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RESEARCH ARTICLE

The Ottoman *Sarraf*, Public Debt, and Usury Laws: Rethinking Capitalism and Empire beyond Anomalies

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Abstract

World-historical analyses often view the "Asian" empires that survived into the twentieth century (the Russian, Qing, and Ottoman empires) as anomalies: sovereign "archaic" formations that remained external to the capitalist system. They posit an antagonistic relationship between state and capital and assume that modern capitalism failed to emerge in these empires because local merchants could not take over their states, as they did in Europe. Ottoman economic actors, and specifically the *sarraf* as state financier, have accordingly been portrayed as premodern intermediaries serving a "predatory" fiscal state, and thus, as external to capitalist development. This article challenges these narratives by uncovering the central role of Ottoman *sarrafs*, tax-farmers, and other merchant-financiers in the expanding credit economy of the mid-nineteenth century, focusing on their investment in the treasury bonds of Damascus. I show how fiscal change and new laws on interest facilitated the expansion of credit markets while attempting to regulate them by distinguishing between legitimate interest and usury. I also discuss Ottoman efforts to mitigate peasant indebtedness and the abuse of public debt by foreigners, amid the treasury bonds' growing popularity. In this analysis, global capitalism was forged in the encounter between Ottoman imperial structures, geo-political concerns, and diverse, interacting traditions of credit, while the boundaries between public and private finance were being negotiated and redefined. Ultimately, Ottoman economic policies aimed to retain imperial sovereignty against European attempts to dominate regional credit markets—efforts often recast by the latter as "fanatical" Muslim resistance.

Keywords: Ottoman; capitalism; empire; credit; commercial law; peasants; public debt; *sarraf*; tax-farmers

The empire, a sort of super-state which might cover the entire area of a world-economy, presents us with a broader problem. On the whole, the world-empires, as Wallerstein calls them, were no doubt archaic formations, representing ancient triumphs of the political over the economic. But [by the late eighteenth century], they were still in existence outside the Western world.… Wallerstein has argued that wherever there was an empire, the underlying world-economy was unable to develop […] *No merchant or capitalist could ever feel completely free under an empire.*[1]

Historians have long struggled to explain the purportedly late introduction of endogenous modern finance and banking in the Middle East. The ongoing search for absence of European institutions in the Muslim world to explain its economic stagnation has produced arguments concerning the static nature of institutions such as the *waqf* (pious endowment) and the absence of the corporation, the lack of notaries and of "faith in paper" in the legal system, and a general abstention from the open charge of interest, among others.[2] All of these are said to have impeded the rise of large-scale impersonal exchange and, as a result, of "real" banks and financial markets such as those that developed in Western Europe.[3] Another set of explanations for this divergence concerns the nature of the state and its role in the economy, focusing in the case of the Ottoman state on its continued preying on private capital and its reliance on premodern financial intermediaries such as tax-farmers and *sarrafs* (state financiers).[4] It has thus been assumed that only with the advent of European banks in the late Ottoman Empire and more systematically after its fall, could capitalist development occur in the region.

The view of the Ottoman state as an archaic, predatory polity has been widely shared by historians and social scientists, including in world historical analysis. Fernand Braudel's rich and nuanced historical approach inspired generations of scholars who rewrote Ottoman society into the history of the early modern commercial world. Still, he believed in a nineteenth-century divergence: he saw the Ottoman world-economy as one that remained powerful and independent of the European world-economy until the early nineteenth century, when it started to decline and failed to catch up with industrial Europe due to "its archaic ways and the legacy of its past."[5] To be sure, this view has also been applied to other non-Western empires that survived into the twentieth century but "failed" to transform into modern capitalist economies. This article argues that world historical analysis' binary understanding of capital and empire, as a specific political formation, has led to the view of the nineteenth-century Ottoman Empire, and by extension its *sarrafs*,

[1]Fernand Braudel, *Civilization and Capitalism, 15th–18th Century, Vol. 3: The Perspective of the World*, Sian Reynolds, trans. (Harper & Row, 1984), 54–55 (my emphasis).

[2]Ghislaine Lydon, "A Paper Economy of Faith without Faith in Paper: A Reflection on Islamic Institutional History," *Journal of Economic Behavior and Organization* 71, 3 (2009): 647–59; Timur Kuran, *The Long Divergence: How Islamic Law Held Back the Middle East* (Princeton University Press, 2011); Jared Rubin, *Rulers, Religion, and Riches: Why the West Got Rich and the Middle East Did Not* (Cambridge University Press, 2017).

[3]For historical work that challenges this narrative, see, for example, Beshara Doumani, *Family Life in the Ottoman Mediterranean: A Social History* (Cambridge University Press, 2017); Fahad Bishara, *A Sea of Debt: Law and Economic Life in the Western Indian Ocean, 1780–1950* (Cambridge University Press, 2017); Aviv Derri, "Bonds of Obligation, Precarious Fortunes: Empire, Non-Muslim Bankers, and Peasants in Late Ottoman Damascus, 1820s–1890s" (PhD diss., New York University, 2021); Kristen Alff, "Levantine Joint-Stock Companies, Trans-Mediterranean Partnerships, and Nineteenth-Century Capitalist Development," *Comparative Studies in Society and History* 60, 1 (2018): 150–77. See also Fahad Bishara's critical survey of what he labels "comparative capitalism": "Histories of Law and Economic Life in the Islamic World," *History Compass* 18, 4 (2020): 1–10.

[4]Many of these works rely on the characterization of Ottoman economic policy as provisionist, fiscalist, and traditionalist: Mehmet Genç, *Osmanlı İmparatorluğu'nda Devlet ve Ekonomi* (Ötüken, 2000), chs. 1–2.

[5]Braudel, *Civilization*, chs. 1 and 5, esp. 483–84.

as an anomaly.[6] It asserts that this analysis is rooted in a rigid conceptualization of "the political" and "the economic" as pre-existing, separate realms which are inherently in opposition. At its core, this perspective assumes a shifting balance between state and capital, between political and economic power, such that the latter took over the former with the rise of capitalism.

In world-system theory, the advent of the European world-economy put an end to the old order of empires—the Russian, Ottoman, and Chinese—which were "archaic formations, representing ancient triumphs of the political over the economic,"[7] making way for the rule of capital. In Immanuel Wallerstein's model, this process entailed the incorporation—and subordination—of world-empires into the European world-economy. Since he believed a world-economy could not exist wherever there was an empire, Wallerstein assumed that in the process of the Ottoman Empire's incorporation as a "periphery" it ceased to be a "world-empire" and turned into "simply one more state," and its redistributive-tributary mode of production was displaced.[8] This narrative came under serious criticism in the 1990s for its teleological nature, its assumptions of Ottoman passivity and subordination to an all-powerful "Europe," and for ignoring local social dynamics and actors.[9]

Braudel recognized that the Ottoman Empire, which maintained its sovereignty and relative economic power, could not be treated as a mere periphery within that system.[10] And while he discussed what he saw as the Ottomans' archaic financial practices, he remained puzzled as to the reasons for the empire's "decadence," which he regarded an "irritating problem … to which there is unfortunately no solution."[11] Ultimately, his analysis of imperial polities in the global economy made more room for complexity, but he still saw a paradox in the Ottoman Empire's survival and "decadence." The empire thus came to be seen as an anomaly.

In this analysis, for the triumph of capital (or "the economic") over the state ("the political") to take place on a global scale, this process had to occur also *within* polities. Braudel stressed as preconditions for the growth and success of capitalism "a certain neutrality, or weakness, or permissiveness by the state"; in the West, the presence of these conditions (albeit in varying degrees) allowed merchant capitalists to take over the state, whereas in China and in the "world of Islam" merchants remained powerless in the face of a state hostile to capitalism.[12]

The relationship between merchants and the state thus stands at the center of this divergence narrative. In a 1988 special issue of the Fernand Braudel Center's *Review* on "nineteenth century transformations" in the Ottoman Empire, Şevket Pamuk and

[6]Literally, money-changers. In practice, *sarraf*s performed a wide array of functions in imperial finances.

[7]Braudel, *Civilization*, 54.

[8]Immanuel Wallerstein, "The Ottoman Empire and the Capitalist World-Economy: Some Questions for Research," *Review (Fernand Braudel Center)* 2, 3 (1979): 389–98.

[9]Specific criticism concerned the analysis of "free trade" agreements with Europe in the 1830s as a complete rupture in existing patterns of trade and manufacture. See "The 1838 Convention and Its Impact," a special issue of *New Perspectives on Turkey*, no. 7 (1992).

[10]Scholars also noted the inadequacy in this case of the term "informal empire": Şevket Pamuk, "The Ottoman Empire in Comparative Perspective," *Review (Fernand Braudel Center)* 11, 2 (1988): 129–30; Çağlar Keyder, "Bureaucracy and Bourgeoisie: Reform and Revolution in the Age of Imperialism," *Review (Fernand Braudel Center)* 11, 2 (1988): 151–65, 160.

[11]Braudel, *Civilization*, 482.

[12]Fernand Braudel, *Afterthoughts on Material Civilization and Capitalism*, Patricia M. Ranum, trans. (Johns Hopkins University Press, 1977), 71–74.

Çağlar Keyder described this relationship as a "naturally" conflictual one, "a struggle between the central bureaucracy and … the merchants and export-oriented landlords" in which the former "had the upper hand,"[13] and acted to prohibit the growth of "the autonomous market sphere" to safeguard its control over the economy.[14]

If in this theorization the nineteenth-century Ottoman Empire, as a state hostile to capitalism, was an anomaly, then the *sarraf* was too, due to his deep ties to the state as opposed to "private" merchants. As an archaic creature who remained a central economic actor in the nineteenth century (and later), the *sarraf* represented, and even profited from, the absence of a "modern" public debt system and "modern" financial markets in the empire.

In this vein, a common approach in the historiography on finance in the Ottoman Empire argues that because of its "premodern nature"—in the nineteenth century—the empire failed to develop a "real" banking system. This was because of the marginalization of "the financial market proper" by the "attractive form of 'political money' which circulated within the circles of power, between the treasury, the community of *sarrafs*, [and office holders]." The agents of "political money" are understood here to be financial intermediaries who engaged with the circulation of monetary value, as opposed to accumulating capital from production. Eventually, just like in "pre- and early modern Europe … the fiscal and financial hunger of the [Ottoman] state was responsible for a growing atrophy of private credit."[15]

A similar narrative arc is common in historical studies of the "great divergence," that criticize culturalist narratives of decline in non-Western economies, but still use a teleological universalist logic to explain the latter's failure to modernize, pointing to a combination of economic and political obstacles created by "predatory" states. From this perspective, what stood in the way of non-Western economies "organically" developing formal capital markets were the suppression of private entrepreneurs by despotic rulers and the persistence of kin-based financial networks that tilted capital flows away from the market. These obstacles, in their turn, influenced factors of supply and demand (e.g., insufficient demand for credit).[16]

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[13]Pamuk, "Ottoman Empire," 130–31. Echoing Weber's "patrimonial domination," which contrasts landowners and bureaucrats as antagonistic sources of power, this view also informs Şevket Pamuk's later institutional analysis: the same factors that enabled the empire's longevity—namely, its early modern institutions' pragmatism, flexibility, and adaptiveness—are said to have been "utilized for the defence of the traditional order and [the central bureaucracy's] own position in that order," at the expense of "landowners … merchants, manufacturers and money-changers." "The Evolution of Financial Institutions in the Ottoman Empire, 1600–1914," *Financial History Review* 11, 1 (2004): 7–32, 9.

