BRITAIN’S DEPENDENCE ON FOREIGN FOOD AND SOME RAILWAY PROJECTS IN THE BALKANS*

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“We have often read, as well as heard the sentiment propounded, when attending agricultural meetings in our younger days - ‘that he who makes two blades to grow, where only one grew before, is a benefactor to his country;’ — and, with all the love we bear to our native soil, and all our regard for the several classes more especially connected with it, we cannot but apply the same sentiment to those who are bringing two bushels of wheat to its shores from countries whence only one came before”,

Thomas Forester.

INTRODUCTION

This article aims at an explanation of the factors underlying the attempts of British capitalists towards the construction of a railway system in European Turkey in the second half of the nineteenth century. The phenomenon of capital exports has been dealt with in detail by various writers with almost a universal agreement on the main determinant of capital exports as being the higher rate of return on investments abroad than in the investing country. If we take this conclusion as granted then there is not much scope to further our enquiries, the result having been reached before we hardly start. However, when we pose the question whether there were other reasons together with the attainment of higher rates of profit, we might be able to find some indication of the fact that the capitalists of the investing country were consciously or unconsciously performing a role which was, at first sight, totally unrelated to their immediate aim of finding a more profitable outlet for capital. On the other hand, as soon as we ask this question we implicitly raise the issue of the relative importance of the two roles of such investment, namely, the immediate effects and those which

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are confined to the long run. It might he that the country X investing in country Y obtained huge profits from its investments and nothing else. It is equally probable that the monetary gains of country X were far much surpassed by other economic gains in the longer run.

For example, if country X builds a gas factory in country Y, under suitable assumptions, it is hardly possible that the benefits accruing to country X consist of, anything but profits from running the factory. It is clear that in this case there is no problem of relative importance between short and long run considerations. However, the picture will be quite different if the "surplus" capital of country X is invested in certain fields in country Y so as to affect, some other connected interests in the longer run.

Let us consider the present case. The main factor which induced the British capitalists to invest in the Balkans might be the higher rate of return in the Balkans but, we assert that the specific form of investment, that is, whether capital was expended on a gas factory or on the construction of a railway network, was quite independent of the extent to which the profitability of one investment exceeded the profitability of another. Theoretically, the choice between alternative investment projects depends, from the point of view of the private investor, upon their relative profitability and thus the level of demand. This argument leads us to the conclusion that foreign investments in a country are true indicators of the intensity of demand in that country, with the inference that what the Balkans needed most in the middle of the nineteenth century was a railway network. The theoretical argument is incomplete and the conclusions are, consequently, unacceptable, for the analysis makes no distinction between different sources of demand, that is, whether it originates within the economy or outside of it.

Given the fact that the British investment went to railways, suppose we find that another investment project would have been much more profitable than railways. Than, how are we going to explain the

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1 Foreign railways, on the average, offered a return of 4.93% in dividends and 1.79% in principal on preference stocks. This favourably compares with the 4.7% and 1.8% obtained from home railway preference stocks. Furthermore, the governments of the recipient countries invariably guaranteed a fixed rate of profit by subsidizing the railways whenever the revenue fell short of a predetermined magnitude. Cf., A. K. Cairncross, *Home and Foreign Investment*, Cambridge, 1953, pp. 230 - 231.
apparent contradiction that the British did invest in railways but not in the more profitable area. An explanation would be that the fact that capital was invested in railways is an indication of the higher profitability of this field. This we cannot accept without serious qualification. We hold the view that British capitalists, faced with a series of alternative investment projects all offering a rate of return higher than that in Britain but all having different rates of profit compared with each other, chose that project which came closest to satisfying the long run objectives of the British economy.

The Balkan railways were designed to supply Britain with large quantities of grain. From the point of view of the organic composition of capital in Britain an increase in imported foodstuffs was very important. A larger volume of grain imports at a cheaper price, other things being constant, results in a lower level of variable capital which means a higher rate of profit. The same holds true in the case of constant capital, if the railways were intended to provide Britain with cheaper raw materials. It is, therefore, theoretically possible that the domestic rate of profit can be further increased by investing abroad\(^2\). This is precisely what we mean by "longer run objectives" or "benefits". This theoretical possibility, which will remain at a hypothetical level unless an empirical proof is supplied, should not lead us to the rather abrupt conclusion that the personal intentions of private investors are totally immaterial as long as the results are concerned. An investigation of the business backgrounds of these investors may very well reveal that they were the same persons who would be much pleased to see a higher domestic rate of profit.

Another interesting point in this context is the relationship between exports of capital, especially in the form of machinery and equipment, and realisation of constant capital in the means of production department of the exporting economy. We know that under capitalism the growth of home market is, to a very large extent, determined by the production of capital goods. In order to have reproduction, simple

\(^2\) Rate of profit is defined as the ratio of surplus value to constant capital and variable capital. A reduction of constant capital, by exporting some part of the total stock of machinery in existence, increases the rate of profit. By a "further" increase we mean another elevation of the rate of profit in consequence of either cheaper sources of raw materials or cheaper sources of foodstuffs or both.
or expanded, constant capital in the means of production department should be exchanged *within* the same department. However, this is definitely limited by the personal consumption of working classes. If a crisis is to be avoided either constant capital in the first department should be decreased, which serves a dual purpose, namely, increases the rate of profit *and* helps the realisation of constant capital, or consumption level of realisation of constant capital, or consumption level of large masses should be increased, or both. It appears, therefore, that an investigation of capital exports has more to offer than simply showing that they are chiefly determined by short run considerations of higher profitability.

The following is an attempt to explain the main factors which engendered the problem of disproportionality between consumption and production of foodstuffs in Britain. It is followed by an exposition of the method of solution of the problem.

**DEMAND AND SUPPLY**

From 1810 to 1857 the total population of Britain increased 1.86 times. Cities, where industry was flourishing, doubled or trebled their populations in less than four decades. An immense mass of people became unconditionally dependent upon rural areas for the supply of its daily food. As people concentrated in towns and cities the occupational structure of society changed in favour of non-agricultural jobs.

