

Popular Imperialism: British Creditors after Ottoman Default in 1875

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On October 6, 1875, the Ottoman Empire, after struggling to deal with its financial difficulty for decades, finally declared partial default on its foreign loans. The partial default soon became a total one in April 1876, which suspended the interest defrayment for all the empire's foreign bonds except for the 1855 Loan guaranteed by Britain and France. This decision soon sparked an outcry from this besieged empire's creditors and led to a long negotiation process that ended with the establishment of the Ottoman Public Debt Administration (OPDA) on December 20, 1881. By then, the Ottoman budget deficit had exceeded LT 13 million (approximately 11.8 million British pounds).¹ The OPDA's duty was to ensure that the Ottoman Empire's foreign bonds would be repaid in spite of this huge deficit. To meet this objective, the OPDA was equipped with the authority to administer a large proportion of the Ottoman revenues that the Porte (the Ottoman government) ceded to it in the Decree of Muharrem. This historical episode can be seen as part of a larger pattern of European imperialism, as it involved the European powers' taking over of Ottoman economic sovereignty and consolidation of the Ottoman Empire's peripheral position in the capitalist world-system.

World-system is a theory that uses positions to describe the unequal economic relationship between different countries.² According to this theory, there are core countries, which are the advantaged ones that invest their capital abroad and have powerful industry or influential brands. Meanwhile, there are peripheral countries, which play the roles of raw material sources, labor

¹ Murat Birdal, *The Political Economy of Ottoman Public Debt: Insolvency and European Financial Control in the Late Nineteenth Century* (London, New York: Tauris Academic Studies, 2010), xv & 57.

² Immanuel Wallerstein, "The Rise and Future Demise of the World Capitalist System: Concepts for Comparative Analysis," *Comparative Studies in Society and History* 16, no.4 (1974): 401.

force providers, and industrial product buyers. The core countries naturally benefit the most from the world-system, and usually at the expense of peripheral countries. In the nineteenth century, a large part of the globe, including the Ottoman Empire, was still outside, or had not been fully integrated into, the world-system due to many reasons like lack of transport infrastructure or reliance on subsistence economy. To expand their markets and investment opportunities, the core countries, generally European nations, adopted various means like establishing colonies or conducting gunboat diplomacy to push other nations into the world-system, which was an important part of nineteenth-century imperialism.³ The OPDA, in the meantime, effectively facilitated the Ottoman Empire's deeper integration into the world-system as a peripheral country through its control over the Ottoman economy.

Therefore, to have a better insight into nineteenth-century imperialism, especially its pattern to impose economic exploitation on peripheral countries, it is necessary to inspect both the process of establishing the OPDA and the activities of the OPDA. While the OPDA's creation was the result of multiple factors, including the Russo-Ottoman War of 1877-1878 and efforts of creditors from multiple countries, this paper focuses on the role of the British creditors. Although their actions were hardly the most important causes of the Porte's decision to cede its financial sovereignty, the British creditors are one of the most ideal groups to examine if one wants to study imperialism in the nineteenth century. During this period, the British Empire was arguably the most powerful empire, which means that its imperialism could be considered as an especially

³ John Gallagher and Ronald Robinson, "The Imperialism of Free Trade," *The Economic History Review* 6, no.1 (1953): 7-8.

important case. Thus, this paper will provide an investigation of the Ottoman Empire's British creditors and the actions they took to facilitate the establishment and maintain the operation of the Ottoman Public Debt Administration. This investigation shall shed light on the role of the British creditors in contributing to the British imperialism, which is a role often ignored by discussions concerning this historical episode, the world-system, and imperialism. This thesis will try to add to these three conversations by stressing this neglected factor.

There are many works addressing the practices that the European powers adopted to deal with government defaults before the mid-twentieth century, but relatively few of them focus on the Ottoman case, and even fewer of them mention the interactions between the creditors and their governments. Among the studies concerning the Ottoman debt crisis, Birdal's *The Political Economy of Ottoman Public Debt* is one of the most comprehensive works that provides a detailed description of its cause and effect, and points out the fact that the OPDA facilitated the modernization of the Ottoman Empire, which traditional historical interpretations tend to ignore. Nevertheless, this work does not explore the creditors' role in the Ottoman Empire's peripheralization in the world-system, but pays more attention to "the institutional background of the peripheralization process at the domestic level."⁴

Secondary sources that talk about the Ottoman Empire's position in the world-system, on the other hand, generally do not underscore the agency of its creditors. For example, Pfister and Suter's "International Financial Relations as Part of the World-System," explains how the world

⁴ Birdal, 168.

system disadvantaged peripheral countries like the Ottoman Empire, but does not attempt to make connections between these countries' peripheralization and foreign creditors, and merely regards the latter as "a mass of small and poorly organized bondholders."⁵

Finally, scholarly articles about imperialism, like Gallagher and Robinson's "The Imperialism of Free Trade," accurately describe the guiding policies of the British Empire, which was acquiring interests through informal means if possible, and through formal annexation if necessary. Nonetheless, they put little emphasis on the interactions between interested groups and the conflicts between their interests. Instead, these articles tend to depict all these groups as a coherent body cooperating with imperial governments to expand their oversea trade, and thus neglecting the role of peripheral countries' creditors in facilitating imperialism. In short, the relationship between bondholders and imperialism is a topic generally overlooked by current historical discussion.

To produce a more nuanced understanding of imperialism in the nineteenth century, this paper attempts to address the ignored role of the British creditors by examining the Ottoman Empire's British creditors' actions. This thesis argues that to have their bonds repaid, the British creditors actively communicated with the Porte and imposed loan sanctions on it. In the meantime, the British creditors also pressured the British government with support from the media and directly lobbied their government for its intervention. These efforts contributed to the

⁵ Ulrich Pfister and Christian Suter, "International Financial Relations As Part of the World-System," *International Studies Quarterly* 31, no.3 (1987): 253.

establishment of the Ottoman Public Debt Administration. After the inauguration of the OPDA, the foreign creditors managed to integrate the Ottoman Empire deeper into the capitalist world-system through this institution's control of the Ottoman economy and the reformation it brought to the Ottoman fiscal system. Apart from its activities within the Ottoman Empire, the OPDA also adopted foreign policies that defended Ottoman interests, since the creditors' interests depended on the Ottoman economy. These policies, including protesting at unfair commercial treaties imposed on the Ottoman Empire, seeking European markets for Ottoman commodities, and annulling certain tax exemption privileges granted to foreigners, also facilitated Ottoman integration into the world-system. Meanwhile, the OPDA encouraged foreign investment as well as loans by acting as a guarantor of these funds. While these domestic and international activities increased Ottoman revenue, they furthered the Ottoman Empire's peripheralization in the world-system. All these events showed how the British creditors, who were neither significant political figures like William Gladstone nor powerful capital moguls like Lionel de Rothschild, but people no more than middle class, contributed to the European powers' greater control of the Ottoman Empire's economy and further consolidation of the Ottoman Empire's peripheral position in the world-system.

A Besieged Empire: The Ottoman Empire's Debt Crisis

Although the Ottoman Empire managed to refrain from contracting official foreign loans until 1854, the fiscal situation of this empire had become abysmal long before that year.⁶ Such difficulty was largely due to the empire's obsolete financial system. Lacking the ability to effectively control distant provinces, the Ottoman Empire chose to adopt the *iltizam* system (tax farming) in the late sixteenth century, namely renting the authority to collect taxes in these regions to local notables for a period of time.⁷ As the need for immediate funds increased in the seventeenth century due to the empire's military modernization reforms, the Porte gradually extended the duration of tax farming. In 1695 the Porte finally introduced the *malikane* system, which allowed the tax farmers to keep the authority to collect taxes for life in exchange for sizeable initial cash and annual payments.⁸ While it was the most efficient methods available to the Porte, in the long term it rendered the Porte unable to access regional resources and fostered decentralization, as tax farmers gradually turned their financial authority to political control.⁹ Consequently, when the Porte introduced tax reform in 1839, which tried to reclaim the authority to collect taxes, the tax farmers turned out to be great obstacles, and their opposition, along with the inability of the Porte's agents to collect taxes from countryside, compelled the Ottoman

⁶ Birdal, 26.