[14]Keyder, "Bureaucracy and Bourgeoisie," 161–62.

[15]Edhem Eldem, *A History of the Ottoman Bank* (Ottoman Bank Historical Research Center, 1999), 14–18. See also Yavuz Cezar on *sarrafs* as remnants of a premodern order, doomed to disappear with the rise of "real" (i.e., European) banks: "The Role of the Sarrafs in Ottoman Finance and Economy in the Eighteenth and Nineteenth Centuries," in Colin Imber and Keiko Kiyotaki, eds., *Frontiers of Ottoman Studies*, vol. 1 (I. B. Tauris, 2008), 61–79. For an elaborate critique of this narrative see Derri, "Bonds of Obligation."

[16]A comparative study on China and Europe explains that in the late Qing Empire credit markets resembled those of early modern England, while in Europe, financial intermediaries such as notaries managed to adapt to the new demands of the growing modern financial markets. Jean-Laurent Rosenthal and Roy Bin Wong, *Before and Beyond Divergence: The Politics of Economic Change in China and Europe* (Harvard University Press, 2011), ch. 5.

This article moves beyond the conceptualization of a zero-sum game between state and capital, and specifically of (non-Western) empire as external to or incompatible with capitalism,[17] to challenge the picture of a predatory Ottoman state. It does so by analyzing the key role that local private credit played in the Ottoman state's new system of public debt, designed to support its project of economic development in the nineteenth century. More specifically, I trace the changes in the tax-farming system and the new commercial legislation that together facilitated the creation of markets for government and peasant debt and the rise of merchant-bankers who dominated parts of the countryside through intertwined credit transactions and fiscal services.[18] The merchants and *sarrafs* who led these processes belonged to extensive regional business networks that often had a global reach and were closely tied to the state *and* markets through webs of credit and debt that defy any simple classification into "public" and "private." In fact, the boundaries between public and private were being redefined and negotiated in this period, specifically in relation to interest and usury.

I join recent writers on financial networks and institutions in the Ottoman Empire and in other "fiscalist" empires[19] who have turned the ahistorical question of divergence on its head: instead of searching for absence (of institutions deemed "modern"), their work examines the financial infrastructures of these empires on their own terms, and the role of merchant capital therein. This has included a reconsideration of cash *waqfs* (Islamic trust funds) as a source of credit to Ottoman merchants in international trade in the early modern Mediterranean.[20] One of the main findings of this new scholarship concerns the role of regional elites who had access to fiscal monies not merely in their transferal or circulation but also in their usage as short-term capital in the imperial financial system and in long-distance trade.[21] With the proliferation of provincial administrators-cum-fiscal entrepreneurs

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[17]Due to limited space, I was unable to elaborate further on the theoretical implications of my argument for debates in recent Marxist literature. For our purposes here, I note my general reliance on Jairus Banaji's theorization of a long history of commercial capitalism and his analysis of merchant-capital's domination of agricultural production through the advance system: *Theory as History: Essays on Modes of Production and Exploitation* (Leiden: Brill, 2010); and *idem*, *A Brief History of Commercial Capitalism* (Haymarket Books, 2020).

[18]For a similar analysis that centers on merchants as credit providers to peasant producers and the state in another commonly "othered" context—the Islamic Middle Ages—see Lorenzo Bondioli, "Peasants, Merchants, and Caliphs: Capital and Empire in Fatimid Egypt" (PhD diss., Princeton University, 2021), esp. ch. 3.

[19]Regina Grafe, "An Empire of Debts? Spain and Its Colonial Realm," in Nicolas Barreyre and Nicolas Delalande, eds., *A World of Public Debts: A Political History* (Palgrave Macmillan, 2020), 5–35. Contra to the "predatory state" view, Regina Grafe and Alejandra Irigoin discuss the "stakeholder" empire that relied on a polycentric governance structure in which local elites had a stake in financial management: "A Stakeholder Empire: The Political Economy of Spanish Imperial Rule in America," *Economic History Review* 65, 2 (2012): 609–51.

[20]Tommaso Stefini, "Cash Waqfs and Commercial Capital: Evidence from Ottoman-Venetian Trade (16th Century)," *JESHO* 67 (2024): 497–527.

[21]Derri, "Bonds of Obligation"; Alff, "Levantine Joint-Stock Companies"; Zoe Griffith, "Egyptian Ports in the Ottoman Mediterranean, 1760–1820" (PhD diss., Brown University, 2017); Evgenia Davidova, *Balkan Transitions to Modernity and Nation-States* (Brill, 2013); Mafalda Ade, *Picknick mit den Paschas: Aleppo und die levantinische Handelsfirma Fratelli Poche, 1853–1880* (Ergon Verlag, 2013); Kaleb Herman Adney, "Habits of the Market: Commercial Networks, Regional Finance, and Resistance in the Ottoman Tobacco Trade (c. 1860–1925)" (PhD diss., UCLA, 2024).

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starting in the late eighteenth century, private and public wealth in the Ottoman Empire became all the more interwoven.[22]

Historians of Europe and the United States have also contributed to destabilizing civilizational narratives of finance, uncovering the embeddedness of institutions such as central banks and the limited partnership in specific political projects and debates, and highlighting the continued multiplicity of business forms.[23] Notably, the assumption of an a priori historically antagonistic relationship between merchants and the state is itself being scrutinized. In Europe, the image of early modern corporations controlling the state originated in later narratives on the prehistory of the "modern" centralizing nation-state. Philip Stern's study of the English East India Company historicizes this image, and shows that such arguments were being made starting in the late eighteenth century, when the British parliament acted to diminish the company's independence; that is, in the context of fierce debates over political economy and sovereignty.[24] These later discourses used evolving notions of public and private, framed within a "growing consensus that the economy were 'fields of intervention' for the polity rather than sites of government in their own right."[25] These notions were thus grounded in concrete political concerns and specific terms such as production and commercial exchange; by the 1930s and 1940s, according to Timothy Mitchell, "the economy"—as a modern term, with the definite article—was constructed as a separate sphere of human action.[26]

Similarly concrete arguments against state intervention in "private" contracts were made in Ottoman Syria by merchants who protested new prohibitions on excessive interest in the mid-nineteenth century. For European merchants, the Ottoman practice of deduction of excessive interest from existing debts joined other transactional conventions and fiscal institutions to which they had to adapt as they engaged in regional commerce, alongside legal restrictions on their access to land and tax-farms. Far from static traditions, these forms of debt and credit were undergoing change in this period of booming global grain markets. Indeed, as recently conceptualized in a study on the Indian Ocean world, capitalism as a global co-creation was based on the fusion of "transactional grammars" through "processes of translation and commensuration."[27] In this sense, globalizing Ottoman finance does not mean reducing the region's life-worlds to a case study in support of a particular theory and its conceptual binarisms (e.g., state versus capital), but instead, as Jane Guyer suggests, incorporating into the theory the dynamics of multiplicity that "arise out of specific and identifiable historical tensions and ambitions" and that should "reframe our analytical attention to questions of equivalence, difference, and

[22]Ali Yaycioğlu, *Partners of the Empire: The Crisis of the Ottoman Order in the Age of Revolutions* (Stanford University Press, 2016).

[23]Christine Desan, *Making Money: Coin, Currency, and the Coming of Capitalism* (Oxford University Press, 2014); Samuel Knafo, *The Making of Modern Finance: Liberal Governance and the Gold Standard* (Routledge, 2013); Eli Cook, *The Pricing of Progress: Economic Indicators and the Capitalization of American Life* (Harvard University Press, 2017); Francesca Trivellato, "Renaissance Florence and the Origins of Capitalism: A Business History Perspective," *Business History Review* 94, 1 (2020): 229–51.

[24]Philip J. Stern, *The Company-State: Corporate Sovereignty and the Early Modern Foundations of the British Empire in India* (Oxford University Press, 2011).

[25]Ibid., 213.

[26]Timothy Mitchell, *Rule of Experts: Egypt, Techno-Politics, Modernity* (University of California Press, 2002).

[27]Fahad Bishara and Hollian Wint, "Into the Bazaar: Indian Ocean Vernaculars in the Age of Global Capitalism," *Journal of Global History* 16, 1 (2021): 44–64.

commensuration."[28] This move is integral to the broader effort to challenge origin stories of financialization and its frontiers,[29] particularly relating to so-called "archaic" imperial political formations.[30]

Taking a global perspective to the closely intertwined processes of Ottoman state-building and fiscal experimentation, scholarship on the early modern period has shown how finance mediated restructured political relationships, both vertical and horizontal, between center and province and within the provinces.[31] Here I build on this work, together with an open-ended and non-linear approach to forms of business organization,[32] to examine change in Ottoman statecraft and finances, which, like in other states at the time,[33] relied to a great extent on local elites who debated and redefined the boundaries of private economic activity and the state's role therein.

In the mid-nineteenth-century Ottoman "age of credit," spurred as it was by the grain market boom, imperial institutions and actors adopted new roles and practices that benefited both private creditors and the fiscal state in its credit-based development project. My analysis will focus on the *domestic* public debt of one Ottoman province and its new financial markets, the sort of history that has been obscured by that of the empire's foreign debt, and by literature on global capitalism that has seen credit markets as detached from (imperial-)state finances and the latter as concerned with the mere circulation of money in an unchanging landscape managed by "premodern" intermediaries. Public debt in the Ottoman Empire was much more than an instrument of foreign domination; it profoundly shaped political institutions, social relationships, and inter-imperial competition, as well as conceptions of political belonging and sovereignty.

The Ottoman Age of Credit

The late eighteenth century was a time of inter-imperial warfare and competition, intertwined with political upheavals within states.[34] But it was also when debt regimes

[28]Jane I. Guyer, *Marginal Gains: Monetary Transactions in Atlantic Africa* (University of Chicago Press, 2004).

[29]Julia Elyachar, "Relational Finance: Ottoman Debt, Financialization, and the Problem of the Semi-Civilized," *Journal of Cultural Economy* 16, 3 (2023), 323–36.

[30]For conceptualizing empires as global actors that continued to evolve in the nineteenth century while still "thinking like an empire," I draw on Jane Burbank and Frederick Cooper, *Empires in World History: Power and the Politics of Difference* (Princeton University Press, 2010).

[31]This work helped rewrite the eighteenth century beyond Eurocentric narratives of decline or decentralization by rethinking the relationship between the imperial center and the provinces. See especially Dina R. Khoury, *State and Provincial Society in the Ottoman Empire: Mosul, 1540–1834* (Cambridge University Press, 1997); Jane Hathaway, *The Politics of Households in Ottoman Egypt: The Rise of the Qazdağlıs* (Cambridge University Press, 1997); Yaycioğlu, *Partners*; Christine M. Philliou, *Biography of an Empire: Governing Ottomans in an Age of Revolution* (University of California Press, 2011); and Antonis Hadjikyriacou, "Society and Economy on an Ottoman Island: Cyprus in the Eighteenth Century" (PhD diss., SOAS, University of London, 2011).

