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Regaining control over finance: the Ottoman Empire at the eve of the World War I

1. At the beginning of the indebtedness: the Ottoman Empire and the financial troubles

During the XIX century the Ottoman Empire was in pursuing of modernizing the state. It was aware of the setback of the state administration, military apparatus, economic tools and the State enterprises. In the eve of the XIX century Sultan Mahmud II (1808-1839) understood that if the Ottoman Empire had to endure against the Russian expansionism, it would have updated the army. Modernizing the army means to find the financial resources to cover the military expenditures, and this was the challenge for the future of the Ottoman Empire. With Hatt-I Sherif's act or *Tanzimat* on 3rd November 1839 under Sultan Abdul Megid's leadership (1839-1860), the official period of reforms started. The Ottoman Empire changed from being an ancient State under the control of a theocratic army to the modern State. The Ottoman Empire needed money to update the State. At first for ethical reasons and because of the fear of being in the hands of European bankers, the Sublime Porte got rid of direct European money. It got money by the Galata bankers who often borrowed money from European bankers in order to lend that money to the Empire by adding higher interests. This system of loan ended up during the Crimean War. In 1854 the Empire got the first foreign loan by borrowing money from British bankers. From 1854 to 1875 the Sublime Porte financed itself in the international capital market without being careful with the balance of the State. Consequently in 1875 the Ottoman Empire was not able to pay outright interests, and in 1876 it stopped the payments of the debt. After the Congress of Berlin in 1878 the Great Power decided to create an International Commission in order to take control of the Ottoman finance to allow the payments of the interests and the general debt¹. The Public Debt was halved by negotiating the Ottoman

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indebtedness with the bondholders. In 1881 the Decree of Mouharrem established the Council of Administration of the Ottoman Public Debt. This International Commission was created as a branch of the Ottoman Minister of Finance and the delegates who were sitting inside did not represent directly the governments of each European nation, but they represented the private interests of the bondholders. With that choice the Ottoman Empire wanted to avoid treating with the governments of each nation which would have exercised less influence on the Ottoman finance. The Europeans controlled over the economy of the Empire and this eroded the sovereignty of the Ottoman State as much as Sultan Abudul Hamid II tried regaining control or at least containing the ongoing loss of sovereignty.

Avoiding dwelling long time on the economic and social history of the Empire, with the *coup d'état* of the Young Turks something changed in the political economy of the new *régime* that prevented the Empire going to war.

2. The Young Turks and the increase of general expenditures

From 1908 to 1914 the Young Turks tried wiping off this system of foreign influence by regaining control over the sovereignty especially in the financial sector, but without real succeeds. The European Imperialism encouraged and provoked the reaction in the new military young class who was often trained in the European military academy. This young military-class embedded in the European culture grasping the sense of the modern State with a strong belonging towards the country that they represented. This nationalism and radicalism went strengthened out after the Italian-Turkish War (1911-1912) and the First Balkan War (1912-1913). Furthermore, after the latter war, and thanks to an increasing wake of nationalism, throughout the Empire the sense of humiliation that could just be dissolved with a military victory had started to get spread. The Empire was aware that it was defeated by a small coalition of Balkan States. The sense of revenge was fulfilled thanks to the reoccupation of Andrianopoli (modern Edirne) to the detriment of Bulgaria. The Second Balkan War convinced the Empire that only the military victory was the key to save the Empire from the dissolution². The militarism and the willing to build a new national identity based on the strength of the army thrust the Empire, and especially the Committee of Union and Progress (henceforth CUP) and EnverPascià, TalaatPascià, DjemalPascià and HalilPascià, towards the hands of the Germans.

With the takeover of the Young Turks the Europeans thought that the new *régime* wanted to make order in the Ottoman finances but the expectations were disappointed. At the beginning of the Young Turk's revolution the budget situation was disastrous, the tax incomes were not enough to cover the expenditures and the Empire did not have a reliable budget. In the Governmental environment of Constantinople the European Embassies were aware that the Empire needed a deep revolution in finances in order to avoid the bankruptcy. The Empire needed

capital to invest in the agricultural sector that was the main sector of the Ottoman economy and in the meantime it would have increased the custom tax and it would have extend the monopoly *régime* to other sectors. But the real problem was the outstanding debt³. On 1st October 1908, in the Great book of the Public Debt, the following debt resulted: 1) Unified Debt 4% Lt (Turkish Lira) 36,996,380 2) Lots Turks Lt 11,276,584 3) Loans from 1881 to 1908 Lt 43,222,060 4) Loans guaranteed on Egyptian Tribute Lt 17,094,060 5) The total was Lt 108,589,084. For the service on that debt the Ottoman Empire paid *per annum* Lt 4,843,529. Moreover we should add the unknown floating debt which was between 10 to 15 million of Turkish Lira. The Empire was not able to avoid the increase of the general expenditures of the State that since 1897 had been strongly increasing as shown in the following table:

Tab. 1 Expenditures increased from 1897 to 1904 (value expressed in Turkish Lira)

Minister of War	Lt. 1,420,000
Public Debt	Lt. 597,000
Post and Telegraph	Lt. 142,000
Gran Visir and Minister of Foreign Affairs	Lt. 151,000
Minister of Public Works	Lt. 125,000
Minister of Finance	Lt. 325,000
Military armaments	Lt. 187,000
Emigrant found	Lt. 100,000

Fount: ASMAE, AGI, annesso al No 2303, da Theodoli a Imperiali, Constantinopole 20 december 1908

To sum up, in 9 years, from 1897 to 1904, the main expenditures of the State increased of Lt 3,308,000. In order to cover those expenses the Ottoman Empire did not cut the public expenditure but made debts in order to be able to go ahead until the new financial crisis and the new loan went forward. So, while the Ottoman Debt had been increasing, the revenues administrated by the Debt Council had been redoubling their value since 1881⁴. The new *régime* of the Young Turks was aware of it. In September 1908 they wanted to reorganize the overall finance under the leading figure of a French expert financier: Mr. Laurent, Director of the French Court of Accounts⁵. The challenge that Laurent was about to face was really tough given that it was immediately clear that the Nationalism

of the Young Turks would have brought the Empire to increase the general expenditure instead of cutting it. For instance, the budget prepared by each Ottoman Ministers for the financial year 1909-10 forecasted the outright expenditures for Lt. 10,000,000 by increasing the general deficit from Lt. 6,000,000 in the financial year 1908-09 to Lt. 11,000,000⁶. The future of the Ottoman finance was uncertain especially because the new Ottoman government was against the foreign control of the Ottoman finance. That antagonism against the foreign control of the Council of Administration of the Ottoman Public Debt worried the European powers which had big financial interests there. Toppling the International Commission would have meant sweeping away most of the International guarantees from the outstanding debt and consequently it could be destroyed under harsh bankruptcy. After the 1908 loan of Lt. 4,711,124 issued by the Imperial Ottoman bank with a Deutsche Bank participation, the Ottoman Government would have negotiated a new loan without the guarantees of the Council Debt. It was a risk and it had been unheard-of in the last 20 years. The Empire wanted to test if the new *régime* had the indispensable leverage on the International community to eventually try ousting the heavy Foreign Control. As the Ottoman President of Chamber of Deputies Achmet Riza told to the President of the Ottoman Bank Mr. Deffès regarding the new loan *"Turkey has become by now a great nation. It needs to boost its big economic resources and to organize a powerful army and navy with a defensive scope. You should be sure that the strength of the European public opinion will impose to the foreign capitalists, especially in Great Britain and France, to loan money to Turkey with favorable conditions"*⁷. Even though the Imperial Ottoman Bank, which mainly represented the French finance, complained against the issue of this loan without the guarantee of the Debt Council, it had to accept the issue of this loan unless losing its influence in the finance of the Empire⁸. Indeed the Ottoman tried increasing the competition between the European powers in order to get the loan with a favorable term. Great Britain, which had been less exposed in the Ottoman Public Debt since 1881, started negotiating this loan through the intermediation of Ernest Cassel with the Baring Brothers backing, in order to regain influence over the financial and political environment of the Ottoman Empire⁹. So the threat of the British intervention in the new loan thrust French finance to issue the loan to avoid being substituted by the British influence. In the meantime the British President of the Debt Council, Adam Block, took the defense of the Empire not only about that loan but also giving the surtax of 4% on the Custom duties directly to the Empire without passing for the Debt Council as expected from the Decree of Mouharrem¹⁰. The loan of £ 6,363,640 contracted without the guarantee of the Debt Council and secured by the tithes which were addressed for the payment of the Russian indemnity (for the war of 1877-78), was an amazing victory for the prestige of the new Ottoman *régime*. Through this victory the Empire addressed its political economy towards an upward public spending. In one year Constantinople spent more than 13 million of Turkish Lira by increasing the outright deficit of the bleeding Ottoman budget¹¹.

