

**The Administration of Ottoman Public Debt:
Providing a Sense of Security and Fighting against
Tax Evasion**

by

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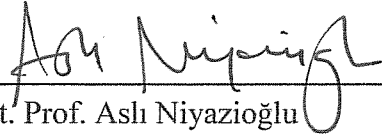
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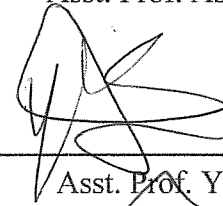
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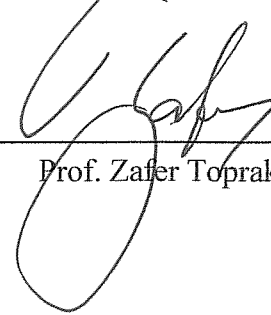
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Ayşe Nur Sülüş

A handwritten signature in black ink, consisting of a stylized 'A' followed by a long, sweeping horizontal stroke that ends in a small upward flick.

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Abstract

After a period of increasing domestic and foreign indebtedness the Ottoman Empire bankrupted in 1875. In 1881, the Ottoman government signed an agreement, the Decree of Muharrem, with its creditors. The Decree envisioned the foundation of the Administration of Ottoman Public Debt (AOPD) and gave it the authority to collect and administer certain Ottoman revenues. The objective of this thesis is to understand this institution's interaction with Western European capitalism and the Ottoman society. After a discussion of Ottoman integration into the world capitalist economy and the AOPD's role in this integration, this thesis argues that the AOPD was founded at a time when the Great Powers was considering the Ottoman Empire as the target of capitalist penetration while the European capitalist investors lost their credence in profitable investment in the former due to the financial bankruptcy. Based on a research in the British archives this study suggests that the AOPD attempted to provide a sense of security to the Great Powers and to the capitalist investors to convince them that investing in the Ottoman Empire was a profitable enterprise. Secondly, I focus on the AOPD's relation to its Ottoman officers and to the Ottoman taxpayers. Based on a reading of published and non-published documents from the Ottoman archives this thesis describes the AOPD's effort to prevent tax evasion while the taxpayers developed sundry means of tax evasion.

Keywords: Ottoman Empire, Ottoman Public Debt Administration, World Capitalist Economy, Tax Evasion

Özet

Osmanlı İmparatorluğu, uzun süreli bir iç ve dış borçlanma döneminin ardından 1875 yılında iflas etti. 1881 yılında Osmanlı hükümeti ve onun alacaklıları arasında Muharrem Kararnamesi adı verilen anlaşma imzalandı. Bu kararnameyle göre bazı Osmanlı gelirlerini toplamak ve idare etmekten sorumlu Düyun-u Umumiyye İdaresi kuruldu. Bu tezin amacı Düyun-u Umumiyye'nin Batı Avrupa kapitalizmi ve Osmanlı toplumu ile olan ilişkisini incelemektir. Bu tez, Osmanlı İmparatorluğu'nun dünya kapitalist sistemine dahil olma sürecini ve bu süreçte Düyun-u Umumiyye'nin rolünü tartıştıktan sonra, bu kurumun Devlet-i Muazzama'nın Osmanlı İmparatorluğu'na kapitalist yatırımlar aracılığıyla nüfuz etmek isterken yatırımcıların İmparatorluk'ta kazanç sağlamaya olan inançlarının kırıldığı bir zamanda kurulduğunu önermektedir. Düyun-u Umumiyye'nin bir güvenlik duygusu yaratmaya çalışarak gerek Avrupa hükümetlerini gerekse kapitalist yatırımcıları Osmanlı İmparatorluğu'nda yatırım yapmanın kazançlarına ikna etme çabaları İngiliz arşivi kaynakları belgelerin incelenmesiyle ele alınmaktadır. İkinci olarak, Düyun-u Umumiyye'nin kurumun Osmanlı memurları ve vergi mükellefleriyle ilişkisi incelenmektedir. Osmanlı arşivinde yer alan basılı ve basılı olmayan belgeler ışığında, Düyun-u Umumiyye'nin vergi kaçakçılığına karşı verdiği mücadele ve mükelleflerinin vergi kaçırma stratejileri betimlenmektedir.

Anahtar kelimeler: Osmanlı İmparatorluğu, Osmanlı Borç İdaresi, Kapitalist Dünya Ekonomisi, Vergi Kaçakçılığı

Abbreviations	
AOPD	Administration of Ottoman Public Debt
DH.İD.	İdarî Kısım Belgeleri
DH.MKT	Dahiliye Mektubi Kalemi
FO	Foreign Office

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Table 1: The number of the evaders of the stamp and the spirit duties according to ethno-religious background.

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Introduction

This study examines the Administration of the Ottoman Public Debt's (AOPD) interaction with the Western European governments, with the European capitalist investors, and with the Ottoman society. The initial research question that inspired this study was how the AOPD operated as a bureaucratic institution in the Ottoman Empire. The AOPD has been mostly studied in the context of the Ottoman Empire's loss of financial independence. It has been considered by the historians who have examined the Ottoman Empire's relation to world capitalist economy in the long nineteenth century as an institution through which the Great Power exercised control over Ottoman finances. Although almost all studies on Ottoman long nineteenth century have mentioned the AOPD's significance in the Ottoman Empire's integration into the world capitalist economy, our knowledge on everyday transactions of this institution was scarce. Thus, I traced how this institution interacted with Western European capitalism and with the Ottoman society through its day-to-day operations and transactions in the British and the Ottoman archives. This thesis argues that the AOPD has to be understood, mainly, in the context of international and domestic factors in the nineteenth century, which culminated in the bankruptcy of the Ottoman Empire and the foundation of the AOPD. I will suggest that the foundation of the AOPD and its supervision of the European investments was a reflection of contemporary capitalist relations and the political atmosphere in Europe, which determined the ways in which the Ottoman Empire was integrated into the world-capitalist economy. Furthermore, I argue that there emerged a need for a sense of security prior to foundation of the AOPD. I claim that the AOPD tried to create a sense of security on potential

European investors and on European governments to remove the doubts about profitable investment in the Ottoman Empire. This thesis also examines the strategies of tax evasion in the stamp and the spirit duties during the AOPD period. I maintain that the Ottoman taxpayers participated in tax evasion regardless of ethno-religious, socio-economic, and geographical background. Finally, I will state that the AOPD developed a set of punitive and preemptive measures to prevent tax evasion, which can be summed under the heading of “good administration.”

As its contemporaneously established counterparts in Tunis and Cairo, the AOPD was a reflection of the semi-colonized world's indebtedness and dependence on Western Europe starting in the nineteenth century. After a period of increasing foreign as well as domestic indebtedness the Ottoman Empire bankrupted in 1875. First in the Berlin Congress in 1878 that the bondholders' desire to found a financial commission which would be composed of specialists, examine into the bondholders' complaints of the debts, and, in Blaisdell's words, “propose the most *efficacious* means for satisfying them” received official attention from the Europeans.¹ This idea found a place to itself in the official proceedings despite of the counter-suggestions offered by the Ottoman Empire. Just after the Congress, the bondholders started to press the Ottoman Empire for the settlement of financial issues. Nonetheless, the Empire was able to postpone the foundation of a financial commission until the need for new debts began to constrain these efforts.² At the same time, when the Ottoman Empire was unable to borrow from Europe the local bankers provided the

¹ My emphasis. Blaisdell (1929, 85).

² Blaisdell (1929, 85-87).

Empire with loans; hence, the Empire was able to avoid official European intervention in finance.³ In 1879 the government agreed with the local creditors to cede some its revenues such as the spirit tax, and the tobacco and the salt monopolies.⁴ Thus, the Administration of the Six Revenues (*Rüsum-u Sitte İdaresi*) was founded. However, according to Blaisdell, this administration was composed largely of “Turkish subjects” and this was supposedly why European powers was dissatisfied by the agreement since “all the difficulty in the past arisen from a similar situation,” contrary to the fact that the administration was able to increase revenues.⁵ Even though this administration proved to be ‘successful,’ the European creditors continued to oppress their governments for the foundation of an institution through which their interests would be represented and safeguarded. Finally, in 1881, the Empire could not resist to the need to find new loans and European political as well military oppression any more.⁶ Hence, the Ottoman government signed the Decree of Muharrem, which envisioned the foundation of the AOPD.

The Decree of Muharrem was an agreement between the creditors of the Ottoman Empire and the Ottoman government. With the Decree, the Ottoman Empire’s external and internal debt was reduced and was consolidated.⁷ According to the Decree, the AOPD would be responsible from the collection and the administration of certain revenues of the Ottoman Empire including the salt and the tobacco monopolies, the stamp duty, the spirit duty, and the fish tax. These revenues would be transmitted to the holders of the Ottoman bonds until

³ Blaisdell (1929, 88).

⁴ Eldem (2005, 441).

⁵ Blaisdell (1929, 88-89).

⁶ Toprak (“Düyun,” xiv).

⁷ Blaisdell (1929, 91).

the liquidation of the debt.⁸ Although the AOPD was abolished after the Treaty of Lausanne in 1923 when the European governments and the Turkish Republic settled the payment of the Ottoman debts on a different basis, the official abolishment took place in 1928.

The AOPD was organized as an administrative council and local offices. The former was called the Council of Administration, which was directed by the representatives of the bondholders. This central administration was composed of the delegates representing the British, the French, the German, the Dutch, and the Austria-Hungarian bondholders, and of two delegates representing the Ottoman creditors. Since the British and the French creditors held the majority of the Ottoman bonds the British and the French delegates alternately headed the Council.⁹ The latter was composed of lower-ranking Ottoman officers. The proportion of the non-Muslims officers was approximately 8% in the Administration.¹⁰

In this study, I aim at portraying the AOPD under the light of its relation to the bondholders, to the capitalist investors, to the European governments, and to Ottoman society. In the first chapter, I survey this network of relationships at the macro-level. In the chapter, I suggest that this network has to be understood, first of all, within the context of commercial and financial ties between Europe and the Ottoman Empire. The capitulations, the trade agreements, the effects of the military revolution, inflation, i.e. the major factors that resulted in budgetary problems and foreign borrowing in

⁸ Blaisdell (1929, 92).

⁹ Blaisdell (1929, 95).

¹⁰ Morawitz (1978, 192).

the Ottoman Empire will be considered. Secondly, I claim that Ottoman financial policy in the nineteenth century was influenced by domestic factors such as the central bureaucracy's confrontation with the local notables. Thirdly, I will describe the general characteristics of most frequent wave of Ottoman foreign borrowing from 1854 to 1875, including how the Empire spent the loans.

In the second part, I will review the political, the diplomatic, and the financial developments shaping the historical context in which the AOPD was founded and operated. In so doing, I will contextualize the AOPD according to its relation to capitalist penetration into the Ottoman Empire in the late nineteenth century. In the chapter, I will discuss the reasons behind the bankruptcy of the Ottoman Empire, and the pressure of the bondholders and the Great Powers on the Ottoman Empire to settle the debt issue. Moreover, I will describe the AOPD's organization at the centre and the provinces. I will also focus on how the AOPD's interacted with the European governments, as the latter oriented the former according to its own interests. I will discuss the official and unofficial context, which possibilized such an interaction. Furthermore, I will consider the AOPD's efforts to increase its revenues by, for instance, educating people in agricultural production and fighting against pesticides. Finally, I will discuss the AOPD's role in supervising financial and industrial investments in the Ottoman Empire after 1881. I will argue that the linkage between the political and economic interests in Europe after 1870s and the rivalry among the Great Powers required the supervision of the AOPD in capitalist penetration into the Ottoman Empire.

In the first chapter, I benefit pursue a survey of secondary sources. I will refer to the books by Önsoy, Kömürçan, and Yeniay to describe Ottoman foreign borrowing. I use the books of these scholars to display Ottoman indebttness before 1881, as they have described the loan agreements between the Ottoman Empire and the European creditors in a chronological manner. The authors provided information on the loan agreements and/or railway construction projects by noting the loan providers, the terms of arrangement such as interest and amortization rates, pledged revenues. Considered together their works shows us that the Ottoman Empire borrowed from Europe in increasing amounts and worsening conditions in terms of the interest rates.

Although the books of Önsoy, Kömürçan, and Yeniay contribute to our knowledge in Ottoman indebttness, the reason behind Ottoman foreign borrowing has not been in their agenda. Hence, I benefit mainly from the works of Kıray and Pamuk to understand those reasons. Kıray, who has published her doctoral thesis in 1993, has taken into account the domestic and the international factors shaping Ottoman financial situation in the long nineteenth century. As Kıray has incorporated both international and Ottoman actors such as the local notables, the tradesmen, and the Ottoman bureaucracy her book gives us a chance to display the effects of both type of those developments on Ottoman foreign borrowing, Ottoman bankruptcy in 1875, and the foundation of the AOPD. Similarly, Pamuk, who has published two articles on Ottoman financial administration, has provided information on the local and international developments transformed Ottoman finances starting with the seventeenth

century.¹¹ Furthermore, I benefit from the works of Toprak, who has examined the reasons behind the Ottoman financial problems in the nineteenth century, including the international, the local, and the global factors. Last but not the least, I benefit from the books of Pamuk, Owen, Keyder, and Blaisdell to contextualize the relationship between the AOPD, the Great Powers, and the Ottoman Empire.¹² As these scholars have analyzed Ottoman socio-economic and financial situation in the long nineteenth century within the context of the integration of the Ottoman Empire into the world capitalist economy and/or capitalist penetration into the Ottoman Empire, I will refer to their works to contextualize the Ottoman Empire according to the economic, financial, and political developments of the period.

In the second chapter, I claim that providing a sense of security, which is explained below, to the European governments, bondholders, and capitalists was the AOPD's leading mission in the Ottoman Empire. The Ottoman Empire's bankruptcy in 1875 shattered confidence in the Ottoman Empire and discouraged possible capitalist investors. At the same time, since the Great Powers changed their attitude towards the territorial integrity of the Ottoman Empire in the 1870s, penetrating into the Ottoman Empire by financial and industrial means became the major Western European policy after this date. Before this time, the Eastern Question – the issue that the territorial fragmentation of the Ottoman Empire would threaten the peace in Europe, and therefore, that protecting territorial integrity of the Empire was a better

¹¹ Pamuk (2004); Pamuk (2008).

¹² Pamuk (1994); Owen (1993); Keyder (1993); Blaisdell (1929).

alternative than letting it disintegrate – was the leading determinant of Europe's attitude towards the Empire. At the Berlin Congress in 1878, however, the Great Powers abandoned the policy of protecting Ottoman territorial integrity that they adopted at the Paris Congress in 1856. Moreover, they abandoned the principle of non-interventionism in the internal affairs of the Ottoman Empire.¹³ In short, whereas the European governments left capitalist investment to the hands of private investors or of private banks before 1875 or considered it as a means to empower the Ottoman Empire against Russian interests in the region, after 1881 they used capitalist investment as an instrument of political influence and of economic penetration. Thus, the dilemma was that at a time that the Great Powers were motivated to penetrate into the Ottoman Empire, the capitalists were hesitant to invest in the Ottoman Empire.

In the second chapter of this study, I argue that, as a result of the aforementioned dilemma, the AOPD tried to provide a sense of security to the Europeans governments and to the capitalist investors by convincing them that investing in the Ottoman Empire was a profitable enterprise. In the studies of the AOPD, the institution have appeared as the cohort of financial and industrial European investors as well as the Great Powers depicted in reference to its participation in financial and industrial investment. Owen, for instance, has focused on the debt contracts and the railway construction projects that the AOPD took part in.¹⁴ However; he has not investigated why the AOPD, as an institution designed specifically as composed of Ottoman officers supervised by European delegates, was given this responsibility. Moreover, his research has

¹³ Ahmad (2002, 3). Pamuk (1994, 88).

¹⁴ Owen (1993, 193-194).

not included how the AOPD presented its presumed success in those projects and in tax collection. In this study, by contrast, I focus on the AOPD's endeavors in representing itself as managing Ottoman finances and capitalist investments better than the Ottoman government. I suggest that those endeavors can be summarized under the title of "the sense of security." I borrow the concept of "the sense of security" from Quataert, who has maintained that "the sense of security" that the foundation of the AOPD created on potential foreign investors resulted in capitalist investment in railroads, in ports, and in infrastructural services.¹⁵ By using the term "the sense of security" rather than merely using "security" Quataert has implied that regardless of whether this sense was grounded or not, the European governments and the capitalist investors believed that the AOPD provided this security. Blaisdell has, too, maintained that the AOPD created confidence on potential investors: "[...] the creation of the Public Debt permitted European creditors envisage the future with tranquility, firm in their conviction that under normal circumstances interest and amortization charges would be met punctually."¹⁶ However, Blaisdell, in contrast to Quataert, has taken the AOPD's representation of itself and the Great Powers' perception of the AOPD for granted. While suggesting that the reason behind the support that the European governments gave to the AOPD was the latter's "prestige" gained through "administrative efficiency,"¹⁷ Blaisdell has not analyzed how the AOPD created a certain image for itself and how it persuaded the Great Powers to this projection. Instead, he has described the AOPD's spheres of activity as if the Great Powers assigned the AOPD to

¹⁵ Quataert (2003, 119).

¹⁶ Blaisdell (1929, 108). Kiray (1993, 16) also has mentioned that the AOPD provided security to "the Europeans."

¹⁷ Blaisdell (1929, 132).

their premeditated industrial and financial projects. By contrast, this study argues that the AOPD strived to convince the Great Powers that it was capable of managing those projects and providing a secure environment for capitalist investment.

In the second chapter of this study, I examine the AOPD's annual reports, and the correspondences between the AOPD agents and the British government to show how the AOPD tried to provide this sense of security. Throughout the second chapter, I discuss why there emerged a need for this sense of security by citing mainly the views of the British political figures and the British press. Firstly, I claim that there were conflicting views and doubts about Ottoman sources of revenue between 1850s and 1870s. Secondly, I discuss the proposals for the regeneration of Ottoman finances and argue that during this period the financial problems of the Ottoman Empire were identified as resulting from mismanagement. Relationally, I show that the possibility of reforming Ottoman finances under the administration of the Ottoman government gradually became discredited especially after 1875. Finally, I maintain that the doubts and the conflicts about Ottoman sources of revenue resulted significantly from a lack of information on Ottoman finances. The second part of this study discusses how the AOPD tried to create a sense of security. I show that the AOPD presented Ottoman sources of revenue as enough, capable of increase, and devotable to capitalist investment under its supervision. I argue in this part that the AOPD tried to achieve this purpose through reducing Ottoman financial problems to a question of management, through representing itself as administering Ottoman

finances better than the Ottoman governments, and through providing information about the Ottoman revenues.

The major primary sources that I benefit from in the second chapter can be divided into two groups. The first group consists of the archival documents from the National Archives of the United Kingdom. Those documents can be classified under three categories. The documents in the first category are the correspondences between the British politicians in London and the British ambassadors in the Ottoman Empire dating both before and after 1881. The documents in the second category are the British reports on Ottoman finances and administration, again, dating both before and after 1881. The last category consists of the AOPD's annual reports. I use the documents in the first and the second categories primarily to display the British government's interpretation of Ottoman finances while I use the documents in the last category to describe the AOPD's servicing of information and representing itself to the Europeans governments and to the capitalist investors.