[32]Trivellato, "Renaissance Florence."

[33]Nicolas Barreyre and Claire Lemercier, "The Unexceptional State: Rethinking the State in the Nineteenth Century (France, United States)," *American Historical Review* 126, 2 (2021): 481–503.

[34]Ali Yaycioğlu, Virginia Aksan, and Kahraman Şakul reconceptualize this period as one of Ottoman political transformation and active participation in global warfare, diplomacy, and state-building processes during the "age of revolutions" (1760–1820). Yaycioğlu, *Partners*; Virginia Aksan, *Ottoman Wars, 1700–1870: An Empire Besieged* (Routledge, 2014); Kahraman Şakul, "An Ottoman Global Moment: War of Second Coalition in the Levant" (PhD diss., Georgetown University, 2009).

were restructured, and public debt gradually became a central policy tool for governments that sought to raise additional revenues through credit rather than increased taxation. Instead of following a British ideal-type of modern public credit, commonly associated with economically "efficient" and "democratic" institutions, recent historical study of public debt's political nature explores the variety of ways in which different states raised and managed it, varying with specific historical contexts, social dynamics, and political debates.[35] More than any one successful economic model, what mattered most in each case were issues of political legitimacy and power relations on the local and international levels. In addition to diverse experiences with public debt, researchers have stressed the importance of tracing shifts in debt regimes and practices in a non-teleological manner.[36]

The processes of fiscal experimentation and state-building that followed the "age of revolutions" included a growing state reliance on the private capital of wider segments in the population, which turned the provision of credit to the government into a personal investment. Since public debt is more than a financial transaction, and is also "inseparably, an *instrument of power*, a *social relationship*, and a *political arena* in which interests and values collide,"[37] this process entailed the redefinition of concepts like interest versus usury and public versus private debt, in tandem with the reconceptualization of political participation. In the case of non-Muslim Ottomans it included loyalty, which remained a serious concern for the Ottoman government throughout this period of European financial expansion. A similar analysis stressing how local and international political circumstances shaped distinct debt regimes across Europe and the United States has challenged simplistic binary models of centralized/decentralized or parliamentary/absolute political systems.[38]

The Eastern Mediterranean began its slow recovery in the mid-eighteenth century from the dramatic ecological effects of the Little Ice Age and agricultural production gradually expanded.[39] European merchants who immigrated to the region integrated themselves into a commercial elite of Ottoman Muslims and non-Muslims who enjoyed the benefits of *berat*s—certificates that granted tax privileges to foreign protégés—or similar ones the Ottoman government offered its own merchants, the Hayriyye Tüccarları.[40] During this period, the Syrian countryside saw the rise of new

[35]Nicholas Barreyre and Nicholas Delalande, eds., *A World of Public Debts: A Political History* (Palgrave Macmillan, 2020).

[36]Chia Yin Hsu, Thomas M. Luckett, and Erika Vause, eds., *The Cultural History of Money and Credit: A Global Perspective* (Lexington Books, 2016). As the introduction to this volume suggests: "With regard to financial instruments and credit institutions, the tendency to see what developed into our current day practices as not only the inevitable but also most efficacious of possible resolutions was broadly accepted until recently" (xi). They also question this same tendency in idealized historical trajectories of Europe.

[37]Barreyre and Delalande, *World of Public Debts*, vi (original emphasis).

[38]Barreyre and Lemercier, "Unexceptional State"; Noam Maggor and Stephen Sawyer, "Fiscal Federalism: Local Debt and the Construction of the Modern State in the United States and France," in Nicolas Barreyre and Nicolas Delalande, eds., *A World of Public Debts: A Political History* (Palgrave Macmillan, 2020), 231–58.

[39]Faruk Tabak, *The Waning of the Mediterranean, 1550–1870: A Geohistorical Approach* (Johns Hopkins University Press, 2008).

[40]Bruce Masters, "The Sultan's Entrepreneurs: The *Avrupa Tüccari*s and the *Hayriye Tüccari*s in Syria," *International Journal of Middle East Studies* 24, 4 (1992), 579–97; Maran Momdjian, "The Levantine Merchant Consuls of Aleppo: The Commercial Elites 1750–1850" (PhD diss., University of California, Los Angeles, 2017); Ade, *Picknick mit den Paschas.*

groups of merchant-moneylenders, who appear in the sources as *murabahacıs*.[41] This term referred not to a formal position, but to an increasingly widespread set of credit practices—including the advance purchase of crops (Turkish *selem*; Arabic *salam*)—that carried negative connotations of immoral conduct toward peasants who depended on credit. I will show how, throughout the nineteenth century, the government sought ways to bring these private credit operations under its control, while recognizing their contribution to regional commerce, and also to state revenue since these merchants became regular providers of credit to the government.

Imperial plans for economic development centered on agriculture. The commercialization of agriculture was promoted not only through the better-studied land legislation from 1858, but also through finance: this included the expansion and regulation of commercial credit, in tandem with the commodification of government debt, which was directly attached to agricultural taxes as collateral. By midcentury, credit for "productive" purposes was commonly seen, globally and in the Ottoman Empire, as the prime motor of economic and social reform, or in the words of Tanzimat leader Fuad Pasha, "the lever of all the wonders of our age."[42] By midcentury, there was a growing confidence around the world in public debt's contribution to prosperity, after a long period in which British and French economists had written emphatically against it as wasteful and ruinous.[43]

I will examine the role of *murabahacıs* alongside that of the more established financiers of the empire, known as *sarrafs*, as credit became essential infrastructure for development. By the mid-nineteenth century, *sarrafs* represented the legitimate business of interest as opposed to usury, which was associated with *murabahacıs*. This distinction reflects the process whereby the Ottoman government facilitated the creation of new credit markets and supported private capital, while it sought increased control over private credit, specifically through new laws on interest—the *Murabaha Nizamnamesi* (1851). Instead of outlawing *murabaha*, the government worked to turn these creditors into productive economic actors.

In Damascus, this process included the introduction of treasury bonds (*Şam sergileri*), a new instrument of public credit that was collateralized by village taxes, and by the early 1860s stood at the heart of a vibrant trade in state and peasant debt.

[41]Until the eighteenth century, the term *murabaha* carried a neutral meaning, similar to that of *muamele*—transaction. M. Akif Berber, "From Interest to Usury: The Transformation of *Murabaha* in the Late Ottoman Empire" (MA thesis, İstanbul Şehir University, 2014), 31–33. *Murabahacı*s were found in the region already in the mid-eighteenth century. Stefan Winter, *A History of the 'Alawis: From Medieval Aleppo to the Turkish Republic* (Princeton University Press, 2016), 140–41.

[42]This included both foreign and domestic public debt. Foreign borrowing was seen by Ottoman political elites as a legitimate mechanism for raising cash during the Crimean War, especially given the first loans' favorable terms. By the 1860s, it was attracting serious public criticism. Murat Birdal, *The Political Economy of Ottoman Public Debt: Insolvency and European Financial Control in the Late Nineteenth Century* (I. B. Tauris, 2010), 25–29, 33–35; Çoşkun Çakır, *Tanzimat Dönemi Osmanlı Maliyesi* (Küre Yayınları, 2001), 177–215.

[43]Richard Salsman, *The Political Economy of Public Debt: Three Centuries of Theory and Evidence* (Edward Elgar, 2017), ch. 2; Carl-Ludwig Holtfrerich, "Public Debt in Post-1850 German Economic Thought vis-à-vis the Pre-1850 British Classical School," *German Economic Review* 15, 1 (2014): 62–83. In France, public debt regained traction through notions of "productivity" by the mid-nineteenth century in parallel with increasingly popular justifications for expansionist investment in the debt of other sovereign states, which some French thinkers saw as unable to "maturely manage their national finances." David Todd and Alexia Yates, "Public Debt and Democratic Statecraft in Nineteenth-Century France," in Nicolas Barreyre and Nicolas Delalande, eds., *A World of Public Debts: A Political History* (Palgrave Macmillan, 2020), 79–106.

The provincial treasury bonds systematized, for the first time, direct government borrowing from merchant-moneylenders in the form of a negotiable, short-term, high interest-bearing debt. The financial innovations the Ottomans introduced in the nineteenth century to increase state revenue partly resembled debt instruments in other states, but at the same time they evolved out of the existing tax-farming system, as part of a long process of fiscal experimentation that had begun a century before.

Tax-Farming and Treasury Bonds

Starting in the late seventeenth century, changes were made in the Ottoman fiscal system in order to increase the cash flow to the central treasury. The result was an expansion of tax-farming (*iltizam*), a system of auctioning and contracting out concessions for tax-yielding assets which was the empire's main institution for raising revenue. Historians have explored the process whereby a specific form of tax-farming—life-term revenue contracts (*malikane*) assigned to local powerholders—generated a network of localized and flexible imperial administration that bound the provinces closer to the center through bargaining-based contractual relations.[44]

During the eighteenth century, provincial political elites became heavily invested in the "business of governance"[45] and in long-distance trade,[46] but they were not the only key players; also essential to the very functioning of imperial governance were families of *sarrafs* and merchants who acted as moneylenders and guarantors to tax-farmers,[47] and as key agents in empire-wide networks for transferring state revenues. These fiscal networks served at the same time as long-distance trade routes, from which large-scale credit providers profited, including Ottoman non-Muslims and foreigners.[48] Also, in contrast to long-standing assumptions about credit instruments being typically Western, researchers have been uncovering the central role that Muslim merchants played in these operations.[49] They have examined the use of *poliçe*s (bills of exchange) as instruments of commercial finance and, at the same time, of transferring provincial tax payments and funds for military expeditions.[50] In the latter case, provincial elites were in charge of converting such bills from Istanbul into cash, using local revenues.[51] The trade in bills of exchange became a profitable business for Istanbul-based French merchants with surplus cash; a parallel demand for cash transfers from the provinces to the center by Ottoman and foreign traders, as well as by provincial governors and tax-farmers, helped create extensive

[44]Ariel Salzmann, "'An Ancien Regime Revisited': Privatization and Political Economy in the Eighteenth-Century Ottoman Empire," *Politics and Society* 21, 4 (1993), 393–424; Khoury, *State and Provincial Society*; Genç, *Osmanlı İmparatorluğu.*

[45]Yaycioğlu, *Partners.*

[46]Edhem Eldem, "Capitulations and Western Trade," in Suraiya Faroqhi, ed., *The Cambridge History of Turkey*, vol. 3 (Cambridge University Press, 2006), 315–17.

[47]Cezar, "Role of the Sarrafs."

[48]Edhem Eldem, *French Trade in Istanbul in the Eighteenth Century* (Brill, 1999), chs. 5 and 7; Elena Frangakis-Syrett, "Market Networks and Ottoman-European Commerce, c. 1700–1825," *Oriente Moderno* 25, 1 (2006): 109–28; Philliou, *Biography*; Derri, "Bonds of Obligation"; Ellen Nye, "'A Bank of Trust': Legal Practices of Ottoman Finance between Empires," *Journal of Early Modern History* 27, 6 (2023): 502–25.

