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# The Penetration of European Banking into Ottoman Lands During the Second Half of the Nineteenth Century

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## ABSTRACT

We discuss the development of ‘modern’ banking in core Ottoman lands during the latter half of nineteenth century. We present evidence showing considerable local financial sophistication prior to European entry around 1856. Drawing on the ‘constitutional commitment’ literature we maintain its success was related to enhanced security of life and property European financial ties provided to Ottoman decision-makers. We argue international relations substituted for missing domestic institutions. We describe the conflictual process ending around 1900, with the domination of Ottoman capital markets by European banks, particularly the Banque Impériale Ottomane, or BIO. The competition pitting BIO against ethnically based local banking networks opens a different window into the economic and fiscal occurrences of that epoch. We consider the role of London based ‘South African Gold Panic of Autumn 1895’ and its interactions with the unfolding ‘Armenian Crisis’ of Istanbul and Anatolia in bringing about this final outcome.

## Introduction

It is generally known that financiers, usually referred to as *sarrafs* and mostly non-Moslem, played an important role in the affairs of the Ottoman state from the sixteenth century onwards. However, the fiscal dimension of their activity receives much greater attention than their role in the functioning of the empire’s payment system and the wealth management services they provided to the ruling elite. Since the agricultural surplus collected as tax was the major source of provisioning the cities as well as of international trade, those three aspects of their operations have to be viewed as a whole. Adopting such a perspective allows to better understand the conflictual relationship of the *sarrafs* with European bankers during the nineteenth century, as the empire undertook reforms to ensure security of life and property and extend citizenship rights. It also allows to view the international relations aspect of the reform from the angle of enhancing such security. We argue the gradual demise of these local financiers as the second half of that century unfolded, is linked to the reform process.<sup>1</sup>

The rest of this paper is organized as follows. Next, we overview the pre-reform Ottoman capital market. After that we discuss the competition for the formation of a modern state bank, the eventual emergence of the Imperial Ottoman Bank as a foreign

owned but ‘Ottoman’ establishment, and how it relates to the declaration of the Reform Edict of 1856. We then analyse the competition between local bankers and the Imperial Ottoman Bank to dominate internal commerce. The last section reviews the role of the 1895 ‘Armenian Crisis’ in enabling the bank to achieve unrivalled supremacy and concludes.

## A brief overview of the Ottoman capital market

Historically a capital market and credit in general existed in Ottoman Anatolia long before the *Tanzimat*\_literally Reorganization\_ Edict of 1839/1856 which ushered in European banking. Since a loan contract essentially consists of extending money now against the promise of future repayment, the modalities governing this exchange, namely how much will be repaid and how the repayment promise will be enforced are key ingredients. This means together with other sectors of the economy, *Tanzimat* reforms greatly influenced financial sector’s structure and the rules governing its practices. Moreover, since the 1856 Reform Edict was essentially an imperial promise, it will be argued foreign loans \_starting with the first two contracted in 1854 and 1855 respectively\_ were utilized as a commitment device to bind France and Great Britain to the framers of the 1856 Reform Edict.

Çizakça investigates the evolution of Istanbul based capital market from sixteenth to early nineteenth centuries. The picture drawn is one of considerable sophistication using various financial instruments including bills of exchange.<sup>2</sup> Inalcık cites instances dating from 1647 whereby New Julfa-Isfahan based Armenian traders engaged in East-West trade.<sup>3</sup> Aslanian’s treatise on the activities of this merchant coalition operating from the Indian Ocean to the Mediterranean clearly shows their use of Anatolia to reach European ports via Izmir.<sup>4</sup> Yaycioglu describes the interactions between the Isfahan network and a smaller one centred in Agn/Eğin in Eastern Anatolia (today’s Kemaliye in Erzincan province) whose reach extended to higher most governing circles in Istanbul.<sup>5</sup> Jamgocyan provides evidence the Istanbul capital market was an important link in this network as early as 1650.<sup>6</sup> Although the Indian subcontinent to Europe network lost its Isfahan centre in mid-eighteenth century,<sup>7</sup> we know as late as the 1820’s the head of the Imperial Ottoman Mint was involved in arbitrage operations between Istanbul and India.<sup>8</sup> The person involved Harutyun Bezciyan (Kazaz Artin) was a close confidant of the sultan, Mahmut II. His sumptuous state funeral in 1834, described in Pamuk,<sup>9</sup> can be considered as a harbinger of the 1839 Reform Edict because it clearly contravened the Sharia. The available evidence suggests such long-distance trade served as an investment outlet for Eğin-cum-Istanbul based financiers who also acted as wealth managers to Ottoman officialdom. But a much more important function of this capital market was its role in organizing tax collection.

Here the imperial treasury borrowed money from Moslem high functionaries in return for relinquishing the right to collect taxes of a certain province or the custom duties of a port city. Mostly, but not exclusively, such tax farming high officials, were helped by non-Moslem financiers cum merchants, known as *sarrafs*, \_Armenian, Greek, Jewish and later Levantin, collectively known as Galata Bankers in reference to Istanbul’s financial district where they were located<sup>10</sup> \_ advancing the funds, acting as co-signers as well as helping with the collection, transportation, and marketing of the in-kind taxes.

The difference between expected collectable taxes and the advanced sum constituted the interest charged. But such interest was implicit and hidden because it was forbidden by prevailing Islamic law. Kuran and Rubin utilize Istanbul's Sharia court records from 1600 to 1800, to rigorously analyse loan transactions between individuals. This market prices loans quite accurately according to risks they represent which indicates sophisticated market participants.<sup>11</sup> Strictly speaking these were not business loans. Individuals, including cultivators constituting the great majority, borrowed either for paying taxes or to finance consumption. Hence when, say, cultivators borrowed it was in conjunction with poor harvests, other natural disasters, or the loss of an oxen, and often led to their ruin.<sup>12</sup>

We have extensive evidence of the use of credit in the Empire for purely commercial purposes, in mid to late eighteenth century. Eldem depicts in detail bills of exchange used to finance export-import commerce, which also involved explicit trade credit.<sup>13</sup> As Ottoman exports consisted mostly of cash crops tobacco, cotton, opium, silk, and grain credit extended by importers to exporters, overtime and gradually found its way to the cultivator. This was a very slow process with many ups and downs, and at least initially, largely limited to coastal areas. Also, since Ottoman agriculture was gradually being transformed from a subsistence to a commercial structure, marketable surplus often took the form of tax in kind.<sup>14</sup> In other words tax collection, export trade and credit activities were by and large interlinked. We will argue such interlinkage seems to have hampered the penetration of western banks into internal commerce and/or compelled them to utilize local intermediaries. It also complicates interpreting the 1895 run on the Ottoman Bank to be discussed subsequently. A full understanding of the underlying evolution and the slow formation of a modern banking sector requires detailed and interdisciplinary investigations as well as case studies. From this perspective Kabadayı's article of the rise and fall of mid-nineteenth century Istanbul's foremost moneylender and entrepreneur, Meguerditch Cezairliyan, personal *sarraf* to Mustafa Reschid Pasha, the leading Tanzimat statesman, is instructive.<sup>15</sup> Kabadayı believes Cezairliyan's arrest in 1852 and the confiscation of the silk factories and other enterprises he had established as well as the vast tax-farms he administered, was a deliberate move by Ottoman officialdom to replace the local financiers with European ones.<sup>16</sup> Kabadayı points out the foundation of the Ottoman Bank in 1856 and the first two foreign loans by the Ottoman state in 1854, 1855 coincide with the elimination of Cezairliyan, which he considers as emblematic of uppermost *sarrafs* as an institution. He implies there must have been a competition between the local financiers and European bankers for obtaining the privilege to start a 'state' bank. Kabadayı believes the *sarrafs*' offer carried a higher interest than the first two Ottoman foreign loans of 1854/1855 floated in London carried, which '*... was the last blow, from which they \_i.e. the top sarrafs dealing directly with Ottoman treasury\_ never recovered*'.<sup>17</sup> Jamgocyan describes the activities of these mostly but not exclusively non-Moslem financiers serving the Ottoman court from around late seventeenth until mid-nineteenth centuries and concurs the demise of Cezairliyan marked the end of an era.<sup>18</sup> He also highlights the conflict between the 'Bank-ı Osmani' proposed by Ottoman financiers and the emergent European bankers allied with London.<sup>19</sup>