⁷ Birdal, 18; James Gelvin, *The Modern Middle East: A History* (New York: Oxford University Press, 2016), 28-29.

⁸ Birdal, 18.

⁹ Ibid.

Empire to return to tax farming in 1840, which lasted until near the end of the Ottoman Empire.¹⁰

Apart from this malfunctioning tax collection system, the Ottoman Empire's finance also suffered from the capitulations it granted to European countries. Capitulations were treaties that granted privileges, including tax exemption, right to build commercial enclaves, and extraterritoriality, to certain countries and their representatives in the Ottoman Empire. The Porte granted the first effective capitulations to France in 1569 to secure allies in Europe and encourage commercial activities.¹¹ Many later capitulations were granted for similar purposes, but as the balance of power between European countries and the Ottoman Empire began to change in the seventeenth century, the nature of capitulations changed as well. They became increasingly burdensome and detrimental to the empire, as they placed Ottoman merchants as well as industries in a disadvantaged position when competing against the European powers, led to foreign monopolies in multiple sectors, and denied the Porte a large sum of taxes.¹² Furthermore, since the modern era, the European powers exploited the Ottoman Empire's relative weakness and imposed even more capitulations that facilitated European economic penetration into the empire, which damaged Ottoman business to a greater extent and deprived the Porte of even more income.¹³

¹⁰ Birdal, 19; Gelvin, 81.

¹¹ Gelvin, 45.

¹² Birdal, 19-20.

¹³ Ibid., 20-21.

The final straw on Ottoman finance was the escalating expense to fulfill the need of Ottoman modernization reforms, which aimed to cope with military technology development since the early modern era and the changed international power balance.¹⁴ Having come to the throne in 1789, Selim III took multiple major military reform actions during his reign, including establishing European style infantry and conscription system, building modern military schools, and offering technical education for military engineers.¹⁵ Although these reforms met setbacks due to internal opposition and Selim III was deposed in 1807, Mahmud II, who came to the throne in 1808, continued his reforms, and expanded the reforms beyond military sector to include more modernization attempts like restructuring Ottoman bureaucracy and introducing modern education.¹⁶ While all these acts seem to bring promising prospects, they also meant considerable expenditure. In the meantime, the Porte's injudicious spending like palace building, although made up only a small portion of the empire's expense, further exacerbated its financial situation.¹⁷

Due to these expenses and lack of income, the empire fell into a deep fiscal predicament in the late nineteenth century, and by 1881 even the palace cooks were striking for their unpaid wages.¹⁸ To meet its budget needs, the Porte had to resort to methods like debasing its coinage and issuing banknotes to domestic creditors, yet these still could not alleviate the situation. To

¹⁴ Birdal, 18; Gelvin, 46, 80-81.

¹⁵ Alexander Mikaberidze, *The Napoleonic Wars: A Global History* (New York: Oxford University Press, 2020), 370.

¹⁶ Gelvin, 80-81; Mikaberidze, 408.

¹⁷ Suraiya Faroqhi, *The Ottoman Empire: A Short History*, trans Shelley Frisch (Princeton: Markus Wiener Publishers, 2009), 129.

¹⁸ Birdal, 57.

make the situation worse for the Porte, the interests attached to domestic loans climbed due to increasing distrust of the Porte's ability to repay the bonds, as the treasury continued to be in miserable status.¹⁹ By 1854, the interest rate required by Ottoman creditors had exceeded 15 percent, which pushed the Porte to turn to foreign creditors who asked for much lower interest rate.²⁰ Consequently, the Ottoman Empire contracted its first official foreign loan in this year to finance its war efforts in Crimea. The British investors subscribed most of this loan under the encouragement of the British government, which was the Ottoman Empire's ally during the Crimean War.²¹ This success in raising money encouraged the Porte to borrow more loans from oversea sources in the following years.

As for the bonds the Porte issued after 1854, it was also British who bought the majority of them, making British one of the most important investor groups of the Ottoman Empire.²² In fact, by the late nineteenth century, about one-third of British savings were devoted to foreign investment in multiple countries.²³ Meanwhile, newspapers across the country, from the tiniest hamlets to London city, all added columns concerning money market and foreign bonds, reflecting a general fervor in purchasing foreign bonds and stocks in the nineteenth century.²⁴ Such enthusiasm was encouraged by the fact that the average rate of return for British

¹⁹ Ibid., 24-25.

²⁰ Ibid., 26.

²¹ Ibid., 28.

²² Ibid., 28 & 88-89.

²³ Jeffrey A. Frieden, *Global Capitalism: Its Fall and Rise in the Twentieth Century* (New York: W.W. Norton & Company, Inc., 2006), 7.

²⁴ Michael P. Costeloe, *Bonds and Bondholders: British Investors and Mexico's Foreign Debt, 1824-1888* (Westport, CT: Greenwood Publishing Group, Inc., 2003),

investments abroad was 50 to 75 percent higher than the rate for domestic investments, and this prospect of considerable profits attracted a wide range of the British society to subscribing foreign securities.²⁵

Contrary to the presumption that only the wealthy people had means to invest abroad, a large number of people from middle-income groups, and in more rare cases even low-income groups, also participated in foreign investment by purchasing bonds and stocks.²⁶ Their participation was facilitated by the Foreign and Colonial Government Trust and similar institutions emerging since 1868, which allowed small investors to subscribe expensive foreign government bonds by providing shares of them at a moderate price.²⁷

Even before 1868, however, many British with relatively modest means had already started putting their money in foreign countries. For example, in the case of Mexican foreign debt, which defaulted since 1827, records showed that although there were rich creditors who possessed bonds that valued tens of thousands of pounds, most creditors were far from being affluent bourgeois but merely ordinary people who could purchase relatively small amount of bonds and whose livelihood depended on the repayment of the Mexican loans.²⁸ A petition sent to the British Foreign Office in 1836 by Mexico's creditors, on which many of whom signed their occupations along with names, as well helped reveal that the group of foreign investors was

²⁵ Frieden, 50.

²⁶ Costeloe, xxi.

²⁷ Paul F. Meszaros, "The Corporation of Foreign Bondholders and British Diplomacy in Egypt: 1876 to 1882, the Efforts of an Interest Group in Policy-Making" (PhD Dissertation, Loyola University, 1973), 14-16.

²⁸ Costeloe, 264, 275, 279-281 & 291.

mainly made up of middle class like doctors, solicitors, and manufacturers.²⁹ Although they were considerably more affluent than working class, they hardly had any political importance and their wealth was not enough to distinguish them from common British people.

In the case of Ottoman foreign debt, the situation was similar. According to the British Foreign Office's records of the communications between the creditors, the British government, and the Porte, although there were large capitalists among the bondholders, many were more ordinary bondholders who differentiated themselves from upper-class creditors. One of the divisions between these two groups can be seen from Alfred Wilson's objection to Charles Fredrick Hamond's debt settlement scheme that involved granting the Ottoman Empire considerable debt relief. In his letter, Wilson argued that the advocates of Hamond's scheme were "large capitalists, who hold principally in the oldest loans bought at low prices...content to throw off and give up a considerable sum of the nominal or bond indebtedness," reflecting different socioeconomic statuses of bondholders.³⁰ Furthermore, though exceptional, there were even cases of poor and indigent bondholders whose financial situations were exacerbated by the Ottoman default.³¹ In short, the British creditors who purchased foreign governments' stocks in the nineteenth century were less likely to be prominent, upper-class elite but tended to be no more than middle class, and the Ottoman Empire's British bondholders were no exception.

²⁹ Ibid., 283.

³⁰ Alfred Wilson, "No. 119. Mr. Wilson to the Earl of Derby," in *Correspondence Respecting the Various Ottoman Loans, 1875-76*, compiled by the British Foreign Office (London: the Foreign Office, 1876), 91.

³¹ Clara Isbella Mockler, "No.80. Mrs. Mockler to the Earl of Derby," in *Loan Correspondence*, 61; James William Redhouse, "Inclosure 1 in No.92.," in *Loan Correspondence*, 67.

