

II. GREAT BRITAIN AND THE BEGINNINGS OF THE OTTOMAN PUBLIC DEBT, 1854-55

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IN 1929 the historian of European financial control in the Ottoman Empire—that most significant factor in the affairs of the Near East at the turn of the nineteenth century—found ‘the seed of the idea’ of European control in the second Turkish foreign loan, raised in 1855.¹ Nevertheless, he added virtually nothing to the brief and rather inaccurate account of this transaction given in 1903 by that able retired official of the Ottoman Bank, A. du Velay.² It may therefore be worth while to discuss, from the profusion of evidence now available, the circumstances in which this loan and its predecessor of the year before were raised, and the extent and significance of the foreign control which these transactions introduced into Turkey.

The first Turkish loan of 1854 was far from being a bolt from the blue. It is in fact surprising that Turkey entered the international money market so late. When the great reforming minister Reschid Pasha was first in office, in the diplomatic crisis of 1839-41, detailed arrangements were made with some English bankers through the Turcophil British ambassador at Constantinople, Lord Ponsonby, for a loan upon the security of the customs of Constantinople, Salonika and Smyrna. These bankers also demanded however a guarantee by the British Government, and this was not forthcoming. Palmerston insisted that it was ‘quite impossible for H.M.’s Government to take any part or to give any security direct or indirect’. There was, he believed, ‘no middle course on a matter of this kind. H.M.’s Government should either entirely abstain from saying anything which can sway individuals in regard to advancing their money to a foreign government, or else they should agree to a treaty of Guarantee, and propose that Treaty to Parliament for its sanction and confirmation.’³ If the British Government was reluctant to give financial help, and believed only in helping the Turks to help themselves, the Turks, westernizing reformers apart, were equally reluctant to seek it. Only when Reschid was for the second time in office was a foreign loan again attempted, this time as a corollary of certain other badly managed financial changes. In 1851 a contract for a loan of 55 million francs was actually signed in Paris.

¹ D. C. Blaisdell, *European Financial Control in the Ottoman Empire* (New York, 1929), 28.

² See his *Essai sur l'Histoire financière de la Turquie* (Paris, 1903), 142-7.

³ Palmerston to Ponsonby, no. 279, 30 December 1840, Public Record Office, London, MSS., Foreign Office (afterwards cited as F.O.), 78/391. The incident is discussed in F. S. Rodkey, ‘Lord Palmerston and the rejuvenation of Turkey, 1830-41’, *Journal of Modern History*, II (June 1930), 219.

But the conservative opposition again triumphed, Reschid was dismissed and the Sultan refused his ratification of the agreement. The contractors however had rashly already opened the subscription, with much publicity. An indemnity of 2,200,000 francs was paid to the disappointed subscribers;⁴ nevertheless, Turkey could hardly have made a more disastrous *début* in the Western money market. This cancelled transaction made it almost impossible for her to borrow on her own credit alone.

Even the pressures of the Russo-Turkish war and then of the Crimean War itself broke this deadlock only with difficulty. After Sinope, France advanced 10 million francs, but clearly much more was needed, and at the end of 1853 the Porte dispatched Namik Pasha to effect a loan in London and Paris. 'The Sultan told me the other day', wrote Lord Stratford de Redcliffe, the 'Great Elchi', privately from Constantinople to Lord Clarendon, then British foreign secretary, 'that he had consented in time of war to a Loan which he had thought it right to stand out (*sic*) in time of peace. In this as in other matters', Stratford went on, 'necessity is the only effective lever against Islamism.'⁵ But 'Islamism' was still strong enough to ruin whatever chance Namik had of raising a loan. He himself was ill-chosen for such a mission, and he insisted on abiding by his quite unrealistic instructions not to borrow below an issue price of 95. 'Any man of ordinary experience or capacity would have got the money long ago,' was Clarendon's opinion on 13 March, 1854, 'but he has insisted on having the same terms as England might make a loan (*sic*) in times of profound peace!'⁶ Both the unfortunate Namik and Musurus, the Turkish minister in London, had supposed that the British Government would use its influence for them in the City. But Gladstone, then chancellor of the exchequer, insisted that 'the wishes of the Ministry weigh exactly nothing in regard to a question of lending money to a Foreign State',⁷ and from this passive position nothing would move him.⁸

Nevertheless, as England and France themselves moved nearer to war with Russia, this 'sink or swim' British attitude became increasingly untenable. When in March 1854 Reschid asked the French and English Governments to advance 10 million francs, to be repaid with interest on Namik's completion of the loan (which was confidently expected in Turkey),⁹ the whole question had to be considered by the Cabinet. Unfortunately for the Turks, on

⁴ Du Velay, p. 138.

⁵ 7 April, 1854, Public Record Office, London, Private Stratford Papers (afterwards cited as F.O. 352), F.O. 352/38.

⁶ Clarendon to Stratford, F.O. 352/40.

⁷ Gladstone to Stratford, 24 December 1853, F.O. 352/39. Palmerston and Sir Charles Wood did not share Gladstone's ideas. At the beginning of March 1854 they were urging 'certain men of money' to lend to Turkey (Public Record Office, London, Private Cowley Papers (afterwards cited as F.O. 519), F.O. 519/170, Clarendon to Lord Cowley, British ambassador in Paris, 7 March 1854).

⁸ See A. H. Layard's reproaches in the House of Commons on 23 July 1855 (Great Britain, 3 *Hansard*, cxxxix, 1298).

