Gold for the Sultan: Western Bankers and Ottoman Finance, 1856–1881. *By Christopher Clay.* London: I. B. Tauris, 2001. xx + 698 pp. Tables, glossary, bibliography, notes, index. Cloth, $65.00. ISBN 1-860-64476-7.

Reviewed by Priscilla Roberts

The contribution of private bankers to nineteenth- and twentieth-century international diplomacy has proved a fruitful historical field. Christopher Clay's magisterial tome, the product of decades of research in British and French official and financial papers, adds to the existing literature a detailed narrative of the dealings of the Ottoman government with western bankers in the twenty-five years from 1856, the year the Ottoman Bank was created, to 1881, when, with considerable assistance from what was now the Banque Impériale Ottomane (BIO), the government reached a debt settlement with its western creditors, one that endured until the First World War began in 1914. In the intervening quarter-century, the growing financial crisis of the mid-1850s, together with its success in raising two secured western loans in 1854 and 1855 during the Crimean War, persuaded the Ottoman government to jettison its traditional distrust of western loans and amass what, by 1881, amounted to £190,000,000 (pounds sterling) principal face value of outstanding international obligations. (This figure excluded three loans of approximately £13,000,000 secured on the Egyptian tribute, a floating debt of perhaps £12 million, and a war indemnity of Fr 800 million owed to Russia.)

Clay suggests that the burden of paying off even the greatly reduced amounts demanded under this settlement contributed substantially to the Ottoman Empire's ultimate collapse, since "a lower burden of debt after 1881" would have allowed "better governed and less heavily taxed provinces, inhabited by more contented populations, and providing fewer excuses for foreign interference," together with "more formidable armed forces, [a] stronger diplomatic position vis-à-vis other powers, [and] a more extensive railway system" and other public works, roads, harbors, irrigation, and the like. Who, then, was to blame? Clay argues that "the financial management of the Ottoman government in the 1860s and early 1870s was based on a coherent, albeit flawed, strategy," and that those "responsible for the financial affairs of the state were intelligent and reasonably well-informed, and indeed in some cases clearly very able men, who strove conscientiously to cope with what in retrospect was an impossible task" (pp. 7–8). He delineates the difficulties they faced: an expensive self-strengthening reform program, high defense costs, internal unrests, the unanticipated expenditures of an unpredictable sultan, an inadequate transport infrastructure, a limited tax base, the absence of well-trained, knowledgeable, and honest revenue officials, and the lack of tariff autonomy.

Does Clay prove his case, that only *force majeure* prevented the bank from functioning as its western originators and Ottoman patrons envisaged? On balance, probably not. The Ottoman Bank, a British-financed commercial bank founded in 1856, already cherished ambitions to become the Empire's national bank, something many contemporary reformers viewed as a prerequisite to economic progress and development. Although a rival group, the National Bank of Turkey, received the concession in 1858, a protracted Ottoman financial crisis in which the government deluged the country with *kaime*, paper money unbacked by specie, meant it never functioned as anticipated. In 1863, after Ottoman Bank officials had helped Fuat Pasha, the new grand vizier, to organize an international loan to finance the withdrawal of the *kaime*, it was reconstituted as the Banque Impériale Ottomane, an Anglo-French concern chartered in Constantinople. It was formed at least in part to further the interests of Ottoman reform by functioning as a national bank, which would be a note-issuing institution and depository for government funds that could provide accurate financial information, maintain central control over departmental finances, provide credit, raise funds internationally, and finance infrastructural development.

Such plans would have required the Ottoman government to grant the BIO a monopoly as both a depository and a funding agency. In practice, this was rarely, if ever, the case. As early as 1865, when the BIO objected to aspects of Fuat's plan to convert all the Ottoman debt into an international obligation, Fuat turned to a rival syndicate, the General Credit, to implement the scheme, releasing over £36,000,000 of Turkish obligations onto the international market and thereby incurring heavy six-monthly interest payments, an operation that Clay considers "the single most fateful decision taken by the Ottoman government in the financial field, after which ultimate bankruptcy was probably inevitable" (p. 7). Almost immediately, the government raised another loan, through the Paris-based Crédit Mobilier and the Imperial Ottoman Bank, to meet the January 1866 interest payments and once more began to amass floating internal debt. Each successive international loan, usually offered to subscribers at a substantial discount and therefore only netting the government somewhere between 44 percent and 68 percent of the par face value, was supposedly the last, since "the crises and difficulties of the previous year or two, and the measures taken to deal with them, had left a legacy of short-term and unfunded debt incurred on onerous terms which required to be consolidated by one last foreign loan before the sunny uplands of balanced budgets and financial stability would finally be attained" (p. 149). In practice, fierce competition among Ottoman and foreign banks for government business allowed the imperial government to evade any constraints that the BIO might have been able to impose; indeed, from 1867 to 1873 the BIO's reluctance to match its competitors' terms largely excluded it from new government financial offerings. However prudent BIO officials might be, the government's readiness to borrow elsewhere and competitors' willingness to lend, reminiscent of international bankers' behavior in Germany in the later 1920s or Latin America in the 1970s, helped to undercut many of the long-term objectives whose promotion was supposedly the BIO's major raison d'être.

