

## A fateful beginning: Mehmed Cavid Bey, politics and finance in the global Middle East, 1908–14

*Ozan Ozavci*

Almost all life stories can be considered global biographies. It is usually the historian's art to paint portraits of lives that transcend conventional scales. Sometimes the contours are already there. We just state the obvious, describe and explain how an individual's (or a group of individuals') physical, political, intellectual or emotional transposition across continents, between polities or around the world produce or affect global processes. An example is portraits of the agents of overseas empires or staff of global international institutions whose lives contain pathways that personify a spatially worldwide story in its own right.

On other occasions, it remains the task of the historian to uncover how local, less mobile singularities generate an influence of sorts, ranging from butterfly to domino effects, that endure through time and/or across the globe. There are also instances where historians creatively juxtapose seemingly disconnected lives and use or connect life stories as representations of a global phenomenon.

Of course, these scenarios might be usefully augmented, and it would be erroneous to consider them distinct categories, as they are often interlaced. It remains for us to tease apart their connections, highlight complexities and so conflate, as recent scholarship has rightfully noted, binaries of local and global, micro- and macro-, short- and long-term.<sup>1</sup> It is now high time to embrace the complexity brought about by the endeavour to think beyond such binaries, no longer forsaking the effort for mere intelligibility's sake and, by the same token, to discard Euro- or West-centrism in pursuit of counterpoint, i.e. placing the agency of non-Western actors into the same analytical framework as their Western counterparts.<sup>2</sup>

This is possibly why recent examples of outstanding historical scholarship evince a shared desire to demonstrate that their subjects are more complex than previously portrayed, while at the same time producing lucid and comprehensible narratives and analyses. One way of picking up such nuances while expounding broader narratives is to resort to biography with a micro-spatial approach. Christian De Vito describes 'microspatial' as the marriage

of microhistory, understood as an ‘analytical approach deriv[ing] categories, spatial units and [new] periodisations’ by means of in-depth archival research, with a strand of global history as a spatially, temporally and sectorally sensitive ‘mindset’ that ‘focus[es] on connections ... overcom[ing] political and cultural boundaries’ and that defies Eurocentrism.<sup>3</sup>

My contribution to this volume builds onto the subtleties of this approach. I will reconsider the history of the global and imperial fashioning of the Middle East during the early twentieth century, not merely through the lens of major European actors, nor with an exclusive focus on imperial strategic and political calculations. Instead, I will invoke a new lens, restoring local agency and highlighting the ‘peripheral gaze on normality’, as the editors of this volume put it in the introductory chapter.

The chosen focus here is the financial colonization of the Middle East. A normality-in-the-making at the time, the Western dominant influence over the finances of the region has rarely been considered from the perspective of local agents, who negotiated many of the concession and loan agreements with Western companies, banks and imperial states on behalf of the Ottoman government. For example, almost nothing has been published to date specifically about the role taken by Mehmed Cavid (Djavid) Bey (1875–1926), a *dönme*, liberal, Young Turk and three-time Minister of Finance in the aftermath of the 1908 revolution in the Ottoman Empire.<sup>4</sup> Drawing heavily on his diaries and archival sources, a microspatial approach to the diplomatic talks, loan negotiations and concessions Cavid Bey was involved in (railways, ports, roads and oil-wells) reveals much about how financial considerations informed political and strategic decision-making processes, and vice versa. The analysis of Cavid Bey’s career through a microspatial lens also allows us to see that at first he saw merits in the financial colonization of the Ottoman Empire. He became part and parcel of the ‘normal’, which at once made him regarded as an exceptional figure in the nationalist governments he worked for. But he eventually recognized the dangers that financial colonization posed for the empire, and he found himself in the midst of a dangerous tension between European imperial agents and local nationalists. How he dealt with this tension constitutes the story I would like to tell here.

Due to limitations of space, the focus of my analysis will be the years bracketed by the 1908 Young Turk revolution and the outbreak of the First World War in 1914. It was in this period that Cavid Bey emerged as one of the most influential political and financial figures in the Middle East. He controlled the finances of the Ottoman Empire almost exclusively by himself, as a leading member of the ruling Committee of Union and Progress (CUP) and the most knowledgeable economist among the Unionists. His story incarnated the peripheral quest for fiscal sovereignty.

My chapter will begin by introducing Cavid Bey's early life. I will then elaborate on what is meant by financial colonization. The third section will consider Cavid Bey's perception of financial colonization in the aftermath of the 1908 revolution. I will conclude by addressing the 'nationalist' turn Cavid Bey took and how he repeatedly repositioned himself against the adversarial normality of his era.

### The revolutionary *dönme*

Mehmed Cavid Bey was a *dönme*, a follower of the messianic Jewish figure Shabbatai Tzevi who had been compelled to convert to Islam in 1666.<sup>5</sup> *Dönmes* had their own religious leaders, rituals, mosques and schools, and came to constitute the bourgeois elite of many Ottoman urban communities.<sup>6</sup> They were concentrated predominantly in the Ottoman town Salonica (Thessaloniki/Selânik), a major cosmopolitan port on the northern Aegean coast, which was where Cavid Bey was born.