Clay who offers a careful analysis of that period gives extensive details concerning the Ottoman decision-making process.<sup>20</sup> He stresses the opposition of the monarch and some of his associates to a foreign loan fearing for an eventual loss of independence. Clay

also depicts the competition between local vs European bankers regarding the formation of a 'national bank', to be named the 'Bank-ı Osmani', and its political ramifications.<sup>21</sup> We learn the first of the two failed 'national' bank projects proposed by local bankers foresaw an extensive network in the whole of the empire both to collect revenues and make advances to the state. It would extend loans to cultivators in each Ottoman province and dependency including Egypt. However due to the exigencies of the Crimean war that erupted in May 1853, these projects did not materialize. The two foreign loans of 1854 and 1855 contracted under wartime emergency, apparently overcame the apprehension regarding loss of independence. This cleared the road for the 1856 foundation of the Ottoman Bank which became the Imperial Ottoman Bank or Banque Impériale Ottomane (BIO) in 1863 after merging with a French group.<sup>22</sup> Autheman, the official historian of BIO mentions, Sir A.H. Layard, who was an active member of the British Parliament during the Crimean War, headed first the Ottoman Bank then the Imperial Ottoman Bank.<sup>23</sup> But BIO's foundation was not the end of local bankers who despite their loss of supremacy in dealing with the Ottoman Treasury, remained active in that market.<sup>24</sup> These local *sarrafs* continued maintaining their trading-cum finance networks for both internal, mostly Armenian, and external, predominantly Jewish and Greek, commerce.<sup>25</sup> Such coexistence, competition as well as cooperation, seems to have lasted a few more decades. Autheman states the 1895 financial crisis spelled the death knell of the largest *sarraf-cum-trading* houses and BIO established its supremacy.<sup>26</sup>

### The emergence of the Banque Impériale Ottomane

An important question the extant literature has not specifically addressed, involves the exact reasons why Ottoman efforts to establish a 'national bank' via local financiers-cum-tax farmers failed and a European controlled one was finally established. For instance, Pamuk states '... for the [Tanzimat] reforms to succeed the Ottoman government needed the support of European states against both external and internal challenges. In return European states and governments demanded ... special privileges to European companies'.<sup>27</sup> In the particular field of finance, reaching out to French and British capital markets would be of help for the budgetary and developmental challenges the Empire faced. But a European controlled 'national bank' was not the sole means of gaining such access. As Landes stresses, in mid nineteenth century Europe deposit banking, like the middle class that it would eventually emerge to serve, was in its infancy and the role of privately owned banking houses consisted of partly holding i.e., tying their own funds and partly underwriting and selling foreign obligations \_e.g. Ottoman bonds within their circle of wealthy clients.<sup>28</sup> Thus since a 'mass market' for securities did not yet exist the permission of the Finance Ministry for placing securities was out of question. In other words, since lenders, be they bankers or wealthy individuals, were risking their own funds, governments were not entitled to interfere. This is the background to Skidelsky's recent reminder that in '*the nineteenth century ... international economics was largely separated from international politics ...*'.<sup>29</sup> In his turn, Autheman makes clear European governments' interference into credit decisions and linking them to commercial concessions started towards the end of the nineteenth century.<sup>30</sup>

The discussion in Clay leaves no doubt an indigenously controlled ‘national bank’, was the preferred solution for most members of Ottoman officialdom.<sup>31</sup> Indeed the reigning Sultan feared for his ‘immortal soul’ in case a ‘national bank’ charter were granted to ‘foreigners’<sup>32</sup>. Also, local financiers apparently had the requisite human and monetary capital as well as European connections to place loans in Paris or London.<sup>33</sup> From the perspective of maintaining Ottoman ‘independence’ as well as ‘pride’, that solution would have been superior and appears feasible. The communitarian nature of Ottoman society could cause difficulties for founding such a ‘national’ bank. However, at least the 1853 ‘Bank-ı Osmani’ project brought together an ‘unlikely’ coalition of Ottoman Moslem traditionalists plus Armenian as well as Greek bankers each known for their ‘clannishness’.<sup>34</sup> The bank’s charter was pushed through the Council of Ministers by the ‘traditionalist’ Damat Mehmet Ali Pasha in March 1853.<sup>35</sup> Timur’s study on the power struggle pitting the ‘traditionalist’ Damat Mehmet Ali Pasha against the ‘reformist’ Mustafa Reşit Pasha, provides an insightful background to the high politics of this episode.<sup>36</sup> Thus, although such efforts came to naught, due to the Crimean war erupting in May 1853, the issue merits closer scrutiny.

The confiscation of an Ottoman dignitary’s property, known as ‘*müsadere*’, often accompanied by his execution, has been implemented in Ottoman lands over many centuries. Jamgocyan’s description of this policy from mid eighteenth to mid nineteenth centuries, makes clear a dignitary’s fall was invariably associated with the demise and often death of his banker. The very first effect of *Tanzimat* was to put an end to this practice.<sup>37</sup> This provides a glimpse into the motivations underlying the reform Edict of 1856 which coincides with the foundation of the Ottoman Bank and connects the whole episode to the constitutional commitment literature. Analysing the 1688 Revolution, North and Weingast argue by constitutionally enhancing the ‘countervailing’ power of Parliament and judiciary, the crown offered investors the credible commitment that it would not attempt to expropriate them.<sup>38</sup> Indeed Clay draws a direct parallel between Lord Treasurer Godolphin of England, in office on and off between 1684 and 1710, and the *Tanzimat* statesmen who wanted to commit the Ottoman monarch into relinquishing his authority to execute or expropriate his subjects.<sup>39</sup> However the necessary countervailing institutions were missing. There was no Parliament, whereas the judiciary, by divine law and tradition, was tied to the monarchy. The solution must have appeared to them to utilize European loans as a means of shackling the sovereign. Put differently placing loans abroad via French or British banking houses would be a way of ‘credibly committing’ European creditors, primarily the private bankers and their wealthy and influential clientele, to help Ottoman officialdom limit the power of the monarch. According to Avcioglu, a leading *Tanzimat* statesman, Fuad Pasha, candidly admitted to countervailing the monarch’s power with that of European embassies.<sup>40</sup> The discussion in Timur relating contemporary Ottoman power struggles to Anglo-French rivalry surrounding the Suez Canal project can be viewed as an illustrative example of how the process worked.<sup>41</sup>

