The changing morphology of commercial activity in Istanbul

Nebahat Tokatli* and Yonca Boyaci

10 Hiram Square, New Brunswick, NJ 08901, USA

Istanbul's involvement in the capitalist world economy intensified twice in its recent history: first in the nineteenth century when it acquired a new role as the nodal point of commercial and trade networks with Europe; and secondly since the 1980s when Turkey has experienced an economic restructuring. Here we discuss these two transformations by narrowly focusing on their impacts on the morphology of commercial activities. More specifically, we elaborate on (1) the reallocation of resources and power within the sphere of urban commerce, (2) the emergence of new consumption landscapes, and (3) the recomposition of urban form in relation to commerce. The first transformation was well represented by the shift of power from the state and the guilds to foreign capital and local merchants of minority groups. In spatial terms, the transformation was depicted by the shifting of the commercial hub from the Grand Bazaar to Pera’s Grande Rue. The second transformation has been represented by the shift of power from traditional, small traders to large domestic and foreign corporations. The spatial expression of the transformation has been the new spatial imprint of urban commerce with its free-standing stores, multiple establishments scattered throughout the urban system under a common ownership, and large purpose-built shopping center developments.

*Corresponding author. E-mail: sthomas@math.rutgers.edu

Twice in its recent history, Istanbul’s involvement in the capitalist world economy gained a new momentum compared with the previous time periods: first in the nineteenth century when, parallel to the decline of the Ottoman Empire, Istanbul acquired a new role as the nodal point of commercial and trade networks with Europe (Kasaba, 1988; Keyder and Öncü, 1994); and secondly after the 1980s, when Turkey has experienced an economic restructuring which has once again increased Istanbul’s integration with the world economy (Keyder and Öncü, 1994; Sönmez, 1996).

This article brings the two transformations together, calls attention to the remarkable similarities between the pre-1914 era and the current period, and asks the question of the extent to which the increasing involvement of Istanbul in the capitalist world economy has brought changes in its urban form. The emphasis is on urban form in relation to commercial activities (wholesale trade and especially retailing), and the discussion elaborates on (1) the reallocation of resources and power within the sphere of urban commerce, (2) the emergence of new consumption landscapes, and (3) the recomposition of urban form in relation to commerce.

During both transformations, Istanbul witnessed a similar intensification of global circuits and flows (of money, goods, people, ideas, and brand names) and of power shifts (between the state and markets, and among distinct social groups whose existing power relations were both reinforced and undermined by global circuits and flows). We are interested in finding out how these changes were translated by a specific group of urban actors (wholesalers and retailers) into practices which transformed Istanbul’s commercial landscape. This specific group of urban actors is of primary interest because, through the selling of commodities, they enlarge money capital and, by creating new consumption landscapes, they contribute to the restructuring and control of the urban space.

The first section of the article deals with the trans-
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formation that Ottoman Istanbul experienced in the nineteenth century up to 1914. In the sphere of urban commerce, in terms of changing power relations, the transformation was well represented by the shift of power from the state and the guilds to foreign capital and local merchants of minority groups. In spatial terms, the transformation was depicted by the shifting of the hub from the Grand Bazaar to Pera’s Grande Rue.

The second section starts when, after the First World War, the power shifted back to the state during a time of nationalism in the republican era. However, the focus is on the post-1980 period, when the private entrepreneurial sector looked ready to take the leading role in the development process from the state and established a large number of world-market oriented concerns in Istanbul. In the sphere of urban commerce, in terms of changing power relations, the transformation has been represented by the shift of power from traditional, small traders to large domestic and foreign corporations. The spatial expression of the transformation has been the new spatial imprint of urban commerce in the city with its free-standing stores, multiple establishments scattered throughout the urban system under a common ownership, and large purpose-built shopping center developments.

Our concluding remarks elaborate on how the increasing involvement of Istanbul in the capitalist world economy in two different time periods contributed to changes in the economic and spatial organization of urban commerce. Of course, participation in the world economy was but one determinant of the changes in the commercial landscape. Similarly, the degree of integration into the world economy also affected other aspects of urban development, not only urban commerce. Our intentionally narrow focus on the morphology of commercial activities leaves many other spheres open to further research.

A historical account: up to 1914

The changing commercial function of Istanbul in the world

Ottoman Istanbul was a world city both in the classical period, up to the sixteenth century when the Ottomans administered and controlled an expanding world empire, and later when the overall Ottoman system deteriorated but still showed impressive signs of vitality (Kasaba, 1988). Istanbul had always been a major consumer market of the empire, the demand originating from the civilian population of the capital and the palace making its bazaars the final destination of trade (Farquhi, 1984). Trade linked the sites of agricultural production with Istanbul’s consumption and was the main link between the Ottoman Empire and the capitalist world economy (Kasaba, 1988; Farquhi, 1984).

In the classical period, not only was the empire ever-expanding, but also the Mediterranean and Black Sea commerce was at the core of world trade. Also importantly, markets were almost completely subordinated to the state (Kasaba, 1988). Later on, the gradual decline in the economic power of the empire, due, among other forces, to the shift in world trade routes and the sharp decline in the relative importance of the Mediterranean during the seventeenth and eighteenth centuries, changed Istanbul’s position as a world city. As the European economy expanded, Istanbul acquired a new role as the nodal point of commercial and trade networks with Europe and became a major port of entry for steamships and imports from Europe (Mansel, 1996; Çelik, 1993).