After receiving his early education at modern *dönme* schools in Salonica, Cavid Bey moved to Istanbul for his high school education and, in August 1896, graduated from Mekteb-i Mülkiye-i Sahane (the School of the Civil Service) with high honours and a perfect command of French and Greek.<sup>7</sup> His professional life began with a short spell in the accounting bureau of the Agricultural Bank after which he was appointed to the statistics department of the Ministry of Education in 1898. The next year he became a scribe at the Ministry of Education. Meanwhile, he taught economics at Darülmualimin (the School of Education) and made a name as one of the founding theorists of this new science in the Ottoman world.<sup>8</sup> It was then that he turned his lecture notes into a book with the title *İktisat ilmi* (*The science of economy*), in which, inspired by the teachings of Paul Leroy Beaulieu and Charles Gide, he advocated economic liberalism and considered integration with the world economy a precondition for Ottoman economic development.<sup>9</sup>

Aside from his academic work, Cavid was also involved in political activity in his hometown of Salonica after his return there in 1902. While working as the principal of the Fevzie schools, he became a freemason, possibly with the help of Emmanuel Karasu, a Jewish lawyer who founded the Salonican masonic lodge Macedonia Risorta.<sup>10</sup> Freemasonry opened new doors to many in Salonica.<sup>11</sup> Several members of the lodge went on to hold key positions in the CUP, including Talat Bey, Kazım Paşa and Mithat Şükrü Bleda. As early as 1903 Cavid Bey and Talat Bey sought to publish revolutionary propaganda against Sultan Abdülhamid II.<sup>12</sup> They founded the Ottoman Free Society in 1906.

The following year, when the Free Society and the CUP merged, Cavid Bey became a Unionist.

The July 1908 revolution brought dramatic changes for both the Ottoman Empire and Cavid Bey. Sultan Abdülhamid II would finally be held to account by a parliament under the terms of the 1877 constitution. Elected as Member of Parliament for Salonika, Cavid Bey left his home town for Istanbul for the second time. Beside his political work, he taught at Mekteb-i Mülkiye (the Imperial School of Political Science) and published *Ulum-i İktisadiyye ve İctimaiyye Mecmuası* (*The Journal of Economic and Social Sciences*). His articles in 1908 and 1909 show us that Cavid Bey believed that agricultural specialization in a free-trading world order held the key to Ottoman development.<sup>13</sup> His knowledge of finances and criticisms of the inertia of the Ministry of Finance quickly attracted the attention of the Sultan, who offered Cavid Bey the position Minister of the Civil List (who administered the sultan's private treasury and property). Ill-disposed towards Abdülhamid's reign and character, Cavid Bey declined this offer.<sup>14</sup>

After the counter-revolution of April 1909, as the CUP decided to place its men in key ministries for greater political influence, 34-year-old Cavid Bey was nominated first as an undersecretary at the Ministry of Finance (May 1909) and then as the Minister of Finance (June 1909).<sup>15</sup> This was the first time a Unionist took up a ministerial position. It was also a landmark in *dönme* history, being the first and only occasion a member of the *dönme* community reached such a prestigious post in the Ottoman Empire. Still, as we will see, Cavid Bey's Jewish origins were viewed suspiciously by antisemites.

### Financial colonization

The 1908 revolution inspired high hopes, and not only among Ottomans. Western investors and financiers also viewed it as a favourable omen. Politics and finance had always been tightly and uneasily knitted together where the relations of the Ottoman Empire with its Western neighbours were concerned.

One can trace the uneasy politics–finance nexus in Euro–Ottoman relations as far back as the fifteenth and sixteenth centuries, when Ottoman elites introduced capitulations (commercial and financial privileges granted to European merchants) in order to influence European international affairs in their favour.<sup>16</sup> From the eighteenth century onwards, however, the capitulations became an instrument by which European commercial interests entrenched themselves in the Ottoman world at the expense of the

Ottoman economy, and the state's solvency and fiscal capabilities.<sup>17</sup> This development coincided with the emergence of what was eventually termed the Eastern Question, i.e. how to deal with the alleged weakness of the sultan's empire.

Even though the Eastern Question has long been considered in literature as first and foremost a strategic concern of the major European empires, as I have discussed elsewhere, it had strong economic, legal, religious and eventually financial undertones as well.<sup>18</sup> After each major military defeat or during each imperial crisis, whenever Ottoman elites sought the aid of one or another European power, they found themselves pressured to make new commercial and financial concessions to their Western counterparts. The incremental opening up of the Ottoman Empire to global free trade by successive reductions of tariffs from the 1790s until the 1860s, and the abolition of monopolies in the 1830s (during the Egyptian and Algerian crises), precipitated a larger process dubbed 'peripheralization':<sup>19</sup> the Sublime Porte (the Ottoman government) found itself at the disadvantaged end of the uneven economic and financial relations in a Europe-centred international capitalist system.