Thanks to the European connivance the Young Turk started believing to be able to get money from the international market without the guarantees of the International Commission. In this

situation the new Government increased quickly the general expenditures and particularly the military ones by getting into debt. In 1910 the public deficit of the State increased upon 12 million of Turkish Lira and followed the guideline of the growing nationalism which was requesting to swell the State expenses¹². The ongoing need of money and the competition among the European powers pushed the Empire to ask a new loan in order to get the benevolence of the Ottoman government. This time the French finance asked an owed guarantee but the Empire refused. Consequently the loan was assigned to the Deutsche Bank even though the prices of the issue were less than the French proposal (81% German and 84% French) with a net loss of Lt. 536,800, more or less 10% of the whole loan. The Italian delegate to the Council of Administration of the Ottoman Public Debt wrote about it *"I do not think that the French Government was wrong by asking a financial reform and a reasonable guarantee to the Young Turks who are full of proud and xenophobia and have been using up 13 million of Turkish Lira in just two years. The Empire stockpiles an unproductive expenditure instead of enhancing and exploiting the large natural resources that it has. We were accused by Abdul Hamid and his ministers to waste the money, but they have left just 14 million of debt more than the debt inherited from the Decree of Mouharrem after having built 5.000 km of railways. The comparison between these two amounts: 13 million in two years and 14 million in 27 years, might impress the neutral observers"*¹³. The cockiness shown by the Ottoman government would have been a double-edged weapon for the Ottoman finances. Indeed if the financial situation of the Empire had got worst, the Empire would have been compelled to allow the extension of the International financial control over its finances. But for the record, as the historian Akarli said, there was a fundamental difference between the pre-Abdul Hamid statesmen and the Young Turks. While the former borrowed heavily to cover budget deficit resulting from unproductive expenditures, the latter spent a considerable portion of the borrowed money on public welfare and social service – essentially on infrastructural projects. In other words, the Young Turks projected onto future generations the benefits from borrowing as well as its burden¹⁴. Moreover we cannot overlook the fact that Young Turks believed to be able to loan without thinking to the budget stability. Indeed the main thought of the new *régime* was to lead a renaissance of the Ottoman system under the nationalism, whatever the cost, especially after the embarrassing war against Italy and the first Balkan State war. Furthermore, regarding this victory, the Second Balkan War clearly showed to the military members of the new Ottoman government that just the military victory would have thrown the new Ottoman Turkey towards a prosperous future¹⁵. For that reason both for prestige and for necessity, the Young Turks would have taken control over the revenues managed by the Debt Council which had strongly increased the value of the running revenues since 1881, especially the six indirect taxes. For the Ottoman government these resources could be used for the updating of the State and in the meantime ousting the European control over its finance.

Part of this strategy was the obstructionism against the renewal of the concession of the *Société de la Régie contéressée de tabacs de l'Empire Ottoman*¹⁶. That society was under the control

of French capital for 2/3 (who had the Presidency under the Baron of Neuflyze and which the Imperial Ottoman bank was the main shareholder) and German capital for 1/3 (with the participation of Austrian bank Credit Anstalt and German bank Bleichschroder) and the Council Debt shared with the *Régie* the benefits for the sake of the foreign bondholders. The Young Turks wanted to regain control over this *Régie* by getting the whole management. This plan failed due to the recapture of the Tracie region during the second Balkan War (June 29, August 10, 1913). This victory thrust the Empire to find a compromise with the Europeans in order to get a the money to cover the compelling expensidureess soon as possible, as a compensation for the renewal of the concession for others 15 years computable in Lt. 1,500,000. Thus,only the urgent need of money thrust the Empire to restore the European concession over the *Régie*¹⁷.

Since the Young Turks revolution, the Ottoman Empire hadbecome more reluctant towards the European control over the six indirect taxes and other Ottoman revenues. Even though the Ottomans played took advantage of the antagonism among the Great Powers, nobody of them wanted to cede its own control over the Ottoman finances and likewise the Ottoman Government knew that it needed the European money to finance the ambition of its policy. This *status quo* could have changed only with a deep changing in the International order, and this happened in 1914.