Thus, the news that the Porte declared default on most of its loans was undoubtedly disastrous for a large number of the British creditors, and they soon started to organize, yet division immediately emerged. Since the loans of 1854 and 1871 were secured on the Egyptian Tribute, which was a very considerable annual revenue of the Porte, and other loans did not have such significant security, the holders of 1854 and 1871 bonds (referred to as tribute bonds) considered themselves in a privileged position to negotiate with the Porte. Therefore, these bondholders formed the Tribute Bondholders League, whose sole aim was to have the Ottoman government release the Egyptian Tribute held in the Bank of England.³² The Corporation of Foreign Bondholders (CFB), the most famous and influential British creditor organization, on the other hand, sought to reach a general settlement for all the Ottoman foreign loans, yet its agenda was fiercely opposed by the Tribute Bondholders League, who considered that a general settlement would undermine their advantage of possessing the most valuable collateral.³³ To make the situation worse, other groups of bondholders disagreed with each other as well, especially the holders of bonds without significant security (the General Debt bonds), who opposed all other British bondholder groups' settlement scheme and supported the solution suggested by the French, the most important holders of the Ottoman Empire's General Debt bonds.³⁴

³² Birdal, 41-42.

³³ Ibid., 42 & 49.

³⁴ Ibid., 48-49 & 51-52.

The Porte, naturally, was more than glad to see its creditors disunited. It took advantage of this disorganization and managed to reach a compromise with the Tribute Bondholders League as early as 1877, the year when the Russo-Ottoman War of 1877-1878 broke out.³⁵ With the loans that became available after the compromise, the Porte managed to relieve its desperate need for money during the war, and the divided bondholders lost a chance to reach a settlement at the earliest possible date, yet their division was not entirely eliminated until the establishment of the OPDA in spite of the CFB's best efforts.³⁶

Nevertheless, disagreement between bondholders only hindered the British creditors' actions, and never stopped their attempt to push the Porte into a debt settlement through all means available, but the creditors had relatively limited options and agency compared to bondholders of present era. In the nineteenth century, there were neither multilateral organizations like International Monetary Fund nor international courts and tribunals, and the creditors' governments usually preferred to turn a deaf ear to their complaints. For example, when the Venezuelan government declared default on its foreign debt in 1864, the British government soon issued official protests on behalf of the creditors, yet refused to take further actions.³⁷ In fact, the British government considered that by refraining from active intervention and taking only "earnest and friendly, but not authoritative" stance, the loss of the bondholders

³⁵ Ibid., 43.

³⁶ Ibid., 49 & 52.

³⁷ Gershon Feder and Richard E. Just, "Debt Crisis in an Increasingly Pessimistic International Market: The Case of Egyptian Credit, 1862-1876," *The Economic Journal* 94, no.374 (1984): 347-348.

would deter other British from careless speculations.³⁸ Thus, one of the major tasks of the British creditors was to persuade the British government to become involved.

In the cases that the British bondholders managed to push their government to intervene, however, it would usually lend potent support for the creditors' actions, and sometimes its support even involved military operations. In 1902, for instance, when the Venezuelan government again refused to pay foreign debts, the British government chose to coerce Venezuela into disbursement by bombarding several of Venezuela's ports.³⁹ Earlier examples of British military intervention in the name of creditors, like British invasion of Mexico in 1862 and British occupation of Egypt in 1882, as well showed the British government's willingness to drop its "not authoritative" stance when it considered fit.⁴⁰

Apart from military action, the British government and creditors also had milder options. More commonly adopted method was blocking the debtor country's access to London money market, which was very powerful leverage in debt settlement negotiations due to the fact that nearly half of all international investment took place in London at the end of the nineteenth century.⁴¹ More rarely, the creditors would impose economic control on the debtor countries, and before the OPDA's establishment, similar institutions had been established in Tunisia and Egypt with British participation.⁴² In short, the British creditors had multiple methods available

³⁸ Michael Waibel, *Sovereign Defaults before International Courts and Tribunals* (New York: Cambridge University Press, 2011), 23-24.

³⁹ *Ibid.*, 30.

⁴⁰ *Ibid.*

⁴¹ Waibel, 103-104; Frieden, 48.

⁴² Christian Suter and Hanspeter Stamm, "Coping with Global Debt Crises Debt Settlements, 1820 to 1986," *Comparative Studies in Society and History* 34, no.4 (1992): 655-656.

to them to have the Ottoman Empire repay its debt, and they were more than eager to threaten the Porte with these means, and if necessary, to impose punishment on the Ottoman Empire.

Unsettled Bondholders: the British Creditors' Pressure on the Porte

After the Ottoman Empire declared default, the British creditors, as well as creditor organizations like the CFB, naturally sought to have the Porte withdraw this decision. To achieve this goal, one approach tried by the British creditors was exerting pressure on the Porte directly.

One of the British bondholders' earliest efforts was communicating directly with the Ottoman officials. While correspondences from the creditors kept in the British Foreign Office's records were limited in number since it was the British government officials who conducted most communications with the Porte, they offer useful reflections of bondholders' reactions to the suspension of debt repayment. The most common theme was protesting the Porte's decision to declare default. These protestors ranged from relatively ordinary individuals like Clara Mockler, who entreated the Porte to continue the repayment by stating the importance of the bonds' dividend to her family, to representatives of bondholders like E.P. Bouverie and Hamond, who delivered solemn remonstrance by listing the Porte's violations of loan contracts.⁴³ While the

⁴³ Mockler, "Inclosure in No.80," in *Loan Correspondence*, 61; Edward. Howley Palmer and E.P. Bouverie, "Inclosure in No.270," in *Part II: Further Correspondence Respecting Ottoman Loans, 1876-78*, compiled by the British Foreign Office (London: the Foreign Office, 1879), 170; Charles Fredrick Hamond, "Inclosure in No.19," in *Part II Loan Correspondence*, 13.

tones of these letters differed along with the writers' identities, they all urged the Ottoman government to again abide by the terms of the bonds.

Apart from these complaints, some interested individuals wrote more aggressive letters that contained threatening intimation. For example, Hyde Clarke, a prominent banker and the then secretary of the CFB, blended his protest with implicit warning by calling the default a "ill-advised" measure which "has placed Turkey in a perilous situation" and "must still further aggravate the difficulties of the Empire."⁴⁴ Although the phrasing was vague and there was not even mentioning of punishment, the British creditors' ability to impose loan sanctions made such implication much more menacing than the literal meanings appeared.

Finally, among the communications there were also suggestions to the Porte on the repayment scheme. James Redhouse, who seconded a proposal to "assist...in a manner which may conduce to the consolidation of its [the Ottoman Empire's] financial position" during a bondholder meeting, put forward his settlement scheme that called for "favourable consideration with a greater degree of kindness" for loans contracted before 1865, along with a careful analysis of its feasibility and benefits, to the Ottoman officials.⁴⁵ It is interesting that the aforementioned meeting Redhouse attended was a meeting between bondholders of the loans of 1854, 1858, and 1871.⁴⁶ Therefore, it is likely that Redhouse was partially promoting his own interests, while

⁴⁴ Ali Coskun Tuncer, *Sovereign Debt and International Financial Control: the Middle East and the Balkans, 1870-1914* (New York: Palgrave Macmillan, 2015), 15; Hyde Clarke, "Inclosure 4 in No. 94," in *Loan Correspondence*, 74.

⁴⁵ "Inclosure in No.58," in *Loan Correspondence*, 43; Redhouse, "Inclosure 1 in No.92.," in *Loan Correspondence*, 67-68.

⁴⁶ "Inclosure in No.58," in *Loan Correspondence*, 43.

undermining others', when he proposed his settlement arrangement, which is another reflection of the British bondholders' division.

