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Cash-Waqfs as a Source of Entrepreneurial Credit for Merchants involved in Trade between Bosnia and Venice in the Early Modern Era: some Evidence from Venetian Archival Sources

The Islamic institution of the *waqf* (Arabic plural *awqaf*), known in English as "pious foundation" or "Islamic trust", played a prominent social and economic role in the Muslim societies during the Middle Ages and the early modern era. In setting up a *waqf*, an individual endowed a private property, generally an immovable asset, for a charitable purpose. Throughout Islamic history, the *waqf* system provided all kinds of essential social services, from the upkeep of mosques, the provision of food and shelter to lending money to individuals, at no cost to the state.

In the past twenty years, several economic historians of the Islamic states in the Middle Ages and in the early modern era focused on the *waqf* system. Among them, Timur Kuran holds a particular importance due to his ground-breaking, yet highly controversial, thesis. In *The Long Divergence: How Islamic Law Held Back the Middle East,* he argues that the *waqf* system, together with other Islamic legal and economic institutions, contributed to the economic decline of the Middle East after the onset of the industrial revolution since it lacked the flexibility to keep up with rapidly changing economic conditions and, therefore, it hampered the economic modernization of that region. He puts most of the blame on the principle of static perpetuity which governed the system, that is, the irrevocability of the founder's designated mission of the endowment, which greatly constrained its efficient management. Kuran deals in particular with a typology of *waqf,* the cash-*waqf*, whose assets were in the form of cash which was then used to lend to individuals on interest. This was one of the most important sources of credit in the Ottoman Empire in the early modern era and it has been likened to rudimentary banks. Kuran compared cash-*waqf*s to modern banks and claimed that, due to some operational constraints, like the fixed interest rates, it could not develop into a lending organization capable of raising large amount of capital for sizable business enterprises like banks did in Western Europe from the early modern era onwards. Another leading economic historian, Murat Çızakça, has also focused on the cash-*waqf*s, basing his research on the foundations of the Anatolian city of Bursa during the Ottoman period. Although he does not consider the nature of the cash-*waqf*s to be one of the reasons of Ottoman economic stagnation in the industrial era as does Kuran, he argues that, since the average amount of capital lent by these *waqf*s was rather modest, they could not enhance entrepreneurship and did not contribute to the process of capital accumulation. Therefore, according to him, cash-*waqf*s, by lending money to consumers and not to entrepreneurs, functioned mainly as institutions of capital distribution throughout the society. However, he admits that further research on hitherto unknown sources might reverse his conclusions.

In this paper I aim to provide some evidence of the capital accumulation function of the cash-*waqf*s by describing their role in financing commercial undertakings of Ottoman subjects in the Adriatic Sea in the early modern era. This topic, apart from its importance as part of the current debate on the *waqf* system, is relevant also for the history of the Ottoman trade since, due to the paucity of primary sources, we know very little about commercial financing in the Ottoman Empire in the early modern era. The evidence for our topic comes from an unlikely source, the Venetian Archives. During the sixteenth and the seventeenth centuries numerous Bosnian Muslims traded goods, mainly leather, wool, and foodstuffs, with the Republic of Venice. So wide was their commercial community in Venice that, in 1621, a section of the famous Fondaco dei Turchi was designated to host them. Many of these merchants borrowed money for their commercial ventures from cash-*waqf*s in Sarajevo and elsewhere in Bosnia. The sources for this study are Ottoman and

Venetian documents produced following attacks of pirates and privateers on the ships carrying some of these merchants to Venice from the Dalmatian coast or the other way around. They are mostly records from Ottoman lower courts relating to the attacks and the stolen goods, which provide valuable information about the lost capitals, letters sent to the Venetian government by central and provincial Ottoman authorities, the dispatches of the Venice's chief diplomat in Istanbul, the *bailo*, and inventories of the robbed drawn by Venetian officials during investigation of the pirate attacks. Given the importance of the *waqf*s for the welfare of Ottoman society, the Ottoman authorities were very concerned with the retrieval of the robbed goods, and this explains the large amount of correspondence between them and the Venetian authorities. Among our sources, there is a register of the capitals lent by some Bosnian *waqf*s to a group of merchants whose goods had been stolen by the Uskok pirates in 1587. This unique document, found by Suraiya Faroqhi in the 1990s, allows us to understand the lending procedures, the amount of capital borrowed by each merchant, and the number of cash-*waqf*s involved. Admittedly, our sources are rather exiguous and give us only limited information on the role of the Bosnian *waqf*s in financing trade. However, if we keep that in mind that for the sixteenth and the seventeenth centuries we know almost nothing about financing trade in the Ottoman Empire, our documents holds an exceptional importance. In this paper, by presenting the available documentation, I will contribute to the debate on the role of cash-*waqf*s in financing entrepreneurial activities of Ottoman subjects in the early modern era. I will show that, although these foundations probably did not raise large capital to sustain sizable business enterprises like banks did in the West, they nevertheless allowed Ottoman subjects to accumulate capital for non-negligible business ventures.