Tab. 2 Loans contracted during the Young Turks' leadership before the WWI

Name of the Loan, year and issued by	Amounts	Interests
1908 Baghdad Railway Loan	£ 4,320,000 £ 4,760,000	4%
1908 Ottoman Bank Loan	£ 4,282,840	4%
1909 Imperial Ottoman Government Loan (NO Supervised by Debt Council)	£ 6,363,640	4%
1909 Hodeaidah-Sanaa Railway Loan	£ 909,100	4%
1910 Panderma-Soma Railway Loan	£ 1,556,640	4%
1911 Loan Banque Française pour le Commerce et l'Industrie	£ 2,272,728	4%
1912 Loan Imperial Ottoman Bank (NO Supervised by Debt Council)	£ 9,091,200	4%
1914 Imperial Ottoman Bank and French Banks	£ 20,000,000	5%

Notes: Author's calculation from Annual Report of the Council of the Corporation of Foreign Bondholders, year 1915

3. Trying to get financial independence: the Ottoman Empire and the foreign control over its economy

Before the outbreak of the First World War the Sublime Porte sought an ally who was able to defend the integrity of the Empire with a treaty of alliance. At the beginning of the First World War the Empire was out of the two alliance blocks: the Triple Entente among Great Britain, France and Russia and the Triple Alliance among Germany, Austria-Hungary and Italy. The situation changed on 2nd August 1914, when the Sublime Porte signed an alliance agreement with Germany. Actually the Empire was pushed towards German hands by the Entente powers who did not offer to the Empire the possibility to join them. Great Britain did not fight to attract Constantinople towards its sphere and the Ottomans were aware that the collaboration with England did not mean regaining control over its sovereignty. Indeed for Germany the alliance with the Ottomans meant a threat for the influence and the presence of the United Kingdoms in Egypt, South Arabia and India as well. That being so even Germany and England were not comfortable on the military force of the Empire as a consequence of the Balkan wars and the war with Italy. This was the main reason because of German reluctance to sign an alliance agreement with the Ottomans. In the meantime, the Empire offered a strategic position and its armor neutrality could be a threat for Russia and England.

With the outbreak of the War, the Ottoman government started to straighten the rivalry among the European powers by obtaining more concessions to get back its financial independence piece by piece. With the signing of the secret Ottoman-German alliance on August 4, 1914, the Empire threw itself towards the German hands. Leaving alone in the Ottoman affairs, Berlin and Vienna tried to extend their control over the whole economic and political life of the Ottoman Empire which had no longer possibility to balance itself anymore among the European powers. At the beginning of the outbreak of the war in Europe the Ottomans wanted to create a *casus belli* to take over the Foreign Control of the Public Debt definitively, by proposing a private agreement to the creditors without any other European influence over it. Actually the Empire tried seizing the revenues ceded to the Debt Council. The inflexible opposition of Germany blocked the Ottoman plan. Actually Germany did not want to lose the power on that useful tool when it was finally ready to control the Council Debt alone, after the Anglo-French delegates leaving.

At the beginning of October 1914 the Minister of Finance personally paid the Treasury bonds 6% through its branches, without passing through the Imperial Ottoman bank¹⁸. This was one of the attempts of the Ottoman government to show how much it was able to run and pay the bonds of the outstanding debt at maturity without the intervention of foreigners. This first step was followed by other actions. Beyond the unilateral abolition of the Capitulation, Constantinople decided to increase the tax export from 11% to 15% by asking the removal from the Debt Council