During the second half of the nineteenth century, European investors increasingly purchased Ottoman bonds. With the first foreign loans contracted between European financiers and Sultan Abdülmejid I in the 1850s, uneven monetary dependencies between the Porte and European financial houses were created spontaneously.<sup>20</sup> This was a turning point. From then on, the importance of the Ottoman Empire for the leading-edge European countries rested no longer on warranting continental peace by securing the territorial integrity of the Ottoman Empire and increasingly on finding markets for manufactured European goods. The Eastern Question saw a financial turn as millions of pounds had been invested in the sultan's dominions or loaned to the Porte, which made the fiscal survival of the Porte vital for European interests.<sup>21</sup>

A variety of domestic factors, as well as imperial rivalries surrounding the Crimean War (1853–6), drove imperial finances onto the rocks.<sup>22</sup> The dire situation of the sultan's treasury led to the establishment of a European commission in 1855, supposedly intended to help the sultan monitor expenses and consolidate the Empire's massive floating debt.<sup>23</sup> In reality, as Eldem observes, this represented 'a form of foreign control over Ottoman finances'.<sup>24</sup> Put in other words, it initiated the financial colonization of the Ottoman Empire through the appointment of foreign agents (the commission) ostensibly to cultivate domestic resources. From then on, generations of European advisers, inspectors and commissioners were dispatched to the Ottoman Empire, entrusted with overseeing its financial stability and the servicing of loans contracted with European financial houses. Concurrently,

several new European banks were opened on Ottoman soil and acted thence as the veins of the imperial financial system.

The most important of these was the Imperial Ottoman Bank (IOB).<sup>25</sup> Founded in 1863 (though organically linked to the Ottoman Bank, which had been established in 1858), it was essentially an Anglo-French enterprise with boards in London and Paris (eventually a third board was established in Istanbul). Its task was to act as a state bank or ‘cashier of the Empire’, putatively helping to save the Porte from the yoke implied by unfavourable loan deals with domestic Galata bankers like Isaac Camondo and Antoni Pirianz,<sup>26</sup> who had monopolized this money-spinning business previously.<sup>27</sup> But it became clear to the IOB shortly after its foundation that the European lenders’ terms carried their own risks. The Ottoman government was trapped ‘in a vicious circle of debt, whereby the greater part of the proceeds of its loans were siphoned into the payment of outstanding foreign and domestic debts’.<sup>28</sup> It could not but result in the official bankruptcy of the Ottoman Empire in the mid-1870s.<sup>29</sup>

Default was followed by the establishment of a new institution of European financial control: the Ottoman Public Debt Administration (OPDA), founded in 1881. With a presidency alternating between French and British delegates, and consisting of a council of borrower groups (British, Dutch, French, German, Italian, Austro-Hungarian and Ottoman owners of bills) as well as a representative of the IOB, the OPDA took direct control of Ottoman state revenues such as the tobacco tax, stamp duty, levies on alcohol, fish and silk production, and an annual tribute paid by provinces, etc. to ensure the servicing of foreign debts.<sup>30</sup> The Porte accepted the establishment of the OPDA, agreeing on a considerable reduction in the debts nominally due (50 per cent).<sup>31</sup> In 1883, another foreign agency, La Société de la Régie Cointéressé des Tabacs de l’Empire Ottoman (hereafter Tobacco *Régie*), took over the tobacco sector from the OPDA, paying the latter an annual sum (750,000 liras) and allocating it a share of profits.<sup>32</sup>

The relationship of the transimperial European agents (foreign advisers, commissions, banks and finally the OPDA and the Tobacco *Régie*) with the Ottoman government in many ways represented the archetypal dynamics of the European colonizing or civilizing missions of the long nineteenth century. On one hand, these transimperial actors did provide the Ottoman Empire with benefits to state finance such as fiscal discipline, more efficient taxation (including an end to tax farming) and production, inspection committees and double-entry book keeping.<sup>33</sup> By going some way to restoring the creditworthiness of the Ottoman Empire they enabled the Porte to contract new loans with European syndicates that kept the imperial economy afloat and increased the appeal of Ottoman bonds on European stock markets.

On the other hand, the transimperial actors in question acted as instruments of domination and exploitation. They opened the Ottoman economy up further to Western penetration by means of what we might call ‘the European conditionality’. The Porte was repeatedly reminded that it would receive further financial support on condition that it grant concessions to European entrepreneurs in economically profitable sectors such as construction and/or the operation of railways, roads and mines, sometimes blatantly threatening Ottoman elites.<sup>34</sup> As we will see below, British and French governments interfered in various loan negotiations to secure political gains. All the while, European financial commissioners, bankers and the delegates of the OPDA tended to believe their missions had a noble nature and see the Ottomans as semi-civilized people with odd and old-fashioned *mores*, habits and methods, as haughty and xenophobic.<sup>35</sup>

An immediate repercussion of the financial colonization of the Ottoman Empire was the triumph of local statesmen having anti-European feelings during the reign of Sultan Abdülhamid II (*r.* 1876–1909), who repeatedly tried (but failed) to limit foreign economic penetration. As one onlooker who closely followed the Ottoman economy reported, by the early twentieth century the Ottoman economy and finances were overseen by a consortium headed by the IOB, the OPDA and a new actor, Deutsche Bank, whose railways and oil interests reflected the rise of Germany as a new imperial power with aspirations in the Levant and Mesopotamia.<sup>36</sup> By this time, European controlling influence on Ottoman finances became the new normality for the sultan’s empire.