⁹ Reschid to Musurus, 2 March 1854, F.O. 78/1047.

financial matters Aberdeen's Government was entirely ruled by Gladstone, and Gladstone was at that very moment committing himself to a policy of financing the war by taxation, not loans. In his first war budget speech on 6 March 1854 he pledged himself to do his utmost to avoid increasing 'the immense and crushing weight of this great, permanent and standing debt of ours'.¹⁰ No loans, no subsidies—these were the pillars of Gladstone's war finance, and he had no hesitation in upholding them in the Cabinet with all the strength which his financial and parliamentary reputations gave him. Namik Pasha finally abandoned his attempt, and Rothschild agreed to try to raise a loan on commission at 85; but even Rothschild's failure left Gladstone unmoved. He still insisted that the 'Turks' need for financial help was not established. If it were, then he thought an outright gift the best plan, a guaranteed loan the next best, and a direct loan (as suggested by the French Government) the worst. But he warned Clarendon: 'The practice of subsidizing was carried to so frightful an extent during the last war, that any proposal of the kind would be most severely scrutinized by Parliament and strong proof of necessity would be justly required from us.' A little later he told Clarendon: 'The House of Commons would never consent to reward such ignorance, or obstinacy, or *incurie* [as the Porte's] by advancing money,' and moreover, 'the people of England would never grant a subsidy or make an advance out of the taxes raised in the year and we should consequently have to resort to a loan and the financial system upon which we are now proceeding to carry on the war would be upset.'¹¹ At that moment Gladstone was probably correct in asserting that the House of Commons would not agree to a subsidy. In that early 'phoney' stage of the war his doctrines won wide approval, reflecting as they did the commonplaces of the last generation of financial reformers, and their hysterical denunciation of the vast expansion of the national debt caused by lavish subsidies in the wars against France. Inside the Cabinet this condemnation of all subsidies was wholeheartedly shared by Aberdeen himself and by the influential first lord of the admiralty, Sir James Graham,¹² and anxious though Clarendon was to help the Turks, he felt himself too bad a judge of financial matters to refute their arguments.

When in June 1854 the Turks began a third attempt to raise a war loan abroad, they proved they had learnt a lesson from Namik's amateurishness. This time they sent as negotiators two foreign merchant bankers of Galata,

¹⁰ *Hansard*, cxxx1, 374.

¹¹ Gladstone to Clarendon, 18 March 1854, British Museum, London, Additional MSS. (afterwards cited as Add. MSS.), 44529, fo. 67; Clarendon to Stratford, 3 April 1854, F.O. 352/40. Rothschild agreed to make an attempt on 22 March and had failed by 29 March.

¹² In the early summer of 1854 their attitude also prevented Lord John Russell and Clarendon from carrying the Cabinet in support of the French proposal for a subsidy treaty with Sweden.

Messrs Black and Durand—‘rather an odd mode of proceeding’, as Clarendon commented,¹³ but one that showed that the Turkish Government was now prepared to pay the market price.¹⁴ Even Sir Charles Wood, then at the India board but a former chancellor of the exchequer and the Whigs’ financial pundit, admitted that the terms offered by the Turks ‘are good and ought to produce the money’.¹⁵ They offered moreover two special securities: the assignment of the Egyptian tribute to the servicing of the loan, and the deposit of the firman for the loan in the Bank of England, safe from all risk of emendation. But the guarantee of the allied governments was only to be asked for when all independent efforts had failed, and this instruction Black and Durand insisted upon obeying.

Such reluctance to ask for a guarantee by no means suited the French, who soon mooted a guarantee to the British on the ground that only thus could the allies be enabled to control the expenditure of the money raised by the loan.¹⁶ Their real aim however, at least according to the British ambassador at Paris, was very different—to secure an exclusive right to interfere with the revenues of Egypt. This Clarendon was determined to prevent.¹⁷ If the French insisted upon a guarantee, they must not be allowed to give it alone, and to this view he endeavoured to convert the Cabinet. Aberdeen’s preference for an outright subsidy had too little chance of parliamentary approval to be considered seriously;¹⁸ but Gladstone’s views could not be so lightly dismissed. Gladstone however, although he did not agree that a guarantee should be given for the sake of securing the right of surveillance (in his opinion Britain’s ‘immense’ war efforts already entitled her to intervene), was prepared to give one if it were proved that the Turks were absolutely incapable of borrowing without it.¹⁹ This position the Cabinet adopted, though with the further proviso that a guarantee must be explicitly linked with control of expenditure. When rumours of these Anglo-French discussions leaked out the Turks were naturally indignant, both at the assumption that they could not raise a loan independently, and at the demand for surveillance over its expenditure.²⁰ Black and Durand obstinately continued their efforts, which in any case had to be patiently endured, Clarendon knew, because only their complete failure

¹³ Clarendon to Stratford, 8 June 1854, F.O. 352/40.

¹⁴ Cf. Stratford to Gladstone, 10 June 1854, F.O. 352/39.

¹⁵ Wood to Clarendon, encl. in Clarendon to Stratford, 14 June 1854, F.O. 352/40.

¹⁶ Clarendon to Gladstone, 2 July 1854, Add. MSS, 44133, fo. 21.

¹⁷ Clarendon to Cowley, 30 June 1854, F.O. 519/170.

¹⁸ Aberdeen to Clarendon, 6 July 1854, Add. MSS. 43189, fo. 99; Clarendon to Cowley, 7 July 1854, F.O. 519/170. Aberdeen disliked ‘haggling about securities which are worth nothing’.

¹⁹ Gladstone to Clarendon, 6 July 1854, Add. MSS. 44529, fo. 114. Gladstone’s anxiety to avoid upsetting his Ways and Means arrangements probably explains his consent to a guarantee at this juncture. At other times he preferred the plan of a subsidy.

²⁰ Clarendon to Russell, 5 July 1854, Public Record Office, London, Russell MSS. (afterwards cited as P.R.O. 30), P.R.O. 30/22/11; Clarendon to Stratford, 8 and 13 July 1854, F.O. 352/40.

could justify a guarantee in the eyes of Gladstone and Parliament. Not until 28 July did they give up their attempts.