In addition to those archival documents, I benefit from two books by Du Velay and by Blaisdell, first published in 1904 and 1929, respectively. Du Velay and Blaisdell digested a considerable part of their books to an analysis of Ottoman external borrowing and of the AOPD. Du Velay's book, translated into Turkish as *Türkiye Maliye Tarihi*, is a review of Ottoman financial situation primarily between 1850s and 1903. The book consists of information on the activities of various financial reform commissions that included European representatives before the 1880s, the debt relationship between the Ottoman Empire and the

European financiers, and the reactions to the Empire's bankruptcy in 1875 in the part of European investors and of press. The information that I have compiled from this book is important especially to show the lack of information on Ottoman finances before 1881 and the disbelief in the Ottoman authorities in their attempts to reform the financial administration of the Empire. Hence, the book is useful for my project to show why there emerged a need for a sense of security and/or the expectations from the AOPD. Blaisdell's book, *European Financial Control in the Ottoman Empire*, was especially helpful for me because of its extensive citations from the European press's views on Ottoman finances before and after 1881.

In the third chapter, I investigate the effects of the AOPD's interaction with Ottoman people by focusing on tax evasion and on the AOPD's efforts to prevent tax evasion. The actors of this interaction among Ottoman society were the AOPD's Ottoman officers and the Ottoman taxpayers. While the latter tried to evade taxation, the AOPD assigned the duty of preventing tax evasion to the former. My examination of this subject was inspired by Quataert's *Social Disintegration and Popular Resistance in the Ottoman Empire*. In the second chapter of this book, Quataert has described why, how, and, which social groups participated in tobacco contraband after the foundation of foreign owned tobacco monopoly in 1883; how the tobacco monopoly tried to prevent contraband; and, how the Ottoman government positioned itself against the monopoly and against the contrabandists alike. Quataert's study is exceptional in its treatment of the AOPD as having relationship to Ottoman society. Although Pamuk, Owen, and Wallerstein, et. al, have documented the macro-

level features the Ottoman Empire's integration into the world capitalist economy and have emphasized the AOPD's significance in this integration, they disregarded the importance of the AOPD's everyday transactions in this process. These scholars, most notably, have not discussed the AOPD's role as a tax collecting institution. Although early observers of the AOPD, Velay and Blaisdell, have examined the AOPD as a tax collecting body, they construed the AOPD's activities in tax collection from the perspective of the AOPD. Du Velay and Blaisdell have not pictured the tax evaders as people having conflicting interests with the AOPD. They treated this subject merely as an obstacle in front of the AOPD's efforts to increase its revenues. Following Quataert, in the third chapter of this study I analyze how the Ottoman taxpayers tried to evade taxation and how the AOPD, in turn, tried to prevent tax evasion. In this sense, I take into account both institutional practices and their reflections on tax paying practices of Ottoman people. My study, however, departs from Quataert's examination of tobacco contraband in terms of my consideration of the individual techniques of tax evasion, in contrast to the collectiveness of contraband.

In terms of tax evasion, this study takes into account the tax evasion practices in the stamp and the spirit duties. By analyzing these two, I aim at displaying the strategies other than contraband that the Ottoman taxpayers employed to prevent tax evasion, which are mostly neglected in the literature. Furthermore, while contraband was a strategy of tax evasion that required collective action, the methods of evading the stamp and the spirit duties depended on the individual actions of the taxpayers. Thanks to the fact that the AOPD and the

Ottoman authorities documented information on the identity of those evaders, by looking into those cases one can display ethno-religious, socio-economic, and geographical background of the taxpayers. I will show in the chapter that, contrary to the remarks of some contemporary and modern observers of the period, not only the Muslims but also the Christians and the Jews living in various parts of the Empire belonging to low and high social strata alike participated in tax evasion. Accordingly, I will question the “Muslim incompatibility with the rule of law” thesis, which suggests that Muslims (or Ottomans) evaded taxation due to their disinclination to obey laws. Relationally, I will discuss the motivation behind tax evasion during the AOPD period. There is a controversy between Doğruel and Doğruel, and Quataert on the reasons behind tobacco contraband. Whereas the former has argued that the Ottomans had omnipresently been inclined to evade taxation, the latter has maintained that tobacco contraband was a response to the policies of the tobacco monopoly, and therefore, was conjunctural.¹⁸ In the third chapter, I debate this issue by referring to Singer’s study on the sixteenth century Ottoman peasantry.¹⁹ I suggest that although it is not possible to make a conclusion about the reasons behind tax evasion during the AOPD period; considering Singer’s remarks on the historically situated yet daily motivations of peasant tax evasion, the reason was not Ottoman people’s omnipresent or habitual incompatibility with the rule of law.

In terms of the AOPD’s efforts to prevent tax evasion, I argue that the AOPD did not apply only to sheer violence to prevent tax evasion but developed a set

¹⁸ Doğruel & Doğruel (2000, 83); Quataert (1987, 31-32).

¹⁹ Singer (1994).

of preventive and preemptive measures, which could be summed under the heading of “good administration.” While the AOPD offered to replace the “oppressive means” of tax collection executed by the Ottoman governments through “the principles of good administration,” the major feature of which was the collection of taxes directly by the sufficiently and regularly paid, and “competent” AOPD agents, it also applied to the police force that either itself or the Ottoman governments had. The students of the AOPD predominantly have analyzed the police force behind the AOPD such as that of the foreign hold tobacco monopoly, which formed a special group of military guards to fight against contraband.²⁰ This study, by contrast, analyzes how the AOPD tried to achieve “good administration” by concentrating on the AOPD’s efforts to prevent tax evasion. In so doing, I aim at portraying how the AOPD responded to the difficulties in tax collection, contrary to the expectations of the Great Powers.

The third chapter predominantly uses three types of primary sources. The first type of source is, as in the second chapter, the AOPD’s annual reports. In these reports the AOPD described and explained contraband in salt and the measures taken to prevent it. The second source is a collection of the correspondences between the offices of the Administration of Six Revenues and of the AOPD, and the regulations that the Council of Administration sent to the local offices. These were recently published in transcription by Sağlam with a foreword by Toprak and a six pages introduction by the author. In the correspondences, the AOPD informed its local offices about the modifications in the institutional

²⁰ See for instance; Du Velay (1979, 335).

regulations and in the laws, and the violations and the punishments by providing examples. In this way, one can acquire information on the AOPD's regulations in tax collection. As the AOPD provided examples of what it called "misapplication" (*su-i istimal*), one can also see how the AOPD reacted to the ("mis-") application of those regulations by the AOPD officers through modifying those regulations. By quoting examples of the regulations and of the modifications, I depict the AOPD's efforts to prevent tax evasion. Moreover, in the correspondences the AOPD illustrated cases of tax evasion and of the punishments given to the evaders. Hence, those correspondences enable us to see the methods of tax evasion and how the AOPD fought against tax evasion. Since in the correspondences the AOPD sometimes noted the names, the occupations, and/or the congregation of the tax evaders and the places they lived in, these correspondences enable us to describe the socio-economic, religious, and geographical background of the tax evaders. Although Sağlam has divided the volumes of the book and the parts of the volumes thematically, he has not examined the correspondences and the regulation. Thus, this study will be the first analysis of those documents. For this chapter, I used a collection of selected documents from *Başbakanlık Osmanlı Arşivleri*, which are held under the categories of *İdarî Kısım Belgeleri* and *Dahiliye Mektubi Kalemi*. Those documents are correspondences between various branches of the Ottoman state administration such as the Council of the State, the Ministry of Finance, and the Ministry of Internal Affairs about the law suits against the tax-payers that the AOPD sued. At the very beginning the documents describe the accusations, and the names of the accused and the places they lived in. Usually, the documents included information also on the decisions of the suits. By using this collection

this chapter aims mainly at understanding the tax evasion practices of Ottoman people and the ethno-religious, socio-economic, and geographical identity of the tax evaders. Those documents along with the AOPD reports and the correspondences between London and Istanbul before and after the foundation of the AOPD will shed a light into the complex web of relations between the AOPD, the capitalist investors, the bondholders, and the AOPD officers, and the Ottoman taxpayers.

Chapter 1

Historical Background

This chapter aims at contextualizing the AOPD by providing a historical background in Ottoman indebtedness, and in the AOPD's activities and formal organization, which were shaped, especially, by global developments surrounding the Ottoman world in the long nineteenth century. By sketching an outline, this chapter will help us to understand the AOPD's position, particularly, in contemporary capitalist relations, as it will be discussed in detail in Chapter 2. In the chapter, after examining the process of Ottoman borrowing preceding the foundation of the AOPD, I will describe the developments leading to the official formation of the institution. Then, I will discuss major characteristics of the Decree of Muharrem. Finally, I will discuss railway construction and external borrowing under the supervision of the AOPD. The chapter is concluded with a short discussion of an overview of the AOPD's 'achievements' in reducing the Ottoman debt.

The AOPD have firstly elicited the attention of European observers of Ottoman finances. Du Velay and Morawitz, who have published their treatises in 1903 and 1902, respectively, following a standard description of Ottoman finance and society before 1854, have described the period of excessive borrowing, the industrial and financial investments after the foundation of the AOPD.²¹ The books of these two observers have included a considerable description of the AOPD's activities, and of the loan agreements and the railway construction projects that the AOPD supervised. These authors have had a specific

²¹ Du Velay (1979), Morawitz (1979).

understanding of Ottoman social, political, and social life, which has shaped their portrayal of the AOPD. Both authors have argued that prior to the Tanzimat period, the Ottoman Empire had had a unique system of financial and political organization, which became “corrupt” in the long run. Moreover, they have suggested that starting with the reign of II. Mahmud, there were sincere attempts at reforming Ottoman administration; yet for various reasons those attempts failed. Hence, the Ottoman Empire became entrapped in a vicious circle of debt and the AOPD was founded. The AOPD, in the eyes of Du Velay and Morawitz, was the representative of contemporary institutionalization, in contrast to the ‘primitive’ system of administration in the Ottoman Empire. Although these observers have discussed the AOPD’s relationship to the European governments and capitalists in detail, unlike modern scholars, they have not questioned the AOPD’s role in European political balances and contemporary capitalist relations.

The AOPD was the link between European control over Ottoman finances, the capitalist investments, and the AOPD, as modern observers of the AOPD have agreed. A group of scholars has referred to the AOPD in the context of Ottoman integration into the world capitalist economy and/or in relation to the AOPD’s role in the contemporary capitalist relations. Blaisdell’s book was the first to address the AOPD’s complicities with Western European capitalism. Blaisdell has considered the AOPD as the foremost instrument of European economic penetration into the Ottoman Empire. According to Blaisdell, the AOPD was an imperialist organization securing capitalist penetration into the Empire. In his own words, “it had grown from an organization set up primarily to watch over the interests of the bearers of pre-Decree government bonds into the watch dog of

contemporary foreign capital intent on the economic exploitation of the country.”²² Similarly, Keyder and Eldem have argued that the AOPD added an imperialist dimension to the Ottoman Empire’s integration into the world capitalist economy.²³ In a similar vein, Owen and Pamuk have contextualized the AOPD within the web of the mediums of capitalist penetration into the Ottoman Empire in the late nineteenth century. For Pamuk, the foundation of the AOPD was the ultimate development through which the Great Powers exercised supervisory control over Ottoman finances after a period of exponentially increased Ottoman indebtedness.²⁴ Likewise, according to Owen, the AOPD was the major instrument of European control over Ottoman finances.²⁵ Similar to Pamuk and Owen, Kıray has examined Ottoman indebtedness in relation to the Ottoman Empire’s integration into world-capitalist economy. For Kıray, the AOPD was the major medium that the European companies and banks used to penetrate into the Ottoman Empire in the form of direct investment. As Kıray has suggested, the result was the spread of integration of the Empire’s into the world-economy enclosing the hinterland of the Ottoman Empire.²⁶

The AOPD was the creation of specific period in world history. Referred as ‘globalization,’ this period starting with the mid-nineteenth century and ending with the World War 1, was characterized by European domination almost all over the world. In this period, many regions of the world became political and/or financial dominions or semi-dominions of the Western powers. The Ottoman Empire, along with, notably, Iran and China, has never been a formal colony of a

²² Blaisdell (1929; 1, 8, 153).

²³ Keyder (1987), Eldem (2005).

²⁴ Pamuk (1994, 35).

²⁵ Owen (1993, 192).

²⁶ Kıray (1993, 174-175).

Western power; yet it lost its financial independence in the late nineteenth century. The debt relationship between Europe and the Ottoman Empire, referred also as 'debt imperialism,' was the leading reflection of the asymmetrical power relations between these two in the long nineteenth century. This debt relationship started in 1854 when the Ottoman Empire firstly borrowed from European markets. Following this, the Ottoman Empire excessively applied to external borrowing until its bankruptcy in 1875. The AOPD was founded after this period of excessive Ottoman borrowing. Hence, the AOPD has to be considered in the light of macro-level developments that led to this process of borrowing, which made Ottoman survival dependent on foreign loans. Indeed, as it will be seen, Ottoman dependence on European money markets was one of the primary reasons why the Ottoman Empire could not resist the foundation of the AOPD. To understand the conditions that led to the vicious circle of debt it might be appropriate to discuss the Ottoman finance during the first half of the nineteenth century.

The Ottoman Empire faced significant budgetary difficulties prior to the period of external borrowing. One reason behind those difficulties was the grown gap in military technology between Europe and the Ottoman Empire severed the financial situation for the Ottoman Empire.²⁷ The changes in military technology started to require more funding than the previous periods. This led to budget deficits in the Ottoman Empire.²⁸ For the nineteenth century, the most important factor affecting Ottoman financial situation was its trade relationship with Western Europe, which was widely shaped by the developments in the latter. In

²⁷ Kiray (1993; 55, 75, 79, 137).

²⁸ Toprak ("Moratoryum," xi, xii).

Europe, the rise of merchantilism increased demand in raw materials especially for the textile industry. Hence, the prices of those materials increased at the same time. Meanwhile, the prices remained same in the Ottoman Empire and, therefore, tendencies for export increased. Thus, the acceleration of trade in the Empire became increasingly dependent on Europe. A significant historical point in this regard was the signing of a trade agreement with Britain in 1838. Before this agreement, the Ottoman Empire had restricted the exportation of certain commodities. The British tradesmen, by contrast, had demanded the abolition of those restrictions. According to the 1838 agreement, the British tradesmen became exempt from any restrictions in trade. After a short period, other Western European countries began to benefit from similar agreements.²⁹ The Ottoman government signed trade agreements with, to give some examples, France, Sweden, Norway, Spain, Holland, Belgium, Portugal, and Russia between 1838 and 1846. In line with these agreements, the tariffs in import was dropped to 3% from 12%.³⁰

The Ottoman Empire's liberal policy in trade has long been a controversial issue in the literature. Many studies highlighted the importance of the asymmetrical power relations between Western Europe and the Ottoman Empire in shaping this policy. According to this, the Ottoman Empire did not have enough power to negotiate with Europe to protect the local manufacturers in the Empire.³¹ Although this issue cannot be overlooked, it is more appropriate to describe alternative explanations on the reasons behind the Ottoman Empire's liberal trade policy.

²⁹ Kıray (1993; 54, 66, 71).

³⁰ Sağlam ("Moratoryum," 4).

³¹ Genç (2000, 55).

Genç has provided an interesting explanation for the factors shaping the Ottoman Empire's attitude towards trade with Europe. Genç has started his discussion with emphasizing a seemingly abnormal situation in this attitude. Whereas the European states executed merchantilist policies, the Ottoman Empire followed an opposite step. In the 1838 trade agreement, for example, while liberalizing import, the Empire made export more difficult.³² Genç has suggested that this, rather than signalling an anomaly from the part of the Ottoman Empire, was an example of Ottoman understanding of regularizing socio-economic life.

For the Ottomans, the purpose of production was meeting domestic needs, rather than making profit. According to this, export was acceptable if only there was an excess in production. By contrast, import was desirable since imported products would be used in meeting the needs of local people.³³ In this sense, as Genç has maintained, the 1838 agreement was the continuation of this tradition. It should be emphasized, however, that the implications of this continuation turned out to be disadvantageous to the Ottoman Empire. The new rules of trade partnership, most notably, damaged local manufacturing.³⁴ Unfortunately for the Ottoman bureaucracy, the Ottoman governments could not control the trade with Europe mostly because it had no say on the relationship between the European tradesmen and the local intermediaries. At the same time, Ottoman export increased inproportional to the growth in production. Relatedly, the Ottoman Empire was unable to tax Europeans because of capitulations. Even worse, some Ottoman

³² Genç (2000, 54-55).

³³ Genç (2000, 62-63).

³⁴ Kıray (1993, 15).

tradesmen were exempt from taxation thanks to holding the citizenship of European countries.

Ottoman bureaucracy responded to these developments by launching series of reforms. This movement aimed at, above all, centralizing the economic surplus, and founding a new political and economic mechanism, which would expectedly lead to a more egalitarian relationship with Western Europe. Formulating this agenda, the Ottoman bureaucracy was left with a crucial question: how to fund the reform project. Despite its relative success in controlling local intermediaries and centralizing state expenses, the Ottoman bureaucracy failed to centralize the collection of tax revenues. Kıray has observed that the leaseholders were able to protect their position against the central bureaucracy thanks to their collaboration with the local tradesmen, as both parties aimed at increasing trade with Europe.³⁵

The Ottoman Empire's first strategy to balance its budget was internal borrowing. Although the socio-economic changes led to the emergence of a new middle class, the Ottoman Empire could not tax this class. Rather, this group provided internal loans to the Ottoman government.³⁶ The Empire's second strategy was external borrowing. The Ottoman Empire borrowed from Europe firstly in 1854 during the Crimean war. However, there was already concurrent need for revenue in the Empire. In this sense, the War determined only the timing of the borrowing.

³⁵ Kıray (1993; 15, 80,152).

³⁶ Toprak ("Moratoryum," xvi).

As Kıray and Pamuk has observed, in 1854 the Ottoman Empire did not borrow from Europe for infrastructural development. The Empire borrowed to take control of its rivals in the peripheries, the local notables, hoping that it would not have to share its revenues with those people.³⁷ Although this was the original goal, after a short period the Empire became entrapped in a ‘vicious circle of debt.’ The Ottoman Empire used the 1854 loan to fund the Crimean War and to buy arms. The 1858 loan was mainly used to withdraw the banknotes, known as *kaime*, from circulation. The loan agreement in 1860 was the first incident of borrowing for the payment of existing debts. All 1862, 1865, 1869, 1871, 1872, 1873, and 1874 loans were spent in debt payment. Between 1865 and 1874, the Ottoman Empire employed only the 1870 loans for a reason other than debt payment. This loan was used to embark the construction of the Roumelian railroad.³⁸ This account shows that the Ottoman Empire used the majority of the external loans to pay the existing debts starting with 1860.

For France and Britain, which were the main creditors of the Ottoman Empire at the time, they hoped that the Ottoman public officials would use the loans to buy industrial products and military armaments. Moreover, the Europeans expected that if Ottoman currency was protected from fluctuation, the trade between Europe and the Empire would take place in a more regular and accelerated manner.³⁹ For the Ottomans, unlike trade, which took place within the context of inter-state system and was based on imposition, external borrowing was a result of state officials’ ‘voluntary’ decision, which was taken for their short-term interests. Indeed, the AOPD was a subsidiary to the bureaucracy’s maintenance of its

³⁷ Kıray (1993, 84); Pamuk (2008, 35).

³⁸ Önsoy (1999); Kömürçan (1948); Yeniay (1964).