The financial colonization of the Ottoman Empire teemed with internal tensions. It was a compound relationship of dependence, co-development, exploitation and distrust – all at the same time. Consider how the IOB and the Porte needed each other: one (IOB) for maximizing profits and, for this reason, ensuring the financial survival of both the Ottoman Empire and itself; the other (the Porte) for political and financial existence. Each doubted the other: the IOB administrators were inclined to believe that the Porte ran the imperial finances inadequately, suspecting that the empire’s credit was likely to decline if the Porte was left to its own means or became financially independent. It perceived the continuous political instability in the Ottoman Empire as an existential threat to the bank. For their part, the Ottoman ministers usually looked to limit the controlling influence of the bank, paradoxically to maintain the government’s creditworthiness and fiscal sovereignty, which it considered vital for imperial prestige and security. They suspected the organic links of the IOB with the British and French governments, viewing the IOB as an instrument serving political ends.<sup>37</sup>



### The exceptional: 'a new, rising star'?

This fraught situation was why the appointment of Cavid Bey as Minister of Finance in 1909 was welcomed not only by the Unionists and the *dönme* community in the Ottoman Empire, but beyond the empire's borders as well. Since the 1908 revolution, Istanbul had been 'swarming with capitalists', but they made slow progress 'owing to suspicion of foreigners caused by former corrupt deals, usual dilatoriness and patriotic belief that the state should run such enterprises themselves', as the American *chargé d'affaires* in Istanbul reported back to Washington DC.<sup>38</sup> As a firm believer in liberal economy, Cavid Bey was open to foreign investment and foreign loans. The same American representative described him as 'a man of no mean talent' with undisputed financial capacities and, most importantly, known to be a figure 'averse to such government ownership, wisely recognising its inconveniences ... [H]e is anxious to interest foreigners in the industrial awakening of Turkey.'<sup>39</sup>

Cavid Bey was an 'exceptional' Ottoman minister, first of all, on account of his *dönme* origins, his positivist orientation, his desire to use statistics as a means to govern the empire, his mastery of finance and economic theory and his cosmopolitan political outlook, upholding religious and political pluralism. These qualities made him a figure highly respected both within and outside the Ottoman Empire.<sup>40</sup> Moreover, he shared a common world view with many of his European and American correspondents where issues of 'civilization' and 'colonization' were concerned. At least in theory, Cavid Bey considered it both inevitable and sometimes a duty for 'civilized' European powers to colonize regions of the world inhabited by semi-civilized peoples such as the Chinese, '[who] progressed to an extent in civilisation but then remained stationary', or the Indians, who were incapable of self-governance due to their incessant internal conflicts, or by uncivilized, 'entirely savage (*büsbütün yabâni*)' peoples.<sup>41</sup> He did acknowledge that practice was often quite different from theory, replete with exploitation and pillaging of natural resources, confiscation of inhabitants' properties and 'ruthless suppression'. Nevertheless, he considered European expansion and colonization justifiable as long as its purpose was to bring colonized societies within 'the circle of civilization' by establishing justice and property rights, by diffusing science and education, treating populations as equal to Europeans 'regardless of their race' while respecting local customs and traditions.<sup>42</sup>

Where did Cavid Bey place the Ottomans within this global imperialist classification of peoples? Even though, as far as I could establish, he did not address the subject in writing, traces of his thoughts on the matter appear when he poured scorn on the wider ills of Ottoman society and lambasted



his fellow Unionists for allegedly unwarrantable acts, such as mass violence, dictatorial tendencies, ultra-nationalism or incompetent governance. In this sense, the British Ambassador to Istanbul Sir Gerard Lowther was quite correct when he described Cavid Bey to his Foreign Secretary Sir Edward Grey as a man who was ‘perhaps naturally, somewhat intolerant of the slow-minded methods of the real Turks ...’<sup>43</sup> The same considerations would also lead Cavid Bey to accept, to an extent, the dominant European financial influence. Upon taking office, he gave assurances to the French, which even encompassed talk of reviving the 1860s project of entrusting the Ottoman treasury to the IOB.<sup>44</sup>

Cavid Bey epitomized Ottoman imperialist and elitist thought, the unwavering categorization of peoples and ‘othering’ in the world as well as within the empire, which had become even more evident after the entry of the notion ‘civilization’ into the Ottoman political lexicon in the 1830s.<sup>45</sup> In the late 1900s, his convictions exemplified the idea of civilization taking hold in the Ottoman Middle East. He recognized goodwill behind European interference in Ottoman politics and administration as in other ‘semi-civilized’ societies, and considered it, on occasion, as a beneficial ‘civilizing mission’. His ideas would change dramatically in the following years, however.