[49]Griffith, "Egyptian Ports."

[50]In addition to the works cited in note 44–45, see Şakul, "Ottoman Global Moment," 222–24, 237–42.

[51]Ibid.," 242.

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financial networks.[52] Other credit mechanisms such as deferred payment in the Ottoman postal system[53] and *havale*s (payment orders) for officials' salaries and tax-farming were used in the day-to-day operations of state systems.[54] These and other mechanisms, like advance purchases (*salam*), were widespread already in early medieval Islam.[55]

In the late eighteenth century, a new fiscal instrument was introduced, which like *malikane* was a life-time revenue contract, but it relied on a dramatically different logic, one in which lending to the state was detached from both tax-farm management and the right to collect taxes. In this new system, known as *esham*, it was shares of the expected *profit* of a tax-farm that were sold off, rather than its entire revenue.[56] *Esham* were small shares of the annual revenue that were sold to the public, including small and medium-sized savers.[57] Historians have noted the striking similarities between *esham* and life-annuity bonds that emerged in Europe at this time, while stressing continuity with the previous Ottoman *malikane* system.[58] Investors in *esham* became shareholders as opposed to entrepreneurs-cum-administrators temporarily delegated the right to collect taxes; that function was now reallocated from tax-farm owners to salaried government officials.

The mid-nineteenth century Damascus *sergis* took this logic one step further: they were a short-term bond (with a maturity date of up to twelve months) issued to a lender in return for a high lump-sum advance, which carried a high monthly interest. Moreover, while *esham* were mostly used for urban revenue sources, the Damascus bonds were attached to agricultural tax-farm units, hence investors' annual profit came from villagers' tax payments (or tithe; Turkish *aşar*). Lastly, *esham* offered new financial opportunities to non-Muslim communities, especially as the exclusive holders of the tax-farm of spirits;[59] Damascus bonds could be purchased also by Ottoman subjects under foreign protection and by foreigners, although that was a contentious issue among imperial officials and as such remained under close supervision. Therefore, by introducing the provincial treasury bonds, the government expanded the fiscal system to include new groups

52Eldem, *French Trade*, 120–25.

53Choon Hwee KOH, "An Ottoman Liquidity Crunch: Immediate and Deferred Payments at Post Stations (Menzilḫāne), 1713–1763," *Turcica* 54 (2023): 355–75.

54Davidova, *Balkan Transitions*, esp. ch. 2; Derri, "Bonds of Obligation."

55Abraham L. Udovitch, "Credit as a Means of Investment in Medieval Islamic Trade," *Journal of the American Oriental Society* 87, 3 (1967): 260–64; Halil Inalcik, "Capital Formation in the Ottoman Empire," *Journal of Economic History* 29, 1 (1969): 97–140.

56Murat Çizakça, "Evolution of Domestic Borrowing in the Ottoman Empire," in Philip Cottrell, Iain L. Frazer, and Monika Pohle Frazer, eds., *East Meets West: Banking, Commerce and Investment in the Ottoman Empire* (Ashgate, 2008), 6; Yavuz Cezar, "The Role of Financial Factors in the Structural Changes in the Organization of the Ottoman Empire in the 18th Century," *İstanbul Üniversitesi Siyasal Bilgiler Fakültesi Dergisi* 11–13 (1995), 114.

57Çizakça, "Evolution," 7–9.

58Şevket Pamuk, "Changes in Factor Markets in the Ottoman Empire, 1500–1800," *Continuity and Change* 24, 1 (2009): 130–31; Hadjikyriacou, "Society and Economy," 151–54.

59Şakul, "Ottoman Global Moment," 215–18. Jewish and Armenian communities bought large amounts of *esham* in 1799, thus directly and significantly contributing to the war effort of 1798–1799 against the French (ibid.).

of creditors, while at the same time it denied them formal political power by prohibiting their holding tax-farms.[60]

The circulation of bonds meant that agricultural revenue became a commodity traded as a private asset among merchants and investors. The main actors involved in the commodification of this debt were the established families of *sarrafs* who had close ties to the government, as well as the new groups of merchant-moneylenders, or *murabahacı*s. The treasury bonds were used for funding the military, administration, and *hajj* (pilgrimage caravans to Mecca), the latter being of crucial geopolitical, symbolic, and economic importance for the empire, and especially for the Damascene province. The introduction of the bonds in 1856 was the result of a search for credit sources more systematic than occasional loans from private merchants, and ultimately capitalized on the heightened demand for grain on world markets during the Crimean War.

By this time, the position of *sarraf* had changed considerably. In the 1820s their networks experienced a serious upheaval following the political executions of several prominent Jewish *sarrafs* and the abolition of the Janissaries, which terminated the position of *ocak bazergan*, itself a major source of power for the early modern Jewish financial dynasties of Istanbul.[61] The position of *sarraf* persisted, but now it was filled by second-tier financiers: in Damascus, members of the Farhi family continued to engage in credit and trade after the execution in 1820 of Haim Farhi, the province's chief *sarraf*, but the latter position was taken up by Shemaya Angel (Anjil; 1801–1874).[62] Scholars have identified a similar shift among non-Muslim merchant-financiers in Anatolia and the Balkans after the 1820s.[63] At the same time, the provincial *sarraf* no longer depended on any specific governor or provincial dynasty; instead, Angel cultivated a direct relationship with the palace and grand viziers.[64] It was in this new landscape that Abraham Salomon de Camondo (1785–1873) rose to power as one of the chief imperial bankers and became the center of a restructured Ottoman Jewish financial network, with Angel in Damascus as an important node.[65] But it was not only the profile of *sarraf* families that changed; the main expertise of Jewish *sarrafs* in Istanbul became the provision of large

[60]Unless they agreed to waive their extraterritorial rights. While some did so, others found ways to bypass the restrictions. Special regulations concerned foreigners who legally posed as Ottoman subjects to hold tax-farms. Aviv Derri, "Imperial Creditors, 'Doubtful' Nationalities, and Financial Obligations in Late Ottoman Syria: Rethinking Ottoman Subjecthood and Consular Protection," *International History Review* 43, 5 (2021): 1060–79.

[61]Yehoshua (Shuki) Ecker, "Jews, Pashas and Janissaries: Bazergans in the Service of the Ottoman State from the 17th to the 19th Centuries" [in Hebrew] (PhD diss., Tel Aviv University, 2013), ch. 9. Interconnected through marriage, kinship, and business, these families led extensive mercantile networks, which also engaged in transferring funds within and outside of the empire, reaching Amsterdam, Vienna, Livorno, and Venice.

[62]The Angel family descended from the late seventeenth-century Livornese and Venetian Jewish immigrants to Istanbul. Shemaya's prominent status was indicated by the designation *mu'teber* ("respected"), assigned to high-status individuals in official positions.

[63]Y. Tolga Cora, "Transforming Erzurum/Karin: The Social and Economic History of a Multi-ethnic Ottoman City in the Nineteenth Century" (PhD diss., University of Chicago, 2016); Davidova, *Balkan Transitions*, ch. 2.

[64]Derri, "Bonds of Obligation," 91–94.

[65]For more on this network, see Derri, "Bonds of Obligation," ch. 1.

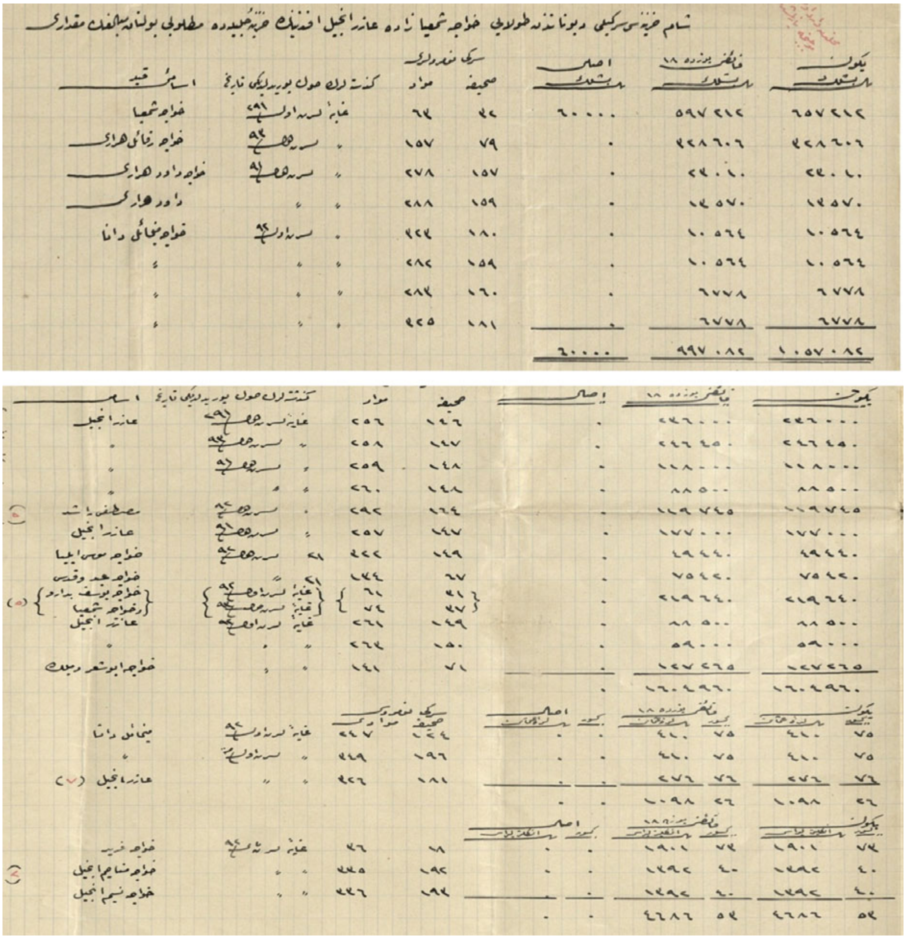

Figure 1. Excerpts from a list of *sergis* Azer Angel purchased from local merchants (source: BOA, BEO 440/32964)

amounts of cash on short notice for specific purposes.[66] Syria's *sarrafs* offered similar services to the government, and together with rising *murabahacı*s, they played a key role in agricultural commercialization and financialization in the region. Shemaya Angel and his son, Azer, became primary investors in Damascus treasury bonds.

In the initial phase of *sergi* issue, the provincial government converted its existing debts to *sarrafs* into these transferable bonds. The first bonds were thus given in 1856 against previous advances by *sarrafs* for military officials' salaries and taxes of villages whose revenues had been earmarked for the *hajj*.[67] After this phase, new *sergi*s were given against direct cash advances to the treasury, carrying

[66]Ecker, "Jews, Pashas and Janissaries," 106–10, 339.

[67]As certified copies of *sergi*s show, these were revenues of specific *waqf* and tax-farm units in local villages, particularly *timar* (older system of land grants to military officers) and *malikane*. Başbakanlık Osmanlı Arşivi (henceforth BOA), HR.MKT 186/46, p. 3.