In May 1873, a reconciliation with the government enlarged the BIO's capitalization, with the result that the French element dominated its management and functions. Theoretically, the BIO was now the empire's *trésorier-payeur général*, responsible for keeping and publishing reliable and accurate budgetary accounts; the statutory advance or overdraft facilities the BIO furnished the government were now substantially increased, and it also issued a new loan for the government. Soon, in October 1875, the Ottoman government drastically watered down the BIO's functions, and famine and a military crisis, which eventually developed into a costly war with Russia, led it to suspend payment, first partially, then completely, on its foreign borrowings, and to rely increasingly on the issue of paper *kaime,* a clear breach of the BIO's note-issuing monopoly. The BIO, its own capitalization almost entirely dedicated to Ottoman loans, nonetheless labored valiantly to provide further funds piecemeal for the government, admittedly whenever possible at the price of converting its unsecured advances into well-secured obligations. In November 1879, it took the lead in organizing a consortium of bankers who were Ottoman creditors to assume administration of the Ottoman indirect taxes on monopolies, with the dual objective of repaying their obligations to the interested financial houses and providing the defeated and financially struggling empire with at least some revenue. Fears that, as mandated by the 1879 Treaty of Berlin, the great powers might step in and establish an international commission to administer Ottoman finances brought further negotiations among representatives of all Ottoman bondholders, including some with a prior claim on the revenues currently administered by the BIO. Although formally only one of several creditors represented there, BIO officials effectively played a central role in formulating the settlement proclaimed by the sultan in the December 1881 Decree of Muharrem, establishing a Council of Public Debt, which would administer the indirect taxes and other anticipated revenues dedicated to debt reduction and ultimately, if slowly, repay all Ottoman creditors—itself included—at least part of their principal and some nominal interest. This organization, which functioned successfully until 1914, effectively ended the specter of the great powers' financial administration of the Ottoman Empire, though eventually many Turkish nationalists would come to perceive it as a symbol of western domination.

This lengthy and somewhat melancholy saga will undoubtedly be the definitive work in its field. If Ottoman officials appear somewhat less able than Clay might have us believe, other findings of his are decidedly convincing. Clay suggests that subsequently, as the age of high imperialism reached its apogee in the late nineteenth and early twentieth centuries, the French government attempted to use the BIO as an agent to further its own policies. Yet, in this period, despite their theoretical endorsement and encouragement of Ottoman financial reform to strengthen the ramshackle empire, the reluctance of the British and French governments to become guarantors of Ottoman foreign financial borrowings or to involve themselves with the details of the settlements eventually reached with creditors, is instructive. Lord Salisbury even believed that the best solution to the Ottoman bankruptcy would be a total default, which would then effectively debar that government from international capital markets. Private bankers were left to take decisions that often had far-reaching consequences for Ottoman survival; Clay even speculates that, had the BIO been quicker to endorse the abortive Scouloudi debt reduction plan of 1876 (the brainchild of Etienne Scouloudi, a Constantinople-based Galata banker of Greek origin), the grand vizier, Mahmut Nedim, would have remained in office, Sultan Abdülaziz on his throne, and the military crisis that soon brought the loss of most of the Ottoman Empire's European territories might well have been averted, with incalculable long-term consequences for the history of Europe. On several occasions, BIO officials, despite all their past frustrations, demonstrated a strong sense of their responsibilities and obligations as the Ottoman Empire's national bank, together with considerable disdain for the more opportunist local merchant, or "Galata," bankers (like Scouloudi). As in China and various Latin American countries, however rational the solution they devised in 1881, the independent administration of various Ottoman revenues ultimately provoked strong nationalist resentment and contributed to the overthrow of the existing order. The Banque Impériale Ottomane's first twenty-five years demonstrated the limitations of such an institution in accomplishing modernization and reform by degrees in a state where, whatever the stated intentions and hopes of many in the leadership, other elements essential to their attainment simply did not yet exist.

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