For all his intellectual and ideological propensities, his European correspondents were usually fond of Cavid Bey. What Lowther went on to write about him outlines the intellectual and racial factors that would lead his contemporaries to consider the Ottoman minister an ‘exceptional’ figure and that enables us to argue that a focus on Cavid Bey’s life story also exposes the ‘racialist essentialism’<sup>46</sup> of his time:

[Cavid Bey] is exceedingly quick and intelligent, an exceptionally good orator and debater, genial, liberal-minded, and probably the most popular of the Young Turks who have come to the fore ... [A]s ‘deunmeh’ [*sic*], which have in great part supplied the brain-power of the new movement in Turkey, [he] has all the financial talents of his race ...<sup>47</sup>

The Belgian minister plenipotentiary in Istanbul, Comte Errembault de Dudzeele, believed that Cavid Bey was ‘gifted with high capacities ...’<sup>48</sup> The agents of the Deutsche Bank reported that Cavid was ‘considered to be a financial genius (up to now, however, only as a theorist)’.<sup>49</sup> Thanks to his fruitful collaboration with the newly appointed French financial adviser Charles Laurent in reorganizing the Ottoman Ministry of Finance, the journalist Georges Gaulis also hailed Cavid Bey in a letter to IOB Paris: ‘a new, rising star ... you must give him sustained attention and expect a lot from him’.<sup>50</sup> The French embassy in Istanbul welcomed the news of his appointment in a despatch to the Quai d’Orsay: ‘the appointment can only be pleasant to France’.<sup>51</sup>

To reiterate, the Ottoman minister was aware of the empire's financial dependence on France and, at least at first, appeared eager to follow French advice on the reorganization of the imperial finances – a stark contrast to the Hamidian policies of the previous decades. He was convinced that the French financial markets had the largest capital potentially available, if the Porte could access it.<sup>52</sup> As a matter of fact, the French *rentiers* had considerable appetite for Ottoman debt. By 1909, the Paris Bourse was the only established market for Ottoman securities, and many French (as well as other European) investors bought their bonds there; the 1876 default had badly burnt the London stock market, where one-third of the world's securities were quoted at that time.<sup>53</sup> From 1876, British investors had shown less interest in Ottoman bills, and London's shareholders largely abandoned the IOB, rendering the bank a predominantly French enterprise.<sup>54</sup>

The quandary here was the fact that Cavid's fellow committee-members, such as Talat Bey or political-military figures like Mahmud Şevket (later Minister of War), were nationalists of sorts, especially where foreign involvement in Ottoman domestic affairs was concerned. Their nationalism grew stronger and became the dominant ideology of the imperial government in the wake of a series of catastrophes that included the annexation of Bosnia and Herzegovina by Austria-Hungary in 1908, the Bulgarian declaration of independence a few days later, the Italian invasion of Ottoman Tripoli in 1911–12, the Balkan Wars of 1912–13 and finally the First World War. Coupled with a domestic quest for political control all these events radically altered power dynamics in Istanbul as hard-line members of the committee took hold of the empire.

It was during these rapid power shifts that Cavid Bey had to position himself between the controlling influence of the European agents, on one hand, and the mounting nationalism and militarization of the CUP and the Ottoman Empire, on the other. His dilemma was how to find a middle way for fiscal survival and to obtain the aid of the very powers that were looked on with such suspicion at home. He had contracted loans in Western syndicates in 1908 and 1909, with favourable conditions for the Porte, even though these did not prevent the new budget prepared by Laurent and himself for 1910–11 from showing an estimated deficit of 4,421,914 Turkish lira (Ltq).<sup>55</sup> A new loan was thus imperative again in 1910. But nationalist domestic pressures were piling on, while Cavid Bey was pushed into a corner by the scheme the French agents (IOB, Laurent and the Quai d'Orsay) came up with. Laurent asked the Ottoman minister to keep his word and give the IOB control of the Ottoman imperial treasury. At the same time, the French government compelled the Porte to recognize the Republic's sovereign control over Algiers and Tunis (France had invaded Algiers in 1830 and Tunis in 1881) before formally admitting the loan

to the Paris market (giving the *côte*). Confronted with the insinuations of Mahmud Şevket Paşa, a hero for suppressing the counter-revolution in 1909, Cavid Bey was between a rock (foreign controlling influence and demands) and a hard place (nationalism).<sup>56</sup>

In order to break the international consortium of the IOB, OPDA and the Deutsche Bank, Cavid Bey had established a new bank with British capital in the spring of 1909: the National Bank of Turkey (NBT).<sup>57</sup> His plan was to use the NBT as a stool pigeon in his loan negotiations with the IOB and Deutsche Bank, a means by which to procure more favourable loan conditions for the Porte. The 1910–11 loan talks tested his plan to the point of destruction, because the NBT, with its limited reserves, never styled itself as competing with the much larger IOB, and after the French and British governments interfered it pulled back rather than jeopardize the *entente cordiale* between Paris and London.<sup>58</sup> In fact, British investors, now willing to consider a return to Ottoman markets, had other economic interests in mind, seeking a means to explore the potential of Mesopotamian oil.<sup>59</sup> Since the 1890s British (Burmah Oil) and German (Deutsche Bank) groups had been competing to obtain oil exploration rights by way of a concession to build a railway to Baghdad (while also looking for opportunities to cooperate). In the end the NBT would serve more as an instrument in the British quest for oil in Mesopotamia than as an enabling financial actor for the Porte.