In spite of these creditors' efforts, however, their correspondences had little influence and the Porte continued to declare total default on its foreign bonds in April 1876. After this date, on the British Foreign Office's record there were only two letters sent directly from bondholders and their representatives to the Porte without British government officials as intermediaries, and both were complaints about the Ottoman Empire's violation of its 1877 agreement with the tribute bondholders instead of its earlier default on all foreign debts, showing a change of the British creditors' strategy to pressure the Porte.⁴⁷

One important step that the British bondholders took following this change of strategy was blocking the Ottoman Empire's access to the London Stock Exchange and further loans. After the Ottoman Empire contracted another loan in 1877, the British creditors reacted by delivering a formal protest to London Stock Exchange against its granting of loan quotation.⁴⁸ This protest had considerable effect and the Porte was not able to make further borrowing in foreign money market until 1886.⁴⁹ In other parts of Europe, the British creditors also managed to cooperate with other European bondholders and denied the Porte access to money markets.⁵⁰ Furthermore, the CFB even spread the information of the individuals who continued to lend money to the

⁴⁷ Palmer and Bourveire, "Inclosure in No.270," *Part II Loan Correspondence*, 170-171; "Inclosure in No.102," *Part III Further Correspondence Respecting Ottoman Loans, 1879-80*, compiled by the British Foreign Office (London: the Foreign Office, 1881), 89.

⁴⁸ "Money Markey," *York Herald* (York, England), July 26, 1878.

⁴⁹ Birdal, 28 & 88-89.

⁵⁰ *Ibid.*, 50.

Porte to deter more from purchasing Ottoman bonds.⁵¹ Even after the inauguration of the OPDA, there were discussions about whether this sanction should be lifted, as some British bondholders preferred to wait and see if the debt settlement would be effectual. While *The Times* called for a three-year term of observation, four years elapsed before the Ottoman Empire contracted its next foreign loan.⁵²

In time, this loan sanction, the Ottoman Empire's worsening finance, and the mounting foreign pressure the Porte faced brought the British creditors another chance to directly communicate with the Porte. On October 27, 1880, the Ottoman government invited the bondholders to its capital to discuss a debt settlement, and in June 1881, the Ottoman ambassador to Britain sent a plan with details for debt settlement to the CFB, showing the British creditors' increasing agency in the Ottoman debt crisis.⁵³ In response, the British bondholders accepted the invitation and elected Robert Bourke as their representative on July 18, 1881.⁵⁴

The negotiation started in September 1881 and ended with the promulgation of Decree of Muharrem on December 20.⁵⁵ During the negotiation, various groups tried to privilege their interests by asking Bourke to protest on their particular behalf, but the most influential creditors called for unity.⁵⁶ In the end, the latter's idea apparently prevailed, as all interested groups

⁵¹ Ibid., 79.

⁵² "Money-Market and City Intelligence," *Times*, December 21, 1881.

⁵³ Corporation of Foreign Bondholders, *Eighth Annual General Report of the Council of Foreign Bondholders, for the Year 1880* (London: Corporation of Foreign Bondholders, 1881), 58; CFB, *Ninth Annual Report, for the Year 1881*, 68.

⁵⁴ Ibid.

⁵⁵ Tuncer, 61

⁵⁶ "Money-Market and City Intelligence," *Times*, September 23, 1881; "Money-Market and City Intelligence," *Times*, October 13, 1881.

accepted the negotiation result.⁵⁷ It should be noted that ostensibly there was no British government participation in the negotiation process, as well as in the establishment and running of the OPDA.⁵⁸ Nevertheless, the British creditors would not be able to reach this settlement without the pressure that their government, along with other European forces, exerted on the Ottoman Empire. While the British government intervened eventually in the case of the Ottoman debt crisis, the British creditors could not have known this shortly after the Ottoman Empire declared default. Instead, these bondholders were aware that the British government tended to decline from becoming actively involved in foreign debt crises, and therefore back in 1875 their most urgent task was trying their best to persuade their government to take a different stance this time.

Domestic Campaign: the British Creditors' Efforts to Influence Government Decision

As soon as the Porte declared default on its foreign debts, the British bondholders knew that they would need government officials' assistance to have their money repaid, and G.K. Corfield, a member of the CFB, sent the first documented appeal to the British Foreign Office as early as October 9, 1875.⁵⁹ Nevertheless, it was known that the British government was reluctant to lend substantive support to those who held foreign bonds. Worse for the creditors, the public opinion was also unfavorable toward foreign government loans and their contractors.⁶⁰ Therefore, to

⁵⁷ CFB, *Ninth Annual Report, for the Year 1881*, 69-71.

⁵⁸ Birdal, 103.

⁵⁹ G. K. Corfield, "No. 18, Mr. Corfield to the Earl of Derby," in *Loan Correspondence*, 12.

⁶⁰ Meszaros, 92.

motivate the British government to intervene, the British creditors tried hard to advocate their interests domestically by disseminating pamphlets and lobbying British Foreign Office officials, and their efforts were supported, although qualifiedly, by the media.

The newspapers, although not associated with the bondholders, played an important role in the campaign advocating the bondholders' interests. As early as October 18, 1875, *The Times* called for unity between "the holders of various classes of Turkish securities," and warned that being divided would make the Porte view them only as "troublesome and insignificant intermeddler."⁶¹ *Daily News* also gave its opinion on the Ottoman debt crisis by stating that "it is impossible not to sympathise with the unfortunate Turkish Bondholders...their misfortune is one of the greatest which has ever befallen the investing class." *York Herald*, on October 29, 1875, as well implicitly blamed the Earl of Derby, the then Secretary of State for Foreign Affairs, for being too hesitant to deal with the Ottoman debt crisis and praised the actions of the French Minister for Foreign Affairs.⁶² Other British newspapers, although not all of them expressed their views, also reported this incident and the activities of the bondholders, particularly the CFB, shortly after the Porte declared insolvency.

In the following years, the British press continued to publish the latest developments of the Ottoman debt crisis and sometimes with their comments on them. For example, *The Times*, on July 30, 1879, reported in a worried tone that "the more corrupt section of the old Turkish party"

⁶¹ "Money-Market and City Intelligence," *Times*, October 18, 1875.

⁶² "London Wednesday, OCT. 20.," *Daily News* (London, England) October 20, 1875; "From Our London Correspondent," *York Herald*, October 30, 1875.

returned to power, which “appears to bode no good to the creditors of the State.”⁶³ After a settlement was finally reached on December 20, 1881, *The Times* continued arguing that to prevent the Porte from borrowing immediately after the agreement, the London Stock Exchange should obtain the bondholders’ assent before allowing the Ottoman Empire to issue another loan.⁶⁴ During the years between the Ottoman government’s default and the final settlement, various British newspapers took similar actions, namely following the newest updates of the debt crisis and occasionally giving their ideas on them. While these news reports were apparently insignificant and the newspapers’ opinions were not always favorable toward the bondholders, the press’ continuous attention to the Ottoman insolvency kept it in the public sight and allowed the creditors’ grievances to be better known.

Apart from the press’ reports and comments, the newspapers also carried the bondholders’ own voices, as the creditors wrote to the editors of the newspapers, spoke about their opinions on the most recent developments, and expressed their views on what actions the bondholders or the British government should take. For instance, when the Congress of Berlin, which involved the Ottoman Empire and the European powers, was about to be held in 1878, *The Times* published two bondholders’ letters to its editor asking the British government to defend their interests during the congress.⁶⁵ Again, in 1879, in response to the British society’s discussion about a Ottoman financial reform scheme, which would be based on using Ottoman customs revenue as

⁶³ “Money Market and City Intelligence,” *Times*, July 30, 1879.

⁶⁴ “Money Market and City Intelligence,” *Times*, December 21, 1881.

⁶⁵ “Turkish Bondholders,” *Times*, February 20, 1878.

collateral to raise the wherewithal, a “Turkish Customs Bondholders” turned to *The Standard* to call attention to the interests of 1858 bondholders, whose bonds had long been secured on Ottoman customs revenue.⁶⁶

Besides posting the letters from creditors, the British press also helped spread the bondholders’ voices by reporting their activities, and sometimes with very detailed description. In *Daily News*’ report for October 20, 1875, the correspondent paraphrased the whole speech of Hamond during a bondholder meeting, which argued that the European powers should help defend the interests of bondholders since they purchased Ottoman bonds to help their governments maintain the Ottoman Empire’s independence, and a non-intervention policy in this case would induce more countries to follow the Ottoman Empire’s example.⁶⁷ Through these kinds of support from newspapers, the British creditors managed to have their grievances and ideas more widely heard in society.