In the process, there were consequent power shifts. First of all, as the central administration continued to weaken, the benefits of intensified trade slipped out of the hands of the state and into foreign capital and its partners in Istanbul. Within the indigenous merchant class, the shift was towards the city’s Armenian and Greek communities, at the expense of the Muslim population. In spatial terms the translation of the intensification of trade with Europe and the consequent power shifts was the transformation of the commercial landscape of Istanbul: the northern side of the Golden Horn (Galata and Pera) grew in importance at the expense of Istanbul proper (the Istanbul peninsula). We will now present a more detailed account of the transformation.

The changing morphology of commercial activity in Istanbul

In the case of commerce, the classical period was identified with the Grand Bazaar which stood out in a dense urban fabric of wooden houses and narrow, irregular, semi-private dead-end streets. Istanbul was a Muslim city with organically developed neighborhoods that grew around religious cores. Life was lived indoors, with the outside world excluded. Instead of large avenues and large public spaces, Istanbul had an organic and irregular fabric with “crooked narrow lanes, not one of which deserves the name of street”.

1 The state’s unquestionable ability to control production and distribution could not be overestimated. To support the population, the government wanted all products available in the city. The palace was a good customer for foreign luxuries, and consumed so much food that on one occasion, in 1577, all slaughter of mutton and lamb in the Balkans was forbidden: they were needed for the privileged residents of Istanbul. For provincials, goat or beef would do (Mansel, 1996). Similarly, the region around the Sea of Marmara was organized according to the needs of the capital; the vineyards of the Aegean coast of Anatolia and their output of grape syrup, raisins and pickles was also reserved exclusively for the needs of the Ottoman capital (Farquhi, 1984: 78). For the Ottoman sultans, supplying their capital with cheap food was a priority: meat and bread corn (from Anatolia and the Balkans), butter and salt (from the Crimea), olive oil (from Athens and Crete), sugar (from Cyprus), spices (from Egypt), coffee (from Yemen), and everything else came from all corners of the empire, and was distributed and sold by guild members with low profit margins under the close supervision and control of the government. Cloth, paper, leather, and glass were imported from Europe; perfumes came from Egypt, wool from Salonika, silk from Iran and Bursa, soup from Syria, and gold and precious stones from India and the Far East.
The Turkish–Islamic character of the city was due to the ways through which life was organized in the city rather than its population (Muslims constituted 58 to 55 percent of the city’s population for many centuries). The traditional Ottoman system was decentralized and services (ranging from health and education to charity and social security) were provided by various autonomous communities called vakıfs (foundations). Private persons established permanent endowments of their real estate by a deed of restraint (vakif system); so that through these charitable religious funds, mosques could provide their surrounding communities with soup kitchens, hospitals, hostels for traders, schools, and baths; i.e. private persons surrendered their power over the disposal of their real estate so that the property could be used for the provision of services (Celik, 1993; Wheatcroft, 1993). In return, people secured their estates from confiscations, insured an income for their descendants since they were entitled to pensions, and even had direct financial benefits since the religious charitable funds were empowered to lend money at interest, a practice otherwise prohibited by Islam. “Piety and prudence worked in harmony, and [Istanbul] acquired a huge stock of religious buildings, schools, fountains, markets, public baths and libraries, all endowed by the Faithful” (Wheatcroft, 1993: 145–146). Vakıfs dealt with a very wide spectrum of building types: mosques, educational buildings (medreses, mekteps, and libraries), public works (fountains, roads, aqueducts, pavements, and bridges), and charitable institutions (hospitals, soup kitchens).

Wholesaling and retailing were controlled by lonicas (guilds) which were developed under the protection of the government as an instrument for the effective control of the population and economy. Guild membership provided security to the bazaar merchants, which was particularly necessary when so many were producer–retailers. Manufactured goods were produced in the bazaar, within small workshops which also served as retail establishments. Guild members rented their shops from vakıfs which used çarıs (markets) as an important source of income. Çarıs with their covered bazaars (bedesten), and hostels for traders (hans), which were grouped together and formed a business center in the immediate proximity of the covered markets, were one of the two essential elements of the Muslim city, the other being the central mosque. In the case of Istanbul, the central mosque was Aya Sophia (Haghia Sophia); and, as in other Muslim towns (such as Bursa, Ankara, Kayseri, and Sivas in Anatolia), bedesten (the central part of the Grand Bazaar) together with a sizable number of hans around it, was the core of its commercial life. Hans were two- or three-story structures built around a central courtyard, often with a pool in the middle. They tended to specialize in a limited range of goods; the upper floors were used for wholesale transactions, while the ground floors and basements were used for storage (Costello, 1980).

The Grand Bazaar (Kapalıçarşı), whose construction was started in 1455, continued to be the commercial center of the city for the next four hundred years. Another similar bazaar was the Egyptian Bazaar (Misir Çarısı, bazaar for drugs and spices) which was laid out in 1560, and rebuilt in stone in 1609. The oldest and largest hans were, and still are, on the streets leading from harbor to the Grand Bazaar. Valide Han, the great resort of Persian merchants with about 400 rooms; Büyük Yeni Han, with 320–350 rooms; Sümbülli Han; and Mahmut Pasa Han are among the estimated 200 hans which the Encyclopaedia of Islam likens to the Italian fondachi.