³⁹ Önsoy (1999, 288).

position. Moreover, the reformist wing within bureaucracy considered the Empire's complete incorporation into the European system as the most viable strategy of survival of both the Empire and themselves whereas the more conservative wing criticized this policy.⁴⁰

An important characteristic of this period of excessive borrowing was that the Ottoman Empire could not increase production. Actually, the Ottoman government took steps in this direction. For instance, it encouraged the flourishing of manufacturing sector. However, most of the founded factories could not resist import facilitated by free trade agreements and were shut down.⁴¹ At the end, the picture in front of the Ottoman Empire was that it could not increase tax revenues and export in a way it would exceed the amount of borrowing.⁴² Indeed, the Ottoman Empire's inability to increase its revenues was one of the most important factors that led to budgetary problems. In the Ottoman Empire, the major source of revenue was direct taxes, which were the sheep tax, the tithes, and the customs tax. As the urban population was exempt from these taxes, the peasantry bore the burden of taxation. The prospective payers of direct revenues, such as the foreign companies were exempt from taxation thanks to capitulations. Besides, unlike Western European countries, the revenues of the Ottoman Empire that came from indirect taxes were considerably low. As the Ottoman Empire was able to change this picture, i.e. increase its revenues coming from direct or indirect taxes, neither prior to the period of external borrowing nor

⁴⁰ Keyder (1987; 37, 42).

⁴¹ Kıray (1993, 157). For a detailed discussion of structural and political restrictions in front of production in the Ottoman Empire; see Kıray (1993, 156-163).

⁴² Kıray (1993, 16).

between 1854 and 1881, its bankruptcy, which officially took place in 1875, was only a matter of time.

The external problems determining the date of financial bankruptcy was two fold. Firstly, official British support for Ottoman financial regeneration decreased after the opening of the Suez Canal in 1869. For the Ottoman Empire, the result was a loss of political and financial importance in the eyes of the British, as Egypt started to be control the route to India by and as the British directed its investments to the US and to the regions already parts of the British Empire. Henceforth, the British government did not give significant support to, especially, small financial investors. Hence, Pamuk has concluded that under the oppression of the rival powers the British investors started to tend to invest in regions where the British were politically stronger. Nonetheless, the British remained the biggest trade partner of the Ottoman Empire until 1913.⁴³ Whereas the French and the German were active in providing government loans and in railway construction, the British limited its sphere of activity to trade, sometimes contrary to the epectations of the British government. Secondly, in 1873, a financial crisis, also known as the 'Great Depression,' originating from Vienna took hold of Western Europe and the United States in a short time, and eventually the whole world.⁴⁴ This crisis stimulated not only the Ottoman bankruptcy but also a global debt crisis that caused debt payment problems in seventeen countries.⁴⁵ The immediate effect of the Great Depression on the Ottoman Empire was that it became impossible for the Empire to find loans in European markets, as the Depression

⁴³ Pamuk (1994, 13).

⁴⁴ Kıray (1993, 148); Toprak (xiii).

⁴⁵ Suter& Stamm (1992, 645).

led to a monetary scarcity and the closing of many banks in Europe.⁴⁶ Thus, in 1875 the Ottoman Empire declared that it adjourned the payment of its debt, which meant the Empire's statement of bankruptcy.

Between 1875 and 1881, the holders of Ottoman bonds attempted to formalize the payment of Ottoman debts several times. First in the Berlin Congress that the bondholders' desire to found a financial commission, which would be composed of specialists and which would examine into the bondholders' complaints of the debts received official attention of the Europeans.⁴⁷ This idea found a place to itself in the official proceedings despite of the counter-suggestions offered by the Empire. According to the eighteenth article of the protocol, the governments participating in the Congress recommended to the Ottoman government the foundation of a commission composed of the bondholders. This commission would investigate Ottoman financial situation.⁴⁸ Just after the Congress, the bondholders started to press the Empire for the settlement of financial issues. Nonetheless, the Empire was able to postpone the foundation of a financial commission until the need for new debts began to constrain this policy.⁴⁹

The Ottoman Empire's concurrent need for loans and the pressure of the bondholders culminated into the Decree of Muharrem in 1881, which envisaged the foundation of the AOPD. The AOPD was, in the broadest term, responsible from the collection and the administration of the revenues ceded to it with the Decree. In order to fulfill this responsibility, the AOPD was organized as an

⁴⁶ Du Velay (1978, 197).

⁴⁷ Blaisdell (1929, 85).

⁴⁸ Kömürçan (1948, 55).

⁴⁹ Blaisdell (1929, 86-87).

administrative council and lower offices. The former was organized in Istanbul and directed by the British, the French, the German, the Dutch, and the Austria-Hungarian bondholders. The latter were the main arms of the AOPD that reached the other parts of the Ottoman Empire. The employees in the lower offices were the Ottoman people including both the Muslims and the non-Muslims. In addition to its regular officers, the AOPD employed temporary officers during the tithe collection and interns. During the WW1, the institution employed 5.537 officers. Although the AOPD was the only authority in selecting the officers, officially the AOPD officers were government officials. For instance, those officers, including the foreigners, had the right to receive retirement salary from the Ottoman government. The AOPD had head offices, among others, in Adana, Halep, Edirne, Ankara, Baghdad, Beirut, Bursa, Erzurum, Midilli, Manastır, Musul, Selanik, Sivas, İzmir, and Trabzon. Those head offices composed of countless directorates and lower offices. Before the WW1, the AOPD had 692 lower offices. In other words, the AOPD reached a wide territory in the Ottoman Empire. It had head offices from the Balkans to the Black Sea and from Anatolia to Basra.

In addition to collecting revenues, the AOPD provided considerable energy to increase its revenues by increasing production and trade. For instance, the institution pioneered the foundation of a school in Bursa educating people in sericulture.⁵⁰ In a similar vein, the AOPD took significant steps to improve viniculture. For instance, during the filoksera epidemic, it provided new vine shoot to the grape growers. Similarly, the institution assigned a Parisian expert to investigate the precautions to prevent the death of fish following a decrease in the

⁵⁰ Kiray (1993, 173); Quataert (1993).

revenues coming from the fish tax. Last but not the least, the institution endeavored to increase salt trade with in the Balkans; it even sent representatives to India to market the Ottoman salt.⁵¹

The AOPD's formal and informal ties with the European governments, the Ottoman government, and the holders of the Ottoman bonds have long been a consideration for the observers of the AOPD. Those observers have agreed that the AOPD's went beyond representing private bondholders and that the Ottoman Empire was far from inspecting let alone orienting the activities of the institution. According to Blaisdell, the AOPD's position rested on "inchoate, but potential, legal and diplomatic sanctions." Due to the vague sanctions of the Decree of Muharrem the Europeans were able to direct the activities of the AOPD; that is, the AOPD was characterized by elasticity rather than rigidity. Thus, in Blaisdell's words, "[t]he supposed inadequacy of the Decree of Mouharrem in reality was its most potential attribute." Even though the Decree of Muharrem had no official international legal sanction since it was a bilateral contract between the Ottoman government and its creditors, it contained quasi-official diplomatic sanctions—this was why the AOPD was a partly official and partly private institution. On the other hand, according to Du Velay, the Decree was under the protection of the European countries signatory to the Treaty of Berlin. Indeed, a French member of the AOPD stated that any violation would justify European intervention.⁵² From the point of view of the Ottoman government, as a department of itself, the activities of the AOPD were official, whereas from the point of view of the foreign organizations its activities were private. In fact, both theoretically and

⁵¹ Kıray (1993, 173-174); Toprak ("Düyun," xviii).

⁵² Blaisdell (1929; 4, 8, 100, 103, 105).

practically the Ottoman government had no right to interfere with the administration of the AOPD. Moreover, the government had no right to suspend the provisions of the Decree.⁵³ Last but not the least; the European governments did not hesitate from orienting the opinions and conducts of the AOPD's executive committee.⁵⁴

The reason behind this European quasi-guarantorship on the AOPD was the former's specific strategy of capitalist penetration into the Ottoman Empire. The Great Powers became active partisans of capitalist investment into the Ottoman Empire in 1870s. Pamuk has drawn attention to the fact that in semi-colonized countries where the central state maintained its *de jure* political independence, the Great Powers and European capitalists penetrated into these countries through acquiring privileges from the central state. This effort to acquire privileges carried with it a rivalry among the Great Powers, most notably among Britain, France, and Germany. The AOPD, according to Keyder, was an off-product of this rivalry among the Great Powers. For Keyder, the AOPD was an alternative formation to a colonial apparatus. It was the product of "a compromise among rival imperialist powers," which guaranteed the continuation of competition in commercial sphere that would not be possible in a colonial situation.⁵⁵ Indeed, in cooperation with the Ottoman Bank and Deutsche Bank in their railway and industrial enterprises the AOPD served as an organ of capital exploitation of the Ottoman Empire.⁵⁶ Stewart has drawn attention to the collaboration between foreign investment and the AOPD; that is, granting monopolies to foreign companies to control the

⁵³ Blaisdell (1929; 96-97, 154).

⁵⁴ Blaisdell (1929, 1).

⁵⁵ Keyder (1987, 41).

⁵⁶ Blaisdell (1929; 1, 4).

tobacco industry, operate railways, ports, electricity, tramways, and waterworks.⁵⁷

As Blaisdell has maintained, “[o]f the capital which constituted the basis for this ‘financial protectorate,’ the overwhelming majority was invested on security guaranteed by the intervention of the Public Debt.”⁵⁸

During the so-called free trade period, the British had an unrivalled and ever increasing hegemony in commercial relations with the Ottoman Empire. Especially after 1880s, however, Germany’s influence in the Ottoman Empire exponentially increased; between the middle of 1880s and 1913 German export to the Ottoman Empire grew ten fold.⁵⁹ Hence, as Platt has maintained, the British government’s sphere of activity was redefined as envisaging an active role in British financial and commercial interests abroad in the last decades of the nineteenth century.⁶⁰ The reason behind this was that British politics became entangled with the interests of the traders and of the financiers under the oppression of imperialist rivalry and of the economic crises of the late nineteenth century. For France, before 1880s its influence on the Middle East had a religious overtone, whereas starting with the 1880s France exponentially increased its financial and industrial influence on the region. After the foundation of the AOPD, France constructed ports in Beirut, İzmir, and İstanbul, and İzmir-Kasaba railway line, had several commercial establishments, and, last but not the least, invested in government bonds.

⁵⁷ Stewart (2008, 11).

⁵⁸ Blaisdell (1929, 5).

⁵⁹ Pamuk (1994; 15, 31, 37).

⁶⁰ Platt (1968).

In addition to its prescribed mission in collecting and administering the ceded revenues, the AOPD's two major sphere of activity was contraction of new loans and railway construction. The AOPD was the major medium through which the Ottoman Empire borrowed from European markets after 1881. The financial crises in the late nineteenth century limited the Ottoman Empire's possibility to borrow from European markets between 1881 and 1900. Nonetheless, despite its limited scale, foreign borrowing continued in this period. After 1901, the Empire again started to borrow from the European markets in significant amounts, although the amount of borrowing never reached to the level in the period preceding 1881. The Ottoman Empire borrowed 166 million Turkish pounds between 1881 and 1914 from European markets. The Ottoman government conceded the right to collect pledged revenues for the loans after 1881 to the AOPD and the AOPD actively participated in ten loan contracts.⁶¹

After all loan contracts, the Empire still did not have necessary resources to invest in public works during the period.⁶² In this sense, the period was no different than the period of excessive borrowing before 1875. The difference was that the Great Powers did not show any dissatisfaction with the financial situation of the Empire due to the changes in the economic and political context in which the loan contracts, and other financial and industrial investments were made. Above else, the Great Powers had direct control over the most lucrative Ottoman sources of revenue after 1881. In other words, European financial investment during this period was an instrument of politically spearheaded as well as initiated capitalist

⁶¹ Owen (1993, 195-196).

⁶² Fulton (2002, 199).

penetration into and political control over the Ottoman Empire under the supervision of the AOPD.

The Ottoman credit in the European markets increased significantly after 1881. The average interest rate dropped to 4.1 percent.⁶³ Blaisdell has argued that the motive behind European investment in the Ottoman Empire before and after 1875 was the same. However, the outcome of the investments changed after the foundation of the AOPD.⁶⁴ First of all, since because of the sense of security that the AOPD created the Empire's credit increased in Europe. Hence, the risk of investing in the Empire reduced and the profits increased. Secondly, Pamuk has shown that an important change in the relationship between Europe and the Ottoman Empire in terms of capitalist investment was that starting with the 1880s capital inflow to the Ottoman Empire was lower than the outflow of money from the Empire.⁶⁵ That is, the European markets started to get back the capital they invested in the Ottoman Empire by the means of the AOPD and by receiving governmental concessions. In contrast to the period that the Ottoman Empire had not been able to pay even the interests of its debts, the period after 1881 witnessed the flow of money from the Empire to Europe in amounts larger than the invested. Hence, investing in the Ottoman Empire became more profitable than the previous period.

An important reason behind the disparity in the inflow and the outflow of money during this period was that the Great Powers used the loans to dissuade the Ottoman government to certain financial projects or to receive concessions for the

⁶³ Fulton (2002, 199).

⁶⁴ Blaisdell (1929, 152).

⁶⁵ Pamuk (1994, 72).

European capitalists.⁶⁶ Between 1881 and 1903 the French policy towards the Ottoman Empire was relatively non-interventionist. According to Fulton, after 1881, however, the influence of bankers and of industrialists on policymaking augmented in France. Meanwhile, the French Ministry of Finance became more effective in shaping foreign policy. The Ministry had connections with the banking houses and was responsible from listing foreign securities on the Paris Stock Exchange. In 1903, French Foreign Minister Delcassé declared that if the Ottoman Empire wanted the financial backing of France it would have to perform certain conditions. For instance, the Ottoman government granted concessions to a French mining company to be able to sign the 1908 loan. Moreover, the loan contracts envisaged that the Empire would use the loan to buy, for instance, military equipment or industrial goods from Europe, or spend it in railway construction. By 1898, the French share in the Ottoman bonds reached to fifty percent.⁶⁷ In this sense, Ottoman external borrowing after 1881 bore the impress of the entanglement of financial and industrial investment, and politics in Europe and the aim of exploiting the Ottoman sources at the utmost level.

In short, the AOPD increased the Ottoman Empire's credit in the European markets. Accordingly, the Ottoman Empire borrowed from Europe under more convenient conditions since the interest rates fell off. However, the AOPD transferred the Ottoman revenues to Europe as repayment of the debts dating before; and after 1881 and to be able to find loans the Empire was forced to grant concessions to European companies. Hence, under the supervision of the AOPD the money outflow from the Ottoman Empire exceeded the capital inflow to the

⁶⁶ Fulton (2002, 196).

⁶⁷ Fulton (2002; 15, 141, 143, 155, 156, 196).

Empire. Railway construction in the Ottoman Empire was more efficacious in this outflow than the government loans, although the two were dependent on each other.

In addition to its role in loan contracts, the AOPD was the major supervisor of railway construction in the Ottoman Empire after 1881. It should be noted that the level of European direct investment in the Ottoman Empire never exceeded the level of financial investment. In fact, in Germany and in France overall foreign investment in finance was larger than the overall investment in railroad construction. Nonetheless, after 1888 the amount of foreign direct investment continuously increased. The importance of the railways for the Great Powers was that, as Pamuk has pointed out, the country that constructed railways monopolized the region on the route of the railway. Moreover, other capitalists from that country made further financial and commercial investments in the region. Thus, the region became closed to the activities of the capitalists and tradesmen from other countries. This was why the railway construction was the fiercest domain of rivalry among the Great Powers.⁶⁸

The first observation on the railroad projects during this period was that the Ottoman Empire granted kilometric guarantees to the European companies. According to Du Velay, railroads increased neither the revenue from the tithes nor agricultural soil.⁶⁹ Moreover, because of the concessions the revenues attained from the operation of the railroads were limited for the Ottoman Empire.⁷⁰ In other words, the Ottoman Empire could not significantly benefit from railroad

⁶⁸ Pamuk (1994, 76-77); Pamuk (2005, 237).

⁶⁹ Du Velay (1979, 416).

⁷⁰ Pamuk (2005, 236).

construction. By contrast, the European companies benefited from the railroad constructions since even if the railways did not produce any profits the kilometric guarantees was a source of income in itself for the companies. The second observation is that the Ottoman Empire granted concessions to the European companies either to be able to borrow from European markets or because it did not have the necessary financial resources. An example to the former was that the Empire granted concession to a French company to make the 1905 loan contract.⁷¹ In short, the AOPD played a fundamental role in railway construction in the Ottoman Empire after 1881. Granting concessions to the European companies in line with the contemporary techniques of capitalist penetration and the collection of pledged revenues by the AOPD were the keystones of railway construction.

Was the AOPD successful in its original mission of finalizing Ottoman indebtedness to European bondholders? Was it able to reduce Ottoman debts? According to Sağlam, the AOPD's success was "relative;" that is, the AOPD was not able to decrease Ottoman debts in significant amount since it transferred the money it collected to pay the interest of the debts; from 1882 to 1914 the AOPD paid 124 million pound as debt interests.⁷² The AOPD was able to pay 40% of Ottoman debts and 80% of the debt interests.⁷³ Only in the republican period, the Ottoman debts were finally paid.⁷⁴ Besides, although the institution was able collect more revenues than the Ottoman government, the reasons behind this 'success' needs to be examined in detail instead of attributing it totally to the supposed 'integrity' and 'efficiency' of the AOPD, as contemporaries and early observers of the

⁷¹ Fulton (2002, 154).

⁷² Sağlam ("Moratorium;" xxv, xxvi); Kıray (173).

⁷³ Kıray (1993, 174).

⁷⁴ Sağlam ("Moratorium;" xxv, xxvi).

AOPD have done.⁷⁵ Above else, the effect of previous Ottoman reforms in the system of tax collection on the AOPD's organization of tax collection has to be examined. Nevermore, as this study will demonstrate the AOPD's activities in tax collection was never without conflict with the Ottoman taxpayers as well as the AOPD officers.

⁷⁵ See, for instance, Blaisdell (1929, 6).

Chapter 2

The AOPD and the Sense of Security: From Uncertainty to Confidence

2. 1. Introduction

This chapter analyzes how the AOPD created a sense of security to convince the Western European governments and the capitalist investors that under its administration and supervision industrially and financially investing in the Ottoman Empire was a profitable enterprise. It is scholarly admitted that the European governments oriented the members of the Council towards the perceived interests of their countries. The reason behind this orientation was that the political interests of these countries in the non-colonized and the non-European regions of the world started to require the accretion of financial and of industrial influence in the late nineteenth and early twentieth centuries.⁷⁶ At the same time, at the Berlin Congress in 1878, the Great Powers abandoned the policy of protecting Ottoman territorial integrity that they adopted at the Paris Congress in 1856. Moreover, they abandoned the principle of non-interventionism in the internal affairs of the Ottoman Empire.⁷⁷ From this time onwards, the Great Powers considered the Ottoman Empire as a land to be penetrated through financial and industrial investment. However, the means of this penetration were not readily available to the Great Power considering especially the European capitalists' shattered confidence in the Ottoman Empire after the financial bankruptcy of the latter in 1875. Thus, the AOPD assumed the role of providing a sense of security to those investors to convince them to invest in the Ottoman Empire. In this chapter I will, firstly, argue that

⁷⁶ Pamuk (1994, 15); Platt (1968).