Cavid Bey's hands were tied. Another option for ameliorating the imperial finances might have come from increasing the customs tariffs on imports and exports by 4%. But European dominant control emerged again as an obstacle for him. He had to obtain the consent of the great powers to such a tariff increase, owing to commercial agreements signed in the nineteenth century. In the end both the British and the Germans consented, but on one condition: that the Baghdad railway concession be granted to their nationals exclusively – another typical example of European conditionality in Ottoman eyes. The Porte's inability to raise customs' tariffs without the consent of the great powers inspired in Cavid Bey an irrepressible desire to abolish the capitulations accorded to the Europeans. Yet the Porte had neither diplomatic manoeuvring space nor the military power to take such a colossal decision. At least, not for the present.

Still, during the 1910–11 loan talks, Cavid Bey managed to avoid succumbing to the demands of Laurent and the IOB by signing a loan deal with an Austro-German syndicate spearheaded by the Deutsche Bank. In the end, he pulled back from his previous assurances of giving control of the imperial treasury to the French and even forced Laurent to resign from his post for allegedly displaying anti-Ottoman policy. In less than two years Cavid Bey's reputation in Paris thus went from rising star to great unpopularity.

His controversies with Laurent and the IOB would lead Quai d'Orsay officials to believe that they had been wrong in identifying Cavid Bey as less 'nationalistic' than other leading figures in the CUP.<sup>60</sup> In reality, the French agents had not misunderstood him from the beginning. Cavid Bey had changed, in the face of public pressure, incessant foreign political and financial encroachments, and the bewildering, predatory, Darwinistic, economic competition and opportunistic cooperation among European capitalists.

Even then the mutual financial dependence of the IOB and the Porte, as well as of France and the Ottoman Empire, ensured that a few months later (January 1911) a *rapprochement* began when the IOB agreed to several concessions Cavid Bey demanded (such as the establishment of a new executive board in Istanbul on which three Ottoman representatives would sit), in order to render the bank 'more Ottoman'.<sup>61</sup> A conscientious diary-keeper, he wrote the same day: 'Here is the consequent victory of a solid and continuous policy'.<sup>62</sup> Cavid Bey did succeed in reducing the IOB's influence, securing a loan in late 1910 and early 1911 from a German group (which could barely remit the amount agreed in the years to come), and involving British groups in the purchase of Ottoman bonds and loan deals. In those two years, he signed, with his famous red pen, several foreign direct investment agreements for the construction and operation of ports, docks, roads and railways. Yet he also started to see more value in economic nationalism and protectionism, introducing state monopolies over profitable sectors such as the establishment of a petroleum *régie*.

In sum, after he became the Minister of Finance, Cavid did not look to capsize an adversarial normality altogether. But he did seek to turn the tables on the agents of financial control (the IOB, Charles Laurent, the OPDA, etc.) with partial success, manipulating their dominant control as a trope to meet the fiscal requisites of the Ottoman Empire.

### Back to normal

Just when Cavid had hit a home run as Minister of Finance, he fell from office. A relentless antisemitic campaign by both Ottoman politicians and journalists and European diplomats began in the spring of 1911, combined with related accusations based around the CUP leaders' links to freemasonry.<sup>63</sup> The fact that the German group with which Cavid signed the 1911 loan deal consisted of supposedly 'Jewish' banks and the Jewish founder of the NBT, Ernest Cassel, led many, particularly British Ambassador Lowther, to claim that the Ottoman Empire was ruled by Jews. In his diaries Cavid Bey dismissed these claims as nothing but the same old 'tales', only to be pushed to resign under incessant public pressure.<sup>64</sup>

In the spring of 1912 Cavid returned to office as Minister of Public Works when a new CUP cabinet was formed. However, a few months later, the committee was ousted from power by the liberal/conservative opposition. Seeing that he could be imprisoned or murdered amidst political tensions in Istanbul, on 15 November Cavid left for France and Austria.<sup>65</sup> Having been living on money borrowed from his friend Hüseyin Cahid, he decided to leave politics for good and stay in Europe, and he asked his Ottoman Armenian friend Calouste S. Gulbenkian to help him find a job.<sup>66</sup> Gulbenkian had acted as his financial adviser during the 1911 loan negotiations and had important connections in European financial circles, which allowed him to find a position for Cavid Bey at the Paris finance house Bénard & Jarislowsky.<sup>67</sup> When the news of the CUP's January 1913 *coup d'état* broke, however, he changed his plans and returned to Istanbul.