In the city, retailing was conducted under the close scrutiny of the state. Every Wednesday, the grand vizier himself inspected the markets of the city: the Egyptian spice bazaar, Galata’s fish market, and of course the Grand Bazaar. The covered bazaar, a labyrinth of arcaded alleys lined with some 4,000 stalls with every product having its particular street, had its own mosques, courtyards and fountains, and also functioned as the stock exchange and bank.

In 1546, according to one study, there were 4,730 shops belonging to private foundations in the city, along with 987 located in provincial towns but serv-

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2As mentioned before, the government’s ability to control agriculture and manufacturing in the economy and to ensure the exploitation of every other province in the empire just to keep Istanbul prosperous was obvious: “By 1700 [the city] was consuming about four million sheep, three million lambs and 200,000 cows a year, and 500 tons of wheat a day. In winter each of the city’s 133 ovens had to have a reserve of three months’ supply of wheat to ensure cheap bread. Coffee and rice were forbidden to leave the city so that abundance shall reign . . . Government policy, and the system of feeding the poor through the mosques, kept Constantinople one of the best fed cities in Europe” (Mansel, 1996: 119). Supplies were guaranteed by a complex system of assigning quotas to registered rural farmers and making sure that they were bought at low prices, brought to the capital and sold cheap. For example, “the Christian inhabitants of Hemsin [in the Black Sea region] every year sent the Palace in Istanbul . . . 7,092 kg of honey, . . . 2,560 kg of beeswax and the same quantity of clarified butter. Delivery was demanded in lieu of head tax. In order to guarantee the punctual arrival of these foodstuffs and raw-materials, the administration of the Sultan’s kitchens even procured a special rescript protecting the peasant producers from the exactions of local dignitaries . . . [O]n the entire western coast of Anatolia, the sale of grapes to producers of wine was forbidden in numerous rescripts” (Faroqui, 1984: 77–82). Here we should add that the Ottoman Empire did not interfere with the religious or cultural practices of its subjects. It allowed them to practice their faith and maintain their own identity and patterns of authority. In return, they paid special taxes for the privilege. For similar arrangements for olive oil and grain see Issawi (1980), pp. 24–25.
ing religious foundations in the capital. In addition, there were 2,300 shops belonging to the vakif of the Aya Sophia mosque (Barkan and Ayverdi, 1970, cited in Faroqhi, 1984), and many more belonging to the Sultan’s own foundations. Thus Faroqhi estimates that in 1550, Istanbul must have contained many more than 10,000 foundation-owned shops actually tenanted by craftsmen and merchants (Faroqhi, 1984).

All ethnic groups were involved in urban commerce: Turks were in foodstuffs retailing since even before the Ottoman conquest of Constantinople when the hinterland of the city passed into Turkish hands, because it was easier for the Turkish colony to maintain steady relations with the outlying districts (Johnson, 1922). In contrast to the ethnically organized neighborhoods of the city where religious leaders had a controlling power, in the commercial areas, people of different religious and ethnic groups worked side-by-side under the control and supervision of the guild leaders (Çelik 1993). This soon changed as the empire started to decline.

The relative economic and political decline is usually explained by the following factors: “the increasing cost of armaments and war; population changes; the great inflation of the sixteenth and seventeenth centuries and the continuing rise in prices in the eighteenth; technological stagnation in agriculture, transport, and the handicrafts; . . . an unfavorable balance of trade with, and outflow of bullion to, Iran and India; and the effects on the Ottoman economy and society of increasing contacts with Europe” (Issawi, 1980: 1).

In the nineteenth century, the influx of European machine-made goods devastated local manufacturing. The progressively greater linking of the city with the capitalist world had further consequences for the organization of retailing within Istanbul. The effect of European merchants setting up in business in the city and the importation of foreign goods was disastrous for many of the producer–retailers and the crafts guilds. The number and importance of producer–retailers declined, as the city (especially Galata and Pera) became an outlet for imported European products. At the same time, the minority groups (the Armenians who became the main merchants from the early eighteenth century, the Greeks, and to a lesser extent the Jews) had obtained a commanding lead in the trade and finance of the empire. In 1838, a treaty opened the empire to foreign capital; and the minorities became the most dynamic intermediaries between European capital and local markets, as well as continuing to be the leading local entrepreneurs. In 1850, there were 36,000 Armenian merchants, artisans, and shopkeepers in Istanbul in such important trades as jewelry, many branches of textiles, gold, silver, copper work, and export business. Shoemaking, carpentry, masonry, breadmaking and import business were in the hands of the Greeks. The antiquity dealers and rug merchants were Jews (Issawi, 1980).