At the same time eating habits and tastes of people were changing as a result of the growth of town-living. White wheaten bread, for example, had been exclusively consumed by the upper classes in the eighteenth century; the lower strata had had to content with bread made of barley, rye, or oats. However, by 1815, white bread had already replaced other

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4 In 1811, 34.7% of all families worked in agriculture, in 1821 it was 33%, and in 1831, 27.7%. See, Evidence of William Jacob, "Report from the Select Committee on Agriculture, etc.,” *Reports from Committees*, vol. Y, 1833, p. 21. According to more reliable calculations, in 1801, 35.9% of total occupied population worked in agriculture. This ratio shows a falling trend, 33% in 1811, 28.4% in 1821, 24.6% in 1831, 22.2% in 1841, and finally touching 21.7% in 1851. See, P. Deane, and, W. A. Cole, *British Economic Growth*, Cambridge, 1962, p. 142.
kinds of bread in the budgets of working classes\textsuperscript{5}. In 1868 a contemporary writer asserted that the consumption of bread was very large not because it was cheap but because it was, relatively, the cheapest article of food within reach of poor, the next substitute, potatoes, being scarce and relatively very dear\textsuperscript{6}.

A survey of working class family budgets revealed that expenditure on bread constituted the largest single item in total expenditure. In 1825, a coal miner, earning 15/ - per week spent 6/3 on bread; in 1840, a skilled London worker supporting a family of seven and living in relative comfort spent 27\% of his weekly wage on bread; in 1841, a skilled working class family of seven persons, living in Manchester, spent 20/4. weekly, 5/3 of which went to bread\textsuperscript{7}.

Working classes, because of their extreme prolétarisation, were driven down to a level of consumption which included only the bare necessities of life. It would be fallacious to think that they incorporated wheaten bread in their diet as a result of an improvement in the standard of living. Far from that, they preferred wheaten bread because of its cheapness. The most convincing proof of this is the family budget survey already mentioned, which shows that as the weekly wage decreases expenditure on bread increases.

The British agriculture of the nineteenth century was incapable of supplying the growing population with an increasing volume of food-tuffs. The dominance of agriculture by small holdings\textsuperscript{8}, the slowing down of the rate of increase of average yield per acre\textsuperscript{9}, late introduction


\textsuperscript{8} In 1851, out of a total of 286,000 holdings, 137,000 were smaller than 50 acres and 53,300 varied between 50 and 100 acres. See, C. S. Orwing, and, E. H. Whetham, \textit{History of British Agriculture}, London, 1964, pp. 1-2; Lord Ernie, \textit{English Farming}, London, 1961, pp. 290 - 296.

\textsuperscript{9} The British wheat yield is known to be increasing at a faster rate between 1750 and 1850 than in any other period. It was 26.8 bushels per acre in 1850, 25 bushels between 1852 and 1855, and 25.5 in 1866. The overall average in the decade between 1850 and 1860 was 28 bushels. See, J. Caird, \textit{English Agriculture in 1850 - 1851}, London, 1852, p. 747; G. Dodd, \textit{The Food of London}, London, 1856, p. 162; M. K. Bennett, "British Wheat Yield per Acre for Seven Centuries," \textit{Economic History}, Vol. III, 1934-37, p. 28.
of more modern methods of farming and the unsound organization of agricultural credit\textsuperscript{10}, the fall in wheat prices accompanied by an increase in agricultural wages\textsuperscript{11} were some of the factors which contributed to the failure of agriculture. Most important of all was the low level of the rate of profit in agriculture as compared with the rate of profit in industry. The Parliamentary Committee of 1821 recognized the fact that at the prevailing price level the revenue obtained by farmers was by no means adequate to the charges and outgoings and that the return on agricultural capital was considerably below the ordinary rate of profit\textsuperscript{12}. Twelve years after this, the Parliamentary Committee of 1833 stated that no evidence had been given before them of diminished outgoings contrasted with the changes of prices so as to warrant a different conclusion from that of the Committee of 1821\textsuperscript{13}. This gloomy prospect for farmers did not change with the passage of time and in the 1850's "a farmer of average ability and luck might hope, on the average of years, to obtain a cash return of about 10 per cent or a little more per acre"\textsuperscript{14}. As a result, agriculture turned out to be an unattractive area for additional investment. Britain seemed to have reached the proximity of a point in agricultural production beyond which capital could be otherwise more profitably expended than in further attempting to bring more inferior soil under cultivation.

**ALTERNATIVE SOURCES OF SUPPLY**

The unpleasant fact that there existed a disproportionality between the home consumption and production of foodstuffs was accepted as far back as 1833 and a quest for alternative sources of supply was started. The problem of getting the cheaper surplus of other countries was mainly a problem of maintaining a more certain level of demand,

\textsuperscript{12} "Report from the Select Committee on Agriculture, etc.," *Reports from Committees*, Vol. IX, 1821, pp. 3 - 4.
\textsuperscript{13} "Report from the Select Committee on Agriculture, etc.," *Reports from Committees*, Vol. V, 1833, p. 4.
which was believed to increase the supply coming from the east of the Rhine, and, furthermore, considering the want of capital in these areas, an inundation of capital into Prussia\textsuperscript{15}. By a more certain level of demand it was obviously meant the gradual elimination of Corn Laws which stood as a mighty barrier in front of the foreign producer, letting in more wheat, not without a duty, when home price was higher and prohibitively increasing the duty when the price went down. The repeal of Corn Laws would have meant a conscious step taken in the direction of international specialization whereby Britain would have bought foodstuffs and sold her manufactures in return. It would have also meant an explicit recognition of Britain's dependence on foreign food. The 1830's were not a ripe time for repealing the corn Laws. In 1842 a new sliding scale for wheat imports was introduced by which on the lowest end a duty of 20/- was imposed on a quarter of wheat when the home price was 51/- or less, and on the highest end 1/- when the price was over 72/-. Between these two extremes the duty varied inversely with home price. It seems that the desired result, in the form of more wheat imports, was not achieved, the imports fell rather than increased. The following table shows Britain's grain and grain meal imports, of which wheat constituted a large portion.