of the Custom agents whose presence at the Custom Offices had been imposed by the Custom Administration since the imposition of the 3% surtax for the adjustment of the Macedonian finance in 1905. In order to avoid the Ottoman seizing of the Debt Council, the latter gave the 55% of the overall increasing of the Custom tax (that was 7%) to the Ottoman Minister of Finance even though the Decree of Mouharrem established that the Debt Council had to manage it. In few words, the Council withheld for itself just the surtax of 3% and not the other 4%¹⁹. If the Debt Council was under the Ottoman influence, the Ottomans dedicated different *modus operandi* to the Imperial Ottoman Bank. The International bank was mainly run by the Commission of Paris and London. It was funded in 1863 in order to reassure the western creditors of the Empire operating both as a central Bank and as an external supervisor of the Ottoman finances. Since August 1914 the bank had begun to have troubles with the Sublime Porte. The gold flows-outwards and the ongoing printing of paper money reduced the financial stability of the Bank. In order to avoid protests by the bankers, the Empire did not inform the Committees about the alliance with Germany. From August to November 1914 the French commission and the French embassy tried keeping normal relationships with the Empire with the intent to avoid the supplies of fresh financial facilities to the Ottoman government. Indeed France Governor suggested carefulness in order to avoid giving a pretext to the Empire to broke the relationship with the bank. The tutelage of the economic Triple Entente interests over the Empire was getting increasingly harder. Differently from the Council Debt which represented an heavy tutelage on the Ottoman finance, the Ottoman government had a different behavior with the Imperial Ottoman Bank mainly for two reasons: 1) the Imperial Ottoman Bank had an important commercial and investment bank in the Empire with a unique function of Central Bank. Its role was essential for the Ottoman economy especially for the linkage that it had with Paris and London stock exchanges. Substituting it could have been extremely tough in a brief time. 2) Allowing the German control over the Imperial Ottoman Bank, or allowing its substitution with whatsoever German banks would have meant the complete subordination to the German will, especially at financial level. By doing so, Germany wanted to topple the Imperial Ottoman Bank system by substituting it with the Deutsche Bank²⁰. The problem to apply this wish was the structure of the Imperial Ottoman Bank: the presence of different managing groups (mainly in London and Paris but also in Constantinople) made hard a simple handover of the bank fictions. Moreover, Berlin stock exchange did nothave the same financial strenght of London and Paris financial markets.

Beyond the nationalism proud, basically the Ottoman government wanted to take control over the Council Debt also gettingan essential guarantee for the monetary issue. Indeed, the monetary troubles were the meeting point among the Imperial Ottoman Bank, the Debt Council and the German predominance. Following this matter the Ottoman Empire needed to issue currency to supply the economic troubles. When it was clear that it was impossible to oust the functions of the Imperial Ottoman Bank in a short time, the Ottoman government tried issuing

Tab. 3 Application of the Net Receipts 1914-15

	£ T
Interest (4%) on Unified Converted	
Debt Paid	332,129
Debt Suspended	1,358,091
Ordinary Sinking Fund on Unified Debt	196,344
Annuity for Lots Turks	270,000
Total	2,157,375
Net total available for service of the Debt	2,888,087
Deduct fixed charge for service of the Debt	2,157,375
Surplus	730,712
Distribution of the Surplus	
75% to the Porte	548,034
25% to the Council	182,678
Total	730,712
Of the Council's share	
40% to amortization of Lots Turks	73,071
60% to Extraordinary Sinking Fund	109,606
Total	182,677

Notes: FO T 170/103

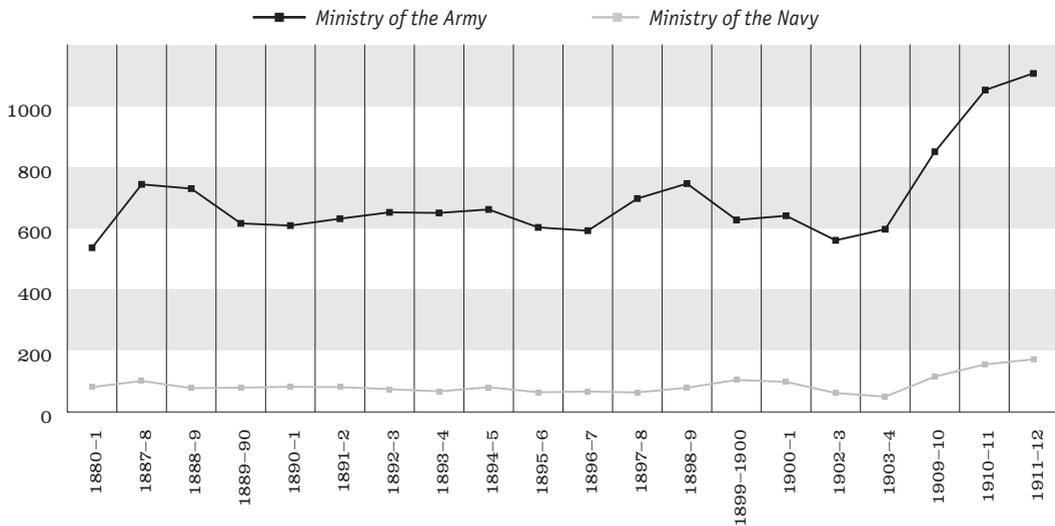
a paper money in forced circulation secured by 1/3 in gold and 2/3 with Treasury Bonds which could be amortized in 10 years. The problem was that only the Imperial Ottoman Bank had the privilege of the issue and the Ottoman government needed the guarantee of the Debt Council already without British and French delegates in order to get trust for the new issue²¹. The guarantees for the paper issued were 5 millions of Turkish Lira that Germany pledged to pay if the Ottoman Empire would have gone to war. The Ottoman government was afraid to issue an undervalued currency compared with the paper money that it was carrying on circulating within the Ottoman Empire with the guarantee of the Imperial Ottoman Bank. For that reason Constantinople needed