Clay describes in great detail how the Ottoman Bank was established in 1856, right after the Crimean war and the declaration of the second *Tanzimat* Reform Edict, as a purely British private enterprise.<sup>42</sup> Its original mandate was restricted to financing foreign trade. However, after protracted negotiations with *Tanzimat* statesmen, the Prime Minister Fuad Pasha insisting on French presence and equal Franco-British

ownership for balance of power reasons, it was reorganized in 1863.<sup>43</sup> The new institution renamed Imperial Ottoman Bank \_equivalently Banque Imperiale Ottomane an equal partnership of leading French bankers with the previous British group. Clay notes the French newcomers were almost exclusively *haute banque* establishments known for their connections with the world of high politics.<sup>44</sup> BIO was jointly controlled by two shareholder committees operating from Paris and London respectively who appointed the top management in Istanbul. Later some Ottoman financiers were included in the management team in an advisory capacity, due to their expertise in local affairs and conditions. Notwithstanding such arrangements, there would be a great deal of competition between local moneylenders and BIO both for Treasury business, particularly for placing securities in Europe and more importantly for commercial banking in Ottoman lands, like financing internal trade and providing payment services. Although BIO would establish its supremacy in foreign loans after 1881, competition with local moneylenders who often doubled as merchant houses would go on up until the early years of twentieth century, as discussed in Biliotti.<sup>45</sup> Autheman, explains these latter were fighting a losing battle and especially after the financial crisis of 1895, BIO had become the dominant presence in domestic commercial banking as well, with some competition coming from Credit Lyonnais established in 1875.<sup>46</sup>

### The Banque Impériale Ottomane and internal commerce

Autheman, BIO's official historian makes clear, from its very inception the Imperial Ottoman Bank had set itself a triple task: to become the Empire's state bank as well as a commercial bank financing external and internal trade, in addition to an investment bank engaged in infrastructure financing.<sup>47</sup> Given the presence of a British trading community in Turkey dating from the sixteenth century, entry into financing foreign trade proved the easiest. The necessary connections with the local European merchant community were already established by the Ottoman Bank of 1856. With the 1863 reorganization it acquired the privilege of note issue and holding Treasury accounts in provincial branches to be opened and committed to providing short-term finance in Istanbul to the Ottoman Treasury. Due to agriculture's preponderance, Treasury receipts arrived mostly in autumn, whereas expenditures occurred year-round. Banker's advances smoothed out such seasonal mismatch. It was also agreed the new BIO would have first, but not exclusive, right to the middleman role in future loans to be marketed in Europe.<sup>48</sup> Its investment banking activities \_railroads, port facilities would have to wait the foundation of the OPDA and the concomitant fiscal strengthening. But Conlin's discussion shows even in infrastructure financing there would be local competition.<sup>49</sup> Inserting itself into domestic commerce and associated tax collection networks would prove quite difficult but, as will be explained, by mid-1890'es BIO would achieve supremacy. The 1881 formation of Ottoman Public Debt Administration (OPDA), in addition to enabling large infrastructure projects like railroads, would also help BIO to expand into internal trade financing and payment networks linked to tax collection processes.

During its first decades, BIO's business was a mixture of state and commercial banking. The bank made advances to the Treasury and accommodated its short-term floating debt and marketed Ottoman securities in Europe. It also financed foreign trade via bankers' acceptances and provided other trade related services like currency exchange.

The location in 1875 of BIO's branches and their dates of opening reflects this structure. 1856/61: Galata-Istanbul, London (UK), Galatz and Bucarest (Rumania), Smyrna (Turkey), Beirut (Lebanon); 1863/69: Larnaca (Cyprus), Salonica (Greece), Paris (France), Aydın, Afyonkarahisar, Manisa, Isparta, Antalya (Turkey); 1875: Bursa (Turkey), Damascus (Syria), Ruse (Bulgaria). All the branches, apart from Istanbul, which was the seat of government as well, were located either in port cities or areas engaged in international trade.

Practicing commercial banking by discounting bills of exchange arising out of external and internal trade meant competing with local establishments. Notably BIO branches also acted as purchasing agents for European firms importing Anatolian products as well as selling goods on consignment on their behalf. This meant competing with locals in both financing and trading spheres.<sup>50</sup> We already discussed the competition pitting indigenous banker-cum-merchant groups against European ones for the privilege of establishing a 'state' bank which culminated with the formation of BIO in 1856/1863. Aware of its competitors' superior domestic know-how and ties, the BIO made early attempts at cooperation. Thus in 1864 it established a formal joint-stock company 'Société Générale de l'Empire Ottomane', with nine major Galata establishments.<sup>51</sup> It may be worth noting of the 11 founders of the 'Bank-ı-Osmani' only one was part of this society. Its members agreed to share on a fifty-fifty basis all advances to the Treasury as well as tax farming and public works projects. They also undertook to support BIO efforts to circulate its banknotes. However, the effort was unsuccessful and 'Société Générale. . .' was dissolved in 1874.<sup>52</sup> We note of the nine Galata establishments only one was Armenian, owned by a Catholic Armenian which suggests rather weak domestic links, the rest being Greek, Levantine/Catholic, and Jewish. Given the communitarianism of Ottoman society, we know tax farming/trade/finance networks functioned on ethnoreligious kinship basis.<sup>53</sup> Furthermore, Armenian networks dominated internal Anatolian commerce and Greek, Levantine and Jewish ones external trade.<sup>54</sup> The matter deserves closer scrutiny, but it is tempting to conclude the composition of 'Société Générale . . .', had something to do with BIO's lack of success. More bluntly, one may be allowed to speculate Armenian absence from 'Société Générale de l'Empire Ottomane' might explain BIO's inability to seriously penetrate Anatolian trade and tax farming networks prior to 1881 when OPDA was established. Obviously more evidence is needed, however Cora's recent dissertation<sup>55</sup> on the Armenian bourgeoisie of Erzurum/Karin in Eastern Anatolia is consistent with this interpretation.

Autheman's discussion of the first two decades of BIO supports this interpretation. For instance, during its first five years more than 90% of its profits were attributable to Treasury operations in Istanbul, the contribution of the branches falling from 10% in 1864 to 2% in 1868, where poor branch performance is ascribed to the managers' lack of experience and local knowledge.<sup>56</sup> The same situation prevails in 1874 when the provenance of a total profit of 848,126 British pounds is broken up as follows: 64% Istanbul, 17% London, 10% Paris, 9% Egypt and 1% the remaining 11 branches.<sup>57</sup> Obviously one has to allow for accounting peculiarities \_London and Paris profits reflecting at least partly income from international trade financing thus involving Ottoman counterparts, in addition to commissions from marketing Ottoman securities in those cities, and income from Treasury advances in Istanbul being partly a reward for transferring tax income to the capital\_ in evaluating these results. However, given the orders of

magnitude, even after ascribing a suitably higher fraction of profits to those 11 branches, it is clear their contribution would still be the smallest. It is reasonable to conclude it shows BIO's inability to break into internal commercial activity, e.g., discounting domestic bills, which would allow them to earn interest as well as seigniorage, circulating BIO banknotes, income.<sup>58</sup> There is more direct evidence supporting this interpretation. For one, the numerous large and small moneychangers, who monopolized the payment and credit function in the localities they existed, obviously resented competition from a powerful new entrant and worked hard to undermine it. Thus, Autheman ascribes BIO's extreme reluctance to open new branches, despite demands by the central government, prior to 1881 to heavy losses suffered in Izmir and Selanik during its initial years and the absence of a single really successful branch.<sup>59</sup>