But by this time the Turkish Ministers had become so nervous because of these unexpected difficulties and long delays that instructions were forthwith sent to the Turkish envoys in Paris and London to promise the allies 'any control they please' in return for their guarantee.²¹ Before these instructions reached London, however, on 8 August, the Turkish loan negotiators were given fresh hope. The firm of Goldschmidt and Palmer, believing that only the memory of the repudiation of 1851 deterred English capitalists from lending to Turkey, offered to try to raise a 6 per cent loan at 80 if Clarendon would 'certify' that the negotiators were fully authorized and that the terms would be honoured.²² This Clarendon agreed to do, after hastily consulting Russell and Gladstone and slightly weakening Goldschmidt and Palmer's wording, on condition that the stock exchange was sounded first—'a second failure would have been fatal to Turkey'.²³ Thus when four days later the Turkish envoy reported his new instructions to ask for a guarantee and agree to allied control, Clarendon was thrown into a dilemma. To guarantee the loan would secure better terms for the Porte as well as control for the allies; on the other hand it would mean still more delay—perhaps one of months, if Parliament's consent was needed, for Parliament had that day been prorogued. Nor surprisingly, in view of their desire to avoid a guarantee if at all possible, the Cabinet (or rather such Ministers as were still accessible in the middle of August) preferred to support Goldschmidt and Palmer's attempt and to emphasize the advantage to Turkey of having 'a *locus standi* of her own in the money market'.²⁴ The subscription to the loan was accordingly opened, and was heavily over-subscribed.²⁵

This *dénouement* created universal surprise. The truth was, however, that France alone had really wanted a guarantee. The Turks wanted money with no strings attached; the British wanted to control Turkish expenditure but avoid financial liabilities. Only the French had political as well as financial objectives. 'I think the lien on Egypt is the bait that tempts them', Clarendon at last confided to Stratford on 12 August. A few days later he confessed:

I was anxious the independent loan shd succeed on acct of the extraordinary desire manifested by the Fr Govt for a guarantee which went to the point of offering to give it *alone* as they knew we might have some Parlt^y difficulties—the pretext for this was the necessity of controlling the expenditure of the money but the real

²¹ Stratford to Clarendon, no. 441, 10 August 1854, F.O. 78/1000; D. Revelaky to Stratford, 2, 9 and 12 August 1854, F.O. 352/40.

²² Clarendon to Russell, 8 August 1854, P.R.O. 30/22/11.

²³ Clarendon to Stratford, 18 August 1854, F.O. 352/40. Clarendon thus pursued precisely the middle course which Palmerston denounced in 1840, and had in fact been prepared to do so as early as February 1854 (Clarendon to Cowley, 17 February 1854, F.O. 519/170).

²⁴ Clarendon to Stratford, 12 August 1854, F.O. 352/40.

²⁵ Full particulars of the terms are given in the *Economist*, 19 August 1854.

motive I am convinced was the lien on Egypt wch France wd have had by the revenue of that Country being affected to the payment of the int^t.²⁶

It is these conflicting objectives of the three powers which chiefly explain the events of the next few months.

The French several times tried to wreck the loan and undermine Turkish credit. At Constantinople Benedetti, the French *chargé d'affaires*, urged that the terms were onerous and hinted that the Porte should again withhold its ratification. 'What is done, is done', was Stratford's retort, and Clarendon appealed to Gladstone to demonstrate that the terms of the loan were in fact quite good.²⁷ Reschid compromised by ratifying the contract but reserving the terms on which the last £3 millions of the loan might be raised.²⁸ When Drouyn de Lhuys, the French foreign minister, added his certificate to Clarendon's, Stratford felt that the danger of a French-inspired repudiation was over;²⁹ but the French attempt to get some lien on the Egyptian tribute was not abandoned. Benedetti claimed that the mortgage of the Egyptian tribute must be equally assigned to the Bank of England and the Bank of France, despite the fact that the London firm of Goldschmidt and Palmer were the sole contractors for the loan. In the end he was ordered to withdraw this claim,³⁰ but the long delay in sending the firman thus caused had dealt another blow to Turkish credit.³¹ The intrigues of rival French financial groups which Drouyn countenanced had the same result. The promoters of the abortive Ottoman Bank project of 1853 in particular publicized their prior claim to the Egyptian tribute with unfortunate success.³²

While French politicians and adventurers were in various ways hindering the success of the loan, the British were trying to secure effective control over its expenditure. Stratford de Redcliffe, that ardent protagonist of reform in Turkey, had been bitterly disappointed by the contract with Goldschmidt and Palmer, for he had expected much from the mixed control commission which a guarantee would have secured.³³ Clarendon did not hesitate however to tell him to advise the Turks '*unofficially*, to *volunteer* some special measures of control, as only my certificate secured the loan'.³⁴ Stratford thereupon attempted to 'combine efficiency with respect' in a plan for a special committee of three Turks, with one British and one French representative, to pay

²⁶ Clarendon to Stratford, 12 and 18 August 1854, F.O. 352/40.

²⁷ Clarendon to Gladstone, 20 September 1854, Add. MSS. 44133, fo. 23; Gladstone to Clarendon, 22 September 1854, Add. MSS. 44529, fo. 148; and Clarendon to Stratford, 23 September 1854, F.O. 352/40.

²⁸ Pisani (the English dragoman) to Stratford, 29 August 1854, F.O. 352/42; Stratford to Clarendon, no. 477, 31 August 1854, F.O. 78/1000.

²⁹ Stratford to Clarendon, no. 481, 4 September 1854, F.O. 78/1001.

³⁰ Revelaky to Stratford, 29 September 1854, F.O. 352/39; Cowley to Clarendon, 3 November 1854, F.O. 352/37.

³¹ Clarendon to Stratford, 3 November 1854, F.O. 352/40.

³² Reschid's official denial of these claims had to be posted at the stock exchange (cf. the *Economist*, 2 September 1854).

³³ Stratford to Clarendon, 16 August 1854, F.O. 352/40.