⁷⁷ Ahmad (2002, 3).

the AOPD attempted to create this sense of security by convincing the European governments and the European capitalists that investing in the Ottoman Empire was a profitable enterprise. Secondly, I will claim that the AOPD tried to show that the Ottoman sources of revenue were enough, capable of increase, and devotable to capitalist investment under its supervision. Thirdly, I will display that the AOPD reduced the Ottoman financial problems to a question of management, represented itself as administering Ottoman finances better than the Ottoman governments, and provided information about the Ottoman revenues. In the first part of this chapter, I will describe the conflicting views and the doubts about Ottoman sources of revenue, and show how the financial problems of the Ottoman Empire were identified as resulting from mismanagement before the foundation of the AOPD. Then, I will continue with an examination of how the AOPD represented itself to the European investors in its annual reports and how, particularly, the British perceived the AOPD. In this second part I will also analyze the AOPD's role in servicing information. Finally, I will discuss the effects of the AOPD's self-representation on the granting of the right to collect Ottoman customs surtax to the AOPD in 1907.

2.2 A Period of Doubt and of Uncertainty: The European Views on

Ottoman Finances Before 1881

The period between the first Ottoman external borrowing in 1854 and the bankruptcy of the Ottoman Empire in 1875 was characterized by uncertainties about the Ottoman Empire's ability to repay its debts and to reform its financial administration. This uncertainty, from the perspective of the European

governments and of European investors, resulted from the absence of information on Ottoman sources of revenue and on the Ottoman system of financial administration. Partly, as a consequence of this absence, there emerged two major views on investing in the Ottoman Empire. For one side, the Europeans should not have invested in the Ottoman Empire. The European politicians and the European press gave two conflicting justifications for this conviction. The first justification was that the Ottoman Empire did not have enough resources to repay its debts. The other justification, by contrast, was that the Empire had enough resources yet it was not able to transform those resources into governmental revenue due to maladministration. For the other side, the Europeans should have invested in the Ottoman Empire since the Empire had ample sources, which could be transformed into revenue under “good administration.” The British politicians, particularly, believed that the Ottoman government could increase its revenues if a group of “experienced” administrators, who would employ “sound principles” of finance, reorganized state finances. According to this second view, the financial troubles of the Ottoman Empire resulted not from a lack of resources but from the absence of “sound management” and of “sound financial principles.” This part of the chapter is an analysis of these two opposite interpretations of European financial investment in the Ottoman Empire before 1881. This analysis will reflect, first of all, the hegemonic discourse on financial administration during this period that, as it will be seen in the next part, the AOPD, too, used to represent itself as administering Ottoman finances better than the Ottoman government. Secondly, it will show how the European governments and, particularly, the British press described the problems in the Ottoman financial

administration and the solutions to those problems. It should be emphasized that the AOPD would be designed according to those proposed solutions. Finally, this part will discuss the importance of information gathering in boosting Western European capitalist investment in the Ottoman Empire. Hence, this chapter is an examination of why there emerged a need for a sense of security in the period preceding the foundation of the AOPD.

The effects of lack of information on Ottoman finances were contradictory in this period. Whereas one effect was in favor of the continuation of financial investment, the other raised doubts about the possibility of making profit through providing loans to the Ottoman government. On the one hand, the Ottoman Empire, and other “mysterious regions” of the globe, as Du Velay has observed, evoked passion in Europe.⁷⁸ According to Du Velay, the European bankers used this absence of information about the Ottoman Empire to accelerate capital investment in the Ottoman Empire in this period.⁷⁹ An article published in *Edinburgh Review* in 1865 observed this desire to make profit in the unknown regions of the world as follows:

Joint stock enterprise has been less anxious [than in the 1820's] to invest fancy branches of commerce, or to find *mysterious* and recondite sources of wealth, than to get the highest rates for their capital by lending it to foreigners. To satisfy the foreign demand for capital in all its forms seems to be the leading idea. [...] [T]o introduce capital into countries where the rate of interest habitually stood at twelve percent and often reached eighteen [...] [was] the professed objects of the most

⁷⁸ Du Velay (1979, 185).

⁷⁹ Du Velay (1979, 79).

prominent among the new companies (my emphasis; quoted in Blaisdell 1929, 21).

As the article has put it, the new financiers, compared to their predecessors in the 1820s, were much eager to invest in countries unknown to the Europeans because of high interest rates. The Ottoman Empire was one of the main targets of these European investors who were after making high profits even under less certain and “mysterious” conditions. On the other hand, the absence of information created an unwillingness to invest in the Ottoman Empire since the prospects of profit-making were unknown to the European capitalists. From the very beginning, the European investors, the European politicians, and the European press had reservations in lending money to the Ottoman Empire. They raised their reservations, especially when a loan contract was on the agenda. The reason behind the initial disinclination was that the revenues, the system of taxation, and the financial administration of the Ottoman Empire was unknown to the Europeans. As discussed by Du Velay in his early twentieth century treatise, this absence of information intermittently led to the emergence of doubts regarding the Ottoman Empire’s ability to repay its debts and, therefore, regarding the possibility of making profit in the Ottoman Empire.⁸⁰

Both before and after 1881, the Western Europeans believed that the Ottoman Empire’s possibility to repay its debts and that the European capitalists’ possibility to make profit depended on the Ottoman sources of revenue. A small group of British politicians raised reservations about the scope of Ottoman sources. As an example, in contrast to the case in France, the proposal of giving governmental guarantee to the 1855 loan was not appreciated

⁸⁰ Du Velay (1979; 78, 79).

positively in Britain. Most notably; Gladstone, Disraeli, Ricardo, and Layard, who were influential political figures at the time and thereafter, opposed the proposal.⁸¹ In the parliamentary session, Lord Palmerstone suggested that the Ottoman Empire had ample resources and asked the parliamentarians to give the Queen the authority to guarantee the loan. In response, Ricardo maintained that if the Ottoman Empire had as ample sources as Palmerstone claimed it must have signed the loan agreement without the guarantee of Britain. Disraeli, too, believed that the Ottoman Empire had resources much less than the purported amounts.⁸² It should be noted that among the British politicians, who challenged Palmerstone's views, there were both members of both the Conservative and the Liberal Party. Gladstone, for instance, a liberal, opposed funding wars with loans and subsidies. Disraeli and his followers, the conservative bloc, shared the same opinion at the time.⁸³ Although the fear of Russia was strong enough to provide a support for Ottoman demands at the time, this discussion at the parliament was an important reason behind the low demand of British public to the government bonds that a British bank offered for sale in 1858.⁸⁴ By contrast, as it will be seen, an examination of British archival sources exhibits another group of British political figures that repetitively put forward the idea that the Ottoman Empire had vast sources of revenue.

A report that Hobart and Foster who were the representatives of British Board of Trade that the British government posted to the Ottoman Empire in 1861

⁸¹ Du Velay (1979, 85).

⁸² Du Velay (1979; 85, 86).

⁸³ Anderson (1964; 49, 57).

⁸⁴ Du Velay (1979, 88-89).

was the major source of information for the British in the 1860s. The timing of this assignment was not coincidental but the British response to the conflict between the European markets and the Ottoman Empire. In 1861, the Ottoman government declared that if it could not borrow from Europe to repay its existing debts this would cause political instability and would refresh the so-called Eastern Question. In reaction to this declaration, the British government posted Hobart and Foster to the Ottoman Empire.⁸⁵ This report became highly influential on the formulation of British public and governmental interpretation of Ottoman finances. Hobart and Foster canvassed Ottoman financial situation during their stay in the Ottoman Empire and submitted a report to the British government based on their investigations. In their report, they argued that a financial reorganization of the Ottoman Empire was a low possibility. However, they added that the Empire had enough sources which could be transformed into revenue by employing “sound principles” of finance with the assistance of the European advice. According to their report, there was nothing essentially bad in the financial situation of the Ottoman Empire and the revenues had a potential of increase. As a reflection of the ‘positive’ effect that the report created on the British interpretation of Ottoman finances, the Foreign Secretary Russell argued in 1861:

The resources of Turkey are abundant if properly turned to account, and it is probable that even under the present system the money levied on the population would, if it were all brought into account, place the Treasury in a much better position than in which it now stands.⁸⁶

One year later, Russell again referred to the report:

⁸⁵ Kiray (1993, 98).

⁸⁶ FO 881/6816

The complete and able report of Lord Hobart and Mr. Foster has shown that to restore the finances of Turkey to a healthy state, and to balance revenue and expenditure, two things only are required – *honesty and good management* (my emphasis).⁸⁷

In short, the report that Hobart and Foster have written convinced Russell that the Ottoman Empire had enough resources for financial regeneration and that those revenues were capable of increase if administered “honestly.”

The audience of this report was not only the British politicians but also the British investors, or the British public, in general. Indeed, already in this period, the European investors benefited from any piece of information, if it was available, before making investment in the Ottoman Empire. For instance, according to Du Velay, the remarks of Hobart and Foster, especially on the tobacco revenue, made its mark on the loan agreement in 1862.⁸⁸ The British capitalists benefited from their report before signing the contract. Indeed, after Hobart and Foster submitted their report the frequent wave of Ottoman external borrowing started. Hobart and Foster was surprised that in a country like the Ottoman Empire, where tobacco consumption was so widespread, the revenue from tobacco was very low compared to Britain and to France. They argued that tobacco revenue could be increased at the expense of a reactive increase in contraband. They also suggested that the system of tax collection should have been changed; that is, the state should have collected tobacco tax directly by its own agents. They concluded that even under the existing system it was

⁸⁷ FO 881/6816

⁸⁸ Du Velay (1979, 110).

possible to increase tobacco revenue up to five fold without increasing contraband, in turn.⁸⁹

Before the assignment of Hobart and Foster in the Ottoman Empire there were already European attempts to acquire information on Ottoman finances. For instance, in 1856 the Austrian government sent a financial advisor to the Ottoman Empire for administrative and fiscal reform upon the request of the latter. Two years later the Ottoman Empire asked the participation of a British and a French delegate to form the consultative High Council of the Treasury with the Austrian advisors. In 1860 this council was transformed to a financial reform commission, *Conseil Supérieur des Finances*, consisting of four Ottoman bureaucrats, the director of the Imperial Ottoman Bank, an Austrian bureaucrat, and the French government's representative, Marquie de Ploeuc.⁹⁰ The purpose of the Commission was to determine the legal modifications that were necessary to reorganize Ottoman financial administration and to prepare legislative proposals. Moreover, if the Ottoman government admitted a proposal, the Commission would investigate whether the law was executed.⁹¹ This Commission investigated Ottoman finances to propose solutions to its perceived problems and, according to Du Velay (1979, 66), to determine the root of those problems, it tried to find information about the financial situation in the past.⁹² Du Velay has argued that these efforts turned out to be futile. For instance, the Commission identified the absence of a regular budget as the reason behind the supposed extravagance and the supposed disorder in

⁸⁹ Du Velay (1979, 108-109); Blaisdell (1929, 49).

⁹⁰ Blaisdell (1929, 26); Du Velay (1979, 64).

⁹¹ Du Velay (1979, 65).

⁹² Du Velay (1979, 66).

Ottoman finances. To prepare a budget, the Commission asked the local administrative agencies to present lists showing the revenues and the expenditures and even sent sample lists to the local agencies.⁹³ They also asked the Ministry of Finance to prepare a budget, which the Ministry did not supply. At the end, the information that it was able to gather did not satisfy the Commission. Accordingly, the European commissioners came to believe that there was not any budget in the Ottoman Empire other than the incomplete one that the Commission itself prepared. Ploeuc wrote that he was unable to present a report about Ottoman finances, although he was in the Ottoman Empire for eight months. He explained his inability to gather information from the Ministry of Finance, and wrote that nobody knew the revenues and the expenditures of the Empire due to disorder.⁹⁴ In this sense, the dominant view during this period was that it was not possible to gather information on Ottoman finances indirectly since the Ottomans supposedly did not have any system of recording this information. Later, we will see that this view was intact after the foundation of the AOPD, as well.

Despite of the conflicting views about the Ottoman sources of revenue and about the possibility of financial reorganization in the Ottoman Empire, the Empire was able to borrow from the European markets, albeit under more and more difficult conditions and with gradually increasing interest rates. The reason behind the continuation of Ottoman external borrowing was that the period between 1881 was highly speculative; that is, the European capitalists were eager to make profit through providing government loans to the Ottoman

⁹³ Du Velay (1979, 66).

⁹⁴ Du Velay (1979, 67).

Empire. According to Du Velay, the aforementioned absence of information about the Ottoman Empire was used to accelerate capital investment in the Ottoman Empire in the so-called speculation period between 1854 and 1875.⁹⁵ Blaisdell, similarly, has claimed that the Ottoman government and the European governments alike gave “a false sense of security,” especially, to the small investors. He has also argued that people and organizations who aimed at keeping Ottoman credit in the European markets high hid the true aspect of Ottoman finances.⁹⁶ Du Velay has claimed that the Ottoman Empire’s vast and “mysterious” territory, and the “alleged” sources of revenue on this territory evoked passion in Europe.⁹⁷ As an example, in *Times* in 1856 it was written:

The removal of all obstacles to the purchase of land by foreigners [and] the establishment of a sound financial system and of the guarantees for the security of the capital invested in roads and harbors, must be the diplomatic labors most immediately productive of large results. A rich and unworked land is before us, and the industry of the West may go in and possess it (quoted in Blaisdell, 1929)!

It is remarkable that two observers of this period, Du Velay and Blaisdell, who have analyzed Ottoman external borrowing in the early 1900s and late 1920s, respectively, have claimed that the absence of information on Ottoman finances, at first, awakened a desire to make profit in an unknown country yet, in the long run, proved to be disadvantageous for financial investment. Indeed, as it has been shown, this absence of information was both a facilitator of and obstacle to financial investment in the Ottoman Empire before 1881. Du Velay and Blaisdell’s observations are significant to understand the expectations of the capitalists from the AOPD in terms of information gathering. As we will

⁹⁵ Du Velay (1979, 79).

⁹⁶ Blaisdell (1929, 70).

⁹⁷ Du Velay (1979, 185).

see, after the Ottoman Empire's bankruptcy the financiers would need to acquire what they considered accurate and useful information on their investment and on the possibility of making profit in the Ottoman Empire.

It can be observed in the above quotations that the problems of the Ottoman Empire were identified as resulting not from a lack of resources but from the absence of "sound management" and of "sound financial principles." This view became especially popular after Hobart and Foster presented their report. As Russell's aforementioned comments on the report in 1861 and 1862 display, their report was influential enough to convince the British politicians that the Ottoman Empire had enough resources for financial regeneration and that those revenues were capable of increase if administered "honestly." In other words, in this period, the financial difficulties of the Ottoman Empire were reduced to a question of management and the belief that if the Ottoman government had employed "sound financial principles" it could have overcome those difficulties remained intact during the period.⁹⁸

The Western European, most notably British, interest in the reorganization Ottoman finances and political administration started in the early 1930s. The motivation behind the British interest in the Ottoman Empire was two fold. First motivation was the so-called Eastern Question. Britain started to consider the Ottoman Empire as a strategic country in terms of its geographical,

⁹⁸ As in the case of conflicting views about the scope of Ottoman sources, there were also negative comments on the possibility of financial reorganization of the Ottoman Empire. For instance, in 1869 the Foreign Minister of Prussia maintained that the European governments should not grant guarantee to the loan agreements since the Ottoman Empire continued "its original system" and did not execute "fundamental principles of political economic" (Blaisdell 1929, 32).

political, and economic position when Russia began to threaten its interests in the region by signing the Treaty of Hünkâr İskelesi with the Ottoman Empire in 1833.⁹⁹ Before this, Britain's attitude towards the Ottoman Empire was characterized by, in Bailey's words, "passive indifference." From Russia's perspective, the agreement was a step towards preventing a prospective Western European domination over the Ottoman Empire. Russia, in the long run, aimed at imposing its own domination over the Ottoman Empire, from which the British most feared. The British government feared that if Russia took control of the Ottoman Empire its connection, above all, with India would be threatened. After the affair of Hünkâr İskelesi, Britain revised its policy in its relationship with the Ottoman Empire. This policy, above else, envisioned the reformation of the Ottoman state; that is, the reorganization of the civil service and the financial administration.¹⁰⁰ According to the British, these two were interrelated as they considered the elimination of 'maladministration' in the civil service as a prerequisite for decreasing the expenses of the state as well as fair taxation. In the period of Lord Palmerstone, as Bailey has stated, the British was "convinced that the best way to assist Turkey was to help her reform herself..."¹⁰¹

The second reason behind British interest in the Ottoman Empire in the 1930s was the trade ties between the two countries, as it was described in the first chapter. In this period, the Mediterranean route was economically more advantageous than the Cape route, and as a result, the former replaced the latter. Moreover, the Ottoman Empire was one of the greatest trade partners of

⁹⁹ Temperley (1933, 156).

¹⁰⁰ Temperley (1933, 157).

¹⁰¹ Bailey (1942; 38, 40, 52, 53, 61, 139, 145, 152, 226).

the British between 1825 and 1855. The British expected that a financially and politically stronger Ottoman Empire would enhance the trade ties with the British and the flow of raw materials necessary for the British industry. The prescription for empowering the Ottoman state was once again financial and administrative reform.¹⁰² Hence, the representation of the Ottoman Empire, especially, in the official documents between 1850s and early 1860s, has to be understood as a reflection of this specific British interest in the Ottoman Empire. Indeed, it is remarkable that when the Ottoman Empire lost its political and commercial importance in British politics in the 1860s for reasons explained in Chapter 1, there was a sharp decrease in British official interpretations of Ottoman finances. Instead, as the below account will indicate, only the British media and the British capitalist kept their interest in the Ottoman financial regeneration and sources of revenue.

It should be noted that the language in the official documents and in the newspaper articles was quite vague. The authors of those text rarely explained what they meant by “honest and good administration” or “sound financial principles.” Considering the frequency of this kind of terminology in the official documents, in the speeches of the politicians, and in the press it is possible argue that however ambiguous this terminology was, it was part of a shared discursive universe and communicated the same message in this universe. From a different vein, despite of the vagueness of the terms like “sound management,” it should be kept in mind that the British sources from the period are full of descriptions of “maladministration” represented by the

¹⁰² Bailey (1942; 41, 62, 72).

“corrupt” Ottoman administrative agencies. As we will see in the next part, those texts often compare the European, and implicitly universal, ideals of “good administration” with the supposedly chaotic and irregular administration in the Ottoman Empire. In this sense, a duality of good administration/maladministration concurrently appears in the British archival sources. Only with the help of this duality that the British politicians or the British press were able to represent themselves as the bearers of universal “good administration.”¹⁰³ In the next part, we will see that this duality was essential to the justification that the AOPD gave for its intervention in the Ottoman financial affairs and to assessing its ‘success.’

As the European politicians and the press put forward “sound” financial administration as the overwhelming solution to the perceived Ottoman problems, they also set forth opinions about who would be the executors of “sound” financial principles. One identified reason for the financial problems in the Ottoman Empire was the lack, or even the absence, of “experienced” administrators who would replace the “corrupt and foolish men” and would transform the Ottoman financial administration. Russell explained this to the British Ambassador Bulwer in 1860 as follows:

If any remedies are to be applied to the grievous diseases of Turkey, we must first find the men who can apply them. The wisest measures would be of little use administered by corrupt or foolish men. It seems to Her Majesty’s Government that if four or five persons can be found who will honestly, without fear or favour, control the army, the finances, foreign affairs,

¹⁰³ For an analysis of how dualities serve in building hegemonies and inequalities, see Said (1994).

and the department of justice, there may still be hope for Turkey.¹⁰⁴

At first, there were doubts about the possibility of finding those men in the Ottoman Empire. *Times* denominated its suspicion as follows:

We are told that the Council of State contains a section who are especially entrusted with the audit of government accounts and the duty of punishing peculation, and that this very body contains men who are notorious themselves for peculation. Who shall guard these guards? Who shall oversee their overseers (quoted in Blaisdell 1929, 55)?