Even after OPDA's establishment we have examples of branches closing and reopening like the one in the Aegean town of Nazilli, which functioned from 1883 to 1898 and then reopened in 1905.<sup>60</sup> The multiplicity of media of exchange presented an additional complication. The moneychangers who benefited from such multiplicity had an interest in opposing the emergence of a dominant means of payment. Given its issue monopoly, BIO's banknotes were the obvious candidate for such a means. They could bring in a tidy seigniorage profit if widely circulated. But competition would thwart the bank. Biliotti when explaining BIO's restriction of its banknotes' convertibility to Istanbul only, thereby foregoing potential profit, states during its initial decades, the bank's 'unscrupulous competitors' [sic] would systematically present banknotes for conversion into gold at provincial branches which he likens to isolated islands. The immobilized gold cover needed at each branch to maintain convertibility thus becoming prohibitively costly, BIO was forced to restrict it to its three capital city venues.<sup>61</sup> Furthermore Autheman argues, cozy relationships between local authorities and financial interests, hindering central control over regional tax collection cum expenditure processes hampered BIO's efforts to strengthen its provincial presence. Given Istanbul's deepening budgetary problems the moratorium would come in October 1875\_ the bank was able to sign a convention in Istanbul in February 1875, extending BIO's prerogatives in fiscal matters. However, although the original text declared the bank to be the sole receiver of revenues and payor of expenditures on behalf of the Treasury in every Ottoman province, due to lively resistance by some members of the government, a watered-down version had to be adopted.<sup>62</sup> Given its heavy exposure to the Treasury, nearly 75% of its assets in 1879, the BIO would not relent in its efforts to penetrate internal commerce and tax farming networks. The political connections deriving from its *haute banque* status would come in handy. Thus, we observe A. H. Layard, the bank's founder, and a major shareholder as well as its president from 1856 to 1861 and 1866 to 1870, presenting a memorandum to the newly enthroned Abdulhamid II in 1878, in his capacity as British Ambassador. It claimed 60% of provincial tax revenues were appropriated by local tax farmers.<sup>63</sup>

Due to its heavy exposure to the Ottoman state, the bank was sincere in its desire to maximize the revenues of the Imperial treasury since this would facilitate debt repayment. Indeed, given the subsequent success of OPDA which displaced tax farmers in some sectors, the memorandum's claim was probably accurate. Simultaneously the bank would adopt practical measures so that its Bursa, Smyrna/Izmir, Salonica, and Damascus branches would develop working relationships with their respective provincial authorities. These branches were authorized to make direct advances to fiscal agents of their

districts in order to discourage them from dealing with local moneylenders.<sup>64</sup> For reasons which need not concern us here, the 1856 reforms could not put an end to rebellions in the Empire's European provinces. Coupled with the government's inability to increase tax revenues and control spending, the result was a ballooning floating debt. Such debt arose from paying the bills issued by various ministries, including obviously the military ones, in making their day-to-day purchases. We note even as late as 1875, each ministry and province spent independently. Establishing Finance Ministry's control over them involved a protracted process with many ups and downs as the relevant institutions and procedures evolved.<sup>65</sup> In addition to BIO, Istanbul based financiers, or Galata bankers, mentioned previously, also covered the governmental bills. When the size of this floating debt reached 'dangerous' levels so that interest charges became too onerous and domestic borrowing became impossible, a long-term foreign loan was placed in Paris and/or London and most of its proceeds were used to withdraw the local floating debt. Since each successive long-term foreign loan carried a higher interest and tax revenues could not keep pace, by 1875 half the state budget was allocated to debt service, and bankruptcy followed.<sup>66</sup> Despite the temporary relief provided by relinquishing debt repayment, the Ottoman-Russian war of 1877/1878 required new advances from both the BIO and Galata bankers as well as inflationary finance via issuing paper-money by the Finance Ministry. As a result, to restart debt service necessitated the politically painful decision of involving the creditors in the actual tax collection process first in 1879 as the 'Administration of Six Contributions' which subsequently transformed into the OPDA or 'Ottoman Public Debt Administration' in 1881.<sup>67</sup>

Works on OPDA generally focus on the international finance aspect of its activities.<sup>68</sup> What interests us here is its impact on the evolution of banking in Ottoman Turkey which remains largely unexplored. Firstly, by improving the credit of the Empire in European loan markets, the OPDA encouraged the entry of new European commercial banks, like the Deutsche Bank and some lesser ones.<sup>69</sup> Secondly and more importantly, since it was involved in the tax collection process and was closely associated with BIO\_ as a major creditor to the state, the bank was well represented in OPDA's governance structures\_, it gave a strong impetus to the extension of BIO's branch network in Anatolia. Third, the post 1881 improvement of Ottoman credit, facilitated the extension of railroads, thus further boosting commerce and branch banking. Last but not least, in late nineteenth century Anatolia, marketable surplus still took the form of tax in kind. This meant tax collection, agricultural products trade, particularly in cereals, and credit activities continued to be interlinked, which allowed BIO branches to insert themselves into trade and payment circuits that were hitherto closed to them.

Thus, whereas in 1883, 27 years after its foundation, the Imperial Ottoman Bank had 14 branches within the Empire which were mostly in port cities, by 1893 they had doubled to 28 and had reached 54 in 1909.<sup>70</sup> These developments are reflected in BIO's balance sheet structure. For instance, loans and advances to the Treasury would gradually decline and the share of assets arising from regular commercial banking increase. Thus claims on the state fell from nearly 75% in 1879 to around 10% by 1894.<sup>71</sup> This means by the turn of the century the BIO, and its associates like the Tobacco Régie, coal mines of Ereğli etc., had acquired a commanding presence in the country's economic life.<sup>72</sup> This process namely, the transformation of the BIO from a mid-sized bank exclusively financing foreign trade in 1856, into the foremost financial establishment of the

Empire around 1900, dominating both state finance, internal commerce and payments, in addition to international exchange as well as infrastructure projects, seems to have entailed eliminating major local competitors, the leading 'Galata' banker cum merchants, and coopting (some of) their Anatolian collaborators. Indeed, many of BIO's Anatolian branches, especially after OPDA's formation in 1881, seem to have been franchises, whereby a local establishment became the BIO branch and its owner branch director. This was the case for the Bandırma branch opened in 1905 '... whose owner had been BIO's local correspondent for many years, as had been the case for many other agencies opened previously'.<sup>73</sup> It can also be surmised the absence of 'legal personhood' in Ottoman law which caused officially treating a bank loan, as if the branch director was lending personally, made expanding via franchises preferable.<sup>74</sup> Finally to fully assess the impact of the 'Armenian Crisis' on BIO's fortunes it might be useful to investigate the relationship, between these local moneylenders becoming branch managers and the Galata banking cum merchant houses that could not survive the October 1895 crisis.