³⁴ 18 August 1854, *ibid.*

out the loan money and superintend its application with the assistance of agents of its own. In any dispute the Turkish view was finally to prevail, but the commission was to be independent of the Turkish Government.³⁵ Stratford's plan won Gladstone's rather grudging approval,³⁶ and also, what was considerably more important, was accepted by the Turks. On 11 October the names of the five loan commissioners were officially announced.³⁷

Stratford had got so far so fast only because the Turks failed to realize that the loan control committee was intended to represent an important new departure. A 'Commission of Seven' was already in existence for arranging the *rentrée* of the loan money, and indeed Revelaky, the Galata banker in whom Stratford confided, originally wanted the new committee simply as a means of foiling his rival Baltazzi's attempt to use the old commission to keep up the rate of exchange to his own profit.³⁸ Thus the new committee at first appeared to be little more than yet another group of local bankers appointed to do the financial business of the government by drawing bills against the loan and pegging the exchange. Its nature and objects were uncertain, its footing unsure (since it existed only by the grace of the Porte), its two western members were both heads of local commercial houses who had long been involved in the financial intrigues of Galata, and at least one of its Turkish members was closely linked with their rival Baltazzi and systematically obstructing its work. All this—not to mention the obstacles created by the Turkish system as a whole to any clear appropriation of funds to military purposes—meant that the control committee of 1854 attempted little by way of control of expenditure as opposed to simply making the loan money available.³⁹ Indeed Clarendon was soon convinced that the unnecessarily expensive methods employed to get the loan funds to Turkey proved that even this side of its business was not managed with strict economy or integrity.⁴⁰

³⁵ Stratford to Clarendon, no. 481, 4 September, and no. 493, 10 September 1854, enclosing his proposals, F.O. 78/1001.

³⁶ 'Always assuming,' added Gladstone, revealing his complete ignorance of Turkish circumstances, 'that there will be a good Custos of the money in the shape of some trustworthy Bank' (Gladstone to Clarendon, 23 September 1854, F.O. 352/40). 'There is no "bank" wherein to place the produce of the Loan', was Stratford's brief reply (Stratford to Clarendon, 5 October 1854, *ibid.*).

³⁷ The Turks were Mehemed Bey (the president), Kabouli Effendi and Rashid Bey (controller of the finance department). D. Revelaky was nominated by the English embassy and David Glavany by the French. Both were 'very respectable' local bankers. Pisani to Stratford, 11 October 1854, F.O. 352/37; Stratford to Clarendon, no. 507, 14 September 1854, F.O. 78/1001.

³⁸ Revelaky to Stratford, 7 September 1854, F.O. 352/40.

³⁹ Revelaky was chiefly concerned with checking the threatening rise in the rate of exchange and with providing for the secure custody of the loan money (cf. his reports to Stratford in October and November 1854, F.O. 352/40). The committee voted sums to the Turkish departments but knew nothing of their expenditure (Revelaky to Stratford, 10 March 1855, F.O. 352/42).

⁴⁰ To the indignation of Horsley Palmer, Black (who was an ally of Revelaky) and Durand were appointed the London agents for accepting bills and forwarding bullion to Constantinople (Clarendon to Stratford, 3 and 23 November 1854, F.O. 352/40).

By the end of the year Clarendon was equally disillusioned about the chance of the Porte's establishing the 'independent credit' whose importance he had stressed in the summer. The appointment of the unknown Black and Durand as agents for the loan, the mere lithographing of Goldschmidt and Palmer's signatures on the bonds, the unsatisfactory wording of the firman guaranteeing the Egyptian tribute—all these blunders had renewed old doubts about Turkish credit and forced the loan down to a heavy discount.⁴¹ Yet after the battles of the Alma, Balaklava and Inkerman British blood was up. It was clear that to capture Sebastopol would be a long and difficult business, that more troops were urgently required, and that they could only be found abroad, in the shape of auxiliaries and mercenaries. In these circumstances the reports that Omer Pasha's army was melting away for want of pay made intolerable reading. 'What are the Loan Commissioners about?' was Clarendon's indignant question to Stratford on 22 December 1854.⁴² To both the Turks and their allies it was clear that the course of action taken in 1854 could not be repeated in 1855. The Turks realized that they had now no chance at all of borrowing on reasonable terms without an allied guarantee; and the allies saw that a much stricter scheme of control was essential if they were to get any military benefit from a loan. In Britain the disasters of the winter were creating a great revulsion of feeling against economy in war expenditure, and after the final resignation of Gladstone and the Peelites in February 1855 this public eagerness for victory whatever the cost was much more accurately reflected in the Cabinet.

By the spring of 1855 the Turks' need was indisputable. Very little was left of the 3 millions sterling already raised; obviously the remaining two millions must be negotiated at once.⁴³ Accordingly on 5 April 1855 the Turkish envoys officially asked the French and British Governments to guarantee one million sterling each. A month later the old stock was rising fast in response to public confidence that the guarantee would be given. In fact however the British Cabinet was still reluctant. 'We, or rather the House of Commons, object to all guarantees and subsidies,' explained Clarendon to Stratford, 'and there were evident symptoms the other night notwithstanding the popularity of the Sardinian alliance that the money part of the Treaty was most unpalatable.' But, he concluded, 'the Cabinet will I suppose agree to it if it *must* be.'⁴⁴ But on 22 May the new Turkish Ministers Fuad and Aali, who had ousted Reschid on 2 May, decided that much more was needed in view of the collapse of the peace negotiations at Vienna and the extensive military operations now envisaged. They accordingly proposed that a wholly new loan of 5 millions sterling should be raised under the allied guarantee by the Turkish

⁴¹ Cf. *Bankers' Magazine* (December 1854).

⁴² F.O. 352/40.

⁴³ Only 40 million piastres remained on 15 February 1855, and 'the Seraskier is constantly pouring new demands for money upon us', Revelaky reported to Stratford (F.O. 352/42).