the support of the Debt Council which Presidency was assigned to the Austro-Hungarian Delegate in November 1914²². In February 1915 the Ottoman Empire issued Lt. 6,000,000 of State currency by asking the authorization to get the guarantee to the Debt Council and issuing that currency. In order to get it the Ottoman government made available Lt. 2,000,000 in gold as a metallic reserve and in the meantime it gave the custody of new State revenues to the Council Debt, in order to produce the whole amount of Lt. 4,000,000 in 4 years. That amount was necessary to cover the risk for the withdrawal of that currency²³. With that operation the Ottoman government showed the need of the Council Debt collaboration to support the value of the new money issued and consequently the whole Ottoman economy. Moreover, in February 1915 the Debt Council paid only about 20% of the full amount of the Unified Converted Debt interests: Lt 1,258,901²⁴. This situation shows that since the outbreak of the war the functions of the Debt Council had strongly been reduced only for the sake of the Ottoman government and the Teutonic powers.

Conclusion

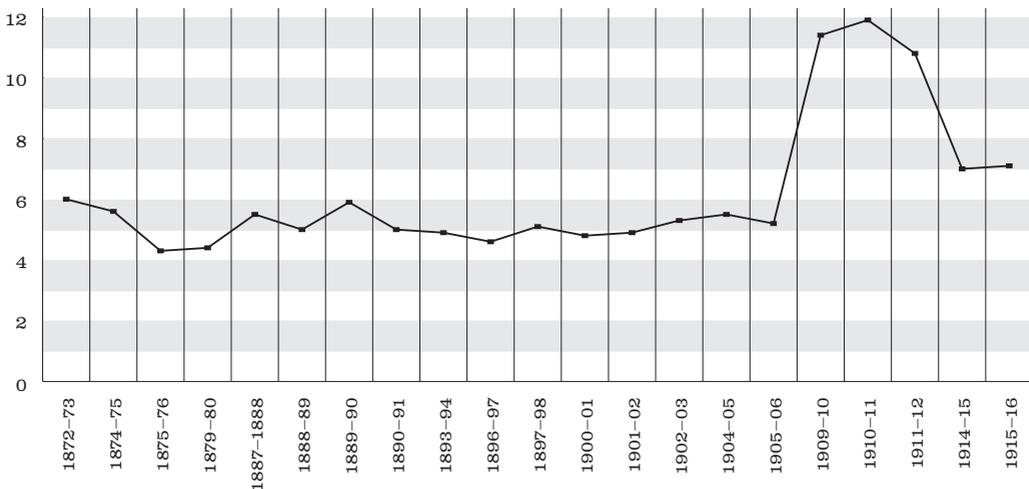
Since 1908 the new Ottoman government increased the general expenditures without cutting the unproductive outlay. Consequently, the foreign debt had been following an upward trend since 1908-1909. The whole military expenditures with the expenses for public education, health, commerce, agriculture, public works, state enterprises were the main items the expenditure. In order to satisfy these expenses and to reach the goals of the Young Turks politics, the latter resorted to foreign loans as much as they could. The successful negotiation of the 1908 loan without the Debt Council guarantee, supported the politic guideline set by the Ottoman government which started thinking to fulfill its credit need without the International Commission. Moreover, in order to get the favors of the new Ottoman *Régime* the European powers helped the latter to gather money in order to boost its pandemic nationalism. The alliance with Germany on August 4, 1914, changed all and thrust the Empire to the hands of the powerful Teutonic powers which wanted to fulfill its strategic and imperialistic goals by extending their control over the all Ottoman Empire. The Debt Council became tool to support the war economy but it was not under the Ottoman leadership, it was under the Germanone. Indeed the political economy pursued by the Young Turks had the main goal to regain control over their own finance by thrusting out the European powers. It did not happen as they planned. The Young Turks Mehmed TalatPascià, Ahmed Gemal and Ismail Enver thrust the Empire to the German hands by disappointing Young Turks' original goal to be completely independent. In the end, the Ottoman trial to regain control over its finance failed concerning the takeover of the Imperial Ottoman Bank, which remained under the French and British control, and it failed also for the Debt Council which was going under the Teutonic backing.

