form of small business enterprises. In other words, they remained solely as artisans and large production operations were

realized by the state. This may be accepted as an ordinary consequence of the Akhism, Lonca and Gedik systems, but there is a second reason for this: the statist structure of the Ottoman State.

2. Joining the enterprises to a central control mechanism for supply, production and sales started when Turkish city people started to come to Anatolia in the early 13<sup>th</sup> Century. This control mechanism continued for 700 years through the Akhism, Lonca and Gedik Systems.
3. By the end of its time, these control functions included quality control, price control, restriction on opening new enterprises and authorization certification for new enterprises.
4. The first aim of having a Central Organization (Akhism, Lonca and Gedik System) was to enable trading for urban Turks who came to Anatolia. When this aim had been achieved over time, in other words when the issue of the Turks' settling in Anatolia was resolved, this aim was replaced by one of protecting the customers.
5. Some of the most powerful functions of the organization included vocational training, having titles for workers according to their skills, and the practice of title allocation rather than by vote, until the mid 19<sup>th</sup> Century.
6. Because of the fact that people working in the central organization were always elected by the enterprises, and the functions of the central organization such as quality control, price control, applying moral rules, protecting the customers and providing vocational training with people entering any occupation, these organizations can be described as the ancestors of non-governmental organizations in Turkey.
7. Both the all rules of Akhism and some of the duties of the board of directors of Lonca such as *ensuring that the tasks were conducted in accordance with traditions, punishing the apprentices not obeying the rules of their masters, keeping moral standards of production and trade* remind us of professional code of ethics of today's modern business life. Namely, we can suggest that there was code of ethics all traders, craftsmen, journeymen, apprentices, and henchmen were required to obey in business life of that time. This means that even if the names, visage, and functions of the institutions and scale of the enterprises have changed in time, ethical principles that should be obeyed in business life are still the same. In this context, we can also suggest that the roots of code of ethics in Turkish business life go back a history of about 800 years.
8. Regarding the socioeconomic rules of central governmental organization, at first religion-based social rules were strong, but these rules were weakened by the Lonca System. Economic rules were always much stronger, and they had to be obeyed so they became stronger and stronger.
9. The application of the Gedik system limited the number of enterprises dealing in the same industry by obstructing new enterprises and renting the empty workplaces to the craftsmen who had performed the job for a long time. Thus the Gedik system contributed to economic life by providing protection of experts and keeping quality high, and by preventing customers from cheating.
10. As a result of the statist structure of the Ottoman Empire, big enterprises were founded by the government. This caused private enterprises to remain small and prevented them from having a competitive environment and having capital accumulation. Consequently, private enterprises could not benefit from new



production techniques and the Turkish enterprise mentality fell behind modern developments.

11. Since most of the enterprises in the lands of the Empire were operating under the Akhism, Lonca and Gedik systems, these conclusions can be said to apply to the entire Turkish enterprise structure.
12. Although the last one of these three systems was completely abolished in the early 20<sup>th</sup> Century, it is seen that especially influences of the Akhism and Lonca systems have still been surviving. Indeed, in today's Turkey, children who want to enter an occupation<sup>5</sup> such as furniture maker, mechanic in automotive or electronic repairing shops (repairman) etc. work with craftsmen and should have vocational training in the relevant area at *the Apprentice Training Center* to gain not only professional knowledge but also professional skills, professional values and ethics, and usage of technology. In other words, in addition to academic education, relevant candidates' education also includes systematic learning processes in other environments, such as on-the-job and off-the-job training. The above mentioned similarity between current and past applications indicates that the roots of apprentice training in Turkish business life go back a history of about 800 years, as well.

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<sup>5</sup> Currently there are about 109 occupation areas in apprentice training centers in Turkey. Candidates between 12-19 year old, at least graduated from primary school, enter a job as apprentice both by attending courses given at apprentice training center one day a week (off-the-job training) and by going to workplace five days a week (on-the-job training). This training process lasts for 3 years and then they become craftsmen. After one-year-training they are accepted as journeymen.

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