\begin{table}
\centering
\caption{Table 1}
\begin{tabular}{lcccc}
\hline
Years & 1840 & 1841 & 1842 & 1843 & 1844 \\
\hline
Total Grain & 3,920,014 & 3,627,562 & 3,697,279 & 1,433,891 & 3,030,681 \\
Imports (Imperial Quarters) & & & & & \\
\hline
\end{tabular}
\end{table}


The failure of the 1842 sliding scale in increasing imports may be related to its still prohibitively high rates of duty. The home price of wheat was 57/3 in 1842 which required the imposition of a duty of 15/- per quarter. In the following year the price fell to 50/1 bringing

\textsuperscript{15} Evidence of William Jacob, pp. 17 - 18.
up the duty to 20/-, and in 1844, the price slightly rose to 51/3 with a duty of 19/-. In the immediately preceding years the duty was 6/- and 8/-. In 1846 the Corn Laws were repealed to take effect from February 1849. In the meantime a lower duty was charged and from 1849

<table>
<thead>
<tr>
<th>Years</th>
<th>1847</th>
<th>1848</th>
<th>1849</th>
<th>1850</th>
<th>1851</th>
<th>1852</th>
<th>1853</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grain</td>
<td>11,912,864</td>
<td>7,528,472</td>
<td>10,669,661</td>
<td>9,019,590</td>
<td>9,618,026</td>
<td>7,764,669</td>
<td>10,173,135</td>
</tr>
<tr>
<td>Imports (Imperial Quarters)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: See Table I.

on a nominal duty of 1/- was imposed regardless of home price. The entire repeal waited until 1869. A comparison of Tables 1 and 2 may give an idea about the effects of a lowered duty.

In 1847, when the home price was 69/9 with a new duty of 4/- per quarter, Britain imported more grain than what she had imported in the preceding three years. However, in this specific instance the role of extraordinarily good harvests abroad must not be neglected. In 1848 the home price went down to 50/6 and importers of wheat paid 8/- on a quarter, hence a relatively smaller volume of imports. With a price of 44/3 in 1849, the duty would have been 20/- under the sliding scale of 1842. Thanks to the new law the duty was only 1/- and grain imports increased to more than 10 million quarters. Effects of the reduced duty continued in the following years and Britain imported unprecedented quantities of grain.

Per capita consumption of imported wheat increased from 42.5 lb. in 1840 to 81.8 lb. in 1850, an increase of more than 91%. Other articles of common consumption showed similar increases, bacon and ham 141%, butter 24%, cheese 50%, potatoes 548%, sugar 63.1% and tea 52.4%.

Britain's dependence on foreign food increased to such

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an extent that in 1851 nearly 6 million people lived on foreign bread and about a quarter of every one's bread was of foreign origin. For the period between 1851 and 1859 imported wheat formed 26.5% of total consumption\textsuperscript{18}. By 1868 one fourth of total grain supply had already become foreign, this ratio was 1/9 for beet and mutton, and 1/5, for butter and cheese\textsuperscript{19}. In the following decade these ratios increased to $1/2$ for bread and $1/4$ for meat and dairy produce and it became clear that Britain had to depend on foreign sources of supply for almost the entire addition that might be further required by an increase of her population\textsuperscript{20}.

Russia was one of the chief suppliers of British imports of wheat and her importance grew with the passage of time. In the following table are shown the amounts of Russian grain imported into the United Kingdom and the share of this in total grain imports.

\begin{table}[h]
\centering
\begin{tabular}{c|cc|c|ccc|cccc}
\hline
\multicolumn{3}{c|}{I} & \multicolumn{2}{c|}{II} & \multicolumn{3}{c|}{III} & \multicolumn{4}{c}{III} \\
\hline
\text{Year} & \text{I} & \text{II} & \text{III} & \text{I} & \text{II} & \text{III} & \text{I} & \text{II} & \text{III} & \text{I} & \text{II} & \text{III} \\
\hline
1840 & 443,946 & 11.3 & 3 & & & & & & & & & \\
1841 & 130,274 & 3.6 & 10 & & & & & & & & & \\
1842 & 358,696 & 9.7 & 4 & & & & & & & & & \\
1843 & 82,178 & 5.7 & 5 & & & & & & & & & \\
1844 & 201,435 & 6.6 & 5 & & & & & & & & & \\
1845 & 190,262 & 7.8 & 6 & & & & & & & & & \\
1846 & 473,810 & 10.0 & 4 & & & & & & & & & \\
\hline
1847 & 2,151,768 & 18.1 & 2 & & & & & & & & & \\
1848 & 714,652 & 9.5 & 4 & & & & & & & & & \\
1849 & 913,368 & 8.6 & 6 & & & & & & & & & \\
1850 & 973,029 & 10.8 & 5 & & & & & & & & & \\
1851 & 1,344,417 & 14.0 & 2 & & & & & & & & & \\
1852 & 1,301,826 & 16.9 & 2 & & & & & & & & & \\
1853 & 1,704,887 & 16.8 & 2 & & & & & & & & & \\
\hline
\end{tabular}
\end{table}

\textbf{TABLE 3}

\textbf{Key :} I : Total British imports from Russia in Imperial Quarters  
II : Percentage share of Russian imports in total imports  
III : Rank of Russia among the biggest 13 suppliers of the U.K.