In addition to newspapers, magazines also took part, to a lesser extent, in advocating the bondholders’ interests. Shortly after the Porte declared default, *John Bull* reported this incident with an indignant tone by contrasting, with much exaggeration, the difficulty of the bondholders and the luxury of the Sultan.⁶⁸ In 1876, when the division between holders of different bonds, namely the tribute bonds and others, was growing, *Capital and Labour* expressed regret at this

⁶⁶ “Multiple Commerce Items,” *Standard* (London: England), April 7, 1879.

⁶⁷ “Meeting of Turkish Bondholders,” *Daily News*, October 20, 1875.

⁶⁸ “Political and Personal,” *John Bull* (London, England), October 16, 1875, 12.

split and urged that all bondholders should unite under one leadership.⁶⁹ When the bondholders visited the Marquis of Salisbury, the then Secretary of State for Foreign Affairs, and returned empty-handedly in 1880, *Capital and Labour* also implied that the British government should take a more active attitude by citing the government's encouragement to purchase Ottoman securities.⁷⁰ After the signing of the Decree of Muharrem at the end of 1881, *Funny Folks* questioned the sincerity of the Porte, as it considered that the decree was just "promises of a few 'chips.'"⁷¹ Although magazines discussed the Ottoman debt crisis less frequently than newspapers did, these articles show that magazines also devoted attention to the creditors' situation and interests.

Besides the constant support these magazines lent to the creditors that lasted throughout the Ottoman debt crisis, their readership is also worth noticing. While the contents of these reports are similar, the magazines that published them targeted different readers. *John Bull* was a weekend magazine appealing to middle and upper class with conservative political stance, *Capital and Labour* was a journal issued by the National Federation of Associated Employers as part of its opposition campaign against Trade Union Congress' legislation proposal, and *Funny Folks* was a penny magazine which targeted lower middle-class audience.⁷² These magazines'

⁶⁹ "Commercial and Financial Notes," *Capital and Labour: A Weekly Journal of Facts and Arguments on Questions Relating to Employers and Employed* (London, England), March 1, 1876, 11.

⁷⁰ "Financial Notes," *Capital and Labour*, January 14, 1880, 9.

⁷¹ "The Turkish Bondholders' Christmas Box," *Funny Folks: A Weekly Budget of Funny Pictures, Funny Jokes, and Funny Stories* (London, England), December 31, 1881, 5.

⁷² Alvar Ellegard, "The Readership of the Periodical Press in Mid-Victorian Britain: II. Directory," *Victorian Periodicals Newsletter* 13, vol.4, no.3 (1971): 6.; Clem. Edward, "Labour Federations," *The Economic Journal* 3, no.11 (1893): 412.

wide readership, combining their support for the bondholders, made magazines another important medium that reported the creditors' situation and complaints to British society.

Finally, the bondholders themselves tried to create their own media and spread their messages by printing pamphlets. When the negotiation between tribute bondholders and the Porte was undergoing in 1876, the tribute bondholders published multiple pamphlets, all emphasized the British government's responsibility for encouraging the British bondholder to subscribe Ottoman bonds of 1854. The Tribute Bondholders League itself cited *The Times*' report for August 12, 1854, in which *The Times* claimed that "the English Government, it is understood, will likewise give a formal intimation that the claims of the subscribers will always be regarded as entitled particularly to their support."⁷³ The Tribute Bondholders League insisted that such statement must be based on "good authority" and the British public purchased Ottoman bonds due to their trust in this authority.⁷⁴ Randolph Stewart, a member of Tribute Bondholders League, also argued that "the [British] Government...by its strenuous support of the Loan to Turkey...and its recommendation of it to the British public," had convinced the British creditors that "their interests with respect to it [the Loan] would always be a matter of solicitude on the part of the Government."⁷⁵ M.A. Shee, another interested individual, claimed likewise that "the Turkish Loan of 1854...was recommended to the public in the most emphatic terms as a safe and

⁷³ Egyptian Tribute Bondholders League, *The Egyptian tribute: a short history of the tribute loans, 1854, 1855, 1871. As affecting the English and French governments, the Khedive, and the bondholders, compiled from official documents, proceedings of Parliament, etc.* (London: St. Stephen's Chambers, 1876), 4.

⁷⁴ *Ibid.*,

⁷⁵ Randolph Stewart, *The Turkish default and the Egyptian tribute loans: a review of the tribute bondholders' position* (London: W.J. Johnson, 1876), 9.

judicious investment by Her Majesty's Government...a declaration inferentially pledge...that Her Majesty's Government will...protect those whom its representations have induced to lend their money to the Sultan."⁷⁶ These pamphlets showed how the British creditors, while utilizing more traditional media to advocate their interests, also tried to add to their media campaign by spreading their own publications.

Nevertheless, the media campaign alone was far from enough to persuade the British government to change its non-intervention stance. First of all, the British media were divided on whether the British government should lend formal support to the creditors. It is true that most of the British press showed their sympathy for the bondholders, as many like *York Herald* implicitly condemned British officials' inaction, and some like *Morning Post* explicitly argued that the British government should defend these creditors' interest. In the meantime, however, there were influential newspapers, like *The Times* and *Daily News*, against involving the British government in the debt crisis and considered that the bondholders invested in Ottoman bonds at their own risk.⁷⁷ Secondly, many pamphlets were published by the tribute bondholders, who reached settlement with the Porte as early as 1877 and withdrew from the efforts to have the Ottoman Empire repay its foreign debt. Therefore, apart from using the media, the British creditors also had to adopt other means to influence their government's decision.

⁷⁶ M.A. Shee, *The Turkish loan of 1854* (1876), 3-4.

⁷⁷ ""From Our London Correspondent," *York Herald*, October 30, 1875; "London Saturday, OCT.23, 1875," *Morning Post*, October 23, 1875; Money-Market and City Intelligence," *Times*, May 27, 1876; "The Turkish Bondholders of 1854," *Times*, July 31, 1876; "London, Wednesday, OCT.20," *Daily News*, October 20, 1875.

Another option available to the British bondholders was to lobby the British government directly. The most commonly adopted methods were sending letters and paying visits to the British government officials. At the beginning of the Ottoman debt crisis, the most active British creditors were the tribute bondholders, who immediately held the British government accountable for their subscription of Ottoman bonds during the Crimean War. “The encouragement given thereto by the Queen’s government [to purchase the bonds],” argued W.H. Clark in his letter to Derby, should “induce the present Government to insist...on the strict fulfilment of its terms and of the directions given in 1854 by the Sultan.”⁷⁸ Randolph Stalwart went further to state to Derby that the tribute loan was raised “at the instigation of your Lordship’s predecessors in office as representing the Government.”⁷⁹ Based on the idea that the British government should take the responsibility to help them recover their money, the tribute bondholders continuously asked their government to take action to help them reach settlement with the Porte.

While some tribute bondholders wrote to the British Foreign Office in an imploring tone, some were able to put more pressure on the British government. The representative of the former group was Clara Mockler, a widow of a British naval officer and a creditor, who beseeched that “I therefore humbly hope that you [Derby] will kindly grant me an interview that may lead me to hope that something may be done for the holders of the Loans of 1854.”⁸⁰ Meanwhile Randolph

⁷⁸ W.H. Clark, “No. 48, Mr. W.H. Clark to the Earl of Derby,” in *Loan Correspondence*, 34.

⁷⁹ Randolph Stalwart, “No.114, Mr. Stalwart to the Earl of Derby,” in *Part II Loan Correspondence*, 65.

⁸⁰ Clara Mockler, “No.80, Mrs. Mockler to the Earl of Derby,” in *Loan Correspondence*, 61.

Stewart, who belonged to the latter group, confidently announced to Derby that “every independent member on both sides of the House [of Commons] declared that the bondholders were entitled to the interference of the Government.”⁸¹ In short, the tribute bondholders tried to push the British government to move, and while some could only appeal to British officials’ empathy, some creditors could also impose powerful political influence on them.