Tab. 4 Departmental expenditures: Ministry of the Army and Navy

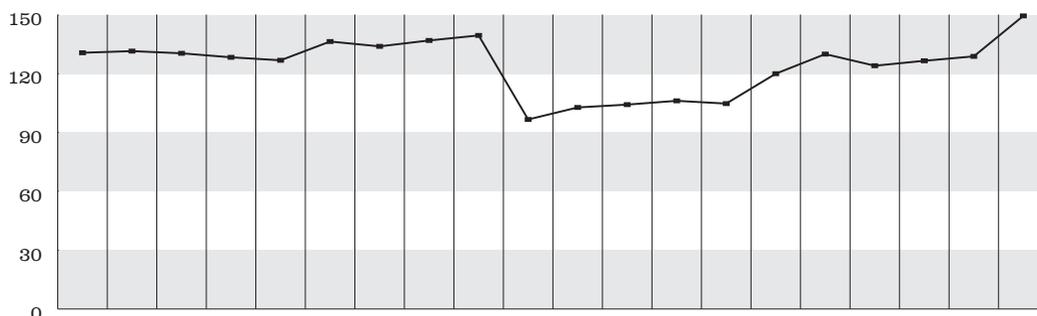


Notes: Author's calculation from: Shaw S.J. 'Ottoman Expenditures and Budget in the Late Nineteenth and Early Twentieth Centuries' in 'International Journal of Middle East Studies', V. 9, n°3, 1978.

Tab. 5 Public Welfare and Service* expenditures from 1872 to 191



* Public Debt Service included: Public education, health, commerce, agriculture, public works, state enterprises (including post office). Notes: Author's calculation from Akarlı E.D. Economic Policy and Budgets in the Ottoman Turkey, 1876-1909 in "Middle Eastern Studies" v. 28, n°3, 1992.

Tab. 6 Value of the Ottoman Foreign Debt from 1894 to 1914

Notes: Author's calculation from: *Annual Report of the Council of the Corporation of Foreign Bondholders*, years from 1894 to 1914

¹ Clay C. G. A. *Gold for the Sultan: Western bankers and Ottoman finance*. 2000. From Turkish pounds (henceforth LT) 197,417,160 to LT 118,911,248. With a difference of LT 78,505,912. To be more confident with the value of the debt in 1854 the Turkish pounds valued 10% less than pounds Sterling (henceforth LS), so 1 LT = LS 1.1; LS 1 = LT 0.909. The value of French franc (henceforth Frs) in relationships with that money was LT 1 = Frs 22.727; and LS 1 = Frs 25.

² Aksakal M. *The Ottoman Road to War in 1914: The Ottoman Empire and the First World War*, 2008. In the first chapter Aksakal examines the social roots which thrust the Young Turks to take over the power and then pushed the Empire towards the war.

³ Without having the ordinary budget of the Ottoman Empire, we cannot have an official reference which we can base on our research. For that reason it is essential to rely upon the data held by the European nations which were involved with the Empire politics and business. In our specific research we based our research on the Italian documents mainly got from the Italian Minister of Foreign Affairs.

⁴ ASMAE, AGI, associated to n°2303, from Theodoli to Imperiali, Constantinople, December 20, 1908.

⁵ ASAME, AGI, from Imperiali to Tittoni, n°2119, Terapia, September 22, 1908.

⁶ ASMAE, AGI, from Imperiali to Tittoni, n°2256 bis, Constantinople, December 4, 1908.

⁷ ASMAE, AGI, from Imperiali to Tittoni, n°2303, Constantinople, January 4, 1909.

⁸ ASMAE, AGI, from Imperiali to Tittoni, n°2893, Terapia, September 22, 1909.

⁹ ASMAE, AGI, from Imperiali to Tittoni, n°2921, Terapia, October 9, 1909.