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a monthly interest of 2–2.5 percent (later reduced to 1.5 percent). As collateral, purchasers received assignments on village taxes. Although upon maturity, these short-term bonds could theoretically be redeemed in full by the government, the large majority were renewed regularly, signaling both sides' trust in and intention to prolong the debt relationship. In practice, therefore, the government debt was transferred onto the villages. Bondholders who received payments from cultivators in kind gained in this way steady access to agricultural surplus on favorable terms.

Ultimately, the treasury bonds, which relied on the triangular debt relationship of peasants, private investors, and the government, helped to complement the tax-farming system, while at the same time, standing at the heart of a growing private market for government and peasant debt (see figure 1). In contrast to occasional (and sometimes forced) loans from local merchants to cover ad hoc needs of the government, the bonds served as a regular source of government credit, which was also transferable (and divisible into smaller amounts): local and foreign merchants based in Damascus, Aleppo, and Beirut traded in the bonds and used them as collateral for credit.

This change in practice was accompanied by a shift in official rhetoric about the provisioning of credit to the government by private individuals from an emphasis on obligation (which continued to inform imperial discourse, if less so) to framing such loans as a contribution or help (*iâne*, *muâvenet*). This language was employed in official documents to describe Angel's long-time loyal services as the main investor in *sergis*.[68] Similar terms were used to frame the mandatory payment of extraordinary taxes during the Crimean War, which in the case of non-Muslims was tied to their loyalty to the empire.[69] Dong Yan identified a similar shift in Qing China, where investment in public debt came to be seen as self-interested and productive, much in line with mid-Victorian discourse.[70]

Soon, the Damascus bonds became an extremely attractive investment across the region and beyond. In 1872, the British vice-consul described them as the real "temptation" for capitalists looking to invest in Syria, rather than purchasing agricultural lands (which was legalized for foreigners in 1868). He reported that even though interest payments were sometimes postponed, "[the bonds'] market value clearly proves the enjoyment of public confidence." Therefore, he explained, "those who wish to realise their profits find no difficulty in doing so the moment a Government renewal of their bonds has been obtained, for the purchasers are in excess of the vendors."[71] Between the mid-1850s and the bonds' suspension in the mid-1870s, bondholders made handsome profits.[72] The bonds became popular thanks both to booming international commodity markets and to their unique

[68] BOA, BEO 3215/241054, Finance Minister to Grand Vizier, 4 Cemaziyelevvel 1321 (29 July 1903).

[69] Y. Tolga Cora, "Providing Services and Bargaining over Loyalty: The Crimean War and the Armenian Elite in the Ottoman Empire," *Archiv Orientální* 87, 3 (2019): 431–33; A. Üner Turgay, "Iâne-i Cihâdiyye: A Multi-Ethnic, Multi-Religious Contribution to Ottoman War Effort," *Studia Islamica* 64 (1986): 115–24.

[70] Dong Yan, "The Domestic Effects of Foreign Capital: Public Debt and Regional Inequalities in Late Qing China," in Nicolas Barreyre and Nicolas Delalande, eds., *A World of Public Debts: A Political History* (Palgrave Macmillan, 2020), 218–20.

[71] Great Britain Parliamentary Papers, Damascus, no. 64 (Harrison and Sons, 1873), 181–82.

[72] During the decade 1864–1873, the government debt from Damascus bonds, including interests, more than doubled (from 29,280,000 to 60,981,705 *kuruş*). Tevfik Güran, *Osmanlı Mali İstatistikleri Bütçeler 1841–1918* (Devlet İstatistik Enstitüsü, 2003), vol. 7, 61.

terms, as a safe local investment—especially considering new commercial laws that set limits on other credit mechanisms, which were seen as potentially involving usury.

State Credit, Usury, and the Murabaha Regulation

The term *murabaha* referred to interest-based credit operations of local elites, not only those of moneylenders by profession. Ali Yaycioğlu analyzed the process whereby eighteenth-century *ayan*—provincial notables and petty office-holders—found new opportunities in monetized taxation and in the expansion of lump-sum tax collection, taking the initiative to pay in advance the taxes and expenses of communities on their behalf. These "entrepreneurs and patron-creditors," who obtained credit from financiers to further enhance their business, profited from the interest and service fees on this operation.[73] In nineteenth-century Damascus, a more direct involvement of merchants and *sarrafs* in the countryside included the important, albeit little-known, function of *subaşı* who similarly profited from advancing villagers' payments to the government. The position of *subaşı* is mostly known to historians as a chief of police, especially in pre- and early Ottoman Anatolia.[74] In the later Ottoman centuries, *subaşı*s became part of local fiscal administration, increasing their involvement in trade and finances. In the European provinces, the *subaşı* officially served as manager of a *çiftlik* (estate), where he was responsible primarily for securing tax payments by the villagers, although he often advanced them loans as well.[75] A similar role was performed by Refail ("Refail yahudi," "the Jew," most likely Farhi) in the years 1841–1842 in villages around Damascus.[76] An earlier record of a Jewish *subaşı* in Damascus, Binyamin bin Yaqub Farhi, is dated to 1827.[77]

A central role assigned to *subaşı*s in Damascus was financing the *hajj*. Their large advances to the government for this purpose were repaid in village taxes. Upon signing a contract, the creditors received *havalenames* (payment orders) in the amount of the tithe of villages whose revenues had been earmarked for the *hajj*. In practice, a *subaşı* could concentrate the entire finances of a village or group of villages in his hands: providing credit for the *hajj* before the harvest when peasants could not yet pay their taxes, *subaşı*s gave the latter direct loans to cover production expenses and other needs. In addition to interest, they charged a fixed annual service fee, known as *subaşılık aidatı*. The interest could be paid in cash—or in kind through

[73]Yaycioğlu, *Partners*, 123–24. In Ottoman Bulgaria, this transformation, combined with the monetization of taxes, enabled the rise of a class of *celep* notables; that is, major cattle merchants and state contractors. Andreas Lyberatos, "Men of the Sultan: The Beğlik Sheep Tax Collection System and the Rise of a Bulgarian National Bourgeoisie in Nineteenth-Century Plovdiv," *Turkish Historical Review* 1, 1 (2010): 58–59.

[74]Mustafa Akdağ, "Osmanlı İmparatorluğu'nun Kuruluş ve İnkişafı Devrinde Türkiye'nin İktisadi Vaziyeti," *Belleten* 55 (1950), 356–57.

[75]Alp Yücel Kaya, "On the *Çiftlik* Regulation in Tırhala in the Mid-Nineteenth Century: Economists, Pashas, Governors, *Çiftlik*-holders, *Subaşı*s, and Sharecroppers," in Elias Kolovos, ed., *Ottoman Rural Societies and Economies: Halcyon Days in Crete VIII* (Crete University Press, 2015), 342–49; Socrates D. Petmezas, "Christian Communities in Eighteenth- and Early Nineteenth-Century Ottoman Greece: Their Fiscal Functions," in Molly Greene, ed., *Minorities in the Ottoman Empire* (Markus Wiener, 2005), 106.

[76]The documents do not mention the official title of *subaşı* in this case; BOA, A.MKT 7/66, n.d.

[77]Akram Hasan al-ʿUlabi, *Yahud al-Sham fiʾl-ʿAsr al-ʿUthmani min khilal Sijillat al-Mahakim al-Sharʿiyya fi Markaz al-Wathaʾiq al-Tarikhiyya bi-Dimashq, 991–1326 A.H./1583–1909 A.D.* (Wizarat al-Thaqafa, 2011), 186.

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selem (advance purchase, below market price). These arrangements enhanced the ability of merchant-moneylenders to monopolize the grain market in certain regions, while they gained influence as financiers of the government.

In light of the proliferation of private credit dealers, throughout the nineteenth century the Ottoman state sought ways to draw on these actors for revenue raising while devising tools to gain greater supervision over them.[78] In contrast to portrayals of a zero-sum game between merchant-capitalists and the imperial state, Ottoman legislation and policy changes were a product of experimentation on the ground and negotiations with various groups of merchants, financiers, peasants, and local officials, as well as European diplomats, in what was a dynamic political-economic landscape.[79]

In the early nineteenth century, peasant indebtedness was recognized as a growing problem in the provinces, one that demanded comprehensive treatment by the government. In addition to an older sharia-based discourse on usury as a form of oppression (*ẓulm*), by midcentury indebtedness was also seen as an obstacle to economic prosperity. The urgency of the matter was accentuated by the conviction that credit was fundamental to development, particularly for increasing agricultural productivity. In this context, the government sought to distinguish between private and public credit and between usurious and moderate interest (*fāḥish* versus *muʿtedil faiẓ*, respectively) and to set the terms of lawful interest. Yet, I argue that rather than simply outlawing *murabaha*, the government intended to turn private creditors into a productive factor in the reorganized, development-led economy.

Experimentation with agrarian credit was an important part of the comprehensive program of economic development pursued by the state starting in the early Tanzimat period. A continuation of earlier reform efforts, though reformulated according to the new demands of the mid-nineteenth century, the Tanzimat reforms (usually dated 1839–1876) were shaped by both internal needs and inter-imperial interactions: specifically as regards agrarian reform, statesmen and experts around the globe sought ways to reorganize administrative and economic infrastructures to increase productivity in light of a booming global grain market. During this period, Ottoman liberal-minded reformers saw the Syrian interior as a space of capitalist investment they sought to promote through the expansion of settled cultivation and individual property rights, by introducing the 1858 Land Code[80] and enabling the commodification of state and peasant debt. Developmentalist aspirations were thus articulated by officials and lawmakers but also by intellectuals and journalists.[81] The Ottoman development program included new policies, regulations, and administrative bodies that relied on the cooperation of local elites in structured roles of oversight, information gathering,

[78]One such tool was to use *mubayaacıs*—state commissioners—as credit agents in grain-producing villages to curb the power of private granary owners. Seven Ağır, "The Evolution of Grain Policy: The Ottoman Experience," *Journal of Interdisciplinary History* 43, 4 (2013): 571–98.

[79]For a thorough analysis of Ottoman agricultural reform which employs this perspective, see Elizabeth R. Williams, *States of Cultivation: Imperial Transition and Scientific Agriculture in the Eastern Mediterranean* (Stanford University Press, 2023), ch. 1.

[80]Martha Mundy and Richard Saumarez Smith, *Governing Property, Making the Modern State: Law, Administration and Production in Ottoman Syria* (I. B. Tauris, 2007); Nora Barakat, Bedouin Bureaucrats: Mobility and Property in the Ottoman Empire (Stanford University Press, 2023).

[81]Nader Atassi, "The Economic Nahda: Capital, Empire, and Economic Thought in the Modern Middle East, 1860–1920" (PhD diss., Columbia University, 2023), chs. 1–2.

and advising the newly formed Agriculture Council (in 1843, under the aegis of the Finance Ministry).[82]

This program included attempts by the state to offer credit with low interest to peasants in need. In the 1840s, state funds earmarked in the imperial budget for this purpose were occasionally provided to the provinces.[83] This required mapping the credit needs of different localities, which the government sought to do by appointing agricultural directors and regional councils staffed by local elites.[84] These attempts laid the foundations for the formation of rural credit funds (*memleket sandıkları*) in the 1860s—which unlike state funds, relied on local pools of capital—and two decades later the Ottoman Agricultural Bank, based on ideas of self-help, which gradually spread across Europe at the same time.[85] This new institutional infrastructure was aimed at providing cheap and accessible credit to cultivators.