As the above quotation indicates, the British press questioned the possibility of executing financial reforms under the supervision of existing Ottoman cadres. Especially after the report of Hobart and Foster, the British political figures, however, came to believe that there could be found Ottoman administrators who would fulfill the duties that the British considered necessary for the reformation of Ottoman finances. Russell contrasted the Ottoman Empire with other European countries and suggested in 1862:

There is nothing in the state of the Turkish finances to make the proximate fall of the empire certain or probable. France in the last few years has made a deficit 40,000,000*l.* in Austria there is a deficit of not less than 8,000,000*l.* for the present year.

In Russia the finances are greatly embarrassed, and the Government has to struggle with the mass of 100,000,000*l.* of paper money.

¹⁰⁴ FO 881/6816

What distinguishes the case of Turkey is, that there is no man of capacity and integrity who is equal to the management of the finances.

Unless the Sultan can find such a man, or men, any new loan will be merely filling the sieve with water to see it drop through.¹⁰⁵

Similarly, Russell suggested in 1860:

I am glad to learn that there are three or four men of integrity in office at Constantinople.

Let them choose men of an integrity similar to their own to govern the provinces, and much may be done; but they must be upheld by a good system of finance, an impartial administration of justice, and a well-disciplined, regular army, which can be restrained from plunder and massacre.¹⁰⁶

In other words, during especially 1860s the British politicians were hopeful that a few “integral” men would be enough to solve the proposed problems in Ottoman financial administration if they followed “sound” financial principles.

Despite of the credence given to the Ottoman administrators who were argued to be potentially capable of financially reorganizing Ottoman finances, the British already in this period put forward the proposal of including the Europeans in the Ottoman financial administration. As it might be expected, the justification given for the proposed participation of the Europeans in the Ottoman financial administration was the idea that the Europeans had the

¹⁰⁵ FO 881/6816

¹⁰⁶ FO 881/6816

“experience” in administering finances that the Ottomans supposedly lacked.¹⁰⁷

For example, Russell wrote in 1862 “[t]he new financial administration must, for some years at least, be composed partly of persons not subjects of Turkey. The *experience* of Europeans will be absolutely necessary to the Porte” (my emphasis).¹⁰⁸ At times, the British interpretation of Ottoman administration happened to be even more incredulous, especially towards the Muslims, about the possibility of the Ottomans to “learn” and to apply the principles of European-type of administration. In 1861 Russell argued that “the advance of civilization in Turkey must diminish the influence of the Mahomedans who will not learn, and increase that of the Christians who will.”¹⁰⁹ According to Russell, what the Muslims would not learn was the “habits of European society” and “knowledge of the [...] sciences.”¹¹⁰

The reflection of these doubts about the ability of the Ottomans to “regularly” administer the finances of the country was the demands for the inclusion of the representatives of Europeans in the collection of the pledged revenues or even in the financial administration of the Ottoman Empire. Already in 1855 the signs of European intervention in imperial finances appeared. For instance, in return of their official guarantee to the loan agreement the British and the French governments demanded that a commission would be founded to control the spending of the loan and the accounts of the Treasury. Like most of similar commissions, this commission did not exert any significant energy towards

¹⁰⁷ For a similar discussion on how the IMF, the World Bank, and similar institutions justify their intervention in Egypt in reference to the experience and technical know-how that the Egyptian governments supposedly lacked, see Mitchell (2002).

¹⁰⁸ FO 881/6816

¹⁰⁹ FO 881/6816

¹¹⁰ FO 881/6816

these ends.¹¹¹ In addition, according to the loan agreement in 1858, the pledged revenues would be collected under the supervision of the representatives of the bondholders yet due the disorganization among the bondholders this scheme was not realized.¹¹² Furthermore, in 1859 Bulwer proposed that an international control should have been exercised over the Ottoman finances: a proposal that the Ottoman Empire had enough power to reject at that time.¹¹³ The French government also demanded in return for governmental guarantee to a possible loan in 1859 that the Ottoman government would leave the financial administration to the hands of the representatives of the Great Powers. But the Prussian Foreign Minister Goltz stated his disbelief on the Ottoman government's consent to such a demand. Last but not the least; an Ottoman banker requested that the Great Powers should have oppressed the Sultan through the ambassadors to establish a civil list and to limit expenditures of the state.¹¹⁴ During this period, however, as Blaisdell has suggested, there was no "widespread feeling" about the necessity to exercise direct foreign control over the Ottoman financial administration.¹¹⁵ Nonetheless, the idea that the Ottomans were not competent or eager enough to properly administer finances was widely shared even before the foundation of the AOPD.

Another debate in Europe that we see the reflections of the discourse on "sound" management and the desire to acquire direct control over the capitalist investments in the Ottoman Empire was about the way in which the Ottoman governments spent the loans. *Times* criticized the Ottoman government on the

¹¹¹ Du Velay (1979, 83).

¹¹² Du Velay (1979, 89); Blaisdell (1929, 29).

¹¹³ Du Velay (1979, 92).

¹¹⁴ Blaisdell (1929, 33).

¹¹⁵ Blaisdell (1929, 33).

ground that the government borrowed from Europe without any financial improvement. It was concluded that unless this policy changed the British capitalists should not have invested in the Ottoman Empire except in enterprises that they controlled the management of which directly.¹¹⁶ In 1873 *Times* advised to the British capitalists that they should not have sent money to the Ottoman Empire unless a balanced budget was prepared and officers following “true principles” took the lead in the administration of the Empire.¹¹⁷ Additionally, France suggested that the Ottoman government had to find ways to increase its revenues without intensifying the burden of the taxpayers. It also maintained that the foreign capital, which was argued to be absent at the time, could work up the ‘unquestionable’ sources of revenue in the Ottoman Empire.¹¹⁸ In short, almost from the beginning of the Ottoman external borrowing until the bankruptcy in 1875 there were voices in Europe as well as in the Ottoman Empire that criticized the Ottoman policy of external borrowing. The criticisms concentrated once again on the absence of “true principles” of finance, which the Ottoman administrators were argued to be not introducing into Ottoman finances. Moreover, one can see in the quotation from *Times* that acquiring direct control in European enterprises in the Ottoman Empire started to be raised, albeit the absence of such a desire on the part of the investors at the time. Finally, despite of extensive Ottoman indebtedness the belief in the possibility of increasing revenues persisted and the influx of foreign capital in the Ottoman Empire considered as an ancillary to Ottoman financial regeneration in the 1870s.

¹¹⁶ Blaisdell (1929, 56).

¹¹⁷ Blaisdell (1929, 63).

¹¹⁸ Owen (1993, 176).

The Imperial Ottoman Bank served as a substitute for this direct foreign control over Ottoman finances before 1881. The British and French governments', which controlled the Bank, and the European capitalists' expectations from it was a reflection of perceived problems of Ottoman finances, including its being unknown. However, it seems that the Bank did not satisfy those expectations. The Imperial Ottoman Bank was crucial in terms of its role in financial investments, its position as a possible source of information on Ottoman finances, and its (un)control over Ottoman financial administration. First of all, as Owen has maintained, the original goal of the Bank was declared as regional economic development. However, this institution was soon transformed into an institution which solely made profit through its relationship to the state finances¹¹⁹. Secondly, according to Blaisdell, the Imperial Ottoman Bank spread the idea that the Ottoman Empire had ample sources and created an illusionary sense of security. Moreover, it was seen as the regenerator of imperial finances.¹²⁰ However, the Bank's lack of authority in controlling imperial finances was a matter of concern for the European press and investors. Above else, they complained that the Bank did not have the authority to limit state expenditure and to force the Empire to prioritize repayment of its external debts¹²¹. In other words, the Imperial Ottoman Bank's expected function before 1881 was similar to that of the AOPD. However, it is understood that the Bank did not satisfy the demands of the European investors. It was seen as a source of information yet at the same time it provided a false sense of security. It was expected that it exercised control over Ottoman finances to limit its expenditures yet it devoted its activities to boost external borrowing. As it will

¹¹⁹ Owen (1993, 103).

¹²⁰ Blaisdell (1929; 2, 70).

¹²¹ Blaisdell (1929, 69).

be seen, the AOPD would also attempt to create the sense of security that the capitalists needed to invest in the Ottoman Empire.

After the bankruptcy of the Ottoman Empire, the Ottoman government signed an agreement with its local creditors. According to the agreement, the Empire conceded the right to collect some of its revenues to the Administration of Six Revenues. Following the agreement, the creditors started to look for, in Du Velay's words, an "experienced" director to lead the administration.¹²² The creditors found this "experienced" director from Romania. Hamilton Lang, who had reorganized Romanian administration of tobacco, came to İstanbul to assume this duty. Although the European bondholders soon raised their objections to the foundation of the Administration of Six Revenues, it can be claimed that the probability of exercising direct control over the Ottoman finances depended on the 'success' of this institution. Considering Du Velay's remarks on the institution and the interpretations of the institution in the British press, it can be claimed that the failure of this administration would have led to doubts about the possibility of increasing Ottoman revenues and about the profitability of these revenues. According to Du Velay, if the Administration did not attain an increase in the revenues the Ottoman government could oppose a proposal of foreign control over the imperial finances.¹²³ The government could have argued that even an administration composed of Ottoman creditors did not succeed in managing Ottoman finances better than the government. Hence, there would be raised doubts about the ability of foreigners who did not have sufficient knowledge about the Ottoman Empire to

¹²² Du Velay (1979, 262-263).

¹²³ Du Velay (1979, 262).

administer imperial finances. However, the Administration was able to collect more revenues than the Ottoman government. In a British newspaper, *Statist*, it was argued in 1879 that the performance of the Administration had shown that with “good administration” the Empire could repay, at least, the interests of its debts. Moreover, it was suggested in the newspaper that the Administration had proved that under the supervision of expert Europeans and through paying regular salaries to the officers it was possible to found an administration that would transform the Ottomans into “industrious and honest officers.” According to Du Velay, the ‘success’ of the Administration showed that if disciplined and paid regularly the Ottomans could be beneficial in financial administration.¹²⁴ In other words, the belief that the Ottoman revenues were capable of increase if administered properly became embodied in the Administration. With this experience, or experiment, in mind the European bondholders found the AOPD and the European governments diplomatically and financially forced the Ottoman government to consent to its foundation.

2.3. Servicing Information and Administering

The period between 1875 and 1881 was characterized by uncertainty from the part of the European creditors of the Ottoman Empire. While the creditors pressed their governments for the settlement of the debt issue, the Empire tried hard to delay such a settlement. With the Decree of Muharrem, however, the Ottoman Empire conceded the right to collect and administer some of its revenues to the AOPD. The period after 1881 witnessed the AOPD’s efforts to remove the aforementioned doubts about the Ottoman Empire; that is, it had to

¹²⁴ Du Velay (1979, 264-265).

show that the Empire's sources were enough and that its revenues were capable of increase under "good administration." Hence, the AOPD was a response to two major needs of the European governments and capitalists. Firstly, it would serve as a medium of information flow from the Ottoman Empire to Europe. Secondly, its central administration composed of "integral men" would "regularize" financial administration and execute "sound principles" of finance. This study argues that these two expectations from the AOPD is a reflection of a need of sense of security, as it has been seen, which was absent prior to 1881. I borrow this term from Quataert, who has stated that the industrial and the financial investments in the Ottoman Empire after 1881 was a reflection of the sense of security that the AOPD built.¹²⁵ Similarly, Blaisdell has argued that the foundation of the AOPD convinced the European capitalists that investing in the Ottoman Empire became a more secure enterprise in comparison to the period before 1881.¹²⁶ While Quataert has not explained what "the sense of security" connoted and how the AOPD created it, Blaisdell has taken the European governments' perception of the AOPD and the AOPD's self-representation for granted. This study, by contrast, aims at describing the means through which the AOPD tried to convince the European governments and the capitalist investors that it created a secure environment for capitalist penetration. In this sense, the study does not focus on whether the AOPD collected accurate information on Ottoman finances or "regularized" Ottoman financial administration. Rather, in the light of primary sources from the British archives, and secondary sources analyzing Western European capitalist investment in the Ottoman Empire, and the responses to the Ottoman

¹²⁵ Quataert (2003, 119).

¹²⁶ Blaisdell (1929, 108).

demand of increasing customs surtax in 1907; this study argues that the AOPD attempted to convince the European governments that it was able to fulfill these two duties, and therefore, to provide a secure environment for profitable investment in the Ottoman Empire.

In order to create this sense of security, the AOPD, first of all, had to provide information about Ottoman finances, the absence of which was considered as one of the most troubling issues prior to its foundation. Indeed, the AOPD was seen as the only available source of information about the Ottoman finances. In a British report on Ottoman finances dating 1895 the financial situation of the Ottoman Empire was explained as follows:

Owing to the almost complete absence of statistical information of reliable character, it is impossible to present anything approaching a complete Report on Ottoman finance. There is no publication of the annual Budget, nor except as regards the revenues administered by the Council of the Public Debt, are any Returns of revenue available from public sources. The greatest secrecy is maintained concerning the revenue and expenditure of the Empire.¹²⁷

Moreover, the AOPD's annual reports and the letters that, for instance, Block, then the President of the AOPD, sent to the British government can be seen as attempts to convince the capitalist investors that the Ottoman Empire had enough and lucrative sources of revenue. One subject that those annual reports and letters provided information on was the revenues pledged as kilometric guarantees. After 1881 the Ottoman Empire granted kilometric guarantees to the European companies. The European companies benefited from the railroad

¹²⁷ FO 881/6816

constructions since even if the railways did not produce any profits the kilometric guarantees was a source of income in itself for the companies. Ottoman government and Deutsche Bank signed a convention in 1888 regarding the extension of Haydarpaşa-Ankara line. The convention described the role of the AOPD as follows:

During the adjudication of the tithes of the *sandjaks* of Ismidt, Erthogroul, Kutahia, and Angora, through which the line runs, an agent of the Public Debt Administration must be present, and the promissory notes which the successful bidders are bound to furnish for the value of the tithes resulting from this adjudication shall be made payable to the order of the Public Debt Administration's agencies in the above-mentioned sandjaks, and shall be paid exclusively to them. The amounts which the Imperial Government agrees to pay annually to the concessionaires to complete the kilometric guarantee mentioned above will be taken out of this sum, and will be paid by the Public Debt Administration, and the balance will be forwarded by it to the Imperial Treasury (quoted in Blaisdell 1929, 128).

Starting with this, the AOPD assumed the same role in all railway construction projects even if the project began before its foundation; that is, Salonica-Istanbul line, Salonica and Monastir railways, İzmir-Kasaba line and extensions, Haydarpaşa and Ankara railways, Eskişehir-Konya line, Baghdad railway, Damascus-Hama line and extensions.¹²⁸

The AOPD tried to provide a sense of security to prospective railway construction projects by arguing that it could collect and increase the revenues

¹²⁸ Blaisdell (1929, 128)

that were pledged as kilometric guarantees. For example, Block wrote in 1906 that the Empire still held revenues after pledging most of its revenues as guarantees to the loan agreements and to the railway construction projects. Moreover, Block noted that the railways brought “civilization and general improvement” which increased the revenue from tithes that the AOPD collected.¹²⁹ It should be noted that the railway companies depended on the kilometric guarantees for their survival if there was no enough traffic on the railroad. That is, the amount of money coming from the kilometric guarantees was inversely proportional to the revenue coming from the traffic. Whereas from the perspective of the Ottoman Empire an increase in the traffic was beneficial, from the perspective of the companies, as one annual report has explained, since the increase in the traffic would, in turn, increase the working expenses such a development was not necessarily desirable.¹³⁰ Hence, the collection of the tithes by the AOPD was essential to the survival of the railway companies. In fact, the companies did not sign any contracts with the Ottoman government unless the latter pledged kilometric guarantees and the AOPD exerted energy to persuade the prospective companies to the availability of potential pledged revenues and to its ability to increase the tithe revenues that it submitted to railway companies.

Although the financial crises in the late nineteenth century limited the Ottoman Empire’s possibility to borrow from European markets between 1881 and 1900, Ottoman foreign borrowing continued in this period. By contrast, after 1901 the Empire again started to borrow from the European markets in

¹²⁹ FO 881/8613

¹³⁰ FO 78/5444

significant amounts, although the amount of borrowing never reached to the level in the period preceding 1881. The Ottoman government conceded the right to collect pledged revenues for the loans after 1881 to the AOPD and the AOPD actively participated in ten loan contracts.¹³¹ In its annual reports, the AOPD provided statistical information about those ceded revenues as well as the revenues pledged as kilometric guarantees. Especially the revenues from salt, stamp, silk, and tobacco were discussed in detail in the reports. As one of the annual reports has put it, the increase in the ceded revenues enhanced the value of stock, which meant that the profits from government loans increased accordingly.¹³² Considering the fact that the audience of the AOPD's annual reports was the bondholders, one can argue that by representing itself as increasing the ceded and pledged revenues in those reports the AOPD tried to convince the capitalists that their investments were secure and profitable under its administration.

The AOPD's representation of itself and the Europeans' perception of the AOPD was meaningful only if there existed a belief that the revenues of the Ottoman Empire was increasable and that investing in the Ottoman Empire was a profitable enterprise. As it has been previously shown, before 1875 it was generally accepted that the Empire had abundant sources which could be turned into revenue under "good management." Moreover, it has been displayed that the experience of the Administration of Six Revenues invigorated this conviction. The AOPD, similarly, claimed that the problems of Ottoman finances could be abated with the introduction of a "sound financial

¹³¹ Owen (1993, 196).

¹³² FO 78/5444

policy.” According to Blaisdell, before 1875 the European investors had problems in governmental securities for their investments and in the protection of their properties in the Ottoman Empire.¹³³ When the Empire bankrupted in 1875 the prospective capitalist investors became discouraged and the confidence in the Ottoman Empire shattered. According to Blaisdell, with the participation of the AOPD in railway construction and with its control over the most crucial Ottoman revenues the possibility of regenerating Ottoman finances awakened.¹³⁴ In order to provide this sense of security the AOPD tried to convince the capitalist investors that under its supervision the revenues were properly collected and were increased. In an annual report Block has maintained:

I wish to distinguish between the general financial situation of the Empire and the special conditions connected with the Revenues administered by the Council of Administration of the Ottoman Public Debt.

The Administration has shown that by *careful management* the Revenues entrusted to it by the Decree of Muharrem are capable of increase (my emphasis).¹³⁵

It is worth noting that it cannot be claimed that the European governments or the European capitalists believed that the AOPD could have solved all supposed problems in Ottoman finances or it was the most ‘competent’ institution ever founded. Rather, they understood the AOPD always in comparison to the Ottoman government. In other words, the standard of assessing the ‘success’ of the AOPD for the European governments and

¹³³ Blaisdell (1929, 125).

¹³⁴ Blaisdell (1929, 125).