⁴⁴ 9 April 1855, *ibid.* The Sardinian alliance involved a British loan to Sardinia of £2 millions.

envoy in London, with additional revenues as security.⁴⁵ Even to this the British Government soon felt it must agree in principle, although the largeness of the sum involved at first provoked a stunned refusal.⁴⁶

The only serious difficulties with regard to a guarantee in 1855 were in fact about its form, and were made by the French. From the beginning they refused to contemplate two separate guarantees each covering half of the loan, as the Turks and British had proposed and as had been done in the closest precedent, the guaranteed Greek loan of 1832. They could not afford to risk a blow to the régime's prestige. 'She [France] does not want to appear in the market,' Clarendon explained, 'as that would make manifest the difference of credit between the two countries, but she also does not want to appear in a convention with us but prefers to have a separate agreement with us binding her to pay half the interest to us if the Turks should fail to pay. I fear however', he rightly added, 'that this won't suit the House of Commons.'⁴⁷ Nevertheless on both points the English gave in. Under the convention signed on 27 June 1855 the guarantee was to be joint and the loan was to be negotiated in England, and if the Turks defaulted, England was to pay the interest due; and at the end of July the French signed a declaration undertaking to repay half of any money so advanced. They also insisted that the Turks must specify a particular source of revenue to be devoted to the interest and sinking fund of the loan—whereupon the Turks specified the customs of Smyrna and Syria in addition to the remainder of the Egyptian tribute.⁴⁸ The terms of the guarantee of 1855 were thus dictated by the French. 'They know by experience', Clarendon ruefully confessed, 'how much we will submit to rather than disturb the good understanding between the governments and the armies if we can possibly prevent it.'⁴⁹ In spite of his pliability, it was 16 July and nearly the end of the session before the ratifications were exchanged and the chancellor of the exchequer, Sir George Cornewall Lewis, could begin the operations in the House of Commons which Clarendon had dreaded for so long.

Clarendon's fears proved more than justified: on 20 July the financial resolution authorizing the guarantee was passed by a bare majority of three, and on 23 and 27 July two further heated debates took place. This near-defeat of a resolution essential for the implementation of an international convention which the executive had already concluded created a great stir both at home and abroad. It has since been regarded as the work of an opposition 'as

⁴⁵ D. Revelaky to Stratford, 22 May 1855, F.O. 352/44; Fuad to Musurus, 11 June 1855 (where the point is made that a loan on bad terms would jeopardize reforming efforts in Turkey). The ousting of Black and Durand from the business is another indication of the decline of Stratford's influence in Constantinople at this time.

⁴⁶ Clarendon to Cowley, 31 May, 1 and 2 June 1855, F.O. 517/171.

⁴⁷ Clarendon to Stratford, 11 June 1855, F.O. 352/42.

⁴⁸ The convention is printed in Du Velay, p. 142. Successive drafts with French alterations can be studied in F.O. 78/1157.

⁴⁹ Clarendon to Stratford, 2 July 1855, F.O. 352/42.

formidable as its constituents were distinguished'⁵⁰ and cited as both a cause and an example of British scepticism about Turkish resources and British reluctance to lend to the Turks. Such an interpretation, however, entirely mistakes the real nature and significance of the opposition to the guarantee.

To begin with, the division of 20 July was a snap affair in a thin house. In the early hours of the same day a major motion attacking the government's conduct of the war had been defeated by a majority of 107, and this debate was expected to be the last great parliamentary struggle of the session. Two hundred and sixty-seven members divided on the guarantee in an atmosphere of rudely shaken exhaustion and relief, as against 471 in the earlier division. This element of surprise and 'plot' not only outraged government circles but powerfully reinforced the factious air which so heterogeneous an opposition—made up of Peelites, Tories, Manchester pacifists and doctrinaire radicals—inevitably wore. In fact the government's bare majority of 20 July was merely yet another proof of the weakness of its control over the unruly and disorganized commons.⁵¹

Moreover the objections to the guarantee raised by the opposition were as strangely assorted as their political backgrounds. Turkey's needs and resources were far less coherently treated than the financial burdens of loans and subsidies and the risks of uncontrolled expenditure, executive high-handedness in signing the convention without informing Parliament, its defective drafting and translation, and the financial and diplomatic dangers of a joint guarantee with France.⁵² In the main the opposition was merely playing upon three well-worn parliamentary themes: financial extravagance, parliamentary privileges and suspicion of France. Gladstone's remorselessly logical mind, it is true, had moved away from the familiar financial arguments with which he too had earlier been preoccupied to the political risks and legal difficulties which the joint nature of the guarantee implied, but he knew that even after he had three times expounded his case neither the House nor the Government had at all grasped his position. Uneasiness about the right of occupation implied by the assignment of special revenues and the infringement of Turkish sovereignty that this would mean, a rigorous legal argument to show that England's liabilities were greater than those of France—such points, justified though they were by later events, won little response in 1855.⁵³ Thus the debates on the guarantee illustrate not parliamentary opinion upon the intrinsic desirability of financial aid to Turkey, but rather the dominance inside Parliament of ancient prejudices, financial, constitutional and diplomatic.

⁵⁰ Blaisdell, p. 52; Du Velay, p. 147.

⁵¹ Cf. *Leaves from the Diary of Henry Greville*, ed. Viscountess Enfield, 2nd ser. (London, 1884), 230.

⁵² The debates are to be found in *Hansard*, CXXXIX, 1212-68, 1283-1313, 1438-45, 1463-1513 (20, 23 and 27 July 1855).

⁵³ After the last debate on the subject Gladstone felt impelled to expound his views at great length to the solicitor general (Add. MSS. 44337, fos. 150-8).