He did not take up any cabinet posts until the assassination of the new grand vizier Mahmud Şevket Paşa in June 1913. But even before he was reappointed as Minister of Finance, Cavid Bey laboured to fix the financial situation of the empire, now even worse for the wear attributable to heavy spending during the Tripoli war and the Balkan wars. In 1913–14, he spent most of his time travelling between European capitals, darkening the doors of European bankers.<sup>68</sup>

Memoranda circulated within the ministries of Paris: Cavid's *dönme* origins, his antagonistic behaviour in the 1910–11 loan negotiations, his relationship with French institutions and with French political and bureaucratic figures were all detailed.<sup>69</sup> The French Directorate of Political and Trade Affairs was conscious that Cavid was testing European markets, calculating how far French banks might be willing to lend their assistance to the Porte. It was important to recall the 1910 experience, one memorandum noted: '[i]n spite of the condescension which France used towards him, Djavid Bey, animated by a narrow nationalism and intoxicated by this first success, believed that he could dispose as he pleased of the French market'. The French plan was to welcome Cavid's overtures and displays of friendship with 'a defiant reserve'. He would be reminded of the French affairs which were still awaiting a solution.<sup>70</sup> But, as we will see below, in contrast to the 1910–11 negotiations, the French demands centred not on high political issues such as recognition of Algiers and Tunisia as French colonies. This time issues of low politics, such as the appointment of French advisers to the Ottoman bureaucracy and economic concessions for French companies, were laid on the table as conditions.

Born of the early days of the revolution, Cavid's idealism and optimism had already waned by this point. The Porte was in dire need to borrow at least 23 million Ltq, as it was still fighting the Balkan wars and the

economy was on the brink of collapse.<sup>71</sup> A Belgian observer aptly spotted that the grim situation meant ‘any group able to offer the regime hard cash could get broad concessions’, both economic and political. He also added that the French were again trying to reduce the Ottoman Empire to penury in order to control it.<sup>72</sup> Since time was in its favour, the French government pursued the loan negotiations with Cavid Bey at a markedly reduced tempo.<sup>73</sup>

In order to counter the French strategy, the Porte made a last-ditch effort and reached out to the other side of the Atlantic through a ‘Turkish Armenian’, possibly Gulbenkian, making tentative offers to several New York banks for a transatlantic loan and also for warships to be bought with the proceeds. But these advances were coldly received. Wall Street had ‘no money to spare’ for the Porte, the Ottoman agents were told.<sup>74</sup>

The financial disarray was so grave that, in early 1914, many of the Porte’s unpaid civil servants were reportedly surviving on bread dipped in tea or coffee, complaining about being unable to procure even a piece of cheese, as small shop-owners were unable to give them further credit.<sup>75</sup> Against this background, Cavid Bey signed a deal with the French on 15 April 1914.<sup>76</sup> The total amount of the loan was 800 million francs (28 million Ltq) with interest at 5 per cent  $\times$  93¼, to be extended in two tranches: the first, 500 million francs, to be issued by 25 April, and the remaining 300 million francs later in the year.<sup>77</sup>

The deal would help save the day for the Porte financially, and grant the French several concessions over railway construction in Syria and Northern Asia Minor, port construction at Jaffa, Haifa, Tripoli in Syria, Heraklia and Inebolu, and the purchase of six destroyers from France. And finally, it stipulated that French advisers would be appointed to the state departments of the Porte, including the Ministry of Finance.<sup>78</sup> This was the last major loan agreement signed between Cavid Bey and the IOB before the First World War. Like its predecessors the agreement offered respite to the Ottoman treasury. Yet it at once laid the ground for further European financial control in the Middle East.

Mehmed Cavid Bey never travelled beyond Europe or Asia Minor. His story was an embodiment of a global history on a regional level – the history of the endeavours to keep a peripheralized empire’s finances afloat amidst international dependencies, conflicting political interests and domestic distress. Tracing his attempts both to capitalize on financial colonization of the Ottoman world and to bridle it permits us to uncover a hitherto unrecorded account of peripheral agency in the invention of the Middle East as a geo-strategic term. It allows us to think beyond the confines of scale and distinguish largely overlooked financial undertones of political decision-making processes – how the fateful beginning of the Middle East, as we refer to the

region today, was informed by complex financial and economic occurrences surrounding the First World War.

Equally importantly, our microspatial optic allows us to capture the tensions between the exceptional and the normal that defined the global quality of Cavid Bey's story. It discloses the experience of the *dönme* community in the region, how its Jewish origins emerged before it as a stumbling block at every major turn, and how racialist essentialism ran perennial in the writings of contemporary politicians and diplomats. Cavid Bey's experiences in the first two decades of the twentieth century also symbolize the rapid metamorphosis that Ottoman liberal statesmen and thinkers went through in the aftermath of the Young Turk revolution: from idealist optimism into anticlimactic realism. The fickle nature of Cavid Bey's relationships with European banks, financiers and financial advisers showcases his oscillations as an exceptional Ottoman statesman of finances positioning himself within the new normality of his time: financial colonization.

Cavid Bey at first accepted this normality. He even saw benefits in it for the Ottoman Empire. His liberal orientation, his expertise in economics and finance, his positivist belief in statistics and his partial acceptance of financial colonization all rendered him a doubly unique figure within this normality that in fact persists to this day in new forms. But then, under domestic nationalist pressures and through his own observations and experiences, Cavid Bey's ideas evolved against the new normality even though in the end he was strong-armed by French financiers only months before the outbreak of the First World War. What made Cavid Bey an exceptional normal was hardly static.