### The 'Autumn 1895 Panic' and its aftermath

This brings us to the financial panic of October 1895 which turned out to be the death knell of 'Galata' bankers and the quasi disappearance of all BIO competitors, except *Crédit Lyonnais*.<sup>75</sup> The crash in South African gold mining stocks in early October triggered a generalized decline of share prices in London, one of the two seats of BIO's leadership. The bank which had a 5% exposure \_see endnote 71\_ to South African gold, saw its London share price tumble from 21 to 10 pounds from October to December 1895. The troubles soon reached the Galata Bourse, where there was lively speculation on both South African as well as local Ottoman securities, fuelled by easy credit the bank's Istanbul branches extended.<sup>76</sup> Fear that BIO faced insolvency coupled with unfavourable internal conditions, e.g., payment difficulties faced by the Ottoman Treasury led to a run on BIO's branches which started on 25 October. To stem the tide BIO's Istanbul based general manager Edgar Vincent, had to convince the Ottoman government to declare a six months payment moratorium on clearings related with stock market activity on 2 November 1895. This measure proved insufficient to stop the run. With BIO's gold reserves nearing depletion Vincent had to approach the Sultan again with a request to suspend gold convertibility for a month. His request was granted, and an imperial decree was issued on 6 November 1895. As a result of this panic episode BIO suffered serious bruises, with expansion halting two years, but unlike most of its remaining 'Galata' competitors, it survived intact. Growth resumed in 1899 with a new branch being opened in Sivas, a major trouble spot of the 'Armenian Crisis'. BIO's unchallenged supremacy of Ottoman economy and finances that lasted until WW1 had begun. In the meanwhile, the bank almost doubled its branches from 28 to 54 as mentioned previously.

Today, the Istanbul panic of October 1895 is remembered by financial historians as an episode during a generalized contagion spreading from the South African periphery to centre.<sup>77</sup> However, because it occurred during the 'Armenian Crisis' of 1894–1896, Autheman draws a causal link between the two events.<sup>78</sup> In our judgement there may be a connection between BIO's fortunes and the 'Armenian Crisis', but not the one meant by the bank's historian. The author, relying on BIO's internal correspondence, blames the

run on ‘*certain Armenian agitators*’ supposedly ‘*spreading rumours to harm the government through its bank of emission*’ and concludes ‘*in any case such was the conviction of the bank’s leadership*’.<sup>79</sup> The leadership’s conviction conveniently overlooks Edgar Vincent having personally fuelled the speculative frenzy, had every motive to misrepresent the situation in order to extract the two critical permissions from the Sultan, first the payments moratorium for the Galata Bourse, then the gold convertibility suspension.<sup>80</sup> Analysing the whole affair more than a century later, for *The Economist*, a financial journalist notes “*In 1895, for example, a stock market boom prompted . . . [the BIO] to nearly triple its loans in two years. The bank’s own manager [i.e., Edgar Vincent] peddled South African mining shares such as the Transvaal Consolidated Land and Exploration Company. When the shares crashed, the bank suffered a run, turning to the government . . . for a bail-out.*”<sup>81</sup> The ‘*conviction of the bank’s leadership*’ also overlooks the vast social chasm separating the customers of BIO, the uppermost crust of Ottoman officialdom and bourgeoisie, which included many Armenian merchants, and ‘*certain Armenian agitators*’ and their supporters, mostly the Armenian porters of Istanbul docks.<sup>82</sup> Finally, the bubble in the Galata Bourse was generalized and involved not only South African gold shares but also many local securities, with the price of Ottoman bonds reaching the extremely high Price/Earnings ratio of 27. Thus, after conceding ‘*Armenian revolutionary elements*’ would have acted to magnify it, a major study on French economic presence in Turkey concludes the magnitude of the price crash ‘*would amply suffice to provoke the panic.*’<sup>83</sup>

With regard to a possible confusion between the financial panic and the political crisis as causing the demise of Galata bankers, alluded to previously, in order to clarify it, we need to draw a clear distinction between two separate events which can easily be confounded. On one hand there is the financial panic triggered by the London collapse of South African gold shares causing a crash in the Galata Bourse and the associated run on BIO branches, mainly in Istanbul but also in Beirut and Aleppo.<sup>84</sup> On the other there is the ‘Armenian Crisis’ which is a sociopolitical affair that started much earlier, lasted longer into late 1896 and encompassed many parts of Anatolia. As explained in endnote 78 and the references therein, the ‘Crisis’ was essentially due to the inability of the Ottoman system to deliver the promised equal treatment of Tanzimat reforms, particularly in Eastern Anatolia.

The financial panic of late October 1895 was over by mid-November. In Autheman’s own words ‘On November 13, Sir Edgar Vincent informed the Paris Committee that “*the run appears to be practically at the end*”’.<sup>85</sup> On the other hand, the ‘Armenian Crisis’ as experienced in Istanbul was between 1894 and 1896\_ there were much bloodier occurrences in various parts of Anatolia where troubles had started around 1891, and refers to a series of events starting with demonstrations, which turned violent, against the Patriarch by Armenian revolutionary elements in late 1894, two assassination attempts, one on the Patriarch the other on the head of the Patriarchal Administration, known as Armenian National Assembly, both viewed as ‘traitors’ by the revolutionists.<sup>86</sup> They culminated with the takeover of BIO’s Galata headquarters in late August 1896 by a commando threatening to blow up the building unless the Sultan implemented ‘Armenian reform’ clauses of the 1878 Berlin Treaty. The bloody occupation lasting less than a day finished with the occupiers leaving town on Sir Vincent’s private yacht. For a few days thereafter certain quarters of Istanbul,

particularly the ones inhabited by working-class Armenians, were the scene of massacres.<sup>87</sup> When summarizing the consequences of the October 1895 financial crisis, the historian of BIO points out, no Galata banking cum merchant house could survive the storm.<sup>88</sup>

Consequent to the disappearance of all competition, with the exception of *Crédit Lyonnais*, BIO became the undisputed leader of Ottoman finances. We think Autheman's attribution of Galata's demise solely to the stock market panic of October 1895, reflects an inability to pierce through the proverbial 'monetary veil' to perceive the underlying social reality. It is true some merchant houses lost a great deal speculating in South African gold shares, e.g., Sarkis Gulbenkian Fils and other allied firms.<sup>89</sup> However those same firms were also engaged in exporting wool, cotton etc. and many of their Anatolian correspondents were impoverished during the Hamidiye massacres of 1894–96, which invariably began with looting Armenian businesses in town centres. Thus, Gulbenkian's biographer, utilizing the company's internal correspondence, explains the inability of the firm to collect outstanding balances in Kayseri, Ankara and Sivas by their debtors '*not even having bread let alone money*.'<sup>90</sup> He concludes '*... after various bail-out attempts Sarkis Gulbenkian Fils, was finally declared bankrupt ... on 30 April 1907*.'<sup>91</sup> Der Matossian's observations based on a much larger sample tell a similar story. Clay's richly textured analysis of BIO's branch network's expansion is consistent with this conjecture.<sup>92</sup> Thus in light of available evidence we can tentatively conclude BIO's new branches in many parts of Anatolia, were filling the commercial void left by local houses gone bust as a consequence of the 'Armenian Crisis'. To sum up, whatever the reasons, BIO's unchallenged supremacy of Ottoman economy and finances which began in the aftermath of the 1895 crisis, would last until 1914 when WW1 broke out and a 'de facto nationalization' began.