The distinction in function between manufacture, wholesale and retail led to increased land-use differentiation and specialization. This, together with efforts to transform Istanbul into a more Western city, changed the commercial landscape of the city by increasing the importance of the north of the Golden Horn (Galata and Pera) at the expense of Istanbul proper (the peninsula). Galata had been the non-Muslim center of the capital since the conquest, and remained a suburb until the 1840s. “As the empire gradually submitted to the economic dominance of Western powers, Galata naturally became the first place to accommodate European tradesmen and to develop according to their needs, while Istanbul preserved its traditional and predominantly Muslim character” (Çelik 1993: 42). Consequently, the cosmopolitan Galata grew in importance. So did the upper-class residential quarter Pera (Beyoğlu), which was located on the hill to the north of Galata. The hub of the city became the kilometer-long bridge across the Golden Horn; and Istanbul proper (the peninsula) became secondary to Galata and Pera across the bridge, and eventually was abandoned to the working class. “Between 1838 and 1847 land values in Pera rose by 75 per cent; between 1820 and 1850 rents in the Grand Bazaar fell by 90 per cent” (Mansel, 1996: 284). In 1875, a short underground funicular railway (İstanbul Tünel) was opened between Galata and Pera’s main street Grande Rue de Pera (today’s İstiklal Caddesi), strengthening the importance of Galata and Pera as opposed to Istanbul proper (today’s Eminönü district).(Fig. 1)

In the nineteenth century Karaköy, at the foot of the Galata Bridge on the Galata side, developed as a business center especially associated with international trade and banking. The strip along the Bosphorus shoreline from Karaköy toward Tophane and Kabatas evolved into a commercial waterfront. Pera turned into a up-market Western shopping area. Although Galata and Pera benefited more from the urban reform, efforts to build wide streets also changed the commercial core of the peninsula: “the connection of the Eminönü quay [at the other foot of the Galata Bridge] via the commercial zones to Beyazit and the Divanyolu was achieved. Beyazit was also linked to the Marmara shore, and the widened Divanyolu was given a new monumentality” (Çelik, 1993: 80).

The physical reorganization of retailing was but one aspect of a series of changes resulting from a shift in individual producing and retailing to foreign capital with its own organization. In fact, the results of the efforts to establish a more modern city administration were more substantial, because they dissolved the traditional decentralization and introduced centralized control. A more Western administration replaced the old institutions and stripped the vakif and lonaça authorities of their powers, by forming commissions to accommodate European tradesmen and to develop according to their needs, while Istanbul preserved its traditional and predominantly Muslim character” (Çelik 1993: 42). Consequently, the cosmopolitan Galata grew in importance. So did the upper-class residential quarter Pera (Beyoğlu), which was located on the hill to the north of Galata. The hub of the city became the kilometer-long bridge across the Golden Horn; and Istanbul proper (the peninsula) became secondary to Galata and Pera across the bridge, and eventually was abandoned to the working class. “Between 1838 and 1847 land values in Pera rose by 75 per cent; between 1820 and 1850 rents in the Grand Bazaar fell by 90 per cent” (Mansel, 1996: 284). In 1875, a short underground funicular railway (İstanbul Tünel) was opened between Galata and Pera’s main street Grande Rue de Pera (today’s İstiklal Caddesi), strengthening the importance of Galata and Pera as opposed to Istanbul proper (today’s Eminönü district).(Fig. 1)
undertake their social service responsibilities including the provision of basic needs (mainly foodstuffs) and the control of markets (Çelik, 1993). As the city became more and more Western with more and more involvement of European capital, foreign traders attacked the monopolies of the city guilds and filled the city with their own shops. French, German and British communities, each with its chamber of commerce, helped transform Pera and Galata. Pera’s streets were “bordered with shops kept by Italians, Greeks, and Frenchmen” (Smith, 1850: 50, cited in Wheatcroft, 1993: 150). Along the Grande Rue, trade flourished in the shops and department stores stocked with luxury European goods. Hayden’s store of English fabrics, Madame de Milleville’s apparel shop, Madame Vapillon’s boutique, Paquin d’Istanbul, La Maison de Modes Françaises, La Maison de Modes et de Fournitures pour Dames, Salon de Modes, and Madame Trophe’s millinery were the clothing stores that dominated the Grande Rue (Naum-Duhani, 1947, cited in Çelik, 1993). Istanbul hosted quite a number of department stores such as Louvre, Au Lion, Bon Marché, Au Camelia, Bazar Allemand, Carllmann et Blumberg, Orosdi Back, Au Paon, and Baker Business (Toprak, 1995). The Bon Marché specialized in household articles, leather goods, stationary, hunting equipment, cosmetics, jewelry, bronze art objects, toys, optical instruments and eyeglasses, photographic equipment, drugs, gloves, hosiery, women’s lingerie, umbrellas, clothing, china, crystal, wines, and liquors. The Bazar Allemand also had a diverse collection of articles, but was famous for its clocks and cuckoo-clocks (Naum-Duhani, 1947, cited in Çelik, 1993: 133–134).
Running off the Grande Rue de Pera were covered passages lined with shops, typical of nineteenth century Paris. One of them (the Cité de Pera) occupied a surface area of approximately 4,600 square meters with its two large and nineteen small stores (Çelik, 1993). “When the luxurious Cité de Pera (today’s Çiçek Pasaji) was opened in 1876, the newspaper La Turquie called it a monument of which even Paris would be proud” (Mansel, 1996: 287). Two other galleries (the Passage d’Europe with a variety of shops and the Passage Crespin with its shoemakers) were also “miniature models of their European precursors, replete with metal structures, glass roofs, and ornate neoclassical interior and exterior façades” (Çelik, 1993: 134).