The British government, on the other hand, although initially declined to lend any official assistance to the tribute bondholders, gradually changed its stance, which allowed the tribute bondholders to reach a settlement with the Porte as early as 1877. The British government’s attitude at the beginning of the debt crisis could be seen from Derby’s instruction to Henry Elliot (the then British ambassador to Turkey) on February 12, 1876, which asked him to not “do more than give your unofficial assistance to Mr. Palmer, or other representatives of the [tribute] bondholders.”⁸² The bondholders’ continuous efforts, however, made the British Foreign Office adopt a more supportive approach, and on October 12, 1876, Derby’s instruction to Elliot changed to mildly pushing the Porte to reach a settlement with the tribute bondholders.⁸³ By July 1877, the British government had granted their official endorsement to the bondholders of 1854, and to the bondholders of 1871 through the Tribute Bondholders League.⁸⁴ Two months later, on September 17, 1877, the tribute bondholders managed to make an agreement with the Porte, which settled the debt between them and allowed the Ottoman Empire to raise a new

⁸¹ Randolph Stewart, “No.114, Mr. Stewart to the Earl of Derby,” in *Part II Loan Correspondence*, 65.

⁸² Derby, “No. 187 The Earl of Derby to Sir H. Elliot,” in *Loan Correspondence*, 131.

⁸³ Derby, “No. 73 The Earl of Derby to Sir H. Elliot,” in *Part II Loan Correspondence*, 38.

⁸⁴ W.H. Smith, “Inclosure in No. 231,” in *Part II Loan Correspondence*, 140.

loan.⁸⁵ While it was the Tribute Bondholders League, instead of the British government, that negotiated with the Porte, the British government's role in facilitating the debt settlement cannot be ignored, but it only decided to intervene after more than a year of the tribute bondholders' efforts.

The holders of other bonds fared even less well than the tribute bondholders, since the British government was not involved in the raising of other loans and therefore were less disposed to hear these creditors' appeals. Thus, at the earliest part of the Ottoman debt crisis, instead of asking for the British government's support, the most common theme of the bondholders' communications with the British officials was asking them to deliver suggestions on debt settlement to the Porte. "I have," claimed G.K. Corfield, "a sincere desire to assist the Ottoman Government out of her difficulties."⁸⁶ "If Sir Henry Elliot were entrusted to bring the proposal to the notice of the Grand Vizier (Prime Minister), it would...be well received."⁸⁷ In addition to Corfield, Charles Hamond, as previously mentioned, also put forward an idea to settle the debt. On December 13, 1875, Hamond, along with a deputation, visited Derby at the Foreign Office and discussed his plan to solve the Ottoman debt crisis.⁸⁸ Later the same day, Hamond wrote a letter to Derby, asking him to recommend his plan to the Porte.⁸⁹ Going further than proposing possible debt settlement crisis, however, was beyond these creditors' capability, since

⁸⁵ "Inclosure in No. 102," in *Part III Loan Correspondence*, 89.

⁸⁶ G.K. Corfield, "No.68, Mr. Corfield to the Earl of Derby," in *Loan Correspondence*, 49.

⁸⁷ *Ibid.*, the proposal itself is also kept by the British Foreign Office on the same page.

⁸⁸ "No.112 Newspaper Extract," in *Loan Correspondence*, 83-86.

⁸⁹ Charles Hamond, "No.114 Mr. Hamond M.P., to the Earl of Derby," in *Loan Correspondence*, 86.

they could not blame the British government for advertising Ottoman bonds like the tribute bondholders.

The convening of the Congress of Berlin in 1878, nevertheless, gave these bondholders an opportunity to address their interests. Apart from the aforementioned actions of asking the British government to support them at the Congress of Berlin through media, the British creditors also made direct contacts with British officials. As early as January 30, Henry Guedalla, Chairman of the Committee representing the General Loan of 1865, expressed his worry to Derby that the Ottoman Empire would have to give up some of its province during the congress, and that the consequent loss of these provinces' revenues would harm the creditors' interests since parts of them were security for Ottoman loans.⁹⁰ S. Lush, who claimed that he invested all his savings in the Ottoman bonds, also pled with the Marquis of Salisbury (succeeded the Earl of Derby in April) to "make every endeavour to get some recompense to the many thousands of poor bondholders of this country."⁹¹ Although the main purpose of the Congress of Berlin was drawing the boundary lines of the Balkan states after the Russo-Ottoman War of 1877-1878, many British creditors hoped that during this meeting between the Ottoman Empire and the European Powers, including Britain, their government would advocate their interests and help put pressure on the Porte.

⁹⁰ Henry Guedalla, "No. 265 Mr. Guedalla to the Earl of Derby," in *Part II Loan Correspondence*, 162.

⁹¹ S. Lush, "No. 308 Mr. Lush to the Marquis of Salisbury," in *Part II Loan Correspondence*, 213.

The British government did fulfill their wishes. Through the efforts of the British, French, and Italian officials, the congress's treaty included a protocol (the eighteenth) that recommended the Porte to establish a financial commission, which would look into the complaints of the Ottoman Empire's creditors and propose ways to solve them.⁹² Two years after the Porte declared total default, the publication of this protocol finally granted the bondholders other than the tribute ones a solid reason to ask for the British government's intervention.

Indeed, after the convening of the Congress of Berlin, many of the bondholders' actions focused on demanding the British government to bring the eighteenth protocol to reality. On October 8, 1878, only a few months after the ending of the Congress of Berlin (on July 13, 1878), Hamond and L. Boisney, representing the British and French bondholders, urged both British and French governments to "demand from the Ottoman Porte some decisive reply to...fulfilment of their obligations to foreign creditors," and implied that a financial commission should be established in the Ottoman Empire like in Egypt, where, as aforementioned, an international debt administration had been set up with British participation as early as 1876 to ensure that Egypt would continue its debt repayment despite its financial crisis.⁹³ When Comte de Tocqueville proposed his scheme to settle the debt on behalf of the French creditors, which stipulated setting up such a commission to manage the Ottoman Empire's revenues hypothecated

⁹² Lyons, "No. 90 Lord Lyons to the Marquis of Salisbury," in *Part III Loan Correspondence*, 77 "No. 97 The Council of Foreign Bondholders to the Marquis of Salisbury," in *Part III Loan Correspondence*, 85.

⁹³ Charles Hamond and L. Boisney, "No. 329 Mr. Hamond and M. Boisney to the Marquis of Salisbury," in *Part II Loan Correspondence*, 224-225.; Suter and Stamm, 655.

for its foreign debt, the British creditors also demanded that the British Foreign Office give its support to this proposal.⁹⁴

Nevertheless, Tocqueville's scheme was rejected by the Porte, and there was no development even a year after the Congress of Berlin, about which the CFB solemnly protested.⁹⁵ This remonstrance was of no avail, and little progress had been made even after another year. On July 8, 1880, by then the Earl of Granville had succeeded Salisbury as the Secretary of State for Foreign Affairs, a deputation of the CFB visited the Foreign Office to demand that the British government should take steps to establish an international financial commission.⁹⁶ This time, the British government gave a positive answer by stating that its instructions to George Goschen, the new ambassador to the Ottoman Empire, had included following "the wording of the 18th Protocol of the Berlin Treaty" and the British government would "keep the matter in their view."⁹⁷ Soon after this visit, on October 27, 1880, the Ottoman Empire invited the CFB to negotiate for debt settlement in Istanbul.⁹⁸ While the negotiation did not begin until 1881 and the British government was ostensibly not involved, the British government's positive attitude and its new instructions to its ambassador were of great aid to the British bondholders, who spent years trying to secure such support.

⁹⁴ Salisbury, "The Marquis of Salisbury to Lord Lyons," in *Part III Loan Correspondence*, 15; Hamond, "No. 332 Mr. Hamond, M.P. to the Marquis of Salisbury," in *Part II Loan Correspondence*, 227.

⁹⁵ Lyons, "No. 45 Lord Lyons to the Marquis of Salisbury," in *Part III Loan Correspondence*, 38; "No. 97 The Council of Foreign Bondholders to the Marquis of Salisbury," in *Part III Loan Correspondence*, 85.

⁹⁶ "No. 164 Extract from The 'Times' of July 8, 1880," in *Part III Loan Correspondence*, 155-156.

⁹⁷ *Ibid.*

⁹⁸ CFB, *Eighth Annual Report, for the Year 1880*, 58.