Alongside this system, the government introduced the Murabaha regulation (1851) which concerned private credit. Initially, the regulation set interest rates to 8 percent annually, amended the following year to 12 percent following protests by merchants. But just as important, it stipulated that local authorities would review *existing* debt contracts, and in cases of poor debtors, reduce accumulated interests that exceeded 12 percent and extend repayment periods to a maximum of five years in equal installments. Recognizing the important role of creditors, the order set the terms of legitimate interest in an effort to prevent the exploitation of the peasant population (*ehl-i kura*).[86]

Placing legal caps on interest rates, including the deduction of excessive interest from existing debts, was not a nineteenth-century innovation in the empire; the reformers drew upon an old Ottoman legal practice.[87] In 1851–1852, the state redefined lawful interest, termed *fa'iḍ qānūni* or *nizāmi*, as another principle of the Tanzimat to be implemented across the empire. In the 1860s the order was incorporated into the empire's Commercial Code, which set the terms for its more systematic application in the provinces through the newly established commercial courts (instead of sharia courts) as well as local councils that would review existing debts.[88] Behind this move was an aspiration for standardization through local governance, which was seen as serving the moral principle of protecting peasants from abuse, but it also reflected new ideas about productive credit—the opposite of usury—as essential for agrarian development.[89]

The Murabaha regulation distinguished between *sarrafs* as respected, established financiers who were exempted from the new restrictions, and *murabahaci*s and

[82]Williams, *States of Cultivation*, 26–28.

[83]Tevfik Güran, *19. Yüzyıl Osmanlı Tarımı üzerine Araştırmalar* (Eren, 1998), 53–54.

[84]Williams, *States of Cultivation*, ch. 1.

[85]To encourage cultivators to use these new institutions, established financial mechanisms like *salam/selem* were presented as illegal. M. Safa Saracoğlu, *Nineteenth-Century Local Governance in Ottoman Bulgaria: Politics in Provincial Councils* (Edinburgh University Press, 2018), 29–30.

[86]BOA, MVL 766/13, end of Cemaziyelahir 1268/late Apr. 1852, p. 1.

[87]For example, Sultan Süleyman's code of criminal law set interest rates to 10 percent: Uriel Heyd, *Studies in Old Ottoman Criminal Law*, V. L. Ménage, ed. (Oxford University Press, 1973), 122–23, 182.

[88]BOA, MVL 765/9, 29 Rabi-ül Ahir 1279/ 24 Oct. 1862, p. 8.

[89]Derri, "Bonds of Obligation." In a later version of the Murabaha Regulation from 1887, interest was lowered to 9 percent.

"other wealthy persons" (*sâir zengin kimesneler*) who engaged in private contracts of moneylending at high interest rates that could lead to widespread indebtedness. The latter's profit often came from accumulating interests on unpaid debts that included extra fees and/or advance purchase of crops at a low price: these types of contracts—*subaşılık* and *selem*, respectively—were specifically targeted by the new regulation.[90]

A well-known credit mechanism, *selem* (Arabic *salam*)—the advance of cash to peasants against crops months before the harvest for a reduced price—was an old and common practice across the empire.[91] To ensure that excessive interest was avoided, the Murabaha regulation allowed the purchase of crops at their market price, with a maximum charge of 12 percent interest. Merchants with varying amounts of capital could engage with *selem*, and thus gain regular access to agricultural surplus on favorable terms.

Subaşılık, as explained above, combined private and public credit. The *subaşı*, who usually belonged to one of the big *sarraf* and merchant houses, functioned like a general banker of a village. In addition to advancing the village taxes to the government (up-front, as opposed to installments in tax-farming), he provided separate—collective and individual—loans to villagers, while also charging service fees.[92] By the early 1860s, the Damascus governor warned that local peasants' debt to moneylenders had reached enormous amounts.[93] The extra fees were now prohibited, as were accumulated interest on unpaid debts.[94] In this way, *subaşılık*, as a mechanism that earlier in the century helped increase state revenue in the countryside, came to be treated as *murabaha* by the 1860s, with calls by the governor to abolish it altogether.

The order, which by 1861 had become integrated into the Ottoman Commercial Code, was circulated to the provinces, including Damascus, where it was soon met with opposition by merchants who described it as an unjust state intervention in private transactions. A petition signed by eighty-five merchants who belonged to the *Hayriyye* and *Avrupa Tüccarları* claimed that the universal application of the new interest rates to existing contracts constituted a violation of these *beratlı* merchants' rights. They objected to the commercial court's interfering in their private transactions unless specific errors or abuses were found in them, and argued that, unlike *subaşı*s and *murabahacı*s, their status was special.[95]

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[90]In their reports to the capital, Damascus governors described the widespread indebtedness to moneylenders in Damascus as a source of great misery for the local villagers; BOA, MVL 765/9, 25 Muharrem 1279 (23 July 1862).

[91]Güran, *Osmanlı Tarımı*, 134–38; Kenneth Cuno, "Contrat salam et transformations agricoles en basse Égypte à l'époque ottomane," *Annales HSS* 61, 4 (2006): 925–40; Beshara Doumani, *Rediscovering Palestine: Merchants and Peasants in Jabal Nablus, 1700–1900* (University of California Press, 1995), 135–40; Hadjikyriacou, "Society and Economy," 209–37. On foreigners' engagement in *selem*, see Theoharis Stavrides, "Agricultural Loans and European Merchants in Eighteenth Century Cyprus," in Elias Kolovos, ed., *Ottoman Rural Societies and Economies: Halcyon Days in Crete VIII* (Crete University Press, 2015), 293–305.

[92]As early as 1845, the governor of Damascus and the local British consul discussed the problem of "Sou Bashis" who were charging peasants high interests for advancing the "*miri*" of the villages to the treasury. British National Archives (henceforth BNA), FO 78/622, Richard Wood to the Earl of Aberdeen, 29 Dec. 1845.

[93]BOA.MVL 766/13, 5 Ramazan 1279/ 24 Feb. 1863, p. 4.

[94]See Article 6 of the regulation: *Düstur*, Tertip 1, Cilt 1 (Matbaa-yı Amire, 1289[1872]), 269.

[95]BOA, MVL 765/9, 28 Cemazeyi-l Evvel 1279/ 21 Nov. 1862, p. 10.

Another letter of protest to the governor was submitted by a group of ten creditors who were British subjects and protégés. Thanks to their services, they asserted, the villages they operated in were all tax-paying and cultivating more. In their districts, they claimed, "not one of the [villages] is deserted" and "not one peasant … was under the necessity of selling property [to pay taxes]," while elsewhere villagers were "in considerable arrears of taxes." But now, they argued, if the accounts are reopened and revised, all peasants would plead an inability to pay, as some had already done, while they as creditors had to continue to borrow at the usual rate of 24 percent "to meet our obligations and thus maintain our credit and honor." They also reminded the governor that many of their claims on the villages originated in the loans they had provided the government at a 24 percent interest rate in the form of *sergi*s, a debt which the government itself transferred onto the villages.[96]

The *subaşı*s of Damascus, who were among the major investors in treasury bonds, asked to be excluded from the Murabaha regulation based on their special service as financiers of the *hajj*.[97] To risk losing this source of funding was indeed a challenge for the province—as was its attempt to distinguish between private and public credit: the governor and treasurer insisted on the unique status of the treasury bonds as a tool of public credit, backed by silver (or gold), whereas *subaşılık* was like any other private loan given to peasants. As such, they explained, *subaşılık* should be subjected to the new legal terms for legitimate interest.[98] Yet, the provincial government soon realized that often the same individuals engaged both in private credit (through *subaşılık* and *selem*) and in treasury bonds, and thus it was no simple task to distinguish legitimate from illegitimate credit, or *sarrafs* from other private creditors.

Given the bonds' unique status, the governors preferred to see as many of them as possible held by *sarrafs* as trusted local financiers, and in particular, the province's chief *sarraf*, Shemaya Angel, himself an Austro-Hungarian protégé. In addition to other banking services, Angel regularly provided credit to the treasury, the army, and the *hajj*. He also took over a considerable portion of the public debt through bonds while also buying debts that the government was unable or unwilling to pay—though, the Finance minister noted, unlike others he charged "moderate" (*muʿtedil*) interest rates.[99] Still, despite potential risks, the government tried to monitor the bonds' movement, not through official restrictions, but rather by requiring bondholders to register their endorsed bonds. These requirements were only partially followed.

Despite repeated requests by local governors to abolish credit mechanisms they struggled to control, the central government was adamant regarding the benefits of drawing on private merchants' funds, confident that the latter's actions could be effectively regulated using the new laws. This was also the case when Damascus governors Mehmed Emin Pasha (1862–1863) and Mehmed Rüşdi Pasha (1863–1865) relayed their concerns to Istanbul over the social and political consequences of the extensive circulation of treasury bonds, which, they argued, should be withdrawn

[96]BNA, FO 195/760, Damascus, 11 Feb. 1863.

[97]The government used *subaşıs*' cash advances for various purposes but highlighting their "sacred" contribution to the *hajj* was a strategic choice on their part, and bondholders would do the same following the imperial default in 1875.

[98]BOA, A.MKT.UM 101/32, Damascus Eyalet defterdar and vali, 21 Şevval 1268 (8 Aug. 1852).

[99]BOA, A.MKT.MHM 278/72, Finance Minister Mustafa Fazil to Grand Vizier, 7 Eylül 1279 (19 Sept. 1863); BNA, FO 195/727, Damascus Consul E. J. Rogers to British Ambassador E. M. Erskine, 31 Dec. 1862.

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from the market.[100] Their concerns anticipated what the state would have to deal with after the bonds were suspended in 1877; namely, the rapidly accumulating interests on numerous discounted bonds whose original owners could not be ascertained.[101] In addition to a highly inflated government debt to bondholders, the trade in what ultimately became peasants' debt meant a greater risk for this vulnerable population. This challenge gained urgency when coupled with the ongoing concern over foreigners' access to the local public debt.

Between Capitalist Visions and Imperial Sovereignty

By the late 1870s, following the Ottoman financial default and subsequent loss of territory in the 1877–1878 war with Russia, investments by European protégés and subjects in treasury bonds became a serious concern for Ottoman sovereignty. As Nora Barakat observed in regards to the land market in the Syrian interior, the imperative to retain sovereignty by closing it to foreigners, as some late Ottoman officials attempted to do, clashed with imperial aspirations for capitalist expansion in the region, which was promoted by pro-market land administrators.[102] This tension was similarly reflected in the decision to suspend the renewal and issue of the Damascus treasury bonds in 1877, at least as it was understood by foreign and protégé merchants.[103]

As the question of loyalty took on new urgency, it became a structural element in the valuation of the bonds after their suspension. A thorough review of the province's accounts in the 1880s found that much of its enormous debt to bondholders consisted of accumulated interests on highly discounted bonds. The government therefore set a universal rate of 10 percent as payment on the bonds. A much higher value of 51 percent was assigned to bonds that had been purchased directly from the treasury.[104] In the years that followed, local and foreign *sergi* holders flooded the government with demands for payment or renewal. Shemaya Angel's son submitted multiple petitions claiming he deserved the higher rate since he did not "[find] these bonds on the street" like other merchants who bought theirs "for 3 *kuruş* each" (i.e., for a very low, discounted price), and avowed his and his father's long-time loyal service to the empire in "wealth and body" (*mālen ve bedenen*).[105] Having original *sergi*s was associated with loyalty to the empire, and as confirmed by the Finance Minister, those presented for payment by Shemaya's son originated in direct

[100]BOA, A.MKT.MHM 273/3, "to the finance ministry" (draft), 27 Sefer 1280 (13 Aug. 1863).