In sum, the Westernization efforts of the 19th century turned Istanbul into a dual city: Istanbul proper on one side and Galata and Pera on the other side of the Golden Horn. This was accompanied by the division of the urban economy into different sectors—the traditional, small traders and large domestic and foreign capital—each of which having its characteristic retail outlets. The traditional outlets, sometimes still producer–retailers, survived especially in Istanbul proper. There also appeared a new type of heterogeneity as the “classical balances of the ethno–religious division of labor and hierarchy were transformed” (Keyder and Öncü, 1994). That is, the Armenian and Greek communities prospered, at the expense of the Muslim population of the city, again yielding an increasingly bifurcated city.

When the First World War brought about the destruction of the Ottoman Empire, Istanbul’s role as the nodal point of commercial and trade networks with Europe disappeared. The city lost a substantial part of its commercial relations especially after the nationalists established a new republic from the shards of the old empire. In 1924, Ankara was declared the capital of the new Turkish Republic, partly because of its geographic and strategic position, secure against intrusion of foreigners, and partly because of its symbolic value for the nationalist struggle.

Istanbul symbolized corruption, insidious traditions, intrigue and cosmopolitanism, and should be reduced to being the second city of a republic, after existing as an imperial capital for 1,593 years (Mansel, 1996). Consequently, the foreign capital was eliminated, the dominance of minority groups was diminished, and finally Istanbul was stripped from its responsibilities as the capital. The result was a dwindling of commercial activity as well as of population. By 1922, the population of the city had declined to around 600,000 from an estimated 1.1 million before the war. The upheavals of the 1908–23 period had already led to the reduction of its minority groups, leaving the Turkish Republic with the problem of the absence of a Muslim–Türk bourgeoisie in trade (about 150,000 Greeks left the city during 1922–1924). Eventually, more and more minorities left, first after 1942 when a tax levy penalized minority businesses, and then after 1955 following some serious riots. After all these upheavals, there remained only a Greek community of 2,000. The elimination of European capital and the diminishing of the minority groups transformed Istanbul into a much more homogeneous city (ibid.).

A more contemporary account: up to the 1990s

The changing commercial function of Istanbul in the world as a national city of a republic

Istanbul’s location, which “seemed to have been expressly created to receive the wealth of the four corners of the earth” in Mansel’s words (Mansel, 1996: 2), did not mean much during the first 6 decades of the republic. Not only did the early industrialization efforts of the republic bypass Istanbul at least until 1945 (Keyder and Öncü, 1994), but also its locational advantages became meaningless. Turkey was surrounded by inward-looking nation states, each with their own closed markets, such as Bulgaria, Romania and the Soviet Republics. Neither did having easy access to the Black Sea mean much; nor to Africa, the Mediterranean, the Danube, or the Euphrates for that matter. The government had to create a Muslim–Türk bourgeoisie which would start producing for the domestic market.

The creation of the business class became an official project of the republic. The state started, in the 1920’s, to construct an entrepreneurial bourgeoisie out of returning Turkish émigrés from the lost provinces of the empire, especially the Crimea, who were given properties and enterprises left by departing or dead Greeks, Armenians, and Jews (Keyder, 1979). In the post-1945 period, Istanbul finally emerged as a participant, this time as part of a national development program through state-protected import-substituting industrialization. Many Anatolian merchants transformed themselves into an industrial bourgeoisie and many of them located in Istanbul. This was accompanied by a remarkable influx of Anatolians. The population began to grow at an overwhelming rate reaching 3 million in 1970. The state not only created the business class, but also protected it through the growth strategy of import-substitution industrialization. Consequently, the city became an industrial center producing more than its share for the whole country: in the late 1970s more than 30 per cent of the country’s industrial value-added was realized in and around Istanbul. The large domestic market, the oligopolistic structure, and strong support and protection from the state made easy profits possible, especially for the newly emerging industrialists. By 1973, 44 per cent of all private manufacturing establishments employing more than ten workers were located in Istanbul, accounting for 51 per cent of total employment in Turkish private industry (Keyder and Öncü, 1994). This was accompanied by the prolifer-
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For the first 6 decades of the republic, the economy was producer-driven; the basic concern was that of production and availability of goods. Distribution was a secondary concern and was left to a traditional small-scale network of traders. Agricultural goods were produced by a large number of growers, and distributed by a great many wholesalers and brokers who determined the price and enjoyed high profit margins (more than 70 per cent of the selling price of vegetables according to Erem, 1989). Goods went through channels in which growers and manufacturers sold to wholesalers, and wholesalers to several levels of sub-wholesalers before reaching the city’s retailers. Small-scale, capital-weak, independent, family-owned and single-location retailers dominated the industry. Without the guilds, retailing became a trade known for its high turnover, characterized by ease of entry and a high rate of attrition.

A further distinction in function between manufacture, wholesale, and retail led to increased land-use differentiation and specialization. During the 1950–1965 period, the city’s up-market commercial strip slid towards the north as far as Osmanbey along Hala-skargazi Caddesi via Taksim-Harbiye. Also, as an extension from Karaköy and Kabatas joined the branch coming down from Taksim via Gümüşsuyu Caddesi, the up-market commercial strip expanded. Meanwhile the separate centers of Mecidiyeköy and Besiktas began to attract commercial activities. The opening of the Bosporus Bridge between Asia and Europe and its beltways in 1973 further increased the accessibility of the Taksim–Sisli–Mecidiyeköy–Büyükdere axis, thus adding to the importance of the area. Between 1965 and 1984, up-market commercial activities reached Mecidiyeköy (Tekeli, 1994).