\textbf{Sources :} "Tables of Revenue, Population, Commerce etc, of the United Kingdom", pts. XVIII, XIX, XX, XXII, \textit{Accounts and Papers}, Vol. LII, 1852, P. 74; Vol. LXVI, 1854, P 96; "Returns respecting Grain, Flour, etc.", \textit{Accounts and Papers}, Vol. XCIX, 1852 - 53, P. 458. Column III calculated on the basis of the Source to Table 1.


Between 1840 and 1846, Russia, on the average, annually supplied 7.35% of total British grain imports; this share increased to 13% between 1847 and 1853. The overall annual average for 14 years is 9.86%. This is an important finding in the sense that between 1840 and 1853, competing with the 12 other suppliers of grain, Russia managed to maintain and even to increase her share. The Table 3 shows Russia's place among 13 countries.

With the exception of 1841, which was a year of extraordinarily low imports for the period under consideration, Russia's share never fell below the sixth place and towards the end of the period her position considerably improved occupying the second place for three consecutive years.

Wheat almost always constituted the largest component of Russian grain exports to Britain. Between 1840 and 1859, in 10 years out of 14, the share of wheat was more than 50%. If Table 3 is compared with the Table 4 the importance of wheat may become quite clear.

### Table 4

<table>
<thead>
<tr>
<th>Year</th>
<th>1840</th>
<th>1841</th>
<th>1842</th>
<th>1843</th>
<th>1844</th>
<th>1845</th>
<th>1846</th>
<th>1847</th>
<th>1848</th>
<th>1849</th>
<th>1850</th>
<th>1851</th>
<th>1852</th>
<th>1853</th>
</tr>
</thead>
<tbody>
<tr>
<td>Russian Wheat Imported (Quarters)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: See Table 1.

Tables 3 and 4 tell us that Russia was an important supplier of grain to Britain before and after the repeal of Corn Laws. Her absolute and relative share increased after 1846 and Russian grain commanded a considerable share of the market.

For the period 1827 to 1853 we observe that Britain dominates the import and export trade of Russia purchasing 40% of Russian exports and selling 40% of the Russian imports\(^\text{21}\). However, Russia's

economic importance to Britain from the point of view of British exports, was steadily dwindling\textsuperscript{22} as can be seen in the Table 5.

\textbf{TABLE 5}

<table>
<thead>
<tr>
<th>Years</th>
<th>1840</th>
<th>1841</th>
<th>1842</th>
<th>1843</th>
<th>1844</th>
<th>1845</th>
<th>1846</th>
<th>1847</th>
<th>1848</th>
<th>1849</th>
<th>1850</th>
<th>1851</th>
<th>1852</th>
<th>1853</th>
</tr>
</thead>
<tbody>
<tr>
<td>Declared Value of U.K. Exports to Russia (In Pounds)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share in Total U.K. Exports</td>
<td>3.1</td>
<td>3.1</td>
<td>4.0</td>
<td>3.6</td>
<td>3.6</td>
<td>3.0</td>
<td>3.6</td>
<td>2.5</td>
<td>2.0</td>
<td>1.7</td>
<td>1.4</td>
<td>1.2</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Sources: "A Return of Quantities... exported to... Russia", 

From 1840 to 1848 the share of U.K. exports to Russia in total U.K. exports was about 3.4%, from 1848 on this share constantly decreased. The disharmony between British imports from Russia, and Russian imports from U.K. was mainly due to the protective tariff system applied by the Russian government. In 1804 a government decree prohibited the importation of British manufactures. However, more moderate tariffs were established in 1816 and 1819, due to the intensive propaganda of the Imperial Free Economical Society of Russia. These new tariffs must have so severely violated the interests of manufacturers and some landlords that immediately an anti-free-trade campaign was started and in 1822 the government reverted to a highly protective system under which the importation of textiles,

certain kinds of paper, glass, fine earthenware, and refined sugar was prohibited, and a high duty was levied on iron imports. The new tariff was carried out by Count Kemkrin who believed in the necessity of isolating Russia from the economic system of Europe\textsuperscript{23}. From 1824 to 1846, successive tariffs modified the 1822 tariff and converted its prohibitive aspects into a system of highly protective duties\textsuperscript{24}.

The paralysing influence of the Russian prohibitive system brought forward an uneven development in Anglo-Russian commercial relations. While the importation of Russian grain, and more specifically Russian wheat, into Britain increased, the British exports of manufactured goods to Russia decreased both absolutely and relatively. In the 1840's Britain made some attempts to bring her commercial relation with Russia into a liberal reciprocity, but Russia reasoned that the gradual lowering and final elimination of Corn Laws did not constitute a basis for the reciprocal treatment of British manufactures in Russia for the repeal of corn Laws was an international issue and was made applicable to all countries\textsuperscript{25}. When Britain failed in her attempts in winning Russia to a more freely conducted way of trade she, as the apostle of free trade, found herself in a difficult situation. Consequently a search for alternative sources of supply was started. This new source had to have two characteristics: first, it should be capable of supplying Britain with grain, secondly, it should be a convenient market for British exports.

Wallachia and Moldavia, two Danubian Principalities, met both conditions. Area under cultivation in the Principalities was held to be about 8.5 million acres which was believed to be a mere fragment of the land capable of cultivation\textsuperscript{26}. With a 20-fold yield the Principalities could have supplied six to seven million quarters of wheat annually with every other article of commerce or raw material if sufficient means of transportation were provided\textsuperscript{27}. From the point of commercial

\textsuperscript{26} T. Forester, The Danube and the Black Sea, London, 1857, p. 95.
\textsuperscript{27} E. Spencer, Turkey, Russia, the Black Sea, and Circassia, London, 1854, p. 240.
tariffs the Principalities formed a part of the Ottoman Empire and were subject to the 1838 Treaty of Commerce\textsuperscript{28}. Although in 1843 the Sultan allowed Wallachia to increase the export rate on Wallachian grain to 5% to be paid by native producers\textsuperscript{29} this did not affect grain exports for nearly the entire corn trade of the Danube was in the hands of Greek houses\textsuperscript{30}. When the commercial union of Wallachia and Moldavia was realized in 1848 a common tariff of 3% on exports and imports was established. However in 1850, the import duty was raised to 4% and export duty to 12% to be lowered, afterwards, to 5% except for grain which always remained 3%\textsuperscript{31}.