¹³⁵ FO 78/5444

capitalists, and for the AOPD depended on the 'failure' of the Ottoman government. As Blaisdell has stated, "[t]he P.D.A., directed by a European-constituted council, was recognized as a more stable guarantee of efficient and trustworthy stewardship of capital that existed in the Ottoman Government. Bankers thus sought to enlist in their enterprises the cooperation of the Council."¹³⁶ Blaisdell has quoted a London review who, similarly, argued in 1883 "[i]mpartial people who did not allow their wishes to run away with their reason hardly expected that the Porte would concede as good terms to the bondholders as in fact Mr. Bourke and his colleagues have obtained."¹³⁷ Furthermore, the AOPD used this standard of assessing its 'success' to claim that the financial problems of the Ottoman Empire resulted not from the lack of sources of revenue but from the lack of a "sound financial policy." In one of the annual reports of the AOPD published in 1904 the AOPD stated this as follows:

Both the Government and the European markets have shown their confidence in the Administration, and I trust that in the future that confidence will be continued.

Side by side with the satisfactory progress shown by the Debt Administration are to be observed the ever-recurring difficulties of the Treasury.

It would seem, therefore, that they are caused not by the economic condition of the country as much as by unsound methods of finance and want of foresight. Administrative reform, of which we hear so much, and which not only the European powers interested in the maintenance of the *status*

¹³⁶ Blaisdell (1929, 3).

¹³⁷ Blaisdell (1929, 108).

quo but the Turkish government themselves desire so sincerely to introduce, is dependent on a sound financial policy.¹³⁸

In the aforementioned British report dating 1895 on Ottoman finances it was, similarly, pointed out that the sheep tax, the property tax, and the license tax lacked elasticity in the Ottoman Empire. It was argued that this lack can be assumed to be a result of “defects in administration” considering the returns of the revenues administered by the AOPD were higher.¹³⁹ As it has been seen in the part on the Ottoman external borrowing before 1881 the language in this kind of text is vague. The vagueness of those texts made it possible to extend the meaning of this kind of terms and to increase the persuasiveness of them. However, this does not imply that these texts were free from inconsistencies and from contradictions, or that they were not incredulous within themselves.

For instance, consider the following quotation from the same British report:

In comparing the Returns for 1888 and 1894, the most striking feature is the apparent inelasticity of the revenue, except as regards that part, the collection and administration of which has been intrusted to the Council of the Public Debt. The conceded revenues have increased by about 12.1 percent during the last six years, whilst during the same period the total of other revenues would appear to have decreased by some 126,000/., or by about 0.86 per cent. It is unfortunately impossible to form any opinion as to what share in the increase of the conceded revenues is due greater efficiency in administration, and what share would be attributed to a natural growth of the resources of the Empire. It would seem, however, that at least a certain

¹³⁸ FO 78/5444

¹³⁹ FO 78/4614

proportion of the increase noted must be due to the latter cause.¹⁴⁰

This quotation can be seen as an example of self-skepticism in the discourse on “efficiency in administration.” Actually, considering the fact that the AOPD collected most easily collectable and most lucrative revenues of the Ottoman Empire it was not reasonable to contrast the Ottoman government and the AOPD in tax collection. However, as one can see in the above quotation from the report published in 1904, the AOPD’s self-narration was based on this contrast and it was well taken by the British authorities, although the latter’s discourse on administrative efficiency was more diffident and insecure.

In its annual reports the AOPD discussed the reasons behind the fluctuations in the ceded revenues. At the end, it always concluded that any decrease in the revenues resulted either from the government’s disinclination to fight against contraband or from natural causes such as bad climate conditions.¹⁴¹ Moreover, the British, too, shared this view. For example, the report dating 1895 explained the fluctuations in the tithe revenues that the AOPD collected as follows:

The figures in Table II are reliable, and are very striking. They show clearly that the effect of regular administration on the tithes revenue was an improvement of more than 10 per cent., and that where the agriculturalists are assisted by the introduction of railways, even extraordinary results may be obtained. This Table shows that the portion of the tithes collected by the Administration of the Public Debt in districts affected by the new railways increased in four years by fully 70

¹⁴⁰ FO 881/6816

¹⁴¹ This matter will be discussed in the next chapter.

per cent [...]The great hopes raised by the bright promise of the four years dealt with in the Table have, however, received a rude check in the very miserable results of the tithes collection in 1894 [...]The only consolidation which can be found for this most alarming circumstance is, that the very suddenness of the collapse proves that it must have been largely, if not entirely, due to abnormal conditions, and these abnormal conditions are sufficiently apparent in the outbreak of cholera [...]¹⁴²

In this sense, the AOPD and the British observers of Ottoman finances agreed that if there was an increase in the ceded revenues it was due to the “careful administration” of the AOPD and if there was a decrease, instead, it was due to some “abnormal conditions” that the AOPD could not control.

The AOPD’s efforts in convincing the European governments that the Ottoman revenues were enough and capable of increase under its supervision and in accelerating capitalist penetration into the Ottoman Empire can most clearly be seen in the granting of the right to collect three percent customs surtax to the AOPD. In 1907 according to a diplomatic act between the Great Powers and the Ottoman government, the AOPD was ceded the right to collect three percent customs surtax. After the formation of Macedonian Reform Commission, the Ottoman government declared that it needed money in order to implement the reform program in Macedonia. For this purpose, the government proposed an increase in the customs tariffs. The British were the first to raise doubts on this proposal by arguing that a “competent authority” must have been responsible from the collection of the increased customs tariff

¹⁴² FO 78/4614

and even of the local Macedonian revenues.¹⁴³ The other Great Powers, France, Russia, and Austria, also explained that provided that a guarantee regarding the disposal of the increase was present they would give their consent to an increase in the customs tariffs.¹⁴⁴ Not surprisingly, for the Great Powers, the AOPD was that “competent authority” that would guarantee the proper disposal of the customs revenues resulting from the increase in tariffs. British Foreign Secretary Grey

informed [...] [the] Grand Vizier that, in the view of His Majesty’s Government, the surveillance by the Public Debt Administration constituted the most effectual means of securing the proper collection of the proposed increase, and that they regarded the establishment of this control as a condition upon which their consent to the surtax will be made dependent.

It is understood from the British sources that there was already an idea of attaining European control over the Ottoman Customs Administration in 1895. In an inclosure that discussed the financial situation of the Ottoman Empire, the only possible source of additional revenue for the Empire was identified as the tithe and the customs revenues. In the inclosure it was argued that these revenues should have been submitted to the control of an “independent institution.” It was also suggested that the AOPD could collect, at least, the tithes:

The whole system under which the [tithes and the customs tax] are collected is so radically wrong, and the necessity for prompt reform is so urgent, that I believe the only satisfactory

¹⁴³ Blaisdell (1929, 159-160).

¹⁴⁴ Blaisdell (1929; 159, 160)

action would be to immediately hand over both administration and collection of these revenues to some independent institution, which, as a matter of business, should have a direct interest in their proper management and development. The collection of the Tithes would, perhaps, be best intrusted to the Council of the Public Debt, if that institution would undertake the task, since it has already had much experience in the collection of that portion of this revenue which has been assigned as security for various obligations of the State. An increase of 10 per cent. in the Tithes would amount to some 400,000*l*, and I have shown that it would not be unreasonable to anticipate such an increase, as the result of really good management.¹⁴⁵

In other words, the inclosure put forward the idea that the customs revenues were capable of increase if administered by an institutional body that was independent from the Ottoman government. In a report dating 1895 on the Ottoman finances it has been, similarly, suggested "there are valuable sources of revenue in the tithes and customs, which, through maladministration, fail to give proper returns to the State."¹⁴⁶ Here, one can once again see the importance of gathering and servicing information about the Ottoman revenues. Once it was believed that some revenues were increasable "as a result of really good management," a proposal placing those revenues under foreign control was put in plan. As we have already seen, the AOPD vaguely represented itself as an institution which was capable of undertaking such a management. It must have been this belief in the possibility of increasing the customs revenues and the purpose of directing this increase to a domain that

¹⁴⁵ FO 78/4614

¹⁴⁶ FO 881/6816

the Great Powers consented¹⁴⁷ that made the participation of the AOPD desirable in the final scheme.

According to the final agreement between the Great Powers and the Ottoman Empire, the customs tariffs were raised from eight percent to eleven percent. The agents of the AOPD would receive this three percent increase from the central banking offices of the Administration of the Indirect Taxes. In the provinces, the agents of the AOPD would receive the revenue from cashiers of the customs agencies. These agents would have the right to control and “verify” the records of the collection of the customs tax¹⁴⁸. They were not allowed to interfere with the operations in the customs agencies or with the government officers in the agencies, yet they could have intervened in the affairs if these affairs threatened the collection of the three percent surtax and only by “notifying their Administration.”¹⁴⁹

According to the diplomatic act, the AOPD would supplement the Roumelian budget with 250.000 Turkish pounds each year. This money would come from the surplus of the customs surtax that the AOPD must have turned over to the Ottoman government.¹⁵⁰ The act envisaged, in this sense, that a significant part of the surplus that the AOPD must have been submitted to the Ottoman government according to the Supplementary Decree in 1903¹⁵¹ would be used

¹⁴⁷ Block wrote: [T]he Powers might take this opportunity of insuring that, in case of a surplus or of any further increase, the money should be set aside for some specified object, which would be to the advantage of the Turkish Empire (FO 881/8613).

¹⁴⁸ The German delegate Testa argued “[t]he duty of the Administration is to make a verification of the revenues” (quoted in Blaisdell 1929, 174).

¹⁴⁹ Blaisdell (1929; 170, 171, 172).

¹⁵⁰ Blaisdell (1929, 167-168).

¹⁵¹ Through this decree, the Ottoman was given a share in the revenues that the AOPD collected. The Ottoman Empire and the AOPD shared the surplus of the revenues from this

to assist the reform project in Macedonia. In other words, as a result of the cooperation between the Great Powers and the AOPD, the latter placed yet another part of Ottoman revenues under its control.

The consent of Britain to the increase in the customs tariffs can be seen an example of British attempts to advance trade with the Ottoman Empire. As a major source on the issue, Blaisdell's book creates an image as if the Great Powers spontaneously responded to the Ottoman request to increase the customs tariffs only to secure the proper application of the reform project in the Macedonia. The analysis of the documents from the British archives on the increase in the customs tariffs, however, reveals another aspect of the issue; that is, the British commercial interests in the Ottoman Empire.

It can already be seen in the above quotations that from the British perspective the increase in the customs tariffs was important for the commercial interests of Britain. Although after 1875 the British share in direct investment in the Ottoman Empire and in Ottoman external borrowing fell short of that of France and Germany, the Ottoman Empire was still a significant trade partner for the British. The British aimed at intensifying trade, especially in Mesopotamia, but they did not have necessary financial institutions such as banks in the region that would pursue their commercial interests. Moreover, the most significant obstacle to the British penetration into the region was the German presence. As Grey complained in 1907, the British financiers did not have control over

time onwards. According to the Decree, whereas the Empire derived seventy five percent of the surplus revenue, the AOPD derived the remaining twenty five percent.

commercial enterprises in the region.¹⁵² To countervail the German financial, commercial, and industrial influence, and to advance British commercial and financial activities in the Ottoman Empire, the British found the National Bank of Turkey in 1910.¹⁵³ In line with this British policy of espousing trade with the Ottoman Empire, the documents from the British archives show that the British consent to the increase in the customs tariffs was part of an anticipated foreign control over the Ottoman Customs Administration.

Adam Block, who was the alternate president of the AOPD and the president of the British Chamber of Commerce, enunciated the complaints of the British tradesmen about the Customs Administration to the British government as follows:

I have always been of opinion that if His Majesty's Government consent to an increase in the customs duties it would be the opportune moment to introduce some control, however slight at first, in the Customs Administration. Such a measure would be in the interest of the British importer, who is justified in complaining of the vexatious delays, worries, and expenses which he has to submit to to-day; and, secondly, it is in the real interest of the Turkish government, not only because any improvement in the Customs Administration will facilitate trade, but because it will tend to increase the revenue from that source. It is generally admitted that, by *proper management*,

¹⁵² The importance of the railways for the Great Powers was that, as Pamuk (1995, 237) has pointed out, the country that constructed railways monopolized the region on the route of the railway. Moreover, other capitalists from that country made further financial and commercial investments in the region. Thus, the region became closed to the activities of the capitalists and the tradesmen from other countries. This was why the railway construction was the fiercest domain of rivalry among the Great Powers (Pamuk 1995, 237).

¹⁵³ Kent (180).

the customs could give at 25 per cent. more than they give to-day (my emphasis).¹⁵⁴

Block also thought that attaining foreign control over the Customs Administration was the surest means of reforming the Administration in a way that it would no more “worry” the British traders. However, since the political context was not suitable for such a control at the time the AOPD could assume the role of controlling the Administration on behalf of the British:

It may be objected that the measure suggested in this Memorandum, whilst insuring the proper collection and application of the revenue, will not meet the entire demands of the importer, but a radical change such as an international control, as I have said, is almost impossible. Turkey is to-day gradually drifting to that and unless the finances are properly taken in hand; but the time is not yet ripe for so radical a measure, therefore we must proceed slowly and with patience.¹⁵⁵

Block explained the expected role of the AOPD officers in the Customs Administration as follows:

If the Council of the Debt can have officers in the Customs Department, and if their co-operation is allowed with regard to the collection of the 3 per cent. on the lines I have indicated in my Memorandum, it will be possible gradually by these means to introduce the commencement of a control. The agents of the Debt Administration would have practically to see all the books, and the Council of the Debt could bring any abuse to the notice of the Ottoman Director-General of the Customs

¹⁵⁴ FO 881/8613

¹⁵⁵ FO 881/8613

Administration. On the other hand, any complaint from foreign importers might be brought unofficially to the notice of the Council of the Debt, and the Council could lend its assistance either at the Central Administration, or in the outlying ports, through its officers for the remedy of the abuses complained of.¹⁵⁶

In the above quotations one can again witness the idea that “by proper management” the Ottoman revenues were capable of increase. Moreover, one can see that introducing foreign control over the Customs Administration was considered as a way to improve commercial relations between the Ottoman Empire and Britain to the advantage of the latter. Block believed that this control would be beneficial also in reforming the Administration.

In short, in its letters to the British political authorities, Block tried to convince them to three related points. First of all, he argued that Ottoman customs revenues were capable of increase under the administration of a “proper” agency. Secondly, he claimed that there was a need to reorganize the trade relationship between Britain and the Ottoman Empire over the Customs Administration. Finally, he pointed out that this administration could be reformed under the supervision of the AOPD agents who would have access to departmental records and whose presence in the Administration “would tend to prevent abuses” of the state officers. In this sense, he attested that the AOPD officer could manage the collection of customs revenues ‘better’ than the Ottoman officers. Indeed, as it has been shown, the diplomatic act warranted the AOPD officers with the collection of the customs surtax and with the verification of the departmental records.

¹⁵⁶ FO 881/8613

Even though this study cannot demonstrate that the Great Powers, or, particularly the British, consented to this scheme thanks to Block's endeavors, this example shows that the Great Powers were not eager to participate in every attempt of capitalist and commercial infiltration into the Ottoman Empire. Considering the AOPD's struggle, they required information on the revenues as well as a conviction that those revenues would be properly managed. It should be emphasized again that this study does not claim that the AOPD was able to create a sense of security on potential capitalist investors or on the European governments. Instead, in the above examples, we witness the AOPD's efforts in this direction. The AOPD tried to convince these parties to the availability and profitability of Ottoman sources of revenue under its management, and to the possibility of facilitating trade with the Ottoman Empire through the infiltration of the AOPD agents to the Ottoman Customs Administration. Although, at the end, the AOPD gradually took control of a significant part of Ottoman revenues under its control as revenues pledged especially to railway construction projects; and although the Great Powers consented to the increase of customs duty on condition that the AOPD supervised the collection of this surtax, these examples does not demonstrate that the Great Powers' and the capitalist investors' participation in these projects was by the courtesy of the AOPD. Rather, this part of the chapter aimed at displaying how the AOPD tried to fulfill the need to a sense of security that had been emerged in the period preceding its foundation by providing information on Ottoman sources of revenue and by presenting itself as administering those sources better than the Ottoman Empire. To what extent

these two types of endeavors shaped the motivation of the Great Powers and the European capitalist is an issue that requires further research to reason out.

2.4. Conclusion

In this chapter, I have argued that the AOPD tried to create a sense of security based on a discourse on good administration and by providing information about the Ottoman finances. The aim of this sense of security was to convince the European investors and the European governments that investing in the Ottoman Empire was a profitable enterprise if the AOPD collected and/or administered Ottoman revenues. In the first part of the chapter I have shown that this sense of security emerged in the period between the first Ottoman external borrowing and the foundation of the AOPD. I have argued that the idea that the Ottoman Empire had abundant sources of revenue that were increasable under the administration of a “competent” authority emerged in this period. Furthermore, in the first and the second parts alike I have suggested that in order to justify foreign intervention in the Ottoman finances the financial troubles of the Empire were explained as resulting from mismanagement. In the second part, I have displayed how the AOPD presented itself as administering Ottoman sources of revenue better than the Ottoman Empire. In this part, I have also described the AOPD’s efforts to provide information on Ottoman sources, which was absent prior to its foundation as it has been explained in the first part. Overall, this chapter has portrayed how the AOPD attempted to persuade the capitalist investors and the Great Powers that it was able to provide a secure environment for Western European capitalist

penetration into the Ottoman Empire at a time that the latter was totally discredited following its bankruptcy.

Chapter 3

The AOPD's Encounter with Ottoman People: Tax Evasion and "Good Government"

3.1. Introduction

This chapter examines the AOPD's efforts to prevent tax evasion while the Ottoman taxpayers reacted to the AOPD by evading their taxes. The first part of this chapter describes the strategies of tax evasion in the stamp and the spirit duties, which have been neglected in the literature on tax evasion during the AOPD period. Those strategies will give us an insight on the ethno-religious, the socio-economic, and the geographical background of the tax evaders. Accordingly, I will question the "Muslim incompatibility with the rule of law" thesis, which will be discussed below in detail. The second part of the chapter will describe the AOPD's efforts to prevent tax evasion. In this part, I will discuss how the AOPD tried to achieve "good administration" in practice by analyzing its institutional regulations regarding the AOPD officers and the taxpayers, and by its preventive measures against tax evasion. I will suggest in this part that the AOPD employed strategies, which can be summed under the heading of "good administration," rather than merely applying to sheer violence to control tax evasion. At the end, this chapter aims at portraying the AOPD as an institution which did not only facilitate capitalist penetration into the Ottoman Empire but also interacted with its Ottoman officers and with the Ottoman taxpayers as a living organization.

This chapter aims at understanding the AOPD not only as an institution created with the Decree of Muharrem but also put in reality in its interaction

with the Ottoman society. In this sense, I will follow the works of Keskinılıç, Quataert, and Sağlam. Keskinılıç, in addition to publishing on the formal process of recruiting AOPD officers¹⁵⁷, has written an overview of the Ottoman indebtedness, the general features of the Decree of Muharrem, and the AOPD's activities in the collection and the administration of the ceded revenues.¹⁵⁸ Keskinılıç's documentation of Ottoman archival sources is very significant. Considered together, his works portray both the formal organization of the AOPD and how it was practiced in the AOPD's interaction with Ottoman people. For the latter, it should be emphasized that Keskinılıç is one of the few scholars, who have challenged the idea that the AOPD accomplished its mission of tax collection and administration "honestly." He has shown that the AOPD officers participated in misappropriation and that, in his own words, "the honesty of the [...] [AOPD] was not that great." Quataert, too, has brought into light Ottoman archival sources on the AOPD.¹⁵⁹ Like Keskinılıç, he has drawn attention to the mismatch between the AOPD's formal regulations and their execution. In addition to writing on the AOPD's attempts to increase silk production in Bursa, which are described in Chapter 1, Quataert has shown that the AOPD did not hesitate from breaking the institutional rules that it supposedly introduced to the Ottoman Empire. For instance, even though the AOPD was very strict in documenting and classifying its employees according to their religion and country of origin, when the number of European personnel increased sharply after 1899, it abandoned this

¹⁵⁷ Keskinılıç (2003).