[101]BOA, A.MKT.MHM 305/84, "to the finance ministry," 9 Sefer 1281 (14 July 1864).

[102]Barakat, *Bedouin Bureaucrats*.

[103]Salim Mishaqa, merchant and dragoman of the British in Damascus, lamented this decision by the governor of Syria, whom he regarded "a dangerous man to the country … [who] provokes fanaticism." Middle East Centre Archive, St. Anthony's College, Oxford, GB165-0306, WD/250, S. Mishaqa to R. Wood, Damascus, 30 May 1877.

[104]A third category of bonds classified them as either *ma'lul* (invalid or defective), that is, those that were not properly registered and could not be located in official records, or *sahte* (fake), namely those that were registered under multiple holders or suspected to have been already redeemed. These bonds were cancelled.

[105]BOA, BEO 440/32964, *arzuhal* by Shemiyazade Azer, 14 Ağustos 1310 (26 Aug. 1894). To illustrate the value of kuruş in late nineteenth-century Syria, daily wages of textile workers ranged between 5 to 15 kuruş (Charles Issawi, *The Economic History of the Middle East, 1800–1914* [University of Chicago Press, 1966], p. 282), and monthly wages of government scrıbes averaged 200–250 kuruş (Derri, "Bonds of Obligation," ch. 4).

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advances to the treasury in its most difficult times of shortage (*en müzayakalı zamanda*).[106]

Angel's demands were met at least partially, whereas in most other cases of British and French protégés or nationals, bonds were valued at 10 percent. Before imposing those rates as part of long negotiations with bondholders and their families that sometimes lasted into the early 1900s, Ottoman lawmakers set to define the status of these families as "doubtful" nationals. A joint investigation with Finance Ministry officials found that these families of merchant-bankers had been holding tax-farms, paying certain taxes, and transacting in land (before the latter was opened to foreigners)—in other words, practicing the rights and duties of Ottoman subjects. Applying the new legal category of "doubtful" nationals to those merchants whose claims for foreign nationality had not (yet) been established according to the 1869 Nationality Law allowed the government to treat them as de-facto Ottoman nationals.[107]

This move, together with the core legal principle that ensured Ottoman jurisdiction in cases pertaining to land regardless of its owner's nationality, aimed at denying these financiers' extraterritorial rights in debt disputes with locals. Such disputes often pitted indebted peasants against merchant-bankers backed by consular representatives. One case concerned Yaqub Levy-Stambouli (Islambuli), who belonged to a prominent Jewish merchant family in the region that was under British protection. In 1862, soon after the Damascus governor set to implement the Murabaha regulation and appointed the Village Commission (*kura komisyonu*) to oversee the process, indebted peasants rushed to court to challenge their creditors. Others submitted petitions using the language of the regulation in their complaints against usurious interest. Ten villages from the Ghūṭa (a particularly fertile area known as the oasis of Damascus) submitted a collective petition addressing their large debts to Stambouli as their *subaşı*, which, due to excessive interests, had reached a total of nearly 7.5 million *kuruş*.[108] This debt alone constituted one-tenth of the estimated total of peasant debt to moneylenders in the province by the early 1860s.[109]

As the village headmen emphasized, their debts originated partly in loans they took to pay taxes (*aşar* and *vergi*—the tithe and the property tax) and production expenses, but also in treasury bonds, and they attached to their petition a copy of the sultanic edict of April 1852 on Murabaha as the legal basis for their claims to reopen and review those debts. Like other merchants in the region, the Stamboulis also engaged in the advance purchase of crops (*selem*) which they would store in the family's nearby warehouse for sale. The family thus managed to secure dominance over large swaths of rural land through this year-round cycle of moneylending (see map 1). Financial innovations, like the Damascus treasury bonds, as well as joint-stock companies and guarantees-as-investment,[110] grew out of the tax-farming system, which, being far more than a traditional system of extraction, continued to evolve and became enmeshed in regional and global capitalist markets.

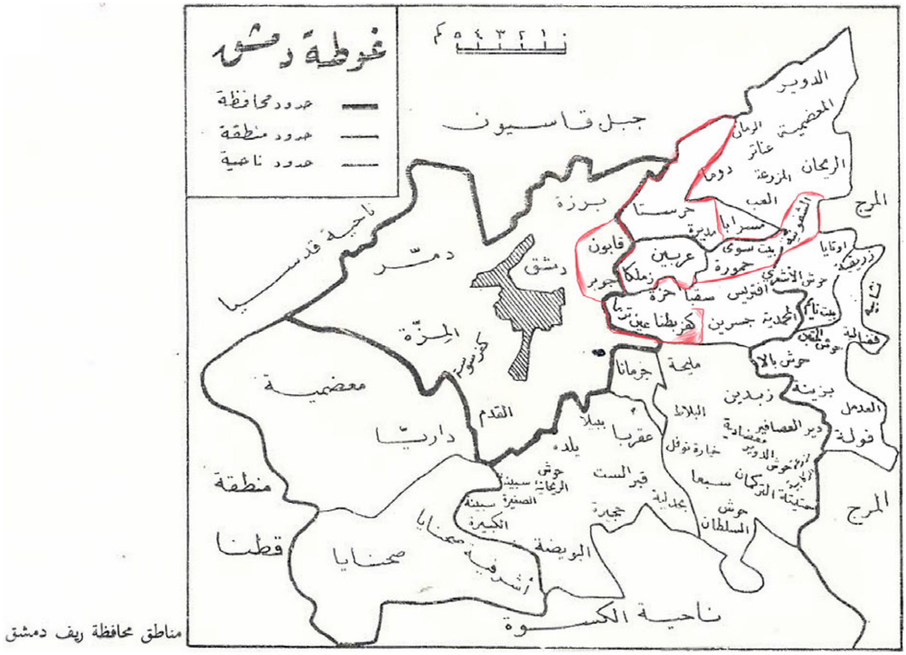
[106]BOA, BEO 3215/241054, Finance Minister to Grand Vizier, 4 Cemaziyelevvel 1321 (29 July 1903).

[107]Derri, "Imperial Creditors."

[108]BOA, MVL 407/29, 4 Recep 1279 (26 Dec. 1862), p. 9.

[109]BOA, MVL 766/13, 5 Ramazan 1279 (24 Feb. 1863), p. 4.

[110]Alff, "Levantine Joint-Stock Companies"; Nora Barakat, "Underwriting the Empire: Nizamiye Courts, Tax Farming and the Public Debt Administration in Ottoman Syria," *Islamic Law and Society* 26, 4 (2019): 374–404; Camille L. Cole, "Empire on Edge: Land, Law, and Capital in Gilded Age Basra" (PhD diss., Yale University, 2020), ch. 2.



Map 1. Villages of the Ghūṭa (those indebted to Stambouli marked in red). Adapted from: marefa.com, “Kharīṭat manāṭiq muḥāfaẓat Rif al-ghuṭa Dimashq [خريطة مناطق محافظة ريف الغوطة دمشق],” accessed May 1, 2025 (https://rb.gy/dd48k3)

In addition to deducting excessive interest from the debt, the authorities devised an installment plan for these villages, but they also clarified that any amounts left unpaid would be charged through the sale of villagers’ confiscated produce.[111] In practice, another decade would pass before an agreement was made with those village headmen who continued to oppose these terms. During this time, the British ambassador wrote to the Ottoman Foreign Minister on Stambouli’s behalf and urged him to intervene.[112] The agreement finally made in 1881 included annual installments, the last of which was again disputed by the villagers because of sums they had previously paid. This time, diplomatic channels that Stambouli’s son was hoping to use to avoid local courts proved limited and unhelpful because of his new label as a “doubtful” national. Stambouli’s case demonstrates how, instead of placing official restrictions on the purchase or circulation of bonds, Ottoman authorities sought to balance out their consequences for sovereignty by enforcing the jurisdiction of the imperial court system. Still, the tension remained.

“Converting The Wilderness of Waste into Productive Fields”

Ottoman concerns over sovereignty in relation to treasury bonds were thus quite concrete, and not only because of individual cases of dispute with indebted peasants

[111]BOA, HR.H 482/8, 5 Rebiyülevvel 1286 (15 June 1869).

[112]BOA, HR.H 482/8, H. Elliot to Reşid Paşa, 29 July 1873; HR.H 482/8, H. Elliot to Assim Paşa, 4 Mar. 1878.

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or the circulation and discounting of bonds without proper registration. Starting in the 1860s, offers came in from British and French firms to buy up the public debt of Damascus in return for agricultural tax-farms of certain districts. Amidst the growing influence of an emergent Euro-American financial oligarchy,[113] local governors saw these offers as clear threats to Ottoman sovereignty over its finances and agricultural lands. It was in this context that British consuls often referred to Damascus governors as "fanatics" and accused them of adopting policies that purposefully "menaced" European enterprise because of their "jealousy of Europeans" and their "wish to crush [Europeans'] influence in the Ottoman dominions."[114]

Ottoman authorities repeatedly rejected similar schemes to open British and French banking institutions in the province because of their reliance on foreign capital and on foreigners as owners of the debt.[115] Outraged by another blunt refusal by the governor, British consul Rogers wrote angrily to his superior at the embassy: "Those half-civilized Turks—whose only object is the gain of money … and whose only law is their own will or caprice—conceive that they are acting in a patriotic spirit when systematically abusing Europeans and opposing European interests, but on the contrary, it is the most degrading species of fanaticism which is then flattered by the name of patriotism."[116] This racialized language can be placed more broadly within a mid-century British discourse of Muslim/Asian "fanaticism" which reflected colonial anxieties about threats to British domination in India and elsewhere (especially after the 1857 rebellion) and to the "European export of 'progress' to the world."[117] When British officials lamented "the peculiar twisted way of looking at things peculiar to the Chinese official mind," they referred to late Qing internal taxation of items of foreign trade which they saw as inhibiting their interests of capital reproduction.[118]

The limited ability of foreign firms to take over public debt in Syria points to the unevenness of European expansion, not just globally but even within the empire, which in turn underscores the importance of multi-scalar histories of finance capitalism and public debts. The establishment of the Agricultural Bank in 1888 aimed at increasing Ottoman sovereignty at a time of clear vulnerability under the foreign-controlled Public Debt Administration and as Ottoman officials watched the impoverishment of Egyptians under British colonial rule through financial capital.[119]

[113]Isa Blumi highlights the role of foreign financial interests not just in the empire's sovereign debt, but also in the disruption of regional economies (together with local interests of commercial elites and liberal-minded reformers), in *Ottoman Refugees, 1878–1939: Migration in a Post-Imperial World* (Bloomsbury, 2013), ch. 1.