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of Vessels Leaving the Danube</th>
<th>Number of British Ships Leaving the Danube Direct for Britain</th>
<th>Number of Other Ships Leaving the Danube Direct for Britain</th>
<th>Grain Load of Total Ships Leaving Danube Direct for Britain (Tons)</th>
<th>Dead Weight of Total Ships (Tons)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1843</td>
<td>7</td>
<td>7</td>
<td>-</td>
<td>not known</td>
<td>1432</td>
</tr>
<tr>
<td>1844</td>
<td>26</td>
<td>20</td>
<td>9</td>
<td>31,782</td>
<td>6810</td>
</tr>
<tr>
<td>1845</td>
<td>19</td>
<td>18</td>
<td>26</td>
<td>44,531</td>
<td>9538</td>
</tr>
<tr>
<td>1846</td>
<td>52</td>
<td>52</td>
<td>16</td>
<td>64,710</td>
<td>13866</td>
</tr>
<tr>
<td>1847</td>
<td>394</td>
<td>394</td>
<td>174</td>
<td>577,387</td>
<td>123725</td>
</tr>
<tr>
<td>1848</td>
<td>132</td>
<td>132</td>
<td>106</td>
<td>273,355</td>
<td>58576</td>
</tr>
<tr>
<td>1849</td>
<td>128</td>
<td>128</td>
<td>169</td>
<td>398,392</td>
<td>85370</td>
</tr>
</tbody>
</table>


These facts helped the development of British commercial relations with Wallachia and Moldavia. The Danube, with its tributaries,
was the main channel by which the produce, collected in the interior, was conveyed to Galatz and Ibrail from where it was shipped for exportation. From 1843 onwards we observe an increase, both in number and in tonnage, of the vessels departing from Galatz and Ibrail direct for Britain. Table 6 gives an indication of the development of Anglo-Danubian Trade.

**TABLE 7**

<table>
<thead>
<tr>
<th>Years</th>
<th>1850</th>
<th>1851</th>
<th>1852</th>
<th>1853</th>
</tr>
</thead>
<tbody>
<tr>
<td>Imports from Wallachia and Moldavia (Imperial Quarters)</td>
<td>217,505</td>
<td>624,242</td>
<td>713,876</td>
<td>665,106</td>
</tr>
<tr>
<td>Share in Total Grain</td>
<td>2.4</td>
<td>6.5</td>
<td>9.2</td>
<td>6.5</td>
</tr>
</tbody>
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Sources: See Table 3

The phenomenal increase in the number of British ships clearing off from Danube for Britain showed that, in the Danubian Principalities, the British had found the new source of supply for her grain imports. In Table 7 we exhibit the absolute and relative magnitude of British grain imports from the Principalities.

It is apparent that Wallachia and Moldavia, in the early 1850's, became an important competitor to the Russian grain in the British market. Although, between 1846 and 1853, exports to the Principalities never exceeded 0.4% of the value of total British exports they, at least, afforded a chance of being enlarged and Britain took serious steps to secure an increased volume of trade.

The most important of these steps related to the Sulina Channel, the Danube's only navigable outlet to the Black Sea. During the late 1840's, owing to the accumulation of sand and mud, a bar had been formed at the mouth of the channel where it opened to the Black Sea. Depending upon the changes in the direction of eastern winds and the
volume of water carried by the Danube the depth at the bar varied causing great trouble in the form of extra charges for lighterage, additional insurance, and sometimes loss of the vessel. It was known that a vessel carrying 1000 quarters of grain drew 13 feet water, one earring 1500 quarters 15 feet, and one carrying 2000 quarters 16 or 17 feet. At the end of 1850 the water on the bar was reported to be $9^{\frac{1}{2}}$ feet\(^{32}\) which constituted a great impediment to vessels carrying even less then 1000 quarters of grain. No vessel leaving the Danube managed to get out without paying lighterage. The lighterage was very heavy the rate altering according to the demand.

Lighterage charges, additional insurance, pilotage, and the risk of losing the vessel and cargo, increased the cost of transportation to such an extent that to buy one ton of Russian grain at Odessa became 20/- cheaper than buying from the Principalities\(^{33}\). All the advantage that the Principalities had over Russia was about to disappear when the British government finally pressed Russia to employ a "mud-machine" in cleaning the Sulina bar. In September 1851 the mud machine was so seriously injured that it had to be taken at once to Sevastopol for repairs, the crew and labourers having been discharged. The mud-machine was never repaired and nothing effectual was done by the Russian authorities towards cleaning the bar.

The Sulina mouth of the Danube became nearly impassable, except for vessels of very light burden, owing to the wilful negligence of Russia in allowing the sand and mud to form a bar\(^{34}\). The reason behind this was not difficult to guess; the Russians were under the idea that as long as the Sulina Channel was kept obstructed causing a fall in the Danubian trade the commerce of Odessa must increase\(^{35}\). Between 1840 and 1854 about 83% of Russian wheat exports was made through

\(^{32}\) The original body of correspondence relating to the state of the Sulina Channel and the demands of British government on Russian government for the removal of the bar is kept in the Public Record Office, London, copies are printed in the "Correspondence with the Russian Government respecting Obstructions to the Navigation of the Sulina Channel of the Danube", Accounts and Papers, Vol. CII, 1852-53, pp. 561 - 614.


\(^{34}\) E. Spencer, Op. cit., p. 89.

the Southern ports on the Black Sea and more specifically from Odessa. A competitor on the Black Sea was not desirable and measures had to be taken to preserve the privileged status of Odessa. An authority on the period accepts that one of the most significant factors which produced the Crimean War was the commercial rivalry between the southern provinces of Russia and the Danubian Principalities.