All these developments were at the expense of Istanbul peninsula and Pera, especially in terms of prestige; but as long as warehousing activities continued to be a very important part of urban commerce, Eminönü and Karaköy remained part of the central business district. Despite a decrease in the relative importance of Eminönü, for example, this area continued to be the most important center of wholesaling with 48 per cent of the area between the Atatürk and Fâth Bridges being covered with open and closed storage areas. Even in 1980, 25 per cent of wholesale and retail establishments (72 per cent of all wholesale trade establishments) were located in the Eminönü area. The same year, 11.6 per cent of wholesale and retail establishments were located across the bridge in Karaköy (Tekeli, 1994).

The government’s influence on retailing and distribution systems through participation and regulation was also notable in the city, but did not undermine the private sector. The government controlled the entire supply of certain products, such as tea, tobacco and alcoholic beverages, for which it enforced uniform prices; and encouraged the formation of consumer cooperatives for government employees (such as Ordu Pazarlari) or for urban populations in general (such as supermarkets with municipal ownership). However, despite government-supported efforts large retailers were never widely diffused nor adopted by consumers as their main food retailing institution. By 1975 the city had a population of 3.9 million. Small retailers remained the main retail institution for most of the population.

Multinational retail firms were almost unheard of. The only exception was the Migros-Türk supermarket in Istanbul, which remained as the unique example until the withdrawal of the Swiss Federation from the Turkish market in 1975. Migros-Türk’s Swiss partner left Istanbul just before a deep economic crisis hit the country in 1978–79. This crisis caused the government to take important steps toward stabilization of the economy. Much of the burden fell on imports, which resulted in severe shortages of basic commodities. The following years brought deep economic problems, reflected in black markets and scarcity of even the most basic consumption items. In the late 1970s, a large number of basic necessities, from liquid fuel to coffee, were only available on the black market. This was the time period when Tahtakale (in the Covered Bazaar area) developed into a center for the blackmarket in foreign exchange.

By 1980, the city’s population was 4.7 million; and even though the ministries and government organizations were all located in Ankara, the largest domestic conglomerates such as Koç, Sabancı, and Çukurova had their headquarters in Istanbul. The city was showing promise that in the future it could easily become as at the height of the Byzantine and Ottoman Empires, the largest city in Europe. However, the demographic growth had not been accompanied with influx of wealth. Moreover, much of the domestic production was crucially dependent on the availability of imports. It soon became clear that the import-substitution strategy, which was largely successful in the early phase of creating an industrial base in consumption goods, would find it increasingly difficult to perform well in the phase of intermediate and capital goods (Senses, 1986, 1991). A new model of development with an outward-oriented strategy emerged which aimed to develop the export potential of the country by recognizing and coming to terms with global competitive conditions.

The consequent transformation reshaped Istanbul and made it the “capitalist” capital of the country, if not the administrative one. The private sector was called on to play a more dynamic role in national growth, and to gradually take the leading role from the state, even though state funding never lost its importance. On the contrary, in the 1980s, Istanbul received a major influx of state funding for the first
time in the history of the republic (Keyder and Öncü, 1994: 397). In the late 1980s and the 1990s, again with the help of the state, business relationships with Europe were tightened through both direct foreign investments and the formation of European–Turkish alliances, which were explicit responses to the perceived threats posed by the 1992 program (The Single European Market—for the European investors) and to the threats posed by the 1996 factor (the customs union with Europe—for the Turkish firms) (Tokatli and Boyaci, 1997). Moreover, in the post-1980 period, Turkey began to promote itself as a prospective bridge between the capitalist world and the former Soviet republics. Consequently, large Istanbul-based companies such as Koç, Sabanci, and Çukurova opened businesses with global concerns (with or without the cooperation of foreign companies) in a large range of areas from manufacturing to producer services and retailing.

Between 1983 and 1989 the local government conducted numerous projects designed to enhance the global image of Istanbul and thus encourage investment. Among them were a series of ambitious infrastructural investments and urban renewal projects during which, among others, Istanbul’s wholesale fresh produce market and the hardware/industrial spare parts district (Persembe Pazarı) was also dislocated (Keyder and Öncü, 1994). This was just one example of how enhancing the global image of Istanbul had the potential of hurting small businesses. Since 1989, and especially after 1994, when an Islamist political party with anti-Western themes won the mayoralty of Istanbul after successfully building a nationwide grass-roots party organization and establishing especially successful contacts with the low-income residents and small businesses, urban renewal efforts have slowed down. Even though “globalization” continues to be a highly used phrase in administrative and business circles, the threat posed to the small businessmen by large domestic and European corporations in many areas, including retailing, has probably played an important role in the rise of the Islamist party which has a protectionist attitude. However, the rise of the protectionist attitude does not really undermine the fact that Istanbul’s economy is now firmly linked to the developed economies of Europe and the rest of the world. Retailing is only one area demonstrating this. We will now turn to a more detailed account of the commerce-related changes in the city.