¹⁵⁸ Keskinılıç (2002).

¹⁵⁹ Quataert (1993).

practice.¹⁶⁰ Finally, Sağlam has published two books on the AOPD. In the first book, the author has made an overview of Ottoman indebtedness before 1881, the diplomatic affairs surrounding the debt settlement with the Decree of Muharrem, the collection and the administration of the ceded revenues. This book can be seen as an introduction to his second book, where Sağlam has documented the correspondences between the AOPD and its local offices.¹⁶¹ In other words, while Sağlam has discusses the international and domestic developments led to the foundation of the AOPD; and the AOPD's activities that it became responsible from with the Decree of Muharrem, in the second book Sağlam has portrayed the AOPD's bureaucratic transactions and its interactions with its local offices. In the second book, Sağlam's commentary on the AOPD is very short; yet it touches upon significant issues on the AOPD. Sağlam has observed that the AOPD organized the duties of its officers and the transactions operated through and by the institution, and developed sundry strategies to increase its revenues and to cut the revenue losses rather than merely supervising capitalist investment into the Ottoman Empire.¹⁶² The books of these three scholars are significant for this study not only because of their contribution to our knowledge on the AOPD but also their specific perspective on the institution. As it can be understood from the above account, all of them have taken into consideration the AOPD as an institution shaped by the Decree of Muharrem, and its formal regulations and organization together with how those regulations were executed in practice. The next two parts of this

¹⁶⁰ Quataert (1993, 139).

¹⁶¹ Sağlam ("Düyun").

¹⁶² Sağlam ("Düyun," xxx).

chapter will follow a similar route and portray the AOPD by considering both its formal regulations and the execution of those regulations.

3.2. Tax Evasion: Strategies and Evaders

The AOPD was an institution with a single and a simple overarching goal in terms of its role as a tax-collecting body: collecting taxes as much as it could. As Quataert has suggested, the AOPD controlled the most easily collectable and improvable, and the most valuable resources of the Ottoman Empire, which were the salt and the tobacco monopolies, the stamp and the spirit duties, the fish tax, and the silk tithe for some districts.¹⁶³ Among the strategies of tax evasion, the students of the AOPD focused exclusively on the contraband in salt and in tobacco.¹⁶⁴ By contrast, this study will focus on the tax evasion practices in the stamp and the spirit duties. This, rather than being an arbitrary choice, will enable us to see the strategies of tax evasion other than contraband, which is mostly neglected in the literature on tax evasion during the AOPD period. Secondly, an analysis of tax evasion with regard to these two types of taxes can give us the possibility to display the ethno-religious, the socio-economic, and the geographical background of the tax evaders. In contrast to the collectiveness of contraband, the examination of other forms of tax evasion gives us a chance to display the ethno-religious and the socio-economic identity of the tax evaders, and the locations they lived in at the individual level. Hence, this analysis will, above all, enable us to question the relevance of the “Muslim incompatibility with the rule of law” thesis, which will be discussed below in detail.

¹⁶³ Quataert (1987, 20); Blaisdell (1929, 92).

¹⁶⁴ Du Velay (1979); Blaisdell (1929); Quataert (1987); Doğruel&Doğruel (2000).

Ottoman people reacted against the AOPD's effort to tax their goods, products, and daily transactions. One type of tax that Ottoman people as well as the foreigners reacted against was the stamp duty. On paper, the contracts between private individuals, the commercial transactions, and the founding of new enterprises required the payment of stamp duty in the Ottoman Empire.¹⁶⁵ In practice, however, private companies, such as the Régie Company, the foreign-owned tobacco monopoly that was founded in 1884, became exempt from the tax if they applied to the Ottoman government.¹⁶⁶ The stamp duty was a minor source of revenue for the AOPD compared to the salt and the tobacco monopolies.¹⁶⁷ However, the AOPD was eager to increase its revenues coming from this duty. From the beginning of its foundation, the AOPD tied its hope to the amendment of the Stamp Law, which envisioned the payment of the stamp duty by the foreigners who had hitherto been exempt from this duty. The Europeans, including the ambassadors and the chambers of commerce, in the Ottoman Empire reacted against the Stamp Law from the very beginning. As one of the annual reports of the AOPD put, "the Chambers of Commerce speak of the high rate of certain taxes, and of the exaggerated penalty."¹⁶⁸ Another criticism was that the penalties for the stamp law were severe.¹⁶⁹ Despite of these critiques, the revenue from the stamp duty increased two fold in about 20 years after the foundation of the AOPD.¹⁷⁰ Considering the difficulties in the collection of this duty from the foreigners and from the

¹⁶⁵ Du Velay (1979, 313).

¹⁶⁶ Du Velay (1979, 314); Doğruel & Doğruel (2000, 65).

¹⁶⁷ For instance, in 1904 whereas the salt revenue and the tobacco revenue was £T 937,962 and £T 829, 792, respectively, the stamp revenue was £T 233,043 (FO 78/5444).

¹⁶⁸ FO 78/5444

¹⁶⁹ FO 78/5444

¹⁷⁰ Du Velay (1929, 314).

private companies even after the legislation of the Stamp Law in 1906, it is understandable why the AOPD tried hard to collect the stamp duty from the Ottoman taxpayers.

It is understood from the AOPD documents that the institution was aware of the public reaction to the Stamp Law and did not want to alienate the taxpayers by putting further burden on them by increasing the stamp duty. For instance, consider the following quotation from an AOPD report:

In consequence of a technical change in the forms of the *Teskéré* by which the amount of a taxpayer's taxes is notified to him each year, the Ottoman Debt is of opinion that instead of the one 20 para stamp payable on the *teskéré* under para 3 of Art 74 of the Stamp Law, a 20 para stamp must be affixed to each receipt given for taxes, under para 1 of the same article. These receipts have hitherto been delivered free of stamp. As taxes are frequently paid in six, eight, or ten instalments, the Commission fear that this ruling, though undeniably in accordance with the letter of law, will involve a very appreciable increase of charge, particularly on the poorest taxpayers, and lead in many cases to their refusing the receipt altogether.¹⁷¹

There are three important points in this quotation. Firstly, we learn from the quotation that the tax receipts had hitherto been delivered free of stamp; that is, the regulations after the foundation of the AOPD envisioned that even to acquire required documents for tax payment was going to necessitate the payment of an extra tax. Secondly, we understand that the AOPD "feared" that the amount of this tax would alienate the tax payers. Hence, the institution

¹⁷¹ FO 881/8613.

offered to keep the tax at a lower amount than the law envisioned. This quotation also shows that the AOPD negotiated the increases in taxes with Ottoman people from whose reaction it “feared,” although this negotiation did not take place in a face-to-face setting.

On account of the AOPD’s reservations, the stamp duty was not increased. However, despite of the AOPD’s expectation that limiting the burden of the stamp duty on the Ottoman taxpayers would discourage the potential tax evaders, the stamp duty caused public reaction. For example, Muslih Efendi from Debre, a town in the Balkans, was caught with used stamps.¹⁷² A household servant (*uşak*) in Cidde, a city in Arabistan, stole stamp from a stamp dealer, who was also his master.¹⁷³ Mevlüt spoiled original stamps.¹⁷⁴ Two Jews over-priced stamps by adding zero to the original stamps in two different cities of Iraq, Basra and Baghdad.¹⁷⁵ In short, there seems to be four major methods of evading the stamp duty, which were using already used, and over-priced stamps; spoiling stamps; and stealing stamps.

Another minor source of revenue for the AOPD was the spirit duty. In 1882/83 period, the revenue coming from the spirit duty was less than $\frac{1}{3}$ of the revenue coming from salt. In 1909/10 period, the former was almost $\frac{1}{4}$ of the latter. Although the difference between the two was great even in the former period, it should be emphasized that the AOPD could not increase the spirit revenue even in the amount of increase in the stamp duty from 1882 to 1910.¹⁷⁶ The

¹⁷² Sağlam (“Düyun,” v. 4 p. 165-166).

¹⁷³ Sağlam (“Düyun,” v. 4 p. 165-166).

¹⁷⁴ Sağlam (“Düyun,” v. 1 p. (117-118).

¹⁷⁵ Sağlam (“Düyun,” v. 1 p. (117-118).

¹⁷⁶ Kömürçan (1948, 71).

available documents do not let us to draw a complete picture of the AOPD's relative failure in the collection of the spirit duty; yet, surely, tax evasion was one of the factors. There were five major techniques of evading the spirit duty. Selling alcoholic beverages without an appropriate license seems to be the most widespread strategy to evade this tax. For instance, two Greeks, Nikoli and İlya, sold alcoholic beverages without license in the kiosks of Kadıköy steamboats.¹⁷⁷ Another non-Muslim, Piyanod, sold alcoholic beverages without license in a coffeehouse in Galata in İstanbul.¹⁷⁸ Vangel, another Greek, sold alcoholic beverages without license in a hotel near the British Embassy in İstanbul.¹⁷⁹ Another Vangel sold alcoholic beverages without license in a shop.¹⁸⁰ Last but not the least, Mustafa Ağa sold alcoholic beverages in his restaurant in Sirkeci without an appropriate license.¹⁸¹ The second strategy was transforming a house to a tavern without informing the authorities. As an example, a Greek, Anastas, transformed his home to a tavern in Kastamonu in the Black Sea region.¹⁸² Thirdly, several people were accused for spoiling cachets on the alembics. Three non-Muslims living in Anatolian cities; Ohan from Tokat, Evakim from Kayseri, and Atnaş from Arabsun were all accused for this action.¹⁸³ Moreover, Artin, an Armenian from Tokat, was accused for having an alembic without cachet.¹⁸⁴ These cases are crucial since affixing a seal to the alembics when there was no production was one of

¹⁷⁷ DH.İD./70-2/49

¹⁷⁸ DH.İD./70-2/46

¹⁷⁹ DH.İD./70-2/43

¹⁸⁰ DH.İD./70-2/35

¹⁸¹ DH.İD./70-2/49

¹⁸² DH.İD./70-2/27

¹⁸³ DH.MKT./1256/38

DH.MKT./946/4

DH.MKT./751/33

¹⁸⁴ DH.MKT./550/90

strategies of the AOPD to secure its revenues from the spirit tax.¹⁸⁵ Finally, some factories bought the fruits that were used in rakı production off the record.¹⁸⁶

An important issue in the literature on tax evasion in the Ottoman Empire, particularly during the AOPD period, is related to the motivation behind tax evasion. Quataert has argued that contraband during the AOPD period was a conjunctural development. Quataert, who has exclusively studied contraband in tobacco during the period that the Regie Company controlled the tobacco monopoly, has claimed that contraband developed as a form of resistance to Western European capitalist penetration.¹⁸⁷ By contrast, Doğruel and Doğruel has maintained that tobacco contraband rather than being a reflection of public resistance was a result of the fact that contraband was a profitable enterprise.¹⁸⁸ It can be suggested that this controversy about the reasons behind and the 'spirit' of contraband stems from the fact that Quataert has not explained exactly what "resistance" connoted. The critique of Doğruel and Doğruel is convincing if Quataert has attributed a political aspect to contraband as if people consciously reacted against capitalist penetration. However, Quataert has never suggested that the producers participated in contraband with a political goal. Rather, in order to show that contraband was a conjunctural development he described the handicaps the producers faced after the introduction of the foreign monopoly. Quataert has maintained that due to those handicaps contraband became profitable since, above all, it

¹⁸⁵ Sağlam ("Düyun," v. 2 p. 291-292).

¹⁸⁶ Sağlam ("Düyun," v. 2 p. 374).

Sağlam ("Düyun," v. 2 p. 396-402).

¹⁸⁷ Quataert (1987, 27).

¹⁸⁸ Doğruel & Doğruel (2000, 83).

enabled the producers to sell their products in more expensive prices and to produce more tobacco than the monopoly allowed.¹⁸⁹

Doğruel and Doğruel, and Quataert arrive to a consensus on the profitability of contraband, yet in contrast to Quataert's argument that contraband was a conjunctural development, Doğruel and Doğruel has argued that Ottoman people was omnipresently not content with obeying laws.¹⁹⁰ In contrast to the Doğruel and Doğruel's argument, Ottoman people's 'temptation' to tax evasion does not imply that the Ottomans, as a homogeneous group, tempted to extra-legal means of tax evasion omnipresently and habitually. To make this point, first of all, one would need to analyze tax evasion practices of Ottoman people by comparing historical periods in terms of people's motivation to evade tax evasion. Only if such an analysis reveals that the disinclination to obey laws was the motivation behind tax evasion in all periods one can conclude that the Ottoman taxpayers omnipresently evaded taxation. Although there is not such an extensive study on this subject, the studies of tax evasion in the Ottoman Empire before the AOPD period can give us a chance to compare and contrast the pre-AOPD and the AOPD periods. For instance, in her study on the sixteenth century Ottoman Palestine, Singer has shown that the processes of determining the amount of tax and of tax paying were characterized by the "adjustments, deferrals, denials, remittances, and remonstrances."¹⁹¹ Singer has argued that the peasants did not deny their "obligation" to pay taxes yet they neither were willing to pay extra taxes nor

¹⁸⁹ Quataert (1987, 31-32).

¹⁹⁰ Doğruel & Doğruel (2000, 83).

¹⁹¹ Singer (1994, 87).

hesitate to turn the cracks in the tax collection system to their advantage.¹⁹² Rather, the peasants evaded taxation to provide an “insurance against disasters” to secure their survival.¹⁹³ In other words, the peasants aimed at pursuing their own financial interests. It is significant that Singer has explained the peasants’ motivation to evade taxation with the urge to survive disasters. Although the peasants consented to their obligations as taxpayers when it came to their own financial interests they did not hesitate from trying to find the means to escape from those obligations. In this sense, it was not their incompatibility with obedience to law but every day needs that motivated the peasants to evade taxation. There is a need for further research to explain the motivation behind tax evasion during the AOPD yet, surely, the explanation is not Ottoman people’s omnipresent or habitual resistance to law.

As the examination of tax evasion in the stamp and spirit duties displays the strategies of tax evasion, it also provide us a picture of who the evaders were in terms of ethno-religious, socio-economic, and geographical background. The taxpayers belonging to various ethno-religious groups in the Ottoman Empire participated in tax evasion during the AOPD period. In addition to the views of Quataert, and of Doğruel and Doğruel, there are analyses of Ottoman tax-evasion that an idea of Muslim incompatibility with obedience to law overshadows. The root of this idea can be traced back to the hegemonic views of the Europeans observers on the tax evasion practices of the Muslims living in the Ottoman Empire. According to a French Ambassador, for instance, the “bigoted” Muslim population always reacted against the novelties that came

¹⁹² Singer (1994, 117).

¹⁹³ Singer (1994, 118).

from Europe.¹⁹⁴ Likewise, in his 1929 book, Blaisdell has claimed in relation to the stamp duty that the Muslims in the Ottoman Empire rarely made contracts, which implied that they were not potential payers of this duty.¹⁹⁵ This view can be summarized as “Muslim incompatibility with the rule of law” thesis. The available sources from the Ottoman archives give us a chance to challenge this “Muslim incompatibility with the rule of law” thesis. Those sources show that tax evasion during the AOPD period was not limited to a specific ethno-religious identity. Rather, people belonging to various ethno-religious groups participated in tax evasion. The examples of the evaders of the stamp and spirit duties above show that Ottoman people developed means to evade taxation regardless of ethno-religious identity. The evaders in the above examples were Muslims, Jews, and Greeks. Hence, it is not possible to claim that Muslims exclusively participated in tax evasion.

This study has examined Ottoman archival documents catalogued as *İdari Kısım Belgeleri* and *Dahiliye Mektubi Kalemi*, and the AOPD’s correspondences with its local offices transcribed by Sağlam. Among them, only those including information on the ethno-religious, socio-economic, and geographical background of the tax evaders have been considered. In this sense, this examination cannot provide a complete statistical distribution of the tax evaders, as there can be similar documents in the Ottoman archives. Besides, Turkey and France reciprocally destroyed the documents belonged to

¹⁹⁴ Quoted in Quataert (1987, 28).

¹⁹⁵ Blaisdell (1929, 5) has argued: “The Turks themselves rarely resorted to a written contract when an agreement was reached [...]”

the AOPD after the Lausanne Treaty.¹⁹⁶ Nevertheless, consider the following tables showing the ethno-religious background of the tax evaders:

	Stamp Duty	Spirit Duty
Muslim	2	1
Non-Muslim	2	10

Table 1: The number of the evaders of the stamp and the spirit duties according to ethno-religious background

As Table 1 indicates, the number of Muslims in the above examples evading the stamp duty was equal to the number of non-Muslims. Hence, it is reasonable to conclude that there was not a gap between the number of Muslim and non-Muslim evaders of the stamp duty. By contrast, as the table specifies, there is a significant difference between the number of non-Muslims and Muslims that evaded the spirit duty. Only in one of the eleven cases the evader of the spirit duty is Muslim. In short, as the case of the stamp duty indicates, participation in tax evasion was not necessarily correlated with the evaders' ethno-religious background. Moreover, as the case of the spirit duty indicates, even when a group predominantly participated in the evasion of a certain type of tax there can be found examples of evasion that the members of the other group also took part in.

Tax evasion during the AOPD period was not limited to a singular region or to a socio-economic group. If one reads the annual reports of the AOPD or the observations on the Ottoman financial administration, he or she might think

¹⁹⁶ Sağlam ("Düyun," xxx).

that only people in the Arab provinces or only the wealthier classes attempted to evade taxation. The examples above, however, display that tax evasion was not limited to a specific region or to specific social class. The tax evaders lived in various parts of the Ottoman Empire; the location of the evaders ranged from the Balkans to the Mesopotamia and from İstanbul to Anatolia. A critical information that the geographical location of the evaders of the spirit duty reveal is that the technique of tax evasion differed between Istanbul and Anatolia. Selling alcoholic beverages without license was the dominant method of tax evasion in Istanbul; that is, they were the sellers who evaded taxation. In Anatolia, by contrast, the evaders were primarily the producers. Furthermore, according to the representatives of the British government, the lower classes of the Ottoman society had been the most easily taxable population due to the oppression of the Ottoman government. For instance, in 1907 the British delegate in the Macedonian Financial Commission wrote: “[T]he bulk of the arrears is due, not by the peasants who being easily found by the tax-collectors are made to pay with regularity, but by the inhabitants of the towns, whose economic situation is on the whole satisfactory [...]”¹⁹⁷ We see in the above examples, however, the participation of lower classes as well the wealthier classes in tax evasion during the AOPD period. There were a household servant, an “efendi,” an “ağa,”¹⁹⁸ and factory owners among the tax evaders; that is, the evaders did not belong to any particular social strata of society.

¹⁹⁷ FO 881/8613

¹⁹⁸ Although it is difficult to guess what these terms - “efendi” and ağa” - referred in the late nineteenth century context, it is possible to argue that people who were described with these terms belonged to a higher social stratum than people described solely with their names.