With the Paris Treaty of 1856 the Russian control of the mouths of the Danube was removed and an international commission was set up to carry out the immediate work of cleaning the Sulina Channel. It appeared that the international commission was not of much help and at the end of 1856 the master of a British vessel reported that the depth of water on the bar was 10 ft. 3 inches and he had to pay a lighterage charge of 6/- per quarter.

When the estimates by Austrian engineers for works on the St. George and Sulina, intended to ensure a depth of 14 feet, turned out to be £800,000 with an annual expenditure for extension and repairs of £14,000, it became clear that the "alternative source of supply" had to be supplemented with alternative means of transportation.

For this purpose it was proposed to construct two railways, one connecting Tchernova on the Danube with Kustendjie, other, a longer one, connecting Rustchuk with Varna, Burgaz, Edirne, and Dedeağac with a planned branch from Edirne to Tekirdağ and Istanbul. In July 1857 the "Danube and Black Sea Railway and Kustendjie Harbour Company" with a capital of £300,000 was incorporated under the joint Stock Companies Act and obtained a concession from the Ottoman government to construct the first railway.

37 Ibid., p. 180.
39 T. Forester, Op. cit. 152. The vessel was of 1200 quarters register and drew 11 ft. 6 in. Freights at the time were 9. per quarter to England.
40 Ibid., p. 31.
RAILWAY PROJECTS IN THE BALKANS

The second railway was most favourably recommended to the Porte and detailed engineering examinations of the country were made. It was hoped that the advantages of the line would be sufficient to induce capitalists to take a part in the enterprise. For a variety of reasons the first project succeeded, the second failed. The following is the story of the second line.

THE RUSTCHUK - ISTANBUL RAILWAY

On the 26th of July, 1856, G. Cruikshank, artist, and J. Gibbs, civil engineer, visited Sir Austen Henry Layard, then the Under Secretary of State for Foreign Affairs, and asked him to obtain from the Ottoman government a concession for the construction of a railway in European Turkey. They explained to him that they had been working on a plan of a railway for the last three years and they were anxious to bring it forward in those days because it was clearly the most proper time for such a purpose for the war with Russia had ended sometime ago. On July 29 Layard left for the Continent for an official visit. Before his departure Cruikshank made sure that he had a manuscript copy of the prospectus (there was not enough time to get it printed) and the plan of the railway in order that in the event of Layard's being in Istanbul and applying for a concession he might have all the documents necessary for the purpose.

Layard was one of the directors of the Ottoman Bank and Cruikshank wanted him to interest the directors and the managers of the Bank in favour of the proposed company. In this way it would be quite easy to raise the necessary funds for the guarantee money which would certainly be required by the Porte. Furthermore, Cruikshank must have thought, if the assistance of the Ottoman Bank were obtained

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42 The Proposed Imperial (Medjidieh) Ottoman Railway, its Purposes and Prospects, London (?), 1857, pp. 5-6. Hereafter referred to as PIOR.


44 For the narrative we have heavily drawn on Layard's private and official correspondence which is kept in the Manuscripts Department of the British Museum.

45 Cruikshank to Layard, 14 Feb., 1857, Add. MSS. 38985, Layard Papers, Vol. LV., ff. 129 - 130.
it would be extremely valuable for the future activities of the company. In return he asked Layard if he would fill the position of chairman of the company. All these Layard promised graciously and gave a letter to Cruikshank, addressed to Drake and Co., the solicitors of the Ottoman Bank so that, if required, they could attend to any matter during his absence.

Upon his arrival in Istanbul, Layard found out that the Capital was seething with concession hunters and the market was very competitive indeed. Amongst others there was a certain Larking who was after a concession for the construction of a railway between Istanbul and Edirne. He was acting as an agent for a group of English contractors and engineers. Colonel Chesney, of the celebrated Euphrates Valley Expedition, was there; Messrs. Gisborne and Wilkings were after a similar concession, and, another rival, Sir Hector Stubble, was also present. Although their success would be detrimental to Layard's cause he was not irritated at all by their presence. He counted on his very close friends whom he had met when he had been an unpaid attache of the British Embassy in Istanbul.

He approached the Ottoman Government with a proposal to construct "The Imperial (Medjidieh) Ottoman Railway ...., to develop, to the utmost extent, the resources of Turkey, to bring its Capital and its most productive provinces into the shortest communication with the centre and West of Europe, and at the same time to complete the European portion of the direct route to India".

It was most surprising that he did not ask for any kind of kilometric guarantee. This was quite unusual in the sense that at that time no one could dream of getting the public to subscribe to the shares of a railway company when there was not any governmental guarantee on the profitability of the proposed railway. Some concessionairies wanted

48 PIOR, p. 3.
to play it so safe that they even tried to obtain an additional guarantee from the British government\(^{49}\).

Layard must have counted on two factors which were greatly in his favour, first the immense resources of the Ottoman Bank to which he had easy access as a direco, and secondly, the fact that, on paper at least, the undertaking looked very promising and a large volume of traffic could be expected to render the enterprise quite profitable. If this aspect of the line were properly publicised, arousing the greediness of the public for profit, then the shares could have been sold even in the absence of a guarantee. Another possible explanation of this unexampled course adopted may be that Layard wanted to avoid the interference of the Turkish authorities. He was well aware of the fact that a state guarantee was invariably accompanied by claims to participate in the management of the enterprise. Commenting on this issue the *Times* concluded that the "dubious guarantee of the Turkish government in the present state of its finances ought scarcely come into consideration"\(^{50}\) when the large profits offered by the line were taken into account.

However, he asked, upon the advice of J.B. Mitchell, a British resident in Istanbul\(^{51}\), for an exclusive right to the working of forests, mines, and quarries in the *immediate* vicinity of the line. After making his proposal Layard left Istanbul for London, commissioning H. E. J. Stanley to act as his representative. This was very clever of Layard because, apart from the fact that Stanley was an energetic man who could push his way through the bureaucratic maze of the Porte, he had influential friends and relatives in the Foreign Office who could be manipulated to overcome the opposing attitude of Viscount Stratfort de Redcliffe, British Ambassador to the Porte, which was founded on personal motives only\(^{52}\).


