

**DISCUSSING THE PUBLIC DEBT OF THE
EASTERN MEDITERRANEAN COUNTRIES
(1820s-1910s)**

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Introduction

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The question of the public debt of the Eastern Mediterranean countries fuelled intense, heated debate both in the debtor countries and among the creditors, mainly in France and Britain. We aim to show how the credibility of the Greek and Ottoman governments was established and discussed in the leading financial centres (Paris and London), and how contracting foreign loans was perceived, managed and questioned in the debtor countries. In a way the three main articles here can be seen as offering a sort of cultural history of public debt in the Eastern Mediterranean from the 1820s up to the First World War. At the same time, the authors refer expressly to the ongoing, changing debates and the hierarchies of prestige and economic power relating to public debt, national creditworthiness and dependence on international capital.

“Eastern Mediterranean” is one of the labels applied to the regions on the shores of the Mediterranean that for centuries formed part of the Ottoman Sultan’s domains. Starting in the late eighteenth century, the bonds of some of these regions with the Sublime Porte slackened and were called into question, to the point that independent countries began to be formed. The pioneers were Greece and Egypt, the latter still part of the Ottoman Empire *de jure* and paying substantial tribute, but with an autonomy sufficiently pronounced to actually wage war against its formal sovereign in Constantinople. These countries, like the Ottoman

government itself, funded the construction and expansion of their administrative apparatus, armies, navies and infrastructures by international loans (Kiray, 1995; Clay, 2000). In the case of Greece, international loans were intimately bound up with the very emergence of an independent country and determined Greece's position within the system of alliances (Chatziioannou, 2013). In a territory that was considered of great strategic value by the European powers, the loans created much more than purely economic ties between debtor and creditor; they often implied political-military alliance, with all the consequences (Tooze, Ivanov, 2010; Chatziioannou, 2013).

The creditors in the European countries mobilized, lobbied politicians, and used the press and associations to present their own interests as the national interest as such and to convince public opinion and government that the latter should deploy its tools, including diplomatic action and military force, to make sure the debtor countries honored their obligations. They succeeded in forming a symbiotic relationship with their governments. France, Britain, Russia, and Austria, and later Germany as well, put their force behind the bondholders, imposing some measures and policies and preventing others. They also competed with one another to establish their influence in the debtor countries.

For the governing elites of the debtor countries, it became difficult in the extreme to "reconcile the aspirations... to a sovereign government and economic development with its international context" (Tooze and Ivanov, 2011: 30). The creditors, with their governments' backing, imposed various forms of direct control of the debtors' state apparatus. The measures ranged from impounding the income from certain areas or products (in Romania) to the outright takeover of part or all of the fiscal apparatus. For the Ottoman Empire, for example, less than three decades elapsed between the first international loan taken out in 1854 and the establishment, in 1881, of the Ottoman Public Debt Administration, controlled and run by the creditors and employees of European governments that took control of the country's fiscal apparatus (Birdal, 2010). If the inhabitants resisted, the powers did not hesitate to support the creditors with their

military force, even invading debtor countries and turning them into protectorates, as in the case of Egypt (Mitchener, Weidenmier, 2005).

It is no surprise that patriotic elites in the debtor countries often saw the public indebtedness, obligations to foreign creditors, the oscillations due to speculation, and the pressure applied by the creditors as national weakness, dependency, loss of sovereignty. These interpretations fuelled nationalist discourses that, in the late nineteenth century, intertwined with a critique of imperialism. However, we need to acknowledge the complex dynamics of interdependence, reciprocal influence, collaboration, conflict and competition. While national reform movements in the periphery of the world economy denounced foreign intervention and the subservience to foreign interests that was bound up with dependence on foreign capital, at the same time they understood that the “progress of the nation” or the “salvation of the empire” were attainable only if political and economic institutions and “civilised” lifestyles could be imported from the European powers and merged with local political interests and moral values. The creditors, in turn, needed to make sure of the debtors’ reliability and, if necessary, enforce compliance on the “unreliable payers.” But at the same time, naturally, they had a stake in the debtors’ survival and prosperity. Enforcement was often jeopardised by insurgent political movements within the debtor countries that in some cases even appealed to the sympathies of public opinion in the creditor countries and the political interests of the creditors’ own governments. Moreover, the creditors’ attitudes could be put to the test and interests could clash when different debtor countries engaged in military conflict with one another. Such circumstances proved particularly fruitful in developing international norms and regulations: war and credit combined to articulate rules governing regime change or the partition of debt in the event of a successful separatist movement. While many nineteenth-century actors, like present-day historians, emphasised international law as the “gentle civilizer of nations”, more often than not insurgency, war and violence represented an opportunity to articulate, negotiate and impose that law, a process in which all participated but some

wielded much greater military, economic and symbolic power than others (Koskenniemi, 2001).

Historiography in the Mediterranean countries in general tends to present narratives charged with ambiguity regarding capitalism and the related processes and discourses. In principle, this trend is not exceptional; indeed, it permeates the national narratives of the nineteenth century in a good many countries around the world. Even the history of nineteenth-century France, one of the great powers in the age of the birth of global capitalism, and with Paris at the heart of global finance, is often told as a story of stagnation, *retard*, loss of influence. This goes especially for studies of industrialisation and economic development and, particularly in the narratives developed by British and American academics, also the history of science and technology, in which France is portrayed as an eighteenth-century antecedent of the presumed leadership of Britain and Germany in the long nineteenth century, before the torch passes – here too, presumably – to the United States in the mid-twentieth century. In the other countries on the northern shores of the Mediterranean, until the last three or four decades the dominant narrative was simply backwardness and dependence as such. Italy stands out for a more nuanced story, emphasizing the country's impressive capacity to generate and export "human capital" and, in this particular way, contribute to the great transformation consisting in capitalism and industrialization.