## Notes

1. Successfully implementing these reforms to achieve equal citizenship, particularly equality in taxation and conscription turned out to be impossible in a multiethnic, multiconfessional and semi-independent empire hitherto governed by Sharia. This failure constitutes the background to the 'Armenian Crisis' discussed in the last section. It also contributed to the violent nature of the transition from empire to Turkish nation state.
2. M. Çizakça, 'Evolution of Domestic Borrowing in the Ottoman Empire', in P. L. Cottrell (ed.), *East Meets West-Banking, Commerce and Investment in the Ottoman Empire*, Ashgate Publishing, Burlington, 2008, pp. 59–95.
3. H. Inalcık, 'The Ottoman State: Economy and Society, 1300–1600', in H. Inalcık and D. Quataert (eds.), *An economic and social history of the Ottoman Empire, 1300–1914*. Cambridge University Press, Cambridge, 1994, p. 354.
4. S. Aslanian, *From the Indian Ocean to the Mediterranean: The Global Trade Networks of Armenian Merchants from New Julfa*, University of California Press, Berkeley, 2011.
5. A. Yaycıoğlu, 'Perdenin Arkasındakiler: Osmanlı İmparatorluğunda Sarraflar ve Finans Ağları Üzerine bir Deneme' [An Essay on Bankers and Finance Networks in the Ottoman Empire], *Journal of Turkish Studies*, 51, 2019, pp. 1–23.
6. O. Jamgocyan, '*Les Banquiers des Sultans*. [Osmanlı İmparatorluğunda Sarraflık: Rumlar, Museviler, Frenkler ve Ermeniler: 1650–1850, YKY], Istanbul, Editions du Bosphore, Paris, 2017a.
7. Aslanian, op. cit. Ch. 8.
8. O. Jamgocyan, *Le Temps des Reformes: 1780–1860*. Editions du Bosphore, Paris, 2015, p. 108.

9. Ş. Pamuk, 'Osmanlı İmparatorluğunda Paranın Tarihi' [Monetary History of the Ottoman Empire], İş Bankası Yayınları, İstanbul. 2017, pp. 190–196. On the atmosphere prevailing in the Ottoman capital during decades just prior to Tanzimat, see. A. Cansunar and T. Kuran, 'Economic Harbingers of Political Modernization: Peaceful Explosion of Rights in Ottoman Istanbul', ERID WP 288. Duke University.
10. O. Jamgocyan, *Les banquiers des sultans: juifs, Francs, Grecs et Arméniens de la haute finance: Constantinople, 1650–1850*. Les Éditions du Bosphore, 2013. points out Galata was the centre of westernized elements, whereas more traditional ones tended to congregate in the Old City.
11. They show borrowers who had less power due to their inferior social status, commoners, women and non-Moslems, were charged a lower interest since lenders knew they ran a lesser risk of default due to stronger enforcement. T. Kuran and J. Rubin, 'The Financial Power of the Powerless: Socio-Economic Status and Interest Rates Under Partial Rule of Law', *The Economic Journal*, 128 (609), 2018, pp. 758–796.
12. H. Exertzoglou, 'Greek Banking in Constantinople, 1850–1881'. Ph. D Thesis, King's College, London, 1986, p. 106.
13. E. Eldem, 'French Trade in Istanbul in the Eighteenth Century', in S. Faroqhi and H. Inalcık (eds.), *The Ottoman Empire and its Heritage: Politics, Society and Economy*, Brill Publishing, Leiden, 1999a.
14. Ç. Keyder's works contain valuable insights into this protracted process. See for instance, Ç. Keyder, 'Europe and the Ottoman Empire in Mid-Nineteenth Century: Development of a Bourgeoisie in the European Mirror', in P. L. Cottrell (ed.), *East Meets West-Banking, Commerce and Investment in the Ottoman Empire*, Ashgate Publishing, Burlington, 2008, p. 59–95.
15. E. Kabadayı, 'Mkrdich Cezayirliyan or the Sharp Rise and Sudden Fall of an Ottoman Entrepreneur' in S. Faroqhi and G. Veinstein (eds), *Merchants in the Ottoman Empire*, Peeters Publishing, Leuven, 2008.
16. Ibid. pp. 294–295. The tax farms involved were vast. They included the silk tithes of Bursa, İzmit, Amasya, all the tithes of Adana as well as the customs of major port cities: İstanbul, İzmir, Gelibolu, Kavala, Marmaris, Mytilene, Rhodes Crete, Samsun, Sinop, Trabzon, Tekirdağı and Varna. We note the customs receipts of İstanbul and İzmir secured the 1855 loan contracted in London.
17. Ibid. p. 295.
18. Jamgocyan, op.cit. p.127.
19. Ibid. pp.155–160.
20. C. Clay, *Gold for the Sultan: Western Bankers and Ottoman Finance 1856–1881: A Contribution to Ottoman and to International Financial History*. I.B. Tauris Publishers, London, New York, 1999, pp. 22–25.
21. Ibid. p. 26, where the author describes the fierce competition between local vs foreign bankers and states the second Ottoman loan of 1855, unlike subsequent ones, carried the guarantee of the French and English governments and thus was much cheaper.
22. Ibid. pp. 26–47.
23. A. Autheman, *La Banque impériale Ottomane*, [Tanzimattan Cumhuriyete Osmanlı Bankası: Bank-ı Osmani-i-Şahane] Ministère de l'Économie et des Finances, Paris, 1996, p. 271.
24. E. Eldem, *A History of the Ottoman Bank*. Tarih Vakfı. İstanbul, 1999b.
25. Sussnitzki emphasizes strong Armenian presence in domestic trade up until WW1, A. Sussnitzki, 'Ethnic Division of Labor' in C. Issawi (ed.), *Economic History of the Middle East: 1800–1914*, University of Chicago. 1966, pp. 114–125. For a detailed study on the communitarian nature of banking in that epoch, see M.C. Chatziioannou, and G. Harlaftis 'From the Levant to the City of London: Mercantile Credit in the Greek International Commercial Networks of the 18'th and 19'th Centuries' in P.L. Cottrell, E. Lange, and U. Olsson (eds.), *Centers and Peripheries in Banking: The Historical Development of Financial Markets*, Routledge, London, 2016, pp. 13–40.