\(^{50}\) Times, Jan. 15, 1857. However, the future practice of the kilometric guarantee system proved that this comment was utterly wrong. See, "Report by Major Law on Railways in Asiatic Turkey", Accounts and Papers, Vol. XCVI, 1896, C. 8019, pp. 761-794.


Despite the severe competition from other parties and the resistance of Viscount Redcliffe, Stanley succeeded in convincing the Grand Vizir, Reşid Pasha, and other people, like Sami, Mehmet, and Namik Pashas, who held high administrative posts\(^{53}\). As a result an Imperial Firman was issued and consequently a concession, ratified by the Council of Tanzimat, was granted\(^{54}\). Gisborne and Wilkins protested immediately. Stanley, having seen that Reşid Pasha might yield under pressure, was obliged to remind him that he could not oppose a decision of the Council of Tanzimat unless under cogent reasons which did not exist. He also planned to get Ahmet Vefik Pasha, who was a very close friend of Layard, to exert his influence in governmental circles\(^{55}\). Meanwhile, one of the prospective partners in the company, G. G. Zarifi, an Istanbul merchant and the owner of a sizeable farm near Burgaz, independent of Stanley, was playing an important role in winning Reşid Pasha over to the side of Layard\(^{56}\).

Although it was not possible to find out the grounds on which the objection of Gisborne and Wilkins rested this must be a legitimate one because it was not rejected straight away but, instead, they were advised, together with Larking who was still courageously fighting to obtain his concession, to amalgamate with Layard. Of the response of Gisborne and Wilkins we know nothing. Larking was a sensible man who had a great respect for the old dictum "If you can't beat 'em, join'em." He wrote to his contractors recommending them to see Layard in London and talk the matter over. At the same time Stanley was trying to persuade Layard to accept an amalgamation which would suit both parties. He had good reason to believe that Larking's people had a large capital which they intended to employ in Turkish railways. One of them was a ship owner who embarked in that enterprise on account


\(^{54}\) Stanley to Layard, 16 Jan., 1857. Add. MSS. 39135, Layard Papers, Vol. GCY, ff. 13 - 14. The Turkish government looked at the plan apparently with great delight for "it was accepted within one week and the Firman dispatched to London within the shortest of time which official forms would allow—a dispatch of business unexampled in the annals of the Porte." PIOR, p. 4.


of the indirect profit he would make by employing his ships in the carrying of construction material.\footnote{Stanley to Layard, 19 Feb., 1857, Add. MSS. 39135, Layard Papers, Vol. CCV, ff. 32 - 33.}

The Porte instructed Musurus Pasha, the Turkish Ambassador to London, to urge them to join Layard. The representative of the groups, E. Price, a railway contractor, communicated to Layard his desire to have an interview with him. Nothing came out of the interview. Price objected to the absence of a guarantee; although he admitted that a guarantee was only necessary to give confidence to the ignorant he also explained that they were in this business solely for the sake of profit and expressed his sincere feelings about the impossibility of the amalgamation if a safe return on capital was not secured officially by the Ottoman government.\footnote{Price to Layard, 4 March, 1857, Add. MSS. 39135, Layard Papers, Vol. CCV, f. 39.}

It is remarkable that the Porte granted more than what Layard had asked. He was given three months to get up a company although he had asked for two months. He was granted an exclusive right to work the forests and mineral resources within ten miles of the line\footnote{PIOR, p. 26.} whereas he had asked only for the immediate vicinity. No wonder the concession was considered as "a proof that the Turks will do things better if they are left alone than if they are interfered with."\footnote{Times, 30 Jan., 1857.}

The concession was granted on the condition that a caution money of 2\% of the proposed capital of the company should be deposited with the Turkish government within three months.\footnote{Stanley to Layard, 16 Jan., 1857, Add. MSS. 39135, Layard Papers, Vol. CCV, ff. 13-14.} On a proposed capital of £ 5,000,000, Layard had to deposit £ 100,000, as an earnest of the intentions of the company, before the 23rd of April, 1857.

The first thing to do, therefore, was the formation of a company first duty of which would be to raise the deposit money and then, to offer the shares of the company to the public. Layard did not have any difficulty in forming a Board of Directors consisting of five persons, including himself, who were eager to be engaged in business with Tur-
key. He thought that it would be worthwhile if the Board included a Turkish businessman. With this intention he invited P. Hava, a Turkish merchant resident in London, to become a director of the company. Hava refused the post on the pretext that the conscientious performance of the duties of a director would be inconsistent with the duties he first owed to his commercial establishment. However he was ready to advance £5,000 towards the caution money. Being turned down by Hava, Layard was about to make intimations with other Turkish businessmen when he was approached by two Istanbul merchants, G. Zarifi and Mihran Bey Duz, who promised to contribute £10,000 to the deposit, and buy £1,000,000 worth of shares. Another good news came from Izmir that a certain Baltazzi, a landowner, would give £5,000. The remaining £80,000 could be gathered either by personal subscription of the persons connected with the undertaking or by selling shares to the public. The second course was very difficult to pursue because of the depressed state of the money market. Layard had already been warned against the dangers of the second method.