As a guide to public opinion outside Parliament, they are worse than useless. The nation at large was far more favourably disposed to Palmerston's Government and far more deeply committed to the war than its representatives, and had undergone an emotional revolution in the tense winter of 1854-5 which the Commons, elected three years before on the moribund issue of agricultural protection, did not share. The opposition might be right in discerning serious financial and diplomatic risks in the joint guarantee, but in the summer of 1855 such arguments came both too late and too soon for the British public. The guarantee was a necessity of the alliance against Russia with Turkey and France. Perhaps it was a cruel necessity; but to a people still almost hysterically aware of those yet more cruel necessities of war, suffering, disease and death, such arguments could not appear as anything but irresponsible and unpatriotic quibbles. *The Times* as usual caught the mood of the country: 'In war we must do that which is necessary for the present emergency', it thundered. Even the opposition press found the parliamentary opposition to the loan 'more curious than creditable'.⁵⁴ The followers of Disraeli and of Cobden had little popular esteem to lose in 1855, but the reputation of the Peelites and especially of Gladstone may well have reached its nadir with this episode. They had in fact made a great miscalculation. 'I by no means regret the part taken by us on the Turkish loan', wrote Graham to Gladstone obstinately. 'The warning will not be inoperative. It marks the reluctance of Parliament to sanction a return to the fatal system of Loans and Subsidies; and it will prove to our Allies, that the war mania in England is beginning to subside.'⁵⁵ In reality it did neither. At home the opposition appeared to be either 'an excited array of pedants in finance'⁵⁶ or downright mischievous and disloyal. Abroad their manœuvres seemed only to prove that the criticisms of English political institutions which had been gaining ground since 1848 were justified indeed, and that representative government was as impotent in diplomacy as in war. Clarendon himself gloomily adopted this continental point of view and despaired of his country's political system. He was forgetting how little Parliament really represented the country by 1855. Mr Punch knew better. His comment on the division of 20 July—'So much for the wisdom of Parliament!'⁵⁷—well conveys its remoteness from the views of the British public.

To the government and the country, then, the guarantee was simply a necessary part of a vigorous war policy based upon alliance with Turkey and France. As such it received parliamentary assent. 'The result will be', said Clarendon with relief, 'that no foreign government ever made a loan on such

⁵⁴ *The Times*, 24 and 28 July, *Daily News*, 23 July, *Spectator*, 28 July 1855. Of all the leading national and provincial newspapers only the Peelite *Morning Chronicle* was favourable.

⁵⁵ 27 July 1855, Add. MSS. 44163, fo. 199. As late as February 1856 Disraeli felt it necessary to justify his opposition to the guarantee on much the same grounds (C. F. Vitzthum von Eckstaedt, *St Petersburg and London* (London, 1887), I, 190).

⁵⁶ *Morning Post*, 23 July 1855.

⁵⁷ *Punch*, 28 July 1855.

good terms',⁵⁸ and his prediction was soon abundantly fulfilled. Since the guarantee put the new loan on the same footing as British stocks, and consols stood at 91, it was obvious that the new Turkish 4 percents would be issued above par; but Rothschild's tender of 102½ was still a very good one.⁵⁹ Moreover the Porte was to receive the money without paying commission, and the Bank of England undertook to manage the loan on the same terms as a British Government loan.

Nevertheless, whether because of French reluctance or simply to avoid further delay, the allies failed to insist upon the simultaneous acceptance by the Turks of a detailed plan of control. Stratford from the first appreciated the seriousness of the omission. Several days after the Convention had been signed he was instructed to present to the Porte together with the French ambassador an identic note based upon a memorandum on control which had been agreed between the French and British Governments.⁶⁰ The memorandum was an excellent one, inspired by the recommendations Stratford had made in the light of his disappointments with the committee of 1854. The control commission of three now planned was to have the extremely important new function of approving and supervising all contracts to be paid for from the loan; and its two western members were to be official financial experts—a stipulation of the French finance minister's which was welcomed by Clarendon as giving the Turks a chance to 'learn how to introduce something like order and regularity into Turkish finance'.⁶¹ But these stringent arrangements Stratford was expected to persuade the Porte to accept simply for their own sake. He could express only 'confident hopes'; his French colleague was with difficulty persuaded to do even that.⁶² Not until 14 January 1856 was the constitution of the new control commission finally agreed with the Porte, and not until 24 January did it officially open its sittings. By 6 February only £1,891,919.6 of the loan had been sent out to the east,⁶³ and most of this had been released to the Turks only recently and by roundabout arrangements. To have most of the money raised the summer before on grounds of urgent military necessity still lying in the Bank of England, inevitably caused great indignation at home. 'There will be a row when parliament meets', predicted Clarendon on 4 January 1856. 'Some of the Tory and Radical papers are already crying out about the injustice done to the Turks and are attributing

⁵⁸ Clarendon to Stratford, 28 July 1855, F.O. 352/42.

⁵⁹ Cf. *Economist*, 18 and 25 August 1855.

⁶⁰ Public Record Office, London, MSS., Treasury (afterwards cited as T.) 64/584, Clarendon to Stratford, no. 542, with enclosed memorandum, 6 July 1855. Cf. Clarendon to Stratford, 30 June, and Stratford to Clarendon, 11 July 1855, F.O. 352/42. The alterations made by the French can be studied in Cowley to Clarendon, 4 July 1855, F.O. 27/1071.

⁶¹ Clarendon to Stratford, 30 June 1855, F.O. 352/42.

⁶² On the French attitude cf. Cowley to Clarendon, no. 881, 5 July 1855, F.O. 27/1072. Fuad undertook to maintain the principle of control admitted in 1854 when he first applied for the guarantee.

⁶³ 'Statement of sums sent to the Porte under article 4 of the Convention' (return to an order of the House of Commons of 4 February 1856), T. 64/384.

the fall of Kars solely to our withholding from the Turks the means necessary for relieving the place.'⁶⁴ The real explanation of the deadlock—conflicting aims about the powers of the control commission—could hardly be publicly produced.