The result of the negotiation, as this thesis has discussed earlier, was that the Porte reached an agreement with its foreign creditors and ceded a large proportion of its revenues to the newly established Ottoman Public Debt Administration. While the roles of the European powers cannot be ignored in the formation of this institution, the OPDA was apparently the result of bondholders' actions only, and its members also did not include any European government officials.⁹⁹ In spite of this lack of government participation, however, the OPDA, including the process of its establishment, was still an important symbol of European imperialism, which would have significant impact on the Ottoman economy in the coming years.

After Settlement: The Ottoman Public Debt Administration

The Ottoman Public Debt Administration was charged with managing the Ottoman Empire's revenues and repaying Ottoman foreign debts with them. Since the holders of Ottoman foreign bonds spread across Europe, the council of the OPDA was an international one. Consisted of two members from France, one each from Germany, Austria, Italy, the Ottoman Empire, and one representing both Britain and Netherlands, the council was appointed by creditors, banks, and, in Italy's case, the Rome chamber of commerce.¹⁰⁰ While the British creditors only had one representative in the OPDA's council, their connections with this institution were far more than this, as members of the CFB composed half of its board controlling the Ottoman Empire's revenues.¹⁰¹ Furthermore, the Decree of Muharrem stipulated that the president of the Council

⁹⁹ Birdal, 103.

¹⁰⁰ Ibid.

¹⁰¹ Paolo Mauro and Yishay Yafeh, "The Corporation of Foreign Bondholders," *IMF Working Papers* 3, no.107 (2003), 24.

of the OPDA should be either British or French representative of the bondholders, switching in alternate years.¹⁰² In addition, to decide upon certain significant issues, for example converting priority bonds to allow more bondholders receive their repayment earlier, the OPDA needed to seek the consent of European bondholder organizations, including the CFB.¹⁰³ Finally, the CFB's opinion was an important guideline for the OPDA's policy, as the CFB's attitude had enormous influence on crucial questions like whether the OPDA should guarantee the Ottoman Empire's loans.¹⁰⁴ Therefore, although the OPDA's policies were determined by bondholder representatives from multiple nations and Britain was only one of them, the British creditors did play an important role in its functioning, and actively utilized the OPDA's control of the Ottoman economy to maximize their own interests.

The most conspicuous control that the OPDA imposed on the Ottoman Empire was its administration of the Ottoman revenues the Porte ceded to it. According to the Decree of Muharrem, the Porte yielded its revenues from the salt and tobacco monopolies, the taxes of stamp, spirits, and fish, and the tribute from Bulgaria as well as the revenues from Eastern Rumelia and Cyprus to the OPDA, which added up to more than one-tenth of the Ottoman Empire's total income.¹⁰⁵ As the time passed, the Porte delegated more revenues' administration to the OPDA, and even as late as 1910, the then British representative in the OPDA's council

¹⁰² CFB, CFB, *Twenty-Eighth Annual Report, for the Year 1900-1901*, 401.

¹⁰³ CFB, *Eighteenth Annual Report, for the Year 1890*, 8.

¹⁰⁴ CFB, *Twenty-Third Annual Report, for the Year 1895*, 329-329.

¹⁰⁵ Birdal, 104; Tuncer, 73 & 75.

believed that the Ottoman government still could and would be willing to cede more incomes.¹⁰⁶ Although the revenues ceded particularly for the purpose of repaying the bondholders only took up about fifteen percent of Ottoman income, by the outbreak of World War I the proportion of revenues delegated to the OPDA had grown to around one-third of total Ottoman income, far exceeding the portion that the Decree of Muharrem ceded.¹⁰⁷ To sustain this administration, the OPDA employed a large number of people, and by 1912 its employee number had become greater than that of the Ottoman Ministry of Finance.¹⁰⁸ While the Porte still functioned independently and the Ottoman Empire was far from being a colony, both the OPDA's identity as an institution controlled by foreign creditors and its grip on the Ottoman economy to such a great extent highlighted the fact that the Ottoman Empire had lost its fiscal sovereignty after 1881.

In addition to directly managing Ottoman revenues, the OPDA also exerted control by influencing Ottoman fiscal policies. For example, in 1886 the Porte had to go through a negotiation with the OPDA before raising a new loan.¹⁰⁹ Again, in 1902, in spite of the Porte's discontent, the OPDA managed to increase the interest rate of Ottoman foreign bonds by appealing to the arbitration of the Lord Chief Justice of England.¹¹⁰ Apart from loan management, the OPDA also intervened in other Ottoman economic sectors, and the most

¹⁰⁶ CFB, *Thirty-Seventh Annual Report, for the Year 1910*, 34-35.

¹⁰⁷ Tuncer, 75; Birdal, 7.

¹⁰⁸ *Ibid.*, 104.

¹⁰⁹ CFB, *Fourteenth Annual Report, for the Year 1886*, 11.

¹¹⁰ CFB, *Thirtieth Annual Report, for the Year 1902-1903*, 16.

conspicuous instance was Ottoman railway project, where about 63 percent of foreign investment went to.¹¹¹ When the Porte granted several railway concessions to foreign companies in 1892 to build a railway system, the OPDA immediately attempted to take the administration of these concessions.¹¹² Due to the OPDA's ability to provide the railway construction with both financial and technical assistance, it soon became deeply involved in these projects.¹¹³ To attract investment, the OPDA helped foreign railway companies obtain many favorable terms like ownership of mineral deposits near railways, which further illustrated the OPDA's influence over the Ottoman economy.¹¹⁴

Nevertheless, although the OPDA had great influence over Ottoman fiscal policies, it could not completely ignore the Porte's opinion. For instance, in 1901, the Porte granted stamp tax exemptions to the newspapers in its capital and created a refugee stamp for Crete Muslim refugees, who fled Crete amid ethnic and religious conflicts around the turn of the century, and the refugee stamp would not be levied tax like ordinary stamps, but would be affixed to a large number of documents related to these refugees.¹¹⁵ Both policies meant loss of the OPDA's revenues, but the Porte managed to keep them despite the OPDA's protests.¹¹⁶ In general, the OPDA had to work with the Porte to maintain their control of the Ottoman economy.

¹¹¹ Birdal, 96.

¹¹² CFB, *Twentieth Annual Report, for the Year 1892*, 11.

¹¹³ Birdal, 97.

¹¹⁴ Ibid.

¹¹⁵ CFB, *Twentieth-Eighth Annual Report, for the Year 1900-1901*, 405.

¹¹⁶ CFB, *Twentieth-Ninth Annual Report, for the Year 1902-1903*, 385; Birdal, 120.

To facilitate its control, the OPDA introduced multiple reform methods and modernized Ottoman financial administration. Soon after the OPDA's establishment, its council decided that a clear financial record would best eliminate uncertainty and negative presuppositions regarding the Ottoman finance, and therefore sought to bring international standards to the empire's accounting and auditing.¹¹⁷ Modern accounting methods, for example double-entry bookkeeping, were also introduced to the Ottoman financial system along with modern standards.¹¹⁸ These administrative reforms improved the efficiency of the OPDA's Ottoman employees to such an extent that its council changed its opinion on Ottoman officials despite the long-term European stereotype and remarked that "the proposition, generally received as an axiom, that Turkish officials are by nature hopelessly untrustworthy and corrupt, is a false proposition."¹¹⁹ Even more significant reform was the OPDA's attempt to improve Ottoman tax collection system, which soon entangled it in the conflicts with smugglers and tax-farmers. Despite the resistance from the latter two groups, the OPDA's actions, like purchasing cruisers for the Porte to control contraband activities and building up an effective central tax collection system, achieved satisfactory result and the revenues under the OPDA's administration grew considerably.¹²⁰ Through the reforms it introduced, the OPDA managed to ease its business in the Ottoman Empire and maximize foreign bondholders' interests.

¹¹⁷ Birdal, 82.

¹¹⁸ Ibid., 78.

¹¹⁹ Tuncer, 68.

¹²⁰ Birdal, 104-105; Tuncer, 73-74.