26. Autheman, op. cit. p.146.
27. Ş. Pamuk. *Uneven Centuries: Turkey's Economic Development since 1820*, Princeton University Press. Princeton and Oxford, 2018, p.91. As we discuss in the text such interference by European governments, which was related to the widening of the suffrage, started, and quickly became the norm towards the end of the century. Therefore, it cannot explain BIO's special status, granted in mid-19'th century, as a foreign owned 'Ottoman' bank.
28. D. Landes, *Bankers and Pashas. International Finance and Economic Imperialism in Egypt*. Heinemann Publishing. London, 1958.
29. Thus Skidelsky points out Russia raised a loan on the London market during the Crimean War which she fought against Britain as well as France and the Ottoman Empire. R. Skidelsky 'The Case Against Economic Sanctions', *The Project Syndicate*, 19 October 2021. We note this way of distinguishing the 'political' from the 'economic' emphasizes the non use of public, i.e., tax, revenue. Thus, say, the British East India Company is viewed as a private enterprise despite having royal shareholders.
30. Autheman, op.cit. p.88 states such interference begins around 1880.
31. Clay, op. cit. p.31. 'Besides, for all their willingness to consider the overtures made by the great capitalists of the West, few if any of the Ottoman ministers favoured the idea of granting them the national concession if an indigenous alternative could be found. This would of course have to be based on some combination from within the ranks of the Galata bankers, who since the Crimean War were richer than ever and had even stronger links with the banking houses of the West. Without doubt collectively they could command most, if not necessarily all, the millions required for a new state bank'. Further down we read " . . . in the last resort they [*pashas*] wanted to make it a **Turkish** [highlighted by Clay] national bank, adding that this was for the obvious reason that they were afraid of the interference in their internal affairs that might be the result of granting the concession to a western concern.
32. Clay op. cit. p.23 states 'Abdülmeçit's fundamental objection to the transaction was religious and moral—he feared for the safety of his soul if he approved it- . . . . . '.
33. Eight of the eleven founders of 'Bank-ı-Osmani' were Armenians, mostly Catholics indicating access to France albeit to different strata of society than the preponderantly Protestant or Jewish *haute banque*, which BIO was part of, two were Greek owners of merchant houses with a presence in England and the last was a British banker resident in Istanbul, Jamgocyan, '*Les Banquiers des Sultans*', op. cit. p.156. For Protestant and Jewish prevalence in *haute banque* establishments, see A. Plessis, 'The Parisian "Haute Banque" and the International Economy in the 19'th and Early 20'th Centuries'; in Y. Cassis, P. L. Cottrell, M. Pohle and I. L. Cottrell (eds.), *The World of Private Banking*, Ashgate Publishing, Burlington, 2009, 129–134.
34. Jamgocyan, '*Les Banquiers des Sultans*', op. cit. p. 156.
35. Clay, op. cit. p.25.
36. T. Timur, *Osmanlı Çalışmaları: İkel Feodalizmden Yarı Sömürge Ekonomisine* [Ottoman Studies: From Primitive Feudalism to Semi Colony], İmge Yayınları, İstanbul, pp. 267–286.
37. Y. Aslantaş, 'Making sense of "müsadere" practice, state confiscation of elite wealth, in the Ottoman Empire, circa 1453–1839', *History Compass* 17 (6) 2019. Jamgocyan, op. cit. p.122–127. This work contains a long list of dignitaries and *sarrafs* who were executed from mid eighteenth century onwards. We learn the last such execution occurred in 1852.
38. D. North and B. Weingast, 'Constitutions and Commitment: The evolution of institutions governing public choice in seventeenth century England', *The Journal of Economic History*, 49, 1989, pp. 803–832. This paper spawned the constitutional commitment literature referred to in the text.
39. Clay, op. cit. p.xi. Clay, a great great grandson of one of BIO's founders, analyzes Ottoman state borrowing abroad starting in 1854 and ending with the establishment of European financial tutelage in 1881 via the Ottoman Public Debt Association, or OPDA.
40. D. Avcıoğlu, *Türkiyenin Düzeni [Turkey's Order]*, Bilgi Yayınevi, Ankara. 1969, pp. 58–59.

41. Timur op. cit. p.275. We note Cezairliyan's demise was an integral part of that struggle. The first Ottoman foreign loan of 1854 contracted to finance Crimean war expenditures, was secured by the Egyptian tribute to Istanbul. During debt renegotiations leading to the formation of OPDA in 1881, the holders of the 1854 and 1855 loans received priority. This implies a privileged status for such creditors which is consistent with our explanation regarding BIO's foundation.
42. Clay, op. cit. pp. 14–86.
43. Citing Namık Kemal, an early modernizer, Avcioglu credits him with likening the embassies to “pabuççu muştası=shoemakers' knuckleduster”, see *Cumhuriyet*, 17/11/2000. Fuad Pasha believed, in the absence of people's power operating from below to countervail the sultan's power from above, he had to rely on embassy power operating sideways like a shoemakers' knuckleduster. Namık Kemal's piece is in N. Aydoğdu and İ. Kara, *Namık Kemal, Osmanlı Modernleşmesinin Meseleleri: Siyaset Hukuk Din İktisat Matbuat, Bütün Makaleler [Namık Kemal, Problems of Ottoman Modernization: Politics Law Religion Press, Collected Works]*, Dergâh Publishing, Istanbul, 2005, p. 223. I thank Dr. Yakup Akkuş for his generous help in tracking down these sources.
44. Clay op. cit. p. 81. The original British group too seems well connected. Their already mentioned head Sir A. H. Layard served twice as Under-Secretary of Foreign Affairs. He was the British Ambassador to Istanbul during 1877–1880 encompassing the crucial Berlin Congress years where the Ottoman moratorium was discussed and the groundwork for the formation of OPDA was laid out.
45. A. Biliotti, *La Banque Imperiale Ottomane*, Ed. Henri Jouve, Paris, 1909.
46. Autheman, op. cit. p.146.
47. Autheman, op. cit. p. vi.
48. Clay, op. cit. p. 76.
49. J. Conlin, ‘The Amiras and the Ottoman Empire, 1880–1923’, *Turcica*, 48, 2017, pp. 219–244. The author points out in 1873 Sarkis Gulbenkian established the Ottoman Company of Public Works. Later the clan invested in the Mersin-Adana-Tarsus railway together with French capitalists. Conlin, op. cit. pp 223–224.
50. Autheman, op. cit. p. 17. We note quite a few modern banks, e.g., JPMorgan, trace their ancestry to such trading houses.
51. Autheman, op. cit. pp. 50–5. Galata was the seat of Europeanized finance whereas traditional establishments more likely to engage in domestic trade, tended to locate in the Asian part of Istanbul.
52. Autheman, op. cit. p. 50. The author is silent regarding the reasons of this failure to penetrate Anatolian commerce.
53. Chatziioannou and Harlaftis op. cit. pp. 18–19, present an insightful discussion of how such hierarchical networks were structured. It appears the *Tanzimat* reforms which allowed popular participation into hitherto clerical dominated community structures, weakened such networks thereby facilitating the expansion of European style banking. It seems Armenian community structures underwent a similar transformation. Richard Antaramian, *In Subversive Service of the Sublime State: Armenians and Ottoman State Power, 1844–1896*. Ph.D. Thesis, University of Michigan, 2014. The author makes useful observations regarding changes made to community structures concomitant to 1856 reforms and the organization of tax collection.
54. Exertzoglou, op. cit. pp. 112–120. The author describes the demise of local sarrafs after losing out to European bankers towards the end of the nineteenth century as follows: ‘ . . . the decline of the traditional sarrafs was manifested during the following decades when the distinction between sarrafs and bankers became more apparent. This development is highlighted by the fact that the term “sarrafi” came to be equivalent to the petty seller of coinage’, Exertzoglou, op. cit. p. 117.
55. Y. T. Cora, ‘*Transforming Erzurum/Karin: The Social and Economic History of a Multiethnic Ottoman City in the Nineteenth Century*’, Ph.D. Dissertation. Dept. of Near Eastern Languages and Civilizations, University of Chicago, August 2016.