The historiography on Greece, the Ottoman Empire and the Balkans, written both in these countries and internationally, has contributed to the classical debate on the effects of capitalism beyond the core European countries. Greece, in particular, has a long tradition of framing the question of the public debt as part of the country's political history (Levandis, 1944; Dertilis, 1989). The discussion has been articulated in terms of economic dependence, in turn ascribed to the deficiencies of the State, political corruption and economic insolvency. From the outset, beginning with the war of independence in 1821, these debates have been linked to economic crises. The latter have tended to fuel Greek nationalism and give weight to interpretations blaming the ills of the nation on foreign

loans. In Turkish historiography, too, the dominant narrative in the twentieth century tended to interpret the management of foreign loans in terms of deficient adaptation of the region, its peoples and its governments to the new dynamics of commerce and production, and their consequent exploitation and subordination to European powers, ultimately producing semi-colonial economic domination (Avcioğlu, 1973; Berkes, 1975). These works stress the destructive impact of the opening up of markets and the influx of foreign goods on local crafts and proto-industries. Obviously, if the fundamental theme is sovereignty, it is no surprise that interpretations centered on Ottoman dependence on foreign elements and the tutelage of the great powers, their intervention in Ottoman internal politics and their aggressive promotion of the interests of European companies and capitalists, are traced to the period when these relations were established and these processes were shaping Ottoman politics. However, this narrative cannot be easily dismissed as a mere sign of wounded national pride. Thobie (1977), Pamuk (1987), Geyikdağı (2011) and others have shown that there was indeed a substantial transfer of economic surplus from the Eastern Mediterranean to the European powers, and the interests of local governments – whomever they effectively represented – were subordinated to those of European finance, with significant political consequences. While they often work explicitly or implicitly with the notions of sovereignty and dependence, some of these studies can be located within Wallerstein's paradigm of world-systems, interpreting the dynamics of sovereignty and dependence as part of the process whereby the Ottoman domains and the nation-states that emerged from the disintegrating Empire were integrated into the world market.

Since the 1990s, there has been a shift towards interpretations that view the nineteenth-century transformations as part of globalisation, a process defined with varying degrees of explicitness and theoretical clarity. The authors that endorse this view sometimes take the change to have been practically unavoidable, a necessary step for the Ottoman Empire and its successor states to participate fully in the world economy. This turn is noticeable also in the studies

on the debt: one finds a shift of emphasis from the domination of the great powers and foreign financiers in the late nineteenth and early twentieth century to an appreciation that the relationships established via credit were a way of integrating Greece (Christodoulakis, 2015; Gekas, 2013; Chatziioannou, 2013) and the Ottoman Empire (Birdal, 2010; Tuncer, 2015) into the international economy. In the last few decades, some authors have come to argue that direct intervention could actually improve the economy in the medium run. Ethem Edhem, for one, argues that the foreign loans, the creation of the Ottoman Imperial Bank and the OPDA effectively spurred sustained economic development, helping to integrate the Empire into the international economy in conditions of stability and credibility (Eldem, 2005, 442-443).

This special issue of the *Journal* enriches the discussion by focusing on the discourses on credit and the set of concepts linked to debt that were the axis of a project for a new “moral economy” in the nineteenth century that was to differentiate modern societies (understood as “liberal,” “up-to-date” or “civilized”) from the ways and workings of the *ancien régime*. International credit relations were a crucial factor in the development of political-economic institutions and of social imagery in the creditor and debtor countries alike. While institutions and the development of certain rules and practices were sometimes a direct imposition by creditors, they could also represent a way for debtors or would-be borrowers to earn goodwill and gain access to financial markets, and very often they followed from a combination of foreign pressure and local expectations and interests. We can interpret these complex dynamics as a transnational process in which the different actors all participated actively, despite the evident imbalance of economic, military, political and symbolic power. The articles in this volume show how debates and conflicts over foreign loans and the public debt shaped nationalist discourses in creditor and debtor countries, helped define national interests and prompted the creation of norms, both within the struggling empires and burgeoning nation-states and in the changeable patchwork of international law.

In our view, if one combines the study of the processes of global integration (the world economy) with an interpretation of modernity as the product of an interaction among peoples and institutions in different parts of the world, rather than the unilateral transfer of European “achievements,” the classical narrative of westernization can be altered or developed in a more nuanced way. The countries of the Eastern Mediterranean appear as laboratories where experiments were conducted and policies, measures, norms and practices were developed for credit, revenues, and trade regulations that would later become tools of global capitalism. Recognisable traces of these instrumental institutions are still to be found in the international interventions of the IMF or the EU. In these laboratories of the Levant, starting with Tunisia in 1869, the agents of the European powers played a leading role, but they were by no means alone in shaping the outcome of what was actually a complex interaction. Local politicians, civil servants, employees, and businessmen were not absent from the scene, and they were certainly never mere passive observers of the foreign intervention. If the balance of power favoured creditors, local resources enabled their interlocutors and staff in debtor countries to carry out their own subordinate but autonomous agendas. The nature of the positions of all the players, in the game instituted by the debt relationship and the new regulatory mechanisms imposed after default, did not depend only on the interests they explicitly defended, or that we attribute to them in our analysis, since interests were defined by discourses. The articles presented here address the discourses of the time on debt, national economic progress, wealth, financial independence, sovereignty, and a host of related concepts and fields, not to mention such broader themes connected to the economic sphere as race, civilisation, and culture. If the new institutions designed to subject the debtor countries that were created in the Levant in the 1870s left their imprint elsewhere in the decades that followed, the discourses surrounding their creation and development shaped the lenses through which future financial crises and settlements came to be seen.

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