Apart from its operations within the Ottoman Empire, the OPDA also had active performance in the international arena, which also focused on increasing revenues under its administration, and sometimes even at the expense of the Europeans. One of the first actions the OPDA took after its establishment was seeking foreign markets for Ottoman merchandise.¹²¹ While some such attempts like expanding European markets for Ottoman spirits were frustrated by imposition of additional customs duties, the OPDA still managed to build up new trade links for products in its charge like salt and fish.¹²²

Besides increasing Ottoman export, the OPDA also had supported the Porte in its negotiation with the European powers to raise Ottoman customs duties from 8 percent to 11 percent since 1899, aiming both to increase its revenues and to boost Ottoman commodities' competitiveness.¹²³ While the negotiation finally ended in the OPDA's favor in 1907, in 1909 the OPDA again proposed to raise Ottoman tariffs from 11 percent to 15 percent, but did not succeed before 1914.¹²⁴ Similarly arduous efforts were the OPDA's attempt to eliminate tax privileges granted to foreigners in the Ottoman Empire. Since 1891, the OPDA had complained about foreigners' exemption from Ottoman stamp tax, yet while the British representative in the OPDA council believed that it could be abolished in a few weeks, the stamp tax did not extend to foreigners in the Ottoman Empire until 1904.¹²⁵ The OPDA also tried to raise the wine's import

¹²¹ Birdal, 110.

¹²² Birdal, 123-124; CFB, *Twentieth Annual Report, for the Year 1892*, 9-10.

¹²³ Birdal, 21 & 175; CFB, *Twenty-Seventh Annual Report, for the Year 1899-1900*, 381.

¹²⁴ CFB, *Thirty-Fourth Annual Report, for the Year 1907*, 400-401; CFB, *Thirty-Six Annual Report, for the Year 1909*, 32; Birdal, 21.

¹²⁵ CFB, *Nineteenth Annual Report, for the Year 1891*, 11; Birdal, 119.

tax to 15 percent, the same rate imposed on Ottoman wine producers, yet this endeavor proved fruitless.¹²⁶ Nevertheless, despite occasional setbacks, the OPDA was overall successful in boosting revenues under its administration.¹²⁷

Adding to the OPDA's achievement of increasing domestic income, it also greatly encouraged foreign investments in the Ottoman Empire. Due to the OPDA's control over the Ottoman economy, the modernization it brought to the Ottoman financial system, its ability to increase incomes, and the fact that it was run by the Ottoman Empire's foreign creditors, European investors considered that this institution would be a reliable guarantor of their funds. As a result, the Ottoman Empire's attractiveness to foreign investments rose significantly after 1881. Between the establishment of the OPDA and World War I, the Ottoman government managed to raise its loans, most of them secured on the surplus of the OPDA's revenues, with nominal interest rate barely more than four percent, contrasting sharply with the average interest rate over ten percent before 1875.¹²⁸ Apart from loans, European direct investments in the Ottoman Empire also grew drastically after 1881, particularly in 1890s.¹²⁹ Most of these funds went to the building of Ottoman railroad, but many were also allocated to other infrastructure projects like port and irrigation.¹³⁰ Thus, apart from its identity as a foreign agency and

¹²⁶ Birdal, 123.

¹²⁷ Tuncer, 73.

¹²⁸ Birdal, 88-89; Tuncer, 64.

¹²⁹ Birdal. 93-94. In the 1859-81 period the average annual foreign investment was around 548,000 pounds, and in the 1882-1913 period the amount grew to 1.996 million pounds.

¹³⁰ Ibid., 91- 92 & 96.

“imperialism’s outpost,” which traditional views tend to emphasize, the OPDA also played a role in contributing to the Ottoman Empire’s economic development and modernization.¹³¹

Nevertheless, while these investments brought great improvement to the Ottoman Empire, they overall consolidated its peripheral position in the world-system. The railway projects during this period not only allowed the Porte to strengthen its authority through better transportation and promoted the Ottoman economy along the railroads, but also let European merchandise go deep into the interior of the Ottoman Empire.¹³² Meanwhile, the fact that Ottoman infrastructures, including irrigation work, ports, bridges, mines, municipal public utilities, and railroads, were almost entirely funded by foreign capital meant almost complete foreign control of these infrastructures’ profits.¹³³ Finally, the OPDA’s actions, including allocating a large proportion of Ottoman revenues to debt repayment, obtaining favorable terms like mine ownership for foreign investors, and delegating certain Ottoman economic sectors, like monopoly of tobacco, to European companies also effectively ensured that European investors could profit from Ottoman economic development, and usually at the expense of Ottomans themselves.¹³⁴ In summary, the OPDA’s establishment did bring benefits to the Ottoman Empire, but also inaugurated a new era marked by further peripheralization of the empire in the world-system.

¹³¹ For more recent historical interpretation concerning the OPDA’s role in the Ottoman history, see Birdal’s *The Political Economy of Ottoman Public Debt* and Tuncer’s *Sovereign Debt and International Financial Control*.

¹³² Ibid., 91-92 & 98-99.

¹³³ Ibid., 97.

¹³⁴ The most significant delegation was made to the Regie Company, which controlled Ottoman tobacco monopoly after 1883.

Conclusion

While the OPDA brought a new era to the Ottoman Empire, this epoch proved to be short-lived. After World War I, the Ottoman Empire soon disintegrated in 1922 and its foreign debts were left to be borne by states formerly composing the empire. The Ottoman Debt Council and Lausanne Peace Treaty arbitrated that all these states would be responsible for a certain proportion of the remaining debt according to various factors like territory and revenue.¹³⁵ After Turkey defaulted again in 1930, an agreement was reached in 1933 to consolidate all Ottoman debt into a single loan with 60% debt relief, bringing an end to this historical episode of Ottoman foreign debts.¹³⁶

Compared to the Ottoman Empire's entire history of more than six hundred years, this historical period from 1875 to 1922 is dwarfed both in terms of length and global influence. Nevertheless, this debt crisis was not like any previous episodes of warfare and conquests in earlier Ottoman history. It revealed a more nuanced aspect of imperialism. Instead of imposing their rule on the Ottoman Empire with military might, the empire's foreign creditors managed to control the Ottoman economy through mostly diplomatic means. A less violent process, however, hardly changed this historical episode's nature of powerful nations' taking over of a peripheral country's economic sovereignty and their reaping of its economic development's fruit through an international financial commission, the Ottoman Public Debt Administration.

¹³⁵ Waibel, 129.

¹³⁶ Ibid., 133.

Among the Empire's foreign creditors that participated in the establishment and running of the OPDA, the British bondholders were especially notable. Although they did not play the most important role in pushing the Porte to accept an international financial commission, the British creditors' actions best illustrated how even the British imperialism, arguably the most powerful one in the nineteenth century, was driven by ordinary people.

While even the most significant members of the creditor groups were no more than Members of Parliament and most of them were just small investors of middle and, less often, of lower class, they did demonstrate their agency in both international and domestic arenas. By pressuring the Porte through direct communications and loan sanctions, the British creditors managed to bring the reluctant Ottoman government to debt settlement negotiation. With the support from media like newspapers and journals, the creditors also succeeded in persuading the lukewarm British government to advocate their interests during the Congress of Berlin and facilitate their negotiation with the Porte. After the founding of the OPDA, the British creditors continued to exert their influence on the Ottoman Empire via this institution, in which they held some of the most important offices. Through the OPDA, the Ottoman Empire's creditors took a large proportion of the Ottoman economy into their charge. While the OPDA's actions did promote the Ottoman revenues under its control, these actions consolidated the empire's peripheral position in the world-system, and the increased revenues were allocated to the debt repayment instead of to the Ottoman Empire's treasury.

When examining this historical episode, it is easy to see that the establishment of the OPDA speeded up Ottoman integration into the world-system as a peripheral country. While multiple factors, including the Russo-Ottoman War of 1877-1878 and Ottoman domestic creditors' actions, contributed to this event, the British bondholders' actions were among the most vivid examples of how ordinary people from an imperial nation participated in the peripheralization of another country. While historians usually do not stress the role of powerful nations' ordinary people in deciding their countries' policies and in influencing other nations' fates, especially those of weaker and more peripheral countries, this historical episode shows how much agency common people can have, and reminds historians to take a more comprehensive perspective when examining past empires.

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