This brings us to the final concluding remark we can derive from his life story. The evolution of Cavid Bey's ideas and policies constitutes another classic, non-Western example of the subduing of liberal propensities by political and economic nationalism at home, partly in response to the perceived Western imperial aggressions.<sup>79</sup> Cavid Bey the (economic) liberal would come to argue for economic nationalism and protectionism a few years after coming to office, and remain completely silent in the face of the CUP's ultra-nationalist and violent demographic politics. Despite all his liberal inclinations and exceptional qualities, he would thereupon act no differently to the other Unionists. This liberal tragedy, too, persists in the Middle East to this date, serving as one of the many causal factors in the prevalence of nationalist authoritarian regimes in this globally made, ill-fated region.



## Notes

- 1 C. de Vito, 'History without scale: the micro-spatial perspective', *Past & Present* Supplement 14 (2019): 348.
- 2 E. Said, *Culture and imperialism* (New York: Vintage Books, 1993): 18.
- 3 De Vito, 'History without scale', 349.
- 4 To date only two semi-biographical studies have been published on Mehmed Cavid Bey (1877–1926), both in Turkish, both using almost only Turkish sources, and both focussing predominantly on Cavid Bey's economic thought and domestic political dealings: N. Eroğlu, *İttihatçuların Ünlü Maliye Nazırı Cavid Bey* (Istanbul: Ötüken Yayınları, 2008); P. Tunçer, *İttihatçı Cavid Bey* (Istanbul: Yeditepe Yayınları, 2010).
- 5 Eroğlu, *İttihatçuların*, 14; A.-D. Méropi, *Salonique, 1830–1912: une ville ottomane à l'âge des réformes* (Leiden: Brill, 1997); M. D. Baer, *The dönme: Jewish converts, Muslim revolutionaries and secular Turks* (Stanford, CA: Stanford University Press, 2010): 61.
- 6 S. Akşin, *Jön Türkler ve İttihat ve Terakki* (Ankara: Imge Kitabevi, 2015): 80–81; Baer, *The dönme*, 6, 36, 43.
- 7 Baer, *The dönme*, 46–9; I. Zorlu, *Evet, Ben Selanikliyim: Türkiye Sabetaycılığı* (Istanbul: Zvi Geyik Yayınları, 2001): 17–20. Cumhurbaşkanlığı Arşivi, Istanbul (hereafter BOA), DH.SAID.d. 79/467. Also see Eroğlu, *İttihatçuların*, 17.
- 8 Eroğlu, *İttihatçuların*, 17.
- 9 Mehmed Cavid Bey, *İktisat ilmi* (Ankara: Liberte Yayınları, 2001): ix; F. Georgeon, 'Un manifeste du libéralisme économique dans l'empire ottoman au tournant du siècle', in J. Thobie, R. Perez and S. Kañçal (eds), *Enjeux et rapports de force en Turquie et en Méditerranée orientale* (Istanbul: Institut français d'études anatoliens, 1996), 153–62.
- 10 Baer, *The dönme*, 61; N. Alkan, 'Emanuel Karasu ve İkinci Abdülhamid'in Tahttan Indirilmesi', *Toplumsal Tarih* 172 (April, 2008): 181.
- 11 H. C. Yalçın, *Siyasal Amlar* (Istanbul: İş Bankası Yayınları, 1975): 115; E. Anduze, *La Franc-Maçonnerie au Moyen-Orient et au Maghreb* (Paris: Editions L'Harmattan, 2005): 39; A. Iacovella, *Gönye ve Hilal İttihat ve Terakki ve Masonluk* (Istanbul: Tarih Vakfı Yurt Yayınları, 1999): 39–40.
- 12 M. Şükrü Hanioglu, *Preparation for a revolution: the Young Turks, 1902–1908* (Oxford: Oxford University Press, 2001): 211.
- 13 Mehmed Cavid Bey, 'Kanun-u Esasiyemizin Maliye Kanunu Mevadi Hakkında', *Ulum-u İktisadiyye ve İctimaiyye* 1 (6 November 1908), 25–33.
- 14 BOA, ZB 24/64.
- 15 Mehmed Cavid Bey's diaries were published for the first in the *Tanin* newspaper in the mid-1940s and later by the Turkish Historical Association (THA) in 2014–15; Hasan Babacan and Servet Avsar, *Meşrutiyet Ruznamesi*, 4 vols (Ankara: Türk Tarih Kurumu, 2014–15). In this chapter, I consult both, supply newspaper dates when the *Tanin* is used as a source and use the acronym MR for the THA volume. 'Meşrutiyet Devrine Ait Cavid Bey'in Hatıraları', *Tanin* (7 September 1943): n. 1; diary entry for 7 May 1909, *Tanin* (8 September

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- 27 Eldem, ‘Financial integration’, 437.
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- 32 Owen, *The Middle East*, 193.

- 33 Birdal, *Public debt*, 8–9; D. C. Blaisdall, *European financial control in the Ottoman empire: a study of the establishment, activities, and significance of the Ottoman public debt* (New York: Columbia University Press, 1929): 2.
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- 43 The National Archives, in Kew, London (hereafter TNA), FO 371/777, Lowther to Grey, 28 June 1909, 451.
- 44 Ministerie van Buitenlandse Zaken, Brussels (hereafter DIPLOBEL), CP Turquie 1909–10, Dudzele (Istanbul) to MAE (Brussels), 11 July 1909.
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