The changing morphology of commercial activity in Istanbul in the post-1980 period

In the 1990s, Istanbul has experienced some changes concerning the reallocation of resources and power within the sphere of urban commerce, as the domestic components of commerce (wholesaling and retailing) have started to receive attention from large domestic and foreign capital. This has led the emergence of new consumption landscapes, and changed the recom-

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3 The description of the internationalization of the Turkish retail sector, and the explanation as to why it happened in the late 1980s and the 1990s can be found elsewhere (see Tokatli and Boyaci, 1997).
Figure 2  Istanbul in the 1990s and the new spatial imprint of urban commerce.
increases in per capita income in the country since 1980. This was partly thanks to the new industrialization strategy which brought the liberalization of foreign trade and exchange transactions, provision of generous fiscal incentives to exporters, encouragement of foreign private investment, and increased reliance on market forces in line with the privatization objective. In 1982, the per capita income was $1,152 for the country; in 1995 it rose to $2,685 per capita with total consumer expenditure of $1,406 per capita. Istanbul has been associated with a disproportionate share of the increases in national income, due to the fact that the increase had come from interest, rent and profits, whereas there had been a sharp decline in the share of both agricultural incomes, and wages and salaries (Boratav, 1986; Senses, 1991). The consequent transfer of resources from rural areas to Istanbul primarily, as well as to the other large cities of the country, has created a segment of relatively well-off urban population; much better-off than the average statistics imply. This has meant substantial improvements in the standard of living, at least for some segments of the population, even though the rate of unemployment increased in the 1980s (nationally 15–20 per cent of the active population of the country, depending on the source) and there have been absolute declines in the standard of living of large segments of the population.

All these developments have been playing an important role in the recomposition of consumption landscapes, as well as in the recomposition of the urban form. First of all, large domestic and foreign capital has introduced a new spatial imprint to Istanbul with their large and free-standing stores, multiple establishments scattered throughout the urban system, and large, purpose-built shopping center developments.

Up-market retail ribbons of the Sisli/Mecidiyeköy commercial strip such as Vali Konagi Caddesi and Rumeli Caddesi reveal the new participants in urban commerce by accommodating quite a number of foreign retailers such as the Marks and Spencer department store or Max Mara and Gianni Versace boutiques (Figs 3 and 4). Around these commercial areas, well-to-do Besiktas neighborhoods such as Sisli Merkez, Etiler, Türkali, Bebek, and Nispetiye house affluent residents of the city supporting abundant shopping possibilities. Besiktas’s Akmerkez shopping center (Etiler), which was opened in 1993 with its 55,000 square meter sales area, does not share much with the Grand Bazaar. Its claim to fame is the double awards that it received from ICSC-Europe and ICSC-International for the best shopping mall in 1995 and 1996. Apart from shopping malls and retail ribbons along main streets, some free-standing large retailers such as Migros supermarket, MFI furniture store, Çarsi department store and Office 1 stationary store

4Akmerkez has so far been a successful shopping center with no vacancy in 1996 and rent rates as high as $150 per square meter and sale rates as high as $1,400.

are also affecting the recomposition of the urban form in this part of the city. Their major influence has been the launching of the commercial areas even further north towards Levent-Maslak where transportation and the availability of large pieces of land for retailers offer new possibilities. (See Fig. 2)

On the other side of the Golden Horn, Istanbul extends westward all the way to Bakirköy, another large residential area with its affluent Yesilköy, Yesi-lyurt and Ataköy neighborhoods. This district’s up-market retail ribbon, İstasyon Caddesi, accommodates many up-market retailers. In Bakırköy area, three Western style shopping malls house large foreign retailers such as Printemps and Toys R Us, large domestic retailers such as Migros and Begendik, and many other up-market retailers. Galleria shopping mall with its 79,000 square meter sales areas, was opened in 1987; Atrium in 1992 and Carousel in 1995. Here, as well, following the major transportation routes, free-standing large retailers push the commercial areas in several directions: towards Günsel (Spectrum station-ary store, Metro Hypermarket, Mr. Bricolage DIY, Contour Hypermarket), towards Merter (Migros Hypermarket, Tem Hypermarket, Götzten DIY), and towards Avci (Kiler Hypermarket).

On the Anatolian side, there is Kadiköy with its up-market commercial strip Bagdat Caddesi, and affluent

Figure 3 Foreign retailers on Sisli’s up-market retail ribbon: Marks and Spencer and McDonalds.
The changing morphology of commercial activity in Istanbul: N Tokatli and Y Boyaci

neighborhoods such as Bostanci, Caddebostan, Cafertas, Erenkoy, and Fenerbahce. The commercial center on the Anatolian side is now sliding towards Altunizade and Kozyataki, thanks to locational choices of some of the largest corporations for their headquarters. Carrefour Hypermarket has been located there since 1996, together with Bauhaus DIY. Even further to the south-east along the Marmara shore, there are now important commercial developments, once again thanks to some free-standing large retailers. Ismar Hypermarket, AS2000 DIY, and Spectrum stationary store are all located in Kartal/Pendik area.