In fact negotiations on this point were inextricably caught up with the conflict over the great question of reform in the Ottoman Empire, and the final establishment of the commission at the end of January 1856 may be seen as a harbinger of the great Hatti-Humayun of 21 February. Stratford, that zealot for reform, regarded the control commission as a uniquely promising opportunity for levering the Turkish ministers 'into a more regular and responsible course of dealing with the public expenditure',⁶⁵ and was determined not to let the opportunity slip. But Clarendon and the British Cabinet, although they supported reform in principle, were far more concerned in this particular matter simply to increase the efficiency of the Turks as military allies. The French Government however cared comparatively little about this; moreover it supported only a qualified programme of reform in general and protested repeatedly that the independence of the Porte must not be encroached upon. Indeed at Constantinople Thouvenel, the new French ambassador, refused altogether to press for reform. Finally Fuad and Aali, the ministers who had replaced Stratford's ally Reschid in the French-assisted *coup* of May 1855, were anxious to introduce enough paper reforms to prevent foreign intervention, but no more.⁶⁶

The tug-of-war was prolonged and in the course of it Stratford and his home government, as often before, found themselves at cross purposes. In particular Stratford and his new-found ally, the young barrister sent out as the English loan commissioner, Edmund Hornby,⁶⁷ fell foul of the Treasury. Stratford took his stand upon a detailed *projet* drawn up by himself at the end of September which was 'as stringent as the circumstances of the case, the opinions of our ally, and due consideration for the Porte's dignity would allow'.⁶⁸ But to the Treasury expert appointed to supervise the business of the loan in London, Stratford's *projet* seemed unreasonably strict and distrustful of the Porte. Sir Alexander Spearman of the national debt office was wholly ignorant of and probably indifferent to the vast internal problems of Turkey, and moreover responded increasingly to the charm of Musurus, with whom he did much business. He strongly urged that the Turks should be given their money without too many strings, if only for the sake of the Turkish armies, and the chancellor of the exchequer, Sir George Lewis, adopted his views.⁶⁹ Hornby's claims that the Turks despite their protestations were

⁶⁴ Clarendon to Stratford, F.O. 352/44.

⁶⁵ Stratford to E. Hornby, 16 August 1856, T. 64/386.

⁶⁶ Cf. H. W. Temperley, 'The Last Phase of Stratford de Redcliffe, 1855-58', *English Historical Review*, XLVII (April 1932), 216-31.

⁶⁷ Lord Hobart was not sent on this occasion (as stated by Blaisdell, p. 28 and Du Velay, p. 142).

⁶⁸ Stratford to Clarendon, no. 757, 30 September 1855, F.O. 78/1157.

⁶⁹ Spearman to Lewis, 26 October 1855, *ibid.*

deliberately obstructing the establishment of the commission for reasons both of pocket and pride, and that their military operations were suffering thereby not at all,⁷⁰ seemed to Spearman quite unacceptable. Clarendon realized that the responsibility for delay probably did lie with the Turks, but he was far too cynical about the prospects of reform in Turkey to risk sacrificing the Turkish armies on that unpromising altar. Accordingly Spearman's counter-*projet* was officially approved and on 3 November 1855 dispatched to Stratford,⁷¹ who ignored it. A month later, when Hornby refused to consider adequate the *pièces justificatives* finally submitted by the Turks about allocations of money from the first loan (the only point still at issue), Spearman reacted even more strongly. 'I see no way out of the difficulty but a peremptory decision and direction from home', he told the chancellor of the exchequer.⁷² Accordingly on 21 December Stratford was instructed: 'H.M.'s Government consider that it will be sufficient to require fair proof that good faith has been kept in the application of the money and that it has not been wantonly squandered away, without insisting upon a rigorous system of account with vouchers for every item of expenditure.'⁷³ Privately Clarendon explained apologetically: 'we must not in guarding our interests in one way allow them to suffer too much in another.'⁷⁴

The British Government thus presented Fuad with a powerful weapon against its own ambassador. By the beginning of January 1856 he felt driven to use it, and threatened to adopt Spearman's proposals forthwith.⁷⁵ Stratford however did not hesitate to exploit the counter-weapon given him by his control over the specie already sent out. He may also have been assisted by the great impetus to Turkish agreement on reform given by Russia's acceptance of the Austrian peace terms on 17 January. Nevertheless it was a personal triumph when on 23 January 1856 the Porte accepted his original *projet* of 20 September with only slight modifications. He had been placed in an increasingly weak position by his government, and above all by the Treasury, which persisted in judging the Turks' behaviour by the standards applicable to a western power and entirely failed to comprehend or even suspect their tortuous manoeuvres. Undoubtedly only Stratford's and Hornby's firmness prevented the Turks from virtually escaping control altogether on the plea of urgency. Both men felt keenly their government's ignorance and impolicy. 'Persons at a distance have been thrown off their guard by artful representations', Stratford claimed. He proceeded powerfully to defend his long stand.

⁷⁰ Hornby to Clarendon, no. 4, 10 October 1855, *ibid.* Cf. Lady Hornby, *Constantinople during the Crimean War* (London, 1863), 91.

⁷¹ Clarendon to Stratford, no. 909, 3 November 1855, T. 64/384.

⁷² Spearman to Lewis, 17 December 1855, *ibid.*

⁷³ Clarendon to Stratford, no. 1072, 21 December 1855, *ibid.*

⁷⁴ Clarendon to Stratford, 21 December 1855, F.O. 352/42.

⁷⁵ Pisani to Stratford, 8 January 1856, F.O. 352/43.

In procuring the establishment of the first Loan Commission I had in view not only a strict application of the proceeds of the Loan to their intended object, but also the introduction of a wholesome foreign agency into the financial operations of the Porte to serve as a precedent for its extension to other departments of the administration where it is equally indispensable. The experiment . . . was not without results; it kept the traditional abuses of the Porte's expenditure within certain limits; it habituated the Turkish Ministers to foreign co-operation in such matters, and it prepared the way for a more stringent process of superintendence in future.