56. Autheman, op. cit. p. 47.
57. Autheman op. cit. pp. 62–63.
58. Arguably the general public's reluctance to hold paper money was a major but not the sole obstacle to more widespread use of BIO's banknotes.
59. Autheman op. cit. p. 66.
60. Autheman op. cit. p.171.
61. Biliotti, op. cit. pp. 145–151. Such funds could not be loaned out to earn interest which made them costly. The author was a manager at BIO's Istanbul headquarters.
62. Autheman op. cit. pp. 64–67.
63. M. Aktepe, 'Osmanlı İmparatorluğu'nun Islahı Hakkında İngiltere Elçisi Layard'ın II. Abdülhamid'e Verdiği Rapor', [British Ambassador Layard's Report to II Abdülhamit on Reforming the Ottoman Empire], *Belgelerle Türk Tarihi Dergisi*, 22, 1969, pp.13–22.
64. Autheman op. cit. p. 91. For information regarding A. H. Layard's positions within BIO, see op. cit. pp. 271–272.
65. N. Özbek, *İmparatorluğun Bedeli: Osmanlıda Vergi, Siyaset ve Toplumsal Adalet (1839–1908)* [The Price of Empire: Taxation Politics and Social Justice in Ottoman Lands (1839–1908)], Boğaziçi University Press, Istanbul, 2015.
66. Autheman op. cit. p. 69. Also Emine Kıray, *Osmanlı'da Ekonomik Yapı ve Dış Borçlar. [Ottoman Economic Structure and Foreign Debts]*. İletişim Yayınları, İstanbul, 1995, p.145.
67. Autheman op. cit. pp. 84–91 and Clay op. cit. pp. 444–559. Some authors maintain OPDA's involvement in tax collection and the ensuing conflict with provincial notables engaged in tax farming contributed to the strengthening in Anatolia of the Committee of Union and Progress. This is an area of active research. T. Arıcanlı, *The Role of the State in Social and Economic Transformation of the Ottoman Empire, 1807–1918*, Ph.D. Thesis, Dept. Of Economics, Harvard University, 1976; D. Quataert, 'The Age of Reforms, 1812–1914', in H. Inalcık and D. Quataert (eds.) *Economic and Social History of the Ottoman Empire*, 1994, Cambridge University Press, pp. 761–933. The citation concerning OPDA and tax farming is on p.856.
68. For instance, M. Birdal, *The Political Economy of Ottoman Public Debt: Insolvency and European Financial Control in Late Nineteenth Century*, IB Tauris, London, 2010; D. Blaisdell, *European Financial Control in the Ottoman Empire*, Columbia University Press, New York, 1929; A. C. Tuncer, *Sovereign Debt and International Financial Control: The Middle East and the Balkans, 1870–1914*, Palgrave MacMillan, London, 2015.
69. On foreign banks in Turkey see E. Frangakis-Syrett, 'The role of the European banks in the Ottoman Empire in the second half of the nineteenth and early twentieth centuries', in A. Techova, G. Kurgan van Hentenryk and D. Ziegler (eds.), *Banking, Trade and Industry: Europe, America and Asia from the thirteenth to the twentieth century*, Cambridge University Press, London, 1997, pp. 263–276; A. Ö. Hanedar, 'Foreign Bank Entry in the Late Ottoman Empire: the Case of the Imperial Ottoman Bank', *Review of Middle East Economics and Finance*, 11(3), 2015, pp. 207–223.
70. Biliotti op. cit. p.271, Autheman op. cit. p.275.
71. BIO being a multinational bank only half of its 1894 balance sheet was composed of Ottoman assets, 10% loans to the state, around 40% claims on various Ottoman entities. The other half being composed of various foreign assets, including claims on South African gold shares constituting 5% of total assets, Autheman op. cit. p. 127 and pp.135–136.
72. Autheman op. cit. pp. 102–103 states the Tobacco Régie, an OPDA subcontractor, sharing the bank's HQ building, offered interest free loans secured only by the future harvest to encourage tobacco growing in best suited areas like the Black Sea coast.
73. Autheman op. cit. p. 171. J. Morin, *Souvenirs d'un Banquier Français: 1875–1947*, Denoel, Paris, 1983 explains how franchising was practised in early twentieth century French banking.
74. M. Suphi, 'L'Organization du Crédit Agricole en Turquie', *Bulletin du Bureau des Organizations Economiques et Sociales*, 1 (2), Rome, 1910.
75. Autheman op. cit. p. 146.

76. Autheman op. cit. p.138 reports a 78% rise in such advances from January 1895 to September 1895.
77. S. Cox. Emerging markets are up and running, *The Economist*, Special Report, 5 October 2017, Web: <https://www.economist.com/special-report/2017/10/05/emerging-markets-are-up-and-running>.
78. Autheman op. cit pp. 144–145. As we explain in some detail the ‘Armenian Crisis’ as experienced in Istanbul from 1894–1896, was part of a larger sociopolitical crisis which began around 1891 and involved much bloodshed particularly in Central and Eastern Anatolia. J. Klein, *The Margins of Empire: Kurdish Militias in the Ottoman Tribal Zone*, Stanford University Press, 2011, contains the best overall treatment. The fiscal dimension of the matter is covered in N. Özbek, ‘The Politics of Taxation and the “Armenian Question” during the Late Ottoman Empire, 1876–1908’, *Comparative Studies in Society and History*, 54(4), 2012, pp. 770–797.
79. Autheman op. cit. pp. 140–142.
80. It seems there was at least one other occasion where the bank tried to influence Abdülhamit II’s thinking for its own benefit. Autheman, op. cit. p118, describes an intrigue to get rid of the Minister of Privy Purse, Agop Pasha. For Edgar Vincent’s life and career see P. Auchterlonie, ‘A Turk of the West: Sir Edgar Vincent’s Career in Egypt and the Ottoman Empire’, *British Journal of Middle Eastern Studies*, 27(1), 2000, pp. 49–67.
81. Cox op. cit.
82. For the social composition of BIO’s clientele, see E. Eldem, *A History of Ottoman Bank* op. cit. pp. 280–281; the information pertaining Armenian agitators and their support among dockworkers is in V. Ketsemanian, ‘The Hunchakian Revolutionary Party and the Assassination Attempts against Patriarch Khoren Ashegian and Maksutzade Simon Bey in 1894’, *International Journal of Middle East Studies*, 50, 2018, pp. 735–755 and Donald Quataert, *Social Disintegration and Popular Resistance in the Ottoman Empire: 1881–1908*, New York University Press, 1983, pp. 93–98.
83. Jacques Thobie, *Intérêts et impérialisme français dans l’empire ottoman (1895–1914)*. Paris, Publications de la Sorbonne, 1977, p. 118.
84. Autheman op. cit. pp. 140–142; Thobie op. cit. pp118–119.
85. Autheman’s French original gives the italicized sentence in English, op. cit. p.142.
86. S. Deringil ‘Abdülhamit Döneminde Ermeni Meselesi’[The Armenian Question underAbdülhamit II], in F. Adanır and O. Özel (eds.) *1915 Siyaset, Tehcir Soykırım, [1915 Politics Deportation Genocide]*, Tarih Vakfı YurtYayınları. Istanbul, 2015, pp. 95–108; Ketsemanian, op. cit. pp. 735–755.
87. E. Eldem, ‘Banka Vakası ve 1896 İstanbul Katliamı’ [The Bank Incident and the 1896 İstanbul Massacre], in F. Adanır and O. Özel (eds.), *1915 Siyaset, Tehcir Soykırım*, Tarih Vakfı Yurt Yayınları, Istanbul, pp. 176–198. Also see F. Soysal, ‘Armenian massacres and the Financial Crisis of Autumn 1895’, unpublished manuscript, 2017.  
For the Berlin Congress of 1878, see M. Şükrü Hanioglu’s *A Brief History of the Late Ottoman Empire*, Princeton University Press, 2008 and the already cited work by Klein, p21.
88. Autheman op. cit. p. 147.
89. Conlin op. cit. pp. 219–244.
90. Conlin op. cit. p. 234.
91. Conlin op. cit. p. 236. Conlin op. cit. p. 231, tells of a lawsuit before the London High Court, pitting the Gulbenkian clan against the BIO. The clan was seeking to disavow losses made by their Baghdad agent during the October 1895 crisis of South African gold shares. He also cites (op. cit. p. 238) a French consular official who opined Armenian merchants were unlikely to get help from BIO during the 1906 financial crisis.
92. B. Der Matossian, ‘The Armenian Commercial Houses and Merchant Networks in the nineteenth Century Ottoman Empire’, *Turcica*, 39, 2007, pp. 147–174; C. Clay, ‘The Origins of Modern Banking in the Levant: The Branch Network of the Imperial Ottoman Bank, 1890–1914’. *International Journal of Middle East Studies*, 26: 589–614.

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