In short, the examination of the strategies of evading the stamp and the spirit duties enables us to question the relevance of the idea that the Ottoman taxpayers omnipresently and habitually tempted to extra-legal means of tax evasion. This analysis has portrayed the tax evaders at the individual level. Relationally, this examination has also displayed that Ottoman people evaded taxation regardless of ethno-religious and socio-economic identity, and geographical location. Accordingly, this examination has shown that the idea that only the wealthy Muslims living in the “remote” provinces of the Ottoman Empire evaded taxation is groundless.

3.3. “Good Administration:” The AOPD Managing its Officers and

Trying to Prevent Tax Evasion

Both contemporary and some modern observers of the AOPD have argued that because of the specific organization that the AOPD founded the institution was able to eliminate certain problems in Ottoman financial administration. For example, Önsoy, who has written on Ottoman foreign borrowing, has suggested that despite of its complicities with Western European capitalism and its oppression on Ottoman farmers, or tax payers in general, the AOPD set an example of Western-type institutionalization thanks to the importance that it gave to the selection and the payment of its officers.¹⁹⁹ However, as this study will show through an examination of archival documents, and the findings of Keskinçiliç and Sağlam, the institutional regulations that the AOPD introduced on paper was challenged

¹⁹⁹ Önsoy(1999).

by its officers in practice. This part of the chapter is an examination of the AOPD's confrontation with its Ottoman officers.

The AOPD faced unexpected difficulties with its encounter with its officers as well as the taxpayers. Hence, the AOPD employed several strategies, which can be summarized under the heading of "good administration." In terms of the AOPD's fight against contraband, the analyses of this issue have studied mostly the (mis-)collaboration between the Ottoman government and the AOPD.²⁰⁰ Relationally, those analyses have concentrated on the police force behind the AOPD in its efforts to prevent contraband. However, the AOPD had techniques of fighting tax evasion other than applying to sheer violence. Indeed, one of the primary goals of the AOPD was to replace the "oppressive" techniques of tax collection with "the principles of good administration."

According to the British observers of the Ottoman finances, "[two] simple rules would seem to be sufficient for the guidance of [...] [the Ottoman finances]:

The one is, to collect by the least-oppressive means the sums necessary for the purposes of the State, and no more; the other is to apply with honesty and economy the sums collected to pay the [...] expenses of the State.²⁰¹

²⁰⁰ According to the AOPD, as well, the "motive for co-operation on the part of the Government" was vital to the increase of ceded revenues since only "if the Council of Debt can obtain the assent of the Government, both to the administrative measures and also to necessary amendments of law" such an increase could be possible (FO 78/5444). Similarly, one of the annual reports of the AOPD suggested "[w]ithout the assistance of the State all the efforts of the Régie to suppress the contraband produce little result" (FO 78/544).

²⁰¹ FO 881/6816

The AOPD assumed the role of applying these two principles after 1881. Considering the first principle with which this chapter is concerned, the AOPD had to find and implement “the least-oppressive means” to collect taxes. In other words, it had to make the necessary regulations regarding the organization of the institution and regarding its interaction with the Ottoman taxpayers. The keyword for those regulations was “good administration.” In the previous chapter we have seen that the AOPD or the British never explained what “good administration” referred to. However, one can infer from the British sources dating before and after the foundation of the AOPD that the British believed that a set of measures would be enough to increase the Ottoman revenues.

Before the foundation of the AOPD the British had a short list of remedies for the “complicities” in the Ottoman system of tax collection. The first remedy would be the collection of taxes by the Ottoman government agents; that is, the abolishment of the system of *iltizam*. J. Russell explained this in 1862 as follows:

I have to state your Excellency that you should take an opportunity of calling attention of the Porte to the increase which has taken place in the Customs receipts at Erzeroom since the duties have been collected directly by the Government [...] and you will point out that this increase is evidently to be attributed to the new system introduced by the Porte for the collection of the revenues by its own officers, instead of farming them, as hitherto, to the highest bidder.²⁰²

²⁰² FO 881/6816

The most important remedy, according to the British, was the payment of officer salaries sufficiently and regularly. Similarly, as it has been mentioned in the previous chapter, the report of the president of the Administration of Six Taxes popularized the idea that if paid sufficiently Ottoman people could be transformed into “integral” officers.²⁰³ The British purported this view both before and after the foundation of the AOPD. According to Russell:

Experience has shown that when public servants have been inadequately paid and are without honourable inducements to faithful service, they are exposed to [...] corruption and generally yield to the temptation.

The Sultan should give ample salaries to his Ministers and to those employed in the public service, and those salaries should be punctually paid. They will not then be tempted to take bribes and rewards for performing their duties, or for promoting interests which are not those of their Sovereign and their country.²⁰⁴

Similarly, the British delegate in the Macedonian Financial Commission remarked:

The Commission found many of the minor offices insufficiently stuffed and most of the salaries in the lower ranks totally inadequate. It has endeavoured to fix the latter at such minimum rates as may enable the recipients to live without supplementing their salaries by illicit methods.²⁰⁵

Finally, as it has been discussed in the previous chapter, the British believed that the Ottoman governments had to employ “competent” officers.

²⁰³ Du Velay (1979, 264-265).

²⁰⁴ FO 881/6816

²⁰⁵ FO 881/8613

The AOPD sanctioned and to a certain extent implemented regulations to select its officers by examination and traced their personal history, and paid the officers salaries regularly.²⁰⁶ It even formed a special commission within the Council in 1889 to select, promote, and dismiss the officers.²⁰⁷ Despite this careful selection process and regular payment of salaries, when it came to collect taxes by the hand of those officers the AOPD faced unexpected difficulties regarding the performance of its officers. Accordingly, the AOPD developed two major sets of measures to prevent tax evasion. The first set was composed of punitive strategies and the second set was composed preemptive measures.

The most widespread punitive strategy for preventing tax evasion was to sue the evaders regardless of the technique of evasion. As the AOPD was eager in taxing people, it also did not hesitate from encouraging the intensification of punishments. Examined chronologically, the AOPD pushed ever-increasing penalties.²⁰⁸ In response to the evaders of stamp tax, for instance, the AOPD promulgated that the occupiers of used-stamps would be imprisoned for three years.²⁰⁹ Moreover, as an interesting example, the AOPD publicly announced aforementioned Mevlüt who had been sentenced to penal servitude due to occupying used stamps and spoiling stamps.²¹⁰ It should be emphasized that in some cases the accused people were acquitted and the AOPD had to pay a certain amount of charges of law suits. Nevermore, the AOPD encouraged its

²⁰⁶ Önsöy (1999, 308). The prospective AOPD officers had to submit a biographical document (*terceme-i hal varakası*), which included information on why the person left his previous job. The AOPD, then checked that information for accuracy (Sağlam "Düyun," v. 1 p.34). For the formal process of employee selection, see Keskinçilic (2003).

²⁰⁷ Sağlam ("Düyun," v. 1 p. 12).

²⁰⁸ See for instance; Sağlam ("Düyun," v. 3 p. 74), Sağlam ("Düyun," v. 3 p. 76).

²⁰⁹ Sağlam ("Düyun," v. 3 p. 76).

²¹⁰ Sağlam ("Düyun," v.1 p. 117).

officers to follow the decisions of the suits and to apply to the higher courts if the accused people were acquitted. Hence, it can be concluded that the AOPD believed that it could compensate the money it lost as a result of the acquaintances with the deterrent effect of the possible punishments. It should also be noted that a more detailed research in the Ottoman archives can reveal in how many of the cases the accused people were acquitted.

In addition to these punishments, the AOPD developed institutional practices that would expectedly prevent “corruption.” One set of precautions aimed at the regularization of institutional practices regarding the recording of salt. The AOPD believed that this regularization would ensure that salt would not be stolen from the salinas or from the salt storehouses. One set of precautions was about the recording of salt. The AOPD regulated that the officers would immediately record the amount of salt lost during salt filling.²¹¹ Moreover, the officers would keep inventories regularly in the saline offices and salt storehouses to avoid “corrupt” activities such as scraping and erasing (*hakk ve silinti gibi yolsuzluklar*).²¹² Last but not the least, the officers would seal the inventories that kept information about the amount of stored and of sold salt every evening.

Another set of precautions regarded the recording of the tax registers. The AOPD repeatedly asked from its officers to use indelible ink on the certificates of tax, to use high quality paper when recording the contraband goods and products, and to nullify used certificates.²¹³ It is difficult to interpret this kind of precautions. It is inferable that the AOPD regulated these precautions in

²¹¹ Sağlam (“Düyun,” v. 4 p. 83).

²¹² Sağlam (“Düyun,” v.4 p. 88).

²¹³ Sağlam (“Düyun;” v 468, 536, 552).

response to the activities of its officers. However, we cannot exactly see the relationship between the officers and the taxpayers in these examples. Surely, use of low quality ink and paper, and non-nullified certificated benefited the taxpayers yet since the agents of these “abuses” were the officers one questions the benefit to the officers and the relationship between these two parties. Unfortunately, the available documents do not let us to see this relationship and the benefit the officers gained from these “abuses.” Nevermore, these documents give us a chance to see the difficulties in tax collection resulting from institutional arrangements and the precautions the AOPD took to prevent them.

Although we do not know exactly the officers’ role in tax evasion, considering the fact that the AOPD officers were the only people who had access to the salinas and the salt storehouses, we can conclude that the AOPD developed the precautions to prevent the officers from stealing salt from those places or from participating in contraband. Indeed, misappropriation of salt from salinas by the hand of the workers and by the Administration’s officers was widespread during the period of the Administration of Six Revenues.²¹⁴ Quataert observed that people belonging to various strata of Ottoman society participated in tobacco contraband: state officers, soldiers, and, of course, the tobacco producers.²¹⁵ One can add to this an unprecedented group of people: the AOPD officers.

Another example of preemptive measures was to reduce the price of salt, for example, in some of the Arab provinces of the Ottoman Empire. The AOPD

²¹⁴ Sağlam (“Moratoryum,” 58).

²¹⁵ Quataert (2007, 30-31).

fought against salt contraband in two fronts in the Arab provinces of the Empire. The institution considered these “remote” provinces of the Empire as the only source of a possible revenue increase, which where at that time “the seat of wholesale contraband.”²¹⁶ One of the AOPD reports explained this desired increase as follows. “[...] I have every hope that by the gradual improvement of means of communication, and the application of modern administrative methods, coupled with the assistance of authorities, we may yet make a serious impression on this large tract of country.”²¹⁷

To achieve this increase, the AOPD used police force and reduced the prices in these regions. Firstly, the AOPD’s one of the annual reports put that in Northern Syria “with the aid of armed forces” the AOPD “established partial control over the extensive Salt marshes Bevara, which had hitherto been wholly in the hands of the nomadic Arab tribes.”²¹⁸ However, the means of militarily confronting contrabandist was not always available to the AOPD mostly since, as one of the AOPD reports complained, the Ottoman “authorities” were dilatory “in lending practical assistance.”²¹⁹ Although the Ottoman Empire promised to help the AOPD’s fight against contraband by signing the Decree of Muharrem, in practical terms such a help was not readily available to the AOPD.²²⁰ Morawitz, one of the contemporary observers of the AOPD, has suggested that the Ottoman authorities procrastinated, for example, bureaucratic procedures and that local government officers sympathized with

²¹⁶ FO 78/5444

²¹⁷ FO 78/5444

²¹⁸ FO 78/5444

²¹⁹ FO 78/5444

²²⁰ Morawitz (1978, 220).

the contrabandists.²²¹ In this sense, both the AOPD and the observers of contraband believed that if the government cooperated with the AOPD the latter would be more successful in preventing contraband. Indeed, militarily confronting the contrabandist was proved to be fruitful in some cases. Du Velay has suggested that the preventive measures against contraband in salt such as holding military ships that the AOPD took in the shores of the Black Sea and of the Mediterranean turned out to be successful in the long run.²²² By contrast, although la Régie Co-intéressée des Tabacs de l'Empire Ottoman, the foreign-owned tobacco monopoly after 1883, devoted its whole energy to prevent contraband in tobacco by legal and extra-legal means such as forming a special group of military guards, its efforts turned out to be futile. Hence, the other strategy of preventing tax evasion was a preemptive measure. The AOPD reduced the price of salt, for instance, in the Yemen district in order to make the AOPD's salt more desirable than the contraband salt.²²³

The last preemptive measure was the reward mechanism. According to this, the AOPD granted either the contraband products that it confiscated or money (*ihbariye*) as a reward to those who reported tax evasion. Considering the fact that there are ample examples of granting rewards to the reporters, one can conclude that the reward mechanism served well to the interests of the AOPD.²²⁴ However, the AOPD officers used even this mechanism to their own advantage and to the institution's disadvantage. For instance, some weighing officers purposely recorded wrong the amount of alcohol that a taxpayer

²²¹ Morawitz (1978, 221).

²²² Du Velay (1979, 335).

²²³ FO 78/5444

²²⁴ See for instance; Sağlam ("Düyun," v. 4. p. 126), Sağlam ("Düyun," v. 2 p. 396-402).

produced. Then, they found some pre-arranged reporters in order to get a share from the reward granted to the reporters.²²⁵

In this part, I have discussed how the AOPD tried to realize “good administration” while managing its officers as well as the taxpayers. I have shown that although the AOPD and the British observers of the Ottoman finances believed that careful selection of officers and regular payment of salaries would be enough for proper collection of revenues, the AOPD faced unexpected difficulties in its encounter with the officers and the taxpayers. Hence, it developed punitive and preemptive methods to prevent tax evasion, which can be summarized as “good administration,” rather than merely using police force.

3.4. Conclusion

This chapter has examined the AOPD’s relationship with its Ottoman officers and with the Ottoman taxpayers. In the first of this chapter, I have analyzed the strategies of tax evasion. I have focused on the stamp and the spirit duties since the study of these two types of taxes enables us to see the techniques of tax evasion other than contraband. In this part I have also discussed the motivation behind tax evasion and have claimed that it is not possible to argue that only people coming from certain ethno-religious, socio-economic, and geographical regions participated in tax evasion. I have also noted that in the light of available data and research it is not reasonable to suggest that the Ottoman people evaded taxation since they were omnipresently and habitually

²²⁵ Sağlam (“Düyun,” v. 2 p. 389-390).

resistant to law. The second part of the chapter has touched upon a neglected aspect of the AOPD's fight against tax evasion. I have argued that the AOPD did not always have the means or the possibility of using force against the evaders. Hence, it developed a set of punitive and preemptive methods to prevent tax evasion. Although this chapter makes use of a wide range of documents from the British and the Ottoman archives, a more detailed research can also provide insight on the success rate of the AOPD's efforts to punish the evaders. A more detailed research, especially; on the identity of the tax evader can also provide information on which groups were more active in tax evasion.

Conclusion

Based on a discussion of Ottoman integration into the world-capitalist economy and the AOPD's role in this integration through a survey of secondary sources, this study has argued that the AOPD has to be understood in the process of Ottoman indebtedness before 1881 and changing political and economic balances in Europe after 1881. After this, the study has mainly focused on the AOPD's annual reports, on the diplomatic correspondences between London and İstanbul dating before and after 1881; and on Ottoman archival documents specifically about tax evasion, and about the AOPD's institutional practices and regulations to prevent tax evasion. In so doing, I have attempted to portray the AOPD as an institution founded at a time when the Great Powers started to consider the Ottoman Empire as a land to be penetrated through capitalist investment yet when the latter was totally discredited in the eyes of the European investors thanks to its financial bankruptcy. The first question that this study has tackled with is why the AOPD represented itself as administering Ottoman finances better than the Ottoman government. I have argued that in the period preceding the foundation of the AOPD a need for a sense of security emerged because of the doubts of the European capitalists in the possibility of making profit in the Ottoman Empire. I have stated that those doubts arose from a lack of information on Ottoman sources of revenue and from a disappointment with the Ottoman Empire's efforts to reform the financial administration of the country in a way that would possibilize the increase of revenues. I have also argued that before the foundation of the AOPD, the financial problems of the Ottoman Empire was reduced to a problem of management referred as the absence of "sound principles of finance." This study has claimed that in its annual reports

and correspondences with the British government, the AOPD tried to convince the capitalists and the Great Powers alike that investing in the Ottoman Empire was a profitable enterprise by attempting to remove the doubts on the availability of Ottoman revenues and on the possibility of increasing those revenues. While providing information on Ottoman revenues and presenting Ottoman financial problems as resulting from mismanagement, the AOPD also argued that it was capable of increasing those revenues thanks to a 'better' administration than the Ottoman government. The second question that this study has tackled with is how the AOPD tried to actualize "good government" in its interaction with Ottoman society. I have shown that despite the AOPD's efforts to prevent tax evasion through punitive and preemptive strategies, which can be summed under the heading "good administration," the Ottoman taxpayers developed methods of evade taxation. I have argued that the AOPD did not only apply to sheer violence to prevent tax evasion but also developed a set of preventive and preemptive measures, as the British expected. I have also shown that an examination of tax evasion in the spirit and the stamp duties enable us to see strategies of tax evasion other than contraband. Since those strategies required individual action in comparison to the collectiveness of contraband, I was able to display individual background of the tax evaders. This description has revealed that Ottoman taxpayers participated in tax evasion regardless of their ethno-religious identity, their socio-economic identity, and the places they lived in, contrary to the remarks of some modern and contemporary observers.

This study has left questions of varying significance unanswered due to time constraints. For the first chapter, the most significant prospective research question would be to what extent the capitalist investors appreciated the AOPD's attempts to provide a sense of security. In other words, whether the AOPD's self-representation was influential in shaping the decisions of the capitalists to invest in the Ottoman Empire should be investigated. An indebt research in the British archives as well as the French and the German archives may be useful in this regard. The examination of documents from the French and the German archives is necessary also for comparing and contrasting the expectations of differing Great Powers from the AOPD. As my study in British archives has indicated, a comparative analysis of the periods before and after the foundation of the AOPD can reveal how a need for sense of security emerged. Following the same path in the French and the German archives could support my findings in the first chapter. For the second chapter, first of all, the examples of the methods of tax evasion as well as the methods of preventing it can be diversified. There are documents in *Başbakanlık Osmanlı Arşivleri* under the categories of *İdarî Kısım Belgeleri* and of *Dahiliye Mektubi Kalemi*, which contain information similar to that I have attained from the documents I have used. Second, a very thorough research in the Ottoman archives is needed also to show the statistical distribution of the tax evaders according to ethno-religious, socio-economic, and geographical background. The documents under the aforementioned categories can be useful for such an endeavor, as well. Third, this study has not taken into account the Ottoman government and its officers as actors that had relationships to the AOPD. The role of the Ottoman high and lower officers in the AOPD's fight against tax evasion needs to be

enlightened. Such an analysis would also increase our knowledge in how the Ottoman authorities responded to Western European capitalist penetration, as Quataert has done in his study of the tobacco contraband.

The AOPD brought a complex web of actors together in a network of relationships. This study has focused on the tensions and the conflicts in this network between the European governments and investors, the Ottoman taxpayers, the AOPD officers, and the AOPD's central administration. In so doing, this study has attempted to show that with its Ottoman officers and with people from whom it collected taxes, the AOPD was a living organization some of the daily transactions of which this study has described and has analyzed. With further research, it is possible to broaden this picture of daily transactions with Europe as well the Ottoman society in order to appreciate and evaluate the AOPD's position in the penetration of Western European capitalism into the Ottoman Empire.

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