It was in consequence of your Lordship's complete adoption of these views that I submitted a plan of proceeding which in the opinion of persons best acquainted with the subject was more or less necessary for exercising an efficient controul over the expenditure of the forthcoming loan. . . . If the delays, which the Commissioners were unable to avoid, have had the effect of checking this propensity to keep open the channel of abuse, and of securing as stringent a controul as an efficient direction of the Sultan's forces by land and by sea, admits of, they are not to be regretted.⁷⁶

Were Stratford's hopes fulfilled? How much did the commission achieve? Its work began too late and ended too soon to have any chance of complete success. In the long breathing-space after the loan had been raised, many army contracts were rushed through in order to evade its control; and only three months after its sittings began, peace was made. By the end of July 1856 the loan was virtually spent. The indomitable Stratford still insisted on a last attempt to secure from the Turks the vouchers upon which the commissioners had insisted for so long. But at the end of September the commissioners formally closed their meetings⁷⁷ and received their commemorative snuff-boxes from the Sultan.

'All said and done,' wrote Hornby forty years later, 'I do not believe that more than half a million was misapplied.'⁷⁸ He may not have been far wrong. His own appointment was a good one, for he possessed great adaptability and a flair for getting on well with others, however hostile or alien they might be. His ignorance of the east and of finance was soon remedied. Stratford put him in touch with Revelaky, who quickly initiated him into 'the peculiarities of Turkish finance and humbug',⁷⁹ and he left all the office work and accounting to his very expert French colleague, Cadrossi, while devoting himself to the field work and personal investigations for which he was so well suited. 'I could scent out rascality pretty fairly', he remembered: moreover he was often put up to abuses by those who saw this as an easy way to clear off personal grudges. He undertook a great many inspections of the troops, having learnt that it was necessary to count the corps and ask the rank and

⁷⁶ Stratford to Clarendon, no. 152, 8 February 1856. Hornby's 'Observations on Sir Alexander Spearman's report of December 17', dated 9 January 1856 (*ibid.*), gives a valuable account of all these proceedings at Constantinople between September 1855 and the following January.

⁷⁷ Stratford to Clarendon, 22 September 1856, *ibid.*

⁷⁸ Sir Edmund Hornby, *An Autobiography* (London, 1929), 77.

⁷⁹ Stratford to Clarendon, 12 September 1855, F.O. 352/42.

file if they had been paid and find out personally what pay was in arrear. Their clothing, provisions and ammunition he checked in the same way.⁸⁰ At the same time he endeavoured to make it impossible for the Turkish finance minister to evade the scrutiny of the commission by securing the refusal of the bills he drew directly upon the Bank of England.⁸¹ He also declined to obey even explicit orders from home to pay over loan money merely 'upon the understanding that vouchers of its proper expenditure shall be produced in London'.⁸² Thus there may well have been a really marked decrease of malversation where these moneys were concerned.

But the commission had also been expected to improve Turkish public accounting, and here its achievements were less tangible. Cadrossi, who was the French auditor and director-general of accounts at Constantinople and 'a man of unquestionable talents and business habits', spent much effort on revising and arranging Turkish accounts of past expenditure, and made many good suggestions. In the course of the long negotiations over the commission's powers the Turks had been obliged to give, 'though very imperfectly', an account of their ordinary and extraordinary revenue and expenditure and a memorandum upon the allocation of moneys from the loan of 1854.⁸³ This was not a negligible achievement, as the frustration in this matter of the council of financial reform of 1859-61 makes plain. But the fact remains that the Turks eluded all attempts to make them produce vouchers for moneys expended. Still, they had been relentlessly introduced to western standards of public accounting and obliged to submit to independent control over the custody and issue of their money, over government contracting and even over the supplies furnished and the actual payment of their troops.

Nevertheless the events of 1854-6 were more important for the precedents which they set than for the immediate financial benefits which they secured. Above all, they foreshadowed financial control by western experts independent of the Turkish Government and to some extent of their own governments also. Thus in a far less formal sense than has been realized the Crimean war loan control commission was indeed the ancestor of the great Ottoman Public Debt Administration set up in 1882. In the history of western restrictions upon Turkish sovereignty the events accompanying Turkey's first two foreign loans were to prove a watershed.

But that this was so, was certainly no part of the intentions of the British Government. It did not wish for political penetration; even Turkey's rejuvenation was to it, though not to its ambassador, only a secondary object; its real concern was with increasing Turkey's immediate usefulness as a

⁸⁰ Hornby, p. 75.

⁸¹ Hornby to Clarendon, 5 May 1856, F.O. 78/1158.

⁸² To obey, Stratford and Hornby pointed out, would be to make the commission a nullity (Stratford to Clarendon, no. 401, 7 April 1856, T. 64/385). The orders were inspired by reports of the urgent needs of the troops at Erzerum.

⁸³ Stratford to Clarendon, no. 983, 29 November 1855 and enclosures, F.O. 78/1157.

military ally. It expected Turkey to default,⁸⁴ and was prepared to make interest payments on her behalf as part of the cost of the war. In all this it was fully supported by British public opinion. But the investors and speculators, the exporters of British capital, were concerned only with the goodness of Turkish security. Upon this very doubtful point the British Government's moral, and then its legal, guarantee entirely satisfied them. It was thus Britain's action which made possible the beginning of the long history of Turkish borrowing abroad; but in giving her guarantee, she bore witness not to her faith in Turkish regeneration, still less to any lust for imperialist penetration, but simply to the intensity of her desire for victory against Russia.

⁸⁴ Turkey did not actually default until 1876, though she gave grounds for alarm as early as September 1856 (cf. F.O. 78/1158).