Despite all of these up-market supermarkets, hypermarkets and department stores, the average citizen of Istanbul, together with the urban poor a step further down in the hierarchy, make sure that more traditional forms of retailing (such as small-scale retailing, street trading and hawking) still persist in almost all neighborhoods of the city. Many small retailers, which serve these groups, have already slipped down the hierarchy due to the imposition of larger retailers on smaller ones; some have found ways to accommodate themselves at lower levels. Others used the new economic opportunities and challenges to lift themselves up somewhat in the hierarchy. There are now concerns as to whether small retailers will suffer more from the imposition of larger retailers on smaller ones in the city. As large retailers utilized their strengths and successfully captured an increased market share in the late 1980s and early 1990s, the complaints of small business organizations have concentrated on the emergence of big and medium-sized local chains and their disruptive effects on traditional retail outlets. According to one source, the total number of bakkals (traditional corner stores) in Istanbul decreased from 16,527 in 1987 to 11,800 in 1992 (Yardimci, 1997). It is quite difficult to document the displacement impacts of large retailers because retailing has always been known for its high turnover, characterized by ease of entry and a high rate of attrition. The process has certainly already created quite a number of losers among the ranks of small retailers.

On the other hand, there are those even among the underprivileged who are trying to benefit from the city’s new role. “Manufacturing and selling more blue jeans and leather jackets than carpets and kilims, the Grand Bazaar and the surrounding hans have become the Oxford Street of eastern Europe and central Asia” (Mansel, 1996: 432). This has brought the unregistered economy new opportunities. Consequently, the unregistered economy has grown, as unregulated sales of consumer goods to smugglers from Russia, eastern Europe and central Asia alone have become an activity creating 200,000 jobs (Financial Times, 1994). The explanation of this new development is that the collapse of the Soviet Union has really put Istanbul, once again as in its Ottoman past, at the crossroads of trade routes.

Conclusion

This paper has been an effort to understand the changes in Istanbul’s commercial landscape over time by attending to the changing commercial function of Istanbul within the world economy and to the changing internal commercial relations. We have looked into the ever-changing morphology of commercial activity (wholesale trade and especially retailing) and discussed, over a time period of a few centuries, (1) the reallocation of resources and power within the sphere of urban commerce, (2) the emergence of new

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5 One subject which is left unexplored here, due to space limitations, is how small businesses are trying to react to the threats coming from large domestic and European retailers. Their struggle, through from lobbying efforts to establishing voluntary buying associations, deserves more attention. In Istanbul, one of the latest developments was the establishment of Birmar in 1997 which brought 54 small retailers together in the form of a voluntary organization.
consumption landscapes, and (3) the recomposition of urban form in relation to commerce.

At the core of the paper, there has been the spatial expression and manifestation of the two transformations that Istanbul experienced: first as the Ottoman capital in the nineteenth century; second, as the capitalist capital of the Turkish Republic since the 1980s. We have shown that in both transformations, the changes in the ways in which the state and markets are interconnected in the city, and the changing degree of integration with the outside world (especially Europe) give clues concerning the changing power relations within commerce and their manifestations in space.

In the case of urban commerce, in spatial terms, the first transformation was well represented by the shifting of the hub from the Grand Bazaar to Pera’s Grande Rue in the nineteenth century, and the emergence on the commercial scene of the European stores such as Bon Marché, Au Camelia, and Bazar Allemand. This has happened when the state and markets started to become separate and equally powerful identities competing with each other, whereas in the classical period markets had been almost completely subordinated to the state. This was also the time period when the empire gradually submitted to the economic dominance of Western powers. In 1838, a treaty opened the empire to foreign capital; at the same time, the minority groups (the Armenians, the Greeks, and to a lesser extent Jews) had obtained a commanding lead in the trade and finance of the empire.

The most recent transformation of the 1990s is also happening when the relationship between the state and markets is changing. An important aspect of the 1990s is that in this period the private entrepreneurial sector has begun to look ready to take the leading role from the state in the development process. Efforts towards a cautious and gradual retreat of the state from the economic activities have been intensified and the private entrepreneurial sector has diversified its activities beyond manufacturing. This was also the time period when a new model of development with an outward-oriented strategy emerged which aimed to develop the export potential of the country by recognizing and coming to terms with global competitive conditions. Consequently, a greater integration with international markets has been established. The recent changes in the economic and spatial organization of urban commerce should be understood in this context.

In spatial terms, the transformation was represented by the new spatial imprint of urban commerce in the city with its free-standing stores, multiple establishments scattered throughout the urban system, and large purpose-built shopping center developments.6

The way the city is stumbling towards a Western distribution system today exhibits some similarities to its own experience when Istanbul underwent a transformation into a more modern and Western city from 1838 to 1908. The transfer of Western capital and technology to both manufacturing and retailing ends is now obvious, and the rapid transmission of the Western consumption culture is clear. Many decades after the disappearance of Bon Marché, Au Camelia, and Bazar Allemand, the emergence on the commercial scene of mostly European stores became a very visible development once again. This time around the residents of Istanbul had to learn how to pronounce the names such as Carrefour, Marks and Spencer, and Bauhaus. Once again Istanbul is experiencing a transformation which serves some segments of the population more than others, thus increasing social divisions and inequality. Once again, this is not without its backlash: here the reactions of small businesses to the new transformation with or without Islamist attitudes should be mentioned.

The long-term result of the nineteenth century transformation turned out to be almost the opposite of the intended: in the twentieth century Istanbul became a national city with stronger links to the domestic economy of a national republic as opposed to a more and more cosmopolitan city of a world empire with strong ties to the West. What the long-term results will be this time is an open question.

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6For a more detailed analysis of the spatial imprint for the country as a whole, see Tokatli and Boyaci (1998).