¹⁰ ASMAE, AGI, from Theodoli to Imperiali, n°2911, Constantinople, September 30, 1909.

¹¹ ASBIO, CIT, DPO, from Theodoli to Maissa, Constantinople, November 25, 1909, and ASBIO, CII, DPO from Theodoli to Imperiali, n°9/32, Constantinople, September 30, 1909. In the latter dispatch Theodoli said that the Ottomans wanted to increase the Custom duties of 4% in order to guarantee the new loan.

¹² ASBIO, CIT, DPO, from Theodoli to Des Planches, n°71 and 67, Constantinople, June 30, 1910.

¹³ ASBIO, CIT, DPO, from Theodoli to Des Planches and Tittoni, n°87/142-89/108, Constantinople from November 20 to December 1, 1910.

¹⁴ Akarli E.D. *Economic Policy and Budgets in Ottoman Turkey, 1876-1914*, in "Middle Eastern Studies" V. 28, n°3, 1992.

¹⁵ Aksakal M. *The Ottoman Road to War in 1914: The Ottoman Empire and the First World War*, 2008.

¹⁶ Boyar E. *Public Good and Private Exploitation: criticism of the Tobacco Régie in 1909*, in Boyar E. and Fleet K. "The Ottomans and Trade", OrienteModerno, 2006.

¹⁷ ASMAE, AIT, Record 470, from Garroni to San Giuliano, n°4191/768, Terapia, August 25, 1913.

¹⁸ ASBIO, CIT, DPO, from Nogara to Tittoni, n°309/319, Constantinople, October 12, 1914.

¹⁹ ASBIO, CIT, DPO, from Nogara to Tittoni, n°318bis/323, Constantinople, October 26, 1914.

²⁰ Autheman A. *The Imperial Ottoman Bank*, 2002.

²¹ ASMAE, APP, record 469, from Garroni to Sonnino, n°4788/1165, Constantinople, December 20, 1914. Following this matter the Ottoman government tried to request the necessary authorization to the Imperial Ottoman Bank committees in London and Paris to find an agreement for the amount guarantee for the currency in circulation. Obviously, the French and British committees did not give the authorization to help the war economy of the Empire. Moreover, a project to introduce the German money into the Empire was planned, but this plan failed because of the consequences that it could have had for the stability of the money. As I wrote before, the German trial made to oust the Imperial Ottoman bank found a logistic problem and the Ottoman opposition.

²² ASBIO, CIT, DPO, from Nogara to Tittoni, n°323/331, Constantinople, November 1914.

²³ ASBIO, CIT, DPO, from Nogara to Tittoni, n°340/345, Constantinople, February 20, 1915.

²⁴ FO, T 170/103.

Conte G. Regaining control over finance: the Ottoman Empire at the eve of the World War I

ABSTRACT: The complexity of the Ottoman fiscal trouble had been a permanent feature since the end of XIX century. The European powers were in charge of the credit supply of the Empire by controlling not only the Imperial Ottoman Bank but also more than 30% of the State revenues through the Council of Administration of the Ottoman Public Debt. At the beginning of the WW1 the Empire tried regaining control over its finances in order to allow the military mobilization. By stretching the control over its finance, the Empire began a conflict with the European powers which wanted to maintain their privileges in the financial system in order to hamper the Ottoman military mobilization. After the outbreak of the WW1 the Ottoman Empire, though it was still neutral, quickly fell into the German influence. The Germans helped the Empire to start a thoroughgoing struggle mainly against France and England in order to try ousting both powers from the control of the Ottoman finances. The operation was not easy for the Empire given that the monetary and credit systems were held up by the Imperial Ottoman Bank which was managed by two Committees in London and Paris, whereas monopolies and the main six indirect revenues were managed by the Council of Administration of the Ottoman Public Debt. If the Ottomans had not regained control over their finances, they would not have acquired enough straight to sustain the war. In this scenario the Ottoman Empire prepared itself for the war.

KEYWORDS: Ottoman Economic History, Mediterranean History, European Imperialism, Financial History

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- ⁴ Boyar E. 'Public Good and Private Exploitation: criticism of the Tobacco Régie in 1909' in Boyar E. and Fleet K. *The Ottomans and Trade*, OrienteModerno, 2006.
- ⁵ Autheman A. *The Imperial Ottoman Bank* (Istanbul, 2002).