

## OTTOMAN EMPIRE ON THE EVE OF THE GREAT WAR

### ÇAĞLAR KEYDER \*

The impression that narrow domains of interest inevitably result in academic niceties lacking great import unfortunately carries large subscription. Not only is it forgotten that *a priori* theories -usually arrived at through historical regression from contemporary structure-eventually have to be tested against factual findings relating to the explained continuum, but that the same theories might be accordingly revised without unduly contracting their sweep of influence. When data are thought to be lacking, it is certainly a respectable endeavour to derive a conjectured picture of economic structure in a particular period through historical interpolation. However it is amply demonstrated in this book<sup>1</sup> that much of the complaint against lack of data for the last decades of the Ottoman empire has been unfounded. There is, in fact, sufficient statistical wealth to be dug up which might be used to test and revise conjectural theories that until now could be accepted only in terms of internal consistency and logical progression.

Yedat Eldem's purpose is to suggest a revision in widely accepted theories relating to the period between 1890 and 1914, which present the Ottoman empire as a helpless prey to imperialist domination that collapses both politically and economically under concerted pressure. While the political collapse might indeed be obvious, Eldem claims that diplomatic weaknesses of the Istanbul government are too facilely assumed to signify economic stagnation and backwardness of the entire empire. In reality these 25 years were a period of unusual economic stability, consistent growth, and overall development of productive powers. Eldem complains that both foreign and Turkish scholars have too persistently analysed the weaknesses and final demise of imperial finances, while ignoring the real variables that denote a strong economy

\* Assistant, Department of Economics and Statistics, Middle East Technical University,

<sup>1</sup> Yedat Eldem, *Osmanlı İmparatorluğu'nun İktisadî Şartları Hakkında bir Tetkik*, Türkiye İş Bankası Kültür Yayınları, İstanbul, 1970, 327 pp.

underneath. He rightly suggests that the financial situation, which, as the volume of debts increased, was coming more and more under the control of Ottoman Public Debt Administration, could have been ameliorated if the government had taken steps towards decreasing foreign dependence through fiscal reform. Because the real economic system was healthy it could withstand greater taxation, and especially with the idealistic but economically innocent Young Turk administration, the country could have been set on a path of industrial development.

However, and this part has not been sufficiently stressed by Eldem, the mechanisms for mobilization of surplus into activities conducive to prompt an industrial accumulation of capital were totally lacking. The question we should try to answer is if potential surplus were high, how did it disappear? Why were there never sufficient capital funds supplied? Of course, the pattern of trade, exporting agricultural products and importing consumption goods, (investment goods amounted to between 9-10 % of total imports) implied that, to an extent, urban dwellers, especially more than 1 million people in Istanbul, were using most of the agricultural surplus, which was between 13-14 % of GNP, to raise the level of their consumption up to European standards. Of the fiscal and financial institutional methods of surplus mobilization, the second was non-functional until the last years of the period under consideration. Foreign banks, like the Ottoman Bank, and the Bank of Salonica were merely agents for state debts or financed the operations of foreign merchants within the empire. The Agricultural Bank, founded in 1881, was instrumental in mobilizing small savings for farm credit. Although its operations were somewhat decentralized and its volume of deposits never greater than 3 % of total deposits in the Ottoman Bank, it managed to dispose of as much as 22 % of total credits supplied in 1913.

As to public finance, the government could not utilize the important control mechanism of raising import duties because of binding international treaties. The tax burden which amounted to around 13 % of total income fell almost exclusively on agriculture. Because an efficient system had not evolved, urban activities usually escaped taxation, while farmers provided between 80 and 90 % of tax income, which further made the sum of revenues susceptible to harvest fluctuations.

Between 1897 and 1909, around 30 % of the government budget was allotted to the Ottoman Public Debt Administration, for debt

servicing. During the same period military expenditure fluctuated between 35-45 % of the budget. Public servants were paid enormous salaries. A fifth class accountant collected 6 times the average payment for a laboiei. Higher officials received as much as 100 times which allowed them to place conspicuous mansions on the banks of Bosphorus.

Even with this much waste, the Young Turk government increased the proportion of investment expenditure out of the budget from 3 % before 1908 to 8 % in 1913, and passed a law for the promotion of industry in 1913. (This law which provided for tax exemptions, land grants, and preferential treatment from the government encouraged the establishment of 117 corporations in 2 years, as opposed to an average of 3 per year between 1903 and 1913.) Eldem estimates the rate of investment between 1907 and 1914 to be between 8 and 9 % of GNP, 5 to 6 % of that figure being investment in construction. This investment allowed for a growth rate of 2.2 % for the 25 year period as a whole, which compares favorably with other unindustrialized countries of the beginning of twentieth century. The final year before the war, real GNP index (1890 = 100) went up 12 points from 142 to 156. If it had not been for the war, even with these incomplete measures on the part of Young Turks, Turkey might have proceeded a long way in its capitalist development, a trend already visible in 1870; when all internal impediments to trade and industry were abolished, and a long term price stability set in.

However, for this to happen, it was compulsory to avoid imperialist financial control which prevented the government from behaving like its counterparts in Russia and Japan, actively participating in economic development. Debt servicing in the final years of the period had reached 3-4 % of national income. Another 1.3 - 1.5 % was taken out of the country in the form of repatriated profits. These liabilities in the balance of payments plus the trade gap required new debts amounting to 3.5 - 4 % of GNP every year. Whether it would have been possible to increase taxation in order to balance the budget and to pay off previous debts, thus preventing the escape of surplus, is a question which requires assumptions as to the political behaviour of imperialist countries against such an eventuality.

It is evident that the period before the war was a crucial one for the political-economic development of Turkey. Eldem's inquiry

provides us with a wealth of statistical information and a study of each of the components in the national economy: agriculture, mining, industry, transportation, trade, and financial institutions, which are then combined to arrive at an estimate of national income, to my knowledge, the only one for this period. In addition to national income estimates, certain basic elements of the structure of the economy like the balance of payments, the government budget, and the pattern of wages and salaries are examined. Eldem summarizes his findings as "a stable structure of prices and currency, temperate growth in an environment of large freedom, increasing dependence on foreigners, a heavy financial burden, an economic policy lacking direction . . . . In spite of all this there were the first signs of an industrialization movement after 1908, which was stopped short because of wars, thus causing inestimable damage to the country."

Eldem's study raises many interesting questions, although his purpose is not to find all the answers. It serves an extremely valuable mission in pointing out realms requiring farther study, and is a timely reminder that some readily accepted conclusions might be up for testing and revision.