On the 26th of March Layard informed the Turkish Embassy that he encountered unsurmountable difficulties in obtaining the caution money and that he would try his best to keep his promise of depositing the £100,000 before the determined point of time. On

64 G. Zarifi and Mihran Bey Duz to Layard, 12 Jan., 1857, Add. MSS. 39054, Layard Papers, Yol. CXXIV, ff. 15 - 16.
65 Laurence to Layard, 24 April, 1857, Add. MSS. 39135, Layard Papers, Yol. CCY, ff. 75 - 77.
66 PIOR, p. 4.
67 Laurence to Layard, 21 April, 1857, Add. MSS. 39135, Layard Papers, Yol. CCY, ff. 63 - 64.
69 Uzielli to Layard, 9 April, 1857, Add. MSS. 39135, Layard Papers, Vol. CCV, ff. 55 - 56.
the 11th of April he had a list of about 20 people who committed themselves to contribute £ 40,000. Adding to this the £ 20,000 subscribed by Hava and the others in Turkey he faced a deficiency of £ 40,000. After some deliberation it was suggested, by Drake and Co. who were now acting as the solicitors of the company, to submit the scheme to the public thus producing the necessary money to make up the deficiency. Laurence and Hutchinson House was appointed brokers to the company and assigned the almost impossible task of raising £ 40,000 in ten days' time. Layard was unwilling of running the risk of a failure which might have prevented the successful execution of similar undertakings in the future. The plan was abandoned immediately after it had been adopted. In the meantime £ 15,000 more was subscribed, £ 10,000 in England and an additional £ 5,000 by Zarifi. Layard felt convinced that he could do no better than that and wrote to Musurus and Reşid Pashas stating that the amount he raised in England, i.e., £ 50,000, was a remarkable achievement in that most adverse state of the money market and that the Porte should accept the £ 75,000 thus raised and the company be granted permission to commence the surveys of the line immediately.

On the 24th of April, one day after expiration of the allowed time limit, Musurus Pasha sent two letters to Layard, one official and one private. In the former he expressed his regret that he had to consider it his duty to declare the concession void because the company failed to pay the caution money. In the latter he assured Layard in confidence and privately that if he received from the Turkish government an answer authorising him to admit Layard's private demand he could withdraw the official communication and let Layard act according to the instructions given. Musurus actually received the instructions he had been expecting from the Porte and immediately communicated

them to Layard\textsuperscript{74} but it was too late because the subscribers, having heard that the concession was nullified, had already withdrawn their subscriptions\textsuperscript{75}. This was the end of the project.

It is evident that the project failed because of the failure of the company in collecting the required deposit. In the case of the Tchernova-Kustendjie line the company was asked to deposit 2\% of its proposed capital of £300,000, not in cash but in coupons of the Ottoman loans in circulation in Europe\textsuperscript{76}. If a lower rate had been applied to Layard's line it could have been constructed connecting the vast granary of the Principalities with Istanbul and the Aegean Sea. The Ottoman Bank was unable to provide any assistance in raising the caution money because of the general curtailment of credit.

It is interesting to note that the proposal found its most ardent supporters not in Britain but in Turkey in those who had succeeded the Levant Company and who represented the British interests in European Turkey\textsuperscript{77}. Zarifi's interest in the line needs no elaborate explanation. Having a sizeable farm near Burgaz, which was an important stop on the proposed route, he would have gained by the construction, first, by obtaining fast and cheap means of transport for his produce, and secondly, by the appreciation of his land in value. Apart from contributing to the caution money and promising to buy a considerable amount of shares he, together with numerous inhabitants of Rustchuk and Varna, petitioned the Turkish government in favour of the scheme, "offering to subscribe for the purchase of land belonging to private individuals, and to present it gratuitously to the state for the purposes of the line"\textsuperscript{78}.

In conclusion, we can assert that the Tchernova Kustendjie and the Rustchuk-Edirne-Dedeaga§-Istanbul railways were intended to inc-

\textsuperscript{74} Musurus Pasha to Layard, 26 April, 1857, Add. MSS. 39135, Layard Paper, Vol. CCV, ff. 79 - 80; Musurus Pasha to Drake and Co., 26 April, 1857, f. 81; Musurus Pasha to Layard, 29 April, 1857, f. 82; Layard to Reşid Pasha, 1 May, 1857, Add. MSS. 39054, Layard Papers, Vol. CXIX, f. 27.

\textsuperscript{75} Laurence to Layard, 21 April, 1857, Add. MSS. 39135. Layard Papers, Vol. CCY, ff. 63 - 64; 24 April, 1857, ff. 75 - 77.

\textsuperscript{76} Article 20 of the Concession, see, T. Forester, Op. cii., pp. 223 - 224.


\textsuperscript{78} PIOR, pp. 4 - 5.
rise and to obtain as cheaply as possible the grain imports of Britain. The failure or success of these projects would, to a certain extent, determine the course of real wages in Britain which was closely dependent upon Britain’s eagerness to finance railway building abroad. As long as the sums invested in foreign railways grew in volume Britain would obtain more and cheaper foodstuffs checking the deterioration of real wages and improving the standards of living. These railways would, in turn, increase the money incomes of the areas where they were located, by providing cheaper means of transport and by encouraging an extension of the area cultivated. An increase in money incomes would eventually lead to an increase in imports of manufactures, most probably from Britain.

The heavy fall in the price of imported foodstuffs between 1880 and 1900 is attributed to the activities of British capitalists in financing the foreign railways after 1870. We have tried to show that these two railway projects in the Balkans were the first steps taken towards an effectual control of the prices of imported foodstuffs. We have also tried to show that the main concern of British investors was not the high return on invested capital but an increase in the amount of grain flowing into Britain.

ÖZET

BRİTANYA’NIN YABANCI YİYECEK MADDELERİNE BAĞIMLILİĞİ
VE BALKANLARDAKİ BAZI DEMİRYOLO PROJELERİ

Yazıda, 19. yüzyılın ikinci yarısında, İngiliz sermayesinin Osmanlı İmparatorluğu'nun Batı Eyâletlerinde giriştikleri demiryolu projelerinin amaçları araştırılmaktadır.

Aynı demiryolu projesinin ayrıntılı olarak incelenmesi İngilizlerin söz konusu projelere girişirken kâr oranlarından ziyade ucuz yeyecek teminini ön planda tuttuklarını ortaya koymaktadır.