[114]BNA, FO 195/760, E. J. Rogers to H. Bulwer, Damascus, 19 Aug. 1863.

[115]BNA, FO 195/368, Wood to Viscount Stratford de Redcliffe, 13 Dec. 1853; BNA, FO 195/677, Rogers to Bulwer, 10 June 1861; BNA, FO 195/760, Rogers to Bulwer, 3 Mar. 1863; BNA, FO 195/760, Rogers to Bulwer, 24 Sept. 1863.

[116]BNA, FO 195/760, Rogers to Bulwer, 24 Sept. 1863.

[117]Eric Tagliacozzo, *The Longest Journey: Southeast Asians and the Pilgrimage to Mecca* (Oxford University Press, 2013), 126. For British imaginings of the Hijaz as a haven for "fanatics," see Michael C. Low, *Imperial Mecca: Ottoman Arabia and the Indian Ocean Hajj* (Columbia University Press, 2020), ch.1; and Seema Alavi, "'Fugitive Mullahs and Outlawed Fanatics': Indian Muslims in Nineteenth Century Trans-Asiatic Imperial Rivalries," *Modern Asian Studies* 45, 6 (2011): 1337–82.

[118]Stacie Kent, "Commercial Circulation and Abstract Domination," *Critical Historical Studies* 7, 1 (2020): 75–85.

[119]Aaron Jakes, *Egypt's Occupation: Colonial Economism and the Crises of Capitalism* (Stanford University Press, 2020), esp. ch. 3; Concerns about sovereignty informed Ottoman efforts to build an imperial property administration that would allow greater monitoring of foreign involvement in land transactions. Barakat, *Bedouin Bureaucrats.*

Provincial treasury bonds were issued again in the 1890s, only this time they were redeemed by the (British-French) Ottoman Bank and the French Crédit Lyonnais instead of the treasury.[120] Meanwhile, foreign debt demands coupled with substantial reform in the public finance system turned local tax-farmers into key supporters of the imperial treasury and underwriters of foreign borrowing and investment in infrastructure.[121] Eventually, it was not only Ottoman state measures that prevented a complete submission to international capital, but also local merchants' ability to use foreign capital for local development and for their self-interest.[122]

Such concerns about sovereignty were common to other "Asian" empires, for example Qing China. Under both Ottoman and Qing rule, fiscal experimentation involved the use of fiscal innovations alongside earlier credit practices that characterized decentralized fiscal systems such as inter-provincial transfers, merchant-farmed tax collection, and local variation in commercial taxes, which often led to European frustration and demands that internal fiscal policies be changed. While such demands relied on the argument that taxation acted upon goods and effected exchange value, Qing officials knew taxation was also inherent to social order and to the empire's political relationship with its merchants.[123] In both empires, this relationship came to play a significant role in imperial sovereignty.

What made merchant-bankers indispensable for the Ottoman Empire was their ability to provide large and swift advances of cash (in Damascus, mostly for the *hajj*). Given the new exigencies of the mid-nineteenth century, they were expected to do so in a productive and loyal manner, by refraining from excessive trade in discounted bonds, especially with foreigners. The Murabaha regulation set the terms of lawful interest that applied to all who engaged with credit in its territories, including foreigners. Debates were waged between supporters of legal limits on interest and others that opposed them in the name of the "free" flow of capital. Nonetheless, later versions of the Murabaha regulation remained focused on limiting interest rates, in contrast with racialized usury laws in Europe and the United States, which found such limits unnecessary since usury was understood as external to rational economic exchange. In German-speaking lands, usury as "a discourse of order and a diagnosis of crisis" was linked to backwardness and to the imperial periphery (e.g., Galicia); it stood at the center of anti-Jewish mobilization, while also informing the creation of new credit institutions that represented modernization and self-help.[124] Anti-usury campaigns in the United States were

[120]Nonetheless, A. Coşkun Tunçer has shown that international financial control restored the empire's creditworthiness, in *Sovereign Debt and International Financial Control: The Middle East and the Balkans, 1870–1914* (Palgrave Macmillan, 2015), ch. 7.

[121]Barakat, "Underwriting the Empire"; Nadir Özbek, "Tax Farming in the Nineteenth-Century Ottoman Empire: Institutional Backwardness or the Emergence of Modern Public Finance?" *Journal of Interdisciplinary History* 49, 2 (2018): 219–45.

[122]Jens Hanssen, *Fin de Siècle Beirut: The Making of an Ottoman Provincial Capital* (Clarendon Press, 2005), esp. ch. 3.

[123]Kent, "Commercial Circulation." By the 1860s, the proceeds of the commercial tax (*likin/lijin*) served as security for loans that local financiers gave to provincial officials, similarly to the usage of agricultural taxes as collateral for Damascus treasury bonds. Yan, "Domestic Effects," 203–9.

[124]Mischa Suter, "Usury and the Problem of Exchange under Capitalism: A Late-Nineteenth-Century Debate on Economic Rationality," *Social History* 42, 4 (2017): 501–23.

also framed around the image of the Jewish (or "Jewefied" American) loan shark who conspired to defraud the common people.[125]

In the colonial economies of India and Egypt, indigenous credit practices deemed usurious were racialized and often also criminalized. The British marginalized indigenous economic actors and labeled their practices as corrupt and irrational, treating usury as a symptom of racial defects.[126] Parallels can be found in Zionist settler-colonial discourse.[127] Usurers were understood as hoarders of wealth whose archaic ways prevented their turning that wealth into productive capital. As Johan Mathew observed in relation to communities around the Arabian Sea: "Money was used as a store of wealth, but with changing conceptions of political economy in Europe what had once been an admirable trait became an irrational obsession. As early as the Mughal era, India was maligned as a nation of hoarders, an inexhaustible sink for the world's precious metals."[128]

The Ottoman economy was understood in similar terms; opening an *English* national bank in the empire was thus presented as necessary for redeeming the country from *sarrafs* and for "converting the wilderness of waste into productive fields."[129] Amid Ottoman attempts to block foreign financial expansion, the *sarraf* became the ultimate symbol of backwardness in colonial discourse, at the very same time that changing perceptions and infrastructures of credit in the Ottoman Empire refashioned him as an ideal, productive, and loyal economic actor.

Conclusions

In the origin story of finance in the West, Julia Elyachar notes, the Ottoman *sarraf* "was deemed too intertwined with relationships, [politics, and kinship] to be considered a 'modern banker.'"[130] Elyachar proposes instead a critical relational approach to finance. She argues that the Ottoman-centered financial order, which "merely violates an ideal-type of finance" associated with the West, and its commercial interactions with European societies "shaped global financial infrastructures of commercial society from which capitalism as we think of it evolved."[131]

The present article has challenged the view of nineteenth-century non-Western empires as external to or incompatible with capitalism, due to their alleged failure to develop modern financial markets given their predatory, fiscalist bureaucracies. In the first section, I argued that the origins of this view can be traced in world historical analyses' binary understanding of state and capital, or "the political" and

[125] Daniel Platt, "The Natures of Capital: Jewish Difference and the Decline of American Usury Law, 1910–1925," *Journal of American History* 104, 4 (2018): 863–78.

[126] Jakes, *Egypt's Occupation*, ch. 3; Ritu Birla, *Stages of Capital: Law, Culture, and Market Governance in Late Colonial India* (Duke University Press, 2009); Michael O'Sullivan, "The Indian Muslim Salariat and the Moral and Political Economies of Usury Laws in Colonial India, 1855–1914," *Past & Present* 264, 1 (2024): 119–61; Johan Mathew, *Margins of the Market: Trafficking and Capitalism across the Arabian Sea* (University of California Press, 2016), esp. ch. 4.

[127] Arthur Ruppin, *Syria: An Economic Survey*, trans. Nellie Straus (New York: Provisional Zionist Committee, 1918), 69–70.

[128] Mathew, *Margins of the Market*, 117.

[129] James L. Farley, *The Resources of Turkey* (Longman, Green and Roberts, 1862), 32–33.

[130] Elyachar, "Relational Finance," 324.

[131] Ibid., 325.

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"the economic" as two separate spheres of power in a zero-sum game. If the ascendancy of the European world-economy entailed the triumph of the latter over the former, then the nineteenth-century Ottoman and other sovereign "Asian" empires represent an anomaly, as remnants of an archaic order in which the "political" prevailed.

The article's second part moved beyond the state-capital binary to examine the concrete practices of merchant-financiers and government officials, and the changes in Ottoman economic policy as characterized by experimentation and negotiation. Rather than an anomaly or premodern relic, *sarrafs*—as agents of the state who played a key role in financialization and commercialized agriculture well into the twentieth century—are understood from this perspective as embodying the substantial overlap between private and public finance in the Ottoman Empire. Not only did a variety of groups with diverse interests and relationships with the state take part in fiscal restructuring—the "state" itself proves to be a heterogenous and wide "array of [public and private] forms and manners to organize and do the work of the state."[132] As scholars have argued more broadly, "Enmeshing the public and the private was, in fact, *typical* of the state in that period—not the product of national models but of a shared political economy."[133]

In that, the Ottoman Empire was no exception, although it had distinct financial mechanisms and actors to draw on in its reorganization efforts. European merchants who integrated into the region's booming markets to profit from new investment opportunities adapted themselves to indigenous, changing forms of credit and debt. This was part of a dynamic exchange that entailed multidirectional processes of translation and conversion from and to vernacular forms and produced and constituted global commercial landscapes.[134] As the Ottoman experience shows, it was in the particular historical convergence of these processes of exchange, translation, and competition that finance capitalism as we know it took shape.

This article has sought to reconsider the Ottoman public debt within a global history of nineteenth-century statecraft and capitalism, from a non-teleological and socially grounded perspective that recognizes the diversity of financial institutions and forms of business organization. Instead of a story of inevitable crisis and foreign domination that is read backwards, the history of the Ottoman public debt as told here is one of endogenous fiscal experimentation within the tax-farming system which led to financial innovations that paralleled those of other states at the time. The commercialization of agriculture was promoted through the commodification of public debt, while the law was used to prevent the abuse of state resources by foreigners or Ottoman subjects with extraterritorial rights. The Murabaha regulation aimed not simply to limit interest rates and outlaw "usurers," but to turn creditors into a productive factor through *regulated* markets that would complement state credit for peasants.

The limits of European financial expansion *within* the empire highlight an important point about sovereignty as layered and relational, thus complicating common narrations of Ottoman peripheralization. They also point to a different

[132]Barreyre and Lemercier, "Unexceptional State," 485.

[133]Ibid., 496–97 (original emphasis). They suggest moving "from a study of the state as a single institution … to research on statecraft (practices and the accompanying discourses) as specific means of governance." Ibid, 502.

[134]Bishara and Wint, "Into the Bazaar."

paradox than Braudel's Ottoman survival-and-"decadence": the interconnectedness between nineteenth-century attempts to bring Asian/Muslim "fanatics" under European domination and later "civilizationist" thinking embedded in critical scholars' analyses of those sovereign "Asian" empires as such.

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